This is the annual report
Sandnes Sparebank
2020

TRANSLATED VERSION

Content

The year 2020

2020 has been a demanding and peculiar – but also a good year for Sandnes Sparebank. Since March, the Corona pandemic has put its stamp on the operation of the Bank and many of the Bank's customers. It has been particularly important for the Bank to be visible and show that we are a Bank for both good and challenging times.

Many customers wanted to get in touch with their personal advisor at the start of the pandemic. Some wanted economic advice, while others were offered instalment relief and/or government guaranteed loans. Never before have we been in contact with so many customers within a similar period of time.

In the spring, Norges Bank reduced its policy rate in three stages, down to zero. During this period, the Bank was committed to show corporate responsibility, and reduced its interest rates both faster and by more than most competitors. This contributed to keeping the wheels rolling, and many customers were added, as they found us to be proactive.

In 2020 we put behind us a strategy period lasting from 2017 to 2020. It is edifying to see that clear goals and hard work do indeed give results. The reputation of the Bank has been strengthened, the customers are more loyal and satisfied, and costs have been stable. Simultaneously, the Bank has experienced growth since 2018, and risk has been reduced. In 2020, the Bank has had the pleasure to welcome many new customers, in the retail market in particular. In this segment, lending growth has been 2.5 times the general market growth in the Bank's market area. In 2019, the Bank delivered its all-time best result, and 2020 earnings, despite Corona, are not far behind. And that is something we are very satisfied with.

We are now looking ahead, and a new strategy for the 2021–2024 period was adopted in the autumn of 2020. The new strategic objectives are ambitious both with respect to growth, efficiency, reputation building, competency development and culture. In the coming strategy period, sustainability and technology development will take up more space than in the previous one. At the core of this, is that we shall develop the Bank further to enable us to continuously providing better customer experiences.

We are the customer dividend bank, and in the fourth quarter of 2021 we will pay out dividend to owners and customers for 2020, if conditions allow. Customer dividend will then be disbursed for the fourth time. The time of disbursement has been postponed due to governmental limitations.

We are the yellow bank. The bank that provide its customers with their own, personal advisor, who is closely involved, close by and available. We are a bank for retail customers and small and medium sized companies that want a little more. We are a strong contributor to the local community, both by distributing gifts for purposes of public utility, and by sharing some of the profits with our customers.

Trine K Stangeland

Trine Karin Stangeland
CEO

Key figures

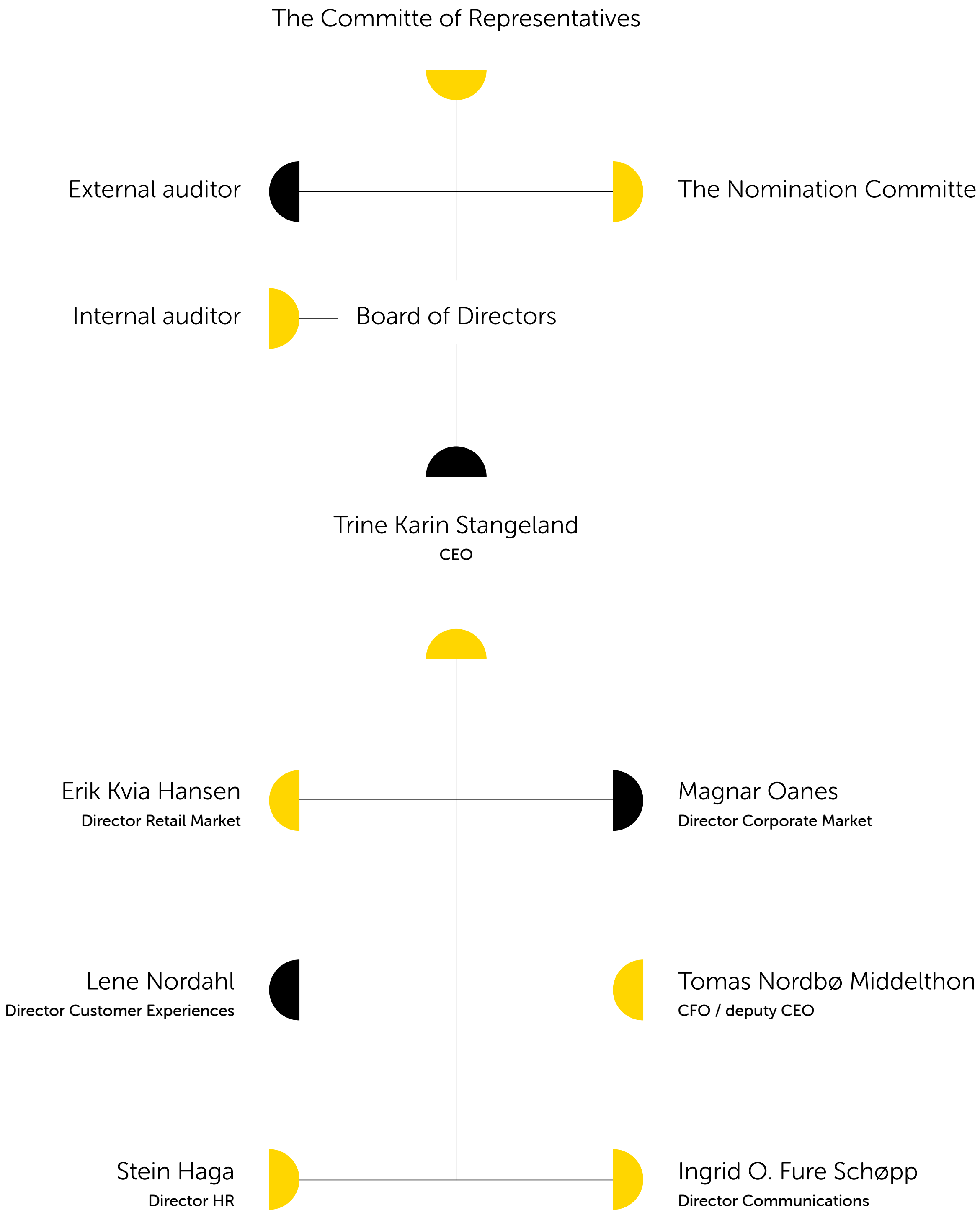
Key figures as of 12/31/2020

Group			Parent Bank	
The year 2020	**The year 2019**	**Profit summary** (NOK '000)	**The year 2020**	**The year 2019**
469 582	475 841	Net interest income	394 187	412 844
135 027	140 559	Other operating income	118 324	136 486
268 988	269 496	Other operating cost	238 316	240 903
24 689	13 471	Net loss/writedowns	23 415	14 360
310 932	**333 433**	**Operating profit before taxes**	**250 780**	**294 067**
50 160	56 361	Tax cost	37 173	47 391
260 772	**277 072**	**Operating profit after taxes**	**213 608**	**246 676**
-353	-13 799	Other income and cost (after taxes)	-706	-13 554
260 419	**263 272**	**Total profits**	**212 902**	**233 121**
259 285	263 112	Majority share of profits		
1 134	160	Minority share of profits		
12/31/2020	**12/31/2019**	**Balance sheet excerpts** (NOK millions)	**12/31/2020**	**12/31/2019**
29 235	28 158	Total assets	21 086	20 693
28 697	27 684	Average total assets	20 889	20 431
24 000	22 878	Loans to customers	15 080	14 981
11 926	11 833	Deposits from customers	11 931	11 835
3 879	3 858	Notes and bonds	3 406	3 062
326	113	Financial derivatives	184	64
2 952	3 019	Equity capital	2 680	2 796
12/31/2020	**12/31/2019**	**Key figures**	**12/31/2020**	**12/31/2019**
		Performance past 12 months		
3.8 %	3.5 %	- Asset management	1.9 %	2.6 %
4.9 %	2.5 %	- Lending	0.7 %	0.6 %
0.8 %	5.2 %	- Deposits	0.8 %	5.2 %
49.7 %	51.7 %	Deposit to loan ratio	79.1 %	79.0 %
246.6 %	209.0 %	Liquidity indicator (LCR)	251.2 %	212.0 %
		Profitability		
1.64 %	1.72 %	Net interest income in % of avg. total assets	1.89 %	2.02 %
44.5 %	43.7 %	Cost to income ratio	46.5 %	43.9 %
0.9 %	1.0 %	Total cost in % of avg. total assets	1.1 %	1.2 %
10.8 %	11.5 %	Return on equity before taxes	9.5 %	11.0 %
9.0 %	9.6 %	Return on equity after taxes	8.1 %	9.2 %
8.9 %	9.4 %	Return on equity after taxes, incl. interest on hybrid capital	7.9 %	9.0 %
		Solvency [1]		
19.8 %	19.6 %	Capital ratio	21.9 %	21.7 %
18.5 %	18.2 %	Tier-1 capital ratio	20.3 %	20.1 %
17.8 %	17.5 %	Core Tier-1 capital ratio	19.5 %	19.2 %
15 982	15 354	Risk-weighted capital	12 722	12 381
		Human Resources		
132	133	Number of full-time equivalents as of date of balance sheet	111	115
		Equity capital certificates		
74.4	67.0	Quoted price	74.4	67.0
63.6 %	65.4 %	Equity capital certificate return	63.6 %	65.4 %
7.9	7.9	Earnings per equity capital certificate	6.5	7.0
7.9	7.9	Diluted earnings per equity capital certificate	6.5	7.0
86.8	83.0	Book equity per equity capital certificate	78.5	76.6
0.86	0.81	Price/book equity (P/B)	0.95	0.87

1 Solvency key figures (capital adequacy) for the Group include the consolidated share of capital for owner companies in cooperating group.

Organization and management

Organization and management



The board of directors


(1)


(2)


(3)


(4)


(5)


(6)


(7)

Harald Espedal (1)

Chairman

Mr. Espedal has a Bachelor of Economics degree from the Norwegian School of Economics and Business Administration and is a graduate of the top level audit course at the same institution. He is Chairman of the Board of Espedal & Co AS, an investment company. Previously, Mr. Espedal was Managing Director and Investment Director at SKAGEN, and has additional experience as Investment Director at Vesta, Investment Manager for European stocks at Skandia, Finance and Research Manager at Sparebank 1 SR-Bank, and as a Manager of Arthur Andersen, a consulting and audit company, in Stavanger. He has chaired the Board of Directors since 2015.
Mr. Espedal owns 886,861 equity capital certificates via his investment company, Espedal & Co AS. In addition, Mr. Espedal manages 680.000 equity capital certificates through the company Salt Value AS.

Frode Svaboe (2)

Deputy Chairman

Mr. Svaboe has a Bachelor of Commerce degree from the BI Norwegian School of Management, and is a graduate of the top level audit course at the Norwegian School of Economics and Business Administration. He is currently Partner/General Manager of SVAL Rådgivning AS. Mr. Svaboe has previous experience that includes positions as auditor with KPMG and as Partner/General Manager of KPMG SørVest. Director since 2010.
Mr. Svaboe owns 10.200 equity capital certificates through his investment company FS Invest AS.

Sven Chr Ulvatne (3)

Director

Mr. Ulvatne has an engineering degree from NTNU and is currently regional manager for Backe Prosjekt AS. Previously, Mr. Ulvatne was a Managing Director for 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 is a director of various companies, and is Chairman of the Board of his own investment company. Mr. Ulvatne also holds a number of elected offices in industry associations such as NHO, BNL, EBA and Standard Norge.
He owns 1,442 equity capital certificates and 9,300 equity capital certificates via his investment company, Ulvatne AS.

Bjørg Tomlin (4)

Director

Ms. Tomlin has a Bachelor of Commerce degree from the Copenhagen Business School (CBS). She also has a Master of Telecommunications degree from the BI Norwegian School of Management. She is currently the Managing Director of Upheads AS, an IT company. Previously, she was Corporate Market Director at Altibox/Lyse. She also has 15 years of experience from various management positions at Telenor, of which 5 years as Regional Director South/West. Director since 2019.
Ms.Tomlin does not own any equity capital certificates.

Astrid Rebekka Norheim (5)

Director

Ms. Norheim has been the Managing Director of Lyse Dialog since 2018. She has a Bachelor of Business Administration from the BI Norwegian School of Management, supplemented with several management development programs from the same institution. She has 21 years of experience from various roles at SpareBank 1 SR-Bank, among others Director of High Net Worth Individuals and Agriculture, and Director of Saving, Investment and Pension. Director since 2020.
Ms. Norheim owns 5,186 equity capital certificates.

Jan Inge Aarreberg (6)

Employee representative

Mr. Aarreberg has a Bachelor degree from the BI Norwegian School of Management and is working as an authorized financial advisor. Employed by the Bank since 2007.
Ms. Aarreberg owns 3,281 equity capital certificates.

Ingunn Ruud (7)

Employee representative

Ms. Ruud has a Bachelor of Economics and Administration from the University of Stavanger. She has six years of experience as an authorized financial advisor from Sparebank 1 SR-bank. She has been employed by Sandnes Sparebank since 2012 and is currently working as a retail market credit advisor. Ms. Ruud is the Bank's main shop steward and a member of the board of the Finansforbundet union's Eika Group section. Director since 2020.
Ms. Ruud owns 91 equity capital certificates.

The management group

The Management Group


(1)


(2)


(3)


(4)


(5)


(6)


(7)

Trine Karin Stangeland (1)

CEO / Managing Director

Ms. Stangeland has a Bachelor's degree in Economics and a Master's program in strategic management from BI Norwegian Business School. She has several years of management experience from the Lyse Group, from 2005 to 2016, recently as CEO of Lyse Dialog. Prior she has several years of management experience in economics and finance from industry. Ms. Stangeland is deputy chairman of the group board of the Eika Group, board member of Eika Banksamarbeid and chairman of the board of Kjell Haver Regnskapsservice. She has been employed by Sandnes Sparebank since February 2017.
Ms. Stangeland owns 21,109 equity certificates.

Erik Kvia Hansen (2)

Director Retail Market

Mr. Kvia Hansen has a marketing education from the BI Norwegian School of Management. He has ten years of experience from the retail market department of Nordea Rogaland, inter alia as customer consultant, branch manager and retail market area manager, with primary focus on new sales. Has also seven years of experience as project manager in the marketing department of GE Money Bank, from CRM and product development. Mr. Kvia has been employed by Sandnes Sparebank since July 2017.
Mr. Kvia owns 2,950 equity capital certificates.

Tomas Nordbø Middelthon (3)

CFO / Deputy Managing Director

Mr. Middelthon has a Bachelor of Economics degree, is an authorized financial analyst, and has an MBA in finance from the Norwegian School of Economics and Business Administration. He joined Sandnes Sparebank after seven years at Skagenfondene, where he spent five years as portfolio manager and two years as risk manager. Prior to this, he was a senior financial services consultant with Statoil. He took up the position as Chief Financial Officer in April 2017. Mr. Middelthon is the deputy to the Managing Director.
Mr. Middelthon owns 26,204 equity capital certificates.

Ingrid O. Fure Schøpp (4)

Director Communications

Ms. Schøpp holds a Cand. Mag. degree from Hamar College of Education and the University of Stavanger. She has been employed by Sandnes Sparebank since 1987 and has previously worked as Marketing Manager and Information Manager. She is responsible for the Banks' overall marketing communication and branding. Ms. Schøpp is the press officer of the Bank.
Ms. Schøpp owns 9,194 equity capital certificates.

Magnar Oanes (5)

Director Corporate Market

Mr. Oanes has an economics and administration education from the College of Agder. Previous experience includes positions as CEO and CFO of Dalema Gruppen, CEO of WestControl AS, an electronics firm, and CFO of Technor ASA, an industrial and offshore company. In addition, Mr. Oanes has 10 years of banking experience from Kredittkassen in Stavanger and ABC Bank. He has been employed by Sandnes Sparebank since July 2013.
Mr. Oanes owns 14,415 equity capital certificates.

Lene Nordahl (6)

Director Customer Experiences

Ms. Nordahl has studied economics and information technology at the University of Stavanger. She has 11 years of experience from various roles at GE Money Bank and six years at Lyse Dialog AS, where she had the role as Strategic Customer Service Manager. Ms. Nordahl has been employed by Sandnes Sparebank since June 2017.
Ms. Nordahl owns 2,931 equity capital certificates.

Stein Haga (7)

Director HR

Mr. Haga holds a Bachelor of Commerce degree from the University of Oregon, and a Master of Management from the Norwegian School of Management BI. He has experience as an advisor on Personnel and Organization for the municipality of Sandnes, as HR Manager of Marine Well Service and as Manager of EgroBlueGarden. Mr. Haga has been the HR Manager of Sandnes Sparebank since 2004.
He owns 9,547 equity capital certificates.

Sustainability and social responsibility

The Bank's guidelines and principles for the practice of ethics and corporate citizenship are presented in their entirety on our website www.sandnes-sparebank/samfunnsansvar.

Sustainability and corporate citizenship are becoming increasingly important as business drivers. The Bank is of the opinion that companies that have integrated sustainability in their business strategy, will perform better than their competitors in the long run. The core corporate responsibility of the financial industry is to create values and operate profitably, but not at the expense of the people around us, the environment and in breach of basic ethical principles.

Through its funding function, the Bank has the opportunity to challenges our customers and other companies with respect to systematic improvement. Sandnes Sparebank shall be a contributor and driver of sustainable value creation in society through the operation of responsible banking.

Responsible business practice is ensured by integrating sustainability and social responsibility in our business processes. All bank employees get an annual update regarding the Bank's policy for corporate citizenship and sustainability. The purpose of the policy is to ensure that the Bank does not contribute to the violation of human and employee rights, corruption, serious environmental damage and other unethical acts, and that we contribute to a transition to a more sustainable society.

Sustainability and social responsibility have been included in the Bank's key policies, such as its credit policy, investment policy as asset manager and in the risk evaluation processes.

A new strategic plan, including a sustainability strategy, was adopted by the Board of Directors in the autumn of 2020. In the autumn of 2019, the Bank conducted extensive mapping of which priorities employees desire the Bank to have, related to sustainability. This, together with input from other stakeholders, has been an important contribution to the development of the Bank's sustainability strategy and materiality assessment.

The strategic objective of the Bank is "We are committed to contribute towards a better and more sustainable future for our employees, our customers and our surroundings". Major topics have been identified, and objectives have been set for various areas of our business, in order to reach our overall objective. Below please find a summary of major topics, action implemented and priorities further on through the strategy period.

Ethical Bank Guide, a collaborative effort between Fremtiden i våre hender (Future in our Hands – an environmental NGO) and the Norwegian Consumer Council, conducts annual mapping of how a number of select Norwegian banks fulfil social responsibility requirements. The results of the 2020 survey show that Sandnes Sparebank achieved a score of 75%. The Bank is gradually achieving a higher score every year, reflecting the time spent on systematic work in this area.

In the autumn of 2019, we signed the UN Principles for Responsible Banking (UNEP FI). This is a natural step after having worked on ensuring sustainable and responsible business activities for several years. The Bank will report the status annually, for the first time in connection with the 2020 Annual Report. See page 135.

In our work on the further development of the Bank's sustainability strategy, the UN's sustainability goals and the reduction targets of the Paris Agreement, have been as a useful compass for defining priorities with respect to where the Bank has influencing opportunities. Sandnes Sparebank recognizes and expresses full support of all the UN sustainability objectives, and have, in particular, tied targets and priorities to six select objectives, where the Bank is really able to contribute positively and make a difference. Please refer to our website for a description of how we contribute in order to reach selected objectives.
https://sandnes-sparebank.no/samfunnsansvar/baerekraftstrategi

Stakeholder engagement

Sandnes Sparebank is concerned with openness and dialog with stakeholders, in order to identify their input and take them into account in our business. The Bank has several touch points with its stakeholders during a year. Below please find a summary of the Bank's dialog with stakeholders in 2020:

STAKEHOLDER	POINT OF CONTACT	KEY ISSUE	ACTION
Customers	• Counselling and dialogue via all the Bank's contact interfaces (including personal attendance, telephone, e-mail, letter, social channels and text messages) • Regular customer surveys in the Retail and Corporate market segments. • Customer communication on the web and the mobile banking app, social channels, and the Bank's website.	• Advisory services • Service experience • Products and services • Prices and terms • Availability and response time • Corona related requirements, government guaranteed loans and crisis aid • Responsible saving and responsible credit	• Continuous development and improvement of the Bank's products and services • Continuous coaching and guidance of the Bank's employees • Evaluation and improvement of customer processes
Employees	• Annual employee survey • Semiannual employee performance reviews • Collaboration and environment committees • Regular meetings with the union • Management development, culture development • Strategy meetings	• Ensure committed, competent and result oriented employees • Ensure a good working environment • Codetermination • Organizational development • Materiality analysis, priorities for strategic plan	• Development goals for employees • Ensure a high presence ratio among employees • Monthly joint KPI reporting for all managers • Status reporting based on materiality analysis and strategic plan
Equity capital certificate owners/ **Investors**	• Capital market day • Stock exchange releases and quarterly reports • Meetings of the Board of Trustees • Continuous contact with the biggest owners and analysts	• Profits • ESG • Ensure openness regarding financial statements and corporate governance • Predictable dividends in the long term	• Update estimates, and inform the market of extraordinary events
Other Eika banks and the Eika Alliance	• Physical meetings and web meetings • Participation in professional committees, e.g. the professional committee on sustainability • Chairmen of the board conference	• Joint activities, including competency, system and product development • Strategy, policies and actions – sustainability	• Follow-up of recommended measures
Authorities	• Continuous dialog with the Financial Supervisory Authority, etc.	• Operations, security, privacy • Anti-money laundering • Government guaranteed loans and crisis aid	• Measures ensuring compliance with laws and regulations
Special interest organizations and **Society in general**	• Conversations with Future in our Hands about the Ethical Bank Guide • UNEP FI • Finance Norway, including its sustainability reference group • Hosting the Sandnes business community through cooperation with the Chamber of Commerce • Sandnes Sparebank Gift Fund	• Responsible investments, granting of credit, relationships with fund providers • Relevant subjects within sustainable finance • Local business community, equal opportunity, sustainability • Contribute to a sustainable community with committed and conscientious people who create joy and solidarity within education, training, sports and culture	• Answering the Ethical Bank Guide, review of guidelines, policy and requirements • Principles of status reporting for responsible banking, PRB • Active participation in reference groups, further development of internal guidelines • Input to political hearings • Presentations and contributions, inter alia, the Stavanger Chamber of Commerce and the Kåkånomics conference • Distribution of funds from the Bank's profits to sustainable and other purposes of public utility

Materiality assessment

In 2019, the Bank conducted an extensive internal assessment for the purpose of identifying the objectives and measures through which the Bank has the most influence with respect to sustainability and social responsibility. No significant changes were identified during 2020. Inputs from dialogs with several groups of external stakeholders, including Future in our Hands / Ethical Bank Guide, Finance Norway, UNEP FI and the Eika Alliance, have been taken into account in our materiality assessment. Based on prioritized topics from the above-mentioned stakeholders, the Bank has prepared it sustainability strategy with the associated objectives and prioritized actions. Please also refer to the GRI Index attached to the Annual Report, which also states which GRI standards are considered significant for the Bank's business, in accordance with strategic priorities.

The materiality matrix summarized below is the basis for the strategy, objectives and priorities the Bank has now set for the 2021–2024 strategy period. The Bank will measure and follow up progress, and report status, goals and focus areas going forward. There will be an at least annual review of the requirements for changing priorities and significant themes.

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

- Contribute to sustainable realignment via distributions from the Gift Fund
- Energy consumption and own reduction goals regarding greenhouse gas emissions, waste, water and paper consumption

- Contribute to our customers' sustainable realignment through counselling and product development
- Ensure responsible lending and investing
- Combat economic crime
- Information security, privacy

- Balanced and open communication
- Diversity and equal opportunities
- Responsible procurement

- Competency development, including sustainability and climate risk in particular
- Ensure that ESG risk exposure and management is in line with policy

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

Responsible operations

The Bank shall reduce its climate and environmental footprint. Sandnes Sparebank is an environmentally conscious bank, and causes little pollution of the external environment. The Bank recognizes that it is of far greater importance how finance institutions may contribute to realignment through responsible credit and responsible investment. However, the Bank is still concerned with operating in a sustainable and as resource efficient manner as possible, and is continuously seeking to reduce its own climate and environmental footprint.

Actions the Bank has implemented:

Annual reporting of climate accounting has been a useful effort in order to measure the Bank's emissions. This has also contributed to increased awareness internally, and ensured that the Bank has focused throughout the year on identifying and actively implementing resource saving measures. 2020 has been a peculiar year for everybody, with extensive use of offices at home, and abnormally few physical meetings. This had a positive impact on emissions in 2020. Positive experience with digital meetings both internally and in business in general, means that the Bank is strengthened in its belief in having ambitious emission targets also going forward:

- **Environmentally friendly transport.** The greatest impact the Bank may have on reduced operative emissions, are reduced transport emissions, i.e. Commuting and other work related travel, in particular flights. Video conferences are being used to the greatest possible extent. The Bank participates in the HjemJobbHjem ("HomeWorkHome") public transport scheme. Almost 50% of the Bank's employees made use of the scheme during the period before the Covid19 measures resulted in the use of in-home offices. In 2020, offer was expanded to also include the leasing of electric bicycles. 15 employees availed themselves of this opportunity. In 2020, the Bank expanded its agreement with the Flaate ("Fleet") electric car sharing service, whereby all employees had access to electric car hire for external customer meetings and private use. Emissions from travel (scope 3) were positively impacted in 2020 due to periods with in-home offices and abnormally low travel activity.
- **Low energy consumption.** The Sandnes Sparebank head office is the first commercial building in Sandnes with status as a passive building. The office building is Breeam certified with an Asset Performance of 64.3% and a Building Management of 40.2%. Energy consumption is being delivered with a point of origin guarantee and consists of 100% renewable energy.
- **Sustainable procurement.** The Bank requires that its vendors deliberately comply with human rights, employee rights and rules regarding working conditions, environmental protection and money laundering. In order to avoid wastage and unnecessary consumption, the Bank is striving for all our purchases being sustainable and of high quality. The Bank's purchasing policy describes the applicable purchasing principles in more detail. In 2020, the Bank was in dialog with several vendors in order to ensure that their business operations are sustainable to the greatest extent possible. The cafeteria vendor is very attentive to sustainable operations, including reduced meat consumption and food wastage, and the use of disposable materiel. Due to the Corona pandemic, 2020 has been a demanding and unusual year, which resulted in, for example, increased the consumption of plastic and disposable materiel more than would have been the case in a normal operating situation,
- **Climate neutral bank.** The Bank's climate statement is available in the appendix. In the table below, please find select key figures for 2019 and 2020. The Bank's emissions of greenhouse gases were significantly reduced from 2019 to 2020, and to a great extent affected by the Covid-19 situation and reduced travel activity. Sandnes Sparebank

Energy and climate statement, total emissions, Sandnes Sparebank

Name	Unit	2020	2019
Scope 1 emissions	tCO_2e	0.3	0.2
Scope 2 emissions	tCO_2e	12.2	20.1
Scope 3 emissions	tCO_2e	25.9	70.6
Total (S1+S2+S3)	**tCO_2e**	**38.4**	**90.9**

Key figures – Energy and climate indicators

Name	Unit	2020	2019
tCO_2e/ sales		0.06	0.15
tCO_2e/ man-labor years		0.33	0.78
$kgCO_2e$/ sqm		10.5	24.8
kWh/ sqm		0.1	0.2
Sales	NOK million	604.6	616.4
Man-labor years	Number	116	116.5

has been compensated for carbon credits as of 12/31/2020 for the Bank's total emissions. The carbon credits are of the VER type, issued by the Gold Standard Foundation and based on the UN's code for carbon reduction projects in developing countries.

Further priorities:

Sandnes Sparebank has set several reduction targets for the strategy period. The Bank will continue to focus on ensuring environmentally friendly transportation for employees, and to minimize flight activities. A positive impact on reduced cost, greenhouse gas emissions and more efficient use of time, are among the things we experienced in 2020 through significantly reduced travel activity and increased digital meeting activity. Concurrently, the Bank recognizes the value of physical contact, both with customers and partners. In 2021, the Bank's objective is to cut the number of flights in half versus 2019. The Bank will continue to encourage digital meetings, and to use the most environmentally friendly transport option when travel activity is required. The Bank continues the work to ensure compliance with environmental requirements for our vendors, and will conduct dialogs with key vendors to ensure sustainable products and services. Further digitalization will ensure the halving of paper consumption in 2021 versus 2019.

Responsible employer

We are seen, heard and consulted. There is no prejudice at Sandnes Sparebank – and that is how it's supposed to be! The Bank continues its work to ensure that its sustainability ambitions are integrated in the business areas and in the Bank's organizational culture.

This is what the Bank has achieved:

- **Employees and codetermination.** Employees and codetermination: At the end of the year, the Bank had 114 employees. Of these, 10 work part-time, which is 8.7%. All part-time employees are women. In total, 68% of the Bank's employees are women, and 32% are men. During 2020 we hired 8 new regular employees. The Bank experienced a turnover of 7.5%.

  64% of the Bank's employees are unionized as members of Finansforbundet (union for employees of the financial services industry), and the Bank is a member of Finance Norway, an employer's association. 87% of the employees are covered by collective labour agreements.

  Of the Board of Trustees – the Bank's highest governing body – a fourth of the members are employees. In addition, two of the Directors of the Bank are elected by the employees.

  The Bank is committed to good dialog, follow-up and interaction between manager and employee. How each employee is seen and followed up by her/his supervisor, is important for work performance, motivation and well-being. All employees are offered, and are entitled to, a performance review at least annually. In 2020, 97% of our employees completed a formal performance review with her/his supervisor.

  Parts of the training offering provided by the Bank, is delivered by the Eika School, in which the average time used on training per employee was 15 hours in 2020. Beyond this, there is training on other platforms and in other contexts.

- **Zero tolerance for discrimination.** Sandnes Sparebank cares about strict observance of the rights of its employees. Thus, there is zero tolerance for all forms of discrimination. No cases of discrimination by and among employees were reported last year. The Bank recognizes the value of diversity across different characteristics and competencies, and this is now included as one of several evaluation factors in our recruiting.

- **Gender and equal pay.** Gender and equal pay As of 12/31/2020, Sandnes Sparebank employed 110 full-time employee equivalents. Female employees constitute 68% of the Bank's employees. The Bank is of the opinion that this is not an optimal gender distribution, and are working on getting a more even gender distribution overall. In the top management team of the Bank, 3 of the 7 are women, and we have a female managing director. Of all the managers with supervisory responsibility in the Bank, 8 of 19 are women. The Bank's Board of Directors consists of 3 women and 4 men. During the first quarter of 2021, there will be a supplementary board election, in which one new female director will be elected.

  Pay reflects market wages, education level and the individual employee's qualifications and responsibilities, to the greatest extent possible. Female managers in the Bank earn 106% relative to male managers. Among the other employees of the Bank, the women are paid 90% of what their male colleagues earn. This is in line with the rest of the financial industry, but is not a ratio that we are satisfied with, provided there is an equal basis of comparison. The Bank's computation is adjusted for part-time percentage, however, differences in position level, seniority and other issues affect the ratio. The Bank is aware of the importance of equal pay, and is taking measures to ensure that it will be so. For example, equal pay is part of the overall picture in wage negotiations.

- **Employee satisfaction and health.** The annual employee survey shows that bank employees are very satisfied with working for Sandnes Sparebank, and that the working environment is a good one.

  All employees of the Bank is comprised by the Bank's HES management system with respect to physical working conditions, psychosocial working environment and safety precautions. During the past year, the Bank has experienced neither work related injuries or work related harm to health.

- **Ethical guidelines for employees.** Every year, all employees have to sign the Bank's ethical guidelines. These shall contribute to Sandnes Sparebank being characterized by a high degree of integrity and professionalism.

- **Sustainability and environment.** Sustainable operations and development are integrated in all business areas and the Bank's organizational culture. This was clearly shown in 2020 through measures to make internal operations, product development and counselling more energy efficient, and increased awareness of ESG risk, and climate risk in particular. The Bank is arranging for increasing the general sustainability competency of employees, and for ensuring that the measures implemented will have the greatest possible impact. In 2020, we offered all employees a training module prepared by Spama, in sustainable finance.

Further priorities:

The Bank is focusing on how to ensure further diversity and equal pay. Sandnes Sparebank will arrange for further competency improvement regarding sustainability and climate risk, in order to enable us to provide good advice to our customers and make a positive contribution to the necessary green realignment. This will be prioritized in 2021, and one of the initiatives is the implementation of Eika's sustainability week in January 2021.

Responsible funding

Sandnes Sparebank will contribute to increase its positive, and reduce its negative environmental impact through its own investment and funding activities.

Actions the Bank has implemented:

- **Green bond financing.** In 2020, Sandnes Sparebank Boligkreditt ("SSB") established its first green framework, and in June it issued a green bond issue of NOK 300 million. The proceeds of the green bond loan is being exclusively used to finance energy efficient homes.

- **Green deposits.** The Bank has received NOK 100 million in green deposits via Fixrate, a deposit portal. The assets are earmarked for the financing of sustainable businesses, and investments in the corporate market to improve energy efficiency.

- **The Bank's investment strategy.** The investment strategy provides clear guidelines for what the Bank should own. The Bank has several holdings of green and blue bonds, and the investment rate for this type of bond will increase going forward.

Further priorities:

The Bank will continue the work it has started to contribute to a positive environmental impact through its own investment and funding activities. We will seek opportunities for further green financing.

Responsible investment

Sustainable investment fund products. We don't invest in just anything! All products recommended by Sandnes Sparebank shall be in compliance with requirements for corporate citizenship, sustainability, generally accepted business practice, ethics and openness. The Bank offers management of investment fund products via Eika Kapitalforvaltning (EKF). A good cooperative relationship has been established with EKF to ensure that the Bank does not contribute to the violation of human and employee rights, corruption, serious environmental damage and other unethical acts. The Bank fully supports their guidelines for sustainable investments.

What the Bank and Eika Kapitalforvaltning have implemented:

- Since 2010, Eika Kapitalforvaltning has carried out negative screening of its investment universe prior to investment of fund capital. This is done by excluding from investment all companies in sectors in which EKF does not wish to invest, or companies that are selling products that are considered unethical. During 2020, EKF expanded its methodology to also include positive screening of companies in its equity funds. This entails that EKF also will seek to invest in the companies that are best with respect to sustainability within their respective sectors. The two-part approach ensures that EKF's portfolios consist of sustainable companies, which is also reflected in the ESG-rating by Morningstar, an analysis company, of Eika's equity funds.

In recent years, EKF has built an extensive ESG database of almost 10,000 companies. The database contains detailed information about the companies' organization, products and any historical controversies, as well as various sustainability evaluations. At the end of 2020, the ESG database covered 95% of the companies in which the Eika equity funds are invested. More information is available on the websites of the Bank and EKF.

Further priorities:

Through 2021, Eika Kapitalforvaltning will work on increasing the share of companies in its portfolios that have an ESG rating. Yet another step is related to improving the skills of the Bank's advisors with respect to sustainable saving and investment, also in the coming year.

Responsible credit

Far greater in terms of influence than our own climate footprint, is how the Bank may influence and motivate customers to reduce their climate footprints. *We undertake to contribute to green and sustainable realignment for our customers. We wish our customers will make good financial and sustainable choices every day.*

Actions the Bank has implemented:

We don't lend to just anybody! The Bank has additional requirements for industries with higher risk related to environmental, corporate citizenship and corporate governance issues.

- **ESG evaluation when granting credit.** The Bank takes for granted that all our corporate customers, regardless of industry, observe Norwegian laws, respect human rights and actively disapprove of discrimination, harassment and money laundering. Customers have to sign a customer statement to that effect. In 2020, the Bank implemented a procedure for assessment of ESG issues and climate risk in connection with the granting of credit to its corporate customers. All advisors have completed competency improvement related to sustainability and climate risk.

- **Climate risk.** Climate and environment, and the necessary realignments facing the region, is a topic that occupies Sandnes Sparebank. Climate changes are a risk to society, businesses and banks. Periodic reviews are conducted of the Bank's exposure to climate risk, and the consequence it has on the business. The Bank is primarily exposed to climate risk through its corporate market loan portfolio, which in turn may affect credit risk and customers' debt servicing capacity and the value of their collateral. Work to map and handle exposure to climate risk is included in the Bank's strategy and governing documents, including its credit policy. For further details, please refer to the reporting according to TCFD's recommendation in the appendix.

- **Green loans that reward the environmentally conscious.** Sandnes Sparebank wishes to reward customers who are being proactively greener and more environmentally friendly. Throughout the year, the Bank has focused on product development to incentivize the sustainable choices of customers. From 2020, the Bank is able to offer green loans to agricultural customers, for the purpose of financing realignment and sustainable investments. As of 12/31/2020, green agricultural loans amount to NOK 0.7 million of the loan portfolio. Furthermore, the Bank offers green home loans for the financing of energy efficient homes. As of 12/31/2020, green home loans amount to NOK 7.7 million of the loan portfolio. In 2020, green agricultural and home loans constitute a small part of the total portfolio, but the bank has initiated measures to increase the share of green loans going forward. Through Eika, the Bank also offers Green Car Loans for the financing of environmentally friendly cars. As of 12/31/2020, green car loans amount to NOK 10.3 million, which corresponds to 40% of the total volume of car loans to Bank customers.

- **Responsible counselling and loan products.** 2020 has been a peculiar year, in which many of the Bank's customers, both retail and corporate, have required close dialog with advisors and solutions suited for their situation. It has been it for the Bank to accommodate customers to greatest extent possible, in what for many has been extraordinary times. This was achieved through, inter alia, good economic advice, temporary instalment relief and extraordinarily quick processes for the reduction of lending rates throughout the spring. The Bank was also early able to put in place a solution to handle government guaranteed loans, and has issued approximately NOK 70 million through the scheme.

Sandnes Sparebank puts great store providing customers that use the Bank as their main bank, with their own personal advisor or corporate consultant. The Bank offers standard deposit and loan products to both corporate and retail customers, and offer funds and insurance through Eika Kapitalforvaltning and Eika Forsikring.

It is demanding to get into the housing market. As other Norwegian banks, Sandnes Sparebank offers BSU, a saving scheme meant to ensure people between 18 and 33 years capital for the financing of homes. Boliglån Ung is a product with favourable terms related to financing of the first home for young people. The Boliglån Ung portfolio amounts to almost NOK 3.5 billion.

Balansebank ("balance bank") is a separate bank department that assists with close and personal follow-up and bespoke solutions for, in particular, customers that for various reasons struggle with strained finances. Many have experienced unforeseen events that have resulted in the disappearance of income. The objective is to get the customers' finances off the sick list, and to return them to being ordinary bank customers.

Further priorities:

The Bank will continue to focus on product and competency development, in order to contribute to sustainable realignment for customers. Thorough work is being conducted in order to identify how the Bank may have the biggest possible positive influence on, in particular, local climate and environment. The Bank has an ambition of increasing the volume and scope of green loan products in its portfolio, and in 2021, it will issue, inter alia, realignment loans to finance measures that make homes more energy efficient.

In cooperation with Eika, the Bank will further develop ESG assessment in connection with the granting of credit, and arrange for increased system support in 2021. The Bank is also cooperating with Eika in the development of climate scenario analysis, and in the further development of tools and competencies to enable better calculation and measurement of climate risk exposure.

Good citizenship

Sandnes Sparebank is the super-local bank, and with that we mean that we wish to be close to our customers and be easily available. And, we have demanding targets for being best with respect to customer experiences. It is natural for us to emphasize, in particular, local aspects in the Bank's sustainability strategy and work. In Sandnes and Northern Jæren, we have quite unique companies and organizations that we wish to assist in the realignment to an ever more sustainable local community.

Things the Bank has implemented:

- **Responsible social dividends.** An important part of the Bank's corporate responsibility is to return some of the Bank's profits to worthy causes. Ever since Sandnes Sparebank was founded in 1875, the further development of the local community has been a key to the Bank's daily activities. Every year, the Bank distributes several million kroner, for the benefit of projects small and large.

  Besides stretching ourselves as far as possible for both retail and corporate customers in a challenging pandemic, we also elected to set aside a big pot for "300 yellow Christmas gifts". The gifts were restaurant visits and home-at-the-patio concerts with well-known artists. Thus, the Bank supported various types of businesses and at the same time spread happiness and joy among the many hundred recipients.

  The gift fund of Sandnes Sparebank has earmarked at least 10% of its capital for purposes that shall contribute to combat climate and environmental challenges, and in 2020, several of the awards qualified as just that. Among other things, gift fund grants enabled Stranddalen Turisthytte (a tourist chalet) to install solar cells to replace a diesel generator, and thus significantly reduce its $CO2$ emissions.

- **Cooperation.** The Bank acknowledge that in order to achieve the UN sustainability objectives and contribute locally to moving quickly enough in the right direction, there is need for cooperation, competency sharing and good teamwork among all in the realignment. Throughout the year, the Bank has participated actively in the sustainability reference group of the financial industry, and initiated local dialog with relevant partners, in order to promote focus on and making an impact on sustainable development. The Bank are also, not least, benefitting greatly from being part of the Eika Alliance, and we are cooperating well on joint activities and development also with respect to sustainability and social responsibility.

Further priorities:

In order to ensure further focus on sustainable local communities, the objective of earmarking funds for green purposes will be continued. Sandnes Sparebank and the Gift Fund wish to have special focus on causes that contribute to achieving the UN's sustainability objective number 13: Stop climate change. The Bank will continue its work to ensure cooperation with relevant players for the purpose of achieving the greatest and fastest possible influence on climate, environment and community.

Responsible communication and marketing

The responsible information and marketing of the Bank's products and services is of decisive importance to ensure the trust in and integrity of the Bank and the industry.

For us at Sandnes Sparebank, it is important to inform about our products in a correct and transparent manner. Our customers shall feel confident that we provide information about our product in the best possible way, and thus enabling them to make qualified choices. This applies to all products, green as well as ordinary.

We are in close dialog with Finansportalen (a financial portal) to ensure that information that is published about products and their terms and conditions on the banks' websites, are in 100% compliance with best banking practices. In other respects, the Bank is subject to regulatory requirements and guidelines for the marketing of products and services.

Sandnes Sparebank signed the "Greenwashing declaration" in 2020. The Bank supports the content of the declaration, and will do its part to put focus on genuine efforts, avoid greenwashing, and help ensure that the green shift will take place sooner.

We have had no unwanted events related to breaches of product and service labelling, or marking rules, in 2020.

Economic crime, privacy and IT security

Economic crime constitutes a serious social problem, and it is an important part of the Bank's social responsibility to contribute to protect the integrity and stability of the financial system, and to contribute to the maintenance of a local business community that complies with the law. Sandnes Sparebank is working actively to uncover and prevent economic crime, such as money laundering, terrorist financing, tax avoidance and corruption.

The Bank conducts an annual review of the risk it runs to be exploited for the purpose of money laundering, terror financing and breach of sanctions. All the Bank's products, services, customer groups and transaction types, etc. are evaluated, and measures suited to mitigate risk identified. This forms the basis for the Bank's procedures for handling the charted risk.

The Bank's main tasks beyond conducting risk assessment, is to perform customer control and ongoing follow-up of customer relationships, investigation of suspicious transactions and customers, and the reporting of any suspicious transactions to the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim). The Bank shall know its customers well, since such knowledge makes it simpler to carry out risk based measures, and to uncover and prevent economic crime.

Things the Bank has implemented:

Sandnes Sparebank has a sharp focus on, and uses a lot of resources on, this area. In recent years, a number of measures have been implemented to reduce the risk of becoming victim of, or being misused for the conduct of, economic crimes, including:

- Regular efforts to improve competency improvements that strengthen professional skills.
- Dedicate employees to work on money laundering in the retail and corporate markets, in addition to the Anti-money laundering department
- Systemizing and improve work processes and follow-up of customers
- Increased reporting to management and Board of Directors, including monthly status report to the Board on anti-money laundering efforts
- Separate KPI's related to the area that are followed up monthly
- The customer portfolio has been reviewed, evaluated, and new documentation obtained when necessary
- Lift in IT solutions, including customer onboarding and electronic monitoring.

- **Corruption.** Sandnes Sparebank has a zero tolerance policy regarding corruption. This applies both internally, and with respect to the Bank's customers, suppliers, companies we invest in, and fund providers. The Bank is not aware of events related to corruption among the Bank's employees, customers or suppliers in 2020.

- **Tax.** Sandnes Sparebank will never facilitate or give companies advice about tax avoidance. Neither will the Bank invest in companies, or provide credit to customers, that organize their activities in so-called tax heavens.

Further priorities:

The Bank will continue to work on, prioritize and implement measures to uncover and prevent economic crime. Ongoing evaluations are conducted of which measures to implement to prevent and combat money laundering and terror financing. This is, for example, based on external threat assessments, such as the national risk assessments (NRA) published by the Police Security Service (PST) and the Police Directorate. In 2021, the Bank will continue its work on ensuring that it has up-to-date skills in line with new criminal modes, better system assistance and close follow-up of the Bank's work in this area. All employees of the Bank will complete anti-corruption training in 2021.

Privacy

Sandnes Sparebank processes a number of personal data, and there is a great responsibility incumbent on the Bank towards its customers and employees, to process and protect data properly. Privacy protection has always been high on the agenda of Sandnes Sparebank, and this work has been further escalated and systematized after introduction of the EU General Data Protection Regulation (GDPR) and a new personal data act in June 2018.

Things the Bank has implemented:

For several years, Sandnes Sparebank has worked on incorporating the new privacy regulations. The Bank has established a separate privacy delegate whose main task is to be a point of contact for customers, employees, the Norwegian Data Protection Authority, and others that require access to or have questions regarding how personal data are being handled by the Bank. Procedures and processes have been prepared to ensure compliance with the data protection regulation, and all data processing agreements have been updated. Throughout 2020, the Bank has established a privacy team in addition to the privacy delegate, which will attend to all aspects of privacy in the Bank and with vendors. There has been no significant breaches of privacy legislation in 2020.

Further priorities:

Privacy protection shall be a natural part of the job at Sandnes Sparebank, and shall pervade good counselling practice. Good and transparent privacy protection builds trust, which is a precondition for enabling the Bank to reach its strategic objectives. During the autumn of 2020, digital training has been conducted for all employees, adapted to their role and level in the organization, in order to improve the skillset further. The increased use of at home-offices requires more awareness related to privacy, and it has been of importance that Bank employees are well aware of how they should handle personal data, also when they are in contact with customers from their own home.

IT security

Sandnes Sparebank takes information security very seriously, and good security is a precondition for maintaining the trust bestowed on the Bank. It shall be safe to be a customer of Sandnes Sparebank, and people shall be able to use the mobile phone and internet banking services without having to worry that personal data and customer information will go astray.

Things the Bank has implemented:

Sandnes Sparebank has access to a great skillset through the Eika Group, which is using lots of resources on security solutions, monitoring and information. In November 2020, the Bank participated in "National security month", where all employees completed an e-learning program to increase skills related to IT security. In the autumn of 2020, the Bank was victim of a phishing attack in Eika disguise, which was mitigated by continuously removing web pages linked to in the e-mails sent. They have also been added to Telenor's web filter in order to limit the number of customers who click on these links. This has continued in 2021, and both the Bank and Eika has focused on informing customers about this type of scam.

Further priorities:

The Bank will continue to implement regular testing and at the same time continue with training related to IT security.

Appendix related to sustainability reporting

UNEP-FI reporting – See appendix, page 135
TCFD table – See appendix, page 137
GRI Index – See appendix, page 139
Climate statement – See appendix, page 140

Corporate governance and management

This chapter illustrates how Sandnes Sparebank is governed, and how activities are controlled. Good governance and management must ensure effective and efficient use of the Bank's resources and optimal creation of added value. The wealth created by Sandnes Sparebank shall benefit the Bank's owners, depositors, customers, employees and society as a whole. The Bank's corporate governance shall ensure prudent asset management and provide assurance with respect to attainment and realization of established objectives and strategies.

Statement of corporate governance and management

To the extent that it is relevant, the Board of Directors complies with the framework laid down by "Norwegian Recommendation for Good Corporate Governance" dated October 17, 2018. In this chapter, the Board of Directors will, to the extent it is possible, provide a further account of the items comprising this recommendation. The "Norwegian Recommendation for Good Corporate Governance" is primarily directed at corporations. Sandnes Sparebank is organized as an equity capital certificate bank, and has to consider the requirements to which the Bank is subject pursuant to the legislation pertaining to savings banks.

The management of the Bank is the responsibility of the Board of Directors. The Board of Directors must ensure that the Bank is prudently organized, and is responsible for establishing control systems and ensuring that the business is operated in compliance with applicable Norwegian laws, regulations and the Bank's Articles of Association.

The Bank's ethical guidelines have been reviewed and approved by the Board of Directors. The guidelines have been communicated to the employees of the Bank and are available on the Bank's intranet. All new employees have to sign the Bank's ethical guidelines to attest that they have been reviewed, and their knowledge of these guidelines are measured in connection with the annual employee satisfaction survey.

Business

The Bank's Articles of Association state that the objective of the company is to promote savings by accepting deposits from an indeterminate circle of depositors. The assets which the Bank has at its disposal must be managed in a prudent manner and in accordance with the current laws and regulations pertaining to savings banks. The Bank may conduct all normal banking business and provide banking services in compliance with the provisions of the Norwegian Act on Savings Banks. The Bank is also licensed to provide investment services that are regulated by the Securities Trading Act. In addition, the Bank owns 60% of the shares in Aktiv Eiendomsmegling Jæren AS.

Through its Gift Fund, Sandnes Sparebank has the facility to allocate some of its profits to customer dividends and generally beneficial purposes. The Gift Fund is used to provide inspiration, and to promote growth and development. The award of gifts must be rooted in the Bank's vision and business concept, and be distributed in a way that supports reach and diversity.

The Board of Directors continuously reviews and updates the objectives and strategies of the Bank. The Board of Directors receives regular risk reports, operations reports and financial statements, in order to follow up that the Bank is in compliance with applicable strategies and objective achievement.

Equity capital and dividends

The Bank's equity certificate capital is NOK 230,149,020, made up of 23,014,902 fully paid-up equity capital certificates, each with a face value of NOK 10. Of these, 2,103,383, corresponding to 9.14%, constitute treasury equity capital certificates. On February 14, 2020, the Bank repurchased 2,080,000 equity capital certificates for the purpose of reducing the overcapitalization of the Bank. The equity capital certificates are owned by the Bank are not entitled to dividends. The remaining 23,383 equity capital certificates have been allocated to the employee savings program.

External injection of equity capital takes place through the issuance of equity capital certificates or other equity instruments that satisfy 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 capital certificate holders, in any context and regard. By means of a continuous dialogue, the Bank will provide equity capital certificate holders with the opportunity to express their views on the Bank's activities and development. The Bank shall maintain an image that ensures credibility and predictability in the market. The Bank will seek long-term and competitive returns.

The Bank shall provide the market with relevant and complete information in order to ensure balanced and correct valuation of its equity capital certificates.

This is ensured through compliance with the laws and regulations applying to listing on the Oslo Stock Exchange. For further details regarding equity capital certificates, please refer to the "Investor information" chapter.

In order to have a basis for assessing whether the Bank's equity capital fits its current objectives, strategy and risk exposure, the Board of Directors conducts a thorough review of the Bank's Internal Capital Adequacy Assessment Process (ICAAP) and receives an updated risk report each quarter. The Bank's ICAAP and capital plan is reviewed by the Financial Supervisory Authority of Norway, and in June 2020, the bank had its Pilar II requirement reduced from 2.5% to 2.1%. Beyond this, the Ministry of Finance adjusted down the counter cyclical capital buffer from 2.5% to 1.5% due to the Corona pandemic. The Board of Directors of the Bank is satisfied with the capital situation. After the profits for the whole year, the Bank's Core Tier-1 capital ratio is 17.8%, compared to 17.4% at the start of the year. The Bank's objective for its Core Tier-1 capital ratio is at least 14.1%, which is 1.0% higher than the current public requirement of 13.1%.

The Bank's dividend policy is as follows:
The objective of Sandnes Sparebank is to manage its total resources in such a way as to provide equity capital certificate holders a good, stable and competitive return in the form of dividends and price appreciation. Annual profits will be allocated to equity certificate capital (equity capital certificate holders) and primary capital on a pro rata basis relative to their respective shares of the Bank's equity capital. Sandnes Sparebank intends that between 50% and 75% of the equity certificate capital's share of profits will be distributed as dividends, and correspondingly that between 50% and 75% of the primary capital's share of profits will be distributed as gifts customer dividends. Considerations will emphasize that the equity capital certificate holders' share of total equity (ownership ratio) ought to be kept stable. In the determination of total distribution level, factors to be considered include expected earnings performance, external framework conditions and the Group's estimated need for Tier-1 capital.

Temporary dividend limitations from the authorities until 9/30/2021, entailed withheld payment of dividends to owners, customers and the gift fund.

The Group is solvent and is well capitalized and well within all capital adequacy requirements. The Board of Directors plans to pay dividends to owners, customers and the gift fund for the 2020 financial year in compliance with the adopted dividend policy (50%–75%) in the fourth quarter 2021, provided it is warranted by sound market conditions and permitted by the authorities. Of the Group's profits, NOK 195.5 million (75.0%) is allocated to a distribution fund that may be used according to a board resolution or authorization from the Board of Trustees. The allocations do not change the ownership percentage, which is held unchanged at 63.6%.

In addition, the Board of Directors has authorization from the Board of Trustees to increase the equity capital by up to 10% of the outstanding equity certificate capital. The Board of Trustees has given the Board of Directors authority to increase the Bank's registered equity certificate capital by up to NOK 230 million through one or several issues. This authorization is valid for 2 years, and is contingent on the approval by the Financial Supervisory Authority of Norway.

Equal treatment of equity capital certificate holders and transactions with intimates

Sandnes Sparebank has one equity capital certificate class. The holders of equity capital certificates are ensured equal treatment and the same terms and conditions for influence on the Bank. Sandnes Sparebank conducts quarterly earnings presentations, to which the Bank's equity capital certificate holders are invited.

The Bank's equity certificate ratio was 63.6% at the end of 2020, versus 65.4% in 2019. The change is due to the repurchase of equity capital certificates. The Bank's 20 biggest owners represent 59.65% of the equity certificate capital.

The directive to the Board of Directors contains clear provisions regarding ethics and competence. The Bank's ethical guidelines cover both elected officers and employees, and provide guidance regarding entertaining, benefits/gifts and professional secrecy. All transactions with intimates take place according to the arm's length principle.

The directive to the Board of Directors includes provisions underscoring the Directors' obligation of due care with respect to ethical behavior, competence and integrity. A Director or the Managing Director must not take part in the deliberations or the resolution of issues that are of particular significance to the person concerned, or of any intimates, making it appear that the person in question has a prominent personal or financial special interest in the case.

For further information about transactions with intimates, please refer to note 44.

Freely negotiable

The Articles contain no form of limitations on marketability.

Board of Trustees

The Board of Trustees is the Bank's supreme authority, supervising the Board of Directors' management of the Bank. The Board of Trustees approves the Bank's Articles of Association, approves the financial statements and elects the Directors of the Bank, the Nomination Committee, and the external auditor.

The Board of Trustees also allocates the amount that, pursuant to §10-7 of the Norwegian Financial Institutions Act, may be used for generally beneficial purposes, in addition to resolving whether to raise subordinated loan capital.

Meetings of the Board of Trustees shall be convened by the Bank with at least 21 days' notice, cf. §8-3 of the Financial Institutions Act and §5-11 of the Norwegian Public Limited Companies Act. The Board of Trustees may not pass resolutions on any other matters than those specifically provided in the notice of the meeting.

The Board of Trustees consists of 40 Trustees and 11 Deputy Trustees with the following representation: Holders of equity capital certificates: 15 Trustees and 4 Deputy Trustees. Sandnes Municipal Council: 5 Trustees and 2 Deputy Trustees; depositors: 10 Trustees and 3 Deputy Trustees; and employees: 10 Trustees and 3 Deputy Trustees.

The minutes from meetings of the Board of Trustees is published on www.sandnes–sparebank.no/investor-relations.

Nomination Committee

The Bank's Nomination Committee is established by the Articles of Association, as are the guidelines for its operation. The Board of Trustees elects the members of the Nomination Committee from among the Trustees. The Nomination Committee consists of four members, of which the equity capital certificate holders, depositors, publicly elected representatives and employees are represented by one member each. One personal deputy is elected from each group. The members are elected for periods of two years at a time. The Nomination Committee shall prepare the election of the Chairman and Deputy Chairman of the Board of Trustees, Chairman and Deputy Chairman of the Board of Directors, the other Directors and Deputy Directors, with the exception of the employee representatives, as well as the Head, other members and deputy members of the Nomination Committee. For the Director and Deputy Director to be elected by the employees, a separate election committee has been appointed and charged with the responsibility of electing the employee representatives for the Board of Directors and Board of Trustees.

The Nomination Committee also prepares the election of Trustees and Deputy Trustees representing the equity capital certificate holders and depositors. In its deliberations, the Nomination Committee shall ensure that the Board of Trustees, the Nomination Committee and the Board of Directors have the necessary competencies , and that both genders are adequately represented.

Board of Directors, composition and autonomy

The Board of Directors is elected by the Board of Trustees and normally consists of 8 Directors, of which two are Directors elected by the employees. The Managing Director is not a member of the Board of Directors. The Bank's Board of Directors is considered to fulfill the requirements to autonomy, and represents broad diversity of backgrounds and competencies. Financial legislation pertaining to savings banks provides a framework for the right of representation of various interest groups. Sandnes Sparebank endeavors to achieve the greatest possible autonomy between owners, Board of Directors and management.

All Directors are elected for two-year terms. Members may be reelected. To ensure continuity, half the Directors are elected every second year. As of December 31, 2020, 3 Directors are women. During the 1st quarter of 2021, there will be a supplementary board election, in which one new female director will be elected. Information about the Bank's Directors is presented in a separate chapter of the Annual Report.

Duties 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 accordance with a fixed meeting calendar.

The Board of Director is responsible for the appointment and dismissal of the head of internal audit, if applicable. The Board of Directors has also the sole responsibility for the employment and dismissal of the Managing Director. The Board of Directors also supervises the day-to-day management of the Bank. The Board of Directors receives periodical reports on earnings performance, market developments, management, personnel and organizational developments, and the Bank's risk exposure.

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

Directors are defined as primary insiders and must comply with the Bank's regulations for acquisition of its equity capital certificates. The same applies to the purchase of shares in certain companies that are customers of the Bank. The proceedings of the Board of Directors are regulated by a special directive to the Board of Directors. The Board of Directors undertakes an annual self-evaluation of its mode of operation, administrative procedures and meeting structure, and its prioritization of tasks. Normally, the Board of Directors holds 9 meetings a year.

The Board of Directors has established a separate Audit Committee to ensure that the Bank has a sound management that is well and properly organized, and has effective control systems. The Audit Committee consists of three Directors, of which at least one possesses relevant accounting or audit skills. The objective, tasks and functions of the Audit Committee has been determined pursuant to the law amendments brought about by the implementation of the EU audit directive and its recommendation.

Inter alia, the Audit Committee reviews the financial reporting of the Bank. In this context, Management 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 the management, the Bank's Management and its external auditor. Beyond 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. At least once a year, the Committee will meet with the external and internal auditor separately without anyone from Management present.

Due to a new regulation regarding compensation in the financial sector, on December 15, 2010, the Bank established a separate Compensation Committee. The committee is responsible for preparing all issues regarding compensation plans to be decided by the Board of Directors. The Committee consists of 4 Directors. Due to requirements in the §47.4 of the Capital Requirement Regulation, the Bank has, effective 2014, established a separate Risk Committee. The Risk Committee shall ensure that the control and management of the risks of Sandnes Sparebank is of a satisfactory high quality in order to achieve the Group's strategic objectives through proper management of the Group's assets. The Committee consists of 3 Directors. From Management, the Director of Risk Management has an obligation to appear, whereas the Managing Director and the Financial Director is entitled to appear. The Committee shall be convened at least once a year.

Risk management and internal audit

Risk management

Effective risk management is a prerequisite if the Bank is to reach its strategic objectives. Risk management is an integral part of the Management decision-making process. The Bank has established a separate risk management function that reports directly to the Managing Director. The Bank's risk exposure relative to the set framework and objectives is reported quarterly to the Board of Directors.

The Risk Manager is responsible for incorporating climate risk, in cooperation with the Sustainability Manager, both of whom report to the CFO. Resources and competencies are also drawn from the Corporate Market and the Eika Alliance. The Bank's risk management function also coordinates the continuous process whereby the Bank's solvency is assessed relative to its risk exposure. The Bank's risk exposure and capital requirements are reviewed on an annual basis. The review is considered by the Board of Directors and submitted to the Financial Supervisory Authority of Norway.

Accountability

Accountability is achieved through clear communication to the employees of the Bank's strategic measures and established goals. Operationally, this is achieved through clearly defined roles, responsibilities and expectations, where area managers are responsible for achieving the goals within their areas of responsibility. Risk factor developments are periodically reported to the Managing Director and the Board of Directors.

Compliance with laws, regulations and ethical standards
Sandnes Sparebank has prepared ethical guidelines. In addition, a separate reporting procedure has been established. Its purpose is to make it simpler for the employees of the Bank to raise ethical issues and undesirable incidents.

Internal guidelines have been developed for trading for own account and the treatment of inside information. These guidelines describe the laws and regulations that apply to all employees, temporary staff and elected officers. The ethical guidelines are clearly communicated within the organization and have also been published on the Bank's intranet.

A database of undesirable events has been established. This database is managed by the Manager of Risk Management. The Bank has organized all compliance activity in a separate function under the Managing Director. The mission of this function is to check that both the Bank and the securities company are operating in compliance with present regulations.

Internal Audit

Sandnes Sparebank has established an internal audit function. Since 2019, the Bank has used KPMG as its internal auditor. The agreement covers the Parent Bank, subsidiaries subject to the internal audit regulation, as well as other significant subsidiaries.

The main purpose of internal audit is to evaluate whether internal controls work as intended. In addition, internal audit shall contribute to the improvement of the Bank's risk management and internal controls.

An annual internal audit plan is prepared on the basis of the internal audit function's risk evaluations and discussions with management, external auditors and the Audit Committee/ Board of Directors. The Board of Directors adopts the annual plan and budget for the internal audit function. Audit reports with proposed improvement measures are prepared for each internal audit project. These are presented to the responsible manager and Group Management. A report summary, including high priority recommendations, are presented to the Audit Committee. All reports are available to the Board of Directors and the Audit Committee through Admincontrol. The status of previous recommendations are followed up by internal audit, and is part of the regular reporting to the Audit Committee and the Board of Directors.

Internal audit does not perform financial audits.

Remuneration of Directors

The Directors receive an annual compensation that is determined by the Bank's Board of Trustees. The Directors may elect to receive up to 50% of the fixed Director's fee in the form of Bank equity capital certificates. The certificates are allocated quarterly on the basis of market price. No fees are paid in addition to this. Information about compensation and loans to Directors is provided in the notes to the annual financial statements.

Remuneration of senior management

Remuneration of the Managing Director is determined by the Board of Directors. The Managing Director, under the supervision of the Board of Directors, prepares guidelines for the remuneration of other senior employees of the Bank. The Bank's bonus and compensation plan is in compliance with the requirements of the Regulation regarding compensation plans of finance institutions. No option plans or similar schemes have been established. The principles for remuneration of senior management, as well as information about actual compensation and loans to senior managers, are provided in the notes to the annual financial statements.

Information and communication

Sandnes Sparebank endeavors to provide identical, timely and relevant information to all stakeholders. Financial results are published through the Oslo Stock Exchange and presented quarterly to investors, analysts and the media. The information is also posted on the Bank's website. Regular presentations are also made 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.

Corporate takeovers

As a self-owning institution, Sandnes Sparebank cannot become the object of direct takeover, according to current legislation. In the case of acquisitions by the Bank, the best possible safeguard of the interests of all interested parties, including equal treatment of shareholders/owners, is prioritized. The Bank will endeavor to ensure that any takeovers will have the least possible negative impact on the Bank's daily operations.

External auditor

The duty of the external auditor is to evaluate whether the information provided by the annual report concerning the annual financial statements, the Bank's accounting principles, the management of risk, the assumption of continued operations as a going concern, and proposals for allocation of profit or cover of loss, comply with laws and regulations. The external auditor shall also evaluate whether the Bank's asset management is satisfactorily arranged and under adequate control. The Board of Trustees elects the external auditor.

The external auditor submits a report to the Board of Trustees on these matters.

Investor Information

The Equity Capital Certificate

Return and dividend policy

The objective of Sandnes Sparebank is to manage its total resources in such a way as to provide equity capital certificate holders a good, stable and competitive return in the form of dividends and price appreciation.

Annual profits will be allocated to equity certificate capital (equity capital certificate holders) and primary capital on a pro rata basis relative to their respective shares of the Bank's equity capital.

Sandnes Sparebank intends that between 50% and 75% of the equity certificate capital's share of profits will be distributed as dividends, and correspondingly that between 50% and 75% of the primary capital's share of profits will be distributed as gifts and customer dividends. Considerations will emphasize that the equity capital certificate holders' share of total equity (ownership ratio) ought to be kept stable. In the determination of total distribution level, factors to be considered include expected earnings performance, external framework conditions and the Group's estimated need for Tier-1 capital.

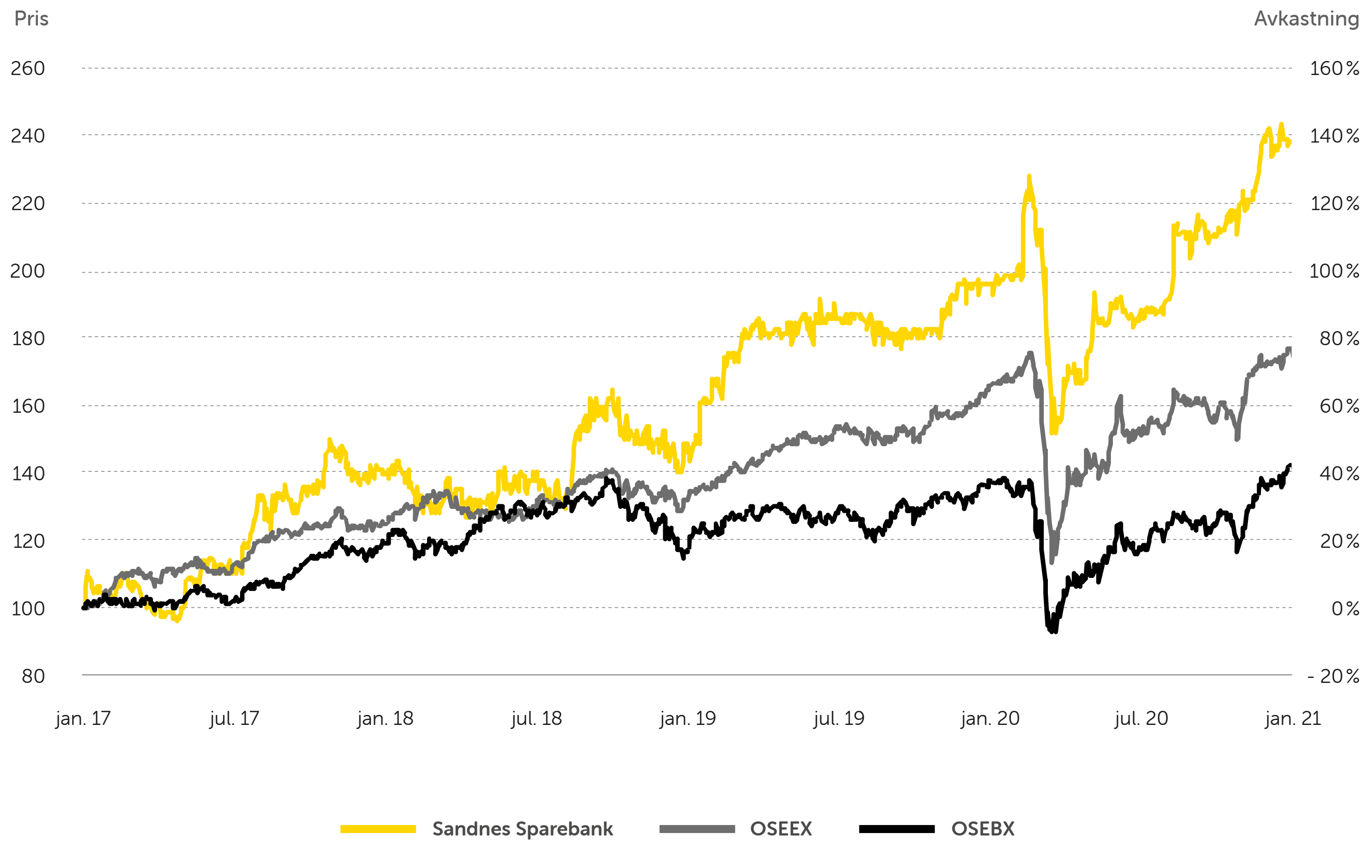
Historical development of the equity certificate capital since the stock exchange listing in 1995

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 2020

As of December 31, 2020, the SADG price was NOK 74.40 (last OSE price quote). Compared to the quoted price at 12/31/2019, Sandnes Sparebank has provided a return of 22%, including dividends. This is a little stronger than the performance of the Oslo Stock Exchange Equity Capital Certificate Index (OSEEX), which had a positive performance of 5% during 2020.

SADG vs OSEEX



At the end of 2020, the registry showed 2,879 owners of the Bank's equity certificates. At this point in time, the 20 biggest owners (including the Bank's own holdings of equity capital certificates) controlled 59.65% of the equity certificate capital.

The total number of equity certificates of 23,014,902, includes holdings of 2,103,383 treasury equity certificates as of 12/31/2020.

The 20 largest holders of equity capital certificates as of 12/31/2020

		Number	Share of %
1.	Sparebank 1 SR-Bank C/O SR-Investering	3 485 009	15.14
2.	Sandnes Sparebank	2 103 383	9.14
3.	Holmen Spesialfond	1 359 823	5.91
4.	AS Clipper	1 088 738	4.73
5.	VPF EIKA Egenkapital C/O Eika Kapitalforvaltning	1 086 623	4.72
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.	Meteva AS	261 881	1.14
11.	Hausta Investor AS	220 000	0.96
12.	Kristian Falnes AS	200 000	0.87
13.	Nordhaug Invest AS	194 374	0.84
14.	Innovemus AS	185 000	0.80
14.	Barque AS	159 651	0.69
16.	Tirna Holding AS	156 255	0.68
17.	Spesialfondet Borea Utbytte	139 315	0.61
18.	Inge Steenslands Stiftelse	127 304	0.55
19.	Catilina Invest AS	124 000	0.54
20.	Dragesund Invest AS	120 000	0.52
=	20 largest owners	13 728 217	59.65
+	Other owners	9 286 685	40.35
=	Total equity capital certificates	23 014 902	100.00

Temporary dividend limitations from the authorities until 9/30/2021, entailed withheld payment of dividends to owners, customers and the gift fund.

The Group is solvent and is well capitalized and well within all capital adequacy requirements. The Board of Directors plans to pay dividends to owners, customers and the gift fund for the 2020 financial year in compliance with the adopted dividend policy (50%–75%) in the fourth quarter 2021, provided it is warranted by sound market conditions and permitted by the authorities.

Of the Group's profits, NOK 195.5 million (75.0%) is allocated to a distribution fund that may be used according to a board resolution or authorization from the Board of Trustees. The allocations do not change the ownership percentage, which is held unchanged at 63.6%.

Liquidity

The Bank's liquidity situation is considered satisfactory. At the end of the year, the Bank had a liquidity portfolio (excluding cash and fixed income funds) of NOK 3.9 (3.8) billion. It is an objective for the Bank to keep liquidity risk at a low level, and it is considered well diversified both with respect to funding sources and maturities.

The establishment of SSB Boligkreditt AS has enabled the Sandnes Sparebank Group to issue covered bonds (OMF) and thus reduce the Group's liquidity risk.

Covered bonds issued by SSB Boligkreditt AS carry a AAA rating from Scope Ratings.

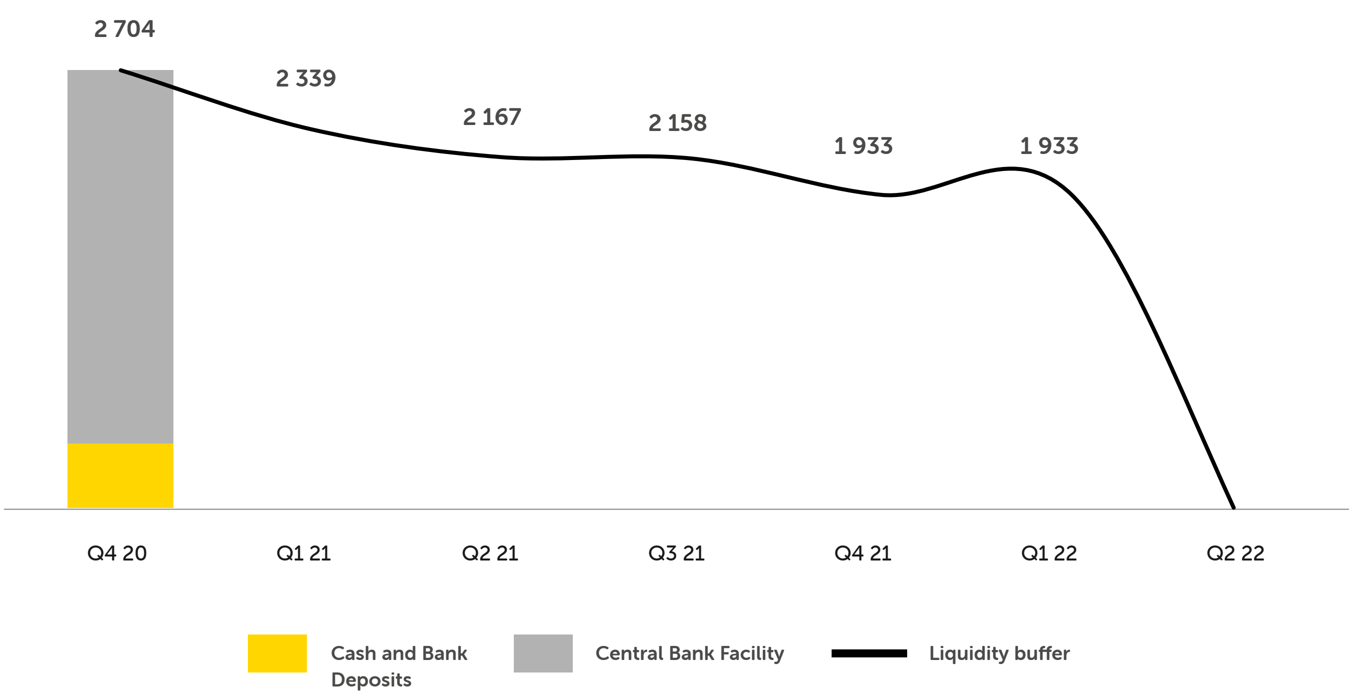
AAA is Scope' best rating. Net lending by SSB Boligkreditt constitutes a volume of NOK 8.9 billion as of 12/31/2020, which is an increase of NOK 1.0 billion during the past 12 months.

As of 12/31/2020, SSB Boligkreditt AS had covered bonds in issue worth NOK 7.8 (7.4) billion, net.

In the Bank's liquidity strategy, the Board of Directors has determined a framework for the Bank always having holdings of strategic liquidity making operations under normal operating conditions possible for at least 12 months without injection of liquidity.

The available liquidity as of December 31, 2020 ensures operation for up to 18 months without supply of liquidity.

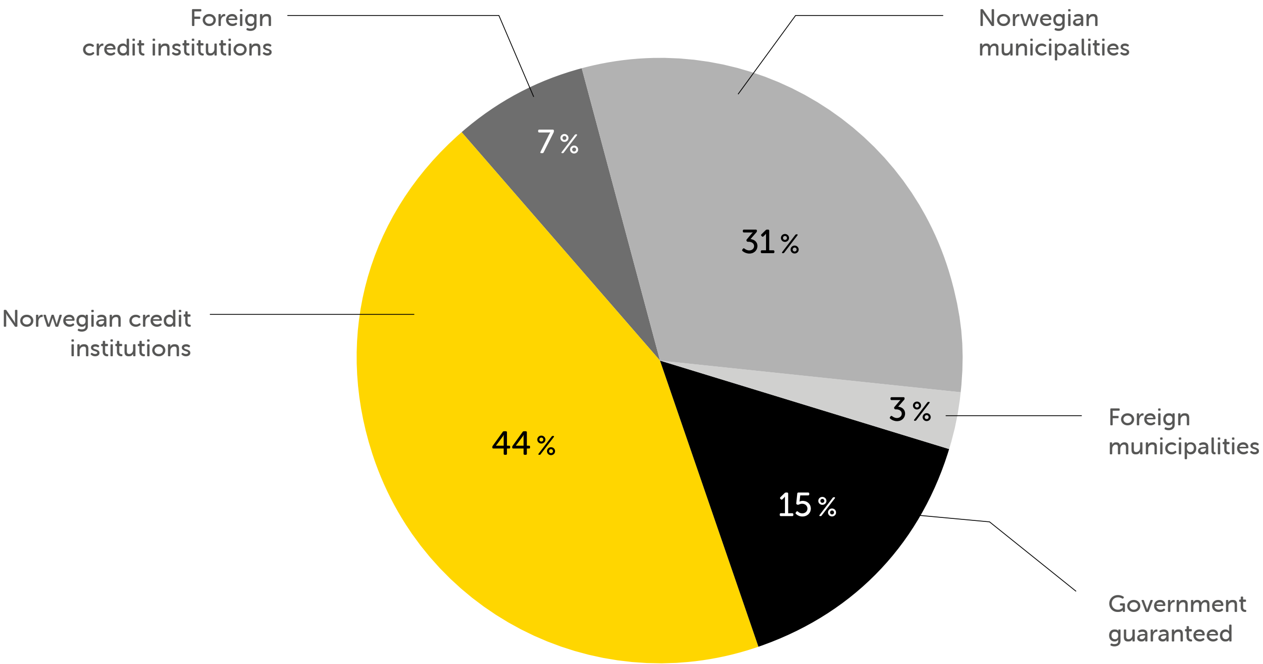
Refinancing requirements



The bond portfolio

The bank classifies approx. 90% of the liquidity portfolio as fair value through ordinary P/L (FVTPL) while remaining of the portfolio is classified as hold-to-maturity. The portfolio is used primarily for investment of excess liquidity.

Composition of the liquidity portfolio



Market information

The Bank desires to pursue an open information policy aimed at providing holders of equity capital certificates and the securities market simultaneous, correct and relevant information about the Bank's financial performance. The Bank prepares quarterly reports.

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

Alternatively, information regarding capital ratios is available on the website of the Oslo Stock Exchange, www.ose.no. The ticker code for the Sandnes Sparebank equity capital certificate on the Oslo Stock Exchange is SADG.

The bank organizes earnings presentations after the publication of the quarterly financial reports.

Financial calendar 2021

Q1 Report 2021	5/11/2021
Semi-annual report 2021	8/12/2021
Q3 Report 2021	11/04/2021

Board of directors’ report

Directors' report 2020

Nature of the business

Sandnes Sparebank is an independent savings bank and a member of the EIKA Alliance, with its head office in the city centre of the municipality of Sandnes. The Bank offers a broad range of banking and investment products to retail and corporate customers. The Group is also involved in real estate brokerage through its subsidiary, Aktiv Eiendomsmegling Jæren AS.

The Group consists of the Parent Bank and the SSB Boligkreditt AS subsidiary. In addition, the Group owns 60% of Aktiv Eiendomsmegling Jæren AS. The accounts of the abovementioned companies are fully consolidated in the Group financial statements of Sandnes Sparebank.

The Board of Directors considers the Bank's capital adequacy and liquidity levels to be satisfactory. We confirm that the conditions for considering the Company a going concern are present, in accordance with §3-3a of the Norwegian Accounting Act, and the financial statements have been prepared on this basis. Sandnes Sparebank prepares both its Group financial statements and Parent Bank financial statements in compliance with the International Financial Reporting Standards (IFRS), as approved by the EU. The applicable accounting principles are described in Note 2 to the annual financial statements.

Market conditions

Local conditions – Rogaland

Most local economic indicators in Rogaland have been in a stable positive trend from 2016 until the start of 2020. There has been steady growth in both investments, production and employment. The economy has a high degree of capacity utilization, with a registered unemployment rate of 2.2% at the start of the year. Due to the drop in oil prices in 2014, in recent years there has been significant focus by the oil service industry on cost reduction, competency improvement, digitalization and diversification, in order to improve competitiveness and reduce vulnerability.

On March 12, 2020, severe restrictions were introduced in Norway and Rogaland in order to limit the dissemination of the Corona virus, that lead to a significant close-down of society. The authorities passed major economic aid packages, Norges Bank (Norway's central bank) reduced its policy rate from 1.5% to 0%, and lightened the capital requirements for the banks by 1.5%, by reducing the counter-cyclical buffer.

In the second and third quarter there was a positive trend in the Rogaland economy. In the fourth quarter, new restrictions were introduced to limit contagion. At the end of the year, there is still a great deal of uncertainty related to the long-term effects for the economy of the region.

The unemployment rate in Rogaland was 3.5% at the end of the year, which was a little lower than the country average of 3.8%. Unemployment was stable in the last quarter, but fell from 4.8% for the second half. The travel industry, in particular, have many unemployed.

The regional network of the Norwegian Central Bank is reporting a good activity level among the companies in the region, but many are awaiting the course of events with respect to new investments.

The oil price increased to USD 52 at the end of the year. This is a decline for the year as a whole, but a significant improvement from the collapse in March. With respect to the Rogaland economy, the oil price volatility contributes to strengthen economic uncertainty, but the activity level has been more stable than feared. The authorities' package of measures directed at the oil industry, has had contributed positively to the stimulation of activity in the industry.

The Rogaland property market developed positively during the year, with a price increase of 5.2%. Although home prices have been more or less flat during the past six years, the number of transactions is increasing, and the stock of unsold homes is on its way down. This indicates a better relationship between the supply of and demand for housing. The low interest rate level has contributed positively to developments.

In commercial property, the Rogaland market is stable, and the Corona pandemic has not impacted the market to any significant extent, so far. There is still some vacant rental premises, in particular with respect to office building in the Forus area.

Earnings performance

Numbers in brackets are for the corresponding period in 2019. Unless otherwise noted, descriptions apply to the Group.

After-tax profits for 2020 were NOK 260.8 million. This is a decline of NOK 16.3 million compared to the same period in 2019. The decline may be explained primarily by lower net interest income, negative valuation changes for financial instruments, and higher writedowns and losses on loans. The decline was partially offset by higher net commission income, higher dividends and lower tax cost. The cost level is marginally lower than that of last year.

Profits before taxes were NOK 310.9 million, compared to NOK 333.4 million during the corresponding period of 2019.

Return on equity after taxes was 9.0%, compared to 9.6% for 2019. Return on equity after taxes, including interest on hybrid capital, was 8.9%, compared to 9.4% in 2019.

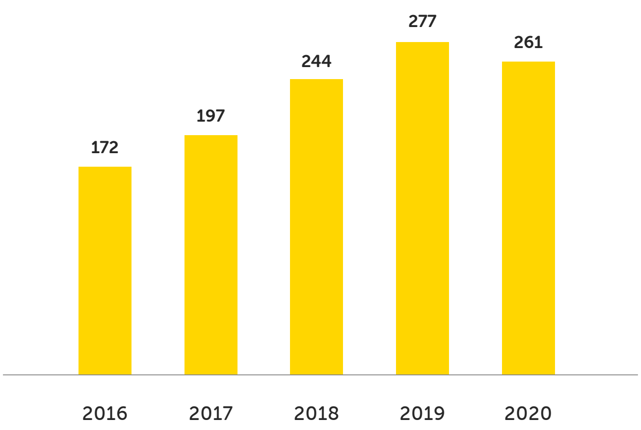
Net interest income

The Group's net interest income was NOK 469.6 (475.8) million for 2020. The interest margin was 1.64% in 2020, compared to 1.72% during the corresponding period in 2019.

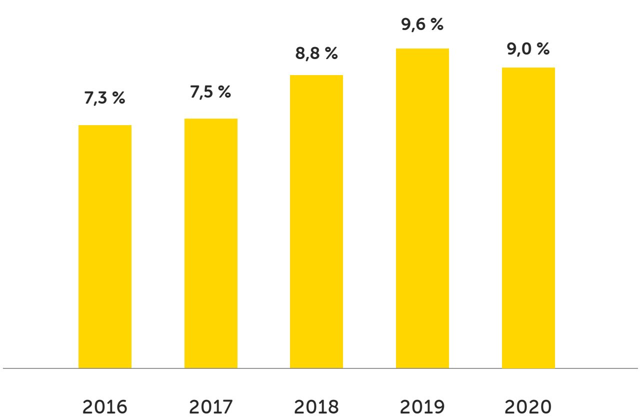
During 2020, the Bank managed to maintain good underlying net interest income, despite a challenging market situation. Increased lending volume during the period had a positive impact on net interest income. Due to the global outbreak of the Corona virus, and considerable uncertainty in the Norwegian economy, Norges Bank reduced its policy rate from 1.50% to 0.0% in March/April. The Bank elected to reduce its lending rates by as much as 1.25% effective April/May, which is faster than the normal notice period of six weeks. Deposit rates were also adjusted downward, but with eight weeks' notice, which is normal practice. The time difference between the reduction of lending rates and deposit rates resulted in an unusual reduction of net interest income in the second quarter. The Bank's interest margin fell from 1.73% in Q1 to 1.48% in Q2. In the third quarter, the interest margin rose to 1.52%, while it rose to 1.61% in the fourth quarter.

ANNUAL DEVELOPMENT IN PROFIT AFTER TAX AND RETURN ON EQUITY

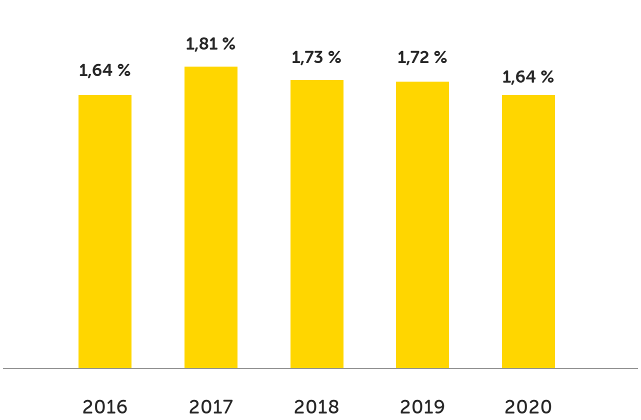
PROFIT AFTER TAXES, LAST 5 YEARS



RETURN ON EQUITY AFTER TAXES, LAST 5 YEARS



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



Lower funding costs contributed positively to the improved interest margin in the fourth quarter. In particular, the margin on deposits has fallen due to the central bank's zero interest level policy. The Bank is well satisfied with the underlying interest margin, but is nevertheless prepared for the interest margin coming under pressure going forward, due to the low interest rate level.

Other operating income

Other operating income amounted to NOK 135.0 million for 2020. This is a decline of NOK 5.5 million compared to the corresponding period in 2019. It is mainly due to negative changes in the value of financial instruments.

Net commission income amounted to NOK 79.8 million, which is NOK 3.0 million more than in 2019. In 2020, the Group has elected to reclassify income from its realtor activity from "other operating income", to commission income. The reclassification is also reflected in the figures for 2019. In total, the reclassification resulted in increased commission income of NOK 33.0 million for 2020, and NOK 28.3 million for the corresponding period of 2019. The increase is due to a greater activity in the Aktiv Eiendomsmegling AS subsidiary.

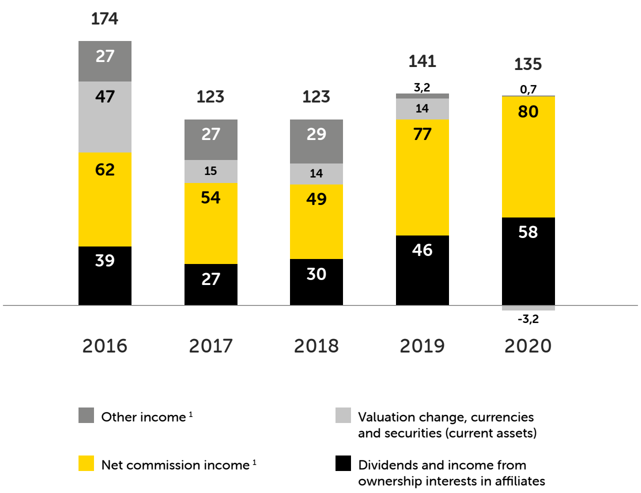
During the year, there has been an increase in commission income on the sale of insurance services. This is the result of deliberate efforts to improve the insurance coverage among the Bank's customers. The increase in insurance income were offset by lower net guarantee commissions and lower fees in payment services. Less activity by the Bank's customers has resulted in lower income from card usage and foreign payments in 2020, compared to the previous year.

For 2020, the net return on financial investments was NOK -3.2 million, whereas it was NOK 14.4 million in the corresponding period of 2019. In recent years, the Bank has reduced its risk related to financial instruments, but great market changes have an impact on the financial statements. Due to great market uncertainty, the Bank got a significantly lower return on both its fixed income and share portfolio in 1st quarter of 2020, but most of the decline was reversed throughout the year. For the whole year 2020, the net return on financial instruments was lower compared to 2019.

In 2020, dividends and income from ownership interests amounted to NOK 57.7 million, compared to NOK 46.1 million in 2019. The increase is mainly due to a positive recognized share of the profits of Kjell Haver Regnskapsservice AS, as well as increased dividends from individual investments. Dividends from Eika Gruppen AS amounted to NOK 41.3 million in 2020, compared to NOK 42.5 million in 2019.

Other operating income was NOK 2.5 million lower compared to 2019. The decline is mainly due to lower rental revenue on sublet office premises.

OTHER INCOME, LAST 5 YEARS



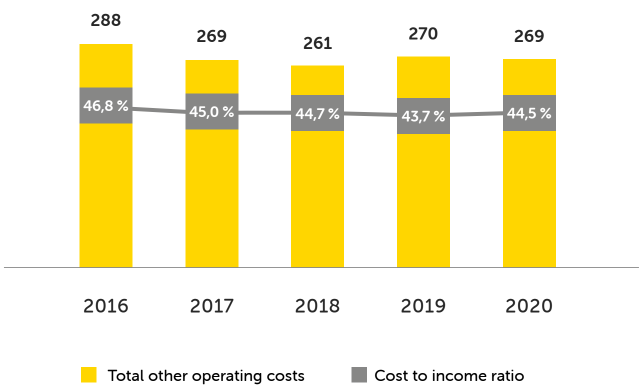
1 In 2020, the group has chosen to reclassify income from real estate activities from other income to commission income (2019 figures have changed equivalent). In total, the reclassification entails an increase in commission income of NOK 33.0 million for 2020 and NOK 28.3 million for 2019. Figures for the remaining periods have not been restated.

Operating cost

Group operating cost was NOK 269.0 million in 2020. This is a decline of NOK 0.5 million compared to 2019. This is primarily due to lower payroll cost, and partially offset by increased depreciation. Preparations for the conversion from core bank systems from SDC to TietoEvery resulted in a charge of NOK 2.5 million.

The Group cost to income ratio was 44.5% at the end of the end of 2020. This is an increase from 43.7% for the corresponding period of 2019. In 2020, the total cost to total asset ratio was 0.9%, versus 1.0% in 2019.

OTHER OPERATING INCOME, LAST 5 YEARS



Losses and non-performing loans

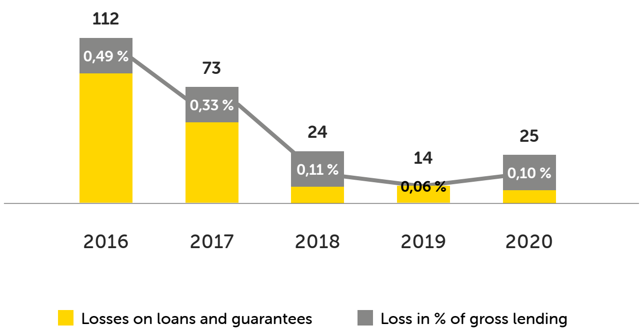
Losses and writedowns of loans and guarantees of NOK 24.7 (13.5) million were recognized during 2020. The reason for the increase is mainly the worsening of market conditions due to the Corona pandemic. It is still too early to see all the effects of the ongoing crisis, and how this will have a concrete impact on the Bank's customers. Yet, the Bank is experiencing that the situation for many of the Bank's customers, is now more clarified, and that many customers are managing better than feared, compared to the situation on March 31. It is still difficult to see the long-term effects of the crisis.

In 2020, the Bank adjusted the macroeconomic assumptions for the loss model, and increased the expected losses in exposed industries in the corporate segment. Seen in isolation, this entails increased provisions for losses of NOK 17.8 million. The Bank will closely monitor developments going forward, and keep in close touch with customers during a demanding period, and make assessments regarding adjustments of the provisions for losses on an ongoing basis.

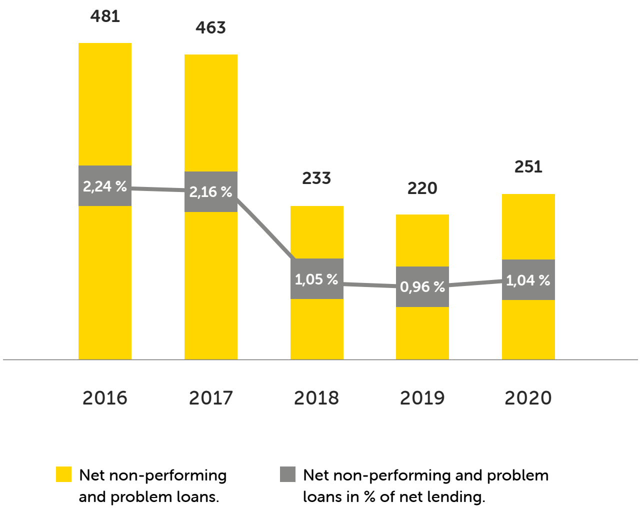
As of the end of 2020, total provisions for losses on loans and guarantees were NOK 151.8 (146.9) million, of which NOK 42.0 (34.1) million were related to the Retail Market, and NOK 109.7 (112.8) million were related to the Corporate Market.

As of 12/31/2020, net non-performing and problem loans subject to individual writedowns were NOK 250.7 (220.1) million. This corresponds to 1.04% (0.96%) of the Group's net lending volume. Of the net non-performing and problem loans, NOK 169.3 (107.4) million are related to the Retail

LOSSES ON LOANS AND GUARANTEES, LAST 5 YEAR



NET NON-PERFORMING AND PROBLEM LOANS, LAST 5 YEARS



Market and NOK 81.4 (112.7) million are related to the Corporate Market.

Gross non-performing loans over 90 days amounted to NOK 181.8 million as of 12/31/2020, compared to NOK 143.6 million as of 12/31/2019.

Balance sheet developments

Group total assets were NOK 29.2 (28.2) billion at the end of 2020. This represents an increase of 3.8% compared to the end of 2019, and may be primarily explained by lending growth.

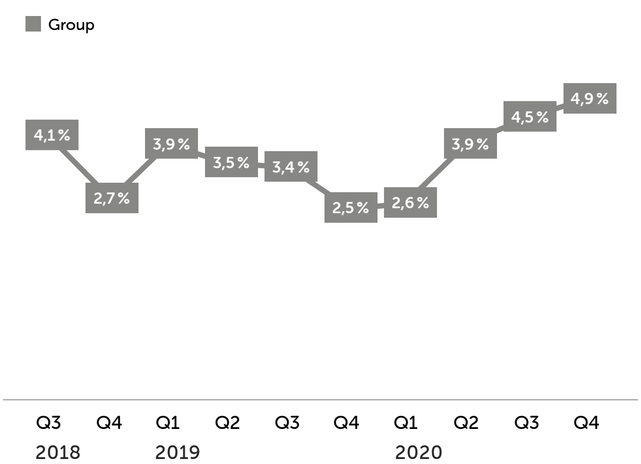
At the end of 2020, gross lending to customers amounted to NOK 24.1 (23.0) billion. During the past 12 months, gross Group lending has grown by 4.9%. Retail Market lending grew by 7.5% and loans to the Corporate Market grew by -1.1%.

The Bank increased its market shares in the Retail Market segment in both 2019 and 2020. With respect to the corporate market, several measures have been taken, pursuant to the agreed strategy, to improve the portfolio quality. There is healthy and profitable growth in the small and medium corporate segment at the same time as the share of major and risky loans has been reduced. There has also been a deliberate push for diversification into various sectors, inter alia higher exposure to agriculture. The Bank has limited direct exposure to the retail sector, travel industry and oil related activities. The Bank has a limited amount of government guaranteed loans in the portfolio.
As of 12/31/2020, the total portfolio is approximately NOK 60 million.

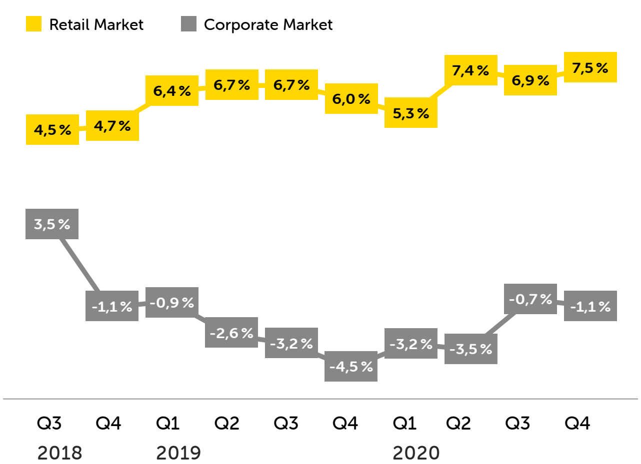
At the end of 2020, the Retail Market share of total lending was 71% (70%).

At the end of 2020, deposits amounted to NOK 11.9 (11.8) billion. During the past 12 months, the Bank's deposit volume increased by 0.8%. Retail Market deposits increased by 6.9% and Corporate Market deposits fell by -3.7%. At the end of 2020, the Group deposit to loan ratio was 49.7% (51.7%).

GROSS GROUP LENDING GROWTH (12 MO)



GROSS SEGMENT LENDING GROWTH (12 MO)



Solvency

At the end of the year, the Group capital ratios were considerably above the regulatory capital requirements and the internal objective for Core Tier-1 capital. Due to the ongoing Corona crisis, the counter-cyclical capital buffer was changed from 2.5% to 1.0% in March 2020. In May 2020, the Bank were given new Pilar-2 requirements from the Financial Supervisory Authority of Norway, in which the surcharge was reduced from 2.5% to 2.1% because the regulator had assessed the Bank's risk as lower now than at the time of the last assessment, in 2016. The Bank's current regulatory minimum core Tier-1 capital ratio requirement is 13.1%. Concurrently with this decision, the Board of Directors of the Bank resolved to increase the internal capital target to 1.0% over the regulatory minimum requirement, to 14.1%.

As of 12/31/2020 the Group has a Core Tier-1 ratio (including the consolidated share of the collaborating group) of 17.8%, which is an increase from 17.5% as of 12/31/2019. The increase is primarily due to retained profits due to the authorities' limitations on distributions, partially offset by the reduction of the core Tier-1 capital ratio related to the repurchase of a total of 2,080,000 equity capital certificates in February 2020, which entailed a reduction of the core Tier-1 capital of approximately 1%.

The Group is solvent and is well capitalized and well within all capital adequacy requirements. The Board of Directors plans to pay dividends to owners, customers and the gift fund for the 2020 financial year in compliance with the adopted dividend policy (50%–75%) in the fourth quarter 2021, provided it is warranted by sound market conditions and permitted by the authorities.

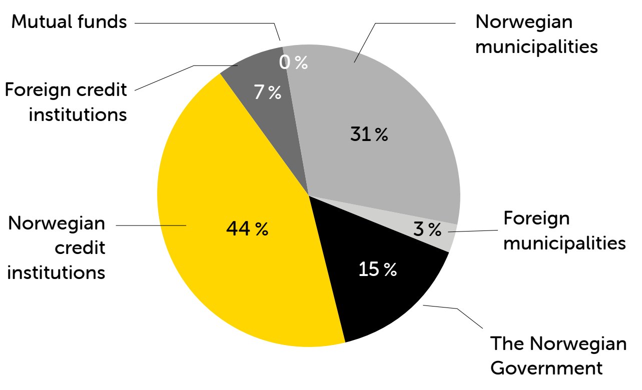
As of 12/31/2020, the unweighted Core Tier-1 ratio ("Leverage ratio") of the Group was 9.5%, compared to 9.3% as of 12/31/2019.

Liquidity and funding

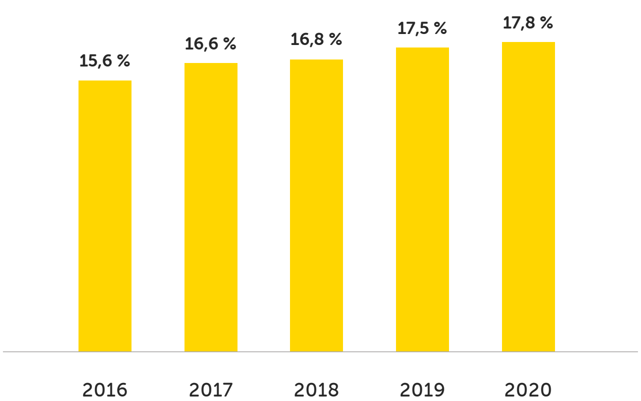
The Bank's liquidity situation is considered satisfactory. At the end of the year, the Bank had a liquidity portfolio (excluding cash and fixed income funds) of NOK 3.9 (3.8) billion. One of the Bank's objectives is to keep liquidity risk at a low level.

Net lending by SSB Boligkreditt constitutes a volume of NOK 8.9 billion as of 12/31/2020, which is an increase of NOK 1.0 billion during the past 12 months. As of 12/31/2020, SSB

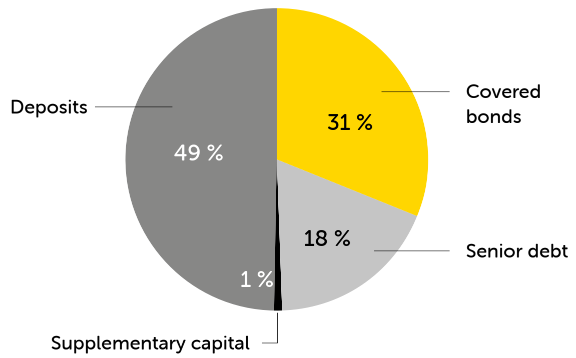
THE LIQUIDITY PORTFOLIO



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



FUNDING SOURCES



Boligkreditt AS had covered bonds in issue worth NOK 7.8 (7.4) billion, net. The Bank is deemed to be well diversified with respect to both funding sources and maturities.

Subsidiaries

For 2020, the total profits of the Bank's subsidiaries – prior to intergroup offsets – were NOK 47.8 (32.1) million after taxes.

SSB Boligkreditt AS was established as a part of the Group's long-term funding strategy and the main objective of this mortgage company is to issue covered bonds in the market. For 2020, company profits after taxes were NOK 45.0 (31.7) million.

Aktiv Eiendomsmegling Jæren AS offer real estate brokerage services to both retail and corporate customers. For 2020, company profits after taxes were NOK 2.8 (0.4) million.

Risk management

Financial activity requires management of risk. Good risk management is important for the Group's value creation., and must support strategic development and goal attainment. The combination of risk management and internal compliance contributes to efficient operations, satisfactory handling of significant risk, as well as assurance of high quality internal and external reporting.

It is an objective of Sandnes Sparebank to maintain a low to moderate risk profile. The desired risk profile is based on the Bank's internal capital adequacy and return objectives. Day-to-day risk management will reduce the probability of individual events occurring that may inflict significant financial damage on the Bank. The Board of Directors has established an extensive framework to manage Group risk, based on an overall business and risk management policy. All risk management documents are subject to annual review and updates by the Board of Directors, and the board also receives quarterly reports on risk status relative to the adopted targets.

One key to the Bank's risk management activities, is the Group's own assessment of liquidity and capital requirements (ILAAP and ICAAP). In this process the Board of Directors assesses the risk to which the Bank is exposed relative to the appurtenant assessment of management and control. On the basis of this assessment, it calculates the capital and liquidity required to cover these risks. In order to ensure that the Bank's ICAAP is of satisfactory quality, the Bank's internal audit function performs an annual review of the process.

Credit risk

The Group has a moderate credit risk profile. The credit risk for current ordinary loans is mainly in the low and medium risk categories (please refer to Note 8). For loans with indications of potential loss, individual writedowns have been made on the basis of concrete evaluations.

During the year, the underlying risk profile of the loan part of the credit portfolio has been further improved, and the Bank has experienced growth in the retail market segment. The Bank has an external credit rating provided by Scope, a rating agency. During the year, the Bank's credit rating was improved from BBB+ to A-. For SSB Boligkreditt, the AAA rating was maintained.

In the short term, the impact of the Corona virus on the quality of the loan portfolio, has been limited. The increase in requests for instalment relief and other types of relief we experience in the second quarter, fell back to a normal level at the end of the year. The Bank has little exposure to the industries that are experiencing the greatest impact of the Corona situation. Although it affects the uncertainty regarding the future for a good many companies, over 65% of the corporate market portfolio is still considered to be in the category that the Bank considers as low-risk. However, the Bank is prepared for the situation leading to problems in the future. When the various support schemes that have been introduced, are being phased out, we may again see an increase in the number of bankruptcies, and increased unemployment. The Bank has attempted to include the impact of this in its estimates, and has, inter alia, tightened its models to take into account increased default levels in the future, and this has an additional Corona impact on expected losses and writedowns. Thus, the total credit risk is not considered to be markedly higher than last year.

ESG-risk

The term ESG risk includes all risks related to environment, social responsibility and corporate governance. For the Bank, this applies both directly through the Bank's own internal actions, but also indirectly through the influence on customers and suppliers. Relative to environment and climate, both the direct physical risk, and the risk related to the transition to a greener society, are included in, and contribute to defining the total risk.

Throughout 2020, the Bank has introduced several measures to reduce its own climate footprint. The Bank is conscious of its own climate footprint, and is therefore consciously working to take initiatives that may result in positive changes. Throughout the year, the Board of Directors has discussed ESG related topics several times, including the Bank's sustainability strategy. It is important to see ESG in the context of the Bank's other risks, and at the same time it is important to document climate exposure, among other things, in order to make deliberate decisions. On the customer side, the Bank has continued its work during the year, on the link between climate risk and credit risk. Together with the Eika Alliance, we have developed a new tool to be able to systematize the assessments med for corporate customers, which are additional to, and support, the current disclosure of ESG risk on the level of individual customers.

Sandnes Sparebank has little exposure to industries and sectors that are normally considered to have the greatest challenges, but it is exposed to, inter alia, agriculture and construction. In total, this risk is considered moderate.

Liquidity risk
The Bank has continued the conservative liquidity strategy that it has followed in recent years.

Liquidity management is regulated, inter alia, through internal and regulatory requirements with respect to LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio). Besides deposits, the Group is using SSB Boligkreditt as a tool in liquidity management. SSB Boligkreditt has taken over well collateralized home mortgages from the Bank and issued covered bonds to finance them, which has provided the Group with better diversification on the funding side, at more advantageous terms.

The Group's deposit to loan ratio was stable during 2020, and was just under 50% at the end of the year. The Board of Directors considers the liquidity risk of the Group to be low in the short term.

Market risk
The Bank has no trading portfolio of equity instruments, currencies, bonds or notes. The Bank's holdings of bonds and notes are part of the Bank's liquid assets. The Group requires a credit rating, and an additional main principle is that the securities must qualify for access to borrowing from the Norwegian Central Bank. In the financial statements, liquid assets are valued at fair value, and are thus exposed to market risk. The credit risk for these assets is quantified as risk of default.

Beyond this, the Group's market risk consists of foreign currency risk and interest rate risk. Trading in foreign currencies and interest rates takes place within the agreed frameworks and authorizations. Foreign currency risk is mainly related to interest accruing on customers' currency loans, currency derivatives and our cash balance. The Bank has guidelines for hedging of foreign currency risk. The foreign currency risk is considered to be moderate to low. Interest rate risk is related to the holdings of fixed income securities, as well as loans and deposits with fixed interest rates.

The Board of Directors has set a limit of NOK 21 million for total interest rate risk on and off the Group balance sheet. This is measured by the effect on earnings of a 2% parallel shift in the interest rate. The estimated earnings effect of an interest rate shift of 2% was NOK 3.5 million. Thus, interest risk is considered to be low. In total, the Group's exposure to market risk is considered to be moderate.

Operational risk
Operational risks comprise all the potential sources of loss related to the Bank's ongoing operations. Failure of procedures, faults in computer systems, errors by subcontractors, breach of confidence by employees and customers, are examples of events that are defined as operational risk, and that may reduce the Group's ability to reach its objectives.

The Bank is focused on the areas that at all times are found to represent the biggest threats, and follows up events that affect, or may conceivably affect, the Group's reputation, profitability or customers, in a separate warning system. This system is used by employees to report events that have occurred. Their immediate supervisor, the compliance manager and the risk management manager receive the reports and may propose and/or follow up any suggested measures to reduce the chance of the event reoccurring. This enables the Bank to analyse operational events and then initiate changes to internal processes to reduce the likelihood of recurrence.

It is important for the Bank to emphasize initiatives to prevent and reduce operational risk. Good internal control is an important aid, both with respect to prevention, disclosure and follow-up. Risk evaluations are made in all business areas. The major risks, together with action plans for reducing these to acceptable levels, are reported to the Managing Director. The Managing Director, in consultation with the Bank's top management, assesses the Bank's strategic risk. The major risks and the appurtenant measures to minimize risk are presented to the Board of Directors. The Bank's internal auditor performs an audit and independently confirms whether the Bank's internal audit activities satisfy the requirements set by the Internal Audit Regulation.

Organization, employees and environment

In 2020, the Group's average number of full time equivalent employees was 132. At the end of the year, the Group had 132 full-time employee equivalents, decline of 1 equivalents from 2019. Aktiv Eiendom had 21 full-time equivalents at the end of the year. In isolation, the Bank had 111 full-time employee equivalents at the end of the year.

One of the Bank's strategic focus areas is to develop competent, committed and performance oriented employees. In order to reach these objectives, the Bank has facilitated the development of a performance oriented culture that makes the most out of available resources. One effective way to build a good performance oriented culture has been to clarify what is expected of each unit in order to achieve our objectives, to follow this up by making visible and sharing results, and by appreciating and call attention to cases of good performance.

The average age of bank employees is 44.5 years.

The Bank is focused on diversity and equal opportunities. This work is also an important part of the Bank's commitment related to sustainability and sustainability reporting. Our objective is gender neutral recruiting processes with emphasis on a balanced share of female managers, and we have an equal pay perspective in the annual wage negotiations, as well as equal pay as a defined objective.

In the top management team of the Bank, 3 of the 7 are women, and we have a female managing director. Of all the managers with supervisory responsibility in the Bank, 8 of 19 are women. The Bank's Board of Directors consists of 3 women and 4 men. During the 1st quarter of 2021, there will be a supplementary board election, in which one new female director will be elected. Female managers in the Bank earn 105% relative to male managers. Among the other employees of the Bank, the women are paid 90% of what their male colleagues earn. Our computation is adjusted for part-time percentages, however, differences in position level, seniority and other issues affecting the ratio, have not been included.

It is a fundamental principle of the Bank's personnel policy that women and men shall have the same opportunities for qualifying for all kinds of work, and that their career opportunities shall be the same. Furthermore, everybody shall have equal opportunities regardless of ethnicity, national origin, skin color, language, religion, faith or functional ability. Working environment surveys at the Bank show that the employees are well satisfied with their work place, and of the opinion that the working environment is good. Pay reflects market wages and the individual employee's qualifications and responsibilities, to the greatest extent possible.

The Bank's retail market customer advisors are authorized in accordance with the authorization schemes for financial advisors (AFR), casualty insurance, personal insurance and credit.

For both the retail market and the corporate market, Sandnes Sparebank has a highly competent corps of advisors that both ensures good customer experiences and quality in the customer processes.

The Bank does not pollute the external environment. No serious incidents or accidents took place or were reported during the year.

The average absence due to illness was 3.0% for the Bank in 2020.

The Bank's equity capital certificate (SADG)

As of 12/31/2020, the SADG price was NOK 74.40, compared to NOK 67.00 as of 12/31/2019.

At the end of 2020, the registry showed 2,879 owners of the Bank's equity certificates. At this point in time, the 20 biggest owners (including the Bank's own holdings of equity capital certificates) controlled 59.65% of the equity certificate capital. A summary of the 20 biggest holders of equity capital certificates is available under Investor Information in the Annual Report.

The Bank's dividend policy is as follows;
"It is an objective of Sandnes Sparebank to manage its total resources in order to ensure a good, stable and competitive return in the form of dividends and price appreciation. Annual profits will be allocated to equity certificate capital (equity capital certificate holders) and primary capital on a pro rata basis relative to their respective shares of the Bank's equity capital. Sandnes Sparebank intends that between 50% and 75% of the equity certificate capital's share of profits will be distributed as dividends, and correspondingly that between 50% and 75% of the primary capital's share of profits will be distributed as gifts customer dividends. Considerations will emphasize that the equity capital certificate holders' share of total equity (ownership ratio) ought to be kept stable. In the determination of total distribution level, factors to be considered include expected earnings performance, external framework conditions and the Group's estimated need for Tier-1 capital."

Application of earnings for 2020

Due to temporary distribution limitations from the authorities until 9/30/2021, the Board of Directors has not had the opportunity to propose ordinary distribution allocations as of 12/31/2020. This means that distribution of dividend to owners, customers and the gift fund, has been halted. The Group is solvent and is well capitalized and well within all capital adequacy requirements. The Board of Directors plans to pay dividends to owners, customers and the gift fund for the 2020 financial year in compliance with the adopted dividend policy (50%–75%) in the fourth quarter 2021, provided it is warranted by sound market conditions and permitted by the authorities. Consequently, provisions in the amount of NOK 195.5 million have been allocated to a distribution reserves, which are part of other equity, as of 12/31/2020. The assets may be used for the future distribution of dividends to equity capital certificate holders, customer dividends and the gift fund, if any. To make it clear, it is up to the Bank's Board of Directors to decide on any distributions from the reserves.

The Board of Directors proposes the following allocation:	Amount (in millions of NOK)
For allocation	213.6
To equalization reserves	7.4
To the Savings Bank Fund	4.2
To distribution reserves	195.5
To hybrid capital holders	4.8
To revaluation reserves	4.4
From reserves for unrealized gains	-2.8
Total proposed allocation	**213.6**

The profits have been allocated on the equity capital and the saving Bank's Fund relative to their share of equity, in order to provide equity capital certificate holders with 63.6% of the allocated profits. The equity capital certificate ratio is not changed as a consequence of this.

Events after the balance sheet date

There have been no significant events after the date of the balance sheet that affects the financial statements as of 12/31/2020.

Prospects for 2021

The macro economic conditions in the region have been improving in recent years, and have been characterized by a high level of activity. The long-term economic consequences of the Corona pandemic are still somewhat uncertain, but vaccination of the population has started, and that is reason for the Bank to have a more optimistic view of the future. At the end of the year, the situation is stable for most of the Bank's customers. The Bank is well positioned in the market, and is expecting lending growth also going forward, both in the retail and the corporate market.

The Bank has a solid competency level, satisfied customers, a stable cost base, good earnings and good solvency. In the time ahead, sustainability will be implemented as a greater part of ordinary operations. Digitalization will also be a priority issue. This is to ensure always better customer experiences, exploit data and achieve more efficient internal operations. Together with the other banks in the Eika Alliance, the Bank has entered an agreement with TietoEvry regarding the transition to a new core banking system. This will gradually contribute to more efficient, flexible and more future-oriented solutions. For the Bank, the agreement will provide estimated annual savings of NOK 15–20 million from when it is fully implemented in 2024. The costs related to its implementation have been estimated to NOK 50–60 million, divided on 2021 and 2022. The estimated cost recovery time is 3–4 years.

The Bank is well placed for profitable growth, and to take a stronger position in the local market. The Bank's regulatory minimum core Tier-1 capital ratio requirement is 13.1%. The Board of Directors of the Bank has adopted an internal capital requirement of 1.0% above the regulatory capital requirement, i.e. a 14.1% Core Tier-1 capital ratio at a minimum. At the end of the year, the Bank had a Core Tier-1 capital ratio of 17.8%, and is well capitalized.

The Bank is well prepared for the future, both with respect to operations, liquidity, and financial solvency. However, the Directors want to stress that there is uncertainty related to all future estimates.

March 17, 2021 | 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

Ingunn Ruud
Employee representative

Jan Inge Aarreberg
Employee representative

Trine Karin Stangeland
CEO

Annual accounts

Income statement

Group: The year 2020	Group: The year 2019	NOK '000	Note	Parent Bank: The year 2020	Parent Bank: The year 2019
688 046	804 947	Interest income measured with the yield method	17	508 393	614 502
86 418	98 543	Interest income measured at fair value	17	80 019	87 653
304 882	427 649	Interest cost	17	194 225	289 310
469 582	**475 841**	**Net interest income**		**394 187**	**412 844**
89 351	86 916	Commission income [1]	18	73 276	75 564
-9 549	-10 105	Commission cost	18	-9 549	-10 105
57 721	46 119	Dividends and income from ownership interests in affiliates		57 721	46 620
-3 179	14 428	Net realized gains/losses on financial instruments	19	-4 349	20 780
683	3 201	Other operating income [1]	20	1 225	3 627
135 027	**140 559**	**Total other operating income**		**118 324**	**136 486**
146 550	148 688	Payroll cost	21,22,23	124 080	128 163
98 767	98 869	Other operating cost	21	91 467	90 894
23 672	21 939	Depreciation/writedowns	21,31,32,33	22 769	21 846
268 988	**269 496**	**Total operating cost**		**238 316**	**240 903**
335 621	**346 904**	**Operating profit before writedowns taxes**		**274 195**	**308 427**
24 689	13 471	Writedowns and losses on loans and guarantees	11	23 415	14 360
310 932	**333 433**	**Operating profit before taxes**		**250 780**	**294 067**
50 160	56 361	Tax cost	24	37 173	47 391
260 772	**277 072**	**Operating profit after taxes**		**213 608**	**246 676**
		Statement of other income and cost			
		Items that will not be reclassified to the income statement			
	-13 362	Valuation adjustment of shares recognized at fair value through comprehensive income	34		-13 362
-471	-582	Actuarial gains and losses, defined benefit pension	23	-471	-582
-118	-146	Taxes		-118	-146
-353	-13 799	Total		-353	-13 799
		Items that later may be reclassified to the income statement			
		Valuation adjustment of loans recognized at fair value through comprehensive income		-353	245
		Total		-353	245
-353	-13 799	Other income and cost (after taxes)		-706	-13 554
260 419	**263 272**	**Total profits**		**212 902**	**233 121**
259 285	263 112	Majority share of profits			
1 134	160	Minority share of profits			
7.9	7.9	Earnings per equity capital certificate	44	6.5	7.0
7.9	7.9	Diluted earnings per equity capital certificate		6.5	7.0

1 In 2020, the Group has elected to reclassify income from the realtor activity from operating income, to commission income. It will be effective retroactively from 1/1/2020, and comparable figures for 2019 have been reworked correspondingly.

Balance sheet

Group 12/31/2020	Group 12/31/2019	NOK '000	Notes	Parent Bank 12/31/2020	Parent Bank 12/31/2019
3 263	4 261	Cash	25,26	3 263	4 261
485 300	570 160	Loans to and claims on credit institutions	11,25,26,27	510 357	569 318
22 694 107	21 897 252	Loans to customers at amortized cost	8-11,25,26	13 178 665	12 922 320
1 305 613	980 757	Loans to customers at fair value	8-11,25,26	1 901 187	2 058 769
3 879 026	3 857 560	Notes and bonds	25,26,28,35	3 405 734	3 062 166
103 420	295 432	Equities	25,26,30	103 420	295 432
326 270	112 759	Financial derivatives	15,25,26	183 697	63 682
33 767		Ownership interests in affiliates	29	33 767	
		Ownership interests in subsidiaries	29	354 328	354 328
12 150	20 796	Intangible assets	31	7 597	16 243
8 524	8 111	Deferred tax benefit	24	8 440	8 017
6 122	5 937	Fixed assets	32	5 750	5 773
84 370	88 151	User rights, lease agreements	33	79 527	88 151
16 312	11 719	Other assets	29,42	1 034 165	940 906
18 550	46 946	Prepaid cost and accrued income	25,26	17 769	44 982
258 417	258 417	Financial instruments with valuation changes through comprehensive income	25,26,34	258 417	258 417
29 235 211	**28 158 259**	**Total assets**		**21 086 084**	**20 692 763**
1 471 784	43 672	Payable to credit institutions	25,26,35	1 376 117	286 440
11 926 057	11 832 829	Deposits from customers	25,26,36	11 931 228	11 834 530
12 278 503	12 692 071	Debt securities in issue	25,26,37	4 512 914	5 243 585
146 300	111 181	Financial derivatives	15,25,26	153 633	89 377
57 145	36 296	Other liabilities	25,26,39	51 252	32 483
52 318	55 892	Taxes payable	24,25,26	39 454	46 783
713	379	Deferred taxes	24,25,26		
34 392	40 950	Accrued expenses and received, not accrued income	25,26	30 039	38 621
14 844	16 463	Provisions	11,23,38	14 681	16 351
100 560	107 903	Lease liabilities	33	95 623	107 903
200 716	201 191	Subordinated loan capital	25,26,40	200 716	201 191
26 283 331	**25 138 825**	**Total liabilities**		**18 405 656**	**17 897 263**
230 149	230 149	Equity capital certificate capital	41,45,46	230 149	230 149
-21 034	-386	Own equity capital certificates	41	-21 034	-386
987 313	987 313	Share premium	41	987 313	987 313
-135 093		Other paid-in equity	41	-135 093	
448 818	410 451	Equalization reserves	41	448 818	410 451
846 201	831 278	The Savings Bank's Fund	41	846 201	831 278
16 443	90 156	Gift Fund/customer dividend	41	16 443	90 156
9 716	12 470	Net unrealized gains reserve	41	9 716	12 470
4 405		Revaluation reserves	41	4 405	
100 000	100 000	Hybrid capital	40,41	100 000	100 000
460 421	354 596	Other equity	41	193 511	134 070
4 542	3 408	Non-controlling ownership interests			
2 951 880	**3 019 434**	**Total equity**		**2 680 428**	**2 795 500**
29 235 211	**28 158 259**	**Total liabilities and shareholders' equity**		**21 086 084**	**20 692 763**

March 17, 2021 | 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

Ingunn Ruud
Employee representative

Jan Inge Aarreberg
Employee representative

Trine Karin Stangeland
CEO

Changes in equity capital

Group

Group	Equity certificate capital	Treasury of own equity capital certifi-cates	Share premium	Other paid-in equity	Equali-zation reserve	The Savings Bank's Fund	Gift Fund/ customer dividend	Net un-realized gains reserve	Revalu-ation reserves	Hybrid capital	Other equity	Total	Non-con-trolling ownership interests	Total equity capital
Equity capital as of 1/1/2019 (revised)	230 149	-187	987 313		389 294	820 224	88 159	23 829		100 000	309 197	2 947 978	3 581	2 951 558
Dividends paid											-119 584	-119 584	-334	-119 918
Gifts and customer dividends paid							-68 960					-68 960		-68 960
Actuarial gains and losses, defined benefit pensions (after taxes)					-286	-151						-437		-437
Net unrealized gains reserve								2 007				2 007		2 007
Valuation adjustment of shares recognized at fair value through comprehensive income								-13 365			3	-13 362		-13 362
Change, own equity capital certificates		-199									-1 014	-1 213		-1 213
Unpaid interest/cost on hybrid capital											-5 306	-5 306		-5 306
Annual profits allocated to equity capital reserves					21 443	11 205						32 648		32 648
Annual profits allocated/ used for dividends											135 788	135 788		135 788
Annual profits allocated/ used for gift fund/customer dividends							70 957					70 957		70 957
Annual profits allocated to hybrid capital holders											5 276	5 276		5 276
Annual profit rest of group											30 235	30 235	160	30 396
Equity capital as of 12/31/2019	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

Group	Equity certificate capital	Treasury of own equity capital certifi-cates	Share premium	Other paid-in equity	Equali-zation reserve	The Savings Bank's Fund	Gift Fund/ customer dividend	Net un-realized gains reserve	Revalu-ation reserves	Hybrid capital	Other equity	Total	Non-con-trolling ownership interests	Total equity capital
Equity capital as of 1/1/2020	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 and customer dividends paid							-62 889					-62 889		-62 889
Actuarial gains and losses, defined benefit pensions (after taxes)					-225	-128						-353		-353
Net unrealized gains reserve								-2 754				-2 754		-2 754
Revaluation reserves									4 405			4 405		4 405
Change, own equity capital 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/cost on hybrid capital											-4 747	-4 747		-4 747
Annual profits allocated to equity capital reserves					7 401	4 228						11 629		11 629
Annual profits allocated to distribution reserves											195 498	195 498		195 498
Annual profits allocated to hybrid capital holders											4 831	4 831		4 831
Annual profit rest of group											46 030	46 030	1 134	47 164
Equity capital as of 12/31/2020	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

Changes in equity capital

Parent Bank	Equity certificate capital	Treasury of own equity capital certificates	Share premium	Other paid-in equity	Equali-zation reserve	The Savings Bank's Fund	Gift Fund/ customer dividend	Net unrealized gains reserve	Revalu-ation reserves	Hybrid capital	Other equity	Total equity
Egenkapital per 01.01.2019 (omarbeidet)	230 149	-187	987 313		389 294	820 224	88 159	23 829		100 000	118 662	2 757 442
Dividends paid											-119 584	-119 584
Gifts and customer dividends paid							-68 960					-68 960
Actuarial gains and losses, defined benefit pensions (after taxes)					-286	-151						-437
Valuation adjustment of loans recognized at fair value through comprehensive income											245	245
Net unrealized gains reserve								2 007				2 007
Valuation adjustment of shares recognized at fair value through comprehensive income								-13 365			3	-13 362
Change, own equity capital certificates		-199									-1 014	-1 213
Unpaid interest/cost on hybrid capital											-5 306	-5 306
Annual profits allocated to equity capital reserves					21 443	11 205						32 648
Annual profits allocated/used for dividends											135 788	135 788
Annual profits allocated/used for gift fund/customer dividends							70 957					70 957
Annual profits allocated to hybrid capital holders											5 276	5 276
Equity capital as of 12/31/2019	230 149	-386	987 313		410 451	831 278	90 156	12 470		100 000	134 070	2 795 500
Equity capital as of 1/1/2020	230 149	-386	987 313		410 451	831 278	90 156	12 470		100 000	134 070	2 795 500
Dividends paid					10 477						-115 075	-104 597
Gifts and customer dividends paid							-62 889					-62 889
Actuarial gains and losses, defined benefit pensions (after taxes)					-225	-128						-353
Valuation adjustment of loans recognized at fair value through comprehensive income											-353	-353
Net unrealized gains reserve								-2 754				-2 754
Revaluation reserves									4 405			4 405
Change, own equity capital 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/cost on hybrid capital											-4 747	-4 747
Annual profits allocated to equity capital reserves					7 401	4 228						11 629
Annual profits allocated to distribution reserves											195 498	195 498
Annual profits allocated to hybrid capital holders											4 831	4 831
Equity capital as of 12/31/2020	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

Other equity includes provisions to the distribution reserves of NOK 195.5 million as of 12/31/2020. The allocated amount may be used for any future distributions for the 2020 financial year, which are conditional on a decision by the Board of Directors, proper market conditions and that the authorities again permit distributions.

Please also refer to Note 40, 44 and 45 regarding equity capital and equity capital certificates.

Cash flow statement

Group			Parent Bank	
The year 2020	**The year 2019**	NOK '000	**The year 2020**	**The year 2019**
		Cash flow from operations		
762 013	850 840	Payment of interest, commissions and fees from customers	599 049	679 179
-91 493	-140 217	Payment of interest to customers	-91 493	-140 217
-72 769	11 869	Net payment in/out in connection with trading of financial assets	-61 975	3 913
53 234	46 119	Receipt of dividends	53 234	46 620
55 349	70 407	Interest payments received on securities	47 942	59 533
-214 749	-239 853	Operational payables	-214 472	-239 784
-53 736	-56 848	Taxes	-44 925	-46 060
437 850	**542 317**	**Net cash flow from operations**	**287 359**	**363 184**
		Cash flow from investment activities		
-1 652	-1 061	Purchase/sale of fixed assets	-1 652	-1 061
182 280	-120 641	Purchase/sale of long-term investments in equities and other assets	182 280	-120 641
-25 519	-215 355	Net payment in/out in connection with trading of interest-bearing securities	-347 621	42 352
155 110	**-337 057**	**Net cash flow from investment activities**	**-166 993**	**-79 350**
		Cash flow from financing activities		
-1 129 955	-944 937	Net payments in/out on installment loans, lines of credit	-198 926	-397 348
97 372	583 257	Net payments received from deposits	97 372	583 257
1 429 780	253 102	Net deposits/loans from credit institutions	1 091 344	261 605
1 950 000	3 480 000	Placement of note and bond debt	1 150 000	1 080 000
-2 548 707	-3 043 755	Repayment of notes and bond debt	-1 953 221	-1 316 787
	-115 500	Repayment of subordinated loan capital and subordinated bonds		-115 500
-104 597	-119 918	Distribution of dividends	-104 597	-119 584
-62 889	-68 960	Gifts and customer dividends paid from profits [1]	-62 889	-68 960
-155 649		Net payment for the repurchase of own equity capital certificates	-155 649	
-16 966	-14 184	Lease payments on lease liabilities recognized through the balance sheet	-16 103	-14 184
-137 207	-296 216	Net interest payments made on funding activities	-27 656	-157 708
-678 817	**-287 111**	**Net cash flow from funding activities**	**-180 324**	**-265 209**
-85 858	-81 851	Net cash flow for the period	-59 958	18 625
574 422	656 273	Cash and cash equivalents at the beginning of the period	573 579	554 954
488 564	574 422	Cash and cash equivalents at the end of the period	513 621	573 579

1 Disbursed gifts and customer dividends were previously presented as operating activities but are now reclassified to financing activities. Figures for 2019 have been restated accordingly.

Notes

Innhold

1 GENERAL INFORMATION

Sandnes Sparebank is an equity capital certificate bank listed on the Oslo Stock Exchange. The Bank is headquartered in the municipality of Sandnes, and its office address is Rådhusgata 3, 4306 Sandnes.

The 2020 Group and Parent Bank Financial Statements were approved by the Board of Directors on March 17, 2021 and by the Board of Trustees on March 24, 2021.

2 ACCOUNTING PRINCIPLES

CONTENTS

1 Basis for preparation of financial statements

The Group financial statements for Sandnes Sparebank have been prepared in accordance with International Financial Reporting Standards (IFRS), as approved by the EU. The same applies to the financial statements of the Parent Bank. The financial statements are based on IFRS standards and interpretations that are mandatory for annual financial statements presented as of 12/31/2020. Requirements for additional information in current banking laws and regulations have also been met.

The measurement basis for the financial statements is historical cost, with the exception of financial derivatives and the financial assets and liabilities that are reported at fair value with changes in value through the income statement.

For the group financial statements, the principles mentioned here have been consistently applied for all reporting periods. The same applies to the parent company, with clarifications as stated for the relevant items. The financial statements are presented in Norwegian Kroner (NOK), and all figures are shown in whole thousands, unless otherwise specifically indicated. The Group balance sheet presentation is primarily based on an assessment of the liquidity of the balance sheet items.

2 New standards and interpretations employed as of the 2020 financial year

No new standards or interpretations that have been employed as of the 2020 financial year, may be considered to have a materially affect on the financial statements of the Group.

3 Consolidation

The consolidated financial statements comprise the Parent Bank, Sandnes Sparebank, and the subsidiaries listed in Note 29. Subsidiaries are consolidated from the date the Bank assumed control and are excluded from the date the Bank cedes control. Control is present when the investor has power over the investment, has exposure to or is entitled to variable returns and has the ability to use this power to direct those activities of the investment that to a significant degree impacts returns. Potential voting rights, options, convertible debt instruments and other issues are part of the assessment.

The accounting principles are being consistently applied for incorporation of ownership interests and the reporting is based on the same accounting periods as the Parent Bank.

Intra-group transactions and balances between the consolidated companies are eliminated. Unrealized losses are eliminated unless the loss is caused by impairment. The minority share of Group profits will be presented as a separate item in the income statement. Under equity capital, the minority share is shown as a separate item.

Subsidiaries

Subsidiaries are defined as companies in which Sandnes Sparebank has direct or indirect control, ownership interests or other relationships. Normally Sandnes Sparebank is assumed to have control when its ownership interests in another company is greater than 50%.

For acquisitions and transfers, the following applies:
The acquisition method is used in case of acquisition of control of a company. All identifiable acquired assets and liabilities are included at fair value. For every 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 recognized as expenses.

If control is achieved through gradual acquisition, any difference between the fair value at the time of acquisition and the book value of the part of the company already recognized, will be recognized through the income statement.

Any conditional part of the acquisition price will be valued at fair value at the time of acquisition.

Basically, goodwill is measured as the difference between the total purchase price and the value of non-controlling ownership interests, and the net fair value of acquired identifiable assets and liabilities. The difference is recognized through the income statement if it is negative.

4 Affiliates

The definition of affiliates is regulated by IAS 28. Affiliate means that the Bank has significant influence, but not control of the company. Normally, there is significant influence when the Bank has an ownership interest of 20 percent or more, unless it may be clearly documented that this is not the case. Treatment as affiliates occurs from the time significant influence is established and until it ceases. The investment is initially recognized at acquisition cost, and is then adjusted for the change in the Bank's share of the net assets of the affiliate. Affiliates are recognized according to the equity method for both the Parent Bank and the Group.

5 Presentation currency

The presentation currency is Norwegian Kroner (NOK), which is also the functional currency for all Group companies. Transactions in foreign currencies are converted to the functional currency according to the exchange rates on the day of the transaction. Foreign exchange losses and gains arising from such transactions and on the conversion of cash items in foreign currency as of 12/31 are recognized through the income statement.

6 Accrual of income

Interest income and interest costs are recognized in the income statement using the yield method. The yield method calculates the amortized cost of loans and deposits and distributes earned interest or interest expense over the expected term to maturity. The yield is determined by discounting contractual cash flows within the anticipated term to maturity.

The method entails current income accrual of nominal interest with the addition of amortization of up-front fees. If a loan has been written down due to value impairment (part of step 3), interest income is recognized as yield, based on the expected written down cash flows. Fees associated with fixed income instruments are part of the yield calculation and is correspondingly recognized in the income statement.

Commission income and costs are generally accrued as and when a service is rendered and classified as "Commission income" and "Commission cost", respectively.

The Group has the following income flows covered by IFRS 15 – Income from customer contracts:

- **Payment service fees** – Charged to the customer's account at the end of each month when accrued, and recognized as income during the same period.
- **Annual fee (debit card)** – Annual advance payment. Charged to the customer's account during the month when a new period (year) starts. Recognized as income in the same way.
- **Commission on the sale of insurance, saving, investment funds and credit cards** – Accrued, recognized as income and settled monthly.
- **Brokerage fee** – Accrued and recognized as income upon settlement.
- **Fees earned via third parties (interbank, VISA, etc.)** – Accrued, recognized as income and settled monthly.
- **Other fees** - charged to the customer's account on an ongoing basis and on the date accrued. Recognized as income on an ongoing basis.
- **Other services** – recognized as income in line with execution.

The Bank has only limited income containing significant elements of separate delivery obligations, meaning that the timing of recognition of income and measurement of compensation of the transactions, have not been changed as a consequence of the introduction of IFRS 15.

Rent income related to real estate concerns primarily sublet income that is invoiced and recognized as income on a current basis in accordance with the sublet agreement in line with IAS 17.

Dividends on shares and equity capital certificates are recognized as income at the time when they are adopted by the annual general meeting.

7 Balance sheet recognition of assets and liabilities

The Group recognizes assets at the time when the Group achieves real control of the rights to the assets. Similarly, liabilities are recognized when the Group assumes real liabilities. Assets are derecognized at the time when real risk regarding the assets is transferred and the control over the rights to the assets lapses or expires.

In other respects, please refer to the description of recognition and measurement under item 8, Financial Instruments.

8 Financial instruments

Classification of financial instruments

Classification of financial instruments is based on the purpose of their acquisition and the characteristics of the instrument.

Financial assets are classified as:

- Financial instruments valued at amortized cost (AC)
- Financial instruments valued at fair value with valuation changes through ordinary profit or loss (FVTPL)
- Financial instruments valued at fair value with valuation changes through comprehensive income (FVTPL)

Financial liabilities are classified as:

- Financial liabilities at fair value with change in value through the income statement
- Other financial liabilities measured at amortized cost

The definition of a financial instrument is determined by IAS 32, whereas the classification and measurement of financial instruments are determined in IFRS 9. In the determination of the measurement category, IFRS 9 differentiates between ordinary debt instruments and equity instruments, including derivatives. Ordinary debt instruments are defined as fixed income instruments on which the yield is dependent on the time value of money, credit risk and other relevant risks for ordinary debt instruments.

Derivatives of and investments in equity instruments

Equity instruments are in the fair value through profit and loss category (FVTPL). With respect to equity instruments that are not derivatives and which are not held for trading purposes, there is opportunity to elect to recognized these at fair value through other comprehensive income (FVOCI).

All derivatives used by the Group are measured at fair value with valuation changes through the income statement, but derivatives designated as hedging instruments shall be recognized in line with the principles for hedge accounting.

Financial assets that are debt instruments

For ordinary debt instruments, the measurement category is determined by the purpose of the investment. Debt instruments that are part of a portfolio created for the purpose of receiving contractual cash flows in the form of interest and installments, shall be measured at amortized cost.

Debt instruments that are part of a portfolio created for the purpose of both receiving cash flows and making sales, shall be measured at fair value through other comprehensive income (FVOCI), with interest income, effects of currency exchange rate conversions and writedowns presented via the income statement.

Instruments that at the outset should be measured at amortized cost or at fair value with valuation changes through comprehensive income (FVOCI), may be designated to be measured at fair value with valuation changes in value through the income statement if this will eliminate or significantly reduce an accounting mismatch (Fair Value Option/FVO).

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

Financial liabilities

For financial liabilities that has been decided recognized at fair value through ordinary profit and loss, changes in value due to the company's own credit risk shall be recognized through comprehensive income (OCI), unless the recognition through comprehensive income (OCI) creates or reinforces an accounting mismatch. The scope of liabilities recognized at fair value is of limited scope, and the impact on the Group is therefore considered insignificant.

Hedge accounting

The Group applies hedge accounting for fair value hedging of some fixed rate funding (bonds, subordinated loans and hybrid capital bonds). Derivatives related to this funding are earmarked for hedging purposes. IFRS 9 simplifies the requirements to hedge accounting by associating the hedging efficiency closer to risk management, and this provides more room for discretion. The requirement of a hedging efficiency of 80–125 percent, has been removed, and is replaced by a more qualitative requirement, including that there must be a financial link between the hedging instrument and the hedged object, and that credit risk shall not dominate the changes in the value of the hedging instrument. According to IFRS 9, it is sufficient with a prospective efficiency test. Hedging documentation is still required.

Measurement

Initial recognition

At initial recognition, all financial instruments are measured at fair value on the trading day. 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 profit and loss.

Subsequent measurement

Measurement at fair value

For all financial instruments traded on an active market, the quoted price obtained either from a stock exchange, broker or a pricing agency, is applied. Financial instruments not traded on an active market are valued with various valuation techniques, and some are valued by professional agencies. All changes in fair value are recognized directly in the income statement unless the asset is classified as financial instruments at fair value with valuation changes through comprehensive income (FVOCI).

The Bank has set the fair value of floating rate loans to correspond to the nominal value, adjusted for the associated expected credit loss on the loan (ECL). The reason is that such loans are repriced almost continuously, and that any deviation from the nominal value in an arm's length transaction between informed and willing parties is considered insignificant.

Amortized cost valuation

Financial instruments not measured at fair value are valued at amortized cost and income/cost is estimated using the yield method. The yield is determined by discounting contractual cash flows within the anticipated term to maturity. Amortized cost is the present value of the cash flows discounted by the yield.

Hedge accounting

The hedge effect is valued and documented both at initial classification and at each closing of the accounts. In case of fair value hedging, the hedging instrument is recognized at fair value and the value of the hedging object is adjusted for the change in valuation associated with the hedged risk. Changes in these values from the starting balance are recognized in the income statement. This method ensures that the presentation in the financial statements of these instruments complies with the Group's policies for managing interest rates and actual economic developments. If the hedge is terminated, or if sufficient hedging efficiency cannot be verified, the change in value of the hedging object is amortized over its remaining maturity.

Writedown of financial assets

Pursuant to IFRS 9, provisions for losses shall be recognized on the basis of expected credit losses (ECL). The general model for the write-down of financial assets comprises only financial assets recognized at amortized cost or fair value through comprehensive income. In addition, loan grants and financial guarantee contracts that are not recognized at fair value through profit and loss, and receivables on lease agreements, are included.

The measurement of provisions for expected losses in the general model, depends on whether the credit risk has increased significantly since it was first recognized in the balance sheet the first time. The credit deterioration is measured by the development of the probability of default (PD). At the first balance sheet recognition and when the credit risk has not increased significantly since the first balance sheet recognition, expected losses over 12 months are recognized. The expected loss for 12 months, is the loss that is expected to occur over the life of the instrument, but that may be linked to default events occurring during the first 12 months. If credit risk has increased significantly after the first recognition, the provision shall correspond to the expected loss over the whole lifespan.

The Bank groups its loans, in line with IFRS 9, in three steps;

STEP 1

This is the starting point for all financial assets comprised by the general loss model. All assets that do not have significantly higher credit risk than at the first balance sheet recognition, are assigned a calculated cost of loss equal to expected losses over 12 months.

STEP 2

Step 2 in the loss model consists of assets that have experienced a significant increase in credit risk since the first balance sheet recognition, but which have not incurred credit losses as of the date of the balance sheet. For these assets, the calculated provision is equal to the expected loss over their lifespans. This group includes accounts with significant degrees of credit deterioration, but which belong to customers for which there is no objective loss event. With respect to delimitation against step 1, the Bank defines significant degree of credit deterioration by considering whether the calculated probability of default (PD) for a loan has increased significantly, or whether the customer has been granted easier payment terms.

STEP 3

Step 3 consists of assets that have experienced a significant increase in credit risk since establishment, and where there is an objective loss event as of the date of the balance sheet. For these assets, the Bank makes individual provisions for losses. At each balance sheet date an assessment is made whether there is objective evidence of any impairment of the value of an individually assessed loan. The impairment must be the result of one or more events occurring after the first-time recognition in the balance sheet (a loss event) and it must also be possible to measure the result of the loss event (or events) reliably. Examples of such events are material financial problems for the debtor, payment default or other breach of contract. If there is objective proof of the occurrence of impairment of value, the amount of the loss is calculated. In the case of loans carried at amortized cost, the loss is calculated as the difference between the value recognized in the balance sheet and the present value of estimated future cash flows discounted by the loan's original yield. The changes during the period in the valuation of loans are recognized under "Writedowns and losses on loans and guarantees".

Please refer to Note 8 for a more detailed description of the loss model.

Non-performing / problem loans

Total loans from a customer are considered in default and are included in the Bank's statement of non-performing loans when overdue installments or interest payments have not been paid within 90 days of the due date, or when lines of credit have been overdrawn for 90 days or more. Loans and other commitments that are not in default, but where the customer's economic situation makes it probable that the Bank will suffer a loss, are classified as problem loans.

Problem loans consist of the total loans in default over 90 days, and other problem commitments (non-default loans and guarantees with writedown).

Declared loss

Losses are considered realized when a voluntary arrangement, insolvency or bankruptcy is confirmed, when attachment proceedings have failed, by an enforceable judgment, or otherwise if the Group waives all or part of the loan, or if the Group considers the loan to be a loss for the Group. The Bank removes the loan from the balance sheet when its loss is ascertained. Declared losses that are covered by previously made provisions, are recorded against the provisions. Declared losses not covered by provisions, as well as over or under coverage relative to previously made provisions, are recorded in the income statement.

Writedowns of shares in subsidiaries

At the parent company level, shares in subsidiaries are valued at acquisition cost with a deduction for writedowns in accordance with IAS 36. The need for writedowns is assessed on an annual basis in the same way as for other long-term assets.

Takeover of assets

Assets taken over in connection with follow-up of loans in default and written-down loans, are valued at fair value at the time of takeover. In the balance sheet, takeover assets are classified according to their character. Subsequent valuation and classification of effects on earnings is according to the principles for the relevant balance sheet item.

More details about some types of financial instruments

Loans and receivables

Loans and receivables are financial assets without market quotations. Floating rate loans are valued at amortized cost or at yield to maturity. Fixed rate loans are recognized at fair value with changes in value through the ordinary income statement, as the Bank is using Fair Value Option (FVO) for these loans. For these loans, the change in fair value is reported in the income statement under the item "net gain/loss on financial instruments". The interest rate risk in fixed rate loans is controlled with interest rate swaps that are recognized at fair value. It is the Group's opinion that valuing fixed rate loans at fair value provides more relevant information about values in the balance sheet. Interest from interest rate swap agreements are recognized through the income statement in the item "Interest income measured at fair value".

In the financial statements for the Parent Bank, loans that the Parent Bank may transfer to SSB Boligkreditt AS, are classified at fair valuation changes through comprehensive income (FVOCI), as the business model indicates that the Parent Bank has the intention of collect contractual cash flows, but may also sell/transfer the loans to SSB Boligkreditt AS. In the Group financial statements, the loans are recognized at amortized cost, as the Group does not intend to sell the loans.

Shares, notes and bonds

Shares and units are valued at fair value with changes in value over profit and loss (FVTPL), except the Bank's investment in EIKA Gruppen AS, which is classified as financial instruments with valuation changes through comprehensive income (FVOCI) as this investment is considered strategic for the Bank.

The Bank's liquidity portfolio of notes and bonds is valued at fair value with valuation changes through ordinary profit and loss (FVTPL) according to the business model governing the management of the liquidity portfolio, pursuant to IFRS 9. The business model provides a required rate of return for the liquidity portfolio, and purchases and sales are made for the purpose of maximizing profits. The Bank also holds a "hold until maturity" bond portfolio valued at amortized cost, as the Bank intends to hold 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 valuation changes through ordinary profit and loss (FVTPL). Fair value is valued on the basis of quoted market prices in an active market, including recent market transactions and various valuation techniques. Derivatives are recognized as assets if the fair value is positive and as liabilities if the fair value is negative (recognition of gross value in the balance sheet).

Funding and other financial liabilities

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

Issued floating rate securities debt is measured at amortized cost. With respect to issued fixed rate securities debt, hedge accounting is applied in which valuation changes of the hedged part of the debt recognized through ordinary profit and loss.

Issued subordinated loans have priority after other liabilities, and are recognized and measured the same way as other securities debt.

Other financial liabilities are measured at amortized cost where differences between the received amount less transaction costs and redemption value are distributed over the term of the loan using the yield method.

Day 1 gains

IFRS does not allow immediate recognition as income from "day 1 gains". Such gains are calculated for each individual transaction and generally amortized over the term of the transaction unless other observable market data or similar, clearly support a different profile of accrual.

Recognition and derecognition of financial assets and liabilities

Financial assets and liabilities are recognized on the day of transaction, meaning the time when the bank becomes party to the contractual terms and conditions for the instruments.

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

With respect to financial liabilities, these are derecognized when the contractual terms and conditions are met, have expired or are cancelled.

Repurchased issued securities debt

Any premium or discount on the repurchase of own bonds is recognized through the income statement and recorded under interest cost. Any purchase premium in case of repurchase of debt before it matures, is considered to be a price loss/gain and is presented and recognized in the income statement in the item "net gain/loss on financial instruments". Interest from other financial liabilities is reported as "interest cost" in income statement.

Modified assets and liabilities

If the terms and conditions of an existing financial asset or liability is modified or otherwise changed, the instrument will be treated as a new financial asset or liability if the renegotiated terms and conditions are significantly changed from the old terms and conditions. If the requirements for significant change are satisfied, the old asset and liability is derecognized and the new asset or liability is recognized.

If the modified instrument is not considered to be significantly changed from the original instrument, for accounting purposes the instrument is considered to be a continuation of the existing instrument. In such cases the new cash flows are discounted with the instrument's original effective rate of interest, and any difference to the existing amount recorded in the balance sheet will be recognized through the ordinary income statement.

9 Intangible assets

Goodwill

Basically, goodwill is measured as the difference between the total purchase price and the value of non-controlling ownership interests, and the net fair value of acquired identifiable assets and liabilities. Goodwill arising from acquisition of subsidiaries is recognized as intangible assets. Individual goodwill items and intangible assets in the Group's balance sheet are allocated to profit centers on the basis of which activities benefit from the acquired asset. Choice of profit center is made on the basis of whether it is possible to identify and exclude cash flows related to the activities. Goodwill is tested annually for writedown and recognized at cost price reduced by accumulated amortization. Valuation is based on historical results, 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 activities that are comprised by the evaluation entity, and thus reflects the risk of the business.

Software and development of IT systems

Costs directly associated with major investments in software, which are expected to bring significant financial benefits over time, are recognized as intangible assets. Cost of purchased licenses is capitalized and straight-line depreciated over their useful economic life, normally 3-5 years. Software maintenance costs are accrued as costs as and when they occur.

At each balance sheet date, all intangible assets are assessed for indications of impairment. If there are indications of impairment, an analysis is made to assess whether the book value of the intangible assets may be fully recovered. The recoverable amount is the net sales price or the utility value, whichever is higher. The utility value is calculated by discounting expected future cash flows to present value by applying a discount rate after tax that reflects the market pricing of the time value of money and the risk related to the specific asset. In the case of assets that generally do not generate independent cash flows, the recoverable amount is determined for the cash-flow generating entity to which the asset belongs. If the recoverable amount is lower than book value, the value is written down to the recoverable amount.

10 Fixed assets

Tangible fixed assets comprise buildings and operating equipment. Buildings and operating equipment are recognized at original cost less accumulated depreciation and writedowns. The cost price includes all directly attributable costs related to the purchase of the asset. Straight line depreciation is used to allocate the cost price less any residual value over the estimated economic life of the asset. Buildings, plant and equipment being depreciated, are subject to a depreciation test in accordance with IAS 36 when the circumstances so indicate.

11 Lease agreements

IFRS 16 provides a common model to be used for all lease agreements, with some exceptions. Under IFRS 16, there is no longer be a distinction between operational leasing and financial leasing, and where agreements entered transfers the right to use a specific asset from the lessor to the lessee for a specific period. For the lessor, the rules from IAS 17 are mainly being continued.

In order to determine whether an agreement contains a lease agreement, it has been considered whether the agreement transfers the right to control the use of an identified asset. For the Group, the standard has been of importance for leases for office premises, which entails that rent cost is no longer recognized as an operating cost, but as depreciation of a user right asset and interest cost on the associated lease liability in the income statement. The IT agreements of the Bank is not considered to be comprised by IFRS 16, since they are based on the purchase of capacity that is not physically separate, and thus not identifiable. Lease agreements with a low value (total value under USD 5,000) and lease agreements with a lease period of 12 months or less, will not be recognized through the balance sheet. The lease agreements subject to these exceptions are recognized on a current basis as other operating cost.

The lease period is calculated on the basis of the duration of the agreement, with the addition of any option periods, if it reasonably certain that they will be exercised. The calculation of the present value of lease liabilities, includes elements of the lease agreements, such as fixed rent adjusted for index adjustments. Any options in the lease agreement and/or expenses related to buyout clauses before final agreement expiration are included in the lease liability if it is probable that the option or clause will be utilized. Common expenses and other variable lease payments, etc. will not be recognized as part of the lease liability for the lease agreements and are recognized as operating cost.

The discount rate for lease agreements is determined by applying the interest rate a tenant in a similar economic environment would have to pay in order to get loan financing, for a corresponding period and with similar collateral, the funds needed for an asset of corresponding value to the usage right asset. The rate reflects both the risk-free rate of interest, credit risk and lease specific mark-ups, including collateral/pledging of the lease agreement. The rate will be adjusted to the actual duration of the lease agreement, type of asset, etc.

The Bank has recognizes its lease liabilities at the present value of the remaining rent payments, discounted with the marginal lending rate at the time of first time application, and recognized associated user rights as an amount reflecting the value of the assets, as if the standard applied from the time when the agreement was entered.

In the balance sheet, user rights are presented as "User rights, lease agreements", whereas lease liabilities are presented as "Lease liabilities", also in the balance sheet.

User rights being depreciated, are subject to a depreciation test in accordance with IAS 36 when the circumstances so indicate.

12 Pensions

The companies in the Group have different pension plans. The pension plans are mainly financed by contributions to insurance companies.

Define contribution plan

The Group has a defined contribution plan for the employees of the company, as well as an operational pension plan with defined benefits for a former managing director. A defined contribution plan is a pension plan where the Group pays regular contributions to a legal entity that invests these assets on behalf of the members of the plan. The contributions are recognized as payroll costs when due.

Defined benefit plan

Defined benefit plans define the pension benefits an employee will receive upon retirement. Normally, pension benefits depend on one or more factors such as age, years of service in the company and wage level. The liability recognized in the balance sheet with respect to defined benefit plans is the present value of the defined benefits at the date of the balance sheet minus the fair value of the pension assets. The pension liability is calculated annually by an independent actuary using a straight-line accruals method. The discount rate is a calculated market rate on covered bonds (OMF). Other parameters, such as wage adjustments, inflation and pension increases, are determined on the basis of anticipated long-term developments of the parameters. Changes in the pension plan's benefits are accrued as cost or capitalized in the income statement on a current basis.

Deviations from estimates are recognized through comprehensive income (OCI) during the period they accrue and form part of total earnings.

The net pension cost for the period is included in wages and social benefits, and consists of pension accruals during the period, the interest cost con the calculated pension liability, and accrued employers' social security contributions. Pension costs are based on assumptions set at the start of the period.

AFP early retirement pension by collective agreement

The old AFP scheme was decided wound up in February of 2010. As a replacement for the old early retirement scheme, a new early retirement scheme has been established that provides a lifelong additional benefit to the ordinary pension. The new early retirement scheme is a defined benefit pension scheme for multiple companies, which is financed by premiums determined as a percentage of wages. For the time being there is no reliable measurement and allocation of the scheme's liabilities and assets. For accounting purposes, the scheme is treated as a defined contribution pension scheme, for which premium payments are recognized currently and no provisions are made in the financial statements.

13 Other liabilities

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

14 Income tax

Annual tax cost is comprised of taxes payable and changes in deferred taxes on temporary differences. Payable tax is the tax calculated on the year's taxable profits. Deferred tax is recognized according to the debt method in accordance with IAS 12. Liabilities or assets are calculated on deferred tax on temporary differences, which is the difference between the book value and the taxable value of assets and liabilities. However, no liability or asset is calculated for deferred tax on goodwill that does not generate tax deductions, or on the initial recognition items that neither influence accounting nor taxable profits. An asset is estimated in the event of deferred tax on tax-related losses carried forward. Deferred tax benefits are recognized in the balance sheet if it is likely that they may be applied against future taxable earnings. When calculating deferred taxes, the same tax rates and rules are used as those applying on the date of the balance sheet, or which most likely will be introduced.

As of 12/31/2020, the tax rate on ordinary income in Norway was 22%. The tax rate will remain unchanged in 2021. An exception is made for financial companies, which continue at the 2016 level (25% tax rate).

According to IAS 12, asset tax cannot be considered a tax, and is recognized as operating cost.

Tax treatment of equity transactions

If the source of the distribution is previous profits (retained earnings), the tax consequences of the distribution are presented as tax cost in the income statement when the distribution was decided. This applies, inter alia, for payment of customer dividends and payment of interest on subordinated bonds.

15 Dividend and earnings per equity capital certificate

Dividend on equity certificates is recognized as equity during the period until the date it is approved by the Bank's Board of Trustees. Earnings per equity certificate are calculated by dividing the profit/loss allocated to holders of equity certificates by the number of outstanding certificates, while taking into account the Bank's treasury holding of its own equity capital certificates.

16 Equity capital

The equity certificate holders' share of equity consists of the equity certificate capital, the share premium and equalization reserves. The equalization reserves consist of accumulated retained earnings and may be used for future cash or stock dividends.

The nominal value of treasury equity capital certificates is reported as a reduction of the equity certificate capital. Purchase price in excess of nominal value is recognized as other paid-in equity. Gains or losses on transactions in treasury equity capital certificates are recognized directly against other paid-in equity.

Other equity comprises the Savings Bank Fund, the Gift Fund/customer dividends, reserves for unrealized gains, reserves for valuation differences, other equity and minority interests. Other equity includes provisions for dividends.

Annual profits are attributed to holders of equity certificates and primary capital on a pro rata basis relative to their respective shares of the Bank's equity capital.

Issued subordinated bonds are interest carrying bonds, but the Bank is not obliged to pay interest in a period where no dividend is paid, and neither is the investor entitled to later claim unpaid interest, i.e. interest is not accumulated. Subordinated bonds do not satisfy the definition of a financial liability according to IAS 32, and are therefore classified as equity/hybrid capital in the Bank's balance sheet. The subordinated bonds are perpetual and the Bank has a unilateral right to not pay interest to investors under certain conditions. Thus, interest is not presented as an interest cost in the income statement, but as a reduction of retained earnings.

17 Cash flow analysis

The cash flow analysis is prepared according to the direct method and the statement shows cash flows grouped according to sources and application areas. Liquid assets comprise cash and receivables from Norges Bank, as well as loans to and receivables from credit institutions.

18 Segment information

Segment reporting is based on internal management reporting. The income statements and balance sheets of the segments are a result of a composition of internal departmental financial reporting, pursuant to the Group's management model. Please refer to Note 5 regarding assumptions and allocation principles.

19 Adopted standards and interpretations with effective dates in the future

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

Change of reference rate and possible impact on the financial statements
The Company's hedging arrangements are based on NIBOR as the benchmark rate. There are ongoing initiatives to reform the benchmark rates, including NIBOR. Norske Finansielle Referanser AS, a company, will continue NIBOR, provided it receives NIBOR quotes from the panel banks. Sandnes Sparebank considers it likely that NIBOR will be maintained throughout the remaining lifespan of the Bank's existing hedging arrangements. Furthermore, the Bank is of the opinion that a transition to an alternative benchmark rate would not have a significant impact on the hedging efficiency of the Bank's existing hedging arrangements.

A working group has been established, that has analyzed alternative benchmark rates in Norway. For the time being, no conclusions have been reached with respect to which benchmark rate will be used in the longer term, or when a transition will take place. Sandnes Sparebank will consider the further handling of any transition to new benchmark rates when it has been finally clarified which benchmark rates will be introduced in Norway. On August 27, 2020, the phase II project of the IBOR reform was completed. This entails adjustments to IFRS 4, IFRS 7, IFRS 9 and IFRS 16, due to the change of reference rate. The changes became effective as of January 1, 2021.

Annual improvement projects
In connection with its annual improvement projects, IASB has made some minor changes in several standards. The changes have been evaluated to not have any material significance for the Group.

3 CRITICAL ESTIMATES AND ASSESSMENTS REGARDING THE USE OF ACCOUNTING PRINCIPLES

Critical estimates

The preparation of financial statements in compliance with generally accepted accounting principles in some cases requires the management to make assumptions and to rely on estimates and discretionary assessments. Estimates and discretionary assessments are evaluated on a current basis, and are based on historical experiences and assumptions about future events that appear probable on the date of the balance sheet. There is uncertainty associated with the assumptions and expectations that have been used in estimates and discretionary assessments. Actual results may deviate from the estimates and the assumptions.

Writedowns of loans and guarantees

In the case of individually assessed loans and for groups of loans that have been identified as doubtful, a calculation is made to determine a value for the loan or group of loans. The calculation assumes the use of numbers that are based on judgment, and these affect the quality of the calculated value. Write-down assessments are performed each quarter.

Step 3 writedowns (individual writedowns)
If there is objective proof of impairment of the value of a loan valued at amortized cost, the loss is calculated as the difference between the balance sheet value and the present value of estimated future cash flows, discounted by the original yield of the loan. The estimate of future cash flows is made on the basis of experience and discretionary assessment of probable outcomes for, inter alia, market developments and concrete issues pertaining to each loan, including empirical data regarding the debtor's ability to handle a pressured financial situation. In the valuation of writedowns of loans, there is uncertainty related to the identification to be written down, estimate of timing and amount of future cash flows, as well as the valuation of collateral.

Step 1 & 2 writedowns (statistical writedowns)
Loans that are not subject to individual writedowns are part of the calculation of statistical writedowns (IFRS 9 writedowns) of loans and guarantees. Writedown is calculated on the basis of the development of the customers' risk classification (as described in Note 8) and loss experience for the respective customer groups (PD and LGD). Beyond this, cyclical and market developments (macro conditions) that have yet to impact the above-mentioned risk classification, are considered in the evaluation of the need for writedowns for customer groups in aggregate.

The ongoing Corona crisis has been challenging for the Group's estimation of expected credit losses. On the date of the balance sheet, there are limited indications of a general impairment of the credit quality of the loan portfolio. However, the Bank expects that, over time, the Corona crisis will be reflected by the Bank's risk models, by inter alia, reduced expected earnings in 2020 for some of the Bank's corporate customers, as well as increased unemployment in the retail customer segment. It is still too early to see all the effects of the ongoing crisis, and how this will have a concrete impact on the Bank's customers. In 2020, due to the uncertainty, the Bank has elected to adjust down the macroeconomic assumptions used in the loss model, and carried out discretionary adjustments up of PD's in the retail customer segment, and the assumed vulnerable industries in the corporate customer segment. Seen in isolation, this will entail increased provisions for losses. Please refer to further descriptions thereof in Note 8.

The statistical model for the computation of Expected credit losses (ECL) on loans, is built on several critical assumptions, including probability of default, loss in case of default, expected lifespan of the loans and macro developments. Due to significant estimate uncertainty, the presentation of sensitivity analyses are requirement for a given change in the different parameters. This is shown in Note 11.

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market, are valued with the use of different valuation techniques. The Group seeks to base these valuations to the greatest extent possible on the market conditions prevailing on the date of the balance sheet. If there are no empirical market data, assumptions are made regarding how the market will price the instrument, e.g. based on the pricing of similar instruments. Valuations require extensive use of discretion, inter alia in the assessment of credit risk, liquidity risk and volatility. A change in one or more of these factors may affect the set value of the instrument. Due to market uncertainty, the Bank is experiencing somewhat greater unsteadiness in the valuation of financial instruments than usual.

The fair value of financial instruments is presented in Note 26.

Fixed rate loans:
According to IFRS, the valuation shall be based on an assessment of what an external investor would have assumed for an investment 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 is supposed to take into account the preferences of market participants. The discount rate is calculated on the basis of an observable swap rate with a margin requirement added.

The observable market interest rates on similar loans are taken into account in the estimate of the margin requirement. The margin requirement of market participants is not directly observable, and has to be estimated on the basis of the difference between the observable market rates and the swap rate over a certain period. As the margin requirement is not directly observable, there is uncertainty associated with the calculation of the fair value for fixed rate loans.

Use of accounting principles

Customer dividends

Each year, it is the responsibility of the Bank's Board of Trustees to consider whether and how much should be distributed as customer dividends.

A resolution was passed by the meeting of the Bank's Board of Trustees on March 31, 2020, and in May 2020, and the Bank paid NOK 49 million in customer dividends to the Bank's loan and deposit customers.

The customers will receive an amount based on the Bank's annual profits and the size of the customer's deposits and loans with the Bank.

- Dividends are given to private individuals and companies.
- The customer may receive customer dividends based on a maximum NOK 2 million in loans from the Bank.
- Co-debtors (people with joint loans) may receive customer dividends for up to NOK 4 million.
- The customer may receive customer dividends based on a maximum NOK 2 million in deposits in the Bank.
- Customer dividends apply from the first krone up to NOK 2 million.
- The vesting of customer dividends is based on daily balances.

The Ministry of Finance has granted permission to use the primary capital for customer dividends. The distribution of customer dividends is regulated by §10-17, fourth subsection of the Financial Institutions Act, which classifies customer dividends as an annual profit allocation. For accounting purposes, the Bank has used this classification and has thus treated the payment as an equity transaction. The payment of customer dividends provides a tax deduction of NOK 12 million for the 2020 fiscal year. The tax deduction is recognized in the income statement as a reduction of the 2020 tax cost. Please note that there is some uncertainty related to the distribution of the tax deduction from the customer dividends between different owner classes.

4 ACQUISITION, SALE, LIQUIDATION AND ESTABLISHMENT OF COMPANIES

There are no material changes to the Group structure as of December 31, 2020.

During 2020, the Bank has purchased parts of a local accounting and consulting agency

On February 04, 2020, Sandnes Sparebank entered an agreement whereby the Bank is purchasing 49.5% of Kjell Haver Regnskapsservice AS (KHRS) of Sandnes. The shares are being purchased from six partners who have been part of the company for years.

The partners will also continue to own the remaining parts of the company, and be responsible for day-to-day operations. KHRS has had healthy and solid operations for many years, and has currently 34 employees. They are well known in the market for their high level of competence and good personal advice. Sandnes Sparebank and KHRS have customers in the same market area, and are able to offer complementary services to customers. The transaction was recognized effective 1/1/2020, and the investment is recognized as an investment in an affiliate with the use of the equity method.

For further information about investments in affiliates, please refer to Note 29.

5 SEGMENTS

The Group has three segments, Retail Market (RM), Corporate Market (CM) and Real Estate Agency. RM and CM are the banking businesses related to the two main customer groups. They also include general investment advice to the Bank's customers.

The Estate Agency segment is real estate brokerage business. This segment consists of the Aktiv Eiendomsmegling Jæren AS subsidiary.

The accounting principles applied in the preparation of the segment information are the same as the principles described in Note 2, Accounting principles. The Group does not distribute tax or non-recurring gains or losses on the segments. The Group recognizes inter-company transactions according to the arm's length principle. Funding cost is allocated according to capital requirements of RM and CM, respectively. Net commission income is distributed according to sales volume, and common expenses according to a cost distribution formula.

The Group has activities in Norway only, and all income is earned in Norway.

Group 12/31/2020

Segment reporting	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
Payroll cost	71 246	43 287	22 429	9 587	146 550
Other operating cost	66 138	26 248	6 114	267	98 767
Depreciation/writedowns	15 866	6 630	903	272	23 672
Profit before loan losses	130 572	161 827	3 546	39 676	335 621
Writedowns and losses on loans and guarantees	12 012	12 676			24 689
Segment profits before taxes	**118 560**	**149 151**	**3 546**	**39 676**	**310 932**
Net lending 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**

Group 12/31/2019

Segment reporting	RM	CM	Real Estate	Other	Total
Net external interest income	231 019	244 681			475 699
Net internal interest income				141	141
Net interest income	231 019	244 681		141	475 841
Net commission income	27 524	24 872	28 256	-3 842	76 811
Income from securities	-6 280	467		66 361	60 548
Other operating income			-426	3 627	3 201
Total other operating income	21 244	25 339	27 830	66 146	140 560
Payroll cost	73 327	45 585	20 485	9 290	148 688
Other operating cost	64 127	24 818	6 896	3 029	98 869
Depreciation/writedowns	15 071	6 365	76	428	21 939
Profit before loan losses	99 739	193 252	373	53 541	346 904
Writedowns and losses on loans and guarantees	-3 651	17 122			13 471
Segment profits before taxes	**103 390**	**176 130**	**373**	**53 541**	**333 433**
Net lending to customers	15 944 178	6 933 830			22 878 009
Other assets			17 056	5 263 195	5 280 251
Total assets	**15 944 178**	**6 933 830**	**17 056**	**5 263 195**	**28 158 259**
Deposits from customers	5 937 933	4 949 117		365 118	11 252 168
Other liabilities			5 274	12 990 916	12 996 189
Total liabilities	**5 937 933**	**4 949 117**	**5 274**	**13 356 033**	**24 248 357**

Parent Bank 12/31/2020

Segment reporting	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
Payroll cost	71 206	43 287	9 587	124 080
Other operating cost	64 410	26 248	809	91 467
Depreciation/writedowns	15 866	6 630	272	22 769
Profit before loan losses	72 688	161 827	39 680	274 195
Writedowns and losses on loans and guarantees	10 739	12 676		23 415
Segment profits before taxes	**61 949**	**149 151**	**39 680**	**250 780**
Net lending 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**

Parent Bank 12/31/2019

Segment reporting	RM	CM	Other	Total
Net interest income	168 164	244 681		412 845
Net commission income	44 428	24 872	-3 842	65 459
Income from securities	89	467	66 845	67 400
Other operating income			3 627	3 627
Total other operating income	44 517	25 339	66 630	136 486
Payroll cost	73 287	45 585	9 290	128 163
Other operating cost	63 047	24 818	3 029	90 894
Depreciation/writedowns	15 071	6 365	411	21 846
Profit before loan losses	61 275	193 252	53 900	308 428
Writedowns and losses on loans and guarantees	-2 762	17 122		14 360
Segment profits before taxes	**64 037**	**176 130**	**53 900**	**294 067**
Net lending to customers	8 047 258	6 933 830		14 981 089
Other assets	76 993	33 050	5 601 632	5 711 675
Total assets	**8 124 251**	**6 966 880**	**5 601 632**	**20 692 763**
Deposits from customers	6 111 284	5 165 734	557 512	11 834 530
Other liabilities			6 062 733	6 062 733
Total liabilities	**6 111 284**	**5 165 734**	**6 620 245**	**17 897 263**

6 BALANCE SHEET MANAGEMENT AND CAPITAL ADEQUACY

Sandnes Sparebank is using the standard method for credit risk and the basis method for operational risk. As of 31.desember 2019, the preservation buffer requirement was 2.5%, the system risk buffer 3.0%, and the counter cyclical capital buffer 2.5%. On March 12, 2020, the counter cyclical capital buffer was reduced to 1.0% with immediate effect. This was done in connection with Covid 19. These requirements are additional to the core Tier-1 capital ratio of 4.5%, meaning that the total minimum required core Tier-1 capital ratio is 11.0%. In addition, the Financial Supervisory Authority of Norway has set a pilar 2 requirement for Sandnes Sparebank of 2.1%. Thus, the regulatory minimum requirement for the core Tier-1 capital ratio, including the pilar 2 requirement, is 13.1%.

The Group's core Tier-1 capital objective is a minimum of 14.1% as of 12/31/2020.

The adopted capitalization policy shall contribute to the Group having equity capital of a sufficient size to enable effective use of equity relative to the scope and risk profile of the business. The Bank will have sufficient equity to enable it to achieve competitive returns on equity, as well as be granted competitive terms and conditions in the various credit markets. Access to liquidity shall be the dominant consideration with respect to the goal of achieving competitive returns on equity. The equity capital shall also ensure that the Group will have sufficient capital buffers to withstand periods with losses.

The Group manages its assets with an eye to fluctuations in financial conditions. This entails that the Bank conducts regular balance sheet management meetings to review the capital situation. At the meetings, recent volume metrics and estimates are reviewed relative to developments with respect to the calculation base and the Bank's performance relative to its capital objectives. Also, status is reviewed with respect to the measures adopted and any requirements for further measures.

As of 12/31/2020, the Group's total assets equal NOK 29.2 billion. This is an increase of NOK 1.0 billion compared to 12/31/2019, corresponding to an increase of 3.8%, primarily due to lending growth.

Reporting of capital for owner company in cooperating group as of 12/31/2020:

Companies that take part in a cooperating group, shall carry out proportionate consolidation of ownership shares in financial enterprises that is conducting the business comprised by the cooperation, cf. §17-13 (2) of the Financial Institutions Act and supplementary provisions in §16 (3) and §32 (4) of the CRR/CRD regulation.

Sandnes Sparebank takes part in a cooperating group with the EIKA Gruppen AS, of which the Bank owns 8.4 % of the shares as of 12/31/2020. Consequently, the share of the EIKA Group is consolidated in the capital ratio.

As of 12/31/2020 the Group has a Core Tier-1 ratio (including the consolidated share of the collaborating group) of 17.8%, which is an increase from 17.5% as of 12/31/2019. The increase is primarily due to retained profits due to the authorities' temporary limitations on distributions, partially offset by the reduction of the core Tier-1 capital ratio related to the repurchase of a total of 2,080,000 equity capital certificates in February 2020, which entailed a reduction of the core Tier-1 capital of approximately 1%.

The unweighted leverage ratio for the Group amounted to 9.5% at the end of the year, vs. 9.3% at the same time last year. The reason for the increase is primarily increase Tier-1 capital due to retained earnings, in part offset by higher total assets. However, the unweighted leverage ratio is significantly higher than the government minimum requirement of 5%.

Proportional consolidation	12/31/2020	12/31/2019
SUBORDINATED CAPITAL		
Core Tier-1 capital ratio	2 843 305	2 687 018
Tier-1 capital	2 951 666	2 795 552
Subordinated capital	3 162 118	3 006 219
Calculation base	15 982 492	15 354 399
CAPITAL RATIO		
Core Tier-1 capital ratio	17.8 %	17.5 %
Tier-1 capital ratio	18.5 %	18.2 %
Capital ratio	19.8 %	19.6 %

Group[1]			Parent Bank	
12/31/2020	12/31/2019		12/31/2020	12/31/2019
		SUBORDINATED CAPITAL		
230 149	230 149	Equity capital certificate capital	230 149	230 149
-21 034	-386	Treasury holding of equity capital certificates	-21 034	-386
846 201	831 278	The Savings Bank's Fund	917 276	831 278
1 871 428	1 661 649	Other equity	1 454 038	1 437 715
	135 788	Allocated dividend		135 788
	60 957	Provisions for customer dividends		60 957
2 926 745	2 919 434	Equity capital (excluding hybrid capital)	2 580 428	2 695 500
-31 985	-63 695	Deduction for ownership of insignificant assets in the financial sector	-77 862	-85 568
-22 515		Deduction for ownership of significant assets in the financial sector		
-6 082	-5 510	Deduction prudent valuation	-5 972	-5 724
-536		Other deductions by special resolution		
	-135 788	Deduction for amount allocated to dividends		-135 788
	-60 957	Deduction for provisions for customer dividends		-60 957
-22 323	-28 907	Deduction for goodwill and other intangible assets	-16 037	-24 260
2 843 305	2 624 578	Total core Tier-1 capital	2 480 557	2 383 203
108 361	100 000	Investment grade bond and hybrid capital	100 000	100 000
2 951 666	2 724 578	Total Tier-1 capital	2 580 557	2 483 203
210 452	200 000	Subordinated loan capital (ex. accrued interest)	200 000	200 000
	-224	Deduction for ownership of insignificant assets in the financial sector	-200	-302
3 162 118	2 924 353	Subordinated capital	2 780 357	2 682 901

1 Group figures as of 12/31/2020 include the consolidated share of the collaborating group (EIKA Gruppen). As of 12/31/2019, the share of the consolidated group was reported on a simplified basis, and thus, the group figures as of 12/31/2019 do not include consolidated share of the collaborating group.

		RISK-WEIGHTED CAPITAL		
		Market risk – standard method		
14 761 428	13 915 675	Credit risk – standard method	11 740 398	11 356 753
1 198 821	1 123 764	Operational risk	981 773	1 009 322
22 243		Additional calculation fixed cost		
	54 115	CVA surcharge		15 271
15 982 492	15 093 553	Calculation base	12 722 171	12 381 347
19.8	**19.4**	**Capital ratio**	**21.9**	**21.7**
18.5	**18.1**	**Tier-1 capital ratio**	**20.3**	**20.1**
17.8	**17.4**	**Core Tier-1 capital ratio**	**19.5**	**19.2**

		BUFFER REQUIREMENTS		
399 562	377 339	Preservation buffer (2.50%)	318 054	309 534
159 825	377 339	Counter-cyclical buffer (1.00% / 2.50%)	127 222	309 534
479 475	452 807	System risk buffer (3.00%)	381 665	371 440
1 038 862	1 207 484	Total buffers for core Tier-1 capital	826 941	990 508
719 212	679 210	Minimum core Tier-1 capital requirement (4.50%)	572 498	557 161
1 085 231	**737 883**	**Available core Tier-1 capital beyond minimum requirement and buffer requirements**	**1 081 118**	**835 534**

Group[1]			Parent Bank	
12/31/2020	12/31/2019		12/31/2020	12/31/2019
		SPECIFICATION OF CALCULATION BASE		
		Standard method		
		Market risk		
301		States and central banks		
264 560	102 447	Local and regional authorities	238 151	102 447
163 552	88 814	Institutions	305 794	258 640
1 197 835	1 381 959	Companies	1 142 146	1 378 376
1 521 496	1 287 059	Mass market	1 279 676	1 209 099
10 203 130	10 128 683	Loans secured by real estate	6 935 205	7 225 884
222 035	193 725	Overdue loans	214 527	193 725
739 894		High risk loans[2]	739 894	
188 620	279 830	Covered bonds	144 289	204 511
25 249	57 995	Fund units	16 907	57 995
117 563	254 291	Equity positions	620 524	587 170
117 194	140 871	Others	103 286	138 906
14 761 428	13 915 675	Credit risk	11 740 398	11 356 753
1 198 821	1 123 764	Operational risk	981 773	1 009 322
22 243		Additional calculation fixed cost		
	54 115	CVA surcharge		15 271
15 982 492	**15 093 553**	**Total calculation base**	**12 722 171**	**12 381 347**

1 Group figures as of 12/31/2020 include the consolidated share of the collaborating group (EIKA Gruppen). As of 12/31/2019, the share of the consolidated group was reported on a simplified basis, and thus, the group figures as of 12/31/2019 do not include consolidated share of the collaborating group.

[2] High risk loans

On December 10, 2020, the Financial Supervisory Authority of Norway issued a new circular regarding loans to be classified as "particularly high risk" pursuant to article 128 of the Capital Requirement Regulation ("CRR"), meaning that a risk weight of 150% is used for banks that utilize the standard method.

Overall, the Bank has marked as high risk the loans that as of 12/31/2020 are primarily related to;

- Real estate development projects without current income available for independent service of interest payments in the development phase.
- Real estate development projects that are dependent on a future development project before it becomes reasonable to assume that repayment of the principal may take place in full.
- Real estate development projects where the Bank has financed the construction of homes without advance sale (typically projects consisting of one or maximum a couple of homes). All major construction projects require satisfactory advance sales.

The circular from the Financial Supervisory Authority of Norway is based on the principles of EBA's interpretation of the CRR provision, which entails that loans to a developer of a real estate project is as a high risk loan with a risk weighting of 150 percent, unless agreements with future potential owners of the properties have been signed, and that the agreements are "irrevocable". In practical terms, the interpretation of the Financial Supervisory Authority means that all financing of real estate development will be classified as speculative. Together with the other banks using the standard methods, Sandnes Sparebank and Finans Norge have asked the Ministry of Finance for a clarification of how "irrevocable" advance sales should be interpreted. Contrary to the situation in some EU countries, according to Norwegian rules, advance sales are binding. This means that the buyer may not withdraw from a signed purchase agreement. Thus, the banking industry is of the opinion that Norwegian rules qualify as "irrevocable".

On the basis of the published circular, Sandnes Sparebank has done a review of the loans referred to in the circular, and defined several loans so they fulfill the conditions for classification as high risk. It is primarily real estate loans comprising speculative property financing, that are now classified as high risk loans, with the associated risk weight of 150%. With respect to construction projects where advance sales exceed the Bank's liabilities, the Bank is of the opinion that there is no particularly high risk present that diverges from the interpretation of the Financial Supervisory Authority on this point.

As of 12/31/2020, the Bank has some real estate loans that have not been marked as high risk due to satisfactory advance sales of the construction projects. In aggregate, these are loans amounting to approximately NOK 175 million, that are weighted 100% instead of 150%. If the above-mentioned loans had been marked as high risk, it would have resulted in a reduction of the core Tier-1 capital ratio by approximately 0.1% as of 12/31/2020.

Provision for distribution reserves as of 12/31/2020

In connection with the annual allocations, NOK 195.5 million have been allocated to a distribution reserves, which are part of other equity, as of 12/31/2020. The assets may be used for distribution of dividends to equity capital certificate holders, customer dividends and the gift fund, if any. To make it clear, it is up to the Bank's Board of Directors, by authority from the Board of Trustees, to decide on any distributions from the reserves, and it will be contingent on proper market conditions and approval from the authorities. The amount provisioned to the distribution reserve is part of the core Tier-1 capital ratio as of 12/31/2020, as any distribution is contingent on a board resolution and permission from the authorities. The money allocated to the distribution reserves will be deducted from the core Tier-1 capital when it is resolved to distribute the money. If it is decided that all the distribution reserves shall be distributed, this will reduce the core Tier-1 capital ratio by approximately 1.2%.

7 RISK MANAGEMENT

Through the conduct of its business, Sandnes Sparebank is exposed to different types of risk. Therefore, a key part of the Group's business model is to manage the risk exposure in a unified way. I order to reach the goals set in its strategic plan, deliberate risk has to be taken, but that requires the concurrent identification, assessment, measurement and aggregation of the risk, and where excess return is sufficient.

The following principles apply to Group risk management:

- Risk is taken within the framework of a defined risk appetite
- Every risk taken must be approved within the risk management framework
- Compensation for risk must be sufficient over time, and shall be monitored and managed on an ongoing basis

Organization and authorization structure

Board of Directors

The Board of Directors is responsible for determining the Group's risk profile. In addition, the Board of Directors also determines the overall framework and authorizations within the different risk areas. The Group's risk management guidelines, as well as all significant aspects of the risk management models and decision processes are the responsibility of the Board of Directors. The Board of Directors shall also ensure that the Bank has sufficient capital on the basis of its tolerance of risk and its business, and relative to regulatory requirements.

Risk Committee

The purpose of the Risk Committee, which is a Board Committee, is to ensure that risk management and control are of a satisfactory high quality. This means, inter alia, that the Risk Committee will follow up the Group's implementation of its risk strategy, provide advice to the Board of Directors regarding current risk strategy and risk tolerance, and provide preparatory work for risk issues for consideration by the Board of Directors.

Managing Director, Head of Risk Management, and the management team

The Managing Director has the daily responsibility for risk management, the operative responsibility for which has been delegated to the Head of Risk Management. The Head of Risk Management reports independently to the Managing Director and the Board of Directors, and is responsible, across departments, for the Group's management of all credit, market, liquidity and operational risk, in addition to method development and process improvements for risk measurement. The Head of Risk Management is also responsible for risk monitoring, analysis and reporting.

The Head of Risk Management is responsible for the development of the Group's strategy for overall risk management, and the strategies for credit risk and policy, financial risk, liquidity risk and operational risk. The Head of Risk Management works closely with the Bank's Compliance Manager regarding the compliance guidelines, including the internal audit plan. In addition, the Bank has a separate Sustainability Manager who coordinates the work with ESG related risk.

Relative to the day to day risk management, each manager of the Group shall ensure that he/she is familiar with significant risk, of all types, in his/her own area of responsibility. Thus, the objective is that this may be managed in a financially and administratively proper manner. The Bank's Managing Director has issued further guidelines for the implementation of general credit policies and credit strategies. Each business segment manages its own credit processes according to specified guidelines.

All business segments in the Group undertake an annual risk review, which comprises:

- Comments on their own internal control work
- Risk assessments
- Assessment of their own compliance with external and internal regulations
- Planned improvement initiatives

Reporting takes place at departmental level, and forms the basis for collective reports for each business segment and support areas that are included in the Managing Director's reporting to the Board of Directors.

Audit

Both external and internal audit are important elements of risk management. Independent and effective auditing contributes to appropriate internal control and the reliability of financial reporting.

The Bank's internal auditor is KPMG, whereas Deloitte is the external auditor. Internal audit receives its instructions from the Board of Directors, which also approves the internal auditor's annual plans.

Risk Management and capital planning

A key part of the Bank's risk management is the Group's internal assessment of its total capital requirement (ICAAP – Internal Capital Adequacy Assessment Process). In this process we assess the all the essential risks to which the Bank is exposed relative to the appurtenant assessment of internal capital requirements related to the different risks.

In connection with ICAAP, the Board of Directors reviews the Group's major risk areas and internal control. The aim of the review is to document the quality of the work within the major risk areas. The review should ensure identification of changes in the risk picture, enabling initiation of necessary improvement measures.

A separate readiness plan was prepared in 2019, in accordance with the specification of the Financial Supervisory Authority. A somewhat shorter version of this specification was previously a part of the ICAAP document. The readiness plan is anchored with the management team and measures it proposes shall fit the expectations regarding the various future scenarios discussed in the ICAAP report.

Risk categories

The main risk categories for the Sandnes Sparebank Group are:

Credit risk

Credit risk arises from all transactions where there exists actual, agreed and possible claims on counterparties, borrowers, issuers or other debtors. Primarily, we manage credit risk through credit risk and policy. There is also some credit risk / counterparty risk in our financing and investment activities, and this is managed through the finance strategy.

Please refer to Note 8-11 for an evaluation of credit risk.

Market risk

Market risk is the possibility of unfavorable market developments for our trading or investment positions. Market risk may arise from changes in interest rate levels, credit spreads and currency exchange rates.

Please refer to Note 12-15 for an evaluation of market risk.

Liquidity and settlement risk

Liquidity risk is loss due to the Bank being unable to fulfill all its payment obligations when due, or only able to do so at extra cost. Our objective for liquidity risk is to ensure that the Group is able to fulfill its payment obligations and to manage liquidity and financing risk according to our risk appetite, as rendered concrete by the framework for various measurement parameters of the liquidity strategy.

Please refer to Note 16 for an evaluation of liquidity risk.

Settlement risk is the risk of existing, contingent and possible future positive exposures not being fulfilled by the Bank's counterparties.

Operational risk

Operational risk means the risk of loss due to erroneous or insufficient internal processes, human error, system defects or loss due to external events outside the Bank's control, including legal risk.

There is operational risk related to the Bank's IT systems, which to a great extent are run by external service providers according to written agreements. SDC and Eika are the Bank's main providers of technology services. Good management and control of the IT systems, both in the Bank and at our service providers, are of material significance in order to ensure precise, complete and reliable financial reporting. The Bank has established an overall control model and internal audit activities related to the IT systems. Key systems are standardized, and there have been few actual operational malfunctions related to the IT systems.

One important element related to operational risk is the follow-up of undesirable events. The Bank has established tools for the reporting, classification and follow-up of undesirable events. This enables adjustment of internal processes in order to reduce the probability of reoccurrence.

ESG risk

Risks related to environment, social responsibility and corporate governance are all part of ESG risk. Including climate risk. Climate risk includes the risk of increased credit risk and financial losses for the Bank as a consequence of climate change. The Bank conducts an annual review of risk, in which ESG and climate risk are included.

It is primarily in relation to loans in the corporate market, that the Bank has identified that it is exposed to climate risk. This is not only related to physical risk, but also risk related to the transition from the current situation to a low emission society. That is why the assessment of sustainability and climate risk are integrated in the Bank's credit process. Since we have little exposure to, inter alia, the oil and gas industry, we consider commercial real estate, construction and agriculture to be the sectors in our portfolio with the highest inherent climate risk, however, we also see great opportunities for positive influence on these industries. This is also the reason why we have started green product development directed at these industries, and are currently offering green agricultural loans and green home mortgages.

Other risks

Other risks include strategic risk, owner risk and environmental risk. Strategic risk is the risk of loss due to earnings being lower than expected, but this not being compensated by lower cost. Strategic risk may arise from changes in the competitive picture, regulatory changes or ineffectual positioning relative to the macro economic environment influencing our operations. Strategic risk may also arise if we are unable to deliver according to strategic objectives and/or unable to efficiently take measures to adjust returns as lower than planned. Owner risk is the risk that arises due to being an owner of a company, e.g. through operation or the risk of having to provide fresh capital.

Environmental risk mainly means macroeconomic risks, such as unemployment and bankruptcy rate developments.

8 CREDIT RISK

Credit risk primarily arises in the Bank's loan portfolio, but there is also such risk in the Group's holdings of bonds, notes and financial derivatives. Credit risk is the Group's major risk, and consists mainly of net lending to customers, cash and claims on central banks, as well as financial instruments. Credit risk on loans, guarantees and credit facilities are most important on the basis of the volume and the general risk level. This risk is therefore described in detail below. Other exposure involves limited credit risk.

Group			Parent Bank	
12/31/2020	12/31/2019	Maximum exposure to credit risk	12/31/2020	12/31/2019
3 263	4 261	Cash	3 263	4 261
485 300	570 160	Loans to and claims on credit institutions	510 357	569 318
22 694 107	21 897 252	Loans to customers at amortized cost	13 178 665	12 922 320
1 305 613	980 757	Loans to customers at fair value	1 901 187	2 058 769
3 879 026	3 857 560	Notes and bonds	3 405 734	3 062 166
326 270	112 759	Financial derivatives	183 697	63 682
16 312	11 719	Other assets	1 034 165	940 906
18 550	46 946	Prepaid cost and accrued income	17 769	44 982
28 728 441	**27 481 416**	**Total credit risk exposure in balance sheet items**	**20 234 839**	**19 666 403**
399 427	512 689	Guarantee liabilities	399 427	512 689
2 877 948	2 708 848	Unused credit facilities and loan grants	1 855 491	1 669 774
32 005 816	**30 702 953**	**Total credit exposure**	**22 489 756**	**21 848 866**

Measurement of the credit risk of the loan portfolio

Loan

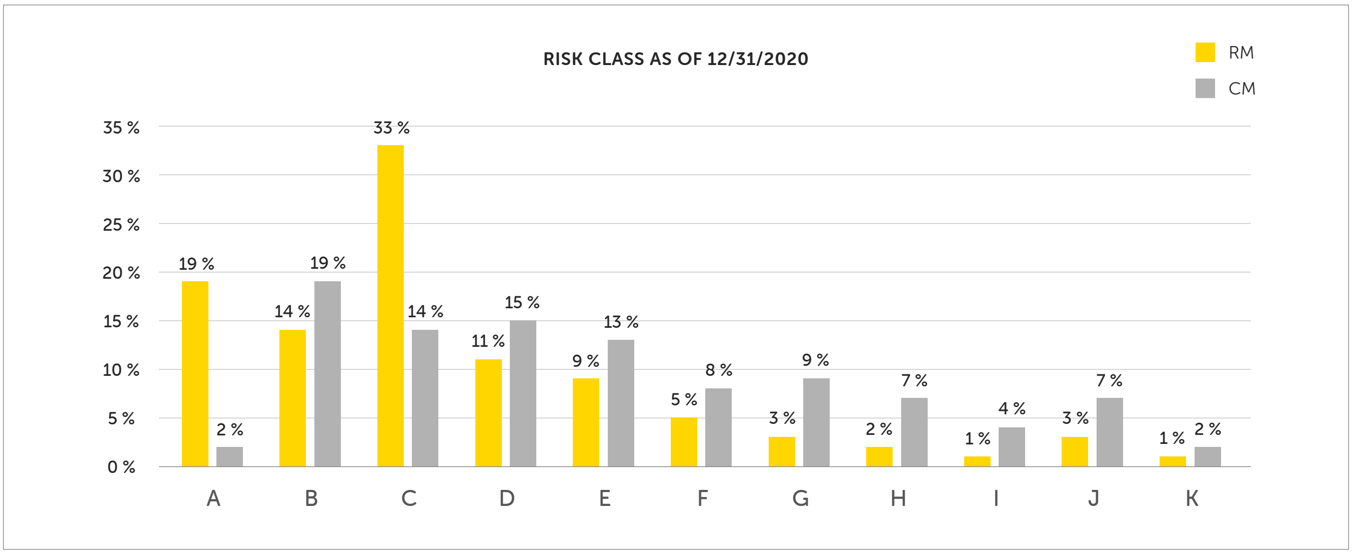
The Group is using score card models both from the Eikagruppen and its own proprietary models for customers in the Retail Market (RM) and the Corporate Market (CM). The score card models are used to calculate the customer's probability of default (PD) over the next 12 months.

Both RM and CM customers are scored monthly in different credit models. The models vary on the basis of how much and what kind of information is available for each individual customer. This means that for new customers, the models start with publicly available information, whereas for existing customers, behavioral history with the Bank is also used.

The models calculate a score that may be recomputed into a probability of default, and then be assigned a risk category. Currently, the Bank is using a A to K classification, where A is best and K are customers who are in default or have loans subject to individual writedown. The model is tested regularly and is recalibrated when necessary, most recently in the second quarter. At that time, a general upward adjustment of PD estimates was made, in order to also capture increased uncertainty related to the Corona situation.

Intervals for the different classes	
Risk class	PD
A	0,050 %
B	0,175 %
C	0,375 %
D	0,625 %
E	1,000 %
F	1,625 %
G	2,500 %
H	4,000 %
I	6,500 %
J	20,000 %

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



There have also been small effects of the Corona pandemic on the PD model. Some of the reason for this is due to the support measures initiated by the authorities, and which, at least in the short term, counteract some of the effects, and which affect our models directly. This is about the supply of liquidity to companies – either directly through support schemes or indirectly through deferred payments to the public purse. At the same time, we see in our own portfolio that the demand for installment deferrals, which increased steeply in March after the closing down of society, quickly fell back to the normal level. Some of the explanation may also be that the Bank has not notice any great impact, since the Bank has little exposure towards the industries most affected by the pandemic

Collateral

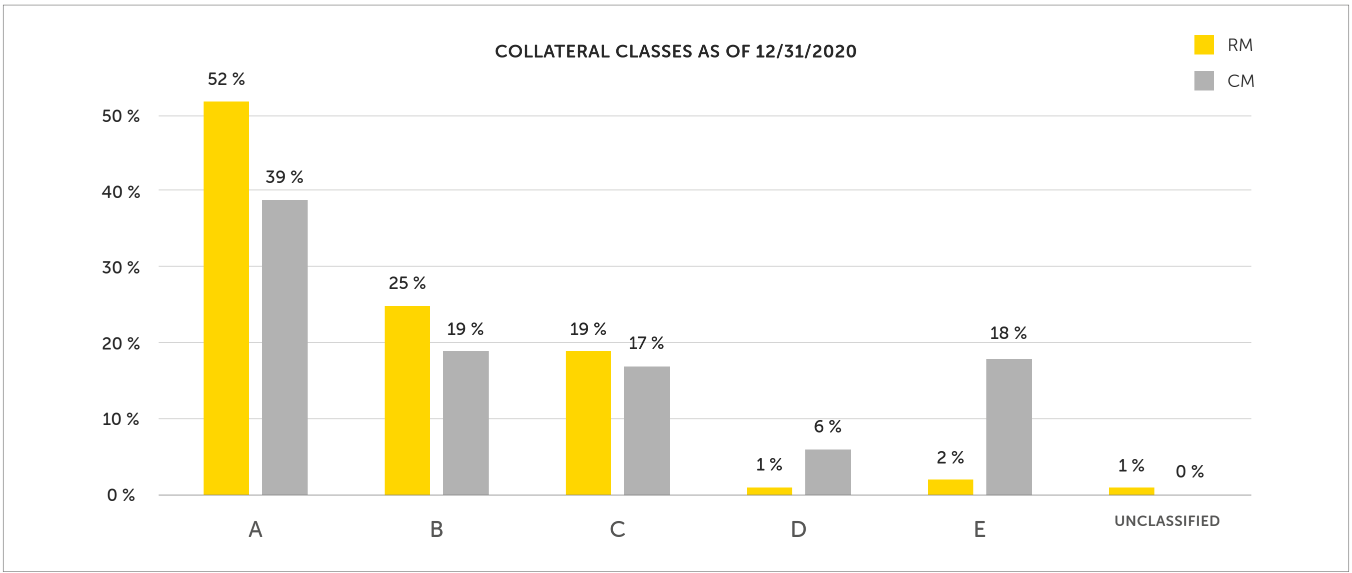
In order to reduce credit risk, surety such as physical objects as collateral, guarantees or cash deposits are used. As a principal rule, physical collateral may, inter alia, be buildings, houses or inventories. In the assessment of the value of collateral, CM assumes an expected realization value, which entails the use of difference reduction factors for various types of surety. CM collateral is mainly real estate and fixed assets. For fixed assets, the standard reduction factor is 80% and for commercial real estate it is 20%. RM collateral is principally residential property and in this case the market value is used with quarterly assessment of updated market values from Eiendomsverdi.

Loans are then classified on the basis of collateral classes, from A to E, based on leverage for RM customers, and collateral coverage for CM customers. For each collateral class is then assigned a computed value for expected loss given default (LGD). This is different for RM and CM for the different collateral classes, and this may be seen in the below table.:

Retail Market	
LTV	Collateral class
Under 60 %	A
60–75 %	B
75–100 %	C
100–125 %	D
Over 125 %	E
Unsecured	Unclassified

Corporate Market	
Collateral coverage	Collateral class
>120 %	A
120–100 %	B
100–70 %	C
70–50 %	D
50-0 %	E
Unsecured	Unclassified

The distribution of the RM and CM portfolio (gross loans) on the different collateral classes based on market value as of 12/31/2020, is as follows.



The expected loss for each loan is calculated on the basis of the default probability and degree of loss in case of default. Three risk groups are defined for loans not written down/in default on the basis of expected loss. The table is the same for RM and CM.

Risk category	Expected losses lower limit	Expected losses upper limit
Low	0.00%	0.25%
Medium	0.25%	1.00%
High	1.00%	100.00%

Risk classification is important for the level of monitoring of the customer, and is also included as a criterion in credit assessment and credit decisions. Additional to risk classification are discretionary issues like management, market, loan history, profitability, etc. Beyond the use of scoring models, the Group has guidelines for the composition of the various portfolios.

Details of the ECL model

The risk classification is also the basis for the calculation of losses in step 1 and 2 pursuant to IFRS 9. In step 1, the expected loss over 12 months is calculated. In case of a material increase of credit risk, the loan shall be put in step 2, and the expected loss for the entire term of the loan is calculated. Significant increase in credit risk is defined as the occurrence of one of two events:

1) **Either that** the original PD 12m at loan establishment is adjusted for future prospects < 1% and concurrently that PD 12m has increase by at least 0.5% since first time registration, and concurrently that PD life for the residual maturity has become twice as high as the original PD life for the residual maturity

2) **Or that** the original PD 12m adjusted for future prospects is greater than or equal to 1% and concurrently that either PD 12m has increased by at least 2% since loan establishment or that PD life for the residual maturity of the loan has become twice as high as at loan establishment.

In addition, an account is defined in step 2 if it is marked with forbearance or has been in default for more than 30 days. Step 3 equals the individual writedowns that are evaluated subjectively in each case.

The model used by Sandnes Sparebank to compute expected losses, has operationalized a low risk exception by making it possible to assume that there has not been a significant increase in the credit risk of loans considered to have a low credit risk at the time of reporting, provided there are no other changes with respect to the customer than a statistically computed increase in PD of less than 0.5 percentage points, and that the customer has had a 12-month PD under 1%. Correspondingly, the requirement is 2 percentage points when it rises above a 12-month PD of 1%. In practical terms, for most customers, this means that they will basically be moved to step 2 if they migrate to a rating category for loans with a probability of default of more than 1%, whereas those with the lowest risk may be migrated up to three classes before they are moved to step 2. It is consider proper to use the exception in order to avoid that low probability of default risk, migrate to step 2 due to small absolute changes in probability of default. It is the Bank's impression that the use of this exception does not have any significant outcome for the distribution of loans between steps, or for total provisions for losses.

In order to find expected losses over the maturity of the loan in Step 2, it is assumed that customers' risk class shifts follow a so-called Markov process. In this case, the Bank applies a migration matrix based on historical risk category shifts to describe future risk category shifts. The expected changes in risk class one year into the future are a result of historical changes and expected changes, e.g. 5 years into the future being the same as five one-year changes in a row. This way, the probability of default may be computed for a an arbitrary number of years into the future. The PD lifecycle matrix sets the probability for a given risk category a given number of years into the future.

When the probability of default is 5% or less, the expected maturity is used. The expected maturity is calculated on the basis of empirical data as an average per product type for both retail and corporate loans. When the probability of default is over 5%, the full maturity is used.

Sandnes Sparebank then adjusts provisions for losses with the expected development of different macro variable that are considered to affect expected losses. The starting point for the macro-economic scenarios come from Eika, but Sandnes Sparebank adapts them to its exposure and market view. The future outlook is derived from a macro model that considers three scenarios – the base case, an outcome based on positive expectations, as well as an outcome based on negative expectations, for macro-economic developments for one to three years into the future.

As of 12/31/2020, the Bank has the following expectations regarding the development of the macro variables:

	2021	2022	2023	2024
MAIN SCENARIO				
Unemployment rate (level)	4,5 %	4,3 %	4,1 %	4,1 %
Household debt (change)	1,0 %	1,0 %	1,0 %	1,2 %
Average bank loan rate (level)	1,8 %	1,8 %	1,8 %	1,8 %
Oil price (USD per barrel)	43	46	48	48
NEGATIVE SCENARIO				
Unemployment rate (level)	5,0 %	4,8 %	4,6 %	4,6 %
Household debt (change)	-2,0 %	-2,0 %	1,0 %	0,7 %
Average bank loan rate (level)	0,6 %	0,6 %	0,6 %	0,6 %
Oil price (USD per barrel)	26	28	28	28
POSITIVE SCENARIO				
Unemployment rate (level)	3,9 %	3,7 %	3,5 %	3,5 %
Household debt (change)	0,9 %	0,9 %	1,0 %	1,7 %
Average bank loan rate (level)	3,0 %	3,0 %	3,0 %	3,0 %
Oil price (USD per barrel)	63	66	68	68

As of 12/31/2020, the weighing of the scenarios is 70% for the base expectation, 10% for the positive scenario and 20% for the negative scenario. This is used to generate multipliers for future expectations in the ECL model, which affect the writedowns at step 1 and step 2. For the RM, individual values are calculated for different counties, and for different maturities, whereas for CM, the division is based on industry.

The 'Normal Growth and Development' scenario is based on SSB estimates from September 2020. A scenario where economic growth recovers after at big setback in previous years.

Leverage is increasing markedly this year, where income is suffering, due to the temporary crisis of the Norwegian business community, but credit growth is no more than normal – in line with prior years. Home prices are assumed to increase by 3 percent annually going forward, which is about half the price growth seen so far during the 2000's. The home price growth is lower because wage and price growth is generally lower than previously. Neither will we get the tremendous drop in interest rates that we have experienced during this millennium. A rate drop which in prior years probably gave home prices a lift.

The 'Downside Scenario' is based on a standard deviation plus/minus from the relevant time series.

Relative to the values provided by the macro model, the Bank has additionally made an upward adjustment of the multiplier for the future expectations for some industries, in order to take into account more risk than the model is able to estimate, given the unique current situation, and which the models may have problems capturing. For companies related to travel, restaurant operations and entertainment, in particular, the Bank has increased the risk adjustment significantly. At the same time, these are industries towards which the Bank has little exposure. In this case, we did an upward adjustment of the future macro adjustment of 200%. Whereas, for other industries where we expect there may be some greater challenges going forward, such as parts of the transportation industry, manufacturing and commercial real estate, the additional adjustment is approximately 5%. In total, these adjustments result in a total effect on the IFRS9 writedowns just over 1%. These are direct consequences of Corona, and are additional to the impact resulting from the PD adjustment. Overall, the effect of covid-19 adjustments are estimated to contribute in excess of 10% of expected losses and IFRS9 write-downs.

Loans with payment relief

In connection with the first phase of Covid-19, the Bank experienced a great increase in customer demand for installment relief. The increase was significant for both the retail and the corporate market segment, and stayed high going into the second quarter. However, during the third quarter, demand sank considerably, as many customers discovered that it was not needed, and the short-term installment reliefs granted were not renewed. During the fourth quarter, the situation flattened and is now on a normal level for the retail market. For the corporate market, the share of loans with installment relief is now on a historically low level. Concurrently, we have seen a marked increase in labeling of payment relief for both segments. In total, there are now 507 loans that are so labeled, an increase of 401 from the year before. And, in aggregate, this now constitutes NOK 1,340 million. The majority of these are loans on step 2, which indicates that the Bank expects the loans to be gradually serviced as usual, while a small part is considered to suffer from so much credit impairment that individual writedowns have been made, and the loans moved to step 3.

Shares of loans with payment relief distributed on the different steps:

	2020	2019
Step 1	0%	0%
Step 2	94%	88%
Step 3	6%	12%

Exposure (EAD)

The EAD for agreements at step 1 consist of outstanding receivables or liabilities adjusted for cash flows during the next 12 months and for agreements in step 2, the discounted cash flows for the expected life of the agreement. For guarantees, EAD is equal to the outstanding liability at the date of reporting, multiplied with a conversion factor between 0.2 and 1, depending on the type of guarantee. Unused credit facilities have an EAD equal to the outstanding unused credit at time of reporting.

Total loans to corporate customers by risk groups

12/31/2020

Risk classes	Loans to customers		Guarantees		Unused limit		Total loans and advances		Share	
	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 %
Medium	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 %
Non-perf/ writedowns	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 %**

12/31/2019

Risk classes	Loans to customers		Guarantees		Unused limit		Total loans and advances		Share	
	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group
Low	4 528 062	4 528 062	311 892	311 892	709 308	709 308	5 549 263	5 549 263	67.5 %	67.5 %
Medium	1 268 523	1 268 523	97 815	97 815	150 786	150 786	1 517 124	1 517 124	18.5 %	18.5 %
High	923 339	923 339	72 292	72 292	50 987	50 987	1 046 617	1 046 617	12.7 %	12.7 %
Non-perf/ writedowns	74 467	74 467	28 014	28 014	2 189	2 189	104 670	104 670	1.3 %	1.3 %
Total	**6 794 390**	**6 794 390**	**510 013**	**510 013**	**913 271**	**913 271**	**8 217 674**	**8 217 674**	**100.0 %**	**100.0 %**

Total loans to retail customers by risk groups

12/31/2020

Risk classes	Loans to customers		Guarantees		Unused limit		Total loans and advances		Share	
	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 %
Medium	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 %
Non-perf/ writedowns	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 %**

12/31/2019

Risk classes	Loans to customers		Guarantees		Unused limit		Total loans and advances		Share	
	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group
Low	6 570 926	14 198 645	1 963	1 963	683 898	1 715 957	7 256 786	15 916 564	74.6 %	82.2 %
Medium	642 196	772 123	116	116	68 615	75 196	710 927	847 435	13.0 %	9.1 %
High	857 312	996 586	596	596	3 995	4 424	861 903	1 001 606	11.1 %	7.8 %
Non-perf/ writedowns	116 265	116 265					116 266	116 266	1.3 %	0.8 %
Total	**8 186 698**	**16 083 618**	**2 676**	**2 676**	**756 508**	**1 795 577**	**8 945 882**	**17 881 871**	**100,0 %**	**100,0 %**

The below table shows share of exposure (EAD) distributed on risk category and step

Group 12/31/2020

		Risk category			
Step	Low	Medium	High	Non-perf/loss	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 %**

Group 12/31/2019

		Risk category			
Step	Low	Medium	High	Non-perf/loss	Total
1	76 %	6 %	4 %	0 %	85 %
2	6 %	4 %	4 %	0 %	14 %
3	0 %	0 %	0 %	1 %	1 %
TOTAL	**82 %**	**9 %**	**8 %**	**1 %**	**100 %**

Parent Bank 12/31/2020

		Risk category			
Step	Low	Medium	High	Non-perf/loss	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 %**

Parent Bank 12/31/2019

		Risk category			
Step	Low	Medium	High	Non-perf/loss	Total
1	68 %	8 %	5 %	0 %	81 %
2	6 %	5 %	6 %	0 %	17 %
3	0 %	0 %	0 %	2 %	2 %
TOTAL	**73 %**	**13 %**	**11 %**	**2 %**	**100 %**

Concentration risk

Concentration risk arises when significant concentration of risk is due to exposure to debtors or securities with similar economic characteristics or which are involved in comparable activities, and where these similarities may result in simultaneous problems with fulfilling payment obligations, or values fluctuate in step so that many will experience problems due to the similarity.

In order to assess and manage concentration risk, the Group evaluates the degree of bias in its loan portfolio on the basis of the following conditions:

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

With respect to the calculation of concentration risk for individual and industry risk, the Group employs the same method as the Financial Supervisory Authority of Norway.

The Bank has a not insignificant concentration of loans for financing of property investments. As of 12/31/2020, a total of 50.3% (49.2%) of the Bank's loans and advances to corporate customers is related to property operations. The Bank focuses on monitoring this concentration risk.

In addition, the Bank faces concentration risk in relation to big individual loans. The Bank defines major loans as those exceeding 10% of the Bank's subordinated capital. There is a great overlap between major loans and loans related to property investments.

Age distribution of overdue loans

The table shows overdue amounts on loans and overdrafts of credits distributed on the number of days overdue. The 1-30 days aging has not been adjusted for delays in payment management, and the size of overdue amounts may therefore vary according to the time of reporting..

12/31/2020

Group				Parent Bank		
RM	GM	Total	Age distribution of overdue loans	RM	GM	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	More than 90 days	120 930	60 870	181 800
528 657	**91 832**	**620 489**	**Total**	**463 668**	**91 832**	**555 500**

12/31/2019

Group				Parent Bank		
RM	GM	Total	Age distribution of overdue loans	RM	GM	Total
299 851	174 914	474 765	1-30 days	255 121	174 914	430 035
70 476	8 571	79 047	31-60 days	45 609	8 571	54 180
27 448	143	27 591	61-90 days	23 412	143	23 555
70 823	72 789	143 611	More than 90 days	70 823	72 789	143 611
468 598	**256 417**	**725 014**	**Total**	**394 965**	**256 417**	**651 382**

As of 12/31/2020, the Bank has total loans of approximately NOK 77 million (NOK 15 million as of 12/31/2019) that were 90 days overdue, and for which provisions for losses had not been made due to good collateral cover. These loans have been individually valued at step 3.

ESG

When granting credit in the corporate market, the Bank conducts an assessment of ESG issues in general, and climate risk in particular. In connection with the credit assessment, all counterparts are also assigned an ESG category. This may affect decision requirements in credit cases, and a hearing by the credit committee. In cooperation with Eika, in 2021, the Bank will further develop the assessment model for the ESG risk model.

Bonds and notes

In order to manage the credit risk associated with investments in bonds and notes, the Group has developed guidelines for the quality of implemented investments, in addition to requirements regarding industry composition and maturity structure. Investments in bonds and notes are primarily made as liquidity placements.

Derivatives

Derivatives are mainly used to manage the Group's interest and currency risk in the form of interest swap and currency swap agreements, where a future currency exchange rate or future interest rate is agreed on date for entering the derivative transactions, in order to ensure that the Bank does not carry risk of them fluctuating during the term of the derivative. The Group's counterparty exposure is measured as a combination of the market value of open contracts and the principal.

Monitoring of risk frameworks and risk mitigation measures

The Group has established exposure frameworks for different segments of the various portfolios. The utilization of these frameworks are reported monthly to the Board of Directors and Group Management. Individual loans are monitored by the different credit environments within the Group.

The Group also employs a number or risk mitigation measures, such as:

Safety

The Group's most important risk mitigation measure is the establishment of collateral for loans. It has clear guidelines both with respect to requirements for collateral coverage of loans and with respect to valuation of the collateral objects.

Exposure limits

The Group has established frameworks for the maximum exposure to industries, type of loan and major loans. In addition, it has established guidelines for maximum exposure within the different risk categories.

Counter party exposure agreements

There is a requirement that International Swap Dealer Association (ISDA) agreements with Credit Support Annex (CSA) agreements have to be established prior to entering derivative transactions.

9 ALLOCATION OF LOANS ON CUSTOMER GROUPS AND GEOGRAPHIC AREA

By customer group

Group	Lending		Guarantees		Unused credit facilities	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Agriculture and forestry	460 229	506 285	225	905	33 749	58 510
Fishing and hunting	370	6 563			200	200
Building and construction	1 292 382	1 123 073	187 642	264 967	176 844	193 453
Manufacturing	161 310	206 319	28 249	43 787	107 224	31 755
Oil and energy	13 965	30 294		2 650	110	58 333
Distributive trade	218 087	224 619	55 649	64 990	86 237	54 921
Hotels and restaurants	94 667	60 914	14 522	12 874	5 064	3 720
Transport and storage	27 868	48 016	8 288	9 613	16 088	12 088
Public and private services	580 221	778 901	81 646	87 326	171 967	230 703
Property management	3 769 528	3 842 094	22 237	25 755	83 727	115 762
Other customer groups	74	88				
Retail customers	17 526 432	16 189 868	2 795	3 344	2 201 195	1 953 687
Total gross lending to customers	**24 145 132**	**23 017 035**	**401 253**	**516 211**	**2 882 404**	**2 713 133**
Write-downs	-145 412	-139 026	-1 826	-3 522	-4 456	-4 285
Total net lending to customers	**23 999 720**	**22 878 009**	**399 427**	**512 689**	**2 877 948**	**2 708 848**

By geography

Group	Lending		Guarantees		Unused credit facilities	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Rogaland	19 545 039	18 605 479	305 026	401 258	2 584 450	2 353 398
Oslo[1]	2 256 654	3 098 905	56 604	80 425	159 494	275 869
Other counties	2 307 248	1 240 902	39 623	34 528	138 460	70 784
Abroad	36 191	71 749				13 082
Total gross lending to customers	**24 145 132**	**23 017 035**	**401 253**	**516 211**	**2 882 404**	**2 713 133**

1 Oslo in 2020 (Oslo and Akershus in 2019).

By customer group

Parent Bank	Lending		Guarantees		Unused credit facilities	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Agriculture and forestry	460 229	506 285	225	905	33 749	58 510
Fishing and hunting	370	6 563			200	200
Building and construction	1 292 382	1 123 073	187 642	264 967	176 844	193 453
Manufacturing	161 310	206 319	28 249	43 787	107 224	31 755
Oil and energy	13 965	30 294		2 650	110	58 333
Distributive trade	218 087	224 619	55 649	64 990	86 237	54 921
Hotels and restaurants	94 667	60 914	14 522	12 874	5 064	3 720
Transport and storage	27 868	48 016	8 288	9 613	16 088	12 088
Public and private services	580 221	778 901	81 646	87 326	171 967	230 703
Property management	3 769 528	3 842 094	22 237	25 755	83 727	115 762
Other customer groups	74	88				
Retail customers	8 601 383	8 288 638	2 795	3 344	1 178 574	914 505
Total gross lending to customers	**15 220 083**	**15 115 804**	**401 253**	**516 211**	**1 859 783**	**1 673 952**
Write-downs	-140 230	-134 715	-1 826	-3 522	-4 293	-4 173
Total net lending to customers	**15 079 852**	**14 981 089**	**399 427**	**512 689**	**1 855 491**	**1 669 778**

By geography

Parent Bank	Lending		Guarantees		Unused credit facilities	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Rogaland	11 712 738	11 605 745	305 026	401 258	1 646 707	1 423 173
Oslo[1]	1 796 005	2 550 943	56 604	80 425	122 552	200 216
Other counties	1 692 949	914 462	39 623	34 528	90 524	45 471
Abroad	18 391	44 655				5 092
Total gross lending to customers	**15 220 083**	**15 115 804**	**401 253**	**516 211**	**1 859 783**	**1 673 952**

1 Oslo in 2020 (Oslo and Akershus in 2019).

Group			Parent Bank	
12/31/2020	12/31/2019	Guarantees	12/31/2020	12/31/2019
101 226	112 547	Payment guarantees	101 226	112 547
181 098	207 166	Contract guarantees	181 098	207 166
9 155	11 155	Tax deduction guarantees	9 155	11 155
9 089	12 500	Other guarantees	9 089	12 500
100 685	172 843	Unused guarantee limits	100 685	172 843
401 253	**516 211**	**Total guarantees**	**401 253**	**516 211**

10 LOANS AND WRITEDOWNS BY SECTOR

Loans by customer group

Group 12/31/2020

	Gross loans	Of which loans at amortized cost	Writedowns of loans at amortized cost: Step 1	Step 2	Step 3	Net lending
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
Distributive 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 claims on customers[2]	**24 145 132**	**22 839 519**	**-23 397**	**-48 645**	**-73 370**	**23 999 720**

Group 12/31/2019

	Gross loans	Of which loans at amortized cost	Writedowns of loans at amortized cost: Step 1	Step 2	Step 3	Net lending
Agriculture and forestry	506 285	472 621	-641	-1 219	-5 000	499 425
Fishing and hunting	6 563	6 563	-16	-8		6 539
Building and construction	1 123 073	1 118 935	-2 206	-3 666	-2 900	1 114 300
Manufacturing	206 319	206 319	-286	-2 107	-13 900	190 025
Oil and energy	30 294	30 294		-66	-16 850	13 378
Distributive trade	224 619	200 053	-1 128	-1 099	-2 330	220 063
Hotels and restaurants	60 914	60 914	-46	-73		60 795
Transport and storage	48 016	48 016	-1 134	-675	-126	46 080
Public and private services	778 901	768 500	-2 713	-2 934	-9 469	763 785
Property management	3 842 094	3 807 270	-7 213	-10 118	-14 400	3 810 363
Other customer groups	88	88				88
Retail customers[1]	16 189 868	15 316 705	-12 522	-10 851	-13 329	16 153 166
Total on-balance loans to and claims on customers[2]	**23 017 035**	**22 036 278**	**-27 906**	**-32 816**	**-78 305**	**22 878 009**

1 For this purpose, retail customers are defined as all the Bank's customers that do not have an industry code, regardless to which department/segment the customer is related.
2 The tables include only step-wise provisions for losses on loans and claims on customers (on balance) and not provisions for losses on guarantees and/or unused credits (off-balance exposure).

Loans by customer group

Parent Bank 12/31/2020

	Gross loans	Of which loans at amortized cost	Writedowns of loans at amortized cost Step 1	Step 2	Step 3	Net lending
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
Distributive 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 claims on customers[2]	**15 220 083**	**13 914 471**	**-20 849**	**-46 011**	**-73 370**	**15 079 852**

Parent Bank 12/31/2019

	Gross loans	Of which loans at amortized cost	Writedowns of loans at amortized cost Step 1	Step 2	Step 3	Net lending
Agriculture and forestry	506 285	472 621	-641	-1 219	-5 000	499 425
Fishing and hunting	6 563	6 563	-16	-8		6 539
Building and construction	1 123 073	1 118 935	-2 206	-3 666	-2 900	1 114 301
Manufacturing	206 319	206 319	-286	-2 107	-13 900	190 026
Oil and energy	30 294	30 294		-66	-16 850	13 378
Distributive trade	224 619	200 053	-1 128	-1 099	-2 330	220 062
Hotels and restaurants	60 914	60 914	-46	-73		60 795
Transport and storage	48 016	48 016	-1 134	-675	-126	46 081
Public and private services	778 901	768 500	-2 713	-2 934	-9 469	763 785
Property management	3 842 094	3 807 270	-7 213	-10 118	-14 400	3 810 363
Other customer groups	88	88				88
Retail customers[1]	8 288 637	7 415 474	-9 817	-9 245	-13 329	8 256 246
Total on-balance loans to and claims on customers[2]	**15 115 803**	**14 135 047**	**-25 200**	**-31 210**	**-78 304**	**14 981 089**

1 For this purpose, retail customers are defined as all the Bank's customers that do not have an industry code, regardless to which department/segment the customer is related.
2 The tables include only step-wise provisions for losses on loans and claims on customers (on balance) and not provisions for losses on guarantees and/or unused credits (off-balance exposure).

11 LOSSES ON LOANS/GUARANTEES AND NON-PERFORMING/PROBLEM LOANS

Group 2020	Group 2019	Losses on loans and guarantees	Parent Bank 2020	Parent Bank 2019
-5 683	208	Changes in provisions for losses during the period, step 1	-5 925	-538
16 405	-19 331	Changes in provisions for losses during the period, step 2	15 374	-17 698
-5 860	-76 399	Changes in provisions for losses during the period, step 3	-5 860	-76 399
12 696	109 938	Confirmations of previous writedowns	12 696	109 938
11 018	2 477	Confirmations without previous writedowns	11 018	2 477
-3 887	-3 422	Recovery of realized losses in previous periods[1]	-3 887	-3 421
24 689	**13 471**	**Losses on loans and guarantees**	**23 415**	**14 360**

1 As of 12/31/2020, the Group had total receivables of NOK 66 million that have been recognized / deducted from the balance sheet, and which have been forwarded to debt collection agencies. The corresponding outstanding amount as of 12/31/2019, was NOK 56 million. Any repayments from the debt collection agencies will be recognized as reduced cost of loss in the item "Recovery of realized losses in previous periods..

Group				Changes in provisions for losses:	Parent Bank			
Step 1 12-month loss	Step 2 Lifetime loss	Step 3 Lifetime loss	Total write-downs		Step 1 12-month loss	Step 2 Lifetime loss	Step 3 Lifetime loss	Total write-downs
30 983	**35 646**	**80 305**	**146 934**	**Provisions for losses as of 01/01/2020**	**28 174**	**34 032**	**80 305**	**142 510**
				Transfers/movements:				
-5 644	19 645		14 001	Transfers from Step 1 to Step 2	-5 101	18 392		13 291
-425		3 530	3 105	Transfers from Step 1 to Step 3	-421		3 530	3 109
992	-7 318		-6 326	Transfers from Step 2 to Step 1	909	-6 289		-5 380
	-691	3 118	2 428	Transfers from Step 2 to Step 3		-686	3 118	2 433
	351	-100	251	Transfers from Step 3 to Step 2		351	-100	251
440		-250	190	Transfers from Step 3 to Step 1	440		-250	190
2 711	564		3 274	New loans and guarantees added during the period	2 429	485		2 914
-12 092	-10 782		-22 874	Disposals of loans and guarantees 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 guarantees not migrated	6 948	13 521	11 943	32 412
		-12 696	-12 696	Declared losses			-12 696	-12 696
		-11 406	-11 406	Reversal of previous writedowns			-11 406	-11 406
				Other adjustments	353			353
25 300	**52 051**	**74 444**	**151 796**	**Provisions for losses as of 12/31/2020**	**22 602**	**49 405**	**74 444**	**146 451**
			102	Recognized as a reduction of loans to / claims on credit institutions				102
			145 412	Recognized as a reduction of loans to customers				140 230
			6 282	Recognized as provisions for debit items (guarantees and unused lines of credit)				6 119
			151 796	**Provisions for losses as of 12/31/2020**				**146 451**

Distribution of provisions for losses on customers – per segment

Group (CM)					Parent Bank (CM)			
Step 1 12-month loss	Step 2 Lifetime loss	Step 3 Lifetime loss	Totale write-downs	Changes in provisions for losses CM:	Step 1 12-month loss	Step 2 Lifetime loss	Step 3 Lifetime loss	Totale write-downs
18 103	**25 839**	**68 849**	**112 791**	**Provisions for losses CM as of 01/01/2020**	**18 103**	**25 839**	**68 849**	**112 791**
				Transfers/movements:				
-2 174	10 252		8 078	Transfers from Step 1 to Step 2	-2 174	10 252		8 078
-86		2 480	2 394	Transfers from Step 1 to Step 3	-86		2 480	2 394
723	-4 566		-3 843	Transfers from Step 2 to Step 1	723	-4 566		-3 843
	-159	24	-135	Transfers from Step 2 to Step 3		-159	24	-135
5		-250	-244	Transfers from Step 3 to Step 1	5		-250	-244
2 257	476		2 732	New loans and guarantees added during the period	2 257	476		2 732
-7 918	-7 705		-15 623	Disposals of loans and guarantees 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 guarantees not migrated	5 349	7 722	4 350	17 421
		-4 687	-4 687	Declared losses			-4 687	-4 687
		-9 179	-9 179	Reversal of previous writedowns			-9 179	-9 179
16 258	**31 858**	**61 587**	**109 704**	**Provisions for losses CM as of 12/31/2020**	**16 258**	**31 858**	**61 587**	**109 704**

Group (RM)					Parent Bank (RM)			
Step 1 12-month loss	Step 2 Lifetime loss	Step 3 Lifetime loss	Totale write-downs	Changes in provisions for losses RM:	Step 1 12-month loss	Step 2 Lifetime loss	Step 3 Lifetime loss	Totale write-downs
12 788	**9 807**	**11 455**	**34 051**	**Provisions for losses RM as of 01/01/2020**	**9 979**	**8 193**	**11 455**	**29 627**
				Transfers/movements:				
-3 474	9 393		5 919	Transfers from Step 1 to Step 2	-2 927	8 140		5 213
-335		1 050	715	Transfers from Step 1 to Step 3	-335		1 050	715
269	-2 751		-2 482	Transfers from Step 2 to Step 1	186	-1 722		-1 536
	-527	3 094	2 567	Transfers from Step 2 to Step 3		-527	3 094	2 567
	351	-100	251	Transfers from Step 3 to Step 2		351	-100	251
435			435	Transfers from Step 3 to Step 1	435			435
435	88		523	New loans and guarantees added during the period	154	10		163
-4 146	-3 077		-7 223	Disposals of loans and guarantees 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 guarantees not migrated	1 589	5 789	7 593	14 972
		-8 009	-8 009	Declared losses			-8 009	-8 009
		-2 227	-2 227	Reversal of previous writedowns			-2 227	-2 227
				Other adjustments	353			353
8 950	**20 183**	**12 857**	**41 989**	**Provisions for losses RM as of 12/31/2020**	**6 251**	**17 537**	**12 857**	**36 645**

Group					Parent Bank			
Step 1 12-month loss	Step 2 Lifetime loss	Step 3 Lifetime loss	Totale write-downs	Changes in provisions for losses:	Step 1 12-month loss	Step 2 Lifetime loss	Step 3 Lifetime loss	Totale write-downs
30 775	**54 977**	**156 704**	**242 457**	**Provisions for losses as of 01/01/2019**	**28 956**	**51 730**	**156 704**	**237 390**
				Transfers/movements:				
-2 673	14 809		12 136	Transfers from Step 1 to Step 2	-2 596	14 233		11 637
-296		8 667	8 371	Transfers from Step 1 to Step 3	-267		8 667	8 400
2 835	-9 440		-6 605	Transfers from Step 2 to Step 1	2 636	-7 603		-4 967
	-12 414	20 965	8 551	Transfers from Step 2 to Step 3		-12 414	20 965	8 551
	391	-370	20	Transfers from Step 3 to Step 2		391	-370	20
2 533	356		2 889	New loans and guarantees added during the period	2 269	314		2 583
-11 768	-12 174		-23 941	Disposals of loans and guarantees during the period	-11 292	-11 482		-22 773
9 576	-860	21 059	29 775	Changed provisions for losses during the period for loans and guarantees not migrated	8 712	-1 137	21 059	28 634
		-109 938	-109 938	Declared losses			-109 938	-109 938
		-16 780	-16 780	Reversal of previous writedowns			-16 780	-16 780
				Other adjustments	-245			-245
30 983	**35 646**	**80 305**	**146 934**	**Provisions for losses as of 12/31/2019**	**28 174**	**34 032**	**80 305**	**142 510**
			100	Recognized as a reduction of loans to / claims on credit institutions				99
			139 026	Recognized as a reduction of loans to customers				134 715
			7 808	Recognized as provisions for debit items (guarantees and unused lines of credit)				7 696
			146 934	**Provisions for losses as of 12/31/2019**				**142 510**

Distribution of provisions for losses on customers – per segment

Group (CM)					Parent Bank (CM)			
Step 1 12-month loss	Step 2 Lifetime loss	Step 3 Lifetime loss	Totale write-downs	Changes in provisions for losses CM:	Step 1 12-month loss	Step 2 Lifetime loss	Step 3 Lifetime loss	Totale write-downs
21 550	**30 644**	**148 753**	**200 946**	**Provisions for losses CM as of 01/01/2019**	**21 550**	**30 644**	**148 753**	**200 946**
				Transfers/movements:				
-2 177	12 561		10 384	Transfers from Step 1 to Step 2	-2 177	12 561		10 384
-147		6 830	6 683	Transfers from Step 1 to Step 3	-147		6 830	6 683
929	-2 366		-1 437	Transfers from Step 2 to Step 1	929	-2 366		-1 437
	-10 543	16 059	5 516	Transfers from Step 2 to Step 3		-10 543	16 059	5 516
1 952	266		2 218	New loans and guarantees added during the period	1 952	266		2 218
-8 600	-6 035		-14 635	Disposals of loans and guarantees during the period	-8 600	-6 035		-14 635
4 596	1 312	19 108	25 016	Changed provisions for losses during the period for loans and guarantees not migrated	4 596	1 312	19 108	25 016
		-105 949	-105 949	Declared losses			-105 949	-105 949
		-15 951	-15 951	Reversal of previous writedowns			-15 951	-15 951
18 103	**25 839**	**68 849**	**112 791**	**Provisions for losses CM as of 12/31/2019**	**18 103**	**25 839**	**68 849**	**112 791**

Group (RM)					Parent Bank (RM)			
Step 1 12-month loss	Step 2 Lifetime loss	Step 3 Lifetime loss	Totale write-downs	Changes in provisions for losses RM:	Step 1 12-month loss	Step 2 Lifetime loss	Step 3 Lifetime loss	Totale write-downs
9 226	**24 333**	**7 951**	**41 510**	**Provisions for losses RM as of 01/01/2019**	**7 406**	**21 086**	**7 951**	**36 443**
				Transfers/movements:				
-525	2 248		1 723	Transfers from Step 1 to Step 2	-419	1 672		1 253
-120		1 837	1 717	Transfers from Step 1 to Step 3	-120		1 837	1 717
1 874	-6 980		-5 105	Transfers from Step 2 to Step 1	1 676	-5 144		-3 468
	-1 870	4 905	3 035	Transfers from Step 2 to Step 3		-1 870	4 905	3 035
	391	-370	20	Transfers from Step 3 to Step 2		391	-370	20
574	89		664	New loans and guarantees added during the period	310	47		358
-3 140	-6 139		-9 280	Disposals of loans and guarantees during the period	-2 664	-5 447		-8 112
4 899	-2 265	1 951	4 585	Changed provisions for losses during the period for loans and guarantees not migrated	4 034	-2 542	1 951	3 443
		-3 989	-3 989	Declared losses			-3 989	-3 989
		-829	-829	Reversal of previous writedowns			-829	-829
				Other adjustments	-245			-245
12 788	**9 807**	**11 455**	**34 051**	**Provisions for losses RM as of 12/31/2019**	**9 979**	**8 193**	**11 455**	**29 627**

Changes in gross loans recognized in the balance sheet

Group					Parent Bank			
Step 1	**Step 2**	**Step 3**	**Total loans**	Gross loans and guarantees with writedowns for expected loss recognized in balance sheet	**Step 1**	**Step 2**	**Step 3**	**Total loans**
19 103 681	**3 222 886**	**279 691**	**22 606 258**	**Gross loans and guarantees recognized in the balance sheet as of 01/01/2020**	**11 923 782**	**2 500 991**	**279 691**	**14 704 464**
				Transfers:				
-1 652 405	1 652 405			Transfers from Step 1 to Step 2	-1 143 559	1 143 559		
-76 201		76 201		Transfers from Step 1 to Step 3	-75 751		75 751	
733 610	-733 610			Transfers from Step 2 to Step 1	424 706	-424 706		
	-36 829	36 829		Transfers from Step 2 to Step 3		-35 966	35 966	
	2 829	-2 829		Transfers from Step 3 to Step 2		2 829	-2 829	
4 529		-4 529		Transfers from Step 3 to Step 1	4 529		-4 529	
5 545 584	1 039 454		6 585 038	New loans and guarantees added 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 guarantees 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 loans and guarantees recognized in the balance sheet as of 12/31/2020[1]**	**10 995 824**	**3 139 610**	**289 496**	**14 424 930**

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

Distribution of gross loans to customers recognized in the balance sheet, valued at amortized cost – per segment

Group (CM)					Parent Bank (CM)			
Step 1	**Step 2**	**Step 3**	**Total loans**	Gross loans and guarantees with writedowns for expected loss recognized in CM Group balance sheet:	**Step 1**	**Step 2**	**Step 3**	**Total loans**
5 609 170	**1 250 252**	**152 503**	**7 011 926**	**Gross loans and guarantees CM recognized in the balance sheet as of 01/01/2020**	**5 609 170**	**1 250 252**	**152 503**	**7 011 926**
				Transfers:				
-677 422	677 422			Transfers from Step 1 to Step 2	-677 422	677 422		
-12 088		12 088		Transfers from Step 1 to Step 3	-12 088		12 088	
214 320	-214 320			Transfers from Step 2 to Step 1	214 320	-214 320		
1 105		-1 105		Transfers from Step 3 to Step 1	1 105		-1 105	
1 525 162	171 970		1 697 133	New loans and guarantees added 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 guarantees 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 loans and guarantees CM recognized in the balance sheet as of 12/31/2020**	**5 129 465**	**1 507 520**	**114 441**	**6 751 426**

Distribution of gross loans to customers recognized in the balance sheet, valued at amortized cost – per segment

Group (CM)					Parent Bank (CM)			
Step 1	Step 2	Step 3	Total loans	Gross loans and guarantees with writedowns for expected loss recognized in CM Group balance sheet:	Step 1	Step 2	Step 3	Total loans
12 960 418	**2 000 716**	**99 104**	**15 060 239**	**Gross loans and guarantees CM recognized in the balance sheet as of 01/01/2020**	**5 780 519**	**1 278 822**	**99 104**	**7 158 445**
				Transfers:				
-974 983	974 983			Transfers from Step 1 to Step 2	-466 137	466 137		
-64 112		64 112		Transfers from Step 1 to Step 3	-63 663		63 663	
519 290	-519 290			Transfers from Step 2 to Step 1	210 386	-210 386		
	-36 829	36 829		Transfers from Step 3 to Step 1		-35 966	35 966	
	2 829	-2 829		Overføringer fra Steg 3 til Steg 2		2 829	-2 829	
3 424		-3 424		Overføringer fra Steg 3 til Steg 1	3 424		-3 424	
4 010 442	862 640		4 873 081	New loans and guarantees added 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 guarantees 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 loans and guarantees CM recognized in the balance sheet as of 12/31/2020**	**5 360 743**	**1 627 246**	**175 055**	**7 163 044**

Changes in gross loans recognized in the balance sheet

Group					Parent Bank			
Step 1	Step 2	Step 3	Total loans	Gross loans and guarantees RM recognized in the balance sheet as of 01/01/20120	Step 1	Step 2	Step 3	Total loans
19 426 365	**3 297 390**	**334 787**	**23 058 541**	**Gross loans and guarantees recognized in the balance sheet as of 01/01/2019[1]**	**12 716 678**	**2 491 653**	**334 787**	**15 543 117**
				Transfers:				
-1 200 920	1 200 920			Transfers from Step 1 to Step 2	-927 710	927 710		
-48 159		48 159		Transfers from Step 1 to Step 3	-48 159		48 159	
907 612	-907 612			Transfers from Step 2 to Step 1	553 673	-553 673		
	-107 329	107 329		Transfers from Step 2 to Step 3		-107 329	107 329	
	5 677	-5 677		Transfers from Step 3 to Step 2		5 677	-5 677	
5 115 766	698 074		5 813 840	New loans and guarantees added during the period	3 913 228	625 960		4 539 189
-5 096 982	-964 235	-204 907	-6 266 123	Other changes during the period for loans and guarantees not migrated (incl. disposals)	-4 283 929	-889 007	-204 907	-5 377 842
19 103 681	**3 222 886**	**279 691**	**22 606 258**	**Gross loans and guarantees recognized in the balance sheet as of 12/31/2019**	**11 923 782**	**2 500 991**	**279 691**	**14 704 464**

1 The above table is based on gross loans at the time of reporting, including loans to customers, and claims on credit institutions and the central bank. The table does not include guarantees/unused lines of credit. Gross on-balance sheet loans as of 1/1/2019 included the value of the Bank's fixed rate loans of approximately NOK 0.8 billion.

Distribution of gross loans to customers recognized in the balance sheet, valued at amortized cost – per segment

Group (CM)					Parent Bank (CM)			
Step 1	Step 2	Step 3	Total loans	Gross loans and guarantees with writedowns for expected loss recognized in CM Group balance sheet:	Step 1	Step 2	Step 3	Total loans
6 161 731	**905 426**	**293 847**	**7 361 004**	**Gross loans and guarantees CM recognized in the balance sheet as of 01/01/2019[2]**	**6 161 731**	**905 426**	**293 847**	**7 361 004**
				Transfers:				
-542 836	542 836			Transfers from Step 1 to Step 2	-542 836	542 836		
-22 268		22 268		Transfers from Step 1 to Step 3	-22 268		22 268	
147 197	-147 197			Transfers from Step 2 to Step 1	147 197	-147 197		
	-53 691	53 691		Transfers from Step 2 to Step 3		-53 691	53 691	
1 508 899	241 212		1 750 111	New loans and guarantees added during the period	1 508 899	241 212		1 750 111
-1 643 553	-238 333	-217 303	-2 099 189	Other changes during the period for loans and guarantees not migrated (incl. disposals)	-1 643 553	-238 333	-217 303	-2 099 189
5 609 170	**1 250 252**	**152 503**	**7 011 926**	**Gross loans and guarantees CM recognized in the balance sheet as of 12/31/2019**	**5 609 170**	**1 250 252**	**152 503**	**7 011 926**

2 The above table is based on gross loans to CM customers at the time of the report. The table does not include guarantees/unused lines of credit. Gross on-balance sheet loans as of 1/1/2019 included the value of the Bank's CM fixed rate loans of approximately NOK 0.1 billion.

Group (RM)					Parent Bank (RM)			
Step 1	Step 2	Step 3	Total loans	Gross loans and guarantees with writedowns for expected loss recognized in RM Group balance sheet:	Step 1	Step 2	Step 3	Total loans
12 637 691	**2 372 639**	**40 939**	**15 051 269**	**Gross loans and guarantees RM recognized in the balance sheet as of 01/01/2019[2]**	**6 029 055**	**1 566 902**	**40 939**	**7 636 897**
				Transfers:				
-658 084	658 084			Transfers from Step 1 to Step 2	-384 874	384 874		
-25 891		25 891		Transfers from Step 1 to Step 3	-25 891		25 891	
745 739	-745 739			Transfers from Step 2 to Step 1	391 801	-391 801		
	-53 638	53 638		Transfers from Step 2 to Step 3		-53 638	53 638	
	5 677	-5 677		Transfers from Step 3 to Step 2		5 677	-5 677	
3 686 927	456 862		4 143 789	New loans and guarantees added during the period	2 403 313	384 748		2 788 061
-3 425 964	-693 168	-15 687	-4 134 819	Other changes during the period for loans and guarantees not migrated (incl. disposals)	-2 632 885	-617 941	-15 687	-3 266 513
12 960 418	**2 000 716**	**99 104**	**15 060 239**	**Gross loans and guarantees RM recognized in the balance sheet as of 12/31/2019**	**5 780 519**	**1 278 822**	**99 104**	**7 158 445**

2 The above table is based on gross loans to RM customers at the time of the report. The table does not include guarantees/unused lines of credit. Gross on-balance sheet loans as of 1/1/2019 included the value of the Bank's RM fixed rate loans of approximately NOK 0.7 billion.

Comments on step transitions

All loans start on step 1. Then there are five factors that may lead to moving loans from step 1 to step 2, including;

1) Over 30 days in default
2) With more than 2 arrears of at least 5 days' duration during the past 12 months
3) A significant increase in risk, i.e. that PD has increased since the initial PD for the loan (please refer to the definition in Note 8)
4) Forbearance marking (that the customer has been granted necessary easing of required repayments)
5) Lack of data for the customer

The below table shows a breakdown of the reasons for all step transitions from step 1 to step 2.

	2020		2019	
Reasons	Share (in isolation)	Share (total)	Share (in isolation)	Share (total)
Due to arrears for 30 days	0 %	2 %	1 %	3 %
Due to arrears during the past 12 months	6 %	9 %	2 %	14 %
Due to significant PD increase	53 %	60 %	29 %	64 %
Due to forbearance	17 %	23 %	8 %	17 %
Lack of data for the customer	7 %	7 %	0 %	2 %
Combination of the above reasons	17 %		59 %	
Total	**100 %**	**100 %**	**100 %**	**100 %**

"Share in isolation" shows how many percent of the value of the loan has been moved from step 1 to step 2 due to the corresponding factor only, seen in isolation, whereas "Share total" shows how many percent of the migration that was due to the corresponding factor alone, or together with one or more of the other factors.

Correspondingly, the table shows a breakdown of the causes of the step transitions from step 2 to step 1 (recovery during the period);

	2020		2019	
Reasons	Share (in isolation)	Share (total)	Share (in isolation)	Share (total)
No 30 days in arrears last 6 m longer	0 %	1 %	1 %	3 %
Not more 1 in arrears last 12 months	0 %	5 %	3 %	12 %
Significant PD reduction	84 %	86 %	68 %	77 %
No forbearance marking any longer	8 %	8 %	8 %	8 %
Data received for the customer	0 %	0 %	1 %	2 %
Combination of several reasons	8 %		20 %	
Total	**100 %**	**100 %**	**100 %**	**100 %**

"Share in isolation" shows how many percent of the value of the loan has been moved from step 2 to step 1 due to the corresponding factor only, seen in isolation, whereas "Share total" shows how many percent of the migration that was due to the corresponding factor alone, or together with one or more of the other factors.

For 2020, there are a total of 360 loans that have migrated from step 2 to step 1, whereas a total of 598 loans migrated from step 1 to step 2.

Sensitivity analyses

The writedown model for the calculation of ECL on the loans, is built on several critical assumptions, including, inter alia, probability of default, loss given default, and general macroeconomic developments. Thus, the model and the loss estimates are vulnerable with respect to changes in the assumptions used – the Corona eruption and the crisis in the Norwegian economy, reinforce the uncertainties of the estimates.

It is still difficult to predict how the crisis will affect home prices going forward, and for the time being no account has been taken of a possible drop in home prices due to terminations and generally lower economic activity and consumption. In the first quarter, the NHO estimated that home prices may fall by 9–10% during the year. With respect to home prices, the value of the collateral weakens the majority of the retail market portfolio, but will also have extended effects on the corporate market portfolio. In addition, increased unemployment will affect the probability of default. Statistics Norway estimated an unemployment rate of up to 6%, while the IMF is even more pessimistic, and predicted unemployment up towards 13–14%. With respect to the general macro-economic outlook, this is considerably weaker than was the case as of 12/31/2019. Both the big fall in the oil price, and the increased unemployment rate, has a negative impact on the macro indicators. The stress tested scenario of The Financial Supervisory Authority of Norway is built on significantly weaker macroeconomic assumptions going forward than was the case as of 12/31/2019.

Consequently, the Bank has reproduced the loss estimates provided changes in key assumptions with the aim of illustrating how the loss estimates are affected by given scenarios.

As of 12/31/2020, sensitivity analyses have been made for the following factors scenarios:

- Future will remain as today (expectation unchanged)
- Expected lifespan equal to full maturity
- Probability of Default (PD) up 10%
- Probability of Default (PD) down 10%
- Increased unemployment (IMF scenario)
- Significantly weakened macro scenario

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

If customers are subject to falling credit quality, it will be more difficult for them to get loans refinanced and also less opportunity to pre-redeem or make extra payments. The expected lifespan equal to full maturity scenario assumes that all loans will run to final maturity and that all undrawn lines of credit will be fully utilized. In the main scenario, future prospects are negative (based on the same weighting of a positive, a negative and a main expectation). In the "future will remain as today" scenario, the expectation = 1, i.e. neither positive nor negative.

The last two scenarios are more of the crisis type. One is tested against increasing unemployment rising to 13.5%, where we expect that up to 10% of our customers will have serious payment problems. In the last one, general economic impairment and significantly reduced property prices, are added.

The result of the sensitivity analysis is as follows, divided on group, and the retail market (RM) and corporate market (CM);

	Changes in key assumptions					
Group 12/31/2020	Unchanged future outlook	Full maturity	PD +10%	PD -10%	Unemployment 13,5% (IMF)	Norwegian FSA stress scenario 1
Percentage change in loss estimate CM	-2,9 %	7,4 %	3,3 %	-3,4 %	2,1 %	132,2 %
Percentage change in loss estimate RM	-1,7 %	3,4 %	1,7 %	-4,1 %	239,1 %	197,7 %
Percentage change in loss estimate Group	-2,6 %	6,3 %	2,9 %	-3,6 %	61,4 %	148,6 %
Group 12/31/2019						
Prosentvis endring i tapsestimat BM	4,5 %	1,8 %	8,8 %	-7,9 %	2,5 %	110,7 %
Prosentvis endring i tapsestimat PM	2,3 %	3,3 %	4,4 %	-7,7 %	222,2 %	197,6 %
Prosentvis endring i tapsestimat Group	3,7 %	2,3 %	7,3 %	-7,8 %	54,6 %	131,3 %

The result of the sensitivity analysis is as follows, divided on Parent Bank, and the retail market (RM) and corporate market (CM) segments;

	Changes in key assumptions					
Parent Bank 12/31/2020	Unchanged future outlook	Full maturity	PD +10%	PD -10%	Unemployment 13,5% (IMF)	Norwegian FSA stress scenario 1
Prosentvis endring i tapsestimat BM	-2,9 %	7,4 %	3,3 %	-3,4 %	2,1 %	132,2 %
Prosentvis endring i tapsestimat PM	-1,2 %	2,2 %	0,6 %	-3,6 %	345,0 %	218,0 %
Prosentvis endring i tapsestimat Parent Bank	-2,5 %	6,1 %	2,6 %	-3,5 %	51,4 %	144,5 %
Parent Bank 12/31/2019						
Prosentvis endring i tapsestimat BM	4,5 %	1,8 %	8,8 %	-7,9 %	2,5 %	110,7 %
Prosentvis endring i tapsestimat PM	2,3 %	2,9 %	4,2 %	-8,0 %	247,3 %	205,3 %
Prosentvis endring i tapsestimat Parent Bank	3,8 %	2,1 %	7,4 %	-7,9 %	39,3 %	124,9 %

Non-performing and problem loans

The total loans non-performing over 90 days and other performing loans with individual writedowns for losses.

Group

	31.12.20			31.12.19		
	RM	CM	Total	RM	CM	Total
Problem loans before individual writedowns for losses (gross):						
Engagement non-performing over 90 days	120 930	60 870	181 800	70 823	72 789	143 611
Performing problem loans	61 190	82 102	143 292	48 034	108 758	156 792
Total loans before individual writedowns for losses (gross)	**182 120**	**142 972**	**325 092**	**118 856**	**181 547**	**300 403**
Individual writedowns of losses on:						
Engagement non-performing over 90 days	5 656	36 545	42 201	4 892	20 900	25 792
Performing problem loans	7 201	25 042	32 244	6 563	47 949	54 512
Total individual writedowns for losses (step 3)	**12 857**	**61 587**	**74 444**	**11 455**	**68 849**	**80 305**
Problem loans after individual writedowns for losses (net):						
Engagement non-performing over 90 days	115 274	24 325	139 599	65 930	51 889	117 819
Performing problem loans	53 988	57 060	111 048	41 471	60 809	102 280
Total loans after individual writedowns for losses (net)	**169 263**	**81 385**	**250 647**	**107 401**	**112 698**	**220 099**
Percentage provision for loans non-performing over 90 days	5 %	60 %	23 %	7 %	29 %	18 %
Percentage provision for performing problem loans	12 %	31 %	23 %	14 %	44 %	35 %

Non-performing and doubtful loans and advances are valued according to law and regulations issued by the Financial Supervisory Authority of Norway. A loan is regarded as non-performing or in default when the customer has failed to pay an installment within 90 days of the due date, or when an overdraft of a credit of line has not been covered within 90 days after being overdrawn. Doubtful loans are written-down loans where the customer's financial situation indicates that loss will materialize at a later time, regardless of whether the loan is in default or not.

12 INTEREST RATE RISK

Interest rate riskInterest rate risk is the risk of loss arising due to changes in interest rate levels. The risk arises primarily from fixed-rate lending and fixed-rate funding. Yield curves usually shift in parallel up or down and the Group measures interest rate risk as the profit effect of a parallel shift of the yield curve. The risk of non-parallel shifts is covered through limitations on maximum exposure.

The main principle of the Bank's interest rate risk management is to neutralize the interest rate risk by balancing the Bank's assets and liabilities. The Bank is conducting ongoing monitoring of the interest exposure for all intervals of 3 months from 0 to 15 years. The Bank's strategy is to not incur significant interest rate risk in its ordinary operations.

The limit for Group interest rate risk is that maximum loss must not exceed NOK 21 million in case of a 2% parallel shift of the yield curves. The Group limit is split on NOK 15 million for the Parent Bank and NOK 6 million for SSB Boligkreditt. In other respects, the maximum interest rate exposure within each maturity interval shall not exceed NOK 3.75 million.

Please also refer to Note 15 regarding the Bank's use of derivatives for the hedging of its interest rate exposure.

Time to repricing date (gap) for assets and liabilities

Group 2020	Up to 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years	No interest exposure	12/31/2020
Cash	3 263						3 263
Loans to and claims on credit institutions	485 300						485 300
Loans to customers	4 966 094	17 781 101	144 239	660 801	447 485		23 999 720
Notes 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**
Payable 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
Debt securities in issue	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 capital		100 000				2 851 880	2 951 880
Total liabilities and shareholders' equity	**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 value of 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**

Group 2019	Up to 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years	No interest exposure	12/31/2019
Cash	4 261						4 261
Loans to and claims on credit institutions	570 160						570 160
Loans to customers	5 072 946	16 860 872	91 171	630 403	222 616		22 878 009
Notes and bonds	456 820	2 935 634	265 353	199 753			3 857 560
Financial derivatives	5 458	23 835	1 073	67 590	14 803		112 759
Other assets						735 510	735 510
Total assets	**6 109 645**	**19 820 341**	**357 598**	**897 746**	**237 419**	**735 510**	**28 158 259**
Payable to credit institutions	43 672						43 672
Deposits from customers	6 198 644	5 568 720		65 464			11 832 829
Debt securities in issue	782 872	3 487 609	2 899 709	4 203 832	1 318 050		12 692 071
Financial derivatives	2 336	245	19 865	83 173	5 563		111 181
Other liabilities						257 881	257 881
Subordinated loans	100 595	100 595					201 191
Equity capital		100 000				2 919 434	3 019 434
Total liabilities and shareholders' equity	**7 128 119**	**9 257 169**	**2 919 574**	**4 352 469**	**1 323 612**	**3 177 315**	**28 158 259**
Net liquidity exposure, balance sheet items	-1 018 474	10 563 172	-2 561 976	-3 454 723	-1 086 193	-2 441 806	
Net total all items	**-1 018 474**	**10 563 172**	**-2 561 976**	**-3 454 723**	**-1 086 193**	**-2 441 806**	

Parent Bank 2020	Up to 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years	No interest exposure	12/31/2020
Cash	3 263						3 263
Loans to and claims on credit institutions	510 357						510 357
Loans to customers	4 950 518	8 876 810	144 239	660 801	447 485		15 079 852
Notes 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**
Payable 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
Debt securities in issue	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 capital		100 000				2 580 428	2 680 428
Total liabilities and shareholders' equity	**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 value of 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**

Parent Bank 2019	Up to 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years	No interest exposure	12/31/2019
Cash	4 261						4 261
Loans to and claims on credit institutions	569 318						569 318
Loans to customers	5 058 005	8 978 893	91 171	630 403	222 616		14 981 089
Notes and bonds	350 425	2 246 634	265 353	199 753			3 062 166
Financial derivatives	3 551	15 508	698	35 612	8 311		63 682
Other assets						2 012 249	2 012 249
Total assets	**5 985 560**	**11 241 036**	**357 223**	**865 769**	**230 928**	**2 012 249**	**20 692 763**
Payable to credit institutions	286 440						286 440
Deposits from customers	6 200 352	5 568 714		65 464			11 834 530
Debt securities in issue	734 942	1 082 336	387 549	3 038 758			5 243 585
Financial derivatives	2 114	221	17 978	66 771	2 292		89 377
Other liabilities						242 141	242 141
Subordinated loans	100 595	100 595					201 191
Equity capital		100 000				2 695 500	2 795 500
Total liabilities and shareholders' equity	**7 324 444**	**6 851 866**	**405 527**	**3 170 993**	**2 292**	**2 937 641**	**20 692 763**
Net liquidity exposure, balance sheet items	-1 338 885	4 389 170	-48 304	-2 305 225	228 636	-925 392	
Net total all items	**-1 338 885**	**4 389 170**	**-48 304**	**-2 305 225**	**228 636**	**-925 392**	

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 balance sheet. This is measured by the effect on earnings of a 2% parallel shift in the interest rate. At the end of the year, the estimated earnings effect of an interest rate shift of 2% was NOK 3.5 million. Thus, interest risk is considered to be low. In total, the Group's exposure to market risk is considered to be moderate.

13 FOREIGN CURRENCY RISK

Foreign currency risk is the risk of loss due to changes in currency exchange rates, resulting in falling net asset values measured in NOK. The Bank has established a framework that defines the risk tolerance relate to currency exposure. Maximal permitted currency exposure is NOK 2 million per currency and the maximum aggregate gross currency exposure is NOK 6 million.

The framework only applies to customer related transactional services. The Bank has no framework for its own currency trading. Guidelines have also been prepared regarding the currencies to which the Bank may be exposed. Sensitivity analyses have not been prepared for currency risk related to changes in currency exchange rates, as its impact is small due to the Bank's low net currency exposure.

Most assets denominated in foreign currencies have a remaining period to maturity of 5 years, whereas liabilities denominated in foreign currencies mature in the 1-5 years interval. The time to the agreed repricing of assets and liabilities is mainly within 1-3 months. The group uses forward currency exchange contracts and swap agreements to hedge its foreign currency lending/funding. Since there is an increased credit risk following from currency exchange rate fluctuations for customers with loans denominated in foreign currencies, deposits in escrow accounts are used as additional collateral. If currency exchange rate developments entail that the customer's loan, measured in NOK, exceeds a predefined deviation from the principal, the customer is required to establish additional collateral. If additional collateral in the form of deposits is not established, the whole loan is converted to NOK when the agreed limit is reached.

Assets, liabilities and currency denominated in foreign currencies, and currency hedges are valued at the current price as of 12/31.

Group / Parent Bank 12/31/2020

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			
Notes, 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**
Payable to credit institutions										
Deposits from customers	56 012	3 781	12 666		7	6 111	32 937	46		463
Debt established through the issue of securities										
Other liabilities										
Subordinated loans										
Equity capital										
Total liabilities and shareholders' equity	**56 012**	**3 781**	**12 666**		**7**	**6 111**	**32 937**	**46**		**463**
Net currency exposure, balance sheet items	696 926	46 247	308 107	17 257	96 351	-178	150 806	76 590	471	1 275
Currency hedge	-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**

Group / Parent Bank 12/31/2019

Currency positions	Foreign currency	USD	EUR	JPY	CHF	GBP	SEK	DKK	CAD	Other
Cash	605		260			126	14	206		
Loans to credit institutions	32 016	5 854	10 743	12	193	3 834	9 879	62	331	1 109
Loans to customers	399 387	48 134	67 638	20 109	223 302		40 203			
Notes, bonds	464 271		285 109				111 474	67 688		
Other assets	6 490	3 185						3 305		
Total assets	**902 770**	**57 173**	**363 749**	**20 121**	**223 495**	**3 960**	**161 570**	**71 260**	**331**	**1 109**
Payable to credit institutions										
Deposits from customers	29 301	6 557	9 281		8	3 848	9 568	26		12
Debt established through the issue of securities										
Other liabilities										
Subordinated loans										
Equity capital										
Total liabilities and shareholders' equity	**29 301**	**6 557**	**9 281**		**8**	**3 848**	**9 568**	**26**		**12**
Net currency exposure, balance sheet items	873 468	50 616	354 468	20 121	223 487	112	152 002	71 234	331	1 097
Currency hedge	-857 539	-52 429	-347 006	-20 024	-222 843	635	-151 129	-65 051		308
Net currency exposure	**15 929**	**-1 813**	**7 462**	**98**	**644**	**747**	**873**	**6 183**	**331**	**1 405**

14 PRICE RISK

Price risk on securities is the risk of loss arising from changes in the value of bonds, notes and equity related securities in which the Group has invested. The Bank has established limits for investments. The investment framework for securities beyond liquidity placements, remained unchanged during the last 12 months. Any change in the existing permitted exposure will be embedded in the Bank's finance strategy, which will then be reviewed and approved by the Bank's Board of Directors.

15 FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

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

The Group applies hedge accounting for fair value hedging of some fixed rate funding (notes, bonds, subordinated loans and hybrid capital bonds). Interest rate swaps are only used for interest rate hedging. All interest rate swaps are denominated in NOK, as the Group is not exposed to foreign currency debt. Each individual hedging is documented with reference to the Group's risk management strategy, a unique identification of the hedged object and the hedging instrument, a unique 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 hedge has been effective during the accounting period and is expected to be effective during the next accounting period. The Group has defined the hedged risk as changes in value related to the NIBOR component of the funding. The hedge effect is valued and documented both at initial classification and at each closing of the accounts. In case of fair value hedging, the hedging instrument is recognized at fair value, and the value of the hedging object is adjusted for the change in valuation associated with the hedged risk. Changes in these values from the starting balance are recognized in the income statement as hedging inefficiency. This method ensures that the presentation in the financial statements of these instruments complies with the Group's policies for managing interest rates and actual economic developments. Any inefficiency in the Bank's hedging may arise due to actual valuation adjustments of the floating leg of the hedging instrument. See Note 19 for amounts recognized in the income statement. Please also see further information about the Bank's hedge accounting below.

The Board of Directors has adopted limits for the Bank's exposure vis-à-vis all counterparties 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 recognized rating agency. CSA (Credit Support Annex) shall be established with all counterparties in order to ensure the lowest possible net exposure in case of the bankruptcy of a counterparty.

The set-off rights of the Parent Bank and the Group are in accordance with normal Norwegian law. Due to ISDA agreements entered between the Parent Bank and derivatives counterparties, set-off rights are acquired if the counterparty defaults on his obligations. This is not set off in the Bank's balance sheet, as they do not conform to the requirements of IAS 32.

SSB Boligkreditt is also employing ISDA agreements with counterparties in relation to financial derivatives. As is the case with the Parent Bank, the agreements ensure set-off rights if the counterparties default on their obligations, and CSA riders have been added to the ISDA agreements with the financial counterparties.

Group

	12/31/2020	Fair value as of 12/31/2020		12/31/2019	Fair value as of 12/31/2019	
	Contractual amount	Positive market value [1]	Negative market value [1]	Contractual amount	Positive market value [1]	Negative market value [1]
Interest rate agreements [2]	12 876 048	321 614	145 261	13 918 712	102 922	109 443
Currency exchange rate agreements	349 698	4 656	1 038	795 519	9 837	1 738
Equity related instruments						
Other commodity related instruments						
Total financial derivatives	**13 225 746**	**326 270**	**146 300**	**14 714 230**	**112 759**	**111 181**
[2] Of which used for hedging purposes	4 696 000	294 243	67 076	5 554 000	88 659	61 716

Parent Bank

	12/31/2020	Fair value as of 12/31/2020		12/31/2019	Fair value as of 12/31/2019	
	Contractual amount	Positive market value [1]	Negative market value [1]	Contractual amount	Positive market value [1]	Negative market value [1]
Interest rate agreements [2]	10 558 048	179 040	152 594	11 350 712	53 845	87 639
Currency exchange rate agreements	349 698	4 656	1 038	795 519	9 837	1 738
Equity related instruments						
Other commodity related instruments						
Total financial derivatives	**10 907 746**	**183 697**	**153 633**	**12 146 230**	**63 682**	**89 377**
[2] Of which used for hedging purposes	2 378 000	151 669	74 409	2 986 000	39 581	39 912

1 Market values of financial derivatives are presented inclusive of accrued (not capitalized) interest as of 12/31.

Further about the Bank's hedge accounting

The Bank is using fair value hedging, where the security issues are part of a hedging arrangement with individually adapted hedging derivatives. As of 12/31/2020, in all the Bank's hedging arrangements, the hedging object and the hedging instruments have the same principal and the same duration and coupon on the fixed leg (1:1 hedging). The fixed interest rate is swapped to a floating rate on a three month basis.

Group 12/31/2020

Information about hedging instruments

Type of hedging instrument	Nominal amount of hedging instrument	Amount of hedging instrument recognized through the balance sheet		Line item in the balance sheet	Changes in fair value used to calculate inefficiency
		Assets	Liabilities		
Interest rate agreements	4 696 000	294 243	67 076	Financial derivatives	189 419
Sum	**4 696 000**	**294 243**	**67 076**		**189 419**

Information about hedging objects

Type of hedging instrument	Nominal amount of hedging instrument	Amount of hedging object recognized through the balance sheet[1]	Accumulated valuation changes of the hedging object due to fair value hedging	Line item in the balance sheet	Changes in fair value used to calculate inefficiency
Fair value hedging (interest rate risk)					
Securities debt in NOK	4 696 000	4 922 862	164 268	Debt securities in issue	-189 419
Total	**4 696 000**	**4 922 862**	**164 268**		**-189 419**

Information about hedging inefficiency

Inefficiency recognized through the income statement (gain/loss on financial instruments)	**0**

1 Book value of hedging object includes accrued (non-capitalized) interest, but is not a part of the valuation changes of the hedging object..

Parent Bank 12/31/2020

Information about hedging instruments

Type of hedging instrument	Nominal amount of hedging instrument	Amount of hedging instrument recognized through the balance sheet		Line item in the balance sheet	Changes in fair value used to calculate inefficiency
		Assets	Liabilities		
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 instrument	Nominal amount of hedging instrument	Amount of hedging object recognized through the balance sheet[1]	Accumulated valuation changes of the hedging object due to fair value hedging	Line item in the balance sheet	Changes in fair value used to calculate inefficiency
Fair value hedging (interest rate risk)					
Securities debt in NOK	2 378 000	2 458 292	52 118	Debt securities in issue	-73 126
Total	**2 378 000**	**2 458 292**	**52 118**		**-73 126**

Information about hedging inefficiency

Inefficiency recognized through the income statement (gain/loss on financial instruments)	**0**

1 Book value of hedging object includes accrued (non-capitalized) interest, but is not a part of the valuation changes of the hedging object..

Group 12/31/2019

Information about hedging instruments

Type of hedging instrument	Nominal amount of hedging instrument	Amount of hedging instrument recognized through the balance sheet		Line item in the balance sheet	Changes in fair value used to calculate inefficiency
		Assets	Liabilities		
Interest rate agreements	5 554 000	88 659	61 716	Financial derivatives	-42 599
Total	**5 554 000**	**88 659**	**61 716**		**-42 599**

Information about hedging objects

Type of hedging instrument	Nominal amount of hedging instrument	Amount of hedging object recognized through the balance sheet[1]	Accumulated valuation changes of the hedging object due to fair value hedging	Line item in the balance sheet	Changes in fair value used to calculate inefficiency
Fair value hedging (interest rate risk)					
Securities debt in NOK	5 554 000	5 591 600	-25 902	Debt securities in issue	42 599
Total	**5 554 000**	**5 591 600**	**-25 902**		**42 599**

Information about hedging inefficiency

Inefficiency recognized through the income statement (gain/loss on financial instruments)	**0**

1 Book value of hedging object includes accrued (non-capitalized) interest, but is not a part of the valuation changes of the hedging object.

Parent Bank 12/31/2019

Information about hedging instruments

Type of hedging instrument	Nominal amount of hedging instrument	Amount of hedging instrument recognized through the balance sheet		Line item in the balance sheet	Changes in fair value used to calculate inefficiency
		Assets	Liabilities		
Interest rate agreements	2 986 000	39 581	39 912	Financial derivatives	-29 487
Total	**2 986 000**	**39 581**	**39 912**		**-29 487**

Information about hedging objects

Type of hedging instrument	Nominal amount of hedging instrument	Amount of hedging object recognized through the balance sheet[1]	Accumulated valuation changes of the hedging object due to fair value hedging	Line item in the balance sheet	Changes in fair value used to calculate inefficiency
Fair value hedging (interest rate risk)					
Securities debt in NOK	2 986 000	2 991 186	-21 008	Debt securities in issue	29 487
Total	**2 986 000**	**2 991 186**	**-21 008**		**29 487**

Information about hedging inefficiency

Inefficiency recognized through the income statement (gain/loss on financial instruments)	**0**

1 Book value of hedging object includes accrued (non-capitalized) interest, but is not a part of the valuation changes of the hedging object.

16 LIQUIDITY RISK

Liquidity risk is the risk of loss due to the Bank being unable to fulfill all its payment obligations when due, or only able to do so at extra cost.

The Bank's Board of Directors has determined a framework, within which the liquidity risk is measured and managed. Frameworks have been established for the following areas:

- Liquidity Coverage Ratio
- Net Stable Funding Ratio
- Liquidity limits
- Stress test
- Debt financing
- Concentration risk
- Deposits (objective for deposit to loan ratio)

Liquidity Coverage Ratio (LCR)

LCR addresses the importance of having holdings of high quality liquid assets in order to survive liquidity outflow during a 30 day stress period. The LCR requirement is that LCR has to be at least 100% for all currencies in aggregate, i.e. that the Bank immediately shall have liquid assets at a minimum corresponding to the abovementioned stressed liquidity outflow. The Bank is significantly above the minimum requirement.

Net Stable Funding Ratio (NSFR)

NSFR addresses the importance of having stable long-term funding source over 1 year. The Bank has an objective of having an NSFR over 100% at all times.

Liquidity limits

The Bank has defined liquidity limits for minimum liquidity holdings when taking into account the maturity of debt financing and known in and outflows. At a minimum, liquid assets should cover maturing debt financing as well as known in and outflows within the next 9 months. At a minimum, strategic liquid assets should cover maturing debt financing as well as known in and outflows within the next 12 months.

Stress test

Stress tests are performed to show the Group's need for liquidity reserves, based on future scenarios related to slumps in business conditions. The Group has defined frameworks for how long the Bank may be operated without supply of capital in defined stress situations, with a defined minimum holding of liquid assets.

Liquidity is stressed on the basis 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)

Debt financing and concentration risk

Debt financing via various capital market funding instruments, is used as a supplement to deposit financing. The Bank's management objective is to maintain a balanced maturity structure in its funding portfolio on the capital markets. The maturities of funding are varied, and the Bank refinances its funding well before maturity in order to reduce the liquidity risk.

Concentration risk is also managed by dispersing the funding on different markets, funding sources, instruments and maturities.

Deposits

In order to be less dependent on debt financing, the objective of the Sandnes Sparebank Group is a deposit to loan ratio of at least 48%. Limits have been set for the size of big deposits, i.e. deposits of more than NOK 50 million, in order to reduce liquidity risk.

Other issues

Settlement risk, which, inter alia, arises in connection with payment services as a result of all transactions not taking place in real time and in connection with derivative transactions, also entails counterparty risk. Through International Swap Dealer Association (ISDA) agreements, Sandnes Sparebank has agreements with its major counterparties in derivative transactions. Agreements of this nature reduce the settlement risk in connection with derivative transactions.

A separate liquidity strategy has been prepared, which is reviewed by the Board of Directors at a minimum annually after updates proposed by the head of Risk Management and the head of Treasury. The liquidity strategy determines frameworks that consider future liquidity requirements. Compliance with the framework is monitored by way of risk reports, and is reported quarterly to the Board of Directors and the Risk Committee.

The Bank has prepared a separate readiness plan according to the content requirements of the Financial Supervisory Authority, that shall ensure concrete actions in case of any liquidity crises. The readiness plan is approved by the Board of Directors at least once a year. A liquidity crisis means that the Bank ends up in a situation where there is no available liquidity to fulfill the Bank's current obligations or insufficient liquidity to execute payment transactions for its customers. The readiness plan is intended to ensure the flow of information to the Bank's management team and Board of Directors, and to set clear areas of responsibility for individual areas within the Bank. Flow of information and designation of responsibility will help the Bank to reach decisions and to try to replace lost cash flows on the basis of correct and sufficient information.

Liquidity management process

The responsibility for daily liquidity management is with the Treasury department. The department monitors the Group's cash flow on a daily basis in order to ensure that daily disbursements may be implemented. Such monitoring includes close dialogue with the Bank's credit departments, as well as daily contact with the funding market.

As part of liquidity management, the Treasury department also manages the Bank's strategic liquidity portfolio. This portfolio also includes liquid securities that may quickly be used as liquidity in case of unexpected impacts on the Bank's cash flow.

Remaining period to maturity, main items

Group 12/31/2020	Up to 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years	No residual maturity	2020
Payable 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
Debt securities in issue		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 EQ				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**

Group 12/31/2019	Up to 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years	No residual maturity	2019
Payable to credit institutions	43 672						43 672
Deposits from customers	11 081 635	685 730		65 464			11 832 829
Debt securities in issue	52 000		362 000	10 508 000	1 725 000		12 647 000
Other liabilities						257 881	257 881
Subordinated loans				200 000			200 000
Hybrid capital as EQ				100 000			100 000
Financial derivatives, gross settlement	16 778	80 980	85 199	113 994	19 661		316 613
Contractual interest payments	6 022	61 808	120 295	398 134	135 930		722 189
Total disbursements	**11 200 107**	**828 518**	**567 495**	**11 385 592**	**1 880 591**	**257 881**	**26 120 184**

Parent Bank 12/31/2020	Up to 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years	No residual maturity	2020
Payable 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
Debt securities in issue		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 EQ				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**

Parent Bank 12/31/2019	Up to 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years	No residual maturity	2019
Payable to credit institutions	286 440						286 440
Deposits from customers	11 083 336	685 730		65 464			11 834 530
Debt securities in issue	52 000		15 000	4 765 000	400 000		5 232 000
Other liabilities						242 141	242 141
Subordinated loans				200 000			200 000
Hybrid capital as EQ				100 000			100 000
Financial derivatives, gross settlement	14 958	46 760	79 999	96 727	19 661		258 104
Contractual interest payments	6 022	13 102	77 290	175 791			272 205
Total disbursements	**11 442 756**	**745 591**	**172 289**	**5 402 982**	**419 661**	**242 141**	**18 425 420**

17 NET INTEREST INCOME

Group 2020	Group 2019	Net interest income	Parent Bank 2020	Parent Bank 2019
		INTEREST INCOME MEASURED WITH THE YIELD METHOD:		
4 324	11 499	Interest received on loans to credit institutions	17 467	32 489
680 061	794 899	Interest received on loans to customers	487 275	582 013
3 714		Interest income from securities	3 714	
(54)	(1 451)	Other interest income	(62)	
688 046	**804 946**	**Total interest income measured with the yield method**	**508 393**	**614 502**
		INTEREST INCOME MEASURED AT FAIR VALUE:		
32 298	24 600	Interest received on loans to customers	32 298	24 608
56 514	63 905	Interest income from securities	50 114	54 483
(6 393)	10 038	Interest income from financial derivatives (ex. hedging instruments)	(6 393)	8 562
3 999		Other interest income	3 999	
86 418	**98 543**	**Total interest income measured at fair value**	**80 019**	**87 653**
774 464	**903 490**	**Total interest income**	**588 412**	**702 155**
		INTEREST COST		
5 590	4 036	Interest cost on deposits from credit institutions, measured with the yield method	5 656	5 945
72 031	120 832	Interest cost on deposits from customers, measured with the yield method	72 249	121 045
9 020	7 434	Interest cost on deposits from customers, measured at fair value	9 020	7 434
5 365	7 251	Interest cost on subordinated loan capital, measured with the yield method	5 365	6 915
241 361	294 003	Interest cost on securities, measured with the yield method	105 869	145 077
(43 782)	(20 589)	Interest on financial derivatives as hedging instruments[1]	(17 183)	(10 789)
4 113	4 352	Interest cost on lease liabilities (IFRS 16)	4 113	4 352
11 184	10 329	Other interest cost	9 134	9 332
304 882	**427 649**	**Total interest cost**	**194 225**	**289 310**
469 582	**475 841**	**Net interest income**	**394 187**	**412 844**

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

18 NET COMMISSION INCOME

Group 2020	Group 2019	Net commission income	Parent Bank 2020	Parent Bank 2019
6 310	7 597	Underwriting commission	6 310	7 597
3 984	3 890	Distribution and management of securities	3 984	3 890
17 240	17 503	Payment services	17 240	17 503
10 505	9 265	Insurance	10 505	9 265
18 321	20 404	Other fees	35 238	37 308
56 359	58 660	Commission income and income from banking services	73 276	75 564
-9 549	-10 105	Commission costs and costs from banking services	-9 549	-10 105
46 810	**48 555**	**Net commission income and income from banking services**	**63 727**	**65 458**
23 323	20 649	Brokerage fees		
9 670	7 607	Other commission income from real estate brokerage		
32 993	**28 256**	**Net commission income from real estate brokerage** [1]		
79 802	**76 811**	**Total net commission income**	**63 727**	**65 458**

1 From 2020, the Group has elected to reclassify income from the realtor activity from operating income, to commission income. Comparative figures for 2019 have been correspondingly reworked.

19 NET REALIZED GAINS/LOSSES ON FINANCIAL INSTRUMENTS

Group 2020	Group 2019	Net realized gains/losses on financial instruments	Parent Bank 2020	Parent Bank 2019
		Net gains/losses on valuation of financial instruments at fair value		
-19 878	20 765	Net gains/losses on currency and financial derivatives	-19 881	20 765
25 881	-7 051	Net change in valuation of loans	25 881	-7 051
-5 485	-3 421	Net realized gains/losses on interest-bearing securities	-6 652	-3 014
-2 484	10 111	Net realized gains/losses on equities	-2 484	10 094
-1 212	-13	Net change in valuation of financial liabilities	-1 212	-13
-3 179	**20 390**	**Net gains/losses on valuation of financial instruments at fair value**	**-4 349**	**20 780**
		Net change in valuation of hedged items		
189 419	-42 599	Net change in valuation of financial derivatives, hedging	73 126	-29 487
-189 419	42 599	Net change in valuation of hedged financial liabilities	-73 126	29 487
		Net change in valuation of hedged items [1]		
		Net gains/losses on liabilities at amortized cost		
	-5 962	Net gains/losses on liabilities established through the issuance of securities at amortized cost [2]		
	-5 962	**Net gains/losses on liabilities at amortized cost**		
-3 179	**14 428**	**Net realized gains/losses on financial instruments**	**-4 349**	**20 780**

1 The Bank uses hedge accounting for long funding. See Note 15.
2 Net gains/losses on liabilities measured at amortized cost applies to purchasing premiums paid in case of repurchase/refinancing of bond debt before final maturity.

20 OTHER OPERATING INCOME

Group 2020	Group 2019	Other operating income	Parent Bank 2020	Parent Bank 2019
281	2 367	Leasing of real estate	822	2 367
402	834	Other income	402	1 260
683	**3 201**	**Other operating income [1]**	**1 225**	**3 627**

1 From 2020, the Group has elected to reclassify income from the realtor activity from operating income, to commission income. Comparative figures for 2019 have been correspondingly reworked. Please refer to Note 18 for further information.

21 OTHER OPERATING COST

Group 2020	Group 2019	Operating cost	Parent Bank 2020	Parent Bank 2019
111 940	113 060	Wages	90 212	94 139
8 831	8 970	Pensions [1]	8 351	8 069
25 779	26 657	Social security cost	25 517	25 955
146 550	**148 688**	**Payroll cost**	**124 080**	**128 163**
3 186	4 018	Operating cost properties and premises	3 186	4 018
961	1 442	Rent [2]	529	-483
706	701	Other operational leases [2]	428	492
53 055	51 390	IT cost	52 730	51 100
9 672	10 279	Marketing and information	9 212	9 658
6 717	9 223	Other administrative costs	5 770	8 429
782	434	Consultancy fees	610	375
23 688	21 383	Other operating cost	19 003	17 305
98 767	**98 869**	**Total other operating costs**	**91 467**	**90 894**
23 672	21 939	Depreciation	22 769	21 846
23 672	**21 939**	**Total depreciation and writedowns**	**22 769**	**21 846**
268 988	**269 496**	**Total operating cost**	**238 316**	**240 903**

1 Please refer to the specification of pension cost below.
2 According to IFRS 16, the Bank now presents lease costs (rent/other lease agreements) primarily as interest cost and depreciation. Rents recognized as cost are related to short-term lease agreements and low-value lease agreements (which are exempt in IFRS 16). Please also refer to further information in Note 33.

Remuneration to external auditor

For the group, the fee for statutory audit amounts to NOK 1,816,804 (NOK 1,413,510 NOK), while fees for tax advice and other services amounts to NOK 240,000 (NOK 179,218) in 2020. For the parent bank, the fee for statutory audit amounts to NOK 1,581,236 (NOK 1,207,260), while fees for tax advice and other services amounts to NOK 7,500 (NOK 12,500) in 2020. All amounts include VAT.

Group 2020	Group 2019	Specification of pension cost[1]	Parent Bank 2020	Parent Bank 2019
7 173	7 347	Costs of defined contribution pensions	6 694	6 445
174	189	Costs of defined benefit pensions according to Note 23	174	189
1 483	1 434	Cost of contractual pension (AFP)	1 483	1 434
8 831	**8 970**	**Total pension cost**	**8 351**	**8 069**

Group 2020	Group 2019	Number of employees / full-time equivalents	Parent Bank 2020	Parent Bank 2019
136	137	Number of employees as of 12/31	114	118
132	133	Number of full-time equivalents as of 12/31	111	115
137	136	Average number of employees	116	116
133	132	Average number of full-time employee equivalents	113	112

22 COMPENSATION

Requirements regarding remuneration are governed by chapter 15, §§15-1 to 15-6 of the Norwegian Financial Institutions Act

The provisions adopts the provisions of the EU capital requirements directive (CRD IV) regarding good remuneration arrangements, in order to reduce excessive risk taking and to promote healthy and effective risk management by financial institutions.

On this basis of this body of rules, the Bank established a compensation committee on December 15, 2010. The Committee consists of 4 Directors, of which 1 is an employee representative.

The provisions impose a direct responsibility on the Board of Directors for ensuring that:

- The Bank designs a compensation scheme for all employees of the Bank, which is suited to promote the objective of the regulation, and that the Bank's wage and bonus systems are practiced in compliance with this compensation scheme.
- The compensation scheme is in accordance with the Bank's overall objectives, risk tolerance and long-term interests.
- The compensation scheme contains special rules for officers, elected representatives and employees engaged in internal audit and risk management. The Board of Directors shall also ensure that the composition of fixed and variable wages for such employees are balanced and that at least half of any bonus payments are made in the form of equity capital certificates if the bonus exceeds 12.5% of basic pay. Equity capital certificates granted as bonus payment may not be disposed of freely by each individual. Disposals must be evenly distributed over a period of three years. The basis of variable compensation shall be a period of at least two years.
- The Bank has a compensation committee that is responsible for preparing all issues regarding the compensation plan to be decided by the Board of Directors.

The Bank has prepared a compensation policy. No major changes were made to the Bank's compensation policy during 2020.

The purpose the compensation policy of Sandnes Sparebank is to attract employees with the competencies the Bank requires, to further develop and retain key skills, and to motivate long-term and continuous development in order to attain Sandnes Sparebank's business objectives.

The compensation may consist of the following elements:

- **Fixed basic pay.** The Bank aims to pay salaries at the market rate. On this basis, the basic salary is adjusted annually, based on attained results within individual managers' areas of work and responsibility. The Managing Director determines the change in basic salary for members of the Bank's management team. The compensation committee recommends the wage of the Managing Director, and this must be adopted by the Board of Directors.

- **Benefits** in kind, such as telephone/mobile telephone, newspapers/trade magazines, home office and a company car scheme in exceptional cases. In addition, loans and banking services at special terms are provided under the same set of regulations as for other employees.

- **Bonuses.** Bank employees are part of the Bank's current bonus scheme. All full-time employees of the Parent Bank are comprised by the group bonus model. The calculation is based on actual return on equity. For the 2019 vesting year, the model resulted in a payment of 7.4% (excluding employer's social security contribution and finance tax) of the base salary of all employees, for disbursement in 2020. The Board of Directors may reduce the bonus if special considerations so indicate. Beyond this, advisors with direct sales responsibility have the opportunity to earn a bonus based on their own KPI's, with a ceiling of NOK 50,000 per employee annually. The Managing Director is part of the Bank's group bonus scheme, but does not receive any bonus beyond this.

- Bank employees are given the opportunity to purchase equity capital certificates of Sandnes Sparebank at a discount once a year. The equity capital certificates are purchased at a discount of 33%, with savings amounts of up to 7.5% of basic pay per month or up to NOK 5,000 per month. Purchase involves one year for vesting and then a lock-in period of one year, for a total of two years.

- **Pension plan.** Senior officers have defined contribution pension plans up to incomes of 12G, according to the schemes for the Bank's employees in force at any time. The retirement age for the Bank's employees is 70 years, with the opportunity of early retirement from 62 years, in accordance with the agreed terms applying to the finance sector at all times.

Total expenditure with respect to salaries, pensions and other compensation for the Bank's management team, the Board of Directors, and the Board of Trustees, is presented in the below table. The stated amounts are totals for the whole year, or from date of employment if the officer was hired during the year:

Samlede utgifter til lønn, pensjon og annen godtgjørelse

Group management 2020

		Wages	Of which wage comp.[3]	Of which bonus	Of which other benefits	Lending as of 12/31[5]	Ownership of equity capital certificates as of 12/31
Managing Director	Trine Karin Stangeland	3 184		205	170	7 833	18 935
Chief Financial Officer (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 of 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 of customer experiences	Lene Nordahl	1 421		92	67	5 948	2 279
HR Director (from 7/1/2020)	Stein Haga	1 238		74	126	1 539	8 765

Group management 2019

		Wages	Of which wage comp.[3]	Of which bonus	Of which other benefits	Lending as of 12/31[5]	Ownership of equity capital certificates as of 12/31
Managing Director	Trine Karin Stangeland	2 930		121	52	6 486	15 833
Chief Financial Officer (CFO)	Tomas Nordbø Middelthon	2 037		76	15		22 530
Director Retail Market	Erik Kvia Hansen	1 483		60	46	7 551	1 880
Director of Communications	Ingrid O. Fure Schøpp[3]	1 634	159	61	30	2 093	7 633
Director Corporate Market	Magnar Oanes[3]	2 214	152	92	191		14 214
Director of customer experiences	Lene Nordahl	1 321		49	44	6 334	1 370

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		Lending as of 12/31		Owns number of equity capital certificates 12/31	
		2020	2019	2020	2019	2020	2019
Chairman of the Board	Harald Espedal	297	290			886 861	886 861
Deputy Chairman	Frode Svaboe [2]	270	263			10 200	10 200
Director	Marion Svihus		42				
Director	Arne Norheim		34				
Director	Heidi Nag Flikka [2/4]	121	177			2 331	2 083
Director	Birte Norheim [4]	37	145		4 680	2 674	2 083
Director	Sven Christian Ulvatne [2]	206	111			10 433	9 300
Director	Bjørg Tomlin	149	111				
Director	Astrid Rebekka Norheim	111				4 935	
Director	Solveig Vatne [1/4]	37	145	2 932	2 932	18 798	17 889
Director	Jan Inge Aarreberg [1]	149	145	3 270	1 642	2 764	2 350
Director	Ingunn Ruud [1/2]	136		5 655		71	

Board of Trustees

		2020	2019
Chairman	Ørjan Gjerde	134	42
Member	Elin Synnøve Andersen		2
Member	Jan Erik Anfinsen	4	2
Member	Svein Anfinsen	4	2
Member	Kenneth Austrått		2
Member	Jo Michael Asbjørnsen	4	
Member	Per Øyvind Berge	2	2
Member	Anders Bjørndal [1]	4	2
Member	Solveig Borgersen	2	
Member	Bjørn Bærheim	4	2
Member	Bjørn Roald Eknes	2	2
Member	Anne Lise Elle [1]	4	2
Member	Inger-Lise Erga	4	
Member	Olav Kristian Falnes	4	2
Member	Thor Erik Gilje [1]	4	2
Member	Joakim De Haas [1]	4	2
Member	Dag Halvorsen	2	2
Member	Terese Albuquerque Helleland [1]	4	2
Member	Ragnhild Hildonen	4	2
Member	Venke Houge [1]		2
Member	John Hov	2	
Member	Njål Kollbotn	4	
Member	Gunn Jane Håland	4	2
Member	Kari Solheim Larsen	4	2
Member	Bente Løyning	4	2
Member	Geir Mikalsen	2	2
Member	Mette Moen		2

		2020	2019
Member	Signe Nijkamp		2
Member	Ragnvald Nilsen	4	2
Member	Hanne Brit Nordbø	2	2
Member	Lisbeth Nordhagen [1]		2
Member	Eli Halvorsen Norheim		2
Member	Arne Oftedal	4	2
Member	Egil Omland	4	
Member	Tom Risa [1]		2
Member	Kjell Rommetvedt	2	
Member	Mona Aadnøy Riska [1]	4	2
Member	Åge Skår	4	2
Member	Inger-Lise Slagstad [1]	4	
Member	Guttorm Stangeland	4	
Member	Morten Hodne Steensland		2
Member	Bjørg Storhaug		2
Member	Vilde Stødle [1]	4	
Member	Martin Sunde	4	
Member	Tine Svanes	4	2
Member	Aase Sveinsvoll	4	2
Member	Katrine Sægrov		2
Member	Vidar Torsøe	4	
Member	Siv Merethe Tuftedal	4	
Member	Kenneth Våge*	4	
Member	Johan Wigerstrand		2
Member	Trond Wikstøl	4	2
Member	Tove Wold	4	2

1 Employee representative

2 Including NOK 33,000 and NOK 49,500 for the audit committee (NOK 22,000 for Heidi Nag Flikka and NOK 24,750 for Ingunn Ruud).

3 In 2012, the Bank changed its pension plan for leading employees. The Bank went from a pension plan for wages over 12 G to a direct wage compensation. The amounts in the wage compensation column consists of monthly payments for 2020.

4 Left the Board during 2020.

5 Subsidized interest rates on employee loans. The interest rate on loans to employees it the current norm rate minus 0.75%. Loans to directors and members of the Board of Trustees are granted at ordinary terms.

Also included in the holdings of owners listed above, are equity capital certificates held by a spouse, minor children, or company in which the person in question has a controlling interest as stated in Section 1-3, no. 2 of the Norwegian Companies Act.

23 PENSIONS

Sandnes Sparebank has a defined contribution plan that meets the requirements set by the Corporate Pension Act.

From 1/1/2007, Sandnes Sparebank has offered new employees a defined contribution pension plan. In connection with the reorganization, employees hired before 1/1/2007 also changed over from the defined benefit pension scheme to the defined contribution pension plan. The remaining employees were converted to a defined contribution plan at the end of 2013. Those affected will get a current compensation in the form of wages.

In addition, the Parent Bank has a general early retirement scheme (AFP). The old AFP scheme was decided wound up in February of 2010. As a replacement for the old early retirement scheme, a new early retirement scheme has been established that provides a lifelong additional benefit to the ordinary pension. The new early retirement scheme is a defined benefit pension scheme for multiple companies, which is financed by premiums determined as a percentage of wages. For the time being there is no reliable measurement and allocation of the scheme's liabilities and assets. For accounting purposes, the scheme is treated as a defined contribution pension scheme, for which premium payments are recognized currently and no provisions are made in the financial statements. No premiums were paid into the new scheme until 2011, and the premium is set at 1.4% of total disbursements between 1 G and 7.1 G to the company's employees.

The Parent Bank also has an operational pension for a former managing director, with payments starting at the age of 67. The calculation of the pension liability is done by an external actuary. The following financial and actuarial assumptions have been used:

Assumptions

	2020	2019
Discount rate	1.70 %	2.30 %
Expected annual wage increase	2.25 %	2.25 %
G adjustment	2.00 %	2.00 %
Adjustment of current pension	1.25 %	1.25 %
Mortality table	K2013BE	K2013BE
AFP withdrawals	0.00 %	0.00 %
Expected voluntary resignations before retirement age	0.00 %	0.00 %
Disability table	KU	KU

Group		Net pension costs, defined benefit plans	Parent Bank	
2020	2019		2020	2019
	23	Present value of the pension accruals for the year		23
174	166	Interest cost of accrued pension liabilities	174	166
174	189	Net pension costs	174	189
		Employer's social security contribution		
174	**189**	**Total pension costs**	**174**	**189**

In 2020, costs related to defined contribution pension plans amounted to NOK 7.2 million and NOK 6.7 million for the Group and the Parent Bank, respectively. Corresponding amounts for 2019 were NOK 7.3 million and NOK 6.4 million for the Group and the Parent Bank, respectively.

The cost of the new AFP (early retirement) arrangement, which is treated as a defined contribution pension plan, is NOK 1.5 million for the Group and the Parent Bank for 2020, and NOK 1.5 million for 2019.

Net pension liability

Group	12/31/2020			12/31/2019		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Accrued pension entitlements		8 005	8 005		7 810	7 810
Pension assets						
Estimated pension liability		8 005	8 005		7 810	7 810
Employer's social security contribution on net liability						
Net pension liability		**8 005**	**8 005**		**7 810**	**7 810**

Parent Bank	Funded	Unfunded	Total	Funded	Unfunded	Total
Accrued pension entitlements		8 005	8 005		7 810	7 810
Pension assets						
Estimated pension liability		8 005	8 005		7 810	7 810
Employer's social security contribution on net liability						
Net pension liability		**8 005**	**8 005**		**7 810**	**7 810**

The Group's insured schemes are underfunded. Net pension liabilities are recognized as long-term liabilities in the Balance Sheet.

Actuarial gains and losses are recorded against other income and cost (OCI) in the period in which they accrue. For 2020 this resulted in a recognition of total cost over and above other income and cost (OCI) of NOK 0.4 million after taxes for the Group and the Parent Bank. The corresponding numbers for 2019 were NOK 0.4 million recognized as cost through profits after taxes for the Group and the Parent Bank.

Group		Reconciliation of gross pension liabilities	Parent Bank	
12/31/2020	12/31/2019		12/31/2020	12/31/2019
7 810	7 489	Opening balance	7 810	7 489
	23	Accruals of the year		23
174	166	Annual interest cost	174	166
-450	-450	Disbursals to retired employees	-450	-450
471	582	Estimate divergences recognized in other income and cost	471	582
8 005	**7 810**	**Closing balance**	**8 005**	**7 810**

Historical development (Group/Parent Bank)

Group	12/31/2020	12/31/2019	12/31/2018	31.12.2017	31.12.2016
Gross pension liabilities	8 005	7 810	7 489	7 736	6 996
Gross pension assets					
Employer's social security contribution on net liability					
Net pension liabilities recognized in the balance sheet	**8 005**	**7 810**	**7 489**	**7 736**	**6 996**

Remaining net pension liabilities as of 12/31/2020 are related to an operational pension from the age of 67 for a former managing director.

24 TAXATION

Group 2020	Group 2019	TAX ON PROFITS	Parent Bank 2020	Parent Bank 2019
		Taxes payable		
50 109	55 525	Annual tax cost	37 454	46 820
-197	93	Correction of prior years' tax cost	24	93
		Deferred taxes		
248	743	Changes in temporary differences	-305	477
50 160	**56 361**	**Total tax on ordinary profit**	**37 173**	**47 391**

Group 2020	Group 2019	RECONCILIATION OF TAX COST AGAINST PROFIT BEFORE TAXES	Parent Bank 2020	Parent Bank 2019
310 932	333 433	Profit before taxes	250 780	294 067
75 906	82 239	25/22% on pre-tax profit [1]	62 695	73 517
-25 548	-25 972	Permanent differences	-25 546	-26 219
-197	93	Adjustment of tax for previous years	24	93
50 160	**56 361**	**Total tax on ordinary profit**	**37 173**	**47 391**
16 %	17 %	Effective tax rate	15 %	16 %

Group 12/31/2020	Group 12/31/2019	RECONCILIATION OF DEFERRED TAX BENEFIT/DEFERRED TAXES	Parent Bank 12/31/2020	Parent Bank 12/31/2019
-7 733	-7 926	Deferred tax benefit/deferred taxes as of 1 January	-8 017	-8 349
248	743	Change recognized in the income statement	-305	477
-118	-146	Tax on other income and cost	-118	-146
-209	-405	Other items		
-7 811	**-7 733**	**Total deferred tax credits / deferred taxes**	**-8 440**	**-8 017**

1 In the Group, the Parent Bank has a tax rate of 25% (financial enterprises), whereas the Bank's subsidiaries have a tax rate of 22%.

Deferred tax benefits and deferred tax in the balance sheet distributed on temporary differences

Group			Parent Bank	
12/31/2020	**12/31/2019**	**DEFERRED TAX BENEFIT**	**12/31/2020**	**12/31/2019**
-816	-358	Tangible fixed assets	-885	-455
-20 947	-22 038	User rights, lease agreements	-19 882	-22 038
24 992	26 976	Lease liabilities	23 906	26 976
-47	-59	Income statement	-37	-46
2 001	1 953	Pensions	2 001	1 953
63	99	Accounting provisions	63	99
3 274	1 553	Financial instruments	3 274	1 529
4	-14	Current assets		
8 524	**8 111**	**Total deferred tax benefit**	**8 440**	**8 017**

12/31/2020	12/31/2019	DEFERRED TAXES	12/31/2020	12/31/2019
713	379	Financial instruments		
713	**379**	**Total deferred tax**		

Net deferred tax and deferred tax benefits are recognized on the company level.

25 CLASSIFICATION OF FINANCIAL INSTRUMENTS

The following tables present the classification of financial assets and liabilities as of the date of the balance sheet according to IFRS 9.

For further description of the classification of financial instruments, please refer to Note 2.

Group 12/31/2020

Group 12/31/2020	Amortized cost	Fair value through profit and loss (obligatory)	Fair value through profit and loss (optional)	Hedge accounting	Fair value through comprehensive income (OCI)	Equity method [1]	Non-financial assets and liabilities	Total
ASSETS								
Cash	3 263							3 263
Loans to and claims on credit institutions [2]	485 300							485 300
Loans to customers	22 694 107		1 305 613					23 999 720
Notes and bonds	332 253	3 546 773						3 879 026
Equities		103 420						103 420
Ownership interests in affiliates						33 767		33 767
Financial derivatives		32 027		294 243				326 270
Accrued income							18 550	18 550
Financial instruments with valuation changes through comprehensive income					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								
Payable to credit institutions	1 471 784							1 471 784
Deposits from customers	11 454 320		471 736					11 926 057
Loans to and claims on credit institutions [2]	7 355 641			4 922 862				12 278 503
Financial derivatives		79 223		67 076				146 300
Accrued cost							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**

Group 12/31/2019

Group 12/31/2019	Amortized cost	Fair value through profit and loss (obligatory)	Fair value through profit and loss (optional)	Hedge accounting	Fair value through comprehensive income (OCI)	Equity method [1]	Non-financial assets and liabilities	Total
ASSETS								
Cash	4 261							4 261
Loans to and claims on credit institutions [2]	570 160							570 160
Loans to customers	21 897 252		980 757					22 878 009
Notes and bonds	85 436	3 772 125						3 857 560
Equities		295 432						295 432
Financial derivatives		24 101		88 659				112 759
Accrued income							46 946	46 946
Financial instruments with valuation changes through comprehensive income					258 417			258 417
Other assets							134 715	134 715
Total assets	**22 557 109**	**4 091 657**	**980 757**	**88 659**	**258 417**		**181 661**	**28 158 259**
LIABILITIES								
Payable to credit institutions	43 672							43 672
Deposits from customers	11 080 886		751 943					11 832 829
Debt established through the issue of securities	7 100 471			5 591 600				12 692 071
Financial derivatives		49 464		61 716				111 181
Accrued cost							40 950	40 950
Subordinated loan capital	201 191							201 191
Other liabilities							200 469	200 469
Provisions	7 808						8 655	16 463
Total liabilities	**18 434 027**	**49 464**	**751 943**	**5 653 316**			**250 074**	**25 138 825**

1 Ownership interests in affiliate that is recognized according to the equity method, are not comprised by the IFRS 9 standard, but is included in the summary as it is a financial asset.

2 Loans to and claims on credit institutions include claims on the central bank.

Parent Bank 12/31/2020	Amortized cost	Fair value through profit and loss (obligatory)	Fair value through profit and loss (optional)	Hedge accounting	Fair value through comprehensive income (OCI)	Equity method [1]	Non-financial assets and liabilities	Total
ASSETS								
Cash	3 263							3 263
Loans to and claims on credit institutions [2]	510 357							510 357
Loans to customers	13 178 665		1 305 613		595 574			15 079 852
Notes and bonds	332 253	3 073 481						3 405 734
Equities		103 420						103 420
Ownership interests in affiliates						33 767		33 767
Financial derivatives		32 027		151 669				183 696
Accrued income							17 769	17 769
Financial instruments with valuation changes through comprehensive income					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								
Payable to credit institutions	1 376 117							1 376 117
Deposits from customers	11 459 492		471 736					11 931 228
Debt established through the issue of securities	2 054 622			2 458 292				4 512 914
Financial derivatives		79 223		74 409				153 633
Accrued cost							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**

Parent Bank 12/31/2019	Amortized cost	Fair value through profit and loss (obligatory)	Fair value through profit and loss (optional)	Hedge accounting	Fair value through comprehensive income (OCI)	Equity method [1]	Non-financial assets and liabilities	Total
ASSETS								
Cash	4 261							4 261
Loans to and claims on credit institutions [2]	569 318							569 318
Loans to customers	12 922 320		980 757		1 078 012			14 981 089
Notes and bonds	85 436	2 976 730						3 062 166
Equities		295 432						295 432
Financial derivatives		24 101		39 581				63 682
Accrued income							44 982	44 982
Financial instruments with valuation changes through comprehensive income					258 417			258 417
Other assets	1 293 808						119 610	1 413 418
Total assets	**14 875 143**	**3 296 263**	**980 757**	**39 581**	**1 336 429**		**164 592**	**20 692 763**
LIABILITIES								
Payable to credit institutions	286 440							286 440
Deposits from customers	11 082 587		751 943					11 834 530
Debt established through the issue of securities	2 252 398			2 991 186				5 243 585
Financial derivatives		49 464		39 912				89 377
Accrued cost							38 621	38 621
Subordinated loan capital	201 191							201 191
Other liabilities							187 169	187 169
Provisions	7 696						8 655	16 351
Total liabilities	**13 830 312**	**49 464**	**751 943**	**3 031 099**			**234 445**	**17 897 263**

1 Ownership interests in affiliate that is recognized according to the equity method, are not comprised by the IFRS 9 standard, but is included in the summary as it is a financial asset.

2 Loans to and claims on credit institutions include claims on the central bank.

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments valued at amortized cost

Group

	12/31/2020		12/31/2019	
	Book value	Fair value	Book value	Fair value
ASSETS				
Cash	3 263	3 263	4 261	4 261
Loans to and claims on credit institutions	485 300	485 300	570 160	570 160
Loans to customers	22 694 107	22 694 107	21 897 252	21 897 252
Notes and bonds	332 253	336 669	85 436	85 603
Total assets	**23 514 924**	**23 519 340**	**22 557 109**	**22 557 276**
LIABILITIES				
Payable to credit institutions	1 471 784	1 471 784	43 672	43 672
Deposits from and payable to customers	11 454 320	11 454 320	11 080 886	11 080 886
Debt established through the issue of securities [1]	12 278 503	12 314 290	12 692 071	12 720 186
Subordinated loan capital	200 716	204 149	201 191	203 183
Provisions	6 282	6 282	7 808	7 808
Total liabilities	**25 411 605**	**25 450 825**	**24 025 626**	**24 055 734**

Parent Bank

	12/31/2020		12/31/2019	
	Book value	Fair value	Book value	Fair value
ASSETS				
Cash and deposits with central banks	3 263	3 263	4 261	4 261
Loans to and claims on credit institutions	510 357	510 357	569 318	569 318
Loans to customers	13 178 665	13 178 665	12 922 320	12 922 320
Notes and bonds	332 253	336 669	85 436	85 603
Other assets	1 386 382	1 386 382	1 293 808	1 293 808
Total assets	**15 410 921**	**15 415 336**	**14 875 143**	**14 875 310**
LIABILITIES				
Payable to credit institutions	1 376 117	1 376 117	286 440	286 440
Deposits from and payable to customers	11 459 492	11 459 492	11 082 587	11 082 587
Debt established through the issue of securities [1]	4 512 914	4 528 741	5 243 585	5 271 029
Subordinated loan capital	200 716	204 149	201 191	203 183
Provisions	6 119	6 119	7 696	7 696
Total liabilities	**17 555 357**	**17 574 617**	**16 821 498**	**16 850 935**

1 Debt incurred through the issue of securities includes fixed rate bonds, which are part of hedge accounting.

With respect to financial instruments of short duration (less than three months), book value is assumed to represent fair value. This assumption is also applied to deposits and savings accounts without fixed maturity.

Loans to / deposits from customers valued at amortized cost, include floating rate loans. Loans and deposits with variable interest rates are adjusted for changes to the market interest rate and for changes in the credit risk. Consequently, the Group measures the fair value of such products as being approximately equal to the book value. Loans that do not satisfy this current repricing condition, are individually valued at fair value on the date of the balance sheet. Any excess or inferior values arising within any change of interest rate period are not considered to represent material for the Group.

Financial instruments valued at fair value

The Group uses the following valuation hierarchy in the calculation of the fair value of financial instruments:

Level 1 – Quoted prices in an active market for the relevant asset or liability.

Level 2 – Quoted prices in an active market for similar assets or liabilities, or another valuation method where all significant input is based on empirical market data.

Level 3 – Valuation techniques that are principally not based on empirical market data.

Determination of fair value

at the end of the period pursuant to the valuation hierarchy

Group	Level 1	Level 2	Level 3	Total as of 12/31/2020
Financial instruments at fair value through the income statement				
Loans to customers			1 305 613	1 305 613
Notes 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 at fair value through comprehensive income				
Equities			258 417	258 417
Total assets	**33 600**	**3 931 085**	**1 575 807**	**5 540 492**
Financial instruments at fair value through the income statement				
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**

Amortized cost

at the end of the period pursuant to the valuation hierarchy

Group	Level 1	Level 2	Level 3	Total as of 12/31/2020
Financial assets valued at amortized cost				
Cash		3 263		3 263
Loans to and claims on credit institutions		485 300		485 300
Loans to customers		22 694 107		22 694 107
Notes and bonds		332 253		332 253
Total assets		**23 514 924**		**23 514 924**
Financial liabilities valued at amortized cost				
Payable to credit institutions		1 471 784		1 471 784
Deposits from customers		11 454 320		11 454 320
Debt securities in issue [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 Debt securities in issue include fixed rate bonds that are part of hedge accounting.

Determination of fair value

at the end of the period pursuant to the valuation hierarchy

Group	Level 1	Level 2	Level 3	Total as of 12/31/2019
Financial instruments at fair value through the income statement				
Loans to customers			980 757	980 756,52
Notes and bonds		3 772 125		3 772 124,67
Equities	32 130	247 625	15 677	295 432,00
Financial derivatives		24 101		24 100,54
Financial derivatives, hedging instrument		88 659		88 658,74
Financial instruments available for sale				
Equities			258 417	258 416,63
Total assets	**32 130**	**4 132 509**	**1 254 850**	**5 419 489**
Financial instruments at fair value through the income statement				
Deposits from customers		751 943		751 943
Financial derivatives		49 464		49 464
Financial derivatives, hedging instrument		61 716		61 716
Total liabilities		**863 124**		**863 124**

Amortized cost

at the end of the period pursuant to the valuation hierarchy

Group	Level 1	Level 2	Level 3	Total as of 12/31/2019
Financial assets valued at amortized cost				
Cash and deposits with central banks		4 261		4 261
Loans to and claims on credit institutions		570 160		570 160
Loans to customers		21 897 252		21 897 252
Notes and bonds		85 436		85 436
Total assets		**22 557 109**		**22 557 109**
Financial liabilities valued at amortized cost				
Payable to credit institutions		43 672		43 672
Deposits from customers		11 080 886		11 080 886
Debt securities in issue [1]		12 692 071		12 692 071
Subordinated loan capital		201 191		201 191
Provisions		7 808		7 808
Total liabilities		**24 025 626**		**24 025 626**

1 Debt securities in issue includes fixed-rate bonds that are used in hedge accounting.

Reconciliation of movements from Level 3

from 12/31/2019 to 12/31/2020

Group	Lending	Shares at fair value through comprehensive income (FVOCI) [2]	Shares at fair value through profit and loss (FVTPL)	Total
Balance as of 12/31/2019	980 757	258 417	15 677	1 254 850
Recognized profit/loss in the current income statement	25 881		-4 626	21 254
Recognized gains/losses in other income / OCI				
Purchase			727	727
Issued	483 991			483 991
Settlement	-185 016			-185 016
Balance as of 12/31/2020	**1 305 613**	**258 417**	**11 778**	**1 575 807**

2 Under IFRS 9, shares and units are valued at fair value with changes in value over profit and loss (FVTPL), except the Bank's investment in EIKA Gruppen AS, which is classified as financial instruments with valuation changes through comprehensive income (FVOCI) as this investment is considered strategic for the Bank.

With respect to loans and shares (FVTPL), gains/losses recognized in this year's income statement, are included in the gain/loss on financial instruments at fair value.

Determination of fair value

at the end of the period pursuant to the valuation hierarchy

Parent Bank

	Level 1	Level 2	Level 3	Total as of 12/31/2020
Financial instruments at fair value through the income statement				
Loans to customers		595 574	1 305 613	1 901 187
Notes 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 at fair value through comprehensive income				
Equities			258 417	258 417
Total assets	**33 600**	**3 910 794**	**1 575 807**	**5 520 201**
Financial instruments at fair value through the income statement				
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**

Amortized cost

at the end of the period pursuant to the valuation hierarchy

Parent Bank

	Level 1	Level 2	Level 3	Total as of 12/31/2020
Financial assets valued at amortized cost				
Cash		3 263		3 263
Loans to and claims on credit institutions		510 357		510 357
Loans to customers		13 178 665		13 178 665
Notes and bonds		332 253		332 253
Other assets		1 386 382		1 386 382
Total assets		**15 410 921**		**15 410 921**
Financial liabilities valued at amortized cost				
Payable to credit institutions		1 376 117		1 376 117
Deposits from customers		11 459 492		11 459 492
Debt securities in issue [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 Debt securities in issue include fixed rate bonds that are part of hedge accounting..

Determination of fair value

at the end of the period pursuant to the valuation hierarchy

Parent Bank	Level 1	Level 2	Level 3	Total as of 12/31/2019
Financial instruments at fair value through the income statement				
Loans to customers		1 078 012	980 757	2 058 769
Notes and bonds		2 976 730		2 976 730
Equities	32 130	247 625	15 677	295 432
Financial derivatives		24 101		24 101
Financial derivatives, hedging instrument		39 581		39 581
Financial instruments available for sale				
Equities			258 417	258 417
Total assets	**32 130**	**4 366 049**	**1 254 850**	**5 653 029**
Financial instruments at fair value through the income statement				
Deposits from customers		751 943		751 943
Financial derivatives		49 464		49 464
Financial derivatives, hedging instrument		39 912		39 912
Total liabilities		**841 320**		**841 320**

Amortized cost

at the end of the period pursuant to the valuation hierarchy

Parent Bank	Level 1	Level 2	Level 3	Total as of 12/31/2019
Financial assets valued at amortized cost				
Cash		4 261		4 261
Loans to and claims on credit institutions		569 318		569 318
Loans to customers		12 922 320		12 922 320
Notes and bonds		85 436		85 436
Other assets		1 293 808		1 293 808
Total assets		**14 875 143**		**14 875 143**
Financial liabilities valued at amortized cost				
Payable to credit institutions		286 440		286 440
Deposits from customers		11 082 587		11 082 587
Debt securities in issue [1]		5 243 585		5 243 585
Subordinated loan capital		201 191		201 191
Provisions		7 696		7 696
Total liabilities		**16 821 498**		**16 821 498**

1 Debt securities in issue includes fixed-rate bonds that are used in hedge accounting.

Parent Bank

Reconciliation of movements from Level 3

from 12/31/2019 to 12/31/2020

	Lending	Shares at fair value through comprehensive income (FVOCI)[1]	Shares at fair value through profit and loss (FVTPL)	Total
Balance as of 12/31/2019	980 757	258 417	15 677	1 254 850
Recognized profit/loss in the current income statement	25 881		-4 626	21 254
Recognized gains/losses in other income / OCI				
Purchase			727	727
Issued	483 991			483 991
Settlement	-185 016			-185 016
Balance as of 12/31/2020	**1 305 613**	**258 417**	**11 778**	**1 575 807**

1 Under IFRS 9, shares and units are valued at fair value with changes in value over profit and loss (FVTPL), except the Bank's investment in EIKA Gruppen AS, which is classified as financial instruments with valuation changes through comprehensive income (FVOCI) as this investment is considered strategic for the Bank.

With respect to loans and shares (FVTPL), gains/losses recognized in this year's income statement are included in the changes in value of financial instruments at fair value.

Please see below for a description of how fair value is calculated for financial instruments on level 2 and 3, i.e. where a valuation technique has been applied.

Financial instruments classified on level 2

Notes and bonds

Notes and bonds that are part of the Bank's "liquidity portfolio", are valued at market value on the basis of information collected from bond brokers in the market. The valuation of bonds and notes is calculated on the basis of broker estimates of trading prices on the date of the balance sheet. Correspondingly, this also applies to the calculation of the fair value of the Bank's "hold until maturity" portfolio, which in the financial statements is recognized at amortized cost.

Loans at fair value with valuation changes through comprehensive income (FVOCI)

For the Parent Bank, loans that the Parent Bank may transfer to SSB Boligkreditt AS, are classified at fair valuation changes through comprehensive income (FVOCI), as the business model indicates that the Parent Bank has the intention of collect contractual cash flows, but may also sell/transfer the loans to SSB Boligkreditt AS. In the Group financial statements, the loans are recognized at amortized cost, as the Group does not intend to sell the loans. The fair value of the loans are assumed to be approximately equal to the value of ordinary loans with floating rates of interest.

Financial investments

Financial investments are valued according to the EVCA Valuation Principles, which calls for valuation to be implemented at company level.

Financial derivatives

Financial derivatives are valued at market value on the basis of information collected about currency exchange rates and swap curves. The category includes interest rate swaps, currency swaps and forward contracts for which the observable market values are available via Reuters or Bloomberg.

Deposits from customers

Customer deposits with a fixed rate < 1 year are valued on the basis of the agreed cash flow of the deposit discounted by the yield. The yield is based on current market terms fixed rate deposits on the date of the balance sheet.

Financial instruments classified on level 3

Lending

Fixed rate loans to customers are valued on the basis of the agreed cash flow from the loans, discounted by the yield. The yield is based on the prevailing market terms for similar fixed rate loans. The value of the loan will be most sensitive to a change in the interest rate level and change in customer credit risk (corporate customers in particular). A 10 point change will affect the valuation of the portfolio with NOK 5.7 million.

Customer loans subject to writedowns are valued on the basis of probable cash flow from the loans, discounted by the yield, adjusted for market terms for similar not written-down loans.

Shares – FVOCI

Shares classified at fair value through comprehensive income (FVOCI) are valued on the basis of evaluations made on the basis of historical information and general market developments for the relevant industries. A change in market performance will influence the valuation of the equities.

Deposits from customers

Customer deposits with a fixed rate > 1 year are valued on the basis of the agreed cash flow of the deposit discounted by the yield. The yield is based on the current interest rate level in the market and the Group's general funding level. The value of the deposit is most sensitive to changes in interest rate level. Due to a small volume of relevant deposits, the change in value for the deposits is considered insignificant for the Group.

27 LOANS TO AND CLAIMS ON CREDIT INSTITUTIONS

Group			Parent Bank	
12/31/2020	12/31/2019	Loans to and claims on credit institutions	12/31/2020	12/31/2019
485 300	570 160	Loans and claims without agreed maturity or call [1]	510 357	569 318
		Loans and claims with agreed maturity or call		
485 300	**570 160**	**Total loans to and claims on credit institutions**	**510 357**	**569 318**

1 Includes claims on the Central Bank of NOK 377.2 million as of 12/31/2020, and NOK 469.9 million as of 12/31/2019.

28 NOTES AND BONDS

Group			Parent Bank	
12/31/2020	12/31/2019	Notes and bonds	12/31/2020	12/31/2019
3 545 917	3 770 956	Notes and bonds at fair value	3 072 625	2 975 562
856	1 169	Subordinated loans at fair value	856	1 169
3 546 773	**3 772 125**	**Total notes and bonds at fair value**	**3 073 481**	**2 976 730**
658 957	446 490	*Of which government-guaranteed notes/bonds*	658 957	446 490
332 253	85 436	Notes and bonds at amortized cost	332 253	85 436
332 253	**85 436**	**Total notes and bonds at amortized cost**	**332 253**	**85 436**
3 879 026	**3 857 560**	**Total notes and bonds**	**3 405 734**	**3 062 166**
1.07 %	2.05 %	Average coupon interest on notes and bonds at fair value	1.10 %	2.00 %
1.67	1.87	Average remaining maturity of notes and bonds at fair value	1.51	1.88
0.81 %	2.32 %	Average coupon interest on notes and bonds at amortized cost	0.81 %	2.32 %
4.53	5.29	Average remaining maturity of notes and bonds at amortized cost	4.53	5.29

The Bank has two separate fixed income security portfolios;

1) The Bank's liquidity portfolio of notes and bonds is classified at fair value through profit and loss according to the business model governing the management of the liquidity portfolio, pursuant to IFRS 9. The business model provides a required rate of return for the liquidity portfolio, and purchases and sales are made for the purpose of maximizing profits.

2) The Bank's portfolio of securities held to maturity is classified at amortized cost, as the business model entails that the Bank will hold these securities until final maturity (long-term investments).

29 OWNERSHIP INTERESTS IN SUBSIDIARIES AND AFFILIATES

Shares in subsidiaries

Subsidiaries	Organization number	Address	Location	Share capital	Share of owner-ship (%)	Number of shares	Face value	Cost price	Book value 12/31/2020	Book value 12/31/2019
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
The book value of subsidiaries								**354 345**	**354 328**	**354 328**

Group minority interests

In 2015, the Group purchased 100% of the shares in Aktiv Eiendoms-megling Jæren, and the company was merged with the Sandnes Eiendom subsidiary. After the merger, the Group sold 40% of the shares in the company to Jæren Sparebank. The company's mission is to run a real estate agency.

Dividend between group companies

No dividends were paid by subsidiaries to the Parent Bank in 2020. For 2019, the dividend paid was NOK 0.5 million.

Group			Parent Bank	
12/31/2020	12/31/2019	Specification of other assets of the Group	12/31/2020	12/31/2019
16 312	11 719	Other assets	2 111	1 425
		Outstanding accounts with SSB Boligkreditt	1 032 054	939 481
16 312	**11 719**	**Total other assets**	**1 034 165**	**940 906**

Shares in affiliates

Affiliates	Organization number	Address	Location	Share capital	Share of owner-ship (%)	Number of shares	Face value	Cost price	Book value 12/31/2020	Book value 12/31/2019
Kjell Haver Regnskapsservice AS	947 214 489	Welhavens vei 5	Sandnes	2 697	49,5	345 015	3,87	29 363	33 767	
Book value of shares in affiliates (Group and Parent Bank)								**29 363**	**33 767**	

Affiliates 2020

Value recognized in balance sheet	Kjell Haver Regnskapsservice AS	Total
Balance sheet value at the start of the period		
Capital increase/acquisition	29 363	29 363
Dividends		
Share of this year's profits	4 405	4 405
Balance sheet value at the end of the period	**33 767**	**33 767**

Company information	Kjell Haver Regnskapsservice AS	Total
Cash and cash equivalents	13 819	13 819
Other current assets	5 717	5 717
Fixed assets	1 752	1 752
Total assets	**21 289**	**21 289**
Current financial liabilities	18 233	18 233
Long-term liabilities		
Equity capital	3 056	3 056
Total shareholders' equity and liabilities	**21 289**	**21 289**
Operating income	46 891	46 891
Depreciation	-412	-412
Other operating cost	-35 108	-35 108
Interest income	39	39
Interest cost	-2	-2
Tax cost	-2 510	-2 510
Total profits after taxes	**8 898**	**8 898**
Dividend received from affiliate (Sandnes Sparebank's share)		

Kjell Haver Regnskapsservice AS is a local Sandnes company that offers accounting and consulting services to its customers. As of 12/31/2020, the company has 34 employees.

30 EQUITIES

Group		Equities and funds	Parent Bank	
12/31/2020	12/31/2019		12/31/2020	12/31/2019
9 047	9 047	Eiendomskreditt AS (org. no. 979391285)	9 047	9 047
33 600	32 130	Jæren Sparebank (org. no. 937895976)	33 600	32 130
31 985	31 985	EIKA VBB AS (org. no. 921859708)	31 985	31 985
1	3 185	Saffron India Real Estate Fund I	1	3 185
7 510	12 372	VN Norge AS (org. no. 821083052)	7 510	12 372
4 267	3 305	Skandinavisk Data Center A/S	4 267	3 305
103	89	Other unlisted	103	89
86 514	**92 113**	**Total equities at fair value through the income statement**	**86 514**	**92 113**
16 907	203 319	Units in bond funds	16 907	203 319
103 420	**295 432**	**Total equities and mutual funds at fair value through the income statement**	**103 420**	**295 432**

These financial assets are classified at fair value with change in value through profit or loss. See Note 19 for net change in value of the investments.

The total cost price of the shares is NOK 56.0 million. The cost price of the fixed income funds is NOK 15.1 million. In 2020, the Bank realized a major part of its bond fund portfolio. Sandnes Sparebank does not have significant influence on the companies.

For Såkorn Invest, which is part of other unlisted companies, the uncalled committed capital is NOK 0.2 million as of 12/31/2020.

In 2019, shares in VIPPS AS were transferred as contributions in kind to EIKA VBB AS. Thus, the Bank now owns the shares in VIPPS AS indirectly through EIKA VBB AS, which functions as a joint holding company for the EIKA banks. The shares are compensatory shares related to the merger between BankID Norge, BankAxept AS and Vipps AS back in 2018. In 2020, there has not been any capital changes in EIKA VBB AS, and the Bank owns a total of 8,082 shares in EIKA VBB AS. The pricing of the shares reflects the value of the underlying shares in VIPPS AS, based on the pricing of the VIPPS merger in 2018.

In 2020, the Bank's investment in the Saffron India Real Estate Fund 1, was written down as a precautionary measure due to uncertainty around the underlying values of the company. With respect to the Bank's investment in VN Norge AS, the value has been reduced due to the payment of an extraordinary dividend as a result of the company having converted and realized parts of the underlying VISA, Inc. portfolio. In total, dividends in the amount of NOK 7.5 million from the company have been recognized in 2020.

31 INTANGIBLE ASSETS

Group				Parent Bank		
Goodwill	IT systems	Total intangible assets	Intangible assets	Goodwill	IT systems	Total intangible assets
4 553	**26 188**	**30 741**	**Book value as of 12/31/2018**		**26 188**	**26 188**
17	187	204	Additions		187	187
			Disposals			
17		17	Writedowns			
	10 132	10 132	Depreciation		10 132	10 132
4 553	**16 243**	**20 796**	**Book value as of 12/31/2019**		**16 243**	**16 243**
4 570	187 171	191 741	Original acquisition cost		184 227	184 227
17	170 928	170 945	Total depreciation and amortization		167 984	167 984
4 553	**16 243**	**20 796**	**Book value as of 12/31/2019**		**16 243**	**16 243**
	744	744	Additions		744	744
			Disposals			
			Writedowns			
	9 390	9 390	Depreciation		9 390	9 390
4 553	**7 597**	**12 150**	**Book value as of 12/31/2020**		**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 amortization		177 374	177 374
4 553	**7 597**	**12 150**	**Book value as of 12/31/2020**		**7 597**	**7 597**
	3-5 år		Useful life		3-5 år	

Group			
12/31/2020	12/31/2019	12/31/2018	Book goodwill
4 553	4 553	4 553	Aktiv Eiendomsmegling Jæren
4 553	**4 553**	**4 553**	**Total goodwill**

Individual goodwill items and other intangible assets in the Group's balance sheet are allocated to profit centers on the basis of which activities benefit from the acquired asset. Choice of profit center is made on the basis of whether it is possible to identify and exclude cash flows related to the activities.

The goodwill item of the Group is in its entirety related to Aktiv Eiendomsmegling Jæren. The first part of this item accrued in 2005, when the Group increased its ownership interest in its Sandnes Eiendom subsidiary from 50% to 100%. In 2015, the Group purchased 100% of the shares in Aktiv Eiendomsmegling Jæren, and the remaining goodwill amount is from this purchase. Sandnes Eiendom and Aktiv Eiendomsmegling Jæren were subsequently merged, and the Group sold 40% of its shares in the company. Testing for writedown of assets recognized in the balance sheet is carried out each year by means of discounting anticipated future cash flow from the business.

The cash flow estimates are based on approved budgets and management estimates. Both budgets and estimates are associated with a high degree of uncertainty. If the actual economic conditions deviate from the assumptions on which budgets and plans are based, the writedown tests may yield a different result. Furthermore, the writedown tests depend on the required rate of return applied. The required rate of return is discretionarily determined on the basis of available information on the date of the balance sheet. Writedown tests are performed annually, and do not provide a basis for writedowns for 2020. Goodwill related to Aktiv Eiendomsmegling Jæren is reported under the Real Estate Agency segment.

IT systems relate to the development and purchase of IT applications, including applications for data analysis and risk assessment. Implemented systems are depreciated in a straight line over 3-5 years. The writedown test is performed annually. No requirement for the writedown of intangible assets was identified in 2020.

32 FIXED ASSETS

Group				Parent Bank		
Machinery, fixtures and fittings, etc.	Land and real estate	Total fixed assets	Fixed assets	Machinery, fixtures and fittings, etc.	Land and real estate	Total fixed assets
4 394	**1 663**	**6 057**	**Book value as of 12/31/2018**	**4 343**	**1 664**	**6 007**
1 063		1 063	Additions	874		874
			Disposals			
			Writedowns			
1 132	51	1 183	Depreciation	1 056	51	1 107
4 325	**1 612**	**5 937**	**Book value as of 12/31/2019**	**4 161**	**1 612**	**5 773**
98 374	38 186	136 561	Original acquisition cost	93 464	2 900	96 364
94 050	36 574	130 624	Total depreciation and amortization	89 303	1 288	90 590
4 325	**1 612**	**5 937**	**Book value as of 12/31/2019**	**4 161**	**1 612**	**5 773**
1 378		1 378	Additions	1 075		1 075
			Disposals			
			Writedowns			
1 141	51	1 192	Depreciation	1 047	51	1 098
4 562	**1 562**	**6 122**	**Book value as of 12/31/2020**	**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 amortization	90 349	1 339	91 688
4 562	**1 562**	**6 122**	**Book value as of 12/31/2020**	**4 189**	**1 562**	**5 750**
3-5 år	50 år		Useful life	3-5 år	50 år	

Capitalized investments related to leased premises are depreciated over the remaining lease period.

33 LEASE AGREEMENTS

Under IFRS 16, Lease agreements, no distinction is made between operational leasing and financial leasing, and where lease agreements entered transfers the right to use a specific asset from the lessor to the lessee for a specific period. In order to determine whether an agreement contains a lease agreement, it has been considered whether the agreement transfers the right to control the use of an identified asset. User rights under lease agreements covered by IFRS 16 are recognized in the balance sheet as "User rights, lease agreements" with corresponding lease liabilities under "Lease liabilities".

For further descriptions of the implementation effects and the Bank's assessments related to lease agreements, please refer to Note 2.

The Group's leased assets include buildings/offices and other real estate, machinery/equipment and vehicles. The Group's user rights are categorized and presented in the table under:

Right of use assets

Group					Parent Bank			
Total	Vehicles	Machinery and equipment	Buildings	Right of use assets	Buildings	Machinery and equipment	Vehicles	Total
86 205			86 205	**Acquisition cost as of 1/1/2019**	86 205			86 205
12 553	363	602	11 588	Additions of usage right assets	11 588	602	363	12 553
				Disposals				
98 758	**363**	**602**	**97 793**	**Acquisition cost as of 12/31/2019**	**97 793**	**602**	**363**	**98 758**
				Accumulated depreciation and revaluations 1/1/2019				
10 606		113	10 493	Depreciation	10 493	113		10 606
				Revaluations during the period				
10 606		113	10 493	Accumulated depreciation and revaluations 12/31/2019	10 493	113		10 606
88 151	**363**	**489**	**87 300**	**Value of right of use assets recognized in the balance sheet 12/31/2019**	**87 300**	**489**	**363**	**88 151**
98 758	363	602	97 793	Acquisition cost as of 1/1/2020	97 793	602	363	98 758
9 309		21	9 287	Access to usufruct assets	3 636	21		3 657
				Disposals				
108 066	**363**	**623**	**107 080**	**Acquisition cost as of 12/31/2020**	**101 428**	**623**	**363**	**102 415**
				Accumulated depreciation and revaluations 1/1/2020				
13 090	121	134	12 835	Depreciation	12 027	134	121	12 282
				Disposals				
13 090	**121**	**134**	**12 835**	**Accumulated depreciation and revaluations 12/31/2020**	**12 027**	**134**	**121**	**12 282**
84 370	**242**	**376**	**83 752**	**Value of right of use assets recognized in the balance sheet 12/31/2020**	**78 908**	**376**	**242**	**79 527**
	3-5 år	3-5 år	1-10 år	Lowest of remaining lease period or economic lifespan	1-10 år	3-5 år	3-5 år	
	Lineær	Lineær	Lineær	Period of depreciation	Lineær	Lineær	Lineær	

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
16 300	130	140	16 031	Less than 1 year	14 809	140	130	15 078
16 587	130	140	16 317	1-2 years	15 074	140	130	15 343
16 714		105	16 609	2-3 years	15 343	105		15 448
16 906			16 906	3-4 years	15 617			15 617
15 308			15 308	4-5 years	14 939			14 939
33 317			33 317	More than 5 years	33 317			33 317
115 132	**259**	**385**	**114 488**	**Total undiscounted lease liabilities 12/31/2020**	**109 099**	**385**	**259**	**109 743**

Group					Parent Bank			
Total	Vehicles	Machinery and equip-ment	Buildings	Changes in lease liabilities	Buildings	Machinery and equip-ment	Vehicles	Total
109 534			109 534	At first time application 1/1/2019	109 534			109 534
12 553	602	363	11 588	New/changed lease liabilities recognized during the period	11 588	602	363	12 553
-14 184	-114		-14 070	Payment of principal	-14 070	-114		-14 184
-4 352	-21		-4 331	Payment of interest	-4 331	-21		-4 352
4 352	21		4 331	Interest cost related to lease liabilities	4 331	21		4 352
107 903	**488**	**363**	**107 052**	**Total lease liabilities 12/31/2019**	**107 052**	**488**	**363**	**107 903**
9 475			9 475	New/changed lease liabilities recognized during 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 cost related to lease liabilities	4 081	17	14	4 113
100 560	**329**	**225**	**100 007**	**Total lease liabilities 12/31/2020**	**95 069**	**349**	**204**	**95 623**

The average discount rate on rental agreements is approximately 3.1%. The average discount rate on the lease of machinery and vehicles, is 3.5%. For rental agreements, we use the lessee's marginal borrowing rate, whereas for machinery and vehicles, we have used the implicit interest of the lease agreement.

Index adjustments of rental costs are taken into account in the calculation of the liability, based on the content of the agreement.

The lease agreements do not contain restrictions on the Group's dividend policy or funding opportunities. The Group does not have significant residual guarantees related to its lease agreements.

Group 2020	Group 2019	Other lease costs included in profits	Parent Bank 2020	Parent Bank 2019
1 812	2 933	Common expenses leased premises (variable lease payments)	1 812	2 933
962	1 442	Operating cost in the period related to short-term lease agreements (including short-term lease agreements of low value)	529	-483
706	701	Operating cost in the period related to assets of low value (excluding short-term lease agreements of low value)	428	492
3 480	**5 076**	**Total lease cost included in other operating cost**	**2 769**	**2 943**

In addition to the above lease liabilities, the Group is committed to pay variable lease payments for some of its lease agreements. Common expenses, short-term lease agreements and low value agreements are recognized as cost in the applicable period.

Options to extend a lease agreement

The Group's lease agreements for buildings have lease periods of up to 10 years. Several of the agreements carry the right of extension, that may be exercised during the last period of the agreement. When entering an agreement, the Group will evaluate the reasonable certainty of whether the right to extend will be exercised. The Group's potential future lease payments not included in the lease liabilities related to extension options, was NOK 4 million as of December 31, 2020.

Purchase options

The Group is leasing machinery, equipment and vehicles on leases of between 3 and 5 years. None of these lease agreements include an option to purchase the assets at the end of the lease period.

Practical solutions applied

The Group is also leasing PCs, IT equipment and machinery at terms from 1 to 3 years. The Group has decided to not recognize lease agreements in which the underlying asset has a low value or is of short duration, up to 12 months. Thus, the Group does not recognized lease liabilities and user rights for some of these lease agreements. Instead, the lease payments are accrued as cost when they occur.

34 FINANCIAL INSTRUMENTS WITH VALUATION CHANGES THROUGH COMPREHENSIVE INCOME

Group		Financial instruments with valuation changes through comprehensive income	Parent Bank	
12/31/2020	12/31/2019		12/31/2020	12/31/2019
258 417	258 417	Eika Gruppen AS (org. no. 979 319 568)	258 417	258 417
258 417	**258 417**	**Total financial instruments with valuation changes through comprehensive income**	**258 417**	**258 417**

As a general rule, under IFRS 9, shares and units are valued at fair value with changes in value over profit and loss (FVTPL), except the Bank's investment in EIKA Gruppen AS, which is classified as financial instruments with valuation changes through comprehensive income (FVOCI) as this investment is considered strategic for the Bank. With respect to shares that are classified at fair value with valuation changes through ordinary profit and loss, please refer to Note 30.

As of 12/31/2020, the investment in Eika Gruppen AS was valued at fair value on the basis of a share offer in the EIKA Gruppen AS in 2020. Consequently, the value of the shares in EIKA Gruppen AS has been held unchanged from last year, compared to 2019, when -13.4 million was recognized through comprehensive income.

Sandnes Sparebank owns a total of 2,067,333 shares in the company, which represents 8.4% of the shares in the company. The total cost price of the shares is NOK 250.5 million.

Dividends paid by the Eika Gruppen were NOK 41.3 million in 2020, compared to NOK 42.5 million in 2019.

35 DEBT TO CREDIT INSTITUTIONS

Group		Payable to credit institutions	Parent Bank	
12/31/2020	12/31/2019		12/31/2020	12/31/2019
180 116	43 672	Loans and deposits from credit institutions without agreed term	84 449	286 440
1 291 668		F-loan Norges Bank	1 291 668	
1 291 668		Total payable to credit institutions with agreed term	1 291 668	
1 471 784	**43 672**	**Total payable to credit institutions**	**1 376 117**	**286 440**
		Specified by currency		
1 471 784	43 378	NOK	1 376 117	286 147
	294	Others		294
1 471 784	**43 672**	**Total payable to credit institutions**	**1 376 117**	**286 440**

As of 12/31/2020, bonds and notes valued at NOK 1,845 million in the Parent Bank, have been pledged as collateral for a loan facility with Norges Bank for up to NOK 1,833 million. As of 12/31/2019, bonds and notes valued at NOK 2,020 million in the Parent Bank, have been pledged as collateral for a loan facility with Norges Bank for up to NOK 2,008 million.

36 DEPOSITS FROM CUSTOMERS

Group 12/31/2020	Group 12/31/2019	Deposits from customers	Parent Bank 12/31/2020	Parent Bank 12/31/2019
9 150 311	7 951 121	Deposits from customers, without fixed maturity	9 155 482	7 952 822
2 775 746	3 881 708	Deposits from customers, with fixed maturity	2 775 746	3 881 708
11 926 057	**11 832 829**	**Total deposits from customers**	**11 931 228**	**11 834 530**

12/31/2020	12/31/2019	Customer deposits by customer groups	12/31/2020	12/31/2019
154 614	151 517	Agriculture and forestry	154 614	151 517
13 711	15 966	Fishing and hunting	13 711	15 966
538 044	493 786	Building and construction	538 044	493 786
137 003	87 978	Manufacturing	137 003	87 978
263 129	27 386	Oil and energy	263 129	27 386
314 022	448 755	Distributive trade	314 022	448 755
70 158	230 928	Hotels and restaurants	70 158	230 928
63 816	213 571	Transport and storage	63 816	213 571
2 816 746	2 645 617	Public and private services	2 816 746	2 645 617
839 881	950 517	Property management	845 055	952 225
22 232	21 979	Other customer groups	22 232	21 979
6 692 701	6 544 829	Retail customers	6 692 699	6 544 822
11 926 057	**11 832 829**	**Total deposits from customers**	**11 931 228**	**11 834 530**

The average interest rate on deposits from customers, without fixed maturity, was 0.47% in 2020 and 0.65% in 2019. The average interest rate on deposits from customers, with fixed maturity, was 1.54% in 2020 and 1.96% in 2019. The average interest rate on deposits is calculated on the basis of the average balance throughout the year.

Deposits from customers with agreed term consists of fixed rate deposits, deposit accounts, BSU, escrow accounts for tax withholding and other accounts with withdrawal limitations.

37 SECURITIES DEBT

Group 12/31/2020	Group 12/31/2019	Debt securities in issue	Parent Bank 12/31/2020	Parent Bank 12/31/2019
14 550 503	14 462 071	Bond loan, adjusted for interest and premium/discount	6 784 914	7 013 585
-2 272 000	-1 770 000	Bond issues, own holdings	-2 272 000	-1 770 000
12 278 503	**12 692 071**	**Total debt securities in issue**	**4 512 914**	**5 243 585**
1.54 %	**2.48 %**	**Average interest rate on bond issues**	**1.92 %**	**2.68 %**

Change in securities debt

Group	Balance as of 12/31/2019	Issued	Matured/ redeemed	Other changes	Balance as of 12/31/2020
Bond debt, nominal value	12 647 000	1 950 000	2 551 000		12 046 000
Interest / value adjustments	45 071			187 433	232 503
Total debt securities in issue	**12 692 071**				**12 278 503**

Group	Balance as of 12/31/2018	Issued	Matured/ redeemed	Other changes	Balance as of 12/31/2019
Bond debt, nominal value	12 249 000	3 480 000	3 082 000		12 647 000
Interest / value adjustments	68 863			-23 792	45 071
Total debt securities in issue	**12 317 863**				**12 692 071**

Parent Bank	Balance as of 12/31/2019	Issued	Matured/ redeemed	Other changes	Balance as of 12/31/2020
Bond debt, nominal value	5 232 000	1 150 000	1 954 000		4 428 000
Interest / value adjustments	11 585			73 329	84 914
Total debt securities in issue	**5 243 585**				**4 512 914**

Parent Bank	Balance as of 12/31/2018	Issued	Matured/ redeemed	Other changes	Balance as of 12/31/2019
Bond debt, nominal value	5 501 000	1 080 000	1 349 000		5 232 000
Interest / value adjustments	43 024			-31 439	11 585
Total debt securities in issue	**5 544 024**				**5 243 585**

Bonds

Issued by Parent Bank	Face value	Final due date
NO0010649940	400 000	20.06.2022
NO0010730450	400 000	10.02.2021
NO0010746324	700 000	29.09.2022
NO0010778822	570 000	18.11.2021
NO0010812779	1 000 000	21.12.2023
NO0010814171	800 000	16.01.2023
NO0010823891	550 000	04.06.2021
NO0010831712	200 000	11.03.2024
NO0010831944	400 000	19.06.2024
NO0010845969	180 000	11.03.2024
NO0010872971	300 000	16.02.2026
NO0010872385	1 000 000	25.04.2025
NO0010892318	200 000	09.09.2025
Total nominal value of bonds issued by the Parent Bank	**6 700 000**	

The bond issues are recognized at amortized cost.
Hedge accounting is used for the Bank's fixed rate bonds.

Issued by 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
NO0010704232	93 000	25.02.2021
NO0010731938	2 000 000	15.06.2022
NO0010833254	2 000 000	27.09.2024
NO0010871452	1 000 000	16.05.2023
NO0010886237	300 000	16.06.2025
Total nominal value of bonds issued by the mortgage company	**7 618 000**	
Total nominal value of bonds in aggregate	**14 318 000**	

38 PROVISIONS FOR OTHER LIABILITIES

Group			Parent Bank	
12/31/2020	12/31/2019	Provisions for other liabilities	12/31/2020	12/31/2019
8 005	7 810	Pension liabilities	8 005	7 810
6 282	7 808	Provisions for losses on guarantees/unused lines of credit	6 119	7 696
557	845	Other provisions	557	845
14 844	**16 463**	**Total provisions for other liabilities**	**14 681**	**16 351**

Provisions for losses on guarantees/unused lines of credit consist of provisions for losses pursuant to IFRS 9, on ex balance sheet assets. For further details, please refer to Note 11.

In other respects, please refer to Note 23 for further details regarding pension liabilities.

39 OTHER LIABILITIES

Group			Parent Bank	
12/31/2020	12/31/2019	Other liabilities	12/31/2020	12/31/2019
747	729	Banker's drafts	747	729
31 161	12 962	Interim accounts	31 161	12 962
25 237	22 604	Other liabilities	19 345	18 791
57 145	**36 296**	**Total other debt**	**51 252**	**32 483**

40 SUBORDINATED LOAN CAPITAL

Subordinated loan capital

Group / Parent Bank	12/31/2020	12/31/2019
Subordinated loan capital, nominal value	200 000	200 000
Valuation adjustments	716	1 191
Total subordinated loan capital	**200 716**	**201 191**

Change in subordinated loan capital

Group / Parent Bank	Balance as of 12/31/2019	Borrowing	Matured/ redeemed	Other changes	Balance as of 12/31/2020
Subordinated loan capital	200 000				200 000
Interest / value adjustments	1 191			-474	716
Total subordinated loan capital	**201 191**				**200 716**

Group / Parent Bank	Balance as of 12/31/2018	Borrowing	Matured/ redeemed	Other changes	Balance as of 12/31/2019
Subordinated loan capital	200 000				200 000
Hybrid capital bond loan	115 500		115 500		
Interest / value adjustments	2 063			-872	1 191
Total subordinated loan capital	**317 563**				**201 191**

Subordinated loan, time-limited

Year of issue	Terms and Conditions	Maturity	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
Total nominal value of subordinated loans				**200 000**

In addition, the Group has issued an investment grade bond with a nominal value of NOK 100 million (ISIN NO0010832553). For accounting purposes, this is recognized as hybrid capital and is part of the Group's equity capital. The interest rate for the loan is 3 mo. NIBOR + 3.7%. The loan's call date is 9/21/2023.

Interest expenses on hybrid capital is transferred to equity (dividend/distribution), whereas the tax deduction is presented as part of tax cost. In 2020, NOK 4.8 million accrued in interest on hybrid capital (NOK 5.3 million in 2019)

41 SHAREHOLDERS' EQUITY

The equity certificate holders' share of equity consists of the equity certificate capital, the share premium and equalization reserves. The equalization reserves consist of accumulated retained earnings and may be used for future cash or stock dividends.

The equity capital for Sandnes Sparebank, as stipulated by the by-laws, is NOK 230,149,020, divided on 23,014,902 equity capital certificates, each with a face value of NOK 10.

Other equity comprises the Savings Bank Fund, the Gift Fund/customer dividends, reserves for unrealized gains, reserves for valuation differences, other equity and minority interests. In addition, a funding bond is treated for accounting purposes as hybrid capital and is included in the Group's equity capital (ref. Note 40).

In connection with the annual allocations for 2020, NOK 195.5 million have been allocated to a distribution reserves, which are part of other equity, as of 12/31/2020. The assets may be used for distribution of dividends to equity capital certificate holders, customer dividends and the gift fund, if any. To make it clear, it is up to the Bank's Board of Directors to decide on any distributions from the reserves, and it will be contingent on proper market conditions and approval from the authorities.

For 2019, the dividend paid per equity capital certificate was NOK 5.2.

On March 31, 2020, The Board of Trustees authorized the Board of Directors of Sandnes Sparebank to purchase its own equity capital certificates for the treasury, of up to NOK 23.015 million, equivalent to 10% of the equity certificate capital. Each equity capital certificate may be purchased at prices between NOK 1 and 150. The authorization is valid up to and including the ordinary general meeting of the Trustees in 2021, but no longer than 18 months from the date of the authorization. As of 12/31/2020, Sandnes Sparebank owns 2,103,383 of its own equity capital certificates, corresponding to 9.1%.

In January 2018, the Financial Supervisory Authority of Norway approved the amendment of the Articles of Incorporation that allows the Bank to pay a customer dividend. Customer dividends are part of the profit allocation, in addition to gifts for generally beneficial purposes. Due to the authorities' temporary distribution limitations, no provisions have been made for customer dividend in 2020, but only to the distribution reserves (see the comment above). For 2019, NOK 50.1 million was provided for customer dividends.

42 CONTINGENT LIABILITIES

Contingent liabilities

As of 12/31/2020, there are no significant contingent liabilities.

Operational lease agreements

According to IFRS 16, there is no longer any differentiation between operational and financial lease/leasing agreements. Lease agreements entered transfer the user rights to a specific asset from the lessor to the lessee for a specific period.

Please refer to Note 33 for further information regarding the Bank's lease agreements.

Other agreements

Together with the other banks in the Eika Alliance, the Bank has entered an agreement with TietoEvry regarding the transition to a new core banking system. This will gradually contribute to more efficient, flexible and more future-oriented solutions. The final system conversion is expected to take place during 2022. The costs related to its implementation have been estimated to NOK 50–60 million, and the costs will be recognized in 2021 and 2022.

43 EVENTS AFTER THE DATE OF THE BALANCE SHEET

There have been no significant events after the date of the balance sheet that affects the financial statements as of 12/31/2020.

44 TRANSACTIONS WITH INTIMATES

Transactions between the Parent and subsidiaries

Transactions between the Parent Bank and subsidiaries relate primarily to ordinary banking services only. The services are provided at arm's length terms and are eliminated in the consolidated accounts.

SSB Boligkreditt

In October 2008, the Storting (the Norwegian parliament) resolved to initiate a scheme whereby the government and banks exchange treasury notes for covered bonds, OMF. In order to utilize this scheme, in February 2009 SSB established its own mortgage company, SSB Boligkreditt. SSB Boligkreditt AS is a wholly owned subsidiary managing home mortgages that are financed by the issue of covered bonds. Sandnes Sparebank sells loans to the company, which in turn finances its operation through the issue of covered bonds. In addition, the subsidiary has deposit and liabilities to the Parent Company subject to interest payments according to the arm's length principle.

In the period up to 12/31/2020, loans worth NOK 8.9 billion have been transferred. The amount of collateral amounts to NOK 9.2 billion, of which NOK 7.8 billion have been financed through the issue of covered bonds, and NOK 1.1 billion financed through short-term credit and deposits from SSB.

SSB Boligkreditt pays a management fee for transferred loans, and pays for the purchase of administrative services from Sandnes Sparebank. Management fees for loans transferred to customers have been charged to SSB Boligkreditt in the amount of 17.0 million for 2020, the same as in 2019. In addition, interest/credit commissions have been charged in the amount of NOK 13.8 million, compared to NOK 22.7 million in 2019.

The relationship between the Parent Bank and SSB Boligkreditt

Assumption of home mortgages with repurchase

Sandnes Sparebank has an agreement to transfer loans with a high degree of collateral and mortgaged properties to SSB Boligkreditt AS. According to the management agreement made, the Bank will be responsible for managing the loans and maintaining contact with customers. The Bank receives compensation in the form of commissions for the obligations that come with the management of the loans. The Bank has considered the accounting implications and concluded that the essential risks and advantages of ownership related to the loans sold, have been transferred. This entails full exclusion from the Bank's balance sheet. There is no obligation to buy back loans, and in case of a crisis, SSB Boligkreditt and the body of collateral shall stand on their own, which is taken into account in the rating of the company's bonds, with respect to the over-mortgaging requirement of 4%, which is significantly higher than the 2% required by the authorities. The risk of transferred loans is transferred to SSB Boligkreditt, which on independent basis has all loans recognized in the calculation base that is part of the regulatory capital requirement calculation.

The compensation received for loans transferred to SSB Boligkreditt, corresponds to the book value and is considered to be in keeping with the fair value of the loans at the time of transfer. The Bank recognizes all rights and obligations created or maintained with the transfer as separate assets or liabilities.

Sandnes Sparebank is the main bank/settlement bank for SSB Boligkreditt, and all payments are made via SSB Boligkreditt's accounts with Sandnes Sparebank. When SSB Boligkreditt purchases home loans from Sandnes Sparebank, the purchases is settled against SSB Boligkreditt's settlement account with Sandnes Sparebank. If SSB Boligkreditt does not have any cash, i.e. in those cases where SSB Boligkreditt purchases loans before it issues a new covered bond, the Bank will provide temporary financing of the purchased home loans with unsecured financing.

Pursuant to an agreement between the Parent Bank and SSB Boligkreditt, the Parent Bank is obliged to transfer collateral to SSB Boligkreditt corresponding to any demand for topping up of collateral (over-mortgaging) due to negative value performance of the debt ratio of the home loan portfolio.

Briefly, the agreement entails the following:

- Loans are valued prior to transfer.
- When a loan is transferred from the Bank to SSB Boligkreditt, a letter of notification is sent to the customer.
- Upon refinancing, loans are transferred back to the Bank for checking whether they qualify for transfer to SSB Boligkreditt.
- Non-performing loans are transferred back to the Bank. Prior to return transfer, valuation is performed on each individual loan.

Group		Loans and guarantees	Parent Bank	
2020	2019		2020	2019
11 857	9 254	Total loans and guarantees to the Board of Directors and intimates	11 857	9 254
45 079	60 959	Total loans and guarantees to the Board of Trustees	45 079	60 959
275 536	277 277	Total loans (included overdraft facilities) to employees	259 155	258 824
332 472	**347 491**	**Total loans and guarantees to employees and elected officials**	**316 091**	**329 038**

45 EARNINGS PER EQUITY CAPITAL CERTIFICATE AND CALCULATION OF THE EQUITY CAPITAL CERTIFICATE PERCENTAGE

Group			Parent Bank	
2020	2019	Earnings per equity capital certificate	2020	2019
7.9	7.9	Earnings per equity capital certificate	6.5	7.0
7.9	7.9	Diluted earnings per equity capital certificate	6.5	7.0
		Calculation base		
260 772	277 072	Profit after taxes	213 608	246 676
63.6 %	65.4 %	Equity capital certificate percentage	63.6 %	65.4 %
165 967	181 246	Earnings allocated to holders of equity capital certificates	135 949	161 363
20 912	22 976	Number of outstanding equity certificates (tnok)	20 912	22 976
2020	**2019**	**Number of outstanding equity certificates [1]**	**2020**	**2019**
22 976 272	22 996 218	Outstanding as of 1/1	22 976 272	22 996 218
20 911 519	22 976 272	Outstanding as of 12/31	20 911 519	22 976 272

1 The number of outstanding equity capital certificates has been reduced to account for the Bank's stock of treasury equity capital certificates. .

Calculation of the equity capital certificate percentage	12/31/2020	12/31/2019
Equity capital certificate capital	230 149	230 149
Own equity capital certificates	(21 034)	(386)
Share premium	987 313	987 313
Other paid-in equity	(135 093)	
Equalization reserves	448 818	410 451
A = Capital, equity capital certificate holders	*1 510 153*	*1 627 526*
The Savings Bank's Fund	846 201	831 278
Gift Fund (ex. provisions for customer dividends)	16 443	29 199
B = Primary capital	*862 645*	*860 477*
A / (A + B) = The equity capital certificate percentage	***63,6 %***	***65,4 %***

The number of issued equity capital certificates is 23,014,902 as of 12/31/2020, of which the Bank's treasury stock is 2,103,383 equity capital certificates as of 12/31/2020, whereas the corresponding number as of 12/31/2019 was 38,630. Consequently, the number of outstanding equity capital certificates is 20,911,519 as of 12/31/2020, compared to 22,976,272 as of 12/31/2019.

Profits were allocated according to the share of equity certificate capital. The same principle has been applied to the calculation of earnings per equity capital certificate.

46 EQUITY CERTIFICATE CAPITAL AND EQUITY CAPITAL CERTIFICATE HOLDERS

Equity capital certificate capital

	12/31/2020	12/31/2019
Equity capital certificate capital, book value	230 149	230 149
Own equity capital certificates	-21 034	-386
Number of equity capital certificates	23 015	23 015
Premium, book value	987 313	987 313
Other paid-up equity	-135 093	
Equalization reserves	448 818	410 451

20 biggest holders of equity capital certificates as of 12/31/2020

	Number of equity capital certificates	% of total
Sparebank 1 SR-Bank C/O SR-Investering	3 485 009	15.14
Sandnes Sparebank Group (treasury stock)	2 103 383	9.14
Holmen Spesialfond	1 359 823	5.91
AS Clipper	1 088 738	4.73
VPF EIKA Egenkapital C/O Eika Kapitalforvaltning	1 086 623	4.72
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
Meteva AS	261 881	1.14
Hausta Investor AS	220 000	0.96
Kristian Falnes AS	200 000	0.87
Nordhaug Invest AS	194 374	0.84
Innovemus AS	185 000	0.80
Barque AS	159 651	0.69
Tirna Holding AS	156 255	0.68
Spesialfondet Borea Utbytte	139 315	0.61
Inge Steenslands Stiftelse	127 304	0.55
Catilina Invest AS	124 000	0.54
Dragesund Invest AS	120 000	0.52
20 biggest owners	**13 728 217**	**59.65**
Other owners	9 286 685	40.35
Total equity capital certificates	**23 014 902**	**100.00**

The equity capital for Sandnes Sparebank, as stipulated by the by-laws, is NOK 230,149,020, divided on 23,014,902 equity capital certificates, each with a face value of NOK 10.

As of 12/31/2020, there were 2,879 equity capital certificate holders. At this point in time, the 20 biggest owners controlled 59.65% of the equity certificate capital.

The total number of equity capital certificates of 23,014,902 as of 12/31/2020, includes holdings of 2,103,383 treasury equity capital certificates. The nominal value of the Bank's treasury stock is recognized under the equity item "Treasury equity capital certificates", whereas the equity charge beyond the nominal value is recognized under the item "Other paid-in equity".

ALTERNATIVE PERFORMANCE MEASUREMENTS

The alternative performance measurements (APM) of Sandnes Sparebank are key ratios intended to provide useful additional information to the financial statements. These key ratios are either adjusted key ratios or key ratios not defined in IFRS or other legislation, and are not necessarily directly comparable with the corresponding key ratios of other companies. The APM metrics are not substitutes for accounting data prepared according to IFRS, and should not be given any more emphasis than the accounting data. They are, however, included in the financial reporting of the Bank in order to provide a fuller description of the Bank's performance. The Bank is exclusively using key ratios that are in demand by investors and analysts.

The APM metrics of Sandnes Sparebank are used in the summary of main numbers, in the Report of the Board of Directors, in the presentation of the financial statements and in prospectuses. All APM metrics are shown with corresponding numbers for previous periods for comparison.

		Group		Parent Bank	
Definition	Calculations / basis (TNOK)	12/31/2020	12/31/2019	12/31/2020	12/31/2019
1 DEPOSIT TO LOAN RATIO					
CB deposits from customers **/** CB net lending to customers	CB deposits from customers	11 926 057	11 832 829	11 931 228	11 834 530
	CB net lending to customers	23 999 720	22 878 009	15 079 852	14 981 089
	Deposit to loan ratio	**49.7 %**	**51.7 %**	**79.1 %**	**79.0 %**
2 INTEREST MARGIN					
((Net interest income **/** days in period) **x** days in year) **/** average total assets	Net interest income	469 582	475 841	394 187	412 844
	Average total assets	28 696 735	27 683 809	20 889 424	20 431 324
	Interest margin	**1.64 %**	**1.72 %**	**1.89 %**	**2.02 %**
3 INTEREST MARGIN INCL. INTEREST ON HYBRID CAPITAL					
((Net interest income - interest cost on hybrid capital **/** days in period) **x** days in year) **/** average total assets	Net interest income	469 582	475 841	394 187	412 844
	Interest cost on hybrid capital	4 831	5 276	4 831	5 276
	Average total assets	28 696 735	27 683 809	20 889 424	20 431 324
	Interest margin incl. interest on hybrid capital	**1.62 %**	**1.70 %**	**1.86 %**	**1.99 %**
4 COST TO INCOME RATIO					
Total operating cost **/** (net interest income **+** total other operating income)	Total operating cost	268 988	269 496	238 316	240 903
	Net interest income	469 582	475 841	394 187	412 844
	Other operating income	135 027	140 559	118 324	136 486
	Cost to income ratio	**44.5 %**	**43.7 %**	**46.5 %**	**43.9 %**
5 TOTAL COST IN % OF AVG. TOTAL ASSETS					
((Total operating cost) **x** days in period) **x** days in year) **/** average total assets	Total operating cost	268 988	269 496	238 316	240 903
	Average total assets	28 696 735	27 683 809	20 889 424	20 431 324
	Total cost in % of avg. total assets	**0.9 %**	**1.0 %**	**1.1 %**	**1.2 %**

Definition	Calculations / basis (TNOK)	Group 12/31/2020	Group 12/31/2019	Parent Bank 12/31/2020	Parent Bank 12/31/2019
6 RETURN ON EQUITY BEFORE TAXES					
(Profits before taxes **/** days in period **x** days in year) **/** ((total equity CB **+** total equity OB) **/** 2, ex. hybrid capital	Profit before taxes	310 932	333 433	250 780	294 067
	Total shareholders' equity OB (ex. hybrid capital)	2 919 434	2 861 001	2 695 500	2 666 885
	TOTAL shareholders' equity CB (ex. hybrid capital)	2 851 880	2 919 434	2 580 428	2 695 500
	Return on equity before taxes	**10.8 %**	**11.5 %**	**9.5 %**	**11.0 %**
7 RETURN ON EQUITY AFTER TAXES					
(Profits after taxes **/** days in period **x** days in year) **/** ((total equity CB **+** total equity OB) **/** 2, ex. hybrid capital	Profit after taxes	260 772	277 072	213 608	246 676
	Total shareholders' equity OB (ex. hybrid capital)	2 919 434	2 861 001	2 695 500	2 666 885
	TOTAL shareholders' equity CB (ex. hybrid capital)	2 851 880	2 919 434	2 580 428	2 695 500
	Return on equity after taxes	**9.0 %**	**9.6 %**	**8.1 %**	**9.2 %**
8 RETURN ON EQUITY AFTER TAXES, INCL. INTEREST ON HYBRID CAPITAL					
(Profits after taxes - interest cost on hybrid capital **/** days in period **x** days in year) **/** ((total equity CB **+** total equity OB) **/** 2, ex. hybrid capital	Profit after taxes	260 772	277 072	213 608	246 676
	Interest cost on hybrid capital	4 831	5 276	4 831	5 276
	Total shareholders' equity OB (ex. hybrid capital)	2 919 434	2 861 001	2 695 500	2 666 885
	TOTAL shareholders' equity CB (ex. hybrid capital)	2 851 880	2 919 434	2 580 428	2 695 500
	Return on equity after taxes, incl. interest on hybrid capital	**8.9 %**	**9.4 %**	**7.9 %**	**9.0 %**
9 EQUITY CAPITAL CERTIFICATE RETURN					
(Equity certificate capital **+** treasury equity capital certificates **+** premium **+** other paid-up equity **+** equalization reserves) **/** (equity certificate capital **+** treasury equity capital certificates **+** premium **+** other paid-up equity **+** equalization reserves **+** Savings Bank's Fund **+** Gift Fund (ex. customer dividends))	Equity capital certificate capital	230 149	230 149	230 149	230 149
	Own equity capital certificates	-21 034	-386	-21 034	-386
	Share premium	987 313	987 313	987 313	987 313
	Other paid-up equity	-135 093		-135 093	
	Equalization reserves	448 818	410 451	448 818	410 451
	The Savings Bank's Fund	846 201	831 278	846 201	831 278
	Gift Fund (ex. provisions for customer dividends)	16 443	29 199	16 443	29 199
	Equity capital certificate return	**63.6 %**	**65.4 %**	**63.6 %**	**65.4 %**
10 EARNINGS PER EQUITY CAPITAL CERTIFICATE					
(Profits after taxes **x** equity capital certificate ratio) **/** number of equity capital certificates outstanding	Profit after taxes	260 772	277 072	213 608	246 676
	Equity capital certificate return	63,6 %	65,4 %	63,6 %	65,4 %
	Number of outstanding equity certificates	20 911 519	22 976 272	20 911 519	22 976 272
	Earnings per equity capital certificate	**7.9**	**7.9**	**6.5**	**7.0**

Definition	Calculations / basis (TNOK)	Group 12/31/2020	Group 12/31/2019	Parent Bank 12/31/2020	Parent Bank 12/31/2019
11 BOOK EQUITY PER EQUITY CAPITAL CERTIFICATE					
(CB total equity - hybrid capital) **x** equity capital certificate ratio **/** number of equity capital certificates outstanding	TOTAL shareholders' equity CB (ex. hybrid capital)	2 851 880	2 919 434	2 580 428	2 695 500
	Equity capital certificate return	63,6 %	65,4 %	63,6 %	65,4 %
	Number of outstanding equity certificates	20 911 519	22 976 272	20 911 519	22 976 272
	Book equity per equity capital certificate	**86.8**	**83.0**	**78.5**	**76.6**
12 PRICE/BOOK EQUITY (P/B)					
Quoted price **/** book equity per equity capital certificate	Quoted price	74,4	67,0	74,4	67,0
	Book equity per equity capital certificate	86,8	83,0	78,5	76,6
	Price/book equity (P/B)	**0.86**	**0.81**	**0.95**	**0.87**
13 OPERATING EARNINGS BEFORE LOSSES AND TAXES					
Profits after taxes **+** tax cost **+** writedowns and losses on loans and guarantees	Profit after taxes	260 772	277 072	213 608	246 676
	Tax cost	50 160	56 361	37 173	47 391
	Writedowns and losses on loans and guarantees	24 689	13 471	23 415	14 360
	Operating earnings before losses and taxes	**335 621**	**346 904**	**274 195**	**308 427**
14 LIQUIDITY INDICATOR (LCR)					
Liquid assets **/** Net liquidity disposals within 30 days in a stress scenario	Liquid assets	2 357 175	3 124 912	2 223 841	3 056 578
	Net liquidity disposals within 30 days in a stress scenario	955 867	1 498 147	885 414	1 438 789
	LCR	**247 %**	**209 %**	**251 %**	**212 %**

PRINCIPLES OF RESPONSIBLE BANKING – UNEP FI PRB

Principle/requirement	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.	
1.1 Description of business model	Sandnes Sparebank is an independent savings bank and a member of the Eika Alliance, with its head office in the municipality of Sandnes. The Bank offers a broad range of banking and investment products to retail and corporate customers. Retail market loans constitute about 70% of the Group's loan portfolio, and the corporate market 30%. The Group is also involved in real estate brokerage through its subsidiary, Aktiv Eiendomsmegling. For more, please refer to the Directors' Report.	AR p 38
1.2 Business strategy alignment	In the Bank's work on the development of its sustainability strategy, the Bank has used the UN's sustainability goals and the reduction targets of the Paris Agreement as a useful compass for defining priorities with respect to where the Bank has influencing opportunities. In particular, the Bank has related objectives and priorities to six select sustainability objectives towards which the Bank is able to really make a positive contribution and make a difference. Please refer to the chapter on sustainability, and web pages for further details.	AR p 11 + https://sandnes-sparebank.no/samfunnsansvar/baerekraft-strategi

Principle/requirement	Reporting	Reference
PRINCIPLE 2 Impact and Target Settings	We will 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	Sandnes Sparebank works with the Eika Alliance to implement an influence analysis in line with the UNEP FI methodology. The objective is to have it completed during 2021. However, through different analyses, the Bank has completed a materiality assessment, and is working on priorities, targets and activities based thereon.	AR p 13
2.2 Target setting	The Bank's preliminary objective is based on the materiality analysis we conducted. The Bank will reconsider its objectives annually, and in connection with the influence analysis mentioned above.	AR p 13-20
2.3 Plan for Target Implementation & Monitoring	KPI's are measured and followed up periodically. Please refer to a further description in the annual report under Sustainability and social responsibility.	AR p 13-20
2.4 Progress on Implementing Targets	Please refer to the description in the annual report under Sustainability and social responsibility for the status of various sustainability objectives, and the plan for further work.	AR p 13-20

Principle/requirement	Reporting	Reference
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	Please refer to the Bank's report – guidelines for sustainability and social responsibility, chapter 4, as well as the description under Responsible credit in the annual report.	https://sandnes-sparebank.no/samfunnsansvar AR p 17
3.2 Sustainable practices with clients and customers	The Bank is rewarding its environmentally conscious customer with favorable terms on green loans. The Bank's customers are able to invest their savings in sustainable fund products from Eika Kapitalforvaltning. Sandnes Sparebank will continue to focus on product development and competency improvement in order to encourage and provide advice on sustainable realignment for its customers. Please refer to a further description under Responsible credit and Responsible investment.	AR p 16-17

AR = Annual Report

PRINCIPLES OF RESPONSIBLE BANKING – UNEP FI PRB CONT.

Principle/requirement	Reporting	Reference
PRINCIPLE 4 Stakeholders	We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.	
4.1 Stakeholders consultation, engagements and partners	Please refer to the description of the dialog with and summary of our stakeholders under stakeholder engagements.	AR p 12

Principle/requirement	Reporting	Reference
PRINCIPLE 5 Governance & Culture	We will implement our commitment to these Principles through effective governance and a culture of responsible banking.	
5.1 Governance structure	Sandnes Sparebank has a sustainable and responsible form of corporate management that provides a solid foundation for implementing and further developing our sustainability strategy. Please refer to the chapter on Corporate governance and management for further information.	AR p 21
5.2 Inititatives and measures	Please refer to the chapter on sustainability in the annual report, for a description of measures completed in 2020, and targets set for 2021	AR p 13-20
5.3 Governance structure for implementation of the Principles	The Bank's sustainability strategy has been discussed by the Board of Directors. The management team and the Board of Directors periodically review the status with respect to objective attainment throughout the year.	AR p 11-20

Principle/requirement	Reporting	Reference
PRINCIPLE 6 Transparency & 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	In the autumn of 2019, Sandnes Sparebank endorsed the principles, and is now reporting for the first time in connection with the 2020 Annual Report. The Bank has laid a plan for the implementation of an influence analyses, and the further work needed with respect to the measures and targets necessary in order to achieve the best possible positive and least possible negative impact on national and global sustainability objectives. The Bank will report annually on the progress of our work. Please also refer to the reporting in line with the recommendation from TCFD, and the GRI standards.	AR p 137 og 139

TCFD DISCLOSURE INDEX

Climate risk – reporting on the Task Force on Climate Related Financial Disclosure

Governance	Disclose the organization'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 has discussed and considered climate risk at several occasions during 2020: - Strategy meeting, discussion and review of sustainability strategy, including the Bank's current documented climate risk exposure, and further objectives and planned work related to the issue. - Quarterly risk assessment, including climate risk. Primary related to the loan portfolio.	Board of Directors' Report
B Describe management's role in assessing and managing climate-related risks and opportunities	The Risk Manager is responsible for incorporating climate risk, in cooperation with the Sustainability Manager, both of whom report to the CFO. Resources and competencies are also drawn from the Corporate Market and the Eika Alliance.	Corporate governance and management

Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material.	Reference
A Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	General analyses conducted have concluded that it is mainly through lending to the corporate market that the Bank is exposed to climate risk, in the medium and long term, but partially also in the short term. The Bank considers commercial real estate, construction and agriculture to be the sectors with the highest inherent climate risk, however, we also see great opportunities for positive influence on these industries. This is also the reason why the Bank have started green product development directed at these industries, and are currently offering green agricultural loans and green home mortgages.	Sustainability and social responsibility, note 7 and 8
B Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning	The UN's sustainability objective no. 13 – stopping climate change, is one of the sustainability objectives to which the Bank specifically works. Work to map and handle exposure to climate risk is included in the Bank's strategy and governing documents, including its credit policy. Sandnes Sparebank collaborates with Eikagruppen regarding the development and improvement of tools and risk models that take climate risk into account. This work will continue in 2021.	Sustainability and social responsibility
C Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	We are in dialog with Eikagruppen regarding the implementation of a scenario analysis. It is our goal to have this implemented during 2021.	Sustainability and social responsibility

Risk management	Disclose how the organization identifies, assesses, and manages climate-related risks.	Reference
A Describe the organization's processes for identifying and assessing climate-related risks.	The Bank conducts an annual risk assessment, in which ESG and climate risk are included. In cooperation with the head of sustainability and the head of credit for the corporate market, Risk and Compliance has done an overall risk analysis of climate risk in the loan portfolio. When granting credit in the corporate market, we conduct an assessment of ESG issues in general, and climate risk in particular. During 2021, we will further develop the assessment, and system support and risk models, in order to take ESG risk factors into account.	Corporate governance and management, as well as note 7 and 8
B Describe the organization's processes for managing climate-related risks.	We conduct quarterly evaluations of the Bank's risk exposure, including ESG risk. The report is presented to group management and the Board of Directors. In other respects, we refer to the annual report for measures completed and further objectives for the handling of climate related risk, both in credit and operationally.	Sustainability and social responsibility, note 7 and 8
C Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Risk and Compliance is responsible for the annual mapping of risk exposure, in which ESG and climate risk are included as part of the identification and evaluation of total risk. The Risk manager is responsible for the quarterly reporting of status.	Corporate governance and management, as well as note 7 and 8

TCFD DISCLOSURE INDEX CONT.

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 organization to assess climate-related risks and opportunities in line with its strategy and risk management process	In 2020, the Bank has conducted a qualitative evaluation of ESG matters in general, and climate risk in particular, as an integral part of corporate market credit assessment, and through the ICAAP process. During 2021, we will improve our competencies further, and system support and models, with respect to the calculation of exposure and capital requirements for climate related risk factors.	Note to the annual financial statements – note 7 and 8
B Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	We refer to the climate statement attached to the annual report for details regarding the reporting of scope 1, 2, and 3, and our own reduction targets. With respect to risk assessment, however, we consider our own emissions as less decisive, while climate considerations in credit and investments are of far higher significance. This is also part of the basis for our materiality analysis, and the prioritization of measures and objectives.	Ref p 140

GRI INDEX 2020

GRI Standard	General Disclosures	Reference	Reporting in index directly
	GENERAL INFORMATION		
	Organization profile		
102-1	Name of the organization		Sandnes Sparebank
102-2	Activities, brands, products, and services	AR p 38	
102-3	Location of headquarters		Sandnes
102-4	Location of operations		1 - Norway
102-5	Ownership and legal form	AR p 32	
102-6	Markets served	AR p 32	
102-7	Scale of the organization	AR p 5, 32,38	
102-8	Information on employees and other workers	AR p 15,40	
102-9	Supply chain	AR p 14,38	
102-10	Significant changes to the organization and its supply chain		No major changes
102-11	Precautionary Principle or approach	AR p 11,17 SR p 6	We support and acknowledge the principles of the UN Global Compact
102-12	External initiatives	AR p 11	UNEP FI, GRI
102-13	Membership of associations		Finance Norway, UNEP FI
	Strategy		
102-14	Statement from senior decision-maker	AR p 3	
	Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	AR p 11,15,18 SR p 6,8	
	Corporate governance		
102-18	Governance structure	AR p 7,38	
102-22	Composition of the highest governance body and its committees	AR p 8	
	Engagement with stakeholders		
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 12,13	
102-43	Approach to stakeholder engagement	AR p 12,13	
102-44	Key topics and concerns raised	AR p 12,13	
	Reporting practice		
102-45	Entities included in the consolidated financial statements	AR p 38,115	
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		Ingen
102-49	Changes in reporting		GRI index, TCFD reporting and UNEP FI reporting included
102-50	Reporting period		2020
102-51	Date of most recent report		March 18, 2020
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 table 2020
102-56	External assurance		The report is certified by Deloitte

AR = Annual Report
SR = Sustainability Report (https://sandnes-sparebank.no/samfunnsansvar)

GRI Standard	General Disclosures	Reference	Reporting in index directly
	MANAGEMENT APPROACH		
103-1	Explanation of the material topic and its Boundary	AR p 13	
103-2	The management approach and its components	AR p 3,11,38	
103-3	Evaluation of the management approach	AR p 11, 15-20,24	
	ECONOMIC PERFORMANCE		
201-1	Direct economic value generated and distributed	AR p 5,42	
201-2	Financial implications and other risks and opportunities due to	AR p 16-17, 65,137	
201-3	Defined benefit plan obligations and other retirement plans	AR p 99-100	
205-1	Operations assessed for risks related to corruption	AR p 18,19	
205-2	Communication and training about anti-corruption policies and procedures	AR p 18,19	
205-3	Confirmed incidents of corruption and actions taken	AR p 18,19	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	AR p 18,19	
	ENVIRONMENTAL INDICATORS		
302-1	Energy consumption within the organization	AR p 14	
305-1	Direct (Scope 1) GHG emissions	AR p 140	
305-2	Energy indirect (Scope 2) GHG emissions	AR p 140	
305-3	Other indirect (Scope 3) GHG emissions	AR p 140	
	SOCIAL INDICATORS		
401-1	New employee hires and employee turnover	AR p 15	
403-8	Share of employees comprised by HES management system	AR p 15	
403-9	Work related injuries	AR p 15	
403-10	Work related harm to health	AR p 15	
404-1	Average hours of training per year per employee	AR p 15	
404-3	Percentage of employees receiving regular performance and career development reviews	AR p 15	
405-1	Diversity of governance bodies and employees	AR p 15,40	
405-2	Ratio of basic salary and remuneration of women to men	AR p 15,40	
406-1	Incidents of discrimination and corrective actions taken	AR p 15	None
417-1	Requirements for product and service information and labeling	AR p 18	
417-2	Incidents of non-compliance concerning product and service information and labeling	AR p 18	None
417-3	Incidents of non-compliance concerning marketing communications	AR p 18	None
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	AR p 19	None
419-1	Non-compliance with laws and regulations in the social and economic area		None
	INDUSTRY SPECIFIC INDICATORS		
FS7	Value of products and services developed to provide specific social benefits	AR p 17	
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	AR p 16,17	
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on social and environmental issues	AR p 16-17	
FS11	Percentage of assets subject to positive and negative environmental or social screening	AR p 16	

ENERGY AND CLIMATE ACCOUNTS

Category	Unit	2020	2019	Change from prior year
SCOPE 1				
Transportation				
Diesel (NO)	tCO_2e	0.3	0.2	34.3 %
Scope 1 Total emissions	tCO_2e	**0.3**	**0.2**	**34.3 %**
SCOPE 2				
Remote heating/cooling				
Remote cooling	tCO_2e	0.2	3.7	-93.5 %
Remote heating	tCO_2e	0	1.5	-100.0 %
Electric power				
Electric power Nordic mix	tCO_2e	12	14.9	-20 %
Scope 2 Total emissions	tCO_2e	**12.2**	**20.1**	**-39.1 %**
SCOPE 3				
Commuting home – office				
Bus	tCO_2e	3.6	6.1	-41 %
Train	tCO_2e	2.2	3.8	-41 %
Car, fossil	tCO_2e	11.6	19.6	-41 %
Electric car, motorcycle	tCO_2e	0.6	1.1	-41 %
Total, commuting	tCO_2e	**18**	**30.6**	**-41 %**
Flights				
Domestic	tCO_2e	6.3	34.2	-81.7 %
Nordic region	tCO_2e	0.5	5.2	-90.0 %
Total, flights	tCO_2e	**6.8**	**39.4**	**-82.7 %**
Business travel				
Car	tCO_2e	1.0	0.5	93.0 %
Waste				
Paper waste, recycling	tCO_2e	0.1	0.1	-19.6 %
Scope 3 Total emissions	tCO_2e	**25.9**	**70.6**	**-63.3 %**
Total (S1+S2+S3)	tCO_2e	**38.5**	**91.0**	**-57.7 %**

Statement pursuant to § 5-5 of the Norwegian Securities Trading Act

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 2020, 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, 17 March 2021
The Board of Directors of Sandnes Sparebank

Harald Espedal Chairman of the Board	**Frode Svaboe** Deputy Chairman	**Bjørg Tomlin** Director
Astrid Rebekka Norheim Director	**Sven Chr Ulvatne** Director	**Jan Inge Aarreberg** Employee representative
Ingrunn Ruud 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. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2020, and 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 financial statements of the group, which comprise the balance sheet as at 31 December 2020 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 in the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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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 IT operations, change management and information security. 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 one of Sandnes Sparebanks service providers 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 31.12.2020. There is a considerable amount of judgement involved in estimating the loan loss provisions within the corporate segment.	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

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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 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.	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 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

Management is responsible for the other information. The other information comprises 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 other information and we do not express any form of assurance conclusion thereon.

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

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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional skepticism 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 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'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 to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance 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 those charged with governance, 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.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Stavanger, 17 March 2021
Deloitte AS

Bjarte M. Jonassen
State Authorised Public Accountant

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

Certification of 2020 sustainability report

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To the Management of Sandnes Sparebank

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON SANDNES SPAREBANK SUSTAINABILITY REPORTING FOR 2020

We have been engaged by the Management of Sandnes Sparebank to provide limited assurance in respect of their sustainability reporting for 2020 ("the Report"). The Report is included in the Sandnes Sparebank Annual Report 2020 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 2020 to be included in the Report, as described in the Report.
- Sustainability information presented for 2020 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 2020 appropriately reflects where information on each of the reported standard and specific disclosures of the GRI Standards and other indicators are presented.

Stavanger, 17 March 2021
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.

Design: Fasett 2021

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