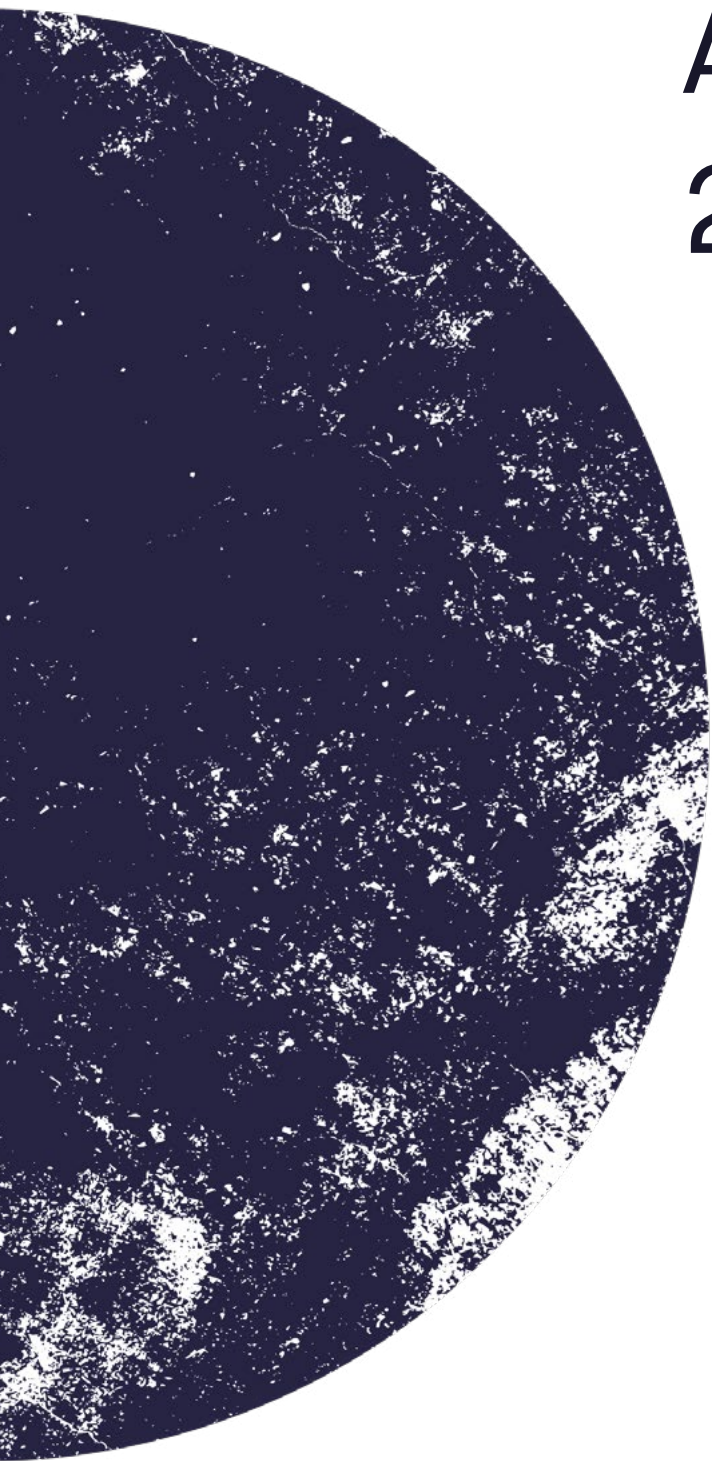


Sbanken

# Annual Report 2020





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# Important events 2020

## Q1 First quarter

- Sbanken is ranked first in the industry on the Norwegian School of Economics' (NHH) Innovation Index for 2019. Sbanken comes in second overall on perceived innovation and in eighth place on social innovation, which means that customers consider the bank to be among the best in the country in terms of innovation and development.
- On 12 March, the Government decided to shut down many Norwegian institutions and at the same time announced more wide-reaching restrictions based on the spread of the Covid-19 virus. That same day, Sbanken instructed many of its staff to work from home but managed to maintain normal operations in spite of this.
- Based on the extraordinary situation Norwegian mortgage customers found themselves in as a result of the Covid-19 outbreak, Norges Bank lowered the key policy rate on two occasions. When the second cut was announced, Sbanken was the first bank to cut its interest rates for all customers effective immediately. This initiative attracted a lot of media attention and resulted in a strong growth in customer lending.

## Q2 Second quarter

- In May, Norges Bank cut the key policy rate for the third time, this time to a record-low zero per cent. Sbanken quickly followed suit with a new cut, directing attention to long-term profitability.
- For the 19th year in a row, the Norwegian Customer Satisfaction Barometer (NKB) finds that Sbanken has the most satisfied and loyal customers among Norwegian banks. Sbanken's strong reputation is also confirmed in Apeland and the Reputation Institute's RepTrak survey, which puts to show what Norwegian companies that have the best reputation and brand.
- After initially proposing a dividend of NOK 1.90 per share for 2019, the Board adjusted its dividend proposal to the General Meeting at the request of the Financial Supervisory Authority. It was proposed to not pay dividend at that point in time, but that the Board would consider the dividend issue at an extraordinary general meeting by year-end 2020 at the latest.

## Q3 Third quarter

- After Sbanken announces the lowest-ever fixed interest rate offered to Norwegian customers – 1.39 per cent – as a measure to ensure predictability in a period of uncertainty, the proportion of fixed rate mortgages increases markedly. The initiative also enables the bank to offer more Sbanken products to its current long-term customers.
- The Ministry of Finance decided, in Sbanken's favour, that the parent company shall be exempt from the capital buffer requirement of 2.0 per cent. The decision helps to give the bank capital flexibility going forward.
- In order to further enable customers to make sustainable investment decisions, Sbanken launches low carbon-labelling of funds, adding to the bank's existing ESG labelling of funds.

## Q4 Fourth quarter

- Sbanken's long-term A3 credit rating receives an outlook upgrade to "positive" by the rating agency Moody's. The upgrade was a result of the bank's low and improved risk profile, solid capital situation, strong growth in deposits and resilient profitability.
- Sbanken holds an extraordinary general meeting in order to grant the Board authorisation to distribute the postponed dividend for 2019. The authorisation is limited to up to NOK 3.15 kroner per share.
- The Norwegian FSA announces Sbanken's Minimum Requirement for Own Funds and Eligible Liabilities (MREL). At the time of announcement, Sbanken had the lowest MREL-requirement to have been given to Norwegian banks, underscoring the bank's low risk profile.





# Key figures (group)

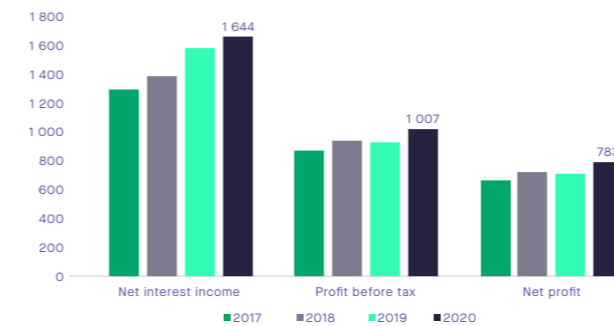
In NOK thousand	Reference	2020	2019
<b>Summary of income statement</b>			
Net interest income		1 644 137	1 564 127
Net fee and commission income		184 310	214 924
Net other income		22 050	20 778
<b>Total income</b>		<b>1 850 497</b>	<b>1 799 829</b>
Other operating expenses		-710 371	-727 239
<b>Operating profit before loan losses</b>		<b>1 140 126</b>	<b>1 072 589</b>
Loan losses		-133 482	-153 149
<b>Earnings before tax</b>		<b>1 006 643</b>	<b>919 440</b>
Calculated tax		-223 601	-209 388
<b>Net profit</b>		<b>783 042</b>	<b>710 052</b>
<b>Profitability</b>			
Return on equity	1	11.4 %	11.4 %
Net interest margin	2	1.66 %	1.68 %
Cost-to-income ratio	3	38.4 %	40.4 %
Earnings per share		7.00	6.34
<b>Balance sheet figures (in NOK million)</b>			
Total loan volume		83 438	81 494
Customer deposits		58 644	52 845
Deposit-to-loan ratio	4	68.4 %	64.8 %
Lending growth (gross) previous 12 months		2.4 %	2.9 %
Average total assets	5	98 939	92 913
Total assets, end of period		100 726	93 006
Book value per share		64.72	57.83
<b>Losses and defaults</b>			
Total loan loss (%)	6	0.16 %	0.19 %
<b>Capital adequacy and leverage ratio</b>			
Common equity Tier 1 capital ratio	7	15.5 %	15.6 %
Tier 1 capital ratio		17.3 %	17.5 %
Total capital ratio		19.6 %	19.9 %
Leverage ratio		6.3 %	6.7 %
<b>Employment</b>			
FTEs		334	370

## References

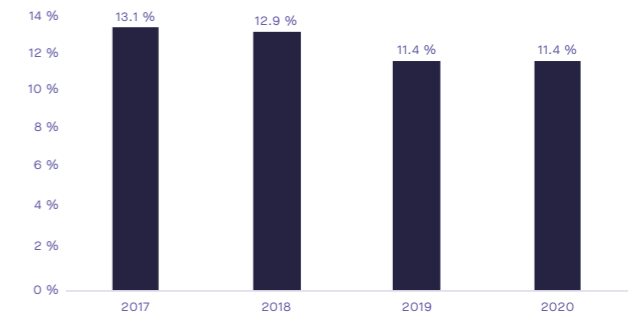
- 1) Return to shareholders after tax (annualised) as a percentage of average shareholder equity in the period.
- 2) Net interest income (annualised) as a percentage of average total capital
- 3) Operating expenses before loss as a percentage of total income
- 4) Average deposits from customers as a percentage of average loan volume
- 5) Average total assets in the period

- 6) Loan losses as a percentage of average loan volume in the period
- 7) Year-end 2020 includes 37.2 per cent retained earnings for 2020 and 50.4 per cent of retained earnings for 2019. Year-end 2019 includes 70.1 per cent retained earnings following the Board's original dividend proposal.

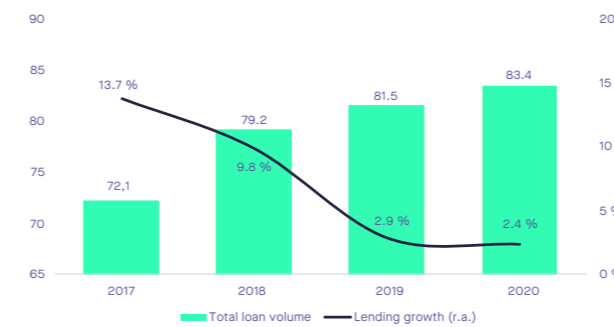
## Profit performance in NOK million



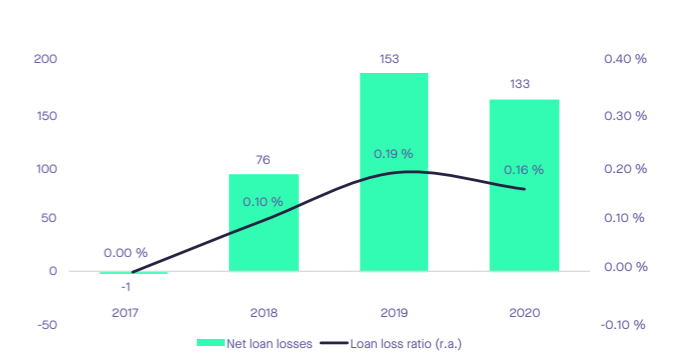
## Return on equity



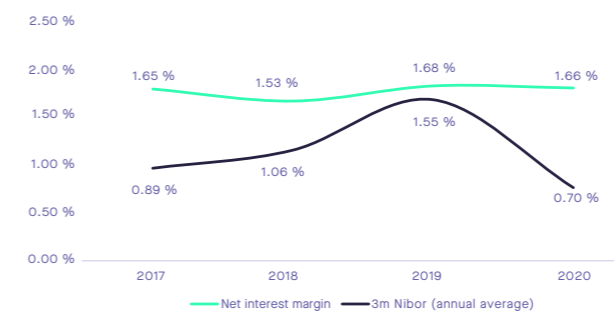
## Loans to customers (NOK billion) and lending growth (per cent)



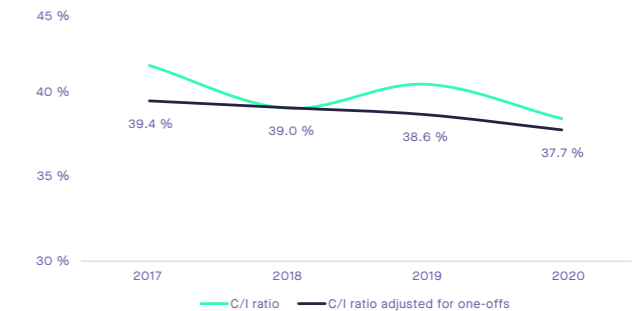
## Loan losses in NOK million and per cent



## Net interest margin



## Cost/Income (C/I) ratio in per cent





## Letter from the CEO

In April 2020, Sbanken celebrated 20 years as Norwegian customers' favourite bank. The fact that the anniversary turned out to be an online happening, was in some ways appropriate considering the fact that we were Norway's first digital bank. Sbanken has many achievements to look back on and be proud of in 2020: We have maintained normal operations during a global crisis and stayed on top of rankings and surveys on customer satisfaction and innovation. We have captured market shares in the savings market, clearly demonstrated by one-fourth of retail customers' net investments in funds for all of 2020. We have also launched strong and beneficial initiatives for Norwegian banking customers in the form of large interest rate cuts and reduced fund prices, and in parallel worked systematically to define concrete focus areas and clearer financial targets for 2021 and the years ahead.

In 2020, Sbanken had a market share of 25.8 per cent net fund inflows among Norwegian retail customers. We are proud of these figures, which are mainly in the form of fixed savings agreements. Customers' investments in mutual funds increased to NOK 23.2 billion, while net inflows in funds amounted to a record-high NOK 4.4 billion. Compared with the previous year, this corresponds to an increase of 47 per cent in funds under management and a threefold increase in net fund inflows. It is especially pleasing that customers have invested 90 per cent of their money in sustainable funds, while investments in funds with the bank's most sustainable profile increased threefold. In continuation of our efforts to promote sustainable investments, we also launched low-carbon labelling of funds in August.

We were among the first banks to grant instalment reliefs in the first quarter when customers needed it most to get through a difficult period. We also chose, because of Norges Bank's second of three interest rate cuts over a period of less than two months, to cut our interest rate for all mortgage customers by 0.5 percentage points, effective immediately. Shortly after, several other banks were forced to follow suit – which has become a familiar pattern to see when we put our stamp on things. The interest rate cut led to strong growth in customer lending. The same thing happened just after the summer when we launched the cheapest-ever fixed rate mortgage, a product that provides customers increased predictability in uncertain times.

We have broken down barriers by launching a fee-free fully-digital corporate bank based on new technology. The recruitment of new customers in 2020 was slower than hoped, primarily due to the outbreak of the coronavirus. Many corporate customers have asked for access to liquidity and financial advice, services not included in the bank's efficient digital concept. A large proportion of customers now have active accounting integration through Fiken, and in 2021, we will raise the bar by offering integration with several of Norway's leading ERP solutions. It is also pleasing that the bank's range of savings products appeals to corporate customers too, especially private investment firms, a segment that saw strong customer growth towards the end of the year.

All of the before mentioned results does not at all come by chance. Without impressive efforts and attitudes from all of my Sbanken colleagues, none of it would have happened. Despite working from home offices, my colleagues have in spite of demanding circumstances both managed to maintain operations as normal and put to life new features and actions at the same time. This deserve enormous amounts of respect.

All this – and much more – made Sbanken stay strong and firm through the pandemic, both as a bank and as an advocate for its customers. So all in all, like in previous years, we received top rankings in surveys such as the Norwegian Customer Satisfaction Barometer, EPSI Rating and the Norwegian Innovation Index. Despite the macroeconomic headwind generated by the coronavirus, we achieved a profit growth of more than 10 per cent and reduced losses. The bank's return on equity (ROE) ended at 11.4 per cent, which is among the best Norwegian and European banks, but still lower than our financial target of 14 per cent.

In 2020, for the first time, it became possible to be a customer of Sbanken without being in the possession of a physical debit or credit card. In other words: You can now buy whatever you want whether you are by foot, in the mountains, at sea or in the air – without a wallet. This new opportunity has been embraced by our customers: From December 2019 to December 2020, we saw a tripling in the number of mobile payment transactions effected through Apple Pay, Google Pay, Garmin Pay and Fitbit Pay.

Sbanken starts 2021 with clear ambitions and a capable senior management team with extensive experience and expertise in their respective areas. These members have defined two strategic focus areas in which Sbanken is well equipped to

succeed: (1) We will become Norwegian customers' preferred savings partner, and (2) We will deliver the most automated and scalable core banking services in the market.

Succeeding in our focus areas will require change on the part of both us as well as our customers, but as a bank we have a tradition of making smart choices simple, which we will continue to do. Our target for mortgages is to issue the loan preapproval letter in seconds and the actual loan in minutes. We will be the first Norwegian bank to achieve this, and our customers will be the first to benefit of this. A more granular price model aimed at attracting more customers was last year introduced, and will be further perfected as 2021 moves on. At the same time, we have raised our efficiency ambitions by lowering the cost-to-income ratio target to 30 per cent.

Becoming Norwegian customers' preferred savings partner is perhaps easier said than done, but the ambition is largely about changing people's attitudes and perceptions of what saving is and what saving could be. It is also about accessibility and price. On the latter point, Sbanken has been an important pioneer. Norwegians are keen savers, especially in property. Property is not where Norwegians have most to gain from investing their money, however. It is unfortunate to have to sell your house or ask the bank for a top-up loan in order to make your dreams come true. A certain portion of savings should be in liquid assets. In addition, it is no secret that many people do not have a full grasp of the world of mutual funds, equities, share savings accounts and individual pension savings. This change will not happen overnight, but we want to help Norwegians start saving in assets that later on provide access to liquidity when it is needed. Mutual funds are examples of such assets, and for customers it is definitely easier to sell funds than to sell their homes. Our goal is to convince people that saving by investing in funds is safe, mainly by showing them how easy it is to get started.

We will make it easier for customers to make smart decisions. Today, tomorrow and in years to come.

Øyvind Thomassen  
CEO of Sbanken ASA

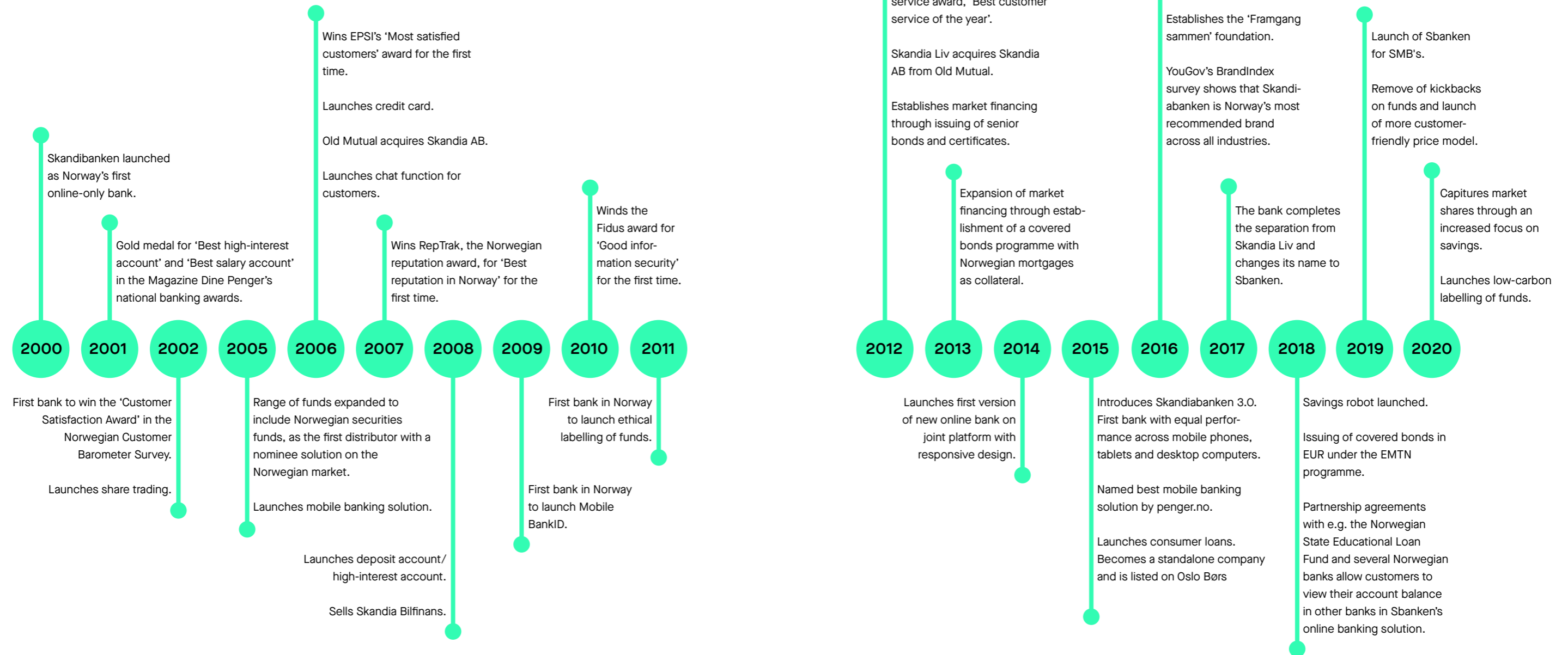
# Sbanken's history

Sbanken came to life in April 2000 as Norway's first online-only bank under the name Skandiabanken. Back then, the bank operated as a Norwegian branch of Skandiabanken AB, a part of the Swedish insurance group Skandia Livsforsäkring AB. Based on a differentiated approach to banking, the bank quickly gained a reputation for fee-free products, competitive prices, very satisfied customers and innovative digital solutions.

On 5 October 2015, Skandiabanken's Norwegian branch transformed into a standalone limited liability company with a Norwegian licence. Less than a month later on 2 November 2015, the company was listed on Oslo Børs. With this, Skandiabanken became the fifth biggest listed company in the county of Hordaland. A condition for the transformation into a standalone company, was that the bank had to change its name within three years. The name change from Skandiabanken to Sbanken happened two years later on 6 November 2017.

For as long as it has existed, the Sbanken brand has come out on top of surveys of customer and brand satisfaction or loyalty. Sbanken has been a bank operating on customers' terms. In 2018, Sbanken launched a corporate banking initiative, thereby challenging the set structures and price levels of the bigger banks in the corporate space as well. In 2020, as in many years prior, Sbanken received top ratings in banking and finance in the Norwegian Customer Satisfaction Barometer, EPSI Rating and Norwegian Innovation Index. This confirms our position as customers' favourite bank.

At the end of 2020, Sbanken had 476 000 customers retail customers and 8 000 corporate customers, 362 employees (334 full-time equivalents) and assets under management of NOK 100.7 billion. The bank's five biggest owners are Altor (25%), Odin Forvaltning (4.8%), Fidelity (4.0%), Lannebo Fonder (4.0%) and Paradigm Capital (3.9%).





# Sbanken's values

#open

- **We are open and honest.** We provide freedom of choice and have no hidden costs or agendas. We communicate why we do what we do.

#simple

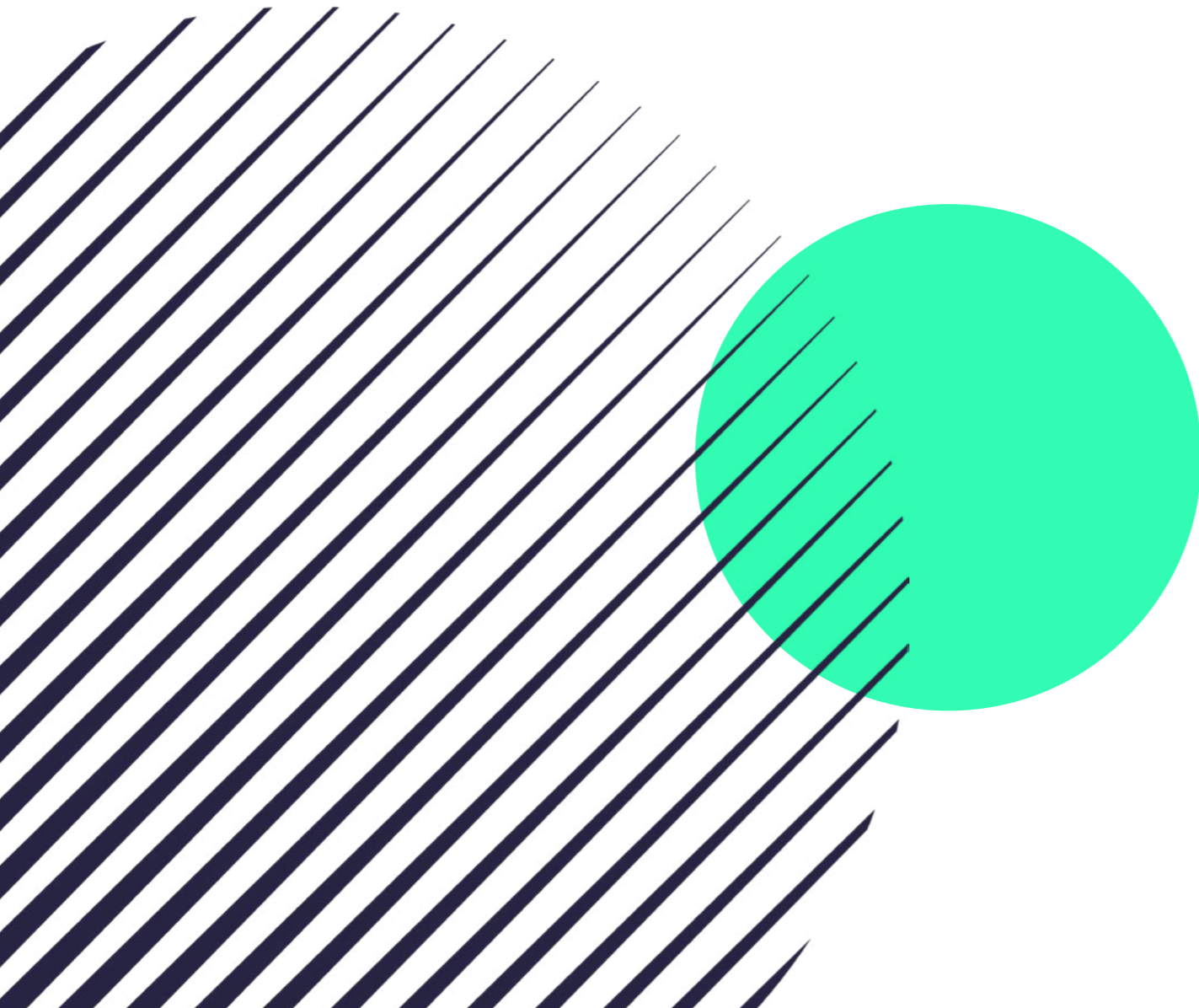
- **We make people's everyday lives simpler.** We understand people's needs and provide assistance at the right time. We enable customers to make smart choices.

#fair

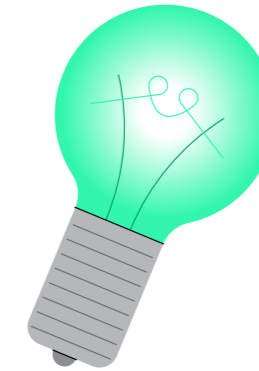
- **We treat everyone fairly and as equals.** We believe in a fair deal that benefits customers, employees, owners and society.

#friendly rebel

- **We are bold and challenge established truths.** We are playful and dare to make mistakes. We are different and develop the best solutions in partnership with others. We confront dishonesty head-on.







## Sbanken's business

Sbanken is Norwegian customers' favourite bank. Every day, we challenge the status quo and make innovations on behalf of all Norwegian banking customers. We are in other words not afraid of taking up the gauntlet. We are fully digital, have no branch offices, are located in Bergen and develop user-friendly products and services that make the everyday lives of our retail and corporate customers easier.

Since the launch in 2000, it has been Sbanken's goal to offer uncomplicated, simple products through digital self-service solutions at competitive prices. In sum, this has earned us the position of customers' favourite bank.

### 484 000 customers

Since Sbanken was listed in 2015, the bank's lending portfolio has grown from NOK 55 to 83 billion. This corresponds to an average annual growth of around 8 per cent, which means that the bank has won market shares. The customer portfolio has grown steadily during the same period. The bank gained 15 000 new customers and thereby had a total of 476 000 retail

customers and 8 000 corporate customers at the end of 2020. Sbanken offers mortgages, payment and card services, investment and savings products and short-term loans such as consumer loans and car loans. In 2019, we also launched an ambitious initiative aimed at the corporate market, and have thereby challenged a part of the industry characterised by expensive, complicated solutions.

### High-quality lending

The majority of the bank's lending is aimed at people between the ages of 35–49. In addition, the mortgage portfolio, which accounts for most of the bank's lending, is primarily aimed at liquid residential markets in and around Norway's biggest towns and cities. This portfolio had a loan-to-value ratio of 53 per cent at 31 December 2020, and is of high quality.

Sbanken has demonstrated an ability to maintain profitable growth over time and will continue to do so going forward. At the same time, the bank will continue developing its services and products, for example by focusing on savings products and services for the corporate market. Mortgages will still make up the majority of the lending portfolio, but the bank will continue to diversify lending to include other credit products. Through investments and a focus on savings and other products, the bank will endeavour to increase its share of capital-light revenues over time.





## Norway's most recommended brand

Since Sbanken entered the market in the year 2000 with the goal of challenging the definition of what a bank was supposed to be, it has captured the hearts of customers time after time. Despite the global pandemic, we came out on top in a number of surveys of brand and customer satisfaction or loyalty – as we did in many years prior. This solidifies the bank's position as Norwegian customers' favourite bank.

### Satisfied customers for 19 years

Sbanken has won Barcode Bi's annual survey – the Norwegian Customer Satisfaction Barometer – in the category 'Most satisfied banking customers' every year since 2002. The year

2020 was no exception. Sbanken's brand also achieved the highest loyalty score in banking and finance.

Sbanken has also won EPSI Rating's 'Most satisfied banking customers' award every year since 2004, andbanken repeated the achievement in 2020. EPSI described the achievement as follows: 'As in many of the years we have left behind, the award for most satisfied customers belongs to Sbanken. Simple and well-functioning digital solutions, high value for money and a good flow of information to customers once again puts Sbanken in the top spot.'

### An outstanding reputation

From the very start, it has been a goal for Sbanken to offer simple, digital self-service solutions that benefit all customers. This quickly resulted in a high score in customer surveys, a trend that has continued until today. In 2020, Sbanken's strong



reputation was once again confirmed in Apeland and the Reputation Institute's RepTrak survey, which states which Norwegian companies who has the best reputation.

### A leading innovator

In 2019, Sbanken ranked first within our industry on the Norwegian School of Economics' (NHH) Innovation Index. Sbanken came in second overall on perceived innovation and in eighth place on social innovation. This puts to show that customers consider Sbanken to be among the best in the country in terms of innovation and development.

In 2020, Sbanken ranked first in customer experienced digital innovation on the Norwegian School of Economics' (NHH) Innovation Index. The bank also placed 7th on social – sustainable – innovations and 4th when it comes to commercial innovations. Only four companies placed among the top ten on each of the Norwegian Innovation Index's three parameters. Sbanken was of one of these. This puts to show that Sbanken is the best bank in Norway in terms of innovation and development – in a survey where the customers are the judges.

### Accessible, constructive and secure

Sbanken makes active efforts to be accessible to customers. Together with the bank's suppliers, we set targets to ensure high accessibility of services. We continuously carry out measurements in order to ensure that we meet our uptime targets. The scores are continuously checked and quality assured with our suppliers and partners. In 2020, customers experienced good accessibility of services.

### Successful savings robot initiative

In 2020, more and more customers received advice from Sbanken's savings robot. This underpins our ambition to offer user-friendly self-service solutions. Our robot-adviser has proven to be highly efficient and gives a large number of customers professional, relevant and useful advice. Based on our customers' user patterns, we see clear indications that an increasing number are choosing to avail themselves of the robot-adviser. It is both quick, efficient and useful – which largely corresponds with the bank's customer promises.

### Automated loan processes

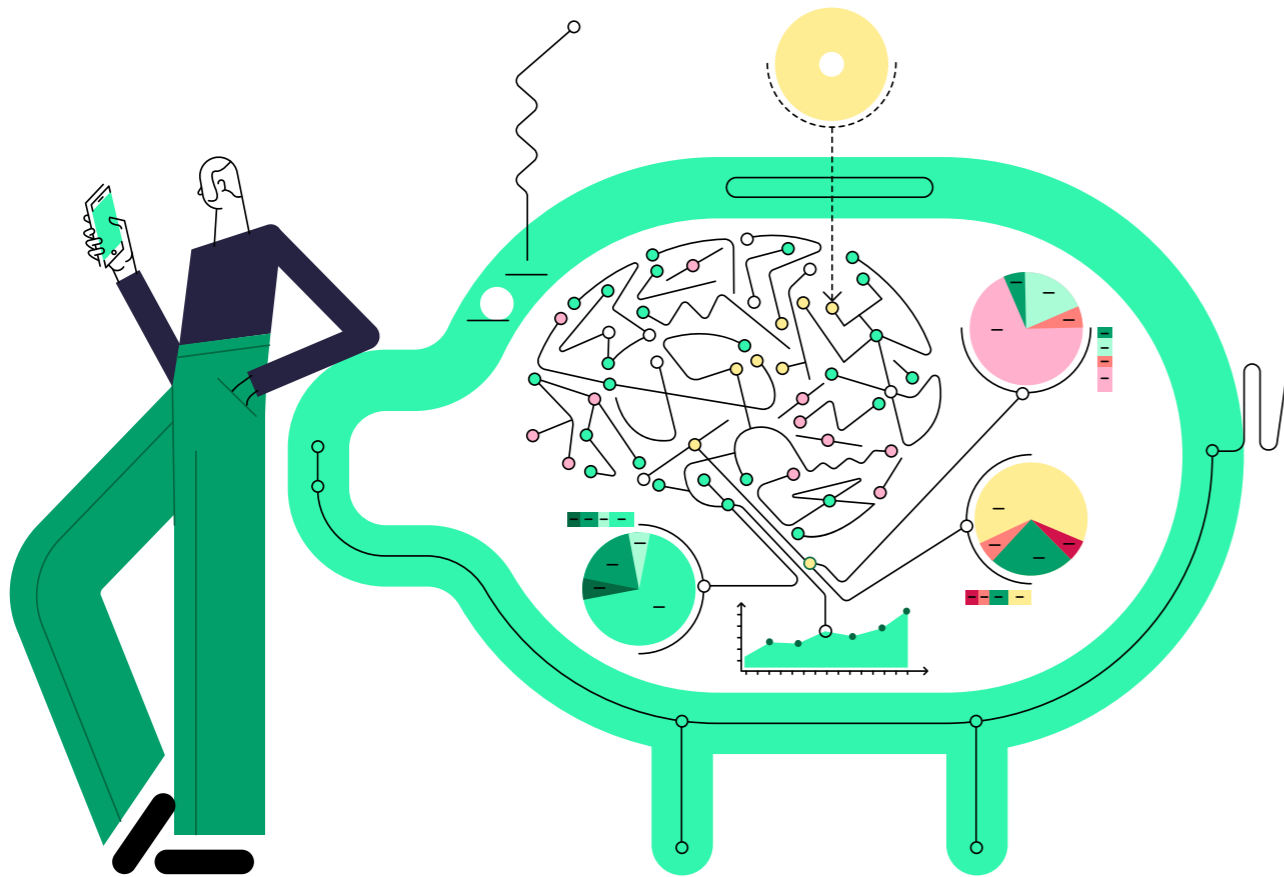
Sbanken's customers can apply for all types of loans via the online banking service. For mortgage applications that can be signed electronically, approximately 91 per cent were submitted electronically in 2020 with the use of BankID. Applications are processed automatically and customers receive an immediate reply to their application. Some applications are conditionally approved, subject to further analysis or documentation. In such cases, the application is manually handled. Automatically approved consumer loans and short-term credit products is immediately made available in the customer's account, while automatically approved mortgages and car loans is checked before they are disbursed to the customer. This means that Sbanken, with the customer's consent, can obtain pay data directly from the tax authorities and use it in credit assessment. This simplifies the application process and reduces the risk of errors and shortcomings in the documentation. Approximately 89 per cent of mortgage applications were automatically approved in 2020.

### Active customers

In 2020, Sbanken received 686 140 enquiries from customers via telephone, chat and email. Our customer service staff also deal with all enquiries we receive through social media, and our digital focus means the level of activities in these channels is high. On average, we received 213 improvement suggestions a month from our customers in 2020, which corresponds to a decrease of 46 per cent from the year before. The suggestions come from both Sbanken customers and other banking customers and concern improvements to existing services and/or new and potential services and products. A selected team of customer service agents considers all suggestions. Relevant suggestions are forwarded in our internal system for assessment and development.

In regards to customer complaints, we received 176 in 2020 compared with 632 in 2019. This corresponds to a decrease of 72 per cent. Enquiries that concern corporate social responsibility, sustainability, the environment and health and safety are followed up and processed through dedicated processes in dialogue with the person responsible for each area.





## Best in Norway on digital innovation

Sbanken has over the years taken a position as a leading digital bank in a challenger position, and it is our clear ambition to maintain this position going forward. In 2020, we received acclaimed for being Norway's frontrunner company with respect to digital innovation on the Norwegian Innovation Index. We also launched a new mobile app, initiated accounting integration with Visma's accounting systems and ensured that our sales efforts were considerably more insight-based and data-driven.

### Number one on digital innovation

Sbanken has reputation for being an innovative bank who is quicker than other banks to launch the newest and smartest solutions. We achieve external recognition for this from leading innovation research communities.

### Technology as competitive advantage

In 2018, Sbanken launched a savings robot for the bank's customers. The solution uses portfolio selection theory, providing personalised advice to all customers based on the use of sophisticated artificial intelligence. In 2020, an increasing number of customers received advice from the robot rather than from Sbanken's 'human' advisers. This underpins Sbanken's ambition to offer user-friendly self-service solutions. The robot also underwent improvement during the year. Automated offers of annual follow-up is a functionality we are proud of and that our customers have started using. No wonder since the solution makes customers feel that we are looking after their savings, which we also do in the form of a modern savings robot.

### The sky is the limit

Sbanken aims to be the most innovative and ground-breaking bank in the Norwegian market. We want our technology staff's time spent working in Sbanken to be their career's most formative years.. We must therefore ensure that we have the expertise and capacity we need to maintain this position, as well as a structured development programme. The bank has devised an ambitious growth plan for the coming years, and in order to demonstrate adaptability, we have established cloud-based services instead of traditional operations in our computer centres. Our Cloud First strategy will further increase our innovativeness and thereby enable Sbanken to offer a technology platform with the most innovative, integrated services in the market. We consider the bank's cloud strategy to be strategically important to realising our ambitious growth targets and meeting the requirement for cost-effective, secure operations.

### New mobile app

An increasing number of our customers are digital natives. This entails increasing requirements of user-friendliness, performance and accessibility for us as a bank. In the latter half of 2020, we launched a new mobile app that is faster, more agile and more user-friendly than ever before. The app design was continuously developed after dialogue with several test customers and by testing out various beta versions.

### Targeted and focused on sales

The new, ambitious sales/cross-sales initiative is well under way, with the goal of increasing the number of products bought by existing customers. In 2020, Sbanken customer dialogue became considerably more insight-driven and accurate, in relation to both new and potential customers, as well as in several other areas.

### Data and customer insight on customer' terms

In 2020, Sbanken has spent substantial efforts on its approach to effectively meeting individual customer needs. We do this through secure, sophisticated platforms based on insight and analytics, thereby increasing customers' assurance that we process and use their data as a premise for developing better and more efficient banking services. Sbanken's long-term success has been and will continue to be based on our ability to understand and meet customer needs. To earn their trust, we must respect and protect their privacy.

In order to earn their loyalty, we also need to offer them an excellent user experience. A deep understanding of our customers is essential to be able to deliver on both these objectives.

### Secure, stable and modern IT platform

As a relatively young bank, Sbanken has a technical platform that gives us the flexibility we need to adapt to changes in society. Sbanken uses other providers in areas where economies of scale are possible, such as systems operation and management of core banking solutions. The bank uses internal capacity in areas where it provides a competitive edge. In Norway, we have a sophisticated national digital infrastructure that favours online-only banks like Sbanken. Initiatives such as consent-based loan applications where the bank may obtain customers' pay data from the tax authorities contribute to an even higher degree of automated processes.



### Norway's fastest growing corporate bank

Already at the end of 2019, we launched a corporate ERP pilot with Fiken accounting integration. In 2020, we raised our efforts with additional integration in pilot phase, in stark contrast to other banks launching their own accounting services and thereby restricting customers' freedom of choice to one system only. Sbanken's corporate banking initiative now includes ground-breaking technology with ERP integration – a move that will probably change the financial industry. Going forward, our goal is to develop the smartest corporate market solutions and integrations and to create commercial success.



# Corporate social responsibility and sustainability

It is Sbanken's ambition to have a positive impact on people, the environment and the society. The bank's work on CSR and sustainability starts and ends with what the bank calls the Fair Deal concept. All the bank's activities shall be driven by an ambition to achieve a balance between satisfied customers, employees, owners and the society around us. From the bank's perspective, strong performance related to sustainability will create long-term positive values for all stakeholders.



## Fair Deal

The Fair Deal concept is built around four stakeholders, where the three main parties are customers, employees and owners. They are encompassed by the fourth stakeholder – society – reflecting laws, rules and standards for the organisation's corporate social responsibility. The stakeholder model Fair Deal underpins the bank's core values: open, simple, fair and friendly rebel. The values describe how the bank would like its stakeholders to perceive the bank's communication, services and products.

### Stakeholders in the Fair Deal

Sbanken's main focus is to enable customers to make smart financial choices, including making sophisticated financial advice available to everyone. In order to succeed, the bank depends on employees experiencing the bank as a secure, fair and innovative place to work, and on the bank pursuing gender balance and equal pay as evidence of equal opportunities and rights, regardless of gender and other diversity parameters. The owners, on their part, need reassurance that they are investing in a bank that understands customer needs and is thereby attractive on the market. In order to create lasting value for customers, employees and owners alike, the bank must act like a responsible member of society. The bank must organise its activities so that they

reinforce the positive influence and reduce the negative impact on society and the environment. The bank must value society's common resources, especially with regard to nature and the environment.

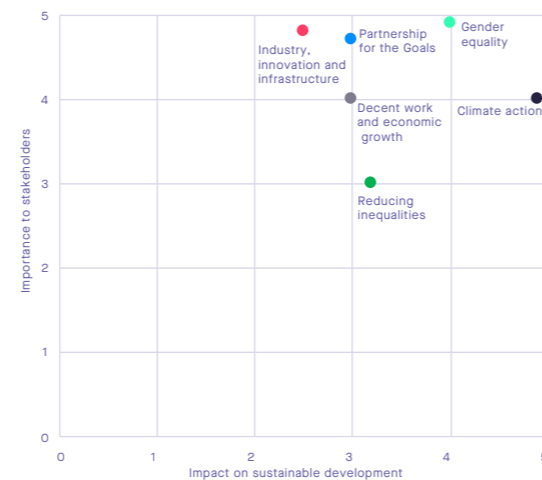
The Fair Deal concept is integrated in all the bank's processes and thereby forms a natural framework for the bank's work on and reporting of CSR and sustainability, hereafter also referred to as the bank's ESG (Environmental, Social and Governance) work. Materiality analysis and the UN SDGs

Based on its ambition to have a positive impact on people, the environment and society, the bank carried out a materiality analysis in 2020. In order to define what sustainability means for the bank and identify risks and opportunities associated with the bank's core activities, the bank chose to base the analysis on the 17 UN Sustainable Development Goals. The bank has chosen to focus on the following goals in particular:

- SDG 5: Gender equality
- SDG 8: Decent work and economic growth
- SDG 9: Industry, innovation and infrastructure
- SDG 10: Reducing inequalities
- SDG 13: Climate action
- SDG 17: Partnership for the Goals

SDG 13 was included as a focus goal in 2020. The bank experiences that climate action is becoming increasingly important to all the Fair Deal stakeholders. To Sbanken, actively pursuing the role as a driving force towards a low-emission society is a key part of being a responsible member of society.

The bank wishes to define its actual impact, both in terms of correlation between the UN SDGs and Sbanken's identity, the bank's business model and values, and what matters for the bank's stakeholders. Read more about the materiality analysis on page 35-38, and see sbanken.no 'Fair Deal- Sbanken's materiality analysis' for methodology and boundaries.



## How Sbanken's ESG work is managed at the overarching level

Sbanken undertakes to promote and respect human rights and labour rights, the climate and environment, and to work against corruption and money laundering in all our activities. This includes the development of products and services, advisory services and sales, and investment and credit assessments. Sbanken's ESG work includes our own operations and investments, and all activities relating to customers, suppliers and other business associates.

### Domestic and international obligations

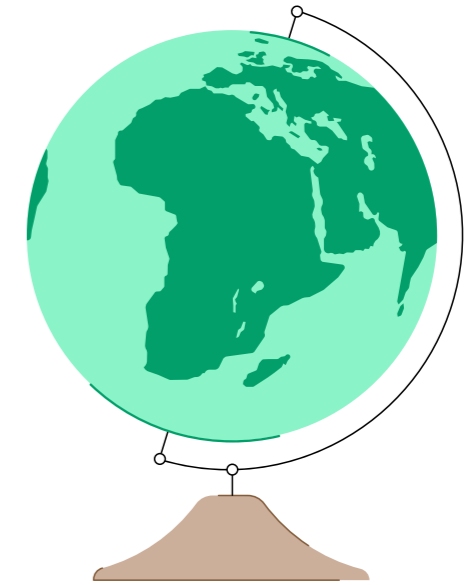
Sbanken's ESG work primarily follows Norwegian law. Issues such as preventing financial crime, working on information security and data protection and working to safeguard employees' labour and human rights, including equality and the working environment, are regulated by law and managed accordingly.

Climate and environmental work and reporting are not regulated by law, but fall under Section 3-3 C of the Accounting Act ('Statement on social responsibility'), which governs the CSR topics the bank can report on. The Act sets out requirements for large enterprises, but is not required for Sbanken. As a listed company, the bank chooses to organise its ESG work and reporting on the basis of Oslo Børs's guidance on the reporting of corporate social responsibility, which in turn is based on the Global Reporting Initiative (GRI). The GRI standard is currently under amendment and the bank follows the process closely. The bank therefore makes reference to GRI in this report, but does not report fully in accordance to the standard as per 31 December 2020. See Appendix "GRI index".

In addition, Sbanken follows a number of non-mandatory standards and self-regulation initiatives in its ESG work. The following framework applies:

- The United Nations Environment Programme Finance Initiative (UNEP FI)
- The UN Global Compact (UN GC)
- The UN Sustainable Development Goals
- The Paris Agreement

Sbanken is a member of the UNEP FI, and has endorsed the Principles for Responsible Banking (UN PRB). The UN Principles for Responsible Investing (UN PRI) are applied, but are of less relevance since Sbanken is not a fund manager. The bank distributes funds but does not manage funds of its own. Sbanken follows up guidelines and relevant industry standards to make necessary adaptations in its ESG work. The bank is a member of Finance Norway's sustainability reference group.



### Overarching CSR and sustainability management system

The Board of Sbanken adopts the overarching sustainability strategy through the bank's CSR and sustainability policy. The policy is evaluated annually and contains strategic guidelines relating to the following topics:

- Diversity, human rights and labour standards
- Climate and environment
- Economic crime
- Tax
- Socially responsible investments
- Responsible supply chain
- Responsible saving for customers
- Pooled Engagement globally
- Projects for the public benefit

At the senior management level, the Chief Executive Officer (CEO) is responsible for organising the bank's activities and to ensure optimal CSR and sustainability work. The team adopts guidelines for CSR and sustainability that describe how the bank intends to comply with the policy adopted by the Board. The guidelines are evaluated annually. The management team adopts goals and measures for the bank's ESG work. The Head of CSR and Sustainability has operative responsibility and chairs the bank's Sustainability Committee, which works to ensure compliance with the ESG framework, including to implement the goals and measures adopted by the management team. The committee is an interdisciplinary body broadly composed of HR, saving, lending, risk, procurement, IR, brand and communication staff. The organisation and division of responsibilities is intended to ensure that Sbanken attends to its obligations to all the Fair Deal stakeholders.

ESG criteria are incorporated into the bank's New Product Approval Policy (NPAP), which is applied in connection with the development of new products and in the event of material changes to existing products.



## Sbanken's customers

Sbanken's ideology is to always put the customer first. In line with the bank's values, the bank shall inspire customers to make smart financial decisions, be bold and create positive change by making banking services simple and accessible to the general public. Customers can expect Sbanken to:

- be open, honest and fair
- give them good advice on both loans and savings based on their needs and financial situation
- have a high level of accessibility based on customers' expectations and needs
- sell and market financial services in an informative, transparent manner
- keep them up to date about how their savings are managed through the funds available on the bank's savings platform
- facilitate dialogue that allows them to make suggestions on how the bank's products and services can be improved.

The bank's activities and services are dependent on a high degree of trust. The trust of the bank's customers and society at large is based on a good reputation and high ethical standards in all parts of the business. The bank's business is based on offering products and services that best satisfy the different customer segments. Moreover, the bank is responsible for living up to the trust shown by customers, creditors and the authorities. Good business conduct and good advisory practice are important terms in its customer service. Professional and ethical customer service is decisive for the customers and important for the bank's trust and reputation.

### Customer satisfaction

For Sbanken, innovation is all about resolving challenges in customer's day-to-day lives. Sbanken has built an online banking platform that everyone can access without having to visit a branch office. Sbanken's products and services give customers an overview of their finances and enable them to perform most banking tasks at their convenience. Customers rate Sbanken highly on various innovation and customer satisfaction indices. For the 19th year in a row, the 2020 Norwegian Customer Satisfaction Barometer found that Sbanken has the most loyal and satisfied customers among Norwegian banks. The bank takes that as a sign of its ability to offer simple solutions that customers need in their day-to-day lives. Read more on page 16-17.

### Responsible marketing

All marketing shall be serious and objective and comply with applicable marketing rules and good business practices. For Sbanken, this means that:

- Neither the market nor individual customers shall be provided with a false or exaggerated impression of the bank's products and services.
- Information about competitors shall be objective and not be misused.
- Customers shall be informed of the different risks associated with the products offered.
- In connection with personal sales and advice, customers shall never be offered a product they do not need.
- Customers shall never be persuaded to swap to another product unless it gives them an advantage.
- The bank shall exercise particular caution regarding marketing aimed at children and young people.

## How the issue is managed by Sbanken

Target-setting, management by objectives and evaluation in 2020 were based on the procedure described in 'How Sbanken's ESG work is managed at the overarching level' on page 21.

The Board of Sbanken adopts the bank's code of ethics and business conduct. The policy is evaluated annually and contains strategic guidelines relating to topics such as ethics and core values, ethical business conduct and confidentiality, which are relevant to the bank's customer relationships.

At the senior management level, the CEO has chief responsibility for organising the bank's activities to ensure optimal, responsible customer care. The team adopts the bank's Code of Ethics, which describes how the bank is to comply with the policy adopted by the Board. The Chief Compliance Officer (CCO) is responsible for verifying compliance with the bank's framework for ethical business conduct. The individual managers are responsible for compliance in operations.

The following acts of law are relevant in this area:

- The Act on financial institutions and financial groups (Financial Institutions Act)
- The Act relating to the processing of personal data (Personal Data Act)
- The Act relating to the control of marketing and contract terms and conditions etc. (Marketing Control Act)
- The Act relating to securities trading (Securities Trading Act)

## Responsible credit

Since Sbanken was launched in 2000, it has been a bank for private customers. In addition, it now offers small and medium-sized businesses a fee-free, fully digital corporate bank, without access to credit. That means that the bank does not finance companies with either low or high ESG risk.

### Sound lending portfolio with low risk

More than 95 per cent of Sbanken's lending consists of mortgages. The average loan-to-value ratio in Sbanken's mortgage portfolio was 53 per cent at the end of 2020. Both mortgages and unsecured loans are subject to stringent regulation by the supervisory authorities. In Sbanken's view, ensuring that lending practices give customers the ability to service their debt is part of its social responsibility. Sbanken wishes to help its customers make smart financial decisions for the future, also when they take up loans. This approach has given Sbanken a sound lending portfolio that enables the bank to offer lending rates that are among the lowest in Norway over time.

### Fair interest rates

Sbanken has one of the most transparent price models in the market. The bank does not discriminate against individual customers or groups of customers. Customers are rated based on objective credit criteria, and the bank does not discriminate between customers in the same credit classes.

After fixed rate mortgages were introduced in Q4 2019, the bank saw that many customers wanted to fix their interest rate in 2020. The bank offers fixed rate mortgages for 3, 5 or 10 years, which is suitable for customers looking for stable, predictable monthly payment schedules.



## Green car loans

Sbanken wishes to promote sustainable choices through the products it offers to customers. Green car loans can make a positive contribution towards a low-emission society. Sbanken offers green car loans with lower interest rates for cars that meet the EU's CO2 emission target of 120 g/km (2020 criteria for environmentally friendly cars). The proportion of green car loans has increased steadily in recent years, and in 2020, green products made up 69 per cent of the car loan portfolio.

### Statistics and targets: green car loans

Parameter	2018	2019	2020	Short term*	Medium term*	Long term*
Green car loans as a proportion of car lending	62 %	67 %	69 %	85 %	100 %	100 %

\* The short term is defined as within 3 years, the medium term is 8 years and the long term is 25 years.

## Responsible saving

Clarification of terms: 'ethical labelling' as ESG assessment 'Ethical labelling' is the tool Sbanken uses to communicate to stakeholders its assessment of the ESG profile of the mutual funds it offers on its platform. The labelling thereby enables customers to make investment decisions they believe are right for them and for society. Sbanken analyses, assesses and assigns ethical labels to funds in accordance with the ten UN Global Compact Principles for sustainable business and the Government Pension Fund Global's blacklist. This means that not only ethics are assessed, but also criteria for human rights, labour rights, the environment and climate, anti-corruption, anti-money laundering and other economic crime. To clarify that 'ethical labelling' covers the whole ESG area and not only concerns ethical principles, 'ethical labelling' will from now on be referred to as an ESG profile based on clear criteria. Only funds that meet requirements for yellow or green leaves are labelled with a positive ESG profile. Read more about the requirements on our website under 'How we label our funds'.

In 2010, Sbanken was the first Norwegian bank to introduce labelling of mutual funds by ESG profile. The bank categorises funds as follows:

- Two green leaves: a robust ESG profile
- One green leaf: meets recognised ESG criteria
- One yellow leaf: meets recognised ESG criteria equal to one green leaf and is deemed to have a positive ESG profile, but does not follow the Government Pension Fund's blacklist, or the fund manager uses a different definition of ESG criteria that does not meet the bank's green leaf criteria.
- Red triangle: the fund violates recognised ESG criteria.
- An unlabelled fund means that the fund manager has not signed the bank's 'Declaration on Sustainable Investment', but the investments are in compliance with recognised ESG criteria and thereby avoid the red triangle.

### ESG dialogue with fund managers

Sbanken expects managers who offer their funds on the bank's platform to integrate ESG criteria in their management. All investment managers offering funds on the bank's platform are encouraged to sign the Declaration on Sustainable Investment, which is available on the bank's website. In the declaration, the investment manager indicates the category they believe the fund should belong to, based on the bank's ESG criteria. The fund is then evaluated and labelled by the bank.



Our partner ISS-ESG performs a quarterly screening of all the funds available on the bank's distribution platform. Violations of ESG criteria are flagged and reported to Sbanken. The bank then establishes dialogue with the investment manager to verify the violations. Following this, the fund may be downgraded on the ESG scale or the manager may address the investments that were criticised and maintain their position on the ESG scale.

Funds that do not achieve a positive ESG profile will be excluded from the bank's combined savings products and the range of funds offered by the robo adviser. The bank does not accept new funds for distribution if they fail to meet the requirements for positive ESG labelling.

Of all the investment managers offering funds on the bank's fund platform, 66 per cent have endorsed the bank's ESG criteria, as defined in the Declaration on Sustainable Investment to have their funds labelled with an ESG profile. As much as 92 per cent of customers' assets are invested in funds with a positive ESG profile.

**Criteria for best ESG profile**

Funds that are awarded two green leaves on the bank's platform are deemed to have a robust sustainability standard and climate strategy. The criteria for being awarded the bank's highest ESG profile are stricter than the Government Pension Fund's exclusion criteria and include the following:

- Shale oil or gas extraction: 0%
- Oil sand production: 0%
- Oil drilling in Arctic regions: 0%
- Power production from fossil fuel: less than 30% of revenue
- Production of coal or coal-based energy: less than 20% of revenue

The bank sees a marked increase in customers' investments in funds with the best ESG profile (two green leaves). Assets invested by customers in this category have increased from NOK 708 million in 2019 to NOK 2.7 billion at the end of 2020, corresponding to more than a threefold increase. The proportion of assets invested in the ESG category with two

green leaves has increased from 4.3 per cent in 2019 to 11.6 per cent in 2020.

**Low-carbon labelling of funds**

The bank would like to enable customers to invest in funds that can help to reduce global carbon emissions. The funds on the bank's platform are therefore labelled according to carbon risk, in addition to ethical labelling based on the overarching ESG profile. A fund is labelled with 'Low carbon risk' by the bank's fund data supplier, Morningstar, if it scores low on carbon risk and has low exposure to fossil fuel. The designation indicates that the companies in the fund portfolio contributes in the transition to a low-carbon economy.

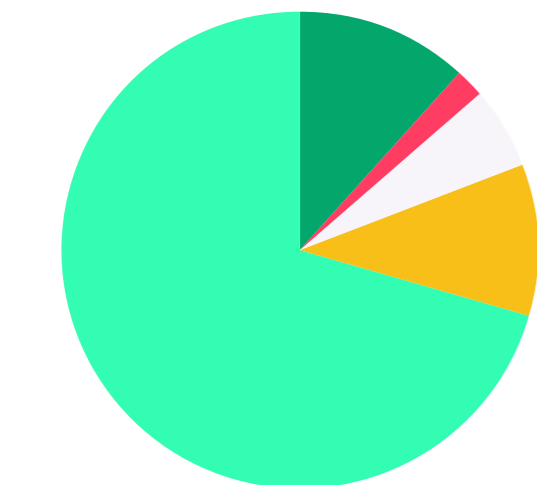
By year-end 2020, 146 of the 460 funds Sbanken offers met the requirements for Morningstar labelling. About 36 per cent of customers assets were invested in low-carbon funds. Transparent price structure without trailer fees






A new platform and price structure for fund distribution were launched in 2019 as part of the move to launch innovative, expedient product solutions to the benefit of customers. The new platform includes paying trailer fees to customers while also introducing a fixed platform fee. By 2020, all customers had migrated to the new price model.

**Making investment advice available to everyone**

One of Sbanken's main goals is to make financial services simple, reasonable and available to everyone. Sbanken's robo adviser will make it easier for customers to make smart financial decisions for the future. Financial advice that was previously only available to people with financial wealth or expertise has been made available to everyone through the bank's robo adviser. In order to help customers to make sustainable choices, the robo adviser only recommends funds with a positive ESG profile.

The bank has a broad range of mutual funds with more than 460 funds from 38 different fund suppliers. In 2020, the bank saw a large increase in customers' saving in funds. At year-end, customers' investments in securities funds amounted to NOK 23.2 billion, an increase of 46.9 per cent on 2019. More than



	2019	2020
Two green leaves 	4.3 %	11.6 %
Green leaf 	81.6 %	70.4 %
Yellow leaf 	6.4 %	10.4 %
Red triangle 	2.4 %	2.0 %
No label 	5.2 %	5.6 %

half of the increase was the result of record-high net fund subscriptions, and in 2020, the bank had a market share in fund subscriptions of 25.8 per cent among Norwegian retail customers.

**Neutral investment advice**

The bank's investment advisers do not advise customers to invest in funds with a negative ESG profile unless they explicitly ask for advice on such investments. In order to ensure that customers receive neutral advice based on their needs, Sbanken's investment advisers do not receive incentives or bonuses based on the funds they recommend, or the number of sales they make. All Sbanken's investments advisers are authorised financial advisers. They update their expertise on an annual basis in line with the requirements set by the Authorisation Scheme for Financial Advisers (AFR).

**Statistikk og mål: samfunnsansvarlig sparing**

Parameter	2018	2019	2020	Short term*	Medium term*	Long term*
Customers' investments in funds with a positive ESG profile	92 %	92 %	92 %	Min. 90 %	Min 95 %	100 %

\* The short term is defined as within 3 years, the medium term is 8 years and the long term is 25 years.

**Information security and data protection**

Data protection and information security are very important factors in establishing trust in digital services for all stakeholders in the Fair Deal, but the most important thing for the bank is to ensure that customers feel certain that personal data and financial information are treated correctly and respectfully. Personal data and sensitive information about the bank's customers, employees and owners must not fall into the wrong hands. The bank works on data protection and information security at all levels; in the bank's management, processes, information systems, and together with our employees, suppliers and partners.

**How Sbanken manages information security and data protection**

The bank keeps abreast of and complies with legislation and regulations, as well as requirements that follow from the bank's licences. The bank is subject to a range of regulations concerning duty of confidentiality and information security, including:

- The Norwegian Personal Data Act and Regulations, including GDPR
- The Norwegian ICT Regulations and industry-specific guidelines (including EBA guidance)
- The Financial Institutions Act and banking licences

The Board of Directors of Sbanken has overarching responsibility for information security and data protection and owns the

bank's information security and data protection policy. The policy is subject to annual review. At the senior management level, the Chief Risk Officer (CRO) is responsible for this work and presents a risk report to the management team and Board on a quarterly basis. The bank has a dedicated Security Forum that convenes every month to exchange experience and coordinate its improvement work. It comprises system administrators, discipline managers, representatives of the value chain, data protection officers and the head of information security. Risk assessments of new products and services are conducted as part of the New Product Approval Policy (NPAP), which ensures attention to data protection and information security.

**Internal training**

Planned, structured training and awareness-raising activities are carried out internally in the bank, using different channels and instruments. The purpose is to ensure good knowledge of and compliance with procedures concerning security, data protection and handling of non-conformities. The work includes employees and managers, both in connection with hiring and as an annual activity, which largely helps to ensure that the solutions are secure, robust and available.

**Statistics and targets: information security and data protection**

Parameter	2018	2019	2020	Target
Proportion of employees who completed digital data protection course	67 %	86 %	92 %	95 %
Proportion of employees who completed digital security and phishing course	72 %	86 %	89 %	95 %
Proportion of employees who completed digital ethics course	71 %	86 %	92 %	95 %
Proportion of employees who completed digital course on extraordinary security challenges relating to the pandemic and home office work	-	-	93 %	95 %
Penalties imposed by the Data Protection Authority for GDPR violation	0	0	0	0

**Active industry collaboration**

The bank monitors changes in threat levels and new forms of digital crime. Sbanken participates in forums in the financial industry where information about threats and incidents is exchanged to enable the industry to effectively prevent, identify and handle undesirable incidents. The bank is a member of Nordic Financial CERT, which assists members of the Nordic financial industry in connection with incidents, ensures a good exchange of information and actively monitors threat levels. To ensure that operational security incidents are handled correctly, the bank has strengthened its own Incident Response Team (IRT).

Security work is also carried out in partnership with suppliers. Important suppliers are followed up to ensure that customers' need for data protection and information security is safeguarded throughout the value chain.



## Customer-related measures 2020

### Measures implemented – responsible credit:

- When Norway was hit by the coronavirus pandemic, the bank implemented several measures to meet customer needs. One of the measures was to offer all mortgage customers instalment relief for up to six months, an important way of supporting customers during an uncertain time. By the end of June, 2 600 customers had made use of the offer, for a total of NOK 6.0 billion.
- When Norges Bank cut the key policy rate on 20 March 2020, Sbanken decided to lower the rate for all mortgage customers by 50 basis points, effective immediately. The decision had a negative impact on the bank's net interest but was well received by customers and the media during an uncertain time.
- In 2020, the bank has focused on growth in fixed rate mortgages, a product that ensures predictable monthly payment schedules. At year-end 2020, 4 400 customers had fixed rate mortgages, with a total volume of NOK 7.9 billion. This corresponded to 10.0 per cent of the bank's loans for housing purposes, up from 0.2 per cent the year before.

### Measures implemented – socially responsible saving:

- In 2020, the bank carried out the extensive process of conducting a full review of the fund universe and labelling of funds. The bank has given priority to the ESG dialogue with the investment managers whose funds the bank's customers have invested most of their assets in.
- Five investment managers who had not previously signed the bank's Declaration on Sustainable Investment

endorsed the bank's ESG criteria in 2020, to have their funds labelled with an ESG profile. As a result, 40 funds went from a negative to a positive ESG profile.

- The bank introduced low-carbon labelling of funds.
- All the bank's customers have migrated to the new price model for funds.
- The bank has defined a long-term objective for customers' investments in ESG-positive funds. The bank specifies that this is an objective and not an absolute goal, since it is always up to customers to decide where to invest their money. A goal has also been set for the proportion of green car loans in the portfolio.

### Measures implemented – information security and data protection:

- Malicious actors have attempted to exploit the coronavirus outbreak and home office situation by tailoring their phishing campaigns to relevant topics. To address the increased risk of phishing and compromised equipment, it has therefore been important for the bank to strengthen the technical security of employees' computers. Despite active attempts and changed patterns of work, the bank has not had any serious security incidents.
- Employees have completed digital courses in data protection, information security and ethics, including corruption, during the year.
- The bank makes structured, targeted efforts to identify, correctly deal with and report violations to the Data Protection Authority in accordance with the requirements in the Personal Data Act. In 2020, the bank reported 15 such cases to the Data Protection Authority.



## Sbanken's employees

The staff are Sbanken's most important resource. All employees must experience that human rights and labour rights are protected regardless of gender, ethnicity, skin colour, language, religion, sexual orientation, physical disability, political views or other opinions, national or social background and affiliation with minorities. The bank does not tolerate any form of discrimination, including verbal, physical and sexual harassment.

### No whistleblowing reports in 2020

The bank endeavours to facilitate an open culture where it is seen as safe to speak out about or report matters warranting criticism in the workplace. A safe culture for whistleblowing is important for the working environment, employee satisfaction and optimum banking operations. Sbanken has its own procedures for reporting matters that warrant criticism, in accordance with the notification rules set out in the Norwegian Working Environment Act. Retaliation is prohibited, and when

an employee reports a matter using their own identity, they are protected by the Working Environment Act and may demand compensation in the event of retaliation.

In 2020, the bank introduced a new whistleblowing system that allows the person making the report to choose whether to report anonymously. When a whistleblowing report is received in the system, a message is issued to the whistleblowing committee, comprising the Head of HR, the Chief Compliance Officer (CCO) and the bank's chief safety delegate. The committee is responsible for following up and making sure that the report is received by the correct body/person in the bank. The committee must also follow up the report itself. When needed, the committee may receive legal assistance from the system provider.

No cases of discrimination or other matters warranting criticism have been reported in 2020. Sbanken has not had any whistleblowing cases since the company was established in 2000. Forms, procedures and an overview of safety delegates are available to employees on the bank's intranet pages.





## How the issue is managed by Sbanken

Target-setting, management by objectives and evaluation in 2020 were based on the procedure described in 'How Sbanken's ESG work is managed at the overarching level' on page 21.

In autumn 2020, the bank hired a new Chief Organisation, Leadership and Culture Officer with responsibility for the bank's work on labour rights and human rights, including equality and inclusion. Through the HR department, the Officer engages in close dialogue with the bank's employee representatives in the form of weekly meetings, in addition to quarterly meetings with the Working Environment Committee.

Annual risk assessments are carried out in relation to illness, stress, dissatisfaction, bullying, duty of secrecy, turnover, ergonomics, fire in the office premises, physical security in the office premises, hiring procedures, the use of consultants, corruption, suitability assessments and competence risk.

### The following acts of law are applicable in this area:

- The Act relating to equality and a prohibition against discrimination (Equality and Anti-Discrimination Act), including the activity duty and duty to issue a statement
- The Act relating to the working environment, working hours and employment protection etc. (Working Environment Act)
- The Personal Data Act

## Equality and inclusion

Sbanken aims for a gender balance in all parts of the organisation and endorses the principle of equal pay. Equal pay is defined as equal pay for equal work, responsibility and authority. The bank makes systematic efforts to address any inequalities and close pay gaps that may be due to gender or other diversity parameters. The bank recognises that the gender balance in the senior management team has been inadequate, and gender balance is high on the agenda for both the management and the Board.

The bank's focus on inclusion and diversity encompasses more than just gender. Important qualities, skills and experience may be related to employees' age, upbringing and life experience, ethnicity and nationality, functional ability, socio-economic status, education and work experience, values and personality. The diversity of opinions this represents will also help the bank to better understand its customers' behaviour, needs and expectations.

### Statistics and targets: equality and equal pay

Parameter	Description	2020	Target 2021
GRI 405-1: Diversity of employees: - Proportion of women	Senior management team	25 %	Min. 40 %
	Managers reporting to the senior management team	33 %	Min 40 %
	All employees except the senior management team	49 %	Min 40 %
GRI 405-2: Gender pay gap - ratio of women's pay to men's	Level 1: CEO	-	
	Level 2: Senior management team excl. CEO	74 %	*
	Level 3: Managers reporting to Level 2	103 %	*
	All staff (excl. senior management team and CEO)	86 %	*

Sbanken pursues the principle of equal pay for equal work, responsibility and authority

## A forward-looking workplace

Sbanken aims to be a workplace that practises transparency and fairness concerning employees' employment relationships. The framework for employee's day-to-day work must be predictable and there must be fair access to competence development. The bank focus on ensuring that competence-raising measures are equally divided between the genders, and systematically recruit employees to key roles. All employees have a fundamental right to be represented by a trade union, and the bank respects employees' and their unions' right to collective bargaining. The bank encourages all new employees to join a trade union. In 2020, 58 per cent of the bank's permanent employees were members of the Finance Sector Union of Norway.

All employees are covered by the collective agreement between the Union and Finance Norway, which, among other things, secures their right to parental leave on equal terms and with equal rights. In accordance with the collective agreement, the bank has a minimum period of notice of three months. All permanent employees are members of the bank's pension scheme. Permanent employees have access to some employee benefits that temporary staff do not, including a loan discount arrangement in Sbanken.

### Working environment, sickness absence and HSE

The bank conducts annual organisation surveys, and each department draws up a plan of measures to ensure a safe, inclusive working environment in the department and the bank. All employees take part in an annual performance appraisal interview with their manager, in addition to follow-up interviews during the year. The interviews shall address the topic of wage development.

The bank believes that a good work-life balance is important and facilitates flexible working hours that enable employees to combine a career with family life. Sickness absence was reduced from 4.4 per cent in 2019 to 3.8 per cent in 2020. The bank monitors and evaluates sickness absences on a monthly basis, and initiates measures as early as possible. Employees on long-term sick leave are offered advice and guidance by the bank's HR department. No work-related injuries were reported in 2020.

To facilitate good health, the employees are covered by a medical treatment insurance. The bank focuses on physical activity and offers employees a number of free activities.

### Statistics: Sbanken as a workplace

Parameter	Total (number)	Women (proportion)	Men (proportion)
Permanent employees	361	49 %	51 %
Full-time	332	49 %	51 %
Part-time	29	41 %	59 %
Permanent employees under the age of 30	84	55 %	45 %
Permanent employees aged 30-50	213	46 %	54 %
Permanent employees over the age of 50	64	67 %	33 %
Sickness absence	3.8 %		
Number on parental leave	26		
Proportion back from parental leave	96.2 %		
GRI 401-1: Turnover	9.6 %		

## Employee-related measures 2020

Measures implemented – equality and inclusion:  
In autumn 2020, the bank appointed an interdisciplinary project group that was tasked with defining targets and measures for the bank's equality work. The project group was led by the Head of CSR and Sustainability, and the following objectives were adopted:

- A 40/60 gender balance at all managerial levels and in all decision-making bodies by year-end 2021.
- Equal pay as a principle. Each annual wage settlement shall include an equal pay pool earmarked for evening out pay differences. Of the employees whose wages were adjusted from an equal pay perspective in 2020, 79 per cent were women and 21 per cent men. Work has been initiated to establish comparable categories of staff for the purpose of ensuring equal pay.
- More openness and transparency. The bank shall regularly inform all employees about the progress and status of its equality work.



### Measures implemented – a forward-looking workplace:

- To ensure a comprehensive development plan for all employees, the bank devised a model in 2020 that focuses on employee development and role descriptions, and adopted an implementation plan.
- A new template that expressly focuses on objective competence mapping has been implemented for performance appraisal interviews.
- Based on the coronavirus outbreak, the bank has organised compulsory courses relating to home office work and infection control. Stringent distancing rules were also introduced for employees working in the office.
- Despite of the pandemic, the bank has maintained the offer of free activities for employees, such as outdoor training, and organised internal digital competitions to encourage activity.

## Sbanken and society

As a responsible member of society, the bank engages in dialogue with various stakeholders to raise the focus on socially responsible, sustainable business. Sbanken expects suppliers, corporate customers and companies it holds ownership interests in to implement ESG principles in their business models. Through dialogue and the use of self-declaration forms that partners sign to declare that they will conduct their business in line with Sbanken's ESG framework, as described in the policy and guidelines for CSR and sustainability, including ensuring that their own suppliers comply with the ESG framework, the bank wishes to promote ethical and socially responsible business conduct in society.

Other examples of actors in society are the authorities, the EU (EEA), special interest organisations in the industry, the media, rating agencies and analysts, non-governmental organisations (NGOs), and international initiatives such as the United Nations Environment Programme Finance Initiative (UNEP FI).

### How the issue is managed by Sbanken

Target-setting, management by objectives and evaluation in 2020 were based on the procedure described in 'How Sbanken's ESG work is managed at the overarching level' on page 21. It describes the management system for the bank's ESG work at the overarching level.

Sbanken applies the Task Force on Climate-related Financial Disclosures (TCFD) framework for climate risk reporting in relation to governance, strategy, risk management and metrics. The bank's risk department carries out a special climate risk assessment as part of the bank's annual Internal Capital Adequacy Assessment Process (ICAAP), and climate risk is thereby subject to risk assessment at least once a year, with the Board's involvement and approval. Read more in the section on Corporate Governance, page 48.

### Climate and environment

The financial industry plays a key role in the transition to a low-emission society. In accordance with the Paris Agreement, the bank focuses on measuring and reducing its own emissions and on encouraging customers and other business associates to do the same.

The bank considers climate risk to be the risk of financial losses as a consequence of climate change and climate policy. Since Sbanken only offers loans to private customers and has a geographically diversified mortgage portfolio, Sbanken considers its climate risk exposure to be lower than for many other banks. Read more about climate risk in the appendix.

#### Environmental accounts and climate footprint

As a fully digital bank, Sbanken has a modest climate footprint. The bank is nonetheless concerned with reducing its own emissions and set a goal in 2020 to halve emissions by 2030, with an annual reduction of 10 per cent.

Climate accounting is a new method, and the framework is still being developed. Different enterprises may include different elements and apply different emission factors. The bank therefore specifies the basis for its own climate accounts:

- Scope 1: gas for heating the bank's only office location.
- Scope 2: electricity consumption in the bank's only office location. Sbanken purchases energy with certificates of origin, which technically guarantees renewable energy. A calculation of the company's climate footprint using the market-based method would thereby show zero emissions. The bank is a certified Eco-Lighthouse, however, and the Eco-Lighthouse Foundation uses a location-based method that gives an emission of 101 tonnes of CO<sub>2</sub> equivalents (tCO<sub>2</sub>e) in scope 2.
- Scope 3: the bank's indirect emissions are calculated from work-related air travel and residual waste in the office building (including the canteen)

#### Environmental footprint calculated by the Eco-Lighthouse Foundation:



Your CO<sub>2</sub> emissions in tonnes for 2020

# 234,40

↙ 18 % change from 2019

#### Statistics and targets: Sbanken's own emissions

Parameter	2018	2019	2020
Carbon emissions: Scope 1	71.18	47.41	48.52
Carbon emissions: Scope 2	123.4	120.39	101.06
Carbon emissions: Scope 3	87.02	119.63	84.82
Total carbon emissions	281.6	287.42	234.4
Emission intensity (Scope 1 and 2) per employee	0.52	0.45	0.41

Emissions are stated in tonnes of CO<sub>2</sub> equivalents (tCO<sub>2</sub>e).

## Cooperation and dialogue

#### Responsible supply chain

In 2020, Sbanken spent in excess of NOK 440 million on the procurement of goods and services, of which services accounted for more than 95 per cent of the procurement costs. Sbanken had more than 350 suppliers, and the 10 biggest suppliers accounted for more than 50 per cent of the procurement costs.

Sbanken's purchasing guidelines state that CSR and environmental considerations shall be an integral part of agreements. In connection with procurements, the bank may require suppliers to be certified Eco-Lighthouses or the equivalent, and to include a description of how they demonstrate social responsibility. By signing Sbanken's self-declaration on CSR, the suppliers undertake to, among other things, conduct their business in line with Sbanken's guidelines and principles, and to make sure that their own subcontractors do not violate internationally recognised principles and guidelines, laws and regulations, relating to the environment, corruption, anti-money laundering, human rights and labour standards in connection with deliveries to Sbanken.

#### Active ownership

The bank does not invest its own assets in companies that, either themselves or through entities they control, engage in business activities that violate international standards on human rights, labour rights, the environment and climate, or economic crime. The bank's equity investments are moderate and limited to investments in infrastructure and technology that are relevant to the bank's day-to-day operations. Sbanken has some minor investments in industry-specific companies, such as Vipps AS, VN Norge AS and Quantfolio AS. The bank's holdings are stated in Note 36.

As part of Sbanken's liquidity management, Sbanken primarily invests in certificates, bonds and covered bonds that can be used as collateral for loans from Norges Bank, or that count as liquid assets when calculating the liquidity coverage ratio (LCR). The bank's treasury department is responsible for managing the bank's liquid assets. The composition of the liquidity portfolio is described in Note 35.

#### Statistics and targets: ESG dialogue with suppliers and companies in which the bank has shareholdings

Parameter	2018	2019	2020	Short term*	Medium term*	Long term*
Proportion of suppliers that have signed the bank's self-declaration	-	64 %	67 %	90 %	100 %	100 %
Proportion of companies in which Sbanken has shareholdings that have signed the bank's self-declaration	0 %	100 %	100 %	100 %	100 %	100 %

\* The short term is defined as within 3 years, the medium term is 8 years and the long term is 25 years.

Sbanken prefers its suppliers to sign Sbanken's own CSR self-declaration, but if they have their own framework corresponding to that of Sbanken, the bank will consider whether it is sufficient.

#### Contractual social responsibility for corporate customers

Sbanken offers fee-free fully digital corporate banking services to small and medium-sized businesses, allowing business owners to spend their resources on work that creates added value. Small and medium-sized businesses represent around half the value creation in Norway, and two out of three new jobs. Reducing costs and simplifying day-to-day banking services for this customer group is part of Sbanken's corporate social responsibility. The bank does not offer credit to businesses.

Sbanken makes clear requirements for socially responsible operations of businesses that wish to use the bank's services. The bank expects its corporate customers to demonstrate ethical conduct and to respect the bank's policies and guidelines for CSR and sustainability. Sbanken has made it a contractual condition that the bank can terminate the customer relationship if a corporate customer acts in violation of the agreement.

#### Engagement globally- Pooled Engagement

The bank has joined forces with other financial institutions and investors to influence large global corporations to conduct their business in accordance with established ESG principles. The initiative is called Pooled Engagement and is carried out by the bank's partner ISS-ESG.

On behalf of Sbanken and other financial institutions and investors, ISS-ESG enters into dialogue with companies involved in serious or systematic breaches of international standards and conventions such as the 10 UN Global Compact Principles, the OECD Guidelines for Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights. The bank participates in the Pooled Engagement initiative on behalf of its customers and in order to help exert global pressure on companies that violate established ESG principles.

#### Statistics: Company dialogue through Pooled Engagement (ISS-ESG)

Parameter: breaches identified by topic	Number of dialogues with companies
Environmental	32
Social	64
Governance	14
Overlapping	34
Total in 2020	142



## Support for work to prevent exclusion among children and young people

Through the 'Framgang sammen' foundation, Sbanken supports projects that make a positive contribution to the development and social integration of children and young people. Projects that receive support must engage and involve children and young people up to the age of 25, and they must promote equality and equal treatment regardless of religion, gender, health, sexual orientation or ethnic background. In 2020, the Board decided to change the allocation model; rather than donating relatively small sums to many projects, the bank will now focus on fewer projects that can receive close follow-up and financial support over time. The change will result in greater predictability and enable closer cooperation between the recipients and the bank's employees. The work was still ongoing at 31 December 2020 and the foundation has therefore not awarded any funds in 2020. This means that a little over NOK 1 million will be transferred to beneficial purposes in 2021.



## The fight against financial crime

Economic crime, money laundering and terrorist financing represent serious threats to society and individuals. Sbanken makes proactive efforts to prevent and uncover money laundering, terrorist financing, fraud and other forms of financial crime.

The prevalence of fraud is increasing at the macroeconomic level, also in Norwegian society. Globalisation and digitalisation have made it easier to commit mass fraud, and Norwegian businesses and private individuals are attractive targets also for foreign fraudsters. Sbanken has sound procedures in place and makes use of modern technology to reduce the likelihood of businesses and individuals falling victim of fraud. The bank has established systems, infrastructure and procedures to ensure that transactions and other matters that need closer examination are identified and examined. All suspicious matters that are identified are thoroughly examined and reported to the Financial Intelligence Unit (FIU) at the National Authority for Investigation and Prosecution of Economic and Environmental Crime (ØKOKRIM).

To ensure that the work to prevent financial crime, money laundering and terrorist financing is founded on a good risk-based approach, Sbanken's financial crime department comprises interdisciplinary expertise. The department makes use of both automated and manual controls to prevent crime. With the help of technological solutions, Sbanken places great emphasis on changing its work methods to reflect changes in the development and prevalence of crime.

Sbanken believes in thorough anti-money laundering work at the overarching level combined with the integration of anti-money laundering measures in all processes and areas of the bank. Sbanken carries out several competence-raising training activities in the organisation every year, and also gives lectures to external parties on measures to combat economic crime.

### How the issue is managed by Sbanken

The following represent fundamental guidelines for the bank's work:

- The Norwegian Money Laundering Act
- The EU Anti-Money Laundering Directive
- Recommendations issued by the Financial Action Task Force (FATF)
- The Wolfsberg Anti-Money Laundering Questionnaire

Sbanken follows up guidelines and relevant industry standards to make necessary adaptations in its anti-money laundering work. Risk assessments are conducted on a regular basis to ensure that the work is founded on a risk-based approach. This helps to ensure that Sbanken fulfils its corporate social responsibility and complies with the regulations in force at all times. The bank's anti-money laundering risk framework forms the basis for the bank's compliance with the anti-money laundering regulations. The fine-grained risk analysis is based on the bank's business profile and four risk categories: customers, transactions, products and distribution channels.

The bank publishes an annual statement, the Wolfsberg Anti-Money Laundering Questionnaire, as part of its work to combat economic crime and terrorist financing. The statement is available on the bank's website.

The Chief Compliance Officer (CCO) reports on compliance with the anti-money laundering regulations to the Board and management of Sbanken. At the senior management level, COO Banking has chief responsibility for ensuring that Sbanken's activities are organised to effectively prevent financial crime and comply with regulatory requirements. The status is reported to the bank's Board on a quarterly basis. The bank's anti-money laundering officer reports to COO Banking and has been assigned operative responsibility for the bank's financial crime and fraud department.

### Statistics 2020: Suspicious transactions

Parameter	2018	2019	2020
Number of transactions investigated for money laundering	26 806	46 368	74 714
Suspicious matters reported to Økokrim	256	460	512
Unsuccessful fraud attempts (amount in NOK million)		7.6	13.3

That the number of suspicious matters reported to Økokrim does not increase in step with the number of transactions investigated is largely due to higher quality and efficiency in the bank's case processing.



## Social responsibility initiatives 2020

### Measures implemented – climate and the environment:

- In 2020, Sbanken started reporting to the Carbon Disclosure Project (CDP), an international non-profit organisation that helps companies disclose their climate accounts. The bank achieved a C grade, up from F in 2019.
- Sbanken impacts the climate through its suppliers and customers (Scope 3). The bank started a thorough mapping of this type of indirect emissions in 2020, but reliable emission figures were not yet available at year-end. The mapping and data collection will be followed up in 2021.
- Job-related air travel has previously been reported as an estimate, as the bank has lacked correct data. The new travel expense system that was introduced in 2020 allows the bank to report actual figures for the first time. The figures show that the estimates previously reported were most likely too low.
- A target was adopted to reduce own carbon emissions by 10 per cent each year from 2019. That entails a halving of own emissions by 2029. The year 2020 was exceptional due to the coronavirus pandemic and has therefore not been chosen as the basis year.

### Measures implemented – stakeholder engagement:

- All the bank's corporate customers have undertaken through the customer agreement to comply with the bank's ESG framework.
- Through the Pooled Engagement initiative, the bank helped to exert pressure on 142 companies following breaches of various ESG principles identified by the bank's partner ISS-ESG. See table above under 'Pooled Engagement'.

- In 2020, 71 per cent of the bank's biggest suppliers (in excess of NOK 10 million) hold certificates/approval/labelling under ISO/EMAS, the Nordic Ecolabel, the EU Ecolabel and/or are certified Eco-Lighthouses. The figure was 70 per cent in 2019.
- In 2020, Sbanken established an ESG dialogue with the companies in which it has shareholdings and introduced a CSR self-declaration form. All three companies signed the document.

### Measures implemented – financial crime prevention:

- As a way of boosting expertise and rationalising and coordinating efforts to combat all forms of financial crime, the anti-money laundering department underwent reorganisation in 2020, and now also covers fraud.
- The bank focuses on continuous development of its in-house expertise. In 2020, a selection of staff underwent external training in combating human trafficking, and one employee was awarded KYC certification by the Association of Certified Anti-Money Laundering Specialists (ACAMS).
- Sbanken participated in a project called 'AML Møteplass' in 2020, a national anti-money laundering initiative under the auspices of the DSOP programme office. Through cooperation between public agencies and enterprises with a reporting obligation under the Money Laundering Act, the goal is to improve the risk-based approach to anti-money laundering work and rationalise the work for each of the enterprises.
- In 2019, the Financial Supervisory Authority carried out a supervisory visit to Sbanken for the purpose of checking the bank's compliance with the Money Laundering Act. The final report was published in April 2020. Sbanken considers the report to be a positive recognition of its commitment and efforts to combat financial crime.
- The coronavirus pandemic has led to an increase in investment fraud in particular. Sbanken's procedures and technology help to reduce the likelihood of businesses and individuals falling victim of fraud. In 2020, the bank focused on uncovering misuse of coronavirus funds, in accordance with the authorities' prioritisation.



## Owners and social responsibility

Sbanken is concerned with putting the customer first, but also with ensuring that employees, society and owners have a clear influence on how the business is run. The business depends on a high degree of trust from all market players, and it is only by acting professionally and with high integrity that the bank will ensure good access to the capital markets, including both equity and loan capital. By combining social responsibility with commercial operation, Sbanken reduces the financial risk and helps to create long-term value for both its owners and society at large.

Shareholders and bondholders investing in Sbanken are investing in a bank that provide loans only to private individuals, where the majority are in a geographically well-diversified mortgage portfolio. As a result, the bank is considered, as an investment object, to have slightly lower climate risk than many other banks, which offer loans to, for example, businesses in industries and sectors with a high carbon footprint and high ESG-risk.

### How the issue is managed by Sbanken

Target-setting, management by objectives and evaluation in 2020 were based on the procedure described in 'How Sbanken's ESG work is managed at the overarching level' on page 21. It describes the management system for the bank's ESG work at the overarching level.

The Board adopts guidelines for the bank's corporate governance. The policy is evaluated annually and is based on the Norwegian Code of Practice for Corporate Governance, discussed in a separate chapter of the annual report. The corporate governance principles will help the Board and management to ensure transparency in the bank's stakeholder communication, independence between the Board, management and owners, and equal treatment of shareholders. The bank's Investor Relations (IR) policy forms the basis for its capital market communication and helps to ensure that the bank's financial reporting and communication meet requirements and expectations. The bank complies with the Oslo Børs Code of Practice for IR, issued in July 2019. Of the bank's employees, only the CEO, CFO and Head of IR can be in regular contact with investors and analysts.

It is important for Sbanken to be transparent and open about its sustainability work, both through its own reporting and ESG assessments conducted by third parties. The bank focuses on regular exchanges with shareholders and bondholders about how the bank demonstrates corporate social responsibility. Through these exchanges, the bank gets feedback on the company's CSR work and how it can be communicated effectively.

### Green bond framework

In line with the bank's focus on CSR and sustainability and its aim to diversify sources of funding, Sbanken established a framework for issuing green covered bonds. The framework supports the UN Sustainable Development Goals, and an independent third-party assessment conducted by Sustainalytics confirms that it is in accordance with ICMA's Green Bond Principles. Of the mortgages in Sbanken Boligkreditt AS, 6.4 per cent have a green energy assessment, defined as Norwegian energy classes A, B or C. Of the mortgages in Sbanken ASA that qualify for transfer to Sbanken Boligkreditt AS, 7.4 per cent have a green energy assessment. It is Sbanken's risk management department that monitors changes in energy classes. At year-end 2020, the bank had not issued any green bonds.

### Owner-related measures 2020

- Sbanken has carried out extensive work to strengthen the role of the annual report as a management tool for the bank's sustainability work and as a tool for stakeholder communication.
- With reference to the Global Reporting Initiative, the bank has carried out a materiality analysis based on the 17 UN SDGs (see page x), mapped stakeholder engagement (see Appendix x) and prepared a GRI index (see Appendix x).
- The bank has also mapped climate risk (see appendix).
- The bank has signed the Guide against Greenwashing and thereby undertaken to avoid misleading marketing that presents a product or activity as better than it is with respect to climate change, the environment or human rights issues.
- Through dialogue with recognised ESG rating agencies such as MSCI and Sustainalytics, the bank has mapped its own improvement potential and implemented material elements in its strategy and reporting practices.

### ESG score from external rating agencies

Parameter	2019	2020	Comment
CDP	F	C	F for failed to disclose before 2020
MSCI	AA	AA	Among the best 10 per cent of banks assessed for ESG by MSCI
Sustainalytics	-	21.1	Among the best 15 per cent of banks assessed for ESG by Sustainalytics
Fair Finance Guide	64 %	74 %	

## UN SDGs in Sbanken's work with ESG

The UN Sustainable Development Goals (SDG) are a set of global goals set to end poverty, achieve equality and combat climate change by 2030. The SDGs consist of 17 goals and 169 targets. The goals are intended as a blueprint for joint global effort and priorities for nations, businesses and civil society for the next 15 years.

Sbanken has chosen to focus on the following goals:

- SDG 5: Gender equality
- SDG 8: Decent work and economic growth
- SDG 9: Industry, innovation and infrastructure
- SDG 10: Reducing inequalities
- SDG 13: Climate Action (included in 2020)
- SDG 17: Partnership for the Goals



Sbanken chose to use the UN Sustainable Development Goals (SDG) as the base for its materiality analysis. In the following section, each of the goals selected by the bank will be directly linked to the bank's activities, objectives, challenges and possibilities, and the implications of goal attainment for the Fair Deal stakeholders.

### SDG 5: Gender equality

Equality is about a fair distribution of power, influence and resources. A free life without violence and discrimination is a fundamental human right and decisive to the development of people and society. It has been proven over and over again that political, economic and social equality between men and women contributes to all dimensions of positive development.

#### Relevant targets:

5.1), 5.2), 5.4), 5.5), 5.a) and 5.b)

#### Why this matters to Sbanken

Equality and women's rights are a recurring topic of the SDGs, and essential for achieving all the goals by 2030. Sbanken is aiming for diversity and equality in its own organisation. The bank has devoted increased attention to this goal in 2020. Sbanken's activities relating to this goal:

- The bank makes targeted efforts to achieve and maintain gender balance and equal pay in the organisation. Read more on page 28-29.
- The bank aims to prevent different access to financial services based on gender. Read more on page 22.

#### Implications of goal attainment for the Fair Deal stakeholders

For customers, it means that Sbanken understands different customer needs because its employees reflect the diversity of the population. Sbanken's customers are treated equally regardless of gender, and customers choose a bank that prioritises equality among its staff.

For employees, it means that men and women have the same career opportunities in the bank, that there is gender balance in all parts of the organisation, and that they receive equal pay for equal work. There is zero tolerance for discrimination and harassment, and everyone has equal opportunities to take parental leave and follow up their children.

For the owners, it means that Sbanken attracts the best people because both men and women see the bank as an attractive place to work. The bank meets the same equality criteria as the bank's partners.

For society, it means that Sbanken comes across as an example of genuine equality and promotes role models who will encourage young talents, regardless of gender, to choose a career (not just studies) in banking and finance.



## SDG 8: Decent work and economic growth

To eradicate poverty and combat inequality in the world, everyone needs jobs. Fair economic growth and new jobs are prerequisites for that to happen. That entails including young people in the labour market, ensuring permanent, secure jobs, getting more women into employment and reducing informal and undeclared work.

### Relevant targets:

8.2), 8.3), 8.4), 8.5), 8.6), 8.7), 8.8) and 8.10)

### Why this matters to Sbanken

Lack of access to capital is one of the major obstacles to stability and economic growth. Sbanken provides simple, accessible day-to-day banking services and capital to ensure financial predictability, stability and growth. The bank offers products and services that enable people to achieve healthy finances, at the same time as it acts as a responsible credit provider that makes systematic efforts to prevent economic crime.

Sbanken's activities relating to this goal:

- The bank focuses on employees' human and labour rights. Read more on page 27-29.
- The bank engages in dialogue with its partners to ensure decent work. Read more on page 31.
- The bank has a good management system to prevent financial crime. Read more on page 32.

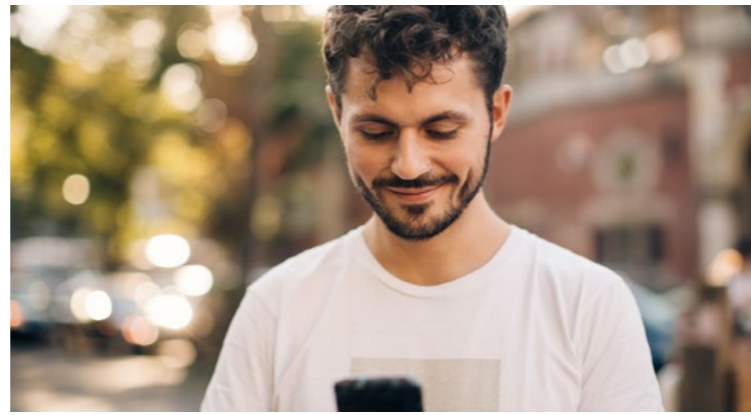
### Implications of goal attainment to the Fair Deal stakeholders

For customers, it means they are treated fairly regardless of their level of wealth. Sbanken's customers perceive the bank's services and products to be predictable and useful financial management tools, and the bank provides security for customer deposits.

For the employees, it means that Sbanken is financially sound and offers good working conditions and a secure environment for reporting nonconformities or unpleasant experiences.

For the owners, it means that Sbanken achieves good results and a good reputation in the market, where it makes systematic efforts to prevent unethical business conduct and financial crime.

For society, it means that Sbanken is a responsible member of society that makes requirements and expectations of decent working conditions among its partners.



## SDG 9: Industry, innovation and infrastructure

Build resilient infrastructure and promote inclusive, sustainable industrialisation and innovation.

### Relevant targets:

9.1), 9.2), 9.3), 9.4) and 9.a)

### Why this matters to Sbanken

Sbanken has built an infrastructure that makes banking solution accessible to everyone without having to visit a branch office. Customers can perform banking tasks at their convenience. For Sbanken, innovation is about resolving challenges in customer's day-to-day lives. A premise for sustainable development of information technology is to attend to information security, data protection and ethical business conduct.

Sbanken's activities relating to this goal:

- The bank has high customer satisfaction relating to innovation. Read more on page 17-18.
- The bank has expedient procedures for attending to information security, data protection and ethical business conduct. Read more on page 25-26.

### Implications of goal attainment for the Fair Deal stakeholders

For customers, it means digital access to banking services for everyone. It means services that are easy to understand and that customers' data are protected.

For the employees, it means working in an innovative environment. It means that Sbanken is an attractive place to work for people who want to be creative and challenge the status quo.

For the owners, it means that Sbanken has the ability to translate technological opportunities into something customers need and are willing to pay for, and thereby ensure a good return.

For society, it means that Sbanken is a driving force for innovation in banking services, with the goal of being accessible, smart and simple for everyone.

## SDG 10: Reducing inequalities

10.2) By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

### Relevant targets:

10.2), 10.3), 10.4), 10.5) and 10.c)

### Why this matters to Sbanken

Increasing inequalities are well documented both nationally and globally. Lack of access to capital is one of the major obstacles to a higher standard of living. Contributing to financial inclusion – regardless of gender, race and ethnicity – is therefore a high priority for Sbanken. With the help of objective criteria for credit and digital saving solutions, the bank helps to reduce inequality and give more customers an opportunity to take part in general economic growth.

Sbanken's activities relating to this goal:

- The bank's savings robot makes sophisticated financial advice available to everyone. Read more on page 24.
- With the help of ethical labelling of funds, the bank helps to channel capital into industries and companies that take ESG principles seriously, including focusing on human rights and labour rights. Simple tools to avoid ESG risk are thereby universally available. Read more on page 24.
- Customers are credit rated based on objective criteria.
- The bank has one of the most transparent price models in the market.
- Through the 'Framgang sammen' foundation, the bank supports projects that work to prevent exclusion among children and young people. Read more on page 32.

### Implications of goal attainment for the Fair Deal stakeholders

For customers, it means equal access to financial advice and fair credit assessments based on objective criteria, regardless of wealth. The bank does not discriminate between individual customers or customer groups in the credit classes they belong to, based on objective criteria.

For employees, it means that people can be hired without having the same background as everybody else, and it means having a workplace where no discrimination takes place.

For the owners, a variety of backgrounds among the staff leads to a better understanding of needs in different customer segments, which in turn provides fertile ground for new services and continued growth.

For society, it means simple banking services and easily accessible financial services, and the possibility for more people to achieve financial prosperity.

## SDG 13: Climate action

Take urgent action to combat climate change and its impacts.

### Relevant targets:

13.1), 13.3) and 13.a)

### Why this matters to Sbanken

Climate change is a global issue that knows no boundaries. It is important to limit the increase in average temperature to 1.5 °C if we are to avoid catastrophic global impacts. In addition to emission cuts and carbon capture and storage, increased investments must be made in renewable energy, new industrial systems and changes in infrastructure. Everyone must invest in protection, adaptation and limiting the adverse impacts of climate change.

Sbanken's activities relating to this goal:

- As a fully digital bank, Sbanken already has a modest climate footprint. The bank has nonetheless set a target to halve its own emissions by 2030. Read more on page 30.
- Sbanken's lending portfolio is based on mortgages and does not finance any polluting business activities. Read more on page 22.
- The bank offers products with clear climate criteria. Read more on page 23-24.
- The bank reports to the Carbon Disclosure Project (CDP). Read more on page 33-34.
- The bank reports climate risk with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Read more on page 30 and in Appendix 'Climate Risk'.

### Implications of goal attainment for the Fair Deal stakeholders

For customers, it means they can be sure that their deposits are not used to finance polluting projects or companies. With the help of ethical labelling, which is the bank's overarching ESG assessment of funds, and low-carbon labelling of funds, customers can use their consumer power to aid the transition to a low-emission society.

For employees, it means that Sbanken is part of the global effort to reduce greenhouse gas emissions, and that the bank, with the help of good digital solutions, enables employees to make climate-friendly choices in their day-to-day lives.

For the owners, it means that the bank can be financed by green bonds, and that shareholders avoid exposure to high climate risk through their ownership in the bank.

For society, it means that Sbanken reduces its direct and indirect emissions and encourages its partners to do the same.



## SDG 17: Partnership for the Goals

Strengthen the means of implementation and revitalise the global partnership for sustainable development.

### Relevant targets:

17.6), 17.8), 17.9, 17.14, 17.15, 17.16), 17.17) and 17.19)

### Why this matters to Sbanken

Finance Norway has established a roadmap for green competitiveness, and work is under way to continuously improve standards for sustainability reporting. These common standards are necessary to be able to compare the extent to which different parties succeed in their sustainability work, and transparency will help to influence attitudes. Sbanken's affiliation to UNEP FI entails a commitment, and the bank considers UNEP FI to be an arena for cooperation where we can be involved in the development of new banking initiatives. Sbanken wishes to contribute to harmonisation in its legislation and standards through channels for cooperation.

Sbanken's activities relating to this goal:

- The bank is a member of the United Nations Environment Programme Finance Initiative (UNEP FI). Read more on page 21.
- The bank is a member of Finance Norway's sustainability reference group.
- The bank is a member of Sustainability Hub Norway.
- The bank is involved in Pooled Engagement globally through its partner ISS-ESG. Read more on page 31.

- The bank engages in dialogue with and sets clear expectations of its partners to implement ESG criteria. Read more on page 23 and 31.

- The bank is open about the process behind ethical labelling of funds and how products are classified as green. Read more on page 23-24.

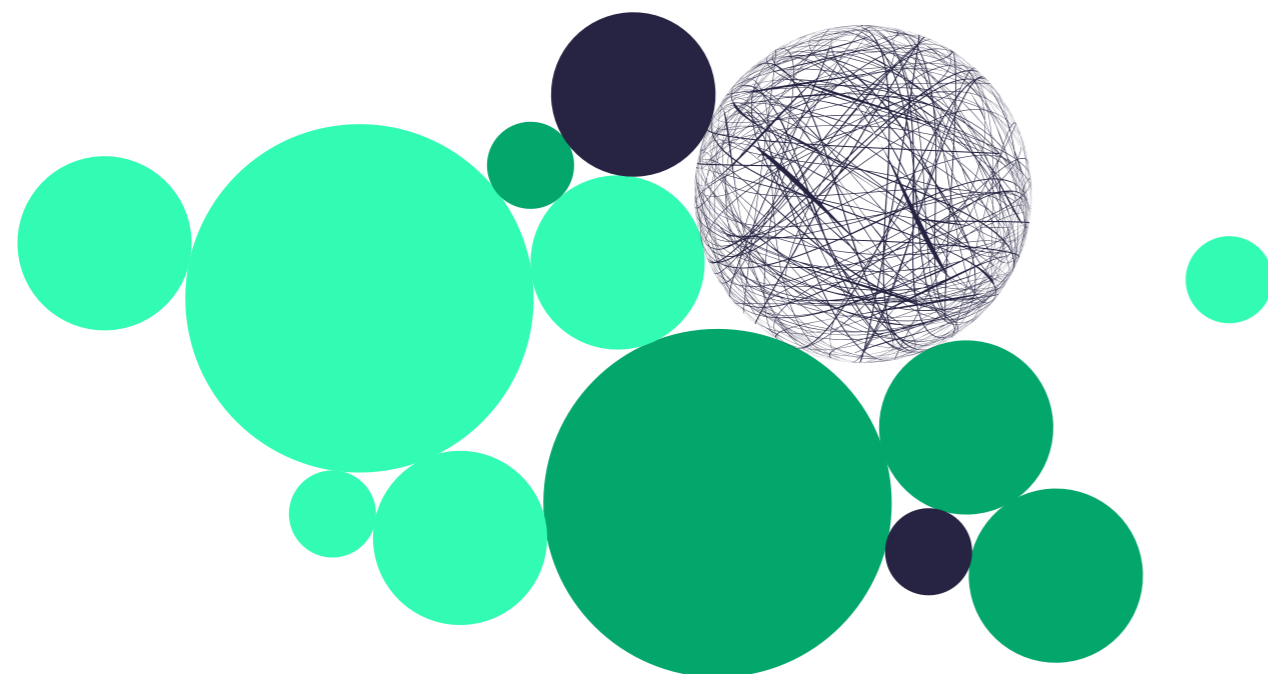
### Implications of goal attainment for the Fair Deal stakeholders

Long-term value creation requires cooperation between all stakeholders. For customers, it means that Sbanken gives them the tools to make sound financial decisions and socially responsible purchases and investments that contribute towards the UN SDGs.

For the employees, it means that the management and staff work together on sustainable operation of Sbanken, and to prevent greenwashing of the bank and its products.

For the owners, it means that Sbanken is respected as a sustainable bank that takes social responsibility, and is thereby an attractive investment object for investors with an ESG focus.

For society, it means that Sbanken joins forces with others in the industry and across industries – locally, nationally and internationally – to find good solutions, and that Sbanken uses established standards and frameworks to enable benchmarking with others.





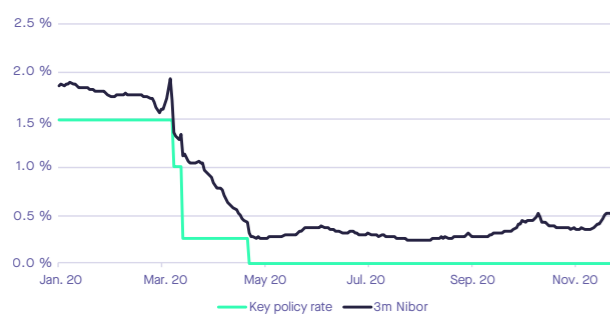
# Macroeconomic development in Norway in 2020

The macroeconomic development in Norway and internationally was in 2020 severely affected by the outbreak of the coronavirus Covid-19. In the first quarter, the virus spread from China to large parts of the world, including Europe and Norway, and on 11 March, the outbreak was recognised as a pandemic by the World Health Organization (WHO). In March, the Norwegian government introduced extensive containment measures to limit the spread of infection, which, in combination with plunging oil prices, resulted in a sharp fall in the economic activity in Norway. Easing of containment measures over the summer saw economic activity pick up again in Norway and among its trading partners, but significant increases in the infection rates put a damper on activity again towards the end of the year. For the year as a whole, GDP for mainland Norway fell by 2.5 per cent, compared to a growth rate of 2.4 per cent in 2019. Norges Bank projects mainland GDP growth in excess of 3 per cent for 2021 and 2022.

To stimulate activity in the Norwegian economy, Norges Bank decided to lower the key policy rate from 1.50 to 0.25 per cent in March. It was also decided to reduce the countercyclical capital buffer requirement from 2.5 per cent to 1 per cent, and to introduce extraordinary

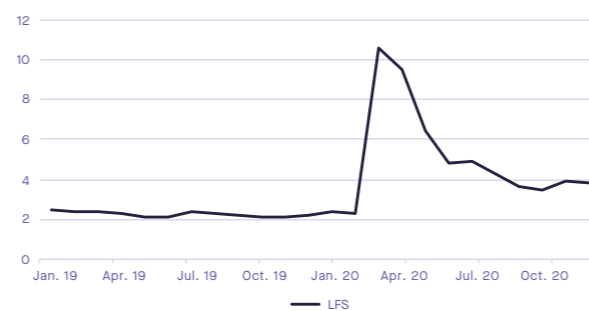
F-loans with a duration of up to 12 months. In May, Norges Bank decided to lower the key policy rate to zero per cent, a record-low level. At year-end, the money market rates, measured by the three-month Nibor rate, had dropped to 0.49 per cent, down 1.35 percentage points from year-end 2019. Norges Bank's interest rate path indicates that the key policy rate will gradually increase from the first half-year of 2022 and reach around 1 per cent by the end of 2023.

## Key policy rate and 3m Nibor



The labour market was severely affected by the containment measures as temporary layoffs led to a sharp increase in unemployment. From February to March, registered unemployment increased from 2.3 per cent to 10.6 per cent. Towards the end of the year, unemployment levels decreased from the historically high level, and the registered unemployment rate was 3.8 per cent at year-end. Forecasts from Norges Bank project that unemployment will be further reduced to just over 3 per cent in 2021 and thereafter fall to around 2.5 per cent.

## Registered unemployment as percentage of workforce



The housing market in Norway has shown resilience through the pandemic and has been characterised by high trading volumes and strong price growth. At the national level, housing prices increased by 8.7 per cent in 2020, according to figures from Eiendom Norge. The increase was strongest in Oslo, where prices rose by 12.0 per cent, while Stavanger had the weakest price growth with an increase of 5.2 per cent. Norges Bank's projects a housing price increase of around 7 per cent in 2021, followed by a more moderate price growth from 2022, as the slightly higher interest rate level starts to have a dampening effect. Household credit growth was 4.9 per cent in 2020 and is expected to be marginally lower for the year ahead.

## Housing prices - seasonally adj. index and 12m growth



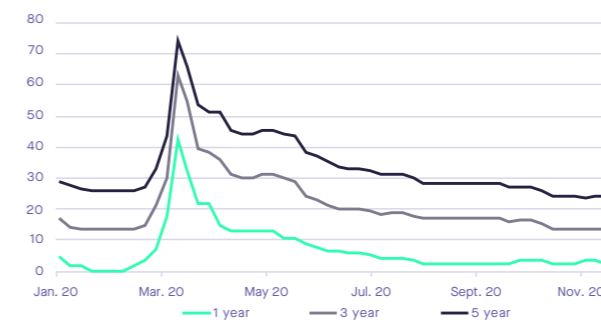
# The capital market

## Share price development

Sbanken was listed on Oslo Børs on 2 November 2015. The bank's ticker code is SBANK. Sbanken is included in the OBX Financials index. The bank has one class of shares, and all shares carry equal voting rights. At year-end, the number of outstanding shares was 106 869 333.

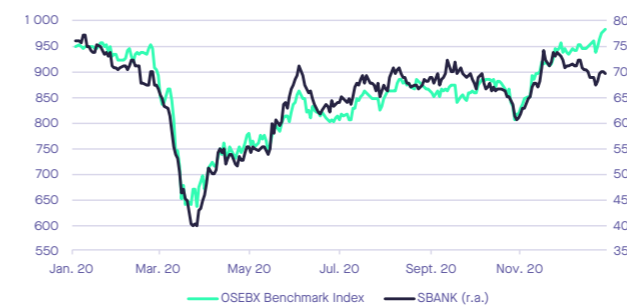
In the wake of the coronavirus outbreak, there was considerable turmoil in the financial markets, both internationally and in Norway. Stock market indices fell significantly in February and March, while credit spreads in the bond markets increased rapidly. Extensive fiscal policy stimulus packages and monetary policy measures, including record-low key policy rates from central banks, helped to calm the market unrest as spring progressed. Positive news regarding vaccine development supported market risk sentiment towards year-end and contributed to a broad upsurge in global stock markets. The Oslo Børs benchmark index ended 2020 up 4.6 per cent, while the US S&P 500 Index ended up 16.3 per cent.

## Development in covered bond credit spreads (bp)



Sbanken's share price followed the stock market fall in February and March, and reached a bottom level of NOK 38.50 per share, 48.8 per cent down below the closing price of 2019. The share price corrected significantly upwards in the second quarter, and by June, the majority of the share price fall from February and March had been recovered. The third and fourth quarter was characterised by lower turnover and a more stable price development. For 2020 as a whole, the Sbanken share closed down by 7.6 per cent, compared to a 2.0 per cent increase for the Oslo Børs' Financial Index.

## Share price development 2020



## Relative share price development since IPO



## Dividend policy

Sbanken aims to deliver an attractive and competitive return on equity, and to facilitate for planned growth, to create shareholder value over time through positive share price development and distribution of excess capital. Excess capital can be distributed through a combination of cash dividends and repurchase of shares. In accordance with the updated dividend policy, the bank targets to distribute approximately 50 per cent of the group's annual net profit as cash dividends. The target is based on current capital requirements, and any changes in regulations, the economic climate or in the bank's strategy can lead to changes in the dividend policy.

In February 2021, the Board of Directors proposed to distribute a dividend of NOK 3.15 per share for the fiscal year of 2019, corresponding to 49.6 per cent of the group's net profit. In April 2020, it was decided to postpone the distribution of the dividend for 2019 after the Board received a request on general terms from the Financial Supervisory Authority to reconsider dividend distributions in light of the increased uncertainty following the coronavirus outbreak. For the 2020 fiscal year, it is proposed that the Board receive an authorisation to decide on the distribution of up to NOK 4.40 per share in dividend, corresponding to a dividend ratio of 62.8 per cent of the group's net profit.

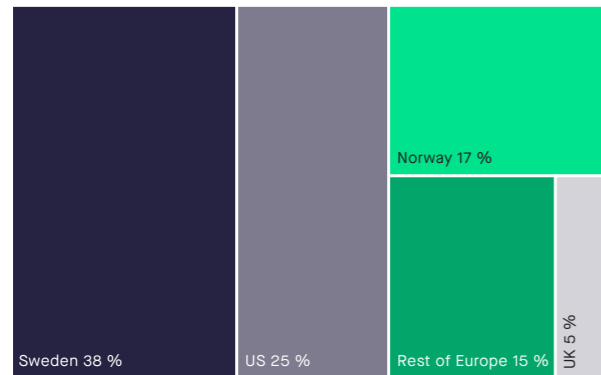
## Shareholder structure

At the end of 2020, the share capital amounted to NOK 1 068 693 330 divided between 106 869 333 shares, each with a nominal value of NOK 10.

At year-end 2020, Sbanken had 5 500 registered shareholders, an increase of 16 per cent from 2019. The 20 biggest shareholders had a total holding of 75 million shares, corresponding to 70 per cent of the issued share capital. The largest shareholder is Altor Fund IV, which holds 25 per cent of the bank's shares. As of 31 December 2020, institutional investors owned 87 per cent of the bank's shares. Norwegian institutional

investors held 17 per cent of overall institutional holding, up from 11 per cent at year-end 2019.

**Geographical distribution, institutional shareholders**



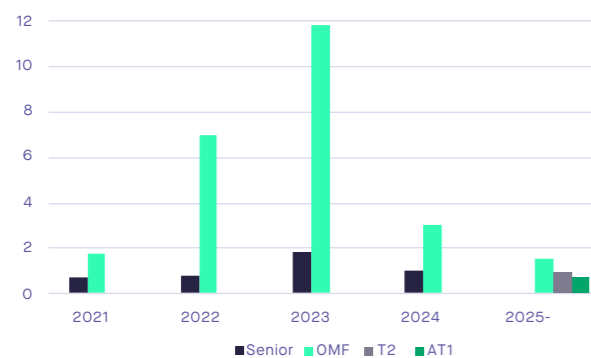
**Rating**

Sbanken ASA has a long-term deposits rating of A3 with a positive outlook from Moody's. The rating outlook was upgraded from stable to positive in December 2020 as a result of the bank's low and improved risk profile, its sound capital situation, strong growth in deposits and resilient profitability. Covered bonds issued by the bank's wholly owned mortgage company, Sbanken Boligkreditt AS, have a long-term rating of Aaa from Moody's, the highest available rating. Sbanken ASA's rating was last confirmed on 9 December.

**Capital market funding**

At year-end, capital market funding accounted for 33 per cent of the bank's financing, of which NOK 25.7 billion were through covered bonds and NOK 4.3 billion through senior unsecured bonds. The figure below shows the maturity structure for Sbanken's capital market funding at year-end 2020. For details on individual bonds and capital market funding, see notes 19–21.

**Debt maturity profile (NOK billion)**



**Investor Relations**

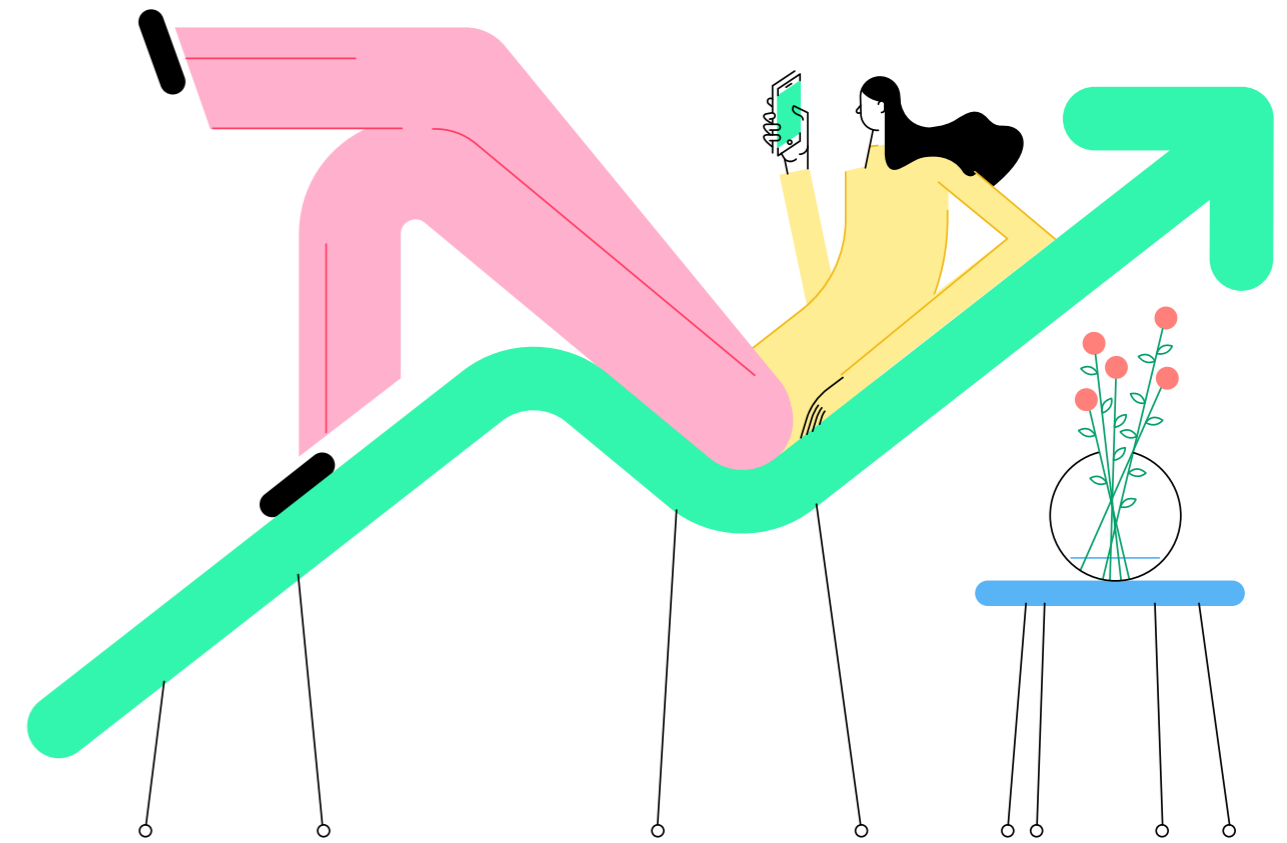
Sbanken complies with the Oslo Børs Code of Practice for IR, issued in July 2019. All information relevant to the pricing of financial instruments by Sbanken ASA or its subsidiary Sbanken Boligkreditt AS will be given simultaneously to all market participants. All financial information will, after publication, be made available on Sbanken's website. Presentations of quarterly results will be made in English and will be made available as webcasts. In addition, the Head of Investor Relations and representatives from the management group will hold meetings with existing and potential investors and with analysts, both in and outside of Norway.

All new presentation material that is communicated to the market will be prepared in English and published as stock exchange announcements before being made available on the bank's website. Sbanken will ensure that investors and analysts are given the same oral information based on previously published material, at meetings and during other direct contact. A more detailed description of equal treatment of shareholders is available in the chapter 'Corporate governance'. Sbanken's Investor Relations guidelines are available on the IR pages at sbanken.no/ir. At year-end 2020, eight equity brokerage firms had analyst coverage of Sbanken. Up-to-date contact information is available at sbanken.no/ir.

**20 largest shareholders at 31 Dec. 2020\***

	Ownership in percent	
1	Altor Fund IV	25.0 %
2	ODIN Forvaltning AS	4.8 %
3	Fidelity Management & Research Company LLC	4.0 %
4	Lannebo Fonder AB	4.0 %
5	Paradigm Capital Management, Inc.	3.9 %
6	Ferd AS	3.0 %
7	DWS Investment GmbH	3.0 %
8	Neuberger Berman, LLC	2.6 %
9	Didner & Gerge Fonder AB	2.3 %
10	Arctic Fund Management AS	2.2 %
11	Nordea Funds Oy	2.1 %
12	The Vanguard Group, Inc.	2.1 %
13	Templeton Investment Counsel, L.L.C.	1.7 %
14	Kempen Capital Management N.V.	1.7 %
15	Dalton Strategic Partnership, L.L.P.	1.5 %
16	Grandeur Peak Global Advisors, LLC	1.4 %
17	Lazard Frères Gestion S.A.S.	1.3 %
18	Dimensional Fund Advisors, L.P.	1.2 %
19	Janus Henderson Investors	1.1 %
20	Farrington Capital Management SA	1.1 %

\* The beneficial owners of shares in nominee accounts are estimated on the basis of analysis and discretionary assessment. Unidentified beneficial owners may be among the company's largest shareholders.



**Financial targets 2021–2023**

Sbanken aims to deliver an attractive and competitive return on equity, which in turn facilitates the creation of shareholder value through positive share price development and distribution of dividends. As of year-end 2020, Sbanken had the following financial targets for the period 2020–2022.

**Financial targets 2020–2022**

	Target 2020–2022	2020
Return on equity	14 %	11.4 %
Annual EPS growth	> 10 %	10.4 %
Dividend	Up to 30 %	62.8 %
Cost-to-income ratio	> 34 %	38.4 %
CET1 ratio	13.0 %	15.5 %

In February 2021, the Board of Directors decided to update the bank's financial targets for the period 2021–2023. The bank's key financial target of delivering a ROE of 14 per cent was upheld, while the efficiency ambitions were raised with an updated cost-to-income ratio target of 30 per cent. To enable

higher dividend distributions in periods of overcapitalisation, the dividend restriction of 30 per cent was removed and the dividend policy updated.

**Financial targets 2021–2023**

	Target 2021–2023	2020
Return on equity	14 %	11.4 %
Annual EPS growth	10 %	10.4 %
Cost-to-income ratio	30 %	38.4 %
CET1 ratio	Regulatory requirement + 0.5 percentage points*	15.5 %

\* Corresponded to 13.0 per cent at the end of 2020.

The targets are based on the bank's current regulatory capital requirements. Any future changes in regulations, the economic climate or the bank's strategy may result in changes to the bank's financial targets.





# Corporate governance

## 1. Implementation and reporting on corporate governance

Every year, the Board and management of Sbanken ASA review the bank's principles for corporate governance and how they are implemented in the group. The formal requirements and recommendations for this report follow from the Norwegian Accounting Act Section 3-3b and the Norwegian Code of Practice for Corporate Governance of 17 October 2018, available at [nues.no](http://nues.no). The bank's corporate governance guidelines are available on its website.

This section describes how Sbanken has complied with the 15 chapters of the Code of Practice. Any deviations are commented on in each sub-section below.

Deviations from the Code of Practice: None

## 2. Business

Sbanken ASA is a financial services group that consists of the parent bank and its subsidiary Sbanken Boligkreditt AS. Sbanken is an innovative online bank with no branch offices, offering modern banking services to Norwegian retail

customers and small businesses through a user-friendly flexible banking platform. Sbanken's business is set out in the company's Articles of Association, which are available on the bank's website. The Articles of Association state that the object of the company is to conduct banking activity within the relevant legislative framework. The bank offers all transactions and banking services that are customary or natural in the financial sector. The Board of Directors adopts its resolutions within the business framework decided by the General Meeting.

The Board is in charge of the company's strategic planning and defines clear goals, strategies and a risk profile for the bank's business. Information about this is available in the Board of Directors' report. The company's objectives, strategies and risk profile are evaluated at least once a year, among other things through work on the business plan and ICAAP, both documents adopted by the bank's Board.

Sbanken aims to inspire smart financial choices for the future, and the bank's values are: Open, Simple, Fair, and Friendly Rebel. The bank's activities and services are dependent on a high degree of trust. The trust of our customers and society is based on a good reputation and high ethical standards in all parts of the business. This forms the basis for decision-making

and govern the corporate culture together with the bank's core values.

The bank's objective and values form the basis for the bank's guidelines on ethics and corporate social responsibility. Sbanken's code of ethics and business conduct as well as the policy on corporate social responsibility and sustainability are available on the bank's website.

The bank's corporate social responsibility is described in the Board of Directors' report and in a separate chapter in the annual report.

Deviations from the Code of Practice: None

## 3. Equity and dividends

### Capital adequacy

The Board continuously assesses the capital situation in light of the company's objectives, strategies and risk profile. The bank's capital risk policy is approved by the Board. The bank's capital requirements are analysed based on the bank's business and financial plans through the annual ICAAP process adopted by the Board.

Details concerning the bank's capital situation are available as part of the financial information.

### Dividend

When deciding the size of the annual dividend, particular account is taken of the group's capital requirements, including capital adequacy requirements, and the group's objectives and strategic plans. Sbanken has updated its dividend policy, which dictates that the bank shall endeavour to distribute about 50 per cent of the group's net profit for the year as a cash dividend. Excess capital can be distributed through a combination of cash dividend and buy-back of shares.

### Mandates of the Board

At the annual general meeting, held on 24 April 2020, the Board was granted to exercise the following mandates:

- issue a subordinated bond loan between Sbanken ASA as the borrower and Nordic Trustee ASA as the trustee for the bond holders, with a total nominal value of up to NOK 600 million;
- issue subordinated loans between Sbanken ASA as the borrower and Nordic Trustee ASA as the trustee, with a total nominal value of up to NOK 750 million;
- purchase, on behalf of the company, own shares with a total value of up to NOK 32 million, corresponding to 3.0 per cent of the company's share capital. The purpose of the mandate is to enable the company to buy its own shares to facilitate an optimal capital situation, and/or to buy own shares to distribute to employees in accordance with previously adopted share purchase programmes.

The maximum amount that can be paid per share is NOK 150 and the minimum is NOK 10. Under the mandate, the company may buy and sell shares in the manner that the Board finds expedient. Acquisition shall nonetheless not take place through subscription for own shares; and

- increase the share capital by up to NOK 100 million. The purpose of the authorisation is to enable the company to raise capital in connection with potential acquisitions and/or when more capital is needed to achieve growth in lending.

The mandates are valid from the date of decision until the annual general meeting in 2021 or 30 April 2021, whichever comes first.

Deviations from the Code of Practice: None

## 4. Equal treatment of shareholders and transactions with close associates

Sbanken has one class of shares, and all shares carry equal voting rights. In the event of share capital increases, existing shareholders have pre-emptive rights, unless special circumstances indicate that these rights may be waived. In such cases, the basis for a waiver must be explained. In cases where the Board of Directors requests mandate from the General Meeting to buy back own shares, this must take place in accordance with Oslo Børs' guidelines.

### Largest shareholder

Altor Fund IV, which collectively owns 25 per cent of the shares via Altor Invest 3 AS and Altor Invest 4 AS, is Sbanken ASA's largest shareholder.

### Transactions with close associates

Before material transactions are carried out between the company and its shareholders, a shareholder's parent company, board members, members of the management or close associates of any such parties, the Board shall obtain an independent third-party assessment. However, this does not apply to transactions subject to the General Meeting's approval in accordance with the provisions of the Public Limited Liability Companies Act. An independent assessment shall also be carried out for transactions between companies in the group if any of the companies involved have minority shareholders. Members of the Board and management must notify the Board if they have material direct or indirect interests in a transaction carried out by the company.

Deviations from the Code of Practice: None

## Shares and negotiability

The shares in Sbanken ASA are listed on Oslo Børs with the ticker SBANK and are freely negotiable. The Articles of Association do not set out limitations on the right to own, buy/sell or vote for shares in the company. Chapter 4 of the Articles of Association contains more detailed provisions on the exercise of voting rights at the annual general meeting.

Deviations from the Code of Practice: None

## 6. General meeting

Sbanken ASA's supreme authority is the General Meeting which represents the bank's shareholders. Under the Articles of Association, the annual general meeting shall be held by the end of April each year. Notice of and forms for registration and proxy are sent to the shareholders and made available on the bank's website at least 21 days before the date of the meeting. Measures are taken to ensure that shareholders can exercise their rights by attending the general meeting. Shareholders who are unable to attend may vote by proxy. The proxy form is designed to allow votes to be cast for each item on the agenda. The deadline for registration, advance voting and the use of proxies is set as close to the date of the annual general meeting as possible.

Pursuant to the Articles of Association, case documents are only made available on the bank's website by the same date, but shareholders may ask to receive case documents by post if they so wish.

The Board takes steps to ensure that the General Meeting can elect an independent person to chair the meeting. The CEO, the Chair of the Board and the Chair of the Nomination Committee attend the annual general meeting. The auditor will also attend when it is considered necessary based on the nature of the items to be considered. Minutes of annual general meetings are available on the bank's website.

The General Meeting elects the Chair of the Board, members of the Board, the Chair of the Nomination Committee and members of the Nomination Committee. Shareholders may vote for each individual candidate for offices on the Board and Nomination Committee. The General Meeting also elects the external auditor.

Deviations from the Code of Practice: None

## 7. Nomination Committee

Sbanken's Articles of Association specify that the bank shall have a nomination committee consisting of three members: two members and a chair, elected by the General Meeting for up to two years at a time. The Chair of the Nomination Committee has chief responsibility for the committee's work. No members of the Board or representatives of the bank's

management are members of the Nomination Committee. Members of the Nomination Committee may not be re-elected more than twice, so that the total term of office does not exceed six years.

The Nomination Committee submits its recommendations to the General Meeting concerning:

- the election of shareholder-elected board members and the Chair of the Board
- the election of members and the Chair of the Nomination Committee
- remuneration of the Board and the Nomination Committee
- The Nomination Committee's recommendation for the General Meeting is made available together with the other case documents at least 21 days before the date of the meeting.

Information about the Nomination Committee and about how to submit proposals to the Committee is available on the bank's website together with the rules of procedure for the Nomination Committee.

Deviations from the Code of Practice: None

## 8. The Board of Directors: composition and independence

### Composition of the Board

The General Meeting elects the Chair of the Board and board members for up to two years at a time. As of 31 December 2020, the Board has six shareholder-elected board members in addition to two employee-elected board members. Information about the board members is available on the bank's website and in the annual report.

The Nomination Committee endeavours to make a recommendation for the General Meeting that ensures that the composition of the Board safeguards the interests of all shareholders and the company's need for expertise, capacity and diversity. Endeavours should also be made to ensure that the Board functions effectively as a collegial body. The composition of Sbanken's Board meets the requirements of relevant financial legislation and the Norwegian Code of Practice for Corporate Governance concerning independence in relation to the company's management, main shareholders and important business associates. Neither the CEO nor any executive personnel are members of the Board.

Four of the board members are women: three shareholder-elected members (elected by the General Meeting) and one employee-elected member. No one may hold the office of board member or Chair of the Board for a continuous period of more than 12 years. No one may be a member of the Board for more than 20 years.

Board members are encouraged to own shares in the bank. The bank's website and the annual report contain an overview of board members' acquisitions.

### The Board's independence

All shareholder-elected board members are deemed to be independent of the bank's day-to-day management and the majority of them are considered to be independent of the company's main shareholder. Board member Hugo Maurstad is a partner in Altor Equity Partners, which controls Altor Fund IV, which in turn owns 25 per cent of the bank's shares via Altor Invest 3 AS and Altor Invest 4 AS. The majority of the shareholder-elected board members are also deemed to be independent of the company's main business associates. Board member August Baumann was Senior Vice President at Atea ASA from 2017 to October 2020. Sbanken entered into an agreement with Atea ASA for the provision of operational IT services, which includes operation of and support for the bank's office platform, in February 2016. From December 2020 to January 2021, Baumann has performed consultancy assignments for Sbanken.

Participation in board meetings and board committees in 2020  
A total of 11 board meetings were held during the year, four of which were extraordinary board meetings. The Audit Committee, the Remuneration Committee and the Risk and Compliance Committee have held seven meetings each. In addition, several meetings have been held relating to strategy work and competence development for board members.

The following table shows each board member's participation in board meetings and board committees:

	Board meetings	Audit Committee	Risk and Compliance Committee	Remuneration Committee
Niklas Midby	11	7	7	7
Ragnhild Wiborg	11	7	7	
August Baumann	11	7		7
Mai-Lill Ibsen	11		7	
Hugo Maurstad	11			
Cathrine Klouman**	10		2	
Stein Zahl-Pettersen*	7			
Sarah Mjåtvedt*	7			4

\* Sarah Mjåtvedt and Stein Zahl-Pettersen, both Sbanken employees, were elected board members on behalf of Sbanken's employees in the employee election held on 24 April 2020. Sarah Mjåtvedt and Stein Zahl-Pettersen did not attend any of the four board meetings held before the annual general meeting on 24 April 2020.

\*\* Cathrine Klouman was appointed as a member of the Risk and Compliance Committee on 14 May 2020 and did not attend any of the four meetings held before that date. Sarah Mjåtvedt was appointed as a member of the Remuneration Committee on 14 May 2020 and did not attend any of the three meetings held before that date.

Deviations from the Code of Practice: Board member August Baumann has performed consultancy assignments for the bank concerning remuneration in the group. He will receive payment for this work. The bank's justification for using Baumann is that he knows the company and organisation well, has expertise in the area, and that the assignment is limited in time and scope. Baumann will ensure his own independence in relation to any subsequent consideration by the Board of the topic covered by the agreement.

## 9. The work of the Board of Directors

### Duties of the Board

The duties of the Board are laid down in the rules of procedure, which regulate the Board's responsibilities and duties, Board's case proceedings and which cases are to be dealt with by the Board, as well as rules for notice and meetings proceedings. The rules of procedure also contain provisions on suitability, impartiality and handling of conflicts of interest. Board members and executive personnel are obliged to inform the company of any material interests they may have in matters to be considered by the Board. The Board has adopted rules of procedure for the CEO's mandates, reporting to the Board and the duty to ensure that the Board's resolutions are implemented. The Board adopts an annual meeting and work plan that covers strategy work, financial reporting, risk management and internal control. The CEO and the board secretary prepare cases to be dealt with by the Board together with the Chair of the Board.

As a listed group, Sbanken has three board committees, described in more detail below. The members of the committees are elected by and from among the board members. The members of the committees shall have the necessary expertise in relation to Sbanken's organisation and business. The Board has adopted separate rules of procedure for each committee, which include provisions on the committee's purpose, composition, duties and functions. The committees do not adopt any resolutions, but supervise the administration's work on behalf of the Board, and prepare matters within their areas of responsibility for consideration by the Board.

### Remuneration Committee

In 2020, the Remuneration Committee consisted of three members of the company's Board. In addition to the members of the Committee, the Chief Organisation, Leadership and Culture Officer also attends the meetings. In accordance with the rules of procedure adopted by the Board, the Committee shall ensure a thorough and independent preparation of matters relating to remuneration in the bank. At least annually, the Committee shall consider and provide recommendations for board resolutions relating to which roles and employees in the bank should be considered leading employees, employees with duties of significance to the company's risk exposure, and employees with supervisory duties. The Committee shall also prepare an assessment of the company's remuneration schemes and a declaration on the salary of the CEO and the employees mentioned above.

### Audit Committee

In 2020, the Audit Committee consisted of three members of the company's Board. The composition of the Committee satisfies the Code of Practice's requirements for independence and competence. At least one of the independent members has satisfactory qualifications in accounting and/or auditing.

In addition to the members of the Committee, the CFO and the CRO attend the meetings. The Audit Committee's duties include



preparing the Board's follow-up of the financial reporting process, monitoring systems for internal control and risk management and ensuring that the group has an independent, efficient external auditor and satisfactory financial reporting in accordance with laws and regulations. Separate rules of procedure have been prepared for the Audit Committee and adopted by the Board of Directors.

#### Risk and Compliance Committee

In 2020, the Risk and Compliance Committee consisted of three members of the company's Board. In addition to the members of the Committee, the CFO, CRO and CCO attend the meetings. The Committee shall ensure that the group's risk and capital management supports the group's strategic development and endeavours to meet its objectives, and that it ensures financial stability and satisfactory asset management. Separate rules of procedure have been prepared for the Risk and Compliance Committee and adopted by the Board of Directors.



#### The Board's self-assessment

The Board carries out an annual review of its own performance and competence, which forms the basis for changes in the Board and the board committees' work and composition. The key points in the Board's review are made available to the Nomination Committee, and the Committee also meets with each individual board member separately.

Deviations from the Code of Practice: None

## 10. Risk management and internal control

Risk management is an integral part of the Board's work. The Board has adopted an overarching strategy for risk management and internal control. The bank shall have a sound risk culture based on openness, transparency and competence, and it shall continuously challenge its methods, processes and procedures in order to improve the bank's performance.

Sbanken's Board establishes the risk appetite for defined risk categories and adopts guidelines that operationalise the company's risk appetite.

The bank adopts a holistic approach to risk management. This means that the following principles shall apply:

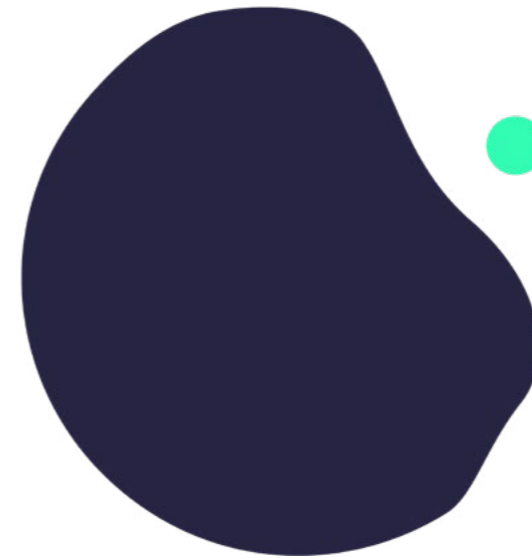
- The bank's risk appetite for each risk category shall be translated into specific management parameters.
- Each risk category has been allocated capital in line with the actual risk aligned with the bank's risk appetite.
- The bank's risk management systems and procedures shall be appropriate to the complexity of the business.
- Risk management shall be an ongoing and continuous process.
- Risk reports shall be presented in an understandable manner that provides a clear picture of the bank's risk situation to all stakeholders.
- Risk management shall be performed across the group's companies, at all levels within each individual company in the group, and for the group as a whole.
- The bank shall only assume risk where the bank and the individual decision-makers have the qualifications and systems needed to manage the risk.
- Responsibility for entering into agreements that give rise to risk for the bank is delegated through personal mandates.
- Efforts shall be made to achieve as great a balance as possible between risk and profitability. Profitability shall be measured individually at the customer and exposure level, with respect to sub-portfolios/segments/departments and for the bank as a whole. Profitability shall be measured on a risk-adjusted basis and considering the economic capital allocated.
- The organisation of the bank is based on the principle of three lines of defence.

#### First line of defence

The bank's operational management represents the first line of defence and shall take ownership of any risk-taking. The business units are responsible for handling the operation and control of their own risks and for performing risk assessments and implementing risk and internal controls that enable the bank to operate in accordance with applicable regulations and the limits and risk appetite adopted by the Board of Directors.

#### Second line of defence

Second-line functions monitor and verify that the bank operates within the adopted risk limits. The Chief Risk Officer and the Chief Compliance Officer perform this role. The Chief



Risk Officer heads the bank's Risk Management function, and the Chief Compliance Officer heads the bank's Compliance function.

The Risk Management function is responsible for establishing and maintaining systems and processes that ensure that the bank complies with adopted risk strategies, policies and procedures. The function prepares regular risk reports for the Board of Directors, and reports any breaches of limits and guidelines. The Chief Risk Officer is independent of managers with responsibility for risk-taking, and does not take part in decisions that relate directly to areas that are monitored and reported on. Organisationally, the Chief Risk Officer reports directly to the CEO, but also has a right and a duty to report directly to the Board. The Chief Risk Officer may not be dismissed without the Board's consent.

The Chief Compliance Officer is independent of managers with responsibility for risk-taking and leads the part of the second line of defence that covers compliance with procedures and regulations. Administratively, the function reports to the CEO. In practice, however, it is independent of the bank's management and other staff and control functions. The Chief Compliance Officer verifies compliance with regulations based on the Board's instructions, and reports to the Board on relevant matters. The Chief Compliance Officer may not be dismissed without the Board's consent.

#### Third line of defence

The bank's internal auditor carries out independent tests of the risk management procedures. The internal auditor shall be independent of the bank's operational functions, and reports directly to the Board of Directors. The internal audit function shall ensure, among other things, that the company is organised and run in a responsible manner and in accordance with relevant requirements. The internal auditor performs audits in accordance with the audit plan and rules of procedure adopted by the Board. KPMG was the bank's independent internal auditor in 2020.

A self-assessment of risk and internal control is carried out annually. All the bank's managers participate in the assessment, and the results are presented to the Board. The bank's systems for risk management and internal control cover all parts of the business, including its relationship with society.

Deviations from the Code of Practice: None

## 11. Remuneration of the Board of Directors

Remuneration paid to members of the Board of Directors and the board committees is determined by the General Meeting, based on a recommendation from the Nomination Committee.

Board members' fees do not depend on the company's financial performance or other objectives. No options are issued to members of the Board. With the exception of employee-elected board members, no other members of the Board perform other tasks for the company than board work. Information about remuneration paid to individual board members is presented in the notes to the annual accounts.

Deviations from the Code of Practice: None

## 12. Remuneration of executive personnel

Sbanken's policy for remuneration of employees of Sbanken ASA is approved by the bank's Board, and the remuneration scheme applies to all employees.

The policy shall help to ensure that the bank is able to attract, retain and motivate employees. The remuneration policy is based on the bank's business concept and objectives, the market and competitive situation, and the bank's financial circumstances. The salary level should reflect the bank's aim to be both cost-effective and competitive. The remuneration scheme shall comply with the bank's objectives, risk tolerance and long-term interests.

The remuneration scheme is designed to ensure that the bank complies with the regulations relating to Remuneration Arrangements in Financial Institutions. The bank's remuneration scheme contains separate rules for executive personnel, other employees and officers with duties of significance to the bank's risk exposure, and employees with supervisory duties. The bank's performance-based remuneration scheme is covered by exemptions described in the Financial Supervisory Authority's Circular 2/2020, section 2.2.

The Board's statement on the stipulation of remuneration for executive personnel is presented to the shareholders annually in connection with the notice of the annual general meeting. See the notes to the annual accounts.

Deviations from the Code of Practice: None



### 13. Information and communication

Sbanken ASA's Board has adopted a financial reporting policy to ensure that the bank complies with the requirement to provide the management, Board, owners, other investors, the authorities, employees and customers with transparent, reliable information about its business.

Sbanken has dedicated investor relations pages at sbanken.no/ir, where its procedures for financial communication are described. The bank places great emphasis on providing accurate, relevant and timely information about the group's development and performance in order to create a sense of confidence among investors. All price-sensitive information is published in Norwegian and English. Stock exchange announcements, annual and quarterly reports, presentation material and webcasts are available on the bank's website.

Information is also communicated to the market through quarterly investor presentations. Regular presentations are held for national and international investors. All reporting is based on transparency and equal treatment of parties in the securities market. The group's financial calendar is published on the bank's website.

Deviations from the Code of Practice: None.

### 14. Take-overs

Sbanken's corporate governance policy is approved by the bank's Board. It sets out guidelines for how the Board should handle any takeover bids.

Sbanken's Board of Directors will handle any takeover bids in accordance with the principle of equal treatment of shareholders. The Board will also help shareholders to obtain as much supplementary information as possible in all situations that affect their interests. Approval must be sought from the Financial Supervisory Authority of Norway for the acquisition of shares in a financial institution that brings the total shareholding up to more than 10 per cent of the acquired company's share capital.

Deviations from the Code of Practice: None.

### 15. External auditor

Deloitte AS has been Sbanken ASA's external auditor since 2015. The external auditor presents an annual plan for the audit work to the Audit Committee and the Board of Directors. The Audit Committee evaluates and makes a recommendation to the Board for the election of the external auditor. The Board holds an annual meeting with the auditor that is not attended by members of the management group. The Audit Committee submits its recommendation to the Board for approval of the external auditor's fee.

The Board subsequently presents the proposal to the General Meeting for approval.

The external auditor gives the Audit Committee a description of the main elements of the audit for the previous fiscal year, including details of any material weaknesses identified with regard to internal control in connection with the financial reporting process.

The CEO may use the auditor for other services than auditing. This is regulated in internal guidelines approved by the Board, and in the letter of assignment from Deloitte AS.

Deviations from the Code of Practice: None

### Declaration on corporate governance pursuant to the Accounting Act Section 3-3b

1. The declaration complies with statutory requirements. Sbanken complies with the Norwegian Code of Practice for Corporate Governance, issued by the Norwegian Corporate Governance Board (NUES).
2. The Code of Practice is available at [www.nues.no](http://www.nues.no).
3. Any deviations from the recommendation are commented on in the Board of Directors' declaration on corporate governance in this report.
4. Section 10 of the report contains a description of the main elements of the systems for internal control and risk management relating to the financial reporting process.
5. Sbanken has no articles of association that deviate from Section 5 of the Public Limited Liability Companies Act concerning the General Meeting, or from the Norwegian Code of Practice for Corporate Governance.
6. The report contains a description of the composition of the Board and the General Meeting. Sections 8 and 9 of the report also provide a description of the main elements of the guidelines and mandates for the bodies.
7. Section 8 of the report contains a description of articles of association that regulate the appointment and replacement of board members.
8. Articles of association and mandates granted to the Board of Directors to buy back or issue own shares are described in section 3 of the report.





# The management of Sbanken ASA



## Øyvind Thomassen • CEO

**Born:** 1962. **Background:** Graduate level degree in Economics and Business Administration (siviløkonom) from the Norwegian School of Economics (NHH). Thomassen was CEO of Sbanken's predecessor Skandiabanken from the start-up in 2000 until 2010. He was then given more responsibility and put in charge of Skandiabanken AB and the business initiative in both Norway and Sweden. Thomassen was also a member of the Board of Skandiabanken and Sbanken until 2016. During the period 2016 to 2018, Thomassen served as CEO of Bluestep Bank AB.

**Number of shares as of 31 Dec. 2020:** 101 629



## Henning Nordgulen • CFO

**Born:** 1965. **Background:** Bachelor's degree from BI Norwegian Business School and additional education from IMF Lausanne. Nordgulen has been CFO of Sbanken since 2015. Previously CFO of Bergen Group ASA and Corporate Market Director at Sparebanken Vest.

**Number of shares as of 31 Dec. 2020:** 70 472

\*owned through the related company North Hill Invest AS.



## Lene Eltvik Vindfeld • Chief Organisation, Leadership and Culture Officer

**Born:** 1978. **Background:** Master's degree (siviløkonom) with degree studies in strategy and management from the Norwegian School of Economics (NHH), and an MBA in Management Control from NHH, with additional education in gender equality and organisation and management from the University of Agder. Eltvik Vindfeld has been Chief Organisation, Leadership and Culture Officer at Sbanken since October 2020. She came from the role of Director at PwC, with special responsibility for activities in the area People & Organization. Before that, she spent several years working for Schibsted Norge and the newspaper Bergens Tidende.

**Number of shares as of 31 Dec. 2020:** 212



## Jostein Christian Dalland • Head of Savings and Market

**Born:** 1969. **Background:** A business graduate from Saint Francis Xavier University, Canada with a master's degree in Technology Management from the Norwegian University of Science and Technology (NTNU) and additional education from INSEAD and MIT. Dalland has been Head of Savings and Market in Sbanken since 1 January 2021. He came from the role of CEO of SpinChip Diagnostics. Prior experience include Executive Vice President of Storebrand ASA, Executive Vice President of Aker BioMarine ASA and ass. Category director at Orkla Foods.

**Number of shares as of 31 Dec. 2020:** 00 000



## Morten Jacobsen • Chief Technology Officer

**Born:** 1976. **Background:** Master's degree in Computer Science from the University of Oslo and Cornell University. Jacobsen has been Chief Technology Officer at Sbanken since June 2020. Previously Chief Technology Officer for Schibsted News Media and Schibsted Norge, with responsibility for the global product and technology organisation.

**Number of shares as of 31 Dec. 2020:** 7 371



## Eirik Christensen • COO Banking

**Born:** 1978. **Background:** PhD in Economy from the University of Bergen. Joined Sbanken in 2015 as the Chief Risk Officer, before taking over as COO Banking in 2020. Previously Head of Risk Management at Sparebanken Vest.

**Number of shares as of 31 Dec. 2020:** 15 000



## Arlin Mæland • Chief Compliance Officer

**Born:** 1961. **Background:** Executive master's degree in Business Administration (EMBA) from the University of Stavanger (UiS) and bachelor's degree from BI Norwegian Business School. Mæland has been CCO of Sbanken since 2015. She came from the role of Compliance Manager at SpareBank 1 SR-Bank and previously worked as Risk Manager, analyst and CFO at GE Capital Bank, Statoil ASA and Aeriton Aircraft AS, respectively.

**Number of shares as of 31 Dec. 2020:** 2 978



## Jørgen Gudmundsson • Chief Risk Officer

**Born:** 1981. **Background:** Master's degree from the Norwegian School of Economics (NHH). Gudmundsson joined Sbanken in 2020 as the Chief Risk Officer. He has previously worked as an adviser at Norges Bank and held various positions in Sparebanken Vest, most recently CFO.

**Number of shares as of 31 Dec. 2020:** 7 840

- \* Christoffer Hernæs left the position as Chief Technology Officer of Sbanken in June 2020.
- \*\* Morten Jacobsen took up the position as Chief Technology Officer on 1 June 2020. He was previously Chief Technology Officer at Schibsted News Media.
- \*\*\* Lene Eltvik Vindfeld took up the position as Chief Organisation, Leadership and Culture Officer on 12 October 2020. She was previously a director at PwC.
- \*\*\*\* Arlin Mæland has worked as Chief Compliance Officer at Sbanken since 2015, but formally assumed a role on the senior management team on 18 December 2020.
- \*\*\*\*\* Jostein Christian Dalland took up the position as Head of Savings and Market on 1 January 2021.
- \*\*\*\*\* Geir Berge-Hansen left the position as acting Head of Savings and part of Sbanken's management group in December 2020. He continues in Sbanken as Head of Sbanken's investment firm and reports to Jostein Christian Dalland, Head of Savings and Market.

# Board of Directors



## **Niklas Midby** • Chair of the Board since 2015

**Born:** 1959. **Background:** Bachelor's degree in finance from Stockholm School of Economics. Midby has been Executive Vice President at OM (now Nasdaq OMX), has experience from Boston Consulting Group and has held various positions in investment banking and private equity internationally. He is a Swedish national and resides in Sweden.

Midby is Chair of the Board of Credon AB and stoEr Technologies AB, and a member of the Board of OX2 AB.

**Board committees:** Remuneration Committee, Audit Committee and Risk and Compliance Committee

**Number of board meetings in 2020:** 11 (11)

**Number of shares as of 31 Dec. 2020:** 77 776\*

\*partly owned through the related company Flagstone International Ltd.



## **August Baumann** • Board member since 2015

**Born:** 1966. **Background:** Master's degree in shipping and trade finance from Cass Business School in London. Baumann has held several senior executive positions in various IT and telecom companies, most recently as Senior Vice President at Atea ASA. Prior to this, he held several executive positions at Telia Norge AS, including as CEO and CFO. Baumann is a Norwegian national and resides in Norway.

**Board committees:** Remuneration Committee (Chair) and Audit Committee

**Number of board meetings in 2020:** 11 (11)

**Number of shares as of 31 Dec. 2020:** 41 630\*

\*partly owned through the related company Baumann Industrier AS.



## **Hugo Maurstad** • Board member since 2015

**Born:** 1965. **Background:** MSc in Business Administration from BI Norwegian Business School. Maurstad has been a partner at Altor Equity Partners since 2004, and has previously held several executive positions. Before joining Altor, he worked 13 years at McKinsey & Company, including as head of McKinsey's Norway office. He is a Norwegian national and resides in Norway.

Maurstad is currently Chair of the Board of Sats ASA, XXL ASA and Rossignol. He was previously Chair of the Board of Helly Hansen, Lindorff, Ewos, AGR, SPT and Navico.

**Board committees:**

**Number of board meetings in 2020:** 11 (11)

**Number of shares as of 31 Dec. 2020:** 0



## **Cathrine Klouman** • Board member since 2018

**Born:** 1962. **Background:** MSc in Business Administration from BI Norwegian Business School and leadership programme from MIT Sloan School of Management. Klouman is Chief Digital Officer (CDO) at Møller Mobility Group. Prior to the position at Møller Mobility Group, she was CDO at Fredensborg. Klouman has more than 20 years' experience from the IT and finance industry, and has held various executive positions at IBM, Bank-Axcept, DNB, Møllergruppen and Lindorff. Klouman is a Norwegian national and resides in Norway.

**Board committees:** Risk and Compliance Committee

**Number of board meetings in 2020:** 10 (11)

**Number of shares as of 31 Dec. 2020:** 18 428\*

\*owned through the related company Caselba AS.



## **Ragnhild Wiborg** • Board member since 2015

**Born:** 1961. **Background:** Bachelor's degree from Stockholm School of Economics and master's degree from Fundaco Getulio Vargas Sao Paulo, Brazil. Wiborg has held several executive positions with various financial institutions and companies, including Wiborg Kapitalforvaltning, Odin Forvaltning, Pareto Securities, Sundal & Collier, First National Bank of Chicago (now JP Morgan) and Scandinavian Bank UK (now SEB). Wiborg is a Swedish national and resides in Norway.

Wiborg is Chair of the Board of EAM Solar ASA and WKAB, and a member of the Board of Granges AB, Intrum AB and Kistefos AS.

**Board committees:** Audit Committee (Chair) and the Risk and Compliance Committee

**Number of board meetings in 2020:** 11 (11)

**Number of shares as of 31 Dec. 2020:** 17 731\*

\*owned through the related company Cerebrum Invest AS.



## **Mai-Lill Ibsen** • Board member since 2015

**Born:** 1955. **Background:** MSc in Business Administration (siviløkonom) from BI Norwegian Business School and MBA from Stanford Graduate School of Business. Ibsen has held several executive positions in international finance, including as CEO of NOS ASA, Managing Director/CCO of Citibank International plc in Norway, and Deputy CEO of Eksportfinans ASA. Ibsen is a Norwegian national and resides in Norway.

Ibsen is Chair of the Board of Sbanken Boligkreditt AS, and a member of the Board of Fjellinjen AS, Carnegie AS and Royal Arctic Line A/S (Greenland). Ibsen also chairs several nomination committees, including at Europris ASA.

**Board committees:** Risk and Compliance Committee (Chair)

**Number of board meetings in 2020:** 11 (11)

**Number of shares as of 31 Dec. 2020:** 5 528





**Stein Zahl-Pettersen** • Employee-elected board member since 2020

**Born:** 1969. **Background:** Bachelor's degree in English, comparative religion and history from the University of Bergen, in addition to an extra module in history from the University of Bergen and SOAS University of London. Zahl-Pettersen has worked at Sbanken since 2008, and currently works as a software tester in the IT department. Since 2018, he has also held the role of employee representative. Zahl-Pettersen is a Norwegian national and resides in Norway.

**Board committees:**

**Number of board meetings in 2020:** 7 (11)

**Number of shares as of 31 Dec. 2020:** 304



**Sarah Lunde Mjåtvedt** • Employee-elected board member since 2020

**Born:** 1986. **Background:** Bachelor's degree in Economics from the University of Bergen. Sarah Lunde Mjåtvedt has worked at Sbanken since 2010, and has held several positions in the bank. Mjåtvedt currently works in the economic crime department. She is also chief employee representative in the bank, a role she has held since 2018. Mjåtvedt is a Norwegian national and resides in Norway.

**Board committees:** Remuneration Committee

**Number of board meetings in 2020:** 7 (11)

**Number of shares as of 31 Dec. 2020:** 795

\* Karianne Mjøs-Haugland and Svein Frøystad were employee-elected board members until April 2020, when they were replaced by Mjåtvedt and Zahl-Pettersen. Mjøs-Haugland and Frøystad have been deputy employee-elected board members since April 2020.







# Board of Directors' report

## Operations in 2020

Sbanken delivered strong results in 2020 in light of the turbulent market situation amidst the coronavirus outbreak. The results were characterised by increased income, good cost control and reduced losses. The group achieved a pre-tax profit of NOK 1 006.6 million, an increase of NOK 87.2 million compared with 2019. The bank's net profit amounted to NOK 783.0 (710.1) million. The return on equity was 11.4 per cent in 2020, unchanged from 2019.

Annual lending growth was 2.4 per cent for 2020. Compared to 2019, where lending growth was 2.9 per cent, the year of 2020 was characterised by growth in mortgages and a reduction in unsecured lending, foremost towards consumer loans.

Net interest income increased by NOK 80.0 million, predominantly a result of lending growth. The net interest margin was 1.66 per cent, down from 1.68 per cent in 2019. The net interest margin was strong in the first quarter, but fell in the subsequent quarters due to reduced deposit margins with lower key policy rate and asymmetric timing implementation of interest rate cuts between lending and deposits. Net commission income

amounted to NOK 184.3 million, a reduction of NOK 30.6 million from 2019 as income from card transaction abroad fell as travel activity among customers remained low during the pandemic.

The group's operating expenses were reduced by 2.3 per cent compared with 2019, to NOK 710.4 million. The reduction was primarily due to reduced marketing expenses and lower amortisation. The cost-to-income ratio was 38.4 per cent, down from 40.4 per cent in 2019.

Loan losses were reduced by NOK 20.0 from 2019 and the loss ratio was 0.16 (0.19) per cent. The majority of losses were booked in the first half-year of 2020 as a result of updated macroeconomic assumptions in the bank's loss model in light of the coronavirus outbreak.

At year-end 2020, Sbanken had a CET1 capital ratio of 15.5 per cent, compared with 15.6 per cent at year-end 2019. The minimum CET1 requirement was 12.5 per cent, down from 14.0 per cent at year-end 2019, as the Ministry of Finance in March lowered the countercyclical capital buffer requirement from 2.5 to 1 per cent to counteract tightening lending standards among Norwegian banks during the pandemic.

For the fiscal year of 2020, it is proposed that an authorisation is granted to the Board of Directors to decide on the distribution of 2020 dividends, limited to NOK 4.40 per share, corresponding to 62.8 per cent of the group's net profit. In accordance with the updated dividend policy, the bank targets to distribute approximately 50 per cent of the group's annual net profit as cash dividend.

Sbanken's Board works to deliver an attractive and competitive return on equity, taking into account how the business impacts people, the environment and society. This includes customers, employees, the working environment, the internal and external environment and society in general. Sbanken has a long-term view to manage its business responsibly and sustainably. The trust of both customers and society at large is vital to the bank's success. The Board aims to maintain high ethical standards in all parts of the business, where the bank's values shall form the foundation for all decisions.

## Important events 2020

The year 2020 was an unusual year for all areas of Norwegian and international society due to the coronavirus pandemic, which also significantly affected Sbanken, its employees and customers. The Board of Directors and management group have in collaboration made targeted efforts to minimise negative consequences of the outbreak for all stakeholders. In a demanding year, the bank still managed to deliver good profitability while maintaining its top rankings in customer satisfaction and loyalty surveys. For the 19th year in a row, Sbanken was named the bank with the most satisfied customers.

In the first quarter of 2020, the outbreak of coronavirus Covid-19 spread from China to the rest of the world, including Europe and Norway. On 12 March, the Norwegian government announced extensive containment measures to limit the spread of the infection, while at the same time launching expansive fiscal policy actions. Many businesses were forced to temporarily lay off staff as a result of the sudden loss in revenues, leading to a sharp increase in registered unemployment. Sbanken established a crisis management team to effectively deal with the effects of the outbreak in relation to customers and staff. The bank's fully digital business model enabled staff to work efficiently from home, and since the outbreak in March, only a small proportion of the bank's employees have worked from the head office in Bergen. As summer and autumn progressed, the economic activity in Norway picked up again and the unemployment rate dropped from its record-high level. Local rises in infection rates did however mean that society was unable to return to normal in 2020.

In March, Norge Bank lowered the key policy rate twice, first from 1.5 per cent to 1 per cent, and then to 0.25 per cent. Sbanken followed the first rate cut by lowering mortgage rates by up to 50 basis points. After the second cut, Sbanken lowered the mortgage rates by 50 basis point for all customers, effective immediately. The decision had a significant negative impact on the bank's net interest margin, but received

significant attention in the media and resulted in a strong inflow of new customers. In May, Norges Bank lowered the key policy rate to a record-low level of zero per cent. Sbanken lowered its mortgage rates by up to 40 basis points, but emphasised long-term profitable growth, a decision that resulted in increased customer churn in the following months.

In order to support its customers during a difficult period, the bank offered all mortgage customers instalment deferrals for up to six months. By the end of June, 2 600 customers had opted to use of the offer, for a combined volume of NOK 6.0 billion. At year-end, nearly all customers had returned to ordinary repayment schedules.

After the introduction of fixed rate mortgages in 2019, a product that provides customers predictable monthly payment schedules, the bank experienced strong growth in demand for the product in 2020. At year-end, the volume of fixed rate mortgages had increased to NOK 7.9 billion, corresponding to 10.0 per cent of total mortgages.

Within savings, Sbanken recorded record growth in 2020. Funds under management increased to NOK 23.2 billion, while customers' net inflow amounted to a record NOK 4.4 billion, more than twice the previous record from 2017 and a tripling from 2019. To further enable customers to make conscious investment decisions, the bank introduced low-carbon labelling of funds in the third quarter, adding to the bank's existing ESG labelling.

Sbanken's offering of banking services for small and medium-sized corporations (SMEs) did not meet the growth targets set for 2020. The coronavirus outbreak meant that many corporate customers requested liquidity and advisory services, offerings that Sbanken does not offer through its efficient and digital concept. At year-end, the bank had 7 900 corporate customers with deposits totalling NOK 1.8 billion and more than 1 500 ERP integrations.

Sbanken recruited 11 000 new retail customers and 5 000 new corporate customers in 2020, bringing the total number of customers to just over 484 000 at year-end.

In the first quarter of 2020, the bank initiated a cost programme with targets to increase efficiency and reduce employment, both among own employees, consultants and temporary employees. As of year-end 2020, the bank had 334 own FTEs, a reduction of 36 from year-end 2019.

The Board proposed a dividend distribution of NOK 1.90 per share for the fiscal year of 2019. Following receipt of a request on general terms from the Norwegian FSA to reconsider the proposal in light of the market situation, the Board decided not to propose a dividend distribution in April of 2020. In December, an extraordinary general meeting decided to grant authorisation to the Board to decide on distribution for 2019, limited to NOK 3.15 per share. The authorisation is valid from 1 January 2021 until the annual general meeting in 2021.



In July, the Ministry of Finance ruled in favour of Sbanken in its application to exempt the parent company from the leverage ratio buffer requirement of 2 per cent. The decision reflects the bank's low risk and improves the group's capital flexibility going forward.

In December, the bank received its Minimum Requirement for Own Funds and Eligible Liabilities (MREL) from the Norwegian FSA. The requirement is set to 31.0 per cent of the adjusted risk weighted assets, the lowest MREL-requirement to have been provides to Norwegian bank as of the year-end.

In December, the Ministry of Finance adopted an updated lending regulation where the existing requirements in the residential mortgage regulation were left unchanged. The new regulation, which also covers consumer loans, will be in force until 31 December 2024.

Moody's long-term A3 rating of Sbanken ASA was left unchanged throughout 2020, but in December the outlook was upgraded from stable to positive as a result of the bank's low and improved risk profile, solid capital situation, strong growth in deposits and resilient profitability. Covered bonds issued by Sbanken Boligkreditt AS have a long-term credit rating of Aaa with a stable outlook, the highest rating available from Moody's.

After the Ministry of Finance decided to reduce the countercyclical buffer requirement in March of 2020, the bank had a regulatory CET1 requirement of 12.5 per cent at year-end, while the bank's capital ratio target was 13.0 per cent. Taking into account the dividend of NOK 3.15 per share for 2019 and the proposed authorisation of up to NOK 4.40 per share for 2020, Sbanken had a CET1 capital ratio of 15.5 per cent at the end of the year. The Board considers a capital target of 0.5 percentage points above the regulatory requirement to be adequate, considering the bank's combined risk level.

At the start of 2020, capital markets in Norway and abroad were characterised by considerable turmoil as a result of the coronavirus outbreak. Extensive fiscal and monetary policy measures provided support for the markets as spring progressed, while positive news regarding vaccine development supported the market sentiment towards year-end and contributed to a broad upsurge in global stock markets. The Oslo Børs Benchmark Index (OSEBX) closed the year up 4.6 per cent, while the Financial Index (OBX Financials) rose by 2.0 per cent. The Sbanken share closed the year down 7.6 per cent, after recovering the majority of the share price fall from March and April of 2020. The average number of Sbanken shares traded per day on Oslo Børs was 172 000 in 2020, compared with 96 000 in 2019. At year-end, Sbanken ASA had a market value of NOK 7.4 billion.

## Strategy and targets

Sbanken is a fully digital bank with no branches. The bank offers banking services through a user-friendly online bank

available through digital platforms, with an emphasis on mobile phones. Sbanken aims to challenge the status quo to the benefit of its customers.

Since Sbanken's inception in 2000, the development of the bank's concept has been implemented on the basis of the following three principles: (i) to offer a simple and open price structure that ensures customers gets a 'fair deal', (ii) to continuously update and improve the product offering based on customers' feedback, and (iii) to provide banking products and services across a simple and efficient digital platform with market leading user experience and accessibility.

The key pillars of the bank's strategy are: (i) diversified growth in revenues through the delivery of a complete range of banking services to existing customers, (ii) having the simplest and most automated core banking solutions, (iii) being a leading savings partner for the majority of customers, (iv) leveraging the concept's scalability to achieve an attractive return for shareholders.

In 2021, the bank will deliver on these goals by realising the cross-sales potential in its own customer portfolio, by capturing market shares within mutual fund savings, and by delivering the most efficient and automated core banking services in Norway.

The bank's financial and operational targets with a time horizon to 2023 are as follows:

	Target 2021–2023	2020
Return on equity	14 %	11.4 %
Annual EPS growth	10 %	10.4 %
Cost-to-income ratio	30 %	38.4 %
CET1 ratio	Regulatory requirement + 0.5 percentage points*	15.5 %

\* Corresponding to 13.0 per cent at year-end 2020.

The targets are based on the bank's current capital requirements. Any future changes to regulations, the macroeconomic environment or the bank's strategy may result in changes to the bank's targets.

## Financial results

In accordance with the provisions of the Norwegian Accounting Act, the Board of Directors confirms that the going concern assumption applies.

Pursuant to Section 3-9 of the Norwegian Accounting Act, Sbanken prepares its consolidated annual accounts in accordance with IFRS, International Financial Reporting Standards, which are approved by the EU. Sbanken ASA's annual accounts have been prepared in accordance with Norwegian IFRS regulations.

Net interest income increased by 5.1 per cent from 2019, to NOK 1 644.1 million. The growth in net interest income was primarily

the result of a 2.9 per cent increase in customer lending. The net interest margin was 1.66 per cent, down from 1.68 per cent in 2019. The growth in customer lending was predominately a result of a 3.9 per cent growth within mortgages. The volume of consumer loans decreased by 23.2 per cent to NOK 1.7 billion. At year-end, consumer loans accounted for 2.1 per cent of the bank's lending, while interest income from this product represented 8.8 per cent of total interest income for the year. Car loans and other lending products excluding mortgages and consumer loans accounted for 2.8 per cent of total lending at year-end, down from 3.4 per cent at the end of 2019.

Net commission income fell by 14.2 per cent to NOK 184.3 (214.9) million. The reduction was largely a result of reduced income from card transactions abroad as customers travel activity remained low after the coronavirus outbreak.

As of year-end 2020, customers' investments in mutual funds amounted to NOK 23.2 billion, corresponding to an increase of 46.9 per cent from 2019. Net fund inflow from customers were positive in the amount of NOK 4.4 billion, an increase of NOK 3.0 billion from the year prior. In December, contributions from fixed savings agreements had increased to NOK 145.4 million, while for the year as a whole, the average monthly contribution amounted to NOK 113.2 million. By year-end, the bank's market share for mutual fund savings for Norwegian retail customers had increased from 5.7 per cent to 8.1 per cent, an increase that was positively impacted by a re-classification of funds by the Norwegian Fund and Asset Management Association (VFF). The bank's share of net inflows in 2020 was 25.8 per cent.

Operating expenses in 2020 were reduced by 2.3 per cent to NOK 710.4 (727.2) million. Reduced marketing expenses and lower amortisation resulted in lower operating expenses, while personnel expenses increased as a result of restructuring costs relating to the bank's cost programme. The bank had a cost-to-income ratio of 38.4 (40.4) per cent in 2020. Adjusted for restructuring expenses relating to severance pay, the ratio was 37.7 per cent.

The net cost of losses amounted to NOK 133.5 (153.1) million in 2020, corresponding to a loan loss ratio of 0.16 (0.19) per cent. Increase in provisions accounted for NOK 97.3 (69.2) million of the net cost of losses. Actual losses amounted to NOK 36.7 (85.8) million. The majority of losses came in the first two quarters of the year, when the macroeconomic assumptions in the bank's loss models were updated to account for the coronavirus outbreak.

## Tax

Sbanken's tax expense amounted to NOK 223.6 (209.4) million, corresponding to an effective tax rate of 22.2 (22.8) per cent. In 2020, the tax rate on general income for banks and financial institutions was 25 per cent, while it was 22 per cent for other industries. Sbanken ASA's profit is taxed at 25 per cent, while the profit for its wholly owned subsidiary Sbanken Boligkreditt AS is taxed at 22 per cent.

## Financing, liquidity and balance sheet

Customer deposits are the bank's primary source of funding, and in 2020, deposits increased by 11.0 per cent to NOK 58.6 (52.8) billion. The deposit-to-loan ratio at year-end was 70.6 (65.1) per cent. The increase was in line with the bank's strategy, but was also positively impacted by a higher savings rate among Norwegian households and the bank's moderate lending growth in 2020.

In 2020, Sbanken issued NOK 3.3 billion in senior unsecured bonds and NOK 10.0 billion in covered bonds through Sbanken Boligkreditt AS. The covered bonds were purchased by the parent bank and partially used as collateral for extraordinary F-loans from Norges Bank. The bank borrowed up to NOK 4.7 billion through extraordinary F-loans for liquidity investments due to their attractive financing terms. As these loans have matured, the bank has sold parts of the covered bonds in the secondary market. The bank exercised its right to call NOK 400 million in additional Tier 1 capital and NOK 500 million in subordinated Tier 2 capital. The issues were refinanced at improved terms.

At year-end, Sbanken ASA had a long-term deposit rating of A3 with a positive outlook from Moody's, while covered bond issues by Sbanken Boligkreditt AS had the highest long-term rating of Aaa.

In December, the bank received its Minimum Requirement for Own Funds and Eligible Liabilities (MREL) from the Norwegian FSA. The MREL requirement was set to 31.0 per cent of the adjusted risk weighted assets basis and comes into effect from 31 March 2021. The subordination requirement must be met by 1 January 2024, and shall as a minimum be phased in linearly until that time.

In line with the bank's focus sustainability and to further diversify sources of financing, the bank has established a framework for issuing green covered bonds. The framework supports the UN Sustainable Development Goals and follows ICMA's Green Bond Principles.

Interest rate and currency risk arising in conjunction with financing in foreign currency is hedged by using hedging instruments in the derivatives market. Sbanken uses solely the three-month Nibor as reference rate for its capital market funding. Credit spreads on Norwegian banks' capital market funding increased considerably in February and March as a result of the turmoil in the financial markets following the coronavirus outbreak. The credit spreads retreated over the summer and autumn, and by year-end, they had returned to levels close to those at year-end 2019.

Group equity increased to NOK 7.6 (6.9) billion in 2020. The increase was mainly the result of retained earnings.

At year-end, Sbanken had liquid assets amounting to NOK 16.5 (11.0) billion. They consisted of NOK 2.1 (1.9) billion in short-term loans to central banks and other financial institutions, and NOK

14.4 (9.1) billion in interest-bearing securities issued by sovereign states, municipalities and financial institutions. At year-end, the bank had a liquidity coverage ratio (LCR) of 331 (252) per cent, compared with a minimum requirement of 100 per cent. The bank's net stable funding ratio (NSFR) was 144 (137) per cent.

Total assets increased from NOK 93.0 billion in 2019 to NOK 100.7 billion at the end of 2020. This was primarily due to an increase in lending to customers of NOK 1.9 billion and an increase in the portfolio of interest-bearing securities of NOK 5.3 billion. At year-end 2020, 44.3 (45.0) per cent of the bank's mortgages had been sold to the wholly owned subsidiary Sbanken Boligkreditt AS.

## Dividend and allocation of profit

Sbanken aims to deliver an attractive and competitive return on equity, and to facilitate for planned growth, with a view to create shareholder value over time through a positive share price development and distribution of excess capital. Excess capital can be distributed through a combination of cash dividends and the repurchase of shares. In accordance with the updated dividend policy, the bank targets to distribute approximately 50 per cent of the group's annual net profit as cash dividends. For 2020, it is proposed that the Board of Directors is granted an authorisation to decide on the distribution of dividends, limited up to NOK 4.40 per share. This corresponds to a dividend ratio of 62.8 per cent of the group's net profit. Until the Board decides to utilise the authorisation, the dividend for 2020 will be allocated to retained earnings.

### Allocation of profit for 2020

	NOK 1000
Parent bank's net profit for the year	784 603
Allocated to hybrid capital investors	34 467
Allocated to equity investors	750 136
Dividend	0
Retained earnings	750 136
<b>Total</b>	<b>750 136</b>

In February 2021, the Board decided to pay a dividend of NOK 3.15 per share, corresponding to NOK 336.6 million, for the fiscal year of 2019. The decision is further detailed in 'Subsequent events'.

The Board of Directors are of the opinion, given the proposed allocation, that Sbanken will be in a strong financial position with considerable buffers to the applicable capital requirements.

## Risk and capital adequacy

### Capital adequacy

As of year-end 2020, the bank had a CET1 capital ratio of 15.5 (15.6) per cent, compared with the minimum requirement of 12.5 per cent. The total capital ratio at year-end was 19.6 (19.9)

per cent, while the leverage ratio was 6.3 (6.7) per cent against a regulatory group requirement of 5.0 per cent. The capital ratios take into account both the dividend for 2019 and the proposed dividend authorisation for 2020.

In March 2020, the Ministry of Finance decided, on the advice of Norges Bank, to lower the countercyclical capital buffer requirement from 2.5 per cent to 1 per cent. Sbanken's Pillar 2 requirement is set to 1.5 per cent, updated as of April 2019. In December 2020, the systemic risk buffer increase from 3.0 per cent to 4.5 per cent was adopted in Norway following the introduction of CRR/CRD IV. For Sbanken and other banks that do not apply the advanced IRB method, the increase will not be effective until 31 December 2022. At the same time, the Ministry asked the Financial Supervisory Authority to evaluate its application of Pillar 2 requirements.

### Risk management

Sbanken's core business is to offer banking services such as deposits, savings, loans and payment services to retail customers, and banking services excluding credit to SMEs. Sbanken shall not take on other material risks than those associated with maintaining and further developing its core activities.

Sbanken shall be a secure, solid bank for retail customers and SMEs, have a credit policy based on openness, transparency and competence, and continuously challenge its own methods, processes and procedures in order to improve its performance. Sbanken follows an established framework for defining and implementing the desired risk appetite in its risk management. The framework ensures that actual risks taken by the business are in accordance with the Board's established risk limits in defined areas. The most important risks the bank is exposed to are credit risk, market risk, liquidity risk, operational risk, commercial and strategic risk and ESG risk, which includes climate risk.

### Credit risk

Credit risk represents the most significant risk to Sbanken and is defined as the risk of loss resulting from a counterparty not fulfilling its obligations, while at the same time as any pledged collateral fails to cover the outstanding claim.

Sbanken's credit risk is related to loans to private individuals, primarily in the form of mortgages, car loans, consumer loans, account credit and credit cards, as well as loans secured by securities. The bank's lending portfolio is of high quality, and mortgages make up 95.1 per cent of total customer lending. The mortgage portfolio has a relatively low loan-to-value (LTV) ratio, and at year-end, the average LTV ratio was 52.9 (54.3) per cent.

When granting credit, an automated credit assessment system is used to evaluate the applicant's ability to pay, probability of default and collateral. Automated credit assessments and control procedures ensure consistent credit practices and a high-quality lending portfolio. The debt register, introduced in 2019, has given the bank a better overview of customers'

combined unsecured loans, which, seen in isolation, improves the bank's credit assessment for new loans.

Sbanken's excess liquidity is invested in short-term loans to central banks and other financial institutions, as well as in interest-bearing securities issued by sovereign states, municipalities and financial institutions. The bank's credit risk remained within the limits adopted by the Board throughout 2020.

### Market risk

Market risk is the risk of loss due to unfavourable changes in market variables. Sbanken is exposed to market risks such as interest rate risk, credit spread risk, currency risk and share price risk.

Sbanken has established EMTN programmes for financing in foreign currency in order to increase the diversification of the bank's funding sources. At year-end, the group's financing in foreign currency amounted to EUR 500 million, with maturity in April 2023. Currency and interest rate risk arising in conjunction with this type of financing is hedged by using hedging instruments in the derivatives market. Sbanken had no lending in foreign currency at year-end. The group's currency risk is low and within limits adopted by the Board.

While the majority of the bank's lending is through variable interest rates, the bank increased its portfolio of fixed rate mortgages in 2020. Interest rate risk that arises from fixed rate mortgages is hedged through the use of interest rate swap agreements. All deposits in the bank have variable interest rates, while the three-month Nibor rate is the reference rate for the bank's capital market financing. This also applies to financing in foreign currency where interest rate and cross-currency swaps have been entered into, resulting in low interest rate risk.

Credit spread risk is the risk that the value of the bank's holding of interest-bearing securities will be reduced as a result of an increase in the associated credit spreads of these securities. The bank calculates its exposure to credit spreads in accordance with the method for assessing risk and capital needs prescribed by the Norwegian FSA (Circular 12/2016). The bank's credit spread risk at year-end was calculated at NOK 186.0 (164.7) million and is related to the portfolio of interest-bearing securities. Despite a considerable increase in credit spreads in bond markets following the coronavirus outbreak, the bank's credit spread risk remained within the limits adopted by the Board.

The bank has limited share price risk, and the exposure at year-end amounted to NOK 122.9 (169.1) million. Of this amount, NOK 70.7 million was related to the value of Sbanken's holding in VN Norge AS, while NOK 39.5 million related to the bank's holding in Vipps AS. The remaining NOK 12.7 million was related to the holding in Quantfolio AS and a few minor securities investments. The reduction in share price risk came as a result of a conversion of half of VN Norge's remaining C-shares in Visa Inc. The bank recognised a NOK 27.9 million gain in the fourth quarter in relation to the transaction.

### Liquidity risk

Liquidity risk comprises of refinancing risk, defined as the risk of the bank being unable to refinance its obligations as they mature, and price risk, defined as the risk of the bank being unable to refinance its obligations without a material increase in costs.

Sbanken manages its liquidity risk by minimising its financing cost, while at the same time ensuring that the refinancing risk is within the risk appetite set by the Board. In order to keep this risk within the defined risk parameters, the bank has established limits that ensure a balanced maturity structure and diversification of funding sources. The bank aims for low refinancing risk and carries out stress tests in the liquidity area with scenarios that cover both general liquidity stress in the market and specifically for the bank. Liquidity risk is managed both at individual company level and for the group as a whole. The bank's liquidity risk remained within the limits adopted by the Board throughout the year, including during the market turmoil in March and April 2020.

### Operational risk

Operational risk is defined as the risk of unexpected losses due to inadequate internal control, human error, failure of processes or systems, or unexpected losses arising from external events. In its operational risk management, the bank emphasises internal control, including a strong control environment, a systematic risk assessment process, established procedures and exercises to prepare in case of critical events.

Conduct risk, cyber risk and compliance risk are managed under operational risk. Sbanken has a very low tolerance for non-compliance, and the bank's reputation and regulated licences must not be exposed to unnecessary risk. Compliance in the business is managed through regular reviews and control activities that are reported to the bank's Board and management group.

### Ownership risk

Ownership risk is defined as the risk of negative results from the group's holdings in strategically owned companies, in addition to the need for providing more capital into these companies. Investments in strategically owned companies are approved by the Board, and the bank's appetite for ownership risk is low.

### Business risk and strategic risk

Business risk is the risk of a material reduction in the bank's earnings. This includes changes in volumes, interest margins and other price changes associated with financing and lending, as well as reduced net commission income, which may arise as a result of changes in economic conditions, competition or customer behaviour.

Sbanken's measurement of business risk takes into account changes that arise from credit losses, and other risks such as market risk, liquidity risk and operational risk. The magnitude of the business risk is affected by variations in net interest income and net commission income. The bank manages its



business risk through diversification of income flows, stable revenue generation and cost control.

Sbanken's definition of strategic risk is long-term risk that arises as a result of erroneous or ill-conceived commercial decisions, poor or incorrect implementation of decisions, or inadequate responsiveness to changes in society, competition, technology, regulations or the banking and finance sector.

#### Capital risk

Capital risk is the risk of the bank not meeting regulatory capital requirements. Capital targets are set annually and followed up continuously, with capital adequacy assessments at least quarterly. Sbanken conducts a forward-looking Internal Capital Adequacy Assessment Process (ICAAP) to determine its capital needs at least once a year.

#### Model risk

Model risk is the risk of financial loss as a result of weaknesses and errors in models used in the management of the group, including models relating to credit risk, market risk, liquidity risk and capital risk. The risk is managed through specified validation requirements described in the bank's governing documents and through the correction of any model weaknesses.

#### ESG risk

ESG risk is defined as the risk of the group suffering negative results as a consequence of changes in climate and environmental conditions (E), non-compliance with requirements and expectations of labour rights, human rights and good business ethics (S), and non-compliance with requirements or expectations regarding governance and control (G). The bank has adopted a CSR and sustainability policy that manages this risk at the overarching level.

## Technology and product development

Over the years, Sbanken has maintained its position as a leading digital challenger bank. In 2020, the bank launched a new online banking app, became considerably more insight-driven in its approach to customers and was once again rated top within digital innovation by the Norwegian Innovation Index (NII).

Sbanken's digital platform is based on flexible IT architecture with limited dependence on old core systems. The bank uses agile work methods to develop digital services and aims to utilise new technology to be able to offer customers regular improvements. Sbanken's customers can choose to test the pilot versions of the bank's new solutions, which gives the bank valuable customer feedback before they are launched. Combined with Sbanken's flexible IT architecture, this enables the bank to take a leading position in technological developments. One example is the bank's accounting integrations for corporate customers, launched to enable real-time exchange of information.

Responsible and insightful use of customer data to be able to offer customers value-added services and products will be crucial in developing the digital banking services of the future. To support this, Sbanken's guiding principle is to have internal expertise in areas that provides competitive advantages. As a rule, the operation of application platforms shall be outsourced, and third-party interfaces shall be standardised. The right expertise, strong performance, in addition to expectations relating to ESG matters, of partners and suppliers help to ensure a robust, flexible and cost-effective platform.

## Corporate social responsibility and sustainability

It is Sbanken's ambition to have a positive impact on people, society and the environment. The bank's work on corporate social responsibility (CSR) starts and ends with what we call the "Fair Deal" concept. The bank's activities shall at all times be driven by an ambition to strike a balance between satisfied customers, employees and investors, and a positive impact on the society that surrounds us. From the bank's perspective, good performance on sustainability will create positive long-term effects for all stakeholders.

Sbanken's key focus is to enable customers to make smart financial decisions. In order to succeed, the bank depends on employees perceiving Sbanken as a safe, fair and innovative workplace. Investors, on their part, will benefit from investing in a bank that understands customer needs. In order to create long-term value for customers, employees and investors alike, the bank must conduct itself as a responsible member of society. Based on its ambition to exert positive influence on people, the environment and society, the bank carried out a materiality analysis in 2020. The analysis was based on the 17 UN Sustainable Development Goals (SDGs).

#### Management of CSR and sustainability

Sbanken is committed to promote and respect human rights and labour standards, the climate and environment, and to help to combat corruption and money laundering in all activities. This includes the development of products and services, advisory services and sales, and investment and credit decisions. Sbanken's work on CSR and sustainability includes its own operations and investments, and all activities relating to customers, suppliers and other business associates.

Sbanken's work on environmental, social and corporate governance (ESG) related matters follows primarily Norwegian law and accounting standards. The bank has also chosen to structure its ESG reporting based on the Global Reporting Initiative (GRI), as recommended by Oslo Børs. Moreover, the bank follows a number of voluntary standards and initiatives for self-regulation on ESG matters, including UNEP FI, UN Global Compact, UN SDGs and the Paris Agreement.

The Board of Sbanken adopts the overarching sustainability strategy through the bank's CSR and sustainability policy. The

management team adopts goals and measures for the bank's ESG work and devises guidelines that describe how the bank shall comply with the Board adopted policy.

#### Sbanken's customers

Sbanken's ideology is to put the customer first. In line with the bank's values, the bank shall inspire customers to make smart financial decisions, be bold and create positive change by making banking services simple and accessible to the general public. The bank is dependent on a high level of trust from customers, and all marketing must be professional and objective.

The bank only offers loans to retail customers, and 95 per cent of customer lending is towards mortgages. It is important for the bank that its lending practices enable customers to service their debt. The bank has one of the most transparent price models in the market, and does not discriminate between individual customers or groups of customers. Green car loans are offered with a lower interest rate for low-emission cars, and at year-end, the proportion of green car loans had increased to 69 per cent of the total car loan portfolio.

#### Socially responsible saving

Sbanken enables customers to save in a conscious and sustainable manner. In 2010, Sbanken became the first Norwegian bank to introduce ethical labelling of mutual funds, also referred to as ESG labelling. ESG labelling is assigned to funds in accordance with the 10 UN Global Compact principles for sustainable business and the Norwegian Government Pension Fund Global's exclusion list. The bank's savings robot and investment advisers only advises customers to invest in funds with a positive ESG profile. At year-end 2020, 92 per cent of customer investments in mutual funds had a positive ESG profile, while investments in funds with two green leaves, the bank's highest ESG designation, amounted to NOK 2.7 billion, a threefold increase from 2019.

To further enable customers' sustainable investments, the bank launched low-carbon labelling of funds in 2020. The labelling is based on data provided by the bank's fund data supplier, Morningstar, and at year-end, 146 of 460 funds met the criteria for low-carbon labelling.

Sbanken expects fund managers who offer their funds on the bank's platform to integrate ESG criteria in their management. All fund managers are encouraged to sign a declaration on sustainable investment.

#### Information security and data protection

Data protection and information security are key preconditions for trust in digital services. The bank's customers shall be confident that their personal data and financial details are correctly handled in accordance with the applicable legislation, including GDPR. The bank focuses on data protection and information security at all levels; in the bank's management, processes, information systems, and together with employees, suppliers and partners. The Board has adopted a policy for information security and data protection that forms the

framework for the bank's work on related matters.

With a high number of employees working from home in 2020, the bank has seen changes in the threat landscape with tailored phishing campaigns. Despite this development, the bank has not had any serious security incidents, and system stability of customer facing applications was satisfactory and in accordance with the bank's stringent internal targets.

#### Human resources

The employees are Sbanken's most important resource, and the bank shall be perceived as a modern workplace characterised by openness and fairness. The bank aims for gender balance in all parts of the organisation and makes systematic efforts to address any inequalities, including to close pay gaps related to gender or other diversity parameters. In the autumn of 2020, it was decided that, by the end of 2021, the bank shall have a 40/60 gender balance at all management levels and in all decision-making forums.

At year-end 2020, Sbanken had a workforce corresponding to 334 full-time equivalents, of which 49 per cent were women and 51 per cent men. The management team consisted of two women and six men, while the Board consisted of eight members; four women and four men. Statistics on the gender pay gap are included in the chapter 'Corporate social responsibility and sustainability'.

The bank conducts annual organisation surveys, and each department sets up action plans to ensure a good working environment. Sickness absence at Sbanken was reduced from 4.4 per cent to 3.8 per cent in 2020. No accidents occurred in the workplace, and no whistleblowing reports were received in 2020. Following the outbreak of coronavirus, compulsory courses relating to home office work and infection control have been held for all employees.

#### Sbanken and society

As a fully digital bank, Sbanken already has a modest climate footprint. The bank is nonetheless focusing on reducing its own emissions and has set a goal to halve emissions by 2030, corresponding to an annual reduction of 10 per cent. The direct impact of the business on the climate and the environment is mainly related to energy consumption at the office premises, business travel and waste management. As a certified Eco-Lighthouse, the bank keeps environmental accounts in accordance with the Greenhouse Gas Protocol and makes systematic efforts to reduce its own climate footprint. The bank's direct environmental footprint, as calculated by the Eco-Lighthouse foundation, was 234.4 tonnes of CO<sub>2</sub> emissions in 2020, an 18 per cent reduction from 2019.

As a responsible member of society, the bank engages in dialogue with various stakeholders to raise the focus on socially responsible and sustainable business conduct. Sbanken expects its suppliers and companies in which it holds ownership to implement ESG principles in their business models, and encourages them to sign a self-declaration form in which they undertake to conduct their business in line with Sbanken's ESG framework.

The bank makes specific requirements for socially responsible operations for corporates looking to become customers of Sbanken. The bank expects its corporate customers to demonstrate ethical conduct and to respect the bank's policies and guidelines for CRS and sustainability.

Through the 'Framgang sammen' foundation, Sbanken supports projects that make a positive contribution to the development and social integration of children and young people. In 2020, it was decided to change the allocation model; rather than donating relatively small sums to many projects, the bank will now focus on fewer projects that can receive close follow-up and financial support over time.

To exert global pressure on companies that operate in violation of established ESG principles, Sbanken is part of the Pooled Engagement initiative. On behalf of Sbanken and other financial institutions, the bank's partner ISS-ESG investigates violations and engages in dialogue with the companies concerned. In 2020, ISS-ESG engaged in dialogue with a total of 142 companies.

#### Economic crime prevention

The bank takes a determined and risk-based approach to preventing money laundering, terrorist financing, corruption and tax evasion, factors that constitute serious threats to society and individuals. The company has established guidelines for anti-money laundering procedures, which set out control and surveillance mechanisms, risk analysis and activities that ensure adequate control of identified risks. The anti-money laundering department makes use of both automated and manual controls to uncover suspicious matters. With the help of technological solutions, the bank places great emphasis on changing its work methods to reflect changes in society. In 2020, Sbanken reported 512 suspicious matters to Økokrim, an increase from 460 in 2019.

All employees receive training in issues relating to economic crime and measures to combat terrorist financing. Sbanken's internal code of ethics sets out criteria and guidelines aimed to raise awareness of the high ethical standards that apply in the bank. All new employees receive training in the code of ethics, and a mandatory annual review is conducted for all of the bank's employees and the Board.

#### Investors and corporate social responsibility

Sbanken's business depends on a high degree of trust from all market players, and it is only by acting professionally and with high integrity that the bank will ensure satisfactory access to the capital markets. By combining social responsibility with commercial operation, Sbanken helps to create long-term value for both its investors and society at large. Sbanken only offers loans to private individuals, with the majority towards mortgages, and the bank is therefore considered to have somewhat lower climate risk than other banks.

It is important for the bank to be open and transparent about its sustainability work, both through its own reporting and ESG assessments conducted by third parties. The bank focuses on

regular dialogue with shareholders and bondholders about how the bank demonstrates social responsibility and sustainability. The bank has received an ESG rating of AA from MSCI, and only two per cent of the banks in the global category have a better score.

In 2020, Sbanken made an effort to strengthen the role of the annual report as a management and communication tool for the bank's work of CSR and sustainability, which included carrying out a materiality analysis, mapping stakeholder engagement and preparing a Global Reporting Initiative (GRI) index. The bank also started reporting to the Carbon Disclosure Project (CDP), an international non-profit organisation that helps companies disclose their climate accounts.

#### UN SGD's in Sbanken's work with ESG

Based on its ambition to exert a positive influence on people, the environment and society, the bank carried out a materiality analysis in 2020. In order to define what sustainability means for the bank and identify risks and opportunities associated with the bank's core activities, the bank based the analysis on the 17 UN SDGs. The bank has chosen to focus on the following main goals for its work on CSR and sustainability:

- Goal 5: Gender equality
- Goal 8: Decent work and economic growth
- Goal 9: Industry, innovation and infrastructure
- Goal 10: Reducing inequalities
- Goal 13: Climate action
- Goal 17: Partnership for the Goals

Further information about how the bank incorporates the UN SDGs in its CSR and sustainability work is available in the chapter 'Corporate social responsibility and sustainability'.

## Corporate governance

Sbanken follows the Norwegian Code of Practice for Corporate Governance (NUES), updated as of 17 October 2018, as described in a separate chapter in the annual report. The Board of Sbanken ASA held eleven meetings and two strategy seminars in 2020.

One of the Board's main priorities in 2020 has been to develop the bank's strategic direction. The Board has also been concerned with handling the effects of the coronavirus outbreak in an expedient and professional manner in relation to customers, employees, investors and other stakeholders. It has been important for the Board that employees have been able to work securely and efficiently from home, and to facilitate the bank's continued development of innovative, customer-centred banking services. Furthermore, the Board has assisted the CEO in identifying and recruiting the right candidates for the management team to take Sbanken into its next phase, and to define targets for gender balance and diversity.

The Board has continued its work on implementing good procedures for internal control and ensuring that satisfactory

systems, procedures, capacity and expertise are in place in the organisation. The bank's financial results, financing and risk management have also been given high priority, in addition to understanding the macroeconomic consequences of the coronavirus outbreak and assessing the implications of regulatory changes. The Board has also been concerned with ensuring diversification of the bank's funding sources and ensuring that the bank maintains a large investor universe.

The Board has three sub-committees: the Audit Committee, the Risk and Compliance Committee and the Remuneration Committee. The committees meet regularly to address their areas of responsibility. From 2021, the Remuneration Committee will change its name to the Organisation and Remuneration Committee.

## Subsequent events

In January, Moody's decided to upgrade Sbanken ASA's long-term rating from A3 to A2. The upgrade was a result of expectations that the bank will issue debt instruments with a lower priority than ordinary senior unsecured debt as a consequence of the MREL requirement received in December 2020. The outlook for the bank's rating remained positive.

On 10 February, the Board of Sbanken decided to utilise the outstanding authorisation to distribute a dividend of NOK 3.15 per share for 2019. The dividend corresponded to 26.6 per cent of the cumulative profit for Sbanken ASA in 2019 and 2020, and was hence in accordance with the communication by the Ministry of Finance that cumulative distributions should be limited to 30 per cent until 30 September 2021.

## Outlook

The recovery of the Norwegian economy following the coronavirus outbreak slowed towards the end of the year as a result of increased infection rates and the reintroduction of containment

measures. Vaccinations and the future easing of restrictions are expected to support the economic development going forward, but in the short term, the growth situation remains uncertain due to continued surges in infection rates.

Growth projections from Norges Bank indicate a growth in mainland GDP above 3 per cent in 2021 and 2022, followed by a growth of just below 2 per cent in 2023. Unemployment is expected to fall to 3.2 per cent in 2021 and thereafter to around 2.5 per cent. Norges Bank's interest rate path indicates that the key policy rate will remain at zero per cent in 2021, before gradually increasing from the start of 2022 to around 1 per cent towards the end of 2023. After a year of growth in housing prices of 8.7 per cent, Norges Bank expects growth to slow down to below 7 per cent in 2021 and then to around 2 per cent. Household credit growth is expected to remain just below 5 per cent over the next years.

Based on the improved outlook for the Norwegian economy, in combination with the bank's efforts on efficiency and automation, capital efficiency and emphasis on long-term profitability, the Board expects Sbanken to move closer to achieving its financial targets.

In order to achieve the 14 per cent return on equity target, efficiency within core banking services and growth within long-term saving will be key. A user-friendly and independent fund platform, centred around sustainable investment decisions ensures that Sbanken is well positioned to increase its market share in a market with high growth potential.

## Thanks

The Board of Directors wishes to thank all employees for their great effort and teamwork in the unusual year that was 2020. The Board would also like to thank the bank's customers, investors, partners and suppliers for their support of the bank.

Bergen, 24 March 2021  
The Board of Directors of Sbanken ASA



Niklas Midby  
(Chair of the Board)



Mai-Lill Ibsen



August Baumann



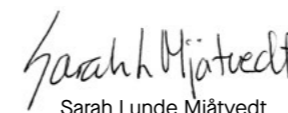
Hugo Maurstad



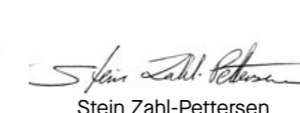
Ragnhild Wiborg



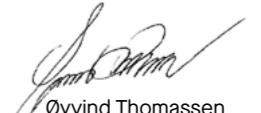
Cathrine Klouman



Sarah Lunde Mjåtvedt



Stein Zahl-Pettersen



Øyvind Thomassen  
(CEO)



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# Income statement

Sbanken ASA (parent company)				Sbanken ASA Group		
2019	2020	In NOK thousand	Note	2020	2019	
1 920 230	1 683 659	Interest income from financial instruments using the effective interest method	29	2 380 696	2 719 164	
0	0	Other interest income	29	0	0	
-592 746	-381 594	Interest expense	29	-736 560	-1 155 037	
<b>1 327 485</b>	<b>1 302 065</b>	<b>Net interest income</b>		<b>1 644 137</b>	<b>1 564 127</b>	
344 607	345 717	Commission and fee income	30	345 717	344 607	
-129 683	-161 407	Commission and fee expense	30	-161 407	-129 683	
<b>214 924</b>	<b>184 310</b>	<b>Net commission and fee income</b>		<b>184 310</b>	<b>214 924</b>	
37 479	288 806	Net gain/(loss) on financial instruments	31	21 920	20 553	
7 032	8 379	Other income		130	225	
<b>44 512</b>	<b>297 186</b>	<b>Other operating income</b>		<b>22 050</b>	<b>20 778</b>	
-342 506	-348 192	Personnel expenses	34, 46	-348 558	-342 921	
-301 034	-291 946	Administrative expenses	32, 33	-296 053	-303 070	
-81 249	-65 760	Depreciation and impairment of fixed and intangible assets	32	-65 760	-81 249	
<b>862 132</b>	<b>1 077 663</b>	<b>Profit before loan losses</b>		<b>1 140 126</b>	<b>1 072 589</b>	
-150 945	-133 297	Loan losses	14	-133 482	-153 149	
<b>711 187</b>	<b>944 366</b>	<b>Profit before tax</b>		<b>1 006 643</b>	<b>919 440</b>	
-163 408	-159 763	Tax expense	35	-223 601	-209 388	
<b>547 780</b>	<b>784 603</b>	<b>Profit for the period</b>		<b>783 042</b>	<b>710 052</b>	
		<b>Attributable to</b>				
515 808	750 136	Shareholders	50	748 575	678 080	
31 972	34 467	Additional Tier 1 capital holders	21	34 467	31 972	
<b>547 780</b>	<b>784 603</b>	<b>Profit for the period</b>		<b>783 042</b>	<b>710 052</b>	

Earnings per share, see note 50

# Statement of comprehensive income

Sbanken ASA (parent company)				Sbanken ASA Group		
2019	2020	In NOK thousand	Note	2020	2019	
<b>547 780</b>	<b>784 603</b>	<b>Profit for the period</b>		<b>783 042</b>	<b>710 052</b>	
		<b>Other comprehensive income:</b>				
-9 754	36 803	Net change in fair value of financial instruments at fair value through other comprehensive income (OCI)		99	-7 226	
2 332	-9 201	Tax effect	35	65	1 570	
<b>-7 422</b>	<b>27 602</b>	<b>Other comprehensive income that can be reclassified to profit or loss after tax</b>		<b>164</b>	<b>-5 656</b>	
1 371	-9 637	Actuarial gains (losses)	46	-9 637	1 371	
-343	2 410	Tax effect	35	2 410	-343	
<b>1 028</b>	<b>-7 227</b>	<b>Other comprehensive income that can-not be reclassified to profit or loss after tax</b>		<b>-7 227</b>	<b>1 028</b>	
<b>-6 394</b>	<b>20 375</b>	<b>Total components of other comprehensive income (after tax)</b>		<b>-7 063</b>	<b>-4 628</b>	
<b>541 386</b>	<b>804 978</b>	<b>Total comprehensive income for the period</b>		<b>775 979</b>	<b>705 424</b>	
		<b>Attributable to</b>				
509 414	770 511	Shareholders		741 512	673 452	
31 972	34 467	Additional Tier 1 capital holders	21	34 467	31 972	
<b>541 386</b>	<b>804 978</b>	<b>Total comprehensive income for the period</b>		<b>775 979</b>	<b>705 424</b>	

# Balance sheet

Sbanken ASA (parent company)				Sbanken ASA Group		
31.12.19	31.12.20	In NOK thousand	Note	31.12.20	31.12.19	
		<b>Assets</b>				
1 587 606	1 423 268	Cash and receivables with central bank	8, 13	1 423 268	1 587 606	
3 184 035	2 958 456	Loans to and receivables from credit institutions	8, 12	654 517	286 802	
46 867 863	47 904 688	Loans to customers	7, 8, 9, 10, 11	83 082 252	81 233 217	
<b>51 639 504</b>	<b>52 286 412</b>	<b>Net loans to customers, central bank and credit institutions</b>		<b>85 160 037</b>	<b>83 107 625</b>	
11 333 527	20 434 972	Commercial paper and bonds	8, 36, 37	14 412 990	9 087 319	
403 902	393 011	Shares and funds	8, 38, 40	163 701	171 680	
134	29 533	Derivatives	25	561 305	201 975	
1 699 880	1 699 880	Shares in subsidiary	38	0	0	
135 376	114 645	Intangible assets	42	114 645	135 376	
12 409	7 738	Deferred tax assets	35	21 679	17 915	
164 782	127 755	Property, plant and equipment	43, 44	127 755	164 782	
89 168	341 533	Other assets	41	110 850	88 588	
30 425	53 498	Advance payment and accrued income		53 498	30 425	
<b>65 509 106</b>	<b>75 488 979</b>	<b>Total assets</b>		<b>100 726 459</b>	<b>93 005 685</b>	
		<b>Liabilities</b>				
0	2 250 000	Loans and deposits from central bank	13	2 250 000	0	
1 701 739	1 602 243	Loans and deposits from credit institutions	12, 18, 19	542 731	0	
52 844 881	58 643 627	Deposits from customers	18, 19, 23	58 643 627	52 844 881	
3 033 344	4 291 792	Debt securities issued	18, 19, 22	29 974 370	31 304 025	
0	21 738	Derivatives	25	21 738	0	
162 305	161 643	Taxes payable	35	224 640	208 769	
27 494	36 998	Pension commitments	46	36 998	27 494	
515 916	497 581	Other liabilities	45	515 589	834 679	
899 438	898 831	Subordinated loans	19, 20	898 831	899 438	
<b>59 185 117</b>	<b>68 404 453</b>	<b>Total liabilities</b>		<b>93 108 523</b>	<b>86 119 287</b>	
		<b>Equity</b>				
1 068 693	1 068 693	Share capital	48	1 068 693	1 068 693	
2 625 895	2 625 895	Share premium		2 625 895	2 625 895	
705 858	701 223	Additional Tier 1 capital	21	701 223	705 858	
1 923 543	2 688 715	Other equity		3 222 125	2 485 952	
<b>6 323 989</b>	<b>7 084 526</b>	<b>Total equity</b>		<b>7 617 936</b>	<b>6 886 398</b>	
<b>65 509 106</b>	<b>75 488 979</b>	<b>Total liabilities and equity</b>		<b>100 726 459</b>	<b>93 005 685</b>	

Subsequent events

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# Statement of changes in equity – group

## Sbanken ASA Group

In NOK thousand	Share capital	Share premium	Additional Tier 1 capital	Actuarial gains and losses	Changes in fair value of financial instruments at fair value through OCI	Other equity	Total equity
<b>Balance sheet as at 01.01.19</b>	<b>1 068 693</b>	<b>2 625 895</b>	<b>504 978</b>	<b>-18 806</b>	<b>-17 428</b>	<b>2 036 035</b>	<b>6 199 367</b>
Profit for the period to other equity						678 080	<b>678 080</b>
Profit for the period to Tier 1 capital holders			31 972				<b>31 972</b>
Payments to Tier 1 capital holders			-31 092				<b>-31 092</b>
Issue of Tier 1 capital			200 000			-148	<b>199 852</b>
Actuarial gains and losses for the period				1 028			<b>1 028</b>
Net change in fair value of financial instruments at fair value through OCI					-5 656		<b>-5 656</b>
Payments related to share incentive program						-131	<b>-131</b>
Paid dividend to shareholders						-187 021	<b>-187 021</b>
<b>Balance sheet as at 31.12.19</b>	<b>1 068 693</b>	<b>2 625 895</b>	<b>705 858</b>	<b>-17 778</b>	<b>-23 084</b>	<b>2 526 815</b>	<b>6 886 398</b>
Profit for the period to other equity						748 575	<b>748 575</b>
Profit for the period to Tier 1 capital holders			34 467				<b>34 467</b>
Payments to Tier 1 capital holders			-39 102				<b>-39 102</b>
Issue of Tier 1 capital			400 000			-800	<b>399 200</b>
Redeem/maturity of Tier 1 capital			-400 000				<b>-400 000</b>
Actuarial gains and losses for the period				-7 227			<b>-7 227</b>
Net change in fair value of financial instruments at fair value through OCI					164		<b>164</b>
Payments related to share incentive program						-4 538	<b>-4 538</b>
Paid dividend to shareholders						0	<b>0</b>
<b>Balance sheet as at 31.12.20</b>	<b>1 068 693</b>	<b>2 625 895</b>	<b>701 223</b>	<b>-25 005</b>	<b>-22 920</b>	<b>3 270 052</b>	<b>7 617 936</b>

# Statement of changes in equity – parent company

## Sbanken ASA (parent company)

In NOK thousand	Share capital	Share premium	Additional Tier 1 capital	Actuarial gains and losses	Changes in fair value of financial instruments at fair value through OCI	Other equity	Total equity
<b>Balance sheet as at 01.01.19</b>	<b>1 068 693</b>	<b>2 625 895</b>	<b>504 978</b>	<b>-18 806</b>	<b>-3 523</b>	<b>1 623 758</b>	<b>5 800 996</b>
Profit for the period to other equity						515 808	<b>515 808</b>
Profit for the period to Tier 1 capital holders			31 972				<b>31 972</b>
Payments to Tier 1 capital holders			-31 092				<b>-31 092</b>
Issue of Tier 1 capital			200 000			-148	<b>199 852</b>
Actuarial gains and losses for the period				1 028			<b>1 028</b>
Net change in fair value of financial instruments at fair value through OCI					-7 422		<b>-7 422</b>
Payments related to share incentive program						-131	<b>-131</b>
Paid dividend to shareholders						-187 021	<b>-187 021</b>
<b>Balance sheet as at 31.12.19</b>	<b>1 068 693</b>	<b>2 625 895</b>	<b>705 858</b>	<b>-17 778</b>	<b>-10 945</b>	<b>1 952 266</b>	<b>6 323 989</b>
Profit for the period to other equity						750 136	<b>750 136</b>
Profit for the period to Tier 1 capital holders			34 467				<b>34 467</b>
Payments to Tier 1 capital holders			-39 102				<b>-39 102</b>
Issue of Tier 1 capital			400 000			-800	<b>399 200</b>
Redeem/maturity of Tier 1 capital			-400 000				<b>-400 000</b>
Actuarial gains and losses for the period				-7 227			<b>-7 227</b>
Net change in fair value of financial instruments at fair value through OCI					27 602		<b>27 602</b>
Payments related to share incentive program						-4 538	<b>-4 538</b>
Paid dividend to shareholders						0	<b>0</b>
<b>Balance sheet as at 31.12.20</b>	<b>1 068 693</b>	<b>2 625 895</b>	<b>701 223</b>	<b>-25 005</b>	<b>16 657</b>	<b>2 697 064</b>	<b>7 084 526</b>

# Statement of Cash Flows 01.01-31.12

Sbanken ASA (parent company)			Sbanken ASA Group		
2019	2020	In NOK thousand	Note	2020	2019
<b>Cash flows from operating activities</b>					
-2 390 604	-1 164 488	Net payments on loans to customers	8, 9,10	-1 990 799	-2 349 722
1 608 598	1 412 970	Interest received on loans to customers	29	2 237 788	2 492 549
3 315 842	5 798 746	Net receipts on deposits from customers	23	5 798 746	3 315 842
-484 240	-306 451	Interest paid on deposits from customers	29	-306 451	-484 240
-76 860	493 797	Payments on loans to group company		0	0
47 074	39 622	Interest received on loans to group company		0	0
1 041 078	-9 109 085	Net receipts/payments from buying and selling financial instruments at fair value	37	-5 379 526	2 128 975
232 514	224 826	Interest received from commercial paper and bonds	29	143 062	189 369
0	2 250 000	Net receipts/payments on deposits from central bank	13	2 250 000	0
0	0	Receipts of collateral related to derivatives used in hedge accounting		320 684	36 671
0	0	Net receipts/payments on deposits from credit institutions	12	0	0
-969	-6 180	Interest paid on deposits from credit institutions		-6 180	-969
21 425	4 610	Interest received on loans to credit institutions and central bank	29	7 089	22 050
335 032	331 229	Receipts related to commissions and fees	30	331 229	335 032
-132 072	-138 775	Payments related to commissions and fees	30	-138 775	-132 072
-307 299	-311 458	Payments related to administrative expenses	32, 33	-315 232	-309 880
-312 349	-351 267	Payments related to personnel expenses	34	-351 633	-312 767
-156 397	-161 469	Taxes paid	35	-208 769	-209 035
38 093	67 645	Other receipts/payments		56 431	35 635
<b>2 778 866</b>	<b>-925 728</b>	<b>Net cash flows from operating activities</b>		<b>2 447 663</b>	<b>4 757 438</b>
<b>Cash flows from investment activities</b>					
0	0	Capital increase in subsidiary		0	0
0	0	Payment of additional Tier 1 capital to group company		0	0
-1 765	-427	Invested in associated company	38	-427	-1 765
-4 021	-1 183	Payments on the acquisition of fixed assets	43, 44	-1 183	-4 021
-69 040	-13 349	Payments on the acquisition of intangible assets	42	-13 349	-69 040
<b>-74 826</b>	<b>-14 959</b>	<b>Net cash flows from investment activities</b>		<b>-14 959</b>	<b>-74 826</b>
<b>Cash flows from financing activities</b>					
0	0	Receipts on share capital and share premium net of issuing cost	EQ	0	0
-187 021	0	Paid dividend to shareholders	EQ	0	-187 021
250 000	500 000	Receipts on subordinated loans	20	500 000	250 000
0	-500 000	Payments on matured and redeemed subordinated loans		-500 000	
-25 052	-28 003	Interest paid on subordinated loans	29	-28 003	-25 052
200 000	400 000	Receipts on issued additional Tier1 capital	21	400 000	200 000
0	-400 000	Payments on matured and redeemed additional Tier 1 capital		-400 000	
-31 092	-39 102	Interest paid on additional Tier 1 capital	EQ	-39 102	-31 092
850 000	3 250 000	Receipts on issued bonds and commercial paper	22	7 800 000	4 800 000
-2 262 390	-1 991 454	Payments on matured and redeemed bonds and commercial paper	22	-9 486 393	-7 814 867
-80 398	-47 277	Interest paid on issued bonds and commercial paper	29	-475 729	-622 721
<b>-1 285 953</b>	<b>1 144 064</b>	<b>Net cash flows from financing activities</b>		<b>-2 229 327</b>	<b>-3 430 753</b>
<b>1 418 087</b>	<b>203 377</b>	<b>Total net cash flow</b>		<b>203 377</b>	<b>1 251 859</b>
456 163	1 874 250	Cash at the beginning of the period		1 874 408	622 549
1 874 250	2 077 627	Cash at the end of the period		2 077 785	1 874 408
<b>1 418 087</b>	<b>203 377</b>	<b>Change in cash</b>		<b>203 377</b>	<b>1 251 859</b>
<b>Cash</b>					
1 587 606	1 423 268	Cash and receivables with central bank		1 423 268	1 587 606
286 644	654 359	Loans to credit institutions		654 517	286 802
<b>1 874 250</b>	<b>2 077 627</b>	<b>Total cash</b>		<b>2 077 785</b>	<b>1 874 408</b>

EQ = Statement of changes in equity

## Note 1 – Accounting principles

### 1. In general

Sbanken ASA is a listed public limited company domiciled in Norway. The company's head office is at Folke Bernadottesvei 38 in Bergen.

The Sbanken ASA group consists of Sbanken ASA and its subsidiary Sbanken Boligkreditt AS.

Sbanken ASA and Sbanken Boligkreditt AS were incorporated on 17 April 2015. On 5 October 2015, Skandiabanken AB NUF (a branch of Skandiabanken AB in Sweden) was reorganised into Skandiabanken ASA, with Skandiabanken Boligkreditt AS as a wholly owned subsidiary. For accounting purposes, the reorganisation was treated as a 'capital reorganisation'.

Skandiabanken ASA was listed on Oslo Stock Exchange on 2 November 2015.

### 2. Basis for preparation of the financial statements

Sbanken ASA's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The bank has applied all standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the EU, that are relevant to the business and that are mandatory for accounting periods starting 1 January 2020.

The financial statements for the Sbanken ASA (parent company) have been prepared in accordance with this with the Accounting Act § 3-9 and regulations on annual accounts for banks, mortgage companies and finance companies. These regulations are the same as for IFRS with the exception of accounting of dividends and group contributions from subsidiaries. This may, in accordance with § 3-1 of the regulations, be recognised as income at the balance sheet date. For Sbanken ASA the parent company, there are no other differences from application of full IFRS.

The consolidated financial statements are based on the principles of historical cost accounting. Amortised cost is used for financial assets and liabilities in the group, except for financial instruments on the assets side. All securities on the assets side are recognised either at fair value through comprehensive income or at fair value through profit or loss. Financial derivatives are recognised at fair value through profit or loss and used for hedge accounting. The same classification is used in the parent bank's financial statements as in the group, except for loans to customers where the business model is based on both the receipt of fixed cash flows and sales. This applies to mortgages that can potentially be sold to Sbanken Boligkreditt AS. These loans are classified at fair value through

other comprehensive income.

The consolidated financial statements have been prepared on the basis of the going concern assumption, and were approved by the Board of Directors on 24 March 2021.

### 3. New and revised accounting standards for financial year 2020

Based on changes in the benchmark interest rates, as a result of the IBOR reform, The IASB has proposed amendments to IFRS 9 and IFRS 7.

The IASB has divided the project into two phases. Phase 1 deals with accounting effects, before changes in interest rates are implemented, while phase 2 deals with accounting effects, at the time the changes are implemented. Hedge accounting was identified as the predominant challenge in the period before the implementation (phase 1). The Phase 1 project therefore only deals with hedge accounting and provides exemption rules related to already contractual cash flows in hedging relations based on reference interest rates. The exceptions make it possible to maintain hedge accounting in the period until changes to the interest rates are implemented. Phase 1 changes were mandatory from 01.01.2020.

The Sbanken ASA Group has, through its subsidiary Sbanken Boligkreditt AS, only one hedging relation in Euro where Nibor is the reference rate.

There are no changes in standards or interpretations that have given a significant effect on the group's and the parent bank's accounts.

### 4. New and revised standards for financial year 2021 or later

The IBOR reform phase II will have an impact on, among other things, IFRS 9 and IFRS 7. The changes mainly affect measurement to amortised cost, hedge accounting and information provided in notes.

In relation to IFRS 9, a practical exception rule is introduced by updating effective interest rate prospectively. This presupposes that a change of interest rate is necessary as a direct consequence of the IBOR reform, and that the effect on the instrument's cash flows is economically equated with the previous basis for calculation of cash flows.

With regard to hedge accounting, an exception rule is introduced. The ; the formal designation and documentation of a security relation under hedge accounting can be changed without breaking the hedge relation.



## Note 1 – Accounting principles (continued)

There are no changes in standards or interpretations that is expected to have a significant effect on the group's and the parent bank's accounts.

### 5. Recognition of income and expenses

#### Net interest income

Interest income is recognised using the effective interest rate method. This means that interest is recognised as it accrues, with the addition of amortised front-end fees and any other fees, which are considered an integral part of the effective interest rate. The effective interest rate method is used for both balance sheet items valued at amortised cost and balance sheet items valued at fair value through other comprehensive income.

Interest on written-down loans in Stage 3 is recognised using the effective interest rate based on the written-down value of the loan. In Stage 1 and 2, the interest is calculated before any write-downs. Interest expenses are also expensed using the effective interest rate method.

#### Net commission income

Commission income from various customer services is recognised depending on the type of service concerned. Fees are recognised as income when the service is rendered or when a material part of the service is completed. Fees received for services rendered are recognised as income in the period when the services are rendered. Commission expenses are based on transactions and are recognised in the period when the services are received.

#### Net gain/loss on investments in securities

Realised gains and losses are recognised in the income statement at the time of realisation. Unrealised gains and losses are recognised in other comprehensive income when the investments are classified at fair value through other comprehensive income, and through profit or loss when the investments are related to derivatives or other securities classified at fair value through profit or loss.

#### Operating expenses

Operating expenses consist of personnel expenses and administration expenses. Personnel expenses are accrued throughout the year, while administration expenses are recognised in the period when the services are received.

Costs resulting from depreciation relating to tangible fixed assets and intangible assets come in addition.

#### Losses on loans

Impairment losses on loans to customers and credit institutions are presented under losses on loans in the income statement.

Losses in the period linked to individual commitments are presented net after having taken all pledged collateral and any other guarantees into account. See Note 2 on principles relating to the calculation of impairment losses on loans to customers and credit institutions.

### 6. Currency

Sbanken's presentation and functional currency is Norwegian kroner (NOK). Transactions in foreign currency are translated into the functional currency at the exchange rate on the transaction date. Realised currency gains or losses from the settlement of transactions and from the translation of monetary items in foreign currency at the exchange rate on the balance sheet date are recognised in the income statement.

### 7. Property, plant and equipment

Property, plant and equipment include improvements to leased property, IT equipment, furniture and other equipment.

Property, plant and equipment are valued at acquisition cost, reduced by accumulated depreciation. The acquisition cost includes expenses that are directly attributable to the acquisition. Costs incurred after the asset has been taken into use are only recognised in the balance sheet when it is probable that future economic benefits will pass to the enterprise, and the costs can be measured in a reliable manner. The balance sheet value of a component of an asset is derecognised when the component is replaced. Other repair and maintenance costs are expensed in the period they are incurred. Property, plant and equipment are depreciated on a straight-line basis over the asset's estimated lifetime. The lifetime is stipulated for each asset individually.

At the time of reporting, an assessment is carried out of whether there are indications of impairment relating to a tangible fixed asset. If there are such indications, a recoverable amount is estimated and a write-down carried out unless it is assumed to be temporary. The write-down will be the difference between the previous book value and the new estimated recoverable amount.

### 8. Leases

IFRS 16 Leases was adopted with effect from 1 January 2019. Under IFRS 16, all future lease payment obligations under the bank's material lease agreements with a duration of more than 12 months shall be recognised in the balance sheet as a liability. Correspondingly, the right to future use of leased assets shall be recognised as an asset. In the income statement, depreciation of the right-of-use assets will be recognised separately from interest on lease liabilities and together these replace lease

## Note 1 – Accounting principles (continued)

expenses under IAS 17.

Sbanken ASA has decided to use the following accounting principles and solutions:

- the exemption for low-value assets (primarily office equipment)
- to apply the modified retrospective approach upon implementation of IFRS 16

The latter means that comparative figures for 2018 has not be restated. The right-of-use asset and the lease liability was measured at the same amount, adjusted for advance payments, accruals and provision included in the balance sheet at 31 December 2018.

The right-of-use asset is classified as tangible fixed assets in the balance sheet, while the lease liability is classified as other liabilities. Sbanken ASA's lease liabilities are related to the lease of commercial property, in addition to some IT equipment. The total lease liability and right-of-use asset amounted to NOK 155 million at 1 January 2019. The right-of-use asset has been assigned a risk weight of 100 per cent, and the effect on CET1 was less than 0.1 percentage points (negative effect).

The effect on profit will change over time, but the combination of interest and depreciation expenses under IFRS 16 is expected to be somewhat higher than lease expenses under IAS 17 at the start of the lease period and lower towards the end.

### 9. Intangible assets

Intangible assets are identifiable, non-monetary assets that lack physical substance. Sbanken is entitled to the future economic benefits of the asset and thereby also controls the asset. Intangible assets in Sbanken mainly consist of IT development and software.

#### IT development/software:

Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the group are recognised in the balance sheet as an intangible asset when the following criteria are met:

- it generates future economic benefits and cash flows
- it is technically feasible to complete the software and make it available for use
- the management intends to complete the software for use
- there is a possibility of using or selling the software
- technical, financial or other resources are available to complete the software
- expenses relating to the software development can be measured in a reliable manner

Capitalised development costs are recognised as intangible assets and depreciated when the asset is taken into use.

Software also includes purchased software licences that are not physical assets.

Intangible assets are depreciated on a straight-line basis over a period of 3 to 7 years.

Costs relating to the maintenance of software are expensed in profit or loss when the cost is incurred.

#### Impairment of intangible assets:

At the time of reporting, an assessment is carried out of whether there are indications of a fall in value relating to an intangible asset. If there are, a recoverable amount is estimated and a write-down carried out unless it is assumed to be temporary. Indicators that can trigger an impairment test include:

- significantly reduced performance of the asset
- material change in the use of the asset
- significant negative trends
- other external or internal factors

## 10. Financial instruments

#### Recognition and derecognition

Financial assets and liabilities are recognised in the balance sheet when the company becomes a party to the instrument's contractual terms. Normal purchases and sales of financial instruments are recognised on the transaction date. Upon initial recognition of a financial asset or a financial liability (asset/liability that is not valued at fair value through profit or loss), the asset or liability is measured at fair value with the addition of transaction expenses that are directly attributable to the acquisition or issuing of the financial assets or liability.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the financial asset expire, or (b) when the enterprise transfers the financial asset in a transaction where all or nearly all risks and rewards of ownership relating to the asset are transferred.

Under IFRS 9, classification in the correct measurement category will be based on both characteristics of the contractual cash flows and the business model for managing the financial assets.

IFRS 9 has the following measurement categories:

#### A) Debt instruments at amortised cost

Instruments included in this measurement category are instruments held for the purpose of receiving contractual cash flows, where these cash flows only consist of the payment of interest and principle.

The Sbanken ASA group uses this category for all loans to customers, central banks and credit institutions, and for items

## Note 1 – Accounting principles (continued)

included in the accounting item 'Other financial assets'.

Sbanken ASA (parent company) uses this category for loans to customers, except instalment loans secured by a mortgage (all home loans except lines of credit), loans to central banks and credit institutions, and for items included in the accounting item 'Other financial assets'.

### B) Debt instruments at fair value through other comprehensive income (FVOCI)

Instruments included in this measurement category are instruments held for the purpose of both receiving contractual cash flows and for sale. The cash flows shall also here consist of the payment of interest and principal only.

The Sbanken ASA group uses this category for debt instruments in the company's liquidity portfolio.

Sbanken ASA (parent company) uses this category for debt instruments in the company's liquidity portfolio, and for loans to customers that are instalment loans secured by residential mortgage (all home loans except lines of credit). The reason is that Sbanken ASA has a business model indicating that all qualified home loans can be sold to the subsidiary Sbanken Boligkreditt AS.

### C) Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

The following instruments will be included in this measurement category:

- 1) Derivatives shall always be measured at fair value through profit or loss
- 2) Equity instruments shall as a rule be classified here
- 3) Debt instruments may be classified here if the criteria for using the fair value option (FVO) are met and if the business model indicates that the instrument is managed and followed up at fair value (trading).

The Sbanken ASA group and the parent company use this category for investments in shares and loans to customers with fixed rate.

### D) Equity instruments where the OCI option is used, so that the instrument is measured at fair value through other comprehensive income without recycling

The company can choose to recognise equity instruments through other comprehensive income instead of through profit or loss, provided that the instrument is not held for trading purposes. If it chooses to do so, these instruments will not be reclassified to profit or loss upon realisation.

The Sbanken ASA group and the parent company do not use this category.

## 11. Financial liabilities

The bank's financial liabilities consist of debt to credit institutions, deposits from customers, and covered bonds and senior bonds issued.

### Debt to credit institutions and customer deposits

Debt to credit institutions and customer deposits are recognised at fair value upon establishment, adjusted for any transaction costs, and subsequently at amortised cost in accordance with the effective interest rate method.

### Covered bonds and senior bonds

The bank has issued covered bonds through its subsidiary Sbanken Boligkreditt AS. Covered bonds are recognised at fair value upon issue, adjusted for any transactions costs, and subsequently at amortised cost in accordance with the effective interest rate method. The same accounting treatment also applies to senior bonds.

### Subordinated loans

Subordinated loans are recognised at fair value upon establishment, adjusted for any transactions costs, and subsequently at amortised cost in accordance with the effective interest rate method.

## 12. Hedge accounting

Sbanken uses derivatives to hedge against interest rate and currency risk in connection with the issuing of debt in EURO. When the company issues securities in currencies other than Norwegian kroner, the bank's market risk policy states that hedging transactions shall be carried out, so that the bank avoids exposure in foreign currency and thereby minimises currency risk. Upon initial recognition, derivatives and borrowings are designated as hedging instruments and recognised as fair value hedges. Formal earmarking and documentation of the hedging relation takes place when the hedging relation is established. There is a direct and documented connection between fluctuations in the value of the hedged item that are due to the hedged risk and the value of the financial derivatives. The hedging is documented with reference to the company's risk management strategy, with a description of the hedged risk and why the hedging is expected to be effective.

The hedging instruments (interest rate and currency swaps) are recognised at fair value, while the hedged items are valued at fair value for the hedged risks (interest rate and currency). Hedge ineffectiveness, defined as the difference between the value adjustment of hedged instruments and the value adjustment of the hedged items, are recognised through profit or loss as it arises. The exemption is the part of the value adjustment caused by a change in basis spreads relating

## Note 1 – Accounting principles (continued)

to hedged instruments recognised in other comprehensive income.

## 13. Hybrid capital

Sbanken ASA has issued hybrid capital instruments. The instruments are perpetual, entitling the issuer to redeem the capital on specific dates, for the first time five years after the date of issue. The terms and conditions of the agreement meet the requirements of the Capital Adequacy Regulations, and the instruments are included in the bank's core capital for capital adequacy purposes. This means that the bank is unilaterally entitled to not pay interest and/or redeem the nominal value of the instruments to the hybrid capital investors. For this reason, the instruments do not meet the definition of debt in IAS 32 and are classified as equity.

A share of the profit corresponding to accrued interest is allocated to the hybrid capital investors and accumulated as hybrid capital as part of the bank's equity. Correspondingly, interest paid will reduce the hybrid capital upon payment to the hybrid capital investors. Transaction costs relating to the issue of hybrid capital are charged to other equity, corresponding to the costs relating to share issues.

## 14. Fair value

Fair value is the price at which an asset can be sold or a liability settled in a voluntary transaction at arm's length between well-informed parties. For financial assets listed on a stock exchange or another regulated market place, the fair value is the purchase price on the last day of trading up to and including the balance sheet date, and the sales price of an asset that can be acquired or a liability held.

Where the price of a financial instrument is not observable in an active market, the fair value is determined using valuation methods. Valuation methods include the use of recent market transactions carried out at arm's length between well-informed parties, if such are available, reference to the fair value on an ongoing basis of another instrument that is practically identical, discounted cash flow calculations and option pricing models.

Reference is made to Note 40 for a description of the fair value hierarchy.

## 15. Dividend

Dividends from investments are recognised when the company has one unconditional right to receive the dividend.

For Sbanken ASA (the parent company) allows regulations

on annual accounts for banks § 3-1 that dividends and group contributions from subsidiaries can be recognised in accordance with the provisions of the Accounting Act.

This means that the Sbanken ASA can recognise dividends from its wholly owned subsidiary Sbanken Boligkreditt AS at the balance sheet date.

## 16. Accounting provisions for liabilities

Provisions for liabilities are non-financial liabilities with an uncertain settlement date or amount. The bank makes a provision for liabilities when a statutory or self-imposed obligation exists as a result of previous events, when there is a preponderance of probability that the liability will have to be settled and a reliable estimate can be prepared.

## 17. Pensions

Sbanken has both defined contribution and defined benefit pension schemes for its employees.

Under the defined contribution scheme, a contribution is paid into the employees' personal pension accounts in the life insurance company Nordea Liv Norge AS every month. This amounts to 5 per cent of earnings between 1 and 6 times the National Insurance basic amount (G) and 8 per cent of earnings between 6 and 12 G. This corresponds to the maximum rates that previously applied to defined contribution schemes. The maximum age for earning pension benefits under the scheme is 70. The age of retirement will vary from 62 to 70 according to the employee's wishes. Defined contribution pension plans are expensed directly.

Under the defined benefit scheme, employees will receive retirement pension of around 66 per cent of the pension basis (max. 12 G) given a full earnings period of 30 years. Employees carry no risk over and above the risk of dying before reaching the retirement age, in which case the pension funds will pass to the other members of the pension scheme and not the employee's next of kin.

Defined benefit plans are valued at the present value of future pension benefits, which for accounting purposes are deemed to have been earned on the balance sheet date, minus pension assets measured at fair value. Pension obligations are estimated annually by an independent actuary. The present value of a defined benefit pension is determined by discounting future cash flows that are expected to be disbursed under the scheme using the interest rate on covered bonds (OMF) on the balance sheet date, plus an addition for taking into account the relevant duration of the obligation.



## Note 1 – Accounting principles (continued)

Net interest expense is calculated by applying the discount rate on the net pension obligation. Net interest expense is recognised under personnel expenses in profit or loss. Actuarial losses and gains are recognised in other comprehensive income in the period they arise.

Changes in the pension obligation that are due to plan changes are recognised directly in profit or loss.

### 18. Tax

The tax expense represents the sum of current tax and deferred tax. Current tax is the tax payable for the period based on the taxable profit/loss for the year, plus any changes in the estimated current tax for previous years.

Deferred tax is calculated on the basis of the differences between the book value and tax value of assets and liabilities at the time of reporting.

The deferred tax liability is generally recognised for all taxable (tax-increasing) temporary differences, and the deferred tax asset is generally recognised for all deductible (tax-reducing) temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be offset.

Current tax and deferred tax are recognised as expenses or income in profit or loss, except deferred tax on items recognised directly against equity, in which case the tax is recognised directly in equity, or in cases where they arise as a result of the recognition of a business merger.

### 19. Associated companies

Associated companies (Quantfolio AS, holding 35.3 per cent) are entities in which the group exercises significant influence, but not control. Significant influence is normal for investments where the group owns between 20 and 50 per cent of the capital carrying voting rights. Investments in associated companies are recognised pursuant to the equity method. At the time of acquisition, investments in associated companies are recognised at acquisition cost. Investments in associated companies also include goodwill identified at the time of acquisition, reduced by any subsequent write-downs. The share of profit or loss in associated companies is recognised and added to the capitalised value of the investments plus the share of unrecognised changes in equity. The group does not recognise the share of the loss if this means that the capitalised value of the investment is negative, unless the group has undertaken obligations or furnished guarantees on behalf of the associated company.

### 20. Consolidation

The consolidated financial statements include Sbanken ASA and subsidiaries in which Sbanken ASA controls the company's operations (actual control). A controlled company is one in which the bank has power over the investee, is exposed or has rights to variable returns from the investee, and has the power to control the activities of the investee that materially affect the return. This means that a consolidation obligation must also be considered in cases where there is no majority shareholding.

Elimination of intercompany transactions  
Intercompany balances, gains and losses, interest and dividend etc. between group companies are eliminated in the consolidated financial statements.

### 20. Segment reporting

No segment information has been prepared, as the entire operation of the Sbanken group is deemed to constitute one segment, the "Private Consumer Market", under IFRS 8. Sbanken group launched an SME (small and medium entities) offering late June 2019. At present, neither the customer base nor the revenues or costs from the SME offering constitutes a separate reporting segment. Hence in the supervisory activities performed by the board and management, the customer base is not divided into different business segments that are followed up over time.

These groups consist of the following products and services:

- Lending:** Home loans, car loans, credit cards, overdraft facilities, consumer loans and custody account credit
- Deposits:** all-in-one, high-interest, security deposit accounts and home savings for young people (BSU)
- Payment services:** payment of bills, international payments, card transactions etc.
- Security:** log-in, security solutions etc.

The products in these groups are followed up by management, but their focus and weight vary depending on the overall situation for the business as a whole. The bank's own investment activities do not constitute a separate reportable segment, and they are therefore presented together with the Private Market. Because the bank only operates in Norway, the reporting of geographical and secondary segments is not considered relevant. However, important classes of assets (home loans) and liabilities (deposits) are broken down by county and presented in a separate note.

## Note 1 – Accounting principles (continued)

### 21. Related parties

Sbanken ASA defines related parties as:

- Shareholders with significant influence
- Subsidiaries
- Associated companies

- Executive personnel
- Other related parties

All transactions with related parties are carried out on the basis of the arm's length principle. See notes 34 and 47 for further information about related parties.

## Note 2 – Critical accounting estimates and judgement in applying accounting policies

The preparation of financial statements in accordance with IFRS and the application of the chosen accounting principles require the management to make assessments, prepare estimates and apply assumptions that affect the carrying amounts of assets, liabilities, income and expenses. The estimates and pertaining assumptions are based on previous experience and other factors that are considered to be reasonable under the circumstances. Actual figures may deviate from these estimates. The estimates and the pertaining assumptions are reviewed on a regular basis.

Changes in accounting estimates are recognised in the period when the change occurs if the change only affects this period or in the period when the estimates are changed, and in future periods if the changes affect both current and future periods.

The accounting principles that the company applies when assessments, estimates and assumptions deviate significantly from the actual figures are described below.

#### A. Fair value of financial assets and liabilities

There is uncertainty attached to the pricing of financial instruments that are not quoted in an active market. This applies in particular to securities that are priced on the basis of unobservable assumptions (Level 3 in the fair value hierarchy), and different valuation techniques are used to determine the fair value of these investments.

Reference is made to Note 40 for a more detailed description of financial instruments valued at fair value.

#### B. Losses on financial assets

##### Calculation of impairment

The principles in IFRS 9 relating to impairment of financial instruments are based on the approach that a provision shall be made for expected credit losses (ECL). This represents a change from the previous standard, IAS 39, which was based on the 'incurred loss' principle. It entailed recognising a loss

only when there was objective evidence that a loss event had occurred. The change entails, to a much greater extent than before, estimating future credit losses regardless of whether there is objective evidence of a loss event.

The new principles for impairment in IFRS 9 apply to financial instruments that are debt instruments and that are measured at amortised cost or at fair value through other comprehensive income (OCI). They also include loan commitments.

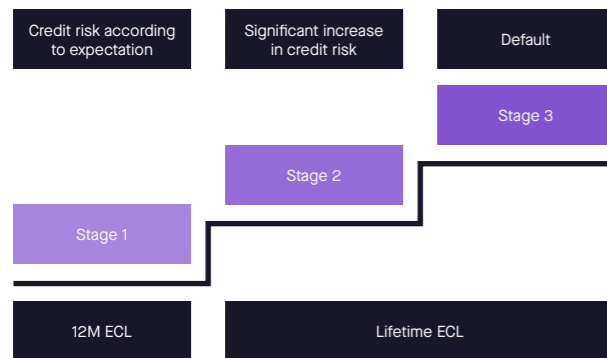
### 1. Framework used to estimate the provision for ECL

The bank has developed a framework used to estimate the provision for expected credit losses (ECL) in accordance with IFRS 9. The bank estimates ECL at account level for the following products:

- Home loans
- Car loans
- Consumer loans
- Credit cards
- Overdrafts

The ECL calculation is based on a three-stage model as illustrated below. At initial recognition, the exposures are allocated to Stage 1. If the credit risk has increased significantly since initial recognition, the exposure migrates to Stage 2. Defaulted exposures are allocated to Stage 3. The provision for assets in Stage 1 corresponds to 12-month expected credit loss (12M ECL), whereas for assets in Stage 2 and 3, the provision corresponds to lifetime expected credit loss (LT ECL). Provisions for Stage 1 and 2 replace the collective impairment model under IAS 39. For individual impairment (Stage 3 assets), there are no significant changes in the rules compared with IAS 39.

## Note 2 – Critical accounting estimates and judgement in applying accounting policies (continued)



ECL is an unbiased estimate based on a range of possible outcomes/scenarios. The bank's approach to macroeconomic scenarios and forward-looking information is described in further detail in section 4 below.

The bank estimates ECL as the sum of marginal losses occurring in each time period from the balance sheet date. The marginal losses are derived from parameters that estimate exposure and loss given default (EAD and LGD) and the marginal probability of default for each period.

12M ECL is the portion of LT ECL resulting from default events that may occur within 12 months after the reporting date.

### Probability of Default (PD)

Sbanken has developed internal statistical models to estimate 12-month PD based on historical default data. For each product, the bank has an application model that is used to estimate PD at initial recognition and a portfolio model used to estimate PD for all loans and credits in the portfolio on a monthly basis. All PD models provide point-in-time estimates that are adjusted to reflect forward-looking information before they are used for accounting purposes.

In addition to the PD models that provide 12-month PD on the reporting date, Sbanken has also developed PD curves consisting of marginal 12-month PD throughout the life of the loan. The PD curves are used both in the stage allocation process and to calculate ECL for exposures in Stage 2.

### Loss Given Default (LGD)

The LGD represents the expected loss conditional on a default event. The methodology behind the LGD models varies

between loans secured by collateral and unsecured loans and credits. All models are based on two components; the likelihood that a defaulted exposure cures (Cure rate) and the expected loss in the event that the exposure does not cure

### (Loss Given Loss).

For home loans, the cure rate is calculated on a loan-by-loan basis, taking into account characteristics of the underlying collateral. For other portfolios, the Cure rate depends on how long the loan has been in default.

For home loans and car loans, the expected value of the collateral, when it is realised, is included in the loss-given-loss component. For unsecured loans, LGL is based on historical recovery rates on similar non-performing receivables.

### Exposure at Default (EAD)

The EAD represents the expected exposure at the time of default. For home loans, car loans and consumer loans, EAD is based on the repayment plan for the loan. This is further adjusted by taking into account the probability of early repayment.

For credit facilities, EAD is based on the expected drawdown on the facility at the time of default. In addition, an adjustment is made for expected life.

### Lifetime

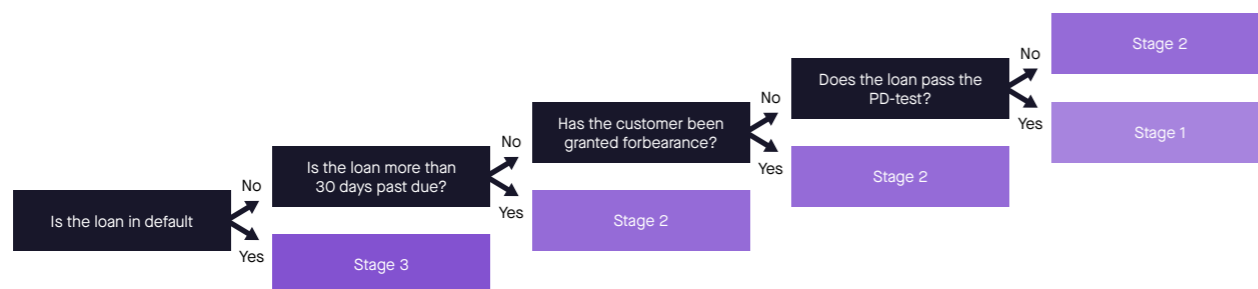
For financial assets in Stage 2, the provisions correspond to LT ECL. For loans and credit with a repayment plan, ECL is calculated over the full remaining contractual period. For revolving credit, the period of exposure, or expected life, is not modelled separately, but rather included in the EAD estimate.

## 2. Staging assessment

The staging assessment is illustrated in the flow chart below. All defaulted loans are allocated to Stage 3. Exposures whose credit risk has increased significantly since initial recognition are allocated to Stage 2. The remaining exposures are allocated to Stage 1.

### 2.1 Significant increase in credit risk

Migration from Stage 1 to Stage 2 is determined by the



## Note 2 – Critical accounting estimates and judgement in applying accounting policies (continued)

definition of significant increase in credit risk. The bank's assessment of changes in credit risk consists of three elements; a quantitative element, a qualitative element and a back-stop.

### 2.1.1 Quantitative element

The quantitative element is the main driver of significant increase in credit risk. This is determined by comparing the difference between the 12-month PD on the reporting date and the 12-month PD on the reporting date, expected at initial recognition. This is referred to as the PD test. The PD estimates used in the PD test take into account forward-looking information and are probability-weighted estimates based on a range of possible scenarios.

The PD test consists of two criteria that must both be met in order for the increase in credit risk to be regarded as significant. The change in PD must be more than 250% and it must equal at least 1 percentage points.

### 2.1.2 Qualitative element

Customers who have been granted forbearance are deemed to have had a significant increase in credit risk. Forbearance takes into account contagion between the customer's different products, which is not necessarily reflected in the PD estimates. The bank will implement the qualitative element as a back-stop, which means that all exposures with a forbearance flag will be allocated to Stage 2, unless they are in default. Loans with granting of payment holidays and where there are no other indications that the customer has payment problems are not considered to qualify for forbearance as defined in IFRS 9 and are placed in Stage 1.

### 2.1.3 Back-stop

If an exposure is more than 30 days past due, it will be allocated to Stage 2.

### 2.2 Migration to lower stage

An exposure that has migrated to Stage 2 can migrate back to Stage 1 if it no longer meets any of the three criteria mentioned above. No explicit quarantine period must be implemented before an exposure can migrate to a lower stage. Exposures in default will migrate to Stage 1 or 2 when they are no longer marked as 'in default'.

## 3. Definition of default

An exposure is deemed to be in default if:

- a claim is overdue by more than 90 days and the overdue amount is substantial and/or
- one or more of the following external remarks are registered against the customer:
  - Debt settlement
  - Bankruptcy

- the following internal remarks are registered against the customer:

- Suspicion of fraud

A substantial amount overdue is defined as an amount exceeding NOK 800. This is referred to as the materiality limit. The materiality limit is the same for all products.

The definition of an overdue claim varies between the products because they have different characteristics. The following definitions apply:

- For instalment loans, claims are defined as arrears
- For credit facilities and housing credit, overdue claims are defined as overdrafts (exceeding the limit granted)
- For credit cards, overdue claims are defined as either arrears and/or overdrafts (exceeding the limit granted)

For default marking, the number of days in default is reckoned from the time the arrears exceeds the materiality limit. For credit, the count starts on the first day of overdraft exceeding the materiality limit.

Default occurs at product category level. This means that default is contagious within a product category if a customer has several exposures/accounts in the same category. The following product categories are defined:

- **Property:** Home loans and housing credit (line of credit secured by mortgage)
- **Unsecured lines of credit:** Credit cards, credit facilities
- **Consumer loans**
- **Car loans**

## 4. Macroeconomic scenarios

As described earlier, the bank includes forward-looking information both in the stage assessment process and in the estimation of ECL. More specifically, a probability-weighted PD is used when assessing whether an exposure has had a significant increase in credit risk. Furthermore, the ECL is a probability-weighted amount based on ECLs determined for each of three scenarios – a base case, a positive scenario and a negative scenario. The forecasts for the different macroeconomic factors in each scenario will be updated on a quarterly basis. The forecast period is set to three years. After this period, the macroeconomic factors will not vary between the three scenarios.

The bank will base the macro scenarios on prognoses from Statistics Norway and Norges Bank in addition to the bank's annual ICAAP process. This will ensure that the macro view of the bank is based on external, independent prognoses and that the assumptions underlying the ECL estimation are subject to periodic stress testing.



## Note 2 – Critical accounting estimates and judgement in applying accounting policies (continued)

Sensitivity analysis of development in the housing price with effect on Expected credit loss (ECL)	Sbanken ASA Group				
	In NOK thousand	Change in Stage 1	Change in Stage 2	Change in Stage 3	Total change in expected credit loss (ECL) in NOK
House price changes					
10 % increase		(783)	(2 862)	(4 464)	(8 109)
5 % increase		(444)	(1 646)	(2 631)	(4 721)
5 % decrease		554	2 168	3 383	6 105
10 % decrease		1 213	4 908	7 546	13 667
20 % decrease		2 839	12 434	18 346	33 619
30 % decrease		4 901	22 802	31 742	59 445
40 % decrease		7 391	35 413	47 225	90 029
60 % decrease		13 595	66 121	83 696	163 411

The sensitivity analysis has been based on total home loans and stage distribution of loans per 31.12.20. No adjustments have been made for any changes in the default rate due to house prices rising or decreasing.

The bank will use an approach that is largely based on expert credit judgement to identify key macroeconomic drivers and their impact on PD, LGD and EAD, as the bank does not have sufficient historical data available to build a statistical model for this purpose. The bank will group exposures secured by collateral and unsecured assets separately when carrying out this assessment. The process will result in a set of adjustment factors for each scenario that are applied to the estimated PD for the prognosis period. Forward-looking information is included in the LGD estimates for home loans by adjusting the underlying collateral value in accordance with expected developments in the house price index in each scenario.

The macro variables used in the assessments are: changes in interest rates (NIBOR 3M), GDP growth, unemployment and changes in housing prices.

### 5. Governance

The bank has established a governance structure for the model that is used to calculate provisions for bad debt with clearly defined responsibilities for maintenance of models and methods, the quality and completion of the data that form the basis for the calculations, as well as the preparation of macro-economic scenarios.

The macroeconomic scenarios are assessed quarterly by the interdisciplinary committee (extended credit committee).

### 6. Accounting treatment

The recognition of an impairment loss is always made through the use of an allowance account to write down the carrying amount of the asset. If the amount of the impairment loss decreases in a subsequent period, the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss. Subsequent recoveries of amounts

previously written off are credited to the impairment loss account in profit or loss for the year.

#### Write-off policy

Sbanken writes off and thereby reduces the carrying amount of a financial asset when there is no reasonable expectation of recovery. This may be when a court of law has reached a final decision, a decision has been made to cancel the debt or an agreement has been reached on debt restructuring. The write-off can relate to the entire asset or a portion of the asset and may constitute a derecognition event. Sbanken maintains the legal claim against the customer even though a write-off has been carried out.

#### C. Pension obligations, own employees

The fair value of pension obligations is estimated based on a range of actuarial and financial assumptions. Any changes in the assumptions will affect the estimated obligation. Changes in the discount rate have the most impact. The discount rate is stipulated locally for each pension scheme based on the economic area the plan is established in.

The discount rate and other assumptions are normally reviewed once a year in connection with the actuarial calculation, unless significant changes occur during the year. The pension obligations are valued by an independent qualified actuary, based on assumptions issued by the Norwegian Accounting Standards Board ('NRS'). Before final stipulation, the assumptions are considered in relation to the bank's specific circumstances.

#### D. Intangible assets

If there are indications of impairment, an impairment test is performed to check whether the book value of self-developed software is present. The recoverable amount is also estimated in that connection. There is uncertainty attached to the estimate of cash flows and discount rates in connection with the estimation of the recoverable amount.

## Note 3 – Segments

No segment information has been prepared, as the entire operation of the Sbanken group is deemed to constitute one segment, the "Private Consumer Market", under IFRS 8. Sbanken group launched an SME (small and medium entities) offering late June 2019. At present, neither the customer base nor the revenues or costs from the SME offering constitutes a separate reporting segment. Hence in the supervisory activities performed by the board and management, the customer base is not divided into different business segments that are followed up over time.

The groups comprise the following products and services:

- **Lending:** Home loans, car loans, credit cards, overdraft facilities, personal loans and custody account lending
- **Deposits:** All-in-one, high-interest and security deposit

accounts, as well as BSU (young home-buyer's savings account)

- **Payment services:** Invoice payments, international payments, card transactions etc.
- **Security:** Log-in, security solutions etc.

The products in these groups are followed up by management, but the focus is shifted depending on the overall situation for the business as a whole. The Bank's own investment activities do not form a separate reportable segment and are therefore presented in conjunction with Private Market. Since the Bank operates only in Norway, the reporting of geographical and secondary segments is not considered relevant. Important classes of assets (e.g. home loans) are, however, broken down geographically and presented in a separate note.

## Note 4 – Capital adequacy

The capital adequacy regulations are intended to improve institutions' risk management and achieve closer concordance between risk and capital. The applicable regulations for Norwegian banks are adapted to the EU's capital adequacy regulations for credit institutions and investment firms (CRD IV/ CRR).

Sbanken ASA uses the standard method to establish the risk-weighted volume credit risk and the standardised approach

(changed from basic method in 2019) to establish the risk-weighted volume for operational risk. At the balance sheet date no exposure was included in the risk-weighted volume for market risk. The group mainly engages in banking business and the bank's wholly owned subsidiary, Sbanken Boligkreditt AS, is fully consolidated. There are no differences between solvency and accounting consolidation

## Note 4 – Capital adequacy (cont.)

In NOK thousand	Sbanken ASA Group			
	31.12.20		31.12.19	
Specification of risk-weighted volume	Nominal exposure	Risk-weighted volume	Nominal exposure	Risk-weighted volume
Central governments	2 064 169	0	2 232 664	0
Regional governments	4 845 555	829 664	902 805	64 881
Multilateral Development Banks	1 144 014	0	627 533	0
Institutions	1 224 701	198 079	732 265	85 333
Retail	8 826 783	3 529 607	9 756 799	4 246 600
Secured by mortgages on immovable property	94 431 929	29 942 281	89 475 944	29 015 590
Exposures in default	349 658	411 482	466 999	584 212
Covered bonds	7 430 527	743 053	6 624 238	662 424
Equity	177 694	181 260	171 680	174 695
Other items	191 696	191 696	192 523	192 523
<b>Total credit risk, standardised method</b>	<b>120 686 726</b>	<b>36 027 122</b>	<b>111 183 450</b>	<b>35 026 258</b>
Credit value adjustment risk (CVA)		54 711		31 257
Operational risk		2 693 289		2 546 153
<b>Total risk-weighted volume</b>		<b>38 775 122</b>		<b>37 603 668</b>
<b>Capital base</b>				
Share capital		1 068 693		1 068 693
Share premium		2 625 895		2 625 895
Other equity		3 222 125		2 485 952
Additional Tier 1 capital		701 223		705 858
<b>Total booked equity</b>		<b>7 617 936</b>		<b>6 886 398</b>
Additional Tier 1 capital instruments included in total equity		-701 223		-705 858
<b>Common equity Tier 1 capital instruments</b>		<b>6 916 713</b>		<b>6 180 540</b>
<i>Deductions</i>				
Goodwill, deferred tax assets and other intangible assets		-85 984		-101 531
Value adjustment due to the requirements for prudent valuation (AVA)		-14 576		-9 257
Dividends payable <sup>1)</sup>		-336 638		-203 052
<b>Common equity Tier 1 capital</b>		<b>6 479 515</b>		<b>5 866 700</b>
Additional Tier 1 capital		700 000		700 000
<b>Tier 1 capital</b>		<b>7 179 515</b>		<b>6 566 700</b>
Tier 2 capital		900 000		900 000
<b>Own funds (primary capital)</b>		<b>8 079 515</b>		<b>7 466 700</b>
<b>Capital requirements</b>				
Minimum requirements - common equity Tier 1 capital	4.5 %	1 744 880	4.5 %	1 692 165
Institution specific Pillar II requirement	1.5 %	581 627	1.5 %	564 055
Capital conservation buffer	2.5 %	969 378	2.5 %	940 092
Systemic risk buffer	3.0 %	1 163 254	3.0 %	1 128 110
Countercyclical capital buffer	1.0 %	387 751	2.5 %	940 092
Additional Tier 1 capital	1.5 %	581 627	1.5 %	564 055
Tier 2 capital	2.0 %	775 502	2.0 %	752 073
<b>Total minimum and buffer requirements own funds (primary capital)</b>	<b>16.0 %</b>	<b>6 204 020</b>	<b>15.5 %</b>	<b>6 580 642</b>
Available common equity Tier 1 capital after buffer requirements		1 632 625		602 186
Available own funds (primary capital)		1 875 496		886 058
Capital ratio % (regulatory)				
Common equity Tier 1 capital		16.7 %		15.6 %
Additional Tier 1 capital		1.8 %		1.9 %
Tier 2 capital		2.3 %		2.4 %
<b>Total capital ratio</b>		<b>20.8 %</b>		<b>19.9 %</b>

## Note 4 – Capital adequacy (cont.)

In NOK thousand	Sbanken ASA Group			
	31.12.20		31.12.19	
Capital ratio % <sup>2)</sup>	Nominal exposure	Risk-weighted volume	Nominal exposure	Risk-weighted volume
Common equity Tier 1 capital		15.5 %		15.6 %
Additional Tier 1 capital		1.8 %		1.9 %
Tier 2 capital		2.3 %		2.4 %
<b>Total capital ratio</b>		<b>19.6 %</b>		<b>19.9 %</b>

<sup>1)</sup> Year-end 2020 includes fully retained earnings for 2020 and 50,4 per cent retained earnings for 2019 following proposed dividend. Year-end 2019 includes 70,1 per cent retained earnings for 2019 following the original dividend proposal.

<sup>2)</sup> Year-end 2020 includes 37,2 per cent retained earnings for 2020 and 50,4 per cent retained earnings for 2019. Year-end 2019 includes 70,1 per cent retained earnings for 2019 following the original dividend proposal.

In NOK thousand	Sbanken ASA (parent company)			
	31.12.20		31.12.19	
Specification of risk-weighted volume	Nominal exposure	Risk-weighted volume	Nominal exposure	Risk-weighted volume
Central governments	2 038 554	0	2 196 679	0
Regional governments	4 831 614	794 811	897 299	51 115
Multilateral Development Banks	1 144 014	0	627 533	0
Institutions	32 825 074	3 402 274	35 513 006	3 724 152
Retail	8 825 210	3 528 427	9 756 799	4 246 600
Secured by mortgages on immovable property	59 340 645	17 629 689	55 183 361	16 950 279
Exposures in default	264 951	326 776	394 229	511 442
Covered bonds	13 152 493	1 315 249	8 580 387	858 039
Equity	2 432 507	2 436 073	1 871 560	1 874 575
Other items	192 389	192 389	193 103	193 103
<b>Total credit risk, standardised method</b>	<b>125 047 451</b>	<b>29 625 688</b>	<b>115 213 956</b>	<b>28 409 305</b>
Credit value adjustment risk (CVA)		26 410		611
Operational risk		2 290 161		2 214 005
<b>Total risk-weighted volume</b>		<b>31 942 259</b>		<b>30 623 921</b>
<b>Capital base</b>				
Share capital		1 068 693		1 068 693
Share premium		2 625 895		2 625 895
Other equity		2 688 715		1 923 543
Additional Tier 1 capital		701 223		705 858
<b>Total booked equity</b>		<b>7 084 526</b>		<b>6 323 989</b>
Additional Tier 1 capital instruments included in total equity		-701 223		-705 858
<b>Common equity Tier 1 capital instruments</b>		<b>6 383 303</b>		<b>5 618 131</b>
<i>Deductions</i>				
Goodwill, deferred tax assets and other intangible assets		-85 983		-101 531
Value adjustment due to the requirements for prudent valuation (AVA)		-20 503		-11 409
Dividends payable <sup>1)</sup>		-336 638		-203 052
<b>Common equity Tier 1 capital</b>		<b>5 940 179</b>		<b>5 302 139</b>
Additional Tier 1 capital		700 000		700 000
<b>Tier 1 capital</b>		<b>6 640 179</b>		<b>6 002 139</b>
Tier 2 capital		900 000		900 000
<b>Own funds (primary capital)</b>		<b>7 540 179</b>		<b>6 902 139</b>



## Note 4 – Capital adequacy (cont.)

In NOK thousand	Sbanken ASA (parent company)			
	31.12.20		31.12.19	
Capital requirements	Nominal exposure	Risk-weighted volume	Nominal exposure	Risk-weighted volume
Minimum requirements - common equity Tier 1 capital	4.5 %	1 437 402	4.5 %	1 378 076
Capital conservation buffer	2.5 %	798 556	2.5 %	765 598
Systemic risk buffer	3.0 %	958 268	3.0 %	918 718
Countercyclical capital buffer	1.0 %	319 423	2.5 %	765 598
Additional Tier 1 capital	1.5 %	479 134	1.5 %	459 359
Tier 2 capital	2.0 %	638 845	2.0 %	612 478
<b>Total minimum and buffer requirements own funds (primary capital)</b>	<b>14.5 %</b>	<b>4 631 628</b>	<b>16.0 %</b>	<b>4 899 827</b>
Available common equity Tier 1 capital after buffer requirements		2 426 531		1 474 149
Available own funds (primary capital)		2 908 552		2 002 311
<b>Capital ratio % (regulatory)</b>				
Common equity Tier 1 capital		18.6 %		17.3 %
Additional Tier 1 capital		2.2 %		2.3 %
Tier 2 capital		2.8 %		2.9 %
<b>Total capital ratio</b>		<b>23.6 %</b>		<b>22.5 %</b>
<b>Capital ratio % <sup>2)</sup></b>				
Common equity Tier 1 capital		17.1 %		17.3 %
Additional Tier 1 capital		2.2 %		2.3 %
Tier 2 capital		2.8 %		2.9 %
<b>Total capital ratio</b>		<b>22.1 %</b>		<b>22.5 %</b>

<sup>1)</sup> Year-end 2020 includes fully retained earnings for 2020 and 34,7 per cent retained earnings for 2019 following proposed dividend. Year-end 2019 includes 70,1 per cent retained earnings for 2019 following the original dividend proposal for the group.

<sup>2)</sup> Year-end 2020 adjusted for dividends for the group by 62,8 per cent for 2020 and 49,6 per cent for 2019. Year-end 2019 includes 70,1 per cent retained earnings for 2019 following the original dividend proposal.

## Note 5 – Leverage Ratio

The leverage ratio requirements is a supplement to the risk-weighted minimum capital requirements and states that the capital base in financial institutions shall also comprise a defined percentage of the value of the company's assets and off-balance-sheet liabilities, calculated without risk weighting. The capital ratio target consists of Tier 1 capital and the exposure target follows the rules in the Commission Delegated Regulation (EU) 2015-62. The minimum leverage ratio

requirement for Norwegian banks and credit institutions is three per cent and a buffer requirement of two per cent.

The table below shows the calculation for the bank, on the basis of existing rule proposals and with conversion factors based on the current standardised approach, subject to a floor of 10 per cent.

Sbanken ASA (parent company)			Sbanken ASA Group	
31.12.19	31.12.20	In NOK thousand	31.12.20	31.12.19
134	6 930	Derivatives at market value	21 249	134
408	40 800	Potential future exposure on derivatives	88 850	48 458
35 377 024	32 756 893	Off-balance sheet commitments	6 146 043	5 886 915
65 373 596	75 114 801	Loans and advances and other assets	100 050 509	92 668 332
0	0	Regulatory adjustments included in Tier 1 capital	0	0
<b>100 751 162</b>	<b>107 919 424</b>	<b>Total leverage exposure</b>	<b>106 306 651</b>	<b>98 603 839</b>
<b>6 002 139</b>	<b>6 640 179</b>	<b>Tier 1 capital <sup>1)</sup></b>	<b>7 179 515</b>	<b>6 566 700</b>
<b>6.0 %</b>	<b>6.2 %</b>	<b>Leverage ratio % (regulatory)</b>	<b>6.8 %</b>	<b>6.7 %</b>
<b>6.0 %</b>	<b>5.7 %</b>	<b>Leverage ratio % <sup>2)</sup></b>	<b>6.3 %</b>	<b>6.7 %</b>

### Leverage Ratio requirements

3 022 535	3 237 583	3.0 %	Minimum requirements	3.0 %	3 189 200	2 958 115
2 015 023	0	0.0 %	Buffer requirements <sup>3)</sup>	2.0 %	2 126 133	1 972 077
<b>5 037 558</b>	<b>3 237 583</b>	<b>3.0 %</b>	<b>Total minimum and buffer requirements (Tier 1 capital)</b>	<b>5.0 %</b>	<b>5 315 333</b>	<b>4 930 192</b>
964 581	3 402 596		Available Tier 1 capital after minimum and buffer requirements		1 864 182	1 636 508
964 581	2 932 371		Available Tier 1 capital after minimum and buffer requirements <sup>2)</sup>		1 393 958	1 636 508

<sup>1)</sup> Year-end 2020 includes fully retained earnings for 2020 and 50,4 per cent retained earnings for 2019 following proposed dividend. Year-end 2019 includes 70,1 per cent retained earnings for 2019 following the original dividend proposal.

<sup>2)</sup> Year-end 2020 includes 37,2 per cent retained earnings for 2020 and 50,4 per cent retained earnings for 2019. Year-end 2019 includes 70,1 per cent retained earnings for 2019 following the original dividend proposal.

<sup>3)</sup> In July 2020, the Norwegian Ministry of Finance ruled in favour of Sbanken in its application to exempt its parent company from the leverage ratio buffer requirement of 2 per cent.

## Note 6 – Financial risk management

The bank's risk strategy comprises its risk culture, risk appetite and principles for risk management.

### Risk culture

Sbanken's core business is to offer standard banking services such as deposits, saving, loans and payment services to retail customers, and basic banking services for the smallest SME customers. Sbanken shall not take on other material risks than those associated with maintaining and further developing these core activities, meaning in areas where a risk appetite has been defined. Sbanken shall be a safe, secure bank for private individuals and small SMEs, and have a credit policy adapted to its defined risk appetite. Sbanken shall have a sound risk culture based on openness, transparency and competence, and shall continuously challenge its own methods, processes and procedures in order to improve its performance. The bank's risk appetite shall be consistent with its risk capacity.

### Risk appetite

For risk management purposes, the bank classified risk in the following categories in 2020:

- Credit risk
- Market risk
- Owner risk
- Liquidity risk
- Capital risk
- Operational risk (hereby model risk)
- Business risk
- Strategic risk

Sbanken's Board determines the risk appetite for each of the defined risk categories and adopts guidelines that operationalise the company's risk appetite. The bank applied the following risk appetite levels in 2020:

- Credit risk: Low
- Market risk: Moderate
- Owner risk: Low
- Liquidity risk: Low
- Capital risk: Moderate
- Operational risk: Moderate
- Business risk: Moderate
- Strategic risk: Moderate

### Risk management principles

The bank adopts a holistic approach to risk management. This means that the following principles shall apply:

- The bank's risk appetite shall be translated into specific management parameters.
- Each risk area shall be allocated capital in line with the actual risk status, which in turn shall be tailored to the specified risk appetite.
- Risk management and reporting shall be performed in accordance with the above-mentioned parameters and objectives.
- The bank's risk management systems and procedures shall be appropriate to the complexity of the business.
- Risk management shall be an ongoing, continuous process.
- Risk reports shall be presented in an understandable manner that provides a clear picture of the bank's risk situation to all stakeholders.
- Risk management shall be performed across group companies, at all levels within each individual group company, and for the group as a whole.
- The bank shall only assume risks that are understood by the bank and the individual decision-maker.
- The bank shall perform risk assessment before implementing material changes.
- Responsibility for entering into agreements that incur risk for the bank is delegated through personal authorisations.
- Efforts shall be made to achieve as great a balance as possible between risk and profitability. Profitability shall be measured on a risk-adjusted basis and on the basis of economic capital allocated.

### Organisation of risk management

The organisation of the bank is based on the bank's principles for risk management and internal control, and is designed to ensure that the bank's risk strategy is implemented.

#### Board of Directors

Sbanken's Board has overarching responsibility for ensuring that the bank manages risk effectively. The Board defines the bank's risk appetite and risk management framework and monitors the bank's risk exposure. The bank's Board is also responsible for ensuring that the bank is sufficiently capitalised in relation to its risk factors.

#### The Board's Audit Committee

The Audit Committee monitors and ensures the quality of financial reporting, satisfactory internal control relating to financial reporting and the external auditor's work and independence.

## Note 6 – Financial risk management (continued)

#### The Board's Risk and Compliance Committee

The Risk and Compliance Committee monitors and makes recommendations to the Board relating to management of the bank's risk exposure. The mandate includes a responsibility to regularly check that the bank's internal control and management system is expediently adapted to its risk exposure and the scope of the bank's business, in addition to evaluating the internal auditor's work and independence.

#### The Board's Remuneration Committee

The Remuneration Committee is tasked with ensuring a thorough and independent preparation of matters relating to remuneration of the bank's executive personnel.

#### CEO and committees

The CEO is responsible for the implementation of risk management procedures that ensure attainment of the goals decided by the Board, including efficient management systems for risk management and internal control. A number of advisory committees have been established to support the CEO's responsibility for risk management.

#### The Risk and Compliance Committee

The Risk and Compliance Committee is chaired by the bank's CRO and CCO and reports to the CEO. The Committee monitors the bank's risk management and compliance programme, including the bank's systems for risk management, internal control and compliance with the regulatory framework.

#### ALCO

The Asset & Liability Committee (ALCO) is chaired by the CFO and reports to the CEO. The Committee provides advice on strategic management of the bank's asset-liability and risk management framework.

#### The Price and Interest Committee

The Committee is chaired by the bank's CFO and reports to the CEO. The Committee evaluates and provides input on the price strategy and decisions relating to the bank's products.

#### Credit Committee

The Committee is chaired by the bank's Credit Manager and reports to the CEO. The Committee evaluates current and future risk exposure and defines parameters for the credit approval process.

### The organisation of Sbanken is based on the principle of three lines of defence:

#### First line of defence

The first line of defence consists of all employees and managers who are not part of the second line of defence. The first line carries out risk assessments and implements risk and internal control processes that enable the bank to operate within limits adopted by the Board and the defined risk appetite. The first line of defence is the risk owner and is responsible for monitoring and implementing control activities.

#### Second line of defence

The second line of defence consists of two independent control functions – Risk Management and Compliance – which monitor and check that the bank operates within limits adopted by the Board and relevant laws and regulations.

The Chief Risk Officer (CRO) is head of the bank's risk management function. The risk management function is responsible for establishing and maintaining systems and processes that ensure that the bank complies with adopted risk strategies, policies and procedures. The function prepares regular risk reports for the Board, and reports any breaches of limits and guidelines.

The CRO is independent of managers with responsibility for risk-taking, and does not take part in decisions that relate directly to areas that are monitored and reported. The CRO reports directly to the CEO, but has a right and a duty to report directly to the Board in cases where the Board does not receive necessary information about material risks via ordinary reporting procedures. The CRO may not be dismissed without the Board's consent.

The Chief Compliance Officer (CCO) leads the part of the second line of defence that covers compliance with procedures and regulations. Administratively, the function reports to the CEO. In practice, however, it is independent of the bank's management and other staff and control functions. The CCO checks compliance with regulations based on the Board's instructions, and reports to the Board on relevant matters.

#### Third line of defence

The third line of defence consists of the internal auditor, who is responsible for independent testing of the risk management procedures. The function is independent of the management and is appointed by and reports to the Board. The internal auditor performs audits in accordance with the audit plan and instructions issued each year by the Board. The internal auditor prepares a summary of the bank's internal control once a year.



## Note 7 – Credit risk

Credit risk represents the most significant risk to Sbanken and is defined as the risk of loss resulting from counterparties not fulfilling their obligations, and of any pledged collateral failing to cover outstanding claims. How credit risk is managed is determined by whether it is related to loans to customers or other types of exposure, primarily the investment of excess liquidity.

The bank's lending to customers consists of loans to private individuals secured by real property, housing associations, cars or securities, or unsecured loans in the form of consumer loans, credit facilities and credit cards. The risk arising from loans to customers is managed, for all credit matters, through an assessment of the borrower's ability and willingness to pay and a valuation of any collateral. The total customer exposure is also taken into account, including any co-borrowers' exposure. The credit assessment is primarily carried out on the basis of automated credit regulations, a key element of which is credit scoring.

The bank measures credit risk arising from loans to customers through credit risk models. The risk classification system consists of a number of systems, processes and methods used to quantify credit risk. Credit scoring models for all lending products are based on statistical data, but some models also take expert assessments into account. The models estimate the probability of default (PD), which includes factors such as payment history, income, assets and the total number of borrowers. Loss given default (LDG) is estimated for loans with pertaining collateral, where the loss ratio is primarily based on the value of pledged collateral in relation to the sum borrowed.

Sbanken holds excess liquidity, which is invested short-term in the interbank market and in securities with counterparties in/issued by sovereign states, municipalities, institutions and enterprises. This credit risk is managed by assessing exposures based on the counterparty's ability to repay and their financial position. The Board has issued guidelines for the amount of credit that can be furnished to a counterparty/issuer, while the CEO approves counterparties/issuers and removes credit limits based on ALCO's recommendation.

Credit risk also includes concentration risk, including risk relating to significant exposure to a specific group of customers or a geographical area. The bank seeks to reduce concentration risk through diversified products and broad geographical distribution. In the retail market, the whole portfolio is categorised as 'mass market' in accordance with the Capital Adequacy Regulations Section 5-8 or as commitments secured by residential mortgage (Section 5-9), and there is thus no concentration risk in this portfolio. Concentration risk in the liquidity portfolio is managed by granting limits for individual counterparties within limits adopted by the Board. These limits also take into account the Regulations relating to large exposures.

Risk shall we weighed against the return and balanced so that the bank stays within the defined risk appetite. Credit risk that exceeds the bank's defined risk appetite shall not be compensated by high price. Credit assessment rules and tools shall be used to avoid very high-risk credit exposure. Reference is made to a separate note for an overview of exposure to credit risk and pertaining collateral.

### Risk classification of loans to the mass market

Economic capital in the lending portfolio is calculated for measurement and monitoring purposes. The main components in this calculation is Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). A commitment is considered to be in default if:

- a claim is overdue by more than 90 days and the amount is not insignificant and/or
- one or more of the following external remarks are registered against the customer:
  - Debt settlement
  - Bankruptcy
- the following internal remarks are registered against the customer:
  - Suspicion of fraud

The materiality limit for amounts payable is set to NOK 800. This is the same for all products.

The definition of an overdue claim varies between the products because they have different characteristics. The following definitions apply:

- For instalment loans, claims are defined as arrears
- For credit facilities and housing credit, overdue claims are defined as overdrafts (exceeding the limit granted)
- For credit cards, overdue claims are defined as either arrears and/or overdrafts (exceeding the limit granted)

For default marking, the number of days in default is reckoned from the time the arrears exceeds the materiality limit. For credit, the count starts on the first day of overdraft exceeding the materiality limit.

Default occurs at product category level. This means that default is contagious within a product category if a customer has several exposures/accounts in the same category. The following product categories are defined:

- Property: Home loans and housing credit (line of credit secured by mortgage)
- Unsecured lines of credit: Credit cards, credit facilities
- Consumer loans
- Car loans

Based on internal default data, the bank has developed statistical models to estimate the probability of default for a commitment in the next 12 month-period.

## Note 7 – Credit risk (continued)

The following classification is used for probability of default:  
Low risk: Probability of default under 1.25%

Medium risk: Probability of default from 1.25% to 5%  
High risk: Probability of default over 5%

In NOK thousand	31.12.20						
	Mortgages Sbanken Boligkreditt AS	Mortgages Sbanken ASA (parent company)	Car loans	Custody account credit	Other loans, unsecured	Total Sbanken ASA (parent company)	Total Sbanken ASA Group
<b>Gross loans distributed in risk groups</b>							
Low risk	33 820 409	41 982 446	823 764	238 007	1 141 671	44 185 888	78 006 297
Medium risk	747 968	1 259 248	22 425		832 130	2 113 803	2 861 771
High risk	530 438	795 377	19 274		615 113	1 429 764	1 960 202
<b>Total non-matured or written down</b>	<b>35 098 815</b>	<b>44 037 071</b>	<b>865 463</b>	<b>238 007</b>	<b>2 588 914</b>	<b>47 729 455</b>	<b>82 828 270</b>
Non-performing loans	84 706	161 278	12 146	0	351 718	525 142	609 847
<b>Total gross loans</b>	<b>35 183 521</b>	<b>44 198 349</b>	<b>877 609</b>	<b>238 007</b>	<b>2 940 632</b>	<b>48 254 597</b>	<b>83 438 118</b>
<b>Unutilised credit lines distributed in risk groups</b>							
Low risk	0	8 206 761	0	183 616	4 867 425	13 257 802	13 257 802
Medium risk	0	29 234	0	0	74 733	103 967	103 967
High risk	0	440	0	0	15 770	16 210	16 210
<b>Total non-matured or written down</b>	<b>0</b>	<b>8 236 435</b>	<b>0</b>	<b>183 616</b>	<b>4 957 928</b>	<b>13 377 979</b>	<b>13 377 979</b>
Non-performing and doubtful loans		2 819			6 108	8 927	8 927
<b>Total unutilised credit lines</b>	<b>0</b>	<b>8 239 254</b>	<b>0</b>	<b>183 616</b>	<b>4 964 036</b>	<b>13 386 906</b>	<b>13 386 906</b>
						0	
Loan- and funding commitments	0	7 068 920	48 515	0	24 408	7 141 843	7 141 843
						0	
<b>Maximum exposure to credit risk (gross)</b>	<b>35 183 521</b>	<b>59 506 523</b>	<b>926 124</b>	<b>421 623</b>	<b>7 929 076</b>	<b>68 783 346</b>	<b>103 966 867</b>





## Note 8 – Maximum exposure to credit risk (continued)

In NOK thousand	Sbanken ASA Group 31.12.19		
	Gross carrying amounts	Off-balance sheet amounts	Maximum exposure to credit risk
Cash and receivables with central bank	1 587 606	0	1 587 606
Loans to and receivables from credit institutions	286 802	0	286 802
<b>Loans to and receivables from central bank and credit institutions</b>	<b>1 874 408</b>	<b>0</b>	<b>1 874 408</b>
Loans to customers, secured	77 664 471	13 490 073	91 154 544
Loans to customers, unsecured	3 665 720	4 970 975	8 636 695
<b>Loans to and receivables from customers</b>	<b>81 330 191</b>	<b>18 461 048</b>	<b>99 791 239</b>
Shares in associated company	2 010	0	2 010
Other financial assets with credit risk	119 012	0	119 012
<b>Financial instruments at amortised cost (gross)</b>	<b>83 325 621</b>	<b>18 461 048</b>	<b>101 786 669</b>
Commercial paper and bonds	9 087 319	0	9 087 319
<b>Financial instruments at fair value through other comprehensive income</b>	<b>9 087 319</b>	<b>0</b>	<b>9 087 319</b>
Shares and funds	169 669	0	169 669
Derivatives	201 975	0	201 975
Loans to customers, secured	164 062	0	164 062
<b>Financial instruments at fair value through profit and loss</b>	<b>535 706</b>	<b>0</b>	<b>371 644</b>
<b>Gross exposure with credit risk</b>	<b>92 948 646</b>	<b>18 461 048</b>	<b>111 245 632</b>
Impairment	-261 036	-3 207	-264 243
<b>Total net exposure with credit risk</b>	<b>92 687 610</b>	<b>18 457 841</b>	<b>111 145 451</b>
Other assets without credit risk	318 075	n/a	n/a
<b>Total assets</b>	<b>93 005 685</b>	<b>n/a</b>	<b>n/a</b>

In NOK thousand	Sbanken ASA (parent company) 31.12.19		
	Gross carrying amounts	Off-balance sheet amounts	Maximum exposure to credit risk
Cash and receivables with central bank	1 587 606	0	1 587 606
Loans to and receivables from credit institutions	3 184 035	3 102 610	6 286 645
<b>Loans to and receivables from central bank and credit institutions</b>	<b>4 771 641</b>	<b>3 102 610</b>	<b>7 874 251</b>
Loans to customers, secured	8 958 616	13 490 073	22 448 689
Loans to customers, unsecured	3 665 719	4 970 975	8 636 694
<b>Loans to and receivables from customers</b>	<b>12 624 335</b>	<b>18 461 048</b>	<b>31 085 383</b>
Shares in associated company	2 010	0	2 010
Commercial paper and bonds at amortised cost	326 044	0	326 044
Shares in subsidiary	1 699 880	0	1 699 880
Other financial assets with credit risk	119 593	0	119 593
<b>Financial instruments at amortised cost (gross)</b>	<b>19 543 503</b>	<b>21 563 658</b>	<b>41 107 161</b>
Commercial paper and bonds	11 007 483	0	11 007 483
Loans to customers, secured	34 334 730	0	34 334 730
<b>Financial instruments at fair value through other comprehensive income</b>	<b>45 342 213</b>	<b>0</b>	<b>45 342 213</b>
Shares and funds	401 892	0	401 892
Derivatives	134	0	134
Loans to customers, secured	164 062	0	164 062
<b>Financial instruments at fair value through profit and loss</b>	<b>566 088</b>	<b>0</b>	<b>402 026</b>
<b>Gross exposure with credit risk</b>	<b>65 451 804</b>	<b>21 563 658</b>	<b>86 851 400</b>
Impairment	-255 264	-3 207	-258 471
<b>Total net exposure with credit risk</b>	<b>65 196 540</b>	<b>21 560 451</b>	<b>86 756 991</b>
Other assets without credit risk	312 566	n/a	n/a
<b>Total assets</b>	<b>65 509 106</b>	<b>n/a</b>	<b>n/a</b>

## Note 9 – Loans to customers

In NOK thousand	Sbanken ASA Group 31.12.20			
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
<b>Gross carrying amount - Loans to customers (at amortised cost and fair value)</b>				
<b>Opening balance gross carrying amount (before transfers)</b>	<b>76 018 582</b>	<b>4 914 417</b>	<b>561 254</b>	<b>81 494 253</b>
Transfers to Stage 1 (12-months ECL)	1 011 599	-1 006 213	-5 386	0
Transfers to Stage 2 (Lifetime ECL - not impaired)	-1 683 822	1 696 344	-12 522	0
Transfers to Stage 3 (Lifetime ECL - impaired)	-70 329	-182 191	252 520	0
Net new financial assets originated	34 946 820	602 554	17 799	35 567 173
Financial assets that have been derecognised	-31 700 068	-1 675 353	-201 371	-33 576 792
Changes in interest accrual	-30 823	-4 931	-2 447	-38 201
Other movements (change in fair value on fixed rate loans)	-8 315	0	0	-8 315
<b>Closing balance gross carrying amount</b>	<b>78 483 644</b>	<b>4 344 627</b>	<b>609 847</b>	<b>83 438 118</b>

In NOK thousand	Sbanken ASA Group 31.12.20			
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
<b>Gross carrying amount - loans to customers</b>				
Mortgages	75 721 265	3 414 621	245 984	79 381 870
Car loans	826 969	38 494	12 146	877 609
Custody account credits	238 007	0	0	238 007
Unsecured loans	1 697 401	891 513	351 718	2 940 632
<b>Total loans to customers (gross)</b>	<b>78 483 644</b>	<b>4 344 627</b>	<b>609 847</b>	<b>83 438 118</b>

In NOK thousand	Sbanken ASA Group 31.12.20			
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
<b>Unutilised credit lines</b>				
Mortgages in Sbanken Boligkreditt AS	0	0	0	0
Mortgages in Sbanken ASA	8 222 534	13 901	2 819	8 239 254
Car loans	0	0	0	0
Custody account credits	183 616	0	0	183 616
Unsecured loans	4 859 968	97 960	6 108	4 964 036
<b>Total</b>	<b>13 266 118</b>	<b>111 861</b>	<b>8 927</b>	<b>13 386 906</b>

In NOK thousand	Sbanken ASA Group 31.12.20			
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
<b>Loan and funding commitments, home loans</b>	<b>7 068 920</b>	<b>0</b>	<b>0</b>	<b>7 068 920</b>
<b>Loan and funding commitments, car loans</b>	<b>48 515</b>	<b>0</b>	<b>0</b>	<b>48 515</b>
<b>Loan and funding commitments, consumer loans</b>	<b>24 408</b>	<b>0</b>	<b>0</b>	<b>24 408</b>
<b>Total loan and funding commitments</b>	<b>7 141 843</b>	<b>0</b>	<b>0</b>	<b>7 141 843</b>
<b>Total loans to customers on and off-balance (gross)</b>	<b>98 891 605</b>	<b>4 456 488</b>	<b>618 774</b>	<b>103 966 867</b>

In NOK thousand	Sbanken ASA Group 31.12.20			
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
<b>Gross carrying amount - Loans to customers</b>				
Low risk	77 280 817	725 480		78 006 297
Medium risk	974 148	1 887 622		2 861 770
High risk	228 677	1 731 525	609 847	2 570 050
<b>Closing balance gross carrying amount</b>	<b>78 483 644</b>	<b>4 344 627</b>	<b>609 847</b>	<b>83 438 118</b>

## Note 9 – Loans to customers (continued)

In NOK thousand	Sbanken ASA Group
<b>Maturity loans to customers:</b>	
Less than 1 year	4 060 353
1-5 years	7 265 319
More than 5 years	70 636 238
No agreed maturity, unsecured	1 476 208
<b>Total loans to customers (gross)</b>	<b>83 438 118</b>

In NOK thousand	Sbanken ASA Group 31.12.20			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
<b>Maturity loans to customers:</b>				
Loans with agreed maturity Sbanken Boligkreditt AS	33 601 597	1 497 218	84 706	35 183 521
Loans with agreed maturity Sbanken ASA	44 025 189	2 372 613	380 587	46 778 389
Loans without agreed maturity, unsecured Sbanken ASA	856 858	474 796	144 554	1 476 208
<b>Total loans to customers (gross)</b>	<b>78 483 644</b>	<b>4 344 627</b>	<b>609 847</b>	<b>83 438 118</b>

In NOK thousand	Sbanken ASA (parent company) 31.12.20			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
<b>Gross carrying amount - Loans to customers (at amortised cost and fair value)</b>				
<b>Opening balance gross carrying amount (before transfers)</b>	<b>43 291 823</b>	<b>3 347 084</b>	<b>484 221</b>	<b>47 123 128</b>
Transfers to Stage 1 (12-months ECL)	568 179	-564 304	-3 875	0
Transfers to Stage 2 (Lifetime ECL - not impaired)	-977 551	986 301	-8 750	0
Transfers to Stage 3 (Lifetime ECL - impaired)	-52 404	-149 942	202 346	0
Net new financial assets originated	34 946 820	602 554	17 799	35 567 173
Financial assets that have been derecognised	-32 869 182	-1 370 470	-163 996	-34 403 648
Changes in interest accrual	-17 323	-3 814	-2 604	-23 741
Other movements (change in fair value on fixed rate loans)	-8 315	0	0	-8 315
<b>Closing balance gross carrying amount</b>	<b>44 882 047</b>	<b>2 847 409</b>	<b>525 141</b>	<b>48 254 597</b>

In NOK thousand	Sbanken ASA (parent company) 31.12.20			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
<b>Gross carrying amount - loans to customers</b>				
Mortgages	42 119 668	1 917 403	161 278	44 198 349
Car loans	826 969	38 494	12 146	877 609
Custody account credits	238 007	0	0	238 007
Unsecured loans	1 697 401	891 513	351 718	2 940 632
<b>Total loans to customers (gross)</b>	<b>44 882 047</b>	<b>2 847 409</b>	<b>525 141</b>	<b>48 254 597</b>

## Note 9 – Loans to customers (continued)

In NOK thousand	Sbanken ASA (parent company) 31.12.20			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
<b>Unutilised credit lines</b>				
Mortgages in Sbanken Boligkreditt AS	0	0	0	0
Mortgages in Sbanken ASA	8 222 534	13 901	2 819	8 239 254
Car loans	0	0	0	0
Custody account credits	183 616	0	0	183 616
Unsecured loans	4 859 968	97 960	6 108	4 964 036
<b>Total</b>	<b>13 266 118</b>	<b>111 861</b>	<b>8 927</b>	<b>13 386 906</b>
Loan and funding commitments, home loans	7 068 920	0	0	7 068 920
Loan and funding commitments, car loans	48 515	0	0	48 515
Loan and funding commitments, consumer loans	24 408	0	0	24 408
<b>Total loan and funding commitments</b>	<b>7 141 843</b>	<b>0</b>	<b>0</b>	<b>7 141 843</b>
<b>Total loans to customers on and off- balance (gross)</b>	<b>65 290 008</b>	<b>2 959 270</b>	<b>534 068</b>	<b>68 783 346</b>

In NOK thousand	Sbanken ASA (parent company) 31.12.20			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
<b>Maturity loans to customers:</b>				
Loans with agreed maturity Sbanken ASA	44 025 189	2 372 613	380 587	46 778 389
Loans without agreed maturity, unsecured Sbanken ASA	856 858	474 796	144 554	1 476 208
<b>Total loans to customers (gross)</b>	<b>44 882 047</b>	<b>2 847 409</b>	<b>525 141</b>	<b>48 254 597</b>

Gross carrying amount - Loans to customers (at amortised cost and fair value)	Sbanken ASA Group 31.12.19			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
<b>Opening balance gross carrying amount (before transfers)</b>	<b>75 625 127</b>	<b>3 114 808</b>	<b>472 802</b>	<b>79 212 737</b>
Transfers to Stage 1 (12-months ECL)	770 258	-763 795	-6 463	0
Transfers to Stage 2 (Lifetime ECL - not impaired)	-2 741 876	2 746 826	-4 950	0
Transfers to Stage 3 (Lifetime ECL - impaired)	-148 269	-153 744	302 013	0
Net new financial assets originated	26 190 832	888 685	62 065	27 141 582
Financial assets that have been derecognised	-23 686 974	-923 544	-265 679	-24 876 197
Changes in interest accrual	9 484	5 181	1 466	16 131
Other movements	0	0	0	0
<b>Closing balance gross carrying amount</b>	<b>76 018 582</b>	<b>4 914 417</b>	<b>561 254</b>	<b>81 494 253</b>



## Note 9 – Loans to customers (continued)

	Sbanken ASA Group 31.12.19			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
<b>Gross carrying amount - loans to customers</b>				
Mortgages	72 426 685	3 748 881	251 016	76 426 582
Car loans	1 044 363	66 605	10 299	1 121 267
Custody account credits	280 684	0	0	280 684
Unsecured loans	2 266 850	1 098 930	299 939	3 665 719
<b>Total loans to customers (gross)</b>	<b>76 018 582</b>	<b>4 914 417</b>	<b>561 254</b>	<b>81 494 253</b>
<b>Unutilised credit lines</b>				
Mortgages	8 212 017	19 921	43	8 231 981
Car loans	0	0	0	0
Custody account credits	103 304	0	0	103 304
Unsecured loans	4 867 976	50 211	6 561	4 924 748
<b>Total</b>	<b>13 183 297</b>	<b>70 132</b>	<b>6 604</b>	<b>13 260 033</b>
Loan and funding commitments, home loans	5 077 285	0	0	5 077 285
Loan and funding commitments, car loans	77 503	0	0	77 503
Loan and funding commitments, consumer loans	46 227	0	0	46 227
<b>Total loan and funding commitments</b>	<b>5 201 015</b>	<b>0</b>	<b>0</b>	<b>5 201 015</b>
<b>Total loans to customers on and off- balance (gross)</b>	<b>94 402 894</b>	<b>4 984 549</b>	<b>567 858</b>	<b>99 955 301</b>
<b>Gross carrying amount - Loans to customers</b>				
Low risk	74 026 712	281 474		74 308 186
Medium risk	1 629 288	2 197 682		3 826 970
High risk	362 580	2 435 261	561 254	3 359 096
<b>Closing balance gross carrying amount</b>	<b>76 018 582</b>	<b>4 914 417</b>	<b>561 254</b>	<b>81 494 253</b>
<b>Maturity loans to customers:</b>				
				<b>Sbanken ASA Group</b>
Less than 1 year				338 805
1-5 years				2 946 919
More than 5 years				68 940 858
No agreed maturity, secured				7 556 655
No agreed maturity, unsecured				1 711 016
<b>Total loans to customers (gross)</b>				<b>81 494 253</b>

In NOK thousand	Sbanken ASA Group 31.12.19			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
<b>Maturity loans to customers:</b>				
Loans with agreed maturity Sbanken Boligkreditt AS	32 726 759	1 567 333	77 033	34 371 125
Loans with agreed maturity Sbanken ASA	34 755 512	2 754 523	345 422	37 855 457
Loans without agreed maturity, secured Sbanken ASA	7 416 511	119 705	20 439	7 556 655
Loans without agreed maturity, unsecured Sbanken ASA	1 119 800	472 856	118 360	1 711 016
<b>Total loans to customers (gross)</b>	<b>76 018 582</b>	<b>4 914 417</b>	<b>561 254</b>	<b>81 494 253</b>

## Note 9 – Loans to customers (continued)

	Sbanken ASA (parent company) 31.12.19			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
<b>Gross carrying amount - Loans to customers (at amortised cost and fair value)</b>				
<b>Opening balance gross carrying amount (before transfers)</b>	<b>42 114 273</b>	<b>2 283 264</b>	<b>412 996</b>	<b>44 810 533</b>
Transfers to Stage 1 (12-months ECL)	485 915	-483 314	-2 601	0
Transfers to Stage 2 (Lifetime ECL - not impaired)	-1 579 004	1 582 643	-3 639	0
Transfers to Stage 3 (Lifetime ECL - impaired)	-108 789	-128 720	239 076	1 567
Net new financial assets originated	26 190 832	888 685	62 065	27 141 582
Financial assets that have been derecognised	-23 817 465	-799 173	-223 572	-24 840 210
Changes in interest accrual	6 061	3 698	-104	9 655
Other movements	0	0	0	0
<b>Closing balance gross carrying amount</b>	<b>43 291 823</b>	<b>3 347 083</b>	<b>484 221</b>	<b>47 123 127</b>
<b>Gross carrying amount - loans to customers</b>				
Mortgages	39 699 926	2 181 548	173 983	42 055 457
Car loans	1 044 363	66 605	10 299	1 121 267
Custody account credits	280 684	0	0	280 684
Unsecured loans	2 266 850	1 098 930	299 939	3 665 719
<b>Total loans to customers (gross)</b>	<b>43 291 823</b>	<b>3 347 083</b>	<b>484 221</b>	<b>47 123 127</b>
<b>Unutilised credit lines</b>				
Mortgages in Sbanken Boligkreditt AS	0	0	0	0
Mortgages in Sbanken ASA	8 212 017	19 921	43	8 231 981
Car loans	0	0	0	0
Custody account credits	103 304	0	0	103 304
Unsecured loans	4 867 976	50 211	6 561	4 924 748
<b>Total</b>	<b>13 183 297</b>	<b>70 132</b>	<b>6 604</b>	<b>13 260 033</b>
Loan and funding commitments, home loans	5 077 285	0	0	5 077 285
Loan and funding commitments, car loans	77 503	0	0	77 503
Loan and funding commitments, consumer loans	46 227	0	0	46 227
<b>Total loan and funding commitments</b>	<b>5 201 015</b>	<b>0</b>	<b>0</b>	<b>5 201 015</b>
<b>Total loans to customers on and off- balance (gross)</b>	<b>61 676 135</b>	<b>3 417 215</b>	<b>490 825</b>	<b>65 584 175</b>
<b>Maturity loans to customers:</b>				
Loans with agreed maturity Sbanken ASA	34 755 512	2 754 523	345 422	37 855 457
Loans without agreed maturity, secured Sbanken ASA	7 416 511	119 705	20 439	7 556 655
Loans without agreed maturity, unsecured Sbanken ASA	1 119 800	472 856	118 360	1 711 016
<b>Total loans to customers (gross)</b>	<b>43 291 823</b>	<b>3 347 083</b>	<b>484 221</b>	<b>47 123 127</b>

## Note 10 – Loans to customers by geographical area

Sbanken ASA (parent company)				Sbanken ASA Group				
31.12.19		31.12.20		31.12.20		31.12.19		
Percentage	Gross lending	Percentage	Gross lending	Percentage	Gross lending	Percentage	Gross lending	
				In NOK thousand				
19.5 %	9 185 503	19.2 %	9 244 698	Oslo	19.9 %	16 587 403	19.4 %	15 845 516
34.1 %	16 048 495	34.9 %	16 821 178	Viken	36.0 %	29 998 971	34.9 %	28 455 167
3.1 %	1 454 149	3.0 %	1 467 675	Innlandet	2.8 %	2 376 916	2.9 %	2 325 233
5.7 %	2 682 535	5.8 %	2 783 533	Vestfold og Telemark	5.6 %	4 659 072	5.6 %	4 558 986
2.5 %	1 165 981	2.5 %	1 204 000	Agder	2.2 %	1 854 129	2.2 %	1 828 660
8.5 %	3 993 666	8.0 %	3 842 806	Rogaland	7.1 %	5 931 366	7.7 %	6 310 763
13.2 %	6 235 884	12.9 %	6 216 281	Vestland	13.0 %	10 810 382	13.6 %	11 106 907
2.0 %	950 212	1.9 %	920 676	Møre og Romsdal	1.7 %	1 421 465	1.8 %	1 457 925
5.0 %	2 370 808	5.0 %	2 422 151	Trendelag	4.8 %	4 004 499	4.9 %	3 971 184
2.8 %	1 302 195	2.9 %	1 393 797	Nordland	2.9 %	2 378 943	2.9 %	2 345 241
3.7 %	1 733 700	4.0 %	1 937 802	Troms og Finnmark	4.1 %	3 414 972	4.0 %	3 288 671
<b>100.0 %</b>	<b>47 123 128</b>	<b>100.0 %</b>	<b>48 254 597</b>	<b>Total gross lending by geographical area</b>	<b>100.0 %</b>	<b>83 438 118</b>	<b>100.0 %</b>	<b>81 494 253</b>

\* the basis for the geographical distribution is the customer's residential address and based on the new counties from 01.01.20.

## Note 11 – Credit risk exposure and collateral

The bank's customer exposures comprises the bulk of the bank's total credit exposure. A high percentage of the bank's lending is collateralised. Collateral in the private retail market essentially comprise fixed property and vehicles.

The table below shows the relationship between total credit exposure and the associated collateral distributed to exposure class. Lending secured by mortgages and cars includes the

percentage distributed of exposure relating to the various loan-to-value levels. The property values on which the calculations are based are updated in the last month of each quarter and are therefore representative of the current market value. The calculation of loan-to-value does not take into account any additional collateral.

In NOK thousand	Sbanken ASA Group					
	31.12.20			31.12.19		
Loan-to-value, secured loans	Distribution as percentage	Gross carrying amounts	Unutilised credit lines	Distribution as percentage	Gross carrying amounts	Unutilised credit lines
0 % - 40 %	27.2 %	21 628 359	4 170 008	25.1 %	19 145 110	3 716 644
40 % - 60 %	32.9 %	26 111 581	2 991 990	33.0 %	25 242 904	3 014 107
60 % - 80 %	29.5 %	23 389 013	783 201	28.9 %	22 113 068	1 097 259
80 % - 90 %	7.0 %	5 520 414	118 890	9.0 %	6 841 169	168 514
90 % - 100 %	1.7 %	1 364 044	71 625	2.0 %	1 517 024	92 461
> 100 %	1.7 %	1 368 459	103 540	2.1 %	1 567 307	142 996
<b>Mortgages, secured by fixed property</b>	<b>100.0 %</b>	<b>79 381 870</b>	<b>8 239 254</b>	<b>100.0 %</b>	<b>76 426 582</b>	<b>8 231 981</b>
< 50 %	13.1 %	114 815	0	14.5 %	162 905	0
50 % - 80 %	32.1 %	281 990	0	39.0 %	437 399	0
80 % - 100 %	25.6 %	224 965	0	27.1 %	303 782	0
> = 100 %	29.2 %	255 839	0	19.4 %	217 181	0
<b>Car loans, secured</b>	<b>100.0 %</b>	<b>877 609</b>	<b>0</b>	<b>100.0 %</b>	<b>1 121 267</b>	<b>0</b>
Custody account credit, secured	100.0 %	238 007	183 616	100.0 %	280 684	103 304
Loan and funding commitments, secured loans		0	7 117 435		0	5 154 788
<b>Total loans to customers, secured</b>		<b>80 497 486</b>	<b>15 540 305</b>		<b>77 828 533</b>	<b>13 490 073</b>

The table below shows the percentage allocation of exposures for home loans for various loan-to-value levels. Where the entire exposure in the table above is placed at a related loan-to-value level, the relative share of the loan exposure at each level is shown in the table below.

In NOK thousand	Sbanken ASA Group			
	31.12.20		31.12.19	
Loan-to-value, Mortgages (relative distribution)	Distribution as percentage	Gross carrying amounts	Distribution as percentage	Gross carrying amounts
0 % - 85 %	99.18 %	78 731 845	99.11 %	75 747 469
85 % - 100 %	0.47 %	369 336	0.51 %	391 291
> 100 %	0.35 %	280 689	0.38 %	287 822
<b>Mortgages, secured by fixed property</b>	<b>100.0 %</b>	<b>79 381 870</b>	<b>100.0 %</b>	<b>76 426 582</b>



## Note 11 – Credit risk exposure and collateral (continued)

In NOK thousand	Sbanken ASA (parent company)					
		31.12.20		31.12.19		
Loan-to-value, secured loans	Distribution as percentage	Gross carrying amounts	Unutilised credit lines	Distribution as percentage	Gross carrying amounts	Unutilised credit lines
0 % - 40 %	27.3 %	12 051 589	4 170 008	26.8 %	11 252 385	3 716 644
40 % - 60 %	25.2 %	11 151 178	2 991 990	30.6 %	12 871 731	3 014 107
60 % - 80 %	29.4 %	12 997 604	783 201	20.2 %	8 485 436	1 097 259
80 % - 90 %	11.9 %	5 259 606	118 890	15.5 %	6 499 467	168 514
90 % - 100 %	3.1 %	1 363 196	71 625	3.3 %	1 394 419	92 461
> 100 %	3.1 %	1 375 176	103 540	3.7 %	1 552 019	142 996
<b>Mortgages, secured by fixed property</b>	<b>100.0 %</b>	<b>44 198 349</b>	<b>8 239 254</b>	<b>100.0 %</b>	<b>42 055 457</b>	<b>8 231 981</b>
< 50 %	13.1 %	114 815	0	14.5 %	162 905	0
50 % - 80 %	32.1 %	281 990	0	39.0 %	437 399	0
80 % - 100 %	25.6 %	224 965	0	27.1 %	303 782	0
> = 100 %	29.2 %	255 839	0	19.4 %	217 181	0
<b>Car loans, secured</b>	<b>100.0 %</b>	<b>877 609</b>	<b>0</b>	<b>100.0 %</b>	<b>1 121 267</b>	<b>0</b>
Custody account credit, secured	100.0 %	238 007	183 616	100.0 %	280 684	103 304
Loan and funding commitments, secured loans		0	7 117 435		0	5 154 788
<b>Total loans to customers, secured</b>		<b>45 313 965</b>	<b>15 540 305</b>		<b>43 457 408</b>	<b>13 490 073</b>

In NOK thousand	Sbanken ASA (parent company)				
		31.12.20		31.12.19	
Loan-to-value, Mortgages (relative distribution)	Distribution as percentage	Gross carrying amounts	Distribution as percentage	Gross carrying amounts	
0 % - 85 %	98.60 %	43 578 291	98.40 %	41 381 508	
85 % - 100 %	0.79 %	351 144	0.92 %	384 949	
> 100 %	0.61 %	268 914	0.69 %	289 000	
<b>Mortgages, secured by fixed property</b>	<b>100.0 %</b>	<b>44 198 349</b>	<b>100.0 %</b>	<b>42 055 457</b>	

## Note 12 – Credit institutions – receivables and liabilities

Sbanken ASA (parent company)			Sbanken ASA Group	
2019	2020	In NOK thousand	2020	2019
<b>Loans to and receivables from credit institutions</b>				
3 133 383	2 879 384	Loans and receivables without agreed maturity or notice period	575 445	236 150
50 652	79 072	Loans and receivables with agreed maturity or notice period	79 072	50 652
<b>3 184 035</b>	<b>2 958 456</b>	<b>Total loans to and receivables from credit institutions</b>	<b>654 517</b>	<b>286 802</b>
0	0	Write-downs for impaired loan	0	0
<b>3 184 035</b>	<b>2 958 456</b>	<b>Total net loans to and receivables from credit institutions</b>	<b>654 517</b>	<b>286 802</b>
<b>Lending by geographical area</b>				
286 645	654 359	Oslo and Viken	654 517	286 802
2 897 390	2 304 097	Vestland and Rogaland	0	0
<b>3 184 035</b>	<b>2 958 456</b>	<b>Total</b>	<b>654 517</b>	<b>286 802</b>
<b>2019</b>	<b>2020</b>	<b>In NOK thousand</b>	<b>2020</b>	<b>2019</b>
<b>Liabilities to credit institutions</b>				
1 701 739	1 602 243	Loans and deposits from credit institutions without agreed maturity or notice period	0	0
0	0	Loans and deposits from credit institutions with agreed maturity or notice period	542 731	0
<b>1 701 739</b>	<b>1 602 243</b>	<b>Total liabilities to credit institutions</b>	<b>542 731</b>	<b>0</b>
<b>Maturity</b>				
<b>Residual time to maturity (gross loans)</b>				
1 701 739	1 602 243	Upon request	0	0
0	0	Maximum 3 months	0	0
0	0	3 months - 1 year	0	0
0	0	1-5 years	542 731	0
0	0	More than 5 years	0	0
<b>1 701 739</b>	<b>1 602 243</b>	<b>Total</b>	<b>542 731</b>	<b>0</b>
<b>Liabilities by geographical area</b>				
0	0	Oslo and Viken	542 731	0
1 701 739	1 602 243	Vestland and Rogaland	0	0
0	0	Outside Norway	0	0
<b>1 701 739</b>	<b>1 602 243</b>	<b>Total</b>	<b>542 731</b>	<b>0</b>

## Note 13 – Loans and receivable to central bank

Sbanken ASA (parent company)			Sbanken ASA Group	
2019	2020	In NOK thousand	2020	2019
<b>Loans and receivables to central bank</b>				
37 606	583 268	Loans and receivables without agreed maturity or notice period	583 268	37 606
1 550 000	840 000	Loans and receivables with agreed maturity or notice period	840 000	1 550 000
<b>1 587 606</b>	<b>1 423 268</b>	<b>Total loans and receivables to central bank</b>	<b>1 423 268</b>	<b>1 587 606</b>
0	0	Write-downs for impaired loans	0	0
<b>1 587 606</b>	<b>1 423 268</b>	<b>Total net loans and receivables to central bank</b>	<b>1 423 268</b>	<b>1 587 606</b>
<b>Liabilities to central bank</b>				
0	0	Loans and deposits from central bank without agreed maturity or notice period	0	0
0	2 250 000	Loans and deposits from central bank with agreed maturity or notice period	2 250 000	0
<b>0</b>	<b>2 250 000</b>	<b>Total liabilities to central bank</b>	<b>2 250 000</b>	<b>0</b>
<b>Maturity</b>				
<b>Residual time to maturity (gross loans)</b>				
0	0	Upon request	0	0
0	0	Maximum 3 months	0	0
0	2 250 000	3 months - 1 year	2 250 000	0
0	0	1-5 years	0	0
0	0	More than 5 years	0	0
<b>0</b>	<b>2 250 000</b>	<b>Total</b>	<b>2 250 000</b>	<b>0</b>

## Note 14 – Loan losses

Expected credit loss (ECL) - Loans to customers (at amortised cost and fair value)		Sbanken ASA Group 2020			
In NOK thousand		Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
<b>Opening balance ECL 01.01.20</b>		<b>18 615</b>	<b>77 120</b>	<b>168 508</b>	<b>264 243</b>
<i>Changes in PDs/LGDs/EADs on existing portfolio:</i>					
Transfers to Stage 1		1 865	-13 184	-575	-11 894
Transfers to Stage 2		-1 931	22 983	-1 563	19 489
Transfers to Stage 3		-827	-12 175	61 779	48 777
Changes in PDs/LGDs/EADs on existing portfolio, with no transfers <sup>1</sup>		3 929	18 057	58 968	80 954
<i>Other changes:</i>					
New financial assets originated		6 956	18 750	2 969	28 675
Financial assets that have been derecognised		-5 496	-19 694	-23 419	-48 609
Financial assets that have been derecognised through sale of portfolio				-20 102	-20 102
Changes to model assumption and methodologies		0	0	0	0
Other movements		0	0	0	0
<b>Closing balance ECL 31.12.20</b>		<b>23 111</b>	<b>91 857</b>	<b>246 565</b>	<b>361 533</b>
<sup>1</sup> As of year-end 2020, the bank has included a credit loss provision of MNOK 30.0 for unsecured loans in addition to the model calculation. The provision is included to account for potential uncertainty related to outbreak of coronavirus. The distribution of this provision is as follows: stage 1 NOK 2.3 million, stage 2 NOK 8.5 million and stage 3 NOK 19.2 million.					
<b>Specification of ECL</b>					
In NOK thousands		Sbanken ASA Group 31.12.20			
ECL On-balance sheet amounts 31.12.20		21 025	89 953	244 888	355 866
ECL Off-balance sheet amounts 31.12.20		2 086	1 903	1 678	5 667
<b>Closing balance ECL 31.12.20</b>		<b>23 111</b>	<b>91 857</b>	<b>246 565</b>	<b>361 533</b>
In NOK thousands		Sbanken ASA Group 31.12.20			
Secured loans		3 012	12 444	40 977	56 433
Unsecured loans		20 099	79 413	205 588	305 100
<b>Total</b>		<b>23 111</b>	<b>91 857</b>	<b>246 565</b>	<b>361 533</b>
<b>Specification of loan losses</b>					
In NOK thousands		Sbanken ASA Group 2020			
Changes in ECL, stage 1		-4 496			
Changes in ECL, stage 2		-14 737			
Changes in ECL, stage 3		-78 057			
Write-offs		-36 672			
Recoveries of previously written off loans		480			
<b>Net cost of loan losses in the period</b>		<b>-133 482</b>			
<b>ECL by geographical area</b>					
In NOK thousands		Sbanken ASA Group 31.12.20			
Eastern Norway ex. Oslo		127 527			
Oslo		51 408			
Southern Norway		14 567			
Western Norway		111 058			
Central Norway		24 567			
Northern Norway		32 406			
<b>Total</b>		<b>361 533</b>			

Sbanken ASA has no expected credit loss related to loans to central bank, credit institutions and commercial paper and bonds.



## Note 14 – Loan losses (continued)

Sensitivity analysis:				
1) Sensitivity analysis of development in the housing price with effect on Expected credit loss (ECL)				
In NOK thousand	Change in stage 1	Change in stage 2	Change in stage 3	Total change in expected credit loss (ECL) in NOK
House price changes				
10 % increase	-783	-2 862	-4 464	-8 109
5 % increase	-444	-1 646	-2 631	-4 721
5 % decrease	554	2 168	3 383	6 105
10 % decrease	1 213	4 908	7 546	13 667
20 % decrease	2 839	12 434	18 346	33 619
30 % decrease	4 901	22 802	31 742	59 445
40 % decrease	7 391	35 413	47 225	90 029
60 % decrease	13 595	66 121	83 696	163 411
The sensitivity analysis has been based on total home loans and stage distribution of loans per 31.12.20. No adjustments have been made for any changes in the default rate due to house prices rising or decreasing.				
				Change in expected credit loss (ECL) in percent
2) Sensitivity in model-calculated expected credit loss (ECL) (% difference from reported ECL)				
Change in ECL with 100 % weighting of best case scenario				-6.34 %
Change in ECL with 100 % weighting of worst case scenario				16.15 %
Change in ECL due to stress (Raw PD increases by 20% and collateral falls by 20%)				17.54 %

## Loans to customers and interest that have been written-off

Loans to customers and interest that have been written-off, but are still followed up, amount to a total of MNOK 63.5 as of 31.12.20 (MNOK 52.7 as of 31.12.19).

## Note 14 – Loan losses (continued)

Expected credit loss (ECL) - Loans to customers (at amortised cost and fair value)	Sbanken ASA (parent company) 2020			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
In NOK thousand				
<b>Opening balance ECL 01.01.20</b>	<b>18 396</b>	<b>75 830</b>	<b>164 245</b>	<b>258 471</b>
<i>Changes in PDs/LGDs/EADs on existing portfolio:</i>				
Transfers to Stage 1	1 859	-12 754	-575	-11 470
Transfers to Stage 2	-1 892	22 474	-1 508	19 074
Transfers to Stage 3	-826	-12 138	61 242	48 278
Changes in PDs/LGDs/EADs on existing portfolio, with no transfers	4 085	18 382	58 681	81 148
Other changes:				0
New financial assets originated	6 604	18 378	2 969	27 951
Financial assets that have been derecognised	-5 240	-19 299	-23 235	-47 774
Financial assets that have been derecognised through sale of portfolio			-20 102	-20 102
Changes to model assumption and methodologies	0	0	0	0
Other movements	0	0	0	0
<b>Closing balance ECL 31.12.20</b>	<b>22 986</b>	<b>90 873</b>	<b>241 717</b>	<b>355 576</b>

Specification of ECL	Sbanken ASA (parent company) 31.12.20			
In NOK thousands				
ECL On-balance sheet amounts 31.12.20	20 900	88 970	240 039	349 909
ECL Off-balance sheet amounts 31.12.20	2 086	1 903	1 678	5 667
<b>Closing balance ECL 31.12.20</b>	<b>22 986</b>	<b>90 873</b>	<b>241 717</b>	<b>355 576</b>

Sbanken ASA (parent company) 31.12.20				
In NOK thousands				
Secured loans	2 887	11 460	36 129	50 476
Unsecured loans	20 099	79 413	205 588	305 100
<b>Total</b>	<b>22 986</b>	<b>90 873</b>	<b>241 717</b>	<b>355 576</b>

Specification of loan losses		Sbanken ASA (parent company) 31.12.20		
In NOK thousands				
Changes in ECL, stage 1				-4 590
Changes in ECL, stage 2				-15 043
Changes in ECL, stage 3				-77 472
Write-offs				-36 672
Recoveries of previously written off loans				480
<b>Net cost of loan losses in the period</b>				<b>-133 297</b>

## Note 14 – Loan losses (continued)

Expected credit loss (ECL) - Loans to customers (at amortised cost and fair value)	Sbanken ASA Group 2019			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
In NOK thousand				
<b>Opening balance ECL 01.01.19</b>	<b>17 059</b>	<b>37 724</b>	<b>140 283</b>	<b>195 066</b>
<i>Changes in PDs/LGDs/EADs on existing portfolio:</i>				
Transfers to Stage 1	455	-5 156	-1 337	-6 038
Transfers to Stage 2	-3 752	9 957	-550	5 655
Transfers to Stage 3	-1 315	-5 921	63 059	55 823
Changes in PDs/LGDs/EADs on existing portfolio, with no transfers	-379	515	16 507	16 643
<i>Other changes:</i>				
New financial assets originated	8 926	27 618	16 258	52 802
Financial assets that have been derecognised	-3 851	-7 132	-17 081	-28 064
Financial assets that have been derecognised through sale of portfolio			-51 984	-51 984
Changes to model assumption and methodologies	1 472	19 515	3 353	24 340
Other movements	0	0	0	0
<b>Closing balance ECL 31.12.19</b>	<b>18 615</b>	<b>77 120</b>	<b>168 508</b>	<b>264 243</b>

## Specification of ECL

In NOK thousands	Sbanken ASA Group 31.12.19			Total
ECL On-balance sheet amounts 31.12.19	17 382	76 241	167 413	261 036
ECL Off-balance sheet amounts 31.12.19	1 233	879	1 095	3 207
<b>Closing balance ECL 31.12.19</b>	<b>18 615</b>	<b>77 120</b>	<b>168 508</b>	<b>264 243</b>

In NOK thousands	Sbanken ASA Group 31.12.19			Total
Secured loans	2 396	11 934	40 472	54 802
Unsecured loans	16 218	65 186	128 037	209 441
<b>Total</b>	<b>18 615</b>	<b>77 120</b>	<b>168 508</b>	<b>264 243</b>

## Specification of loan losses

In NOK thousands	Sbanken ASA Group 2019		Total
Changes in ECL, stage 1			-1 555
Changes in ECL, stage 2			-39 396
Changes in ECL, stage 3			-28 226
Write-offs			-85 789
Recoveries of previously written off loans			1 817
<b>Net cost of loan losses in the period</b>			<b>-153 149</b>

## ECL by geographical area

In NOK thousands	Sbanken ASA Group 31.12.19		Total
Eastern Norway ex. Oslo			90 424
Oslo			40 387
Southern Norway			10 919
Western Norway			83 188
Central Norway			17 142
Northern Norway			22 183
<b>Total</b>			<b>264 243</b>

Sbanken ASA has no expected credit loss related to loans to central bank, credit institutions and commercial paper and bonds.

## Note 14 – Loan losses (continued)

Expected credit loss (ECL) - Loans to customers (at amortised cost and fair value)	Sbanken ASA (parent company) 2019			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
In NOK thousand				
<b>Opening balance ECL 01.01.19</b>	<b>16 802</b>	<b>36 983</b>	<b>137 714</b>	<b>191 499</b>
<i>Changes in PDs/LGDs/EADs on existing portfolio:</i>				
Transfers to Stage 1	449	-4 850	-1 072	-5 473
Transfers to Stage 2	-3 712	9 054	-540	4 802
Transfers to Stage 3	-1 313	-5 878	61 419	54 228
Changes in PDs/LGDs/EADs on existing portfolio, with no transfers	-333	622	16 099	16 388
<i>Other changes:</i>				
New financial assets originated	8 757	27 294	16 224	52 275
Financial assets that have been derecognised	-3 726	-6 910	-16 968	-27 604
Financial assets that have been derecognised through sale of portfolio			-51 984	-51 984
Changes to model assumption and methodologies	1 472	19 515	3 353	24 340
Other movements	0	0	0	0
<b>Closing balance ECL 31.12.19</b>	<b>18 396</b>	<b>75 830</b>	<b>164 245</b>	<b>258 471</b>

## Specification of ECL

In NOK thousands	Sbanken ASA (parent company) 31.12.19			Total
ECL On-balance sheet amounts 31.12.19	17 163	74 951	163 150	255 264
ECL Off-balance sheet amounts 31.12.19	1 233	879	1 095	3 207
<b>Closing balance ECL 31.12.19</b>	<b>18 396</b>	<b>75 830</b>	<b>164 245</b>	<b>258 471</b>

In NOK thousands	Sbanken ASA (parent company) 31.12.19			Total
Secured loans	2 178	10 644	36 208	49 030
Unsecured loans	16 218	65 186	128 037	209 441
<b>Total</b>	<b>18 396</b>	<b>75 830</b>	<b>164 245</b>	<b>258 471</b>

## Specification of loan losses

In NOK thousands	Sbanken ASA (parent company) 2019		Total
Changes in ECL, stage 1			-1 591
Changes in ECL, stage 2			-38 850
Changes in ECL, stage 3			-26 532
Write-offs			-85 789
Recoveries of previously written off loans			1 817
<b>Net cost of loan losses in the period</b>			<b>-150 945</b>



## Note 15 – Non-performing and doubtful loans

In NOK thousand	Principal type of collateral held	31.12.20					
		Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Net exposure	Provisioning ratio after collateral
<b>Loans to customers:</b>							
Mortgages in Sbanken Boligkreditt AS	Residential property	84 706	-4 848	79 858	79 858	0	100,0%
Mortgages in Sbanken ASA	Residential property	161 278	-30 391	130 887	129 857	1 030	96,7%
Car Loans	Vehicle	12 146	-5 269	6 877	6 872	5	99,9%
Custody account credits	Listed securities	0	0	0	0	0	ia
Unsecured loans	None	351 718	-204 380	147 338	0	147 338	58,1%
<b>Total credit-impaired assets in the group</b>		<b>609 847</b>	<b>-244 888</b>	<b>364 960</b>	<b>216 587</b>	<b>148 373</b>	<b>62,3%</b>
<i>Hereof credit-impaired assets in Sbanken ASA (parent company)</i>		<i>525 141</i>	<i>-240 040</i>	<i>285 102</i>	<i>136 729</i>	<i>148 373</i>	<i>61,8%</i>

31.12.20	Credit-impaired (Gross carrying amount)
<b>Mortgages - Loan to value</b>	
0 % - 40 %	18 550
40 % - 60 %	61 029
60 % - 80 %	102 686
80 % - 90 %	20 310
90 % - 100 %	8 284
> 100 %	35 125
<b>Total</b>	<b>245 984</b>

Credit-impaired loans	
In NOK thousand	31.12.20
Overdue loans - more than 90 days	603 668
Other credit-impaired assets	6 179
<b>Total</b>	<b>609 847</b>

### Overdue loans - age distribution

The table below shows the carrying value of overdue loans and overdrawn amounts on credits allocated by number of days after maturity. The table is intended to provide an analysis of exposure where there is inadequate ability or propensity to pay, rather than overdue amounts attributable to a delay in transferring funds. Based on this and the Bank's internal routines for monitoring overdue exposure, the default must exceed NOK 800 for more than 6 days to be included in the second table below.

Overdue loans	31.12.20					
	In NOK thousand	7-30 days	31 - 60 days	61 - 90 days	More than 90 days	Total
Mortgages in Sbanken Boligkreditt AS		223 457	40 775	8 780	84 706	357 718
Mortgages in Sbanken ASA		390 573	84 919	17 197	159 781	652 470
Car loans		17 951	4 241	888	12 146	35 226
Other loans		86 759	37 990	9 015	347 035	480 799
<b>Total overdue loans in the group</b>		<b>718 740</b>	<b>167 925</b>	<b>35 880</b>	<b>603 668</b>	<b>1 526 213</b>
<i>Hereof overdue loans in Sbanken ASA (parent company)</i>		<i>495 283</i>	<i>127 150</i>	<i>27 100</i>	<i>518 962</i>	<i>1 168 495</i>

## Note 15 – Non-performing and doubtful loans (continued)

In NOK thousand	Principal type of collateral held	31.12.19					
		Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Net exposure	Provisioning ratio after collateral
<b>Loans to customers:</b>							
Mortgages in Sbanken Boligkreditt AS	Residential property	77 033	-4 263	72 770	72 770	0	100,0%
Mortgages in Sbanken ASA	Residential property	173 983	-32 221	141 762	137 572	4 190	98,6%
Car Loans	Vehicle	10 299	-3 897	6 402	5 445	957	80,3%
Custody account credits	Listed securities	0	0	0	0	0	Na
Unsecured loans	None	299 939	-127 033	172 906	0	172 906	42,4%
<b>Total credit-impaired assets in the group</b>		<b>561 254</b>	<b>-167 414</b>	<b>393 840</b>	<b>215 787</b>	<b>178 053</b>	<b>48,5%</b>
<i>Hereof credit-impaired assets in Sbanken ASA (parent company)</i>		<i>484 221</i>	<i>-163 151</i>	<i>321 070</i>	<i>143 017</i>	<i>178 053</i>	<i>47,8%</i>

31.12.19	Credit-impaired (Gross carrying amount)
<b>Mortgages - Loan to value</b>	
0 % - 40 %	16 880
40 % - 60 %	46 630
60 % - 80 %	110 896
80 % - 90 %	30 056
90 % - 100 %	9 003
> 100 %	37 551
<b>Total</b>	<b>251 016</b>

Credit-impaired loans	
In NOK thousand	31.12.19
Overdue loans - more than 90 days	554 630
Other credit-impaired assets	6 624
<b>Total</b>	<b>561 254</b>

Overdue loans	31.12.19					
	In NOK thousand	7-30 days	31 - 60 days	61 - 90 days	More than 90 days	Total
Mortgages in Sbanken Boligkreditt AS		399 051	60 660	19 107	77 033	555 851
Mortgages in Sbanken ASA		615 238	197 647	15 374	169 971	998 230
Car loans		36 533	11 497	2 580	10 299	60 909
Other loans		147 543	60 007	27 154	297 327	532 031
<b>Total overdue loans in the group</b>		<b>1 198 365</b>	<b>329 811</b>	<b>64 215</b>	<b>554 630</b>	<b>2 147 021</b>
<i>Hereof overdue loans in Sbanken ASA (parent company)</i>		<i>799 314</i>	<i>269 151</i>	<i>45 108</i>	<i>477 597</i>	<i>1 591 170</i>

## Note 16 – Forbearance

### Loans with forbearance measures

Loans with payment forbearance are defined as loans where relief has been granted as the customer has payment problems, and that these terms would not have been granted in an ordinary loan issue.

In NOK thousand, 31.12.20	Sbanken ASA Group			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
Forbearance loans to customers (secured loans), gross	1 471 795	420 585	51 937	1 944 317
Expected credit loss (ECL)	-150	-481	-15 045	-15 676
<b>Total forbearance, loans to customers (secured loans), net</b>	<b>1 471 645</b>	<b>420 104</b>	<b>36 892</b>	<b>1 928 641</b>
Forbearance loans to customers (unsecured loans), gross	1 271	4 112	20 217	25 600
Expected credit loss (ECL)	-8	-354	-13 942	-14 304
<b>Total forbearance, loans to customers (unsecured loans), net</b>	<b>1 263</b>	<b>3 758</b>	<b>6 275</b>	<b>11 296</b>
<b>Total forbearance, loans to customers, net</b>	<b>1 472 908</b>	<b>423 862</b>	<b>43 167</b>	<b>1 939 937</b>

Lending in stage 1 relates to the granting of a payment holiday in connection with Covid-19 and where there are no other indications that the customer has payment problems. These commitments are not considered to qualify for forbearance measures as defined in IFRS 9.

In NOK thousand, 31.12.19	Sbanken ASA group			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
Forbearance loans to customers (secured loans), gross	32 970	31 414	50 827	115 211
Expected credit loss (ECL)	-1	-30	-15 182	-15 213
<b>Total forbearance, loans to customers (secured loans), net</b>	<b>32 969</b>	<b>31 384</b>	<b>35 645</b>	<b>99 998</b>
Forbearance loans to customers (unsecured loans), gross	4	140	22 637	22 781
Expected credit loss (ECL)	0	-2	-12 086	-12 088
<b>Total forbearance, loans to customers (unsecured loans), net</b>	<b>4</b>	<b>138</b>	<b>10 551</b>	<b>10 693</b>
<b>Total forbearance, loans to customers, net</b>	<b>32 973</b>	<b>31 522</b>	<b>46 196</b>	<b>110 691</b>

In NOK thousand, 31.12.20	Sbanken ASA (parent company)			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
Forbearance loans to customers (secured loans), gross	1 168 793	246 224	39 081	1 454 098
Expected credit loss (ECL)	-147	-413	-12 448	-13 008
<b>Total forbearance, loans to customers (secured loans), net</b>	<b>1 168 646</b>	<b>245 811</b>	<b>26 633</b>	<b>1 441 090</b>
Forbearance loans to customers (unsecured loans), gross	1 271	4 112	20 217	25 600
Expected credit loss (ECL)	-8	-354	-13 942	-14 304
<b>Total forbearance, loans to customers (unsecured loans), net</b>	<b>1 263</b>	<b>3 758</b>	<b>6 275</b>	<b>11 296</b>
<b>Total forbearance, loans to customers, net</b>	<b>1 169 909</b>	<b>249 569</b>	<b>32 908</b>	<b>1 452 386</b>

In NOK tusen, 31.12.19	Sbanken ASA (parent company)			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
Forbearance loans to customers (secured loans), gross	23 989	25 634	44 292	93 915
Expected credit loss (ECL)	-1	-30	-13 327	-13 358
<b>Total forbearance, loans to customers (secured loans), net</b>	<b>23 988</b>	<b>25 604</b>	<b>30 965</b>	<b>80 557</b>
Forbearance loans to customers (unsecured loans), gross	4	140	22 637	22 781
Expected credit loss (ECL)	0	-2	-12 086	-12 088
<b>Total forbearance, loans to customers (unsecured loans), net</b>	<b>4</b>	<b>138</b>	<b>10 551</b>	<b>10 693</b>
<b>Total forbearance, loans to customers, net</b>	<b>23 992</b>	<b>25 742</b>	<b>41 516</b>	<b>91 250</b>

## Note 17 – Guarantees and collateralised debt

### Collateral in Norges Bank

Sbanken ASA has provided securities as collateral for borrowing facilities with Norges Bank. In order to be granted loans or credit facilities in Norges Bank it is required to provide collateral

in interest carrying securities which fulfils certain criteria. As of 31 December 2020 Sbanken ASA had 2 250 millions in loans from Norges Bank.

In NOK thousand	2020	2019
Fair value (carrying value) of securities deposited as collateral in Norges Bank	13 080 036	8 656 325
Haircut of fair value	-874 590	-449 235
<b>Net value of securities deposited in Norges Bank</b>	<b>12 205 446</b>	<b>8 207 090</b>

As of 31 December 2020, Sbanken ASA had additional securities with fair value of NOK 2 849 millions, which would have qualified as collateral in Norges Bank.

### Intra group liquidity facility

Sbanken ASA has provided a credit facility relating to the maturity of covered bonds issued by Sbanken Boligkreditt AS.

In NOK thousand	2020	2019
Nominal value issued of covered bonds	30 805 000	30 005 000
- own holdings (owned by Sbanken ASA)	-5 731 000	-1 992 000
<b>Net intra group liquidity facility</b>	<b>25 074 000</b>	<b>28 013 000</b>

Residual time to maturity, intra group liquidity facility	2020	2019
Less than 6 months	0	0
6 - 12 months	1 719 000	3 458 000
1-2 years	7 000 000	6 200 000
2-4 years	14 855 000	18 355 000
4-5 years	1 500 000	0
More than 5 years	0	0
<b>Total</b>	<b>25 074 000</b>	<b>28 013 000</b>

### Collateral for share trading settlement

In connection with the share trading settlement to customers, Sbanken ASA has pledged collateral to the clearing company Six x-clear Ltd NUF. This company supervises all settlements between buyers and sellers in connection with share trading made by Sbanken ASA's customers.

The collateral pledged by Sbanken ASA is two-fold in that one part is a fixed component and part of a default-fund in Six x-clear, while the second part is variable and is calculated based on the scope of the trades made via the stock market

As at 31 December 2020, the fixed component amounted to NOK 8.6 million, while the variable component amounted to NOK 49.2 million.



## Note 18 – Liquidity risk

Liquidity risk comprises the following two elements:

**Refinancing risk:** The risk of the bank being unable to refinance its obligations as they fall due for payment.

**Price risk:** The risk of the bank being unable to refinance its obligations without a material rise in costs.

Liquidity risk shall be managed such that the bank minimises its financing costs, at the same time as the refinancing risk is kept within the Board of Directors' specified risk appetite. Liquidity risk shall be managed at group level, at company level and for each individual transaction. The bank measures liquidity risk over the short and long term. Short-term risk measures include the liquidity coverage ratio (LCR), and internal stress tests. The main long-term measure is the net stable funding ratio (NSFR). The LCR and NSFR are measured in accordance with methodology established by the Financial Supervisory Authority of Norway.

Sbanken maintains a liquidity portfolio comprising liquid funds managed by Treasury and which qualify, or will qualify, as collateral at Norges Bank. See note 16. This can be used to even out fluctuations in the bank's liquidity requirements.

### Management of inherent risk relating to maturity structures

The CFO is responsible for ensuring that ongoing forecasts are prepared covering the group's financing requirements for at least the next 12 months. The financing plan is reviewed by ALCO at the start of each forecast period, as a minimum quarterly. The CEO determines the financing plan on advice from ALCO, and Treasury's operations are subsequently based on this plan. In addition, the management frameworks for LCR and intraday and overnight financing requirements contribute to keeping short-term financing risk low. The group shall endeavor to maintain a balanced maturity profile, and as a main rule shall not have a maturity concentration under which more than 30 percent of the capital market financing matures the next twelve months.

### Financing sources

The Bank prefers relationbased borrowing, but shall also strive to diversify its borrowing sources. The Bank's financing comprises covered bonds, senior bonds and certificates and deposits, where the latter is the main source of financing. The Bank has a low tolerance for shortterm financing risk and shall be able to manage a serious stress scenario. The Bank carries out stress tests in connection with ICAAP and ILAAP where the Bank analyses the consequences for financing requirements of various changes in the Bank's most important assets and liabilities.

### Effects from Covid-19

In the first-half year of 2020, the outbreak of coronavirus Covid-19 had a significant impact on financial markets. Credit spreads increased significantly and authorities, including central banks, introduced measures to support the situation. In Norway, the central bank Norges Bank cut the interest rate to zero per cent, and offered banks extraordinary F-loans with a term of up to one year. At the same time, Norges Bank changed the rules for required collateral for such loans. Sbanken had a strong liquidity position ahead of the coronavirus pandemic, but chose to use the extraordinary F-loans due to their attractive funding terms. At year-end, Sbanken had two outstanding extraordinary F-loans.

During the year, credit spreads have returned to levels prior to the start of the pandemic.

## Note 19 – Maturity analysis of liabilities

Sbanken ASA Group							
Cash flows, undiscounted							Total
2020	1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Without maturity	
<b>Maturity overview</b>							
Loans and deposits from central bank			2 250 000				2 250 000
Loans and deposits from credit institutions	542 731						542 731
Deposits from customers	58 643 627						58 643 627
Interest disbursement, deposits from customers	6 753		57 300				64 053
Debt securities issued		243 000	2 219 000	27 346 350			29 808 350
Interest disbursement, debt securities issued	20 974	32 032	159 878	384 132			597 016
Subordinated loan			0	900 000			900 000
Interest disbursement, subordinated loan	0	4 219	13 199	61 933			79 351
Taxes payable		104 510	120 120				224 630
Other financial liabilities (ex. accrued interest)	406 361	4 706	19 177	64 947	68 118		563 309
Hybrid capital instrument						700 000	700 000
Interest disbursement, hybrid capital instrument	0	6 293	19 499	82 871			108 663
Off-balance sheet commitments	20 528 749						20 528 749
<b>Total disbursements</b>	<b>80 149 195</b>	<b>394 760</b>	<b>4 858 173</b>	<b>28 840 233</b>	<b>68 118</b>	<b>700 000</b>	<b>115 010 479</b>
<b>Financial derivatives</b>							
Outgoing contractual cash flows	-20 762	-549	-75 427	-5 046 125	-23 118	n/a	-5 165 981
Incoming contractual cash flows	9 285	0	57 411	5 469 448	19 711	n/a	5 555 855

Sbanken ASA Group							
Cash flows, undiscounted							Total
2019	1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Without maturity	
<b>Maturity overview</b>							
Loans and deposits from credit institutions	0						0
Deposits from customers	52 844 881						52 844 881
Interest disbursement, deposits from customers	40 149		53 568				93 717
Debt securities issued	182 000	0	4 408 000	26 581 900			31 171 900
Interest disbursement, debt securities issued	76 786	77 882	469 097	875 038			1 498 803
Subordinated loan			500 000	400 000			900 000
Interest disbursement, subordinated loan	4 955	3 421	25 711	38 247			72 334
Taxes payable		103 402	103 402				206 804
Other financial liabilities (ex. accrued interest)	578 646	5 666	30 078	88 475	82 892		785 757
Hybrid capital instrument						700 000	700 000
Interest disbursement, hybrid capital instrument	5 986	4 027	30 521	46 231			86 765
Off-balance sheet commitments	18 461 048						18 461 048
<b>Total disbursements</b>	<b>72 194 451</b>	<b>194 398</b>	<b>5 620 377</b>	<b>28 029 891</b>	<b>82 892</b>	<b>700 000</b>	<b>106 822 009</b>
<b>Financial derivatives</b>							
Outgoing contractual cash flows	n/a	n/a	n/a	-4 805 000	n/a	n/a	-4 805 000
Incoming contractual cash flows	n/a	n/a	n/a	4 940 000	n/a	n/a	4 940 000

## Note 19 – Maturity analysis of liabilities (continued)

Sbanken ASA (parent company)							
Cash flows, undiscounted							Total
2020	1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Without maturity	
<b>Loans and deposits from central bank</b>							
Loans and deposits from credit institutions			2 250 000				2 250 000
Deposits from customers	1 602 243						1 602 243
Interest disbursement, deposits from customers	58 643 627						58 643 627
Debt securities issued	6 753		57 300				64 053
Interest disbursement, debt securities issued		243 000	500 000	3 550 000			4 293 000
Subordinated loan	2 147	6 972	26 026	74 193			109 338
Interest disbursement, subordinated loan			0	900 000			900 000
Taxes payable	0	4 219	13 199	61 933			79 351
Other financial liabilities (ex. accrued interest)		81 274	81 274				162 548
Hybrid capital instrument	406 234	4 706	19 177	64 947	68 118		563 309
Interest disbursement, hybrid capital instrument						700 000	700 000
Off-balance sheet commitments	0	6 293	19 499	82 871			108 663
Total disbursements	20 528 749						20 528 749
<b>Sum utbetalinger</b>	<b>81 189 753</b>	<b>346 464</b>	<b>2 966 475</b>	<b>4 733 944</b>	<b>68 118</b>	<b>700 000</b>	<b>90 004 881</b>
<b>Financial derivatives</b>							
Outgoing contractual cash flows	-11 368	-549	-45 785	-165 110	-23 118	n/a	-245 930
Incoming contractual cash flows	9 285	0	38 661	166 948	19 711	n/a	234 605

Sbanken ASA (parent company)							
Cash flows, undiscounted							Total
2019	1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Without maturity	
<b>Maturity overview</b>							
Loans and deposits from credit institutions	1 701 739						1 701 739
Deposits from customers	52 844 881						52 844 881
Interest disbursement, deposits from customers	40 149		53 568				93 717
Debt securities issued	182 000	0	950 000	1 900 000			3 032 000
Interest disbursement, debt securities issued	1 046	19 033	53 992	46 774			120 845
Subordinated loan			500 000	400 000			900 000
Interest disbursement, subordinated loan	4 955	3 421	25 711	38 247			72 334
Taxes payable		78 227	78 227				156 454
Other financial liabilities (ex. accrued interest)	356 391	5 666	25 495	88 475	82 892		558 919
Hybrid capital instrument						700 000	700 000
Interest disbursement, hybrid capital instrument	5 986	4 027	30 521	46 231			86 765
Off-balance sheet commitments	17 980 210						17 980 210
<b>Total disbursements</b>	<b>73 117 357</b>	<b>110 374</b>	<b>1 717 514</b>	<b>2 519 727</b>	<b>82 892</b>	<b>700 000</b>	<b>78 247 864</b>
<b>Financial derivatives</b>							
Outgoing contractual cash flows	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Incoming contractual cash flows	n/a	n/a	n/a	n/a	n/a	n/a	n/a

## Note 20 – Subordinated loans

The note is equal for the Group and the parent company

In NOK thousand	Currency	31.12.20	31.12.19
Subordinated loans	NOK	898 831	899 438
<b>Total subordinated loans</b>	<b>NOK</b>	<b>898 831</b>	<b>899 438</b>

Specification of subordinated loan as at 31.12.20:						
ISIN	Issuing company	Nominal value	Currency	Interest	Maturity <sup>1</sup>	Carrying value
N00010786767	Sbanken ASA	150 000	NOK	3M Nibor + 1,65 %	02.03.27	149 896
N00010847205	Sbanken ASA	125 000	NOK	3M Nibor + 1,60 %	21.03.29	125 000
N00010871502	Sbanken ASA	125 000	NOK	3M Nibor + 1,30 %	19.12.29	124 868
N00010885197	Sbanken ASA	350 000	NOK	3M Nibor + 1,60 %	17.06.30	349 331
N00010891922	Sbanken ASA	150 000	NOK	3M Nibor + 1,25 %	28.08.30	149 736
<b>Total subordinated loans</b>		<b>900 000</b>				<b>898 831</b>

<sup>1</sup> First possible call date for the issuer is 5 years before maturity. The loan agreements has covenants to qualify as Tier 2 capital.

Changes of subordinated loans:	31.12.19	January-December 2020				31.12.20
		Issued	Matured	Redeemed	Other adjustments	
Subordinated loans (nominal)	900 000	500 000	0	-500 000	0	900 000
<b>Total</b>	<b>900 000</b>	<b>500 000</b>	<b>0</b>	<b>-500 000</b>	<b>0</b>	<b>900 000</b>

As at 31 December 2020, there is NOK 0.8 million in accrued interest related to subordinated loans. This has been recognised against other liabilities. See note 28 for interest expenses in 2020.



## Note 21 – Additional Tier 1 capital (hybrid capital)

The note is equal for the Group and the parent company

Sbanken ASA has issued hybrid capital instruments with a nominal value of NOK 700 million. The instruments are perpetual with an option for the issuer to redeem the capital at specific dates.

The loan agreements fulfils the Norwegian regulatory

requirements for inclusion in the Bank's Tier 1 capital. This implies that the issuer, at its sole discretion, has the right to withhold interest and/or redemption of the instrument. This implies that the instruments do not fulfil the definition of a debt instrument according to IAS 32 and are such defined as equity in the Bank's balance sheet.

In NOK thousand	Currency	31.12.20	31.12.19
Additional Tier 1 capital	NOK	700 000	700 000
<b>Total Additional Tier 1 capital</b>	<b>NOK</b>	<b>700 000</b>	<b>700 000</b>

Specification of additional Tier 1 capital as at 31.12.20:	ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying amounts
	N00010786759	Sbanken ASA	100 000	NOK	3M Nibor + 3.6 %	Perpetual <sup>1</sup>	100 000
	N00010847213	Sbanken ASA	100 000	NOK	3M Nibor + 3.6 %	Perpetual <sup>2</sup>	100 000
	N00010871494	Sbanken ASA	100 000	NOK	3M Nibor + 3.15 %	Perpetual <sup>3</sup>	100 000
	N00010885205	Sbanken ASA	300 000	NOK	3M Nibor + 3.10 %	Perpetual <sup>4</sup>	300 000
	N00010891914	Sbanken ASA	100 000	NOK	3M Nibor + 3.0 %	Perpetual <sup>5</sup>	100 000
<b>Total additional Tier 1 capital</b>			<b>700 000</b>				<b>700 000</b>

<sup>1</sup> The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first being 02 March 2022.

<sup>2</sup> The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first being 23 March 2024.

<sup>3</sup> The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first being 19 December 2024.

<sup>4</sup> The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first being 17 June 2025.

<sup>5</sup> The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first being 28 August 2025.

Change of additional Tier 1 capital	31.12.19	January - December 2020				31.12.20
		Issued	Matured	Redeemed	Other adjustments	
Additional Tier 1 capital	700 000	400 000	0	-400 000	0	700 000
<b>Total</b>	<b>700 000</b>	<b>400 000</b>	<b>0</b>	<b>-400 000</b>	<b>0</b>	<b>700 000</b>

As at 31 December 2020, NOK 1.23 million in accrued interest is related to additional Tier 1 capital. This has been recognised against the additional Tier 1 capital and the carried value including accrued interest is NOK 701.23 million. See statement of changes in equity for interest paid related to hybrid capital.

## Note 22 – Debt securities issued

Carried at amortised cost:	In NOK thousand	Sbanken ASA Group		
		Currency	31.12.20	31.12.19
Commercial paper issued		NOK	0	0
Bonds issued		NOK	29 974 370	31 304 025
<b>Total debt securities issued</b>			<b>29 974 370</b>	<b>31 304 025</b>

Specification of bonds as at 31.12.20:

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying value
<b>Commercial paper</b>						
		0				0
<b>Total commercial paper</b>						
		0				0
<b>Bonds</b>						
N00010793029	Sbanken ASA	243 000	NOK	Nibor + 0,58 %	01.03.21	243 002
N00010835325	Sbanken ASA	500 000	NOK	Nibor + 0,40 %	06.09.21	500 157
N00010862048	Sbanken ASA	750 000	NOK	Nibor + 0,30 %	09.10.22	749 781
N00010874878	Sbanken ASA	1 000 000	NOK	Nibor + 0,35 %	10.02.23	997 243
N00010886757	Sbanken ASA	800 000	NOK	Nibor + 0,62 %	26.09.23	801 948
N00010895519	Sbanken ASA	1 000 000	NOK	Nibor + 0,56 %	12.04.24	999 661
<b>Total bonds</b>		<b>4 293 000</b>				<b>4 291 792</b>

**Covered bonds <sup>1</sup>**

N00010745342	Sbanken Boligkreditt AS	1 719 000	NOK	Nibor + 0,28 %	14.10.21	1 717 323
N00010786999	Sbanken Boligkreditt AS	7 000 000	NOK	Nibor + 0,57 %	27.04.22	7 014 070
N00010790603	Sbanken Boligkreditt AS	7 000 000	NOK	Nibor + 0,50 %	10.02.23	7 017 073
N00010887078	Sbanken Boligkreditt AS	3 050 000	NOK	Nibor + 0,28 %	17.06.24	3 057 091
N00010878978	Sbanken Boligkreditt AS	1 500 000	NOK	Nibor + 0,42 %	20.06.25	1 511 285
XS1813051858	Sbanken Boligkreditt AS	500 000	EURO	Fixed 0,375 % <sup>2</sup>	26.04.23	5 365 736
<b>Total covered bonds</b>						<b>25 682 578</b>

**Total commercial paper, bonds and covered bonds**

**29 974 370**

<sup>1</sup> All covered bond loans have "soft bullet" with the possibility of extending the maturity by one year.

<sup>2</sup> Entered into a swap-agreement with Nibor + 0.425%

Changes of debt securities:	31.12.19	January - December 2020				31.12.20
		Issued	Matured	Redeemed	Other adjustments	
Commercial paper (nominal)	0	0	0	0	0	0
Bonds (nominal)	3 032 000	3 250 000	-210 000	-1 779 000	0	4 293 000
Covered Bonds (nominal)	28 013 000	4 550 000	-1 486 000	-6 003 000	0	25 074 000
<b>Total</b>	<b>31 045 000</b>	<b>7 800 000</b>	<b>-1 696 000</b>	<b>-7 782 000</b>	<b>0</b>	<b>29 367 000</b>

## Note 22 – Debt securities issued (continued)

Carried at amortised cost: In NOK thousand	Sbanken ASA (parent company)		
	Currency	31.12.20	31.12.19
Commercial paper issued	NOK	0	0
Bonds issued	NOK	4 291 792	3 033 344
<b>Total debt securities issued</b>		<b>4 291 792</b>	<b>3 033 344</b>

### Specification of bonds as at 31.12.20:

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying value
<b>Commercial paper</b>						
		0				0
<b>Total commercial paper</b>						
		0				0
<b>Bonds</b>						
NO0010793029	Sbanken ASA	243 000	NOK	Nibor + 0,58 %	01.03.21	243 002
NO0010835325	Sbanken ASA	500 000	NOK	Nibor + 0,40 %	06.09.21	500 157
NO0010862048	Sbanken ASA	750 000	NOK	Nibor + 0,30 %	09.10.22	749 781
NO0010874878	Sbanken ASA	1 000 000	NOK	Nibor + 0,35 %	10.02.23	997 243
NO0010886757	Sbanken ASA	800 000	NOK	Nibor + 0,62 %	26.09.23	801 948
NO0010895519	Sbanken ASA	1 000 000	NOK	Nibor + 0,56 %	12.04.24	999 661
<b>Total bonds</b>		<b>4 293 000</b>				<b>4 291 792</b>
<b>Total commercial paper and bonds</b>						<b>4 291 792</b>

Changes of debt securities:	31.12.19	January- December 2020				31.12.20
		Issued	Matured	Redeemed	Other adjustments	
Commercial paper (nominal)	0	0	0	0	0	0
Bonds (nominal)	3 032 000	3 250 000	-210 000	-1 779 000	0	4 293 000
<b>Total</b>	<b>3 032 000</b>	<b>3 250 000</b>	<b>-210 000</b>	<b>-1 779 000</b>	<b>0</b>	<b>4 293 000</b>

## Note 23 – Deposits from customers

The note is equal for the Group and the parent company

In NOK thousand	31.12.20		31.12.19	
	Share	Deposits	Share	Deposits
Deposits without an agreed term to maturity	100.0 %	58 643 627	100.0 %	52 844 881
Deposits with an agreed term to maturity	0.0 %	0	0.0 %	0
<b>Total</b>	<b>100.0 %</b>	<b>58 643 627</b>	<b>100.0 %</b>	<b>52 844 881</b>

Average deposit rate		0.54 %		0.94 %
Covered by the Norwegian Banks' Guarantee Fund	93.51 %	54 838 468	94.50 %	49 938 413

Deposits by sector and industry	Share	Deposits	Share	Deposits
Retail customers	96.9 %	56 805 103	98.8 %	52 206 840
Small and medium sized entities (SME)	3.1 %	1 838 524	1.2 %	638 041
<b>Total deposits from customers</b>	<b>100.0 %</b>	<b>58 643 627</b>	<b>100.0 %</b>	<b>52 844 881</b>

Deposits by geographical area	Share	Deposits	Share	Deposits
Oslo	22.5 %	13 211 925	22.6 %	11 917 197
Viken	27.4 %	16 052 024	26.5 %	14 014 622
Innlandet	2.8 %	1 617 385	2.8 %	1 493 046
Vestfold and Telemark	5.0 %	2 949 151	5.1 %	2 669 581
Agder	2.7 %	1 609 635	2.8 %	1 465 666
Rogaland	6.7 %	3 918 171	6.7 %	3 558 907
Vestland	15.6 %	9 152 784	16.1 %	8 490 371
Møre and Romsdal	2.6 %	1 501 311	2.5 %	1 337 088
Trøndelag	7.0 %	4 118 071	7.3 %	3 859 953
Nordland	3.2 %	1 880 138	3.3 %	1 725 104
Troms and Finnmark	4.5 %	2 633 032	4.4 %	2 313 346
<b>Total deposits from customers</b>	<b>100.0 %</b>	<b>58 643 627</b>	<b>100.0 %</b>	<b>52 844 881</b>

### Deposits

Residual time to maturity	Share	Deposits	Share	Deposits
Upon request	100.0 %	58 643 627	100.0 %	52 844 881
Less than 3 months				
3 - 12 months				
1-5 years				
More than 5 years				
<b>Total deposits from customers</b>	<b>100.0 %</b>	<b>58 643 627</b>	<b>100.0 %</b>	<b>52 844 881</b>



## Note 24 – Market risk and sensitivity

### Market risk

Market risk is the risk of losses due to unfavourable changes in market variables, such as interest rates, exchange rates and credit spreads.

The group is exposed to the following market risks:

-Interest rate risk: the risk of loss resulting from a general change in market rates due to different fixed interest rates of assets and liabilities allocated to the banking book.

-Exchange rate risk: the risk of loss resulting from changes in exchange rates.

-Credit spread risk: the risk that interest-bearing securities will fall in value as a result of an increase in the credit spread for corresponding credit instruments in the market.

-Share price risk: the risk of loss resulting from a fall in share prices.

### Interest rate sensitivity

The items in Sbanken's balance sheet that are primarily sensitive to interest rates comprise floating rate positions. In the last quarter of 2019, Sbanken launched mortgages with fixed interest rates, which at the end of 2020 accounted for 9.54% of the loan portfolio. A two percentage-point parallel shift in interest rates is used to measure interest rate risk, in accordance with circular 12/2016 from the Financial Supervisory Authority of Norway.

Sbanken ASA (parent company) 31.12.20				Sbanken ASA Group 31.12.20		
Change in value	Weighted duration	Volume (thousand)	Interest sensitive balance	Volume (thousand)	Weighted duration	Change in value
92 251	0,12	39 975 223	Loans to customers	75 152 787	0,12	173 430
446 754	2,82	7 929 465	Loans to customers (fixed rate)	7 929 465	2,82	446 754
16 246	0,12	8 040 000	Interest rate swaps	8 040 000	0,12	16 246
70 417	0,17	20 702 030	Commercial paper and bonds	14 453 620	0,16	44 937
0	0,00	6 652 261	Other assets	3 190 587	0,00	0
<b>625 667</b>	<b>0,41</b>	<b>75 258 979</b>	<b>Total assets</b>	<b>100 726 459</b>	<b>0,33</b>	<b>681 366</b>
135 331	0,12	58 643 627	Deposits from customers	58 643 627	0,12	135 331
25 431	0,19	6 541 792	Debt securities issued	32 205 992	0,12	78 984
452 925	3,22	8 040 000	Interest rate swaps	8 040 000	3,22	452 925
6 284	0,20	1 600 054	Additional Tier 1 capital and subordinated loan	1 600 054	0,20	6 284
0	0,00	2 320 202	Other liabilities	1 346 290	0,00	0
0	0,00	6 153 303	Equity ex. Tier 1 capital	6 930 497	0,00	0
<b>619 972</b>	<b>0,42</b>	<b>75 258 979</b>	<b>Total liabilities and equity</b>	<b>100 726 459</b>	<b>0,34</b>	<b>673 524</b>
<b>5 695</b>			<b>Total</b>			<b>7 842</b>

The table below shows six stress scenarios in accordance with EBA/GL/2018/02: "Guidelines on the management of interest rate risk arising from non-trading activities". As at 31 December 2020 Sbanken group primarily had balance sheet items exposed to interest rate changes for a forward period of three months and less. Consequently, the scenario for terms over 3 - 6 months will have little effect on Sbanken, with the result that Scenario 3 and 6 and Scenario 4 and 5 are nearly identical.

31.12.20	Sbanken ASA Group									
	Over-night	O/N - 1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	12 - 18 months	18 - 24 months	2 - 3 year	Total
Scenario 1 : parallel shock up (200bp)	-15 562	34 443	-2 093	0	0	266	12 437	433	29 924	
Scenario 2 : parallel shock down (200bp)	15 562	-34 443	2 093	0	0	-266	-12 437	-433	-29 924	
Scenario 3: short term rates down (300bp) long term rates up (150bp)	23 344	-51 664	3 139	0	0	-398	-18 656	0	-44 236	
Scenario 4: short term rates up (300 bp), long term rates down (150 bp)	-23 344	51 664	-3 139	0	0	398	18 656	0	44 236	
Scenario 5: short term rates up (300 bp)	-23 344	51 664	-3 139	0	0	398	18 656	0	44 236	
Scenario 6: short term rates down (300 bp)	23 344	-51 664	3 139	0	0	-398	-18 656	0	-44 236	

## Note 24 – Market risk and sensitivity (continued)

31.12.20	Sbanken ASA (parent company)									
	Over-night	O/N - 1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	12 - 18 months	18 - 24 months	2 - 3 year	Total
Scenario 1 : parallel shock up (200bp)		3 612	13 121	-2 093	0	0	266	12 437	433	27 776
Scenario 2 : parallel shock down (200bp)		-3 612	-13 121	2 093	0	0	-266	-12 437	-433	-27 776
Scenario 3: short term rates down (300bp) long term rates up (150bp)		-5 418	-19 682	3 139	0	0	-398	-18 656	0	-41 015
Scenario 4: short term rates up (300 bp), long term rates down (150 bp)		5 418	19 682	-3 139	0	0	398	18 656	0	41 015
Scenario 5: short term rates up (300 bp)		5 418	19 682	-3 139	0	0	398	18 656	0	41 015
Scenario 6: short term rates down (300 bp)		-5 418	-19 682	3 139	0	0	-398	-18 656	0	-41 015

### Currency

The net currency position (long or short) is measured in each currency. Long and short positions are also summarised. Exposure against the limit is the highest absolute value of the long and short position. The exchange rate risk at 31 December 2020 amounted to NOK 8.5 million.

31.12.20	Sbanken ASA Group					
	USD	SEK	EUR	JPY	CHF	GBP
Net currency position (NOK thousand)	1 923	2 287	3 737	537	0	0

31.12.20	Sbanken ASA (parent company)					
	USD	SEK	EUR	JPY	CHF	GBP
Net currency position (NOK thousand)	1 923	2 287	3 737	537	0	0

### Shares, funds and Tier 1 capital in other banks

Sbanken's equity investments relate to strategic ownership positions and certain minor shareholdings in funds. The total fair value amounts to NOK 163.4 millions. A weakening of the price of the share or fund of 45 percent would reduce the value of the portfolio to NOK 89.8 millions.

31.12.20	Fair value (in NOK thousand)	Value after 45 % drop
<b>Share and fund portfolio (Group)</b>		
Vipps AS	39 518	21 735
VN Norge AS	70 707	38 889
Pensjonskontoregisteret	60	33
<b>Total shares</b>	<b>110 285</b>	<b>60 657</b>
Utsikt2050	3 348	1 841
Utsikt2040	1 975	1 086
Utsikt2030	1 972	1 085
Framgang Sammen	5 127	2 820
<b>Total funds</b>	<b>12 422</b>	<b>6 832</b>
Tier 1 capital in other banks	40 630	22 347
<b>Total Tier 1 capital</b>	<b>40 630</b>	<b>22 347</b>
<b>Total shares, funds and Tier 1 capital</b>	<b>163 337</b>	<b>89 835</b>

### Credit spread risk

The calculation of credit spread risk is based on the Financial Supervisory Authority's circular 12/2016.

Sbanken ASA (parent company) 31.12.20					Sbanken ASA Group 31.12.20				
Credit spread risk	Spread change	Duration (weighted)	Market value (thousand)	Rating	Market value (thousand)	Duration (weighted)	Spread change	Credit spread risk	
0	0,00 %	2,63	1 545 951	AAA (sovereign)	1 571 556	2,61	0,00 %	0	
149 235	0,70 %	2,89	7 380 125	AAA (covered bonds)	7 430 527	2,89	0,70 %	150 187	
11 834	0,90 %	1,47	897 478	AAA (municipalities)	897 478	1,47	0,90 %	11 834	
0	0,00 %	0,00	0	AA (covered bonds)	0	0,00	0,00 %	0	
15 492	1,10 %	0,32	4 449 286	AA (municipalities)*	4 449 286	0,32	1,10 %	15 492	
8 468	3,00 %	2,69	104 773	Without rating	104 773	2,69	3,00 %	8 468	
<b>185 029</b>	<b>0,65 %</b>	<b>1,97</b>	<b>14 377 613</b>	<b>Sum</b>	<b>14 453 620</b>	<b>1,98</b>	<b>0,65 %</b>	<b>185 980</b>	

\* Municipalities without rating is placed in category AA (municipalities).

## Note 24 – Market risk and sensitivity (continued)

Sbanken ASA (parent company) 31.12.19				Sbanken ASA Group 31.12.19		
Change in value	Weighted duration	Volume (thousand)	Interest sensitive balance	Volume (thousand)	Weighted duration	Change in value
108 157	0,12	46 867 863	Loans to customers	81 233 217	0,12	187 461
31 734	0,14	11 559 630	Commercial paper and bonds	9 087 319	0,15	27 434
0	0,00	7 081 613	Other assets	2 685 150	0,00	0
<b>139 891</b>	<b>0,12</b>	<b>65 509 106</b>	<b>Total assets</b>	<b>93 005 685</b>	<b>0,12</b>	<b>214 896</b>
121 946	0,12	52 843 470	Deposits from customers	52 843 470	0,12	121 946
9 009	0,15	3 033 344	Debt securities issued	31 304 026	0,09	54 532
3 499	0,11	1 605 296	Additional Tier 1 capital and subordinated loan	1 605 296	0,11	3 499
0	0,00	2 407 807	Other liabilities	1 071 295	0,00	0
0	0,00	5 619 190	Equity ex. Tier 1 capital	6 181 598	0,00	0
<b>134 455</b>	<b>0,12</b>	<b>65 509 106</b>	<b>Total liabilities and equity</b>	<b>93 005 685</b>	<b>0,10</b>	<b>179 978</b>
<b>5 436</b>			<b>Total</b>			<b>34 918</b>

31.12.19	Sbanken ASA Group										Total
	Over-night	O/N - 1 month	1 - 3 months	3 - 6 months	6 - 9 months	9 - 12 months	12 - 18 months	18 - 24 months	2 - 3 year		
Scenario 1 : parallel shock up (200bp)	0	-24 610	57 506	1 834	0	188	0	0	0	0	34 918
Scenario 2 : parallel shock down (200bp)	0	24 610	-57 506	-1 834	0	-188	0	0	0	0	-34 918
Scenario 3: short term rates down (300bp) long term rates up (150bp)	0	36 914	-86 258	-2 750	0	-282	0	0	0	0	-52 377
Scenario 4: short term rates up (300 bp), long term rates down (150 bp)	0	-36 914	86 258	2 750	0	282	0	0	0	0	52 377
Scenario 5: short term rates up (300 bp)	0	-36 914	86 258	2 750	0	282	0	0	0	0	52 377
Scenario 6: short term rates down (300 bp)	0	36 914	-86 258	-2 750	0	-282	0	0	0	0	-52 377

31.12.19	Sbanken ASA (parent company)					Total
	Over-night	O/N - 1 month	1 - 3 months	3 - 6 months	6 - 9 months	
Scenario 1 : parallel shock up (200bp)	-1 996	7 432	0	0	0	5 436
Scenario 2 : parallel shock down (200bp)	1 996	-7 432	0	0	0	-5 436
Scenario 3: short term rates down (300bp) long term rates up (150bp)	2 994	-11 147	0	0	0	-8 154
Scenario 4: short term rates up (300 bp), long term rates down (150 bp)	-2 994	11 147	0	0	0	8 154
Scenario 5: short term rates up (300 bp)	-2 994	11 147	0	0	0	8 154
Scenario 6: short term rates down (300 bp)	2 994	-11 147	0	0	0	-8 154

31.12.19	Sbanken ASA Group					
	USD	SEK	EUR	JPY	CHF	GBP
Net currency position (NOK thousand)	230	30	10 724	687	0	0

31.12.19	Sbanken ASA (parent company)					
	USD	SEK	EUR	JPY	CHF	GBP
Net currency position (NOK thousand)	230	30	141	687	0	0

## Note 24 – Market risk and sensitivity (continued)

31.12.19 Share and fund portfolio	Fair value (in NOK thousand)	Value after 45 % drop
Vipps AS	39 518	21 735
VN Norge AS	118 883	65 386
<b>Total shares</b>	<b>158 401</b>	<b>87 121</b>
Utsikt2050	2 932	1 613
Utsikt2040	1 730	952
Utsikt2030	1 730	952
Framgang Sammen	4 876	2 682
<b>Total funds</b>	<b>11 268</b>	<b>6 197</b>
<b>Total funds and shares</b>	<b>169 669</b>	<b>93 318</b>

Sbanken ASA (parent company) 31.12.19					Sbanken ASA Group 31.12.19				
Credit spread risk	Spread change	Duration (weighted)	Market value (thousand)	Rating	Market value (thousand)	Duration (weighted)	Spread change	Credit spread risk	
0	0,00 %	2,21	1 010 856	AAA (sovereign)	1 046 841	2,20	0,00 %	0	
135 898	0,70 %	2,95	6 573 812	AAA (covered bonds)	6 624 238	2,96	0,70 %	137 204	
11 461	0,90 %	2,00	635 439	AAA (municipalities)	635 439	2,00	0,90 %	11 461	
0	0,00 %	0,00	0	AA (covered bonds)	0	0,00	0,00 %	0	
16 069	1,10 %	1,87	780 801	AA (municipalities)*	780 801	1,87	1,10 %	16 069	
<b>163 428</b>	<b>0,67 %</b>	<b>2,71</b>	<b>9 000 908</b>	<b>Total</b>	<b>9 087 319</b>	<b>2,71</b>	<b>0,67 %</b>	<b>164 733</b>	

\* Municipalities without rating is placed in category AA (municipalities).



## Note 25 – Derivatives

Sbanken ASA uses financial derivatives to manage interest rate and currency risk. Financial derivatives are agreements entered into with financial institutions or customers to stipulate interest terms, exchange rates and the value of equity instruments for specific periods

### Method of valuation and accounting principles

All derivatives are valued at fair value and exchange rate gains/losses are classified as net gain/(loss) on financial instruments. Interest from derivatives entered into to manage the interest rate risk associated with the bank's ordinary portfolios is classified as interest income and recognised as an adjustment of the bank's other interest income/ interest expenses.

Sbanken ASA has used the following financial derivatives during the year:

### Forward currency contracts

These are agreements to purchase or sell specific amounts of currency at an agreed exchange rate on a future date.

### Interest rate agreements

Interest swaps are agreements to swap interest rate terms (fixed for floating) for a specific amount over a fixed period of time.

### Interest rate and currency derivatives

Cross-currency interest rate swaps where the swap agreement includes both interest rate and currency terms.

The table below shows the nominal value of financial derivatives broken down by the type of derivative in addition to positive and negative market values. Positive market values are recognised in the balance sheet as assets, while negative market values are recognised as liabilities.

Sbanken ASA Group	31.12.20			31.12.19		
	Nominal value	Positive fair value	Negative fair value	Nominal value	Positive fair value	Negative fair value
In NOK thousand						
Interest rate swaps	8 040 000	29 533	21 738	0	134	0
<b>Total</b>	<b>8 040 000</b>	<b>29 533</b>	<b>21 738</b>	<b>0</b>	<b>134</b>	<b>0</b>
Cross currency swaps used in hedge accounting	4 805 000	531 772	0	4 805 000	201 842	0
<b>Total</b>	<b>4 805 000</b>	<b>531 772</b>	<b>0</b>	<b>4 805 000</b>	<b>201 842</b>	<b>0</b>
<b>Total OTC-derivatives</b>	<b>12 845 000</b>	<b>561 305</b>	<b>21 738</b>	<b>4 805 000</b>	<b>201 975</b>	<b>0</b>

Sbanken ASA (parent company)	31.12.20			31.12.19		
	Nominal value	Positive fair value	Negative fair value	Nominal value	Positive fair value	Negative fair value
In NOK thousand						
Interest rate swaps	8 040 000	29 533	21 738	0	134	0
<b>Total</b>	<b>8 040 000</b>	<b>29 533</b>	<b>21 738</b>	<b>0</b>	<b>134</b>	<b>0</b>
Cross currency swaps used in hedge accounting	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total OTC-derivatives</b>	<b>8 040 000</b>	<b>29 533</b>	<b>21 738</b>	<b>0</b>	<b>134</b>	<b>0</b>

## Note 26 – Derivatives and hedge accounting

The note is only relevant for Sbanken ASA Group

Sbanken uses derivatives to hedge against interest rate and currency risk in connection with the issuing of debt in EUR. When the company issues securities in currencies other than Norwegian kroner, the bank's market risk policy states that

hedging transactions shall be carried out, so that the bank avoids exposure in foreign currency and thereby minimises currency risk. Derivatives are recognised at fair value (see Note 1 for further information).

In NOK thousand	31.12.20			31.12.19		
	Nominal value	Positive fair value	Negative fair value	Nominal value	Positive fair value	Negative fair value
Interest and currency derivatives for use in hedge accounting	4 805 000	531 772	0	4 805 000	201 842	0
<b>Total derivatives for use in hedge accounting</b>	<b>4 805 000</b>	<b>531 772</b>	<b>0</b>	<b>4 805 000</b>	<b>201 842</b>	<b>0</b>

The Sbanken ASA group uses hedge accounting to ensure an accounting treatment that reflects how interest rate and currency risk is actually managed for loans in foreign currency. The hedged items consist exclusively of debt established by issuing covered bonds and are recognised in accordance with IFRS 9 as a fair value hedge. When debt is issued in foreign currency, separate interest rate and cross currency swaps are entered into, with the same principal and maturity date as the underlying hedged item. So far, a loan of EUR 500 million has been issued with a fixed rate of 0.375 per cent, while the cross currency swap changes principal to NOK and the interest rate to a floating 3-month Nibor plus a margin of 0.425 per cent.

Hedge ineffectiveness, defined as the difference between the value adjustment of hedged instruments and the value adjustment of the hedged items, are recognised through profit or loss as it arises. The exemption is the part of the value adjustment caused by a change in basis spreads relating to hedged instruments recognised in other comprehensive income. Sources of hedge ineffectiveness can be changes in own credit risk, price changes relating to unilateral collateral, soft bullet structures and minimum rating floors for the issuer. It is a condition for the derivative agreement that unilateral collateral is furnished, meaning that the bank receives collateral in cases where the derivative has a positive value, but does not have to provide collateral in cases where the derivative has a negative value. The counterparty in the derivative agreement is Nordea Bank Finland.

The hedging instruments (interest rate and currency swaps) are recognised at fair value, while the hedged items are valued at fair value for the hedged risks (interest rate and currency).

In NOK thousand	31.12.20			31.12.19		
	Hedging instrument nominal value	Hedging object nominal value	Inefficiency nominal value	Hedging instrument nominal value	Hedging object nominal value	Inefficiency nominal value
Nominal value loan in Euro (foreign currency loans at fixed interest rates)	500 000	500 000	0	500 000	500 000	0
<b>Total</b>	<b>500 000</b>	<b>500 000</b>	<b>0</b>	<b>500 000</b>	<b>500 000</b>	<b>0</b>

In NOK thousand	31.12.20			31.12.19		
	Hedging instrument carrying amount	Hedging object carrying amount	Inefficiency carrying amount	Hedging instrument carrying amount	Hedging object carrying amount	Inefficiency carrying amount
Carrying amount assets	531 772	0		201 842	0	
Carrying amount liabilities	0	5 365 736		0	5 033 780	
<b>Total</b>	<b>531 772</b>	<b>5 365 736</b>		<b>201 842</b>	<b>5 033 780</b>	

In NOK thousand	31.12.20			31.12.19		
	Hedging instrument carrying amount	Hedging object carrying amount	Inefficiency carrying amount	Hedging instrument carrying amount	Hedging object carrying amount	Inefficiency carrying amount
Accumulated change in fair value, outgoing balance	531 772	-546 303	-14 531	201 842	-220 039	-18 197
Accumulated change in fair value, ingoing balance	201 842	-220 039	-18 197	0	0	
<b>Total change in fair value</b>	<b>329 930</b>	<b>-326 264</b>	<b>3 666</b>	<b>201 842</b>	<b>-220 039</b>	<b>-18 197</b>
Recognised through profit and loss			9			-176
Recognised through other comprehensive income			-14 540			-18 021
<b>Total change in fair value</b>	<b>0</b>	<b>0</b>	<b>-14 531</b>	<b>0</b>	<b>0</b>	<b>-18 197</b>

## Note 27 – Repricing structure

Sbanken ASA Group							
In NOK thousand						Without interest rate exposure	Total
2020	1 month	1-3 months	3-12 months	1-5 years	More than 5 years		
Cash and receivables with central bank	583 268						583 268
Loans to central bank	840 000						840 000
Loans to and receivables from credit institutions	654 517						654 517
Loans to customers	439 098	82 999 020					83 438 118
Expected credit loss (ECL) on-balance						-355 866	-355 866
<b>Net loans to customers, central bank and credit institutions</b>	<b>2 516 883</b>	<b>82 999 020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-355 866</b>	<b>85 160 037</b>
Commercial paper and bonds	3 800 180	9 400 211	903 070	309 529	0	0	14 412 990
Shares and funds						163 701	163 701
Derivatives						561 305	561 305
Intangible assets						114 645	114 645
Deferred tax assets						21 679	21 679
Property, plant and equipment						127 755	127 755
Other assets						110 850	110 850
Advance payment and accrued income						53 498	53 498
<b>Total assets</b>	<b>6 317 063</b>	<b>92 399 231</b>	<b>903 070</b>	<b>309 529</b>	<b>0</b>	<b>797 567</b>	<b>100 726 459</b>
<b>Liabilities</b>							
Loans and deposits from central bank	2 250 000						2 250 000
Loans and deposits from credit institutions						542 731	542 731
Deposits from customers		58 643 627					58 643 627
Derivatives						21 738	21 738
Taxes payable						224 640	224 640
Debt securities issued	9 731 054	14 877 580	5 365 736	0			29 974 370
Other liabilities						552 587	552 587
Subordinated loans	898 831						898 831
<b>Total liabilities</b>	<b>12 879 885</b>	<b>73 521 207</b>	<b>5 365 736</b>	<b>0</b>	<b>0</b>	<b>1 341 696</b>	<b>93 108 523</b>

## Note 27 – Repricing structure (cont.)

Sbanken ASA Group							
In NOK thousand						Without interest rate exposure	Total
2019	1 month	1-3 months	3-12 months	1-5 years	More than 5 years		
Cash and receivables with central bank	37 606						37 606
Loans to central bank	1 550 000						1 550 000
Loans to and receivables from credit institutions	286 802						286 802
Loans to customers	472 272	81 021 981					81 494 253
Expected credit loss (ECL) on-balance						-261 036	-261 036
<b>Net loans to customers, central bank and credit institutions</b>	<b>2 346 680</b>	<b>81 021 981</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-261 036</b>	<b>83 107 625</b>
Commercial paper and bonds	2 012 432	6 759 361	9 926	305 600	0	0	9 087 319
Shares and funds						171 680	171 680
Derivatives						201 975	201 975
Intangible assets						135 376	135 376
Deferred tax assets						17 915	17 915
Property, plant and equipment						164 782	164 782
Other assets						88 588	88 588
Advance payment and accrued income						30 425	30 425
<b>Total assets</b>	<b>4 359 112</b>	<b>87 781 342</b>	<b>9 926</b>	<b>305 600</b>	<b>0</b>	<b>549 705</b>	<b>93 005 685</b>
<b>Liabilities</b>							
Loans and deposits from credit institutions		0				0	0
Deposits from customers		52 844 881					52 844 881
Derivatives						0	0
Deferred tax						0	0
Taxes payable						208 769	208 769
Debt securities issued	9 827 394	14 452 055	7 024 576	0			31 304 025
Other liabilities						862 173	862 173
Subordinated loans	899 438						899 438
<b>Total liabilities</b>	<b>10 726 832</b>	<b>67 296 936</b>	<b>7 024 576</b>	<b>0</b>	<b>0</b>	<b>1 070 942</b>	<b>86 119 287</b>



## Note 27 – Repricing structure (cont.)

Sbanken ASA (parent company)							
In NOK thousand						Without	Total
2020	1 month	1-3 months	3-12 months	1-5 years	More than 5 years	interest rate exposure	
Cash and receivables with central bank	583 268						583 268
Loans to central bank	840 000						840 000
Loans to and receivables from credit institutions	2 958 456						2 958 456
Loans to customers	269 288	47 985 309					48 254 597
Expected credit loss (ECL) on-balance						-349 909	-349 909
<b>Net loans to customers, central bank and credit institutions</b>	<b>4 651 012</b>	<b>47 985 309</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-349 909</b>	<b>52 286 412</b>
Commercial paper and bonds	4 232 596	14 989 777	903 070	309 529	0	0	20 434 972
Shares in subsidiary						1 699 880	1 699 880
Shares and funds						393 011	393 011
Derivatives						29 533	29 533
Intangible assets						114 645	114 645
Deferred tax assets						7 738	7 738
Property, plant and equipment						127 755	127 755
Other assets						341 533	341 533
Advance payment and accrued income						53 498	53 498
<b>Total assets</b>	<b>8 883 608</b>	<b>62 975 086</b>	<b>903 070</b>	<b>309 529</b>	<b>0</b>	<b>2 417 684</b>	<b>75 488 979</b>
<b>Liabilities</b>							
Loans and deposits from central bank	2 250 000						2 250 000
Loans and deposits from credit institutions		1 602 243					1 602 243
Deposits from customers		58 643 627					58 643 627
Derivatives						21 738	21 738
Taxes payable						161 643	161 643
Debt securities issued	999 661	3 292 131	0	0			4 291 792
Other liabilities						534 579	534 579
Subordinated loans	898 831						898 831
<b>Total liabilities</b>	<b>4 148 492</b>	<b>63 538 001</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>717 960</b>	<b>68 404 453</b>

## Note 27 – Repricing structure (cont.)

Sbanken ASA (parent company)							
In NOK thousand						Without	Total
2019	1 month	1-3 months	3-12 months	1-5 years	More than 5 years	interest rate exposure	
Cash and receivables with central bank	37 606						37 606
Loans to central bank	1 550 000						1 550 000
Loans to and receivables from credit institutions	3 184 035						3 184 035
Loans to customers	286 859	46 836 269					47 123 128
Expected credit loss (ECL) on-balance						-255 264	-255 264
<b>Net loans to customers, central bank and credit institutions</b>	<b>5 058 500</b>	<b>46 836 269</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-255 264</b>	<b>51 639 504</b>
Commercial paper and bonds	2 163 286	8 864 641	0	305 600	0	0	11 333 527
Shares in subsidiary						1 669 880	1 669 880
Shares and funds						403 902	403 902
Derivatives						134	134
Intangible assets						135 376	135 376
Deferred tax assets						12 409	12 409
Property, plant and equipment						164 782	164 782
Other assets						89 168	89 168
Advance payment and accrued income						30 425	30 425
<b>Total assets</b>	<b>7 221 786</b>	<b>55 700 910</b>	<b>0</b>	<b>305 600</b>	<b>0</b>	<b>2 250 812</b>	<b>65 479 106</b>
<b>Liabilities</b>							
Loans and deposits from credit institutions		1 701 739					1 701 739
Deposits from customers		52 844 881					52 844 881
Derivatives							0
Deferred tax							0
Taxes payable						162 305	162 305
Debt securities issued	182 001	2 851 344	0	0			3 033 345
Other liabilities						543 410	543 410
Subordinated loans	899 438						899 438
<b>Total liabilities</b>	<b>1 081 439</b>	<b>57 397 964</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>705 715</b>	<b>59 185 117</b>

## Note 28 – Operational risk

Operational risk means unexpected fluctuations in results which are attributable to inadequacies or failures in internal processes and systems, by employees or external events, which oblige the bank to retain financial capital in order to safeguard itself against substantial and unexpected operational losses. The definition also includes legal risk, i.e. the risk that an agreement or legal action cannot be performed in line with underlying assumptions; and compliance risk, i.e. the risk of non-compliance with statutory provisions, internal guidelines, industry standards, etc.

The bank's framework for operational risk, including contingency plans, describes preventive and mitigating measures. In addition to policies and instructions, and procedure and job descriptions, Sbanken has a self-evaluation process for operational risk and internal control. This process is intended to identify operational risk and quantify any potential ensuing losses, as well as assess the effectiveness of internal control. This work results in action plans whose implementation is subject to ongoing monitoring. The evaluation is performed each year and includes quarterly updates and follow-ups.

Sbanken has a documented process for conducting risk assessments. The process also includes the area of ICT, and determines an acceptable level of risk, performs assessments, and decides on risk response including the delegating of responsibility for monitoring and mitigating measures. Reviews of risks and conditions relevant to ICT security are conducted and reported on a quarterly basis together with other risk areas related to operational risk.

### Compliance risk

Compliance risk is defined as the risk of sanctions or losses as a result of non-compliance with the regulations that regulate the business.

The bank's risk appetite in the compliance area is low, and it has a very low tolerance for non-compliance: The bank's reputation and licence(s) shall not be exposed to unnecessary risk.

Compliance risk includes compliance with regulations, information security and personal data protection for all parts of the business.

Compliance risk is managed through regular reviews and control activities in the company, the results of which are reported to the Board and management.

### Commercial and strategic risk

Commercial risk is the risk that earnings will weaken, including changes in volumes, interest margins and other price changes associated with borrowing and lending, weakened net commission income and earnings that are insufficient to cover costs. The risk may arise as a result of cyclical change, competitive conditions and changes in customer behaviour, among other factors.

Measurement of commercial risk takes into account changes due to credit losses and other risks such as market risk, liquidity risk and operational risk. The size of commercial risk is essentially affected by variations in net interest and commission. Some costs vary in line with volume- and transaction-based changes in income, other costs are deemed to be variable without being volume- or transaction-based, while further costs are deemed to be fixed. Management's short-term opportunities to influence potential losses of income depend on the ratio of variable to fixed costs.

Commercial risk is managed through diversification of income, stable revenue generation and cost control.

Sbanken's definition of strategic risk is long-term risk that arises as a result of erroneous or ill-conceived commercial decisions, poor or incorrect implementation of decisions, or inadequate responsiveness to changes in society, competition, technology, the regulatory system or the financial sector.

## Note 29 – Net interest income

In NOK thousand	Sbanken ASA Group					
	2020			2019		
	Recognised at amortised cost	Recognised at fair value	Total	Recognised at amortised cost	Recognised at fair value	Total
Loans to and receivables from credit institutions and central bank	7 089		7 089	22 050		22 050
Loans to customers	2 178 621	48 151	2 226 772	2 508 116	213	2 508 329
Commercial paper and bonds		146 835	146 835		188 784	188 784
<b>Total interest income</b>	<b>2 185 710</b>	<b>194 986</b>	<b>2 380 696</b>	<b>2 530 166</b>	<b>188 997</b>	<b>2 719 164</b>
Loans and deposits from credit institutions and Central bank	-7 581		-7 581	-969		-969
Deposits from customers	-243 868		-243 868	-429 738		-429 738
Debt securities issued	-394 379		-394 379	-636 412		-636 412
Subordinated loans	-23 954		-23 954	-26 083		-26 083
Other interest expenses	-66 778		-66 778	-61 835		-61 835
<b>Total interest expenses</b>	<b>-736 560</b>	<b>0</b>	<b>-736 560</b>	<b>-1 155 037</b>	<b>0</b>	<b>-1 155 037</b>
<b>Net interest income</b>	<b>1 449 150</b>	<b>194 986</b>	<b>1 644 137</b>	<b>1 375 129</b>	<b>188 997</b>	<b>1 564 127</b>
<b>Interest income from loans to customers:</b>						
		<b>2020</b>	<b>2019</b>			
Mortgages		1 786 028	2 024 221			
Car loans		57 077	61 631			
Consumer loans		209 464	234 185			
Other loans <sup>1</sup>		174 203	188 292			
<b>Total interest income from loans to customers</b>		<b>2 226 772</b>	<b>2 508 329</b>			

<sup>1</sup> Credit card, account credit and custody account credit

In NOK thousand	Sbanken ASA (parent company)					
	2020			2019		
Interest income	Recognised at amortised cost	Recognised at fair value	Total	Recognised at amortised cost	Recognised at fair value	Total
Loans to and receivables from credit institutions and central bank	44 232		44 232	69 790		69 790
Loans to customers	635 374	780 496	1 415 870	716 173	898 403	1 614 576
Commercial paper and bonds	10 427	213 130	223 557	12 330	223 535	235 865
<b>Total interest income</b>	<b>690 034</b>	<b>993 625</b>	<b>1 683 659</b>	<b>798 294</b>	<b>1 121 937</b>	<b>1 920 230</b>
Loans and deposits from credit institutions and Central bank	-8 954		-8 954	-2 258		-2 258
Deposits from customers	-243 868		-243 868	-429 738		-429 738
Debt securities issued	-43 634		-43 634	-76 880		-76 880
Subordinated loans	-23 954		-23 954	-26 083		-26 083
Other interest expenses	-61 184		-61 184	-57 786		-57 786
<b>Total interest expenses</b>	<b>-381 594</b>	<b>0</b>	<b>-381 594</b>	<b>-592 745</b>	<b>0</b>	<b>-592 745</b>
<b>Net interest income</b>	<b>308 440</b>	<b>993 625</b>	<b>1 302 065</b>	<b>205 548</b>	<b>1 121 937</b>	<b>1 327 485</b>
<b>Interest income from loans to customers:</b>						
		<b>2020</b>	<b>2019</b>			
Mortgages		975 126	1 130 468			
Car loans		57 077	61 631			
Consumer loans		209 464	234 185			
Other loans <sup>1</sup>		174 203	188 292			
<b>Total interest income from loans to customers</b>		<b>1 415 870</b>	<b>1 614 576</b>			

<sup>1</sup> Credit card, account credit and custody account credit



## Note 30 – Net commission and fee income

The note is equal for the Group and the parent company

In NOK thousand	2020	2019
Payment processing	29 207	29 962
Card and interbank	169 378	216 146
Mutual funds and securities	143 415	94 453
Other commission income	3 717	4 045
<b>Total commission and fee income</b>	<b>345 717</b>	<b>344 607</b>
Payment processing	-21 264	-33 911
Card and interbank	-50 181	-50 886
Mutual funds and securities	-86 078	-38 880
Other commission expenses	-3 884	-6 005
<b>Total commission and fee expenses</b>	<b>-161 407</b>	<b>-129 683</b>
<b>Net commission and fee income</b>	<b>184 310</b>	<b>214 924</b>

## Note 31 – Net gain (loss) on financial instruments

Gain/loss on financial instruments recognised through profit and loss :

Sbanken ASA (parent company)		In NOK thousand	Sbanken ASA Group	
2019	2020		2020	2019
		<b>1) Realisation of financial instruments at fair value through other comprehensive income (OCI):</b>		
3 986	14 551	Gain/(loss) by realisation of financial instruments:	-3 800	3 035
<b>3 986</b>	<b>14 551</b>	<b>Total gain/(loss) by realisation of financial instruments at fair value through other comprehensive income (OCI)</b>	<b>-3 800</b>	<b>3 035</b>
		<b>2) Financial instruments at fair value through profit and loss</b>		
0	0	Realised gain/ (loss) from shares and funds	0	0
19 428	-49 668	Unrealised gain/(loss) from shares and funds	-47 023	17 496
0	0	Gain/(loss) on derivatives (used in hedge accounting)	776	-176
134	7 080	Gain/(loss) on derivatives	7 080	0
	-8 318	Unrealised gain/(loss) from fixed rate loans	-8 318	0
<b>19 562</b>	<b>-50 906</b>	<b>Total gain/(loss) on financial instruments at fair value through profit and loss</b>	<b>-47 485</b>	<b>17 320</b>
		<b>3) Financial instruments at amortised cost:</b>		
-1 477	-4 146	Gain (loss) by repurchase of own bonds/commercial paper at amortised cost	-26 089	-13 597
<b>-1 477</b>	<b>-4 146</b>	<b>Total gain (loss) on financial instruments at amortised cost</b>	<b>-26 089</b>	<b>-13 597</b>
		<b>4) Currency:</b>		
-308	6 309	Net gain (loss) on currency items	6 296	-1 921
<b>-308</b>	<b>6 309</b>	<b>Total gain (loss) on currency items</b>	<b>6 296</b>	<b>-1 921</b>
		<b>5) Dividends:</b>		
19 524	95 012	Dividends from investments i shares and funds	95 012	19 524
0	230 000	Dividend from subsidiary	0	0
<b>19 524</b>	<b>325 012</b>	<b>Total dividends</b>	<b>95 012</b>	<b>19 524</b>
		<b>6) Result from associated company:</b>		
-3 808	-2 014	Result from associated company	-2 014	-3 808
<b>-3 808</b>	<b>-2 014</b>	<b>Total from associated company</b>	<b>-2 014</b>	<b>-3 808</b>
<b>37 479</b>	<b>288 806</b>	<b>Total gain (loss) on financial instruments recognised through profit and loss</b>	<b>21 920</b>	<b>20 553</b>

## Note 32 – Operating expenses

### Other administrative expenses

Sbanken ASA (parent company)			Sbanken ASA Group	
2019	2020	In NOK thousand	2020	2019
-3 505	-2 463	Properties and premises <sup>1</sup>	-2 463	-3 505
-118 040	-139 445	IT	-139 445	-118 040
-64 652	-44 593	Advertising and marketing	-44 593	-64 652
-22 536	-17 025	Temporary employment agencies	-17 025	-22 536
-41 547	-41 129	Consultants and other external services	-45 053	-43 453
-14 109	-14 469	Telephone and postage	-14 469	-14 109
-36 646	-32 823	Other operating expenses	-33 004	-36 774
<b>-301 034</b>	<b>-291 946</b>	<b>Total administrative expenses</b>	<b>-296 053</b>	<b>-303 070</b>

<sup>1</sup> After the introduction of IFRS 16, rental costs are recognised as depreciation and interest expenses.

### Depreciations and write-downs on fixed and intangible assets

-33 961	-33 120	Depreciations during the year fixed assets	-33 120	-33 961
-20 754	-32 640	Depreciations during the year intangible assets	-32 640	-20 754
-26 534	0	Write-downs intangible assets	0	-26 534
<b>-81 249</b>	<b>-65 760</b>	<b>Total depreciations and write-downs during the year</b>	<b>-65 760</b>	<b>-81 249</b>

Sbanken ASA recorded an impairment of NOK 26.5 million of intangible assets in 2019, which is recognised under "Depreciation and impairment of fixed and intangible assets". The impairment is primarily related to the applicability of code written in certain modules and discontinuation of some services.

## Note 33 – Remuneration to the statutory auditor

Sbanken ASA (parent company)			Sbanken ASA Group	
2019	2020	In NOK thousand	2020	2019
1 863	1 618	Statutory audit	1 799	2 097
133	0	Other certification services	155	267
0	0	Tax-related services	0	0
0	157	Other services	357	200
<b>1 996</b>	<b>1 775</b>	<b>Total remuneration to the statutory auditor</b>	<b>2 311</b>	<b>2 564</b>

Remuneration to the statutory auditor is presented including VAT.

During 2020, the statutory auditor for all the companies in the Sbanken Group has been Deloitte AS.

## Note 34 – Personnel expenses and benefits/ remuneration to executive management and governing bodies

Personnel expenses			Sbanken ASA Group	
Sbanken ASA (parent company)			2020	2019
2019	2020	In NOK thousand		
-269 660	-267 357	Wages	-267 680	-270 019
19 418	8 555	Capitalised as intangible assets	8 555	19 418
-27 479	-26 667	Pension costs incl. payroll tax	-26 667	-27 479
-14 856	-14 558	- defines contribution pensions	-14 558	-14 856
-6 979	-6 958	- defined benefit pensions	-6 958	-6 979
-5 644	-5 151	-other pension related costs	-5 151	-5 644
-51 207	-51 181	Payroll tax	-51 224	-51 258
-13 578	-11 542	Other personnel expenses	-11 542	-13 583
<b>-342 506</b>	<b>-348 192</b>	<b>Total personnel expenses</b>	<b>-348 558</b>	<b>-342 921</b>
Funds with restrictions				
11 102	13 066	Income tax account	13 091	11 124
<b>11 102</b>	<b>13 066</b>	<b>Total restricted assets</b>	<b>13 091</b>	<b>11 124</b>
Employees				
404	363	Total employees as at 31.12	363	404
370	335	Total FTE as at 31.12	335	370
388	384	Average number of employees	384	388
28	25	FTE temporary employees as at 31.12	25	28

### Note 34 – Personnel expenses and benefits/remuneration to executive management and governing bodies (continued)

Name and position (In NOK thousand)	Agreed fixed annual salary as at 31.12.20 <sup>1)</sup>	Paid salaries 2020 <sup>2)</sup>	Paid performance related salary 2020 <sup>3)</sup>	Paid other variable salary 2020 <sup>4)</sup>	Total paid salaries 2020	Benefits in kind and other benefits 2020 <sup>5)</sup>	Total remuneration paid/received in 2020	Pension cost 2020	Loan as at 31.12.20	Shares as at 31.12.20
<b>Executive management</b>										
Øyvind Thomassen, Chief Executive Officer	4 500	4 227	117	143	4 488	15	4 502	103	13	101 629
Henning Nordgulen, Chief financial officer	2 187	2 232	182	143	2 557	15	2 572	107	3 754	70 472
Lene Eltvik Vindfeld, Chief Organisation, Leadership & Culture officer (from 01.10.2020)	1 600	356	0	30	386	4	390	20	0	212
Geir Berge Hansen, Head of Strategy	1 780	1 818	148	143	2 109	59	2 169	111	3 385	50 000
Morten Jacobsen, CTO (from 01.06.20)	2 134	1 250	0	84	1 334	8	1 342	59	5	7 371
Eirik Christensen, COO Banking	1 900	1 923	125	143	2 191	46	2 237	106	3 297	15 000
Arlin Opsahl Mæland, Chief compliance officer	1 250	1 276	100	0	1 375	17	1 393	105	2 099	2 978
Jørgen Gudmundsson, Chief Risk Officer	1 700	1 558	0	143	1 701	72	1 773	99	5 716	7 840
Christoffer Hernæs, CTO (until 31.08.2020)	n/a	1 331	144	95	1 570	51	1 621	69	n/a	n/a

#### Share purchases from management in 2020:

Members of the executive management in Sbanken ASA have in 2020 purchased shares in connection with a share program for the management. The new general manager has purchased 96 418 shares. Reference is made to the stock exchange announcement of 02.03.2020.

Name and position (In NOK thousand)	Agreed annual board remuneration as at 2020	Agreed annual remuneration for board committees as at 2020	Agreed annual remuneration from group companies 2020	Paid board remuneration 2020	Paid committee remuneration 2020	Paid remuneration from group companies 2020	Paid other compensation 2020	Total remuneration paid/received in 2020	Loan as at 31.12.20	Shares as at 31.12.20
<b>The Board of Directors</b>										
Niklas Midby, Chairman of the board	640	217	0	640	217	0	0	857	0	77 776
August Baumann	345	154	0	345	154	0	0	499	0	41 630
Mai-Lill Ibsen	345	190	205	345	190	205	0	740	0	5 528
Ragnhild Wiborg	345	255	0	345	255	0	0	600	0	17 731
Hugo Maurstad <sup>6)</sup>	345	0	0	345	0	0	0	345	0	0
Cathrine Klouman	345	0	0	345	0	0	0	345	0	18 428
Sarah Lunde Mjåtvedt (Employee representative)	52	0	0	0	0	0	0	0	0	795
Stein Zahl Pettersen (Employee representative)	52	0	0	0	0	0	0	0	0	304
Loans to other employees in Sbanken ASA									837 071	
In 2020, a total of 133 000 kroner was paid to members of the nomination committee.										

### Note 34 – Personnel expenses and benefits/remuneration to executive management and governing bodies (continued)

Name and position (In NOK thousand)	Agreed fixed annual salary as at 31.12.19 <sup>1)</sup>	Paid salaries 2019 <sup>2)</sup>	Paid performance related salary 2019 <sup>3)</sup>	Paid other variable salary 2019 <sup>4)</sup>	Total paid salaries 2019	Benefits in kind and other benefits 2019 <sup>5)</sup>	Total remuneration paid/received in 2019	Pension cost 2019	Loan as at 31.12.19	Shares as at 31.12.19
<b>Executive management</b>										
Øyvind Thomassen, Chief Executive Officer (from 23.09.2019)	4 500	1 230	0	40	1 270	3	1 273	28	19	0
Magnar Øyhovden, Chief Executive Officer (until 23.09.2019)	2 800	2 952	100	148	3 200	78	3 278	374	0	0
Henning Nordgulen, Chief financial officer	2 187	2 233	80	150	2 463	46	2 508	107	3 909	64 956
Geir Berge Hansen, Head of Strategy	1 780	1 820	65	148	2 033	44	2 077	112	3 593	35 461
Christoffer Hernæs, Chief Digital Officer	1 729	1 760	54	204	2 018	60	2 079	101	4 891	10 733
Eirik Christensen, Chief Risk Officer	1 500	1 525	53	148	1 726	36	1 761	104	3 131	11 405
Atle Tidemann, Head of organisation (until 15.11.2019)	1 600	1 521	23	151	1 695	19	1 714	105	0	0
Anne-Christine Fiksdal, Head of customer development and growth (until 19.11.2019)	1 650	1 727	59	150	1 936	64	2 000	106	0	0
Mari Kristine Rørvik, head of savings for customers (until 31.12.19)	1 000	726	27	0	752	10	762	78	0	0

Name and position (In NOK thousand)	Agreed annual board remuneration as at 2019	Agreed annual remuneration for board committees as at 2019	Agreed annual remuneration from group companies 2019	Paid board remuneration 2019	Paid committee remuneration 2019	Paid remuneration from group companies 2019	Paid other compensation 2019	Total remuneration paid/received in 2019	Loan as at 31.12.19	Shares as at 31.12.19
<b>The Board of Directors</b>										
Niklas Midby, Chairman of the board	633	189	0	633	189	0	0	822	0	41 191
August Baumann	342	178	0	342	178	0	0	520	0	28 731
Mai-Lill Ibsen	342	214	175	342	214	175	0	731	0	0
Ragnhild Wiborg	342	227	38	342	227	38	0	607	0	17 731
Hugo Maurstad <sup>6)</sup>	342	0	0	342	0	0	0	342	0	0
Cathrine Klouman	342	342	0	342	0	0	0	342	0	0
Svein Frøystad (Employee representative)	52	0	0	0	0	0	0	0	0	1 682
Karianne Mjos-Haugland (Employee representative)	52	0	0	0	0	0	0	0	0	273
Loans to other employees in Sbanken ASA									807 489	

In 2019, a total of 130 000 kroner was paid to members of the nomination committee.

<sup>1)</sup> Agreed annual fixed salary/fees at the end of the year.

<sup>2)</sup> Paid fixed salary and holiday pay for both profit-related and other variable pay.

<sup>3)</sup> Paid profit-related pay earned previous years. Profit related pay earned in 2020 will be paid out in 2021. Profit related pay earned in 2019 were paid out in 2020.

<sup>4)</sup> Paid other agreed compensation as such as car allowance and annuity insurance.

<sup>5)</sup> Other benefits in kind include the cost of telephones, broadband, insurance, loans at beneficial interest rates etc.

<sup>6)</sup> Board remuneration paid to Altor Fund Manager AB



## Note 34 – Personnel expenses and benefits/remuneration to executive management and governing bodies (continued)

### The Board of Directors' statement regarding determination of salaries and other remuneration to senior management pursuant to Section 6-16a of the Public Limited Liability Companies Act

For the 2021 annual general meeting, the Board of Directors of Sbanken ASA will present a new 'Policy for the remuneration of executive management and non-executive directors at Sbanken ASA' pursuant to the new provision in Section 6-16a of the Norwegian Public Limited Companies Act. The policy will replace the former 'Board of Directors' statement regarding determination of salaries and other remuneration to senior management'. Amendments in Section 6-16a of the Public Limited Companies Act and the new Regulations relating to Guidelines for and Reporting of the Remuneration of executive management and non-executive directors entered into force 1 January 2021.

Sbanken adapt these changes by presenting a new 'Policy for the remuneration of executive management and non-executive directors at Sbanken ASA' to be approved by the general meeting in accordance with the new requirements. Report on salaries and other remuneration to executive management and non-executive directors pursuant to the new section 6-16b of the Public Limited Companies Act will, first be presented at the annual general meeting in 2022. For the fiscal year 2020 the Board of Directors therefore, submit a limited statement on how the remuneration guidelines has been implemented.

#### Statement on compliance with executive remuneration guidelines and consequences of agreements on remuneration in the 2020 fiscal year

The Company's executive remuneration guidelines for the 2020 fiscal year has been implemented in accordance with the guidelines for the stipulation of salary and other remuneration as presented at the annual general meeting in 2020.

#### Policy for the remuneration of executive management and non-executive directors at Sbanken ASA

The Board of Directors presents the following guidelines regarding remuneration for executive management and non-executive directors at Sbanken ASA:

##### 1 Purpose

These guidelines were prepared by the Board of Directors of Sbanken ASA ('the Company') in accordance with the new Section 6-16a of the Public Limited Liability Companies Act and the Regulations relating to Guidelines for and Reporting of the Remuneration of executive management and non-executive directors. The guidelines will be presented for approval at the annual general meeting in April 2021, and will, once approved, apply to remuneration earned from 1 January 2021.

The guidelines replace the 'The Board of Directors' statement

regarding determination of salaries and other remuneration to senior management' pursuant to the former Section 6-16a of the Public Limited Liability Companies Act.

##### 2 Scope

These guidelines apply to executive management and non-executive directors in the Company, as defined in Section 6-16a of the Public Limited Liability Companies Act. The Company includes the following executive management and non-executive directors:

- (i) shareholder-elected members of the Board,
- (ii) employee-elected members of the Board, and
- (iii) executives who are members of the administration (senior management team/executive personnel).

The remuneration of other employees is not covered by these guidelines.

#### 3 Main principles for the company's executive management and non-executive directors remuneration and how the guidelines contribute to the company's business strategy, long-term interests and financial sustainability

Executive management and non-executive directors remuneration is an important instrument for ensuring that the Company's interests are aligned with the interests of the executive management and non-executive directors. Shareholders have been given influence over the executive management and non-executive directors remuneration in the Company through the publication and approval of these guidelines. The overarching principle for executive management and non-executive directors remuneration is that it must be capable of attracting and retaining highly skilled executive management and non-executive directors without being wage-leading in the industry, and without the variable pay element making up such a large proportion of total compensation that it leads to unfortunate incentives and short-termism. Executive management and non-executive directors pay shall be stipulated on the basis of the responsibility and complexity associated with the position, and be calculated as an average of corresponding positions in comparable businesses.

The Company has established a remuneration scheme that applies to all employees in accordance with Chapter 15 of the Financial Institutions Regulations and the guidelines of the Financial Supervisory Authority. The remuneration scheme is intended to stimulate goal attainment while also promoting sound risk management, counteracting excessive risk-taking and helping to prevent conflicts of interest. The Company's long-term interests and financial sustainability must be maintained. A general principle underlying the remuneration scheme is that it must be based on equal pay for equal work or work of equal value for male and female employees. The Company's remuneration must be competitive but not

## Note 34 – Personnel expenses and benefits/remuneration to executive management and governing bodies (continued)

wage-leading. The Company carries out an annual review of how the scheme is practised, and the written report is reviewed by independent control functions.

These guidelines are intended to contribute to the Company's business strategy, long-term interests and financial sustainability by:

- (i) attracting, motivating and retaining executive management and non-executive directors with qualifications that reflect the Company's size and complexity;
- (ii) compensating executive management and non-executive directors in line with their individual performances and performance for the benefit of the Company;
- (iii) defining performance criteria that are aligned with the interests of shareholders and other company stakeholders;
- (iv) promoting healthy, effective risk management within the Company's risk appetite; and
- (v) ensuring transparency and disclosing the Company's executive management and non-executive directors remuneration.

#### 4 Description of relevant decision-making processes

##### 4.1 About the decision-making processes

The decision-making processes are intended to help prevent conflicts of interest and otherwise be aligned with financial regulatory requirements.

##### 4.2 Adoption of 'Policy for the remuneration of executive management and non-executive directors at Sbanken ASA'

The Board has appointed a dedicated Organisation and Remuneration Committee, consisting of three board members, two of whom are elected by the General Meeting and one by and from among the employees. The Committee serves as an advisory body to the Board and shall ensure that the Company establishes, revises and implements the policy for the remuneration of executive management and non-executive directors at Sbanken ASA. The Organisation and Remuneration Committee organises its work in accordance with the rules of procedure applicable at all times to the Organisation and Remuneration Committee, as adopted by the Board. Proposals for material changes to the policy are considered by the Organisation and Remuneration Committee, which prepares the Board's recommendation on amendments to the General Meeting. The policy shall be presented to the General Meeting for decision at least every four years.

##### 4.3 Decision on the remuneration of executives who are members of the administration

The Remuneration Committee is tasked with ensuring a thorough and independent preparation of matters relating to the remuneration of executive personnel.

Pay, other remuneration and material terms and conditions for

the CEO are considered by the Organisation and Remuneration Committee, which prepares the Board's decision on the CEO's remuneration.

Pay, other remuneration and material terms and conditions for other executives who are members of the administration are considered by the CEO, who prepares the Organisation and Remuneration Committee's decision on the remuneration of other executive personnel. The Board is informed about the Committee's decisions.

##### 4.4 Decision on the remuneration of board members

The General Meeting has appointed a Nomination Committee, consisting of three members elected by the General Meeting. The remuneration of members of the Board and board committees is considered by the Nomination Committee, which, in accordance with rules of procedure adopted by the General Meeting, prepares the General Meeting's decision on the remuneration of board members. The board members shall receive fixed remuneration and not performance-based pay. The amount of remuneration should reflect the complexity, responsibilities and time commitment of the office and be in line with corresponding remuneration in comparable companies. The fee paid to individual board members is specified in the annual report. The Company also covers travel expenses and other expenses incurred by board members in connection with their office. In addition to the directors' fee adopted by the General Meeting, employee-elected board members also receive other remuneration such as basic pay etc. from the Company.

##### 5 Consideration of pay and employment conditions for other employees when drawing up the guidelines

When drawing up the 'Policy for the remuneration of executive management and non-executive directors at Sbanken ASA', and when adopting the remuneration of the executive management and non-executive directors, the Organisation and Remuneration Committee shall take account of the remuneration scheme applicable to the Company's employees in general.

In the same way as for executive management and non-executive directors, basic pay for other employees is decided on the basis of the responsibility, complexity, qualifications and seniority associated with the position. The basic pay is reviewed annually and adjusted in accordance with wage developments in the financial industry and society.

The performance-based remuneration scheme applies to all the Company's employees. It is decided by the Board based on the Company's overarching strategies and is part of a general, non-discretionary remuneration policy.

The Board may decide that employees of the Company shall be

## Note 34 – Personnel expenses and benefits/remuneration to executive management and governing bodies (continued)

given an opportunity to buy shares in the Company at a discount, within the maximum rates applicable at all times under the Taxation Act concerning tax-free benefits for employees when purchasing shares in the Company. The decision is made on the basis of the same principles that apply to executives who are members of the administration. In addition, employees of the Company may choose to use their net performance-based pay to buy shares in the Company at a discount of 20 % of the current market price, subject to a three-year lock-in period. Independent of the Board's decision and without a corresponding purchase limitation, executive management and non-executive directors may, up until 31 December 2022 and within a specified limitation, buy shares in the Company at a discount of 20 % of the current market price, subject to a three-year lock-in period.

The Organisation and Remuneration Committee carries out an annual review of the remuneration schemes for all the Company's employees.

### 6 Description of remuneration that can be paid to or received by executive management and non-executive directors etc.

The Company mainly emphasises basic pay as an instrument and only uses variable pay to a limited extent. The Board is tasked with ensuring that the Company abides by the rules for remuneration of executive personnel set out in Chapter 15 of the Financial Institutions Regulations, particularly Section 15-4.

The fixed component of the remuneration of executives who are members of the administration comprises:

Fixed remuneration	Purpose and link to strategy	Method of stipulation	Limit	Performance criteria
Basic pay	Fixed salary used as an instrument for attracting, engaging and retaining talent so as to contribute to long-term value creation.	The basic pay is decided on the basis of the responsibility, complexity, expertise, seniority and performance associated with the position. The basic pay is reviewed annually and adjusted in accordance with, among other things, wage developments in the financial industry and society.	The Company has no maximum salary levels.	N/A
Pension scheme	The Company's pension scheme is intended to promote retirement, long-term saving and ensure an appropriate standard of living after the age of retirement. The pension scheme shall be in accordance with the business strategy, overarching goals, values and long-term interests of the Company, cf. Section 15-4 of the Financial Institutions Act.	The Company has an occupational pension scheme in accordance with the Act relating to Mandatory Occupational Pensions. The Company's defined contribution scheme applies to the whole Company.  There are no special agreements for executive personnel that include early retirement or additional pension over and above the ordinary AFP scheme for the industry.	When stipulating pension contributions, account is taken of the rates that apply to other employees of the Company and the industry practice.	N/A
Other special benefits	The Company shall offer market-based, competitive terms.	Executive personnel may receive other special benefits that are common for comparable positions in the industry, for example free phone, home computer, free broadband subscription, newspapers, car allowance, company car / car scheme and parking. Like other employees, executive personnel are covered by the Company's group life and health insurance. Executive personnel are also covered by the Company's directors' and officers' liability insurance.	The Company has not set maximum levels for the award of other special benefits. The level of the benefits is set in accordance with common practice in the market and what is considered expedient based on individual circumstances.	N/A
Severance pay schemes	Severance pay schemes are used to ensure flexibility to enable the Company to deal with the challenges it faces at all times, and shall be adjusted to the results achieved over time, and be designed such that unsatisfactory results are not rewarded, cf. Section 15-2 of the Financial Institutions Act and Section 15-4 of the Financial Institutions Regulations.	The CEO has a severance pay agreement that entitles to up to 12 months' pay upon termination of the employment relationship.  Other executive personnel do not have severance pay agreements.  Executive personnel are subject to a period of notice of six months.	N/A	N/A
Options and other forms of remuneration related to shares or the development of the share price	N/A	The Company does not pay other forms of remuneration to executive personnel in the form of options etc. linked to shares in the Company or the share price.	N/A	N/A

## Note 34 – Personnel expenses and benefits/remuneration to executive management and governing bodies (continued)

In addition to the above, the Company has a performance-based remuneration scheme and two share purchase programmes, covering all employees of the Company:

Variable remuneration	Purpose and link to strategy	Method of implementation	Limit	Performance criteria
Performance-based remuneration	The Board of the Company has adopted a performance-based remuneration scheme for all employees, intended to ensure that the Company achieves defined targets and strategies aligned with the Company's risk profile.  The scheme is designed to ensure good cooperation across the Company's entities without encouraging individual employees to take risk on behalf of the Company.	The collective bonus scheme is decided annually by the Board based on the Company's overarching strategies and is part of a stipulated general, non-discretionary remuneration policy.  Annual goal attainment and payments under the performance-based remuneration scheme are checked by the Company's control functions, including the internal audit function, before the Organisation and Remuneration Committee prepares the Board's decision to effect the payment if the performance targets have been achieved.  The Company cannot demand repayment of payments made under the collective performance-based remuneration scheme.	The performance-based pay is a variable remuneration linked to the Company's goal attainment.  The remuneration is paid in cash. The maximum amount paid under the scheme is half a monthly salary, i.e. 12.5% of the fixed remuneration. This means that the performance-based remuneration scheme is not covered by the remuneration rules, cf. section 2.2 of the Financial Supervisory Authority's Circular 2/2020.	The performance criteria linked to the Company's strategies mainly consist of financial and operational criteria, but may also include non-financial criteria linked to customer satisfaction, CSR, compliance and sustainability, or other non-financial criteria of relevance to the success of the Company's applicable strategy at all times.  Variable remuneration under the performance-based remuneration scheme shall only be disbursed when warranted by the Company's financial position, cf. Section 15-2 of the Financial Institutions Act. The decision shall take the Company's risks and costs relating to the need for capital and liquidity into account.
Share purchase programmes	The Company's share purchase programmes shall stimulate co-ownership and commonality of interest in the Company.	The Board may decide on an annual basis that all employees, including executive personnel, shall be given an opportunity to buy shares in the Company at a discount.  (i) All employees can buy shares in the Company up to the tax-free limit applicable at all times.  (ii) All employees may choose to use their net performance-based pay to buy shares in the Company at a discount of 20% of the current market price, subject to a three-year lock-in period.  (iii) In addition, executive personnel and board members may, within the limits adopted, buy shares in the Company at a discount of 20% of the current market price, subject to a three-year lock-in period until 31 December 2022, in accordance with the Company's guidelines and within the following limitation:  There is no earnings period requirement for participation in the share purchase programme.	(i) The limit for buying shares at a discount is the maximum rates that apply at all times under the Taxation Act concerning tax-free benefits for employees when buying shares in the Company. The applicable rates for tax-free share programmes currently make up a maximum of NOK 30,000, with NOK 7,500 in tax-free discount.  (ii) The maximum performance-based pay that may be spent on buying shares is 1.5 times the monthly salary, i.e. 12.5% of fixed remuneration.  (iii) CEO NOK 5,000,000 Deputy CEO NOK 4,000,000 Other executive personnel NOK 3,000,000 Chair of the Board NOK 2,000,000 Board members NOK 1,000,000	

### 7 Proportionate share of the different forms of remuneration

The Company is subject to financial regulatory requirements, and the different forms of remuneration have been devised within the limits that follow from these regulations. For executive personnel, the composition of fixed and variable remuneration shall be appropriately balanced. The fixed component of the remuneration shall be sufficiently high to allow the Company the possibility of paying no variable component at all. For executive personnel, the variable remuneration component may not constitute more than

one-half of the fixed remuneration, cf. Section 15-4 of the Financial Institutions Regulations. The Company's fixed and variable payment arrangements and the limits that apply to them are described in more detail in section 6 above.

### 8 Annual pay report

For each fiscal year, the Board shall ensure that a pay report is prepared in accordance with Section 6-16b of the Public Limited Liability Companies Act that provides an overview of pay and remuneration disbursed and due, as covered by these guidelines. Before the pay report is considered by the General

## Note 34 – Personnel expenses and benefits/remuneration to executive management and governing bodies (continued)

Meeting, the auditor shall verify that it contains the information required under the applicable regulations. The General Meeting will hold an advisory vote on the pay report. The pay report for the subsequent year shall explain how the result of the voting at the previous annual general meeting has been taken into account.

The first pay report will be presented to the General Meeting in 2022. Immediately after the annual general meeting and for a period of ten years, the pay report shall be publicly available on the Company's website.

### 9 Deviations from the guidelines

In extraordinary cases, the Board may decide to deviate from these guidelines in connection with material company events, for example changes in the Company's management, group structure, organisation, ownership or business that may require an extraordinary effort on the part of executive personnel. The deviation may consist of awarding a higher amount in variable remuneration, limited to a one-off payment that otherwise meets the company regulations applicable at all times. The maximum amount to be distributed shall follow the limitations applicable under Chapter 15 of the Financial Institutions Regulations (including that the variable remuneration component for executive personnel may not constitute more than half of the fixed remuneration).

A deviation under this point shall be objectively motivated by the common interest of all shareholders in retaining and incentivising executive personnel in extraordinary situations. The deviation shall be considered and decided by the Board and be deemed necessary for the employee in question in the situation at hand. The Board shall explain the deviation in the annual pay report presented to the General Meeting for an advisory vote the following year, cf. section 9.

The Board may not decide on a deviation under this section when it comes to the remuneration of the Board.

### 10 Changes in the guidelines

When changes are adopted to the guidelines, material changes shall be described in new, updated guidelines to be approved by the General Meeting. In the event of changes, the Company shall take the shareholders' views and voting into account. The guidelines shall be presented to the General Meeting for decision at least every four years.

### 11 Publication

These guidelines shall be dated the day of the General Meeting's approval, and made available on the Company's website together with the result of the vote, and be publicly available for ten years.

## Note 35 – Tax expense

Sbanken ASA (parent company)			Sbanken ASA Group	
2019	2020	In NOK thousand	2020	2019
162 305	161 643	Taxes payable	224 640	208 769
1 047	-2 121	Change in deferred tax	-1 289	563
56	241	Correction of taxes payable previous year	250	56
<b>163 408</b>	<b>159 763</b>	<b>Total tax expense</b>	<b>223 601</b>	<b>209 388</b>
<b>Reconciliation of the tax expense:</b>				
<b>711 187</b>	<b>944 366</b>	<b>Profit before tax</b>	<b>1 006 643</b>	<b>919 440</b>
711 187	944 366	-from Sbanken ASA	944 366	711 187
0	0	-from Sbanken Boligkreditt AS	320 119	223 597
0	0	-from group transactions related to own debt, Tier 1 capital and dividend from subsidiary	-257 842	-15 344
177 797	236 092	Expected tax expense at nominal rate of 25 % Sbanken ASA	236 092	177 797
0	0	Expected tax expense at nominal rate of 22 % Sbanken Boligkreditt AS (22 % in 2019)	70 426	49 191
<b>177 797</b>	<b>236 092</b>	<b>Total expected tax expense</b>	<b>306 518</b>	<b>226 988</b>
446	139	Tax effect from non deductible expenses and tax-exempt income	139	446
0	13 065	Tax effect from tax-exempt income from shareholdings and funds	13 727	0
-9 178	-80 541	Tax effect from taxable income from shareholdings and funds 3 %	-80 541	-9 178
-7 732	-10 153	Tax effect from costs booked against other equity related to capital increase and interest to Tier 1 capital holders	-12 817	-10 943
2 019	920	Other differences	-3 675	2 019
56	241	Correction of taxes payable previous year	250	56
<b>163 408</b>	<b>159 763</b>	<b>Total tax expense</b>	<b>223 601</b>	<b>209 388</b>
23.0%	16.9%	Effective tax rate	22.2%	22.8%
<b>2019</b>	<b>2020</b>	<b>The year's changes in deferred tax asset (deferred tax):</b>	<b>2020</b>	<b>2019</b>
<b>11 466</b>	<b>12 409</b>	<b>Deferred tax asset as at 1 January</b>	<b>17 915</b>	<b>17 253</b>
-1 047	2 119	Change recognised through profit and loss	1 289	-563
1 989	-6 791	Change recognised through other comprehensive income (OCI)	2 475	1 227
<b>12 409</b>	<b>7 738</b>	<b>Total deferred tax assets (deferred tax) as at 31 December</b>	<b>21 679</b>	<b>17 915</b>
31	-32	Change related to fixed assets and intangible assets	-32	31
-483	-34	Change related to pension liabilities	-34	-483
-595	2 185	Change related to financial instruments	1 355	-111
<b>-1 047</b>	<b>2 119</b>	<b>Total change in deferred tax assets recognised through profit and loss</b>	<b>1 289</b>	<b>-563</b>
2 332	-9 201	Change related to interest bearing securities and shares	65	1 570
-343	2 410	Change related to pension liabilities	2 410	-343
<b>1 989</b>	<b>-6 791</b>	<b>Total change in deferred tax assets recognised through other comprehensive income</b>	<b>2 475</b>	<b>1 227</b>



## Note 35 – Tax expense (continued)

In NOK thousand	Sbanken ASA Group			
	31.12.19	Through profit and loss	Through other comprehensive income (OCI)	31.12.20
<b>Changes in deferred tax asset (deferred tax):</b>				
Fixed assets and intangible assets	-179	-32	0	-211
Financial instruments	11 328	1 355	65	12 748
Net pension liabilities	6 766	-34	2 410	9 142
<b>Total deferred tax assets (deferred tax)</b>	<b>17 915</b>	<b>1 289</b>	<b>2 475</b>	<b>21 679</b>

In NOK thousand	Sbanken ASA (parent company)			
	31.12.19	Through profit and loss	Through other comprehensive income (OCI)	31.12.20
<b>Changes in deferred tax asset (deferred tax):</b>				
Fixed assets and intangible assets	-179	-32	0	-211
Financial instruments	5 823	2 185	-9 201	-1 193
Net pension liabilities	6 766	-34	2 410	9 142
<b>Total deferred tax assets (deferred tax)</b>	<b>12 410</b>	<b>2 119</b>	<b>-6 791</b>	<b>7 738</b>

Sbanken ASA (parent company)			Sbanken ASA Group		
2019	2020	In NOK thousand	2020	2019	
<b>Specification of deferred tax assets (deferred tax)</b>					
-179	-211	Fixed assets and intangible assets	-211	-179	
5 823	-1 193	Interest bearing securities and shares	12 748	11 328	
6 766	9 142	Net pension liabilities	9 142	6 766	
<b>12 409</b>	<b>7 738</b>	<b>Total deferred tax assets (deferred tax)</b>	<b>21 679</b>	<b>17 915</b>	
5 735	7 854	Deferred tax assets recognised through profit and loss	6 406	5 117	
6 674	-117	Deferred tax assets recognised through other comprehensive income	15 273	12 798	
<b>12 409</b>	<b>7 738</b>	<b>Total deferred tax assets (deferred tax)</b>	<b>21 679</b>	<b>17 915</b>	

Deferred tax assets and deferred tax liabilities are offset and recognised net when this is legally justifiable and the items relate to the same tax authority.

## Note 36 – Classification of financial instruments

In NOK thousand	Sbanken ASA Group				
	31.12.20	Financial instruments at fair value through profit and loss	Financial instruments at fair value through OCI	Financial instruments carried at amortised cost	Total
<b>Financial assets</b>					
Cash and receivables with central bank	0	0	1 423 268	1 423 268	
Loans to and receivables from credit institutions	0	0	654 517	654 517	
Loans to customers	7 921 668	0	75 160 584	83 082 252	
Commercial paper and bonds	0	14 412 990	0	14 412 990	
Equity and funds <sup>1</sup>	163 337	0	364	163 702	
Derivatives <sup>2</sup>	561 305	0	0	561 305	
Other assets	0	0	164 348	164 348	
<b>Total financial assets</b>	<b>8 646 310</b>	<b>14 412 990</b>	<b>77 403 081</b>	<b>100 462 381</b>	
<b>Financial liabilities</b>					
Loans and deposits from central bank	0	0	2 250 000	2 250 000	
Loans and deposits from credit institutions	0	0	542 731	542 731	
Deposits from customers	0	0	58 643 627	58 643 627	
Debt securities issued <sup>3</sup>	0	0	29 974 370	29 974 370	
Derivatives	21 738	0	0	21 738	
Subordinated loans	0	0	898 831	898 831	
Other liabilities	0	0	515 589	515 589	
<b>Total financial liabilities</b>	<b>21 738</b>	<b>0</b>	<b>92 825 148</b>	<b>92 846 886</b>	

<sup>1</sup> Shares in associated company are recognised using the equity method and put under the category amortised cost.

<sup>2</sup> Including derivatives used as hedging instruments.

<sup>3</sup> Including hedged liabilities.

In NOK thousand	Sbanken ASA Group				
	31.12.19	Financial instruments at fair value through profit and loss	Financial instruments at fair value through OCI	Financial instruments carried at amortised cost	Total
<b>Financial assets</b>					
Cash and receivables with central bank	0	0	1 587 606	1 587 606	
Loans to and receivables from credit institutions	0	0	286 802	286 802	
Loans to customers	164 062	0	81 069 155	81 233 217	
Commercial paper and bonds	0	9 087 319	0	9 087 319	
Shares and funds <sup>1</sup>	169 669	0	2 010	171 680	
Derivatives <sup>2</sup>	201 975	0	0	201 975	
Other assets	0	0	119 013	119 013	
<b>Total financial assets</b>	<b>535 706</b>	<b>9 087 319</b>	<b>83 064 586</b>	<b>92 687 612</b>	
<b>Financial liabilities</b>					
Loans and deposits from credit institutions	0	0	0	0	
Deposits from customers	0	0	52 844 881	52 844 881	
Debt securities issued <sup>3</sup>	0	0	31 304 025	31 304 025	
Subordinated loans	0	0	899 438	899 438	
Other liabilities	0	0	834 679	834 679	
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>85 883 023</b>	<b>85 883 023</b>	

<sup>1</sup> Shares in associated company are recognised using the equity method and put under the category amortised cost.

<sup>2</sup> Including derivatives used as hedging instruments.

<sup>3</sup> Including hedged liabilities.

## Note 36 – Classification of financial instruments (continued)

In NOK thousand	Sbanken ASA (parent company)			Total
	Financial instruments at fair value through profit and loss	Financial instruments at fair value through OCI	Financial instruments carried at amortised cost	
<b>31.12.20</b>				
<b>Financial assets</b>				
Cash and receivables with central bank	0	0	1 423 268	1 423 268
Loans to and receivables from credit institutions	0	0	2 958 456	2 958 456
Loans to customers	7 921 668	30 111 454	9 871 566	47 904 688
Commercial paper and bonds	0	20 109 350	325 622	20 434 972
Equity and funds <sup>1</sup>	392 647	0	364	393 011
Shares in subsidiary	0	0	1 699 880	1 699 880
Derivatives	29 533	0	0	29 533
Other assets	0	0	395 031	395 031
<b>Total financial assets</b>	<b>8 343 848</b>	<b>50 220 804</b>	<b>16 674 187</b>	<b>75 238 839</b>
<b>Financial liabilities</b>				
Loans and deposits from central bank	0	0	2 250 000	2 250 000
Loans and deposits from credit institutions	0	0	1 602 243	1 602 243
Deposits from customers	0	0	58 643 627	58 643 627
Debt securities issued	0	0	4 291 792	4 291 792
Derivatives	21 738	0	0	21 738
Subordinated loans	0	0	898 831	898 831
Other liabilities	0	0	497 581	497 581
<b>Total financial liabilities</b>	<b>21 738</b>	<b>0</b>	<b>68 184 074</b>	<b>68 205 812</b>
<sup>1</sup> Shares in associated company are recognised using the equity method and put under the category amortised cost.				

In NOK thousand	Sbanken ASA (parent company)			Total
	Financial instruments at fair value through profit and loss	Financial instruments at fair value through OCI	Financial instruments carried at amortised cost	
<b>31.12.19</b>				
<b>Financial assets</b>				
Cash and receivables with central bank	0	0	1 587 606	1 587 606
Loans to and receivables from credit institutions	0	0	3 184 035	3 184 035
Loans to customers	164 062	34 334 730	12 369 071	46 867 863
Commercial paper and bonds	0	11 007 483	326 044	11 333 527
Equity and funds <sup>1</sup>	401 892	0	2 010	403 902
Shares in subsidiary	0	0	1 699 880	1 699 880
Derivatives	134	0	0	134
Other assets	0	0	119 593	119 593
<b>Total financial assets</b>	<b>566 088</b>	<b>45 342 213</b>	<b>19 288 239</b>	<b>65 196 540</b>
<b>Financial liabilities</b>				
Loans and deposits from credit institutions	0	0	1 701 739	1 701 739
Deposits from customers	0	0	52 844 881	52 844 881
Debt securities issued	0	0	3 033 344	3 033 344
Subordinated loans	0	0	899 438	899 438
Other liabilities	0	0	515 916	515 916
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>58 995 318</b>	<b>58 995 318</b>
<sup>1</sup> Shares in associated company are recognised using the equity method and put under the category amortised cost.				

## Note 37 – Commercial paper and bonds

31.12.20 Commercial paper and bonds at fair value through OCI In NOK thousand	Sbanken ASA Group			Relative share
	Nominal value	Cost value	Fair value	
State- and state guaranteed securities	1 660 739	1 766 249	1 729 316	12.0 %
Other governmental issuer (municipalities)	4 855 972	4 862 434	4 858 283	33.7 %
Covered bonds	7 386 000	7 407 343	7 425 980	51.5 %
Other financial corporations	364 000	388 173	373 559	2.6 %
Accrued interest			25 852	0.2 %
<b>Total commercial paper and bonds</b>	<b>14 266 711</b>	<b>14 424 199</b>	<b>14 412 990</b>	<b>100.0 %</b>
Listed securities			10 379 421	72.0 %
Non-listed securities			4 033 569	28.0 %
<b>Total commercial paper and bonds</b>			<b>14 412 990</b>	<b>100.0 %</b>

31.12.19 Commercial paper and bonds at fair value through OCI In NOK thousand	Sbanken ASA Group			Relative share
	Nominal value	Cost value	Fair value	
State- and state guaranteed securities	605 000	647 066	635 566	7.0 %
Other governmental issuer (municipalities)	1 440 000	1 468 840	1 461 857	16.1 %
Covered bonds	6 582 000	6 603 511	6 610 303	72.7 %
Other financial corporations	350 000	376 218	357 516	3.9 %
Accrued interest			22 077	0.2 %
<b>Total commercial paper and bonds</b>	<b>8 977 000</b>	<b>9 095 635</b>	<b>9 087 319</b>	<b>100.0 %</b>
Listed securities			7 864 486	86.5 %
Non-listed securities			1 222 833	13.5 %
<b>Total commercial paper and bonds</b>			<b>9 087 319</b>	<b>100.0 %</b>

## Note 37 – Commercial paper and bonds (continued)

31.12.20				
Sbanken ASA (parent company)				
Commercial paper and bonds at fair value through OCI	Nominal value	Cost value	Fair value	Relative share
In NOK thousand				
State- and state guaranteed securities	1 635 739	1 740 081	1 703 771	8.5 %
Other governmental issuer (municipalities)	4 855 972	4 862 434	4 858 283	24.2 %
Covered bonds	13 067 000	13 088 740	13 146 324	65.4 %
Other financial corporations	364 000	388 173	373 559	1.9 %
Accrued interest			27 413	0.1 %
<b>Total commercial paper and bonds</b>	<b>19 922 711</b>	<b>20 079 428</b>	<b>20 109 350</b>	<b>100.0 %</b>
Listed securities			16 075 781	79.9 %
Non-listed securities			4 033 569	20.1 %
<b>Total commercial paper and bonds</b>			<b>20 109 350</b>	<b>100.0 %</b>

31.12.19				
Sbanken ASA (parent company)				
Commercial paper and bonds at fair value through OCI	Nominal value	Cost value	Fair value	Relative share
In NOK thousand				
State- and state guaranteed securities	595 000	637 189	625 639	5.5 %
Other governmental issuer (municipalities)	1 440 000	1 468 840	1 461 857	12.9 %
Covered bonds	8 524 000	8 557 573	8 560 436	75.5 %
Other financial corporations	650 000	675 050	656 558	5.8 %
Accrued interest			29 037	0.3 %
<b>Total commercial paper and bonds</b>	<b>11 209 000</b>	<b>11 338 652</b>	<b>11 333 527</b>	<b>100.0 %</b>
Listed securities			9 794 576	86.4 %
Non-listed securities			1 538 952	13.6 %
<b>Total commercial paper and bonds</b>			<b>11 333 527</b>	<b>100.0 %</b>

## Note 38 – Shares and mutual funds

Fair value and amortised cost:				
Sbanken ASA (parent company)			Sbanken ASA Group	
2019	2020	In NOK thousand	2020	2019
158 401	110 285	Shares	110 285	158 401
11 268	12 422	Mutual funds	12 422	11 268
232 223	269 940	Tier 1 capital	40 630	0
<b>401 892</b>	<b>392 647</b>	<b>Total at fair value through profit and loss</b>	<b>163 337</b>	<b>169 669</b>
2 010	364	Shares in associated company	364	2 010
<b>2 010</b>	<b>364</b>	<b>Total amortised cost</b>	<b>364</b>	<b>2 010</b>
<b>403 902</b>	<b>393 011</b>	<b>Total shares and funds</b>	<b>163 701</b>	<b>171 680</b>

Valuations techniques:				
2019	2020	Description	2020	2019
158 401	110 285	Shares assessed based on other valuation techniques (Level 3)*	110 285	158 401
0	0	Listed securities	0	0
403 902	393 011	Non-listed securities	163 701	171 680
<b>403 902</b>	<b>393 011</b>	<b>Total</b>	<b>163 701</b>	<b>171 680</b>

Investments in shares and funds as at 31 December 2020:					
Company	Country	Fair value	Carrying value	Number of shares	Ownership
Vipps AS	Norway	39 518	39 518	12 482	1.27 %
VN Norge AS	Norway	70 707	70 707	94.25 billiarder	9.42 %
Pensjonskontoregisteret AS	Norway	60	60	10	1.00 %
Utsikt 2030	Norway	1 972	1 972	11 800	IA
Utsikt 2040	Norway	1 975	1 975	11 800	IA
Utsikt 2050	Norway	3 348	3 348	20 000	IA
Framgang sammen	Norway	5 127	5 127	30 000	IA
Quantfolio AS	Norway	IA	364	1 272 899	27.4%
<b>Tier 1 capital:</b>					
DnB Bank ASA 19/PERP FRN C Hybrid	Norway	2 056	2 056	2 000 000	IA
Spb 1 Østlandet 19/PERP FRN C Hybrid	Norway	17 395	17 395	17 000 000	IA
OBOS-banken AS/20PERP FRN C Hybrid	Norway	7 980	7 980	8 000 000	IA
Spb 1 Østlandet 20/ PERP FRN C Hybrid	Norway	5 090	5 090	5 000 000	IA
Spb 1 BV 20/PERP FRN C Hybrid	Norway	8 109	8 109	8 000 000	IA

\* Reference is made to further description in note 40

Shares in subsidiary:							
Company	Org number	Office	Ownership	Voting share	Share capital	Cost value	Carried value 31.12.20
Sbanken Boligkreditt AS	915 287 662	Bergen	100.0 %	100.0 %	850 000	1 699 880	1 699 880
<b>Total shares in subsidiaries</b>					<b>850 000</b>	<b>1 699 880</b>	<b>1 699 880</b>

Sbanken ASA owns shares in the company Quantfolio AS. A total of NOK 9.2 million has been paid for 27.4 % of the shares. The company is treated as an associated company in the financial statement of Sbanken ASA.

For the year 2020, NOK 2.0 million has been recognised as loss (3.8 million as loss in 2019) related to this investment. This corresponds to the Bank's share of the result in the associated company for 2020. The book value of the investment has been reduced accordingly.



## Note 39 – Fair value of financial instruments at amortised cost

In NOK thousand	Sbanken ASA Group	
	Carrying value	Fair value
<b>Recognised at amortised cost</b>	<b>31.12.20</b>	<b>31.12.20</b>
<b>Assets</b>		
Cash and receivables with central bank	1 423 268	1 423 268
Loans to and receivables from credit institutions	654 517	654 517
Loans to customers	75 160 584	75 160 584
Equity and funds	364	364
Other assets	164 348	164 348
<b>Total financial assets at amortised cost</b>	<b>77 403 081</b>	<b>77 403 081</b>
<b>Liabilities</b>		
Loans and deposits from central bank	2 250 000	2 250 000
Loans and deposits from credit institutions	542 731	542 731
Deposits from customers	58 643 627	58 643 627
Debt securities issued	29 974 370	30 071 043
Subordinated loans	898 831	912 345
Other liabilities	515 589	515 589
<b>Total financial liabilities at amortised cost</b>	<b>92 825 148</b>	<b>92 935 335</b>

In NOK thousand	Sbanken ASA Group			
	Level 1	Level 2	Level 3	Total
<b>31.12.20</b>				
Cash and receivables with central bank		1 423 268		1 423 268
Loans to and receivables from credit institutions			654 517	654 517
Loans to customers			75 160 584	75 160 584
Shares and funds			364	364
Other assets			164 348	164 348
<b>Total financial assets at amortised cost</b>		<b>1 423 268</b>	<b>75 979 813</b>	<b>77 403 081</b>
<b>Liabilities</b>				
Loans and deposits from central bank		2 250 000		2 250 000
Loans and deposits from credit institutions		542 731		542 731
Deposits from customers			58 643 627	58 643 627
Debt securities issued		30 071 043		30 071 043
Subordinated loan		912 345		912 345
Other liabilities			515 589	515 589
<b>Total financial liabilities at amortised cost</b>		<b>30 983 388</b>	<b>61 951 947</b>	<b>92 935 335</b>

## Note 39 – Fair value of financial instruments at amortised cost (cont.)

In NOK thousand	Sbanken ASA Group	
	Carrying value	Fair value
<b>Recognised at amortised cost</b>	<b>31.12.19</b>	<b>31.12.19</b>
<b>Assets</b>		
Cash and receivables with central bank	1 587 606	1 587 606
Loans to and receivables from credit institutions	286 802	286 802
Loans to customers	81 069 155	81 069 155
Equity and funds	2 010	2 010
Other assets	119 013	119 013
<b>Total financial assets at amortised cost</b>	<b>83 064 586</b>	<b>83 064 586</b>
<b>Liabilities</b>		
Loans and deposits from credit institutions	0	0
Deposits from customers	52 844 881	52 844 881
Debt securities issued	31 304 025	31 443 080
Subordinated loans	899 438	909 105
Other liabilities	834 679	834 679
<b>Total financial liabilities at amortised cost</b>	<b>85 883 023</b>	<b>86 031 745</b>

In NOK thousand	Sbanken ASA Group			
	Level 1	Level 2	Level 3	Total
<b>31.12.19</b>				
Cash and receivables with central bank		1 587 606		1 587 606
Loans to and receivables from credit institutions			286 802	286 802
Loans to customers			81 069 155	81 069 155
Equity and funds			2 010	2 010
Other assets			119 013	119 013
<b>Total financial assets at amortised cost</b>		<b>1 587 606</b>	<b>81 476 980</b>	<b>83 064 586</b>
<b>Liabilities</b>				
Loans and deposits from credit institutions			0	0
Deposits from customers			52 844 881	52 844 881
Debt securities issued		31 443 080		31 443 080
Subordinated loans		909 105		909 105
Other liabilities			834 679	834 679
<b>Total financial liabilities at amortised cost</b>		<b>32 352 185</b>	<b>53 679 560</b>	<b>86 031 745</b>

### Fair value of financial instruments at amortised cost

Cash and cash equivalents, loans to credit institutions and loans to customers (that can not be sold to Sbanken Boligkreditt AS), deposits, subordinated debt and debt securities are measured at amortised cost. Measurement at amortised cost implies that a financial asset or liability is recognised at the present value of the contractual cash flows using the effective interest rate method, adjusted for potential impairment. This measurement method will not necessarily provide a carrying value equal to the fair value of the financial instrument, due to volatility in the market, changed market conditions, asymmetrical information and changes in the investor's risk and return expectations.

Cash and cash equivalents and loans and advances:

Fair value is estimated based on amortised cost, as all assets are recognised in the accounts based on the contractual cash

flow with floating interest rates, and loans with impairment indicators are written down to the fair value of expected cash flows. There is no active market for loan portfolios.

Deposits from customers and debt to credit institutions are liabilities with variable and floating interest rates, respectively and as there have not been any significant changes in the credit spread, amortised cost is assumed to be a reasonable approximation of fair value.

Debt securities and subordinated loans are measured at fair value based on prices sourced from Nordic Bond Pricing. Nordic Bond Pricing has estimated the fair value based on available price information from investment banks and brokers trading in the bond markets.

### Note 39 – Fair value of financial instruments at amortised cost (cont.)

In NOK thousand	Sbanken ASA (parent company)	
	Carrying value	Fair value
<b>Recognised at amortised cost</b>	<b>31.12.20</b>	<b>31.12.20</b>
<b>Assets</b>		
Cash and receivables with central bank	1 423 268	1 423 268
Loans to and receivables from credit institutions	2 958 456	2 958 456
Loans to customers	9 871 566	9 871 566
Commercial paper and bonds	325 622	327 225
Equity and funds	364	364
Shares in subsidiary	1 699 880	1 699 880
Other assets	395 031	395 031
<b>Total financial assets at amortised cost</b>	<b>16 674 187</b>	<b>16 675 790</b>
<b>Liabilities</b>		
Loans and deposits from central bank	2 250 000	2 250 000
Loans and deposits from credit institutions	1 602 243	1 602 243
Deposits from customers	58 643 627	58 643 627
Debt securities issued	4 291 792	4 300 530
Subordinated loans	898 831	912 345
Other liabilities	497 581	497 581
<b>Total financial liabilities at amortised cost</b>	<b>68 184 074</b>	<b>68 206 326</b>

In NOK thousand	Sbanken ASA (parent company)			
	Level 1	Level 2	Level 3	Total
<b>31.12.20</b>				
Cash and receivables with central bank		1 423 268		1 423 268
Loans to and receivables from credit institutions			2 958 456	2 958 456
Loans to customers			9 871 566	9 871 566
Commercial paper and bonds		327 225		327 225
Equity and funds			364	364
Shares in subsidiary			1 699 880	1 699 880
Other assets			395 031	395 031
<b>Total financial assets at amortised cost</b>		<b>1 750 493</b>	<b>14 925 297</b>	<b>16 675 790</b>
<b>Liabilities</b>				
Loans and deposits from central bank			2 250 000	2 250 000
Loans and deposits from credit institutions			1 602 243	1 602 243
Deposits from customers			58 643 627	58 643 627
Debt securities issued		4 300 530		4 300 530
Subordinated loans		912 345		912 345
Other liabilities			497 581	497 581
<b>Total financial liabilities at amortised cost</b>		<b>5 212 875</b>	<b>62 993 451</b>	<b>68 206 326</b>

### Note 39 – Fair value of financial instruments at amortised cost (cont.)

In NOK thousand	Sbanken ASA (parent company)	
	Carrying value	Fair value
<b>Recognised at amortised cost</b>	<b>31.12.19</b>	<b>31.12.19</b>
<b>Assets</b>		
Cash and receivables with central bank	1 587 606	1 587 606
Loans to and receivables from credit institutions	3 184 035	3 184 035
Loans to customers	12 369 071	12 369 071
Commercial paper and bonds	326 044	331 799
Equity and funds	2 010	2 010
Shares in subsidiary	1 699 880	1 699 880
Other assets	119 593	119 593
<b>Total financial assets at amortised cost</b>	<b>19 288 239</b>	<b>19 293 994</b>
<b>Liabilities</b>		
Loans and deposits from credit institutions	1 701 739	1 701 739
Deposits from customers	52 844 881	52 844 881
Debt securities issued	3 033 344	3 039 975
Subordinated loans	899 438	909 105
Other liabilities	515 916	515 916
<b>Total financial liabilities at amortised cost</b>	<b>58 995 318</b>	<b>59 011 616</b>

In NOK thousand	Sbanken ASA (parent company)			
	Level 1	Level 2	Level 3	Total
<b>31.12.19</b>				
Cash and receivables with central bank		1 587 606		1 587 606
Loans to and receivables from credit institutions			3 184 035	3 184 035
Loans to customers			12 369 071	12 369 071
Commercial paper and bonds		331 799		331 799
Equity and funds			2 010	2 010
Shares in subsidiary			1 699 880	1 699 880
Other assets			119 593	119 593
<b>Total financial assets at amortised cost</b>		<b>1 919 405</b>	<b>17 374 589</b>	<b>19 293 994</b>
<b>Liabilities</b>				
Loans and deposits from credit institutions			1 701 739	1 701 739
Deposits from customers			52 844 881	52 844 881
Debt securities issued		3 039 975		3 039 975
Subordinated loans		909 105		909 105
Other liabilities			515 916	515 916
<b>Total financial liabilities at amortised cost</b>		<b>3 949 080</b>	<b>55 062 536</b>	<b>59 011 616</b>

## Note 40 – Financial instruments at fair value

31.12.20 In NOK thousand	Sbanken ASA Group	
	Carrying value 31.12.20	Fair value 31.12.20
<b>Assets:</b>		
Commercial paper and bonds	14 412 990	14 412 990
Equity and funds	163 337	163 337
Derivatives	561 305	561 305
Loans to customers (fixed rate)	7 921 668	7 921 668
<b>Total financial assets at fair value</b>	<b>23 059 300</b>	<b>23 059 300</b>
<b>Liabilities:</b>		
Derivatives	21 738	21 738
<b>Total financial liabilities at fair value</b>	<b>21 738</b>	<b>21 738</b>

31.12.20 In NOK thousand	Sbanken ASA Group			
	Level 1	Level 2	Level 3	Total
Commercial paper and bonds	819 725	13 593 265	0	14 412 990
Equity and funds	0	53 052	110 285	163 337
Derivatives	0	561 305	0	561 305
Loans to customers (fixed rate)	0	0	7 921 668	7 921 668
<b>Total financial assets at fair value</b>	<b>819 725</b>	<b>14 207 622</b>	<b>8 031 953</b>	<b>23 059 300</b>
Derivatives	0	21 738	0	21 738
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>21 738</b>	<b>0</b>	<b>21 738</b>

Financial instruments measured at fair value Level 3 In NOK thousand	Loans to customers	Shares and funds	Total
<b>Opening balance at 1 January 2020</b>	<b>164 062</b>	<b>158 401</b>	<b>322 463</b>
Net gain/(loss) on financial instruments (unrealised)	-8 315	46 836	38 521
New loans/exits	7 765 921	60	7 765 981
Sale	0	0	0
Settlement	0	-95 012	-95 012
Transferred from Level 1 or Level 2	0	0	0
Transferred to Level 1 or Level 2	0	0	0
Other	0	0	0
<b>Closing balance at 31 December 2020</b>	<b>7 921 668</b>	<b>110 285</b>	<b>8 031 953</b>

There were no transfers of financial instruments between Level 1 and Level 2 in the period January to December 2020.

### Information about fair value of securities at Level 3:

#### Shares in Vipps AS

Sbanken has used the same value as year-end 2019 for calculating the fair value of the shares in Vipps AS at 31 December 2020, adjusted for a liquidity and general uncertainty discount of 20%.

#### Shares in VN Norge AS

Following the receipt of extraordinary dividend from VN Norges AS in Q4 20 in relation to conversion of C-shares in Visa Inc., Sbanken has reduced the underlying number of shares in Visa Inc., owned through VN Norge's holding, by 50 per cent. In the calculation of fair value, adjustments for movements in currency (USD/NOK) and share price of Visa Inc. is accounted for.

Sbanken's valuation of VN Norge AS includes a discount of 20 per cent to account for liquidity and general uncertainty.

Sensitivity analysis regarding shares in VN Norge:

Parameter	Effect in NOK
Shift in exchange rate of NOK/USD of +/- 10 %	+/- 3.0 mill
Shift in share price of Visa Inc. of +/- 10 %	+/- 3.0 mill
Shift in liquidity discount on shares in VN Norge AS of +/- 10 %	+/- 6.6 mill

#### Loans to customers that can be sold to Sbanken Boligkreditt AS (only applies to Sbanken ASA parent company):

All Sbanken's repayment loans with collateral in fixed property

## Note 40 – Financial instruments at fair value (cont.)

are first time discounted for in the parent company (Sbanken ASA). In the parent company there is both an intention to receive cash flows from interest and principal, and an intention to sell the loans to Sbanken Boligkreditt AS at a future date. All of the repayment loans secured by fixed property in the parent company Sbanken ASA are therefore recognised at fair value with value adjustment over other comprehensive income (OCI). In the consolidated financial statements, one will only intend to receive cash flows from interest and principal, so that the loans are recognised at amortised cost.

It is assumed that amortised cost is the best estimate of fair value for repayment loans linked to fixed property. The arguments for this are that the pricing model of the bank means that no fees exist either at the establishment or at the ongoing monthly maturities, and that the bank's customer interest is the

best estimate of a market interest rate for corresponding loans with the same risk profile and funding structure. The bank has also considered that an advanced model for calculating fair value will not give users of the financial statements increased information value, but add more noise and uncertainty.

#### Loans to customers with fixed rate:

The fair value of fixed rate loans is determined by discounting interest cash flows over the term of the loan, using a discount factor adjusted for margin requirements. The discount factor uses a swap rate based on duration equal to the remaining time to maturity for the relevant fixed rate loans. The assumptions for calculating the margin requirement are based on market conditions on the balance sheet date and on an assessment of the considerations made by external investors when investing in a corresponding portfolio.

31.12.19 In NOK thousand	Sbanken ASA Group	
	Carrying value 31.12.19	Fair value 31.12.19
<b>Assets:</b>		
Commercial paper and bonds	9 087 319	9 087 319
Equity and funds	169 669	169 669
Derivatives	201 975	201 975
Loans to customers (fixed rate)	164 062	164 062
<b>Total financial assets at fair value</b>	<b>9 623 025</b>	<b>9 623 025</b>
<b>Liabilities:</b>		
Derivatives	0	0
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>0</b>

31.12.19 In NOK thousand	Sbanken ASA Group			
	Level 1	Level 2	Level 3	Total
Commercial paper and bonds	627 533	8 459 786	0	9 087 319
Equity and funds	0	11 268	158 401	169 669
Derivatives	0	201 975	0	201 975
Loans to customers (fixed rate)	0	0	164 062	164 062
<b>Total financial assets at fair value</b>	<b>627 533</b>	<b>8 673 029</b>	<b>322 463</b>	<b>9 623 025</b>
Derivatives	0	0	0	0
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Financial instruments measured at fair value Level 3 In NOK thousand	Loans to customers	Shares and funds	Total
<b>Opening balance at 1 January 2019</b>	<b>0</b>	<b>143 504</b>	<b>143 504</b>
Net gain/(loss) on financial instruments (unrealised)	0	14 897	14 897
Acquisitions/exits	164 062	0	164 062
Sale	0	0	0
Settlement	0	0	0
Transferred from Level 1 or Level 2	0	0	0
Transferred to Level 1 or Level 2	0	0	0
Other	0	0	0
<b>Closing balance at 31 December 2019</b>	<b>164 062</b>	<b>158 401</b>	<b>322 463</b>

There were no transfers of financial instruments between Level 1 and Level 2 in the period January to December 2019.



## Note 40 – Financial instruments at fair value (cont.)

31.12.20 In NOK thousand	Sbanken ASA (parent company)			
	Carrying value 31.12.20	Fair value 31.12.20		
<b>Assets:</b>				
Commercial paper and bonds	20 109 350	20 109 350		
Equity and funds	392 647	392 647		
Loans to customers	38 033 122	38 033 122		
Derivatives	29 533	29 533		
<b>Total financial assets at fair value</b>	<b>58 564 652</b>	<b>58 564 652</b>		
<b>Liabilities:</b>				
Derivatives	21 738	21 738		
<b>Total financial liabilities at fair value</b>	<b>21 738</b>	<b>21 738</b>		
<b>31.12.20</b>				
In NOK thousand	Sbanken ASA (parent company)			
	Level 1	Level 2	Level 3	Total
Commercial paper and bonds	819 725	19 289 625	0	20 109 350
Equity and funds	0	282 362	110 285	392 647
Loans to customers	0	0	38 033 122	38 033 122
Derivatives	0	29 533	0	29 533
<b>Total financial assets at fair value</b>	<b>819 725</b>	<b>19 601 520</b>	<b>38 143 407</b>	<b>58 564 652</b>
Derivatives	0	21 738	0	21 738
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>21 738</b>	<b>0</b>	<b>21 738</b>
<b>Financial instruments measured at fair value Level 3</b>				
In NOK thousand	Loans to customers	Shares and funds	Total	
<b>Opening balance at 1 January 2020</b>	<b>34 498 792</b>	<b>158 401</b>	<b>34 657 193</b>	
Net gain/(loss) on financial instruments (unrealised)	-8 315	46 836	38 521	
Net new loans/exits	25 877 100	60	25 877 160	
Sale (to Sbanken Boligkreditt AS)	-22 334 455	0	-22 334 455	
Settlement	0	-95 012	-95 012	
Transferred from Level 1 or Level 2	0	0	0	
Transferred to Level 1 or Level 2	0	0	0	
Other	0	0	0	
<b>Closing balance at 31 December 2020</b>	<b>38 033 122</b>	<b>110 285</b>	<b>38 143 407</b>	

There have been no transfers of financial instruments between Level 1 and Level 2 in the period January to December 2020.

### Fair value hierarchy

Due to financial assets and debt recognised at fair value, having been classified either as “held for trade”, “designated at fair value through profit or loss on initial recognition (fair value option)” or “at fair value through other comprehensive income”, they shall be classified in a fair value hierarchy depending on the reliability of the fair value estimate. At Level 1, assets or liabilities are priced in an active market, at Level 2 prices are determined on the basis of observable input data from similar assets (either directly or indirectly) and at Level 3 prices are fair value based on unobservable input data.

**Level 1:** Quoted prices in active markets for identical assets or liabilities that the entity has access to at the reporting date. An active market is a market where quoted prices are easily

accessible at a stock exchange or similar trading place, from a broker or other entity that publishes price information. Quoted prices shall represent actual and frequent transactions. For Sbanken, Level 1 assets and liabilities comprise listed interest-bearing bonds and shares.

**Level 2:** Prices other than the quoted prices at Level 1 and which are observable either directly or indirectly. Interest-bearing bonds that are valued based on prices sourced from trading places, brokers or other entities that publish price information, but where there is no active market because no official prices are available, are categorised as Level 2. When using valuation methods, external data are applied to discounted cash flows (e.g. prices quoted by third parties or prices for similar instruments). The discount rate is implicit in the

## Note 40 – Financial instruments at fair value (cont.)

market interest rate with respect to credit and liquidity risk. For all financial instruments at Level 2, fair value is determined by discounted cash flow models.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities and loans to customers at fair value in Sbanken ASA (parent company).

31.12.19 In NOK thousand	Sbanken ASA (parent company)	
	Carrying value 31.12.19	Fair value 31.12.19
<b>Assets:</b>		
Commercial paper and bonds	11 007 483	11 007 483
Equity and funds	401 892	401 892
Loans to customers	34 498 792	34 498 792
Derivatives	134	134
<b>Total financial assets at fair value</b>	<b>45 908 301</b>	<b>45 908 301</b>
<b>Liabilities:</b>		
Derivatives	0	0
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>0</b>

31.12.19 In NOK thousand	Sbanken ASA (parent company)			
	Level 1	Level 2	Level 3	Total
Commercial paper and bonds	627 533	10 379 950	0	11 007 483
Equity and funds	0	243 491	158 401	401 892
Loans to customers	0	0	34 498 792	34 498 792
Derivatives	0	134	0	134
<b>Total financial assets at fair value</b>	<b>627 533</b>	<b>10 623 575</b>	<b>34 657 193</b>	<b>45 908 301</b>
Derivatives	0	0	0	0
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

31.12.19 In NOK thousand	Sbanken ASA (parent company)		
	Loans to customers	Shares and funds	Total
<b>Opening balance at 1 January 2019</b>	<b>32 144 454</b>	<b>143 504</b>	<b>32 287 958</b>
Net gain/(loss) on financial instruments (unrealised)	0	14 897	14 897
Net new loans/exits	16 077 338	0	16 077 338
Sale (to Sbanken Boligkreditt AS)	-13 723 000	0	-13 723 000
Settlement	0	0	0
Transferred from Level 1 or Level 2	0	0	0
Transferred to Level 1 or Level 2	0	0	0
Other	0	0	0
<b>Closing balance at 31 December 2019</b>	<b>34 498 792</b>	<b>158 401</b>	<b>34 657 193</b>

There have been no transfers of financial instruments between Level 1 and Level 2 in the period January to December 2019.

## Note 41 – Other assets

Sbanken ASA (parent company)			Sbanken ASA Group	
31.12.19	31.12.20	In NOK thousand	31.12.20	31.12.19
88 399	98 658	Receivables from fund managers and other receivables	98 658	88 399
769	12 875	Other assets	12 192	189
0	230 000	Receivables on subsidiary (dividend)	0	0
<b>89 168</b>	<b>341 533</b>	<b>Total other assets</b>	<b>110 850</b>	<b>88 588</b>

Receivables from fund managers and other receivables mainly consist of unsettled settlements against fund managers arising from customer sales of funds.

## Note 42 – Intangible assets

The note is equal for the Group and the parent company

In NOK thousand	SME Software and licenses	Software and licenses	Total
Acquisition cost at 1.1.20	50 885	184 339	235 224
Additions during the year	11 620	1 729	13 349
Disposals during the year	0	-1 440	-1 440
<b>Acquisition cost at 31.12.20</b>	<b>62 505</b>	<b>184 628</b>	<b>247 133</b>
Accumulated depreciation at 1.1.20	9 375	90 475	99 850
Depreciations during the year (see note 32)	9 670	22 970	32 640
Write downs during the year	0	0	0
Disposals during the year	0	0	0
<b>Accumulated depreciation at 31.12.20</b>	<b>19 045</b>	<b>113 445</b>	<b>132 490</b>
<b>Balance sheet value at 31.12.20</b>	<b>43 460</b>	<b>71 183</b>	<b>114 645</b>
Acquisition cost at 1.1.19	27 937	135 248	163 185
Additions during the year	22 948	49 091	72 040
Disposals during the year	0	0	0
<b>Acquisition cost at 31.12.19</b>	<b>50 885</b>	<b>184 339</b>	<b>235 225</b>
Accumulated depreciation at 1.1.19	0	52 562	52 562
Depreciations during the year (see note 32)	3 807	16 947	20 754
Write downs during the year (see note 32)	5 568	20 966	26 534
Disposals during the year	0	0	0
<b>Accumulated depreciation at 31.12.19</b>	<b>9 375</b>	<b>90 475</b>	<b>99 850</b>
<b>Balance sheet value at 31.12.19</b>	<b>41 510</b>	<b>93 864</b>	<b>135 376</b>
<b>Expected useful life</b>	<b>5 years</b>	<b>5 years</b>	

## Note 43 – Property, plant and equipment

The note is equal for the Group and the parent company

In NOK thousand	2020	2019
Fixed asset	11 219	16 054
Lease right of use IFRS 16	116 536	148 729
<b>Total</b>	<b>127 755</b>	<b>164 782</b>

In NOK thousand	Leasehold improvements	Machinery, fixtures and means and transport	Lease right of use IFRS 16	Total
Acquisition cost at 1.1.20	11 555	25 514	176 294	213 364
Additions during the year	0	1 183	0	1 183
Disposals during the year	0	0	-5 089	-5 089
<b>Acquisition cost at 31.12.20</b>	<b>11 555</b>	<b>26 697</b>	<b>171 205</b>	<b>209 458</b>
Accumulated depreciation at 1.1.20	5 804	15 212	27 566	48 582
Depreciations during the year (see note 32)	1 785	4 231	27 104	33 120
Write downs during the year	0	0	0	0
Disposals during the year	0	0	0	0
<b>Accumulated depreciation at 31.12.20</b>	<b>7 589</b>	<b>19 443</b>	<b>54 670</b>	<b>81 702</b>
<b>Balance sheet value at 31.12.20</b>	<b>3 966</b>	<b>7 254</b>	<b>116 536</b>	<b>127 755</b>
Acquisition cost at 1.1.19	11 378	26 762	156 097	194 238
Additions during the year	177	3 844	20 197	24 218
Disposals during the year	0	-5 092	0	-5 092
<b>Acquisition cost at 31.12.19</b>	<b>11 555</b>	<b>25 514</b>	<b>176 294</b>	<b>213 364</b>
Accumulated depreciation at 1.1.19	4 050	15 483	0	19 533
Depreciations during the year (see note 32)	1 754	4 641	27 566	33 961
Write downs during the year	0	0	0	0
Disposals during the year	0	-4 912	0	-4 912
<b>Accumulated depreciation at 31.12.19</b>	<b>5 804</b>	<b>15 212</b>	<b>27 566</b>	<b>48 582</b>
<b>Balance sheet value at 31.12.19</b>	<b>5 752</b>	<b>10 302</b>	<b>148 729</b>	<b>164 782</b>
Expected useful life	5 years	3-5 years		

## Note 44 – Lease

The note is equal for the Group and the parent company

In NOK thousand	Rented premises	Leased IT systems	Total
Right of use asset as at 1.1.20	136 230	40 064	176 294
Additions during the year	0	0	0
Disposals during the year	0	5 089	5 089
<b>Right of use asset as at 31.12.20</b>	<b>136 230</b>	<b>34 975</b>	<b>171 205</b>
Accumulated depreciation at 1.1.20	13 130	14 436	27 566
Depreciations during the year	15 444	11 660	27 104
Write downs during the year	0	0	0
Disposals during the year	0	0	0
<b>Accumulated depreciation at 31.12.20</b>	<b>28 574</b>	<b>26 096</b>	<b>54 670</b>
<b>Balance sheet value at 31.12.20</b>	<b>107 656</b>	<b>8 879</b>	<b>116 536</b>
Right of use asset as at 1.1.19	116 033	40 064	156 097
Additions during the year	20 197	0	20 197
Disposals during the year	0	0	0
<b>Right of use asset as at 31.12.19</b>	<b>136 230</b>	<b>40 064</b>	<b>176 294</b>
Accumulated depreciation at 1.1.19	0	0	0
Depreciations during the year	13 130	14 436	27 566
Write downs during the year	0	0	0
Disposals during the year	0	0	0
<b>Accumulated depreciation at 31.12.19</b>	<b>13 130</b>	<b>14 436</b>	<b>27 566</b>
<b>Balance sheet value at 31.12.19</b>	<b>123 100</b>	<b>25 628</b>	<b>148 729</b>
Rental period	120 months	60 months	
Remaining rental period	83 months	10 months	
<b>Lease liabilities:</b>			
In NOK thousand		<b>2020</b>	<b>2019</b>
<b>Maturity analysis contractual maturity - undiscounted</b>			
Less than one year		28 784	33 994
1 to 5 years		75 135	88 475
More than 5 years		36 002	55 398
<b>Total undiscounted lease liabilities</b>		<b>139 921</b>	<b>177 867</b>
<b>Balance lease liabilities</b>		<b>118 432</b>	<b>150 091</b>
of which are current lease liabilities		24 537	28 901
of which are non-current lease liabilities		93 895	121 190
<b>Profit and loss</b>			
In NOK thousand		<b>2020</b>	<b>2019</b>
Interest on the lease liabilities		2 725	3 281
Variable rent that is not included in the measurement of the lease liabilities		3 029	312
Cost of short-term leases		0	706
Cost of renting where underlying assets have low value		307	388
Depreciations		27 104	27 566
Sublease income		0	0
<b>Total</b>		<b>33 165</b>	<b>32 253</b>

## Note 45 – Other liabilities

Sbanken ASA (parent company)			Sbanken ASA Group	
2019	2020	In NOK thousand	2020	2019
105 616	115 024	Fund settlement	115 024	105 616
139 797	136 431	Accrued costs	136 783	139 816
12 267	27 266	Accrued interest	44 796	108 775
18 389	12 222	Accounts payable	12 319	18 553
3 207	5 667	Expected credit loss (ECL) off-balance	5 667	3 207
0	0	Debt collateral <sup>1</sup>	0	222 047
150 091	118 432	Lease liabilities IFRS 16	118 432	150 091
86 549	82 539	Other liabilities	82 568	86 574
<b>515 916</b>	<b>497 581</b>	<b>Total other liabilities</b>	<b>515 589</b>	<b>834 679</b>

<sup>1</sup> Debt Collateral is in 2020 placed under loans and deposits from credit institutions



## Note 46 – Pensions

### Description of pension schemes at Sbanken ASA

Sbanken ASA is required to have an occupational pension scheme pursuant to the Mandatory Occupational Pensions Act. The company's pension schemes satisfy the requirements of the Act.

Sbanken ASA had a defined benefit pension scheme for all of its employees until 31 December 2008. This was closed on 1 January 2009, and all employees could choose between maintaining their defined benefit pension scheme or voluntarily converting to a defined contribution scheme. Anyone employed after 1 January 2009 has been automatically registered as a member of the defined contribution scheme.

The defined benefit scheme has a maximum pensionable income of 12 G (G is the National Insurance base amount) for all employees, and there are no employees who have additional pension schemes beyond this. This scheme is an insured scheme provided by Livsforsikringsselskapet Nordea Liv Norge AS. In the defined benefit scheme, the retirement benefit, in combination with benefits from the National Insurance Scheme and taking into account any paid-up policies from previous employment, represents approximately 66 percent of the salary earned at retirement age, assuming a full contribution period of 30 years. The employees are included in the scheme until reaching the age of 67. Working beyond the age of 67, the employee will be part of the defined-contribution scheme. Retirement age is 67.

In the defined contribution scheme, employees receive a contribution paid into a personal pension account with Livsforsikringsselskapet Nordea Liv Norge AS every month. The contribution constitutes 5 percent of pay between 0 and 7.1 G, and 12 percent of pay between 7.1 and 12 G. Retirement age is 67.

As at 31 December 2020, 1 G was NOK 101 351.

### More about defined benefit schemes

In the defined benefit scheme, employees will receive an retirement benefit of approximately 66 percent of their pensionable income (maximum 12 G), assuming a full contribution period of 30 years. Employees do not bear any risk beyond the possibility of death before retirement age, which would result in the assets passing to other members of the pension scheme and not their surviving next of kin.

Based on factors such as future wage inflation, pension weight, longevity, etc., the present value of the expected pension liabilities is calculated on the date of measurement. Pension assets will be measured at market value on the date of measurement. The difference between the present value of the commitment and the market value of the assets will be recognised in the accounts as the net pension liability. If the value of

the assets exceeds that of the liabilities, they will be recognised as net pension assets on the balance sheet. Differences between the estimated pension liability and the estimated value of the pension assets at the end of the previous financial year and the actuarially calculated pension liabilities and fair value of the pension assets at the beginning of the year are recognised in other comprehensive income.

When the actuary makes their calculations related to the value of the net pension liability, a number of economic assumptions are made in the calculation. These assumptions are based on the assumptions recommended by the Norwegian Accounting Standards Board as at 31 December 2018 and are specified in a separate table below. The factor that most affects the size of the obligation is the discount rate. In 2019 and 2020 the OMF rate has been used for discounting pension liabilities. It has been assessed that the Norwegian market for covered bonds satisfies the requirement for corporate bonds with a market that is adequately deep.

The expected return on pension assets is based on long-term expectations of the return on various asset classes. This is related to the discount rate for obligations, and is added to a risk premium for investments in real estate and equity-related securities.

The pension costs for the year are classified in the income statement as a personnel expense.

The average expected remaining period of service is 6.8 years at the end of 2020.

### More about defined contribution pension schemes

Defined contribution pension plans entail that Sbanken does not guarantee a future pension of a specific amount, instead the bank pays an annual contribution to the employees' pension savings plan. The future pension will depend on the size of the contribution and the annual return on the pension savings. Sbanken does not have any further obligation after the annual contribution has been paid. There are no provisions for accrued pension liabilities in such schemes. Defined-contribution pension plans are charged directly as an expense.

### Contractual early retirement scheme (AFP)

Sbanken ASA participates in the Joint Scheme for Collective Agreement Pensions, AFP. The private AFP scheme provides a lifelong supplement to the ordinary pension. Employees can choose to receive benefits from the AFP scheme from the age of 62, also while continuing to work. Even if the AFP scheme is a defined benefit plan, it is recognised as a defined contribution plan.

## Note 46 – Pensions (cont.)

<b>Economic assumptions</b>		
The main economic assumptions that are used by the actuary in his calculations are as follows:	2020	2019
Discount rate	1.70 %	2.30 %
Expected return on pension funds	1.70 %	2.30 %
Anticipated rise in salaries	2.25 %	2.25 %
Anticipated rise in basic amount	2.00 %	2.00 %
Anticipated rise in pensions	2.00 %	2.00 %
Anticipated CPA (contractual pension scheme) acceptance from 62 years	Actual acceptance	Actual acceptance
Demographic assumptions about mortality	K2013BE	K2013BE
Turnover	5.00 %	5.00 %
Disability	Disability Tariff Nordea	Disability Tariff Nordea
<b>Pension expenses</b>		
In NOK thousand	2020	2019
Net present value of pension entitlements	5 258	5 163
Accrued payroll tax	1 116	1 119
Interest expense on pension commitments	2 227	2 405
Calculated return on pension funds	-1 763	-1 829
Administrative expenses	120	121
Recognised change in pension plan	0	0
<b>Net recognised defined benefit costs including payroll tax</b>	<b>6 958</b>	<b>6 979</b>
Defined contribution schemes incl. payroll tax	14 558	14 856
CPA Scheme incl. payroll tax	5 151	5 644
<b>Net pension expenses</b>	<b>26 667</b>	<b>27 479</b>
<b>Effects recognised in other comprehensive income</b>		
In NOK thousand	2020	2019
Remeasurement (gains)/losses changes in economic assumptions, pension commitments	8 092	-1 151
Remeasurement (gains)/losses experience-based adjustments	0	0
Remeasurement gains - changes in other factors, pension funds	0	0
Payroll tax	1 545	-220
Remeasurement gains as a change in total members	0	0
<b>Total recognised in other comprehensive income before tax effect</b>	<b>9 637</b>	<b>-1 371</b>
<b>Total effect from actuarial gains or losses</b>	<b>9 637</b>	<b>-1 371</b>
Actuarial gains or (losses) as at 1.1, gross before tax effect	-23 552	-24 923
Actuarial gains or (losses) as at 31.12, gross before tax effect	-33 189	-23 552
<b>Actuarial gains or (losses) as at 31.12, gross after tax effect</b>	<b>-25 005</b>	<b>-17 778</b>
<b>Net pension commitments in the balance sheet</b>		
In NOK thousand	2020	2019
Net present value pension commitments	109 426	97 045
Fair value of pension funds	-78 362	-73 960
<b>Net pension commitments excl. payroll tax</b>	<b>31 064</b>	<b>23 085</b>
Payroll tax	5 934	4 409
<b>Net pension commitments in the balance sheet</b>	<b>36 998</b>	<b>27 494</b>

## Note 46 – Pensions (cont.)

Changes in the pension commitments in the balance sheet		
In NOK thousand	2020	2019
Opening balance	97 045	92 708
Net present value of this year pension entitlements	5 258	5 163
Interest expenses	2 227	2 405
Actuarial (gains)/losses related to change in parameters	9 656	-3 001
Actuarial (gains)/losses related to change in expectations	-4 345	165
Recognised change in pension plan incl. effect payroll tax		0
Pension payments	-415	-395
<b>Closing balance</b>	<b>109 426</b>	<b>97 045</b>

Changes in the pension funds in the balance sheet		
In NOK thousand	2020	2019
Opening balance	73 960	66 850
Expected return	1 763	1 829
Administrative expenses	-120	-121
Pension payments	-415	-395
Actuarial (gains)/losses related to change in parameters	-2 782	-1 684
Actuarial (gains)/losses related to change in expectations		
Actuarial (gains)/losses related to change in members incl. effect payroll tax		
Premium paid	5 956	7 481
<b>Closing balance</b>	<b>78 362</b>	<b>73 960</b>

### Investment of the pension funds

The insured pension scheme in Norway is insured primarily through Livsforsikringsselskapet Nordea Liv Norge AS, and thus the pension assets are linked to an insurance policy. There is an interest rate guarantee linked to the insurance, which entails that Livsforsikringsselskapet Nordea Liv Norge AS bears the risk for the return on the pension assets.

### Distribution of pension funds on different asset classes

	2020	2019
Shares	9.10 %	9.50 %
Bonds	76.10 %	76.00 %
Property	14.10 %	13.60 %
Other	0.70 %	0.90 %
<b>Total</b>	<b>100.00 %</b>	<b>100.00 %</b>

### Sensitivity analysis of pension commitment

The sensitivity analysis is based on a change in one of the assumptions, given that all the other assumptions remain constant. In reality, there would be covariation between the assumptions, so that changes in any of the assumptions may covary.

## Note 46 – Pensions (cont.)

Effect on pension commitments	Change in the economic assumptions	Change in the pension commitments
Discount rate	0,50 %	-9 455
Discount rate	-0,50 %	10 828
Annual rise in salaries	0,50 %	4 126
Annual rise in salaries	-0,50 %	-3 666
Annual rise in pensions and basic amount	0,50 %	6 609
Annual rise in pensions and basic amount	-0,50 %	-5 788
Life expectancy	+ 1 year	4 963

Members in the pension schemes	2020	2019
Number of persons covered by the pension schemes:		
- defined benefit schemes	52	54
- retirement and disability pensions	9	9
- defined contribution schemes	294	344

Average expected remaining service for employees covered by the defined benefit plan are 6.8 years.

Expected contributions to pension schemes in 2021:	2021
Expected contributions to defined benefit schemes	7 119
Expected contributions to defined contribution schemes	15 500
<b>Total expected contributions to pension schemes incl. payroll tax</b>	<b>22 619</b>

## Note 47 – Information about related parties

### Assets/liabilities to Sbanken Boligkreditt AS

In NOK thousand	31.12.20	31.12.19
Receivable related to overdraft facility with Sbanken Boligkreditt AS	2 304 097	2 897 390
Sbanken Boligkreditt AS's deposit in Sbanken ASA	1 602 401	1 701 897
Sbanken ASA's ownership of covered bonds issued by Sbanken Boligkreditt AS	5 714 265	2 006 575
Sbanken ASA's ownership of subordinated loan issued by Sbanken Boligkreditt AS	325 000	325 000
Sbanken ASA's ownership of additional Tier 1 capital issued by Sbanken Boligkreditt AS	225 000	225 000

### Transactions with Sbanken Boligkreditt AS

In NOK thousand	01.01.20 - 31.12.20	01.01.19 - 31.12.19
Sale of services in line with service agreement	8 249	6 808
Interest on overdraft facility	39 508	48 364
Interest on deposit	1 373	1 290
Interest on covered bonds issued by Sbanken Boligkreditt AS	55 799	23 898
Interest on subordinated loan issued by Sbanken Boligkreditt AS	10 427	12 330
Share of result related to ownership of additional Tier 1 capital in Sbanken Boligkreditt AS	12 109	13 411
Dividend from Sbanken Boligkreditt AS to Sbanken ASA	230 000	0

Transactions with all related parties are based on the arm length principle

All numbers in the income statement and the balance sheet between Sbanken ASA and Sbanken Boligkreditt AS are eliminated in the group financial statements.

### Sale of home loans to Sbanken Boligkreditt AS

Sbanken ASA sells home loans to its subsidiary, Sbanken Boligkreditt AS. Only loans with a LTV lower than 75% may be sold to Sbanken Boligkreditt AS. The sale and transfer of loans are carried out on market terms and conditions. After the loans have been transferred, Sbanken Boligkreditt AS assumes all the risks and benefits associated with the home loans sold.

The practicalities relating to the transfer of new loans and the write-back of loans are undertaken by employees of Sbanken ASA. In general, the write-back of loans from Sbanken Boligkreditt AS to Sbanken ASA will be relevant only if a customer wishes to increase/refinance the loan (original loans in Sbanken Boligkreditt AS are then repaid). Any such write-back will also be carried out at market terms and conditions. Delinquent loans will remain with Sbanken Boligkreditt AS, and are treated in the same way as delinquent home loans in Sbanken ASA.

### Management agreement between Sbanken ASA and Sbanken Boligkreditt AS

A management agreement has been entered into by Sbanken ASA and Sbanken Boligkreditt AS, under the terms of which Sbanken Boligkreditt AS purchases administrative services

from Sbanken ASA. These services relate, inter alia, to the CEO, Treasury, IT, Finance and Accounting, and Risk Management. The agreement has been entered into at market terms and conditions.

### Sbanken Boligkreditt AS's credit facilities

Sbanken ASA has granted an overdraft facility and a revolving credit facility to Sbanken Boligkreditt AS. The overdraft is divided into two credit facilities, each in the amount of NOK 3 billion and with a term of 364 days and three years, respectively. The revolving credit facility equals Sbanken Boligkreditt AS's payment obligations for the next 12 months in respect of issued covered bonds, and has a term extending four months after the last maturity date of issued covered bonds. Both facilities are at floating interest rates, three-month NIBOR plus a margin.

### Deposit accounts in Sbanken ASA

Sbanken Boligkreditt AS has two ordinary deposit accounts with Sbanken ASA with interest at the market rate.

## Note 48 – Shareholders

The note is equal for the Group and the parent company

Share capital: In NOK	Changes in share capital	Total share capital	Nominal value NOK	Number of shares
16.01.17, Capital increase with cash contribution	3 443 330	1 068 693 330	10	106 869 333
02.11.15, Capital increase with cash contribution	65 250 000	1 065 250 000	10	106 525 000
05.10.15, Capital reduction with cash refund to owner	-1 000 000	1 000 000 000	10	100 000 000
05.10.15, Capital increase with net value of transferred assets (non-cash contribution)	1 000 000 000	1 001 000 000	10	101 000 000
17.04.15, Skandiabanken ASA was incorporated as Midgard Prosjekt 1 ASA.	1 000 000	1 000 000	10	100 000

### Shareholder structure at 31 December 2020:

Shareholder structure:	Nominee	Number of shares	Ownership in percent
ALTOR INVEST 4 AS	No	13 358 666	12.50 %
ALTOR INVEST 3 AS	No	13 358 666	12.50 %
VERDIPAPIRFOND ODIN NORDEN	No	5 170 467	4.84 %
Morgan Stanley & Co. Int. Plc.	Yes	5 090 293	4.76 %
State Street Bank and Trust Comp	Yes	3 765 685	3.52 %
Skandinaviska Enskilda Banken AB	Yes	3 460 500	3.24 %
FERD AS	No	3 259 387	3.05 %
FD INVT TR: FD SRS INTL SML CP FD	No	2 666 252	2.49 %
Skandinaviska Enskilda Banken AB	Yes	2 433 766	2.28 %
The Bank of New York Mellon SA/NV	Yes	2 397 202	2.24 %
State Street Bank and Trust Comp	Yes	1 841 309	1.72 %
J.P. Morgan Bank Luxembourg S.A.	Yes	1 629 986	1.53 %
State Street Bank and Trust Comp	Yes	1 624 188	1.52 %
CACEIS Bank	Yes	1 575 194	1.47 %
Euroclear Bank S.A./N.V.	Yes	1 492 734	1.40 %
JPMorgan Chase Bank N.A. London	Yes	1 263 551	1.18 %
State Street Bank and Trust Comp	Yes	1 120 018	1.05 %
UBS AG	Yes	1 017 091	0.95 %
J.P. Morgan Bank Luxembourg S.A.	Yes	858 357	0.80 %
VPF EIKA EGENKAPITALBEVIS	No	840 742	0.79 %
<b>Total for the twenty largest investors</b>		<b>68 224 054</b>	<b>63.84 %</b>
<b>Total number of shares</b>		<b>106 869 333</b>	<b>100.00 %</b>

The register of shareholders is based on the Norwegian Central Securities Depository's (VPS) shareholder register as of 31 December 2020. Please refer to separate section of the Annual report for a list of the beneficial owners of shares in nominee accounts.

Geographical areas per 31.12.20:	Number of shares	Ownership in percent
Norway	45 747 989	42.81 %
Rest of Europe	45 926 309	42.97 %
North-America	15 181 723	14.21 %
Other	13 312	0.01 %
<b>Total</b>	<b>106 869 333</b>	<b>100.00 %</b>

As of 31 December 2020 Sbanken ASA had a total of 5 487 shareholders. 4 150 of whom held 1 000 or fewer shares. Sbanken ASA held no own shares at the reporting date 31.12.20.



## Note 49 – Share purchase programme

The note is equal for the Group and the parent company

Twice a year, Sbanken ASA offers its employees the chance to buy shares at a discount of 20 per cent on the listed price at the time of purchase. The discount is limited upwards to NOK 3 000 a year. The maximum discount is the same as the amount that can be received tax-free each year when shares are bought through a share purchase programme. The discount is recognised as other personnel expenses in the financial statements.

In 2020, 38 228 shares were allotted to employees at a gross price of NOK 70.07 per share. A total of NOK 533,000 of the personnel expenses for the year were related to the share purchase programme.

In the first quarter of 2020, all employees received an offer to buy shares with a three-year lock-in period. The price was 20 per cent below the listed price at Oslo Børs. When calculating the market price considering the lock-in period, Sbanken ASA used the Black-Scholes option pricing model, taking into account the effect of the agreed lock-in period and the historical volatility of the share price. In total, employees subscribed for 346 224 shares with a three-year lock-in period.

The part of the discount that is not expensed is recognised directly in equity in accordance with IFRS 2. At the time the offer was made in the first quarter of 2020, the purchase price represented the market value of the share, considering the three-year lock-in period. All effects were recognised directly against other equity.

Sales of shares to employees		
In NOK thousand	31.12.20	31.12.19
Sales of shares to employees (number of shares)	384 452	43 428
Expensed discount	533	456
Recognised directly against equity	-4 538	-131

## Note 50 – Earnings per share

In NOK thousand	Sbanken ASA Group	
	2020	2019
Profit for the period to shareholders	748 575 000	678 080 000
Number of shares (weighted average)	106 869 333	106 869 333
<b>Earnings per share (basic)</b>	<b>7,00</b>	<b>6,34</b>
<b>Earnings per share (diluted)</b>	<b>7,00</b>	<b>6,34</b>

The earnings-per-share ratio shows the return to the group's ordinary shareholders. Accrued interest paid to hybrid capital investors, has been excluded from the profit in the calculation of earnings per share for the period.

## Note 51 – Subsequent events

On 10 February, the Board of Sbanken decided to utilise the outstanding authorisation to distribute a dividend of NOK 3.15 per share for 2019. The dividend corresponded to 26.6 per cent of the cumulative profit for Sbanken ASA in 2019 and

2020, and was hence in accordance with the communication by the Ministry of Finance that cumulative distributions should be limited to 30 per cent until 30 September 2021.

## Alternative performance measures

Sbanken (the bank) discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS. Such performance measures are commonly used by analysts, investors and other stakeholders to evaluate the performance of the bank in isolation or relative to the financial industry. The measures are provided to give an enhanced insight into the operations, financing and future prospects of the bank.

### Interest rate measures

Interest rate measures are presented to provide enhanced insight into the underlying performance of net interest income. These measures are commonly used by industry analysts to calculate performance and projections for banks.

**Average total assets** is calculated based on daily observations of the total balance divided by the number of days in the period.

**Net interest margin** is calculated as annualised net interest income divided by average total assets. The measure reflects the margin between interest paid and interest received. It is an important measure to evaluate the profitability of the bank's lending operations.

**Effective lending rate** is calculated as annualised interest income divided by average total assets. The measure reflects the average interest rate received on the bank's assets.

**Effective funding rate** is calculated as annualised interest expense divided by average total assets. The measure reflects the average interest rate paid on the bank's liabilities.

**Average effective interest rate by product group** is calculated as annualised interest income divided by average lending for each product respectively. The average lending is calculated based on daily observations over the number of days in the period.

In NOK thousand	2020	2019
Net interest income (annualised)	1 644 137	1 564 127
Average total assets	98 938 512	92 912 687
<b>Net interest margin</b>	<b>1.66 %</b>	<b>1.68 %</b>
Interest income (annualised)	2 380 696	2 719 164
Average total assets	98 938 512	92 912 687
<b>Effective lending rate</b>	<b>2.41 %</b>	<b>2.93 %</b>
Interest expense (annualised)	736 560	1 155 037
Average total assets	98 938 512	92 912 687
<b>Effective funding rate</b>	<b>0.74 %</b>	<b>1.24 %</b>

## Alternative performance measures (continued)

### Profit related measures

Profit related measures are provided for enhanced insight into the underlying performance of the business. Cost-to-income ratio and Return on Equity are commonly used by analysts and investors to evaluate the financial performance of banks and the banking industry. One-off items are excluded from these measures to provide better comparability between reporting periods and a better view of underlying performance.

**Operating income** is the sum of net interest income, net commission and fee income and other operating income.

**Operating expenses** is the sum of personnel expenses, administrative expenses and depreciation and impairment of fixed and intangible assets.

In NOK thousand	2020	2019
Operating expense	710 371	727 239
Operating income	1 850 497	1 799 829
<b>Cost-to-income ratio</b>	<b>38,4 %</b>	<b>40,4 %</b>
Operating expense	710 371	727 239
<b>Adjustment one-off</b>	<b>-23 500</b>	<b>-33 300</b>
<b>Operating expense adjusted</b>	<b>686 871</b>	<b>693 939</b>
Operating income	1 850 497	1 799 829
<b>Adjustment one-off</b>	<b>-27 900</b>	<b>0</b>
<b>Operating income adjusted</b>	<b>1 822 597</b>	<b>1 799 829</b>
<b>Cost-to-income ratio adjusted</b>	<b>37,7 %</b>	<b>38,6 %</b>
Profit for the period attributable to shareholders	748 575	678 080
Average equity	6 548 627	5 939 664
<b>Return on equity</b>	<b>11,4 %</b>	<b>11,4 %</b>

### Other performance measures

Other performance measures are presented as they are commonly used by analysts and investors to evaluate the performance of the loan book and the funding mix of the bank.

**Average loan volume** is calculated based on daily observations of gross loans to customers divided by the number of days in the period.

**Loss rate** is calculated as the loan losses of the period divided by the average loan volume of the period. The measure is commonly used by banks and industry analysts to indicate the performance and quality of the lending book. For interim periods the loan losses for the period is annualised using the number of days in the period to the total number of days in the year.

**Loss rate (adj.)** is calculated as the loan losses of the period

**Cost-to-income ratio** is calculated as operating expense divided by operating income. The measure reflects the operating efficiency of the bank.

**Return on Equity (ROE)** is calculated as profit for the period attributable to shareholders as a percentage of average shareholder equity in the period. Tier-1 capital and related accrued interest have been excluded from the ROE calculation. For interim periods the profit for the period is annualised using the number of days in the period to the total number of days in the year. The average equity is calculated using a linear average over the reporting period.

adjusted for income from sold portfolio of non-performing loans, divided by the average loan volume in the period. The measure is presented to provide a better understanding of the underlying performance of the lending book.

**Average deposit-to-loan ratio** is calculated as average deposits from customers in the period divided by average loans to customers in the period. The average is based on daily observations. The measure reflects the average amount of customer lending funded by customer deposits and is commonly used by banks and industry analysts.

**Deposit-to-loan ratio** is calculated as deposits from customers divided by loans to customers at the end of the period. The measure reflects the average amount of customer lending funded by customer deposits and is commonly used by banks and industry analysts.

## Alternative performance measures (continued)

**LTV (Loan-to-Value)** is calculated as the loan amount divided by the estimated value of the property. When calculating a weighted average of LTV for the entire loan book, the credit

balance of home loans and the credit limit of home equity credit lines are used as weights. The LTV is provided as a measure of lending risk exposure.

In NOK thousand	2020	2019
Loan losses	133 482	153 149
Average loan volume	83 416 532	79 897 657
<b>Loss rate</b>	<b>0.16 %</b>	<b>0.19 %</b>
Average deposits from customers	57 041 527	51 737 333
Average loans to customers	83 416 532	79 897 657
<b>Average deposit-to-loan ratio</b>	<b>68.4 %</b>	<b>64.8 %</b>
Deposits from customers	58 643 627	52 844 881
Loans to customers	83 082 252	81 233 217
<b>Deposit-to-loan ratio</b>	<b>70.6 %</b>	<b>65.1 %</b>
<b>LTV (Loan-to-value)</b>	<b>52.9 %</b>	<b>54.3 %</b>

The liquidity requirements are intended to guarantee satisfactory liquidity management by ensuring that the institutions have sufficient liquid assets to cover their liabilities on maturity and have stable and long-term financing at all times. The Liquidity Coverage Ratio (LCR) is intended to ensure that

institutions can convert sufficient assets to cash to cover expected net liquidity outflows over the next 30 days in stressed situations in the money and capital markets. The Net Stable Funding Ratio (NSFR) is intended to ensure that less liquid assets are financed over the long term.

LCR (Liquidity Coverage Ratio)	31.12.20		31.12.19	
	Carrying value	Value LCR	Carrying value	Value LCR
In NOK thousand				
Level 1 - assets exclusive of covered bonds	4 464 258	4 464 258	3 949 991	3 949 991
Level 1 covered bonds	6 504 158	6 048 867	5 876 307	5 464 966
Level 2A - assets	4 780 653	4 063 555	848 395	721 136
Level 2B - assets	0	0	0	0
Assets ineligible as "liquid assets"	84 977 390	0	82 330 991	0
<b>Total assets</b>	<b>100 726 459</b>	<b>14 576 680</b>	<b>93 005 685</b>	<b>10 136 093</b>
Net outflows	0	4 409 270	0	4 020 627
<b>LCR %</b>		<b>331 %</b>		<b>252 %</b>

# Statement

## Pursuant to Section 5-5 of the Securities Trading Act

We hereby confirm that, to the best of our knowledge, the yearly financial statements for the Group and the company for the period 1 January through 31 December 2020 have been prepared in accordance with applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the company taken as a whole.

To the best of our knowledge, the yearly report gives a true and fair:

- Overview of important events that occurred during the accounting period and their impact on the yearly financial statements.
- Description of the principal risks and uncertainties facing the Group over the next accounting period.
- Description of major transactions with related parties.

Bergen, 24 March 2021  
The Board of Directors of Sbanken ASA



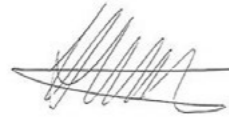
Niklas Midby  
(Chair of the Board)



Mai-Lill Ibsen



August Baumann



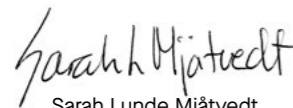
Hugo Maurstad



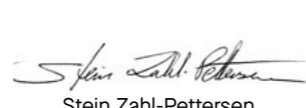
Ragnhild Wiborg



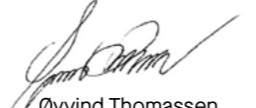
Cathrine Klouman



Sarah Lunde Mjåtvedt



Stein Zahl-Pettersen



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To the General Meeting of Sbanken ASA

INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Sbanken ASA, which comprise:

- The financial statements of the parent company Sbanken ASA (the Bank), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, 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, and
- The consolidated financial statements of Sbanken ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the section 3-9 of the Norwegian Accounting Act and regulations on annual accounts for banks, mortgage companies and finance companies.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 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 statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**Provisions for expected losses on loans**

Key audit matter	How the matter was addressed in the audit
<p>Sbanken ASA has evaluated the need for loan loss provisions as at 31 December 2020, and the assessment of the Bank's level of loan loss provisions involves a considerable level of management's judgement.</p> <p>This judgement relates to the forward-looking assessments of probability of default and loss given default, required in order to estimate the expected loss.</p> <p>The assumptions and estimates used in these assessments are critical in determining the size of provisions. As a result, the loan loss provisions are considered a key audit matter in the audit.</p>	<p>Sbanken ASA has implemented control activities related to the estimation of loan loss provisions.</p> <p>We have reviewed the Bank's documentation of the model and have assessed the model against the requirements set forth in IFRS 9.</p> <p>We assessed and tested the design of selected control activities concerning individual loss provisions on impaired home loans. The control activities we assessed and tested the design of, related to the identification of impaired loans and the assessment of collateral values for these loans. For a sample of control activities, we tested if they operated effectively during the period.</p> <p>For a sample of impaired home loans, we tested if they were timely identified, and assessed the collateral values the Bank had estimated for the loans, using external sources and other relevant documentation where needed.</p> <p>For the model used to estimate loan loss provisions, we assessed and tested the design of selected control activities related to the loan loss provision models, including selected controls related to:</p> <ul style="list-style-type: none"> <li>• identification of increase in credit risk</li> <li>• use of different economic scenarios</li> <li>• determination of probability of default, loss given default and exposure at default, and validation of the models against historical losses</li> </ul> <p>For a sample of the controls, we tested operating effectiveness for the period.</p> <p>We assessed the disclosures on loan loss provisions against the requirements set out in IFRS 7.</p>

**IT-systems and relevant controls over financial information**

Key audit matter	How the matter was addressed in the audit
<p>The various IT systems are important for the capture and processing of the Bank's financial information. Management depends on the accuracy of information flow between the various loan sub-ledgers, data warehouse and the general ledger, which again, among others, form basis for key estimates such as write-downs. We refer to information included in Note 28.</p> <p>It is therefore key for the Bank that access controls, change management controls and controls over query tools are sufficiently designed and implemented, both internally and externally at the Bank's various service providers, to enable such controls to operate effectively. We therefore considered this a key audit matter in our audit.</p>	<p>We have evaluated the design, the implementation, and tested the operating effectiveness of the Bank's controls over the information systems that are key to the financial reporting. This includes, among others, the controls over query tools and query scripts and reports used to extract key information used in management's estimation of write-downs on loans.</p> <p>The completion and accuracy of the financial information within the data warehouse have been audited through a combination of;</p> <ul style="list-style-type: none"> <li>• evaluation of design and test of implementation of key controls; and</li> <li>• reconciliation of key financial information between the data warehouse and the general ledger</li> </ul> <p>We have obtained and evaluated the ISAE 3402-reports issued by the various independent auditors of the Bank's service providers, addressing their internal controls in areas applicable to the Bank's financial reporting. We have also evaluated management's process for monitoring their service providers.</p> <p>As part of our process to understand and evaluate the IT infrastructure and our testing of relevant IT related controls, we have utilized our internal IT-specialists.</p> <p>We have evaluated the appropriateness of the information provided in the notes to the financial statements related to IT-systems and controls in Note 28.</p>

**Other information**

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

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

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

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

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

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Bank, in accordance with the

Norwegian Accounting Act section 3-9 and regulations on annual accounts for banks, mortgage companies and finance companies, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank'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 Bank 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 Bank and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

##### *Opinion on the Board of Directors' report*

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

##### *Opinion on Registration and Documentation*

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

Bergen, 24 March 2021  
Deloitte AS

**Helge-Roald Johnsen**  
State Authorised Public Accountant (Norway)

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

# Climate risk reporting based on the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD)

## Governance

Describe the organisation's governance of climate-related risks and opportunities

### a) The Board's oversight of climate-related risks and opportunities:

Climate-related risk has been discussed by the Board on numerous occasions in 2020:

- The bank's ESG framework, including an ESG assessment of the bank and planned and proposed measures relating to ESG risk
- Climate and climate risk guidelines and action plan
- Discussions concerning increased demand for ESG meetings among the bank's investors
- Work on reporting, reporting initiatives and the bank's scoring
- Description of the EU Sustainable Finance Taxonomy and the implementation process related thereto

### b) The management's role in assessing and managing climate-related risks and opportunities:

The CEO reports directly to the Board and is responsible for assessing and managing climate-related risks and opportunities relating to the bank's lending activities, products, services and banking operations. The CEO submits climate risk reports to the Board at least every six months.

Responsibility for incorporating climate risk rests with the CRO, together with the Head of CSR and Sustainability. The management team defines the bank's ambitions and follows up the work. The management team discusses all matters to be considered by the Board, including items relating to climate and climate risk.

## Strategy

Describe the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

### a) Climate-related risks and opportunities the organisation has identified over the short, medium and long term:

The bank is exposed to climate risk in the form of physical risk and transition risk. Sbanken classifies climate risk under credit risk and strategic risk.

The physical risk is considered low in the short and medium term. Sbanken has a geographically diversified mortgage portfolio concentrated in urban areas. The bank works on the assumption that urban areas are better mapped and secured. Densely populated areas are often located in flatter terrain subject to lower risk of landslides, but the risk of surface water can be at least as high as in more sparsely populated areas. Although some urban areas may be exposed to surface water, the bank believes that the quality of urban locations helps maintain the general price level in the biggest towns and cities.

The transition risk is considered low in the short and medium term. However, Sbanken analyses the (short-term) effects of increased unemployment and reduced collateral value in ordinary stress tests in the credit area, and assesses the capital need in that connection. In the strategic area, it can be mentioned that the bank has ethical labelling of funds and that it has established a green bond framework. More information about Sbanken Boligkreditt AS's Green Bond Framework is available here: <https://sbanken.no/globalassets/sbanken.no/om-oss/samfunnsansvar/sbanken-green-bond-framework-final.pdf>

### b) The impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning:

Climate-related risks and opportunities have affected Sbanken's strategy relating to products and services, value chain, R&D investments and banking operations.

Sbanken was the first bank in Norway to introduce ESG assessment and labelling of mutual funds on our own platform. Ethical labelling enables the bank's customers to find information about the ESG profiles of different funds. Funds with a negative

ESG profile are labelled with a red triangle and excluded from the pre-defined investment packages recommended by the savings robot and Sbanken's financial advisers. The ESG assessment of funds follows from the UN Global Compact and the Government Pension Fund's blacklist. At year-end 2020, 92% of customers' investments were in mutual funds with a positive ESG profile. Investments in funds with a very high ESG score, i.e. funds labelled with two green leaves, have increased from NOK 708 million in 2019 to NOK 2.7 billion at the end of 2020.

Sbanken focuses on sustainability when developing new products for the bank's customers. The bank offers green car loans at a lower rate for cars that meet the EU's CO2 emission target of 120 g/km. The proportion of green car loans has increased steadily over the past few years, and in 2020, green car loans made up 69% of the car loan portfolio. The product has a negative impact on net interest income compared with traditional car loans, but the bank considers marketing of sustainable choices to outweigh this cost.

The bank's suppliers are obliged to sign the bank's CSR and sustainability declaration. The bank's strategy contains a clearly defined goal of establishing a well-functioning electronic contracts register that is both cost-effective and provides a better overview of how the bank's suppliers take responsibility for CSR and sustainability. A complete digital archive of contracts will enable the bank to follow up its suppliers.

Sbanken therefore focuses on measuring and reducing its own emissions and encourages business associates to do the same. The bank is a certified Eco-Lighthouse and uses various methods to improve its performance in relation to the working environment, sorting of waste, energy consumption, purchasing and transport. We report our annual emissions, set targets and draw up action plans to reduce the bank's negative environmental impact. The Eco-Lighthouse system maintains a high environmental standard and quality and is recognised by the EU for being in accordance with international schemes such as EMAS and ISO 14001.

The bank does not want to be exposed to climate risk in its investments. Sbanken therefore does not invest in companies that, either themselves or through partly owned or associated companies, violate international climate or environmental standards.

The bank has developed the green bond framework as an alternative source of funding, at potentially attractive rates. This has an impact on both the bank's liquidity and funding plans.

### c) The potential impact of different scenarios, including a 2-degree scenario, on the organisation's business, strategy and financial planning:

Work has been commenced on scenario analyses. So far, the bank has carried out qualitative assessments at the overarching level. Sbanken only provides loans to private individuals in the form of housing loans, car loans and unsecured credit. In the bank's experience, publicly available examples of scenario analyses and climate risk assessments are very often tailored to

corporate portfolios. Sbanken expects an industry standard to be established for climate risk scenario analyses, what-if scenarios, that take account of loans to private individuals (mortgage portfolios etc.). That will improve assessments of climate-related risk for credit furnished to private individuals, and how Sbanken should improve its resilience to this type of risk.

The bank is a member of Finance Norway's sustainability reference group and closely follows the work on establishing an industry standard. When the work has progressed further, the bank will consider its own metrics and reporting.

## Risk management

Describe how the organisation identifies, assesses and manages climate-related risk.

### a) The organisation's process for identifying and assessing climate-related risk:

Climate risk is the subject of a special risk assessment in connection with the Internal Capital Adequacy Assessment Process (ICAAP) at least once a year. When a climate risk is considered material, it will be included in the ongoing management of credit risk and strategic risk. ICAAP is, among other things, an extensive risk assessment that covers all relevant risk the bank is exposed to, involving the Board for final assessment and decision. The CRO and the risk management department are responsible for the practical implementation of the process.

Sbanken applies the TCFD's recommendations and terminology relating to climate-related risk. The bank analyses physical risk and transition risk separately. The risks are assessed in relation to credit risk (risk of losses on loans and investments) and strategic risk (threats to the business model). The analysis is divided into three parts: i) physical risk/credit risk, ii) transition risk/credit risk, and iii) transition risk/strategic risk.

When the bank uses external suppliers of products and services, it emphasises whether they are certified Eco-Lighthouses or have equivalent certification/approval/labelling relating to ISO/EMAS, the Nordic Ecolabel or the EU Ecolabel.

### b) The organisation's processes for managing climate-related risk:

Sbanken offers green car loans, which the bank considers will help to mitigate risk in the bank's lending portfolio in the long term. Targets for the short, medium and long term have been defined for the proportion of green loans in the car loan portfolio.

The bank has also set a target for the proportion of customers' investments in funds with a positive ESG profile.

Furthermore, the bank has devised a green bond framework. The green bond committee is responsible for managing and developing the bank's framework for issuing green bonds, to ensure



that the framework is aligned with regulation, market practice and expectations of green bond issues for financing purposes. The committee is chaired by the bank's CFO and comprises representatives of the risk management, treasury, customer loan, investor relations and procurement units, as well as the Head of CSR and Sustainability.

Green bond issues will contribute to the development of a green bond market, which in turn will support further growth in the sustainable finance market. Sbanken considers green bonds to be an effective way of financing projects that help to achieve the UN SDGs.

Operational events are documented throughout the year, and followed up in the bank's events database. The purpose is to ensure learning and to mitigate operational risk in future. The bank is a certified Eco-Lighthouse.

**c) How processes for identifying, assessing and managing climate-related risk are integrated into the organisation's overall risk management:**

Climate-related risk is integrated in the company's governing documents in the risk area as well as all other relevant areas. Sbanken has also devised a CSR and sustainability policy, in which climate risk is a key issue.

Responsibility for climate risk rests with the CRO, together with the Head of CSR and Sustainability.

Climate-related risk is integrated in the bank's annual risk assessment, conducted in connection with ICAAP. When relevant, climate risk is also assessed as part of risk assessments relating to credit risk and strategic risk.

We consider processes for identifying, assessing and managing climate-related risk to be well integrated in the bank's overall risk management, but will continue to focus on this going forward. The reporting framework is at an early stage, and the bank monitors the development of an industry standard for further improvement. We devote attention to the topic and have dedicated resources to following it up.

## Metrics and targets

Describe the metrics and targets used to assess and manage relevant climate-related risks and opportunities:

**a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process:**

The target for green car loans in the car loan portfolio was a proportion of 69% in 2020, 85% in the short term and 100% in the medium and long term. The short term is defined as up to 3 years, while the medium and long term are defined as 8 and 25 years, respectively. Sbanken achieved its target for 2020, with a proportion of 69% green car loans in the portfolio.

For ESG-positive funds, the target was defined as the proportion of customer investments in funds with a positive ESG profile. The target for 2020 was 92%, while the short-term target is a minimum of 90%. In the medium and long term, the target is 95 and 100%, respectively.

The bank uses the Eco-Lighthouse foundation's environmental management system, and the bank's environmental certification is verified by an external party.

The bank plans to implement metrics to follow up the mortgage portfolio relating to green bonds in future.

**b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks:**

In a five-year perspective, based on estimated figures, we expect a reduction in Scope 1 emissions. Scope 2 emissions are expected to increase due to the use of renewable energy when gas is eliminated for heating purposes. We expect Scope 3 emissions to increase as a consequence of more relevant sources of emissions from Scope 3 categories being uncovered and identified.

As a fully digital bank, Sbanken has had a minimum of Scope 1 emissions compared with others, as Sbanken has no company cars. Scope 2 emissions are low, given that the bank only has a head office and no branch offices. We rent office premises in a BREEAM certified building to ensure efficient energy consumption and to reduce other emissions. Waste management has improved in step with growing awareness among the bank's employees and improved infrastructure for sorting office waste. The bank has started a process to identify more sources of Scope 3 emissions, evaluate their significance and calculate their environmental impact.

**c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets:**

See the guidelines and action plan for climate and climate risk on our website: <https://sbanken.no/IR/IR-english/corporate-governance/corporate-social-responsibility/>

The bank offers 'green' terms on car loans with an LTV80 and LTV100 ratio. Green car loans are granted a lower interest rate than regular car loans with an equivalent LTV ratio. Cars with a maximum CO2 emission of 120 g/km qualify for a green loan. The scheme applies to petrol cars, diesel cars and hybrid cars, in addition to electric cars and cars that run on ethanol and gas. The CO2 emissions are validated electronically. A total of 69% of the car loan portfolio was made up of green car loans as of 31 December 2020.

The bank would like to enable customers to invest in funds that can help to reduce global carbon emissions, and offers a range of mutual funds with a low carbon risk. The carbon risk labelling comes in addition to the ethical labelling based on the overall ESG profile. A fund is labelled with 'Low carbon risk' by the bank's fund data supplier, Morningstar, if it scores low on carbon risk and has low exposure to fossil fuel. The designation indicates that the companies in the fund portfolio are in line with the transition to a low-carbon economy.

By year-end 2020, 146 of the 460 funds Sbanken offers met the requirements for Morningstar's 'Low carbon risk' labelling. About 36 per cent of customers assets were invested in low-carbon funds.

Sbanken has a green bond framework that is in accordance with the bank's CSR strategy and supports the UN SDGs. The framework is also aligned with the ICMA's Green Bond Principles. Sbanken has not issued any green bonds yet. Loans in the green energy classes make up 6.41% of housing loans in Sbanken Boligkreditt AS and 7.39% of housing loans in Sbanken ASA, which qualify for sale to Boligkreditt. The bank's risk management department monitors changes in energy classes. Energy classes A, B and C are categorised as green.

The bank has a recycling station for sorting food waste, plastic, paper and cardboard, electronic waste and glass and metal at source. This enables the bank's employees to make sustainable choices in their day-to-day lives.

On the recommendation of the bank's sustainability committee, the senior management team decided in 2020 to set emission reduction targets for its own operations in line with the Paris Agreement. An annual reduction of 10% will result in a halving of the bank's emissions by 2030.

# Stakeholder engagement for Sbanken 2020

The bank is concerned with identifying and engaging with stakeholders and thereby incorporating their input into our sustainability strategy. The dialogue with important stakeholders is systematised in the table below.

Stakeholder	Specified	Dialogue arenas	Important topics of interest to the stakeholders	Measures relating to the topics
Customers	Retail customers Corporate customers	Customer surveys Communication in the online bank Phone/chat Social media Email directly to ESG officer	User-friendly products and services Customer satisfaction Data protection Online banking or app outage Use of Apple Pay GHG emissions Equality and diversity	Dedicated data protection officer Customer focus. High customer satisfaction proven in a number of external surveys. Robo-adviser initiative Automated loan processes Fair interest rates Good information tools for ethical and sustainable saving
Employees	Own staff Hired staff	Employee surveys ESG surveys Performance appraisal interviews Staff meetings Intranet Slack/Teams Trade unions Social events Company sports team	Working environment Personal development Fair pay and working conditions Equality and diversity Climate change Support to non-profit organisations	Thorough training of staff. Fair recruitment processes. Flexible working hours. Reduced sickness absence. Gender balance goal. Equal pay as a principle. Internal emission reduction target. Hands-on approach to non-profit projects supported through the 'Framgang sammen' foundation.
Owners/investors	Biggest shareholder owns 25%	Investor meetings on ESG Presentations Meetings of shareholder representatives	Profitability Credit quality Return ESG - Climate risk - Standardised reporting Green transition	Reliable dividend. Report with reference to the GRI framework. Report to the CDP. Clarify method for ethical labelling of funds.
Suppliers	IT services IT equipment Lease of premises Systems Advisory services	Contract meetings Conferences/seminars Dialogue by email and phone Negotiations	Predictability Environmentally friendly products and services	Clear requirements and expectations for compliance with ESG criteria in acc. with UN Global Compact, the Paris Agreement and the UN SDGs.
Authorities	Ministry of Finance Financial Supervisory Authority Consumer Authority/Data Protection Authority	Meetings Consultation rounds	Compliance with statutory requirements and regulations - GDPR - Economic crime prevention - New BSU rules	Internal audit. Contribute in joint national and regional efforts to boost economic crime prevention and improve work on data protection and information security.
Rating agencies and analysts	ESG 100 ('Bærekraft på børs') Fair Finance Guide Sustainalytics MSCI CDP	Email Digital meetings Publications Press meetings Stock exchange announcements	Methods for assessing the bank's ESG work	Give an account of material ESG topics and relevant results. Clarify strategy and quantitative objectives. Implement material goals and measures in policies, guidelines and practices.

Stakeholder	Specified	Dialogue arenas	Important topics of interest to the stakeholders	Measures relating to the topics
Media	Newspapers Social media News broadcasts	Interviews Meetings	Inform readers/ viewers about ESG risks and opportunities. Value creation.	Focus on responsible marketing. Regular newsletters with an ESG focus.
Special interest organisations and ESG collaborations	UNEP FI Nordic Financial CERT Finance Norway Sustainability Hub Norwegian Climate Foundation	Network seminars Conferences	Cooperation to ensure and standardise ESG work and reporting.	Attend various network seminars and forums.

# GRI Index 2020

The Global Reporting Initiative (GRI) is the leading standard for sustainability reporting. The GRI framework consists of principles, guidance and performance indicators that can be used by companies to measure and report on economic, environmental and social conditions. The GRI standard is changing and the bank

is following this work closely. The bank therefore refers to GRI in this report, but does not report in accordance with the standard as it stands as of 31.12.2020. See [globalreporting.org](http://globalreporting.org) for more information on GRI.

GRI indicator	Description	Sustainable Development Goals (SDG), Global Compact (UN GC) and Principles for Responsible Banking (UNEP FI PRB)	Sbanken's reporting 2020
<b>GENERAL DISCLOSURES</b>			
<b>Organizational profile</b>			
102-1	Name of the organization	PRB 1.1	Sbanken ASA
102-2	Activities, brand, products and services	PRB 1.1	Chapter "Sbanken's business" page 15 and Chapter "Corporate Governance" page 44
102-3	Location of headquarters	PRB 1.1	Chapter "Sbanken's business" page 15
102-4	Location of operations	PRB 1.1	The bank operates exclusively in Norway. Chapter "Sbanken's business" page 15
102-5	Ownership and legal form	PRB 1.1	Chapter "Corporate Governance" page 44
102-6	Markets served	PRB 1.1	Chapter "Sbanken's business" page 15
102-7	Scale of the organisation	PRB 1.1	Chapter "Key Figures" page 6, "Sbanken's business" page 15 and "Sbanken's employees" page 29
102-8	Information on employees and other workers	SDG 5, SDG 8.5 and 16.b, GC 6	Chapter "Sbanken's employees" page 28 and 29, and "UN SDGs in Sbanken's work with ESG" page 35
102-9	Supply chain	SDG 8, SDG 17	Chapter "Cooperation and dialogue" about Responsible supply chain page 31
102-10	Significant changes to the organisation and its supply chain		No significant changes related to size, structure, ownership or supply chain
102-11	Precautionary Principle or approach	GC 7	The bank applies the "precautionary principle" in contractual ESG liability for corporate customers, through self-declaration forms for suppliers and self-declaration forms for companies in which the bank is a shareholder. See page 31
102-12	External initiatives	SDG 17	Chapter "UN SDGs in Sbanken's work with ESG" about Sustainable Development Goal 17 page 38, " How Sbanken's ESG work is managed at the overarching level" page 21 and about Cooperation and dialogue in Chapter "Sbanken and the Society" page 31
102-13	Membership of associations	SDG 17.9, 17.14, 17.16, 17.17 and 17.19	Chapter "UN SDGs in Sbanken's work with ESG" about Sustainable Development Goal 17 page 38, " How Sbanken's ESG work is managed at the overarching level" page 21 and about Cooperation and dialogue in Chapter "Sbanken and the Society" page 31
<b>Strategy</b>			
102-14	Statement from senior decision maker	PRB 1.2	Chapter "Board of Directors' report " page 64-66
102-15	Key impacts, risks and opportunities	PRB 1.2	Chapter "Letter from the CEO" page 8 and 9, "Sbanken's business" page 15, "Norway's most recommended brand" page 16-17 and "How Sbanken's ESG work is managed at the overarching level" page 21

GRI indicator	Description	Sustainable Development Goals (SDG), Global Compact (UN GC) and Principles for Responsible Banking (UNEP FI PRB)	Sbanken's reporting 2020
<b>Ethics and integrity</b>			
102-16	Values, principles, standards and norms of behavior	SDG 8, SDG 16, GC 10, PRB 5.2	Chapter "Sbanken's values" page 12 and "Fair Deal" page 20
<b>Governance</b>			
102-18	Governance structure	PRB 5.1	Chapter "Corporate Governance" page 46, 47 and 48
102-19	Delegating authority		Chapter "Corporate Governance" page 47, 48 and 49. The board delegates day-to-day operations in accordance with board-decided instructions
102-20	Executive level responsibility for economic, environmental and social topics		Chapter "Corporate Governance" page 44 and 45, and " How Sbanken's ESG work is managed at the overarching level" page 21
102-21	Consulting stakeholders on economic, environmental and social topics		Chapter "Fair Deal" page 20, "Cooperation and dialogue" s 31, appendix "Stakeholder engagement" and the bank's webpage <a href="http://sbanken.no">sbanken.no</a> "Fair Deal-Sbankens Stakeholder engagement"
102-22	Composition of the highest governance body and its committees		Chapter "Corporate Governance" page 46, 47 and 48, and " How Sbanken's ESG work is managed at the overarching level" page 21
102-23	Chair of the highest governance body		Chapter "Board of Directors" page 54
102-24	Nominating and selecting the highest governance body		Chapter "Corporate Governance" page 46
102-25	Conflicts of interest		Chapter "Corporate Governance" page 47
102-26	Role of highest governance body in setting purpose, values and strategy		Chapter "Corporate Governance" page 47
102-28	Evaluating the highest governance body's performance		Chapter "Corporate Governance" page 46 about Annual General Meeting
102-29	Identifying and managing economic, environmental and social impacts		Chapter "Board of Directors' report " page 64, 65 and 66 about Corporate social responsibility and sustainability
102-30	Effectiveness of risk management processes		Chapter "Board of Directors' report " page 62 and 63 about Risk and capital adequacy, and " How Sbanken's ESG work is managed at the overarching level" page 21
102-31	Review of economic, environmental and social topics		Chapter "Corporate Governance" page 44, and " How Sbanken's ESG work is managed at the overarching level" page 21
102-35	Remuneration policies		Chapter "Corporate Governance" page 47 and note 33
102-37	Stakeholder's involvement in remuneration		Chapter "Corporate Governance" page 47 and note 33
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups	SDG 17, PRB 4.1	Chapter "Fair Deal" page 20, "Cooperation and dialogue" page 31 and appendix "Stakeholder engagement"
102-41	Collective bargaining agreements	SDG 8, GC 3, PRB 4.1	100 per cent of the employees are covered by collective bargaining agreements. Chapter "Sbanken's employees" page 28
102-42	Identifying and selecting stakeholders	SDG 17, PRB 4.1	Chapter " Fair Deal" page 20, "Cooperation and dialogue" s 31, appendix "Stakeholder engagement" and the bank's webpage <a href="http://sbanken.no">sbanken.no</a> "Fair Deal-Sbankens Stakeholder engagement"
102-43	Approach to stakeholder engagement	SDG 17, PRB 4.1	Chapter "Fair Deal" page 20, "Cooperation and dialogue" s 31, appendix "Stakeholder engagement" and the bank's webpage <a href="http://sbanken.no">sbanken.no</a> "Fair Deal-Sbankens Stakeholder engagement"
102-44	Key topics and concerns raised	SDG 17, PRB 4.1	Chapter "Fair Deal" page 20, "Cooperation and dialogue" page 31 and appendix "Stakeholder engagement"



GRI indicator	Description	Sustainable Development Goals (SDG), Global Compact (UN GC) and Principles for Responsible Banking (UNEP FI PRB)	Sbanken's reporting 2020
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements		Note 1 – "Accounting principles"
102-46	Defining report content and topic Boundaries		Chapter "Fair Deal" page 20 and "Materiality analysis and the UN SDGs" page 20, and "How Sbanken's ESG work is managed at the overarching level" page 21
102-47	List of material topics		Chapter "Materiality analysis and the UN SDGs" page 20
102-48	Restatements of information		None
102-49	Changes in reporting		Note 1 – "Accounting Principles" and "How Sbanken's ESG work is managed at the overarching level" page 21
102-50	Reporting period		2020
102-51	Date of most recent report		apr.20
102-52	Reporting cycle		Annually
102-53	Contact point for questions regarding the report		Jesper.Hatletveit@sbanken.no
102-54	Claims of reporting in accordance with the GRI Standards		"GRI-referenced"
102-55	GRI content index		Appendix
102-56	External assurance		See appendix "Independent auditor's report". The bank does not have a separate ESG verification.
<b>MATERIAL TOPICS</b>			
<b>GRI 103- management approach</b>			
103-1	Explanation of the material topic and its Boundary	PRB 5.1	Chapter "Materiality analysis and the UN SDGs" page 20 and "UN SDGs in Sbanken's work with ESG" page 35-38
103-2	The management approach and its components	PRB 5.1	Chapter "Materiality analysis and the UN SDGs" page 20 and "UN SDGs in Sbanken's work with ESG" page 35-38
103-3	Evaluation of the management approach	PRB 5.1	Chapter "How Sbanken's ESG work is managed at the overarching level" page 21 and the bank's webpage sbanken.no "Fair Deal-Sbanken's materiality analysis"
<b>Gender equality</b>			
405-1	Diversity of governance bodies and employees	SDG 5, SDG 8.5 and 16.b, GC 6	Chapter "Sbanken's employees" page 28 and 29, and "UN SDGs in Sbanken's work with ESG" page 35
405-2	Ratio of basic salary and remuneration of women to men	SDG 5, SDG 8.5 and 16.b, GC 6	Chapter "Sbanken's employees" page 28 and 29, and "UN SDGs in Sbanken's work with ESG" page 35
406-1	Incidents of discrimination and corrective actions taken	SDG 5, SDG 8.8 and 16.b, GC 1,2 and 6	Chapter "Sbanken's employees" page 27 and "UN SDGs in Sbanken's work with ESG" page 35

GRI indicator	Description	Sustainable Development Goals (SDG), Global Compact (UN GC) and Principles for Responsible Banking (UNEP FI PRB)	Sbanken's reporting 2020
<b>Decent work and economic growth</b>			
201-1	Direct economic value generated and distributed	SDG 8.2, SDG 8.5 and 9.4	See "Income statement" page 70 and 71
201-2	Financial implications and other risks and opportunities due to climate change	SDG 13.1,13.2, 13.3 and 13 a), GC 7,8 and 9	See appendix "Climate risk"
201-3	Defined benefit plan obligations and other retirement plans	SDG 8	Chapter "Sbanken's employees" page 28. The bank's pension savings program is changing. The bank will report in more detail in the Annual Report 2021.
201-4	Financial assistance received from government	SDG 8	None
205-1	Operations assessed for risks related to corruption	SDG 8, SDG 16.5, GC 10	Chapter "The fight against financial crime" page 32. See the bank's webpage sbanken.no "The bank's work against corruption"
205-2	Communication and training about anti-corruption policies and procedures	SDG 8.1, SDG 16.5, GC 10	In 2020, employees have completed digital courses in privacy, information security and ethics, including corruption. See page 25
205-3	Confirmed incidents of corruption and actions taken	SDG 8.1, SDG 16.5, GC 10	No incidents of corruption within the bank.
401-1	New employee hires and employee turnover	SDG 8.1,SDG 8.5, 8.8 and 16.b, GC 1 and 6	Chapter "Sbanken's employees" page 29
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SDG 8.8 and SDG 3.8	Chapter "Sbanken's employees" page 28
401-3	Parental leave	SDG 8.8, SDG 5.1 and 5.5, and SDG 3.9	Chapter "Sbanken's employees" page 28
402-1	Minimum notice periods regarding operational changes	SDG 8.1 and 8.8	Chapter "Sbanken's employees" page 28
403-1	Occupational health and safety management system	SDG 8.1 and 8.8	Chapter "Sbanken's employees" page 28
403-2	Hazard identification, risk assessment, and incident investigation	SDG 8.8	Chapter "Sbanken's employees" page 27 and 28.
403-3	Occupational health services	SDG 8.8 and SDG 3.8	Chapter "Sbanken's employees" page 29
403-4	Worker participation, consultation, and communication on occupational health and safety	SDG 8.8	Chapter "Sbanken's employees" page 29
403-5	Worker training on occupational health and safety	SDG 8.8	Chapter "Sbanken's employees" page 29
403-6	Promotion of worker health	SDG 8.8 and SDG 3.8	Chapter "Sbanken's employees" page 29
403-8	Workers covered by an occupational health and safety management system	SDG 8.8 and SDG 3.8	Chapter "Sbanken's employees" page 29
403-9	Work-related injuries	SDG 8.8	No work-related injuries
404-2	Programs for upgrading employee skills and transition assistance programs	SDG 8.8, SDG 5.1, 5.5 and SDG 4	Chapter "Sbanken's employees" page 28 and 29 .

GRI indicator	Description	Sustainable Development Goals (SDG), Global Compact (UN GC) and Principles for Responsible Banking (UNEP FI PRB)	Sbanken's reporting 2020
<b>Industry, innovation and infrastructure</b>			
302-4	Reduction of energy consumption	SDG 9.1, SDG 13.1, 13.2, 13.3 and 13 a), GC 7,8 and 9	See the bank's webpage sbanken.no, "Sbankens environmental accounts", and chapter "Climate and environment" page 30 .
413-2	Operations with significant actual and potential negative impacts on local communities	SDG 9.2, SDG 13.1, 13.2, 13.3 and 13 a), GC 7,8, 9 and 10	No significant negative impact on the local communities. Negative impact through greenhouse gas emissions is a global challenge. Read more about the bank's work with the environment and climate in Chapter "Climate and environment" page 30 .
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	SDG 9.1	None the bank has been made aware of. See page 25 and 26 about "Information security and data protection "
417-2	Incidents of non-compliance concerning product and service information and labeling	SDG 9, SDG12, SDG 16 and SDG 17	None the bank has been made aware of.
417-3	Incidents of non-compliance concerning marketing communications	SDG 9.1, SDG 12 and SDG 16	None the bank has been made aware of.
<b>Reduced inequalities</b>			
405-1	Diversity of governance bodies and employees	SDG 10.2, 10.3, 10.4 and SDG 5.1, 5.5, GC 1 and 6	Chapter "Sbanken's employees" page 28 about gender balance and page 29 about age diversity. Chapter "Board of Directors" page 54-56 about diversity of the board.
405-2	Ratio of basic salary and remuneration of women to men	SDG 10.2, 10.3, 10.4 and SDG 5.1, 5.5, GC 1 and 6	Chapter "Sbanken's employees" page 28
406-1	Incidents of discrimination and corrective actions taken	SDG 10.2, 10.3, 10.4 and SDG 5.1, 5.5, GC 1 and 6	No incidents in 2020. Se Chapter "Sbanken's employees"page 27
<b>Climate action</b>			
201-2	Financial implications and other risks and opportunities due to climate change	SDG 13.1,13.2, 13.3 and 13 a), GC 7,8 and 9	See appendix "Climate risk"
302-1	Energy consumption within the organization	SDG 13.1,13.2, 13.3 and 13 a), GC 7,8 and 9	See the bank's webpage sbanken.no, "Sbankens environmental accounts", and chapter "Climate and environment" page 30
302-3	Energy intensity	SDG 13.1, 13.2, 13.3 and 13 a), GC 7,8 and 9	See the bank's webpage sbanken.no, "Sbankens environmental accounts", and chapter "Climate and environment" page 30
302-4	Reduction of energy consumption	SDG 13.1, 13.2, 13.3 and 13 a),SDG 9.1, GC 7,8 and 9	See the bank's webpage sbanken.no, "Sbankens environmental accounts", and chapter "Climate and environment" page 30
305-1	Direct (Scope 1) GHG emissions	SDG 13.1, 13.2, 13.3 and 13 a), GC 7,8 and 9	See the bank's climate accounting chapter "Climate and environment" page 30
305-2	Energy indirect (Scope 2) GHG emissions	SDG 13.1, 13.2, 13.3 and 13 a), SDG 12.4, GC 7,8 and 9	See the bank's climate accounting chapter "Climate and environment" page 30
305-3	Other indirect (Scope 3) GHG emissions	SDG 13.1, 13.2, 13.3 and 13 a),SDG 12.4, GC 7,8 and 9	See the bank's climate accounting chapter "Climate and environment" page 30
306-2	Waste by type and disposal method	SDG 13.1, 13.2, 13.3 and 13 a),SDG 12.4 and 12.5, GC 7,8 and 9	See the bank's webpage sbanken.no, "Sbankens environmental accounts", and chapter "Climate and environment" page 30
307-1	Non-compliance with environmental laws and regulations	SDG 13.1, 13.3 and 13.a)	None the bank has been made aware of.

GRI indicator	Description	Sustainable Development Goals (SDG), Global Compact (UN GC) and Principles for Responsible Banking (UNEP FI PRB)	Sbanken's reporting 2020
<b>Partnerships for the goals</b>			
207-1	Approach til tax	SDG 17, SDG 8	The bank operates only in Norway and complies with Norwegian law. Ses Chapter "Board of Directors' report - Tax" page 61 and Note 34
207-2	Tax governance, control, and risk management	SDG 17, SDG 8	The bank operates only in Norway and complies with Norwegian law. See Chapter "Board of Directors' report - Tax" page 61 and Note 34
207-3	Stakeholder engagement and management of concerns related to tax	SDG 17, SDG 8	The bank operates only in Norway and complies with Norwegian law. See Chapter "Board of Directors' report - Tax" page 61 and Note 34
207-4	Country-by-country reporting	SDG 17, SDG 8	The bank operates only in Norway and complies with Norwegian law. See Chapter "Board of Directors' report - Tax" page 61 and Note 34
308-1	New suppliers that were screened using environmental criteria	SDG 13.3, GC 7, 8 and 9	Read about requirements and expectations through dialogue with suppliers in chapter "Cooperation and dialogue" page 31 .
308-2	Negative environmental impacts in the supply chain and actions taken	SDG 17, 13.3, GC 7, 8 and 9, SDG 13.3	Read about requirements and expectations through dialogue with suppliers in chapter "Cooperation and dialogue" page 31 .
414-1	New suppliers that were screened using social criteria	SDG 17, 8.4, 8.7 and 8.8, GC 1,2,3,4,5 and 6	Read about requirements and expectations through dialogue with suppliers in chapter "Cooperation and dialogue" page 31 .
414-2	Negative social impacts in the supply chain and actions taken	SDG 17, 8.4, 8.7 and 8.8, GC 1,2,3,4,5 and 6	Read about requirements and expectations through dialogue with suppliers in chapter "Cooperation and dialogue" page 31 .
415-1	Political contributions	SDG 17	None
102-12	External initiatives	SDG 17	Chapter "UN SDGs in Sbanken's work with ESG"about Sustainable Development Goal17 page 38, "How Sbanken's ESG work is managed at the overarching level" page 21 and "Cooperation and dialogue" page 31
102-13	Membership of associations	SDG 17.9, 17.14, 17.16, 17.17 and 17.19	Chapter "UN Sustainable Development Goals in Sbanken's ESG work" about Sustainable Development Goal17 page 38, "How Sbanken's ESG work is managed at the overarching level" page 21 and about Cooperation and dialogue in chapter "Sbanken and the Society" page 31
102-40	List of stakeholder groups	SDG 17.9, 17.14, 17.16, 17.17 and 17.19	Chapter "Fair Deal" page 20 and appendix "Stakeholder engagement"
102-42	Identifying and selecting stakeholders	SDG 17.9, 17.14, 17.16, 17.17 and 17.19	Chapter "Fair Deal" page 20, "Cooperation and dialogue" on page 31, appendix "Stakeholder engagement" and the bank's webpage sbanken.no "Fair Deal-Sbankens Stakeholder engagement"
102-43	Approach to stakeholder engagement	SDG 17.9, 17.14, 17.16, 17.17 and 17.19	Chapter "Fair Deal" page 20, about "Cooperation and dialogue" on page 31, appendix "Stakeholder engagement" and the bank's webpage sbanken.no "Fair Deal-Sbankens Stakeholder engagement"
102-44	Key topics and concerns raised	SDG 17.9, 17.14, 17.16, 17.17 and 17.19	Chapter "Fair Deal" page 20 and appendix "Stakeholder engagement"

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