Den Gule Banken This is the report for 2022

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The year 20 22

It has been a strange year. It started with strict Covid-19 restrictions and working from home.

Then, towards the end of February, Russia invaded Ukraine, which was both shocking and appalling. Most of all for the Ukrainian people, although also for the Russian people.

The invasion of Ukraine had an immediate impact on oil, gas and electricity prices. Russia reduced supplies resulting in energy shortages. We have also just finished a year in which prices for goods and services rose sharply. You would have to go all the way back to the 1980s to find equally high inflation. This has impacted Norway's economy and the economies of our neighbouring countries. Quite simply the economy was overheating and needed to be cooled down. That meant that spending had to be tightened. The main instrument available to the authorities to do this is raising the policy rate. When rates rise, money becomes more expensive. Demand for goods and services will decline, and the hope is that this will help bring down inflation.

Interest rates have risen in Norway and among our trading partners in Europe and the US. According to Norges Bank's most recent interest rate trajectory, at least one more rate increase can be expected before we reach peak interest rates. These are difficult times, particularly for those who already have the least to spare. However, even 'average' families and some industries will note the changes. For people and families, the hardest aspects are the cost of electricity and higher food costs and interest rates. For companies, it is electricity and transport costs, and for some companies certain raw materials as well. However, it appears that most of Den Gule Banken's customers are currently doing fine. Business activity in the region remains good. It is also good that house prices in the region have remained relatively stable for the past 10 years. This provides a kind of buffer against a sharp fall in house prices.

Den Gule Banken saw high levels of activity in 2022. Thanks to our energetic, professional employees, we can point to, for example, formidable lending growth of 12% in Retail Market. This was possible for several reasons. The bank is keen to listen to and support customers. We are committed to delivering properly, being relevant and providing good customer experiences. The bank has a strong brand, and it is clear to us that more customers, both retail and corporate, want to be our customers. The bank shares its profits by way of contributions to good causes, which are important for value creation in the region and spread delight and excitement. The bank also distributes customer dividends to all customers, both in the retail and corporate markets.

We find that we are considered an attractive employer. This helps us retain skilled people and attract new qualified and relevant personnel. We are committed to cultural development and believe that we have a strong corporate culture and a high degree of internal engagement. In the last half-year 2022, we worked on establishing new values. Not as a desktop exercise. We believe it is important to have values that say something about who we are, how things should be in our organisation and what will be important going forward. The bank's new values were adopted by the Board of Directors on 07.02.2022. Our new values are happy, tuned in and personal. We want to be playful, while at the same time being professional. We are, and want to be, the different bank.

Den Gule Banken can point to good underlying operations and results in 2022. During the year, the bank has prepared itself for new growth and greater profitability. We have invested in new expertise in Retail Market and Corporate Market, and we have invested in support functions with expertise within areas such as analysis and anti-money laundering. We have adjusted our strategy and how we work in Corporate Market, and going forward will be more visible and perceived as more relevant for more small and medium-sized enterprises in the region. We have invested heavily in developing technology in the past 2 years and will during the first-half year 2023 convert to a new core banking system. This will contribute to better solutions, both for customers and employees, and lower costs.

Thank you for the past year. We look forward to working with customers and partners in 2023 as well.

Trine K Stangeland

Trine Karin Stangeland
CEO

Key figures as at 31.12.2022

Group			Parent Bank	
Full year 2022	**Full year 2021**	**Profit summary** (amounts in NOK thousands)	**Full year 2022**	**Full year 2021**
495 687	456 095	Net interest income	417 591	352 671
153 790	154 286	Other operating income	132 114	170 135
324 093	314 483	Other operating costs	284 363	277 403
11 345	-32 340	Net loss/impairments	12 401	-33 699
314 040	**328 238**	**Operating profit before tax**	**252 942**	**279 101**
47 874	46 933	Tax expense	34 155	27 996
266 166	**281 305**	**Operating profit after tax**	**218 786**	**251 106**
235 652	45 223	Other comprehensive income (OCI) (after tax)	235 888	45 136
501 818	**326 528**	**Comprehensive income**	**454 674**	**296 242**
501 333	325 262	Controlling interest's share of the profit		
484	1 266	Non-controlling interest's share of the profit		

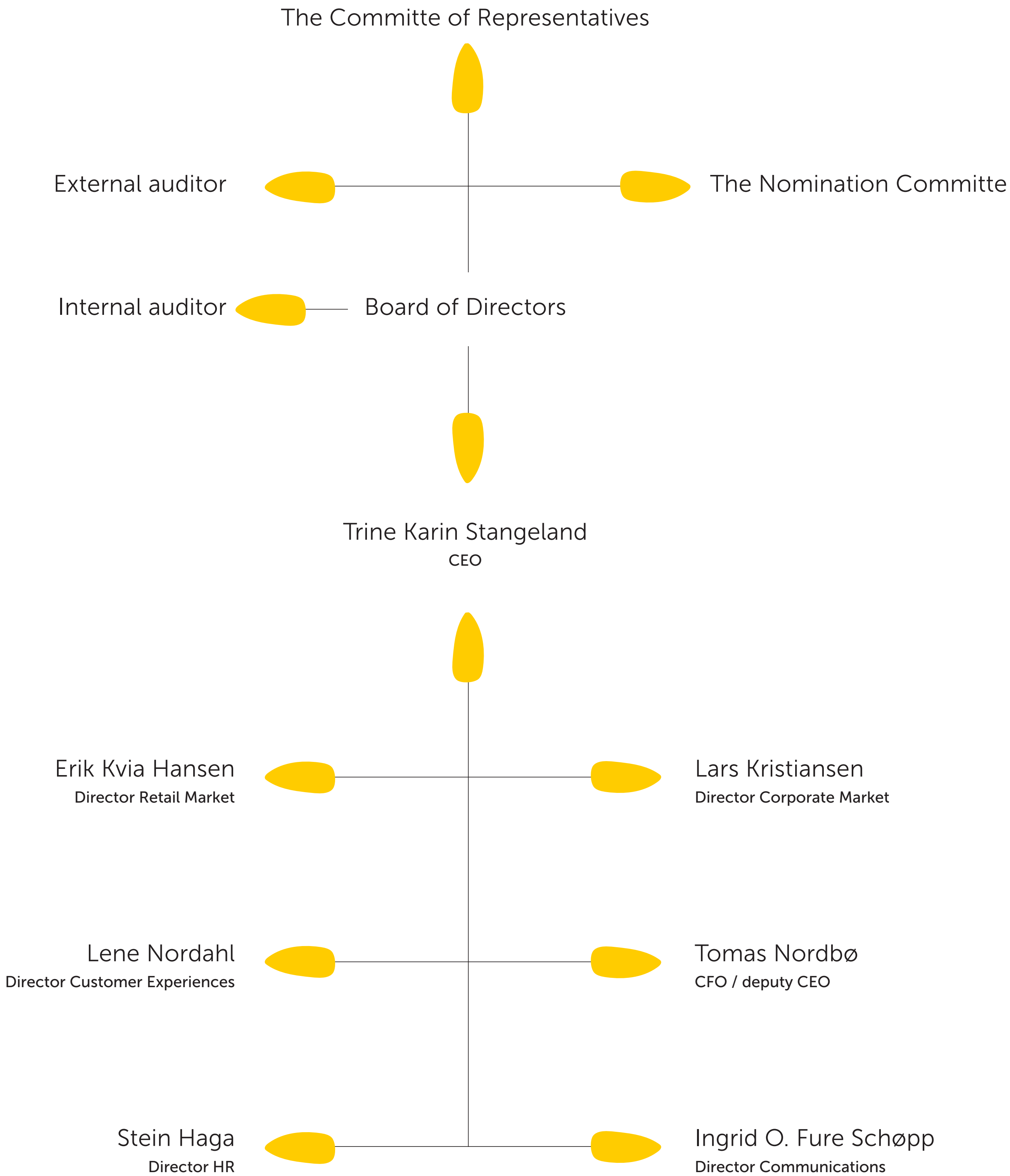
31.12.2022	**31.12.2021**	**Excerpts from balance sheet** (amounts in NOK millions)	**31.12.2022**	**31.12.2021**
32 221	29 373	Total assets	21 412	20 711
30 797	29 304	Average total assets	21 062	20 899
26 964	25 392	Loans to customers	15 053	15 574
13 365	12 842	Deposits from customers	13 367	12 847
3 633	2 798	Certificates and bonds	2 759	2 240
151	142	Financial derivatives	172	104
3 397	3 075	Equity	3 050	2 775

31.12.2022	**31.12.2021**	**Key figures**[1]	**31.12.2022**	**31.12.2021**
		Performance past 12 months		
9.7 %	0.5 %	- Asset management	3.4 %	-1.8 %
6.2 %	5.5 %	- Lending	-3.3 %	2.9 %
4.1 %	7.7 %	- Deposits	4.0 %	7.7 %
49.6 %	50.6 %	Deposit-to-loan ratio	88.8 %	82.5 %
293.0 %	198.1 %	Liquidity coverage ratio (LCR)	235.8 %	196.2 %
		Profitability		
1.61 %	1.56 %	Net interest income as % of average total assets	1.98 %	1.69 %
49.9 %	51.5 %	Cost-to-income ratio	51.7 %	53.1 %
1.1 %	1.1 %	Total costs as % of average total assets	1.4 %	1.3 %
10.0 %	11.3 %	Return on equity before tax	9.0 %	10.6 %
8.5 %	9.7 %	Return on equity after tax	7.8 %	9.6 %
8.3 %	9.5 %	Return on equity after tax, interest on hybrid capital	7.6 %	9.4 %
		Financial strength[2]		
20.7 %	18.5 %	Capital adequacy ratio	23.3 %	20.4 %
18.4 %	17.2 %	Tier 1 capital ratio	20.3 %	18.9 %
17.8 %	16.6 %	CET1 capital ratio	19.4 %	18.1 %
16 638	16 689	Risk-weighted capital	12 002	12 894
		Human resources		
151	138	No. of full-time equivalents (FTEs) on balance sheet date	125	116
		Equity certificates		
93.8	98.8	Market price	93.8	98.8
63.5 %	63.4 %	Equity certificate percentage	63.5 %	63.4 %
8.1	8.5	Earnings per equity certificate	6.6	7.6
8.1	8.5	Diluted earnings per equity certificate	6.6	7.6
99.9	90.2	Book equity per equity certificate	89.4	81.1
0.94	1.10	Price/book equity (P/B)	1.05	1.22

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

Organisation, the management group and the board of directors

Organisation and management group



The board of directors


(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

Harald Espedal (1)

Chair of the Board

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

Frode Svaboe (2)

Deputy Chair

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

Sven Chr Ulvatne (3)

Board member

Sven Christian Ulvatne graduated in engineering from the Norwegian University of Science and Technology (NTNU) and is currently managing his own company, Ulvatne AS. Ulvatne has previous experience as a regional manager for Backe Prosjekt AS, CEO from companies such as Backe Entreprenør, Backe Bygg, NCC Construction, Sandnes Eiendom and AS Betong, in addition to leading positions with Block Watne and Aadnøy Entreprenør. He sits on the boards of various companies, including as Chair of the Board of his own investment company. Ulvatne also holds a number of elected offices in industry associations such as the Confederation of Norwegian Enterprise (NHO), the Federation of Norwegian Construction Industries (BNL), the Contractors Association - Building and Construction (EBA) and Standards Norway. *Ulvatne holds 2 701 equity certificates personally, plus 9 300 equity certificates via his investment firm Ulvatne AS.*

Bjørg Tomlin (4)

Board member

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

Astrid Rebekka Norheim (5)

Board member

Astrid Rebekka Norheim has been the EVP Customer & Market of Lyse AS since 2021. She holds a Bachelor of Business Administration from BI Norwegian Business School, supplemented with several management development programs from the same institution. She has 21 years of experience from various roles in SpareBank 1 SR-Bank, including Director of High Net Worth Individuals and Agriculture and Director of Savings, Investments and Pensions. Member of the board since 2020. *Norheim holds 6 394 equity certificates.*

Wenche Drønen Christenssen (6)

Board member

Wenche Drønen Christenssen holds a Bachelor of Banking/Finance and a Master of Organisational Psychology and Management from BI Norwegian Business School. She is currently HR Director at Kuehne + Nagel Norway. Christenssen has senior management experience from various companies, primarily within finance, insurance and accounting. In the past few years she has been the Executive Vice President Market & Organisation in Fremtind Forsikring AS, the CEO of SpareBank 1 Regnskapshuset AS and, prior to that, the Executive Vice President Organisation & HR in SpareBank 1 SR-Bank. Member of the board since 2021. *Christenssen holds 2 240 equity certificates..*

Ingunn Ruud (7)

Employee representative

Ruud holds a Bachelor of Business Administration from the University of Stavanger. She has six years of experience as an authorized financial advisor from Sparebanken 1 SR-bank. Employed by Den Gule Banken, Sandnes Sparebank since 2012 and currently works as Team Leader Credit PM. Ingunn Ruud is head of Employee representatives in the bank, deputy chairman of Finansforbundet in Eika Gruppen and board member of Finansforbundet, Rogaland Region. Member of the board since 2020. *Ruud owns 800 equity certificates*

Joakim De Haas (8)

Employee representative

Joakim De Haas holds a Bachelor of Business Administration from BI Norwegian Business School. He joined Den Gule Banken, Sandnes Sparebank in 2011 and currently works as a corporate customer adviser. He has been the employee representative on the Board of Directors since spring 2021. *De Haas holds 2 117 equity certificates.*

The management group


(1)


(2)


(3)


(4)


(5)


(6)


(7)

Trine Karin Stangeland (1)

CEO

Trine Karin Stangeland holds a Bachelor of Economics and a Master of Strategic Management from BI Norwegian Business School. She has many years of management experience from the Lyse Group, from 2005 to 2016, most recently as CEO of Lyse Dialog. Prior to that she had several years of management experience in economics and finance from industry. Stangeland is the Deputy Chair of the Board of Directors of Eika Gruppen, a board member of Eika Banksamarbeid and Chair of the Board of Kjell Haver Regnskapsservice. She joined Den Gule Banken, Sandnes Sparebank in February 2017. *Stangeland holds 27 617 equity certificates.*

Tomas Nordbø (2)

CEO/Deputy CEO

Tomas Nordbø Middelthon holds a Bachelor of Commerce/Business Studies, is an authorised financial analyst and holds an MBA in Finance from NHH - Norwegian School of Economics. He joined Den Gule Banken, Sandnes Sparebank after 7 years with SKAGEN Funds, where he spent 5 years as a portfolio manager and 2 years as a risk manager. Prior to that he spent 4 years as a senior consultant within financial services in Statoil. Middelthon took up his position as CFO in April 2017 and is also the Deputy CEO. *Middelthon holds 30 758 equity certificates.*

Lars Kristiansen (3)

Director Corporate Market

Lars Kristiansen was educated at Harstad University College, BI Norwegian Business School and IMD in Switzerland. He joined Den Gule Banken, Sandnes Sparebank after 16 years as a manager in the Danske Bank Group. He spent the last 6 years of this period as Regional Director Corporate Market South/West and Regional Manager for Danske Bank in Stavanger. Prior to that he spent 4 years as a regional manager in Storebrand and he has also had several other management roles in business.
Kristiansen holds 2 827 equity certificates.

Ingrid O. Fure Schøpp (4)

Director Communications

Ingrid O. Fure Schøpp holds a Cand. Mag. degree from Hamar College of Education and the University of Stavanger. She has previously held the positions of marketing manager and information manager in the bank. Schøpp is the bank's media contact and is also responsible for the bank's overall market communication and brand building. *Schøpp holds 11 054 equity certificates.*

Erik Kvia Hansen (5)

Director Retail Market

Erik Kvia Hansen graduated in marketing from BI Norwegian Business School. He spent 10 years in the retail market in Nordea in Rogaland, including as a customer adviser, branch manager and regional manager in the retail market with a primary focus on new sales. He also has 7 years of experience as a project manager within CRM and product department from the markets department in GE Money Bank. *Kvia holds 4 261 equity certificates.*

Lene Nordahl (6)

Director Customer Experience

Lene Nordahl studied Economics and Informatics at the University of Stavanger. She has 11 years of experience from various roles in GE Money Bank and 6 years in Lyse Dialog AS, where she had was the Strategic Customer Service Manager.
Nordahl holds 4 719 equity certificates.

Stein Haga (7)

Director HR

Stein Haga holds a Bachelor of Commerce/Business Studies from the University of Oregon, USA, and a Master of Management from BI Norwegian Business School. His previous experience includes working as an HR and organisation consultant in Sandnes Municipality, HR manager in Marine Well Service and a manager in EgroBlueGarden. Haga has been the Director HR in Den Gule Banken, Sandnes Sparebank since 2004. *Haga holds 11 918 equity certificates.*

Good citizenship

Corporate governance

Investor information

Sustainability and social responsibility

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

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

The Board of Trustees is the bank's supreme body and supervises the Board of Directors' management of the bank. The Board of Trustees approves the bank's articles of association and financial statements, and also elects the bank's Board of Directors, Nomination Committee and external auditor. In addition, the Board of Trustees allocates the amounts that may be used for good causes pursuant to section 10-7 of the Financial Institutions Act and determines whether to raise subordinated loan capital.

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

Responsible business conduct is ensured by integrating sustainability and social responsibility into our business processes. All bank employees review **the bank's policies** in the area of sustainability and social responsibility every year.

The policies are designed to ensure that the bank does not contribute to breaches of human and labour rights, corruption, serious environmental damage and other unethical acts, and that we contribute to the transition to a more sustainable society. Sustainability and social responsibility have been integrated into the bank's **key policies**, such as our credit policy, investment policy for asset managers, and risk assessment procedures.

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

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

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

website for a description of how we contribute to achieving the selected SGDs.

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

Climate change poses a risk to society, enterprises and banks. The bank is primarily exposed to **climate-related risk** through our lending. Physical risk and restructuring risk affect credit risk and operational risk. For more detailed information about restructuring products and managing climate-related risk see the section on responsible lending, as well as notes 7 and 8 and the TCFD report on p. 144.

The **regulatory framework** for defining and reporting on sustainability is evolving rapidly. The bank takes a very positive view of the EU's Sustainable Finance initiative. Regulations via the taxonomy and Corporate Sustainability Reporting Directive (CSRD) will ensure the SDGs are achieved, reduce greenwashing, ensure comparability and channel capital towards defined sustainable activities. The bank believes we are well-prepared for the increased reporting requirements that are expected given that we already comply with GRI recommendations and section 3-3 of the Accounting Act, as well as our continuous work on ensuring the recommendations of TCFD are operationalised. (See the appendix on p. 144.) The biggest challenge identified by the bank so far in relation to increased reporting requirements is access to data regarding our corporate market loan portfolio. The bank will prioritise resolving this challenge in the coming year, including via expected simplifications in relation to accessing and collecting energy class data for commercial properties.

The bank has chosen to integrate ethics and sustainability into our policies and procedures. We comply with a number of internationally recognised principles and initiatives. These guide our actions when it comes to granting credit to our customers, internal conditions and decisions, as well as investments in our liquidity portfolio. An exhaustive list of the principles and initiatives the bank complies with is available in the bank's policies, which are available on our website: https://www.dengulebanken.no/samfunnsansvar.

Stakeholder engagement

Sandnes Sparebank is committed to openness and engagement with our stakeholders, which allows us to get their input and take account of it in our operations. The bank has several points of contact with our stakeholders over the course of the year. An overview of the bank's engagement with stakeholders in 2022 is provided below:

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

Materiality analysis

In winter 2019/2020, the bank conducted a comprehensive internal analysis aimed at identifying the goals and actions through which the bank can best have an impact. We updated this work in autumn 2022. Otherwise no material changes were identified in 2022.

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

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

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

• Contributing to sustainable transition through grants from the Gift Fund • Energy consumption and our reduction goals for greenhouse gas (GHG) emissions, waste, water and paper consumption.	• Contributing to customers' sustainable transition through advice and product development/ensuring responsible lending and investing. • Ensuring ESG risk management and exposure is in line with policy. • Combating economic crime. • Compliance with information security, privacy.
• Diversity and equal opportunities • Responsible purchasing.	• Training, including in sustainability and climate-related risk in particular.

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

SIGNIFICANCE FOR CLIMATE RELATED/ENVIRONMENTAL AND ETHICAL/SOCIAL VALUE

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

The bank sets sustainability objectives each year that are designed to achieve our goals in line with the conducted materiality analysis and our long-term strategic plan. Sandnes Sparebank prioritises goals and measures for our operations and corporate culture, for the bank's customers and for the bank's role as a socially responsible stakeholder. The following sections describe the status of our goals for 2022, as well as what we have done, and our priorities for 2023:

Responsible operations

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

What the bank has done:

The annual climate report has been a useful tool for measuring the bank's emissions. It has also contributed to greater awareness in the bank and ensured that we have throughout the year focused on identifying and proactively implementing resource saving measures. 2020 and 2021 were 2 years marked by Covid-19 measures with extensive working from home and abnormally few in-person meetings. It is therefore natural to compare the emission targets with 2019. We have learned from our experience of greater flexibility and working from home and have changed our policies and corporate culture. Our positive experience with digital meetings, both internal and with the business community in general, has reinforced the bank's belief in having ambitious emission targets going forward as well.

During the course of 2022, the bank updated its purchasing policy to comply with the Transparency Act, which came into effect 01.07.2022. As part of ensuring that our business activities contribute to a sustainable society, it is important to us that our suppliers take a conscious approach to human rights, labour rights, working conditions, environmental protection, anti-money laundering and tax.

The bank's goals have been to update its sustainability reporting in line with the new GRI and implement the new requirements as they are launched. The bank also reports to the Ethical Bank Guide, where in 2022 we climbed to fifth place and improved our score by 3 percentage points.

- Eco-friendly transport - The greatest impact the bank can have in terms of reducing emissions from our operations is to cut our emissions from transport, i.e. commuting and other work-related travel, especially flights. Videoconferencing is used whenever possible. The bank participates in the HjemJobbHjem ('HomeWorkHome') public transport scheme. Nearly 30% of the bank's employees made use of the scheme in November 2022. Overall, the number of purchased HjemJobbHjem tickets increased, from a total of 142 in 2021 to 273 for 2022. The scheme also allows employees to lease electric bikes. So far 22 employees have taken advantage of this opportunity. The bank ended its agreement with the electric car sharing service Flaate in 2021. The bank has instead acquired an electric van and an electric car. This means that all employees have access to an electric car for customer meetings outside our offices and that all van use was switched from diesel to electric in 2021. The bank's Scope 3 emissions were abnormally high in 2022 due to two group trips abroad for the bank's employees. The bank's goal is to maintain an emissions level of 50% of the level in 2019.

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

- Sustainable purchasing – the bank requires our suppliers to proactively comply with human rights, labour rights and working conditions, environmental protection and anti-money laundering regulations. The Transparency Act came into effect 01.07.2022, and the bank has updated its purchasing policy and conducted due diligence assessments of its suppliers in line with the requirements of the Act. The bank strives to ensure that all of our purchases are sustainable and of good quality in order to avoid waste and unnecessary consumption. The bank's purchasing policy describes the applicable principles for purchasing in more detail. The bank maintained a dialogue with several suppliers in 2022 to ensure that their business operations were as sustainable as possible. Our canteen services provider focuses heavily on sustainable operations and is ISO certified in relation to quality management and environmental management. Eika Gruppen was Eco-Lighthouse certified in 2021 and carries out ESG assessments of suppliers in line with the certification criteria, as well as due diligence assessments in line with the Transparency Act. The assessments cover many of the bank's largest suppliers. Since the Transparency Act came into effect 01.07.2022, the bank has reviewed it suppliers and conducted assessments of each supplier's impact with respect to the climate, environment, social conditions, ethics and responsible business conduct. The bank's purchasing policy was revised in 2022 along with the associated supplier self-declaration that the bank's new suppliers must sign. The self-declaration has also been sent out to existing suppliers.

- Climate-neutral bank. The bank's climate report is available in the appendix. The table below provides a selection of key figures for 2022 and 2021. The bank's greenhouse gas emissions increased in 2022 compared with 2021, primarily due to two trips abroad made by the bank's employees in 2022. Sandnes Sparebank's total emissions were compensated for through carbon credits as at 31.12.2022. VER carbon credits issued by the Gold Standard Foundation are used and these are based on the UN's rules for climate change mitigation projects in developing countries.

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

Name	Unit	2022	2021	2020
Scope 1 emissions	tCO_2e	0	0	0.3
Scope 2 emissions	tCO_2e	10.6	10.1	12.2
Scope 3 emissions	tCO_2e	60.5	19	22.8
Total (S1+S2+S3)	**tCO_2e**	**71.0**	**29.1**	**35.4**

Key figures – Energy and climate indicators

Name	Unit	2022	2021	2020
tCO_2e/ sales		118.40	47.60	58.50
tCO_2e/ man-labor years		507.30	223.60	304.90
$kgCO_2e$/ sqm		19.4	7.9	9.6
kWh/ sqm		0.1	0.1	0.1
Sales	NOK million	600.0	610.4	604.6
Man-labor years	Number	140	130	116

Future priorities:

Sandnes Sparebank has set several reduction targets for the strategy period. The bank will continue to focus on ensuring eco-friendly transport provision for employees and reduce flights to a minimum. Significantly reduced travel and more digital meetings from 2020 to today had positive effects in the form of lower costs and GHG emissions, as well as more efficient time use. At the same time, the bank recognises the value of in-person meetings with customers, partners and others. The bank will continue to encourage the use of digital meetings and the most eco-friendly transport possible when travel is required. The bank continues to ensure our suppliers are complying with environmental requirements, including by collecting signed self-declarations regarding supplier conduct in connection with purchasing and outsourcing. The bank will engage with key suppliers to ensure goods and services are sustainable and carry out due diligence assessments in line with the Transparency Act's criteria.

Responsible employer

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

What the bank has done:

- Employees and co-determination: At the end of the year, the bank had 139 employees. Of these, eight (5%) work part-time. Seven of the employees who work part-time are women. Overall, 65% of the bank's employees are women and 35% are men. We recruited 15 new permanent employees in 2022. Employee turnover in the bank amounted to 6.4%. The bank also has external consultants. The bank was billed for 3 390 hours by external consultants in 2022. Equivalent to two FTEs at 1 700 hours.

  Some 78 of the bank's employees are members of the Finance Sector Union of Norway and the bank is a member of the employer organisation Finance Norway. 84% of the employees are covered by collective bargaining agreements.

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

Age distribution in the bank

Age	Percentage of employees
20-29	15%
30-39	26%
40-49	31%
50-59	21,5%
60+	6,5%

The bank believes good dialogue, follow-up and interaction between managers and employees are important. It is important that each individual employee is seen and followed up by their manager in relation to job performance, motivation and satisfaction. All employees are offered, and are entitled to, at least one annual performance and career development review. All employees who had been employed for the entire year in a permanent position had a formal performance and career development review with their manager in 2022.

Sandnes Sparebank wants to motivate employees to work up to ordinary retirement age (70). Senior interviews are conducted with all employees the year they turn 60. These interviews focus on the individual's thoughts in relation to the timing of their retirement/AFP or other factors that could motivate the employee to continue working up to ordinary retirement age.

- **Training.** Sandnes Sparebank organises training that ensures the bank can provide good advice to customers and make a positive contribution to the green transition. Parts of the bank's training provision is delivered by the Eika Academy and here the average time spent on training per employee was 17 hours in 2022. Other training is provided via other platforms and in other contexts. All of our advisers undergo annual courses via FinAut. One of the measures for learning more about sustainability and climate-related risk was the organisation of Eika's Sustainability Week in January 2022. The Finance Sector Union of Norway's JustAddFinance webinar series is also available and recommended for the bank's employees.

Members of the Board of Directors hold management roles in various companies in the region, each of which has its own approach to sustainability. Experiences and knowledge related to sustainability issues are shared in board meetings. All credit cases discussed by the Board of Directors include a description of the associated sustainability risk. Sustainability was a specific agenda item at the board meeting in August and at the Board's strategy meeting in September. Both were presented by the bank's Sustainability Manager.

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

- **Gender and equal pay.** As at 31.12.2022, Sandnes Sparebank employed 135.3 FTEs. Female employees account for 65% of the bank's employees. The bank is of the opinion that this is not an optimal gender balance, and we are working to achieve a more even gender balance overall. Three of the seven members of the bank's management group are women, and the bank has a female CEO. 10 of the 22 managers with personnel responsibilities in the bank are women. Of the bank's Board of Directors, four members are women and four are men.

To the extent possible, employee pay reflects current market rates and the individual's education, qualifications and responsibilities. The bank's female managers earn 97.8% of what male managers earn. Other female employees of the bank earn 84% of what their male colleagues earn. This is not a ratio we would claim to be satisfied with given an equal basis for comparison. The bank's calculations have been adjusted for fewer hours worked, but differences in position, seniority and other factors affect the ratio. The bank takes a conscious approach to equal pay and implements measures to ensure it. For example, equal pay forms part of the comprehensive assessment in pay negotiations. The CEO's total remuneration compared with the median total remuneration for other employees is 456%, and the corresponding increase in total remuneration from 2021 to 2022 was 9.6%. There is no direct connection between remuneration and results within sustainability.

The majority of employees in Sandnes Sparebank are permanent ones. Of the 139 employees, 128 are permanent employees, 81 of whom are women. The bank had 11 temporary employees in 2022, nine of whom were women. Of the temporary employees in the bank, 10 work in the bank's customer service centre and one works in the bank's anti-money laundering department. In 2022, the bank had one person from a staffing agency working in a 100% position in customer service as cover for staffing problems. Of the bank's 132 full-time employees, 49 are men and 83 are women. In total the bank has eight employees in part-time positions, seven of whom are women.

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

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

  In 2022, seven of the bank's employees took parental leave. Five of these were men and two were women. In total, 649 days of leave were taken and 100% of those who took leave returned to their job after their leave ended.

  In addition to their agreed salary and remuneration, the bank's employees enjoy a series of benefits. These are offered to both permanent and temporary employees. In addition, there are schemes for saving in equity certificates and loans on employee terms and conditions that are only offered to permanent employees.

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

- **Reporting wrongdoing**. The bank has a specific whistle-blowing procedure. Please refer to the bank's personnel manual for the detailed procedure. The Board of Directors did not receive or deal with any whistleblowing cases in 2022.

- **The bank's complaints procedure**. The bank's goal is to have satisfied customers. However, occasionally situations can arise that make our bank customers feel less than satisfied. The bank therefore has a complaints procedure that can be accessed via our website by customers, other people, companies and organisations that want to lodge a complaint. Complaints can concern customer services and other activities that the bank's stakeholders believe are having a negative impact on individuals or other parts of society.

- **Mechanisms for seeking advice and raising concerns**. The bank has a specific procedure for reporting adverse events. This is described in the bank's personnel manual. All employees and contract workers (including pupils/students and people under training and participants in labour market measures) therefore have a responsibility to register adverse events in the incident database.

  Adverse events mean:
  - Errors resulting in or that could have resulted in loss or extra cost
  - Breaches of mandates, procedures and policies
  - Incidents that have a negative impact on health, the environment or security
  - Breaches of instructions concerning security, maintenance and hygiene

  Reports are forwarded to a compliance officer for further follow-up. Usually, a suitable person is assigned to the case who can decide on any follow-up and measures.

  The bank has implemented a warning system to avoid adverse events in relation to the General Data Protection Regulation (GDPR). This involves the sender receiving a policy alert when external emails contain, for example, a national identification number. The bank has also conducted campaigns aimed at raising awareness, including highlighting alternative secure communication channels that should be used, such as online banking, encrypted lines (TLS) and email password protection.

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

- **Evaluation of the performance of the Board of Directors.** The Board of Directors evaluates its own performance every year. The process covers all subject areas, including sustainability. The internal auditor completed a sustainability project in the bank in 2022 and the report was presented to the Board of Directors. As far as social initiatives are concerned, the bank's grants from the Gift Fund are approved and reported to the Board on an ongoing basis, including with respect to the goal of at least 10% of the Gift Fund being allocated to local green initiatives.

Future priorities:

Sandnes Sparebank will organise further training in sustainability and climate-related risk to ensure that customers receive good advice and to make a positive contribution to the green transition. Besides training through FinAut, Eika Gruppen will continue to focus on ensuring adequate sustainability training provision for various roles in the bank through a dedicated learning plan for sustainability in 2023. Eika's Sustainability Week was held in 2022 as well.

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

The bank also wants to be a driving force behind promoting a culture of sustainability among employees. In 2022, 124 of the bank's employees participated in the Ducky Challenge climate competition in which teams compete to cut their greenhouse gas emissions by the most. The aim of the competition is to get people involved and improve the understanding of sustainability, and especially the climate issue, among the bank's employees.

Responsible funding

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

What the bank has done:

- **Green bond funding**. In 2020, Sandnes Sparebank Boligkreditt (SSB) established its first green framework and in June it issued its first green bond worth NOK 300 million. The funds raised through green bonds will be used exclusively to finance energy efficient homes. The bank's green framework was expanded in October 2022. This enables the issuance of green senior bonds, as well as mapping of the bank's loan portfolio in relation to the EU's taxonomy and provides a basis for reporting on the bank's green ratio. No green senior bonds have been issued yet after the framework was expanded.

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

- **The bank's investment strategy.** Our investment strategy provides clear guidelines regarding what the bank is allowed to own. As at 31.12.2022, the bank holds NOK 210 million in defined ESG bonds, an increase of NOK 100 million from the year before that is due to the purchase of two new bonds in 2022. The bank expects the pace of investment in these types of bonds to accelerate going forward.

Future priorities:

The bank will continue the work we have started within contributing to positive environmental impact through our investment and funding activities. We will seek further green financing opportunities. The bank's green framework was updated in 2022, a process that means we are now able to issue green senior bonds. Funds covered by the green framework will be used to finance energy-efficient residential and commercial properties, building renovation, renewable energy, energy efficiency measures, sustainable agriculture and green transport. This work will also help the bank to analyse our loan portfolio in relation to the EU's taxonomy and provide a basis for reporting on the bank's green ratio.

Responsible lending

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

What the bank has done:

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

- **ESG assessments in credit granting processes.** The bank requires all of our corporate customers, regardless of sector, to comply with Norwegian laws, respect human rights and actively oppose discrimination, harassment and money laundering. Customers sign up to this via a customer declaration. The bank has assessed ESG factors and climate-related risk in credit granting processes for corporate customers since 2020 and has since 2021 used a tool developed by Eika Gruppen for this purpose. ESG assessments are carried out of all corporate customers with exposures in excess of NOK 10 million. All advisers have undergone training in sustainability and climate-related risk.

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

- **Green loans that reward the environmentally conscious.** Sandnes Sparebank wants to reward customers who do something for a greener environment. The bank has focused on product development in the past few years in order to incentivise customers to make sustainable choices. In 2021, the bank implemented green business loans and green transition loans aimed at financing transition and sustainable investments. In September 2022, the bank relaunched green transition loans as green energy loans, at 0% interest for the rest of 2023, that can be used to finance energy efficiency measures in private homes and holiday homes. As at 31.12.2022, green agriculture loans accounted for NOK 50.8 million of the loan portfolio. The bank also offers green mortgages for financing energy efficient homes. As at 31.12.2022, green mortgages accounted for NOK 96.7 million of the loan portfolio. In 2022, green loans represented just a small proportion of the total portfolio. However, the bank has implemented measures to increase the proportion of green loans going forward and expects customer demand for this type of product to increase as well. The bank offers green car loans to finance eco-friendly cars through Eika. As at 31.12.2022, green car loans accounted for NOK 19.6 million, or 53%, of the total volume of car loans for the bank's customers.

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

  Buying your first home is challenging. Like other Norwegian banks. Sandnes Sparebank offers BSU accounts, which are a savings scheme designed to ensure people aged 18-33 have capital to finance a home. Boliglån Ung is a product that offers favourable terms for financing first-time buyers' first homes. The Boliglån Ung portfolio amounted to almost NOK 3.55 billion as at 31.12.2022.

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

Future priorities:

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

By continuing to focus and systematically work on identifying, understanding and managing risk in customer relationships, the bank manages the risk in our portfolio and helps customers improve their understanding of risk and make sustainable choices. For the corporate market, it is important to understand how different sectors and companies affect and are affected by climate change and transition. In 2022, sector-specific credit modules for agriculture and commercial property were made available to advisers in the bank. Also in 2022, Eika Gruppen participated in a project organised by Finance Norway. The aim of the project was to design a recommendation for calculating greenhouse gas emissions in loan and investment portfolios. In 2023, it will work on calculating financed emissions.

Responsible insurance

What the bank and Eika Forsikring have done.

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

- **Loss prevention.** The most sustainable thing for society, the customer and the insurance company is to prevent a loss occurring. Losses that occur have an impact on the environment since resources have to be expended on repairing or replacing the loss. Eika Forsikring takes a systematic approach to preventing losses through insurance terms and conditions and by providing customers with information and assistance. Efforts to prevent loss have been replicated in several cooperation agreements and projects, for example, in relation to Trygg Trafikk in order to prevent traffic accidents, sensor technology that prevents fires, and grants for inspections of agricultural buildings. Communication technology has been introduced to alert customers exposed to extreme weather events.

- **Green claims settlement.** At the same time, we know that losses occur. That is why Eika Forsikring is proactively working on the role of claims settlement within sustainable transition. All suppliers with a partnership agreement, and where Eika Forsikring actively manages damage repair, are assessed on the basis of environmental management and social conditions criteria. In the case of all new and renegotiated agreements, the supplier is required to be certified according to Eco-Lighthouse, ISO14001 or an equivalent standard, or to start the process within 6 months, and complete it within 18 months, of signing the agreement. This requirement addresses important aspects of both climate/environment and social conditions. Documentation must be provided upon request. All suppliers are also required to provide fair pay conditions in the form of collective agreements. Efforts are also being made to promote the circular economy and reuse in the actual settlements of claims, as long as this does not impact quality and safety. Agreements with suppliers require all of the suppliers used to fulfil minimum requirements regarding sustainability and quality.

  In the event of a loss, it is always the nearest qualified supplier with an agreement who will be given the assignment. Selecting the best possible professional expertise based on geographic proximity avoids unnecessary emissions in that one minimises the unnecessary transport of people and parts.

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

Future priorities

We will proactively continue to work on the role of claims settlement within sustainable transition. Priority will be given to the development of loss models that can risk assess insurance products, and to analysing the ongoing effects of, for example, extreme weather and changes in our exposure to climate-related risk. Assessments and reporting related to climate-related risk are carried out as a natural part of the company's risk management process, as well as as a natural part of product monitoring. By improving the overview of the portfolio's exposure to natural hazards, the company has laid a good foundation for further exposure and scenario analyses and product monitoring in 2022. Pending standardised quantification methods for physical climate-related risk, this portfolio overview enables the company to classify individual risks' climate/natural hazard risk according to discrete hazard levels.

Responsible investment

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

What the bank and Eika Kapitalforvaltning have done:

Eika Kapitalforvaltning has carried out negative screening of its investment universe prior to investing fund capital since 2010. The is done by excluding all companies from investment that are in sectors Eika Kapitalforvaltning does not want to invest in, or companies that sell products that are deemed unethical. In 2020, Eika Kapitalforvaltning expanded its methods to also include the positive screening of companies in its equity funds. This means that Eika Kapitalforvaltning also seeks to invest in those companies that are among the best within sustainability in their respective sectors. This twofold approach ensures that Eika Kapitalforvaltning's portfolios consist of sustainable companies, which is also reflected in the analysis agency Morningstar's ESG assessments of Eika's equity funds. The ESG risk in Eika Global's investment portfolio has been reduced by 12.7% in the past 3 years.

In recent years, Eika Kapitalforvaltning has built up an extensive ESG database of almost 10 000 companies. The database contains detailed information about the companies' organisation, products and any historical controversies, as well as various sustainability evaluations. At the end of 2021, the ESG database covered 97% of the companies in which Eika's equity funds are invested. The work that has been done on ESG in the past few years has produced clear results and reduced the ESG risk in funds. More information is available on the websites of the bank and Eika Kapitalforvaltning.

Future priorities:

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

Social responsibility

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

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

What the bank has done:

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

  As a minimum, Sandnes Sparebank's Gift Fund earmarks 10% of the funds for purposes designed to combat climate and environmental challenges. In spring 2022, the Gift Fund dedicated a round of grants for green purposes only. NOK 3.2 million was distributed to various causes, each of which contributes in its own way to reducing climate change or protecting biodiversity. In December, the food bank was awarded NOK 1 million to buy a vehicle that can collect and transport large quantities of bent and odd looking vegetables from the farmers in Jæren. Other sustainability-related projects that received grants from the Gift Fund in 2022 include a project to enhance the insect garden at Byhaugen in Stavanger and support for the start-up of sewing and redesign groups in Enter Fritid for substance abusers run by the Church City Mission.

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

Future priorities:

The goal of earmarked funds for green purposes will be continued to ensure a continued focus on sustainable local communities. Den Gule Banken, Sandnes Sparebank, and the Gift Fund want to particularly focus on purposes that contribute to SDG 13: Climate Action. A major campaign is planned for 2023 in which one of the Gift Fund's application periods will only consider green purposes. The bank will also continue its work on ensuring cooperation with relevant stake-holders with the aim of achieving the greatest and fastest possible positive impact for the climate, environment and society.

Responsible communication and marketing

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

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

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

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

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

We did not experience any unfortunate incidents concerning mislabelled products and services or breaches of the marketing rules in 2022.

Economic crime

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

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

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

What the bank has done:

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

- The improved organisation and clarification of roles and responsibilities within anti-money laundering. The setting up of an internal expert group for the work on anti-money laundering.
- Increasing the number of resources assigned to anti-money laundering work.
- Regular training measures that improve employees' professional competence. The bank has its own skills plan that specifies the competence required for different roles in the bank and how this must be addressed. The Board of Directors is included in this and receives regular training.
- New and revised procedures for implementing measures for preventing and detecting money laundering.
- Dedicated employees who focus on anti-money laundering in the retail and corporate markets, in addition to the anti-money laundering unit.
- Systemising and streamlining work processes and customer follow-up.
- More reporting to the management group and the Board of Directors, including on the status of anti-money laundering work to the Board.
- Specific KPIs for the area that are monitored on a monthly basis, including KPIs related to the advisers' bonus model.
- The customer portfolio is periodically reviewed, assessed and new documentation obtained if necessary.

- **Corruption.** Sandnes Sparebank practises zero tolerance for corruption. This includes internally and at the bank's customers, suppliers, companies the bank invests in and investment fund providers. The bank is not aware of any incidents involving corruption among the bank's employees, customers or suppliers in 2022.

- **Financial sanctions:** In November 2021, the bank was fined NOK 1 million because the Norwegian Police Security Service (PST) believes that the bank negligently breached the regulations concerning financial sanctions by not technically freezing funds in a customer account fast enough. The bank rejected the fine and the case was scheduled to be heard before the courts in 2022. However, the court case was postponed in October 2022, a decision Sandnes Sparebank disagreed with, and the bank has appealed the case to the court of appeal.

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

Future priorities:

Continuous assessments will be made of what measures must be implemented to prevent and combat money laundering and terrorist financing. These will be based on, for example, external threat assessments such as the National Risk Assessment (NRA) issued by the PST and the National Police Directorate. In 2023, the bank will continue to ensure our competence is up to date in line with new criminal methods, improve system assistance and closely monitor compliance in this area.

Privacy

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

What the bank has done:

Sandnes Sparebank has its own data protection officer whose main job is to be a point of contact for customers, employees, the Norwegian Data Protection Authority and others who want access to personal data or have questions about how the bank processes it. In addition to a data protection officer, a data protection group has also been established that is tasked with addressing the various technical areas in the bank. The group held monthly meetings during the year and also honed its training with an external party. Procedures and processes have been prepared to ensure compliance with the GDPR and all data processor agreements have been updated. No breaches of the GDPR were reported in 2022.

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

In 2022, all employees underwent digital training tailored to their role and level in the bank to ensure that they had the right skills.

All the bank's employees also underwent digital training.

Future priorities:

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

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

IT security

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

What the bank has done:

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

The following training was provided in 2022:
- Mandatory security course for all employees via the Eika Academy
- National security month in October – eight lessons via Xtramile.
- Training in physical security

Physical penetration tests were conducted that resulted in the updating of procedures and reinforcement and training of employees.

To complete the mandatory security course, employees must pass a knowledge test. All employees completed and passed the course in 2022.

The bank and Eika are regular targets of scams and phishing, although they experienced no serious downtime because of this in 2022.

Future priorities:

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

Appendix related to sustainability reporting

TCFD-table – Se appendix, page 144
GRI Index – Se appendix, page 146
Climate statement – Se appendix, page 148

Corporate governance

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

Implementation and reporting on corporate governance

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

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

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

Business

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

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

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

Equity and dividends

The bank's equity certificate capital is NOK 230 149 020, comprised of 23 014 902 fully paid-up equity certificates, each with a face value of NOK 10. Of these, 2 069 376, corresponding to 9.0% of outstanding equity certificates, are treasury equity certificates. The bank repurchased 2 080 000 equity certificates on 14.02.2020 in order to reduce the bank's overcapitalisation. The equity certificates are owned by the bank and are not eligible for dividends.

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

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

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

As a basis for assessing whether the bank's equity capital is appropriate for its current objectives, strategy and risk exposure, the Board of Directors conducts a thorough review of the bank's capital situation (Internal Capital Adequacy Assessment Process (ICAAP)) and receives updated risk reports on a quarterly basis. The bank's ICAAP and capital plan are reviewed by the Financial Supervisory Authority of Norway and as at 31.12.2022 the bank's regulatory requirement for CET1 capital was 14.1% at the end of 2023. The bank has a CET1 capital ratio of 17.8% as at 31.12.2022. The bank's CET1 capital ratio target has been set as a minimum of 1.0% above the authorities' regulatory requirement.

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

Of the Group's profit, NOK 198.7 million (74.6%) will be allocated to dividends, customer dividends and the Gift Fund. These allocations do not materially alter the equity certificate percentage, which remains almost unchanged at 63.5%.

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

Equal treatment of equity certificate holders and transactions with close associates

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

The bank's equity certificate percentage was 63.5% at the end of 2022, compared with 63.4% in 2021. The change was due to the buy-back of equity certificates. The bank's 20 biggest holders represent 62.8% of the equity certificate capital.

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

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

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

Equity certificates and negotiability

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

Board of Trustees

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

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

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

The Board of Trustees consists of 40 members and 11 deputy members with the following representation: equity certificate holders: 15 members and four deputy members; Sandnes Municipal Council: Five members and two deputy members. The depositors: 10 members and three deputy members; and employees: 10 members and three deputy members.

Minutes from meetings of the Board of Trustees are published on www.sandnes–sparebank.no/investor-relations.

Nomination committee

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

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

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

Board of directors: composition and independence

The Board of Directors is elected by the Board of Trustees and normally consists of eight board members, of which two are board members elected by the employees. The CEO is not a member of the Board of Directors. The bank's Board of Directors is deemed to meet the requirement for independence and represents a wide range of backgrounds and competence. The legislation regarding the financial services sector provides a framework for the right of representation of various groups of stakeholders. Den Gule Banken, Sandnes Sparebank, strives to ensure the greatest possible independence between equity certificate holders, the Board of Directors and the management group. All board members are elected for 2-year terms. Members can be re-elected. For the sake of continuity, half of the board members are elected every second year. As at 31.12.2022, four of the Board of Director's members were women. Information about the bank's board members is presented in a separate chapter of the annual report.

The work of the Board of Directors

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

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

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

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

Board members are defined as primary insiders and must comply with the bank's rules regarding acquisition of its equity certificates. The same applies to the purchase of shares in certain companies that are customers of the bank. The Board of Directors' procedures are regulated by special instructions for the Board of Directors. The Board of Directors conducts an annual self-evaluation of its works methods, administrative procedures, meeting structure, and prioritisation of tasks. The Board of Directors normally meets nine times a year.

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

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

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

The Risk Committee is tasked with ensuring that the quality of risk management and control in Den Gule Banken, Sandnes Sparebank, is sufficient to achieve the Group's strategic objectives through prudent management of the Group's assets. The committee consists of four board members. Of the management group, the Head of Risk Management has a duty to attend meetings, while the CEO and CFO have the right to attend meetings. The committee must meet at least once a year. The bank also has a special remuneration committee consisting of four board members. The committee is responsible for the preparatory work in all matters related to remuneration schemes that must be decided by the Board of Directors.

Risk management and internal control

Risk management

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

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

Accountability

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

Compliance with laws, rules and ethical standards

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

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

A separate database has been established for adverse events. This database is managed by the Director Risk Management. The bank has organised all compliance activities into a separate function that reports directly to the CEO. The purpose of this function is to check that both the bank and the investment firm operate in line with the applicable regulations.

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

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

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

The internal audit function does not perform financial audits.

Remuneration of the Board of Directors

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

Remuneration of executive personnel

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

Information and communications

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

Takeovers

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

Auditor

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

Investor information

The equity certificate

Return and dividend policy

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

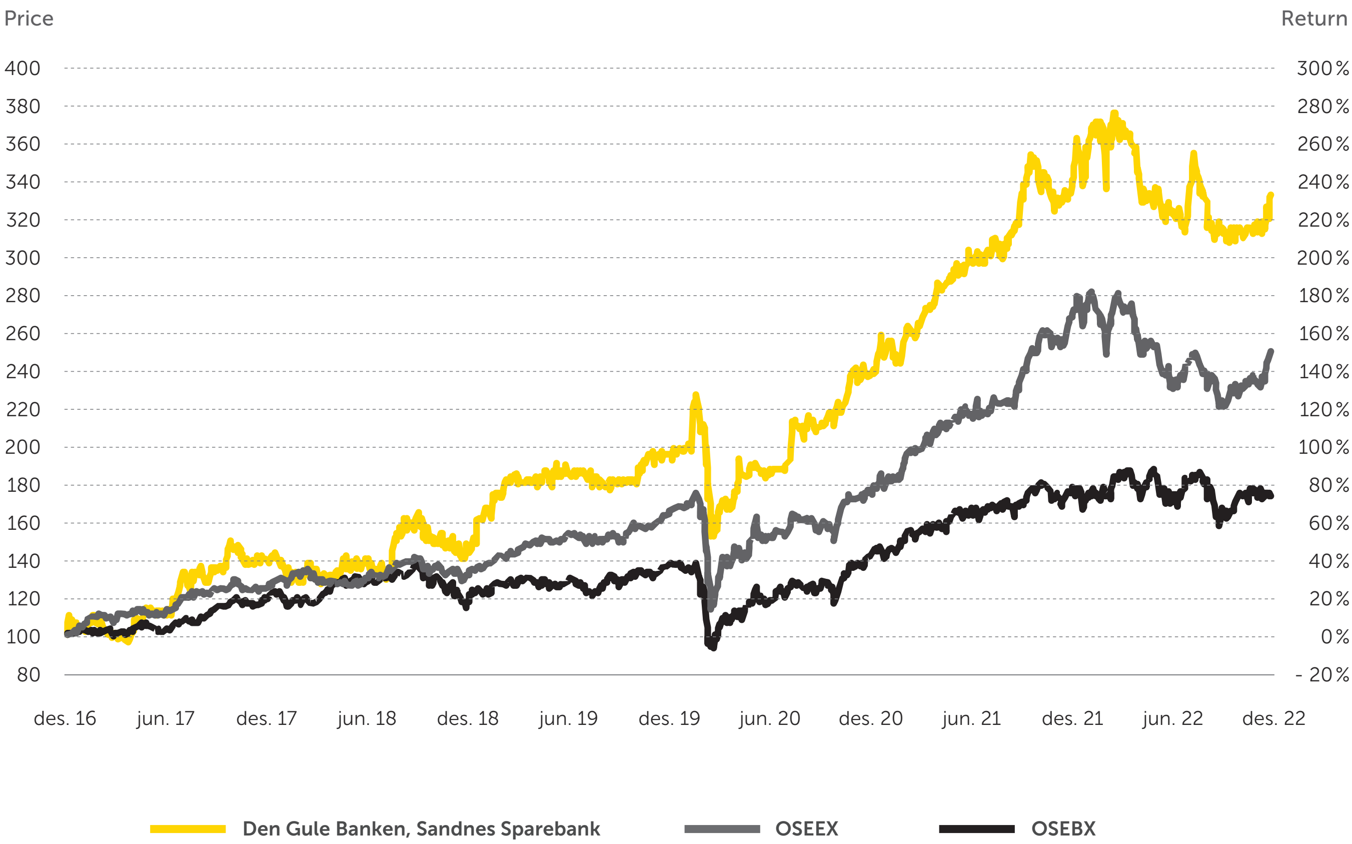
Historical development of the equity certificate capital since the stock exchange listing in 1995

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

SADG price performance in 2022

As at 30.12.2022, SADG was priced at NOK 93.8 (last traded price on Oslo Børs). Compared with the traded price as at 31.12.2021, Den Gule Banken, Sandnes Sparebank, has provided a return of -0.25% including the dividend. The equity certificate performed somewhat better than Oslo Børs's equity certificate index (OSEEX), which saw a negative performance of 6.7% over the course of 2022.

SADG vs OSEEX



Den Gule Banken, Sandnes Sparebank, has 23 014 902 outstanding equity certificates. At the end of 2022, there were 3 097 registered holders of the bank's equity certificate.

On the same date, the 20 largest holders (inclusive of the bank's treasury equity certificates) controlled 62.8% of the equity certificate capital.

The 20 largest holders of equity certificates as at 31.12.2022

		No. of equity certificates	Share in %
1.	Sparebank 1 SR-Bank ASA, Finansavdelingen	3 485 009	15.14
2.	Den Gule Banken, Sandnes Sparebank	2 069 376	8.99
3.	Holmen Spesialfond	1 472 323	6.40
4.	AS Clipper	1 248 389	5.42
5.	VPF EIKA Egenkapitalbevis C/O Eika Kapitalforvaltning AS	1 096 793	4.77
6.	Espedal & Co AS	886 861	3.85
7.	Salt Value AS	680 000	2.95
8.	Wenaasgruppen AS	650 000	2.82
9.	Skagenkaien Investering AS	500 000	2.17
10.	Sparebanken Vest	370 659	1.61
11.	Spesialfondet Borea Utbytte	290 117	1.26
12.	Kommunal Landspensjonskasse Gjensidige	268 814	1.17
13.	Hausta Investor AS	217000	0.94
14.	Corneliussen Invest AS	205 574	0.89
15.	Velde Holding AS	198 388	0.86
16.	Innovemus AS	185 000	0.80
17.	Nordhaug Invest AS	184 374	0.80
18.	Elgar Kapital AS	160 033	0.70
19.	Tirna Holding AS	156 255	0.68
20.	Kristian Falnes AS	136 000	0.59
=	**20 largest holders**	**14 460 965**	**62.83**
+	**Other holders**	**8 553 937**	**37.17**
=	**Total equity certificates**	**23 014 902**	**100.00**

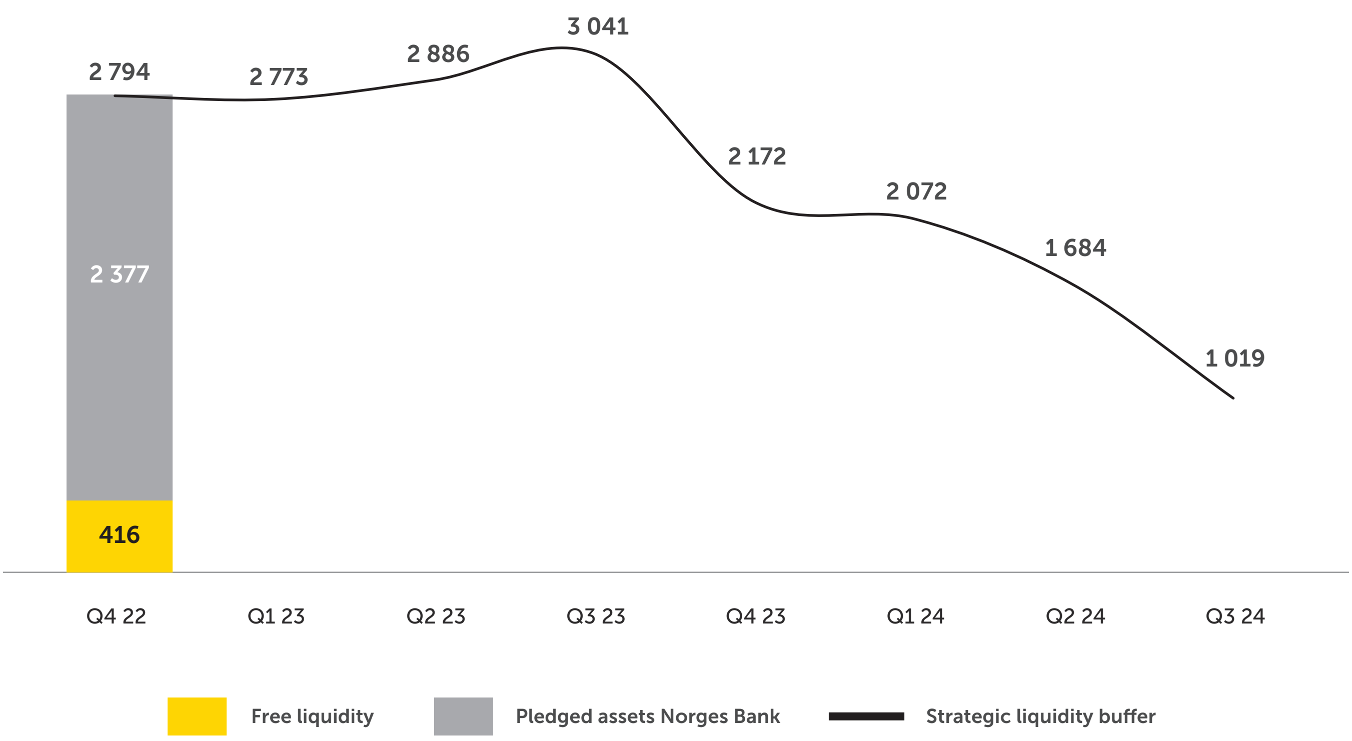
The total of 23 014 902 equity certificates includes 2 069 376 treasury equity certificates as at 31.12.2022. The Board of Directors is proposing to the Board of Trustees that a dividend of NOK 6.05 per equity certificate be paid for 2022, which corresponds to 74.6% of the Group's earnings per equity certificate. Of the dividend allocated to the primary capital totalling NOK 72.0 million, the Board of Directors is proposing to pay out NOK 12.0 million to the Gift Fund and NOK 60.0 million as customer dividends.

Liquidity

The bank's liquidity situation is considered satisfactory. The bank had a liquidity portfolio (exclusive of cash) of NOK 3.6 (2.8) billion at the end of the year. The bank's goal is to maintain a low liquidity risk and the bank is considered well diversified both in terms of funding sources and terms to maturities. The establishment of SSB Boligkreditt AS has enabled the Group Den Gule Banken, Sandnes Sparebank, to issue covered bonds and thereby reduce the Group's liquidity risk. Covered bonds issued by SSB Boligkreditt AS have an AAA rating from Scope Ratings. AAA is the best achievable credit rating Scope can issue.

The net loans in SSB Boligkreditt amounted to a volume of NOK 11.9 billion as at 31.12.2022, which is an increase of NOK 2.1 billion in the past 12 months. As at 31.12.2022, SBB Boligkreditt AS had outstanding covered bonds worth NOK 10.6 (8.5) billion. In the Group's liquidity strategy, the Board of Directors has set limits that specify that the Group must at all times have a holding of strategic liquid assets that enable operations for at least 6 months without the supply of new liquidity. The available liquidity as at 31.12.2022 ensures operations for more than 18 months without the supply of new liquidity.

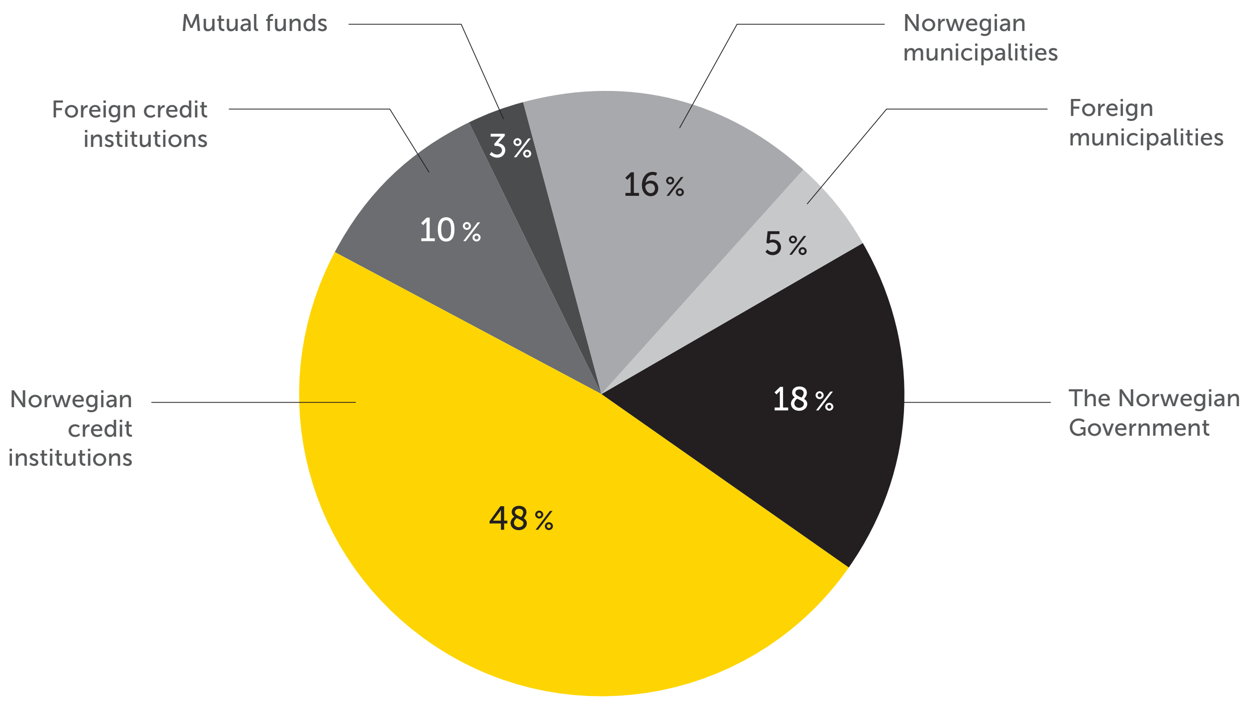
Refinancing requirements



Bond portfolio

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

Composition of the liquidity portfolio



Information for the market

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

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

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

The bank holds earnings presentations following publication of quarterly financial reports

Financial calendar 2023

Quarterly Report Q1 2023	11.05.2023
Half-Yearly Report 2023	09.08.2023
Quarterly Report Q3 2023	09.11.2023

Board of directors' report

Board of Directors' Report 2022

Nature of the business

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

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

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

Market conditions

Local conditions – Rogaland

In spite of the international challenges with the war in Ukraine and the domestic ones with higher interest rates and high inflation, the economy in Rogaland did well during the period and the region saw positive growth. A large proportion of energy related industry in the region has resulted in higher activity than in the rest of the country.

The unemployment rate in Rogaland was 2.0% at the start of 2022 and had fallen to 1.6% at the end of the year, identical to the national average. Jobs have been advertised within most occupational groups and some sectors are struggling to attract qualified labour. At the same time, many vacancies provide opportunities for those who have been out of the labour market for a long time.

The price of oil rose from USD 80 to USD 86 at the end of the year but was volatile during the year. Gas and electricity prices rose further due to the war in Ukraine and Europe's dependence on Russian gas. Prices for these commodities were volatile during the year. Energy prices are an important economic factor in Rogaland's economy. The high prices mean a higher level of activity than normal for many companies involved in the oil and gas sector. At the same time, higher prices for energy, including electricity, present challenges for other industries.

Norges Bank's regional network survey for December showed a high level of activity among enterprises in the region, although their expectations for the coming period were lower. Many companies were reporting capacity problems and labour shortages, although this decreased somewhat towards the end of the year. A greater focus on transition in the region is producing results. A steadily growing number of companies are successfully innovating and thinking anew, with new business models in new markets.

The housing market in Rogaland has developed positively in the last couple of years after several years of stable property prices. In the past year, prices rose by 3.75%, compared with 1.5% on a national basis.

The commercial property market in Rogaland has been improving with the lowest level of vacant premises since 2015. Quite a bit of vacant rental space is still available, especially in office buildings in the Forus district and the centre of Stavanger. The number of commercial property transactions was high during the year, although even this market saw somewhat lower activity in the second half-year due to macro developments.

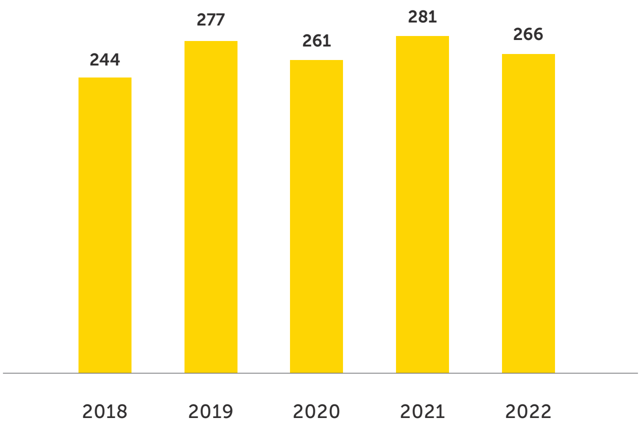
Financial performance

Figures in brackets concern the corresponding period in 2021. Unless otherwise specified, the figures refer to the Group.

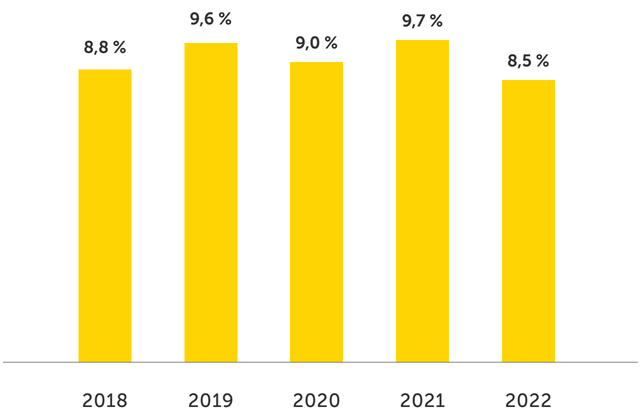
Profit after tax was NOK 266.2 million for 2022. This is NOK 15.1 million less than in 2021. The reduction was mainly attributable to somewhat higher costs and increased loss costs in 2022. Loss costs were more normalised in 2022 compared with the significant receipts on losses in 2021. The decrease in profit was partly offset by higher net interest income, while other operating income was at about the same level as the year before.

ANNUAL DEVELOPMENT IN PROFIT AFTER TAX AND RETURN ON EQUITY

PROFIT AFTER TAXES, LAST 5 YEARS



RETURN ON EQUITY AFTER TAXES, LAST 5 YEARS



In 2022, a total of NOK 11.8 million was charged in extraordinary conversion costs related to the switch to a new core banking system, compared with NOK 29.1 million for the year before.

Profit before tax for the year was NOK 314.0 million, compared with NOK 328.2 million for 2021.

Comprehensive income for the year amounted to NOK 501.8 million, compared with NOK 326.5 million for 2021. The higher comprehensive income was mainly due to a positive change in value in the bank's investment in Eika Gruppen AS, which resulted in total income recognition through OCI of NOK 235.6 million in 2022, compared with NOK 45.5 million in 2021. The positive change in value of the bank's investment in Eika Gruppen AS is based on the pricing of shares in the transaction in December 2022, equivalent to NOK 260 per share. The bank's total stake in Eika Gruppen AS rose from 8.4% to 8.8% in 2022.

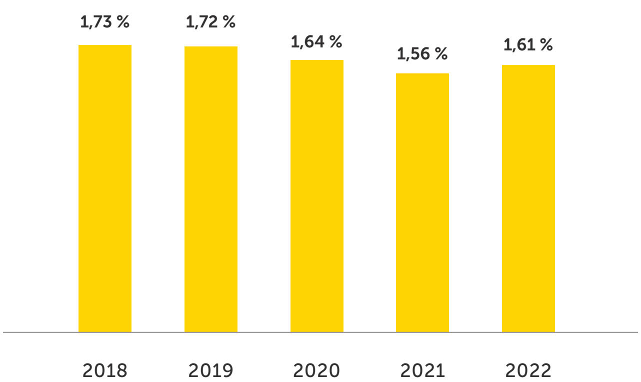
The return on equity after tax for 2022 was 8.5%, compared with 9.7% in 2021. The return on equity after tax, exclusive of extraordinary conversion costs, was 8.7% (10.4%) for 2022.

The return on equity after tax, inclusive of interest income on hybrid capital, was 8.3% (9.5%) for 2022.

Net interest income

The Group's net interest income was NOK 495.7 (456.1) million for 2022. The interest margin was 1.61% for 2022, compared with 1.56% for 2021.

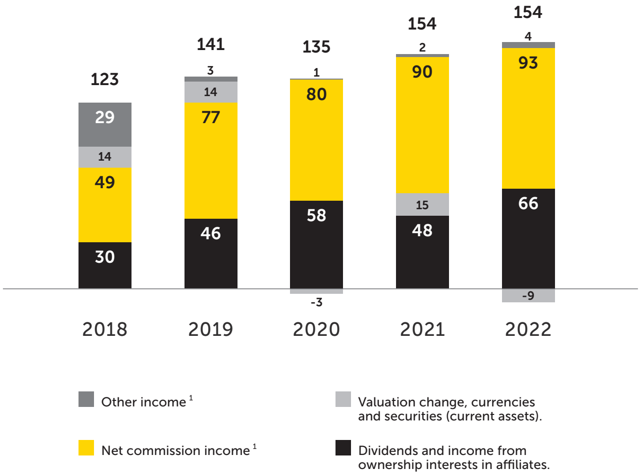
NET INTEREST INCOME IN % OF AVERAGE TOTAL ASSETS, LAST 5 YEARS



The Group managed to maintain good underlying net interest income throughout 2022. The increased lending volume in the period had a positive effect on net interest income. In the past few years, the bank has slightly reduced our risk profile in the corporate market, which has resulted in a somewhat lower interest margin for the segment.

During the course of the year, the Norwegian policy rate rose from 0.50% to 2.75% due to a number of interest rate decisions. Further rate hikes have been indicated for the coming period with rates expected to peak in the first half-year 2023. The rate hikes were also reflected in the bank's borrowing costs (NIBOR rates) which on average rose by more than the policy rate in the past year. The bank chose to mirror developments in the policy rate by raising its rates correspondingly for most loan and deposit products. The Group's interest rate margin has increased slightly compared with the year before, although the bank is expecting continued pressure on the interest rate margin in the coming quarters. In periods where interest rates are rising, margins are put under pressure due to the time lag between increased borrowing costs and rate rises for customers. However, in the longer term, the bank expects the interest margin to strengthen, assuming stable interest rates in the market.

OTHER INCOME, LAST 5 YEARS



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

Other operating income

Other operating income amounted to NOK 153.8 million for 2022. This is NOK 0.5 million less than in 2021. This was primarily attributable to lower returns on financial instruments, partly offset by higher net commission income and increased dividends recognised as income.

Net commission income amounted to NOK 93.4 million in 2022, an increase of NOK 3.7 million compared with the same period in 2021. This is primarily due to higher commission income from banking services, including commission income from sales of insurance services and savings products. Activity within money-transfer services also increased in 2022, which resulted in higher income from fees for the bank. This was partly offset by lower net guarantee commission income and arrangement commission income. Income from the Group's real estate brokerage activities was marginally higher than the year before.

The net return on financial investments was NOK -9.4 million for 2022, the return for 2021 was NOK 14.8 million. Stock market turbulence and uncertainty in the fixed income market both contributed to a negative return on the Group's fixed income portfolio and a lower return on its equity portfolio.

The dividends and income from ownership interests amounted to NOK 65.5 million in 2022, compared with NOK 47.7 million in 2021. The increase was mainly attributable to higher dividends from individual investments, including dividends received from Eika Gruppen AS amounting to NOK 54.1 (40.8) million.

Other operating income was NOK 2.2 million higher than in 2021. The increase was mainly due to higher rental income from subleased office premises.

Operating costs

The Group's operating costs amounted to NOK 324.1 million for 2022. This represents an increase of NOK 9.6 million compared with 2021. NOK 11.8 million in conversion costs was charged in 2022. NOK 29.1 million was charged in 2021.

The bank has previously estimated and communicated that the total costs associated with conversion to a new core banking system will amount to NOK 50-60 million. The conversion project is currently on schedule and total project costs are still estimated to be within the previously communicated range. Overall, the bank charged NOK 40.9 million in direct and indirect conversion costs in 2021 and 2022 combined. The system switchover is scheduled to take place in the second quarter of 2023. The remaining project costs will therefore be charged on an ongoing basis up to the date of conversion.

The Group's general level of costs increased throughout the year due to higher inflation and higher prices for purchased services, as well as cost effects resulting from a higher level of activity and loan portfolio growth. Other operating costs, adjusted for conversion costs, increased by NOK 11.5 million compared with 2021. A large proportion of the increase in costs was attributable to higher IT costs and cost rises in the alliance collaboration with Eika.

Besides this, the Group saw higher personnel costs due to general pay adjustments, higher pay related costs and higher staffing. The bank's focus on the retail market in Stavanger has intensified and we have, among other things, hired more customer advisers. Having the right expertise is becoming increasingly important in achieving the bank's strategic objectives and the region is experiencing general pressure on wages as far as attractive skills are concerned. The parent bank has increased its FTEs from 116 to 125 in the past 12 months, while the number of FTEs in the Group increased from 138 to 151.

Costs measured as a percentage of income amounted to 49.9% for the Group in 2022. This is a reduction from 51.5% in 2021. The Group's cost income ratio, excluding conversion costs, was 48.1% (46.8%) in 2022.

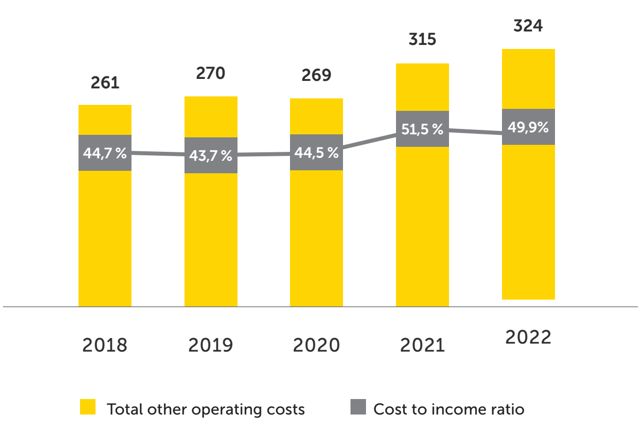
Losses and defaults

NOK 11.3 (-32.3) million were charged in losses and impairments on loans and guarantees in 2022. Provisions for losses during the year were stable and more normalised, while 2021 saw significant receipts on losses.

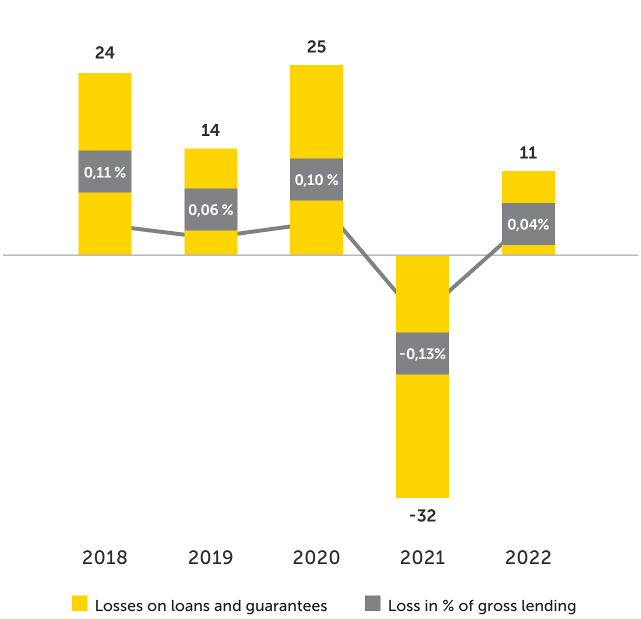
The bank still considers local market conditions stable despite the financial and energy markets being somewhat turbulent and the ongoing war in Ukraine. The bank has no direct exposure to Ukraine or Russia, although it is closely monitoring any ripple effects of general market uncertainty and higher interest rates, volatile energy prices and potential impacts for the bank's customers.

Given the uncertainty surrounding today's market situation, the bank has chosen to retain its additional provisions for losses in excess of the general ECL model. The provisions have been included as part of the macro adjustments, which were adjusted upwards slightly. The bank will conduct regular assessments in relation to adjustments that affect provisions for losses. Please see note 8 for further information.

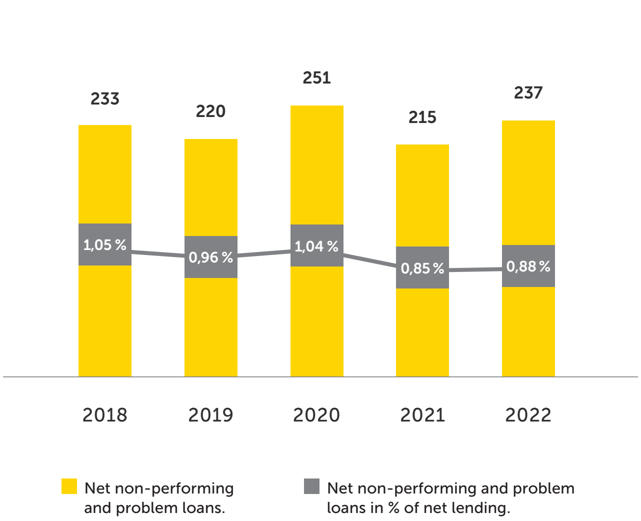
OTHER OPERATING INCOME, LAST 5 YEARS



LOSSES ON LOANS AND GUARANTEES, LAST 5 YEAR



NET NON-PERFORMING AND PROBLEM LOANS, LAST 5 YEARS



At the end of 2022, total provisions for losses on loans and guarantees amounted to NOK 95.6 (95.4) million. Of this, provisions for losses in the retail market amounted to NOK 30.5 (34.9) million and in the corporate market NOK 64.6 (60.4) million. The remaining loss provisions of NOK 0.5 (0.1) million concern other financial exposures.

Net defaulted and impaired loans and advances, with individual impairments, amounted to NOK 237.1 (214.6) million as at 31.12.2022, corresponding to 0.88% (0.85%) of the Group's net loans. Net defaulted and impaired loans and advances were distributed as follows: NOK 163.9 (155.1) million in the retail market and NOK 73.2 (59.5) million in the corporate market.

Defaulted loans more than 90 days past due amounted to NOK 103.2 million as at 31.12.2022, compared with NOK 119.6 million as at 31.12.2021.

Balance sheet performance

The Group's total assets were NOK 32.2 (29.4) billion at the end of 2022. This corresponds to an increase of 9.7% compared with the end of 2021 and was primarily due to lending growth in the period.

At the end of 2022, gross loans to customers amounted to NOK 27.1 (25.5) billion. In the past 12 months, the Group has seen gross loans grow by 6.2%, where lending growth in the retail market amounted to 11.7% and lending growth in the corporate market amounted to -7.1%. In the retail market segment, the bank experienced positive lending growth in 2022 and took market shares. In 2022, the bank saw a decrease in the loan portfolio in the corporate market segment, primarily due to the disposal of some major corporate loans. We have deliberately focused on diversification in various sectors with, among other things, an increase in agriculture. The bank has little direct exposure to the retail trade, tourism and oil-related activities. The bank has a limited scope of government-guaranteed loans in the portfolio.

Some 75% (71%) of the loans were to the retail market in 2022.

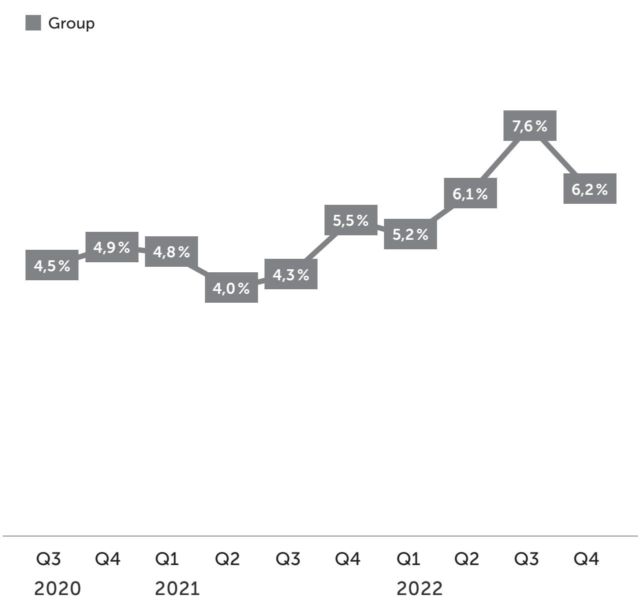
At the end of 2022, the volume of deposits amounted to NOK 13.4 (12.8) billion. The bank's volume of deposits has increased by 4.1% in the past 12 months. The growth in deposits in the retail market was 4.6% while the corporate market saw negative growth of -2.4%. The Group's deposit-to-loan ratio at the end of 2022 was 49.6% (50.6%).

Financial strength

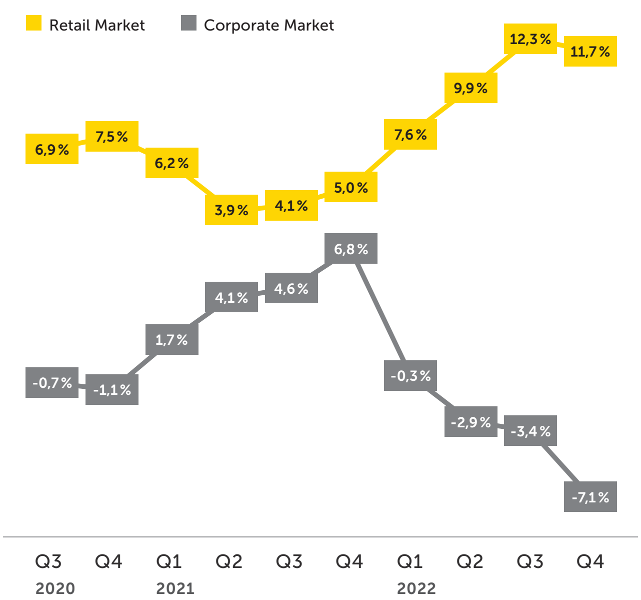
The Group's capital adequacy at the end of the year was above the regulatory capital requirements and the internal minimum target for CET1 capital. The Group's current regulatory minimum CET1 capital ratio requirement is 14.1% and the internal capital target is at least 15.1%.

The Ministry of Finance increased the countercyclical buffer to 2.0% with effect from 31.12.2022, and a decision has been made to increase it further to 2.5% with effect from 31.03.2023. It has also been decided that the systemic risk requirement for smaller banks will increase from 3.0% to 4.5% from

GROSS GROUP LENDING GROWTH (12 MO)



GROSS SEGMENT LENDING GROWTH (12 MO)



31.12.2023. Consequently, in light of the increased buffer requirement, the Group's capital targets will be revised upwards going forward.

The introduction of the capital discount for small and medium-sized enterprises (SMEs) part 2 applied from 30.06.2022. This resulted in a reduction in risk-weighted assets for the Group equivalent to around a 0.7% better Tier 1 capital ratio.

As at 31.12.2022, the Group had a CET1 capital ratio (including the consolidated share of the cooperating group) of 17.8%, which is an increase from 16.6% as at 31.12.2021. The increase in the CET1 capital ratio was primarily attributable to the introduction of the SME discount, increased equity due to the increase in the value of the investment in Eika Gruppen AS and retained earnings from 2022. This was partly offset by lending growth and higher total assets during the year.

Due to the positive change in value of the bank's investment in Eika Gruppen AS, the Group's book equity increased by NOK 235.6 million in 2022, and the transaction (after eliminations) resulted in an increase in the Group's CET1 capital ratio of around 0.7%.

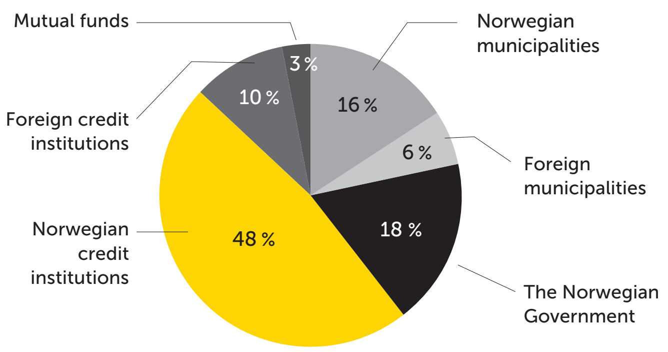
The Group's leverage ratio amounted to 9.0% as at 31.12.2022, compared with 9.2% as at 31.12.2021.

Liquidity and funding

The bank's liquidity situation is regarded as satisfactory. The bank had a liquidity portfolio (exclusive of cash and fixed income funds) of NOK 3.6 (2.8) billion at the end of the year. The bank's goal is to keep the liquidity risk at a low level.

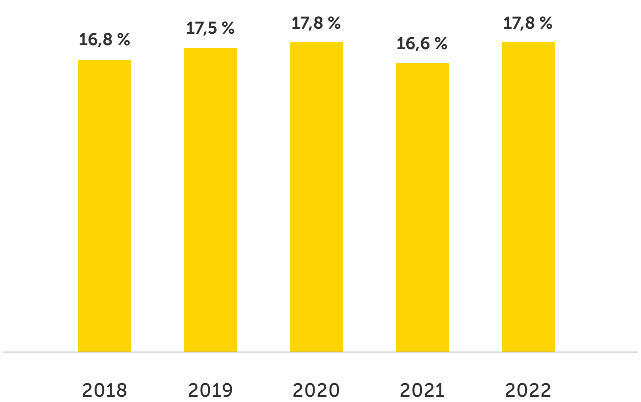
The net loans in SSB Boligkreditt amounted to a volume of NOK 11.9 billion as at 31.12.2022, which is an increase of NOK 2.1 billion in the past 12 months. As at 31.12.2022, SBB Boligkreditt AS had outstanding covered bonds worth NOK 10.6 (8.5) billion. The bank is considered well diversified, both in terms of funding sources and terms to maturity.

COMPOSITION OF THE LIQUIDITY PORTFOLIO

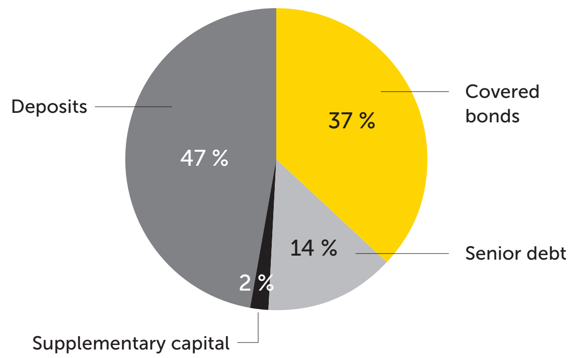


CORE TIER-1 CAPITAL RATIO, LAST 5 YEARS

Core Tier-1 capital ratio includes consolidation of a cooperating group.



FINANSIERINGSKILDER



Subsidiaries

The total profit after tax for the bank's subsidiaries – before intragroup eliminations – was NOK 48.6 (67.2) million for 2022.

SSB Boligkreditt AS was established as part of the Group's long-term funding strategy and the mortgage credit institution's main objective is to issue covered bonds in the market. The company's profit after tax was NOK 47.4 (64.0) million for 2022.

Aktiv Eiendomsmegling Jæren AS offers services within real estate brokerage for both real customers and the business community. The company's profit after tax was NOK 1.2 (3.2) million for 2022.

Risk management

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

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

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

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

The Group uses models for calculating credit risk developed by and for the Eika banks. These are tested annually, both by Eika for all the banks in Eika together and by the bank separately. These tests show that the models largely manage to distinguish high risk customers from low risk customers and estimate losses at an accurate but conservative level. In the opinion of the Board of Directors, the assessments in the models are of satisfactory quality.

During the year, the Group's retail market portfolio increased while defaults remained stable. Changes in external framework conditions in the form of price increases and higher rates have so far had a minimal impact on the bank's portfolio. However, we have seen an increase in requests for interest-only periods in the retail market. This suggests that people are noticing that their liquidity is becoming tighter. Activity in the oil sector in the bank's primary area combined with a still rising property market have basically had a positive impact on model-calculated losses. The bank has taken account of the fact that this is a trend that will not necessarily continue going forward and has assumed a somewhat more conservative view of the future in the macro adjustments to the loss model.

The bank's corporate market portfolio decreased slightly during the year with some major property loans being replaced by more smaller ones. This resulted in a further decrease in concentration risk related to individual customers and sectors. At the same time, the bank's geographic concentration is still associated with Rogaland and the corporate market. Although the bank has no direct oil-related loans in the portfolio, the general business sector in the region is of course impacted by the activity in the oil sector. This has positive effects for the supply industry and further ripple effects in most sectors. Therefore, the bank has overall not experienced major negative impacts on the portfolio due to price rises and higher interest rates. The exception was electricity prices, which were demanding at times. However, defaults and losses in the corporate market portfolio remain at a very low level. And overall, the Board of Directors considers the risk in the credit portfolio to be low.

Liquidity risk
The bank has continued to follow the conservative liquidity strategy of the last few years.

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

The Group's deposit-to-loan ratio was stable throughout 2022 and just under 50% at the end of the year. The Board of Directors regards the Group's liquidity as low in the short term.

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

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

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

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

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

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

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

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

In the annual review of operational risk, which is conducted across all departments in the Group, the spotlight was particularly turned on the risk associated with IT security and the management of personal data as the biggest areas of risk. The risk associated with the conversion project and money laundering risk are managed separately. The risk mitigation measures that have been implemented for all of these mean that the Board of Directors regards the risk as acceptable.

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

Organisation, employees and environment

The average number of permanent FTEs in the Group was 146 in 2022. The Group employed 151 FTEs at the end of the year, an increase of 13 FTEs from December 2021. Aktiv Eiendom had 26 FTEs at the end of the year. The bank employed 125 FTEs at the end of the year.

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

The average age of the bank's employees is 42, down from 44 in December 2021.

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

Three of the seven members of the bank's management group are women, and the bank has a female CEO. Seven of the 22 managers with personnel responsibilities in the bank are women. Of the bank's Board of Directors, four members are women and four are men. The bank's female middle managers earn 95% of what male managers earn. Other female employees of the bank earn 81% of what their male colleagues earn. The bank's calculations have been adjusted for fewer hours worked, but differences in position, seniority and other factors have not been taken into account. Women are heavily overrepresented in the lower paid position levels in the bank.

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

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

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

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

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

The average sick leave rate in the bank was 3.75% in 2022, up from 1.8% in 2021.

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

Since the Transparency Act entered into force on 01.07.2022, the bank has reviewed it suppliers and conducted assessments of each supplier's impact with respect to the climate, environment, social conditions, ethics and responsible business conduct. The bank's purchasing policy was revised in 2022 along with the associated supplier self-declaration that the bank's new suppliers must sign. The self-declaration has also been sent out to existing suppliers. For further information on this, please see the bank's website. The bank will also prepare and publish a report in relation to the Transparency Act by 30.06.2023. The report will be made available on the bank's website.

The bank's equity certificate (SADG)

As at 31.12.2022, the market price for SADG was NOK 93.80, compared with NOK 98.80 as at 31.12.2021. A dividend of NOK 5.35 per equity certificate was paid in 2022.

At the end of 2022, there were 3 097 registered holders of the bank's equity certificate. On the same date, the 20 largest holders (inclusive of the bank's treasury equity certificates) controlled 62.83% of the equity certificate capital.

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

Allocation of the profit for 2022

In line with the bank's dividend policy, weight is given to various factors when assessing the dividend. The main emphasis is on financial strength and a stronger Tier 1 capital ratio. The Board of Directors is proposing to the Board of Trustees that a dividend of NOK 6.05 per equity certificate be paid for 2022, which corresponds to 74.6% of the Group's earnings per equity certificate. Of the dividend allocated to the primary capital totalling NOK 72.0 million, the Board of Directors is proposing to pay out NOK 12.0 million to the Gift Fund and NOK 60.0 million as customer dividends.

The Board of Directors proposes the following allocation:	Amount (NOK millions)
For allocation	**218.8**
To cash dividends for equity certificates	126.7
To the dividend equalisation fund	6.1
To the Savings Bank's Fund	3.5
To the Gift Fund/customer dividends	72.0
To the hybrid capital owners	5.6
To the fund for valuation differences	0.0
To the fund for unrealised gains	4.9
Total proposed allocation	**218.8**

The profit is allocated between the equity certificate capital and the Savings' Bank Fund relative to their share of the equity, such that equity certificate holders receive 63.8% of the allocated profit. As a result of the allocation, the equity certificate percentage will be reduced from 63.8% to 63.5%.

Events after the balance sheet date

No events of material significance for the prepared annual financial statements have taken place after the balance sheet date of 31.12.2022.

Outlook for 2023

Macro conditions in the region have been improving, although there are some challenges in relation to the availability of labour, inflation and higher rates. Companies in the region generally have little direct exposure to the situation in Ukraine and are not impacted by the restrictions on trading with Russia. At the end of December, the situation was stable for most of the bank's customers, although there was some uncertainty about how higher costs and higher interest rates would affect individual companies. In general, low house prices have resulted in less household debt than in other major cities.

This means that the interest rate increases have had less impact on personal finances than is the case for people in other cities. During the year, Norges Bank raised the key policy rate to 2.75% and has announced that there will be more rate hikes in the period before the summer. This is a clear indication of pressure in the economy and a desire to reduce those inflationary pressures in the economy. The bank is well-positioned in the market and expects increased growth in lending going forward. The bank has no direct exposure to Ukraine or any nearby areas that are involved.

The bank has solid expertise, steadily more satisfied customers, a stable cost base, good earnings and good financial strength. The bank is well-equipped for profitable growth, and has, among other things, intensified its focus on the retail market in order to take a stronger position in the local market. The focus on retaining, developing and securing the right competence will also continue to be of strategic importance. Another priority area in the bank's strategy is to contribute to a more sustainable society. Digitalisation and technological development are critical success factors and converting to a new core banking system in 2023 is important. The bank's regulatory requirements are constantly increasing, and it is committed to meeting these requirements and has a corporate culture characterised by orderliness.

In autumn 2021, the bank changed its brand name from Sandnes Sparebank to Den Gule Banken, Sandnes Sparebank. The bank was already known as Den Gule Banken in its local market. This was a strategic move designed to highlight that we are a bank for the entire region, the market area of Rogaland south of Boknafjorden, not just for Sandnes and its environs.

The Group's regulatory minimum CET1 capital ratio requirement is 14.1%. The bank's Board of Directors has approved an internal capital target of 1.0% above the regulatory capital requirement, which means the bank has a minimum internal CET1 capital ratio target of 15.1%. The Group's CET1 capital ratio was 17.8% at the end of December and it is well-capitalised. Norges Bank will increase the countercyclical buffer requirement from 1.5% to 2.0% with effect from 31.12.2022, and it will be increased further to 2.5% from 31.03.2023. The systemic risk buffer will also be increased from 3.0% to 4.5% from 31.12.2023. The new capital requirements have already been taken into account in the bank's capital planning.

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

March 7, 2023 | The Board of Directors of Den Gule Banken, Sandnes Sparebank

Harald Espedal
Chairman
of the Board

Frode Svaboe
Deputy
Chairman

Bjørg Tomlin
Director

Sven Chr Ulvatne
Director

Astrid Rebekka Norheim
Director

Wenche Drønen Christenssen
Director

Ingunn Ruud
Employee
representative

Joakim De Haas
Employee
representative

Trine Karin Stangeland
CEO

Annual financial statements

Income statement

Group				Parent Bank	
Full year 2022	**Full year 2021**	Beløp i tusen kr	Noter	**Full year 2022**	**Full year 2021**
878 506	612 622	Interest income measured using the effective interest method	17	607 241	443 199
111 210	46 846	Interest income measured at fair value	17	95 369	41 732
494 029	203 372	Interest expenses	17	285 019	132 260
495 687	**456 095**	**Net interest income**		**417 591**	**352 671**
104 405	98 778	Commission income	18	76 371	70 661
-11 053	-9 126	Commission costs	18	-11 053	-9 126
65 540	47 746	Dividends and income from ownership interests in associates	19	66 740	84 687
-9 355	14 800	Net gain/loss on financial instruments	19	-4 675	21 392
4 253	2 089	Other operating income	20	4 731	2 522
153 790	**154 286**	**Total other operating income**		**132 114**	**170 135**
179 795	161 941	Personnel costs	21,22,23	150 612	135 182
127 913	133 681	Other operating costs	21	118 545	124 539
16 385	18 861	Depreciation/write-downs	21,31,32,33	15 206	17 682
324 093	**314 483**	**Total operating costs**		**284 363**	**277 403**
325 384	**295 898**	**Operating profit before write-downs and tax**		**265 342**	**245 403**
11 345	-32 340	Impairments and losses on loans and guarantees	11	12 401	-33 699
314 040	**328 238**	**Operating profit before tax**		**252 942**	**279 101**
47 874	46 933	Tax expense	24	34 155	27 996
266 166	**281 305**	**Operating profit after tax**		**218 786**	**251 106**
		Statement of other comprehensive income			
		Items that will not be reclassified to the income statement			
235 602	45 481	Change in value of equities measured at fair value through OCI	34	235 602	45 481
66	-345	Actuarial gains and losses, defined benefit pension plan	23	66	-345
17	-86	Tax		17	-86
235 652	45 223	Total		235 652	45 223
		Items that may be reclassified to the income statement later			
		Change in value of loans measured at fair value through OCI		236	-86
		Total		236	-86
235 652	45 223	Other comprehensive income (OCI) (after tax)		235 888	45 136
501 818	**326 528**	**Comprehensive income**		**454 674**	**296 242**
501 333	325 262	Controlling interest's share of the profit			
484	1 266	Non-controlling interest's share of the profit			
8,1	8,5	Earnings per equity certificate	44	6,6	7,6
8,1	8,5	Diluted earnings per equity certificate		6,6	7,6

Balance sheet

Group 31.12.2022	Group 31.12.2021	Amounts in NOK thousands	Noter	Parent Bank 31.12.2022	Parent Bank 31.12.2021
387 987	372 293	Cash and receivables from central banks [1]	25,26	387 987	372 293
114 207	67 639	Loans to and receivables from credit institutions [1]	11,25,26,27	113 940	75 427
25 676 548	24 178 029	Loans to customers at amortised cost	8-11,25,26	11 535 594	13 592 027
1 287 238	1 213 479	Loans to customers at fair value	8-11,25,26	3 517 115	1 982 468
3 633 205	2 798 478	Certificates and bonds	25,26,28,35	2 759 106	2 239 869
228 722	129 741	Equities	25,26,30	228 722	129 741
151 265	142 059	Financial derivatives	15,25,26	171 620	103 898
34 359	34 338	Ownership interests in associates	29	34 359	34 338
		Ownership interests in subsidiaries	29	674 328	354 328
4 558	5 637	Intangible assets	31	5	1 084
16 241	16 856	Deferred tax asset	24	15 215	16 782
3 360	3 539	Fixed assets	32	2 996	3 268
70 758	71 001	Right-of-use assets, leases	33	68 543	67 778
22 523	18 171	Other assets	29,42	1 319 188	1 417 414
21 441	17 486	Prepaid costs and accrued income	25,26	14 602	16 797
568 353	303 898	Financial instruments with change in value through OCI	25,26,34	568 353	303 898
32 220 764	**29 372 644**	**Total assets**		**21 411 672**	**20 711 410**
104 380	99 083	Liabilities to credit institutions	25,26,35	291 685	216 461
13 365 278	12 842 486	Deposits from customers	25,26,36	13 366 538	12 847 279
14 563 582	12 824 416	Securities issued	25,26,37	3 983 403	4 369 023
146 741	46 589	Financial derivatives	15,25,26	104 078	52 965
71 033	59 555	Other liabilities	25,26,39	64 890	53 470
49 463	57 911	Tax payable	24,25,26	34 757	38 457
152	187	Deferred tax	24,25,26		
52 536	66 416	Accrued costs and received not accrued income	25,26	48 015	61 697
13 616	13 523	Provisions	11,23,38	13 503	13 414
87 690	86 692	Lease liabilities	33	85 295	83 304
369 413	200 824	Subordinated loan capital	25,26,40	369 413	200 824
28 823 883	**26 297 684**	**Total liabilities**		**18 361 577**	**17 936 894**
230 149	230 149	Equity certificate capital	41,45,46	230 149	230 149
-20 694	-20 952	Treasury equity certificates	41	-20 694	-20 952
987 313	987 313	Share premium	41	987 313	987 313
-132 390	-134 516	Other paid-in equity	41	-132 390	-134 516
491 885	485 723	Dividend equalisation fund	41	491 885	485 723
870 700	867 200	The Savings Bank's Fund	41	870 700	867 200
85 045	77 121	Gift Fund/customer dividends	41	85 045	77 121
308 224	67 753	Fund for unrealised gains	41	308 224	67 753
4 947	4 926	Fund for valuation differences	41	4 947	4 926
100 000	100 000	Hybrid capital	40,41	100 000	100 000
467 504	405 727	Other equity	41	124 916	109 797
4 198	4 514	Non-controlling interests			
3 396 882	**3 074 960**	**Total equity**		**3 050 094**	**2 774 516**
32 220 764	**29 372 644**	**Total equity and liabilities**		**21 411 672**	**20 711 410**

1 Receivables from central banks are presented as 'Cash and receivables from central banks' while in the 2021 accounts they were presented on the line 'Loans to and receivables from credit institutions'. Comparable figures for 2021 have been restated accordingly.

March 7 2023 | The Board of Directors of Den Gule Banken, Sandnes Sparebank

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

Statement of changes in equity

Group

Group	Equity certificate capital	Holding of treasury equity certifi-cates	Share premium	Other paid-in equity	Dividend equali-sation fund	The Savings Bank's Fund	Gift Fund/ customer dividends	Fund for un-realised gains	Fund for valuation diffe-rences	Hybrid capital	Other equity	Total	Non-con-trolling interests	Total equity
Equity as at 01.01.2021	230 149	-21 034	987 313	-135 093	448 818	846 201	16 443	9 716	4 405	100 000	460 421	2 947 338	4 542	2 951 880
Dividends paid											-124 540	-124 540	-1 294	-125 834
Gifts paid and customer dividends							-13 004				-61 104	-74 108		-74 108
Actuarial gains and losses, defined benefit pension plan (after tax)					-165	-94						-259		-259
Fund for unrealised gains								12 556				12 556		12 556
Fund for valuation differences									521			521		521
Change in value of equities measured at fair value through OCI								45 481				45 481		45 481
Change in holding of treasury equity certificates		82		577								659		659
Reallocation from distribu-tion fund to Gift Fund							10 000				-10 000			
Unpaid interest/costs on hybrid capital											-4 166	-4 166		-4 166
Annual profit allocated to equity capital fund					37 071	21 093						58 163		58 163
Annual profit allocated to dividends											111 921	111 921		111 921
Annual profit allocated to Gift Fund/customer dividends							63 682					63 682		63 682
Annual profits allocated to hybrid capital holders											4 262	4 262		4 262
Annual profit rest of the Group											28 933	28 933	1 266	30 200
Equity as at 31.12.2021	230 149	-20 952	987 313	-134 516	485 723	867 200	77 121	67 753	4 926	100 000	405 727	3 070 445	4 514	3 074 960
Equity as at 01.01.2022	230 149	-20 952	987 313	-134 516	485 723	867 200	77 121	67 753	4 926	100 000	405 727	3 070 445	4 514	3 074 960
Dividends paid											-112 000	-112 000	-800	-112 800
Gifts paid and customer dividends							-64 040					-64 040		-64 040
Actuarial gains and losses, defined benefit pension plan (after tax)					32	18						50		50
Fund for unrealised gains								4 868				4 868		4 868
Fund for valuation differences									21			21		21
Change in value of equities measured at fair value through OCI								235 602				235 602		235 602
Change in holding of treasury equity certificates		258		2 126								2 384		2 384
Unpaid interest/costs on hybrid capital											-5 440	-5 440		-5 440
Annual profit allocated to equity capital fund					6 130	3 481						9 612		9 612
Annual profit allocated to dividends											126 720	126 720		126 720
Annual profit allocated to Gift Fund/customer dividends							71 963					71 963		71 963
Annual profits allocated to hybrid capital holders											5 602	5 602		5 602
Annual profit rest of the Group											46 896	46 896	484	47 380
Equity as at 31.12.2022	230 149	-20 694	987 313	-132 390	491 885	870 700	85 045	308 224	4 947	100 000	467 504	3 392 683	4 198	3 396 882

Statement of changes in equity

Parent Bank

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

	Equity certificate capital	Holding of treasury equity certifi-cates	Share premium	Other paid-in equity	Dividend equali-sation fund	The Savings Bank's Fund	Gift Fund/ customer dividends	Fund for un-realised gains	Fund for valuation diffe-rences	Hybrid capital	Other equity	Total
Equity as at 01.01.2022	230 149	-20 952	987 313	-134 516	485 723	867 200	77 121	67 753	4 926	100 000	109 797	2 774 516
Dividends paid											-112 000	-112 000
Gifts paid and customer dividends							-64 040					-64 040
Actuarial gains and losses, defined benefit pension plan (after tax)					32	18						50
Change in value of loans measured at fair value through OCI											236	236
Fund for unrealised gains								4 868				4 868
Fund for valuation differences									21			21
Change in value of equities measured at fair value through OCI								235 602				235 602
Change in holding of treasury equity certificates		258		2 126								2 384
Unpaid interest/costs on hybrid capital											-5 440	-5 440
Annual profit allocated to equity capital fund					6 130	3 481						9 612
Annual profit allocated to dividends											126 720	126 720
Annual profit allocated to Gift Fund/ customer dividends							71 963					71 963
Annual profit allocated to hybrid capital holders											5 602	5 602
Equity as at 31.12.2022	230 149	-20 694	987 313	-132 390	491 885	870 700	85 045	308 224	4 947	100 000	124 916	3 050 094

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

Cash flow statement[1]

Group Full year 2022	Group Full year 2021	Amounts in NOK thousands	Parent Bank Full year 2022	Parent Bank Full year 2021
		Cash flow from operating activities		
-1 650 927	-1 408 579	Net receipts/payments of instalment loans, lines of credit	544 047	-892 999
909 718	691 112	Receipts of interest, commission income and fees from customers	650 439	533 461
517 501	914 287	Net receipts of deposits	517 501	914 287
-149 355	-59 913	Payment of interest to customers	-149 355	-59 913
-849 884	1 034 802	Net receipts/payments from trading interest-bearing securities	-534 393	1 120 119
79 180	26 277	Receipts of interest on securities	63 338	21 163
109 446	65 009	Net receipts/payments from trading of other financial assets	79 719	55 345
5 326	-1 374 365	Net deposits/loans from credit institutions	75 254	-1 161 320
-268 295	-218 444	Payments for operations	-263 032	-214 104
-53 869	-48 875	Tax	-36 289	-37 333
-1 351 158	**-378 689**	**Net cash flow from operating activities**	**947 230**	**278 705**
		Cash flow from investing activities		
318	3 061	Net investment in property, plant and equipment	318	3 061
-126 632	-4 688	Net investment in equities and other units	-446 632	-4 688
65 519	47 306	Receipts of dividends from long-term investments in equities	66 719	84 247
-60 795	**45 679**	**Net cash flow from investing activities**	**-379 595**	**82 620**
		Cash flow from financing activities		
3 780 000	3 100 000	Raising of certificates and bond debt	680 000	700 000
-1 924 181	-2 394 175	Repayment of certificates and bond debt	-1 022 115	-779 684
220 000		Raising of subordinated loan capital and hybrid Tier 1 securities	220 000	
-53 000		Repayment of subordinated loan capital and hybrid Tier 1 securities	-53 000	
-112 800	-125 834	Payout of dividends	-112 000	-124 540
-64 040	-74 108	Gifts and customer dividends paid from profits	-64 040	-74 108
2 384	659	Net payment for buy-back of treasury equity certificates	2 384	659
-14 190	-13 001	Lease payments on capitalised lease liabilities	-12 946	-11 911
-359 958	-209 163	Net interest payments on financing activities	-151 711	-137 644
1 474 215	**284 379**	**Net cash flow from financing activities**	**-513 429**	**-427 227**
62 262	-48 630	Net cash flow for the period	54 207	-65 901
439 933	488 564	Cash and cash equivalents at the start of the period	447 720	513 621
502 195	439 933	Cash and cash equivalents at the end of the period	501 926	447 720

1 In 2022, the bank chose to reclassify certain cash flows in line with IAS 7 and observed accounting practices.
See further information in note 2. Comparable figures for 2021 have been restated changed accordingly in the cash flow statement.

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1 GENERAL DISCLOSURES

Den Gule Banken, Sandnes Sparebank, is an equity certificate bank listed on Oslo Børs. The bank's head office is in Sandnes Municipality and its registered business address is Rådhusgata 3, 4306 Sandnes.

The consolidated financial statements and the financial statements for the parent bank for 2022 were approved by the Board of Directors on 07.03.2023, and by the Board of Trustees on 28.03.2023.

2 ACCOUNTING POLICIES

INNHOLD

1. Basis for the preparation of the accounts
2. New standards and interpretations adopted from and including the 2022 financial year
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4. Associate enterprise
5. Presentation currency
6. Income recognition
7. Financial instruments
8. Intangible assets
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17. Segment information
18. Approved standards and interpretations with future effective date

1. Basis for the preparation of the accounts

The consolidated financial statements for Den Gule Banken, Sandnes Sparebank have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU. The same applies to the parent bank's accounts. The financial statements are prepared based on IFRS standards and interpretations mandatory for financial statements prepared as of 31.12.2022. Furthermore, the requirements for additional information in applicable laws and regulations for banks are met.

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

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

2. New standards and interpretations adopted from and including the 2022 financial year

There are no new standards or interpretations adopted as of the financial year 2022 that are considered to have a material impact on the Group's financial statements.

Applied accounting policies are consistent with the principles applied in the 2021 annual report, with the exception of a voluntary change of accounting policies for presentation in the cash flow statement.

Presentation in the cash flow statement
Following a renewed assessment of the classification and presentation of the Group's and the parent bank's cash flows on the basis of IAS 7 and observed accounting practices, the bank has, as of the 2022 financial statements, made a voluntary change in policy for the classification and presentation of cash flows related receipts/disbursements of loans to customers and credit institutions, customer deposits, interest-bearing securities and received dividends.

Payments and receipts linked to changes in loans and deposits are, from and including 2022, presented as operating activities. Net payment flows from this are presented as, respectively: "Net receipts/payments of instalment loans, lines of credit", "Net receipts from deposits" and "Net deposits/loans from credit institutions". Prior to this change, these cash flows were presented as financing activities.

Comparative figures for 2021 have similarly been restated, and for the Group NOK 1 409 million in net disbursement of loans to customers, NOK 914 million in net receipts of customer deposits, and NOK 1 374 million in net payments to credit institutions have been reclassified from financing activities to operating activities. The corresponding figures for the parent bank were NOK 893 million in net disbursements of loans to customers, NOK 914 million in net receipts of customer deposits and

NOK 1 161 million in net disbursements to credit institutions reclassified from financing activities to operating activities.

The background for the change is that cash flows from both lending activities and changes in customer deposits constitute a natural part of the bank's operations, while the changes are also more consistent with observable accounting practices. Consequently, following a fresh assessment, the bank is of the opinion that the reclassification provides more reliable and relevant information for users of the financial statements by presenting these as operating activities in the cash flow statement.

As of 2022, the net receipts/payments on the sale of the company's liquidity portfolio, presented as "Net receipts/payments on the sale of interest-bearing securities", has been presented as operational activity. Comparative figures have been restated and net receipts for the Group of NOK 1 035 million (NOK 1 120 million for the parent bank) in 2021 have been correspondingly reclassified from investing activities to operating activities. The reason for the change is that trading in interest-bearing securities forms part of the Group's ongoing liquidity management and thus more closely related operations, and that, after a fresh evaluation, it provides more reliable and relevant information for users of the accounts to present this as operating activities.

Receipts of dividends from investments in shares are from and including 2022 presented as investing activities. Comparative figures have been restated and received dividends for the Group of NOK 47 million (NOK 84 million for the parent bank) in 2021 have correspondingly been reclassified from operating activities to investing activities. The reason for the change is that dividends from share investments represent a return on investing activities and thus a natural part of overall investing activities, and that, after a fresh evaluation, it provides more reliable and relevant information for users of the accounts to present this as investing activities.

3. Consolidation

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

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

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

Subsidiaries

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

The following applies for acquisitions and transfers:

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

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

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

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

4. Associate enterprise

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

5. Presentasjonsvaluta

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

6. Income recognition

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

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

Fees and charges for the sale or brokering of financial instruments, real estate or other investment objects that do not generate balance sheet entries in the bank's or the Group's accounts, are recognised when the transaction is completed.

Income from customer contracts is treated in accordance with IFRS 15. The income is recognised in an amount that reflects the remuneration the organisation expects to exchange for the transfer of a good or service to a customer. Income is recognised when a customer achieves control over a good or service, and also has the opportunity to directly utilise it. The Group has the following income flows that are treated in line with this principle:

- Transaction charges
- Product charges
- Annual charges
- Commission sales of insurance, savings, funds and credit card
- Broker commission
- Fees earned via third parties (interbank, VISA)
- Other charges in relation to the price list

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

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

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

7. Financial instruments

Classification of financial instruments

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

Financial assets are classified as:

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

Financial debt is classified as:

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

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

Derivatives and investments in equity instruments

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

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

Financial assets that are debt instruments

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

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

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

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

Financial liabilities

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

Hedge accounting

The Group uses hedge accounting for fair value hedging of some fixed rate funding (bond loans). Derivatives related to these deposits are earmarked for hedging purposes. IFRS 9 requires that there should be a financial relationship between the hedging instrument and the hedging object, and that credit risk should not dominate the value changes of the hedging instrument. A prospective (forward-looking) efficiency test and the preparation of hedging documentation are also required.

Measurement

First posting

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

Subsequent measurement

Measuring at fair value

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

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

Measurement at amortised cost

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

Hedge accounting

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

Impairment of financial assets

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

The measurement of provisions for expected losses in the general model depends on whether the credit risk has increased significantly since the initial balancing. Credit deterioration is measured by developments in probability of default (PD).

In the event of initial balancing and when credit risk has not increased significantly after initial balancing, losses for 12-month expected losses are recognised. 12-month expected loss is the loss that is expected to occur throughout the life of the instrument, but which can be linked to default events that occur within the first 12 months. If credit risk has increased significantly after initial recognition, the provision shall correspond to expected losses over the lifetime.

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

STAGE 1:

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

STAGE 2:

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

STAGE 3:

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

Definition of defaulted/impaired loans and advances in Stage 3

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

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

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

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

Confirmed loss

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

Impairments on shares in subsidiaries

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

Acquisition of assets

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

More about other financial instruments

Loans and receivables

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

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

Stocks, certificates and bonds

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

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

Financial derivatives

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

Deposits and other financial liabilities

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

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

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

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

Day 1 profits

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

Calculation and derecognition of financial assets and liabilities

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

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

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

Buy-back of securities issued

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

Modified assets and liabilities

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

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

8. Intangible assets

Goodwill

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

Software and development of IT systems

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

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

9. Fixed assets

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

10. Leases

IFRS 16 sets out a common model that must be used for all leases, with some exceptions, where the right to use a specific asset is transferred from the lessor to the lessee for a specific period.

In order to determine whether an agreement contains a lease, one must assess whether the agreement transfers the right to control the use of an identified asset. For the Group, the standard has mainly affected leases related to office premises, which means that lease costs are recognised as depreciation of the right-of-use asset and interest expenses on the associated lease liabilities in the income statement. The bank's IT agreements are not considered to fall under IFRS 16, because they are based on purchases of capacity that are not physically separated and thus not identifiable. Low value leases (total value of less than USD 5000) and leases with a lease period of 12 months or less will not be recognised in the balance sheet. Leases under these exemptions are recognised on an ongoing basis as other operating costs.

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

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

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

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

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

11. Pensions

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

Defined contribution scheme

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

Defined benefit scheme

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

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

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

Contractual early retirement pensions

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

12. Other liabilities

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

13. Income tax

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

As of 31.12.22, the tax rate on ordinary income in Norway was 22%, and the tax rate remains unchanged in the previous year. Exceptions have been made for financial institutions which are thus continued at the 2016 level (25 % tax rate).

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

Tax management for equity transactions

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

14. Dividends and profit per equity certificate

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

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

15. Equity

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

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

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

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

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

16. Cash flow analysis

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

17. Segment information

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

18. Approved standards and interpretations with future effective date

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

Annual improvement projects

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

3 CRITICAL ESTIMATES AND ASSESSMENTS REGARDING THE APPLICATION OF ACCOUNTING POLICIES

CRITICAL ESTIMATES

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

Impairments of loans and guarantees

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

Stage 3 impairments (individual impairments)

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

Stage 1 and 2 impairments (statistical impairments)

Loans that are not subject to individual impairment are included in the calculation of statistical impairment (IFRS 9 impairment) for loans and guarantees. The impairment is calculated based on developments in the customers' risk classification (as described in note 8) and loss experience for the respective customer groups (PD and LGD). During the year, the bank made some minor adjustments to the definition of when a need for migration between Stage 1 and Stage 2 arises. The purpose of the changes was primarily to reduce noise due to loans in a grey zone that move back and forth multiple times a year. Besides this, cyclical and market developments (macro conditions) that have yet to have an effect on the aforementioned risk classification are given weight when testing the need for impairment for customer groups as a whole. Therefore, in addition to the model-calculated supplements for greater uncertainty in the future, the bank has taken into account special factors related to the bank's portfolio that slightly increase the provisions for losses. For more information, please see note 8.

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

Fair value of financial instruments

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

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

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

Application of accounting policies

Customer dividends

Each year, the bank's Board of Trustees decides whether or not customer dividends should be paid out, and if so, how much. A resolution was passed at a meeting of the Board of Trustees on 23.03.2022, and the bank paid out a total of NOK 51.1 million in customer dividends to the bank's loan and deposit customers in 2022.

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

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

The Ministry of Finance has granted permission to use primary capital for customer dividends. The distribution of customer dividends is regulated by section 10-17(4) of the Financial Institutions Act, which classifies customer dividends as a disposal of profit for the year. The bank has used this classification in its accounting treatment and has thus treated the payment as an equity transaction. The customer dividends payment resulted in a tax deduction of NOK 12.8 million for the 2022 fiscal year. The tax deduction is recognised through profit or loss as a reduction in the tax expense for 2022. Please note that there is some uncertainty related to the allocation of the tax deduction from customer dividends between the different holder classes.

4 ACQUISITIONS, SALES, LIQUIDATIONS AND CORPORATE ESTABLISHMENTS

There are no significant changes in group structure as of 31.12.2022.

5 SEGMENTS

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

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

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

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

Group 31.12.2022

Reporting per segment	RM	BM	Real Estate	Other	Total
Net external interest income	250 749	244 788			495 536
Net internal interest income				150	150
Net interest income	250 749	244 788		150	495 687
Net commission income	32 963	25 964	40 079	(5 653)	93 352
Income from securities	(4 680)			60 865	56 185
Other operating income	56	10		4 188	4 253
Total other operating income	28 338	25 974	40 079	59 400	153 790
Personnel costs	87 201	53 127	29 142	10 325	179 795
Other operating costs	83 528	34 739	8 360	1 285	127 913
Depreciation/write-downs	10 476	4 396	1 179	333	16 385
Profit before losses	97 881	178 499	1 398	47 606	325 384
Impairments and losses on loans and guarantees	1 237	10 108			11 345
Segment profit before tax	**96 644**	**168 391**	**1 398**	**47 606**	**314 040**
Net loans to customers	20 111 849	6 851 938			26 963 787
Other assets			25 811	5 231 167	5 256 978
Total assets	**20 111 849**	**6 851 938**	**25 811**	**5 231 167**	**32 220 764**
Deposits from customers	7 346 860	4 326 362		1 692 056	13 365 278
Other liabilities			13 018	15 445 587	15 458 605
Total liabilities	**7 346 860**	**4 326 362**	**13 018**	**17 137 644**	**28 823 883**

Group 31.12.2021

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

Parent Bank 31.12.2022

Reporting per segment	RM	CM	Other	Total
Net interest income	172 803	244 788		417 591
Net commission income	45 007	25 964	(5 653)	65 318
Income from securities			62 065	62 065
Other operating income	56	10	4 666	4 731
Total other operating income	45 063	25 974	61 078	132 114
Personnel costs	87 159	53 127	10 325	150 612
Other operating costs	82 042	34 739	1 763	118 545
Depreciation/write-downs	10 476	4 396	333	15 206
Profit before losses	38 188	178 499	48 656	265 342
Impairments and losses on loans and guarantees	2 293	10 108		12 401
Segment profit before tax	**35 894**	**168 391**	**48 656**	**252 942**
Net loans to customers	8 200 771	6 851 938		15 052 709
Other assets	50 081	21 463	6 287 419	6 358 963
Total assets	**8 250 852**	**6 873 401**	**6 287 419**	**21 411 672**
Deposits from customers	7 346 860	4 328 277	1 691 401	13 366 538
Other liabilities			4 995 039	4 995 039
Total liabilities	**7 346 860**	**4 328 277**	**6 686 440**	**18 361 577**

Parent Bank 31.12.2021

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

6 CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

Den Gule Banken, Sandnes Sparebank uses the standard method for credit risk and the basic method for operational risk. As at 31.12.2022, the conservation buffer requirement was 2.5%, the systemic risk buffer requirement was 3.0% and the countercyclical buffer requirement was 2.0%. The Ministry of Finance has decided that the countercyclical buffer will be increased to 2.5% from 31.03.2023. These requirements are additional to the CET1 capital requirement of 4.5%, such that the total minimum CET1 capital requirement is 12.0%. The Financial Supervisory Authority of Norway has also set a Pillar 2 requirement for Den Gule Banken, Sandnes Sparebank, of 2.1%. Therefore, the regulatory minimum requirement for CET1 capital, inclusive of the Pillar 2 requirement, is 14.1%.

The Group's target for the CET1 capital ratio is a minimum of 15.1% as at 31.12.2022.

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

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

As at 31.12.2022, the Group's total assets amounted to NOK 32.2 billion. This is an increase of NOK 2.8 billion or 9.7% compared with 31.12.2021. The increase was mainly attributable to lending growth in the retail market during the period, as well as surplus liquidity during the period.

The Group's risk-weighted assets decreased by around NOK 50 million during the year, primarily due to the introduction of the capital discount for SMEs (part 2), which came into effect on 30.06.2022, as well as reduced corporate exposure due to negative loan growth in the corporate segment during the year.

As at 31.12.2022, the Group had a CET1 capital ratio (including the consolidated share of the cooperating group) of 17.8%, which is an increase from 16.6% as at 31.12.2021. The increase in the CET1 capital ratio was primarily attributable to the introduction of the SME discount part 2, increased equity due to the increase in the value of the investment in Eika Gruppen AS and retained earnings from 2022. This was partly offset by lending growth and higher total assets during the year.

The Group's leverage ratio was 9.0% at the end of the year compared with 9.2% at the same time the year before. The reduction was mainly due to higher total assets, partly offset by higher Tier 1 capital in the period. Nevertheless, the leverage ratio is well above the authorities' minimum requirement of 5%.

Reporting of capital for owner institutions in a cooperating group as at 31.12.2022:

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

Den Gule Banken, Sandnes Sparebank, takes part in a cooperating group with Eika Gruppen AS, where the bank owned 8.8% of the shares as at 31.12.2022. Consequently, this percentage of Eika Gruppen is consolidated into the capital adequacy ratio.

Proportional consolidation	31.12.2022	31.12.2021
OWN FUNDS		
CET1 capital	2 956 132	2 765 864
Tier 1 capital	3 064 974	2 874 226
Own funds	3 443 025	3 084 677
Risk-weighted assets	16 638 484	16 689 252
CAPITAL ADEQUACY		
CET1 capital ratio	17.8 %	16.6 %
Tier 1 capital ratio	18.4 %	17.2 %
Capital adequacy ratio	20.7 %	18.5 %

Group 31.12.2022	Group 31.12.2021		Parent Bank 31.12.2022	Parent Bank 31.12.2021
		OWN FUNDS		
230 149	230 149	Equity certificate capital	230 149	230 149
-20 694	-20 952	Holding of own equity certificates	-20 694	-20 952
870 700	867 200	The Savings Bank's Fund	870 700	867 200
1 986 463	1 790 027	Other equity	1 683 256	1 434 516
126 720	111 921	Provisions for dividends	126 720	111 921
59 963	51 682	Provisions for customer dividends	59 963	51 682
3 253 301	3 030 027	Equity (excl. hybrid capital)	2 950 094	2 674 516
-55 663	-47 309	Deduction for ownership of immaterial assets in financial services sector	-409 460	-155 877
-24 228	-23 761	Deduction for ownership of material assets in financial services sector		
-5 846	-4 557	Deduction for prudent valuation	-7 349	-4 800
-1 021	-762	Other deductions based on specific decisions		
-45		Deduction of inadequate coverage of defaulted exposures (MLC)	-45	
-126 720	-111 921	Deduction for provisions for dividends	-126 720	-111 921
-59 963	-51 682	Deduction for provisions for customer dividends	-59 963	-51 682
-23 682	-24 171	Deduction for goodwill and other intangible assets	-15 220	-17 866
2 956 132	2 765 864	Total CET1capital	2 331 337	2 332 371
108 841	108 361	Hybrid Tier 1 securities and hybrid capital	100 000	100 000
3 064 974	2 874 226	Total Tier 1 capital	2 431 337	2 432 371
378 051	210 452	Subordinated loan capital (excl. accrued interest)	367 000	200 000
		Deduction for ownership of immaterial assets in financial services sector	-743	-482
3 443 025	3 084 677	Own funds	2 797 594	2 631 888

Group 31.12.2022	Group 31.12.2021		Parent Bank 31.12.2022	Parent Bank 31.12.2021
		RISK-WEIGHTED CAPITAL		
		Market risk – standard method		
15 359 143	15 414 673	Credit risk – standard method	10 992 563	11 876 075
1 232 221	1 210 887	Operational risk	990 639	990 405
22 949	21 156	Additional calculation for fixed costs		
24 171	42 536	CVA charge	18 924	27 793
16 638 484	16 689 252	Risk-weighted assets	12 002 127	12 894 272
20.7	**18.5**	**Capital adequacy ratio**	**23.3**	**20.4**
18.4	**17.2**	**Tier 1 capital ratio**	**20.3**	**18.9**
17.8	**16.6**	**CET1 capital**	**19.4**	**18.1**

Group 31.12.2022	Group 31.12.2021		Parent Bank 31.12.2022	Parent Bank 31.12.2021
		BUFFER REQUIREMENTS		
415 962	417 231	Conservation buffer (2.50%)	300 053	322 357
332 770	166 893	Countercyclical buffer (2.00%/1.00%)	240 043	128 943
499 155	500 678	Systemic risk buffer (3.00%)	360 064	386 828
1 247 886	1 084 801	Total buffers for CET1 capital	900 159	838 128
748 732	751 016	Minimum requirement for CET1 capital (4.50%)	540 096	580 242
959 514	**930 047**	**Available CET1 capital in excess of minimum requirement and buffer requirements**	**891 082**	**914 001**

Group			Parent Bank	
31.12.2022	31.12.2021		31.12.2022	31.12.2021
		SPECIFICATION OF RISK-WEIGHTED ASSETS		
		Standard method		
		Market risk		
		States and central banks		
153 257	80 013	Local and regional authorities	131 195	52 765
135 541	119 607	Institutions	369 232	345 026
547 745	875 511	Enterprises	497 901	804 202
1 764 850	1 573 673	Mass market	1 566 041	1 331 413
10 997 222	11 012 111	Loans with collateral in real estate	6 366 591	7 432 299
244 439	231 865	Past due loans	237 704	226 596
497 337	789 116	High-risk loans[1]	497 337	789 116
217 745	188 603	Covered bonds	136 494	138 017
112 806	26 226	Fund units	105 193	18 153
547 649	402 496	Equity positions	991 108	648 175
140 552	115 451	Others	93 767	90 314
15 359 143	15 414 673	Credit risk	10 992 563	11 876 075
1 232 221	1 210 887	Operational risk	990 639	990 405
22 949	21 156	Additional calculation for fixed costs		
24 171	42 536	CVA charge	18 924	27 793
16 638 484	**16 689 252**	**Total risk-weighted assets**	**12 002 127**	**12 894 272**

[1] **High-risk loans**

The bank has generally flagged loans as high risk that as at 31.12.2022 are primarily linked to;

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

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

Reduced exposure in high risk loans in 2022 was due to refinancing and the outflow of major individual loans in the bank's corporate market.

7 RISK MANAGEMENT

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

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

Organisation and power of attorney structure

The Board of Directors

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

Risk Committee

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

CEO, Director Risk Management, and the Management Group

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

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

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

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

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

Audits

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

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

Risk management and capital planning

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

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

Risk categories

The main risk categories for the Group are:

Credit risk

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

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

Market risk

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

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

Liquidity and settlement risk

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

See Note 16 for an assessment of liquidity risk.

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

Operational risk

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

Operational risk is associated with the bank's IT systems, which are largely managed by external service providers in accordance with written contracts. With the exception of the core banking solution, Eika is the bank's main supplier of technology services. Good management and control of IT systems both in the bank and on the side of the service providers is essential to ensure accurate, complete, and reliable financial reporting. The bank has established a general management model and internal control activities related to the IT systems. Key systems have been standardised, and experience shows that there have been few operational errors related to the IT systems. During 2023, the bank will switch its core banking solution from SDC to TietoEvry. The risk associated with the switch is monitored continuously and regularly reported to the bank's Board of Directors.

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

ESG risk

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

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

Other risks

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

8 CREDIT RISK

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

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

Group			Parent Bank	
31.12.2022	31.12.2021	Maximum exposure to credit risk	31.12.2022	31.12.2021
387 987	372 293	Cash and receivables from central banks	387 987	372 293
114 207	67 639	Loans to and claims on credit institutions	113 940	75 427
25 676 548	24 178 029	Loans to customers at amortised cost	11 535 594	13 592 027
1 287 238	1 213 479	Loans to customers at fair value	3 517 115	1 982 468
3 633 205	2 798 478	Certificates and bonds	2 759 106	2 239 869
151 265	142 059	Financial derivatives	171 620	103 898
22 523	18 171	Other assets	1 319 188	1 417 414
21 441	17 486	Prepaid costs and accrued income	14 602	16 797
31 294 414	**28 807 634**	**Total credit risk exposure in balance sheet items**	**19 819 152**	**19 800 194**
290 907	349 667	Guarantee liabilities	290 907	349 667
2 758 601	2 777 586	Unused credit facilities and loan commitments	1 574 376	1 749 737
34 343 923	**31 934 887**	**Total credit risk exposure**	**21 684 436**	**21 899 599**

Measurement of credit risk in the loan portfolio

Probability of default

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

Both Retail Market (RM) and Corporate Market (CM) customers are scored monthly using various credit models. The models vary based on how much, and what kind of, information is available on the individual customer. This means that for new customers, the models use publicly available information, while for existing customers, behavioural history in the bank is also used. The publicly available information is from an external credit information agency. Scorecards for completely new customers, those without a history with us, are also based on data from, and the methods of, an external credit information agency. As the bank accumulates more internal information about customers, more and more internal data is weighted into the models over the course of up to four phases that culminate in a situation where eventually the data being used is mainly internal.

The models were developed on the basis of data from 2014-2019 and the old definition of default. This involved just a single absolute limit for default of NOK 1 000 and the fact that the arrears had to be more than 90 days past due. The new definition involves an additional relative limit of at least 1% of the loan, as well as manual assessments where the customer is not in default but where the bank believes that the customer is likely to have problems meeting their obligations. The updated definition of default, which was formulated in line with the European Banking Authority's guidelines, was used in the bank's own validation processes, which were conducted using data up to June 2022, without this having any significant impact on the quality of the model. The difference in the definitions primarily affects when defaults occur, which is somewhat later with the new definition than with the old definition. In other words, there is no significant difference in which customers default. As part of Eika, the Group has had access to the model's results for its own customers through common data warehouses that stretch back to January 2020.

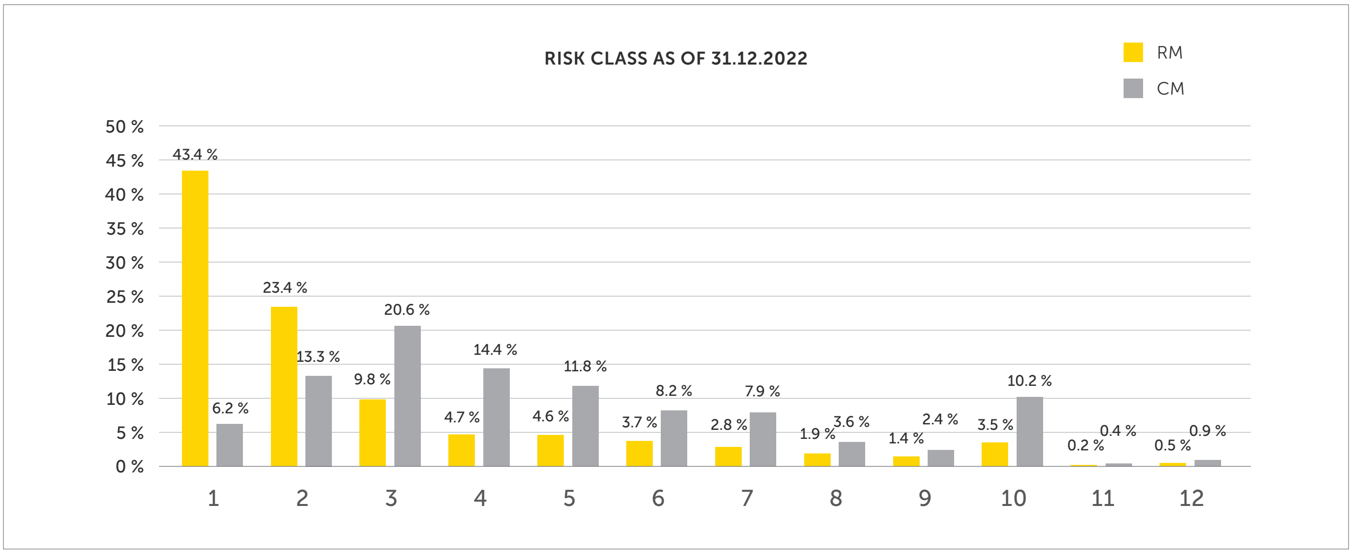
The models calculate a score that can be converted into a probability of default and then assigned a risk class. The bank currently uses a scale from 1 to 12, where 1 is the best and 11 and 12 are customers who are in default or have loans with individual impairment. The model is regularly tested both by the Eika Gruppen centrally and through the bank's own validation processes, as mentioned above. The results of the tests show that the model generally manages to distinguish good from bad customers, and also estimates the level of default within what is considered an acceptable range. The last 2 years' validation processes have produced estimated levels that are somewhat above the realised ones.

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

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

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

The distribution in the BM and PM portfolios (total exposure, including undrawn credits and guarantees), respectively, can be seen in the figure below, which shows that there is a good concentration of loans in the lower risk classes:



Definition of default

The definition of default the bank has used since 2021 conforms with the guidelines of the European Banking Authority, where a default is deemed to have occurred if one of the following criteria is met:

- The customer has an overdraft that exceeds both a relative and an absolute limit for more than 90 consecutive days. The relative limit is equal to 1% of the customer's total exposures, for both RM and CM customers.
  - For RM customers, the absolute limit is equal to NOK 1 000
  - For CM customers, the absolute limit is equal to NOK 2 000
- It is deemed likely that the customer will be unable to meet their credit obligations to the bank (unlikely to pay – UTP).
- The customer has been infected by another customer who is in default according to the first two criteria mentioned above.

The definition of default involves the introduction of a waiting period that dictates that customers are categorised as defaulted for a period after the default has been settled. The waiting period is 3 months after being given a clean bill of health, with the exception of loans flagged with forbearance where the corresponding waiting period is 12 months.

Loss given default

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

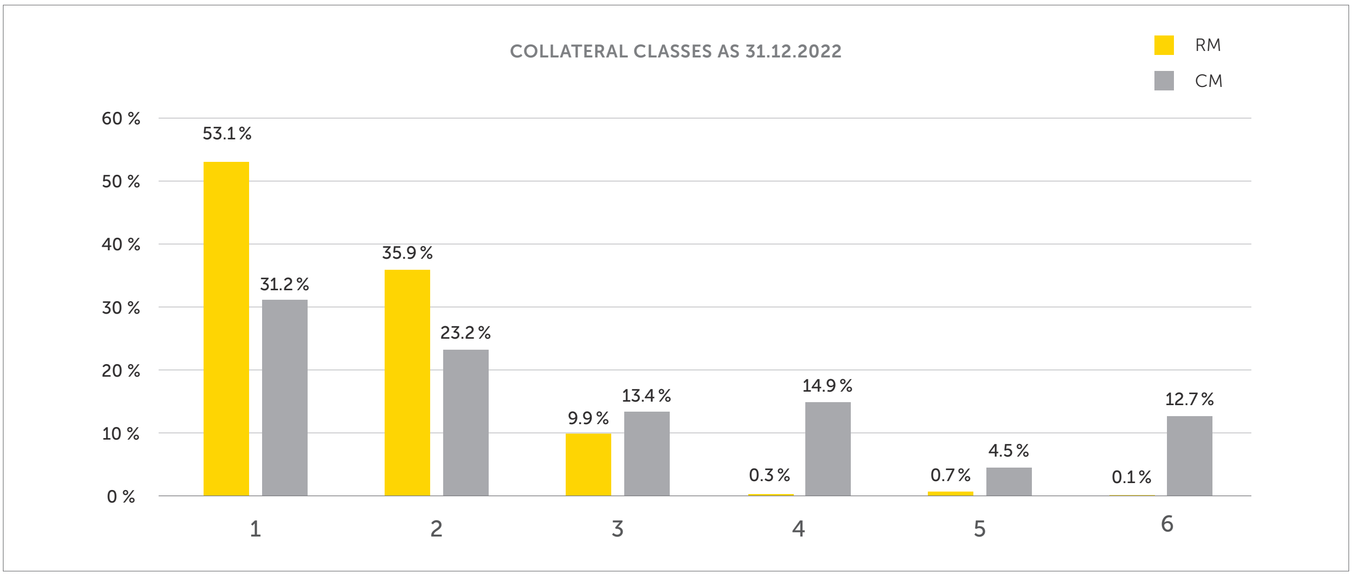
For residential mortgages, a combination of appraisal and statistical valuation based on sales prices from Eiendomsverdi is used. Valuations are updated on a quarterly basis based on statistical data from Eiendomsverdi. To ensure that the models are accurate enough, the statistical models include, among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

The loans are then classified into up to six collateral classes based on the loan-to-collateral value ratio for RM customers and collateral cover for CM customers. Next, a loss given default (LGD) value is calculated for each collateral class. The values for RM and CM for the individual collateral classes differ and can be seen in the table below.

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

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

The distribution of the RM and CM portfolio (gross loans) in the various collateral classes based on market value as at 31.12.2022 is as follows.



Total risk

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

Risk group	Expected credit loss lower limit	Expected credit loss upper limit
Low	0.00 %	0.25 %
Moderate	0.25 %	1.00 %
High	1.00 %	100.00 %

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

Further information about the ECL model

Risk classification is also used as a basis for calculating losses in Stage 1 and 2 pursuant to IFRS 9. In Stage 1, the expected credit loss over 12 months is calculated. In the event of a material increase in credit risk, the loan must be transferred to Stage 2 and the expected credit loss for the entire term of the loan calculated. The definition of a significant increase in credit risk was changed during the course of the year. The change was designed to reduce the number of customers jumping back and forth between Stage 1 and Stage 2 due to small changes in PD. The new rules mean that customers must have an increase in PD in the next 12 months of more than 0.6%. This limit used to be differentiated, with 0.5% for customers who, at the time of entering into the loan, had an estimated PD of less than 1%, and a requirement to increase this to 2% for customers with an estimated PD of more than 1% at the time of entering into the loan. This entails a stricter requirement for customers with a higher risk at the time of entering into the loan, and the opposite for customers with a lower risk at the time of entering into the loan.

In addition, an account is defined as Stage 2 if it is flagged with forbearance or there have been arrears for, or the account has been overdrawn by, more than NOK 1 000 for more than 30 days.

Stage 3 is the same as the individual impairments that are evaluated subjectively in each case.

Since a change in PD of at least 0.6% is now required to constitute a significant risk, this can be viewed as the introduction of a low risk exception. This exception is regarded as appropriate in order to avoid loans with a low PD migrating to Stage 2, due to changes in PD that are small in absolute terms, before migrating back fairly soon afterwards. Not having such absolute limits for how much PD can change before an account migrates a stage would result in significant volatility and constant changes in stage classification given that customers' PD is updated on a monthly basis. In the opinion of the bank, the use of this exception has no material impact on the distribution of loans between the stages or for the total provisions for losses, although nor does it provide a more correct stabile impression of risk developments. The isolated effect on the bank's ECL of all changes in PD, regardless of size, would result in a step change, would have been an increase of NOK 11.8 million.

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

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

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

As at 31.12.2022, the bank expects the macro variables to develop as follows:	2023	2024	2025	2026	2027
MAIN SCENARIO					
GDP mainland	1.2 %	1.6 %	1.2 %	1.5 %	1.5 %
Change in number of employed	0.0 %	0.2 %	-0.2 %	0.5 %	0.5 %
Unemployment	3.7 %	3.7 %	4.1 %	4.0 %	4.0 %
Level money market rate	3.3 %	2.7 %	2.4 %	2.3 %	2.3 %
NEGATIVE SCENARIO					
GDP mainland	-3.3 %	-1.1 %	0.3 %	1.1 %	1.5 %
Change in number of employed	-3.4 %	-1.8 %	-0.9 %	0.2 %	0.5 %
Unemployment	5.3 %	4.7 %	4.4 %	4.3 %	4.0 %
Level money market rate	7.0 %	5.9 %	3.5 %	2.6 %	2.3 %
POSITIVE SCENARIO					
GDP mainland	5.7 %	4.3 %	2.1 %	2.0 %	1.5 %
Change in number of employed	3.4 %	2.2 %	0.5 %	0.8 %	0.5 %
Unemployment	2.1 %	2.8 %	3.8 %	3.8 %	4.0 %
Level money market rate	0.5 %	0.5 %	1.3 %	2.1 %	2.3 %

The scenario weights are 70% for the base case, 10% for the positive scenario and 20% for the negative scenario. These are then used to generate multipliers for future expectations in the ECL model, which affect the impairments in Stage 1 and Stage 2.

All of the scenarios are now based on Statistics Norway's forecasts regarding the development of mainland GDP, employment numbers, money market rates and unemployment rates. Eika has developed regression models that examine the relationship between these variables and bank defaults based on time series spanning the 2000s. The base case here is the level the model produces based on the expected values of Statistics Norway's aforementioned indicators. Next a factor is calculated for adjusting existing PD to a given level. The positive and negative scenarios are still based on Statistics Norway's expectations, although these are adjusted by 2.5 standard deviations in the first year, and then 1.5, 0.5, 0.25 and finally 0. In other words, the expectations in both the positive and negative scenarios will gradually reconverge with the expected pathway and a shock away from the pathway will not last more than 4 years.

The bank has also assessed the level against its own expectations based on local knowledge and expertise in its own portfolio. Here, one has, therefore, distinguished slightly between geographic areas for retail market loans, and between sectors in the corporate market. Basically, the adjustments from last year have been kept. For CM, the adjustment is calculated based on average losses for different sectors, weighted in line with the bank's own portfolio, while for RM, the adjustment locally in Rogaland is somewhat reduced risk in relation to the base case the first year, before it then catches up with the base case. This is based on a situation where high activity in the oil and gas industry in the bank's main market area results in high activity, little unemployment and relatively good pay terms and conditions, which result in few defaults and a low loss ratio despite higher interest rates and prices rises in at least the short 1-year time horizon.

Loans with payment relief

The proportion of loans with payment relief is at a relatively low level for the bank. Following an immediate increase in demand for interest-only periods due to the Covid-19 shutdown, demand fell relatively quickly and remained low throughout 2021 and the first half-year 2022. However, in the second half-year of 2022, the bank saw an increase in demand for interest-only periods from retail customers. For CM the proportion of loans with interest-only periods is still at a historically low level.

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

Overall, as at the end of the year, there were 279 loans flagged with payment relief (forbearance), a reduction from 425 the year before. And overall this now amounts to NOK 704 million, a decrease of NOK 507 million from the year before. The majority of these loans are placed in Stage 2, indicating that the bank expects the loans to be serviced as normal in due course, while a smaller proportion are considered to be so credit-impaired that individual impairments have been applied and the loan has been transferred to Stage 3.

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

	2022	2021
Stage 1	0 %	0 %
Stage 2	81 %	92 %
Stage 3	19 %	8 %

Exposure at default (EAD)

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

Total corporate market loans by risk groups

31.12.2022

	Loans to customers		Guarantees		Unused limit		Total loans and advances		Share	
Risk groups	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group
Low	5 427 925	5 427 925	240 583	240 583	500 079	500 079	5 649 574	5 649 574	79.7 %	79.7 %
Moderate	752 280	752 280	26 793	26 793	126 566	126 566	905 638	905 638	14.4 %	14.4 %
High	585 045	585 045	13 541	13 541	52 678	52 678	651 263	651 263	5.0 %	5.0 %
Defaults/ impairments	86 688	86 688	7 886	7 886	-6 891	-6 891	87 684	87 684	0.9 %	0.9 %
Total	**6 851 938**	**6 851 938**	**288 803**	**288 803**	**672 432**	**672 432**	**7 294 159**	**7 294 159**	**100.0 %**	**100.0 %**

31.12.2021

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

Total retail market loans by risk groups

31.12.2022

	Loans to customers		Guarantees		Unused limit		Total loans and advances		Share	
Risk groups	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group	Parent Bank	Group
Low	7 378 925	19 140 708	1 629	1 629	883 711	2 064 855	7 364 315	20 296 856	89.9 %	95.4 %
Moderate	549 925	692 478	475	475	23 151	26 253	573 551	718 731	7.0 %	3.4 %
High	100 340	105 918			-295	-316	100 045	105 601	1.2 %	0.5 %
Defaults/ impairments	171 581	172 746			-4 622	-4 622	149 398	149 398	1.8 %	0.7 %
Total	**8 200 771**	**20 111 850**	**2 104**	**2 104**	**901 944**	**2 086 169**	**8 187 309**	**21 270 587**	**100.0 %**	**100.0 %**

31.12.2021

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

Share of exposure at default by risk group and stage

Group 31.12.2022

	Risk group				
Stage	Low	Moderate	High	Defaults/impairments	Total
1	83 %	2 %	1 %	0 %	86 %
2	8 %	3 %	2 %	0 %	13 %
3	0 %	0 %	0 %	1 %	1 %
SUM	**91 %**	**5 %**	**2 %**	**1 %**	**100 %**

Parent Bank 31.12.2022

	Risk group				
Stage	Low	Moderate	High	Defaults/impairments	Total
1	78 %	3 %	1 %	0 %	83 %
2	8 %	5 %	3 %	0 %	16 %
3	0 %	0 %	0 %	2 %	2 %
SUM	**86 %**	**8 %**	**4 %**	**2 %**	**100 %**

Group 31.12.2021

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

Parent Bank 31.12.2021

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

Concentration risk

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

In order to assess and manage concentration risk, the Group evaluates the degree of unequal distribution in its loan portfolio based on the following factors:

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

The Group uses the same method as the Financial Supervisory Authority of Norway to calculate concentration risk for individual and sector risk. The bank has a not-insignificant concentration of loans related to financing real estate investments. As at 31.12.2022, a total of 51.8% (51.3%) of the bank's loans and advances to corporate customers was related to property management. The bank is focused on monitoring this concentration risk.

In addition, the bank assesses concentration risk in relation to major individual loans. The bank defines major loans as loans that exceed 10% of the bank's own funds. At the end of 2022, only three loans were defined as major loans based on this definition. All of these related to property management. The bank has also set a target that specifies that a maximum of 1/3 of the bank's corporate loan portfolio may be loans in excess of NOK 150 million. This share amounted to 19.6% at the end of the year, down from 27% the year before and comprised eight loans.

Age distribution of loans past due

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

31.12.2022

Group				Parent Bank		
RM	CM	Tota	Age distribution of loans past due	RM	CM	Tota
68 401	178 250	246 651	1-30 days	41 627	178 250	219 878
17 559	4 998	22 556	31-60 days	14 354	4 998	19 351
3 613		3 613	61-90 days	3 613		3 613
69 160	34 022	103 182	> 90 days	69 160	34 022	103 182
158 733	**217 270**	**376 003**	**Total**	**128 755**	**217 270**	**346 024**

31.12.2021

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

As at 31.12.2022, of the bank's total lending that was more than 90 days past due or flagged as UTP, no provisions for losses had been made for approximately NOK 57 million (NOK 32 million as at 31.12.2021) because of good collateral cover. The loans have been individually assessed in Stage 3.

ESG

Before granting credit in the corporate market, the bank conducts an assessment of ESG factors in general and climate-related risk in particular. All counterparties are also assigned an ESG category in connection credit ratings. This is based on a simple scoring model developed in collaboration with the Eika Alliance. All loans for more than NOK 10 million must be scored and in total around 55% of the bank's corporate market portfolio has been scored using this model. Of those that have been scored to date, no loan has been assessed as having a high sustainability risk and a majority (57%) have been assessed as low risk.

This score is not directly entered into the bank's ECL model, rather it is flagged in each individual credit case on a par with its credit score. It is this included and can influence the bank's decision.

Certificates and bonds

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

Derivatives

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

Monitoring of risk limits and risk mitigation measures

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

9 LOANS AND ADVANCES BY CUSTOMER GROUP AND GEOGRAPHIC AREA

Distribution by customer group

Group	Lending		Guarantees		Unused credit facilities	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Agriculture and forestry	837 890	703 414	549	459	47 522	46 197
Fishing and hunting					200	200
Building and construction	822 132	1 026 902	147 233	176 712	123 260	245 870
Manufacturing	169 125	161 214	27 591	30 763	31 381	30 913
Wholesale and retail trade	267 680	284 872	64 023	60 549	85 950	88 461
Hotels and restaurants	96 072	87 780	10 376	10 535	14 103	7 670
Transport and storage	26 802	40 538	10 878	12 430	12 316	7 974
Public and private services	401 693	716 928	22 569	48 742	111 585	163 484
Property management	3 940 261	4 076 654	7 271	10 085	128 247	89 943
Other customer groups	45 767	58	1 358		27 911	
Retail customers	20 445 693	18 383 248	1 389	1 714	2 179 593	2 099 756
Total gross loans to customers	**27 053 115**	**25 481 609**	**293 235**	**351 990**	**2 762 068**	**2 780 468**
Impairments	-89 328	-90 102	-2 328	-2 323	-3 467	-2 883
Total net loans to customers	**26 963 787**	**25 391 507**	**290 907**	**349 667**	**2 758 601**	**2 777 586**

Geographical distribution

Parent Bank	Lending		Guarantees		Unused credit facilities	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Rogaland	21 873 879	20 726 142	252 554	272 932	2 468 597	2 465 614
Oslo/Akershus	2 605 174	2 392 558	22 708	50 985	149 888	108 151
Other counties	2 536 757	2 332 708	17 973	28 073	141 301	200 040
Abroad	37 304	30 201			2 282	6 664
Total gross loans to customers	**27 053 115**	**25 481 609**	**293 235**	**351 990**	**2 762 068**	**2 780 468**

Distribution by customer group

Parent Bank	Lending		Guarantees		Unused credit facilities	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Agriculture and forestry	837 890	703 414	549	459	47 522	46 197
Fishing and hunting					200	200
Building and construction	822 132	1 026 902	147 233	176 712	123 260	245 870
Manufacturing	169 125	161 214	27 591	30 763	31 381	30 913
Wholesale and retail trade	267 680	284 872	64 023	60 549	85 950	88 461
Hotels and restaurants	96 072	87 780	10 376	10 535	14 103	7 670
Transport and storage	26 802	40 538	10 878	12 430	12 316	7 974
Public and private services	401 693	716 928	22 569	48 742	111 585	163 484
Property management	3 940 261	4 076 654	7 271	10 085	128 247	89 943
Other customer groups	45 767	58	1 358		27 911	
Retail customers	8 528 932	8 559 729	1 389	1 714	995 254	1 071 799
Total gross loans to customers	**15 136 354**	**15 658 089**	**293 235**	**351 990**	**1 577 729**	**1 752 511**
Impairments	-83 645	-83 594	-2 328	-2 323	-3 353	-2 774
Total net loans to customers	**15 052 709**	**15 574 495**	**290 907**	**349 667**	**1 574 376**	**1 749 737**

Geografisk fordeling

Parent Bank	Lending		Guarantees		Unused credit facilities	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Rogaland	11 281 797	12 069 301	252 554	272 932	1 389 166	1 533 185
Oslo/Akershus	2 009 855	1 877 219	22 708	50 985	97 244	69 910
Other counties	1 818 827	1 695 635	17 973	28 073	91 157	148 007
Abroad	25 875	15 935			163	1 409
Total gross loans to customers	**15 136 354**	**15 658 089**	**293 235**	**351 990**	**1 577 729**	**1 752 511**

Group			Parent Bank	
31.12.2022	31.12.2021	Guarantees	31.12.2022	31.12.2021
89 283	95 398	Payment guarantees	89 283	95 398
131 713	157 206	Contract guarantees	131 713	157 206
8 454	10 113	Other guarantees	8 454	10 113
63 785	89 273	Unused guarantee limits	63 785	89 273
293 235	**351 990**	**Total guarantees**	**293 235**	**351 990**

10 LOANS AND IMPAIRMENTS BY SECTOR

Lending by customer group

Group 31.12.2022

	Gross loans	Of which, loans at amortised cost	Impairment of loans at amortised cost Stage 1	Stage 2	Stage 3	Net loans
Agriculture and forestry	837 890	707 046	-1 784	-2 185		833 921
Building and construction	822 132	822 132	-2 581	-9 788	-6 630	803 133
Manufacturing	169 125	169 125	-227	-1 989	-10	166 899
Wholesale and retail trade	267 680	267 680	-1 710	-1 630	-504	263 835
Hotels and restaurants	96 072	96 072	-424	-92	-5	95 551
Transport and storage	26 802	26 802	-116	-517		26 168
Public and private services	401 693	400 556	-681	-751	-2 220	398 040
Property management	3 940 261	3 649 247	-4 146	-7 852	-12 700	3 915 563
Other customer groups	45 767	45 767	-11			45 756
Retail customers[1]	20 445 694	19 581 450	-5 210	-15 472	-10 093	20 414 919
Total on-balance loans to and receivables from customers[2]	**27 053 115**	**25 765 877**	**-16 891**	**-40 275**	**-32 162**	**26 963 787**

Parent Bank 31.12.2021

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

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

Lending by customer group

Parent Bank 31.12.2022

	Gross loans	Of which, loans at amortised cost	Impairment of loans at amortised cost			Net loans
			Stage 1	Stage 2	Stage 3	
Agriculture and forestry	837 890	707 046	-1 784	-2 185		833 921
Building and construction	822 132	822 132	-2 581	-9 788	-6 630	803 133
Manufacturing	169 125	169 125	-227	-1 989	-10	166 899
Wholesale and retail trade	267 680	267 680	-1 710	-1 630	-504	263 836
Hotels and restaurants	96 072	96 072	-424	-92	-5	95 551
Transport and storage	26 802	26 802	-116	-517		26 169
Public and private services	401 693	400 556	-681	-751	-2 220	398 041
Property management	3 940 261	3 649 247	-4 146	-7 852	-12 700	3 915 563
Other customer groups	45 767	45 767	-11			45 756
Retail customers[1]	8 528 932	7 664 689	-3 877	-11 122	-10 093	8 503 840
Total on-balance loans to and receivables from customers[2]	**15 136 354**	**13 849 116**	**-15 557**	**-35 926**	**-32 162**	**15 052 709**

Parent Bank 31.12.2021

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

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

11 LOSSES ON LOANS AND GUARANTEES AND DEFAULTED/IMPAIRED LOANS

Group 2022	Group 2021	Losses on loans and guarantees	Parent Bank 2022	Parent Bank 2021
5 143	-11 704	Period's changes in provisions for losses, Stage 1	4 620	-9 696
-1 041	-7 803	Period's changes in provisions for losses, Stage 2	538	-11 170
-3 932	-36 873	Period's changes in provisions for losses, Stage 3	-3 932	-36 873
8 216	27 753	Recognition of earlier Stage 3 impairments	8 216	27 753
5 162	5 428	Recognition without earlier Stage 3 impairments	5 162	5 428
-2 203	-9 141	Reversals of previously recognised losses[1]	-2 203	-9 141
11 345	**-32 340**	**Losses on loans and guarantees**	**12 401**	**-33 699**

1 As at 31.12.2022, the Group had a total outstanding amount of NOK 76 million that was recognised/deducted from the balance sheet and that has been forwarded to debt collection agencies. The corresponding outstanding amount was NOK 69 million as at 31.12.2021. Any receipts from the debt collection agencies are recognised as reduced loss costs on the line "Reversals of previously recognised losses"

Group					Parent Bank			
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments	Changes in provisions for losses	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments
13 596	**44 248**	**37 571**	**95 416**	**Provisions for losses as at 01.01.2022**	**12 997**	**38 236**	**37 571**	**88 804**
				Transfers/movements:				
-1 356	13 280		11 924	Transfers from Stage 1 to Stage 2	-1 305	11 798		10 493
-1 380		5 994	4 614	Transfers from Stage 1 to Stage 3	-1 380		5 994	4 614
1 476	-11 109		-9 633	Transfers from Stage 2 to Stage 1	1 384	-8 825		-7 441
	-453	718	265	Transfers from Stage 2 to Stage 3		-453	718	265
1 712	1 071		2 783	Additions of loans and advances during the period	1 568	962		2 530
-4 527	-15 158		-19 686	Disposals of loans and advances during the period	-4 289	-12 730		-17 019
9 219	11 328	4 452	24 999	Changed provisions for losses during the period for loans and advances not migrated	8 642	9 786	4 452	22 880
		-8 216	-8 216	Recognised losses			-8 216	-8 216
		-6 881	-6 881	Reversals of previous impairments			-6 881	-6 881
				Other adjustments	-241			-241
18 740	**43 207**	**33 639**	**95 585**	**Provisions for losses as at 31.12.2022**	**17 376**	**38 774**	**33 639**	**89 788**
			462	Recognised as a reduction of loans to/receivables from credit institutions				462
			89 328	Recognised as a reduction of loans to customers				83 645
			5 795	Recognised as provisions for liability items (guarantees and unused lines of credit)				5 681
			95 585	**Provisions for losses as at 31.12.2022**				**89 788**

Distribution of provisions for losses from customers – per segment

Group (CM)					Parent Bank (CM)			
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments	Changes in provisions for losses CM:	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments
10 678	**26 320**	**23 428**	**60 426**	**Provisions for losses CM as at 01.01.2022**	**10 678**	**26 320**	**23 428**	**60 426**
				Transfers/movements:				
-1 211	9 081		7 870	Transfers from Stage 1 to Stage 2	-1 211	9 081		7 870
-788		4 510	3 722	Transfers from Stage 1 to Stage 3	-788		4 510	3 722
967	-6 525		-5 558	Transfers from Stage 2 to Stage 1	967	-6 525		-5 558
	-117	259	142	Transfers from Stage 2 to Stage 3		-117	259	142
1 075	697		1 772	Additions of loans and advances during the period	1 075	697		1 772
-3 558	-9 051		-12 609	Disposals of loans and advances during the period	-3 558	-9 051		-12 609
6 347	7 188	2 409	15 944	Changed provisions for losses during the period for loans and advances not migrated	6 347	7 188	2 409	15 944
		-1 982	-1 982	Recognised losses			-1 982	-1 982
		-5 078	-5 078	Reversals of previous impairments			-5 078	-5 078
13 510	**27 593**	**23 545**	**64 649**	**Provisions for losses CM as at 31.12.2022**	**13 510**	**27 593**	**23 545**	**64 649**

Group (RM)					Parent Bank (RM)			
Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments	Changes in provisions for losses RM:	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total impair-ments
2 840	**17 898**	**14 144**	**34 881**	**Provisions for losses RM as at 01.01.2022**	**2 241**	**11 885**	**14 144**	**28 270**
				Transfers/movements:				
-145	4 200		4 054	Transfers from Stage 1 to Stage 2	-94	2 718		2 624
-593		1 484	891	Transfers from Stage 1 to Stage 3	-593		1 484	891
509	-4 585		-4 075	Transfers from Stage 2 to Stage 1	417	-2 301		-1 884
	-336	459	123	Transfers from Stage 2 to Stage 3		-336	459	123
610	262		871	Additions of loans and advances during the period	466	152		618
-903	-6 077		-6 980	Disposals of loans and advances during the period	-664	-3 649		-4 313
2 755	3 947	2 043	8 744	Changed provisions for losses during the period for loans and advances not migrated	2 178	2 405	2 043	6 625
		-6 234	-6 234	Recognised losses			-6 234	-6 234
		-1 802	-1 802	Reversals of previous impairments			-1 802	-1 802
				Other adjustments	-241			-241
5 072	**15 308**	**10 093**	**30 474**	**Provisions for losses RM as at 31.12.2022**	**3 708**	**10 875**	**10 093**	**24 677**

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

Distribution of provisions for losses from customers – per segment

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

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

Changes in gross capitalised loans and advances

Group					Parent Bank			
Stage 1	Stage 2	Stage 3	Total loans and advances	Gross capitalised loans and advances with impairment for expected credit loss	Stage 1	Stage 2	Stage 3	Total loans and advances
20 066 412	**4 404 276**	**234 404**	**24 705 092**	**Gross capitalised loans and advances as at 01.01.2022**	**11 668 399**	**2 986 669**	**234 404**	**14 889 472**
				Transfers:				
-1 241 040	1 241 040			Transfers from Stage 1 to Stage 2	-831 237	831 237		
-60 502		60 502		Transfers from Stage 1 to Stage 3	-60 502		60 502	
1 157 371	-1 157 371			Transfers from Stage 2 to Stage 1	550 192	-550 192		
	-36 286	36 286		Transfers from Stage 2 to Stage 3		-36 286	36 286	
8 208 252	802 382		9 010 634	Additions of loans and advances during the period	5 947 611	643 499		6 591 111
-6 082 411	-1 679 730	-73 304	-7 835 445	Changes during the period for loans and advances not migrated (incl. disposals)	-5 997 488	-1 446 273	-73 304	-7 517 065
22 048 082	**3 574 311**	**257 888**	**25 880 282**	**Gross capitalised loans and advances as at 31.12.2022[1]**	**11 276 975**	**2 428 655**	**257 888**	**13 963 517**

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

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

Group (CM)					Parent Bank (CM)			
Stage 1	Stage 2	Stage 3	Total loans and advances	Gross capitalised loans and advances with impairment for expected credit loss CM, Group:	Stage 1	Stage 2	Stage 3	Total loans and advances
5 426 284	**1 647 509**	**69 600**	**7 143 392**	**Gross capitalised loans and advances CM as at 01.01.2022**	**5 426 284**	**1 647 509**	**69 600**	**7 143 392**
				Transfers:				
-546 787	546 787			Transfers from Stage 1 to Stage 2	-546 787	546 787		
-22 373		22 373		Transfers from Stage 1 to Stage 3	-22 373		22 373	
316 838	-316 838			Transfers from Stage 2 to Stage 1	316 838	-316 838		
	-2 379	2 379		Transfers from Stage 2 to Stage 3		-2 379	2 379	
1 851 600	170 175		2 021 775	Additions of loans and advances during the period	1 851 600	170 175		2 021 775
-1 903 335	-798 322	-6 975	-2 708 633	Changes during the period for loans and advances not migrated (incl. disposals)	-1 903 335	-798 322	-6 975	-2 708 633
5 122 227	**1 246 930**	**87 377**	**6 456 535**	**Gross capitalised loans and advances CM as at 31.12.2022**	**5 122 227**	**1 246 930**	**87 377**	**6 456 535**

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

Group (RM)					Parent Bank (RM)			
Stage 1	Stage 2	Stage 3	Total loans and advances	Gross capitalised loans and advances with impairment for expected credit loss RM, Group:	Stage 1	Stage 2	Stage 3	Total loans and advances
14 198 967	**2 753 068**	**164 804**	**17 116 839**	**Gross capitalised loans and advances RM as at 01.01.2022**	**5 800 955**	**1 335 460**	**164 804**	**7 301 218**
				Transfers:				
-694 235	694 235			Transfers from Stage 1 to Stage 2	-284 432	284 432		
-38 129		38 129		Transfers from Stage 1 to Stage 3	-38 129		38 129	
840 533	-840 533			Transfers from Stage 2 to Stage 1	233 353	-233 353		
	-33 907	33 907		Transfers from Stage 2 to Stage 3		-33 907	33 907	
6 533 290	611 588		7 144 877	Additions of loans and advances during the period	4 085 607	452 705		4 538 312
-4 001 737	-884 308	-66 329	-4 952 374	Changes during the period for loans and advances not migrated (incl. disposals)	-3 729 770	-650 850	-66 329	-4 446 949
16 838 689	**2 300 143**	**170 511**	**19 309 342**	**Gross capitalised loans and advances RM as at 31.12.2022**	**6 067 584**	**1 154 486**	**170 511**	**7 392 581**

Changes in gross capitalised loans and advances

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

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

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

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

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

Comments on stage migration

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

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

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

	2022		2021	
Reason	Share (in isolation)	Share (total)	Share (in isolation)	Share (total)
Due to more than 30 days past due	0 %	0 %	0 %	1 %
Due to arrears in the past 12 months	1 %	15 %	4 %	12 %
Due to significant increase in PD	67 %	71 %	49 %	58 %
Due to forbearance	8 %	15 %	6 %	6 %
Lack of data for the customer	4 %	5 %	1 %	1 %
Combination of the above reasons	20 %		40 %	
Total	**100 %**		**100 %**	

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

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

	2022		2021	
Reason	Share (in isolation)	Share (total)	Share (in isolation)	Share (total)
No 30 days arrears in last 6 months anymore	0 %	0 %	0 %	0 %
No more than 1 arears in past 12 months	3 %	10 %	0 %	4 %
Significant reduction in PD	75 %	83 %	85 %	91 %
No forbearance flagging anymore	14 %	15 %	8 %	3 %
Received data for customer	0 %		6 %	
Combination of multiple reasons	8 %		6 %	
Total	**100 %**		**100 %**	

"Share (in isolation)" shows the percentage of the value of the loans that were transferred from Stage 2 to Stage 1 due solely to the corresponding factor in isolation, while "Share (total)" shows the percentage of the migration due to the corresponding factor either alone or in combination with one or more of the other factors. Approximately 10% of Stage migrations that, in isolation, are due to a significant reduction in PD are due to a change in the definition of Stage 2 (ref. note 8).

In 2022, a total of 643 loans migrated in a positive direction from Stage 2 to Stage 1.
Conversely, 547 loans migrated from Stage 1 to Stage 2.
This is a positive development from 2021, when the corresponding figures were 528 and 967, respectively.

Sensitivity analyses

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

In many ways, the bank's customers fared better in 2022 than there was perhaps reason to believe they would have had one foreseen the combination of high energy prices, higher interest rates and generally high inflation. The portfolio has, nevertheless, seen a relatively positive development in risk. Some of this was due to the management and reduction of risk in the CM portfolio, and some was due to property prices generally remaining high in the bank's market area, which reduces risk for the bank.

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

- The future that the ECL model estimated – i.e. that does not include the bank's own considered adjustments.
- The future will remain as today (expectations unchanged)
- The future will be like the negative macroeconomic scenario
- Expected lifetime equal to full term to maturity
- Probability of default (PD) +10%
- Probability of default (PD) -10%
- House prices -10%
- House prices +10%

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

If customers' credit quality is deteriorating, it will be harder for them to get loans refinanced and they will at the same time have less ability to repay early or make extra payments. The "expected lifetime equal to full term to maturity" scenario assumes that all loans will run to their maturity date and that all undrawn lines of credit will be fully utilised. In the main scenario, the expectations for the future are negative (based on the same weighting of a positive, a negative and a base case).

In the "future will remain as today" scenario, the expectation = 1. While this is in theory a neutral scenario, it is at the same time a relatively positive scenario in that for most banks the situation today is that they are experiencing historically low losses and default figures, which is also reflected in the low number of bankruptcies among enterprises and relatively low debt collection figures for private individuals. It is thus more optimistic than the bank's base case. Meanwhile, in the negative scenario the negative scenario (presented in note 8) is fully weighted in the calculation of the future. The effect of weighting the negative scenario 100% is based on the unadjusted scenario – that is, the base case before the bank's own adjustment.

The last two scenarios are based on changes in house prices and examine the effect of a change of 10% in house prices and impacts loans with collateral in homes in the retail market segment.

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

	Changes in key assumptions							
Group 31.12.2022	Unadjusted future outlook	Unchanged future outlook	Negative macro scenario	Full maturity	PD +10%	PD -10%	House prices +10%	House prices -10%
Percentage change in loss estimate, CM	-7.9 %	-22.4 %	6.9 %	3.0 %	6.3 %	-6.1 %	n/a	n/a
Percentage change in loss estimate, RM	-6.9 %	-20.7 %	11.4 %	5.2 %	7.1 %	-6.4 %	-8.5 %	15.0 %
Percentage change in loss estimate, Group	-7.6 %	-21.8 %	8.4 %	3.7 %	6.5 %	-6.2 %	-1.6 %	8.2 %
Group 31.12.2021								
Percentage change in loss estimate, CM	n/a	-21.1 %	113.4 %	7.8 %	4.9 %	-5.5 %	n/a	n/a
Percentage change in loss estimate, RM	n/a	-17.3 %	54.1 %	13.8 %	4.0 %	-5.1 %	-13.5 %	22.4 %
Percentage change in loss estimate, Group	n/a	-19.7 %	90.4 %	10.1 %	4.5 %	-5.3 %	-5.2 %	8.7 %

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

		Changes in key assumptions						
Parent Bank 31.12.2022	Unadjusted future outlook	Unchanged future outlook	Negative macro scenario	Full maturity	PD +10%	PD -10%	House prices +10%	House prices -10%
Percentage change in loss estimate, CM	-7.9 %	-22.4 %	6.9 %	3.0 %	6.3 %	-6.1 %	n/a	n/a
Percentage change in loss estimate, RM	-6.1 %	-18.8 %	11.2 %	1.8 %	6.9 %	-5.2 %	-8.8 %	15.2 %
Percentage change in loss estimate, Group	-7.4 %	-21.4 %	8.1 %	2.6 %	6.5 %	-5.8 %	-1.3 %	7.8 %
Parent Bank 31.12.2021								
Percentage change in loss estimate, CM	n/a	-21.1 %	113.4 %	7.8 %	4.9 %	-5.5 %	n/a	n/a
Percentage change in loss estimate, RM	n/a	-15.4 %	42.3 %	7.8 %	2.7 %	-3.9 %	-14.5 %	23.0 %
Percentage change in loss estimate, Group	n/a	-19.2 %	89.1 %	7.8 %	4.2 %	-5.0 %	-5.0 %	7.9 %

Defaulted and impaired loans and advances (Stage 3)

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

Group	31.12.2022			31.12.2021		
	RM	CM	Total	RM	CM	Total
Problem loans and advances before individual loss impairments (gross):						
Defaulted loans and advances more than 90 days past due	69 160	34 022	103 182	89 955	29 664	119 619
Other problem loans and advances	104 813	62 726	167 539	79 303	53 298	132 601
Total loans and advances before individual loss impairments (gross)	**173 973**	**96 748**	**270 720**	**169 258**	**82 962**	**252 221**
Individual loss impairments on:						
Defaulted loans and advances more than 90 days past due	4 354	11 160	15 514	9 569	10 935	20 504
Other problem loans and advances	5 740	12 385	18 125	4 574	12 493	17 067
Total individual loss impairments (Stage 3)	**10 093**	**23 545**	**33 639**	**14 144**	**23 428**	**37 571**
Problem loans and advances after individual loss impairments (net):						
Defaulted loans and advances more than 90 days past due	64 807	22 862	87 668	80 386	18 729	99 115
Other problem loans and advances	99 073	50 341	149 413	74 729	40 805	115 534
Total loans and advances after individual loss impairments (net)	**163 879**	**73 202**	**237 082**	**155 115**	**59 535**	**214 649**
Provision rate defaulted loans and advances more than 90 days past due	6 %	33 %	15 %	11 %	37 %	17 %
Provision rate performing impaired loans and advances	5 %	20 %	11 %	6 %	23 %	13 %

Definition of default

The Group's definition of default was formulated in accordance with the guidelines of the European Banking Authority (EBA) for how banks should apply the definition of default in the Capital Requirements Regulation (CRR) and clarifications in the CRR/CRD IV Regulation.

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

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

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

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

12 INTEREST RATE RISK

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

The main policy in the bank's interest rate risk management is to neutralise the interest rate risk by balancing the bank's assets and liabilities. The bank constantly monitors interest rate exposure in all 3-month time intervals from 0-15 years. The bank's strategy is based on not incurring significant interest rate risk in its ordinary operations. The Group's limit for interest rate risk is that the maximum loss must not exceed NOK 21 million in the event of a 2% parallel shift of the yield curves. A limit of NOK 3.75 million has been set for interest exposure. This must not be exceeded in any of the five internal buckets specified by the bank.

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

Time to repricing date (gap) for assets and liabilities

Group 2022	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No interest exposure	31.12.2022
Cash and receivables from central banks	387 987						387 987
Loans to and receivables from credit institutions	114 207						114 207
Loans to customers	21 377	25 565 086	88 419	655 386	633 519		26 963 787
Certificates and bonds	568 473	2 539 982		524 750			3 633 205
Financial derivatives	-361 272	2 008 948	-793 180	86 514	-789 744		151 265
Other assets						970 314	970 314
Total assets	**730 772**	**30 114 016**	**-704 761**	**1 266 650**	**-156 225**	**970 314**	**32 220 764**
Liabilities to credit institutions	104 380						104 380
Deposits from customers	48 340	13 015 568	267 943	33 427			13 365 278
Securities issued	3 477 352	6 516 188	584 559	3 086 206	899 278		14 563 582
Financial derivatives	862 562	3 500 237	-1 261 827	-1 865 160	-1 089 072		146 741
Other liabilities						274 490	274 490
Subordinated loans	184 707	184 707					369 413
Equity		100 000				3 296 882	3 396 882
Total equity and liabilities	**4 677 340**	**23 316 699**	**-409 325**	**1 254 473**	**-189 794**	**3 571 371**	**32 220 765**
Net liquidity exposure, balance sheet items	-2 722 734	8 288 606	-764 083	-1 939 497	-265 759	-2 601 057	-4 524
Notional amount, derivatives	-1 223 834	-1 491 290	468 646	1 951 674	299 328		4 524
Net total all items	**-3 946 569**	**6 797 316**	**-295 436**	**12 177**	**33 569**	**-2 601 057**	

Group 2021	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No interest exposure	31.12.2021
Cash and receivables from central banks	372 293						372 293
Loans to and receivables from credit institutions	67 639						67 639
Loans to customers		24 177 577	75 146	634 486	504 299		25 391 507
Certificates and bonds	298 387	2 013 654	50 085	436 352			2 798 478
Financial derivatives	-139 583	-3 132 205	1 150 400	1 373 545	889 902		142 059
Other assets						600 666	600 666
Total assets	**598 736**	**23 059 026**	**1 275 631**	**2 444 382**	**1 394 201**	**600 666**	**29 372 644**
Liabilities to credit institutions	99 083						99 083
Deposits from customers	105 437	12 526 906	186 820	23 323			12 842 486
Securities issued	1 770 325	6 758 176	390 284	3 006 470	899 161		12 824 416
Financial derivatives	-287 753	-838 234	838 053	-74 185	408 708		46 589
Other liabilities						284 286	284 286
Subordinated loans	100 412	100 412					200 824
Equity		100 000				2 974 960	3 074 960
Total equity and liabilities	**1 787 503**	**18 647 259**	**1 415 158**	**2 955 609**	**1 307 869**	**3 259 245**	**29 372 644**
Net liquidity exposure, balance sheet items	-1 336 937	6 705 737	-451 874	-1 958 956	-394 862	-2 658 579	-95 470
Notional amount, derivatives	148 170	-2 293 970	312 347	1 447 730	481 194		95 470
Net total all items	**-1 188 767**	**4 411 767**	**-139 526**	**-511 226**	**86 332**	**-2 658 579**	

Parent Bank 2022

	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No interest exposure	31.12.2022
Cash and receivables from central banks	387 987						387 987
Loans to and receivables from credit institutions	113 940						113 940
Loans to customers	21 377	13 654 009	88 419	655 386	633 519		15 052 709
Certificates and bonds	407 886	1 826 470		524 750			2 759 106
Financial derivatives	80 661	2 008 948	-793 180	-335 064	-789 744		171 620
Other assets						2 926 310	2 926 310
Total assets	**1 011 849**	**17 489 426**	**-704 761**	**845 072**	**-156 225**	**2 926 310**	**21 411 672**
Liabilities to credit institutions	291 685						291 685
Deposits from customers	48 340	13 016 828	267 943	33 427			13 366 538
Securities issued	1 260 949	780 168	284 572	1 657 715			3 983 403
Financial derivatives	578 259	1 535 102	-960 132	-835 476	-213 676		104 078
Other liabilities						246 460	246 460
Subordinated loans	184 707	184 707					369 413
Equity		100 000				2 950 094	3 050 094
Total equity and liabilities	**2 363 940**	**15 616 805**	**-407 618**	**855 667**	**-213 676**	**3 196 554**	**21 411 672**
Net liquidity exposure, balance sheet items	-854 492	1 398 776	-464 095	-511 006	633 519	-270 244	-67 543
Notional amount, derivatives	-497 599	473 846	166 952	500 412	-576 068		67 543
Net total all items	**-1 352 091**	**1 872 622**	**-297 144**	**-10 594**	**57 451**	**-270 244**	

Parent Bank 2021

	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No interest exposure	31.12.2021
Cash and receivables from central banks	372 293						372 293
Loans to and receivables from credit institutions	75 427						75 427
Loans to customers		14 360 565	75 146	634 486	504 299		15 574 495
Certificates and bonds	71 749	1 681 684	50 085	436 352			2 239 869
Financial derivatives	176 077	-1 397 367	1 150 400	236 229	-61 442		103 898
Other assets						2 345 428	2 345 428
Total assets	**695 546**	**14 644 881**	**1 275 631**	**1 307 067**	**442 857**	**2 345 428**	**20 711 410**
Liabilities to credit institutions	216 461						216 461
Deposits from customers	105 437	12 531 699	186 820	23 323			12 847 279
Securities issued	1 721 509	580 408	390 284	1 676 822			4 369 023
Financial derivatives	-287 753	-592 501	838 053	-313 543	408 708		52 965
Other liabilities						250 343	250 343
Subordinated loans	100 412	100 412					200 824
Equity		100 000				2 674 516	2 774 516
Total equity and liabilities	**1 856 065**	**12 720 017**	**1 415 158**	**1 386 602**	**408 708**	**2 924 859**	**20 711 410**
Net liquidity exposure, balance sheet items	-1 624 350	2 729 730	-451 874	-629 307	504 299	-579 431	-50 933
Notional amount, derivatives	463 831	-804 866	312 347	549 772	-470 150		50 933
Net total all items	**-1 160 519**	**1 924 864**	**-139 526**	**-79 536**	**34 149**	**-579 431**	

Interest rate sensitivity

The Board of Directors has set a limit of NOK 21 million for total interest rate risk on and off the Group's balance sheet. This is measured by the effect on profit of an interest rate change (parallel shift) of 2%. At the end of the year, the estimated effect on profit of a 2% change in interest rates was NOK 4 million. The interest rate risk is thus considered low.

13 CURRENCY RISK

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

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

The Group uses forward exchange contracts and currency swap contracts to hedge loans/borrowing denominated in a foreign currency. Since foreign exchange rate fluctuations increase the credit risk for customers with loans denominated in foreign currencies, deposits in escrow accounts are used as additional collateral. And if foreign exchange rate developments result in the customer's loan, measured in NOK, exceeding a predefined deviation from the principal, the customer is asked to establish additional collateral. Alternatively, the entire loan is converted to NOK when the agreed limit is breached.

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

Group / Parent Bank 31.12.2022

Currency positions	Foreign currency	USD	EUR	JPY	CHF	GBP	SEK	DKK	CAD	Other
Cash and receivables from central banks										
Loans to credit institutions	47 326	7 885	32 515	41	369	4 102	625	508	307	973
Loans to customers	110 671		3 663	9 575	97 433					
Certificates, bonds	385 727		163 331				109 799	112 597		
Other assets	4 277	1						4 276		
Total assets	**548 000**	**7 886**	**199 509**	**9 616**	**97 803**	**4 102**	**110 424**	**117 381**	**307**	**973**
Liabilities to credit institutions										
Deposits from customers	43 463	7 144	31 941		8	4 319	3	47		2
Securities issued										
Other liabilities										
Subordinated loans										
Equity										
Total equity and liabilities	**43 463**	**7 144**	**31 941**		**8**	**4 319**	**3**	**47**		**2**
Net currency exposure on balance sheet items	504 536	742	167 568	9 616	97 794	-216	110 421	117 334	307	971
Currency hedging	-513 748	887	-177 885	-9 613	-98 050	296	-109 150	-120 233		
Net currency exposure	**-9 211**	**1 629**	**-10 317**	**2**	**-256**	**80**	**1 271**	**-2 899**	**307**	**971**

Group / Parent Bank 31.12.2021

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

14 PRICE RISK

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

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

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

15 FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

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

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

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

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

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

Group

	31.12.2022	Fair value as at 31.12.2022		31.12.2021	Fair value as at 31.12.2021	
	Notional amount	Positive market value [1]	Negative market value [1]	Kontrakts-beløp	Positive market value [1]	Negative market value [1]
Interest rate agreements [2]	9 622 116	149 528	145 003	9 786 246	139 219	45 737
Foreign exchange rate agreements	206 499	1 737	1 738	241 647	2 840	852
Equity-related instruments						
Other commodity-related instruments						
Total financial derivatives	**9 828 615**	**151 265**	**146 741**	**10 027 893**	**142 059**	**46 589**
[2] Of which used for hedging purposes	4 574 000	22 563	127 322	4 309 000	85 870	30 041

Parent Bank

	31.12.2022	Fair value as at 31.12.2022		31.12.2021	Fair value as at 31.12.2021	
	Notional amount	Positive market value [1]	Negative market value [1]	Kontrakts-beløp	Positive market value [1]	Negative market value [1]
Interest rate agreements [2]	6 997 116	169 884	102 340	7 561 246	101 058	52 112
Foreign exchange rate agreements	206 499	1 737	1 738	241 647	2 840	852
Equity-related instruments						
Other commodity-related instruments						
Total financial derivatives	**7 203 615**	**171 620**	**104 078**	**7 802 893**	**103 898**	**52 965**
[2] Of which used for hedging purposes	1 949 000	42 919	84 659	2 084 000	47 708	36 417

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

Further details about the bank's hedge accounting

The bank uses fair value hedging, where securities issuances are part of a hedging relationship with individually adapted hedging derivatives. As at 31.12.2022, all of the hedging instruments and hedging objects in the bank's hedging arrangements have the same principal as well as the same duration and coupon for the fixed leg (1:1 hedging). The fixed rate is swapped to a floating rate on a 3-month basis.

Group 31.12.2022

Information about hedging instruments

Type of hedging instrument	Nominal amount of hedging object	Capitalised amount of hedging instrument: Assets	Capitalised amount of hedging instrument: Liabilities	Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
Interest rate agreements	4 574 000	22 563	127 322	Financial derivatives	-147 419
Total	**4 574 000**	**22 563**	**127 322**		**-147 419**

Information about hedging objects

Type of hedging object	Nominal amount of hedging object	Capitalised amount of hedging object [1]	Accumulated change in value of hedging object due to fair value hedging	Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
Fair value hedging (interest rate risk)					
Securities issued in NOK	4 574 000	4 486 916	-144 940	Securities issued	147 419
Total	**4 574 000**	**4 486 916**	**-144 940**		**147 419**

Information on ineffectiveness in hedging

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

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

Parent Bank 31.12.2022

Information about hedging instruments

Type of hedging instrument	Nominal amount of hedging object	Capitalised amount of hedging instrument: Assets	Capitalised amount of hedging instrument: Liabilities	Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
Interest rate agreements	1 949 000	42 919	84 659	Financial derivatives	-45 723
Total	**1 949 000**	**42 919**	**84 659**		**-45 723**

Information about hedging objects

Type of hedging object	Nominal amount of hedging object	Capitalised amount of hedging object [1]	Accumulated change in value of hedging object due to fair value hedging	Line item on balance sheet	Changes in fair value used to calculate ineffectiveness
Fair value hedging (interest rate risk)					
Securities issued in NOK	1 949 000	1 913 428	-58 182	Securities issued	45 723
Total	**1 949 000**	**1 913 428**	**-58 182**		**45 723**

Information on ineffectiveness in hedging

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

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

Group 31.12.2021

Information about hedging instruments

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

Information about hedging objects

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

Information on ineffectiveness in hedging

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

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

Parent Bank 31.12.2021

Information about hedging instruments

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

Information about hedging objects

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

Information on ineffectiveness in hedging

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

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

16 LIQUIDITY RISK

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

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

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

Liquidity Coverage Ratio (LCR)

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

Net Stable Funding Ratio (NSFR)

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

Liquidity frameworks

The bank has defined liquidity frameworks for minimum liquidity holdings if foreign financing maturity and known payments are considered. Liquid assets shall at minimum constitute maturity of foreign financing and known payments within 3 months. Strategic liquidity shall at minimum constitute maturity of foreign financing and known payments within 6 months.

Stress test

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

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

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

Foreign financing and concentration risk

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

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

Deposits

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

Other conditions

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

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

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

Liquidity management process

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

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

Remaining period to maturity, main items[1]

Group 31.12.2022	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No residual maturity	2022
Liabilities to credit institutions	104 380						104 380
Deposits from customers	10 623 436	2 292 660	298 856	150 326			13 365 278
Securities issued	278 016		1 127 948	12 258 341	899 278		14 563 582
Other liabilities						274 489	274 489
Subordinated loans		47 000		322 413			369 413
Hybrid capital as equity				100 000			100 000
Financial derivatives, gross settlement	24 331	60 851	86 854	196 508	55 055		423 598
Contractual interest payments	34 042	92 550	127 814	309 693	44 100		608 200
Total disbursements	**11 064 205**	**2 493 061**	**1 641 472**	**13 337 280**	**998 432**	**274 489**	**29 808 940**

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

Parent Bank 31.12.2022	Up to 1 month	1-3 months	3 months - 1 year	1-5 years	> 5 years	No residual maturity	2022
Liabilities to credit institutions	291 685						291 685
Deposits from customers	10 624 697	2 292 660	298 856	150 326			13 366 538
Securities issued	278 016		284 572	3 420 815			3 983 403
Other liabilities						246 460	246 460
Subordinated loans		47 000		322 413			369 413
Hybrid capital as equity				100 000			100 000
Financial derivatives, gross settlement	17 403	41 986	80 126	196 508	55 055		391 077
Contractual interest payments	13 285	28 276	44 659	102 258			188 477
Total disbursements	**11 225 087**	**2 409 921**	**708 213**	**4 292 320**	**55 055**	**246 460**	**18 937 055**

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

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

17 NET INTEREST INCOME

Group 2022	Group 2021	Net interest income	Parent Bank 2022	Parent Bank 2021
		INTEREST INCOME MEASURED USING THE EFFECTIVE INTEREST METHOD:		
13 591	3 142	Interest income on loans to credit institutions	42 163	10 408
852 511	605 667	Interest income on loans to customers	552 675	428 978
12 467	3 892	Interest income on securities	12 467	3 892
(63)	(79)	Other interest income	(63)	(79)
878 506	**612 622**	**Total interest income measured using the effective interest method**	**607 241**	**443 199**
		INTEREST INCOME MEASURED AT FAIR VALUE:		
35 700	35 435	Interest income on loans to customers	35 700	35 435
61 603	26 262	Interest income on securities	45 761	21 148
10 884	(15 644)	Interest income on financial derivatives (excl. hedging instruments)	10 884	(15 644)
3 024	793	Other interest income	3 024	793
111 210	**46 846**	**Total interest income measured at fair value**	**95 369**	**41 732**
989 716	**659 468**	**Total interest income**	**702 610**	**484 931**
		INTEREST EXPENSES		
6 308	1 690	Interest expenses on deposits from credit institutions, measured using the effective interest method	13 739	1 915
134 436	49 634	Interest expenses on deposits from customers, measured using the effective interest method	134 768	49 882
5 292	2 669	Interest expenses on deposits from customers, measured at fair value	5 292	2 669
10 342	4 436	Interest expenses on subordinated loan capital, measured using the effective interest method	10 342	4 436
324 112	196 121	Interest expenses on securities, measured using the effective interest method	105 056	92 320
376	(62 886)	Interest on financial derivatives as hedging instruments[1]	4 639	(28 928)
3 707	3 372	Interest expenses on lease liabilities (IFRS 16)	3 707	3 372
9 456	8 336	Other interest expenses	7 475	6 595
494 029	**203 372**	**Total interest expenses**	**285 019**	**132 260**
495 687	**456 095**	**Net interest income**	**417 591**	**352 671**

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

18 NET COMMISSION INCOME

Group 2022	Group 2021	Net commission income	Parent Bank 2022	Parent Bank 2021
5 346	6 092	Guarantee commission	5 346	6 092
5 395	5 125	Distribution and management of securities	5 395	5 125
20 560	17 023	Payment transfers	20 560	17 023
15 004	12 354	Insurance	15 004	12 354
18 022	18 234	Other fees	30 066	30 066
64 326	58 829	Commission income and income from banking services	76 371	70 661
-11 053	-9 126	Commission costs and costs from banking services	-11 053	-9 126
53 273	**49 702**	**Net commission income and income from banking services**	**65 318**	**61 534**
27 764	28 548	Brokerage fees		
12 315	11 401	Other commission income from real estate brokerage		
40 079	**39 949**	**Net commission income from real estate brokerage**		
93 352	**89 652**	**Total net commission income**	**65 318**	**61 534**

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

Group 2022	Group 2021	Net gain/loss on financial instruments	Parent Bank 2022	Parent Bank 2021
		Net gain/loss on financial instruments at fair value		
89 658	64 055	Net gain/loss on currency and financial derivatives	89 658	64 054
-50 832	-49 704	Net change in value of loans and advances	-50 832	-49 704
-48 488	-18 889	Net gain/loss on interest-bearing securities	-44 238	-17 169
-988	22 940	Net gain/loss on equities	-988	22 940
1 725	1 271	Net change in value of financial liabilities	1 725	1 271
-8 925	**19 672**	**Net gain/loss on financial instruments at fair value**	**-4 675**	**21 392**
		Net change in value of hedged items		
-145 695	-163 514	Net change in value of financial derivatives, hedging	-43 998	-66 302
145 695	163 514	Net change in value of hedged financial liabilities	43 998	66 302
		Net change in value of hedged items [1]		
		Net gain/loss on liabilities at amortised cost		
-430	-4 873	Net gain/loss on securities issued at amortised cost [2]		
-430	**-4 873**	**Net gain/loss on liabilities at amortised cost**		
-9 355	**14 800**	**Net gain/loss on financial instruments**	**-4 675**	**21 392**

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

Group 2022	Group 2021	Dividends and income from ownership interests	Parent Bank 2022	Parent Bank 2021
		Dividends		
		Dividends from group companies recognised as income	1 200	36 941
60 637	42 825	Dividends from other in recognised as income	60 637	42 825
60 637	**42 825**	**Dividends recognised as income**	**61 837**	**79 766**
		Income from ownership interests in associates		
4 903	4 920	Consolidated profit contributions from associates	4 903	4 920
		Other income from associates		
4 903	**4 920**	Income from ownership interests in associates	**4 903**	**4 920**
65 540	**47 746**	**Dividends and income from ownership interests in associates**	**66 740**	**84 687**

20 OTHER OPERATING INCOME

Group 2022	Group 2021	Other operating income	Parent Bank 2022	Parent Bank 2021
1 346	478	Leasing of real estate	1 824	911
2 907	1 611	Other income	2 907	1 611
4 253	**2 089**	**Other operating income**	**4 731**	**2 522**

21 OTHER OPERATING COSTS

Group 2022	Group 2021	Operating costs	Parent Bank 2022	Parent Bank 2021
132 540	124 521	Wages	105 164	98 881
12 582	10 196	Pensions [1]	11 341	9 275
34 673	27 224	Social costs	34 107	27 026
179 795	**161 941**	**Personnel costs**	**150 612**	**135 182**
4 530	2 995	Operating costs properties and premises	4 530	2 995
367	314	Rent [2]	367	314
969	724	Other operational leases [2]	379	255
71 353	82 021	IT costs [3]	70 627	81 264
13 031	12 274	Marketing and information	12 113	11 330
8 031	5 731	Other administrative costs	7 110	4 845
35	167	Consultancy fees	12	11
3 300	1 950	Wealth tax	3 300	1 950
26 295	27 505	Other operating costs	20 107	21 575
127 913	**133 681**	**Total other operating costs**	**118 545**	**124 539**
16 385	18 861	Depreciation	15 206	17 682
16 385	**18 861**	**Total depreciation and impairments**	**15 206**	**17 682**
324 093	**314 483**	**Total operating costs**	**284 363**	**277 403**

1 See specification of pension costs below.

2 In line with IFRS 16, the bank's lease costs (rent/other leases) are primarily presented as interest expenses and depreciation. Recognised lease costs relate to short-term leases and low value leases (which are exempt from IFRS 16). Please also see the further information in note 33.

3 Recognised IT costs for 2022 include an extraordinary charge of NOK 11.8 (29.1) million linked to the conversion to a new core banking system ('conversion costs'). Of the total conversion costs charged in 2021 and 2022 amounting to NOK 40.9 million, accrued/invoiced conversion costs amounted to NOK 23.4 million, while NOK 17.5 million was charged as a provision for costs linked to termination costs for the outgoing system provider, SDC. The termination costs amount to obligatory costs for SDC in the period after the conversion date and final termination date in the contract, which is 31.12.2023. These are unavoidable costs the bank has committed itself to paying and which do not provide any quid pro quo or financial benefits and, consequently, provision has been made for the liability in line with the rules concerning loss making contracts in accordance with IAS 37. The liability is accounted for on the line 'Accrued costs and received not accrued income'.

Fees for external auditor

For the Group, fees for the statutory audit amounted to NOK 1 739 328 (NOK 1 381 506), while fees for tax advice, attestation and other assistance amounted to NOK 409 860 (NOK 512 775) in 2022.

For the parent bank, fees for the statutory audit amounted to NOK 1 436 903 (NOK 1 122 678), while fees for tax advice, attestation and other assistance amounted to NOK 223 548 (NOK 380 088) in 2022. All amounts are inclusive of VAT.

Group 2022	Group 2021	Specification of pension costs [1]	Parent Bank 2022	Parent Bank 2021
10 626	8 558	Cost of defined contribution pensions	9 385	7 637
148	132	Cost of defined benefit pensions, in line with note 23	148	132
1 808	1 506	Costs of contractual early retirement pensions (AFP)	1 808	1 506
12 582	**10 196**	**Total pension costs**	**11 341**	**9 275**

Group 2022	Group 2021	No. of employees/FTEs	Parent Bank 2022	Parent Bank 2021
155	142	No. of employees as at 31.12	128	119
151	138	No. of FTEs as at 31.12	125	116
150	138	Average no. of employees	125	115
146	133	Average no. of FTEs	122	111

22 REMUNERATION

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

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

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

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

- The bank develops a remuneration scheme for all its employees that is suitable for promoting the purpose of the regulation, and that the bank's wage and bonus systems are practiced in accordance with this remuneration scheme.

- The remuneration scheme complies with the bank's overall objectives, risk tolerance and long-term interests.

- The remuneration scheme contains special rules for executive employees, elected representatives and employees with tasks in internal control and risk management. The Board of Directors shall also ensure that the composition of fixed and variable pay for such employees is balanced, and that at least half of any bonus payments are made in the form of equity certificates if the bonus exceeds 12.5% of the basic pay. Bonus payments in the form of equity certificates cannot be utilized freely by the individual earlier than evenly distributed over a period of at least three years. The basis for variable remuneration must be a period of at least two years.

- The bank has a remuneration committee that is responsible for preparatory work in all matters concerning the remuneration scheme that must be decided by the Board of Directors.

The bank has prepared a remuneration policy. No significant changes have been made to the bank's remuneration policy during 2022.

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

The remuneration may consist of the following elements:

- Fixed basic pay. The bank aims to offer market wages. On this basis, fixed basic pay is adjusted annually based on the performance of the individual manager's field of work and responsibility. The CEO determines a change in basic pay for the members of the bank's management group. The remuneration committee regulates the CEO's salary, which is determined by the Board of Directors.

- Benefits in kind that include telephone/mobile phone, newspaper/journal, home office arrangement and occasionally car arrangement. In addition, loans and banking services are granted at separate terms in accordance with same regulations as other employees.

- Bonuses. The bank's employees are covered the bank's current bonus scheme at all times. All permanent employees in the parent bank are covered by a group bonus model. The calculation is based on actual return on equity and client satisfaction. The model paid 8.2% of the basic pay for all employees for the 2021 income year with a payout in 2022. The Board of Directors has the opportunity to reduce the bonus if special considerations are required. In addition, advisers with direct sales responsibility also have the possibility of receiving bonuses based on their KPIs, with a limit of NOK 55 000 per employee per year.

- Employees at the bank have the opportunity to buy discounted equity certificates with Sandnes Sparebank once a year. The equity certificate is purchased at a 33% discount, with savings of up to 7.5% of fixed basic pay or up to NOK 5,000 per month. Purchase entails one year of contribution time and then a one-year required savings period, a total of two years.

- Pension scheme: executive employees have a defined contribution pension scheme for income up to 12G, following the current arrangements for the bank's employees. The pensionable age for the bank's employees is 70 years, with the possibility of a contractual early retirement scheme (AFP) from the age of 62 following the current schemes in the financial sector.

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

Total expenses for salary, pension and other remuneration

Management group 2022

		Wages	Of which wage comp.[3]	Of which bonus paid	Of which other benefits	Loans as at 31.12 [5]	No. of equity certificates owned as at 31.12
CEO	Trine Karin Stangeland	3 501		242	232	11 537	26 556
CFO	Tomas Nordbø	2 438		169	145	7 345	30 014
Director Retail Market	Erik Kvia Hansen	1 827		129	80	7 160	4 076
Director Communications	Ingrid O. Fure Schøpp [3]	1 802	159	117	67	1 192	10 746
Director Corporate Market	Lars Kristiansen	1 980		41	96	6 068	2 827
Director Customer Experience	Lene Nordahl	1 533		105	95	5 150	4 483
Director HR	Stein Haga	1 364	75	89	80	2 100	11 518

Management group 2021

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

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

Board of Directors

		Fees		Loans as at 31.12		No. of equity certificates owned as at 31.12	
		2022	2021	2022	2021	2022	2021
Chair of the Board	Harald Espedal	323	303			886 861	886 861
Deputy Chair	Frode Svaboe [2]	268	273			10 200	10 200
Board member	Sven Christian Ulvatne [2]	180	177			9 300	11 413
Board member	Bjørg Tomlin	161	151				
Board member	Astrid Rebekka Norheim	161	151			6 616	5 806
Board member	Wenche Drønen Christenssen [2]	180	128			2 240	240
Board member	Jan Inge Aarreberg [1/4]		37		3 179	4 110	3 377
Board member	Ingunn Ruud [1/2]	180	177	6 279	5 877	676	282
Board member	Joakim De Haas [1]	161	114	4 080	4 240	1 993	1 512

Board of Trustees

		2022	2021
Chair	Ørjan Gjerde	93	88
Member	Jan Erik Anfinsen	3	2
Member	Svein Anfinsen	3	2
Member	Jo Michael Asbjørnsen	3	2
Member	Garmann Auklend	3	2
Member	Per Øyvind Berge	3	2
Member	Anders Bjørndal [1]	3	2
Member	Bjørn Bærheim		2
Member	Anne Lise Elle [1]	3	2
Member	Inger-Lise Erga	3	2
Member	Olav Kristian Falnes	3	2
Member	Daniel Friestad [1]	3	
Member	Thor Erik Gilje [1]	3	2
Member	Dag Halvorsen	3	2
Member	Eli Norheim Halvorsen	3	
Member	Kristine Nebdal Haver [1]	3	
Member	Terese Albuquerque Helleland [1]	3	2
Member	Ragnhild Hildonen	3	
Member	John Hov		2
Member	Njål Kollbotn [1]	3	2
Member	Gunn Jane Håland	3	2
Member	Kari Solheim Larsen		2
Member	Bente Løyning	3	2
Member	Geir Mikalsen	3	2
Member	Hanne Brit Nordbø	3	2
Member	Lisbeth Lindsay Nordhagen [1]	3	
Member	Arne Oftedal	3	2
Member	Egil Omland		2
Member	Kjell Rommetvedt		2
Member	Elisabeth Rosbach [1]	3	
Member	Mona Aadnøy Riska [1]	3	2
Member	Åge Skår	3	2
Member	Inger-Lise Slagstad [1]		2
Member	Guttorm Stangeland	3	2
Member	Vilde Stødle [1]		2
Member	Martin Sunde	3	2
Member	Tine Svanes	3	2
Member	Aase Sveinsvoll	3	2
Member	Vidar Torsøe		2
Member	Siv Merethe Tuftedal		2
Member	Johan Wigerstrand	3	
Member	Trond Wikstøl	3	2
Member	Inger Lomeland Wold	3	
Member	Tove Wold	3	2
Member	Jan Inge Aarreberg [1]	3	

1 Employee representative

2 Includes annual fees of NOK 28 200, NOK 18 800, NOK 18 800 and NOK 18 800 for the audit and risk committee.

3 The bank changed its pension plan for senior executives in 2012. The bank switched from a pension scheme for salaries above 12G (where G = National Insurance scheme's basic amount) to a direct wage compensation. The amounts in the wage compensation column consist of monthly payments for 2022.

4 Left the Board of Directors in 2021.

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

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

23 PENSIONS

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

The bank has offered a defined-contribution pension for new employees since 01.01.2007. Following the restructuring, some individuals employed before 1 January 2007 also switched from the defined-benefit scheme to the new defined-contribution scheme. At the end of 2013, all remaining employees switched to a defined-contribution scheme. Those affected receive a routinely compensation in the form of wages.

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

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

Assumptions

	2022	2021
Discount rate	3,00 %	1,90 %
Expected annual wage increase	3,50 %	2,75 %
Adjustment of the National Insurance scheme basic amount (G)	3,25 %	2,50 %
Adjustment of current pension	2,50 %	1,75 %
Mortality table	K2013BE	K2013BE
AFP withdrawals	0,00 %	0,00 %
Expected voluntary departures before retirement age	0,00 %	0,00 %
Disability table	KU	KU

Group		Net pension costs, defined benefit plans	Parent Bank	
2022	2021		2022	2021
		Present value of pension accruals for the year		
148	132	Interest expense of accrued pension liabilities	148	132
148	132	Net pension costs	148	132
		Employers' National Insurance contributions		
148	**132**	**Total pension costs**	**148**	**132**

Costs related to deposit schemes amount to NOK 10.6 million for the Group and NOK 9.4 million for the parent bank for 2022, respectively. The corresponding figures for 2021 were NOK 8.6 million for the Group and NOK 7.6 million for the parent bank.

Costs of the new AFP scheme, which has been treated as a defined contribution pension scheme, amount to NOK 1.8 million for group and parent bank for 2022 and NOK 1.5 million for 2021.

Net pension liability

Group	31.12.2022 Funded	Unfunded	Total	31.12.2021 Funded	Unfunded	Total
Accrued pension rights		7 634	7 634		8 025	8 025
Pension funds						
Calculated pension liabilities		7 634	7 634		8 025	8 025
Employer's National Insurance contributions on net liability						
Net pension liability		**7 634**	**7 634**		**8 025**	**8 025**
Parent Bank						
Accrued pension rights		7 634	7 634		8 025	8 025
Pension funds						
Calculated pension liabilities		7 634	7 634		8 025	8 025
Employer's National Insurance contributions on net liability						
Net pension liability		**7 634**	**7 634**		**8 025**	**8 025**

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

Actuarial gains and losses are recognised against other comprehensive income (OCI) in the period in which they occur. For 2022, this resulted in a total income recognition of other comprehensive income (OCI) of NOK 0.1 million after tax for group and parent bank. The corresponding figure for 2021 was a cost of NOK 0.3 million after tax for group and parent bank.

Group 31.12.2022	Group 31.12.2021	Reconciliation of gross pension liabilities	Parent Bank 31.12.2022	Parent Bank 31.12.2021
8 025	8 005	Opening balance	8 025	8 005
		Accruals for the year		
148	132	Interest expenses for the year	148	132
-473	-457	Payouts to retired employees	-473	-457
-66	345	Estimate deviations recognised through OCI	-66	345
7 634	**8 025**	**Closing balance**	**7 634**	**8 025**

Historical development (Group/Parent Bank)

	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Gross pension liabilities	7 634	8 025	8 005	7 810	7 489
Gross pension funds					
Employer's National Insurance contributions on net liability					
Net capitalised pension liabilities	**7 634**	**8 025**	**8 005**	**7 810**	**7 489**

The remaining net pension liabilities as at 31.12.2022 are related to an operational pension from age of 67 for a former CEO.

24 TAX

Group 2022	Group 2021	TAX EXPENSE, ORDINARY PROFIT	Parent Bank 2022	Parent Bank 2021
		Tax payable		
47 295	55 701	Tax expense for the year	32 593	36 263
12	-12	Correction of tax in prior years	12	-12
		Deferred tax		
566	-8 756	Change in temporary differences	1 550	-8 255
47 874	**46 933**	**Total tax on ordinary profit**	**34 155**	**27 996**

Group 2022	Group 2021	RECONCILIATION OF TAX EXPENSE AGAINST PROFIT BEFORE TAX	Parent Bank 2022	Parent Bank 2021
314 040	328 238	Profit before tax expense	252 942	279 101
76 941	88 712	25/22% of profit before tax [1]	63 235	69 775
-29 079	-41 768	Permanent differences	-29 092	-41 768
12	-12	Correction of tax in prior years	12	-12
47 874	**46 933**	**Total tax on ordinary profit**	**34 155**	**27 996**
15 %	14 %	Effective tax rate	14 %	10 %

Group 31.12.2022	Group 31.12.2021	RECONCILIATION OF DEFERRED TAX ASSET/DEFERRED TAX	Parent Bank 31.12.2022	Parent Bank 31.12.2021
-16 669	-7 811	Deferred tax asset/deferred tax as at 01.01	-16 782	-8 440
566	-8 756	Change recognised in the income statement	1 550	-8 255
17	-86	Tax on OCI	17	-86
-2	-16	Other items		
-16 089	**-16 669**	**Total deferred tax asset/deferred tax**	**-16 782**	**-16 782**

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

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

Group			Parent Bank	
31.12.2022	31.12.2021	DEFERRED TAX ASSET	31.12.2022	31.12.2021
849	747	Non-current assets and property, plant and equipment	787	680
-17 623	-17 654	Right-of-use assets, leases	-17 136	-16 945
21 851	21 571	Lease liabilities	21 324	20 826
-353	-442	Profit and loss account	-346	-433
1 908	2 006	Pensions	1 908	2 006
4 380	6 475	Accounting provisions	4 380	6 475
4 298	4 172	Financial instruments	4 298	4 172
932	-20	Current assets		
16 241	**16 856**	**Total deferred tax asset**	**15 215**	**16 782**

31.12.2022	31.12.2021	DEFERRED TAX	31.12.2022	31.12.2021
152	187	Financial instruments		
152	**187**	**Total deferred tax**		

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

25 CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

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

Group 31.12.2022	Amortised cost	Fair value through profit or loss (mandatory)	Fair value through profit or loss (optional)	Hedge accounting	Fair value through OCI	Equity method [1]	Non-financial assets and liabilities	Total
ASSETS								
Cash and receivables from central banks	387 987							387 987
Loans to and receivables from credit institutions	114 207							114 207
Loans to customers	25 676 548		1 287 238					26 963 787
Certificates and bonds	612 539	3 020 666						3 633 205
Equities		228 722						228 722
Ownership interests in associates						34 359		34 359
Financial derivatives		128 701		22 563				151 265
Retained earnings							21 441	21 441
Financial instruments with change in value through OCI					568 353			568 353
Other assets							117 440	117 440
Total assets	**26 791 281**	**3 378 089**	**1 287 238**	**22 563**	**568 353**	**34 359**	**138 881**	**32 220 764**
LIABILITIES								
Liabilities to credit institutions	104 380							104 380
Deposits from customers	12 670 977		694 301					13 365 278
Securities issued	10 076 666			4 486 916				14 563 582
Financial derivatives		19 418		127 322				146 741
Accrued costs							52 536	52 536
Subordinated loan capital	369 413							369 413
Other liabilities							208 337	208 337
Provisions	5 795						7 822	13 616
Total liabilities	**23 227 230**	**19 418**	**694 301**	**4 614 238**			**268 695**	**28 823 883**

Parent Bank 31.12.2021	Amortised cost	Fair value through profit or loss (mandatory)	Fair value through profit or loss (optional)	Hedge accounting	Fair value through OCI	Equity method [1]	Non-financial assets and liabilities	Total
ASSETS								
Cash and receivables from central banks	372 293							372 293
Loans to and receivables from credit institutions	67 639							67 639
Loans to customers	24 178 029		1 213 479					25 391 507
Certificates and bonds	613 972	2 184 506						2 798 478
Equities		129 741						129 741
Ownership interests in associates						34 338		34 338
Financial derivatives		56 190		85 870				142 059
Retained earnings							17 486	17 486
Financial instruments with change in value through OCI					303 898			303 898
Other assets							115 204	115 204
Total assets	**25 231 933**	**2 370 437**	**1 213 479**	**85 870**	**303 898**	**34 338**	**132 690**	**29 372 644**
LIABILITIES								
Liabilities to credit institutions	99 083							99 083
Deposits from customers	12 247 421		595 065					12 842 486
Securities issued	8 453 747			4 370 670				12 824 416
Financial derivatives		16 548		30 041				46 589
Accrued costs							66 416	66 416
Subordinated loan capital	200 824							200 824
Other liabilities							204 346	204 346
Provisions	5 206						8 318	13 523
Total liabilities	**21 006 280**	**16 548**	**595 065**	**4 400 711**			**279 080**	**26 297 684**

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

Parent Bank 31.12.2022	Amortised cost	Fair value through profit or loss (mandatory)	Fair value through profit or loss (optional)	Hedge accounting	Fair value through OCI	Equity method[1]	Non-financial assets and liabilities	Total
ASSETS								
Cash and receivables from central banks	387 987							387 987
Loans to and receivables from credit institutions	113 940							113 940
Loans to customers	11 535 594		1 287 238		2 229 877			15 052 709
Certificates and bonds	612 539	2 146 567						2 759 106
Equities		228 722						228 722
Ownership interests in associates						34 359		34 359
Financial derivatives		128 701		42 919				171 620
Retained earnings							14 602	14 602
Financial instruments with change in value through OCI					568 353			568 353
Other assets	1 987 440						92 835	2 080 274
Total assets	**14 637 499**	**2 503 990**	**1 287 238**	**42 919**	**2 798 230**	**34 359**	**107 437**	**21 411 672**
LIABILITIES								
Liabilities to credit institutions	291 685							291 685
Deposits from customers	12 672 238		694 301					13 366 538
Securities issued	2 069 975			1 913 428				3 983 403
Financial derivatives		19 418		84 659				104 078
Accrued costs							48 015	48 015
Subordinated loan capital	369 413							369 413
Other liabilities							184 942	184 942
Provisions	5 681						7 822	13 503
Total liabilities	**15 408 992**	**19 418**	**694 301**	**1 998 087**			**240 779**	**18 361 577**

Parent Bank 31.12.2021	Amortised cost	Fair value through profit or loss (mandatory)	Fair value through profit or loss (optional)	Hedge accounting	Fair value through OCI	Equity method[1]	Non-financial assets and liabilities	Total
ASSETS								
Cash and receivables from central banks	372 293							372 293
Loans to and receivables from credit institutions	75 427							75 427
Loans to customers	13 592 027		1 213 479		768 989			15 574 495
Certificates and bonds	613 972	1 625 898						2 239 869
Equities		129 741						129 741
Ownership interests in associates						34 338		34 338
Financial derivatives		56 190		47 708				103 898
Retained earnings							16 797	16 797
Financial instruments with change in value through OCI					303 898			303 898
Other assets	1 769 164						91 490	1 860 654
Total assets	**16 422 883**	**1 811 828**	**1 213 479**	**47 708**	**1 072 887**	**34 338**	**108 287**	**20 711 410**
LIABILITIES								
Liabilities to credit institutions	216 461							216 461
Deposits from customers	12 252 214		595 065					12 847 279
Securities issued	2 270 270			2 098 753				4 369 023
Financial derivatives		16 548		36 417				52 965
Accrued costs							61 697	61 697
Subordinated loan capital	200 824							200 824
Other liabilities							175 231	175 231
Provisions	5 096						8 318	13 414
Total liabilities	**14 944 865**	**16 548**	**595 065**	**2 135 170**			**245 246**	**17 936 894**

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

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments measured at amortised cost

Group

	31.12.2022		31.12.2021	
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Cash and receivables from central banks	387 987	387 987	372 293	372 293
Loans to and receivables from credit institutions	114 207	114 207	67 639	67 639
Loans to customers	25 676 548	25 676 548	24 178 029	24 178 029
Certificates and bonds	612 539	609 828	613 972	616 652
Total assets	**26 791 281**	**26 788 571**	**25 231 933**	**25 234 613**
LIABILITIES				
Liabilities to credit institutions	104 380	104 380	99 083	99 083
Deposits from and liabilities to customers	12 670 977	12 670 977	12 247 421	12 247 421
Securities issued [1]	14 563 582	14 491 177	12 824 416	12 839 353
Subordinated loan capital	369 413	368 172	200 824	202 906
Provisions	5 795	5 795	5 206	5 206
Total liabilities	**27 714 146**	**27 640 500**	**25 376 949**	**25 393 968**

Parent Bank

	31.12.2022		31.12.2021	
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Cash and receivables from central banks	387 987	387 987	372 293	372 293
Loans to and receivables from credit institutions	113 940	113 940	75 427	75 427
Loans to customers	11 535 594	11 535 594	13 592 027	13 592 027
Certificates and bonds	612 539	609 828	613 972	616 652
Other assets	1 987 440	1 987 440	1 769 164	1 769 164
Total assets	**14 637 499**	**14 634 788**	**16 422 883**	**16 425 563**
LIABILITIES				
Liabilities to credit institutions	291 685	291 685	216 461	216 461
Deposits from and liabilities to customers	12 672 238	12 672 238	12 252 214	12 252 214
Securities issued [1]	3 983 403	3 939 734	4 369 023	4 372 788
Subordinated loan capital	369 413	368 172	200 824	202 906
Provisions	5 681	5 681	5 096	5 096
Total liabilities	**17 322 420**	**17 277 510**	**17 043 618**	**17 049 465**

1 Securities issued include fixed rate bonds included in 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 used for deposits and savings accounts without a specific maturity.

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

Financial instruments rated at fair value

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

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

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

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

Fair value valuation
at end of the period based on the valuation hierarchy

Group	Level 1	Level 2	Level 3	Total as at 31.12.2022
Financial instruments at fair value through profit or loss				
Loans to customers			1 287 238	1 287 238
Certificates and bonds		3 020 666		3 020 666
Equities	49 980	169 993	8 748	228 722
Financial derivatives		128 701		128 701
Financial derivatives, hedging instrument		22 563		22 563
Financial instruments at fair value through OCI				
Equities			568 353	568 353
Total assets	**49 980**	**3 341 924**	**1 864 340**	**5 256 244**
Financial instruments at fair value through profit or loss				
Deposits from customers		694 301		694 301
Financial derivatives		19 418		19 418
Financial derivatives, hedging instruments		127 322		127 322
Total liabilities		**841 042**		**841 042**

Amortised cost valuation
at end of the period based on the valuation hierarchy

Group	Level 1	Level 2	Level 3	Total as at 31.12.2022
Financial assets at amortised cost				
Cash and receivables from central banks		387 987		387 987
Loans to and receivables from credit institutions		114 207		114 207
Loans to customers		25 676 548		25 676 548
Certificates and bonds		612 539		612 539
Total assets		**26 791 281**		**26 791 281**
Financial liabilities at amortised cost				
Liabilities to credit institutions		104 380		104 380
Deposits from customers		12 670 977		12 670 977
Securities issued [1]		14 563 582		14 563 582
Subordinated loan capital		369 413		369 413
Provisions		5 795		5 795
Total liabilities		**27 714 146**		**27 714 146**

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

Fair value valuation

at end of the period based on the valuation hierarchy

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

Amortised cost valuation

at end of the period based on the valuation hierarchy

Group	Level 1	Level 2	Level 3	Total as at 31.12.2021
Financial assets at amortised cost				
Cash and receivables from central banks		372 293		372 293
Loans to and receivables from credit institutions		67 639		67 639
Loans to customers		24 178 029		24 178 029
Certificates and bonds		613 972		613 972
Total assets		**25 231 933**		**25 231 933**
Financial liabilities at amortised cost				
Liabilities to credit institutions		99 083		99 083
Deposits from customers		12 247 421		12 247 421
Securities issued [1]		12 824 416		12 824 416
Subordinated loan capital		200 824		200 824
Provisions		5 206		5 206
Total liabilities		**25 376 949**		**25 376 949**

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

Reconciliation of movements for Level 3

from 31.12.2021 to 31.12.2022

Group	Lending	Equities at fair value through OCI (FVOCI) [2]	Equities at fair value through profit or loss (FVTPL)	Total
Balance as at 31.12.2021	1 213 479	303 898	11 462	1 528 839
Gain/loss recognised in profit for the year	-50 832		-2 714	-53 546
Gain/loss recognised in other income/OCI		235 602		235 602
Purchase		101 798		101 798
Issuance	332 709			332 709
Settlement	-208 118	-72 945		-281 062
Balance as at 31.12.2022	**1 287 238**	**568 353**	**8 748**	**1 864 340**

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

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

Fair value valuation

at end of the period based on the valuation hierarchy

Parent Bank	Level 1	Level 2	Level 3	Total as at 31.12.2022
Financial instruments at fair value through profit or loss				
Loans to customers		2 229 877	1 287 238	3 517 115
Certificates and bonds		2 146 567		2 146 567
Equities	49 980	169 993	8 748	228 722
Financial derivatives		128 701		128 701
Financial derivatives, hedging instrument		42 919		42 919
Financial instruments at fair value through OCI				
Equities			568 353	568 353
Total assets	**49 980**	**4 718 058**	**1 864 340**	**6 632 377**
Financial instruments at fair value through profit or loss				
Deposits from customers		694 301		694 301
Financial derivatives		19 418		19 418
Financial derivatives, hedging instruments		84 659		84 659
Total liabilities		**798 378**		**798 378**

Amortised cost valuation

at end of the period based on the valuation hierarchy

Parent Bank	Level 1	Level 2	Level 3	Total as at 31.12.2022
Financial assets at amortised cost				
Cash and receivables from central banks		387 987		387 987
Loans to and receivables from credit institutions		113 940		113 940
Loans to customers		11 535 594		11 535 594
Certificates and bonds		612 539		612 539
Other assets		1 987 440		1 987 440
Total assets		**14 637 499**		**14 637 499**
Financial liabilities at amortised cost				
Liabilities to credit institutions		291 685		291 685
Deposits from customers		12 672 238		12 672 238
Securities issued [1]		3 983 403		3 983 403
Subordinated loan capital		369 413		369 413
Provisions		5 681		5 681
Total liabilities		**17 322 420**		**17 322 420**

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

Fair value valuation

at end of the period based on the valuation hierarchy

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

Amortised cost valuation

at end of the period based on the valuation hierarchy

Parent Bank	Level 1	Level 2	Level 3	Total as at 31.12.2021
Financial assets at amortised cost				
Cash and receivables from central banks		372 293		372 293
Loans to and receivables from credit institutions		75 427		75 427
Loans to customers		13 592 027		13 592 027
Certificates and bonds		613 972		613 972
Other assets		1 769 164		1 769 164
Total assets		**16 422 883**		**16 422 883**
Financial liabilities at amortised cost				
Liabilities to credit institutions		216 461		216 461
Deposits from customers		12 252 214		12 252 214
Securities issued [1]		4 369 023		4 369 023
Subordinated loan capital		200 824		200 824
Provisions		5 096		5 096
Total liabilities		**17 043 618**		**17 043 618**

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

Parent Bank

Reconciliation of movements for Level 3
from 31.12.2021 to 31.12.2022

	Loans	Equities at fair value through OCI (FVOCI) [1]	Equities at fair value through profit or loss (FVTPL)	Total
Balance as at 31.12.2021	1 213 479	303 898	11 462	1 528 839
Gain/loss recognised in profit for the year	-50 832		-2 714	-53 546
Gain/loss recognised in other income/OCI		235 602		235 602
Purchase		101 798		101 798
Issuance	332 709			332 709
Settlement	-208 118	-72 945		-281 062
Balance as at 31.12.2022	**1 287 238**	**568 353**	**8 748**	**1 864 340**

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

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

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

Financial Instruments classified in Level 2

Certificates and bonds

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

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

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

Financial investments

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

Financial derivatives

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

Deposits from customers

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

Financial Instruments classified in Level 3

Loans

Loans to customers at a fixed rate is assessed on the basis of agreed cash flow for the loans discounted at the effective interest rate. Effective interest rates are based on prevailing market conditions for corresponding fixed rate loans. The value on the loan will be most sensitive to change in the interest rate level and change in customer credit risk (especially corporate customers). A change of 10 points would affect the valuation of the portfolio by NOK 4.5 million. The average duration in the bank's portfolio of fixed-rate loans is 3.5 years.

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

Shares — FVOCI

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

Deposits from customers

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

27 LOANS TO AND RECEIVABLES FROM CREDIT INSTITUTIONS

Group 31.12.2022	Group 31.12.2021	Loans to and receivables from credit institutions	Parent Bank 31.12.2022	Parent Bank 31.12.2021
114 207	67 639	Loans and receivables without agreed term to maturity or call [1]	113 940	75 427
		Loans and receivables with agreed term to maturity or call		
114 207	**67 639**	**Total loans to and receivables from credit institutions**	**113 940**	**75 427**

1 Receivables from central banks are presented on the accounting line 'Cash and receivables from central banks' while in the 2021 accounts they were presented on the line 'Loans to and receivables from credit institutions'. Comparable figures for 2021 have been restated accordingly.

28 CERTIFICATES AND BONDS

Group 31.12.2022	Group 31.12.2021	Certificates and bonds	Parent Bank 31.12.2022	Parent Bank 31.12.2021
3 019 427	2 183 257	Certificates and bonds at fair value	2 145 328	1 624 648
1 239	1 250	Subordinated loans at fair value	1 239	1 250
3 020 666	**2 184 506**	**Total certificates and bonds at fair value**	**2 146 567**	**1 625 898**
718 217	383 110	*Of which government-guaranteed certificates/bonds*	718 217	383 110
612 539	613 972	Certificates and bonds at amortised cost	612 539	613 972
612 539	**613 972**	**Total certificates and bonds at amortised cost**	**612 539**	**613 972**
3 633 205	**2 798 478**	**Total certificates and bonds**	**2 759 106**	**2 239 869**
3.41 %	1.09 %	Average coupon rate certificates and bonds at fair value	3.23 %	1.04 %
1.98	1.80	Average remaining term to maturity certificates and bonds at fair value	2.09	1.85
4.02 %	1.56 %	Average coupon rate certificates and bonds at amortised cost	4.02 %	1.56 %
3.39	4.40	Average remaining term to maturity certificates and bonds at amortised cost	3.39	4.40

The bank has two separate portfolios of fixed income securities;

1) The bank's liquidity portfolio of certificates and bonds is classified at fair value through profit or loss in line with the business model that governs management of the liquidity portfolio in accordance with IFRS 9. The business model gives a required rate of return for the liquidity portfolio and purchases and sales are made in order to maximise profits.

2) The bank's portfolio of securities held to maturity is classified at amortised cost since the business model involves the bank holding these securities until the maturity date (long-term investments).

29 OWNERSHIP INTERESTS IN SUBSIDIARIES AND ASSOCIATES

Shares in subsidiaries

Shares in subsidiaries	Organisation no.	Address	Location	Share capital	Stake (%)	No. of shares	Face value	Cost price	Carrying amount 31.12.22	Carrying amount 31.12.21
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	427 600	100	4 276 000	100	670 130	670 130	350 130
Leirfivel AS	920 538 606	Rådhusgata 3	Sandnes	30	100	30 000	1	30	13	13
Carrying amount subsidiaries								**674 345**	**674 328**	**354 328**

Non-controlling interests in the Group

In 2015, the Group acquired 100% of the shares in Aktiv Eiendomsmegling Jæren and the company was subsequently merged with the subsidiary Sandnes Eiendom. After the merger, the Group sold 40% of the shares in the company to Jæren Sparebank. The company's purpose is to conduct real estate brokerage.

Dividends between group companies

Dividends paid by subsidiaries to the parent bank amounted to NOK 1.2 million in 2022. Dividends totalling NOK 36.9 million were paid out for 2021.

Group			Parent Bank	
31.12.2022	31.12.2021	Specification of other assets in the Group	31.12.2022	31.12.2021
22 523	18 171	Other assets	6 076	2 578
		Outstanding accounts with SSB Boligkreditt	1 313 112	1 414 836
22 523	**18 171**	**Total other assets**	**1 319 188**	**1 417 414**

Shares in associates

Shares in associates	Organisation no.	Address	Location	Share capital	Stake (%)	No. of shares	Face value	Cost price	Carrying amount 31.12.22	Carrying amount 31.12.21
Kjell Haver Regnskapsservice AS	947 214 489	Welhavens vei 5	Sandnes	2 697	49,5	345 015	3,87	29 363	34 359	34 338
Carrying amount shares in associates (Group and parent bank)								**29 363**	**34 359**	**34 338**

Associates

Associates (carrying amount in the Group and parent bank) 2022	Kjell Haver Regnskapsservice AS	Total
Balance sheet value at start of period	34 338	34 338
Capital increase/acquisition		
Dividends	-4 882	-4 882
Profit contribution for the year	4 903	4 903
Balance sheet value at end of period	**34 359**	**34 359**

Associates (carrying amount in the Group and parent bank) 2021	Kjell Haver Regnskapsservice AS	Total
Balance sheet value at start of period	33 767	33 767
Capital increase/acquisition	49	49
Dividends	-4 399	-4 399
Profit contribution for the year	4 920	4 920
Balance sheet value at end of period	**34 338**	**34 338**

Associates (company information) 2022	Kjell Haver Regnskapsservice AS	Total
Cash and cash equivalents	14 735	14 735
Other current assets	7 386	7 386
Non-current assets	1 442	1 442
Total assets	**23 563**	**23 563**
Current financial liabilities	20 619	20 619
Non-current liabilities		
Equity	2 944	2 944
Total equity and liabilities	**23 563**	**23 563**
Operating income	54 402	54 402
Depreciation	-373	-373
Other operating costs	-41 532	-41 532
Interest income	203	203
Interest expenses	-1	-1
Tax expense	-2 794	-2 794
Comprehensive income after tax	**9 905**	**9 905**
Dividends received from associates (share Den Gule Banken, Sandnes Sparebank)	**4 882**	**4 882**

Kjell Haver Regnskapsservice AS is a local Sandnes firm that provides accounting and consulting services for its customers. The firm had 35 employees as at 31.12.2022.

30 EQUITIES

Group		Equities and funds	Parent Bank	
31.12.2022	31.12.2021		31.12.2022	31.12.2021
9 047	9 047	Eiendomskreditt AS (org.nr.979391285)	9 047	9 047
49 980	43 680	Jæren Sparebank (org.nr 937895976)	49 980	43 680
55 663	47 309	EIKA VBB AS (org.nr 921859708)	55 663	47 309
1	1	Saffron India Real Estate Fund I	1	1
4 472	7 407	VN Norge AS (org.nr 821083052)	4 472	7 407
4 276	4 055	Skandinavisk Data Center A/S	4 276	4 055
89	89	Other unlisted	89	89
123 529	**111 588**	**Total equities at fair value through profit or loss**	**123 529**	**111 588**
105 193	18 153	Units in bond funds	105 193	18 153
228 722	**129 741**	**Total equities and funds at fair value through profit or loss**	**228 722**	**129 741**

These assets are classified at fair value with changes in value through profit or loss. For the investments' net changes in value, see note 19.

The total cost price for the shares amounted to NOK 70.6 (58.6) million. The cost price for the fixed income funds amounted to NOK 101.8 (15.9) million. The bank does not have significant influence in the companies.

The bank indirectly owns shares in Vipps AS through Eika Vbb AS, which acts as a joint holding company for the Eika banks. The shares primarily constitute remuneration shares related to the merger between BankID Norway, BankAxept AS and Vipps AS in 2018. Eika Vbb AS conducted a share issue in 2022 and the bank owns a total of 11 072 shares in Eika Vbb AS as at 31.12.2022. The valuation of the shares is based on the last share price in December 2022.

In 2022, VN Norge AS converted and sold further Visa Inc. shares where the net proceeds from the sale were paid out as dividends to the owner banks. In 2022, the bank received NOK 3.7 million in dividends from the company. The final conversion and sale of the remaining Visa Inc. shares are expected to be carried out in 2023.

The shares in Skandinavisk Data Center A/S (SDC) will be sold back to the company when the bank converts the core banking system from SDC to TietoEvry in the second quarter of 2023. The agreement specifies that the shares will be bought back at book value.

31 INTANGIBLE ASSETS

Group				Parent Bank		
Goodwill	IT systems	Total intangible assets	Intangible assets	Goodwill	IT systems	Total intangible assets
4 553	**7 597**	**12 150**	**Carrying amount as at 31.12.2020**		**7 597**	**7 597**
	258	258	Additions		258	258
			Disposals			
			Write-downs			
	6 771	6 771	Depreciation		6 771	6 771
4 553	**1 084**	**5 637**	**Carrying amount as at 31.12.2021**		**1 084**	**1 084**
4 570	188 173	192 743	Original acquisition cost		185 229	185 229
17	187 089	187 106	Total depreciation and write-downs		184 145	184 145
4 553	**1 084**	**5 637**	**Carrying amount as at 31.12.2021**		**1 084**	**1 084**
			Additions			
			Disposals			
	1 017		Write-downs		1 017	
	62	62	Depreciation		62	62
4 553	**5**	**4 558**	**Carrying amount as at 31.12.2022**		**5**	**5**
4 570	188 173	191 726	Original acquisition cost		185 229	184 212
17	188 168	187 168	Total depreciation and impairments		185 224	184 207
4 553	**5**	**4 558**	**Carrying amount as at 31.12.2022**		**5**	**5**
	3-5 years		Useful lifetime		3-5 years	

Group			
31.12.2022	31.12.2021	31.12.2020	Capitalised goodwill
4 553	4 553	4 553	Aktiv Eiendomsmegling Jæren
4 553	**4 553**	**4 553**	**Total goodwill**

The individual goodwill items and other intangible assets in the Group's balance sheet are allocated to assessment units according to which businesses benefit from the purchased asset. The choice of assessment unit is made based on where cash flows related to the business can be identified and separated.

Goodwill in the Group is entirely related to Aktiv Eiendomsmegling Jæren. The first part of the item occurred in 2005 when the Group increased its ownership interest in the subsidiary Sandnes Eiendom from 50 % to 100 %. In 2015, the Group acquired 100 % of the shares in Aktiv Eiendomsmegling Jæren, and the remaining portion of goodwill originated from this acquisition. Sandnes Eiendom and Aktiv Eiendomsmegling Jæren were merged in the following year, and the Group sold out 40 % of the company. Impairment testing of capitalised values is done by discounting the expected future cash flow from the business. Cash flows are based on approved budgets and management forecasts. Budgets and forecasts are subject to a high degree of uncertainty. If the actual economic conditions differ from the assumptions used in budgets and plans, the impairment tests may produce a different result. Furthermore, the impairment tests depend on the required rate of return. The required rate of return is stipulated discretionarily on the basis of the information available on the balance sheet date. The impairment test is carried out annually and does not provide a basis for impairments for 2022. Goodwill related to Aktiv Eiendomsmegling Jæren is reported in the Real Estate segment.

IT systems apply to the development and purchase of IT applications, including applications for data analysis and risk assessment. Implemented systems are depreciated linearly over 3-5 years. Impairment tests are carried out annually. In 2022, a NOK 1 million write-down was made linked to IT systems. The write-down was related to activated development costs linked to a new online bank solution that will have no financial value for the bank due to the system conversion in 2023.

32 NON-CURRENT ASSETS

Group				Parent Bank		
Machinery, fixtures and fittings, etc.	Plots and real estate	Total non-current assets	Non-current assets	Machinery, fixtures and fittings, etc.	Plots and real estate	Total non-current assets
4 562	**1 562**	**6 122**	**Carrying amount as at 31.12.2020**	**4 189**	**1 562**	**5 750**
215		215	Additions	145		145
	1 540	1 540	Disposals		1 540	1 540
			Write-downs			
1 237	21	1 258	Depreciation	1 066	21	1 087
3 539		**3 539**	**Carrying amount as at 31.12.2021**	**3 268**		**3 268**
99 968	38 186	138 154	Original acquisition cost	94 683	2 900	97 584
96 428	38 186	134 614	Total depreciation and write-downs	91 415	2 900	94 315
3 539		**3 539**	**Carrying amount as at 31.12.2021**	**3 268**		**3 268**
699		699	Additions	699		699
			Disposals			
			Write-downs			
877		877	Depreciation	971		971
3 360		**3 360**	**Carrying amount as at 31.12.2022**	**2 996**		**2 996**
100 666		138 853	Original acquisition cost	95 382		98 282
97 305		135 491	Total depreciation and impairments	92 386		95 286
3 360		**3 360**	**Carrying amount as at 31.12.2022**	**2 996**		**2 996**
3-5 years	50 år		Useful lifetime	3-5 år	50 years	

Activated investments linked to leased premises are depreciated over the remaining term of the lease.

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33 LEASES

Pursuant to IFRS 16 Leases, one no longer distinguishesbetween operational and financial leases and where leases entered into transfer a right-of-use for a specific asset from the lessor to the lessee for a specified period. In order to determine whether an agreement contains a lease, one must assess whether the agreement transfers the right to control the use of an identified asset. Rights of use in leases covered by IFRS 16 are recognised in the balance sheet as "Right-of-use assets, leases" with corresponding lease liabilities under "Lease liabilities".

For further descriptions of the implementation effects and the bank's assessments regarding leases, please see note 2.

The Group's leased assets include buildings/offices and other real estate, machinery/equipment and vehicles. The Group's right-of-use assets have been categorised and are presented in the table below:

Right-of-use assets

Group					Parent Bank			
Totalt	Køretøy	Maskiner og utstyr	Bygninger	Right-of-use assets	Bygninger	Maskiner og utstyr	Køretøy	Totalt
108 066	363	623	107 080	Acquisition cost 01.01.2021	101 428	623	363	102 415
290	290			Additions of right-of-use assets			290	290
(1 311)			(1 311)	Adjustments of right-of-use assets during the year	(698)			(698)
107 045	**653**	**623**	**105 769**	**Acquisition cost 31.12.2021**	**100 730**	**623**	**653**	**102 006**
23 696	121	247	23 328	Accumulated depreciation and write-downs 01.01.2021	22 520	247	121	22 888
12 348	137	134	12 077	Depreciation in the period	11 069	134	137	11 340
36 044	258	381	35 405	Accumulated depreciation and write-downs 31.12.2021	33 588	381	258	34 228
71 001	**395**	**242**	**70 364**	**Carrying amount of right-of-use assets 31.12.2021**	**67 141**	**242**	**395**	**67 778**
107 045	653	623	105 769	Acquisition cost 01.01.2022	100 730	623	653	102 006
11 296		2 991	8 305	Additions of right-of-use assets	8 305	2 991		11 296
3 641			3 641	Adjustments of right-of-use assets during the year	3 641			3 641
121 982	**653**	**3 614**	**117 715**	**Acquisition cost 31.12.2022**	**112 676**	**3 614**	**653**	**116 943**
36 044	258	381	35 405	Accumulated depreciation and write-downs 01.01.2022	33 588	381	258	34 228
15 179	218	1 028	13 933	Depreciation in the period	12 926	1 028	218	14 172
51 224	**476**	**1 409**	**49 338**	**Accumulated depreciation and write-downs 31.12.2022**	**46 515**	**1 409**	**476**	**48 400**
70 758	**177**	**2 205**	**68 376**	**Carrying amount of right-of-use assets 31.12.2022**	**66 161**	**2 205**	**177**	**68 543**
	3-5 years	3-5 years	1-10 years	Lower of remaining lease period or useful lifetime	1-10 years	3-5 years	3-5 years	
	Straight line	Straight line	Straight line	Depreciation method	Straight line	Straight line	Straight line	

Lease liabilities

Group					Parent Bank			
Total	Vehicles	Machinery and equip-ment	Buildings	Undiscounted lease liabilities and payments due	Buildings	Machinery and equip-ment	Vehicles	Total
18 213	106	1 083	17 024	**< 1 year**	15 758	1 083	106	16 947
18 570	88	963	17 518	1-2 years	16 229	963	88	17 281
16 092		116	15 977	2-3 years	15 608	116		15 723
16 046		116	15 931	3-4 years	15 931	116		16 046
16 524		116	16 408	4-5 years	16 408	116		16 524
2 817			2 817	> 5 years	2 817			2 817
88 262	**194**	**2 393**	**85 675**	**Total undiscounted lease liabilities 31.12.2022**	**82 751**	**2 393**	**194**	**85 338**

				Changes in lease liabilities				
100 560	**329**	**225**	**100 007**	**Total lease liabilities 31.12.2020**	**95 069**	**349**	**204**	**95 623**
(408)	290		(698)	New/change lease liabilities recognised in the period	(698)		290	(408)
(13 461)	(152)	(155)	(13 154)	Payment of principal	(11 605)	(155)	(152)	(11 911)
(3 550)	(12)	(13)	(3 526)	Payment of interest	(3 348)	(13)	(12)	(3 372)
3 550	12	13	3 526	Interest expenses linked to lease liabilities	3 348	13	12	3 372
86 692	**467**	**70**	**86 154**	**Total lease liabilities 31.12.2021**	**82 766**	**194**	**343**	**83 304**
14 937		2 991	11 946	New/change lease liabilities recognised in the period	11 946	2 991		14 937
(13 939)	(153)	(995)	(12 791)	Payment of principal	(11 798)	(995)	(153)	(12 946)
(3 842)	(18)	(123)	(3 701)	Payment of interest	(3 566)	(123)	(18)	(3 707)
3 842	18	123	3 701	Interest expenses linked to lease liabilities	3 566	123	18	3 707
87 690	**314**	**2 066**	**85 309**	**Total lease liabilities 31.12.2022**	**82 914**	**2 190**	**190**	**85 295**

The average discount rate for tenancy agreements is around3.8%.

The average discount rate for leases for machinery and vehicles is around 3.5%.

For tenancy agreements, we use the tenant's marginal loan rate, while for machinery and vehicles the implicit interest rate in the lease is used.

Index adjustments of rent are taken account of in the calculation of the liability based on what the tenancy agreement specifies.

The leases do not contain restrictions concerning the Group's dividend policy or funding opportunities. The Group has no material residual guarantees linked to its leases.

Group 2022	Group 2021	Other lease costs included in the income statement	Parent Bank 2022	Parent Bank 2021
3 504	1 901	Overheads for leased premises (variable lease payments)	3 504	1 901
367	314	Operating costs in period linked to short-term leases (incl. low value short-term leases)	367	314
969	724	Operating costs in period linked to low value assets (excl. short-term leases above)	379	255
4 840	**2 939**	**Total lease costs included in other operating costs**	**4 250**	**2 470**

In addition to the above lease liabilities, the Group is legally bound to pay variable lease payments for some of its leases. Overheads, short-term leases and low value leases are recognised as costs over the relevant period.

Options to extend a lease

The Group's leases for buildings have terms of up to 10 years. Several of the agreements include a right to extend them that can be exercised during the final period of the agreement. When the Group enters into an agreement, we evaluate whether it is reasonably certain that the right to extend will be exercised. The Group's potential future lease payments not included in the lease liabilities linked to extension options amounted to NOK 15.2 million as at 31.12.2022.

Purchase options

The Group leases machinery, equipment and vehicles through leases with terms of between 3-5 years. None of these leases include options to purchase the assets when the term of the lease ends.

Practical solutions applied

The Group also leases PCs, IT equipment and machinery through leases with terms of 1-3 years. The Group has decided to not recognise leases where the value of the underlying asset is low or the duration or the lease is short, up to 12 months. Thus, the Group does not recognise lease liabilities and right-of-use assets for some of these leases. Instead, the lease payments are recognised as costs as they are incurred.

34 FINANCIAL INSTRUMENTS WITH CHANGE IN VALUE THROUGH OCI

Group		Financial instruments with change in value through OCI	Parent Bank	
31.12.2022	31.12.2021		31.12.2022	31.12.2021
568 353	303 898	Eika Gruppen AS (org. nr. 979 319 568)	568 353	303 898
568 353	**303 898**	**Total financial instruments with change in value through OCI**	**568 353**	**303 898**

As a general rule pursuant to IFRS 9, shares and units are measured at fair value with changes in value through profit or loss (FVTPL), with the exception of the bank's investment in Eika Gruppen AS, which is classified as a financial instrument with changes in value through OCI (FVOCI) since it is considered a strategic investment for the bank. For information about shares measured at fair value with changes in value through ordinary profit or loss, please refer to note 30.

As at 31.12.2022, the investment in Eika Gruppen AS was measured at fair value based on recent transactions in December 2022 where the Eika banks acquired SpareBank 1 Nordmøre's stake in the company.

The shares were priced at NOK 260 per share in the transaction. The value of the shares in Eika Gruppen AS was therefore adjusted upwards by NOK 235.6 million in 2022 and the change in value was recognised through OCI. The change in value in 2021 was NOK 45.5 million.

Through two transactions in 2022, the bank increased its stake from 8.4% to 8.8% of the shares in the company and now owns a total of 2 185 973 shares in the company. The total cost price for the shares amounted to NOK 309.9 million as at 31.12.2022.

The dividends received from Eika Gruppen amounted to NOK 54.1 million in 2022, compared with NOK 40.8 million in 2021.

35 LIABILITIES TO CREDIT INSTITUTIONS

Group		Liabilities to credit institutions	Parent Bank	
31.12.2022	31.12.2021		31.12.2022	31.12.2021
104 380	99 083	Loans and deposits from credit institutions without agreed term to maturity	291 685	216 461
		F-loan Norges Bank		
		Total liabilities to credit institutions with agreed term to maturity		
104 380	**99 083**	**Total liabilities to credit institutions**	**291 685**	**216 461**
		Specified by currency		
104 380	98 140	NOK	291 685	215 518
	943	Others		943
104 380	**99 083**	**Total liabilities to credit institutions**	**291 685**	**216 461**

As at 31.12.2022, certificates and bonds valued at NOK 2 336 million in the parent bank were pledged as collateral for a credit facility of up to NOK 2 301 million in Norges Bank. As at 31.12.2021, certificates and bonds valued at NOK 1 903 million in the parent bank were pledged as collateral for a credit facility of up to NOK 1 875 million in Norges Bank.

36 DEPOSITS FROM CUSTOMERS

Group			Parent Bank	
31.12.2022	31.12.2021	Deposits from customers	31.12.2022	31.12.2021
9 451 299	9 605 785	Deposits from customers without agreed term to maturity	9 452 559	9 610 578
3 913 979	3 236 701	Deposits from customers with agreed term to maturity	3 913 979	3 236 701
13 365 278	**12 842 486**	**Total deposits from customers**	**13 366 538**	**12 847 279**

31.12.2022	31.12.2021	Customer deposits by customer group	31.12.2022	31.12.2021
184 898	165 148	Agriculture and forestry	184 898	165 148
29 335	19 801	Fishing and hunting	29 335	19 801
438 662	381 214	Building and construction	438 662	381 214
301 925	353 888	Manufacturing	301 925	353 888
524 013	654 569	Oil and Energy	524 013	654 569
354 781	355 247	Wholesale and retail trade	354 781	355 247
158 257	112 774	Hotels and restaurants	158 257	112 774
301 715	118 177	Transport and storage	301 715	118 177
2 536 077	2 304 491	Public and private services	2 536 077	2 304 491
762 990	889 039	Property management	764 905	893 832
80 278	22 733	Other customer groups	80 278	22 733
7 692 345	7 465 405	Retail customers	7 691 691	7 465 405
13 365 278	**12 842 486**	**Total deposits from customers**	**13 366 538**	**12 847 279**

For deposits from customers without an agreed term to maturity, the average interest rate was 0.59% for 2022 and 0.27% for 2021. For deposits from customers with an agreed term to maturity, the average interest rate was 2.23% for 2022 and 1.07% for 2021. The average interest rate on deposits is calculated based on the average balance over the year.

Deposits from customers with an agreed term to maturity consist of fixed rate deposits, deposit accounts, BSU, tax withholding accounts and other accounts subject to withdrawal restrictions.

37 SECURITIES ISSUED

Group			Parent Bank	
31.12.2022	31.12.2021	Securities issued	31.12.2022	31.12.2021
15 274 582	14 355 416	Bond, adjusted for interest and premium/discount	4 694 403	5 900 023
-711 000	-1 531 000	Bond, own holdings	-711 000	-1 531 000
14 563 582	**12 824 416**	**Total securities issued**	**3 983 403**	**4 369 023**
3.44 %	1.77 %	Average interest rate, bonds	3.27 %	1.99 %

Change in securities debt, Group

Group	Balance as at 31.12.2021	Issued	Matured/ redeemed	Other changes	Balance as at 31.12.2022
Bond debt, nominal value	12 704 000	3 780 000	1 902 000		14 582 000
Interest/change in value	120 416			-138 834	-18 418
Total securities issued	**12 824 416**				**14 563 582**

Group	Balance as at 31.12.2020	Issued	Matured/ redeemed	Other changes	Balance as at 31.12.2021
Bond debt, nominal value	12 046 000	3 100 000	2 442 000		12 704 000
Interest/change in value	232 503			-112 087	120 416
Total securities issued	**12 278 503**				**12 824 416**

Parent Bank	Balance as at 31.12.2021	Issued	Matured/ redeemed	Other changes	Balance as at 31.12.2022
Bond debt, nominal value	4 349 000	680 000	1 022 000		4 007 000
Interest/change in value	20 023			-43 620	-23 597
Total securities issued	**4 369 023**				**3 983 403**

Parent Bank	Balance as at 31.12.2020	Issued	Matured/ redeemed	Other changes	Balance as at 31.12.2021
Bond debt, nominal value	4 428 000	700 000	779 000		4 349 000
Interest/change in value	84 914			-64 891	20 023
Total securities issued	**4 512 914**				**4 369 023**

Change in liabilities from financing

			Other effects		
	Balance as at 31.12.2021	Cash flow	Accrued interest	Changes in value	Balance as at 31.12.2022
Bond debt, Group	12 824 416	1 855 819	29 042	-145 695	14 563 582
Bond debt, Parent Bank	4 369 023	-342 115	494	-43 998	3 983 403

			Other effects		
	Balance as at 31.12.2020	Cash flow	Accrued interest	Changes in value	Balance as at 31.12.2021
Bond debt, Group	12 278 503	705 825	3 602	-163 514	12 824 416
Bond debt, Parent Bank	4 512 914	-79 684	2 095	-66 302	4 369 023

Bonds

Issued by Parent Bank	Face value	Final due date
NO0010812779	1 000 000	21.12.2023
NO0010814171	278 000	16.01.2023
NO0010831712	200 000	11.03.2024
NO0010831944	400 000	19.06.2024
NO0010845969	180 000	11.03.2024
NO0010872385	1 000 000	25.04.2025
NO0010892318	400 000	09.09.2025
NO0010872971	400 000	16.02.2026
NO0010917172	400 000	12.06.2026
NO0012658048	260 000	05.10.2027
NO0012622721	200 000	27.08.2027
Total face value bonds issued by parent bank	**4 718 000**	

The bonds are recognised at amortised cost. Hedge accounting is used for the bank's fixed rate bonds.

Issued by mortgage credit institutions	Face value	Final due date
NO0010886237	300 000	16.06.2025
NO0010753320	425 000	18.03.2026
NO0010822398	600 000	08.05.2024
NO0010833254	2 400 000	27.09.2024
NO0010834070	300 000	10.10.2028
NO0010856271	300 000	05.06.2023
NO0010871452	550 000	16.05.2023
NO0010849847	300 000	19.06.2029
NO0010868706	300 000	20.05.2030
NO0010952872	2 000 000	18.05.2026
NO0012748658	450 000	10.11.2025
NO0012699042	400 000	21.10.2027
NO0012422908	2 250 000	26.04.2027
Total face value bonds issued by mortgage credit institutions	**10 575 000**	
Sum pålydende obligasjoner totalt	**15 293 000**	

Overcollateralisation for covered bonds issued by mortgage credit institutions

Overcollateralisation is calculated in accordance with the requirements of section 11-11 of the Financial Institutions Act for constant overcollateralisation.

As a minimum, the Act requires the value of the collateral to at all times to exceed 105% of the value of the covered bonds being covered by the cover pool.

Overcollateralisation - total nominal value issued covered bonds	31.12.2022	31.12.2021
Total nominal value issued covered bonds	**10 575 000**	**8 355 000**
Loans to customers	11 901 415	9 791 100
Bank deposits	187 268	155 656
Liquid assets	874 099	557 874
Deduction substitute collateral [1]		-167 711
Total cover pool value	**12 962 782**	**10 336 919**
Overcollateralisation	**122.6 %**	**123.7 %**
Rating agency minimum requirement	104.0 %	104.0 %
Minimum regulatory overcollateralisation requirement	105.0 %	102.0 %

1 The part of the overcollateralisation used for LCR purposes, is removed from the calculation of overcollateralisation in accordance with the instruction from the Financial Supervisory Authority of Norway.

38 PROVISIONS FOR OTHER LIABILITIES

Group			Parent Bank	
31.12.2022	31.12.2021	Provisions for other liabilities	31.12.2022	31.12.2021
7 634	8 025	Pension liabilities	7 634	8 025
5 795	5 206	Provisions for losses on guarantees/unused lines of credit	5 681	5 096
188	293	Other provisions	188	293
13 616	**13 523**	**Total provisions for other liabilities**	**13 503**	**13 414**

Provisions for losses on guarantees and unused lines of credit consist of provisions for losses in line with IFRS 9 on off-balance sheet assets. For further details, please see note 11.

Please also see note 23 for further details regarding pension liabilities.

39 OTHER LIABILITIES

Group			Parent Bank	
31.12.2022	31.12.2021	Other liabilities	31.12.2022	31.12.2021
602	839	Banker's drafts	602	839
39 172	31 071	Suspense accounts	39 172	31 071
31 259	27 646	Other liabilities	25 116	21 560
71 033	**59 555**	**Total other liabilities**	**64 890**	**53 470**

40 SUBORDINATED LOAN CAPITAL

Subordinated loan capital

Group / Parent Bank	31.12.2022	31.12.2021
Subordinated loan capital, nominal value	367 000	200 000
Interest/change in value	2 413	824
Total subordinated loan capital	**369 413**	**200 824**

Change in subordinated loan capital

Group / Parent Bank	Balance as at 31.12.2021	Borrowing	Matured/ redeemed	Other changes	Balance as at 31.12.2022
Subordinated loan capital	200 000	220 000	53 000		367 000
Interest/change in value	824			1 590	2 413
Total subordinated loan capital	**200 824**				**369 413**

Group / Parent Bank	Balance as at 31.12.2020	Borrowing	Matured/ redeemed	Other changes	Balance as at 31.12.2021
Subordinated loan capital	200 000				200 000
Interest/change in value	716			107	824
Total subordinated loan capital	**200 716**				**200 824**

Change in liabilities from financing Group/parent bank

Group / Parent Bank	Balance as at 31.12.2021	Cash flow	Other effects		Balance as at 31.12.2022
			Accrued interest	Changes in value	
Subordinated loan capital	200 824	167 000	1 590		369 413

Group / Parent Bank	Balance as at 31.12.2020	Cash flow	Other effects		Balance as at 31.12.2021
			Accrued interest	Changes in value	
Subordinated loan capital	200 716		107		200 824

Subordinated loan, time-limited

Year of issue	Terms and conditions	Date due	Call date	Nominal value
2018	3-months NIBOR +1.55%	16.02.2028	16.02.2023	47 000
2018	3-months NIBOR +1.90%	16.10.2028	16.10.2023	100 000
2022	3-months NIBOR +2.20%	01.12.2032	30.08.2027	220 000
Total nominal value of subordinated loans				**367 000**

The Group has also issued a hybrid Tier 1 security with a nominal value of NOK 100 million (ISIN NO0010832553). This is treated as hybrid capital in the accounts and included in the Group's equity. The interest terms on the loan are 3-month NIBOR + 3.7%. The loan has a call date of 21.09.2023.

Interest expenses on hybrid capital is recognised through equity (dividend/distribution), while the tax deduction is presented as part of the tax expense. In 2022, the interest accrued on hybrid capital was NOK 5.6 million (NOK 4.3 million in 2021).

41 EQUITY

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

The equity certificate capital stipulated in the by-laws of Den Gule Banken, Sandnes Sparebank, is NOK 230 149 020 divided into 23 014 902 equity certificates, each with a face value of NOK 10.

Other equity consists of the bank's funds, gift funds/customer dividends, funds for unrealised gains, funds for valuation differences, other equity, and non-controlling interests. Additionally, hybrid Tier 1 securities are treated as hybrid capital and are included in the Group's equity (see note 40).

It has been proposed that a dividend of NOK 6.05 per equity certificate be paid for 2022, which corresponds to 74.6 % of the Group's earnings per equity certificate. For 2021, a dividend of NOK 5.35 per equity certificate was paid.

On 23.03.2022, the Board of Trustees authorised the Board of Directors of Den Gule Banken, Sandnes Sparebank, to purchase treasury equity certificates for a total face value of up to NOK 23.015 million, equivalent to 10 % of the equity certificate capital. Each equity certificate can be purchased at prices of between NOK 1 and 150. The authorisation is valid up to and including the ordinary meeting of the Board of Trustees in 2023, but no longer than 18 months from the time the authorisation is granted. As at 31.12.2022, Sandnes Sparebank owned 2 069 376 treasury equity certificates, which corresponds to approximately 9.0% of total issued equity certificates.

Customer dividends are part of the profit allocation in addition to handing out gifts for good causes. In 2022, NOK 60.0 million have been allocated to customer dividends. NOK 51.1 million was paid out in customer dividends for 2021.

42 CONTINGENT LIABILITIES

Contingent liabilities

As at 31.12.2022, there were no material contingent liabilities.

Other agreements

Together with the other banks in the Eika Alliance, the bank has entered into an agreement with TietoEvry concerning converting to a new core banking system. Over time, this will contribute to more efficient, flexible and future-oriented solutions. The final system conversion is expected to take place in the second quarter of 2023. The total costs associated with its implementation are estimated to be NOK 50-60 million. In 2022, the income statement was charged a total of NOK 11.8 million in extra-ordinary conversion costs. NOK 29.1 million was charged the year before. The remaining cost liability is expected to be recognised through profit or loss upon conversion in the second quarter of 2023.

43 EVENTS AFTER THE BALANCE SHEET DATE

No events of material significance for the prepared annual financial statements have taken place after the balance sheet date of 31.12.2022.

44 TRANSACTIONS WITH RELATED PARTIES

Transactions between the parent bank and subsidiaries

Transactions between the parent bank and subsidiaries relate primarily to ordinary banking services only. The services are provided on arm's length terms and eliminated in the consolidated financial statements.

SSB Boligkreditt

In October 2008, the Storting (Norwegian parliament) decided to introduce a scheme in which the government and banks would exchange treasury bills for covered bonds. In February 2009, Sandnes Sparebank established its own mortgage credit institution, SSB Boligkreditt, in order to make use of the scheme. SSB Boligkreditt AS is a wholly owned subsidiary that manages residential mortgages financed by the issuance of covered bonds. The parent bank sells loans to the company, which in turn finances its operations through the issuance of covered bonds. In addition, the subsidiary has both deposits in and liabilities to the parent bank subject to interest calculated in line with the arm's length principle.

In the period up to 31.12.2022, loans worth NOK 11.9 billion were transferred. The cover pool amounts to NOK 13.0 billion, of which NOK 10.6 billion was financed through the issuance of covered bonds, and NOK 1.3 billion financed through short-term credit. As at 31.12.2022, SSB Boligkreditt has NOK 0.2 billion in bank deposits in the parent bank.

SSB Boligkreditt pays a management fee for transferred loans and pays for the purchase of administrative services from Den Gule Banken, Sandnes Sparebank. NOK 12.1 million in management fees were charged to SSB Boligkreditt in 2022, compared with NOK 11.9 million in 2021. In addition, interest/credit commissions were charged in the amount of NOK 36.1 million in 2022, compared with NOK 8.2 million in 2021.

SSB Boligkreditt did not pay dividends to the parent bank in 2022, while in 2021 it paid an additional dividend to the parent bank of NOK 35.0 million. Capital was also raised through share issues in 2022. In total, the parent bank's offerings raised NOK 320 million, NOK 200 million of which was in increased share capital and NOK 120 million in share premium.

The relationship between the parent bank and SSB Boligkreditt

Acquisition of residential mortgages with repurchase

Den Gule Banken, 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 that has been entered into, the bank is responsible for managing the loans and maintaining contact with the customers. The bank receives remuneration for the obligations that come with the management of the loans. The bank has assessed the accounting implications and concluded that most of the risk and benefits of ownership related to the sold loans have been transferred. This entails full derecognition from the bank's balance sheet. There is no obligation to buy back the loans and, in the event of a crisis, SSB Boligkreditt and the cover pool will stand on their own. This has also been taken into account in the rating of the company's bonds with respect to the over-collateralisation requirement of 4% and the authorities' requirement of 5%. The risk in relation to transferred loans is transferred to SSB Boligkreditt, which on independent basis includes all the loans in full in the risk-weighted assets included in the regulatory capital requirement calculation.

The remuneration received for loans transferred to SSB Boligkreditt, matches to the carrying amount and is deemed to correspond to the loans' fair value at the time of transfer. The bank recognises all the rights and obligations created or maintained upon transfer as separate assets or liabilities.

The parent bank is the main bank/settlement bank for SSB Boligkreditt, and all payments are made via SSB Boligkreditt's accounts in Den Gule Banken, Sandnes Sparebank. When SSB Boligkreditt purchases residential mortgages from the parent bank, the purchases are settled via SSB Boligkreditt's settlement account in Den Gule Banken, Sandnes Sparebank. If SSB Boligkreditt does not have cash available, that is in those cases where SSB Boligkreditt purchases loans before a new covered bond is issued, the bank will provide temporary financing for the purchase of the residential mortgages through unsecured financing.

Pursuant to an agreement between the parent bank and SSB Boligkreditt, the parent bank is obliged to transfer collateral to SSB Boligkreditt matching any requirement to top up the cover pool (over-collateralisation) due to a negative change in value in the residential mortgage portfolio's loan-to-collateral value ratio.

In short, the agreement entails the following:

- Loans are measured prior to transfer.
- When a loan is transferred from the bank to SSB Boligkreditt, a letter of notification is sent to the customer.
- In the event of refinancing, loans are transferred back to the bank to check whether they are eligible for transfer to SSB Boligkreditt.

Group		Loans and guarantees	Parent Bank	
2022	2021		2022	2021
10 363	13 296	Total loans and guarantees to Board of Directors, incl. related parties	10 363	13 296
33 724	35 874	Total loans and guarantees to Board of Trustees	33 724	35 874
460 294	336 463	Total loans (including overdraft facilities) to employees	415 238	315 825
504 381	**385 633**	**Total loans and guarantees to employees and elected representatives**	**459 325**	**364 996**

45 EARNINGS PER EQUITY CERTIFICATE AND CALCULATION OF EQUITY CERTIFICATE PERCENTAGE

Group			Parent Bank	
2022	2021	Earnings per equity certificate	2022	2021
8.1	8.5	Earnings per equity certificate	6.6	7.6
8.1	8.5	Diluted earnings per equity certificate	6.6	7.6
		Basis for calculation		
266 166	281 305	Profit after tax	218 786	251 106
63.5 %	63.4 %	Equity capital certificate percentage	63.5 %	63.4 %
168 930	178 409	Profit allocated to equity certificate holders	138 859	159 256
20 946	20 920	No. of outstanding equity certificates (NOK thousands)	20 946	20 920
2022	**2021**	**No. of outstanding equity certificates [1]**	**2022**	**2021**
20 919 731	20 911 519	Outstanding as at 01.01	20 919 731	20 911 519
20 945 526	20 919 731	Outstanding as at 31.12	20 945 526	20 919 731

1 The number of outstanding equity certificates has been reduced to account for the bank’s holdings of treasury equity certificates.

Calculation of equity certificate percentage	31.12.2022	31.12.2021
Equity certificate capital	230 149	230 149
Treasury equity certificates	(20 694)	(20 952)
Share premium	987 313	987 313
Other paid-in equity	(132 390)	(134 516)
Dividend equalisation fund	491 885	485 723
A = Capital, equity certificate holders	*1 556 264*	*1 547 718*
The Savings Bank’s Fund	870 700	867 200
Gift Fund (excl. provisions for customer dividends)	25 082	25 440
B = Primary capital	*895 781*	*892 640*
A / (A + B) = Equity certificate percentage	***63.5 %***	***63.4 %***

The number of issued equity certificates was 23 014 902 as at 31.12.2022, of which the bank’s treasury holding was 2 069 376 equity certificates as at 31.12.2022, while the corresponding figure for 31.12.2021 was 2 095 171. Consequently the number of outstanding equity certificates amounted to 20 945 526 as at 31.12.2022, compared with 20 919 731 as at 31.12.2021.

The profit is allocated based on the equity certificate percentage. The same policies are applied when calculating earnings per equity certificate.

46 EQUITY CERTIFICATE CAPITAL AND EQUITY CERTIFICATE HOLDERS

Equity certificate capital

Equity certificate capital	31.12.2022	31.12.2021
Equity certificate capital, carrying amount	230 149	230 149
Treasury equity certificates	-20 694	-20 952
No. of equity certificates	23 015	23 015
Share premium, carrying amount	987 313	987 313
Other paid-in equity	-132 390	-134 516
Dividend equalisation fund	491 885	485 723

The 20 largest holders of equity certificates as at 31.12.2022

	No. of equity certificates	Share in %
Sparebank 1 SR-Bank ASA, Finansavdelingen	3 485 009	15.14
Den Gule Banken, Sandnes Sparebank	2 069 376	8.99
Holmen Spesialfond	1 472 323	6.40
AS Clipper	1 248 389	5.42
VPF EIKA Egenkapitalbevis C/O Eika Kapitalforvaltning AS	1 096 793	4.77
Espedal & Co AS	886 861	3.85
Salt Value AS	680 000	2.95
Wenaasgruppen AS	650 000	2.82
Skagenkaien Investering AS	500 000	2.17
Sparebanken Vest	370 659	1.61
Spesialfondet Borea Utbytte	290 117	1.26
Kommunal Landspensjonskasse Gjensidige	268 814	1.17
Hausta Investor AS	217 000	0.94
Corneliussen Invest AS	205 574	0.89
Velde Holding AS	198 388	0.86
Innovemus AS	185 000	0.80
Nordhaug Invest AS	184 374	0.80
Elgar Kapital AS	160 033	0.70
Tirna Holding AS	156 255	0.68
Kristian Falnes AS	136 000	0.59
20 largest holders	**14 460 965**	**62.83**
Other holders	8 553 937	37.17
Total equity certificates	**23 014 902**	**100.00**

Sandnes Sparebank's equity certificate capital as stipulated in our by-laws is NOK 230 149 020 divided into 23 014 902 equity certificates, each with a face value of NOK 10.

As at 31.12.2022, there were 3 097 registered equity certificate holders. On the same date, the 20 largest holders (inclusive of the bank's treasury equity certificates) controlled 62.83% of the equity certificate capital.

The total of 23 014 902 equity certificates as at 31.12.2022include 2 069 376 treasury equity certificates. The face value of the bank's holding is recognised under the equity item "Treasury equity certificates" while the equity charge in excess of the face value is recognised in the item "Other paid-in equity".

ALTERNATIVE PERFORMANCE MEASURES

Sandnes Sparebank's alternative performance measures (APMs) are key figures designed to provide useful additional information to the financial statements. These key figures are either adjusted key figures or key figures that are not defined in IFRS or other legislation and that are not necessarily directly comparable with the corresponding key figures of other companies. The APMs are not substitutes for the accounting figures prepared in accordance with IFRS and should not be afforded more weight than these accounting figures, rather they are included in the bank's financial reporting for the purpose of providing a fuller description of the bank's performance. The bank exclusively uses key figures that are looked for by investors and analysts.

Sandnes Sparebank's APMs are used in the overview of the key figures, the Board of Directors' Report and presentations of the accounts and prospectuses. All APMs are shown with comparable figures from previous periods.

		Group		Parent Bank	
Definition	Calculations/basis (NOK thousands)	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	Number of days in period	365	365	365	365
	Number of days in year	365	365	365	365
1 DEPOSIT-TO-LOAN RATIO					
CB deposits from customers / CB net loans to customers	CB deposits from customers	13 365 278	12 842 486	13 366 538	12 847 279
	CB net loans to customers	26 963 787	25 391 507	15 052 709	15 574 495
	Deposit-to-loan ratio	**49.6 %**	**50.6 %**	**88.8 %**	**82.5 %**
2 INTEREST MARGIN					
((Net interest income / days in period) x days in year) / average total assets	Net interest income	495 687	456 095	417 591	352 671
	Average total assets	30 796 704	29 303 927	21 061 541	20 898 747
	Interest margin	**1.61 %**	**1.56 %**	**1.98 %**	**1.69 %**
3 INTEREST MARGIN, INCL. INTEREST ON HYBRID CAPITAL					
(((Net interest income – interest expenses on hybrid capital) /days in period) x days in year) /average total assets	Net interest income	495 687	456 095	417 591	352 671
	Interest expenses on hybrid capital	5 602	4 262	5 602	4 262
	Average total assets	30 796 704	29 303 927	21 061 541	20 898 747
	Interest margin, incl. interest on hybrid capital	**1.59 %**	**1.54 %**	**1.96 %**	**1.67 %**
4 COST-TO-INCOME RATIO					
Total operating costs / (net interest income + total other operating income)	Total operating costs	324 093	314 483	284 363	277 403
	Net interest income	495 687	456 095	417 591	352 671
	Other operating income	153 790	154 286	132 114	170 135
	Cost-to-income ratio	**49.9 %**	**51.5 %**	**51.7 %**	**53.1 %**
5 TOTAL COSTS AS % OF AVERAGE TOTAL ASSETS					
((Total operating costs / days in period) x days in year) / average total assets	Total operating costs	324 093	314 483	284 363	277 403
	Average total assets	30 796 704	29 303 927	21 061 541	20 898 747
	Total costs as % of average total assets	**1.1 %**	**1.1 %**	**1.4 %**	**1.3 %**

Definition	Calculations/basis (NOK thousands)	Group 31.12.2022	Group 31.12.2021	Parent Bank 31.12.2022	Parent Bank 31.12.2021
6 RETURN ON EQUITY BEFORE TAX					
((Profit before tax **/** days in period **x** days in year) **/** ((total equity CB **+** total equity OB) **/** 2, excl. hybrid capital	Profit before tax	314 040	328 238	252 942	279 101
	Total equity OB (excl. hybrid capital)	2 974 960	2 851 880	2 674 516	2 580 428
	Total equity CB (excl. hybrid capital)	3 296 882	2 974 960	2 950 094	2 674 516
	Return on equity before tax	**10.0 %**	**11.3 %**	**9.0 %**	**10.6 %**
7 RETURN ON EQUITY AFTER TAX					
((Profit after tax **/** days in period **x** days in year) **/** ((total equity CB **+** total equity OB) **/** 2, excl. hybrid capital	Profit after tax	266 166	281 305	218 786	251 106
	Total equity OB (excl. hybrid capital)	2 974 960	2 851 880	2 674 516	2 580 428
	Total equity CB (excl. hybrid capital)	3 296 882	2 974 960	2 950 094	2 674 516
	Return on equity after tax	**8.5 %**	**9.7 %**	**7.8 %**	**9.6 %**
8 RETURN ON EQUITY AFTER TAX, INCL. INTEREST ON HYBRID CAPITAL					
((Profit after tax - interest expenses on hybrid capital) **/** days in period **x** days in year) **/** ((total equity CB **+** total equity OB) **/** 2, excl. hybrid capital	Profit after tax	266 166	281 305	218 786	251 106
	Interest expenses on hybrid capital	5 602	4 262	5 602	4 262
	Total equity OB (excl. hybrid capital)	2 974 960	2 851 880	2 674 516	2 580 428
	Total equity CB (excl. hybrid capital)	3 296 882	2 974 960	2 950 094	2 674 516
	Return on equity after tax, incl. interest on hybrid capital	**8.3 %**	**9.5 %**	**7.6 %**	**9.4 %**
9 EQUITY CERTIFICATE PERCENTAGE					
(Equity certificate capital **+** treasury equity certificates **+** premium **+** other paid-in equity **+** dividend equalisation fund)/(equity certificate capital **+** treasury equity certificates **+** premium **+** other paid-in equity **+** dividend equalisation fund **+** The Savings Bank's Fund **+** Gift Fund (excl. provisions for customer dividends)	Equity certificate capital	230 149	230 149	230 149	230 149
	Treasury equity certificates	-20 694	-20 952	-20 694	-20 952
	Share premium	987 313	987 313	987 313	987 313
	Other paid-in equity	-132 390	-134 516	-132 390	-134 516
	Dividend equalisation fund	491 885	485 723	491 885	485 723
	The Savings Bank's Fund	870 700	867 200	870 700	867 200
	Gift Fund (excl. provisions for customer dividends)	25 082	25 440	25 082	25 440
	Equity certificate percentage	**63.5 %**	**63.4 %**	**63.5 %**	**63.4 %**
10 EARNINGS PER EQUITY CERTIFICATE					
(Profit after tax **x** equity certificate percentage) **/** no. of outstanding equity certificates	Profit after tax	266 166	281 305	218 786	251 106
	Equity certificate percentage	63,5 %	63,4 %	63,5 %	63,4 %
	No. of outstanding equity certificates	20 945 526	20 919 731	20 945 526	20 919 731
	Earnings per equity certificate	**8.1**	**8.5**	**6.6**	**7.6**

Definition	Calculations/basis (NOK thousands)	Group 31.12.2022	Group 31.12.2021	Parent Bank 31.12.2022	Parent Bank 31.12.2021
11 BOOK EQUITY PER EQUITY CERTIFICATE					
(CB total equity - hybrid capital) **x** equity certificate percentage **/** no. of outstanding equity certificates	Total equity CB (excl. hybrid capital)	3 296 882	2 974 960	2 950 094	2 674 516
	Equity certificate percentage	63.5 %	63.4 %	63.5 %	63.4 %
	No. of outstanding equity certificates	20 945 526	20 919 731	20 945 526	20 919 731
	Book equity per equity certificate	**99.9**	**90.2**	**89.4**	**81.1**
12 PRICE/BOOK EQUITY (P/B)					
Market price **/** book equity per equity certificate	Market price	93.8	98.8	93.8	98.8
	Book equity per equity certificate	99.9	90.2	89.4	81.1
	Price/book equity (P/B)	**0.94**	**1.10**	**1.05**	**1.22**
13 OPERATING EARNINGS BEFORE LOSSES AND TAX					
Profit after tax **+** tax expense **+** impairments and losses on loans and guarantees	Profit after tax	266 166	281 305	218 786	251 106
	Tax expense	47 874	46 933	34 155	27 996
	Impairments and losses on loans and guarantees	11 345	-32 340	12 401	-33 699
	Operating earnings before losses and tax	**325 384**	**295 898**	**265 342**	**245 403**
14 LIQUIDITY COVERAGE RATIO (LCR)					
Liquid assets **/** Net liquidity disposals within 30 days in a stress scenario	Liquid assets	3 748 155	2 605 194	2 934 961	2 444 483
	Net liquidity disposals within 30 days in a stress scenario	1 279 147	1 314 964	1 244 894	1 246 078
	LCR	**293.0 %**	**198.1 %**	**235.8 %**	**196.2 %**
15 COST-TO-INCOME RATIO ADJUSTED FOR CONVERSION COSTS[1]					
(Total operating costs **–** conversion costs) **/** (net interest income **+** total other operating income)	Total operating costs	324 093	314 483	284 363	277 403
	Conversion costs [1]	11 775	29 124	11 775	29 124
	Net interest income	495 687	456 095	417 591	352 671
	Other operating income	153 790	154 286	132 114	170 135
	Cost-to-income ratio (adjusted)	**48.1 %**	**46.8 %**	**49.6 %**	**47.5 %**
16 RETURN ON EQUITY AFTER TAX ADJUSTED FOR CONVERSION COSTS[1]					
((Profit after tax + conversion costs after tax) / days in period x days in year) / ((total adjusted equity CB + total adjusted equity OB) / 2, excl. hybrid capital	Profit after tax	266 166	281 305	218 786	251 106
	Conversion costs after tax [2]	8 831	21 843	8 831	21 843
	Total adjusted equity OB (excl. hybrid capital)	2 996 802	2 851 880	2 696 359	2 580 428
	Total adjusted equity CB (excl. hybrid capital)	3 305 713	2 996 802	2 958 926	2 696 359
	Return on equity after tax (adjusted)	**8.7 %**	**10.4 %**	**8.0 %**	**10.3 %**

1 As a consequence of the bank converting to a new core banking system (TietoEvry) some extraordinary costs will accrue up to the date of conversion. Adjusted key figures represent financial position exclusive of these costs.
2 Conversion costs adjusted for tax effects (25% tax rate).

TCFD DISCLOSURES

Climate-related risk – reporting for the Task Force on Climate Related Financial Disclosures

Governance	Disclose the organisation's governance around climate-related risks and opportunities.	Reference
A Describe the board's oversight of climate-related risks and opportunities	The Board of Directors discussed and assessed climate-related risk on several occasions in 2022: • Strategy meetings, discussion and review of sustainability strategy, including the bank's current documented climate-related risk exposure and future goals and planned work related to the area. • Quarterly risk assessments, including climate-related risk. Primarily related to the loan portfolio. • While considering the Group's ICAAP, which includes ESG risk.	Board of Directors' Report
B Describe management's role in assessing and managing climate-related risks and opportunities	The management group has specified its ambitions for the bank's work on climate-related risk in the sustainability strategy, which has been approved by the Board of Directors. The Risk Manager is responsible for incorporating climate-related risk into risk management, in cooperation with the Sustainability Manager, both of whom report to the CFO. Resources and expertise are also drawn on from Corporate Market and the Eika Alliance.	Corporate governance

Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	Reference
A Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	The general analyses that have been conducted conclude that the climate-related risk in both the retail market portfolio and the corporate market portfolio is relatively low. Part of the reason for this is that the bank does not finance fossil energy production at all and its exposure to emission-intensive industry is low. Nevertheless, the climate-related risk the bank is exposed to comes from loans to the corporate market. Most of these are medium to long-term, although there are some shorter-term loans. The bank regards commercial property, building and construction, and agriculture as the sectors with the highest inherent climate-related risk, while at the same time seeing great potential for having a positive impact in these sectors. This is also the reason why the bank has started developing green products for these sectors and currently offers green agriculture loans, green business loans, green energy loans and green mortgages. The bank's sustainability and social responsibility policies also cover the bank's liquidity management. Our liquidity portfolio mainly consists of bond investments in covered bond companies, the state and municipalities where exposure to climate-related risk is considered low. The climate-related risk in the customers' investment fund portfolios is also considered to be relatively low. Please refer to Eika Kapitalforvaltning's website for a description of its investment strategy, ESG criteria and management of climate-related risk in investment portfolios.	Sustainability and social responsibility, and Notes to the annual financial statements – notes 7 and 8
B Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	SDG 13 Climate Action is one of the SDGs that the bank specifically works towards. Analysing and managing exposure to climate-related risk have been incorporated into the bank's strategy and governing documents, including our credit policy. Sandnes Sparebank partners with Eika Gruppen on the development and enhancement of tools and risk models that take into account climate-elated risk.	Sustainability and social responsibility
C Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	We are in discussions with Eika Gruppen about conducting scenario analyses. The challenges associated with conducting appropriate scenario analyses involve the availability and quality of data. Being able to conduct scenario analyses therefore depends on the work that has started on increasing access to data about our loan portfolio, see point (a) under risk management below. We plan to complete this work in 2022.	

TCFD DISCLOSURES CONT.

Risk management	Disclose how the organisation identifies, assesses, and manages climate-related risks.	Reference
A Describe the organisation's processes for identifying and assessing climate-related risks	The bank carries out an annual risk assessment, which includes ESG and climate-related risk. Risk and Compliance have, together with the Sustainability Manager and the Credit Manager Corporate Market, carried out a general risk analysis of climate-related risk for the loan portfolio. We carry out assessments of ESG factors in general and climate-related risk in particular when granting credit in the corporate market. See the more detailed description in the report in the chapter on responsible lending. We will prioritise enhancing system support and the risk model in order to take adequate account of ESG risk factors going forward as well. Eika Gruppen has an ongoing project with Eiendomsverdi aimed at integrating data on the physical risk associated with the bank's collateral in residential and commercial properties.	Corporate governance, Sustainability and social responsibility, and notes 7 and 8
B Describe the organisation's processes for managing climate-related risks	We carry out quarterly evaluations of risk exposure in the bank, including ESG risk. The reports are presented to the management group and Board of Directors. Otherwise, please refer to the description in the annual report of the measures carried out and future goals designed to manage climate-related risk both in lending and also operationally.	Sustainability and social responsibility, and Notes to the annual financial statements – notes 7 and 8
C Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Risk and Compliance is responsible for carrying out an annual survey of risk exposure where ESG and climate-related risk are included as part of the total identification and assessment of risk. The Risk Manager is responsible for quarterly status reporting.	Corporate governance, and notes 7 and 8

Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	Reference
A Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	In 2022, the bank carried out a qualitative assessment of ESG factors in general and climate-related risk in particular as an integral part of the credit assessment in Corporate Market and through the ICAAP. In 2023, we will further enhance our competence, system support and model for calculating exposure and capital requirements for climate-related risk factors.	Notes to the annual financial statements – notes 7 and 8
B Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	Please refer to the climate report appended to the annual report for details concerning the reporting of Scopes 1, 2 and 3, as well as our reduction targets. As far as risk assessments are concerned, we regard our emissions as less crucial, while climate considerations in lending and investments are of far greater significance. This is also assumed in our materiality analysis and prioritisation of measures and goals. In 2022, Eika Gruppen participated in a working group under the auspices of Finance Norway tasked with producing a guide for calculating financed emissions. A priority project for 2023 will be calculating Scope 3 emissions from our products, including via a working group affiliated with the UN Principles for Sustainable Banking. This will provide an important starting point for setting relevant targets for net zero emissions.	Ref. p. (xx appendix, climate report)
C Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	See the comments above, and refer to the overview of our goals and priorities sustainability reporting.	Sustainability and social responsibility

GRI INDEX 2022

			Omissions		
GRI disclosure	Description	Reporting 2022	Omitted require-ments	Reason	Explanation
	GENERAL DISCLOSURES				
	The organisation and its reporting practices				
2-1	Organisational details: name of the organisation, ownership and legal form, headquarters, countries of operation	AR p. 23			
2-2	Entities included in the organisation's sustainability reporting	Den Gule Banken, Sandnes Sparebank and SSB Boligkreditt AS			
2-3	Reporting period, frequency and contact point	Financial year 2022, contact person is Tomas Nordbø.			
2-4	Restatements of information	None			
2-5	External assurance: policy and practice for seeking external assurance	The report is verified by Deloitte. See AR p. 155 for attestation.			
	Activities and workers				
2-6	Activities, value chain and other business relationships	AR p. 24			
2-7	Employees	AR p. 15			
2-8	Workers who are not employees	AR p. 15			
	Governance				
2-9	Governance structure and composition	AR p. 6, 35			
2-10	Nomination and selection of the highest governance body	AR p. 6			
2-11	Chair of the highest governance body	AR p. 7			
2-12	Role of the highest governance body in overseeing the management of impacts	AR p. 26			
2-13	Delegation of responsibility for managing impacts	AR p. 24			
2-14	Role of the highest governance body in sustainability reporting	AR p. 26			
2-15	Conflicts of interest	AR p. 10			
2-16	Communication of critical concerns	AR p. 17			
2-17	Collective knowledge of the highest governance body	AR p. 26			
2-18	Evaluation of the performance of the highest governance body	AR p. 17			
2-19	Remuneration policies	AR p. 27			
2-20	Process to determine remuneration	AR p. 106			
2-21	Annual total compensation ratio	AR p. 16			
	Strategy, policies and practices				
2-22	Statement on sustainable development strategy	AR p. 10			
2-23	Policy commitments	AR p. 10			
2-24	Embedding policy commitments	AR p. 10			
2-25	Processes to remediate negative impacts	AR p. 17			
2-26	Mechanisms for seeking advice and raising concerns	AR p. 17			
2-27	Compliance with laws and regulations	AR p. 14, 17			
2-28	Membership associations	Finance Norway			
	Stakeholder engagement				
2-29	Approach to stakeholder engagement	AR p. 12			
2-30	Collective bargaining agreements	AR p. 15			
	SPECIFIC INFORMATION ON MATERIAL TOPICS				
	Disclosures on material topics				
3-1	Process to determine material topics	AR p. 13			
3-2	List of material topics	AR p. 13			
3-3	Management of material topics	AR p. 13			
	ECONOMICS – ECONOMIC PERFORMANCE AND ECONOMIC CRIME				
	Economic performance				
201-1	Direct economic value generated and distributed	AR p. 4, 46.			
201-2	Financial implications and other risks and opportunities due to climate change	AR p. 18, 68, 77, 144, 145			
201-3	Defined benefit plan obligations and other retirement plans	AR p. 106, 109			
201-4	Financial assistance received from government	The bank has not received public financial support.			

AR = Annual Report
SR = Sustainability Report (https://sandnes-sparebank.no/samfunnsansvar)

GRI INDEX 2022 CONT.

			Omissions		
GRI disclosure	Description	Reporting 2022	Omitted require-ments	Reason	Explanation
	Anti-corruption and economic crime				
205-1	Operations assessed for risks related to corruption	AR p. 20			
205-2	Communication and training about anti-corruption policies and procedures	AR p. 21, 22			
205-3	Confirmed incidents of corruption and actions taken	AR p.22			
SADG-1	Work against money laundering and terrorist financing	AR p.22			
	RESPONSIBLE OPERATIONS				
	Emissions and compliance with environmental regulations				
305-1	Direct (Scope 1) GHG emissions	AR p. 148			
305-2	Energy indirect (Scope 2) GHG emissions	AR p. 148			
305-3	Other indirect (Scope 3) GHG emissions	AR p. 148	GR 305-3 d	Information unavailable	Emissions from investments and loan portfolio have not been reported since no tools have yet been established to measure these.
305-4	GHG emissions intensity	AR p. 15			
305-5	Reduction of GHG emissions	AR p. 14			
305-6	Emissions of ozone-depleting substances (ODS)		GRI 305-6	Not applicable	Not relevant since the bank has no such types of emission.
305-7	Nitrogen oxides (NO_x), sulphur oxides (SO_x), and other significant air emissions		GRI 305-7	Not applicable	Not relevant since the bank has no such types of emission.
	Supplier environmental assessment				
308-1	New suppliers that were screened using environmental criteria	AR p. 14, 15			
308-2	Negative environmental impacts in the supply chain and actions taken	No negative impacts identified			
	RESPONSIBLE EMPLOYER				
	Employment				
401-1	New employee hires and employee turnover	AR p. 15			
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	AR p. 15			
401-3	Parental leave	AR p. 17			
	Training and education				
404-1	Average hours of training per year per employee	AR p. 16			
404-2	Programmes for upgrading employee skills and transition assistance programmes	AR p. 16			
404-3	Percentage of employees receiving regular performance and career development reviews	AR p. 16			
	Diversity and equal opportunity				
405-1	Diversity of governance bodies and employees	AR p. 16			
405-2	Ratio of basic salary and remuneration of women to men	AR p. 16			
	Non -discrimination				
406-1	Incidents of discrimination and corrective actions taken	AR p. 16			
	RESPONSIBLE COMMUNICATIONS				
	Marketing and labelling				
417-1	Requirements for product and service information and labelling	AR p. 21			
417-2	Incidents of non-compliance concerning product and service information and labelling	AR p. 21			
417-3	Incidents of non-compliance concerning marketing communications	AR p. 21			
	Privacy				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	AR p. 23			
	RESPONSIBLE FINANCING AND RESPONSIBLE INVESTMENT				
	Product responsibility				
FS 7	Monetary value of products and services designed to deliver a specific social benefit	AR p. 19			
FS 8	Monetary value of products and services designed to deliver a specific environmental benefit	AR p. 19			
	Active ownership				
FS 10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	AR p. 20			
FS 11	Percentage of assets subject to positive and negative environmental or social screening	AR p. 20			

AR = Annual Report
SR = Sustainability Report (https://sandnes-sparebank.no/samfunnsansvar)

ENERGY AND CLIMATE REPORT

Category	Unit	2022	2021	2020	Change from previous year
SCOPE 1					
Transport					
Diesel (NO)	tCO_2e			0.3	
Scope 1 Total emissions	**tCO_2e**			**0.3**	
SCOPE 2					
District heating/cooling					
District cooling	tCO_2e	1.4	0.9	0.2	62.5 %
District heating	tCO_2e				
Electricity					
Electricity Nordic Mix	tCO_2e	9.1	9.2	12	-0.7 %
Electric car total					
Electric car Nordic					
Scope 2 Total emissions	**tCO_2e**	**10.6**	**10.1**	**12.2**	**4.9 %**
SCOPE 3					
Commuting home - office *					
Bus	tCO_2e	0.5	3.2	3.6	-84 %
Train	tCO_2e	1.1	1.6	2.2	-31.5 %
Car, fossil	tCO_2e	4.5	6.3	8.4	-28.6 %
Electric car, hybrid and motorcycle	tCO_2e	1.8	2.1	0.6	-14.3 %
Total, commuting	**tCO_2e**	**7.9**	**13.2**	**14.9**	**-39.8 %**
Flights					
Domestic	tCO_2e	15.7	3.9	6.3	301.3 %
Nordics	tCO_2e	5.7	0.3	0.5	1579.6 %
Europe	tCO_2e	29.8			
Total, flights	**tCO_2e**	**51.2**	**4.2**	**6.8**	**1119.0 %**
Business travel					
Train	tCO_2e	0.1	0.1		-5.50 %
Car, Taxi	tCO_2e	0.7	0.8	1.0	-12.5 %
Total, business travel, excl. air	**tCO_2e**	**0.8**	**0.9**	**1**	**-11.1 %**
Waste					
Paper waste, recycling	tCO_2e	0.6	0.6	0.1	
Scope 3 Total emissions	**tCO_2e**	**60.5**	**19.0**	**22.8**	**218.3 %**
Total (S1+S2+S3)	**tCO_2e**	**71.0**	**29.1**	**35.4**	**144.4 %**

Statement pursuant to § 5-5 of the Norwegian Securities Trading Act

Den Gule Banken
Sandnes Sparebank

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Boks 1133, 4391 Sandnes
Telefon 51 67 67 00
kundeservice@sandnes-sparebank.no
www.sandnes-sparebank.no
Org.nr. 915 691 161
Swiftadr. saskno22

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 2022, 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, 7 March 2023
The Board of Directors of Sandnes Sparebank

Harald Espedal Chairman of the Board	Frode Svaboe Deputy Chairman	Bjørg Tomlin Director	Sven Chr Ulvatne Director	Astrid Rebekka Norheim Director
Wenche Drønen Christensen Director	Ingrunn Ruud Employee representative	Joakin De Haas Employee representative	Trine Karin Stangeland CEO	

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To the Board of Trustees of Sandnes Sparebank

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sandnes Sparebank, which comprise:

- The financial statements of the parent company Sandnes Sparebank (the Company), which comprise the balance sheet as at 31 December 2022, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Sandnes Sparebank and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2022, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 12 years from the election by the Board of Trustees on 31 March 2011 for the accounting year 2011 with a renewed election on the 23 March 2022.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial

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statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in the audit
IT SYSTEMS AND INTERNAL CONTROLS RELEVANT FOR FINANCIAL REPORTING	
The IT systems within Sandnes Sparebank are key in the accounting and reporting of completed transactions, in obtaining the basis for key estimates and calculations, and in obtaining relevant information to be disclosed. The IT systems are standardized, and the management and operation of the systems are to a great extent outsourced to external service providers. Reference is made to note 7 in the financial statements, for a description of the management and operation IT systems in Sandnes Sparebank. Proper management and control of these IT systems both from Sandnes Sparebank and their service providers are of high importance in order to ensure precise, complete and reliable financial reporting, and this area is therefore considered to be a key audit matter.	Sandnes Sparebank has established a general governance model and internal controls on their IT systems. We have obtained an understanding of Sandnes Sparebanks IT governance model relevant for financial reporting. We assessed and tested the design of selected internal control activities relevant for financial reporting, including selected controls related to access management. For a sample of these controls, we tested their operating effectiveness in the reporting period. We also considered the third party attestation report (ISAE 3402 Report) on Sandnes Sparebanks service provider of the core banking system focusing on whether they had adequate internal controls on areas that are of importance for the financial reporting of Sandnes Sparebank. In addition, we considered a third party confirmation (Agreed-upon procedures) related to the service provider with regards to the design and implementation of selected automated control activities in the IT-systems, including among others the calculation of interests and fees as well as if system generated reports was adequately designed and implemented. We have engaged our internal IT experts in the work related to understanding the governance model on IT and in assessing and testing the internal control activities related to IT.
CORPORATE LOAN LOSS PROVISIONS	
Sandnes Sparebank have loans in the corporate segment, and reference is made to notes 8, 10 and 11 for disclosures on credit risk and loss provisions on loans and guarantees. Sandnes Sparebank have considered the need for loan loss provisions as per the implementation date for IFRS 9 and as per 31.12.2022. There is a considerable amount of judgement involved in estimating the loan loss provisions within the corporate segment. The judgement is related to forward-looking assessments of probability of default and loss given default, in order to estimate the expected loss, including an assessment on how expected loss is affected by	Sandnes Sparebank has established internal control activities related to the calculation of loan loss provisions on corporate lending. We performed a reasonability check on the loan loss provisions and the changes in these provisions during the year and collected and assessed Sandnes Sparebanks reasoning behind such changes. We assessed and tested the design of selected key controls concerning loans subject to impairment. The control activities we assessed and tested the design of were related to identification of loans subject to impairment and the assessment of the expected future cash flows on these loans. For a sample of these

uncertainties regarding the economic development following the outbreak of the Covid-19 pandemic. Sandnes Sparebank utilizes models and information from a service provider in the calculation of expected loss. The assumptions and estimates used in these assessments are of critical importance for the size of these provisions, and corporate loan loss provisions are therefore a key audit matter in our audit.	control activities, we tested if they were operating effectively during the period. On a sample of impaired loans, we tested if these were timely identified, and considered the expected future cash flows the bank had estimated on these loans. On remaining loan loss provisions calculated in models and information from the service provider, we assessed: • Documentation of the models • Calculation of probability of default, loss given default and exposure at default We assessed a selection of applied forward-looking assumptions against external reports on forward-looking data from Norges Bank and Statistics Norway. We considered if the note disclosures on loan loss impairments within corporate lending is in line with requirements set forth in IFRS 7.

Other Information
The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.
Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Independent Auditor's Report -
Sandnes Sparebank

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name 549300G2EWXR3BRFKQ37-2022-12-31-no.zip have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF). In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities

Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities

Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Stavanger, 17 March 2023
Deloitte AS

Bjarte M. Jonassen
State Authorised Public Accountant

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

Certification of 2021 sustainability report

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To the Board of Directors and Management of Sandnes Sparebank

INDEPENDENT PRACTITIONER'S ASSURANCE REPORT ON SANDNES SPAREBANK'S SUSTAINABILITY REPORTING FOR 2022

We have been engaged by the Board of Directors and management of Sandnes Sparebank to undertake a limited assurance engagement in respect of the sustainability information in the Annual Report for 2022 of Sandnes Sparebank, limited to the information about the bank's most material sustainability topics, presented in paragraph "Bærekraft og Samfunnsansvar", and in the appendice "Appendice: Bærekraft og Samfunnsansvar" (hereinafter referred to as "the Report") (the Subject Matter).

Our work has been limited to evaluate whether;

- Sandnes Sparebank has applied procedures, as described in the Report, to identify, collect, compile and validate information about the bank's most material sustainability topics for 2022 to be included in the Report.
- The information presented in the Report is consistent with data accumulated as a result of these procedures.
- Sandnes Sparebank sustainability reporting, as presented in the Report, is in all material respects aligned with the Global Reporting Initiative (GRI) Standards reporting principles.
- The GRI Index, as presented in the Report, appropriately reflects where information on each of the reported disclosures of the GRI Standards is to be found within the Annual Report for 2022 of Sandnes Sparebank.

The assurance engagement does not include any control procedures on the accuracy and completeness on the information in the Report, nor of the bank's assessments and calculations related to the EU Taxonomy regulation.

The Board of Directors and Management's Responsibility
The Board of Director and management ("management") is responsible for the preparation of the Subject Matter Information in accordance with the applicable Criteria. This responsibility includes the design, implementation and maintenance of procedures and internal control relevant to the preparation of a Subject Matter Information that is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Management
We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We apply the International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities
Our responsibility is to express an opinion on the Subject Matter Information based on the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 revised – «Assurance Engagements other than Audits or Reviews of Historical Information», issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Subject Matter Information is free from material misstatement.

Registrert i Foretaksregisteret Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282

A limited assurance engagement in accordance with ISAE 3000 involves assessing the suitability in the circumstances of management's use of the Criteria as the basis for the preparation of the Subject Matter Information, assessing the risks of material misstatement of the Subject Matter Information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Subject Matter Information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgment and, among others, included:

- Making inquiries of the persons responsible for the Subject Matter;
- Obtaining an understanding of the process for collecting and reporting the Subject Matter Information,;
- Performing limited substantive testing on a selective basis of the Subject Matter Information to test whether data had been appropriately measured, recorded, collated and reported;
- Considering the disclosure and presentation of the Subject Matter Information.

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 in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the Subject Matter Information has been prepared, in all material respects, in accordance with the Criteria.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusion
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us not to believe that in all material respects:

- Sandnes Sparebank has applied procedures, as described in the Report, to identify, collect, compile and validate information about the bank's most material sustainability topics for 2022 to be included in the Report.
- The information presented in the Report is consistent with data accumulated as a result of these procedures.
- Sandnes Sparebank sustainability reporting, as presented in the Report, is in all material respects aligned with the Global Reporting Initiative (GRI) Standards reporting principles.
- The GRI Index, as presented in the Report, appropriately reflects where information on each of the reported disclosures of the GRI Standards is to be found within the Annual Report for 2022 of Sandnes Sparebank.

Stavanger, 7th March 2023
Deloitte AS

Bjarte M. Jonassen
State Authorised Public Accountant

Frank Dahl
Sustainability expert

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

Design: Fasett 2023

Den Gule Banken This was the report for 2022

www.sandnes-sparebank.no