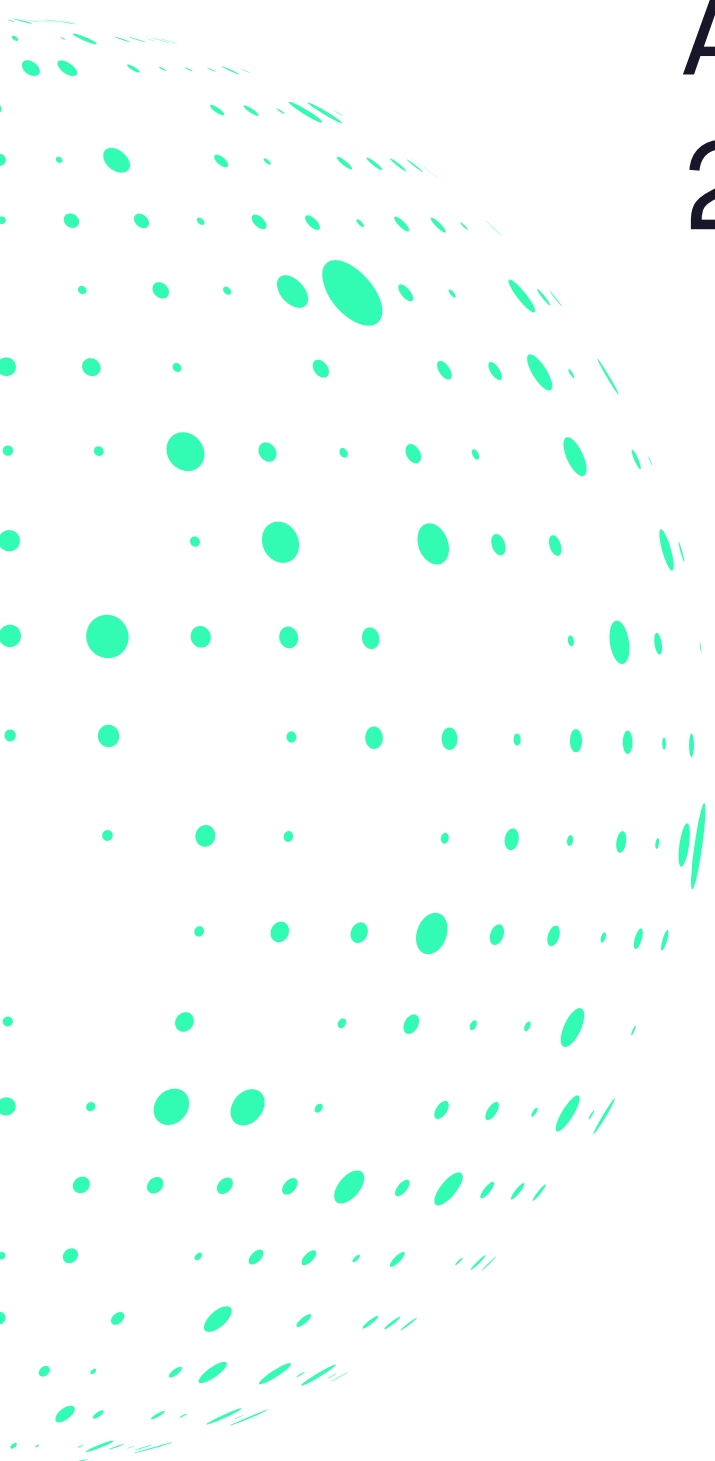


Sbanken

Annual Report 2019



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Important events

Q1 First quarter

- Sbanken is ranked second in the country on the Norwegian School of Economics' (NHH) Innovation Index for 2018. The same index puts the bank in seventh place for social innovation in the business, which means that customers consider the bank to be among the best in the country in terms of innovation and development.
- In partnership with the start-up company Zeipt, Sbanken starts offering solutions for digital delivery and payment receipts to its customers.
- Sbanken receives the DOGA Award for design and architecture, a recognition of Norwegian organisations, designers and architects who demonstrate outstanding use of design and/or architecture. Sbanken received the reward in recognition of its successful redesign following the separation from the Swedish Skandiabanken.

Q2 Second quarter

- Norges Bank raises the key policy rate, but Sbanken does not adjust its interest rate on home loans. Sbanken is thereby among the banks with the lowest interest rates in the market.
- Sbanken offers summer job to 13-year-old data security talent: A 13-year-old pupil from Bergen received widespread national attention after he revealed that the personal data of 35 000 pupils and staff were openly available on the internet. Sbanken recognised the pupil's talent and offered him a summer job with the bank, which he accepted and completed in summer 2018.
- For the 18th year in a row, the Norwegian Customer Satisfaction Barometer finds that Sbanken has the most satisfied, loyal customers among Norwegian banks. The survey is conducted by Barcode Intelligence and Norstat. Shortly after, Sbanken is ranked first in its category in the Reputation Institute's and Apeland's RepTrak survey of the brands with the best reputation among Norwegian companies.

Q3 Third quarter

- Sbanken consolidates its position as a funds distributor and makes saving cheaper for customers by cutting the price of 400 funds. Under the new price model, the kickback fees the company receives are distributed to customers. The goal is to remove incentives for distributors to recommend some funds over others, without regard for customers' interests. The initiative received praise from the Norwegian Consumer Council, and several other fund providers soon followed suit.
- Sbanken hires new CEO: In agreement with the Board of Directors, Magnar Øyhovden steps down as CEO. Øyhovden is replaced by Øyvind Thomassen, who took up the position at the end of September.
- In 2019, as the year before, Sbanken is rated number one in the Epsi Rating annual customer survey, and is once again named the bank with the most satisfied customers.

Q4 Fourth quarter

- Global analytics company YouGov ranks Sbanken first on its Brand Index of the most highly recommended banking and finance brands. Sbanken comes in second overall, an improvement from the year before.
- From the front page of the newspaper Dagens Næringsliv, Øyvind Thomassen predicts that the new capital requirements for banks will lead to interest rate hikes and higher interest rates on home loans for almost 50,000 Sbanken customers. The same message was communicated to Minister of Finance Siv Jensen in a meeting at the Ministry of Finance. Shortly afterwards, the authorities decided to postpone the introduction of the capital requirements, which Sbanken considers a victory for Norwegian banking customers.
- Aiming to break down barriers in the corporate market, Sbanken enters into an agreement with the successful Norwegian IT start-up Fiken for the delivery of corporate accounting solutions. The solution facilitates the use of open interfaces (API), in stark contrast to the established industry norm of fixed agreements with individual suppliers.



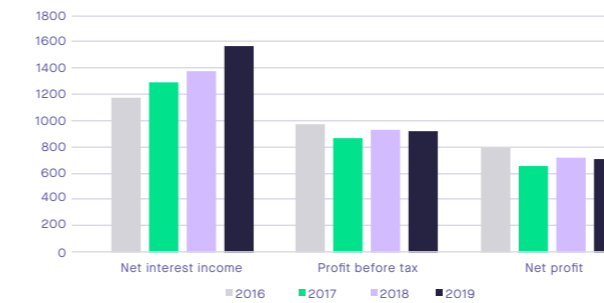
Key figures (group)

In NOK thousand	Reference	2019	2018
Summary of income statement			
Net interest income		1 564 127	1 371 240
Net fee and commission income		214 924	203 599
Net other income		20 778	71 376
Total income		1 799 829	1 646 215
Other operating expenses		-727 239	-641 992
Operating profit before loan losses		1 072 589	1 004 223
Loan losses		-153 149	-75 513
Earnings before tax		919 440	928 710
Calculated tax		-209 388	-205 990
Net profit		710 052	722 720
Profitability			
Return on equity	1	11.4%	12.9%
Net interest margin	2	1.68%	1.53%
Cost-to-income ratio	3	40.4%	39.0%
Earnings per share		6.34	6.53
Balance sheet figures (in NOK million)			
Total loan volume		81 494	79 213
Customer deposits		52 845	49 534
Deposit-to-loan ratio	4	64.8%	64.1%
Lending growth (gross) previous 12 months		2.9%	9.8%
Average total assets	5	92 913	89 367
Total assets, end of period		93 006	91 511
Losses and defaults			
Total loan loss (%)	6	0.19%	0.10%
Capital adequacy and leverage ratio			
Common equity Tier 1 capital ratio	7	15.6%	14.6%
Tier 1 capital ratio		17.5%	15.9%
Total capital ratio		19.9%	17.7%
Leverage ratio		6.7%	6.1%
Employment			
Full time employees (FTEs)		370	344

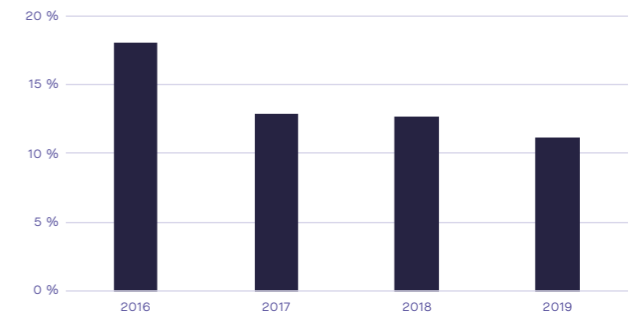
References:

- Return to shareholders after tax (annualised) as a percentage of average shareholder equity in the period.
- Net interest income (annualised) as a percentage of average total capital
- Operating expenses before loss as a percentage of total income
- Average deposits from customers as a percentage of average loan volume
- Average total assets in the period
- Loan losses as a percentage of average loan volume in the period
- Year-end 2018 is based on actual dividend. Year-end 2019 is based on proposed dividend.

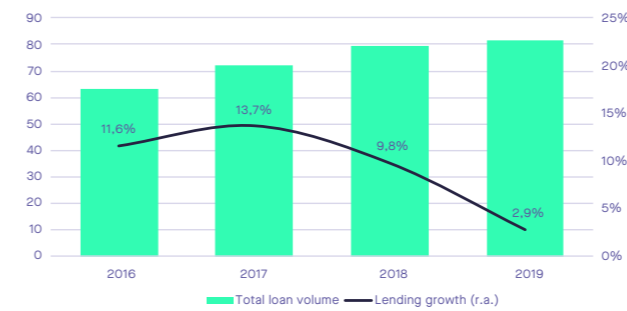
Profit performance in NOK million



Return on equity



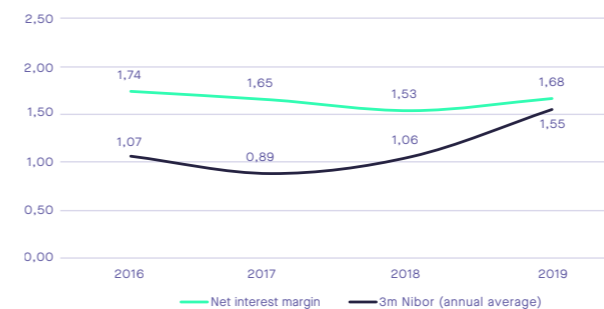
Loans to customers (NOK billion) and lending growth (per cent)



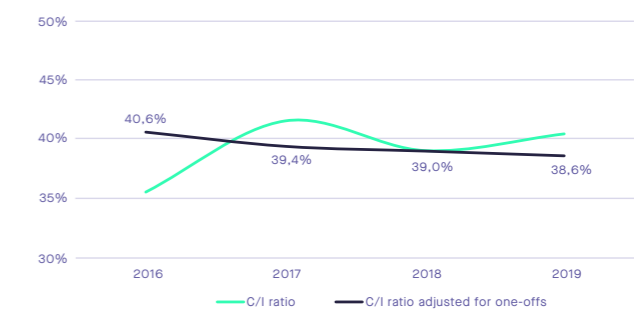
Loan losses in NOK million and per cent



Net interest margin



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





Letter from the CEO

The year 2019 was an eventful year for Sbanken. We cut the price of more than 400 funds, established a fee-free corporate banking service, were the first bank to offer open platforms for production as a consequence of PSD2, and made it clear to the authorities that the intended capital requirements for banks would negatively affect our primary stakeholders, namely our customers. At the same time, we have managed to hold on to our position as the best in the industry in terms of innovation, customer satisfaction, reputation and loyalty. Sbanken – the brand and the bank – holds a strong position among customers. There is nonetheless still great potential at Sbanken. The road ahead is therefore full of ambition – and we are already well on our way.

April marks the 20th anniversary of when Sbanken went from idea to reality. Our ambition was to shake up an industry ripe for change, and that is exactly what we did. We quickly gained a reputation for fee-free products, self-service solutions, very satisfied customers and innovative, digital solutions. Our customers praised the initiative back then, and continue to do so today.

According to the Norwegian Customer Satisfaction Barometer survey, Sbanken has had the most satisfied banking customers in the country for 18 years in a row. In 2019, we won a total of six awards for innovation, brand, customer loyalty and customer satisfaction. The year was nonetheless not exceptional: Sbanken has ranked high in these surveys year after year. No other bank has the same track record. It is nonetheless important to be aware of the fact that what used to work does not necessarily work today. We must do our utmost at all times to understand what drives our customers' behaviour, needs and expectations, and get them involved in developing our value proposition to be able to continue winning in the years to come. Our aim is not to offer everything to everyone, but to offer something special to some.

Of our almost 465 000 customers, about half are what we can describe as loyal customers, with strong ties to and feelings for us as a bank. There is still a lot of untapped potential in these relationships. Devoting increased attention to this group of customers will therefore be an important strategic priority in 2020. An ambitious cross-sales initiative will enable us to provide more products to the loyal customers we already have, and we have expressed the ambition to become world champions at doing just that.

Through ambitious, long-term investments in saving, the corporate market, family products and services and partnerships via open interfaces, we aim to increase the number of Sbanken products used by our customers. Always with a digital focus, but safe in the knowledge that, sometimes, customers need to be in direct dialogue with one of our customer service staff.

Our goal is increased sales and a higher 'share of wallet' per customer. We must therefore succeed in offering products, services and solutions that both stand out and create added value in our customer relationships. One example of this is the corporate market, which we decided to challenge in 2019, as we had done with the retail market 20 years ago. Because, paradoxically, corporate customers have until now been charged a fee for simple procedures such as withdrawing their own hard-earned money. Small and medium-sized businesses represent nearly half the value creation in Norway, and two out of three new jobs. We consider cutting costs and simplifying the everyday lives of these customers to be part of our corporate social responsibility and our mission to challenge the status quo on behalf of all customers. With several new additional solutions such as an integrated accounting solution, invoice scanner and securities trading, we offer something extra to our corporate customers in a market that, to put it plainly, is stuck in the past.

Another fact is that Norwegians will increasingly have to take responsibility for their own savings, especially relating to future pensions. In 2019, we took on an ambitious leading role in the process of improving the range of funds offered to customers by cutting the trailing fees of more than 400 funds. The goal of the initiative was to remove incentives for distributors to recommend some funds over others, without regard for customers' interests. The initiative received praise from the

Norwegian Consumer Council, but as so many times before, several providers quickly followed suit and made the same cuts.

If we are to continue challenging the status quo and applying fresh thinking, we cannot do everything ourselves. In a new and different world of banking, characterised by new considerations and needs, we must acknowledge that, in some cases, we both need to and have everything to gain from collaborating with others. We will continue to develop and innovate on behalf of our customers, but sometimes also in partnership with others. We therefore have great faith in the concept of 'banking as a platform', and the opportunities this will provide for us and our customers going forward.

For 20 years, Sbanken has been Norway's most cost-effective bank. We aim to continue to be just that. In the course of 2020, Sbanken will establish a new and more efficient operational model, adapted to the size of the organisation, the current competitive situation and our vision for the future. 'One bank, one team: with common goals' is what we will strive to be. Under my leadership, the bank's culture, attitudes and goals are essential components that I consider vital to our success. From the start, I will introduce the principle that everyone shall be allowed to experiment. They will even be allowed to 'crack a few eggs'. I intend to do so myself, at least.

By daring to apply fresh thinking and be different through focusing on solutions, services and partnerships that create value for our customers, owners and ourselves, we shall maintain and consolidate our position as Norway's most customer-friendly, digital, innovative bank – while at the same time meeting our financial targets. The readers of this text can expect to see signs of this as 2020 starts to unfold. Of course with a profit.

One bank, one team: with common goals

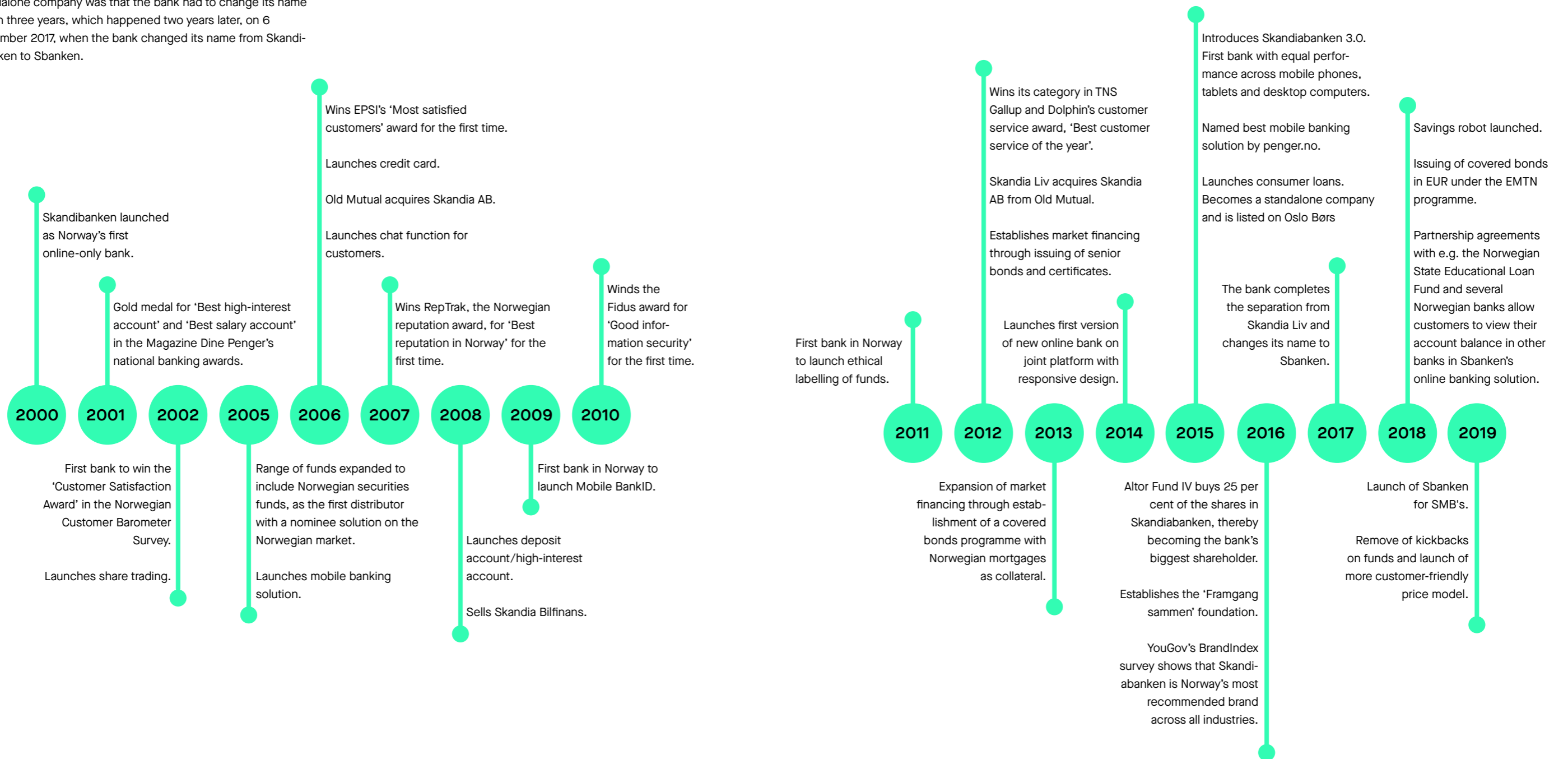
Øyvind Thomassen
CEO, Sbanken ASA

Sbanken's history

Sbanken was launched 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, part of the Swedish insurance group Skandia Liv. Based on a differentiated approach, the bank quickly gained a reputation for fee-free products, competitive prices, very satisfied customers and innovative digital solutions.

In 2019, Sbanken launched a corporate banking initiative, thereby continuing the tradition from 2000 of challenging the big banks and their fees. For as long as it has existed, the Sbanken brand has come out on top of surveys of customer and brand satisfaction or loyalty, and in 2019, Sbanken landed a total of six top rankings, including the top spot for the 18th year in a row in the Norwegian Customer Satisfaction Barometer's survey of Norway's most satisfied customers.

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



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

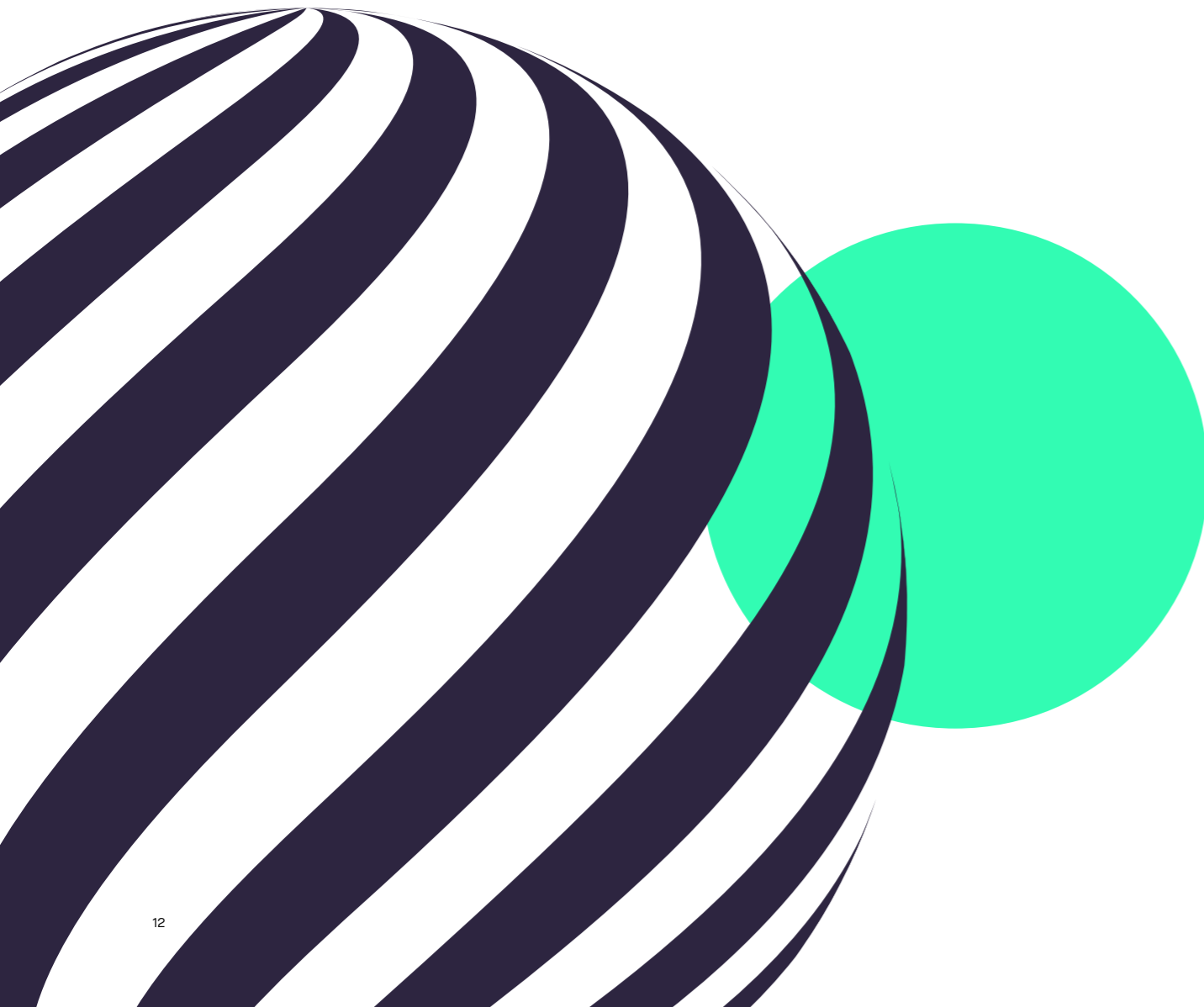
- **We make people's everyday lives simpler.** We understand people's needs and provide the right assistance at the right time. We enable customers to make smart choices.

#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, and we are not afraid to take 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. Combined, this has earned us the position of customers' favourite bank.

465 000 customers

Since the bank was listed in 2015, the lending portfolio has grown from NOK 55 to 81 billion. This corresponds to an average annual growth of around 9.4 per cent, which means that the bank has won market shares. The customer portfolio has grown steadily during the same period. The bank gained 13 000 new customers in 2019 and had a total of 465 000 customers at year-end.

Sbanken offers home loans, payment and card services, saving and investment 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 the 35–49 age group. 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 54 per cent at 31 December 2019, and is of high quality.

Sbanken has demonstrated its 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. Home loans 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. In 2019, the bank came out on top in six different surveys of brand and customer satisfaction or loyalty. This confirms our position as customers' favourite bank.

Satisfied customers for 18 years

Sbanken has won EPSI Rating's 'Most satisfied banking customers' award every year since 2004. The year 2019 was no exception, and Sbanken achieved a score that according to EPSI '(...) is rare, but has become the norm for Sbanken'.

Increasingly strong brand

In the global analytics company YouGov's annual Brand Index for 2019, Sbanken climbed to the top in its industry and came second overall, only beaten by the payment provider Vipps. In addition to this, the brand came out on top in RepTrak Norge's 2019 reputation survey, the same as the year before.

Exceptionally service-minded

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 on customer surveys, a trend that has continued until today. In 2019, Sbanken received Kantar TNS's customer service award. We were among Norway's 'customer experience champions', according to KPMG's customer experience survey (NPS), and achieved the highest satisfaction and loyalty score in banking and finance in



the Norwegian Customer Satisfaction Barometer survey in 2019. In total, we landed top rankings in six surveys on innovation, brand, loyalty and satisfaction. This puts us in a class of our own in the Norwegian context.

Accessible, capable and secure

Sbanken works actively to achieve high availability. Together with its service providers, the bank sets targets for maximum downtime due to error. The results are followed up continuously with the providers. In 2019, customers experienced good accessibility of services.

Successful savings robot initiative

In 2019, 15 times as many customers have received advice from the robot as from Sbanken's 'human' advisers. This underpins our ambition to offer user-friendly self-service solutions. Our savings robot has proven to be highly efficient, not only giving a large number of customers professional advice, but also highly 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 robo-adviser. It is both quick, efficient and useful – a combination of everything our customers need.

Several improvements have been made to the robot in 2019. The improvement that customers welcomed the most was an automated offer of annual follow-up, a functionality we are proud of and that makes customers feel that we are looking after their savings, even if the advice comes from a robot.

Automated loan processes

Sbanken's customers can apply for all types of loans via the online banking service. For home loan applications that can be signed electronically, approximately 85 per cent were submitted electronically in 2019 with the help 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 will have to be handled manually. Automatically approved consumer loans and short-term credit products are immediately made available in the customer's account, while automatically approved home loans and car loans are checked before they are disbursed to the customer. This means that the bank, 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. In 2019, approximately 89 per cent of home loan applications were automatically approved.

Active customers

In 2019, Sbanken received 693 000 enquiries from customers via telephone, chat or 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 460 improvement suggestions a month from our customers in 2019, which corresponds to a decrease of 23 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. All suggestions are considered by a selected team of customer service staff, and relevant suggestions are forwarded in the system for assessment and development. As regards customer complaints, we received 632 in 2019, compared with 683 in 2018. This corresponds to a decrease of just over 7 per cent. Enquiries that concern corporate social responsibility, sustainability, the environment and health and safety are followed up through dedicated processes in dialogue with the person responsible for each area.

Top innovator – also in 2019

Over the years, Sbanken has taken the position as a leading digital bank in a challenger position, and it is our clear ambition to maintain this position going forward. In 2019, we built a new banking platform from scratch, started work on cloud migration, opened our interfaces and were named industry winner in the Norwegian Innovation Index.

We have developed a fully digital corporate bank

Twenty years ago, Sbanken created a fee-free, simple digital everyday bank for retail customers. In 2019, we also took up the gauntlet on behalf of our corporate customers. With this initiative, we not only launched a new service, we developed a corporate bank from scratch, thereby marking the start of Norway's first fully digital corporate bank. The initiative has been warmly welcomed by customers, both new and existing ones.

Technology as competitive advantage

In 2018, Sbanken launched a savings robot for the bank's customers. The solution is based on recognised portfolio selection theory, providing personalised advice to all customers based on the use of sophisticated artificial intelligence. In 2019, 15 times as many customers received advice from the robot as 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 cloud is the limit

Sbanken shall continue to be among the most innovative and ground-breaking banks in the market. We must therefore ensure that we have the expertise and capacity we need to maintain this position. 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 interface

In 2019, our mobile banking solution received an overhaul, and we launched a new mobile user experience adapted to future user behaviour. An increasing proportion of our customers use our mobile banking solution. Only customers aged 95 plus use the online solution more frequently on average. The new mobile banking solution was developed in dialogue with Sbanken's 20 000 test customers, who take a positive view to participating in the testing of new functions and products and providing feedback during the process.

Open interfaces as the source of innovation

The EU's Revised Payment Services Directive (PSD2) enables Norwegian financial institutions to offer bank customers new services and a better overview of their finances. In 2019, Sbanken entered into an agreement with Nets to start using a standardised platform that enables account aggregation and payment transactions in all other banks. With this first-mover initiative, Sbanken became the first Nordic bank to start using a PSD2-compliant platform based on open interfaces with other providers. Although open interfaces alone will not change customer behaviour, initiatives like this create major opportunities in a future where customers will have greater freedom of choice. This will give customers a simpler everyday life and help to maintain our position as customers' favourite bank.

Targeted and focused on sales

A new, ambitious sales initiative has been launched, and the goal is to increase the number of products among existing customers. In that connection, we have improved the integration and use of the tool Salesforce, which is a precondition for being perceived as relevant by customers at the right time. Offering customers what they actually want, in smart ways, when they need it, will lead to increased sales. Further work will focus on insight and analytics to increase the relevance of the customer journey, regardless of the channel – and always coordinated across channels.

Major milestone

The migration of the loan subsidiary ledger in the first half-year 2019 represented a major milestone for the bank. The initiative meant that we got rid of technical debt and started using a subsidiary ledger that gives us better data quality, lower technical complexity and shorter time-to-market for new loan products.

Industry winner in innovation

Sbanken is known as an innovative bank that is quickest among the country's banks to launch the newest, smartest solutions. This is a description we can vouch for, and that we receive external recognition for from leading innovation research groups: In the Norwegian School of Economics' (NHH) annual innovation index, Sbanken came in first in our industry – the same as the year before – and achieved a solid second place overall.

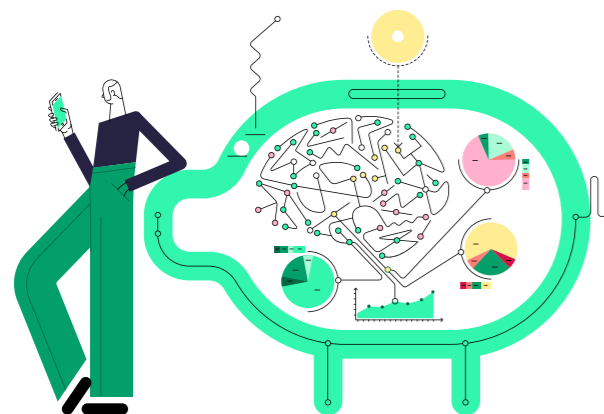
Modern IT platform

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 can be achieved, 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. The introduction in 2019 of a debt register for unsecured credit is also expected to yield further gains for the bank and its customers.

Increased interest from tech talents

In 2018, Sbanken upscaled its IT development capacity considerably, among other things by establishing a team of developers in Portugal. This has enabled the bank to upscale its development capacity with highly competent staff more quickly and at lower costs than would have been possible in Norway. In 2019, we nearly doubled the number of developers in our offshore development unit in Portugal, while also taking on more staff in Bergen. Several of the newcomers in our office in Bergen are local tech talents recruited through our student program. Sbanken leads the field in innovation in the financial industry, but also in the business sector in general. This is reflected in the number of enquiries we receive from young technology and development talents.



Working at Sbanken

Every day, committed Sbanken employees work to create simpler and smarter solutions for our retail and corporate customers. The bank's employees are Sbanken's DNA. Through our values Open, Simple, Fair, and Friendly Rebel, we ensure that the bank is a clear favourite with customers, year after year.

Despite Sbanken being a fully digital bank – which is something we are proud of – there is no doubt that the bank's employees are what keeps the wheels turning. Our aim is to be on top of technological developments and create the best customer experiences in Norway, and for that we need employees who can handle change. This is how Sbanken adapts to market and customer needs.

Focus on competence enhancement and equality

Every year, all our employees receive training on the topics company regulations, anti-money laundering, security and phishing, data protection and ethical guidelines. In 2019, the bank further increased its focus on competence-raising and held courses in business understanding, technology literacy, work methods, management, operational efficiency and customer understanding. One of the three diversity KPIs is gender equality in competence enhancement initiatives.

Sbanken has had a stronger focus on equal opportunities and diversity in 2019. Efforts are made to achieve an equal gender balance in the bank's decision-making bodies. The same applies during call-back interviews relating to recruitment and for competence-raising measures. Sbanken has also earmarked funds to close pay gaps that may be due to gender or other diversity parameters. In 2019, the focus on equal pay for equal work of equal value identified certain anomalies, and a plan was devised to correct them.

Working environment, sickness absence and HSE

In order to attract and retain capable employees, the bank aims to further develop the positive working environment we already have. The working environment shall be characterised by high employee satisfaction. Annual surveys are conducted to ascertain employees' perception of their work situation at

Sbanken. The surveys are distributed to all permanent employees, and the results are followed up throughout the year. The bank believes that a good work/life balance is important. We facilitate flexible working hours that make it easier to combine a career with family life. This helps to create motivated employees. Sickness absence was reduced from 5.2 per cent in 2018 to 4.4 per cent in 2019. 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 whistleblowing reports in 2019

No whistleblowing reports were received in 2019. Sbanken has not had any whistleblowing cases since the company was formed. 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. Forms, procedures and an overview of safety delegates are available to employees on the bank's intranet pages.

Duty of confidentiality

All employees sign a declaration of confidentiality. The duty of confidentiality is an important element in the bank's information security.

Equal gender balance

Of Sbanken's 370 permanent employees, 180 are women and 190 men. This corresponds to a gender balance of 49 per cent women and 51 per cent men. The proportion of women in senior middle management is 50 per cent. Of the total of six members on the senior management team, one is a woman. Bearing in mind that the organisation was undergoing a period of change as of year-end 2019, the gender balance in the senior management team will be high on the agenda in the work of composing the team's members going forward. There is nonetheless an equal gender balance on Sbanken's Board, which consists of four women and four men.

The average age among Sbanken's female employees is 39.9 years. The figure for male employees is 38.2 years.



Corporate social responsibility in Sbanken

It is Sbanken's ambition to exert a positive influence on people, society and the environment. By focusing on long-term value creation, we aim to be a responsible bank that enables our customers and partners to make sound financial choices and socially responsible purchases and investments for the future.

Smart financial choices for the future

Corporate social responsibility and sustainability is about more than being environmentally and climate friendly. It is about identifying new opportunities, fresh thinking and investing in people and a greener future. The value we create today must be long-term and provide financial predictability and good living conditions in healthy surroundings for the next generation. Sustainable development is development that is profitable in the long term. To achieve this, Sbanken focuses on the three ESG¹ principles, including climate change, labour rights and human rights, as well as financial issues.

Sbanken's ideology is to put the customer first. Sbanken shall inspire customers to make smart financial choices, to be bold and create positive change, by making our services simple and accessible to the general public. The customer can expect Sbanken to:

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

New initiatives in 2019

To further increase the Sbanken's focus on ESG work and respond to the local and global demand for change, Sbanken implemented the following measures in 2019:

- Established new CSR and sustainability guidelines in accordance with the policy adopted by the Board. In addition to defining ESG criteria for Sbanken's internal operations and activities, the guidelines focus on requirements and expectations of our partners and customers.
- Established an internal Sustainability Committee to ensure implementation and progress in Sbanken's ESG work.
- Started offering simple, resource-saving banking services to small and medium-sized corporate customers.
- Included climate risk in the bank's ICAAP² process.
- Included ESG criteria in the bank's process for developing new products and material changes (NPAP³)
- Applied for membership of the United Nations Environment Programme Finance Initiative (UNEP FI) to contribute to necessary progress in the green transition together with UNEP FI members and financial institutions.
- Established a framework for green bonds in line with the bank's CSR strategy. The framework supports the UN Sustainable Development Goals and is in accordance with ICMA's Green Bond Principles.
- Joined Finance Norway's sustainability reference group with an aim to contributing to the national and global change process that is necessary if the financial sector is to drive the green transition.

Sbanken's domestic and international obligations

Sbanken's work on corporate social responsibility and sustainability is based on Norwegian legislation, the UN Global Compact Principles and the UN Principles for Responsible Investments. Sbanken endorses the Paris Agreement on climate change and will help to limit global warming. Sbanken undertakes 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. Our work on corporate social responsibility and sustainability includes our own operations and investments, and all activities relating to customers, suppliers and other business associates.

¹ Environmental, Social, Governance- ESG

² Internal Capital Adequacy Assessment Process - ICAAP

³ New Project Approval Process - NPAP

The UN Sustainable Development Goals

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.

Sbanken uses all the SDGs to guide its work on corporate social responsibility and sustainability, focusing on the following in particular:

Goal 5: Gender Equality

In alignment with Target 5.1, the bank has zero tolerance for all forms of discrimination, including verbal, physical and sexual harassment. To ensure focus on gender equality, the bank has in 2019 set KPIs for diversity, gender equality and inclusions. The bank also implemented measures to address the wage gap ascribed to gender or other diversity parameters. The bank focuses on Target 5.5, which is to ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making.

Goal 8: Decent Work and Economic Growth

Creating economic growth and new jobs through decent work is a precondition for sustainable development. Target 8.4 is to decouple economic growth from environmental degradation.



Through ethical labelling of funds, Sbanken facilitate capital being channelled to enterprises focused on ESG criteria. Read more in the section 'Ethical labelling of funds'. In accordance with Target 8.10, Sbanken has launched the corporate banking initiative 'Sbanken bedrift' with an aim to give small businesses access to simple, fee-free banking services, suited to their needs.

Goal 9: Industry, Innovation and Infrastructure

Sbanken aims to contribute to technological developments that benefit the general public, and to increase access to financial services. Through close cooperation with public players, we endeavour to offer simple solutions that free up resources for our customers to allocate to value creation. In accordance with Target 9.1, our work under the DSOP project (public-private digital collaboration) promotes increased transparency for public authorities to make it simpler to uncover corruption, tax evasion and economic crime. Exchanging data through open interfaces contributes to higher productivity and reduces the use of paper forms to exchange information between banks, their customers and public authorities.

In accordance with Target 9.3, Sbanken built a fully digital corporate banking solution in 2019, and launched a new mobile user experience adapted to future user behaviour. The savings robot was launched the year before, giving customers personalised advice based on the use of sophisticated artificial intelligence. Our Cloud First strategy shall further increase our innovativeness and thereby enable Sbanken to offer a technology platform with the most innovative, integrated services in the market.

Goal 10: Reduced Inequalities

It is Sbanken's ambition to make banking services simple and thereby accessible to everyone. This democratic principle is integrated in our business model in line with Target 10.3 (Ensure equal opportunities and end discrimination). Read more in the section 'Responsible credit – Fair interest rate'. Through Sbanken's foundation 'Framgang Sammen' and various sponsorships aimed to reduce social exclusion, Sbanken focuses on Target 10.2 (Promote social inclusion). Read more about our focus on preventing economic and social exclusion in 'Engagement for the good of society'.

Goal 17: Partnership for the Goals

Collaborations to achieve the UN SDGs through global partnerships will be very important going forward. One of the purposes of the SDGs is to renew partnerships and collaborations between governments, the business sector and civil society. Sbanken seeks cooperation with others to achieve common goals through the following activities:

- Sbanken exercises influence by engaging with global companies through ISS-ESG's Pooled Engagement (see separate section).
- Membership in Finance Norway's sustainability reference group with the intention to contribute to a common industry effort to achieve the financial industry's sustainability goals.

- Membership in NORSIF⁴
- Membership and active participation in the Sustainability Hub Norway, an interdisciplinary network for sustainable business.
- Endorsing UNEP FI provides a good foundation for commitment and cooperation with other financial institutions.

Fair Finance Guide

In the 2019 Fair Finance Guide, which was prepared by the Consumer Council and the environmental organisation Framtiden i våre hender, Sbanken achieved a score of 64 per cent in 2019, up from 59 per cent in 2018, thereby coming in at number nine. The improvement is the result of our new CSR and sustainability guidelines. In 2020, we will continue working on compliance with the guidelines by, among other things, defining more specific requirements and expectations of our business associates in accordance with the principles of the Fair Finance Guide. This will include encouraging companies we invest in, businesses that are granted credit, fund managers trading on our platform and our suppliers to integrate ESG criteria in accordance with Sbanken's guidelines in their policies and guidelines, defining ESG requirements for their business associates, and publishing sustainability reports.

Climate and environment

The financial industry plays a key role in the transition to a low-emission society. Sbanken focuses on measuring and reducing own emissions and encourage our business associates to do the same.

Eco-Lighthouse

If we are to fulfill our climate and environmental obligations, we need to keep our own emissions and operations under good management. As a certified Eco-Lighthouse, we have specific tools for improving our environmental performance related to the working environment, waste management, energy consumption, procurements and transport. In 2019, the Eco-Lighthouse certification scheme included new criteria for banking and finance. The criteria are a set of practical tools that help financial institutions to comply with the recommendations and meet the challenges identified in Finance Norway's 'Roadmap for green competitiveness in the financial sector'. Most of Sbanken's credit processes are fully digitalised, and the amount of paper we use is reduced each year. The electricity we use in our premises has certificates of origin, which means it was produced by a renewable energy source. Overall, this means we are well positioned to help to achieve many of the UN SDGs.

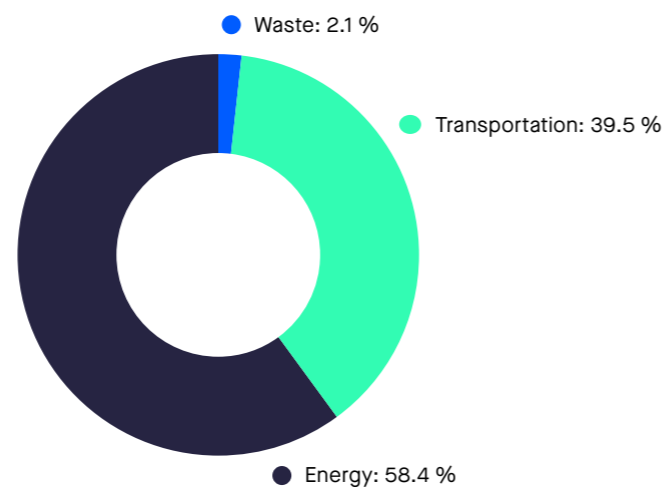
In 2019, Sbanken's Eco-Lighthouse certification was renewed for another three years.

The Eco-Lighthouse system maintains a high environmental standard and quality, and is recognized by the EU in line with international branding schemes such as EMAS and ISO 14001. Sbanken submits an annual climate and environmental report that generates the bank's climate accounts. The climate accounts are based on the Greenhouse Gas Protocol Corporate Standard (the GHG Protocol). The GHG Protocol is the most widely used accounting standard to calculate a company's greenhouse gas emissions.

Internal environmental and climate-related goals

Sbanken has appointed an environmental group to ensure environmentally friendly operations in the bank. The group organises annual environmental awareness days and lectures on the climate, and focuses on sustainable measures in the organisation. The group measures Sbanken's CO₂ emissions,

Emissions as a percentage



Climate footprint



CO₂ emissions in tons in 2019

287.42

↙ -13% change from 2018

Sbanken seeks to continuously evaluate and improve how the group's carbon footprint is measured. For more information on the bank's emissions, please visit the Sbanken website.

assists with advice on procurement procedures and works to establish paperless processes and services.

These were our climate and environmental goals for 2019:

- Carrying out in-house climate and sustainability training.
- Increasing the management group's ownership of the company's sustainability goals.
- Improving routines for sorting waste at source and reporting.
- Completing two lunch seminars on the topic of climate and sustainability.
- Organizing an external environmental campaign.
- Organizing a swap event focusing on reuse.
- Upgrading the 'swap shelf' for employees.
- Starting the search for a simple climate accounting tool for our customers

Sbanken achieved its goals in 2019. Instead of an internal swap event focusing on reuse, Sbanken promoted external reuse by donating a large quantity of office furniture to individuals and organisations in need. Sbanken has a computer equipment reuse scheme through Atea, called goITloop, that helps to ensure reuse and reduces environmental impact.

Climate risk

Climate risk is the risk of financial losses as a consequence of climate change and climate policy. Since Sbanken only provides loans to private individuals and has a geographically diversified home loan portfolio, Sbanken considers its climate risk exposure to be lower than for many other banks.

Sbanken applies the TCFD⁵'s framework for climate risk reporting in the areas of control, strategy, risk management and measurement. The bank carries out a special climate risk assessment as part of its ICAAP process, 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'. The assessment entails, among other things, an assessment of the risk area, including an assessment of threats and opportunities that may have a bearing on strategic goal attainment. The TCFD framework is at an early stage of development, and the recommendations are not yet fully standardised. Sbanken follows developments in the work on establishing an industry standard and will regularly consider adaptations to the bank's climate risk reporting.

Socially responsible investments

Openness and transparency for own investments

Sbanken does not invest in companies that, either themselves or through entities they control, violate international standards for human rights, labour rights, the environment and climate, or corruption. Sbanken seeks to avoid investments in certain sectors such as tobacco production, pornography production, coal production and power production mainly based on fossil fuel, as well as weapons and military equipment. This includes companies involved in controversial forms of weapons, such as anti-personnel mines, cluster munitions, biological weapons, chemical weapons and nuclear weapons. See Annex A to the 'Corporate social responsibility and sustainability policy' for an overview of measures, voluntary guidelines and international conventions that the bank complies with in its own investments.

As part of Sbanken's liquidity management, the bank 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). Sbanken's treasury department is responsible for managing the bank's assets. The composition of the liquidity portfolio is described in Note 35.

Sbanken's equity investments are limited to investments in infrastructure and technology that is relevant to the bank's day-to-day operations. The bank has some minor investments in industry-specific companies such as Vipps AS (holding of 1.27 per cent) and VN Norge AS (holding of 9.42 per cent). At 31 December 2019, Sbanken had a holding of 35.3 per cent in Quantfolio AS, the company that is developing Sbanken's savings robot.

The funds Sbanken invests in are all labelled with one or two green leaves. This applies to the following funds: Utsikt 2030, Utsikt 2040, Utsikt 2050 and Framgang Sammen. See Note 36 for more information about the funds. For details on how Sbanken uses the leaves in labelling funds, see the section 'Ethical labelling of funds'.

⁴ Norsif is an independent association of asset owners and asset managers, service providers and industry associations with interest in, and activities related to, responsible and sustainable investments.

⁵ Task Force on Climate-related Financial Disclosures - TCFD

Name	Utsikt 2030	Utsikt 2040	Utsikt 2050	Sbanken Framgang Sammen
ISIN	N00010753452	N00010753460	N00010753478	N00010754146
World Regions	% of Equity	% of Equity	% of Equity	% of Equity
United States	36,56	36,77	36,7	0
Canada	5,95	5,99	5,99	0
Latin America	0,03	0,03	0,03	0
United Kingdom	5,85	5,87	5,87	2,82
Eurozone	6,36	6,37	6,36	1,32
Europe - ex Euro	32,60	32,25	32,32	95,86
Europe - Emerging	0,01	0,01	0,01	0
Africa	1,93	1,94	1,95	0
Middle East	0,03	0,03	0,03	0
Japan	3,80	3,83	3,81	0
Australasia	0,68	0,68	0,67	0
Asia - Developed	0,50	0,5	0,5	0
Asia - Emerging	5,71	5,74	5,75	0
Sector weightings	% of Equity	% of Equity	% of Equity	% of Equity
Basic Materials	4,78	4,76	4,76	10,06
Consumer Cyclical	7,09	7,13	7,12	22,16
Financial Services	18,93	18,95	18,95	1,45
Real Estate	1,14	1,14	1,13	24,4
Consumer Defensive	12,94	12,92	12,92	0,35
Healthcare	12,11	12,17	12,17	2,07
Utilities	1,03	1,03	1,03	11,41
Communication Services	9,91	9,91	9,9	18,85
Energy	7,21	7,12	7,13	8,4
Industrials	15,84	15,84	15,86	0,85
Technology	9,01	9,04	9,03	0

Pooled engagement

Sbanken's focus on sustainable finance extends beyond the bank's own investment universe. Through collaboration with ISS-ESG, Sbanken exert influence on companies globally to promote more sustainable and ethical business conduct. This type of influence is called 'pooled engagement'. 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.

Sbanken has no ownership interests in the companies ISS-ESG enters into dialogue with.

In 2019, Sbanken has helped to establish a dialogue with 103 companies. The companies in question are in breach of international standards and conventions on corruption, the environment, human rights and labour rights. Breaches in several of these areas have been uncovered in more than 20 of the companies.

More information about pooled engagement and the companies we strive to influence through this work is available on our website.

Responsible supply chain

Over the past two years, the bank has made it mandatory for all Sbanken's suppliers to sign a self-declaration concerning suppliers' corporate social responsibility. By signing the declaration, the supplier undertakes to conduct their business in line with Sbanken's guidelines and principles. This includes making sure that their subcontractors also comply with these guidelines and principles.

In addition, Sbanken annually takes a deeper look at how our largest suppliers (measured in NOK value) actually exercise their corporate social responsibility, and how the various suppliers have environmental management systems and environmental certifications associated with their operations. For 2019, 70 per cent of Sbanken's biggest suppliers hold certificates/approval/labelling in relation to ISO/EMAS, the Nordic Ecolabel, the EU Ecolabel and/or are certified Eco-Lighthouses.

Responsible credit

Since Sbanken was launched in 2000, it has been a bank for private customers. In 2019, we opened our business to small and medium-sized corporate customers, as yet without access to credit. This means that Sbanken does not provide loans to companies engaged in the production of tobacco, weapons and military equipment or pornography, or in mining, coal production or power production mainly based on fossil fuel. Nor is food production, agriculture or forestry financed by Sbanken.

Sound lending portfolio with low risk

Ninety-four per cent of Sbanken's lending consists of home loans. All such loans are mortgage loans. The average loan-to-value ratio in Sbanken's mortgage portfolio was 54 per cent at the end of 2019. Both home loans and unsecured loans are subject to stringent regulation by the supervisory authorities. Sbanken considers it as part of its corporate social responsibility to ensure that customers have the ability to service their debt. Therefore Sbanken wishes to help its customers to make smart financial choices for the future, also when applying for 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 a transparent price structure that does not discriminate individual customers or customer groups. No one can achieve advantages by trying to negotiate a lower interest rate. Sbanken's transparency and fair price system should appeal to customers who appreciate simplicity and transparency. The 'fair deal' principle is part of Sbanken's DNA.



Green car loans

Sbanken wishes to promote sustainable choices through the products it offers to customers. Sbanken offers green car loans, meaning lower interest rates on loans 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 three years. In 2019, green car loans made up 65 per cent of the car loan portfolio. Electric cars accounted for 51.6 per cent of all green car loans in 2019.

Green bonds

In line with the bank's CSR strategy, Sbanken established a framework in 2019 for issuing green bonds. The framework supports the UN Sustainable Development Goals and is in accordance with International Capital Markets Association's (ICMA) Green Bond Principles. The Green Bond Principles shall contribute to ensuring transparency and sufficient reporting to help to achieve a high degree of integrity in the development of a green bond market. Sustainalytics has, as an independent third party, confirmed that Sbanken's framework is in accordance with the Green Bond Principles.

We help our customers to make socially responsible choices

We address the challenges of small and medium-sized businesses.

In 2019, Sbanken opened its business to corporate customers and launched a new, fully digital fee-free corporate banking service customised for small and medium-sized businesses. Sbanken offer simple, user-friendly fee-free services to the smallest businesses, allowing business owners to spend their resources on value-creating work. Small and medium-sized businesses represent about 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.

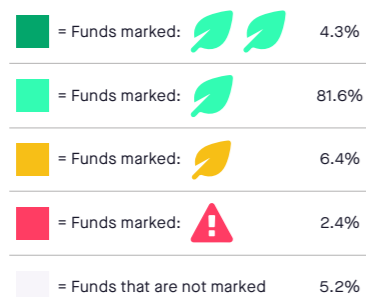
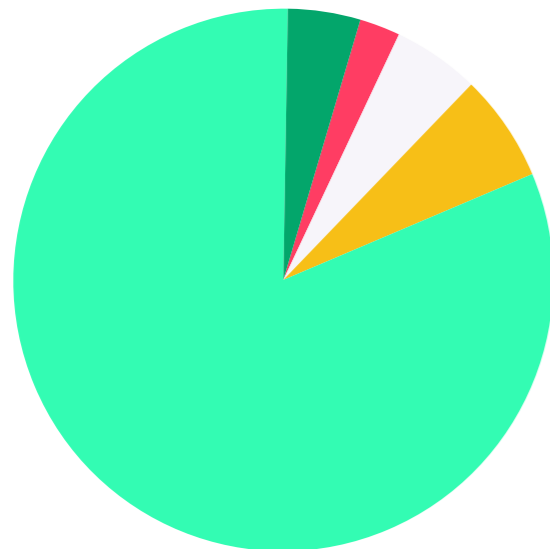
Contractual corporate social responsibility for corporate customers

Sbanken makes stringent requirements of businesses that wish to use the bank's services. Sbanken expect our corporate customers to demonstrate good ethical conduct and comply with the bank's CSR and sustainability guidelines. Sbanken have made it a contractual condition to be able to terminate the customer relationship if a corporate customer acts in violation of the bank's guidelines, as outlined in the customer agreement.

Ethical labelling of funds

Sbanken encourages its customers to make use of their consumer power to channel assets towards ethical investments. Ethical labelling of funds is a tool that gives customers information about different funds' positive or negative ethical profile. Funds with negative ESG profile are labelled with a red triangle. By labelling the funds, enables the customer to make investment choices aligned with their own ethical standards. Sbanken was the first Norwegian bank to introduce this type of labelling in 2010. Sbanken analyse, assess and assign ethical labels to funds in accordance with the UN Global Compact, UNPRI and the Government Pension Fund's exclusion list.

At year-end 2019, 92 per cent of investments made by Sbanken's customers were placed in funds with a positive ethical profile. Assets invested in funds with a particularly high focus on socially responsible investments, i.e. with two green leaves, have increased from NOK 382 million in 2018 to NOK 708 million at the end of 2019.



Two green leaves

Two green leaves indicate that the fund has special emphasis on the environment and human rights as well as corporate governance, and that it takes an active approach to CSR through its strategy. The fund has more stringent CSR guidelines than the Government Pension Fund's exclusion list, and also complies with Sbanken's SRI⁶ guidelines.

One green leaf

The fund recognises and complies with international standards for ethical and socially responsible investments. The fund actively uses the Government Pension Fund's exclusion list and also complies with Sbanken's SRI guidelines.

One yellow leaf

The fund recognises and complies with international standards for ethical and socially responsible investments. The fund does not fully comply with Sbanken's SRI guidelines.

Red triangle

The fund's investments are in breach of Sbanken's SRI guidelines, which are based on the UN Global Compact, UN PRI and the Government Pension Fund's exclusion list.

No label

The fund does not invest in companies on the Government Pension Fund's exclusion list, but has not undertaken to comply with Sbanken's SRI guidelines. It cannot be guaranteed that funds that have not signed Sbanken's SRI guidelines carry out their investments in line with Sbanken's guidelines.

Sbanken expects managers who offer their funds on the bank's platform to integrate ESG (environmental, social and governance) criteria in their management. Sbanken engages in active dialogue with fund managers who offer funds with a negative ethical profile on our platform. The aim of the dialogue is to promote more sustainable and responsible investment practices. The bank believes it is important and right to influence fund managers to make more ethical choices rather than to exclude them and thereby lose the opportunity to draw attention to their lack of social responsibility. An increasing number of fund managers are making changes after dialogue with Sbanken, at the same time that Sbanken contributes to more sustainable developments in fund management.

Savings robot gives sustainable advice

Sbanken's savings robot shall make it easier for customers to make smart financial choices. Sbanken has one of the widest ranges of mutual funds available on the market with more than 30 different fund providers for customers to choose from. In order to help customers to make sustainable choices, the robot only recommends funds with a positive ethical profile, i.e. either green or yellow leaves.

Neutral investment advice

Sustainability shall also be in focus in our investment advisers' conversations with customers. Customers will not be advised to invest in funds with no label or with a negative ethical profile. 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 the bank's investment 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).

Responsible marketing

All marketing shall be serious, objective and comply with applicable marketing rules and good business practices.

- Neither the market nor individual customers shall be provided with a false or exaggerated impression of Sbanken's products and services.
- Information about competitors shall be factual.
- Information about competitors shall 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 the customer an advantage.
- Sbanken shall exercise particular caution when directing marketing at children and young people.

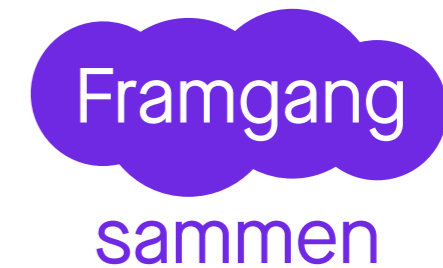
Engagement for the good of society

Sbanken supports ideas and initiatives that have a positive impact on society and prevent the exclusion of children and young people.

The 'Framgang sammen' foundation.

In 2016, Sbanken established the 'Framgang sammen' ('Progress together') foundation. It is a continuation of the work Skandiabanken started in 2014 through the foundation 'Ideer for Livet'. The 'Framgang Sammen' foundation supports initiatives, projects and ideas from individuals and organisations 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 2019, around 30 Sbanken employees helped to consider which projects should be granted support. The final decision is made by the foundation's Board of Directors. The foundation carried out two application processes in 2019 and received more than 400 applications for grants.

The money comes from the Sbanken Framgang Sammen fund, which the bank established in 2016. The fund has two green leaves and is open for everyone to invest in. Every year, the fund distributes 1.5 per cent of the assets under management to the foundation. At year-end 2018, this amounted to NOK 1 077 716. In 2019, we therefore distributed NOK 834 470 to 56 projects we believe will make a difference to children and young people. At year-end 2019, NOK 963 894 was transferred from the fund to the foundation, earmarked for good projects in 2020.



Board of Directors

Øyvind Thomassen, CEO of Sbanken

Katrine Vellesen Løken, Professor at NHH

Marco Elsafadi, motivational speaker and youth advocate

Per Sigurd Våge, Regional Director for the Norwegian Correctional Service (Western Region)

Berit Mjelde, team manager at Sbanken

Everyday kindness with Goodify

Sponsorships shall be based on Sbanken's social commitment to supporting ideas and initiatives that make a positive difference in society and prevent exclusion. We have therefore chosen to sponsor and become involved in the development of the Goodify app – a tool for good deeds. Goodify puts people who need help with everyday tasks in contact with people who want to do good deeds. The goal is to reduce inequality and exclusion in society. In 2019, the pilot version was replaced by a brand new app that makes it easy to show everyday kindness. In 2020, we will help Goodify to further develop the concept to accommodate businesses that want to use the app to show everyday kindness.

⁶ Socially Responsible Investment - SRI

Data protection and information security

Data protection and information security are very important factors in establishing trust in digital services. This type of trust is therefore vital to Sbanken.

Personal data and sensitive information about the bank's customers must not fall into the wrong hands. 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
- The Financial Institutions Act and banking licences



Risk-based approach

Sbanken conducts risk assessments on a regular basis and as required, and implements measures where necessary. The results of risk assessments are monitored continuously over time, and presented to the bank's decision-makers. 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.

Goals and management

Customers should feel confident that their personal data and financial details are correctly processed by Sbanken, and that the bank carries out systematic, proactive information security work.

The bank's Board of Directors has overarching responsibility for information security and owns the bank's information security and privacy policy.

Systematic work

The bank keeps abreast of and complies with legislation and regulations, as well as requirements that follow from the bank's licences. Sbanken develops products and services in a way that always safeguards data protection and information security.

The bank has a dedicated security forum that convenes every month to exchange experience and coordinate its improvement work. It comprises architects, system administrators, managers, representatives of the value chain, data protection officers and the head of information security. The security forum reviews incidents, risks and the status of improvement work on a quarterly basis together with the bank's management.

The bank maintains a high level of expertise in data protection and information security in order to ensure that its solutions are secure, robust and accessible. An interdisciplinary data protection team has been established, and the bank has strengthened its expertise in the area. Security work is also carried out in partnership with suppliers. Important suppliers are followed up through a dedicated dialogue to ensure that customers' need for data protection and information security is safeguarded throughout the value chain. This dialogue is increasingly perceived as constructive and positive for all the parties involved.

The bank actively monitors changes in threat levels and new forms of crime. The financial industry has forums in which information concerning threats and incidents is shared, to allow the industry to more effectively prevent, detect and handle undesirable incidents. Sbanken participates actively in this type of information exchange and has strengthened its own Incident Response Team (IRT), which is tasked with handling operational security 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.

Sbanken makes active efforts to raise the level of awareness about data protection and information security among its employees. Many activities take place throughout the year using different channels and instruments to reach all employees.

Prevention of economic crime and financing of terrorism

Economic crime, money laundering and financing of terrorism represent serious threats to society and individuals. Sbanken makes active efforts to prevent and uncover money laundering, financing of terrorism, fraud and other forms of economic crime.

There are essentially three frameworks that form the basis for the bank's work in this area:

- 1) the Norwegian Money Laundering Act
- 2) the EU Anti-Money Laundering Directive
- 3) Recommendations issued by the Financial Action Task Force (FATF)

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

The Chief Operations Officer (COO) Banking is appointed as Sbanken's anti-money laundering representative on the management team, with responsibility for organising the bank's activities to ensure optimal anti-money laundering work and compliance with regulatory requirements. The bank has also appointed an anti-money laundering officer with operational responsibility for the bank's work on anti-money laundering and the department dedicated thereto. The Chief Compliance Officer reports on compliance with the anti-money laundering regulations to the Board and management of Sbanken ASA. Sbanken also collaborates with industry organisations and other financial institutions to ensure a coordinated approach to their joint obligation to prevent economic crime and financing of terrorism.

Customer due diligence

To ensure that we know our customers well, Sbanken conducts regular customer due diligence by collecting information and documentation verifying, among other things, customers' identity, patterns of behaviour and the source of funds. Information and documentation of company information are obtained regularly for corporate customers. Continuous follow-up and risk assessments are performed for all customers in accordance with the anti-money laundering regulations.

Examination and reporting

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). In 2019, Sbanken reported 460 matters to FIU, an increase of 80% from 2018. The bank normally receives no feedback from Økokrim on reported matters or requests to freeze transactions. This contributes to preventing rationalisation of automated and manual methods of uncovering suspicious matters.

Fraud

The prevalence of fraud is increasing, also in Norwegian society. Globalisation and digitalisation have made it easier to commit mass fraud, and Norwegian businesses and private individuals are attractive targets for foreign fraudsters. Sbanken has sound procedures in place and makes use of modern technology to reduce the likelihood of businesses and individuals being exposed to fraud.

Employee training

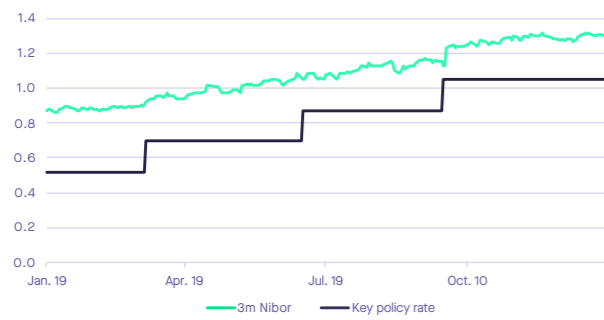
To ensure that the work to combat economic crime and prevent money laundering and financing of terrorism is founded on a good risk-based approach, Sbanken has established a department dedicated to this work. The number of staff in the department increased considerably in 2019, and currently consists of 16 full-time equivalents who make up the bank's interdisciplinary team of experts on economic crime. The staff come from a variety of backgrounds, including finance, law, police work and criminology. The department makes use of both automated and manual controls to prevent crime. We place great emphasis on renewing our working methods to reflect changes in the development and prevalence of crime in society.

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. It is important for Sbanken to ensure that all employees are given training that results in high-quality competence enabling them to make the right decisions based on the applicable internal and external regulations in the area. 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.

Macroeconomic developments in Norway in 2019

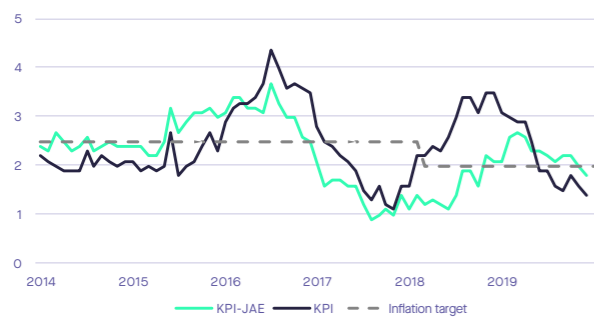
The cyclical upturn in the Norwegian economy continued in 2019. GDP growth for mainland Norway ended at 2.3 per cent for the year, an increase of 0.1 percentage points compared with the previous year. Both petroleum investments and other business investments contributed to the growth. Weaker growth internationally will probably put a damper on investment growth, where the 2019 level is assumed to remain more or less unchanged up until 2022. Both Statistics Norway's and Norges Bank's prognoses indicate that the economic cycle was near its peak at the end of 2019. At the end of 2019, growth estimates up until 2022 indicated moderate growth of about 2 per cent a year, but the outbreak of the coronavirus has led to increased uncertainty around the prognoses.

3m Nibor and key policy rate



Norges Bank raised the key policy rate three times during the year, from 0.75 per cent to 1.5 per cent. The money market rates followed suit and increased by approximately 0.6 percentage points, measured by the 3-month Nibor rate, from 1.25 to 1.85 per cent. Norges Bank's interest rate path from December indicated that the key policy rate probably would remain unchanged at around 1.5 per cent for the foreseeable future.

Inflation 12 month rate (per cent)



The labour market remained strong throughout 2019, and the unemployment rate fell to 3.4 per cent in the summer of 2019 before it increased slightly through the second half of the year to 3.7 per cent. The prognoses at year-end 2019 indicated a stable unemployment rate for the next three years, attributable to lower

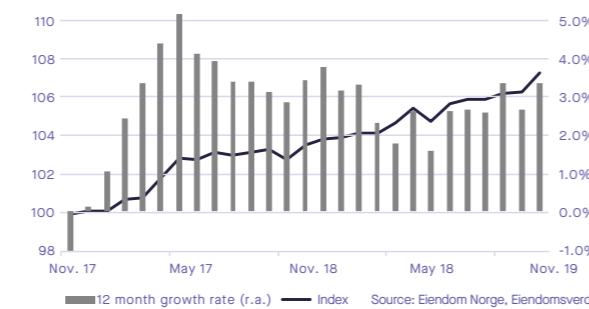
immigration, lower population growth and a smaller increase in the workforce. More moderate growth estimates were not expected to have a major impact on unemployment, but the outbreak of the coronavirus has given rise to greater uncertainty.

Unemployment as a percentage of the labour force (LFS)



The housing market showed stable development through the year, with a steady, moderate growth rate. At the national level, housing prices at year-end 2019 had increased by 2.6 per cent compared with the end of 2018, according to figures from Eiendom Norge. The largest cities in Norway showed a general positive price development over the year, except in the Stavanger area, where nominal prices fell by 2.7 per cent in 2019. Price growth was strongest in Oslo and Tromsø, where prices increased by 5.5 and 4.2 per cent, respectively. Statistics Norway's prognoses at year-end 2019 indicated moderate but positive growth in housing prices over the next few years, at about 2 per cent a year.

Housing prices. Seasonally adjusted index and year-on-year growth



In autumn 2018, there were clear signs of a global slowdown. Developments in 2019 were moderate and characterised by, among other things, uncertainty relating to greater trade restrictions and Brexit. The major stock market correction at year-end 2018 was followed by a broad international upturn in 2019. Internationally, government bond rates increased also in the fourth quarter, after a severe fall at year-end 2018.

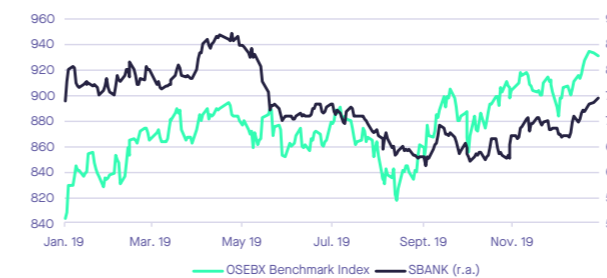
The capital market

Share price development

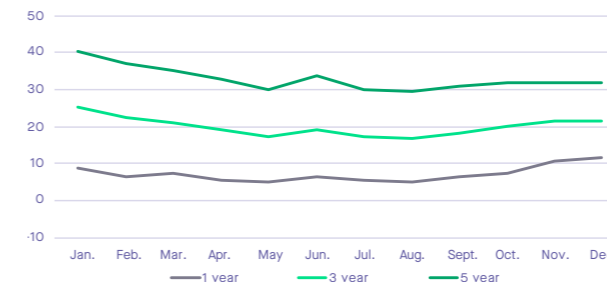
Sbanken was listed on Oslo Børs on 2 November 2015. The indices OSE40GI (the Financial Index) and OSE4010GI (the Bank Index). Sbanken has one share class. All shares have equal voting rights, and the number of outstanding shares at year-end was 106 869 333.

Like the international markets, the Norwegian stock market was characterised by rising uncertainty towards the end of 2018. In the first half-year 2019, the markets experienced a positive price correction. Positive development in the UK's Brexit negotiations and constructive trade talks between the USA and China meant less geopolitical unrest in the second half-year. Combined with a lower interest rate from the US Federal Reserve, this boosted the risk sentiment and international financial markets. The Oslo Børs Benchmark index closed 2019 up 16.5 per cent, while the US S&P 500 Index ended the year up 25.3 per cent.

Share price performance 2019



Covered bonds, credit spreads (bp)



Sbanken's share price performance was negative at 0.5 per cent for the year 2019, while the Financial Index increased by 25.3 per cent. In spring 2019, the share price rose more than the market in general, but fell on news regarding negative growth in lending in the first quarter and a proposal for more stringent capital requirements from the Ministry of Finance in June. The share price regained some ground in the fourth quarter.

Relative share price performance since IPO



Dividend policy

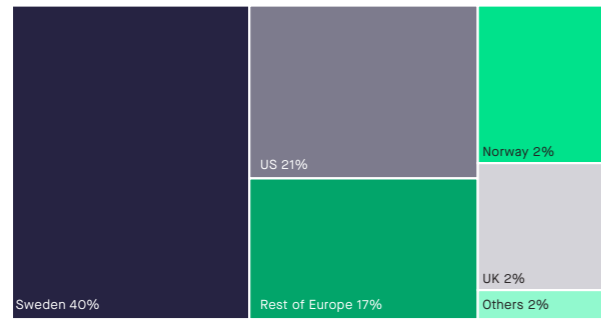
Sbanken aims to ensure an attractive and competitive return on equity while also ensuring that the bank has sufficient capital to achieve its growth targets. Shareholder value is generated through a positive share price development and the payment of dividend. Sbanken's dividend policy for the period entails that up to 30 per cent of the company's net profit can be distributed as dividend. The target is based on current capital requirements, and any changes in regulations, in the economic climate or in the bank's strategy can lead to changes in the dividend policy. For the 2019 fiscal year, the Board has proposed a dividend of NOK 1.90 per share, which corresponds to 29.9 per cent of the net profit.

Shareholder structure

At the end of 2019, 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 2019, Sbanken had more than 4 700 registered shareholders. On this date, the 20 biggest shareholders had a total holding of 76 million shares, corresponding to more than 71 per cent of the share capital issued. The biggest shareholder is Altor Fund IV, which holds 25 per cent of the bank's shares. At 31 December 2019, institutional investors owned 89 per cent of the bank's shares. Eleven per cent of these shares were owned by Norwegian institutional investors.

Geographical distribution, institutional owners



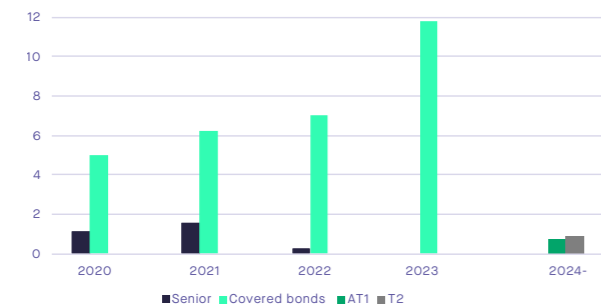
Rating

Sbanken has a long-term rating of A3 with a stable outlook from Moody's. 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 rating possible. Sbanken ASA's rating was last confirmed on 10 December 2019.

Capital market funding

At year-end, capital market funding accounted for 37 per cent of the bank's financing, broken down as NOK 28.3 billion in covered bonds and NOK 3.0 billion in senior bonds. The figure below shows the maturity structure for Sbanken ASA's capital market financing at 31 December 2019. For details on individual bonds and capital market funding, see notes 18–20.

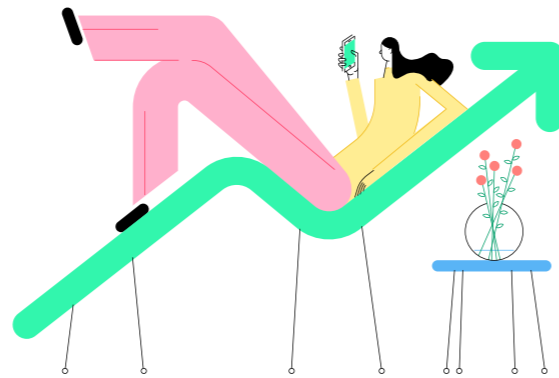
Maturity structure per instrument (NOK bn)



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 available as webcasts. In addition, the head of Investor Relations and representatives of the management will hold meetings with existing and potential investors and with analysts 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 2019, nine brokerage houses provided analytics coverage of Sbanken. Up-to-date contact information is available at sbanken.no/ir.



20 largest shareholders at 31 Dec. 2019*

	Ownership in percent
1 Altor Fund IV	25.0%
2 Lannebo Fonder AB	4.6%
3 Fidelity Management & Research Company	4.5%
4 ODIN Forvaltning AS	3.7%
5 DWS Investment GmbH	3.4%
6 Neuberger Berman, LLC	3.2%
7 Paradigm Capital Management, Inc.	3.1%
8 AXA Investment Managers Paris	3.1%
9 Didner & Gerge Fonder AB	2.7%
10 Kempen Capital Management N.V.	2.6%
11 Arctic Fund Management AS	2.1%
12 The Vanguard Group, Inc.	2.1%
13 Miton Asset Management Limited	1.9%
14 Ferd AS	1.8%
15 Grandeur Peak Global Advisors, LLC	1.6%
16 Dalton Strategic Partnership, L.L.P.	1.5%
17 Handelsbanken Asset Management	1.3%
18 AXA Investment Managers Japan Ltd.	1.1%
19 Nordea Funds Oy	1.1%
20 Lazard Frères Gestion S.A.S.	1.0%

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

Financial targets 2020–2022

Sbanken aims to ensure an attractive and competitive return on equity. The bank will thereby create value for its shareholders through an increased share price and dividend payments. Sbanken's Board of Directors has adopted the following financial targets for the period 2020–2022.

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

Sbanken's financial targets for the period 2020–2022

	Target 2020–2022	2019
Return on equity	14%	11.4%
Annual EPS growth	> 10%	-2.8%
Payout ratio	Up to 30%	29.9%
CET1 ratio	14.5%	15.6%
Cost-to-income ratio	< 34%	40.4%





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 effective they are 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. The bank's corporate governance guidelines are available on its website.

This document provides a report that describes how Sbanken has arranged its affairs to comply with the 15 chapters of the Code of Practice. Any deviations are commented on below.

Deviations from the Code of Practice: None

2. Business

Sbanken ASA is a listed financial services group that consists of the parent bank and its subsidiary Sbanken Boligkreditt AS. Sbanken is a digital challenger bank with no branch offices, offering modern banking services to Norwegian retail customers and SMEs through a user-friendly and 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 legislative framework that applies at all times. The bank performs all transactions and services that are customary or natural for banks to perform. The Board of Directors adopts its resolutions within the framework of the business 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 work is provided in the Board of Directors' report. The company's goals, strategies and risk profile are evaluated at least once a year, among other things through work on the business plan and ICAAP. These documents are adopted by the bank's Board.

Sbanken shall 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 at large is based on a good reputation and high ethical standards in all parts of the business. Together with the bank's values, this shall form the basis for decision-making and govern the corporate culture.

The bank's targets and values form the basis for the bank's rules on ethics and corporate social responsibility. Sbanken's code of ethics and business conduct and 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 targets, strategies and risk profile. The bank's capital risk policy is adopted by the Board. The bank's capital needs are analysed based on the bank's business plan and financial plan through the annual ICAAP process, which is adopted by the Board.

Details concerning the bank's capital situation are available in the accounting information.

Dividend

When deciding the size of the annual dividend, particular account is taken of the group's capital needs, including capital adequacy requirements, and the group's targets and strategic plans. Sbanken's policy for the period 2019–2021 is to distribute dividend of up to 30 per cent of the net profit.

Authorisations to the Board

At the annual general meeting, held on 25 April 2019, the Board was granted authorisation to

- 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 15 million, corresponding to 1.4 per cent of the company's share capital. The purpose of the authorisation is to enable the company to buy back 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 authorisation, 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 acquisitions and/or when more capital is needed to achieve growth in lending.

The authorisations are valid from the date of decision until the annual general meeting in 2020 or 30 April 2020, 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 case, the basis for such a waiver must be explained. In cases where the Board of Directors requests authorisation from the General Meeting by buy back own shares, this must be carried out in the market at market prices.

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 biggest shareholder.

Transactions with close associates

Before non-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 direct or indirect interests in a transaction carried out by the company.

Deviations from the Code of Practice: None

5. 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 general meeting. Steps are taken to ensure that shareholders can exercise their rights by attending the 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 2019, the Board comprised 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 collegiate body. The composition of Sbanken's Board meets the requirements of 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 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. The majority of the shareholder-elected board members 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 appointed Senior Vice President of Atea ASA in 2017. 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.

Participation in board meetings and board committees in 2018

A total of 11 board meetings were held during the year, four of which were extraordinary board meetings. The Audit Committee held five meetings, the Remuneration Committee six meetings and the Risk and Compliance Committee six meetings. In addition, several meetings have been held relating to strategy work and competence-raising 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	2	6	6
Ragnhild Wiborg	11	5	6	
August Baumann	11	5		6
Mai-Lill Ibsen*	11	3	6	
Hugo Maurstad	8			
Cathrine Cloumann	9			
Karianne Mjøs-Haugland	11			4
Svein Frøystad**	11			2

* Mai-Lill Ibsen left the Audit Committee and was replaced by Niklas Midby in May 2019.

** Svein Frøystad left the Remuneration Committee and was replaced by Karianne Mjøs-Haugland in May 2019.

Deviations from the Code of Practice: None

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, the Board's consideration of matters and which items are to be considered by the Board, as well as rules for convening and holding meetings. 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 authorisations, 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 matters to be considered 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 expertise that is considered necessary in relation to Sbanken's organisation and business. The Board has adopted separate rules of procedure

for each committee, which include provisions on their purpose, composition, duties and functions. The committees do not adopt any resolutions, but supervise the administration's work and prepare matters for consideration by the Board on its behalf within their areas of responsibility.

Remuneration Committee

In 2019, the Remuneration Committee consisted of three members of the company's Board. In addition to the members of the Committee, the Head of Organisation 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 2019, 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 2019, 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 targets, 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-evaluation

The Board annually conducts an evaluation of its methods 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 its 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 shall be allocated capital in line with the actual risk status, which in turn shall be tailored to 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, 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 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 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 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 on the basis of 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 is intended to ensure that the company is organised and run in a responsible manner and in accordance with applicable 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 2019.

A self-assessment of risk and internal control is carried out annually. All the bank's managers participate in the evaluation, 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 are not conditional on the company's financial performance or other targets. 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 economic circumstances. The salary level should reflect the bank's aim to be both cost-efficient and competitive. The remuneration scheme shall comply with the bank's overriding 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 no 15/2014, chapter 3.

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 www.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 through 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.
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 authorisations whereby the Board of Directors is authorised to buy back or issue own shares are described in section 3 of the report.



Management



Øyvind Thomassen • CEO

Born: 1962. **Background:** MSc in Economics and Business Administration (siviløkonom) from the Norwegian School of Economics (NHH). Thomassen was the CEO of the then 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. 2019: 0



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. 2019: 64 956

*owned through the related company North Hill Invest AS.



Geir Berge Hansen • Head of Strategy

Born: 1966. **Background:** MSc in Economics and Business Administration (siviløkonom) from the Norwegian School of Economics (NHH) and degree in engineering from Bergen Ingeniørhøyskole. Joined Sbanken in 2010 as the Head of Strategy*.

Number of shares as of 31 Dec. 2019: 35 461



Eirik Christensen • Chief Risk Officer

Born: 1978. **Background:** PhD in Economy from the University of Bergen. Joined Sbanken in 2015 as the Chief Risk Officer. Previously Head of Risk Management at Sparebanken Vest and senior adviser with the Norwegian Competition Authority.

Number of shares as of 31 Dec. 2019: 11 405



Christoffer Hernæs • Chief Digital Officer

Born: 1978. **Background:** Bachelor's degree in informatics and natural science, and master's degree in innovation and entrepreneurship. Joined Sbanken in 2017 as the Chief Digital Officer. Previous experience from the management consulting industry and as Vice President of Strategy and Innovation at SpareBank 1.

Number of shares as of 31 Dec. 2019: 10 733



Mari K. Rørvik • Head of Securities (leave of absence until Jan. 2020)

Born: 1983. **Background:** Master's degree in finance from the Norwegian School of Economics (NHH) and CEMS master's degree in international management from NHH and HEC Paris. Head of Securities at Sbanken from 2018. Previous experience as a consultant in strategy and processes and as a pension portfolio manager.

Number of shares as of 31 Dec. 2019: 537

* Eirik Christensen will be Chief Operating Officer of the newly established business area Banking from 1 January 2020. The business area will be responsible for lending, deposits and payment and card transactions. Eirik left the position as Chief Risk Officer.

** Jørgen Gudmundsson is the new Chief Risk Officer at Sbanken. He was previously CFO at Sparebanken Vest, and joined Sbanken on 6 January 2020.

*** Anne-Christine Fiksdal left the role as Chief Operating Officer at Sbanken on 30 October 2019.

**** Atle Tidemann left the role as Head of Organisation at Sbanken on 30 October 2019.

***** Mari Rørvik left the role as Head of Securities at Sbanken on 21 January 2020.

The 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 lives in Sweden.

Midby is Chair of the Board of Credon AB and stoEr Kungsholmen AB, and member of the board of OX2 AB, Peas Industries AB and Resscapital AB.

Other offices in board committees: The Remuneration Committee, Audit Committee and the Risk and Compliance Committee

Number of board meetings in 2019: 11 (11)

Number of shares as of 31 Dec. 2019: 41 991

*owned through the related company Flagstone International Ltd.



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 in 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 lives in Norway.

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

Other offices in board committees: Audit committee and the Risk and Compliance Committee

Number of board meetings in 2019: 11 (11)

Number of shares as of 31 Dec. 2019: 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 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 lives in Norway.

Ibsen is Chair of the Board of GIEK Kredittforsikring AS, and a board member of Sbanken Boligkreditt AS, Troms Kraft AS, Fjellinjen AS, Carnegie AS, Boligbygg Oslo KF and Royal Arctic Line A/S (Greenland).

Other offices in board committees: The Risk and Compliance Committee (Chair)

Number of board meetings in 2019: 11 (11)

Number of shares as of 31 Dec. 2019: 0



August Baumann • Board member since 2015

Born: 1966. **Background:** Master's degree in shipping and trade finance from Cass Business School in London. Baumann is a Senior Vice President at ATEA ASA, and has held several executive positions at Telia Sonera Norge AS, including as CEO and CFO. Baumann is a Norwegian national and lives in Norway.

Other offices in board committees: The Remuneration Committee (Chair) and the Audit Committee

Number of board meetings in 2019: 11 (11)

Number of shares as of 31 Dec. 2019: 28 731

*partly owned through the related company L. Baumann AS.



Hugo Maurstad • Board member since 2015

Born: 1965. **Background:** MSc in Business Administration (siviløkonom) 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 manager of McKinsey's Norwegian office. Maurstad is a Norwegian national and lives in Norway.

Maurstad is currently Chair of the Board of Rossignol, HFN (Sats/Elixia) and Navico. Previous experience as Chair of the Board of Helly Hansen, Lindorff, Ewos, AGR and SPT.

Other offices in board committees:

Number of board meetings in 2019: 8 (11)

Number of shares as of 31 Dec. 2019: 0



Cathrine Klouman • Board member since 2018

Born: 1959. **Background:** MSc in Business Administration from BI Norwegian Business School and management programme from MIT Sloan School of Management. Klouman is Chief Digital Officer of the real estate group Fredensborg, and has more than 20 years' experience from IT and the finance industry. She has held various executive positions at IBM, Bank-Axcept, DNB, MøllerGruppen and Lindorff/Intrum. Klouman is a Norwegian national and lives in Norway.

Klouman is currently a member of the board of Møller Mobility Group.

Other offices in board committees:

Number of board meetings in 2019: 9 (11)

Number of shares as of 31 Dec. 2019: 0



Svein Frøystad • Employee-elected board member since 2018

Born: 1965. **Background:** Svein Frøystad holds a bachelor's degree in educational theory, mathematics and informatics from Oslo University College and Volda University College, and a master's degree in informatics and management from the University of Oslo. Previous experience as a project manager, IT adviser and consultant for the public sector. Joined Sbanken in 2008 and is currently Head of IT Governance. Frøystad is a Norwegian national and lives in Norway.

Number of board meetings in 2019: 11 (11)

Number of shares as of 31 Dec. 2019: 1 682



Karianne Mjøs-Haugland • Employee-elected board member since 2018

Born: 1976. **Background:** Karianne Mjøs-Haugland holds an MSc in Economics and Business Administration (siviløkonom) from the Norwegian School of Economics (NHH) and was an officer in the Norwegian Armed Forces. Mjøs-Haugland joined the bank as Head of Procurement in 2017 and has previously been a partner at the consultancy firm Inventura AS. Mjøs-Haugland has been a board member at NIMA Forbund and SKIBAS. Mjøs-Haugland is a Norwegian national and lives in Norway.

Other offices in board committees: The Remuneration Committee (employee-elected member)

Number of board meetings in 2019: 11 (11)

Number of shares as of 31 Dec. 2019: 273

* Thomas Tjøstheim was an employee-elected board member until May 2019. He left Sbanken for a new job.





Board of Directors' report

Operational review 2019

Sbanken delivered a strong result in 2019 with increased income, good cost control and low losses. The group achieved a pre-tax profit of NOK 919.4 million, which is a reduction of NOK 9.3 million compared with 2018. The bank's net profit amounted to NOK 710.1 (722.7) million. The return on equity was 11.4 per cent in 2019, compared with 12.9 per cent in 2018.

Growth in lending in 2019 was more moderate than in 2018, with a 2.9 per cent increase in lending to customers. The growth was driven by home loans, which increased by NOK 1.9 billion. The bank's focus on consumer loans resulted in growth of NOK 328.5 billion, an increase of 17.0 per cent.

Net interest income increased by NOK 192.9 million, as a result of growth in lending and a higher interest margin in the second half-year after two lending rate increases. The net interest margin for 2019 ended at 1.68 per cent, up from 1.53 per cent in 2018. Net commission income amounted to NOK 214.9 million, an increase of NOK 11.3 million.

The group's operating expenses increased by 13.3 per cent compared with 2018, to NOK 727.2 million. The increase was primarily the result of increased depreciation and higher personnel costs relating to the bank's savings initiative and the establishment of new SME banking services.

Losses on loans increased slightly from 2018, ending at 0.19 (0.10) per cent for the year. The increase is primarily due to higher losses on consumer loans.

At year-end 2019, Sbanken had a CET1 ratio of 15.6 per cent, an increase of 14.6 per cent from the year before. The minimum CET1 requirement was 14.0 per cent.

The Board proposes a dividend for 2019 of NOK 1.90 (1.75) per share, corresponding to 29.9 per cent of the net profit for the year.

Sbanken's Board works to ensure an attractive, competitive return on equity, taking into consideration how the business impacts people, the environment and society. This includes customers, employees, the working environment, the natural environment and society in general. Sbanken has a long-term perspective on managing the business responsibly. The trust of both customers and society at large is vital to the bank's success. The Board facilitates and promotes high ethical standards in all parts of the business, where the bank's values form the basis for all decisions made.

Important events 2019

The year 2019 was hectic for Sbanken, with new initiatives in both savings and the corporate market. The initiatives were well received by the bank's customers. Sbanken maintained top scores on customer satisfaction, loyalty and reputation on the Norwegian Customer Satisfaction Barometer (NKB) and EPSI Rating's surveys. For the 18th year in a row, Sbanken was named the bank with the most satisfied customers.

Sbanken launched corporate banking services in 2019. The corporate bank was built from scratch based on new technology and shall be an asset to customers by offering simpler and less expensive solutions. A dedicated bank card for SME customers and accounting integration were launched in the fourth quarter, and securities trading is among the services that will be launched in 2020. At year-end, Sbanken had more than 3 800 corporate customers with total deposits of NOK 638 million.

A new platform and price structure for fund distribution was launched 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. The bank's savings robot and the new fund distribution platform ensure that Sbanken is able to offer an innovative, competitive range of savings products.

In September, the PSD2 directive entered into force, entailing requirements for Norwegian banks to exchange data with third parties. The Directive means that banks no longer have a monopoly on their own user interface, and that customers will be able to select the provider of their choice to perform banking services across the banks they use. Sbanken chose Nets as its PSD2 platform provider and became the first bank to start using a fully PSD2-compliant platform. Backed by the industry's most satisfied banking customers, Sbanken is in a good position to seize the opportunities an open banking platform represents.

Sbanken has previously only offered floating-rate home loans, but this changed in the fourth quarter, when the bank launched fixed-rate loans with terms of 3, 5 and 10 years. Fixed-rate loans can be a good alternative for customers who want a stable, predictable payment schedule. Customers can also choose to fix the interest rate on just a portion of their loan.

Sbanken gained 13 000 new customers in 2019, taking the total up to just under 465 000 at year-end.

The Board of Sbanken appointed Øyvind Thomassen as the new CEO in 2019. Based on his sound experience of digital banking and genuine commitment to Sbanken as a company and the renewal of the banking sector in general, the Board believes Thomassen is the right man for the next phase Sbanken is about to enter. Thomassen replaced former CEO Magnar Øyhovden in September.

Brexit and the trade war between the USA and China continued to impact the capital markets in 2019. The Oslo Børs Benchmark index (OSEBX) closed 2019 on a positive note at 16.5 per cent,

backed by positive development in the above-mentioned factors in the second half-year. The financial index (OSE40GI) rose by 25.3 per cent in the same period.

More stringent capital requirements and slightly lower growth in lending affected the price development of the Sbanken share in 2019, which ended at -0.5 per cent in 2019. The average number of Sbanken shares traded per day on Oslo Børs was 94 000 in 2019, compared with 172 000 in 2018. At year-end, Sbanken had a market value of about NOK 8 billion.

Norges Bank raised the key policy rate three times in 2019, from 0.75 per cent to 1.50 per cent. Norwegian money market rates, measured by the 3-month Nibor rate, rose from 1.27 per cent at the start of the year to 1.84 per cent at year-end. Sbanken decided not to raise the interest rate on home loans after Norges Bank's first interest rate adjustment in March due to strong price competition and negative growth in lending. The bank raised its rates on mortgages in both June and September, in line with interest rate increases from Norges Bank and most other banks. The rate on savings accounts was raised, but to a lesser extent than the mortgage rates, which contributed to a stronger net interest margin in the second half-year.

In line with the bank's CSR focus and wish for diversification of sources of financing, Sbanken established a framework in 2019 for issuing green bonds. The framework supports the UN Sustainable Development Goals, and an independent assessment conducted by Sustainalytics confirms that it is in accordance with ICMA's Green Bond Principles.

Moody's upheld its long-term rating of the bank through 2019, and the 'A3 stable outlook' rating was most recently confirmed in the fourth quarter. Covered bonds issued by Sbanken Boligkreditt AS still have an Aaa rating, the highest rating available from Moody's.

In June 2019, the Ministry of Finance proposed more stringent capital requirements as a consequence of the CRR/CRD IV regulations being incorporated into the EEA Agreement. This entailed removal of the Basel-I floor and the introduction of an SME discount, which, seen in isolation, would result in less stringent capital requirements for Norwegian banks in general. The Ministry proposed to gradually increase the systemic risk buffer requirement, from 3.0 per cent to 4.5 per cent up until year-end 2021. This would also apply to Sbanken, even though the regulations did not entail less stringent capital requirements for the bank. After a consultation procedure in which Sbanken also submitted a consultation response, the Ministry concluded that banks that use the standardised approach, like Sbanken, will have until the end of 2022 to adapt to the increased systemic risk buffer requirement. Furthermore, the Ministry has asked the Financial Supervisory Authority to consider the balance between Pillar 1 and Pillar 2 requirements, an initiative endorsed by Sbanken.

In April, the Financial Supervisory Authority set Sbanken's Pillar 2 requirement to 1.5 per cent, among the lowest requirements stipulated for a Norwegian bank. The countercyclical capital

buffer was increased from 2.0 per cent to 2.5 per cent for all Norwegian banks, with effect from year-end 2019. The bank's total requirement for CET1 capital was thus 14.0 per cent, including the increase in the countercyclical capital buffer, and the bank's capital target was 14.5 per cent. Taking into account a dividend of NOK 1.90 per share, Sbanken had a CET1 ratio of 15.6 per cent at year-end. The Board assesses the bank's capital target on an ongoing basis.

Strategy and targets

Sbanken is a fully digital bank with no branches. The bank offers banking services through a user-friendly online bank available across digital platforms, focusing on mobile phones. It is Sbanken's goal to be a challenger bank that meets customers' expectations.

Since its launch 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 that the customer gets a 'fair deal', (ii) to continuously update and improve the range of products based on customer feedback, and (iii) to provide banking products and services across a simple and efficient digital platform with leading user experience and accessibility.

The key pillars of the bank's strategy are: (i) diversified growth in lending through increased sales to existing customers, (ii) taking a leading position in savings and launching banking services for SMEs, (iii) maintaining and developing sound and balanced risk management, (iv) leveraging the scalability of the concept to achieve an attractive return for the owners.

In 2020, the bank will operationalise these strategic goals by realising the potential for cross sales in its own customer portfolio, simplifying the organisational model and increasing efficiency.

At the end of 2019, the bank's financial and operational targets with a horizon until 2022 were as follows:

	Target 2020–2022	2019
Return on equity	14%	11.4%
Annual EPS growth	> 10%	-2.8%
Payout ratio	Up to 30%	29.9%
CET1 ratio	14.5%	15.6%
Cost-to-income ratio	< 34%	40.4%

The targets are based on the bank's current capital requirements. Any future changes to regulations, the macroeconomic climate 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 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 14.1 per cent to NOK 1 564.1 million. The growth in net interest income was the result of an increase in lending to customers of 2.9 per cent, and an increase in the net interest margin from 1.53 per cent to 1.68 per cent. The growth in lending to customers was primarily driven by an increase in mortgages to NOK 1.9 billion in 2019. Consumer loans increased by NOK 328.5 million, corresponding to growth of 17.0 per cent. At year-end 2019, outstanding consumer loans amounted to NOK 2.3 billion, accounting for 2.8 per cent of the bank's loans to customers. Net interest income from this product represented 8.6 (6.9) per cent of the bank's total interest income during the year. Car loans and other products excl. mortgages and consumer loans accounted for 3.4 per cent of total loans to customers at year-end. Earnings from these products were stable compared with 2018.

Net commission income increased by 5.6 per cent to NOK 214.9 (203.6) million. The increase is the result of higher income from card and payment transactions, and increased commission from customers' investments in securities funds.

At year-end 2019, customers' investments in funds under management amounted to NOK 15.8 billion, corresponding to an increase of 37.0 per cent. The net cash flow from customers was positive, ending at NOK 1.4 (1.1) billion. The launch of a new fund distribution platform and a transparent, forward-looking price model was well received by the bank's customers, and at



year-end 2019, the bank's market share for fund savings had increased from 5.1 to 5.7 per cent.

Operating expenses in 2019 increased by 13.3 per cent to NOK 727.2 (642.0) million. The primary reason for the increase in costs was increased depreciation, higher personnel costs relating to the bank's strategic focus on savings and banking services for SME customers, and costs in connection with management restructuring. The bank had a cost-to-income ratio of 40.4 (39.0) per cent in 2019.

The net cost of losses amounted to NOK 153.1 million in 2019, corresponding to a loan loss ratio of 0.19 (0.10) per cent. The increase in provisions for losses had a negative effect on profits in the amount of NOK 69.2 (59.0) million. Actual losses amounted to NOK 85.8 (19.9) million. The increase in losses can mainly be ascribed to a higher loss ratio for consumer loans and calibration of the models used to calculate loss estimates. The debt register introduced in July makes it easier for Sbanken to keep an overview of customers' total loans, which, seen in isolation, makes a positive contribution to the credit risk assessment of new consumer loans.

Tax

Sbanken's tax expense in 2019 amounted to NOK 209.4 (206.0) million, corresponding to an effective tax rate of 22.8 (22.2) per cent. In 2019, the tax rate on ordinary 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 Sbanken Boligkreditt AS's profit is taxed at 22 per cent.

Financing, liquidity and balance sheet

Sbanken's primary source of funding is customer deposits. Customer deposits increased to NOK 52.8 (49.5) billion in 2019. The deposit-to-loan ratio at year-end was 65.1 (62.7) per cent. The ratio increase was in line with the bank's target, and is the result of both a higher deposit margin and the focus on deposits from small businesses.

In 2019, Sbanken issued NOK 0.6 billion in senior unsecured bonds and NOK 3.5 billion in covered bonds. Interest rate and currency risk arising in connection with financing in foreign currency is hedged through hedging transactions in the derivatives market. Sbanken uses the 3-month Nibor rate as its only benchmark rate for capital market financing. Credit spreads on the bank's capital market financing decreased somewhat in 2019, in line with the rest of the market. At year-end 2019, total capital market financing amounted to NOK 31.3 (34.3) billion. Covered bonds issued by Sbanken Boligkreditt AS accounted for NOK 28.3 (29.9) billion of this amount, while senior unsecured bond and certificate debt in Sbanken ASA accounted for NOK 3.0 (4.4) billion. Market financing through the bond market will continue to be an important source of funding going forward.

Equity increased to NOK 6.9 (6.2) billion in 2019. The increase is mainly the result of the retained share of net profit.

At year-end, Sbanken had liquid assets amounting to NOK 11.0 (11.9) billion. They consisted of NOK 1.9 (0.6) billion in short-term loans to other credit institutions and central banks, and NOK 9.1 (11.2) billion in interest-bearing securities, mainly issued by states and municipalities, as well as covered bonds. At year-end, the bank had a liquidity coverage ratio (LCR) of 252 (258) per cent. The bank's net stable funding ratio (NSFR) was 137 (137) per cent.

Assets under management increased from NOK 91.5 billion in 2018 to NOK 93.0 billion at the end of 2019. This was primarily due to an increase in lending to customers of NOK 2.3 billion in 2019. At year-end 2019, 45 (46) per cent of the bank's loans had been sold to the subsidiary Sbanken Boligkreditt AS.

Dividend and allocation of profit

Sbanken aims to ensure an attractive and competitive return and to facilitate planned growth, with an aim to create long term value for the shareholders through positive share price development and dividend payments. Sbanken's target for the period 2019-2021 is to distribute up to 30 per cent of its net profit as annual dividend. The dividend proposal for 2019 has taken into account the bank's growth targets, strategic plans and current capital adequacy requirements. The Board of Directors has proposed a dividend for 2019 of NOK 1.90 per share, corresponding to a payout ratio of 29.9 per cent. The Board proposes the following allocation of the net profit for 2019:

	NOK 1 000
Parent bank's net profit for the year	547 780
Allocated to hybrid capital investors	31 972
Allocated to equity investors	515 808
Dividend	203 052
Retained earnings	312 756
Total	515 808

In the Board's opinion, given the proposed allocation, Sbanken will be in a strong financial position with sound capital adequacy to support the bank's planned growth and activities.

Risk and capital adequacy

Capital adequacy

At year-end, the bank had a CET1 ratio of 15.6 (14.6) per cent, compared with a required rate of 14.0 per cent. The total capital adequacy ratio at year-end was 19.9 (17.7) per cent. At the same time, the bank had a leverage ratio of 6.7 (6.1) per cent, while the regulatory requirement is 5.0 per cent.

In 2018, the Ministry of Finance decided to raise the countercyclical capital buffer requirement for Norwegian banks from 2.0 per cent to 2.5 per cent, with effect from 31 December 2019. In April, the Financial Supervisory Authority decided to raise the

bank's Pillar 2 requirement to 1.5 per cent. In December, the Ministry of Finance decided that the systemic risk buffer increase resulting from the introduction of CRR/CRD IV in Norway will be postponed until 31 December 2022 for Sbanken and other banks using the standardised approach.

Risk management

Sbanken's core business is to offer banking services such as deposits, savings, loans and payment services to private individuals and SME customers. 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 private individuals 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 a set framework for defining the implementation of the desired risk appetite in its risk management. The framework ensures that actual risks taken by the business are linked to 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 risk and strategic 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, at the same time as any pledged collateral fails to cover the outstanding claim.

Sbanken's lending consists of credit to individuals, primarily in the form of home loans, 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, with a mortgage portfolio with a relatively low loan-to-value (LTV) ratio. At year-end 2019, the weighted average LTV ratio for mortgages was 54.3 (54.4) per cent.

When granting credit, an automated credit decision system is used that evaluates 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.

Sbanken's excess liquidity is invested in short-term loans to other financial institutions, interest-bearing securities issued by states and municipalities, and covered bonds.

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 an EMTN programme for financing in foreign currency in order to increase the diversification of the bank's sources of funding. At the turn of the year, financing in foreign currency amounted to EUR 500 million. Currency and

interest rate risk arising in connection with this type of financing is hedged through hedging transactions in the derivatives market. Sbanken had no loans in foreign currency at the turn of the year. The group's currency risk is low and within limits adopted by the Board.

The bank mainly offers loans with variable interest rates, but also launched fixed-rate loans in 2019. The interest risk that arises when fixed-interest loan agreements are entered into is hedged by using interest swap agreements. All deposits in the bank have variable interest rates, while the 3-month Nibor rate is the benchmark rate for the bank's capital market financing. This also applies to financing in foreign currency where interest rate and currency swaps have been entered into in NOK. This ensures 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 credit spread for these instruments. The bank calculates its exposure to credit spread in accordance with the method for assessing risk and capital needs prescribed by the Financial Supervisory Authority (Circular 12/2016). The bank's credit spread risk at year-end was calculated at NOK 164.7 (161.2) million and is related to interest-bearing securities issued by municipalities and to covered bonds.

The bank has limited share price risk, and the exposure at year-end amounted to NOK 169.1 (156.8) million. Of this amount, NOK 115.0 (104.0) million is related to the value of Sbanken's holding in VN Norge AS, while NOK 39.5 million is related to the bank's holding in Vipps AS. The remaining NOK 14.6 million is related to the holding in Quantfolio AS and a few minor securities investments.

Liquidity risk

Liquidity risk comprises refinancing risk, which is the risk of the bank being unable to refinance its obligations as they fall due, 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 ensuring that the refinancing risk is managed within the risk appetite set by the Board. In order to keep this risk within the limits of the defined risk appetite, the bank has established limits that ensure a balanced maturity structure and diversification of sources of borrowing. The bank aims for a low short-term refinancing risk and carries out liquidity stress tests with scenarios that cover both liquidity stress in the market and for the group seen in isolation. Liquidity risk is followed up at company level and for the group as a whole.

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 and established procedures in case of critical events.



Conduct risk, cyber risk and compliance risk are managed under operational risk. Sbanken has a very low tolerance for compliance breaches, and the bank's reputation and 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.

Owner risk

Owner risk is defined as the risk of negative results from the group's holdings in strategically owned companies, in addition to the need for infusing more equity into these companies. Investments in strategically owned companies are considered by the Board, and the bank's appetite for owner risk is low.

Commercial risk and strategic risk

Commercial risk is the risk of a material reduction in the bank's earnings. It includes changes in volumes, interest margins and other price changes associated with borrowing and lending, as well as weaker net commission income and that these changes result in the bank's earnings being insufficient to cover costs. The risk can arise as a result of changes in economic conditions, changes in competition and changed customer behaviour.

Sbanken's measurement of commercial risk takes into account changes that arise from credit losses, and other risk such as market risk, liquidity risk and operational risk. The size of the commercial risk is primarily affected by variations in net interest and commission income. The bank manages its commercial 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, the regulatory system 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 controls at least quarterly. Sbanken conducts an 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 shortcomings 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 governance for the different models.

Technology and product development

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. In 2019, Sbanken launched a new fund distribution platform with a new, forward-looking price structure. In the second quarter, the bank launched corporate banking services based on new technology, developed from scratch. The bank was one step ahead of the implementation of the Revised Payment Services Directive (PSD2), with a fully compliant platform for account aggregation and payment authorisations. 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 platform, the bank achieves competitive advantages in technological developments. This makes Sbanken a leader in terms of customer experience.

The 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 provide competitive advantages. Operation of application platforms shall be outsourced when possible, and third-party interfaces shall be standardised. The right expertise and expedient utilisation of partners and suppliers help to ensure a robust, flexible and cost-effective platform.

Sbanken places great emphasis on security. The bank received the Fidus Award in 2010, 2011 and 2016, and was among the finalists in 2019. The investment in security is assured through a competent security organisation and exchange of information in industry forums. The bank continuously monitors IT stability. Despite new launches and products in 2019, user-perceived stability was satisfactory and in line with stringent internal targets.

Corporate governance

Sbanken follows the Norwegian Code of Practice for Corporate Governance (NUES), updated as of 1 October 2018, as described in a separate chapter in the annual report. The Board of Sbanken ASA held 11 meetings in 2019.

One of the Board's main priorities in 2019 has been the development of the new savings platform and the launch of banking services for small businesses. In parallel with these initiatives, the Board has emphasised ensuring that the organisation has sufficient capacity to be able to further develop the bank's existing solutions. The Board has also worked on identifying and recruiting the right person to lead Sbanken into the next phase. In the second half-year of 2019, the Board appointed Øyvind Thomassen as the new CEO.

The Board has continued work on ensuring that expedient procedures for internal control and satisfactory systems, procedures, capacity and expertise are in place in the organisation. The bank's financial results, funding and risk management have also been priorities, in addition to a focus on and understanding of consequences of changes in the macroeconomic and regulatory environment. The Board has also focused on diversifying the bank's sources of financing and expanding the bank's 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.

Corporate social responsibility

It is Sbanken's ambition to exert a positive influence on people, society and the environment. To achieve this, the bank focuses on financial, environmental, social and commercial factors alike. The focus on sustainability (ESG) includes the bank's operations and own investments, customers, suppliers and other business partners, and the products and services the bank offers. The bank's CSR and sustainability policy is based on Norwegian legislation, the UN Global Compact Principles and the UN Principles for Responsible Investments. The bank supports the Paris Climate Agreement and endeavours to manage the business responsibly in line with the UN Sustainable Development Goals.

The bank strives to promote transparency, honesty and fairness. The principle of a 'fair deal' for employees, customers, owners and society shall be reflected in concepts, product development and pricing. Sbanken shall enable its customers to make smart and socially responsible financial choices.

Diversity, human rights and labour standards

The bank respects human rights and the rights of our employees, as set forth in Norwegian and international legislation. The bank does not tolerate any form of discrimination, including verbal, physical and sexual harassment. This includes a commitment to combat discrimination based on gender, ethnicity, skin colour, language, religion, sexual orientation, physical disability, political views or other opinions, national or social background and affiliation with national minorities.

Equality

The bank focuses on giving men and women equal opportunities and has established an equality indicator intended to ensure a gender balance in connection with new appointments, equal opportunities for competence development and promotion for employees regardless of gender, and gender balance among key personnel. The bank also focuses on equal pay for equal responsibility and authority.

At year-end 2019, Sbanken had a workforce corresponding to 370 full-time equivalents, of which 49 per cent were women and 51 per cent men. The Board consists of eight members; four women and four men. The shareholder-elected members comprise three men and three women. As of year-end 2019, the executive management team consisted of six members; one woman and five men. The Board and management team of Sbanken make targeted efforts to improve the gender balance among executives.

Working environment, sickness absence and HSE

Sickness absence was reduced from 5.2 per cent in 2018 to 4.4 per cent in 2019. 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. In 2019, the

bank conducted one organisational survey: Barrett Value Centre. The result shows a slightly greater deviation than the year before, which we take very seriously, and management is working on measures to ensure the best possible working environment in the bank. There were no workplace accidents in 2019. The bank's management has not received any reports of matters warranting criticism in the workplace.

Climate and environment

Sbanken shall contribute to sustainable development and continuously strive to minimise its negative environmental impact. The direct impact of the business on the climate and the environment is mainly related to general consumption and energy consumption in 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 (GHG) and makes systematic efforts to reduce its own climate footprint. In 2019, Sbanken's certification was renewed for another three years, and it thereby meets stringent criteria for environmental operations and a good working environment in accordance with the requirements. As part of the bank's focus on sustainable development, Sbanken will improve reporting of its environmental footprint.

The bank seeks continuously to develop new products and solutions that reduce its impact on the environment. Online applications for and signature of credit agreements, mobile banking, text message services and electronic distribution of letters and agreements all contribute to reducing both logistics and paper consumption. The goal is for all processes to become paperless.

The bank takes responsibility for its environmental and social impact by making efforts to achieve sustainable, environmentally friendly procurements and requiring suppliers to sign the bank's CSR self-declaration.

Money laundering, corruption and financing of terrorism

The bank takes a determined and risk-based approach to preventing money laundering, financing of terrorism, corruption and tax evasion. The company has an established anti-money laundering policy, which sets out control and surveillance mechanisms, risk analyses and activities that ensure adequate control of identified risks. Internal activities are coordinated by dedicated anti-money laundering staff. Employees receive training in issues relating to economic crime and measures to combat financing of terrorism.

Sbanken's internal code of ethics sets out criteria and guidelines aimed to strengthen awareness of, and compliance with, the high ethical standards required of all employees and the Board. All new employees receive training in the code of ethics, and a mandatory annual review is conducted for all the bank's employees and the Board.

Socially responsible investments

The bank does not invest its own funds in companies that, either themselves or through entities they control, violate international standards for human rights, labour rights, the environment or corruption.

Responsible saving

Sbanken shall help customers to save in a sustainable and socially responsible manner.

Ethical labelling of funds

In 2010, Sbanken became the first Norwegian bank to introduce ethical labelling of mutual funds. Sbanken analyses and assigns ethical labels to funds in accordance with the UN Global Compact, UNPRI and the Government Pension Fund's blacklist. By highlighting the funds' ethical profile, the bank makes it easier for customers to choose ethical investments.

Requirements and follow-up of investment managers

Sbanken expects managers who offer their funds via the bank's platform to integrate environmental, social and governance (ESG) criteria in their management. The bank's advisers engage in dialogue with the investment managers and recommend that they sell their units in companies that breach the bank's principles for a positive ethical profile. The purpose of influencing investment managers instead of excluding funds from our platform is to help to introduce increasingly higher ethical standards in the investment fund industry.

Pooled Engagement

Sbanken exerts influence on companies that violate international laws and principles for responsible business conduct. By subscribing to a service called Pooled Engagement, which was established and is operated by the bank's partner ISS-ESG, the bank joins forces with other banks and financial institutions to exercise influence on companies. ISS-ESG identifies breaches in the companies and contacts them on behalf of the bank and other companies subscribing to their services.

Data protection and information security

Sbanken processes large amounts of customer data. The bank has established guidelines for information security that set out the protective measures designed to prevent undesired deviations relating to confidentiality, integrity, accessibility and traceability. The bank has a dedicated data protection officer and a dedicated employee responsible for information security. The Board focuses on ensuring that the bank handles data protection and information security in an expedient manner.

Subsequent events

The Board has proposed a dividend of NOK 1.90 per share for 2019, corresponding to 29.9 per cent of the net profit. In its evaluation, the Board has taken capital adequacy, regulatory requirements and the bank's growth ambitions into account.

Outlook

At year-end 2019, both Statistics Norway (SSB) and Norges Bank's prognoses indicated a balanced outlook for the Norwegian economy, with expectations of moderate GDP growth, a stable unemployment rate and a balanced housing market. Since the turn of the year, the outbreak of the COVID-19 coronavirus has changed the outlook significantly. The virus has spread from China to large parts of the world, including Europe and Norway, and has caused great turmoil in the Norwegian and international capital markets.

On 11 March 2020, the World Health Organization (WHO) officially recognised the outbreak as a pandemic. On 12 March, the Norwegian Government announced that extensive measures would be implemented to combat the outbreak, including the closure of schools and kindergartens. Many businesses were forced to temporarily lay off staff in March, which has led to a major increase in registered unemployment in Norway. Many businesses have also lost their revenue stream and are facing an uncertain future. Sbanken has established a crisis management team to deal with the effects of the outbreak as expediently as possible in relation to staff, customers, investors and other stakeholders. The bank's fully digital business model enables staff to work effectively from home, and since the Government's measures were announced on 12 March, only a handful of the bank's staff have worked from the head office.

On 13 March, the Ministry of Finance followed Norges Bank's advice to lower the countercyclical buffer requirement for banks from 2.5 to 1 per cent, effective immediately. Sbanken's updated minimum CET1 requirement is 12.5 per cent. Norges Bank has reduced the key policy rate twice after two extraordinary interest rate meetings in March, first from 1.5 per cent to 1 per cent, then to 0.25 per cent, a record-low level for the Norwegian key policy rate. Sbanken followed suit and cut the interest rate on mortgages twice by in sum up to 1 per cent. The bank has also expanded the offer of a three-month instalment-free period to apply to all home loan customers. In order to support liquidity in the interbank market, Norges Bank has introduced extraordinary F-loans with a maturity of up to 12 months.

Based on Sbanken's strong capital situation, healthy liquidity position and conservative lending portfolio, consisting of 94 per cent home loans with a low LTV ratio, the Board considers the bank to be well positioned to handle the situation. The bank will support its customers by continuing to offer attractive products at competitive terms. The long-term financial implications of the virus outbreak are at this point difficult to predict, but the Board and management of Sbanken are making targeted efforts to minimise the negative consequences of the outbreak.

Thanks

The Board of Directors wishes to thank all employees for their great efforts and teamwork in 2019. The Board would also like to thank the bank's customers, shareholders, partners and suppliers for their support of the bank in 2019.

Bergen, 31 March 2020
The Board of Directors of Sbanken ASA



Niklas Midby
(Chair of the Board)



Mai-Lill Ibsen



August Baumann



Hugo Maurstad



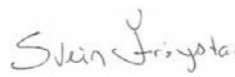
Ragnhild Wiborg



Cathrine Klouman



Karianne Mjøs-Haugland



Svein Frøystad



Øyvind Thomassen
(CEO)



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Income statement

Sbanken ASA (parent company)			Sbanken ASA Group		
2018	2019	In NOK thousand	Note	2019	2018
1 591 331	1 920 230	Interest income from financial instruments using the effective interest method	27	2 719 164	2 275 239
0	0	Other interest income	27	0	0
-469 338	-592 746	Interest expense	27	-1 155 037	-903 999
1 121 993	1 327 485	Net interest income		1 564 127	1 371 240
314 056	344 607	Commission and fee income	28	344 607	314 056
-110 457	-129 683	Commission and fee expense	28	-129 683	-110 457
203 599	214 924	Net commission and fee income		214 924	203 599
75 799	37 479	Net gain/(loss) on financial instruments	29	20 553	71 256
6 599	7 032	Other income		225	119
82 398	44 512	Other operating income		20 778	71 376
-281 666	-342 506	Personnel expenses	32, 44	-342 921	-282 150
-342 657	-301 034	Administrative expenses	30, 31	-303 070	-345 811
-14 031	-81 249	Depreciation and impairment of fixed and intangible assets	30	-81 249	-14 031
769 636	862 132	Profit before loan losses		1 072 589	1 004 223
-74 059	-150 945	Loan losses	14	-153 149	-75 513
695 577	711 187	Profit before tax		919 440	928 710
-152 250	-163 408	Tax expense	33	-209 388	-205 990
543 327	547 780	Profit for the period		710 052	722 720
		Attributable to			
517 946	515 808	Shareholders	48	678 080	697 339
25 381	31 972	Additional Tier 1 capital holders	20	31 972	25 381
543 327	547 780	Profit for the period		710 052	722 720

Earnings per share, see note 47.

Statement of comprehensive income

Sbanken ASA (parent company)			Sbanken ASA Group		
2018	2019	In NOK thousand	Note	2019	2018
543 327	547 780	Profit for the period		710 052	722 720
		Other comprehensive income:			
-22 878	-9 754	Net change in fair value of financial instruments at fair value through other comprehensive income (OCI)		-7 226	-42 292
6 360	2 332	Tax effect	33	1 570	10 967
-16 518	-7 422	Other comprehensive income that can be reclassified to profit or loss after tax		-5 656	-31 325
4 093	1 371	Actuarial gains (losses)	44	1 371	4 093
-1 131	-343	Tax effect	33	-343	-1 131
2 962	1 028	Other comprehensive income that can-not be reclassified to profit or loss after tax		1 028	2 962
-13 556	-6 394	Total components of other comprehensive income (after tax)		-4 628	-28 363
529 771	541 386	Total comprehensive income for the period		705 424	694 357
		Attributable to			
504 390	509 414	Shareholders		673 452	668 976
25 381	31 972	Additional Tier 1 capital holders	20	31 972	25 381
529 771	541 386	Total comprehensive income for the period		705 424	694 357

Balance sheet

Sbanken ASA (parent company)			Sbanken ASA Group		
31.12.18	31.12.19	In NOK thousand	Note	31.12.19	31.12.18
		Assets			
393 148	1 587 606	Cash and receivables with central bank	8, 13	1 587 606	393 148
2 183 558	3 184 035	Loans to and receivables from credit institutions	8, 12	286 802	229 401
44 622 110	46 867 863	Loans to customers	7, 8, 9, 10, 11	81 233 217	79 020 747
47 198 816	51 639 504	Net loans to customers, central bank and credit institutions		83 107 625	79 643 295
12 401 301	11 333 527	Commercial paper and bonds	8, 15, 34, 35	9 087 319	11 244 999
385 957	403 902	Shares and funds	8, 36, 38	171 680	156 769
0	134	Derivatives		201 975	201 977
1 699 880	1 699 880	Shares in subsidiary	36	0	0
110 624	135 376	Intangible assets	40	135 376	110 624
11 466	12 409	Deferred tax assets	33	17 915	17 253
18 607	164 782	Property, plant and equipment	41, 42	164 782	18 607
94 278	89 168	Other assets	39	88 588	93 702
23 481	30 425	Advance payment and accrued income		30 425	23 481
61 944 410	65 509 106	Total assets		93 005 685	91 510 707
		Liabilities			
1 002 104	1 701 739	Loans and deposits from credit institutions	12, 17, 18	0	0
49 534 250	52 844 881	Deposits from customers	17, 18, 22	52 844 881	49 534 250
4 446 914	3 033 344	Debt securities issued	17, 18, 21	31 304 025	34 309 941
156 398	162 305	Taxes payable	33	208 769	209 036
30 797	27 494	Pension commitments	44	27 494	30 797
323 656	515 916	Other liabilities	43	834 679	578 022
649 294	899 438	Subordinated loans	17, 18, 19	899 438	649 294
56 143 413	59 185 117	Total liabilities		86 119 287	85 311 340
		Equity			
1 068 693	1 068 693	Share capital	46	1 068 693	1 068 693
2 625 895	2 625 895	Share premium		2 625 895	2 625 895
504 978	705 858	Additional Tier 1 capital	20	705 858	504 978
1 601 431	1 923 543	Other equity		2 485 952	1 999 801
5 800 997	6 323 989	Total equity		6 886 398	6 199 367
61 944 410	65 509 106	Total liabilities and equity		93 005 685	91 510 707

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
Balance sheet as at 01.01.18	1 068 693	2 625 895	504 683	-21 768	13 897	1 419 437	5 610 837
Profit for the period to other equity						697 339	697 339
Profit for the period to Tier 1 capital holders			25 381				25 381
Payments to Tier 1 capital holders			-25 086				-25 086
Actuarial gains and losses for the period				2 962			2 962
Net change in fair value of financial instruments available for sale					-31 325		-31 325
Payments related to share incentive program						-589	-589
Paid dividend to shareholders						-80 152	-80 152
Balance sheet as at 31.12.18	1 068 693	2 625 895	504 978	-18 806	-17 428	2 036 035	6 199 367
Profit for the period to other equity						678 080	678 080
Profit for the period to Tier 1 capital holders			31 972				31 972
Payments to Tier 1 capital holders			-31 092				-31 092
Issue of Tier 1 capital			200 000			-148	199 852
Actuarial gains and losses for the period				1 028			1 028
Net change in fair value of financial instruments available for sale					-5 656		-5 656
Payments related to share incentive program						-131	-131
Paid dividend to shareholders						-187 021	-187 021
Balance sheet as at 31.12.19	1 068 693	2 625 895	705 858	-17 778	-23 084	2 526 815	6 886 398

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
Balance sheet as at 01.01.18	1 068 693	2 625 895	504 683	-21 768	12 995	1 186 553	5 377 052
Profit for the period to other equity						517 946	517 946
Profit for the period to Tier 1 capital holders			25 381				25 381
Payments to Tier 1 capital holders			-25 086				-25 086
Actuarial gains and losses for the period				2 962			2 962
Net change in fair value of financial instruments available for sale					-16 518		-16 518
Payments related to share incentive program						-589	-589
Paid dividend to shareholders						-80 152	-80 152
Balance sheet as at 31.12.18	1 068 693	2 625 895	504 978	-18 806	-3 523	1 623 758	5 800 997
Profit for the period to other equity						515 808	515 808
Profit for the period to Tier 1 capital holders			31 972				31 972
Payments to Tier 1 capital holders			-31 092				-31 092
Issue of Tier 1 capital			200 000			-148	199 852
Actuarial gains and losses for the period				1 028			1 028
Net change in fair value of financial instruments available for sale					-7 422		-7 422
Payments related to share incentive program						-131	-131
Paid dividend to shareholders						-187 021	-187 021
Balance sheet as at 31.12.19	1 068 693	2 625 895	705 858	-17 778	-10 945	1 952 266	6 323 989

Statement of Cash Flows 01.01-31.12

Sbanken ASA (parent company)			Sbanken ASA Group		
2018	2019	In NOK thousand	Note	2019	2018
Cash flows from operating activities					
-987 204	-2 390 604	Net payments on loans to customers	8, 9,10	-2 349 722	-7 032 237
1 392 400	1 608 598	Interest received on loans to customers	27	2 492 549	2 128 285
2 342 876	3 315 842	Net receipts on deposits from customers	22	3 315 842	2 342 876
-339 559	-484 240	Interest paid on deposits from customers	27	-484 240	-339 559
-260 913	-76 860	Payments on loans to group company		0	0
28 025	47 074	Interest received on loans to group company		0	0
-2 405 520	1 041 078	Net receipts/payments from buying and selling financial instruments at fair value	35	2 128 975	-2 007 484
147 616	232 514	Interest received from commercial paper and bonds	27	189 369	126 510
0	0	Receipts of collateral related to derivatives used in hedge accounting		36 671	185 376
0	0	Net receipts/payments on deposits from credit institutions	12	0	0
-225	-969	Interest paid on deposits from credit institutions		-969	-225
38 573	21 425	Interest received on loans to credit institutions and central bank	27	22 050	10 553
312 909	335 032	Receipts related to commissions and fees	28	335 032	312 909
-118 087	-132 072	Payments related to commissions and fees	28	-132 072	-118 087
-329 799	-307 299	Payments related to administrative expenses	30, 31	-309 880	-333 418
-286 542	-312 349	Payments related to personnel expenses	32	-312 767	-287 022
-163 904	-156 397	Taxes paid	33	-209 035	-208 132
65 340	38 093	Other receipts/payments		35 635	110 883
-564 014	2 778 866	Net cash flows from operating activities		4 757 438	-5 108 772
Cash flows from investment activities					
-250 000	0	Capital increase in subsidiary		0	0
-100 000	0	Payment of additional Tier 1 capital to group company		0	0
0	-1 765	Invested in associated company	36	-1 765	0
-15 367	-4 021	Payments on the acquisition of fixed assets	41, 42	-4 021	-15 367
-68 838	-69 040	Payments on the acquisition of intangible assets	40	-69 040	-68 838
-434 205	-74 826	Net cash flows from investment activities		-74 826	-84 205
Cash flows from financing activities					
0	0	Receipts on share capital and share premium net of issuing cost	EQ	0	0
-80 152	-187 021	Paid dividend to shareholders	EQ	-187 021	-80 152
0	250 000	Receipts on subordinated loans	19	250 000	0
-19 412	-25 052	Interest paid on subordinated loans	27	-25 052	-19 412
0	200 000	Receipts on issued additional Tier1 capital	20	200 000	0
-25 086	-31 092	Interest paid on additional Tier 1 capital	EQ	-31 092	-25 086
900 000	850 000	Receipts on issued bonds and commercial paper	21	4 800 000	10 605 000
-1 196 927	-2 262 390	Payments on matured and redeemed bonds and commercial paper	21	-7 814 867	-6 131 638
-71 087	-80 398	Interest paid on issued bonds and commercial paper	27	-622 721	-480 388
-492 664	-1 285 953	Net cash flows from financing activities		-3 430 753	3 868 324
-1 490 883	1 418 087	Total net cash flow		1 251 859	-1 324 653
1 947 045	456 163	Cash at the beginning of the period		622 549	1 947 202
456 163	1 874 250	Cash at the end of the period		1 874 408	622 549
-1 490 883	1 418 087	Change in cash		1 251 859	-1 324 653
Cash					
393 148	1 587 606	Cash and receivables with central bank		1 587 606	393 148
63 015	286 644	Loans to credit institutions		286 802	229 401
456 163	1 874 250	Total cash		1 874 408	622 549

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 2019.

The financial statements for the parent bank Sbanken ASA were prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act Section 3-9 and the Regulations relating to Simplified 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 2019.

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 31 March 2020.

3. New and revised standards for the 2019 fiscal year

IFRS 16 – 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 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 will not be restated. The right-of-use asset and the lease liability will be 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 will be 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.

Note 1 – Accounting principles (continued)

4. New and revised standards for the 2020 fiscal year or later

Following the IBOR reform, ISAB in September announced changes to IFRS 9 and IFRS regarding hedge accounting and the strict requirement on probable expected transaction, in addition to updated note principles. The changes are effective from 1 January 2020. The IBOR reform has created uncertainty around agreed cash flows and hedging based on reference rates and the IASB announced changes ensures that one can continue with the hedge relationship as before. Sbanken ASA has through the daughter company Sbanken Boligkreditt AS only one hedge in Euro where Nibor is the reference rate.

There are no standards or interpretations yet to come into effect, that is expected to significantly affect the group'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.

Note 1 – Accounting principles (continued)

8. 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

9. 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 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.

Note 1 – Accounting principles (continued)

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.

10. 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.

11. 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 relationship takes place when the hedging relationship 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 to hedged instruments recognised in other comprehensive income.

12. 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.

Note 1 – Accounting principles (continued)

13. 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 38 for a description of the fair value hierarchy.

14. Dividend

Dividend from investments is recognised when the company has an unconditional right to receive the dividend.

The proposed dividend is recognised as a liability from the time the general meeting adopts a resolution on the distribution of dividend.

15. 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.

16. 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.

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.

17. 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.

Note 1 – Accounting principles (continued)

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.

18. 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.

19. 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.

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 32 and 45 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 38 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.

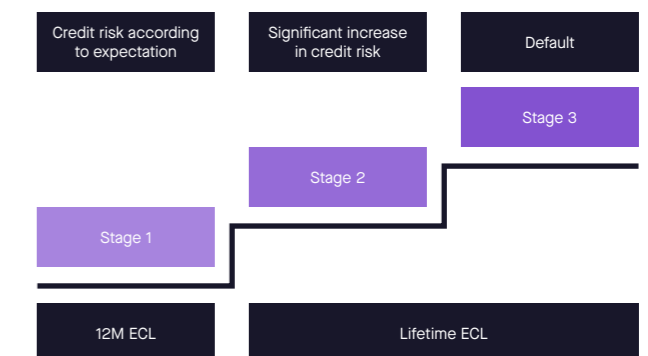
The new principles for impairment in IFRS 9 apply to financial instruments that are debt instruments and that are measured at amortised cost or at fair value through other comprehensive income (OCI). They also include loan commitments.

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.



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.

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

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 the other portfolios, a constant cure rate is applied. This constant varies across products.

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 exposures, the bank has entered into an agreement with a third party to sell non-performing loans at a predetermined price. The terms of this contract are central to the estimation of LGL for these products.

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.

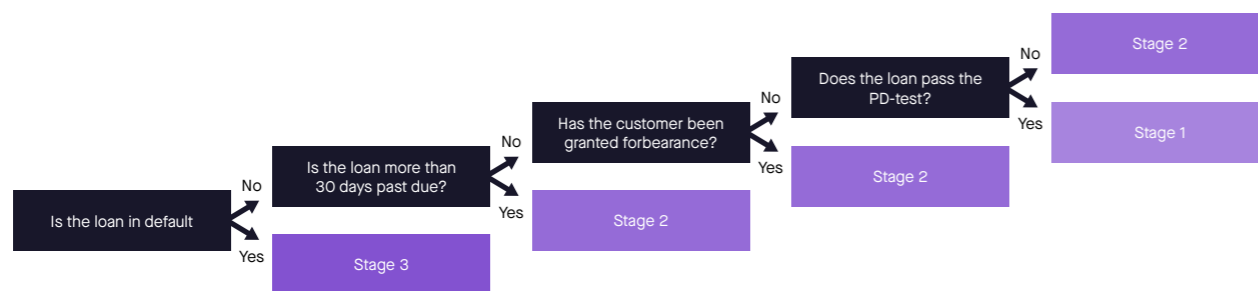
2.1 Significant increase in credit risk

Migration from Stage 1 to Stage 2 is determined by the 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.



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

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.

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

After the introduction of IFRS 9, the bank has changed the definition of default from 60 days (as of 31 Dec. 2017) to 90 days (as of 1 Jan. 2018). Pursuant to the new definition, 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.

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.

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) In NOK thousand House price changes	Sbanken ASA Group			
	Change in Stage 1	Change in Stage 2	Change in Stage 3	Total change in expected credit loss (ECL) in NOK
10 % increase	-850	-5 141	-6 629	-12 620
5 % increase	-472	-2 366	-3 620	-7 055
5 % decrease	555	3 720	4 588	8 862
10 % decrease	1 198	8 358	9 957	19 513
20 % decrease	2 733	20 152	22 694	45 579
30 % decrease	4 636	34 762	37 319	76 717
40 % decrease	6 920	51 658	53 967	112 545
60 % decrease	12 497	90 958	88 936	192 392

The sensitivity analysis has been based on total home loans and stage distribution of loans per 31.12.19. No adjustments have been made for any changes in the default rate due to house prices rising or decreasing.

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 macroeconomic 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 (continued)

In NOK thousand	Sbanken ASA Group			
	31.12.19		31.12.18	
Specification of risk-weighted volume	Nominal exposure	Risk-weighted volume	Nominal exposure	Risk-weighted volume
Central governments	2 232 664	0	1 088 815	0
Regional governments	902 805	64 881	3 463 197	525 315
Multilateral Development Banks	627 533	0	573 741	0
Institutions	732 265	85 333	381 996	76 399
Retail	9 756 799	4 246 600	9 629 797	4 113 103
Secured by mortgages on immovable property	89 475 944	29 015 590	87 029 819	28 158 968
Exposures in default	466 999	584 212	338 266	402 253
Covered bonds	6 624 238	662 424	6 529 644	652 964
Equity	171 680	174 695	156 769	353 829
Other items	192 523	192 523	47 847	47 847
Total credit risk, standardised method	111 183 450	35 026 258	109 239 891	34 330 678
Credit value adjustment risk (CVA)		31 257		52 746
Operational risk		2 546 153		2 794 674
Total risk-weighted volume		37 603 668		37 178 098
Capital base				
Share capital		1 068 693		1 068 693
Share premium		2 625 895		2 625 895
Other equity		2 485 952		1 999 801
Additional Tier 1 capital		705 858		504 978
Total booked equity		6 886 398		6 199 367
Additional Tier 1 capital instruments included in total equity		-705 858		-504 978
Common equity Tier 1 capital instruments		6 180 540		5 694 389
<i>Deductions</i>				
Goodwill, deferred tax assets and other intangible assets		-101 531		-82 968
Value adjustment due to the requirements for prudent valuation (AVA)		-9 257		-11 397
Profit for the period, not eligible ¹		-203 052		-187 021
Common equity Tier 1 capital		5 866 700		5 413 002
Additional Tier 1 capital		700 000		500 000
Tier 1 capital		6 566 700		5 913 002
Tier 2 capital		900 000		650 000
Own funds (primary capital)		7 466 700		6 563 002
Capital requirements				
Minimum requirements - common equity Tier 1 capital	4.5%	1 692 165	4.5%	1 673 014
Capital conservation buffer	2.5%	940 092	2.5%	929 452
Systemic risk buffer	3.0%	1 128 110	3.0%	1 115 343
Countercyclical capital buffer	2.5%	940 092	2.0%	743 562
Additional Tier 1 capital	1.5%	564 055	1.5%	557 671
Tier 2 capital	2.0%	752 073	2.0%	743 562
Total minimum and buffer requirements own funds (primary capital)	16.0%	6 016 587	15.5%	5 762 604
Available common equity Tier 1 capital after buffer requirements		1 166 241		800 397
Available own funds (primary capital)		1 450 113		800 397
Capital ratio %				
Common equity Tier 1 capital		15.6%		14.6%
Additional Tier 1 capital		1.9%		1.3%
Tier 2 capital		2.4%		1.7%
Total capital ratio		19.9%		17.7%

¹ Adjusted for proposed dividend.

Note 4 – Capital adequacy (continued)

In NOK thousand	Sbanken ASA (parent company)			
	31.12.19		31.12.18	
Specification of risk-weighted volume ¹	Nominal exposure	Risk-weighted volume	Nominal exposure	Risk-weighted volume
Central governments	2 196 679	0	1 043 361	0
Regional governments	897 299	51 115	3 457 411	510 851
Multilateral Development Banks	627 533	0	573 741	0
Institutions	35 513 006	3 724 152	36 567 216	3 759 457
Retail	9 756 799	4 246 600	9 629 797	4 113 103
Secured by mortgages on immovable property	55 183 361	16 950 279	52 688 420	16 093 779
Exposures in default	394 229	511 442	281 029	345 016
Covered bonds	8 580 387	858 039	7 404 737	740 474
Equity	1 871 560	1 874 575	1 856 649	2 053 709
Other items	193 103	193 103	48 422	48 422
Total credit risk, standardised method	115 213 956	28 409 305	113 550 783	27 664 811
Credit value adjustment risk (CVA)		611		0
Operational risk		2 214 005		2 462 797
Total risk-weighted volume		30 623 921		30 127 607
Capital base				
Share capital		1 068 693		1 068 693
Share premium		2 625 895		2 625 895
Other equity		1 923 543		1 601 432
Additional Tier 1 capital		705 858		504 978
Total booked equity		6 323 989		5 800 998
Additional Tier 1 capital instruments included in total equity		-705 858		-504 978
Common equity Tier 1 capital instruments		5 618 131		5 296 020
<i>Deductions</i>				
Goodwill, deferred tax assets and other intangible assets		-101 531		-82 968
Value adjustment due to the requirements for prudent valuation (AVA)		-11 409		-12 457
Profit for the period, not eligible ¹		-203 052		-187 021
Common equity Tier 1 capital		5 302 139		5 013 573
Additional Tier 1 capital		700 000		500 000
Tier 1 capital		6 002 139		5 513 573
Tier 2 capital		900 000		650 000
Own funds (primary capital)		6 902 139		6 163 573
Capital requirements				
Minimum requirements - common equity Tier 1 capital	4.5%	1 378 076	4.5%	1 355 742
Capital conservation buffer	2.5%	765 598	2.5%	753 190
Systemic risk buffer	3.0%	918 718	3.0%	903 828
Countercyclical capital buffer	2.5%	765 598	2.0%	602 552
Additional Tier 1 capital	1.5%	459 359	1.5%	451 914
Tier 2 capital	2.0%	612 478	2.0%	602 552
Total minimum and buffer requirements own funds (primary capital)	16.0%	4 899 827	15.5%	4 669 778
Available common equity Tier 1 capital after buffer requirements		1 474 149		1 398 260
Available own funds (primary capital)		2 002 311		1 493 794
Capital ratio %				
Common equity Tier 1 capital		17.3%		16.6%
Additional Tier 1 capital		2.3%		1.7%
Tier 2 capital		2.9%		2.2%
Total capital ratio		22.5%		20.5%

¹ Adjusted for proposed dividend.

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		
31.12.18	31.12.19	In NOK thousand	31.12.19	31.12.18	
0	134	Derivatives at market value	134	16 600	
0	408	Potential future exposure on derivatives	48 458	48 050	
36 641 116	35 377 024	Off-balance sheet commitments	5 886 915	5 740 983	
61 833 786	65 373 596	Loans and advances and other assets	92 668 332	91 198 106	
0	0	Regulatory adjustments included in Tier 1 capital	0	0	
98 474 902	100 751 162	Total leverage exposure	98 603 839	97 003 739	
5 513 573	6 002 139	Tier 1 capital¹	6 566 700	5 913 002	
5.6%	6.0%	Leverage ratio %	6.7%	6.1%	
Leverage Ratio requirements					
2 954 247	3 022 535	Minimum requirements	2 958 115	2 910 112	3.0%
1 969 498	2 015 023	Buffer requirements	1 972 077	1 940 075	2.0%
4 923 745	5 037 558	Total minimum and buffer requirements (Tier 1 capital)	4 930 192	4 850 187	5.0%
589 828	964 581	Available Tier 1 capital after minimum and buffer requirements	1 636 508	1 062 815	

¹ Adjusted for proposed dividend.

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 2019:

- Credit risk
- Liquidity risk
- Market risk
- Owner risk
- Model risk
- Operational risk
- Compliance 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 2019:

- Credit risk: Low
- Liquidity risk: Low
- Market risk: Moderate
- Owner risk: Low
- Model risk: Low
- Operational risk: Moderate
- Compliance risk: Low
- 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 be 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	31.12.19						
	Home loans Sbanken Boligkreditt AS	Home loans Sbanken ASA (parent company)	Car loans	Custody account credit	Other loans, unsecured	Total Sbanken ASA (parent company)	Total Sbanken ASA Group
Gross loans distributed in risk groups							
Low risk	32 491 379	39 091 475	1 008 809	280 684	1 435 839	41 816 807	74 308 186
Medium risk	993 861	1 723 566	59 270		1 050 273	2 833 109	3 826 970
High risk	808 852	1 066 433	42 889		879 668	1 988 990	2 797 842
Total non-matured or written down	34 294 092	41 881 474	1 110 968	280 684	3 365 780	46 638 906	80 932 998
Non-performing loans	77 033	173 983	10 299	0	299 939	484 221	561 254
Total gross loans	34 371 125	42 055 457	1 121 267	280 684	3 665 719	47 123 127	81 494 253
Unutilised credit lines distributed in risk groups							
Low risk	0	8 191 979	0	103 304	4 847 562	13 142 845	13 142 845
Medium risk	0	38 862	0	0	56 050	94 912	94 912
High risk	0	1 097	0	0	14 576	15 673	15 673
Total non-matured or written down	0	8 231 938	0	103 304	4 918 188	13 253 430	13 253 430
Non-performing and doubtful loans		43			6 561	6 604	6 604
Total unutilised credit lines	0	8 231 981	0	103 304	4 924 748	13 260 033	13 260 033
Loan- and funding commitments	0	5 077 285	77 503	0	46 226	5 201 015	5 201 015
Maximum exposure to credit risk (gross)	34 371 125	55 364 723	1 198 770	383 988	8 636 694	65 584 175	99 955 301

Note 7 – Credit risk (continued)

In NOK thousand	31.12.18						
	Home loans Sbanken Boligkreditt AS	Home loans Sbanken ASA (parent company)	Car loans	Custody account credit	Other loans, unsecured	Total Sbanken ASA (parent company)	Total Sbanken ASA Group
Gross loans distributed in risk groups							
Low risk	33 338 963	37 642 923	1 113 625	182 873	1 891 027	40 830 448	74 169 411
Medium risk	668 656	1 481 800	36 799		743 338	2 261 937	2 930 593
High risk	334 779	800 422	25 855		478 875	1 305 152	1 639 931
Total non-matured or written down	34 342 398	39 925 145	1 176 279	182 873	3 113 240	44 397 537	78 739 935
Non-performing loans	59 806	167 824	11 634	0	233 538	412 996	472 802
Total gross loans	34 402 204	40 092 969	1 187 913	182 873	3 346 778	44 810 533	79 212 737
Unutilised credit lines distributed in risk groups							
Low risk	0	8 015 921	0	81 717	4 946 950	13 044 588	13 044 588
Medium risk	0	75 911	0	0	59 202	135 113	135 113
High risk	0	644	0	0	16 751	17 395	17 395
Total non-matured or written down	0	8 092 476	0	81 717	5 022 903	13 197 096	13 197 096
Non-performing and doubtful loans		31			5 715	5 746	5 746
Total unutilised credit lines	0	8 092 507	0	81 717	5 028 618	13 202 842	13 202 842
Loan- and funding commitments	0	4 683 135	94 233	0	0	4 777 368	4 777 368
Maximum exposure to credit risk (gross)	34 402 204	52 868 611	1 282 146	264 590	8 375 396	62 790 743	97 192 947

The table below shows Sbankens home loans portfolio divided between the outstanding loan balance, type the security object and type of repayment plan. The table also shows the overall volume of the bank's ten and fifty largest home loans, nominally and as a share of total home loans portfolio.

In NOK thousand	Sbanken ASA Group 31.12.19		Sbanken ASA Group 31.12.18	
	Gross carrying amounts	Distribution as percentage	Gross carrying amounts	Distribution as percentage
Distribution based on the outstanding loan balance				
Under 1 million NOK	9 240 389	12.1%	8 695 941	11.7%
1 - 2 million NOK	22 042 514	28.8%	21 073 859	28.3%
2 - 3 million NOK	23 551 582	30.8%	23 756 097	31.9%
3 - 4 million NOK	12 847 221	16.8%	12 685 458	17.0%
4 - 5 million NOK	5 226 416	6.8%	5 220 808	7.0%
> 5 million NOK	3 518 459	4.6%	3 063 010	4.1%
Total home loans secured by fixed property	76 426 582	100.0%	74 495 173	100.0%
Distribution by type of security object				
Detached house	40 737 098	53.3%	38 697 797	51.9%
Semidetached house	15 171 175	19.9%	15 347 452	20.6%
Apartment	18 011 831	23.6%	17 944 569	24.1%
Vacation home	2 506 478	3.3%	2 505 355	3.4%
Total home loans secured by fixed property	76 426 582	100.0%	74 495 173	100.0%
Distribution by type of repayment plan				
Amortising home loans	57 584 824	75.3%	56 410 575	75.7%
Non-amortising home loans	11 286 710	14.8%	10 135 208	13.6%
Revolving home loans	7 555 048	9.9%	7 949 390	10.7%
Total home loans secured by fixed property	76 426 582	100.0%	74 495 173	100.0%
Distribution based on the largest loans				
50 largest (share of total home loans)	440 222	0.58%	411 675	0.55%
10 largest (share of total home loans)	112 805	0.15%	98 533	0.13%

Note 8 – Maximum exposure to credit risk

Credit risk is defined as the risk of loss resulting from a counterparty not fulfilling its obligations, and any pledged collateral not covering the outstanding claim. The Bank's maximum credit exposure is the book value of financial assets

and any associated off-balance sheet liabilities. The following table shows the Bank's maximum credit risk exposure to financial instruments by measurement category.

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
Loans to and receivables from central bank and credit institutions	1 874 408	0	1 874 408
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
Loans to and receivables from customers	81 330 191	18 461 048	99 791 239
Shares in associated company	2 010	0	2 010
Other financial assets with credit risk	119 012	0	119 012
Financial instruments at amortised cost (gross)	83 325 621	18 461 048	101 786 669
Commercial paper and bonds	9 087 319	0	9 087 319
Financial instruments at fair value through other comprehensive income	9 087 319	0	9 087 319
Shares and funds	169 669	0	169 669
Derivatives	201 975	0	201 975
Loans to customers, secured	164 062	0	164 062
Financial instruments at fair value through profit and loss	535 706	0	371 644
Gross exposure with credit risk	92 948 646	18 461 048	111 245 632
Impairment	-261 036	-3 207	-264 243
Total net exposure with credit risk	92 687 610	18 457 841	111 145 451
Other assets without credit risk	318 075	n/a	n/a
Total assets	93 005 685	n/a	n/a

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
Loans to and receivables from central bank and credit institutions	4 771 641	3 102 610	7 874 251
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
Loans to and receivables from customers	12 624 335	18 461 048	31 085 383
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
Financial instruments at amortised cost (gross)	19 543 503	21 563 658	41 107 161
Commercial paper and bonds	11 007 483	0	11 007 483
Loans to customers, secured	34 334 730	0	34 334 730
Financial instruments at fair value through other comprehensive income	45 342 213	0	45 342 213
Shares and funds	401 892	0	401 892
Derivatives	134	0	134
Loans to customers, secured	164 062	0	164 062
Financial instruments at fair value through profit and loss	566 088	0	402 026
Gross exposure with credit risk	65 451 804	21 563 658	86 851 400
Impairment	-255 264	-3 207	-258 471
Total net exposure with credit risk	65 196 540	21 560 451	86 756 991
Other assets without credit risk	312 566	n/a	n/a
Total assets	65 509 106	n/a	n/a

Note 8 – Maximum exposure to credit risk (continued)

In NOK thousand	Sbanken ASA Group 31.12.18		
	Gross carrying amounts	Off-balance sheet amounts	Maximum exposure to credit risk
Cash and receivables with central bank	393 148	0	393 148
Loans to and receivables from credit institutions	229 401	0	229 401
Loans to and receivables from central bank and credit institutions	622 549	0	622 549
Loans to customers, secured	75 865 959	12 951 592	88 817 551
Loans to customers, unsecured	3 346 778	5 028 618	8 375 396
Loans to and receivables from customers	79 212 737	17 980 210	97 192 947
Shares in associated company	4 052	0	4 052
Other financial assets with credit risk	117 184	0	117 184
Financial instruments at amortised cost (gross)	79 956 522	17 980 210	97 936 732
Commercial paper and bonds	11 244 999	0	11 244 999
Financial instruments at fair value through other comprehensive income	11 244 999	0	11 244 999
Shares and funds	152 717	0	152 717
Derivatives	201 977	0	201 977
Financial instruments at fair value through profit and loss	354 694	0	354 694
Gross exposure with credit risk	91 556 215	17 980 210	109 536 425
Impairment	-191 991	-3 075	-195 066
Total net exposure with credit risk	91 364 224	17 977 135	109 341 359
Other assets without credit risk	146 483	Na	Na
Total assets	91 510 707	Na	Na

In NOK thousand	Sbanken ASA (parent company) 31.12.18		
	Gross carrying amounts	Off-balance sheet amounts	Maximum exposure to credit risk
Cash and receivables with central bank	393 148	0	393 148
Loans to and receivables from credit institutions	2 183 558	3 879 457	6 063 015
Loans to and receivables from central bank and credit institutions	2 576 706	3 879 457	6 456 163
Loans to customers, secured	9 130 878	12 951 592	22 082 470
Loans to customers, unsecured	3 346 778	5 028 618	8 375 396
Loans to and receivables from customers	12 477 656	17 980 210	30 457 866
Shares in associated company	4 052	0	4 052
Commercial paper and bonds at amortised cost	325 771	0	325 771
Shares in subsidiary	1 699 880	0	1 699 880
Other financial assets with credit risk	117 759	0	117 759
Financial instruments at amortised cost (gross)	17 201 824	21 859 667	39 061 491
Commercial paper and bonds	12 075 530	0	12 075 530
Loans to customers, secured	32 332 877	0	32 332 877
Financial instruments at fair value through other comprehensive income	44 408 407	0	44 408 407
Shares and funds	381 905	0	381 905
Derivatives	0	0	0
Financial instruments at fair value through profit and loss	381 905	0	381 905
Gross exposure with credit risk	61 992 136	21 859 667	83 851 803
Impairment	-188 423	-3 075	-191 498
Total net exposure with credit risk	61 803 713	21 856 592	83 660 305
Other assets without credit risk	140 697	Na	Na
Total assets	61 944 410	Na	Na

Note 9 – Loans to customers

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)	
Opening balance gross carrying amount (before transfers)	75 625 127	3 114 808	472 802	79 212 737
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
Closing balance gross carrying amount	76 018 582	4 914 417	561 254	81 494 253

In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Gross carrying amount - loans to customers				
Home loans in Sbanken Boligkreditt AS	32 726 759	1 567 333	77 033	34 371 125
Home loans in Sbanken ASA	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
Total loans to customers (gross) Sbanken ASA (parent company)	43 291 823	3 347 083	484 221	47 123 127
Total loans to customers (gross) Sbanken ASA Group	76 018 582	4 914 417	561 254	81 494 253

Unutilised credit lines	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Home loans in Sbanken Boligkreditt AS	0	0	0	0
Home loans 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
Total	13 183 297	70 132	6 604	13 260 033

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
Total loan and funding commitments	5 201 015	0	0	5 201 015
Total loans to customers on and off- balance (gross) Sbanken ASA (parent company)	61 676 135	3 417 215	490 825	65 584 175
Total loans to customers on and off- balance (gross) Sbanken ASA Group	94 402 894	4 984 549	567 858	99 955 301

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)	
Gross carrying amount - Loans to customers				
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
Closing balance gross carrying amount	76 018 582	4 914 417	561 254	81 494 253

Note 9 – Loans to customers (continued)

In NOK thousand	Sbanken ASA Group 31.12.19	
Maturity loans to customers:		
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
Total loans to customers (gross)		81 494 253

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)	
Maturity loans to customers:				
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
Total loans to customers (gross)	76 018 582	4 914 417	561 254	81 494 253

In NOK thousand	Sbanken ASA Group 31.12.18			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
Opening balance gross carrying amount (before transfers)	69 398 153	2 484 380	314 427	72 196 960
Transfers to Stage 1 (12-months ECL)	624 982	-615 625	-9 357	0
Transfers to Stage 2 (Lifetime ECL - not impaired)	-1 323 152	1 343 973	-20 821	0
Transfers to Stage 3 (Lifetime ECL - impaired)	-109 365	-109 835	219 200	0
Net new financial assets originated	28 013 665	630 949	47 734	28 692 348
Financial assets that have been derecognised	-20 987 189	-619 833	-78 692	-21 685 714
Changes in interest accrual	8 033	799	311	9 143
Other movements	0	0	0	0
Closing balance gross carrying amount	75 625 127	3 114 808	472 802	79 212 737

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)	
Gross carrying amount - loans to customers				
Home loans in Sbanken Boligkreditt AS	33 510 854	831 544	59 806	34 402 204
Home loans in Sbanken ASA	38 233 532	1 691 613	167 824	40 092 969
Car loans	1 141 954	34 325	11 634	1 187 913
Custody account credits	182 873	0	0	182 873
Unsecured loans	2 555 914	557 326	233 538	3 346 778
Total loans to customers (gross) Sbanken ASA (parent company)	42 114 273	2 283 264	412 996	44 810 533
Total loans to customers (gross) Sbanken ASA Group	75 625 127	3 114 808	472 802	79 212 737

Note 9 – Loans to customers (continued)

Unutilised credit lines	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Home loans in Sbanken Boligkreditt AS	0	0	0	0
Home loans in Sbanken ASA	8 042 124	50 352	31	8 092 507
Car loans	0	0	0	0
Custody account credits	81 717	0	0	81 717
Unsecured loans	4 976 222	46 681	5 715	5 028 618
Total	13 100 063	97 033	5 746	13 202 842
Loan and funding commitments, home loans	4 683 135	0	0	4 683 135
Loan and funding commitments, car loans	94 233	0	0	94 233
Total loan and funding commitments	4 777 368	0	0	4 777 368
Total loans to customers on and off- balance (gross) Sbanken ASA (parent company)	59 991 704	2 380 297	418 742	62 790 743
Total loans to customers on and off- balance (gross) Sbanken ASA Group	93 502 558	3 211 841	478 548	97 192 947

Sbanken ASA Group				
In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Maturity loans to customers:				
Loans with agreed maturity Sbanken Boligkreditt AS	33 510 854	831 544	59 806	34 402 204
Loans with agreed maturity Sbanken ASA	41 019 456	1 897 748	292 363	43 209 567
Loans without agreed maturity	1 094 817	385 516	120 633	1 600 966
Total loans to customers (gross)	75 625 127	3 114 808	472 802	79 212 737

Note 10 – Loans to customers by geographical area

Sbanken ASA (parent company)				Sbanken ASA Group				
31.12.18		31.12.19		31.12.19		31.12.18		
Percentage	Gross lending	Percentage	Gross lending	Percentage	Gross lending	Percentage	Gross lending	
17.6%	7 887 082	19.5%	9 185 503	Oslo	19.4%	15 845 516	19.1%	15 130 283
32.5%	14 563 230	34.1%	16 048 495	Viken	34.9%	28 455 167	34.1%	27 005 709
3.1%	1 369 301	3.1%	1 454 149	Innlandet	2.9%	2 325 233	2.7%	2 163 602
5.9%	2 627 733	5.7%	2 682 535	Vestfold og Telemark	5.6%	4 558 986	5.5%	4 319 824
2.7%	1 211 424	2.5%	1 165 981	Agder	2.2%	1 828 660	2.3%	1 855 466
9.7%	4 342 238	8.5%	3 993 666	Rogaland	7.7%	6 310 763	8.3%	6 612 144
14.4%	6 443 035	13.2%	6 235 884	Vestland	13.6%	11 106 907	14.2%	11 221 531
2.1%	932 825	2.0%	950 212	Møre og Romsdal	1.8%	1 457 925	1.8%	1 426 863
5.2%	2 329 792	5.0%	2 370 808	Trendelag	4.9%	3 971 184	5.0%	3 965 640
3.0%	1 333 339	2.8%	1 302 195	Nordland	2.9%	2 345 241	2.9%	2 271 806
4.0%	1 770 534	3.7%	1 733 700	Troms og Finnmark	4.0%	3 288 671	4.1%	3 239 869
100.0%	44 810 533	100.0%	47 123 127	Total gross lending by geographical area	100.0%	81 494 253	100.0%	79 212 737

* 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			Sbanken ASA Group		
	31.12.19	31.12.18	31.12.18	31.12.19	31.12.18	31.12.18
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 %	25.1%	19 145 110	3 716 644	23.4%	17 452 597	3 557 399
40 % - 60 %	33.0%	25 242 904	3 014 107	33.7%	25 073 042	3 240 481
60 % - 80 %	28.9%	22 113 068	1 097 259	31.2%	23 224 248	1 046 129
80 % - 90 %	9.0%	6 841 169	168 514	8.9%	6 603 545	95 472
90 % - 100 %	2.0%	1 517 024	92 461	1.6%	1 158 407	54 006
> 100 %	2.1%	1 567 307	142 996	1.3%	983 334	99 020
Home loans, secured by fixed property	100.0%	76 426 582	8 231 981	100.0%	74 495 173	8 092 507
< 50 %	14.5%	162 905	0	13.1%	155 118	0
50 % - 80 %	39.0%	437 399	0	35.9%	426 688	0
80 % - 100 %	27.1%	303 782	0	30.8%	366 406	0
> = 100 %	19.4%	217 181	0	20.2%	239 701	0
Car loans, secured	100.0%	1 121 267	0	100.0%	1 187 913	0
Custody account credit, secured	100.0%	280 684	103 304	100.0%	182 873	81 717
Loan and funding commitments, secured loans		0	5 154 788		0	4 777 368
Total loans to customers, secured		77 828 533	13 490 073		75 865 959	12 951 592

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		Sbanken ASA Group	
	31.12.19	31.12.18	31.12.19	31.12.18
Loan-to-value, home loans (relative distribution)	Distribution as percentage	Gross carrying amounts	Distribution as percentage	Gross carrying amounts
0 % - 85 %	99.11%	75 747 469	99.34 %	74 006 404
85 % - 100 %	0.51%	391 291	0.38 %	282 988
> 100 %	0.38%	287 822	0.28 %	205 781
Home loans, secured by fixed property	100.0%	76 426 582	100.0 %	74 495 173

Note 11 – Credit risk exposure and collateral (continued)

In NOK thousand	Sbanken ASA (parent company)					
		31.12.19		31.12.18		
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 %	26.8%	11 252 385	3 716 644	21.7%	8 719 930	3 557 399
40 % - 60 %	30.6%	12 871 731	3 014 107	30.5%	12 222 979	3 240 481
60 % - 80 %	20.2%	8 485 436	1 097 259	27.1%	10 862 732	1 046 129
80 % - 90 %	15.5%	6 499 467	168 514	15.5%	6 229 182	95 472
90 % - 100 %	3.3%	1 394 419	92 461	2.8%	1 114 014	54 006
> 100 %	3.7%	1 552 019	142 996	2.4%	944 132	99 020
Home loans, secured by fixed property	100.0%	42 055 457	8 231 981	100.0%	40 092 969	8 092 507
< 50 %	14.5%	162 905	0	13.1%	155 118	0
50 % - 80 %	39.0%	437 399	0	35.9%	426 688	0
80 % - 100 %	27.1%	303 782	0	30.8%	366 406	0
> = 100 %	19.4%	217 181	0	20.2%	239 701	0
Car loans, secured	100.0%	1 121 267	0	100.0%	1 187 913	0
Custody account credit, secured	100.0%	280 684	103 304	100.0%	182 873	81 717
Loan and funding commitments, secured loans		0	5 154 788		0	4 777 368
Total loans to customers, secured		43 457 408	13 490 073		41 463 755	12 951 592

In NOK thousand	Sbanken ASA (parent company)				
		31.12.19		31.12.18	
Loan-to-value, home loans (relative distribution)	Distribution as percentage	Gross carrying amounts	Distribution as percentage	Gross carrying amounts	
0 % - 85 %	98.40%	41 381 508	98.81%	39 617 254	
85 % - 100 %	0.92%	384 949	0.68%	273 240	
> 100 %	0.69%	289 000	0.51%	202 475	
Home loans, secured by fixed property	100.0%	42 055 457	100.0%	40 092 969	

Note 12 – Credit institutions – receivables and liabilities

Sbanken ASA (parent company)			Sbanken ASA Group	
2018	2019	In NOK thousand	2019	2018
Loans to and receivables from credit institutions				
2 133 211	3 133 383	Loans and receivables without agreed maturity or notice period	236 150	179 054
50 347	50 652	Loans and receivables with agreed maturity or notice period	50 652	50 347
2 183 558	3 184 035	Total loans to and receivables from credit institutions	286 802	229 401
0	0	Write-downs for impaired loan	0	0
2 183 558	3 184 035	Total net loans to and receivables from credit institutions	286 802	229 401
Lending by geographical area				
63 015	286 645	Oslo and Viken	286 802	229 401
2 120 543	2 897 390	Vestland and Rogaland	0	0
2 183 558	3 184 035	Total	286 802	229 401
2018	2019	In NOK thousand	2019	2018
Liabilities to credit institutions				
1 002 104	1 701 739	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	0	0
1 002 104	1 701 739	Total liabilities to credit institutions	0	0
Maturity				
Residual time to maturity (gross loans)				
1 002 104	1 701 739	Upon request	0	0
0	0	Maximum 3 months	0	0
0	0	3 months - 1 year	0	0
0	0	1-5 years	0	0
0	0	More than 5 years	0	0
1 002 104	1 701 739	Total	0	0
Liabilities by geographical area				
0	0	Oslo and Viken	0	0
1 002 104	1 701 739	Vestland and Rogaland	0	0
0	0	Outside Norway	0	0
1 002 104	1 701 739	Total	0	0

Note 13 – Loans and receivable to central bank

Sbanken ASA (parent company)			Sbanken ASA Group	
2018	2019	In NOK thousand	2019	2018
Loans and receivables to central bank				
393 148	37 606	Loans and receivables without agreed maturity or notice period	37 606	393 148
0	1 550 000	Loans and receivables with agreed maturity or notice period	1 550 000	0
393 148	1 587 606	Total loans and receivables to central bank	1 587 606	393 148
0	0	Write-downs for impaired loans	0	0
393 148	1 587 606	Total net loans and receivables to central bank	1 587 606	393 148

Note 14 – Loan losses

Expected credit loss (ECL) – Loans to customers	Sbanken ASA Group 2019			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
In NOK thousand				
Opening balance ECL 01.01.19	17 059	37 724	140 283	195 066
<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 or written off	-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
Closing balance ECL 31.12.19 Sbanken ASA Group	18 615	77 120	168 508	264 243
<i>Hereof Sbanken ASA (parent company)</i>	<i>18 396</i>	<i>75 830</i>	<i>164 245</i>	<i>258 471</i>
Specification of ECL				
In NOK thousand	Sbanken ASA Group 31.12.19			
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
Closing balance ECL 31.12.19	18 615	77 120	168 508	264 243
Specification of loan losses				
In NOK thousand	Sbanken ASA (parent company) 2019	Sbanken ASA Group 2019		
Changes in ECL, stage 1		-1 591		-1 555
Changes in ECL, stage 2		-38 850		-39 396
Changes in ECL, stage 3		-26 532		-28 226
Write-offs		-85 789		-85 789
Recoveries of previously written off loans		1 817		1 817
Net cost of loan losses in the period		-150 945		-153 149
ECL by geographical area				
In NOK thousand	Sbanken ASA Group 31.12.19			
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
Total				264 243

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

In NOK thousand	Sbanken ASA Group 2018			Total
	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	
Opening balance ECL 01.01.18	12 095	24 028	99 889	136 012
<i>Changes in PDs/LGDs/EADs on existing portfolio:</i>				
Transfers to Stage 1	540	-5 145	-381	-4 986
Transfers to Stage 2	-860	11 409	-1 477	9 072
Transfers to Stage 3	-899	-3 062	43 525	39 564
Changes in PDs/LGDs/EADs on existing portfolio, with no transfers	-2 142	960	11 066	9 884
<i>Other changes:</i>				
New financial assets originated	11 488	13 581	8 152	33 221
Financial assets that have been derecognised	-3 163	-4 047	-9 873	-17 083
Write-offs			-10 618	-10 618
Changes to model assumption and methodologies	0	0	0	0
Other movements	0	0	0	0
Closing balance ECL 31.12.18	17 059	37 724	140 283	195 066
<i>Hereof Sbanken ASA (parent company)</i>	<i>16 802</i>	<i>36 983</i>	<i>137 714</i>	<i>191 499</i>

Specification of ECL

In NOK thousand	Sbanken ASA Group 31.12.18			Total
	ECL On-balance sheet amounts 31.12.18	ECL Off-balance sheet amounts 31.12.18		
ECL On-balance sheet amounts 31.12.18	15 727	37 020	139 244	191 991
ECL Off-balance sheet amounts 31.12.18	1 332	704	1 039	3 075
Closing balance ECL 31.12.18	17 059	37 724	140 283	195 066

In NOK thousand	Sbanken ASA Group 31.12.18			Total
	Secured loans	Unsecured loans		
Secured loans	3 096	12 837	40 288	56 221
Unsecured loans	13 963	24 887	99 995	138 845
Total	17 059	37 724	140 283	195 066

Spesifikasjon av tap på utlån

In NOK thousand	Sbanken ASA (parent company) 2018	Sbanken ASA Group 2018
	Changes in ECL, stage 1	-4 962
Changes in ECL, stage 2	-13 537	-13 696
Changes in ECL, stage 3	-39 102	-40 394
Write-offs	-19 851	-19 851
Recoveries of previously written off loans	3 392	3 392
Net cost of loan losses in the period	-74 059	-75 513

ECL by geographical area

In NOK thousand	Sbanken ASA Group 31.12.18
	Eastern Norway ex. Oslo
Oslo	29 104
Southern Norway	8 731
Western Norway	64 486
Central Norway	11 734
Northern Norway	14 760
Total	195 066

Sbanken ASA has no expected credit loss related to loans to central bank, credit institutions and commercial paper and bonds.

Note 15 – Non-performing and doubtful loans

In NOK thousand	Principal type of collateral held	31.12.19			Fair value of collateral held	Net exposure	Provisioning ratio after collateral
		Gross exposure	Impairment allowance	Carrying amount			
Credit-impaired assets							
Home loans in Sbanken Boligkreditt AS	Residential property	77 033	-4 263	72 770	72 770	0	100,0 %
Home loans in Sbanken ASA	Residential property	173 983	-32 221	141 762	137 572	4 190	88,5 %
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 %
Total credit-impaired assets in the group		561 254	-167 414	393 840	215 787	178 053	48,5 %
<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>48,5 %</i>

31.12.19	
Home loans - Loan to value	Credit-impaired (Gross carrying amount)
0 % - 40 %	16 880
40 % - 60 %	46 630
60 % - 80 %	110 896
80 % - 90 %	30 056
90 % - 100 %	9 003
> 100 %	37 551
Total group	251 016

Credit-impaired loans	
In NOK thousand	31.12.19
Overdue loans - more than 90 days	554 630
Other credit-impaired assets	6 624
Total group	561 254

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	31.12.19				Total	
	In NOK thousand	7-30 days	31 - 60 days	61 - 90 days		More than 90 days
Home loans in Sbanken Boligkreditt AS		399 051	60 660	19 107	77 033	555 851
Home loans 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
Total overdue loans in the group		1 198 365	329 811	64 215	554 630	2 147 021
<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 15 – Non-performing and doubtful loans (continued)

In NOK thousand		31.12.18					
Loans to customers:	Principal type of collateral held	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Net exposure	Provisioning ratio after collateral
Home loans in Sbanken Boligkreditt AS	Residential property	59 806	-2 569	57 237	57 237	0	100,0 %
Home loans in Sbanken ASA	Residential property	167 824	-31 537	136 287	135 804	483	98,6 %
Car Loans	Vehicle	11 634	-6 182	5 452	5 462	-10	100,2 %
Custody account credits	Listed securities	0	0	0	0	0	Na
Unsecured loans	None	233 538	-98 956	134 582	0	134 582	42,4 %
Total credit-impaired assets in the group		472 802	-139 244	333 558	198 503	135 055	50,8 %
<i>Hereof credit-impaired assets in Sbanken ASA (parent company)</i>		<i>412 996</i>	<i>-136 675</i>	<i>276 321</i>	<i>141 266</i>	<i>135 055</i>	<i>50,8 %</i>

31.12.18

Home loans - Loan to value	Credit-impaired (Gross carrying amount)
0 % - 40 %	21 956
40 % - 60 %	53 210
60 % - 80 %	86 977
80 % - 90 %	32 133
90 % - 100 %	7 047
> 100 %	26 307
Total group	227 630

Credit-impaired loans

In NOK thousand	31.12.18
Overdue loans - more than 90 days	464 741
Other credit-impaired assets	8 061
Total group	472 802

31.12.18

Overdue loans	31.12.18					Total
	In NOK thousand	7-30 days	31 - 60 days	61 - 90 days	More than 90 days	
Home loans in Sbanken Boligkreditt AS		507 024	77 583	19 558	59 806	663 971
Home loans in Sbanken ASA		776 654	175 775	50 825	163 751	1 167 005
Car loans		29 621	3 071	1 531	11 109	45 332
Other loans		105 590	28 758	15 653	230 075	380 076
Total overdue loans in the group		1 418 889	285 187	87 567	464 741	2 256 384
<i>Hereof overdue loans in Sbanken ASA (parent company)</i>		<i>911 865</i>	<i>207 604</i>	<i>68 009</i>	<i>404 935</i>	<i>1 592 413</i>

Note 16 – 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 2019 and 31 December 2018 Sbanken ASA did not have any loans in Norges Bank.

In NOK thousand	2019	2018
Fair value (carrying value) of securities deposited as collateral in Norges Bank	8 656 325	8 466 995
Haircut of fair value	-449 235	-395 636
Net value of securities deposited in Norges Bank	8 207 090	8 071 359

As of 31 December 2019, Sbanken ASA had additional securities with fair value of NOK 1 060 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	2019	2018
Nominal value issued of covered bonds	30 005 000	30 555 000
- own holdings (owned by Sbanken ASA)	-1 992 000	-919 000
Net intra group liquidity facility	28 013 000	29 636 000

Residual time to maturity, intra group liquidity facility

	2019	2018
Less than 6 months	0	0
6 - 12 months	3 458 000	3 081 000
1-2 years	6 200 000	5 000 000
2-4 years	18 355 000	11 750 000
4-5 years	0	9 805 000
More than 5 years	0	0
Total	28 013 000	29 636 000

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 2019, the fixed component amounted to NOK 8.6 million, while the variable component amounted to NOK 20.9 million.

Note 17 – 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.

Note 18 – Maturity analysis of liabilities

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	
Maturity overview							
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
Total disbursements	72 194 451	194 398	5 620 377	28 029 891	82 892	700 000	106 822 009
Financial derivatives							
Outgoing contractual cash flows	n/a	n/a	n/a	4 805 000	n/a	n/a	n/a
Incoming contractual cash flows	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Sbanken ASA Group							
Cash flows, undiscounted							Total
2018	1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Without maturity	
Maturity overview							
Loans and deposits from credit institutions							0
Deposits from customers	49 534 250						49 534 250
Interest disbursement, deposits from customers	35 033	0	108 000	0	0	0	143 033
Debt securities issued	0	0	4 461 000	29 789 000		0	34 250 000
Interest disbursement, debt securities issued	61 818	54 947	407 449	1 188 676		0	1 712 890
Subordinated loan			650 000				650 000
Interest disbursement, subordinated loan	4 152	1 081	54 839	58 777		0	118 849
Taxes payable	103 518		113 772				217 290
Other financial liabilities (ex. accrued interest)	122 787				30 797		153 584
Hybrid capital instrument						500 000	500 000
Interest disbursement, hybrid capital instrument	5 410	1 213	20 347	34 989	0	0	61 959
Off-balance sheet commitments	17 980 210						17 980 210
Total disbursements	67 743 660	160 759	5 165 407	31 721 442	30 797	500 000	105 322 065
Financial derivatives							
Outgoing contractual cash flows	n/a	n/a	n/a	4 805 000	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 18 – Maturity analysis of liabilities (continued)

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	
Maturity overview							
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
Total disbursements	73 117 357	110 374	1 717 514	2 519 727	82 892	700 000	78 247 864
Financial derivatives							
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

Sbanken ASA (parent company)							
Cash flows, undiscounted							Total
2018	1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Without maturity	
Maturity overview							
Loans and deposits from credit institutions	2 124						2 124
Deposits from customers	49 534 250						49 534 250
Interest disbursement, deposits from customers	35 225		108 000				143 225
Debt securities issued			1 380 000	3 065 000			4 445 000
Interest disbursement, debt securities issued	6 252	13 012	54 839	58 777			132 880
Subordinated loan				650 000			650 000
Interest disbursement, subordinated loan	4 152	1 081	54 839	58 777			118 848
Taxes payable		82 326	82 326				164 652
Other financial liabilities (ex. accrued interest)	122 787				30 797		153 584
Hybrid capital instrument						500 000	500 000
Interest disbursement, hybrid capital instrument	5 410	1 213	20 347	34 989	0		61 960
Off-balance sheet commitments	17 980 210						17 980 210
Total disbursements	67 690 410	97 632	1 700 351	3 867 543	30 797	500 000	73 886 733
Financial derivatives							
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 19 – Subordinated loans

The note is equal for the Group and the parent company

In NOK thousand	Currency	31.12.19	31.12.18
Subordinated loans	NOK	899 438	649 294
Total subordinated loans	NOK	899 438	649 294

Specification of subordinated loan as at 31.12.19:

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity ¹	Carrying value
N00010746464	Sbanken ASA	500 000	NOK	3M Nibor + 2,1%	12.10.25	499 815
N00010786767	Sbanken ASA	150 000	NOK	3M Nibor + 1,65%	02.03.27	149 812
N00010847205	Sbanken ASA	125 000	NOK	3M Nibor + 1,6%	21.03.29	125 000
N00010871502	Sbanken ASA	125 000	NOK	3M Nibor + 1,3%	19.12.29	124 811
Total subordinated loans						899 438

¹ 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:	31.12.18	January-December 2019				31.12.19
		Issued	Matured	Redeemed	Other adjustments	
Subordinated loans (nominal)	650 000	250 000	0	0	0	900 000
Total	650 000	250 000	0	0	0	900 000

As at 31 December 2019, there is NOK 4.9 million in accrued interest related to subordinated loans. This has been recognised against other liabilities. See note 27 for interest expenses in 2019.

Note 20 – 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	31.12.19	31.12.18
Additional Tier 1 capital	NOK	700 000	500 000
Total Additional Tier 1 capital	NOK	700 000	500 000

Specification of additional Tier 1 capital as at 31.12.19:	ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying amounts
	N00010746456	Sbanken ASA	400 000	NOK	3M Nibor + 4.1%	Perpetual ¹	400 000
	N00010786759	Sbanken ASA	100 000	NOK	3M Nibor + 3.6%	Perpetual ²	100 000
	N00010847213	Sbanken ASA	100 000	NOK	3M Nibor + 3.6%	Perpetual ³	100 000
	N00010871494	Sbanken ASA	100 000	NOK	3M Nibor + 3.15%	Perpetual ⁴	100 000
Total additional Tier 1 capital			700 000				700 000

¹ The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first being 12 October 2020.

² The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first being 02 March 2022.

³ The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first being 23 March 2024.

⁴ The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first being 19 December 2024.

Change of additional Tier 1 capital	31.12.18	January - December 2019				31.12.19
		Issued	Matured	Redeemed	Other adjustments	
Additional Tier 1 capital	500 000	200 000	0	0	0	700 000
Total	500 000	200 000	0	0	0	700 000

As at 31 December 2019, NOK 5.9 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 705.9 million.

Note 21 – Debt securities issued

Carried at amortised cost:	In NOK thousand	Sbanken ASA Group		
		Currency	31.12.19	31.12.18
Commercial paper issued		NOK	0	0
Bonds issued		NOK	31 304 025	34 309 941
Total debt securities issued			31 304 025	34 309 941

Specification of commercial paper and bonds as at 31.12.19:

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying value
Commercial paper issued						
		0				0
Total commercial paper						
		0				0

Bonds						
N00010782527	Sbanken ASA	182 000	NOK	Nibor + 0,58%	17.01.20	182 001
N00010788276	Sbanken ASA	950 000	NOK	Nibor + 0,57%	10.08.20	950 279
N00010793029	Sbanken ASA	1 000 000	NOK	Nibor + 0,58%	01.03.21	1 000 682
N00010835325	Sbanken ASA	600 000	NOK	Nibor + 0,40%	06.09.21	600 461
N00010862048	Sbanken ASA	300 000	NOK	Nibor + 0,30%	09.10.22	299 922
Total bonds		3 032 000				3 033 344

Covered bonds ¹						
N00010745334	Sbanken Boligkreditt AS	3 458 000	NOK	Nibor + 0,42%	14.08.20	3 459 036
N00010745342	Sbanken Boligkreditt AS	6 200 000	NOK	Nibor + 0,28%	14.10.21	6 186 357
N00010786999	Sbanken Boligkreditt AS	7 000 000	NOK	Nibor + 0,57%	27.04.22	7 024 575
N00010790603	Sbanken Boligkreditt AS	6 550 000	NOK	Nibor + 0,50%	10.02.23	6 566 932
XS1813051858	Sbanken Boligkreditt AS	500 000	EURO	Fixed 0,375% ²	26.04.23	5 033 780
Total covered bonds						28 270 680

Total commercial paper, bonds and covered bonds						31 304 025
--------------------------------------------------------	--	--	--	--	--	-------------------

¹ All covered bond loans have "soft bullet" with the possibility of extending the maturity by one year.

² Entered into a swap-agreement with Nibor + 0.425%

Changes of debt securities:	31.12.18	January-December 2019				31.12.19
		Issued	Matured	Redeemed	Other adjustments	
Commercial paper (nominal)	0	0	0	0	0	0
Bonds (nominal)	4 445 000	600 000	-490 000	-1 523 000	0	3 032 000
Covered Bonds (nominal)	29 636 000	3 950 000	-867 000	-4 706 000	0	28 013 000
Total	34 081 000	4 550 000	-1 357 000	-6 229 000	0	31 045 000

Note 21 – Debt securities issued (continued)

Carried at amortised cost: In NOK thousand	Sbanken ASA (parent company)		
	Currency	31.12.19	31.12.18
Commercial paper issued	NOK	0	0
Bonds issued	NOK	3 033 344	4 446 914
Total debt securities issued		3 033 344	4 446 914

Specification of commercial paper and bonds as at 31.12.19:

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying value
Commercial paper issued						
		0				0
Total commercial paper						
		0				0
Bonds						
N00010782527	Sbanken ASA	182 000	NOK	Nibor + 0,58%	17.01.20	182 001
N00010788276	Sbanken ASA	950 000	NOK	Nibor + 0,57%	10.08.20	950 279
N00010793029	Sbanken ASA	1 000 000	NOK	Nibor + 0,58%	01.03.21	1 000 682
N00010835325	Sbanken ASA	600 000	NOK	Nibor + 0,40%	06.09.21	600 461
N00010862048	Sbanken ASA	300 000	NOK	Nibor + 0,30%	09.10.22	299 922
Total bonds		3 032 000				3 033 344
Total commercial paper and bonds						3 033 344

Changes of debt securities:	31.12.18	January-December 2019				31.12.19
		Issued	Matured	Redeemed	Other adjustments	
Commercial paper (nominal)	0	0	0	0	0	0
Bonds (nominal)	4 445 000	600 000	-490 000	-1 523 000	0	3 032 000
Total	4 445 000	600 000	-490 000	-1 523 000	0	3 032 000

Note 22 – Deposits from customers

In NOK thousand	31.12.19		31.12.18	
	Share	Deposits	Share	Deposits
Deposits without an agreed term to maturity	100.0%	52 844 881	100.0%	49 534 250
Deposits with an agreed term to maturity	0.0%	0	0.0%	0
Total	100.0%	52 844 881	100.0%	49 534 250

Average deposit rate		0.94%		0.77%
Covered by the Norwegian Banks' Guarantee Fund	94.50%	49 938 413	95.02%	47 067 444

Deposits by sector and industry

Retail customers	98.8%	52 206 840	100.0%	49 534 250
Small and medium sized entities (SME)	1.2%	638 041	0.0%	0
Total deposits from customers	100.0%	52 844 881	100.0%	49 534 250

Deposits by geographical area

Oslo	22.6%	11 917 197	22.7%	11 238 218
Viken	26.5%	14 014 622	26.3%	13 005 384
Innlandet	2.8%	1 493 046	2.8%	1 398 169
Vestfold og Telemark	5.1%	2 669 581	5.0%	2 479 880
Agder	2.8%	1 465 666	2.8%	1 365 482
Rogaland	6.7%	3 558 907	6.7%	3 343 027
Vestland	16.1%	8 490 371	16.2%	8 027 058
Møre og Romsdal	2.5%	1 337 088	2.6%	1 275 249
Trøndelag	7.3%	3 859 953	7.2%	3 584 912
Nordland	3.3%	1 725 104	3.3%	1 625 079
Troms og Finnmark	4.4%	2 313 346	4.4%	2 191 792
Total deposits from customers	100.0%	52 844 881	100.0%	49 534 250

Deposits

Residual time to maturity

Upon request	100.0%	52 844 881	100.0%	49 534 250
Less than 3 months				
3 - 12 months				
1-5 years				
More than 5 years				
Total deposits from customers	100.0%	52 844 881	100.0%	49 534 250

Note 23 – 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. 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)				Sbanken ASA Group		
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
139 891	0,12	65 509 106	Total assets	93 005 685	0,12	214 896
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
134 455	0,12	65 509 106	Total liabilities and equity	93 005 685	0,10	179 978
5 436			Total			34 918

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 2019 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.

	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)	-24 610	57 506	1 834	0	188	0	0	0	0	34 918
Scenario 2: parallel shock down (200bp)	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)	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)	-36 914	86 258	2 750	0	282	0	0	0	0	52 377
Scenario 5: short term rates up (300 bp)	-36 914	86 258	2 750	0	282	0	0	0	0	52 377
Scenario 6: short term rates down (300 bp)	36 914	-86 258	-2 750	0	-282	0	0	0	0	-52 377

Note 23 – Market risk and sensitivity (continued)

	Sbanken ASA (parent company)					Total
	Overnight	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	5 436
Scenario 2 : parallel shock down (200bp)		1 996	-7 432	0	0	-5 436
Scenario 3: short term rates down (300bp) long term rates up (150bp)		2 994	-11 147	0	0	-8 154
Scenario 4: short term rates up (300 bp), long term rates down (150 bp)		-2 994	11 147	0	0	8 154
Scenario 5: short term rates up (300 bp)		-2 994	11 147	0	0	8 154
Scenario 6: short term rates down (300 bp)		2 994	-11 147	0	0	-8 154

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 2019 amounted to NOK 11.7 million.

	Sbanken ASA Group					
	USD	SEK	EUR	JPY	CHF	GBP
Net currency position (NOK thousand)	230	30	10 724	687	0	0

	Sbanken ASA (parent company)					
	USD	SEK	EUR	JPY	CHF	GBP
Net currency position (NOK thousand)	230	30	141	687	0	0

Shares and funds

Sbanken's equity investments relate to strategic ownership positions and certain minor shareholdings in funds. The total fair value amounts to NOK 169.7 million. A weakening of the price of the share or fund of 45 percent would reduce the value of the portfolio to NOK 93.3 million.

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
Total shares	158 401	87 121
Utsikt2050	2 932	1 613
Utsikt2040	1 730	952
Utsikt2030	1 730	952
Framgang Sammen	4 876	2 682
Total funds	11 268	6 197
Total funds and shares	169 669	93 318

Credit spread risk

The calculation of credit spread risk is based on the Financial Supervisory Authority's circular 12/2016.

Sbanken ASA (parent company)					Sbanken ASA Group				
Credit spread risk	Spread change	Duration (weighted)	Market value 31.12.19 (thousand)	Rating	Market value 31.12.19 (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	
163 428	0,67%	2,71	9 000 908	Total	9 087 319	2,71	0,67%	164 733	

* Municipalities without rating is placed in category AA (municipalities).

Note 24 – 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	31.12.19			31.12.18		
	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	201 842	0	4 805 000	201 977	0
Total derivatives for use in hedge accounting	4 805 000	201 842	0	4 805 000	201 977	0

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.

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 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.

In NOK thousand	31.12.19			31.12.18		
	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
Total	500 000	500 000	0	500 000	500 000	0

In NOK thousand	31.12.19			31.12.18		
	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	201 842	0		201 977	0	
Carrying amount liabilities	0	5 033 780		0	5 030 484	
Total	201 842	5 033 780		201 977	5 030 484	

In NOK thousand	31.12.19			31.12.18		
	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	201 842	-220 039		201 977	-221 802	
Accumulated change in fair value, ingoing balance	0	0		0	0	
Total change in fair value	201 842	-220 039	-18 197	201 977	-221 802	-19 825
Recognised through profit and loss			-176			253
Recognised through other comprehensive income			-18 021			-20 078
Total change in fair value	0	0	-18 197	0	0	-19 825

Note 25 – Repricing structure

In NOK thousand	Sbanken ASA Group						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
Net loans to customers, central bank and credit institutions		2 346 680	81 021 981	0	0	0	-261 036
Commercial paper and bonds		2 012 432	6 759 361	9 926	305 600	0	9 087 319
Shares and funds							171 680
Derivatives							201 975
Intangible assets							135 376
Deferred tax assets							17 915
Property, plant and equipment							164 782
Other assets							88 588
Advance payment and accrued income							30 425
Total assets		4 359 112	87 781 342	9 926	305 600	0	93 005 685
Liabilities							
Loans and deposits from credit institutions			0				0
Deposits from customers			52 844 881				52 844 881
Derivatives							0
Deferred tax							0
Taxes payable							208 769
Debt securities issued		9 827 394	14 452 055	7 024 576	0		31 304 025
Other liabilities							862 173
Subordinated loans		899 438					899 438
Total liabilities		10 726 832	67 296 936	7 024 576	0	0	1 070 942

Note 25 – Repricing structure (continued)

Sbanken ASA Group							
In NOK thousand						Without interest rate exposure	Total
2018	1 month	1-3 months	3-12 months	1-5 years	More than 5 years		
Cash and receivables with central bank	393 148						393 148
Loans to central bank							0
Loans to and receivables from credit institutions	229 401						229 401
Loans to customers	420 291	78 792 447					79 212 738
Expected credit loss (ECL) on-balance						-191 991	-191 991
Net loans to customers, central bank and credit institutions	1 042 840	78 792 447	0	0	0	-191 991	79 643 296
Commercial paper and bonds	1 857 456	9 065 693	0	19 842	302 008	0	11 244 999
Shares and funds						156 769	156 769
Derivatives						201 977	201 977
Intangible assets						110 624	110 624
Deferred tax assets						17 253	17 253
Property, plant and equipment						18 607	18 607
Other assets						93 702	93 702
Advance payment and accrued income						23 481	23 481
Total assets	2 900 296	87 858 140	0	19 842	302 008	430 422	91 510 707
Liabilities							
Loans and deposits from credit institutions							0
Deposits from customers		49 534 250					49 534 250
Derivatives							0
Deferred tax							0
Taxes payable						209 036	209 036
Debt securities issued	16 286 427	12 993 030	5 030 484				34 309 941
Other liabilities						608 819	608 819
Subordinated loans	649 294						649 294
Total liabilities	16 935 721	62 527 280	5 030 484	0	0	817 855	85 311 340

Note 25 – Repricing structure (continued)

Sbanken ASA (parent company)							
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	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
Net loans to customers, central bank and credit institutions	5 058 500	46 836 269	0	0	0	-255 264	51 639 504
Commercial paper and bonds	2 163 286	8 864 641	0	305 600	0	0	11 333 527
Shares in subsidiary						1 699 880	1 699 880
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
Total assets	7 221 786	55 700 910	0	305 600	0	2 280 812	65 509 106
Liabilities							
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
Total liabilities	1 081 439	57 397 964	0	0	0	705 715	59 185 117

Note 25 – Repricing structure (continued)

In NOK thousand	Sbanken ASA (parent company)						Without interest rate exposure	Total
	1 month	1-3 months	3-12 months	1-5 years	More than 5 years			
2018								
Cash and receivables with central bank	393 148							393 148
Loans to central bank	0							0
Loans to and receivables from credit institutions	2 183 558							2 183 558
Loans to customers	242 247	44 568 286						44 810 533
Expected credit loss (ECL) on-balance							-188 423	-188 423
Net loans to customers, central bank and credit institutions	2 818 953	44 568 286	0	0	0		-188 423	47 198 816
Commercial paper and bonds	2 908 200	9 191 093	0		302 008			12 401 301
Shares in subsidiary						1 669 880		1 669 880
Shares and funds						385 957		385 957
Derivatives						0		0
Intangible assets						110 624		110 624
Deferred tax assets						11 466		11 466
Property, plant and equipment						18 607		18 607
Other assets						94 278		94 278
Advance payment and accrued income						23 481		23 481
Total assets	5 727 153	53 759 379	0	0	302 008	2 125 870		61 914 410
Liabilities								
Loans and deposits from credit institutions		1 002 104						1 002 104
Deposits from customers		49 534 250						49 534 250
Derivatives								0
Deferred tax								0
Taxes payable						156 398		156 398
Debt securities issued	1 465 015	2 981 899						4 446 914
Other liabilities						354 453		354 453
Subordinated loans	649 294							649 294
Total liabilities	2 114 309	53 518 253	0	0	0	510 851		56 143 413

Note 26 – 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 27 – Net interest income

Sbanken ASA Group						
In NOK thousand	2019			2018		
	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	22 050		22 050	10 553		10 553
Loans to customers	2 508 116	213	2 508 329	2 128 243		2 128 243
Commercial paper and bonds		188 784	188 784		136 443	136 443
Total interest income	2 530 166	188 997	2 719 164	2 138 796	136 443	2 275 239
Loans and deposits from credit institutions	-969		-969	-225		-225
Deposits from customers	-429 738		-429 738	-339 560		-339 560
Debt securities issued	-636 412		-636 412	-507 028		-507 028
Subordinated loans	-26 083		-26 083	-19 784		-19 784
Other interest expenses	-61 835		-61 835	-37 402		-37 402
Total interest expenses	-1 155 037	0	-1 155 037	-903 999	0	-903 999
Net interest income	1 375 129	188 997	1 564 127	1 234 797	136 443	1 371 240

Interest income from loans to customers:

	2019	2018
Home loans	2 024 221	1 733 173
Car loans	61 631	59 649
Consumer loans	234 185	157 208
Other loans ¹	188 292	178 213
Total interest income from loans to customers	2 508 329	2 128 243

¹ Credit card, account credit and custody account credit

Sbanken ASA (parent company)						
In NOK thousand	2019			2018		
	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	69 790		69 790	38 573		38 573
Loans to customers	716 173	898 403	1 614 576	611 016	781 342	1 392 358
Commercial paper and bonds	12 330	223 535	235 865	9 690	150 710	160 400
Total interest income	798 294	1 121 937	1 920 230	659 280	932 051	1 591 331
Loans and deposits from credit institutions	-2 258		-2 258	-1 549		-1 549
Deposits from customers	-429 738		-429 738	-339 560		-339 560
Debt securities issued	-76 880		-76 880	-71 042		-71 042
Subordinated loans	-26 083		-26 083	-19 784		-19 784
Other interest expenses	-57 786		-57 786	-37 403		-37 403
Total interest expenses	-592 746	0	-592 746	-469 338	0	-469 338
Net interest income	205 548	1 121 937	1 327 485	189 942	932 051	1 121 994

Interest income from loans to customers:

	2019	2018
Home loans	1 130 468	997 288
Car loans	61 631	59 649
Consumer loans	234 185	157 208
Other loans ¹	188 292	178 213
Total interest income from loans to customers	1 614 576	1 392 358

¹ Credit card, account credit and custody account credit

Note 28 – Net commission and fee income

The note is equal for the Group and the parent company

In NOK thousand	2019	2018
Payment processing	29 962	25 082
Card and interbank	216 146	197 209
Mutual funds and securities	94 453	87 730
Other commission income	4 045	4 036
Total commission and fee income	344 607	314 056
Payment processing	-33 911	-31 249
Card and interbank	-50 886	-47 172
Mutual funds and securities	-38 880	-27 440
Other commission expenses	-6 005	-4 595
Total commission and fee expenses	-129 683	-110 457
Net commission and fee income	214 924	203 599

Note 29 – Net gain (loss) on financial instruments

Gain/loss on financial instruments recognised through profit and loss:

Sbanken ASA (parent company)			Sbanken ASA Group	
2018	2019	In NOK thousand	2019	2018
1) Realisation of financial instruments at fair value through other comprehensive income (OCI):				
11 038	3 986	Gain/(loss) by realisation of financial instruments:	3 035	11 040
11 038	3 986	Total gain/(loss) by realisation of financial instruments at fair value through other comprehensive income (OCI)	3 035	11 040
2) Financial instruments at fair value through profit and loss				
2 280	0	Realised gain/ (loss) from shares and funds	0	2 280
64 212	19 428	Unrealised gain/(loss) from shares and funds	17 496	68 951
0	0	Gain/(loss) on derivatives (used in hedge accounting)	-176	253
0	134	Gain/(loss) on derivatives	0	0
66 492	19 562	Total gain/(loss) on financial instruments at fair value through profit and loss	17 320	71 484
3) Financial instruments at amortised cost:				
-260	-1 477	Gain (loss) by repurchase of own bonds/commercial paper at amortised cost	-13 597	-10 254
-260	-1 477	Total gain (loss) on financial instruments at amortised cost	-13 597	-10 254
4) Currency:				
355	-308	Net gain (loss) on currency items	-1 921	812
355	-308	Total gain (loss) on currency items	-1 921	812
5) Dividends:				
0	19 524	Dividends from investments i shares and funds	19 524	0
0	19 524	Total dividends	19 524	0
6) Result from associated company:				
-1 826	-3 808	Result from associated company	-3 808	-1 826
-1 826	-3 808	Total from associated company	-3 808	-1 826
75 799	37 479	Total gain (loss) on financial instruments recognised through profit and loss	20 553	71 256

Note 30 – Operating expenses

Other administrative expenses

Sbanken ASA (parent company)			Sbanken ASA Group	
2018	2019	In NOK thousand	2019	2018
-19 328	-3 505	Properties and premises ¹	-3 505	-19 328
-117 225	-118 040	IT	-118 040	-117 225
-70 999	-64 652	Advertising and marketing	-64 652	-70 999
-36 033	-22 536	Temporary employment agencies	-22 536	-36 033
-51 030	-41 547	Consultants and other external services	-43 453	-53 989
-15 038	-14 109	Telephone and postage	-14 109	-15 038
-33 004	-36 646	Other operating expenses	-36 774	-33 199
-342 657	-301 034	Total administrative expenses	-303 070	-345 811

¹ After the introduction of IFRS 16, rental costs are recognised as depreciation and interest expenses.

Depreciations and write-downs on fixed and intangible assets

-5 095	-33 961	Depreciations during the year fixed assets	-33 961	-5 095
-8 935	-20 754	Depreciations during the year intangible assets	-20 754	-8 935
0	-26 534	Write-downs intangible assets	-26 534	0
-14 031	-81 249	Total depreciations an write-downs during the year	-81 249	-14 031

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 31 – Remuneration to the statutory auditor

Sbanken ASA (parent company)			Sbanken ASA Group	
2018	2019	In NOK thousand	2019	2018
2 045	1 863	Statutory audit	2 097	2 267
118	133	Other certification services	267	251
6	0	Tax-related services	0	6
42	0	Other services	200	322
2 211	1 996	Total remuneration to the statutory auditor	2 564	2 846

Remuneration to the statutory auditor is presented including VAT.

During 2019, the statutory auditor for all the companies in the Sbanken Group has been Deloitte AS.

Note 32 – Personnel expenses and benefits/ remuneration to executive management and governing bodies

Personnel expenses			Sbanken ASA Group	
Sbanken ASA (parent company)			2019	2018
2018	2019	In NOK thousand		
-215 828	-269 660	Wages	-270 019	-216 252
17 035	19 418	Capitalised as intangible assets	19 418	17 035
-23 159	-27 479	Pension costs incl. payroll tax	-27 479	-23 159
-12 280	-14 856	- defines contribution pensions	-14 856	-12 280
-6 842	-6 979	- defined benefit pensions	-6 979	-6 842
-4 037	-5 644	-other pension related costs	-5 644	-4 037
-43 838	-51 207	Payroll tax	-51 258	-43 898
-15 876	-13 578	Other personnel expenses	-13 583	-15 876
-281 666	-342 506	Total personnel expenses	-342 921	-282 150
Funds with restrictions				
13 451	11 102	Income tax account	11 124	13 465
13 451	11 102	Total restricted assets	11 124	13 465
Employees				
372	404	Total employees as at 31.12	404	372
344	370	Total FTE as at 31.12	370	344
346	388	Average number of employees	388	346
46	28	FTE temporary employees as at 31.12	28	46

Note 32 – 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 ¹⁾	Paid salaries 2019 ²⁾	Paid performance related salary 2019 ³⁾	Paid other variable salary 2019 ⁴⁾	Total paid salaries 2019	Benefits in kind and other benefits 2019 ⁵⁾	Total remuneration paid/received in 2019	Pension cost 2019	Loan as at 31.12.19	Shares as at 31.12.19
Executive management										
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

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 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
The Board of Directors										
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 ⁶⁾	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 Mjøs-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.

Note 32 – Personnel expenses and benefits/remuneration to executive management and governing bodies (continued)

Name and position (In NOK thousand)	Agreed fixed annual salary as at 31.12.18 ¹⁾	Paid salaries 2018 ²⁾	Paid perfor- mance related salary 2018 ³⁾	Paid other variable salary 2018 ⁴⁾	Total paid salaries 2018	Benefits in kind and other benefits 2018 ⁵⁾	Total remune- ration paid/ received i 2018	Pension cost 2018	Loan as at 31.12.18	Shares as at 31.12.18
Executive management										
Magnar Øyhovden, Chief Executive Officer	2 675	2 838	276	231	3 345	147	3 492	312	5 709	94 646
Henning Nordgulen, Chief financial officer	2 125	2 186	218	147	2 550	56	2 606	102	3 716	63 691
Atle Tidemann, Head of organisation (from 1. August 2018)	1 500	652	0	63	715	6	721	42	0	0
Geir Berge Hansen, Head of Strategy	1 730	1 785	182	147	2 113	57	2 171	106	3 789	35 461
Christoffer Hernæs, Chief Digital Officer	1 680	1 700	170	147	2 017	65	2 082	96	5 052	10 638
Eirik Christensen, Chief Risk Officer	1 400	1 428	133	147	1 707	41	1 748	99	2 757	11 000
Anne-Christine Fiksdal, Head of customer development and growth	1 575	1 592	135	147	1 874	77	1 950	101	5 915	47 872
Bente Rebnor, head of HR (until 31. July 2018)	1 518	882	161	71	1 114	94	1 208	128	0	28 769

Navn og stilling (NOK i tusen)	Agreed annual remune- ration as at 2018	Agreed annual remune- ration for board commit- tees as at 2018	Agreed annual remune- ration from group compa- nies 2018	Paid board remune- ration 2018	Paid com- mittee remune- ration 2018	Paid remune- ration from group compa- nies 2018	Paid other compen- sation 2018	Total remune- ration paid/ received in 2018	Loan as at 31.12.18	Shares as at 31.12.18
The Board of Directors										
Niklas Midby, Chairman of the board	613	133	0	613	118	0	0	731	0	40 541
August Baumann	332	234	0	332	225	0	0	557	0	28 731
Mai-Lill Ibsen	332	183	114	332	231	109	0	672	0	0
Ragnhild Wiborg	332	92	114	332	150	109	0	591	0	17 731
Hugo Maurstad ⁶⁾	332	0	0	332	0	0	0	332	0	0
Cathrine Klouman	233	0	0	233	0	0	0	233	0	0
Svein Frøystad (Employee representative)	50	0	0	0	0	0	0	0	0	1 562
Karianne Mjøs-Haugland (Employee representative)	50	0	0	0	0	0	0	0	0	273
Thomas Tjøstheim (Employee representative, deputy)	0	0	0	0	0	0	0	0	0	1 280

Loans to other employees in Sbanken ASA 696 425

In 2018, a total of 125 000 kroner was paid to members of the nomination committee.

¹⁾ Agreed annual fixed salary/fees at the end of the year.

²⁾ Paid fixed salary and holiday pay for both profit-related and other variable pay.

³⁾ Paid profit-related pay earned previous years. Profit related pay earned in 2019 will be paid out in 2020. Profit related pay earned in 2018 were paid out in 2019.

⁴⁾ Paid other agreed compensation as such as car allowance and annuity insurance.

⁵⁾ Other benefits in kind include the cost of telephones, broadband, insurance, loans at beneficial interest rates, use of company cars etc.

⁶⁾ Board remuneration paid to Altor Fund Manager AB

Note 32 – Personnel expenses and benefits/remuneration to executive management and governing bodies (continued)

The Board of Directors' declaration on the stipulation on the of salaries and other remuneration for executive managers

To the ordinary general meeting 24 april 2020

1. In general

This declaration has been prepared by the Board of Directors in Sbanken ASA ('the Company') in accordance with Section 6-16a of the Public Limited Liability Companies Act for consideration at the annual general meeting on 24 April 2020. The Board has appointed a dedicated Remuneration Committee, consisting of three board members, of whom two are elected by the General Meeting and one is elected by and from among the employees. The Committee serves as an advisory body to the Board and shall ensure a thorough and independent preparation of matters concerning remuneration of the Company's executive managers.

2. Main principles for the Company's executive remuneration policy

The following main principles form the basis for the stipulation of executive remuneration in the Company:

The executive remuneration shall be competitive and suited to attracting and retaining highly skilled managers

Executive remuneration (salary and other remuneration) shall be calculated as an average of executive remuneration for corresponding managers in comparable businesses. The stipulation of executive remuneration shall at all times take the Company's financial situation into account, but shall not be wage-leading.

The executive remuneration shall be easy to explain and administer

The remuneration system shall be flexible in order to allow adaptation when requirements change

In order to be able to offer a competitive remuneration, the Company shall have a flexible remuneration system. The remuneration system shall at the same time be simple and in accordance with the Company's remuneration policy.

3. Guidelines for determination of salary and other remuneration for the 2020 fiscal year

The basis for determining the remuneration is the overall level of fixed salary and other benefits. The fixed salary shall be the main component in the executive manager's remuneration. The fixed salary is determined based on job content, level of responsibility, qualifications and seniority (length of service). The individual benefits used are commented below. Unless otherwise specified, no particular conditions, constraints or

allocation criteria for the determination of salary and other remuneration for executive managers shall apply.

Performance-based remuneration

The performance-based remuneration scheme shall always be in accordance with the risk profile defined as acceptable by the Company.

Performance-based remuneration shall ensure that the Company achieves defined goals and strategies, and secure interaction across the Company's entities. The Company has a performance-based remuneration scheme common to all fixed employees. Performance-based remuneration is linked to the Company's goal attainment, which each individual has the possibility to influence. The maximum amount of performance-based remuneration is one and a half month's salary. The performance-based remuneration scheme is decided annually by the Board of Directors and is part of a general, non-discretionary adopted policy that applies to the entire Company. This means that the scheme is exempt from the Financial Institutions Regulations' provisions on remuneration in financial institutions, cf. Chapter 3 of the Financial Supervisory Authority's Circular 15/2014.

For 2020, the Company's Board has adopted a performance-based remuneration model based on four measurement parameters. The remuneration is paid in cash.

Options and other forms of remunerations linked to shares or the development of the share price

The Company does not provide other forms of remuneration to executive managers in the form of options or other remuneration linked to shares in the Company or the share price, including the establishment of option programmes.

Pension schemes

No agreements on early retirement have been entered into, but the Company may enter into such agreements in the future. The Company is required to have an occupational pension scheme pursuant to the Norwegian Act relating to Mandatory Occupational Pensions. The Company's pension schemes meet the Act's requirements, and executive managers are members of the Company's occupational pension scheme.

Severance pay schemes

The Company does not have specific agreements on severance pay for executive managers.

Payments in kind

Executive managers may receive payments in kind that are common for comparable positions, for example free telephone, home computer, free broadband subscription, newspapers, a company car or car scheme and parking.

Note 32 – Personnel expenses and benefits/remuneration to executive management and governing bodies (continued)

4. Binding guidelines for shares, subscription rights etc.

Shares, warrants, options and other forms of remuneration that are solely related to shares or the development of the share price in the Company are not allocated to executive managers.

The Company has two share purchase programmes available to all fixed employees: (i) employees can buy shares in the Company for up to NOK 12,000 each year, and receive shares with a value of NOK 15,000; and (ii) employees can choose to use the net amount of performance-based remuneration (see section 3 above) to buy shares in the Company at a discount of 20% of the current market price, subject to a three-year lock-in period.

In addition, executive managers and board members may, in accordance with the following scheme, buy shares in the company at a discount of 20% of the current market price, subject to a three-year lock-in period:

CEO	NOK 5 000 000
Deputy CEO	NOK 4 000 000
Other executive personnel	NOK 3 000 000
Chairman of the Board	NOK 2 000 000
Board members	NOK 1 000 000

The amount can also be used to buy shares up until 31 December 2022 in accordance with the bank's guidelines for primary insiders.

Reference is made to note 47 the 2019 Annual Report.

5. Stipulation of executive remuneration in other companies in the Sbanken group

Other companies within the Sbanken group shall comply with the main principles for the Company's executive remuneration policy as described in clause 2. The objective is to coordinate remuneration policies and schemes in the entire group.

6. Statement on compliance with executive remuneration policy and consequences of agreements on remuneration in the 2019 fiscal year

The executive remuneration policy in Sbanken has been implemented in accordance with the guidelines for the stipulation of salary and other remuneration presented at the annual general meeting in 2019.

Note 33 – Tax expense

Sbanken ASA (parent company)			Sbanken ASA Group	
2018	2019	In NOK thousand	2019	2018
156 398	162 305	Taxes payable	208 769	209 036
-4 897	1 047	Change in deferred tax	563	-3 795
749	56	Correction of taxes payable previous year	56	749
152 250	163 408	Total tax expense	209 388	205 990
Reconciliation of the tax expense:				
695 577	711 187	Profit before tax	919 440	928 710
695 577	711 187	-from Sbanken ASA	711 187	695 577
0	0	-from Sbanken Boligkreditt AS	223 597	239 734
0	0	-from group transactions related to own debt and own hybrid capital	-15 344	-6 601
173 894	177 797	Expected tax expense at nominal rate of 25 % Sbanken ASA	177 797	173 894
0	0	Expected tax expense at nominal rate of 22 % Sbanken Boligkreditt AS (23 % in 2018)	49 191	55 139
173 894	177 797	Total expected tax expense	226 988	229 033
0	446	Tax effect from non deductible expenses and tax-exempt income	446	156
0	0	Tax effect from tax-exempt income from shareholdings and funds	0	0
-16 301	-9 178	Tax effect from taxable income from shareholdings and funds 3 %	-9 178	-16 301
-7 321	-7 732	Tax effect from costs booked against other equity related to capital increase and interest to Tier 1 capital holders	-10 943	-8 876
1 229	2 019	Other differences	2 019	1 229
749	56	Correction of taxes payable previous year	56	749
152 250	163 408	Total tax expense	209 388	205 990
21.9%	23.0%	Effective tax rate	22.8%	22.2%
The year's changes in deferred tax asset (deferred tax):				
1 341	11 466	Deferred tax asset as at 1 January	17 253	3 620
4 897	-1 047	Change recognised through profit and loss	-563	3 795
5 229	1 989	Change recognised through other comprehensive income (OCI)	1 227	9 836
11 466	12 409	Total deferred tax assets (deferred tax) as at 31 December	17 915	17 253
-171	31	Change related to fixed assets and intangible assets	31	-171
-582	-483	Change related to pension liabilities	-483	-582
5 650	-595	Change related to financial instruments	-111	4 548
4 897	-1 047	Total change in deferred tax assets recognised through profit and loss	-563	3 795
6 360	2 332	Change related to interest bearing securities and shares	1 570	10 967
-1 131	-343	Change related to pension liabilities	-343	-1 131
5 229	1 989	Total change in deferred tax assets recognised through other comprehensive income	1 227	9 836

Note 33 – Tax expense (continued)

In NOK thousand	Sbanken ASA Group			31.12.19
	31.12.18	Through profit and loss	Through other comprehensive income (OCI)	
Changes in deferred tax asset (deferred tax):				
Fixed assets and intangible assets	-210	31	0	-179
Financial instruments	9 869	-111	1 570	11 328
Net pension liabilities	7 592	-483	-343	6 766
Total deferred tax assets (deferred tax)	17 253	-563	1 227	17 915

In NOK thousand	Sbanken ASA (parent company)			31.12.19
	31.12.18	Through profit and loss	Through other comprehensive income (OCI)	
Changes in deferred tax asset (deferred tax):				
Fixed assets and intangible assets	-210	31	0	-179
Financial instruments	4 086	-595	2 332	5 823
Net pension liabilities	7 592	-483	-343	6 766
Total deferred tax assets (deferred tax)	11 466	-1 047	1 989	12 409

Sbanken ASA (parent company)		In NOK thousand	Sbanken ASA Group	
2018	2019		2019	2018
Specification of deferred tax assets (deferred tax)				
-210	-179	Fixed assets and intangible assets	-179	-210
4 084	5 823	Interest bearing securities and shares	11 328	9 869
7 592	6 766	Net pension liabilities	6 766	7 592
11 466	12 409	Total deferred tax assets (deferred tax)	17 915	17 253
6 782	5 735	Deferred tax assets recognised through profit and loss	5 117	5 680
4 685	6 674	Deferred tax assets recognised through other comprehensive income	12 798	11 571
11 466	12 409	Total deferred tax assets (deferred tax)	17 915	17 253

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 34 – Classification of financial instruments

In NOK thousand	Sbanken ASA Group			Total
	31.12.19	Financial instruments at fair value through profit and loss	Financial instruments at fair value through OCI	
Financial Assets				
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 ¹	169 669	0	2 010	171 680
Derivatives ²	201 975	0	0	201 975
Other assets	0	0	119 013	119 013
Total financial assets	535 706	9 087 319	83 064 586	92 687 612
Financial liabilities				
Loans and deposits from credit institutions	0	0	0	0
Deposits from customers	0	0	52 844 881	52 844 881
Debt securities issued ³	0	0	31 304 025	31 304 025
Subordinated loans	0	0	899 438	899 438
Other liabilities	0	0	834 679	834 679
Total financial liabilities	0	0	85 883 023	85 883 023

¹ Shares in associated companies are not classified at fair value through profit or loss, but are recognised using the equity method in accordance with IAS 28 and placed in the amortised cost category

² Including derivatives used as hedging instruments.

³ Including hedged liabilities

In NOK thousand	Sbanken ASA Group			Total
	31.12.18	Financial instruments at fair value through profit and loss	Financial instruments at fair value through OCI	
Financial Assets				
Cash and receivables with central bank			393 148	393 148
Loans to and receivables from credit institutions			229 401	229 401
Loans to customers			79 020 747	79 020 747
Commercial paper and bonds		11 244 999	0	11 244 999
Shares and funds ¹	152 717	0	4 052	156 769
Derivatives ²	201 977			201 977
Other assets			117 184	117 184
Total financial assets	354 694	11 244 999	79 764 532	91 364 225
Financial liabilities				
Loans and deposits from credit institutions			0	0
Deposits from customers			49 534 250	49 534 250
Debt securities issued ³			34 309 941	34 309 941
Subordinated loans			649 294	649 294
Other liabilities			578 022	578 022
Total financial liabilities	0	0	85 071 507	85 071 507

¹ Shares in associated companies are not classified at fair value through profit or loss, but are recognised using the equity method in accordance with IAS 28 and placed in the amortised cost category

² Including derivatives used as hedging instruments.

³ Including hedged liabilities

Note 34 – 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	
31.12.19				
Financial Assets				
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
Shares and funds ¹	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
Total financial assets	566 088	45 342 213	19 288 239	65 196 540
Financial liabilities				
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
Total financial liabilities	0	0	58 995 318	58 995 318

¹ Shares in associated company are not classified at fair value through profit and loss, but are recognised using the equity method (IAS 28) and put into 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	
31.12.18				
Financial Assets				
Cash and receivables with central bank	0	0	393 148	393 148
Loans to and receivables from credit institutions	0	0	2 183 558	2 183 558
Loans to customers	0	32 144 454	12 477 656	44 622 110
Commercial paper and bonds	0	12 075 530	325 771	12 401 301
Shares and funds ¹	381 905	0	4 052	385 957
Shares in subsidiary	0	0	1 699 880	1 699 880
Derivatives	0	0	0	0
Other assets	0	0	117 759	117 759
Total financial assets	381 905	44 219 984	17 201 824	61 803 713
Financial liabilities				
Loans and deposits from credit institutions			1 002 104	1 002 104
Deposits from customers			49 534 250	49 534 250
Debt securities issued			4 446 914	4 446 914
Subordinated loans			649 294	649 294
Other liabilities			323 656	323 656
Total financial liabilities	0	0	55 956 218	55 956 218

¹ Shares in associated company are not classified at fair value through profit and loss, but are recognised using the equity method (IAS 28) and put into the category amortised cost.

Note 35 – Commercial paper and bonds

31.12.19	Sbanken ASA Group			
	Nominal value	Cost value	Fair value	Relative share
Commercial paper and bonds at fair value through OCI				
In NOK thousand				
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 %
Total commercial paper and bonds	8 977 000	9 095 635	9 087 319	100,0 %
Listed securities			7 864 486	86,5 %
Non-listed securities			1 222 833	13,5 %
Total commercial paper and bonds			9 087 319	100,0 %

31.12.18	Sbanken ASA Group			
	Nominal value	Cost value	Fair value	Relative share
Commercial paper and bonds at fair value through OCI				
In NOK thousand				
State- and state guaranteed securities	555 000	575 963	572 663	5,1 %
Other governmental issuer (municipalities)	3 691 807	3 705 676	3 706 543	33,0 %
Covered bonds	6 494 000	6 517 387	6 520 432	58,0 %
Other financial corporations	420 000	428 019	422 700	3,8 %
Accrued interest	0	0	22 661	0,2 %
Total commercial paper and bonds	11 160 807	11 227 045	11 244 999	100,0 %
Listed securities			7 440 823	66,2 %
Non-listed securities			3 804 176	33,8 %
Total commercial paper and bonds			11 244 999	100,0 %

Note 35 – Commercial paper and bonds (continued)

31.12.19				
Sbanken ASA (parent company)				
Commercial paper and bonds at fair value through OCI				
In NOK thousand	Nominal value	Cost value	Fair value	Relative share
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%
Total commercial paper and bonds	11 209 000	11 338 652	11 333 527	100.0%
Listed securities			9 794 576	86.4%
Non-listed securities			1 538 952	13.6%
Total commercial paper and bonds			11 333 527	100.0%

31.12.18				
Sbanken ASA (parent company)				
Commercial paper and bonds at fair value through OCI				
In NOK thousand	Nominal value	Cost value	Fair value	Relative share
State- and state guaranteed securities	555 000	575 963	572 663	4.6%
Other governmental issuer (municipalities)	3 691 807	3 705 676	3 706 543	29.9%
Covered bonds	7 363 000	7 390 815	7 392 950	59.6%
Other financial corporations	700 000	707 278	702 355	5.7%
Accrued interest	0	0	26 790	0.2%
Total commercial paper and bonds	12 309 807	12 379 732	12 401 301	100.0%
Listed securities			8 576 896	69.2%
Non-listed securities			3 824 405	30.8%
Total commercial paper and bonds			12 401 301	100.0%

Note 36 – Shares and mutual funds

Fair value and amortised cost:				
Sbanken ASA (parent company)			Sbanken ASA Group	
2018	2019	In NOK thousand	2019	2018
143 504	158 401	Shares	158 401	143 504
9 213	11 268	Mutual funds	11 268	9 213
229 188	232 223	Tier 1 capital	0	0
381 905	401 892	Total at fair value through profit and loss	169 669	152 717
4 052	2 010	Shares in associated company	2 010	4 052
4 052	2 010	Total amortised cost	2 010	4 052
385 957	403 902	Total shares and funds	171 680	156 769
Valuations techniques:				
143 504	158 401	Shares assessed based on other valuation techniques (Level 3)*	158 401	143 504
0	0	Listed securities	0	0
385 957	403 902	Non-listed securities	171 680	156 769
385 957	403 902	Total	171 680	156 769

Investments in shares and funds as at 31 December 2019:					
Name	Country	Fair value	Carrying value	Number of shares	Ownership
Vipps AS	Norway	39 518	39 518	12 482	1.22%
VN Norge AS	Norway	118 883	118 883	94.25 trillions	9.42%
Utsikt 2030	Norway	1 730	1 730	11 800	n/a
Utsikt 2040	Norway	1 730	1 730	11 800	n/a
Utsikt 2050	Norway	2 932	2 932	20 000	n/a
Framgang sammen	Norway	4 876	4 876	30 000	n/a
Quantfolio AS	Norway	n/a	2 010	1 239 270	35.3%

* Reference is made to further description in note 38

Shares in subsidiary:							
Company	Company	Office	Ownership	Voting share	Share capital	Cost value	Carried value 31.12.19
Sbanken Boligkreditt AS	915 287 662	Bergen	100,0%	100,0%	850 000	1 699 880	1 699 880
Total shares in subsidiaries					850 000	1 699 880	1 699 880

Sbanken ASA owns shares in the company Quantfolio AS. A total of NOK 8.8 million has been paid for 35.3% of the shares. The company is treated as an associated company in the financial statement of Sbanken ASA.

For the year 2019, NOK 3.8 million has been recognised as loss (1.8 million as loss in 2018) related to this investment. This corresponds to the Bank's share of the result in the associated company for 2019. The book value of the investment has been reduced accordingly.

Note 37 – Fair value of financial instruments at amortised cost

In NOK thousand	Sbanken ASA Group	
	Carrying value	Fair value
Recognised at amortised cost	31.12.19	31.12.19
Assets		
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
Shares and funds	2 010	2 010
Other assets	119 013	119 013
Total financial assets at amortised cost	83 064 586	83 064 586
Liabilities		
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
Total financial liabilities at amortised cost	85 883 023	86 031 745

In NOK thousand	Sbanken ASA Group			
	Level 1	Level 2	Level 3	Total
31.12.19				
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
Shares and funds			2 010	2 010
Other assets			119 013	119 013
Total financial assets at amortised cost		1 587 606	81 476 980	83 064 586
Liabilities				
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
Total financial liabilities at amortised cost		32 352 185	53 679 560	86 031 745

Note 37 – Fair value of financial instruments at amortised cost (continued)

In NOK thousand	Sbanken ASA Group	
	Carrying value	Fair value
Recognised at amortised cost	31.12.18	31.12.18
Assets		
Cash and receivables with central bank	393 148	393 148
Loans to and receivables from credit institutions	229 401	229 401
Loans to customers	79 020 747	79 020 747
Shares and funds	4 052	4 052
Other assets	117 184	117 184
Total financial assets at amortised cost	79 764 532	79 764 532
Liabilities		
Loans and deposits from credit institutions	0	0
Deposits from customers	49 534 250	49 534 250
Debt securities issued	34 309 941	34 465 946
Subordinated loans	649 294	657 414
Other liabilities	578 022	578 022
Total financial liabilities at amortised cost	85 071 507	85 235 632

In NOK thousand	Sbanken ASA Group			
	Level 1	Level 2	Level 3	Total
31.12.18				
Cash and receivables with central bank		393 148		393 148
Loans to and receivables from credit institutions			229 401	229 401
Loans to customers			79 020 747	79 020 747
Shares and funds			4 052	4 052
Other assets			117 184	117 184
Total financial assets at amortised cost		393 148	79 371 384	79 764 532
Liabilities				
Loans and deposits from credit institutions			0	0
Deposits from customers			49 534 250	49 534 250
Debt securities issued		34 465 946		34 465 946
Subordinated loans		657 414		657 414
Other liabilities			578 022	578 022
Total financial liabilities at amortised cost		35 123 360	50 112 272	85 235 632

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 37 – Fair value of financial instruments at amortised cost (continued)

In NOK thousand	Sbanken ASA (parent company)	
	Carrying value	Fair value
Recognised at amortised cost	31.12.19	31.12.19
Assets		
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 at amortised cost	326 044	331 799
Shares and funds	2 010	2 010
Shares in subsidiary	1 699 880	1 699 880
Other assets	119 593	119 593
Total financial assets at amortised cost	19 288 239	19 293 994
Liabilities		
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
Total financial liabilities at amortised cost	58 995 318	59 011 616

In NOK thousand	Sbanken ASA (parent company)			
	Level 1	Level 2	Level 3	Total
31.12.19				
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 at amortised cost		331 799		331 799
Shares and funds			2 010	2 010
Shares in subsidiary			1 699 880	1 699 880
Other assets			119 593	119 593
Total financial assets at amortised cost		1 919 405	17 374 589	19 293 994
Liabilities				
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
Total financial liabilities at amortised cost		3 949 080	55 062 536	59 011 616

Note 37 – Fair value of financial instruments at amortised cost (continued)

In NOK thousand	Sbanken ASA (parent company)	
	Carrying value	Fair value
Recognised at amortised cost	31.12.18	31.12.18
Assets		
Cash and receivables with central bank	393 148	393 148
Loans to and receivables from credit institutions	2 183 558	2 183 558
Loans to customers	12 477 656	12 477 656
Commercial paper and bonds at amortised cost	325 771	329 094
Shares and funds	4 052	4 052
Shares in subsidiary	1 699 880	1 699 880
Other assets	117 759	117 759
Total financial assets at amortised cost	17 201 824	17 205 147
Liabilities		
Loans and deposits from credit institutions	1 002 104	1 002 104
Deposits from customers	49 534 250	49 534 250
Debt securities issued	4 446 914	4 456 155
Subordinated loans	649 294	657 414
Other liabilities	323 656	323 656
Total financial liabilities at amortised cost	55 956 218	55 973 579

In NOK thousand	Sbanken ASA (parent company)			
	Level 1	Level 2	Level 3	Total
31.12.18				
Cash and receivables with central bank		393 148		393 148
Loans to and receivables from credit institutions			2 183 558	2 183 558
Loans to customers			12 477 656	12 477 656
Commercial paper and bonds at amortised cost		329 094		329 094
Shares and funds			4 052	4 052
Shares in subsidiary			1 699 880	1 699 880
Other assets			117 759	117 759
Total financial assets at amortised cost		722 242	16 482 905	17 205 147
Liabilities				
Loans and deposits from credit institutions			1 002 104	1 002 104
Deposits from customers			49 534 250	49 534 250
Debt securities issued		4 456 155		4 456 155
Subordinated loans		657 414		657 414
Other liabilities			323 656	323 656
Total financial liabilities at amortised cost		5 113 569	50 860 010	55 973 579

Note 38 – Financial instruments at fair value

31.12.19 In NOK thousand	Sbanken ASA Group	
	Carrying value 31.12.19	Fair value 31.12.19
Assets		
Commercial paper and bonds	9 087 319	9 087 319
Shares and funds	169 669	169 669
Derivatives	201 975	201 975
Loans to customers (fixed rate)	164 062	164 062
Total financial assets at fair value	9 623 025	9 623 025
Liabilities		
Derivatives	0	0
Total financial liabilities at fair value	0	0

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
Shares 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
Total financial assets at fair value	627 533	8 673 029	322 463	9 623 025
Derivatives	0	0	0	0
Total financial liabilities at fair value	0	0	0	0

Financial instruments measured at fair value Level 3 In NOK thousand	Loans to customers	Shares and funds	Total
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
Closing balance at 31 December 2019	164 062	158 401	322 463

There have been no transfers of financial instruments between Level 1 and Level 2 in the period January to December 2019.

Information about fair value of securities at Level 3:

Shares in Vipps AS (VBB AS)

In July 2018 the companies BankAxept AS, Bank ID Norge AS and Vipps AS, merged into VBB AS. The name of the company was changed to Vipps AS in November 2018. Sbanken has used the value of the merged company as the basis for calculating the fair value of the shares in Vipps AS at 31 December 2019, adjusted for a liquidity and general uncertainty discount of 20%.

Shares in VN Norge AS (formerly Visa Bankgruppe FLI)

Visa Bankgruppe FLI was converted into the limited liability company VN Norge AS with effect from June 2018. Sbanken owns 9.4216% of the shares in VN Norge AS. Sbanken has used the fair value from the conversion as the basis for calculating the

fair value of the shares in VN Norge AS at 31 December 2019 including adjustments for movements in currency and share price of Visa Inc. The total value has been adjusted for a liquidity and general uncertainty discount of 20%.

Sensitivity analysis regarding shares in VN Norge:

Parameter	Effect in NOK
Shift in exchange rate of NOK/USD of +/- 10 %	+/- 6.1 mill
Shift in share price of Visa Inc. of +/- 10 %	/- 6.1 mill
Shift in liquidity discount on shares of +/- 10 basis points	+/- 13.3 mill

Note 38 – Financial instruments at fair value (continued)

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 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.

31.12.18 In NOK thousand	Sbanken ASA Group	
	Carrying value 31.12.18	Virkelig verdi 31.12.18
Assets		
Commercial paper and bonds	11 244 999	11 244 999
Shares and funds	152 717	152 717
Derivatives	201 977	201 977
Total financial assets at fair value	11 599 693	11 599 693
Liabilities		
Derivatives	0	0
Total financial liabilities at fair value	0	0

31.12.18 In NOK thousand	Sbanken ASA Group			
	Level 1	Level 2	Level 3	Total
Commercial paper and bonds	693 355	10 551 644	0	11 244 999
Shares and funds	0	9 213	143 504	152 717
Derivatives	0	201 977	0	201 977
Total	693 355	10 762 834	143 504	11 599 693
Derivatives	0	0	0	0
Total financial liabilities at fair value	0	0	0	0

Financial instruments measured at fair value Level 3 In NOK thousand	Shares and funds	Total
Net gain/(loss) on financial instruments (unrealised)	68 951	68 951
Acquisitions/exits	0	0
Sale	0	0
Settlement	0	0
Transferred from Level 1 or Level 2	0	0
Transferred to Level 1 or Level 2	0	0
Other	0	0
Closing balance at 31 December 2018	143 504	143 504

There have been no transfers of financial instruments between Level 1 and Level 2 in the period January to December 2018.

Note 38 – Financial instruments at fair value (continued)

31.12.19 In NOK thousand	Sbanken ASA (parent company)	
	Carrying value 31.12.19	Virkelig verdi 31.12.19
Assets		
Commercial paper and bonds	11 007 483	11 007 483
Shares and funds	401 892	401 892
Loans to customers	34 498 792	34 498 792
Derivatives	134	134
Total financial assets at fair value	45 908 301	45 908 301
Liabilities		
Derivatives	0	0
Total financial liabilities at fair value	0	0

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
Shares 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
Total financial assets at fair value	627 533	10 623 575	34 657 193	45 908 301
Derivatives	0	0	0	0
Total financial liabilities at fair value	0	0	0	0

Financial instruments measured at fair value Level 3 In NOK thousand	Loans to customers	Shares and funds	Total
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
Closing balance at 31 December 2019	34 498 792	158 401	34 657 193

There have been no transfers of financial instruments between Level 1 and Level 2 in the period January to December 2019.

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

Note 38 – Financial instruments at fair value (continued)

the 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).

31.12.18 In NOK thousand	Sbanken ASA (parent company)	
	Carrying value 31.12.18	Fair value 31.12.18
Assets		
Commercial paper and bonds	12 075 530	12 075 530
Shares and funds	381 905	381 905
Loans to customers at fair value	32 144 454	32 144 454
Total financial assets at fair value	44 601 889	44 601 889
Liabilities		
Derivatives	0	0
Total financial liabilities at fair value	0	0

31.12.18 In NOK thousand	Sbanken ASA (parent company)			
	Level 1	Level 2	Level 3	Total
Commercial paper and bonds	693 355	11 382 175	0	12 075 530
Shares and funds	0	238 401	143 504	381 905
Loans to customers at fair value	0	0	32 144 454	32 144 454
Total financial assets at fair value	693 355	11 620 576	32 287 958	44 601 889
Derivatives	0	0	0	0
Total financial liabilities at fair value	0	0	0	0

Financial instruments measured at fair value Level 3 In NOK thousand	Loans to customers	Shares and funds	Total
Net gain/(loss) on financial instruments (unrealised)	0	68 951	68 951
Net new loans/exits	19 310 198	0	19 310 198
Sale (to Sbanken Boligkreditt AS)	-18 541 809	0	-18 541 809
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
Closing balance at 31 December 2018	32 144 454	143 504	32 287 958

There have been no transfers of financial instruments between Level 1 and Level 2 in the period January to December 2018.

Note 39 – Other assets

Sbanken ASA (parent company)			Sbanken ASA Group	
31.12.18	31.12.19	In NOK thousand	31.12.19	31.12.18
87 945	88 399	Receivables from fund managers and other receivables	88 399	87 945
6 333	769	Other assets	189	5 757
94 278	89 168	Total other assets	88 588	93 702

Receivables from fund managers and other receivables mainly consist of unsettled settlements against fund managers arising from customer sales of funds.

Note 40 – 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 1.1.19	27 937	135 248	163 185
Additions during the year	22 948	49 091	72 040
Disposals during the year		0	0
Acquisition cost at 31.12.19	50 885	184 339	235 225
Accumulated depreciation at 1.1.19	0	52 562	52 562
Depreciations during the year (see note 30)	3 807	16 947	20 754
Write downs during the year	5 568	20 966	26 534
Disposals during the year	0	0	0
Accumulated depreciation at 31.12.19	9 375	90 475	99 850
Balance sheet value at 31.12.19	41 510	93 864	135 376
Acquisition cost at 1.1.18	0	94 347	94 347
Additions during the year	27 937	40 901	68 838
Disposals during the year	0	0	0
Acquisition cost at 31.12.18	27 937	135 248	163 185
Accumulated depreciation at 1.1.18	0	43 627	43 627
Depreciations during the year (see note 30)	0	8 935	8 935
Write downs during the year	0	0	0
Disposals during the year	0	0	0
Accumulated depreciation at 31.12.18	0	52 562	52 562
Balance sheet value at 31.12.18	27 937	82 686	110 624
Expected useful life	5 years	5 years	

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 41 – Property, plant and equipment

In NOK thousand		2019	2018
Fixed asset		16 054	18 607
Lease right of use IFRS 16		148 729	0
Total		164 782	18 607

In NOK thousand	Leasehold improvements	Machinery, fixtures and means and transport	Lease right of use IFRS 16	Total
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		-5 092	0	-5 092
Acquisition cost at 31.12.19	11 555	25 514	176 294	213 364
Accumulated depreciation at 1.1.19	4 050	15 483	0	19 533
Depreciations during the year (see note 30)	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
Accumulated depreciation at 31.12.19	5 804	15 212	27 566	48 582
Balance sheet value at 31.12.19	5 752	10 302	148 729	164 782
Acquisition cost at 1.1.18	4 820	17 953	0	22 774
Additions during the year	6 558	8 809	0	15 367
Disposals during the year				0
Acquisition cost at 31.12.18	11 378	26 762	0	38 141
Accumulated depreciation at 1.1.18	3 673	10 868	0	14 541
Depreciations during the year (see note 30)	377	4 718	0	5 095
Write downs during the year				0
Disposals during the year				0
Accumulated depreciation at 31.12.18	4 050	15 483	0	19 533
Balance sheet value at 31.12.18	7 328	11 279	0	18 607
Expected useful life	5 years	3-5 years		

Note 42 – Lease

In NOK thousand	Rented premises	Leased IT systems	Total
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
Right of use asset as at 31.12.19	136 230	40 064	176 294
Accumulated depreciation at 1.1.19	0	0	0
Depreciations during the year (see note 30)	13 130	14 436	27 566
Write downs during the year	0	0	0
Disposals during the year	0	0	0
Accumulated depreciation at 31.12.19	13 130	14 436	27 566
Balance sheet value at 31.12.19	123 100	25 628	148 729
Rental period	120 months	60 months	
Remaining rental period	95 months	22 months	
Lease liabilities:			
In NOK thousand			2019
Maturity analysis contractual maturity - undiscounted			
Less than one year			33 994
1 to 5 years			88 475
More than 5 years			55 398
Total undiscounted lease liabilities 31.12.19			177 867
Balance lease liabilities as at 31.12.19			150 091
of which are current lease liabilities			28 901
of which are non-current lease liabilities			121 190
Profit and loss			
In NOK thousand			2019
Interest on the lease liabilities			3 281
Variable rent that is not included in the measurement of the lease liabilities			312
Cost of short-term leases			706
Cost of renting where underlying assets have low value			388
Depreciations			27 566
Sublease income			0
Total			32 253

See note 1 for accounting principles. When discounting the obligation, an interest rate of 2.5% has been used.

Note 43 – Other liabilities

Sbanken ASA (parent company)			Sbanken ASA Group	
2018	2019	In NOK thousand	2019	2018
1 883	105 616	Fund settlement	105 616	1 883
103 895	139 797	Accrued costs	139 816	104 459
13 570	12 267	Accrued interest	108 775	79 681
13 935	18 389	Accounts payable	18 553	14 116
3 075	3 207	Expected credit loss (ECL) off-balance	3 207	3 075
0	0	Debt collateral	222 047	185 376
0	150 091	Lease liabilities IFRS 16	150 091	0
187 298	86 549	Other liabilities	86 574	189 432
323 656	515 916	Total other liabilities	834 679	578 022

Note 44 – 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 2019, 1 G was NOK 99 858.

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 2017 and 2018 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 7,8 years at the end of 2019.

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 44 – Pensions (continued)

Economic assumptions		
The main economic assumptions that are used by the actuary in his calculations are as follows:	2019	2018
Discount rate	2.30%	2.60%
Expected return on pension funds	2.30%	2.60%
Anticipated rise in salaries	2.25%	2.75%
Anticipated rise in basic amount	2.00%	2.50%
Anticipated rise in pensions	2.00%	2.50%
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
Pension expenses		
In NOK thousand	2019	2018
Net present value of pension entitlements	5 163	5 623
Accrued payroll tax	1 119	1 223
Interest expense on pension commitments	2 405	2 205
Calculated return on pension funds	-1 829	-1 546
Administrative expenses	121	122
Recognised change in pension plan	0	0
Net recognised defined benefit costs including payroll tax	6 979	7 627
Defined contribution schemes incl. payroll tax	14 856	11 495
CPA Scheme incl. payroll tax	5 644	4 037
Net pension expenses	27 479	23 159
Effects recognised in other comprehensive income		
In NOK thousand	2019	2018
Remeasurement (gains)/losses changes in economic assumptions, pension commitments	-1 151	-3 313
Remeasurement (gains)/losses experience-based adjustments	0	0
Remeasurement gains - changes in other factors, pension funds	0	0
Payroll tax	-220	-780
Remeasurement gains as a change in total members	0	0
Total recognised in other comprehensive income before tax effect	-1 371	-4 093
Total effect from actuarial gains or losses	-1 371	-4 093
Actuarial gains or (losses) as at 1.1, gross before tax effect	-24 923	-29 016
Actuarial gains or (losses) as at 31.12, gross before tax effect	-23 552	-24 923
Actuarial gains or (losses) as at 31.12, gross after tax effect	-17 778	-18 806
Net pension commitments in the balance sheet		
In NOK thousand	2019	2018
Net present value pension commitments	97 045	92 708
Fair value of pension funds	-73 960	-66 850
Net pension commitments excl. payroll tax	23 085	25 858
Payroll tax	4 409	4 939
Net pension commitments in the balance sheet	27 494	30 797

Note 44 – Pensions (continued)

Changes in the pension commitments in the balance sheet		
In NOK thousand	2019	2018
Opening balance	92 708	92 089
Net present value of this year pension entitlements	5 163	5 623
Interest expenses	2 405	2 204
Actuarial (gains)/losses related to change in parameters	-3 001	-6 779
Actuarial (gains)/losses related to change in expectations	165	0
Recognised change in pension plan incl. effect payroll tax	0	0
Pension payments	-395	-429
Closing balance	97 045	92 708

Changes in the pension funds in the balance sheet		
In NOK thousand	2019	2018
Opening balance	66 850	60 841
Expected return	1 829	1 545
Administrative expenses	-121	-122
Pension payments	-395	-429
Actuarial (gains)/losses related to change in parameters	-1 684	-2 684
Actuarial (gains)/losses related to change in expectations		
Actuarial (gains)/losses related to change in members incl. effect payroll tax		
Premium paid	7 481	7 699
Closing balance	73 960	66 850

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

	2019	2018
Shares	9,50%	8,40%
Bonds	76,00%	78,20%
Property	13,60%	12,40%
Other	0,90%	1,00%
Total	100,00%	100,00%

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 44 – Pensions (continued)

Effect on pension commitments	Change in the economic assumptions	Change in the pension commitments
Discount rate	0.50%	-8 226
Discount rate	-0.50%	9 406
Annual rise in salaries	0.50%	3 662
Annual rise in salaries	-0.50%	-3 280
Annual rise in pensions and basic amount	0.50%	5 762
Annual rise in pensions and basic amount	-0.50%	-5 064
Life expectancy	+ 1 år	4 194

Members in the pension schemes	2019	2018
Number of persons covered by the pension schemes:		
- defined benefit schemes	54	57
- retirement and disability pensions	9	7
- defined contribution schemes	344	308

Average expected remaining service for employees covered by the defined benefit plan are 8,3 years.

Expected contributions to pension schemes in 2020:	2020
Expected contributions to defined benefit schemes	6 936
Expected contributions to defined contribution schemes	15 900
Total expected contributions to pension schemes incl. payroll tax	22 836

Note 45 – Information about related parties

Assets/liabilities to Sbanken Boligkreditt AS

In NOK thousand	31.12.19	31.12.18
Receivable related to overdraft facility with Sbanken Boligkreditt AS	2 897 390	2 120 543
Sbanken Boligkreditt AS's deposit in Sbanken ASA	1 701 897	1 001 382
Sbanken ASA's ownership of covered bonds issued by Sbanken Boligkreditt AS	2 006 575	925 282
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	01.01.19 - 31.12.19	01.01.18 - 31.12.18
Sale of services in line with service agreement	6 808	6 480
Interest on overdraft facility	48 364	28 025
Interest on deposit	1 290	1 325
Interest on covered bonds issued by Sbanken Boligkreditt AS	23 898	4 766
Interest on subordinated loan issued by Sbanken Boligkreditt AS	12 330	9 690
Share of result related to ownership of additional Tier 1 capital in Sbanken Boligkreditt AS	13 411	11 007

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 46 – 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 2019:

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%
State Street Bank and Trust Comp	Yes	4 052 424	3.79%
VERDIPAPIRFOND ODIN NORDEN	No	3 903 091	3.65%
State Street Bank and Trust Comp	Yes	3 780 605	3.54%
Morgan Stanley & Co. Int. Plc.	Yes	3 436 060	3.22%
Lannebo Mixfond	No	3 260 500	3.05%
DIDNER AND GERGE SMABOLAG	No	2 852 793	2.67%
FD INVT TR: FD SRS INTL SML CP FD	No	2 601 931	2.43%
ARCTIC FUNDS PLC	No	2 236 738	2.09%
J.P. Morgan Bank Luxembourg S.A.	Yes	2 040 135	1.91%
LF MITON EUROP OPPORTUNITIES FUND	No	2 026 610	1.90%
State Street Bank and Trust Comp	Yes	1 997 471	1.87%
FERD AS	No	1 907 065	1.78%
CACEIS Bank	Yes	1 645 388	1.54%
State Street Bank and Trust Comp	Yes	1 583 242	1.48%
Morgan Stanley & Co. International	No	1 382 787	1.29%
JPMorgan Chase Bank N.A. London	Yes	1 256 804	1.18%
RB AXA IM GL FINTECH EQ MOTHER FD	No	1 192 811	1.12%
Euroclear Bank S.A./N.V.	Yes	1 081 590	1.01%
Total for the twenty largest investors		68 955 377	64.52%
Total number of shares		106 869 333	100.00%

The register of shareholders is based on the Norwegian Central Securities Depository's (VPS) shareholder register as of 31 December 2019. Please refer to separate section of the Annual report for a list of the beneficial owners of shares in nominee accounts.

Geographical areas per 31.12.19:	Number of shares	Ownership in percent
Norway	41 512 301	38.84%
Rest of Europe	48 358 616	45.25%
North-America	16 985 107	15.89%
Other	13 309	0.01%
Total	106 869 333	100.00%

As of 31 December 2019 Sbanken ASA had a total of 4 748 shareholders, 3 595 of whom held 1 000 or fewer shares. Sbanken ASA held no own shares at the reporting date 31.12.19.

Note 47 – 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 2019, 35 060 shares were allotted to employees at a gross price of NOK 65.01 per share. A total of NOK 456,000 of the personnel expenses for the year were related to the share purchase programme. In the first quarter of 2019, 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 8 368 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 2019, 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	31.12.19	31.12.18
Sales of shares to employees (number of shares)	43 428	56 666
Expensed discount	456	428
Recognised directly against equity	-131	-589

Note 48 – Earnings per share

In NOK	Sbanken ASA Group	
	2019	2018
Profit for the period to shareholders	678 080 000	697 339 000
Number of shares (weighted average)	106 869 333	106 869 333
Earnings per share (basic)	6,34	6,53
Earnings per share (diluted)	6,34	6,53

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 49 – Subsequent events

The Board of Directors has proposed a dividend of NOK 1.90 per share for 2019, which corresponds to 29.9 per cent of the profit for the period. In its assessment, the Board of Directors has taken into account capital adequacy, regulatory requirements and the Bank's growth ambitions.

After year-end 2019 the outbreak of the corona virus COVID 19 has spread from China to large parts of the world, including Europe and Norway. For further details we refer to the Board of Directors' report.

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	2019	2018
Net interest income (annualised)	1 564 127	1 371 240
Average total assets	92 912 687	89 367 366
Net interest margin	1.68%	1.53%
Interest income (annualised)	2 719 164	2 275 239
Average total assets	92 912 687	89 367 366
Effective lending rate	2.93%	2.55%
Interest expense (annualised)	1 155 037	903 999
Average total assets	92 912 687	89 367 366
Effective funding rate	1.24%	1.01%

Alternative performance measures (continued)

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	2019	2018
Operating expense	727 239	641 992
Operating income	1 799 829	1 646 215
Cost-to-income ratio	40.4%	39.0%
Profit for the period attributable to shareholders	678 080	697 339
Average equity	5 939 664	5 404 237
Return on equity	11.4%	12.9%

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 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.

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.

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.

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.

Alternative performance measures (continued)

In NOK thousand	2019	2018
Loan losses	153 149	75 513
Average loan volume	79 897 657	76 229 943
Loss rate	0.19%	0.10%
Average deposits from customers	51 737 333	48 887 720
Average loans to customers	79 897 657	76 229 943
Average deposit-to-loan ratio	64.8%	64.1%
Deposits from customers	52 844 881	49 534 250
Loans to customers	81 233 217	79 020 747
Deposit-to-loan ratio	65.1%	62.7%
LTV (Loan-to-value)	54.3%	54.4%

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)	31.12.19		31.12.18	
	Carrying value	Value LCR	Carrying value	Value LCR
In NOK thousand				
Level 1 - assets exclusive of covered bonds	3 949 991	3 949 991	2 697 577	2 697 577
Level 1 covered bonds	5 876 307	5 464 966	6 061 638	5 637 323
Level 2A - assets	848 395	721 136	2 878 926	657 022
Level 2B - assets	0	0	0	0
Assets ineligible as "liquid assets"	82 330 991	0	79 839 403	0
Total assets	93 005 685	10 136 093	91 477 543	8 991 922
Net outflows	0	4 020 627	0	3 481 440
LCR %		252%		258%

Statement

Pursuant to Section 5-6 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 2019 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.

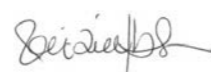
To the best of our knowledge, the yearly report gives a true and fair:

- 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, 31 March 2020
The Board of Directors of Sbanken ASA



Niklas Midby
(Chair of the Board)



Mai-Lill Ibsen



August Baumann



Hugo Maurstad



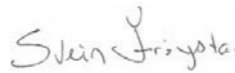
Ragnhild Wiborg



Cathrine Klouman



Karianne Mjøs-Haugland



Svein Frøystad



Øyvind Thomassen
(CEO)

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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 2019, 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 2019, 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 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 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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Organisasjonsnummer: 980 211 282

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Sbanken ASA

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 2019, 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 corresponding assessment of the expected future cash flows from 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 based 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"> • identification of increase in credit risk • use of different economic scenarios • determination of probability of default, loss given default and exposure at default, and validation of the models against historical losses <p>For a sample of key controls, we tested operating effectiveness of these controls for the period.</p> <p>We assessed a sample of applied forward-looking assumptions against external reports on forward-looking data from Statistics Norway.</p> <p>We assessed the disclosures on loan loss provisions against the requirements set out in IFRS 7.</p>



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IT-systems and relevant controls over financial information

Key audit matter	How the matter was addressed in the audit
<p>The 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 26.</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 and 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 used to extract key information used in management's estimation of write-downs.</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"> • evaluation of design and test of implementation of key controls; and • reconciliation of key financial information between the data warehouse and the general ledger <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 26.</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 simplified application of international accounting standards according to the



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Norwegian Accounting Act section 3-9, 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.



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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, 31 March 2020
Deloitte AS

Helge-Roald Johnsen

State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

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