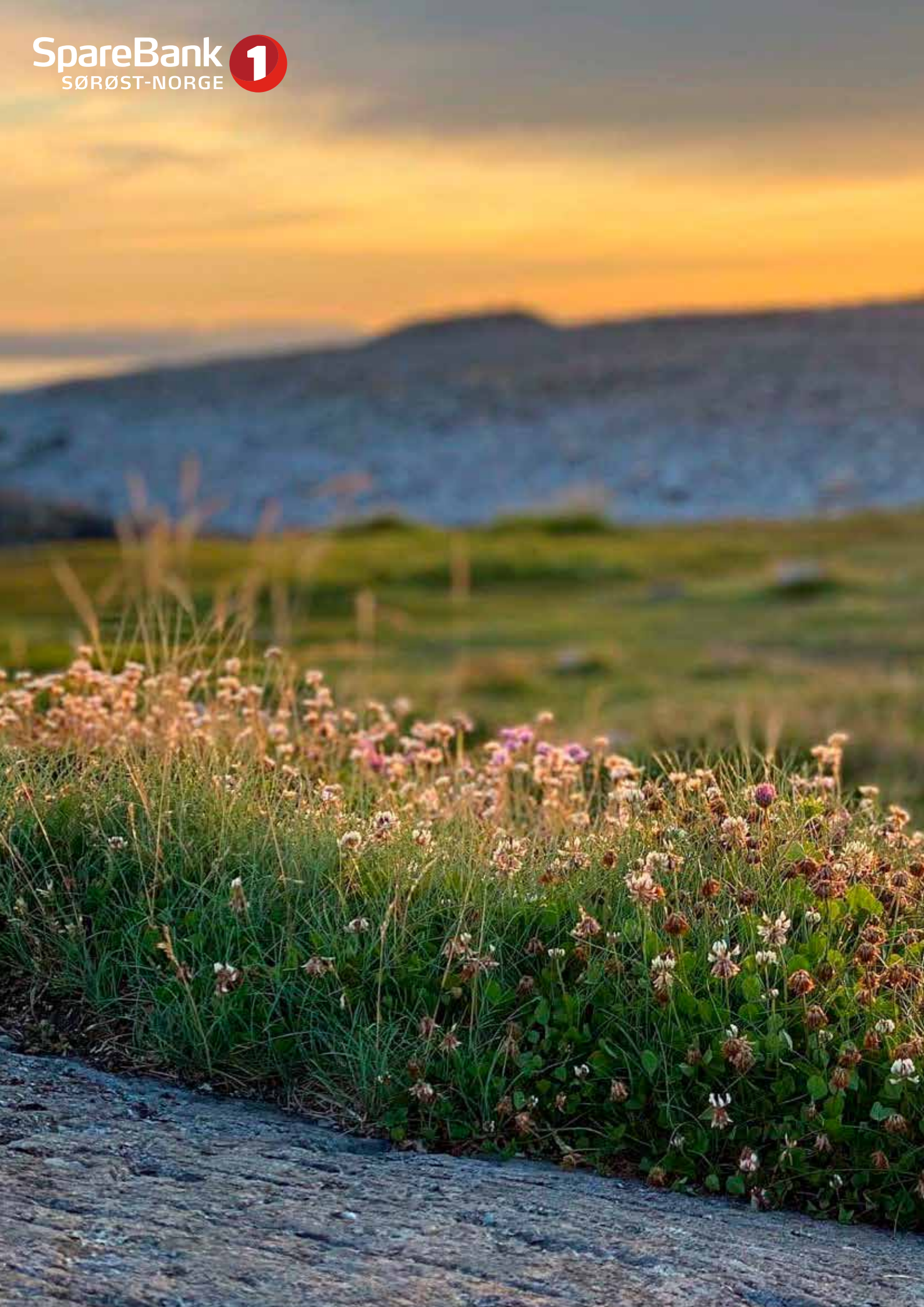




2021

Annual Report



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A new powerful regional bank in an attractive market

2021 was an exciting and demanding year for Norwegian banking. For SpareBank 1 Sørøst-Norge, it was also a special year thanks to the establishment of a strong new regional bank. On 01.06.2021, SpareBank 1 BV and Sparebanken Telemark merged. At the same time, we changed our name to SpareBank 1 Sørøst-Norge. The year, therefore, saw a series of integration projects. It is gratifying to look back at how the integration process has proceeded in line with the goals and plans we drew up. We are extremely pleased that our strategic measures have been well received in the capital market, and in fact the price of our equity certificate (SOON) increased by no less than 63% on the Oslo Børs, making it the best performing Norwegian bank equity certificate or share in 2021.

Looking back, structural growth has been vital for the Bank's development. Since the 1980s, the Bank's total assets have grown by an average of about 12% each year, which is considerably higher than the growth in credit over the same period. Overall, 10 mergers have been completed, from countryside to city. One of the motivations behind all of the mergers has been the same in every case. Structural changes must be made in good times in order to achieve good results.

The regulations that govern the financial services industry are constantly evolving. Greater expertise and resources are required, especially within compliance, capital requirements and digitalisation. At the same time, our customers want good advice, a local presence and competitive terms and conditions. Economies of scale are an important value driver for meeting these challenges and at the same time achieving good profitability. We believe that this could lead to more structural changes going forward. I feel comfortable saying that in recent years we may have been the most open and decisive in bank in Norway when it comes to taking advantage of any opportunities that arise.

We have actually been responsible for about 20% of the total mergers in the savings bank sector since the 2000s.

Thanks to the structural changes, we have built up considerable expertise in implementing mergers, both financial and organisational. Research shows that many mergers and acquisitions do not achieve

their objectives. I firmly believe that we can prove the opposite to be true in our case. In our merger-related work, we have placed considerable weight on ensuring that we have good processes that are well-anchored among employee representatives and have involved large parts of the organisation(s). This ensures a sense of ownership and enthusiasm about shared goals. I am proud and humbled by the commitment that the organisation has shown at a time when most people have been working from home for extended periods and most meetings have taken place on Teams.

To date, the mergers have resulted in the establishment of four strong local savings bank foundations in the region. They will safeguard the DNA of the old savings banks thanks to their local roots. At the same time, in the future, together with the Bank, they will organise gift distribution and market activities in their respective market areas in order to consolidate the Bank's position as a local bank.

SpareBank 1 Sørøst-Norge enjoys a strong market position in a growth area. Norges Bank's expansive monetary policy has resulted in high house price inflation and relatively high price levels, particularly in the Oslo region. The pandemic has taught us that greater flexibility with respect to where you live and work is possible. Lower prices for homes in our market area combined with good infrastructure and an increase in working from home have resulted not just in great interest in moving to our market area but many people doing it.

The Bank's market area also includes an exciting and diverse range of employers, in both the public and the private sectors. Education and health are two important public sector employers in the region.

The private sector has a broadly composed business sector along the axes Drammen - Kongsberg - Notodden and via Grenland – the towns in Vestfold and back to Drammen. Many solid international enterprises are based in the region, which results in considerable value creation and many jobs. Like the Bank, very many of the companies in the region have a heavy focus on sustainability and plan to intensify this further in the future. It is important for us to help customers in the green transition. To do that, we have made a major commitment to enhancing our expertise in sustainability in all of our departments. The goal is to ensure that all employees can feel confident that they have the necessary sustainability skills to do their job. We also hope that this will help make us an even more attractive place to work. In the year just ended, we launched our green bond framework and issued our first green bond. We assess sustainability risk and opportunities for all new corporate loans. Our "My climate footprint" service helps our retail customers make better climate choices by showing them the emissions that result from their consumption.

The competition for customers is fierce and I do not expect it to get any easier in the future. To be successful in this competition we have to make use of our competitive advantages, which include our local presence and proximity to our customers. In the autumn, more than 50 of our employees were involved in the work on a new corporate strategy in which we have clarified our ambitions, summarised by seven focus areas:

1. Stronger top line throughout the Group
2. Strongly customer-oriented
3. Focusing on sustainability throughout the Bank's value chain
4. Creating and developing an attractive workplace
5. Being a data and insight-driven bank
6. Quality in everything we do
7. Our ambition to be a good, strong regional bank

We also have an ambition of applying for approval to become a so-called IRBa bank, which will make the Bank more competitive. I am convinced that the sum of these things will create value for our owners, employees and local communities.

Our vision, therefore, is: "Together we create value". Our employees are the key factor to our success, and it is important to connect the skills and energy contained within the organisation. I believe that by doing things together as a team, we will become better, stronger, more knowledgeable and more powerful.

I am, therefore, looking forward to the day when we can put the pandemic behind us and meet each other again face to face so we can feel the energy and power in the Group.

There was also a great deal of celebration when the general meetings of SpareBank 1 Modum and SpareBank 1 Sørøst-Norge unanimously agreed to merge the two banks on 16.12.2021. We are strongly motivated about this new merger and look forward to utilising our experience from the merger of SpareBank 1 BV and Sparebanken Telemark as we establish new projects designed to incorporate SpareBank 1 Modum into SpareBank 1 Sørøst-Norge. The merger will provide us with a strong position and good competitiveness in Southeast Norway in general, and in the Drammen region in particular. We are currently just waiting for the authorities' approval so that we can implement the merger in a good, efficient manner and, hopefully, become a single bank on 01.04.2022. This means that together we will have established an even stronger market position in an exciting growth market.

Finally, I would like to thank all of the Group's employees for the results that were created in 2021. I am proud of the willingness to change and stick at it that the organisation has shown over the course of a demanding year of regular shutdowns, and not least the ability to maintain the focus on our customers in parallel with the merger work.



Per Halvorsen
CEO



Together we create value

Our mission is to contribute to sustainable development in Norwegian communities

Our shared mission
What we want to be known for

The personal regional bank that provides value for local businesses, people and communities

SpareBank 1 Sørøst-Norge's distinctiveness
How we differ from each other

For me, who wants security and a bank that's open when it suits me.

Best for most people and businesses

The Bank that always provides the personal touch. They are preparing me and the company for the next phase.

Always personal

The banks that understand my needs and with the resources and muscle to deliver the goods.

The most useful innovations

The banks whose ownership model and network actively boost their region's growth, development and attractiveness as a place to live.

Strong and engaged local partners

Our common customer promises
How we differ from other banks

Corporate strategy

Brand and identity

The word brand comes from the Norse word “brandr”, which was used in connection with branding cows. As far as SpareBank 1 Sørøst-Norge is concerned, branding is about clarifying who we want to be and ensuring that we stand out from the crowd of competitors. A strong brand will attract new customers, good partners and more competent employees. A strong brand is one a several means of creating competitive advantages over time.

SpareBank 1 Sørøst-Norge aims to contribute to sustainable development in Norwegian local communities by providing a wide range of financial services, as well as relevant advice to individuals and businesses.

SpareBank 1 Sørøst-Norge wants to be seen as the personal regional bank that provides value for local businesses, people and communities. That is our local character.

We also want to be known for our four customer promises:

- 1) Best for most people and businesses
- 2) Always personal
- 3) The most useful innovations
- 4) Strong and engaged local partners

The illustration on the left shows the brand house of SpareBank 1, where our local identity is integrated.

Its foundations must be built of competitive products and services combined with a proactive sales and advice culture.

Vision and values

Our vision, “Together we create value”, expresses what we achieve when the Group is most successful at what it does. The word “together” tells us how the results will be achieved.

We create value for customers through good advice based on expertise, quality and ethical standards in line with the best traditions of the savings bank industry.

We build up skills and corporate culture in-house and deliver good results every day for our customers, owners, employees and society. “Together” is warm, friendly and inclusive.

Together we create development and growth over time. In order to succeed, we have to keep moving.

Our vision and values provide an important platform from which to successfully achieve our goals.

Our values, “Present”, “Power” and “Movement”, speak of a group that is evolving, at the same time as we want to preserve our proximity to our customers.

The power inherent in a strong corporate culture should make a difference. Showing that we are an attractive workplace is addressed through our corporate strategy.

Group goals 2025

**25
bn NOK**

Sustainable lending

**900
m NOK**

Other operating income

11 %

Return on equity

> 66

Customer satisfaction

17 %

Common Equity Tier 1 capital

> 75

Employee engagement

Corporate strategy

Establishing a common strategy for the new group was an important milestone in the work of integrating Sparebanken Telemark and SpareBank 1 BV in 2021. A strategy project was established in order to map out the right course towards 2025. The method we used mirrored our strategic framework with the following four main milestones.

1. Agreeing on a future vision
2. Establishing a common understanding of the current situation
3. Defining overarching strategic goals
4. Outlining the change map that shows the strategic measures or focus areas that must be initiated to achieve our common goals.

The strategy is about choosing paths and the corporate strategy provides guidance for all other decisions that must be taken in the Group in the next few years. The strategy is divided up into a common corporate part that applies to everyone, and more specific goals and measures for succeeding in the retail and corporate market.

Ambitions for 2022-2025

The Group has the following four overarching ambitions for the strategy period 2022-2025.

1. strengthen customer relationships and become the preferred bank for the retail and SME segment in our market area
2. build an attractive, sound regional bank for South-east Norway
3. be one of the most attractive places to work in banking/finance in Southeast Norway
4. facilitate profitable growth that provides a basis for increased value creation for all of our stakeholders

Seven Strategic focus areas

The Group has defined and prioritised seven strategic focus areas. Managers in the retail and corporate markets have a clear responsibility for the first two, while the other five points are group-wide and apply to everyone.

COMMON CORPORATE RESPONSIBILITIES	RETAIL/CORPORATE MARKET RESPONSIBILITIES
Sustainability	Stronger top line
Data and insights	Customer oriented
Attractive place to work	
Quality	
Regional bank ambition	

A number of strategic initiatives and measures have been identified within these seven priority areas to help us achieve the Group goals.

Group goals 2025

The Group's overarching goal is profitable growth with a return on equity of 11%. Satisfied customers, engaged employees, strengthening income other than margin-based income, increased share of sustainable loans and a solid Tier 1 capital ratio are other group-wide goals. The Group's goals and strategy are followed up using balanced scorecards. This ensures ownership and good governance.



Important events in 2021

Q1

In January, the SpareBank 1 Alliance and the Norwegian Olympic and Paralympic Committee and Confederation of Sports agree a 4-year business and marketing cooperation agreement. The agreement entails the Norwegian Olympic and Paralympic Committee and Confederation of Sports exclusively using the Bank for their banking and financing needs.

On 01.02.2021, "Own pension accounts" are launched in the market and SpareBank 1 implements a package of market activities, primarily targeted at existing retail and corporate customers.

The acquisition of Regnskapsdata Kongsberg AS gives SpareBank 1 Regnskapshuset BV a significant presence in Kongsberg.

The focus on accounting services increases and we launch Bank + Accounting in the market on 01.02.2021. This is a service that improves our attractiveness within banking and accounting for many customers. Bank + Accounting saves customers valuable time, which can be invested in their business.

On 29.03.2021, the supervisory boards of SpareBank 1 BV and Sparebanken Telemark both approve a merger agreement. The new bank's name is SpareBank 1 Sørøst-Norge, and it is a major financial institution in the region.





Q2

In April we focus on sustainability and launch a new green mortgage for renovating homes in the market. This gives customers an opportunity to upgrade their current home to a better energy standard, with favourable terms and conditions.

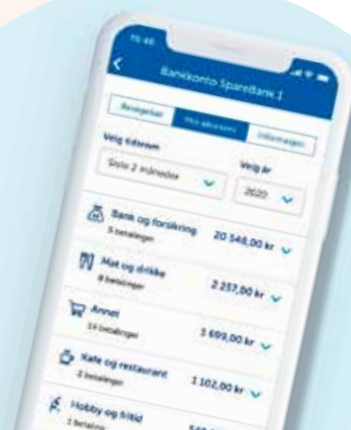
In May, both Financial Supervisory Authority of Norway and the Norwegian Competition Authority approve the merger between SpareBank 1 BV and Sparebanken Telemark. Both banks actively work to prepare for the legal merger scheduled for 01.06.2021.

“My personal finances” is launched in our digital bank. This is a great tool for our customers that helps them manage their personal finances. The

service provides an overview of, for example, card transactions, paid bills and savings.

01.06.2021, is the date of the legal merger between SpareBank 1 BV and Sparebanken Telemark, and SpareBank 1 Sørøst-Norge becomes a reality. The new group has about 550 employees and its primary market area covers Vestfold og Telemark, as well as parts of Viken (the former county of Buskerud).

SpareBank 1 Sørøst-Norge signs a cooperation agreement with the new Gründerhuset in Drammen. Gründerhuset’s goal is to develop a powerhouse for innovation and entrepreneurship. We are proud to be part of such a project.





Q3

In July – SpareBank 1 takes a big stake in Norway's leading car subscription company, Fleks. Fleks is owned by Bertel O. Steen and currently has 1,500 cars in its fleet. The ambition for the next 2 years is to grow this to more than 6,000 cars.

On 25.08.2021, SpareBank 1 Sørøst-Norge becomes the first bank in the world to review our compliance with the UN Principles for Responsible Banking with UN experts.

In September, SpareBank 1 Sørøst-Norge presents its first quarterly results (Q3) after the merger. At the end of September, the Group's

profit after tax is NOK 779 million (pro forma). Demand for financing is good and the Group experiences low losses and strong loan and deposit growth. We are highly satisfied with the trends. "Our goal is to deliver results that enable us to contribute to the sustainable development of all the local communities the Bank operates in," says CEO Per Halvorsen.

In September, at the same time as the good Q3 results are published, SpareBank 1 Sørøst-Norge signs a letter of intent concerning a merger with SpareBank 1 Modum. This will further strengthen the Group's market position in Buskerud in general and the Drammen's region in particular.



Q4

In October, we launched a super simple “sustainability guide” we developed. This is a four-step guide for those who are not quite sure where to start. It is written in plain language and intended for small and medium-sized enterprises, which often do not have a dedicated sustainability coordinator or department.

On 11.11.2021, the SpareBank 1 Alliance celebrates its 25th anniversary. The milestone is celebrated by everyone in the banks. Since it was established in 1996, the Alliance has developed into Norway's second largest financial grouping, with banks and branches across the country.

Sustainability is an important focus area for the Group and a sustainability strategy is approved

in November. This includes a strong focus on improving skills in all departments in order to make employees confident about doing a good job in this area.

On 16.12.2021, the supervisory boards of SpareBank 1 Sørøst-Norge and SpareBank 1 Modum approve the merger between the banks. The merged group will have 660 employees and 21 local branches.

In December, “My carbon footprint” is launched in the digital bank. This is a service that helps our customers live more sustainably by monitoring how their spending affects the climate.



About the SpareBank 1 Sørøst-Norge Group

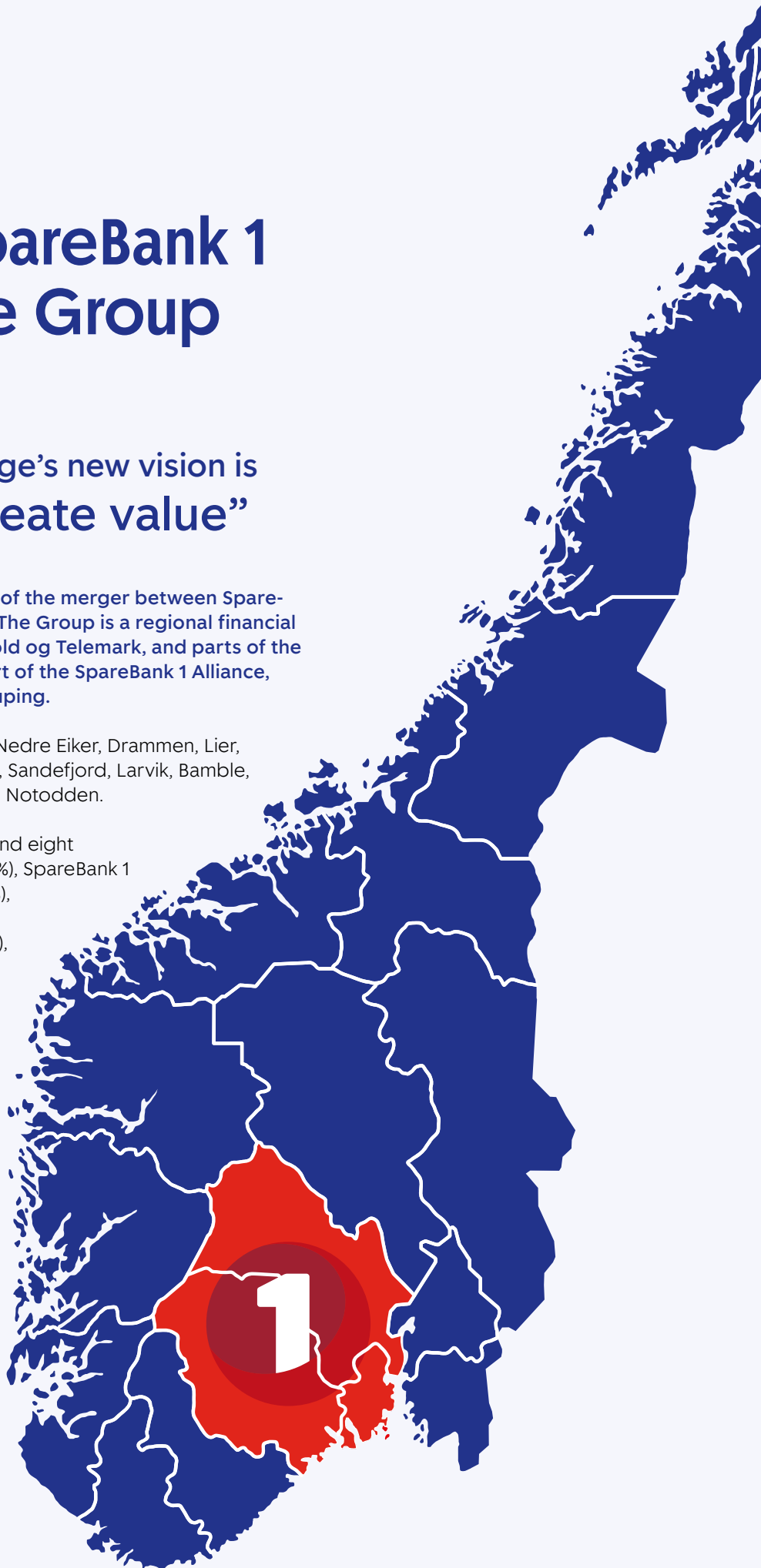
SpareBank 1 Sørøst-Norge's new vision is
"Together we create value"

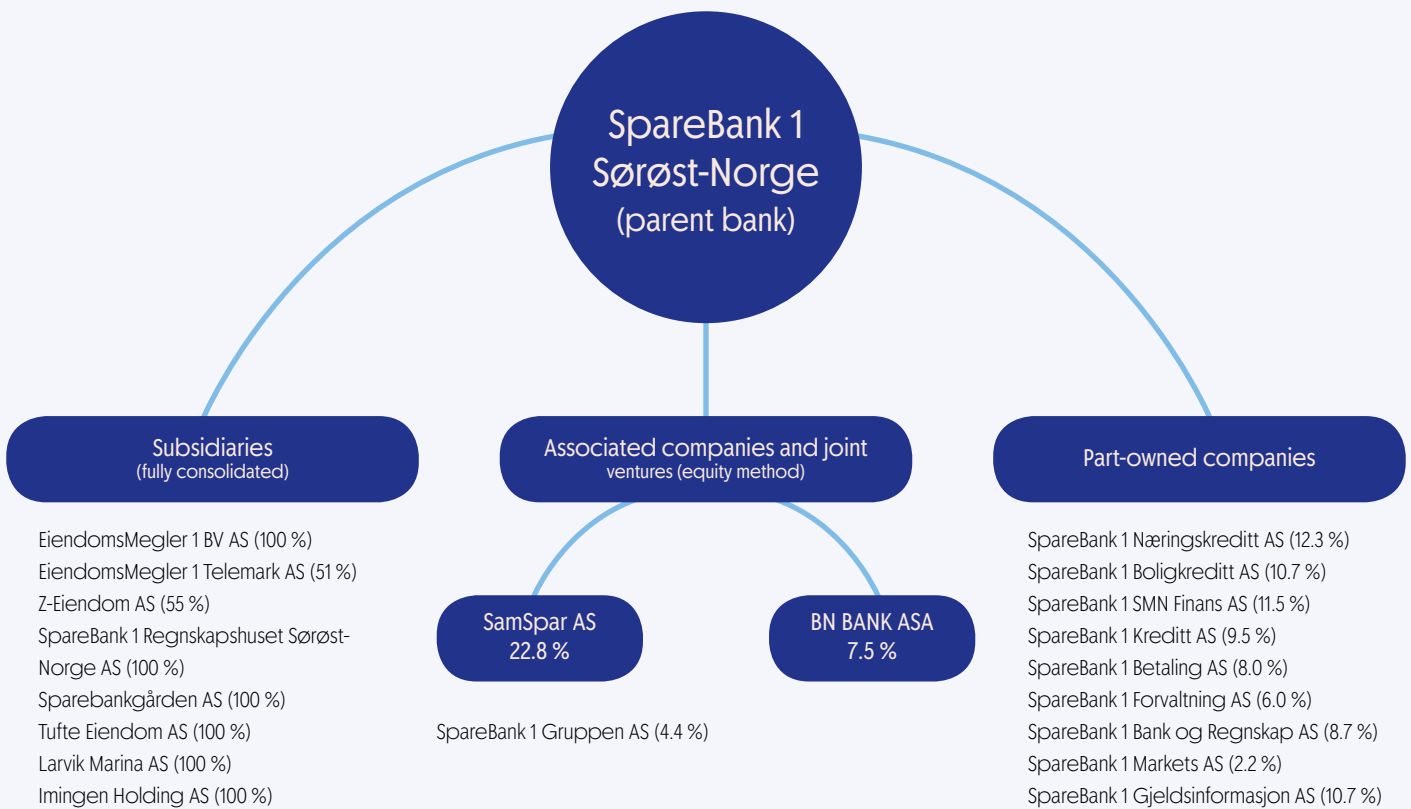
SpareBank 1 Sørøst-Norge is the result of the merger between SpareBank 1 BV and Sparebanken Telemark. The Group is a regional financial services group with branches in Vestfold og Telemark, and parts of the former county of Buskerud. We are part of the SpareBank 1 Alliance, Norway's second largest financial grouping.

The Group has branches in Kongsberg, Nedre Eiker, Drammen, Lier, Holmestrand, Horten, Tønsberg, Færder, Sandefjord, Larvik, Bamble, Porsgrunn, Skien, Ulefoss, Lunde, Bø and Notodden.

The Group consists of the parent bank and eight subsidiaries: EiendomsMegler 1 BV (100 %), SpareBank 1 Regnskapshuset Sørøst-Norge AS (100 %), Z-Eiendom AS (55 %), EiendomsMegler 1 Telemark (51 %), Tufte Eiendom AS (100 %), Sparebankgården AS (100 %), Larvik Marina AS (100 %), and I mingen Holding AS (100 %).

The Bank has two associated companies/joint ventures: SamSpar AS (22.8 %) and BN Bank ASA (7.5 %).





Our financial targets:

- Return on equity of 11 %
- Common Equity Tier 1 capital ratio of over 17 %
- Dividend of around 50 %, for the owners' and community capital's share of the profit for the year

The Group wants to:

- strengthen customer relationships and become the preferred bank for the retail and SME segment in our market area
- build an attractive, sound regional bank for Southeast Norway
- be one of the most attractive places to work in banking/finance in Southeast Norway
- facilitate profitable growth that provides a basis for increased value creation for all of our stakeholders

Strategic focus areas:



**Stronger
top line**



**Customer-
oriented**



Sustainability



**Attractive
workplace**



**Data and
insight-driven**



Quality



**Regional bank
ambition**

Main figures

NOK 869 million

Profit after tax

11,4 %

Return on equity

18,3 %

Common Equity Tier 1 capital ratio

Main figures

Consolidated figures	2021	2020	2019	2018	2017
Income Statement (NOK millions)					
Net interest income	920	649	657	593	560
Other operating income	1,075	611	599	606	651
Operating expenses	886	599	588	466	599
Profit before losses	1,109	661	667	733	613
Losses on loans and guarantees	79	31	2	1	1
Profit for the year before other comprehensive income	869	505	539	596	509
Statement of financial position (NOK millions)					
Gross lending	62,771	32,586	31,410	29,532	27,458
Gross lending, incl. transfers to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt ¹⁾	88,105	45,999	44,292	41,854	38,672
Impairment provisions on loans	229	143	145	157	160
Deposits from customers	46,212	25,864	24,443	22,139	21,002
Total assets	74,911	40,455	38,822	36,581	34,471
Average total assets	60,257	39,737	38,109	35,597	32,942
Average equity (excl. hybrid capital)	7,518	5,115	4,771	4,382	3,927
Key figures (%)					
Net interest income	1.53	1.63	1.72	1.67	1.70
Operating expenses	1.47	1.51	1.54	1.31	1.82
Profit for the year before other comprehensive income	1.44	1.27	1.41	1.67	1.54
Cost-income ratio ¹⁾	44.4	47.6	46.9	38.9	49.4
Cost-income ratio excl. financial investments ¹⁾	54.2	53.2	54.3	42.4	62.0
Loss rate on lending ¹⁾	0.17	0.10	0.01	0.00	0.00
Loans in Stage 3 as a percentage of gross lending (from 2019)/default percentage (net) (to 2018) ¹⁾	0.61	0.61	0.82	0.54	0.56
Deposit coverage ¹⁾	73.6	79.4	77.8	75.0	76.5
Total rate of return	1.44	1.27	1.41	1.67	1.54
Return on equity ¹⁾	11.4	9.9	11.3	13.6	13.0
Capital adequacy ratio (parent bank)	21.0	22.0	22.1	20.0	19.6
Tier 1 capital ratio (parent bank)	19.3	20.0	20.0	17.9	18.3
Common Equity Tier 1 capital ratio (parent bank)	18.3	18.8	18.5	16.7	17.3
Growth in deposits ^{1) 2)}	78.7	5.8	10.4	5.4	40.4
Growth in gross lending, incl. transfers to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt ^{1) 2)}	91.5	3.9	5.8	8.2	39.9
Return per equity certificate (NOK, parent bank)	4.94	3.62	4.43	4.98	4.03
Price of equity certificates 31.12 (NOK)	65.4	41.3	39.6	35.6	33.9
Dividend per equity certificate (NOK)	2.50	1.90	2.42	2.95	2.40

1. Alternative performance measures are defined in a separate appendix to the Annual Report
2. Pro forma growth in 2021 was 6.0% deposits and 6.2 % gross lending
Pro forma growth in 2017 was 5.1% deposits and 6.9 % gross lending

Board of Directors' Report

Report for 2021

Greater economies of scale and increased regulatory requirements will be important drivers of structural change in the savings bank sector. The merger between Sparebanken Telemark and SpareBank 1 BV, a planned merger with SpareBank 1 Modum, and SpareBank 1 Sørøst-Norge's wish to apply to the authorities for IRBa approval in the long term, all underscore the Board of Directors' ambition to play an active role in these structural changes.

On 01.06.2021, SpareBank 1 BV and Sparebanken Telemark merged with SpareBank 1 BV as the takeover bank. At the same time, the merged bank changed its name to SpareBank 1 Sørøst-Norge. It is estimated that the merger will provide annual synergies of between NOK 80-90 million once they have been fully phased in by the end of 2024. In 2022, the merger-related costs will amount to around NOK 80 million.

On 16.12.2021, the supervisory boards and general meetings of both SpareBank 1 Sørøst-Norge and SpareBank 1 Modum unanimously backed a merger of the banks. The goal is to create a powerful bank in the banks' market areas and be well-positioned for the future. The legal merger is scheduled to be completed on 01.04.2022, assuming it is approved by the Financial Supervisory Authority of Norway. The Norwegian Competition Authority gave its approval 04.01.2022. Annual synergies in the range of NOK 20 million have been defined in relation to the planned merger. These will be fully phased in during 2024. Approximately NOK 50 million will be incurred in costs in 2022 related to the merger transaction, technical merger and restructuring packages. These estimates come in addition to the estimates from the merger between Sparebanken Telemark and SpareBank 1 BV.

The comments and figures below refer to the Group unless explicitly stated otherwise. Figures in brackets relate to the corresponding period last year.

Figures from the transferring bank (Sparebanken Telemark) are included in the official accounts with effect from 01.06.2021. Pro forma financial statements have been prepared for 2021 and 2020 to improve comparability¹. Added/less value has been incorporated into the pro forma figures from 2021. Please refer to Note 4 concerning the merger of SpareBank 1 BV and Sparebanken Telemark, as well as to the separate pro forma income statements and statements of financial position in Note 42.

SpareBank 1 Sørøst-Norge prepares the parent company's financial statements and consolidated financial statements in accordance with International Financial Reporting Standards (IFRS).

The comments and figures below refer to the Group unless explicitly stated otherwise. Figures in brackets relate to the corresponding period last year.

Highlights from the pro forma financial performance and statement of financial position performance as at 31.12.2021 are shown below, with the pro forma figures as at 31.12.2020 in brackets.

1) The pro forma figures for 2020 represent the combined income statement and statement of financial position without calculation of added/less value

Highlights (pro forma) for the period 01.01.2021 to 31.12.2021

- Ordinary profit after tax of NOK 1,004 million (NOK 839 million)
- Net interest income of NOK 1,117 million (NOK 1,102 million)
- Profit contributions from SpareBank 1 Gruppen and BN Bank ASA of NOK 133 million and NOK 36 million, respectively
 - Of which, the gain from the spinoff of SpareBank 1 Forvaltning AS amounted to NOK 27 million
- Higher operating expenses were mainly due to merger-related one-time costs of NOK 69 million
- Losses on loans and guarantees of NOK 86 million (NOK 66 million)
 - Of which the accounting effect of the merger was NOK 89 million
- Negative goodwill recognised through profit or loss of NOK 151 million
- Return on equity of 10.6 % (9.5 %)
- Lending and deposit growth in the past 12 months of 6.2 % (7.9 %) and 6.0 % (7.5 %), respectively

Some of the highlights and figures that refer to the official accounting and consolidated figures are shown below. Figures in brackets relate to the corresponding period last year for the takeover bank.

Highlights for the period 01.01.2021 to 31.12.2021

- Merger completed on 01.06.2021
- Ordinary profit after tax of NOK 869 million (NOK 505 million)
- Negative goodwill recognised through profit or loss of NOK 151 million
- Net interest income of NOK 920 million (NOK 649 million)
- Losses on loans and guarantees of NOK 79 million (NOK 31 million)
 - Of which the accounting effect of the merger was NOK 89 million

- Profit contributions from SpareBank 1 Gruppen and BN Bank ASA of NOK 120 million and NOK 31 million, respectively
- Return on equity of 11.4 % (9.7 %)
- Common Equity Tier 1 capital ratio, proportional consolidation, 18.3 % (18.8 %)

Financial performance

Results

The SpareBank 1 Sørøst-Norge Group posted a profit from ordinary operations before losses of NOK 1,109 million (NOK 661 million). Profit after tax was NOK 869 million (NOK 505 million), which represents 1.44 % (1.27 %) of average total assets. The Group's annualised return on equity was 11.4 % (9.7 %).

Earnings per equity certificate (weighted average as at 31.12.2021) in the parent bank were NOK 4.94 (3.62) and in the Group NOK 5.37 (4.34).

The Bank's dividend policy is that around 50 % of the equity certificate holders' share of the profit for the year shall be paid out as cash dividends. The basis for calculating this for 2021 is the Group's pro forma profit, where the profit from the first 5 months from Sparebanken Telemark is also included in the basis for the payout. The Group's pro forma earnings per equity certificate were NOK 5.03. The Board of Directors is proposing a dividend of NOK 2.50 per equity certificate, which corresponds to 50 % of the Group's pro forma profit and 62 % of the official profit for the parent bank.

Net interest income

Net interest income amounted to NOK 920 million (NOK 649 million). Net interest income annualised as a percentage of average total assets was 1.53% (1.63%).

At the end of the year, the Bank had transferred mortgages worth NOK 23,769 million (NOK 12,660 million) to SpareBank 1 Boligkreditt AS, and NOK 1,565 million (NOK 752 million) to SpareBank 1 Næringskreditt AS. Earnings from these loan portfolios are shown under net commission income and amounted to NOK 209 million (133 million).

Net commission and other income

Net commission and other income totalled NOK 716 million (NOK 477 million).

Net commission income

Net commission income amounted to NOK 483 million (NOK 312 million). The commissions from SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS accounted for NOK 209 million (NOK 133 million) of this.

Other operating income

Other operating income amounted to NOK 233 million (NOK 165 million).

Net income from financial assets

Net income from financial assets amounted to NOK 360 million (NOK 134 million). As at 31.12.2021, the main items consist of NOK 33 million (NOK 31 million) in dividends received, NOK 153 million (NOK 101 million) in net profit from ownership interests, and net profit from other financial investments of NOK 174 million (NOK 2 million). The latter item includes NOK 151 million in recognised negative goodwill related to the merger with Sparebanken Telemark.

The net result from ownership interests includes the results from SpareBank 1 Gruppen AS and BN Bank ASA of NOK 120.0 million (NOK 83.0 million) and NOK 31.1 million (NOK 18.0 million), respectively. The indirect stake in SpareBank 1 Gruppen AS and direct stake in BN Bank ASA were increased from 3.0 % and 5.0% to 4.4 % and 7.5 %, respectively, in connection with the merger.

Income from ownership interests, SpareBank 1 Gruppen

SpareBank 1 Gruppen ASA posted a record profit of NOK 3,249 million (NOK 1,393 million) in 2021. The controlling interest's share amounted to NOK 2,414 million (NOK 988 million). The return on equity for the year was 21.9 %. SpareBank 1 Sørøst-Norge recognised NOK 121 million in income from SpareBank 1 Gruppen. This includes income recognition related to SpareBank 1 Forvaltning of NOK 27 million. In addition, NOK 8 million was recognised as income in connection with the Bank's sale of part of its shares in Samarbeidende Sparebanker AS and stake in Samarbeidende Sparebanker Utvikling DA to SpareBank 1 Helgeland.

The Fremtind Forsikring Group posted a profit of NOK 2,386 million (NOK 1,168 million). The improved profit was mainly attributable to a significantly improved insurance result, although the financial result was also better than last year. The insurance result amounted to NOK 2,457 million (NOK 1,091 million). This represents an improvement of no less than NOK 1,365 million compared with last year, which was impacted by a high claims ratio within travel insurance and major provisions in Fremtind Livsforsikring in connection with the portfolios taken over from DNB Forsikring AS and SpareBank 1 Forsikring AS.

The insurance result also includes income recognition of reserves of NOK 160 million linked to the portfolio transferred from DNB Liv. Net financial income amounted to NOK 618 million (NOK 417 million), which is NOK 201 million higher than last year. The return on equities for the year was 26.4 % (11.8 %) and this was the largest contributor to financial income. Premiums increased by NOK 769 million, which represents annual growth of 6 %.

SpareBank 1 Forsikring AS posted a profit of NOK 778 million (NOK 234 million). The change in the value

of properties and the dissolution of reserves were important factors behind the significant improvement in profit from 2020.

Income from ownership interests, BN Bank ASA

BN Bank ASA's profit for 2021 amounted to NOK 478 million (NOK 354 million). SpareBank 1 Sørøst-Norge owns 7.5 % of BN Bank ASA. SpareBank 1 Sørøst-Norge's recognised income from BN Bank's profit amounted to NOK 31 million.

Distribution of shares in connection with SpareBank 1 Forvaltning AS

The SpareBank 1 Forvaltning Group was established on 01.05.2021. The aim is to establish a comprehensive asset management environment in the SpareBank 1 Alliance with significant value creation potential. The ownership interest in the company will be directly and dynamically tied to the individual bank's value creation for the company. At the same time, ODIN Forvaltning AS was demerged from SpareBank 1 Gruppen AS and merged with SpareBank 1 Forvaltning AS. On 01.07.2021, the company acquired SpareBank 1 Kapitalforvaltning AS and SpareBank 1 Verdipapirservice AS, and the SpareBank 1 Alliance 'savings group' was formed. On 15.09.2021, an agreement was signed to acquire SpareBank 1 SR Forvaltning. The acquisition was approved by the Financial Supervisory Authority of Norway on 29.12.2021. Ownership of SpareBank 1 Forvaltning AS was transferred to the owner banks via a distribution of shares from Samarbeidende Sparebanker AS. The transactions were recognised through profit or loss and amounted to NOK 27 million in the Group and NOK 38 million in the parent bank. SpareBank 1 Sørøst-Norge owns 6.0 % of SpareBank 1 Forvaltning AS.

Operating expenses

Total operating expenses were NOK 886 million (NOK 599 million). Operating expenses as a percentage of total operating income for the Group came to 44.4 % (47.6 %). The corresponding cost-income ratio for the parent bank was 40.2 % (44.5 %).

Merger-related one-time costs 2021	As at 31.12	As at 31.12
(NOK millions)	Official	Pro forma
Personnel expenses	19	19
Other operating expenses	29	50
Total	48	69

Personnel expenses

Personnel expenses amounted to NOK 529 million (NOK 359 million). Of which, merger-related one-time costs amounted to approximately NOK 19 million. This mainly consisted of a change in the pension provisions for the newly appointed CEO and severance pay for the former CEO.

The number of FTEs at the end of the year was 534.8 (345.5), of which the parent bank employed 377.8 (236.0). The increase is related to the merger with Sparebanken Telemark with effect from 01.06.2021, as well as the acquisition of Regnskapsdata Kongsberg AS on 01.01.2021.

Other operating expenses

Other operating expenses were NOK 357 million (NOK 240 million). Of which, merger-related one-off costs amounted to NOK 29 million, of which NOK 4 million was related to the planned merger with Modum. The merger-related costs were mainly related to transaction costs/legal fees.

Losses and impairment provisions

Losses charged as costs amounted to NOK 79 million (NOK 31 million). No changes were made to scenario weights this quarter. Loss provisions for loans and guarantees amounted to NOK 264 million (NOK 172 million), which is equivalent to 0.42 % (0.53 %) of gross lending on the statement of financial position.

In connection with the opening balance as at 01.06.2021, loans in Stage 1 were measured at fair value, which was equivalent to their nominal value, in line with IFRS 9. When calculating lending in SpareBank 1 Sørøst-Norge, IFRS 9 requires that an impairment provision be made amounting to 12 months' expected credit losses, which amounted to NOK 89 million. This corresponds to Sparebanken Telemark's impairment provision as at 31.05.2021 (prior to the merger).

Mortgages for retail customers account for around 77 % (82 %) of the Bank's total lending.

The Bank's credit risk increased as a result of the Covid-19 outbreak and abrupt shutdown of the Norwegian economy from 12.03.2020. The Bank's model for calculating expected credit losses was not designed to be able to estimate on the basis of a sharp negative shift in general conditions since the model is largely based on historical data. Given this, the Bank has since the start of the Covid-19 pandemic conducted comprehensive quarterly reviews of the retail and corporate market portfolios with an emphasis on the most vulnerable industries. Customers with weak operations and liquidity have been identified and individual impairment provisions have been made. Few exposures requiring individual impairment provisions were identified in 2021.

In addition to expanded individual loss assessments, the Bank conducted subjective assessments of the model's scenario weights throughout the year. The scenario weights for the corporate market portfolio were changed by 5 percentage points from the downside scenario to the expected scenario in 2021. The scenario weights for the retail market portfolio remained unchanged in 2021. The effect of this change is an improvement of around

NOK 24 million. The changes were implemented in the third quarter of 2021. For more information, please see Note 12.

Statement of financial position performance

The Group's total assets amounted to NOK 74,911 million (NOK 40,455 million). The Group's business capital (total assets including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS) amounted to NOK 100,245 million (53,868 million).

Lending and deposit performance

Gross lending (including the volume transferred to SpareBank 1 Boligkreditt AS/SpareBank 1 Næringskreditt AS) amounted to NOK 88,105 million. The past 12 months have seen lending growth of 6.2 % (pro forma). Some NOK 3,923 million, equivalent to 6.1 % of the growth came in the retail market and NOK 1,255 million, equivalent to 6.8 %, in the corporate market. The retail market's share of lending (including SpareBank 1 Boligkreditt) at the end of the year was 78 % (82 %).

At the end of the quarter, the Group had a deposit volume of NOK 46,212 million (25,864 million) with deposit growth of 6.0 % (pro forma) in the past 12 months. Some NOK 1,441 million, equivalent to 5.0 %, of the growth came in the retail market and NOK 1,192 million, equivalent to 8.1 %, in the corporate market. The Group had a deposit coverage ratio of 73.6%, compared with 79.4 % at the same time last year. Including the volume transferred to SpareBank 1 Boligkreditt AS/SpareBank 1 Næringskreditt AS, the deposit coverage ratio amounted to 52.5 % (52.6 %). The retail market's share of deposits at the end of the year was 65% (66%).

Liquidity

The Bank's liquidity situation at the end of the year was very good. The Bank's liquidity portfolio was valued at NOK 6,118 million and its LCR at 175% (189 %) as at 31.12.2021. The Bank aims to keep its liquidity risk low. In a normal market, SpareBank 1 Sørøst-Norge's goal is to be able to maintain ordinary operations for a minimum of 12 months without access to new external financing. As at 31.12.2021, the Bank was well above this target.

At the end of the year, mortgages totalling NOK 23,769 million had been transferred to SpareBank 1 Boligkreditt AS. As at 31.12.2021, the Bank had a portfolio of loans approved for transfer to SpareBank 1 Boligkreditt AS worth NOK 24.5 billion. In addition, the Bank had transferred loans to SpareBank 1 Næringskreditt AS worth NOK 1,565 million as at 31.12.2021.

In 2021, the Group's target was to increase the average term to maturity of its bond debt to a minimum of 3.0 years. At the end of the year, the average term to maturity was 3.1 (3.1) years.

On 14.12.2021, pursuant to the Financial Institutions Act, section 20-9, ref. section 20-25, the Financial Supervisory

Authority of Norway resolved that SpareBank 1 Sørøst-Norge would be subject to a risk-weighted MREL requirement of 26.1 % of the adjusted basis for calculation at any given time.

Pursuant to BRRD2, the primary capital used to meet the combined buffer requirement cannot simultaneously be used to cover the risk-weighted MREL. Therefore, the effective need for instruments that can meet the effective MREL requirement will be the sum of the risk-weighted MREL requirement plus the combined buffer requirement. Given that the combined buffer requirement currently amounts to 6.5 %, the effective MREL requirement will be 32.6 %.

The effective MREL requirement must not be met using subordinated instruments. The total subordination requirement must be calculated using the formula in BRRD2 article 45b(7)(b) and for SpareBank 1 Sørøst-Norge amounts to 27.1 % of the adjusted basis for calculation.

The total subordination requirement of 27.1 % must be met in full as at 01.01.2024. Furthermore, a minimum requirement for total subordination of 20 % must be met by 01.01.2022. The difference between the institution's subordinated instruments and effective MREL requirement can be covered by unsecured senior bond debt issued by the parent bank. From 01.01.2024, this debt must satisfy the criteria set out in BRRD2, article 45b.

The minimum requirement for the total subordination that must be met on 01.01.2022 (20 %) amounted to NOK 8,110 million based on the current capital requirement and capital adequacy as at 30.06.2021. The primary capital available to meet the effective MREL requirement and minimum requirement for total subordination was at the same time NOK 8,293 million. During 2021, SpareBank 1 Sørøst-Norge also issued NOK 1,550 million in senior subordinated debt.

SpareBank 1 Sørøst-Norge has an issuer rating from Moody's of A2 with a positive outlook; see Moody's latest credit analysis dated 03.06.2021. The positive outlook reflects Moody's view of the merger between SpareBank 1 BV and Sparebanken Telemark and further issuance of senior non-preferred bonds, which will provide better protection for depositors and other senior debt.

Equity Capital adequacy

When calculating capital adequacy, SpareBank 1 Sørøst-Norge uses the standard method for calculating credit risk and the basic method for operational risk.

In light of the Covid-19 pandemic, the Ministry of Finance decided on 13.03.2020 to reduce the countercyclical buffer from 2.5 % to 1 % with immediate effect. Based on this, the regulatory requirement for Common Equity Tier 1 capital in Pillar 1 is 11 %. In connection with the merger,

the Financial Supervisory Authority of Norway set a Pillar 2 requirement for the Bank of 2.3 %, applicable from 01.06.2021. This requirement will apply until the Financial Supervisory Authority of Norway sets a new Pillar 2 requirement. The Board of Directors is going to start work on a new internal capital adequacy assessment process (ICAAP). The assessment must be submitted to the Financial Supervisory Authority of Norway by no later than 12 months after the merger has been completed.

The total regulatory requirement for the Common Equity Tier 1 capital ratio before the management buffer is 13.3 %. The Group's Common Equity Tier 1 capital ratio target is a minimum of 16.0 %. However, this will increase to 17.0 % due to the required net increase in the systemic risk buffer and countercyclical buffer totalling 1.0 percentage point in 2022.

At the end of the year, the Common Equity Tier 1 capital ratio was 18.3 % (18.8 %). The leverage ratio was 8.4 % (8.6 %) at the end of the year. The regulatory requirement for the leverage ratio is 5.0 %.

An expanded SME discount will be introduced in connection with the approved banking package in CRR 2/CRD V. Preliminary calculations estimate the effect will be an increase in the Common Equity Tier 1 capital ratio of 0.6 percentage points. There remains some uncertainty about when the rules in the banking package will be enacted in the EEA agreement and come into force in Norway.

Equity certificates

As at 31.12.2021, the Bank had equity certificate capital of NOK 1,780,348,755 consisting of 118,689,917 equity certificates with a nominal value of NOK 15. The equity certificate's closing price on the Oslo Børs at the end of the year was NOK 65.40. The Bank has a market making agreement with SpareBank 1 Markets AS, which entails, for example, that the company must provide prices for a limited number of equity certificates for at least 85 % of the Oslo Børs's opening hours. The number of equity certificate holders as at 31.12.2021 was 5,929 compared with 4,218 as at 31.12.2020.

Allocation of the profit for the year

SpareBank 1 Sørøst-Norge aims to achieve results that deliver a good return on the Bank's equity. This will ensure its owners a competitive, stable, long-term return in terms of dividends and higher prices for its equity certificates.

Each year's profit will be distributed proportionately between equity certificate capital and the primary capital fund based on their relative share of the bank's equity. When determining the level of dividends, the Group's financial strength must be taken into account, including its expected financial performance in a normalised market situation, future capital requirements, external framework conditions, the Group's goals and strategic plans.

The Bank's normal policy is that about 50% of the equity certificate holders' share of each year's profit should be paid out as a cash dividend. In order to maintain stable ownership fractions over time, as a general rule, dividend funds amounting to around 50% of the primary capital's share of the profit for the year will be transferred to SpareBank 1 Stiftelsen BV and Sparebankstiftelsen Telemark-Grenland.

The Bank's Board of Directors is, due to the good results in 2021 and the Bank's very good financial strength as at 31.12.2021, recommending a cash dividend for 2021 of NOK 2.50 per equity certificate, totalling NOK 296.7 million, and dividends/grants for community capital totalling NOK 195.6 million. The proposed dividend entails total distribution of around 62 % of the parent bank's official profit and 50 % of the Group's pro forma profit. The Financial Supervisory Authority of Norway has been informed of the proposed level of the cash dividend and grants for community capital.

The Board of Directors proposes that the parent bank's profit at the disposal of SpareBank 1 Sørøst-Norge, amounting to NOK 796,420,699, be used as follows:

(Figures in NOK thousands)

Coverage of paid interest to hybrid capital investors	11,401
Transferred to fund for unrealised gains	3,356
Transferred to Sparebankens fond	114,843
Transferred to the dividend equalisation fund, NOK 1.47 per equity certificate	174,527
Dividend payment in 2022, NOK 2.50 per equity certificate	296,725
Gift funds for community capital	195,569
Total	796,421

In the opinion of the Board, following the proposed allocations and other implemented capital measures, SpareBank 1 Sørøst-Norge will enjoy good financial strength and have the flexibility required to support the Group's planned activities going forward.

In accordance with the Financial Institutions Act, section 10-17, SpareBank 1 Sørøst-Norge has calculated the corrected profit for the year in the parent bank's financial statements as NOK 781,663,584.

Events after the statement of financial position date – going concern assumption

No events with a material bearing on the Group's financial results and/or financial position have occurred since the statement of financial position date. The Group has good financial strength and Tier 1 capital, and the Bank's capital adequacy exceeds the internal financial strength target and the authorities' minimum requirement. The annual financial statements and the consolidated financial statements have been prepared on the basis of a going concern assumption. The Bank's operations

and position compared with the Bank's short-term and long-term forecasts for the years to come justify such an assumption.

In January 2022, the Board of Directors decided to offer redundancy packages to all of the Bank's employees who were born in 1960 or earlier. This is part of the process of realising expected synergies in connection with the merger between SpareBank 1 BV and Sparebanken Telemark. Please see Note 43.

Corporate governance

Corporate governance in SpareBank 1 Sørøst-Norge covers the goals and general principles in accordance with which the Group is managed and controlled to protect the interests of the equity certificate holders, depositors, employees and other groups. The Group's corporate governance must ensure prudent asset management and provide extra assurance that the communicated goals and strategies are achieved and realised.

The Bank follows the Norwegian Code of Practice for Corporate Governance as far as it is suitable for savings banks with equity certificates.

The Bank particularly emphasises:

- a structure that ensures goal-oriented and independent management and control
- systems that ensure measurement and accountability
- effective risk management
- complete information and effective communication to reinforce the relationship of trust between the Supervisory Board, Board and executive management team
- equal treatment of equity certificate holders and a balanced relationship with other stakeholders
- compliance with laws, rules and ethical standards

In accordance with section 3-3b of the Norwegian Accounting Act, the Bank has prepared a separate report that deals with the policies and practice related to corporate governance. The report is published on the Bank's website under the link www.sparebank1.no/nb/bv/om-oss/investor/virksomhetsstyring.html.

Risk and capital management

SpareBank 1 Sørøst-Norge's risk and capital management is designed to support the Group's strategic development and goal attainment. At the same time, it must ensure financial stability and sound asset management.

This will be achieved by:

- having a strong risk culture characterised by high awareness of risk and capital management.
- having a good understanding of the risks that driving earnings.

- wherever possible, pricing products in line with the underlying risk.
- striving for optimal capital use within the approved corporate strategy.
- exploiting synergy and diversification effects.
- avoiding unexpected individual incidents being able to seriously damage the Group's financial position.
- A comprehensive framework for risk and capital management has been established in SpareBank 1 Sørøst-Norge.

When calculating capital adequacy, SpareBank 1 Sørøst-Norge uses the standard method for calculating credit risk and the basic method for operational risk. As part of its strategic ambitions, the Bank aims in the long term to apply for approval to use the IRBa method.

The capital management must ensure:

- an effective funding and capital allocation in relation to the Group's strategic goals and adopted business strategy
- competitive return on equity
- satisfactory capital adequacy based on the chosen risk profile and the current requirements of the authorities and market players
- competitive terms and a long-term good access to borrowing in the capital markets
- exploitation of growth opportunities in the Group's defined market area

An annual capital plan is drawn up to ensure long-term and effective capital management. These forecasts take into account the expected development in the next few years, as well as a situation with a serious economic decline over several years. An important tool for analysing a situation with a serious economic decline, is the use of stress tests. There will be stress tests of individual factors and scenario analyses in which the Group is exposed to various negative macroeconomic events over several years. SpareBank 1 Sørøst-Norge has also drawn up crisis and contingency plans to ensure that it is as prepared as possible to deal with crises should they nevertheless occur.

The main areas of risk

SpareBank 1 Sørøst-Norge's core business is to achieve value creation by assuming deliberate and acceptable risk. The Group works systematically to develop risk management systems and processes in line with leading practice.

SpareBank 1 Sørøst-Norge will produce financial and strategic added value by:

- having a strong risk culture characterised by high awareness of risk management and the Group's core values
- having a good understanding of the risks that are drivers for earnings, expenses and losses

- to the greatest possible extent, pricing services and products in line with the underlying risk
- having adequate financial strength in relation to long-term strategic goals, initiatives and the chosen risk profile, while aiming for optimal capital allocation in the different business areas
- exploiting synergy and diversification effects
- avoiding unexpected individual incidents being able to seriously damage the Group's financial position

The Group's risk is quantified by, amongst other things, calculations of expected loss and risk-adjusted capital in order to be able to cover unexpected losses. Expected losses indicates the amount one must statistically expect to lose during a 12-month period. The risk-adjusted capital describes how much capital the Group believes it needs to cover the actual risk the Group is exposed to. The most significant risks in the Group are discussed in more detail below. For further details please refer to the Pillar 3 documents published on the Bank's website.

Risk related to corporate social responsibility and sustainability

The Group aims to contribute to sustainable social development. The Group's activities must not, either directly or indirectly, contribute to violations of human or labour rights, corruption, serious environmental harm, or other acts that could be perceived as unethical. This applies both in-house and in relation to society as a whole. Corporate social responsibility and sustainability are key elements of the Group's strategy and included in the Group's comprehensive governance and risk management. Please refer to chapter 4.1.0 on sustainability for more information.

Credit risk

Credit risk is managed through the framework for sustainability, corporate social responsibility, credit granting, exposure monitoring and portfolio management. The overall credit strategy stipulates that the Group shall have a moderate risk profile. The quality of the corporate market portfolio is good and stable. Business activity in the Group's market area has, despite the Covid-19 situation, held up at a relatively high level and at the end of 2021 only a few of the Bank's credit customers were reporting financial challenges as a result of the crisis. The expectation that vaccination of the adult population will result in the complete phasing out of infection control measures and the reopening of society has increased optimism in the region's business sector. It is estimated that risk in the corporate market portfolio will remain relatively stable and that defaults and loss levels will remain low. The property sector portfolio represents the Group's greatest concentration within a single industry. A substantial proportion of this portfolio is based on financing commercial property for rent. This portfolio is characterised by long-term leases and financially sound tenants.

The quality of the retail market portfolio is very good and 2021 was characterised by stable development in the loan to asset value ratio and risk profile. Unemployment in the region has returned to normal levels due to the reopening of society. Most of the portfolio is secured by collateral in real estate, and borrowing is generally moderate compared with secured assets. This indicates a limited loss potential as long as these values are not significantly reduced. House prices developed positively throughout the region in 2021 and this trend is expected to persist.

Market risk

The management of market risk is based on conservative limits for positions in the interest rate market, as well as investments in shares and bonds. The limits are reviewed and approved by the Board of Directors annually. Part of the Group's market risk is linked to investments in bonds and certificates. At the end of 2021, the Group's holdings of liquid assets in the form of certificates and bonds amounted to NOK 6.1 billion. The risk associated with the liquidity portfolio is quantified using calculations that correspond to the Financial Supervisory Authority of Norway's model for market risk.

Trading in interest rates and securities takes place within the applicable adopted limits, authorisations and credit lines of counterparties. SpareBank 1 Sørøst-Norge takes limited interest rate positions in connection with trading activities. As far as possible, the Bank's income is generated in the form of customer margins. This aim is to contribute to a stable earnings profile. The Group's risk exposure within the area of market risk is considered to be low.

Liquidity risk

The Bank's framework for managing liquidity risk must reflect the Bank's conservative risk profile. The liquidity risk should be low. The Group's lending is primarily financed by customer deposits and long-term securitised debt, and by the sale of residential mortgage portfolios to SpareBank 1 Boligkreditt AS. The liquidity risk is limited in that the securitised debt is distributed between different markets, funding sources, instruments and maturities. At the end of 2021, SpareBank 1 Sørøst-Norge had good liquidity and expects to enjoy continued good access to long-term financing at competitive prices. The Group seeks to achieve an even maturity structure on loans and emphasises good relationships with investors and banks.

The liquidity buffer was NOK 13.9 billion at the end of 2021 and would cover normal operations for 18 months with closed markets. The Bank's liability from debt financing falling due in the next 12 months amounts to NOK 1.9 billion. In addition to the liquidity buffer, the Bank has NOK 24.5 billion in mortgages ready for covered bond financing.

In the last year, the Group has continued a high percentage of long-term financing. The Net Stable Funding Ratio at the end of 2021 was 147 % for the Bank.

Operational risk

As far as possible, the operational risk management process in SpareBank 1 Sørøst-Norge must ensure that no single events caused by operational risk can seriously damage the Group's financial position. SpareBank 1 Sørøst-Norge takes a risk-based approach where its risk management is based on knowledge and an understanding of what creates and drives operational risk in the Group, and must, to the greatest possible extent, match efficient processes with the desired level of risk exposure.

The Group uses a systematic process to identify and quantify operational risks to which the Group is exposed at any given time. Processes have also been established for continuous improvement, including the development of the organisation's expertise, innovation and capability, special systems for reporting undesired events and structured follow-up of improvement measures. This helps to ensure that SpareBank 1 Sørøst-Norge remains a robust and profitable organisation over time by prioritising correctly and making continuous improvements.

Targeted malicious attacks against the financial services industry's IT systems have increased both internationally and in Norway. Cybercrime/hacking poses a significant risk to the industry and in the last few years collaborations have been entered into both within the financial services industry and across different industries to find good solutions to managing the risk. At the same time, increased digitalisation and the associated increased pace of change in the industry are changing its exposure to operational risk. The risk of cyber-attacks and hacking is one of the Group's top priority risks. As a key part of quality assurance efforts in recent years, the Group has strengthened its processes for combating and handling money laundering and terrorist financing, handling personal data, monitoring outsourcing agreements and approving new products, processes and services.

Owner risk

Owner risk is the risk that SpareBank 1 Sørøst-Norge might incur negative results from interests in strategically owned companies and/or has to supply new equity to these companies. SpareBank 1 Sørøst-Norge is primarily exposed to owner risk through indirect interests in SpareBank 1 Gruppen AS (4.4 %), as well as direct interests in BN Bank ASA (7.5 %), SpareBank 1 Boligkreditt AS (10.7 %), SpareBank 1 Næringskreditt AS (12.3 %), SpareBank 1 Kreditt AS (9.5 %), SpareBank 1 SMN Finans AS (11.5 %), SpareBank 1 Betaling AS (8.0 %), SpareBank 1 Markets AS (2.2 %), SpareBank 1 Forvaltning AS (6.0%), SpareBank 1 Bank og Regnskap AS (8.7 %) and SpareBank 1 Gjeldsinformasjon AS (10.7%).

Compliance

SpareBank 1 Sørøst-Norge constantly works to enhance its good processes for ensuring compliance with applicable laws and regulations. SpareBank 1 Sørøst-Norge has effective first-line control, an independent compliance function and an independent internal audit function (three lines of defence). The Board of Directors approves the Group's compliance policy every year and this describes the main principles for methods, responsibility and organisation.

Compliance risk is the risk of the Group incurring reputational harm, public sanctions or other financial loss as a result of failing to comply with regulations and/or breaching the conditions of its licence. The compliance function is tasked with detecting and preventing risk related to compliance with external and internal regulations.

The compliance function contributes to good risk assessment processes that form the basis for control plans and recommendations concerning measures that promote a healthy risk culture and compliance with regulations. Observations from control activities are reported to the Board of Directors and executive management team semi-annually. Compliance also conducts training activities and advises the organisation on new and current regulations.

The EU's efforts to fully harmonise regulations within the EU/EEA results in new regulations to which the Group must adapt. The best means of adapting to new rules and regulations are assessed continuously in order to ensure both compliance and efficiency in the Group. New rules and regulations that affect the Group's operations must be incorporated into routines and guidelines immediately.

In 2021, the main focus was on ensuring sustainability and corporate social responsibility were being addressed in all of the Group's business areas and on compliance with the Money Laundering Act, General Data Protection Regulation (GDPR), MiFID II and the Group's responsibility to monitor its outsourced services. The Group revised its Code of Conduct, which promotes high ethical standards that are clearly communicated and understood in the organisation.

Corporate social responsibility, sustainability and other matters

Information about the Group's work on fulfilling its corporate social responsibility is described in separate themed chapters in the Annual Report (chapter 3.8.0 and chapter 4.1.0). These contain information about factors such as the working environment, equality, sustainability and measures in relation to the external environment.

Organisation and HR

The Group's employees are its most important resource for creating value for the benefit of customers, local communities, the region and the Group.

Please refer to chapters 3.8.0, 5.1.0, 5.1.1 and Note 22 for further information on skills, the working environment, equality and pay.

Directors' and officers' liability insurance

SpareBank 1 Sørøst-Norge has taken out directors' and officers' liability insurance via Willis Towers Watson based on a primary cover with excess layers cover model. The primary cover is with QBE. An insurance committee has been established that includes representatives of the banks. The committee negotiates the agreement via Willis. Those covered are former, current and future board members, CEOs and members of equivalent governing bodies in the Group and subsidiaries.

The insurance has been taken out based on a primary cover with excess layers cover model. The insurance sum per insurance claim is NOK 800 million, of which QBE Europe SA/NE as the primary insurer will cover the first NOK 100 million and a total of six excess layers will cover the remaining NOK 700 million.

As usual, the insurance does not cover losses that might arise as a consequence of the insured's deliberate actions or omissions, or where the insured has achieved an unlawful personal gain. There are also other situations where the terms and conditions stipulate that the insurance will not apply. According to the terms and conditions, the insurance excludes liability in connection with breaches of anti-money laundering regulations. The insurance does not cover claims for the payment of fines, duties or taxes, or other factors that are not insurable pursuant to the applicable legislation.

Merger – synergies

On 04.01.2022, the Norwegian Competition Authority announced that it had no comments regarding the merger with SpareBank 1 Modum. The Bank is waiting for the approval of the Financial Supervisory Authority of Norway and has announced that the planned legal merger date would be 01.04.2022. A merger with SpareBank 1 Modum will strengthen the Bank's position in the Modum and Drammen region, while supporting the Bank's ambition to become an IRBa bank. Thanks to a number of mergers in recent years, the Bank has good experience and expertise in implementing mergers in the savings bank sector.

The Bank has previously communicated synergies of around NOK 80-90 million per year, fully phased in by the end of 2024. These are mainly cost synergies within funding, staffing, IT, marketing and space costs. Since 30.11.2020, the number of FTEs in the parent bank has

been reduced by around 14 FTEs to 377.8 FTEs as at the end of 2021. As part of the work on realising synergies, the Board of Directors has decided to offer redundancy packages to employees of the Bank older than 62. The offer applies to just under 50 FTEs. An estimated NOK 80 million in outstanding one-off costs will be incurred in full in 2022.

Future prospects

The Norwegian economy continued to develop positively throughout 2021. Norges Banks regional survey shows that business in our region is optimistic about the future and planning for increased investment and employment. Unemployment in our market area, measured as the proportion of fully unemployed people registered with NAV, fell in the quarter was 2.4 % at the end of December. The growth in house prices was high in 2021 and they rose by an estimated 10 % for the year as a whole in our market areas.

The number of bankruptcies in the business sector remains low. Thanks to extensive government economic measures, the business sector received help to get through the pandemic. Growth in 2022 could be more difficult since a decision has been made to discontinue the support packages. Russia's attack on Ukraine on the 24.02.2021 increases the uncertainty and could have a negative impact on the financial markets through higher commodity prices, wider credit spreads and falls in share prices. The credit quality in the Bank's loan portfolio has been stable. The Bank has little exposure to the industries and sectors that have been hardest hit in the pandemic.

The policy rate is expected to rise, which could result in more moderate house price growth going forward. Even after a period of strong growth in house prices, house prices in our market area remain at a proportionally lower level than in, for example, Oslo. Therefore, the Board of Directors expects continued positive growth in house prices in our market area. The Bank has a sound loan portfolio in the retail market, with a high percentage of low-risk mortgages.

A general rise in market rates is expected to improve the Group's interest rate margin and earnings. The Group's target for its return on equity is 11 % in the period up to 2024. The aim is to achieve the goal through profitable growth, efficient operations and good cost control, including efficient capital utilisation, where the ambition to eventually apply for IRBa approval is an important strategic initiative.

As far as results are concerned, 2022 and 2023 will be affected by a somewhat higher level of costs due to the need for investment in various strategic initiatives, restructuring and realising synergies. The Board wishes to play an active role in the future structural changes that are expected in the savings bank sector.

Thank you

The Board of Directors would like to thank the Group's employees and elected officers for their excellent efforts and positive cooperation in 2021.

The interaction between residents, businesses and the Bank is important for the development of the Group's market area.

In this context, the Board of Directors would like to thank the Group's customers, owners and other partners for their excellent support of the SpareBank 1 Sørøst-Norge Group in 2021. The Bank will focus on continuing this good cooperation in 2022.

Sandefjord, 01.03.2022

The Board of Directors of SpareBank 1 Sørøst-Norge



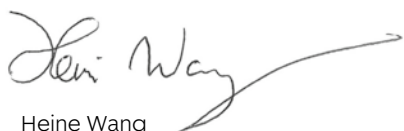
Finn Haugan
Chair of the Board



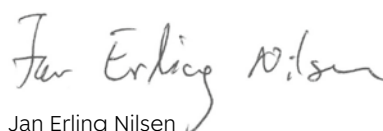
Anne Berg Behring
Deputy Chair



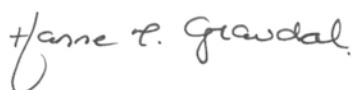
Elisabeth Haug



Heine Wang



Jan Erling Nilsen



Hanne Myhre Gravdal
Employee representative



Frede Christensen
Employee representative



Per Halvorsen
CEO

Annual financial statements

Income Statement IFRS

Parent bank				Group	
2020	2021	(Amounts in NOK millions)	Note	2021	2020
96	96	Interest income - assets measured at fair value	19	96	96
883	1,158	Interest income - assets measured at amortised cost	19	1,157	884
331	334	Interest expenses	19	333	331
648	920	Net interest income	19	920	649
331	513	Commission income	20	513	331
19	30	Commission expenses	20	30	19
9	7	Other operating income	20	233	165
320	489	Net commission and other income	20	716	477
67	129	Dividends	21	33	31
2	12	Net result from ownership interests	21	153	101
2	19	Net result from other financial investments	21	22	2
-	151	Recognition of negative goodwill	21	151	-
70	311	Net income from financial assets	21	360	134
1,039	1,721	Total net income		1,995	1,260
250	365	Personnel expenses	22	529	359
213	326	Other operating expenses	23	357	240
463	691	Total operating expenses		886	599
576	1,030	Profit before losses and tax		1,109	661
35	79	Losses on loans and guarantees	12	79	31
541	951	Profit before tax		1,030	630
121	154	Tax expense	25	161	125
420	796	Profit before other comprehensive income		869	505
-	-	Controlling interest's share of profit		865	503
-	-	Non-controlling interest's share of profit		4	1
		<i>Items reversed through profit or loss</i>			
3	1	Change in value of loans classified at fair value		1	3
		<i>Items not reversed through profit or loss</i>			
(1)	(14)	Estimation difference, IAS 19 Pensions	24	(15)	(1)
2	(13)	Total other comprehensive income recognised as equity		(14)	2
422	783	Total comprehensive income		855	507
-	-	Controlling interest's share of profit		851	505
-	-	Non-controlling interest's share of profit		4	1
3.62	4.94	Earnings per equity certificate before other comprehensive income	40	5.37	4.34

Statement of financial position

Parent bank		Group			
31.12.2020	31.12.2021	(Amounts in NOK millions)	Note	31.12.2021	31.12.2020
101	114	Cash and receivables from central banks		114	101
305	455	Loans to credit institutions	8	455	305
730	1,698	Receivables from credit institutions	8	1,698	769
32,464	62,571	Net lending to customers	5, 9, 10, 11, 12, 15	62,542	32,444
4,433	6,146	Certificates, bonds and other securities measured at fair value	27	6,146	4,433
1,372	2,203	Shareholdings and other equity interests	28	2,203	1,372
37	69	Interests in group companies	29	-	-
485	862	Interests in joint ventures and associated companies	29	1,141	713
74	239	Tangible assets	30, 32	277	102
-	-	Goodwill	31	34	25
11	23	Deferred tax assets	25	23	12
169	193	Other assets	33	279	180
40,182	74,573	Total assets		74,911	40,455
200	150	Deposits from credit institutions	8	150	200
25,903	46,264	Deposits from customers	34	46,212	25,864
7,909	16,913	Liabilities from the issuance of securities	35	16,913	7,909
121	212	Tax payable	25	220	125
372	609	Other liabilities and commitments	24, 36	664	421
401	651	Subordinated loan capital	38	651	401
34,905	64,801	Total liabilities		64,811	34,919
947	1,778	Equity certificate capital	40, 41	1,778	947
1,026	2,777	Share premium fund		2,777	1,026
645	811	Dividend equalisation fund		811	645
2,261	3,532	Primary capital fund		3,532	2,261
22	26	Fund for unrealised gains		26	22
250	350	Hybrid capital		350	250
-	-	Other equity		318	258
7	202	Gift fund		202	7
120	297	Allocated to dividends		297	120
-	-	Non-controlling interest's share		10	2
5,277	9,773	Total equity		10,100	5,537
40,182	74,573	Liabilities and equity		74,911	40,455

Change in equity

Group

(Amounts in NOK millions)	Ownership interest ¹	Share premium fund	Dividend equalisation fund	Allocated to dividends	Primary capital fund	Gift fund	Fund for unrealised gains	Hybrid capital	Other equity	Non-controlling interest's share	Total equity
Equity as at 31.12.2019	947	1,026	537	153	2,072	7	25	250	175	1	5,193
Interest expenses on subordinated bonds reclassified as equity	-	-	-	-	-	-	-	-	(9)	-	(9)
Hybrid Tier 1 securities issued	-	-	-	-	-	-	-	100	-	-	100
Buy-back and maturity of hybrid Tier 1 securities	-	-	-	-	-	-	-	(100)	-	-	(100)
Dividend for 2019, for payment in 2020	-	-	-	(153)	-	-	-	-	-	(1)	(153)
Change in carrying amount of subsidiaries, joint ventures and associated companies	-	-	-	-	-	-	-	-	(1)	-	(1)
Profit before other comprehensive income	-	-	109	120	189	-	(6)	-	92	1	505
<i>Items reversed through profit or loss:</i>											
Change in value of loans classified at fair value	-	-	-	-	-	-	3	-	-	-	3
<i>Items not reversed through profit/loss:</i>											
Estimation difference, IAS 19 Pensions	-	-	-0.4	-	-0.3	-	-	-	-	-	(1)
Equity as at 31.12.2020	947	1,026	645	120	2,261	7	22	250	258	2	5,537
Equity as at 31.12.2020	947	1,026	645	120	2,261	7	22	250	258	2	5,537
Equity added from the merger with Sparebanken Telemark, as well as bond issue SpareBank 1 BV ²⁾	831	1,751	-	-	1,162	-	-	100	-	5	3,849
Interest expenses on subordinated bonds reclassified as equity	-	-	-	-	-	-	-	-	(11)	-	(11)
Dividends from 2020, paid in 2021	-	-	-	(120)	-	-	-	-	-	(1)	(121)
Change in carrying amount of subsidiaries, joint ventures and associated companies	-	-	-	-	-	-	-	-	(8)	-	(8)
Profit before other comprehensive income	-	-	175	297	115	196	3	-	80	4	869
<i>Items reversed through profit or loss:</i>											
Change in value of loans classified at fair value	-	-	-	-	-	-	1	-	-	-	1
<i>Items not reversed through profit/loss:</i>											
Estimation difference, IAS 19 Pensions	-	-	(8)	-	(6)	-	-	-	(1)	-	(15)
Equity as at 31.12.2021	1,778	2,777	811	297	3,532	202	26	350	318	10	10,100

Parent bank

(Amounts in NOK millions)	Ownership interest ¹	Share premium fund	Dividend equalisation fund	Allocated to dividends	Primary capital fund	Gift fund	Fund for unrealised gains	Hybrid capital	Other equity	Total equity
Equity as at 31.12.2019	947	1,026	537	153	2,072	7	25	250	-	5,017
Interest expenses on subordinated bonds reclassified as equity	-	-	-	-	-	-	-	-	(9)	(9)
Hybrid Tier 1 securities issued	-	-	-	-	-	-	-	100	-	100
Buy-back and maturity of hybrid Tier 1 securities	-	-	-	-	-	-	-	(100)	-	(100)
Dividend for 2019, for payment in 2020	-	-	-	(153)	-	-	-	-	-	(153)
Profit before other comprehensive income	-	-	109	120	189	-	(6)	-	9	420
<i>Items reversed through profit or loss:</i>										
Change in value of loans classified at fair value	-	-	-	-	-	-	3	-	-	3
<i>Items not reversed through profit/loss:</i>										
Estimation difference, IAS 19 Pension adjustment	-	-	(0.4)	-	(0.3)	-	-	-	-	(1)
Equity as at 31.12.2020	947	1,026	645	120	2,261	7	22	250	-	5,277
Equity as at 31.12.2020	947	1,026	645	120	2,261	7	22	250	-	5,277
Equity added from the merger with Sparebanken Telemark, as well as bond issue SpareBank 1 BV ²⁾	831	1,751	-	-	1,162	-	-	100	-	3,844
Interest expenses on subordinated bonds reclassified as equity	-	-	-	-	-	-	-	-	(11)	(11)
Dividends from 2020, paid in 2021	-	-	-	(120)	-	-	-	-	-	(120)
Profit before other comprehensive income	-	-	175	297	115	196	3	-	11	796
<i>Items reversed through profit or loss:</i>										
Change in value of loans classified at fair value	-	-	-	-	-	-	1	-	-	1
<i>Items not reversed through profit/loss:</i>										
Estimation difference, IAS 19 Pension adjustment	-	-	(8)	-	(6)	-	-	-	-	(14)
Equity as at 31.12.2021	1,778	2,777	811	297	3,532	202	26	350	-	9,773

1. Equity certificate capital as at 31.12.2021 has been deducted 3,000 (1,000) in treasury holding
2. Please see Note 4 for further details

Cash flow statement

Upon the merger of Sparebanken Telemark and SpareBank 1 BV on 01.06.2021, the method for preparing the cash flow statement was changed from the direct method to indirect method. We chose to continue using the layout that Sparebanken Telemark had used as, in our opinion, this provides a more informative statement of the main changes in the Bank's cash flows and liquidity.

Parent bank			Group	
31.12.2020	31.12.2021	Amounts in NOK millions	31.12.2021	31.12.2020
		Cash flow from operating activities		
541	951	Period's profit before tax	1,030	630
-	-	Net profit from associated companies and joint ventures	(153)	(101)
-	(151)	Negative goodwill through profit or loss	(151)	-
(4)	-	Loss/gain from fixed assets	6	(4)
2	31	Depreciation and impairments	36	9
35	79	Impairment of loans	79	31
(119)	(117)	Tax payable	(123)	(115)
(1,085)	(3,944)	Change in lending and other assets	(3,959)	(1,056)
1,439	1,646	Change in deposits from customers	1,642	1,439
-	59	Change in loans to and receivables from credit institutions	59	-
(304)	(293)	Change in certificates and bonds	(293)	(304)
51	(19)	Change in other receivables	(46)	10
(73)	20	Change in other current liabilities	(16)	(14)
483	(1,738)	Net cash flow from operating activities	(1,888)	526
		Cash flow from investing activities		
-	1,186	Liquidity from SpareBank 1 Telemark upon the merger on 01.06.2021	1,186	-
(6)	(22)	Investments in property, plant and equipment	(29)	(48)
8	-	Sales of property, plant and equipment	23	8
(67)	(177)	Investments in shares, equity certificates and units	(81)	(68)
79	223	Sales of shares, equity certificates and units	223	78
14	1,209	Net cash flow from investing activities	1,322	(30)
		Cash flow from financing activities		
1,675	4,450	Increase in financial borrowing	4,450	1,677
(1,971)	(2,817)	Repayment of financial borrowing	(2,817)	(1,971)
-	150	Borrowing, subordinated loans	150	-
(40)	(150)	Repayment, subordinated loans	(150)	(40)
(154)	(124)	Dividends/endowments paid	(125)	(153)
(490)	1,509	Net cash flow from financing activities	1,508	(487)
7	980	Total change in cash and cash equivalents in the year	942	9
824	832	Cash and cash equivalents OB	870	861
832	1,812	Cash and cash equivalents at end of period	1,812	870
7	980	Net change in cash and cash equivalents in the year	942	9
		Cash and cash equivalents, specified		
101	114	Cash and receivables from central banks	114	101
731	1,698	Current receivables from credit institutions	1,698	769
832	1,812	Cash and cash equivalents	1,812	870

Additional specifications

Cash flow from interest received, interest payments and dividends received that are included in the period's profit before tax.

31.12.2020	31.12.2021	Amounts in NOK millions	31.12.2021	31.12.2020
914	1,192	Interest received on loans to customers	1,191	913
(176)	(151)	Interest paid on deposits from customers	(150)	(177)
12	10	Interest received on loans to and receivables from credit institutions	10	12
(1)	(1)	Interest paid on loans to and receivables from credit institutions	(1)	(1)
58	57	Interest received on certificates and bonds	57	58
(134)	(154)	Interest paid on certificates and bonds	(154)	(134)
69	129	Dividends from investments	33	31
742	1,083	Net cash flow from interest received, interest payments and dividends received	988	703



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Note 1 – General information

Brief description of the business and structure

The SpareBank 1 Sørøst-Norge Group provides a full range of financial products and services for the retail and corporate markets within the areas of:

- Financing
- Savings and investment
- Insurance
- Payment services
- Real estate
- Accounting and financial advice services

The Group has branches in Kongsberg, Nedre Eiker, Drammen, Lier, Holmestrand, Horten, Tønsberg, Færder, Sandefjord, Larvik, Bamble, Porsgrunn, Skien, Ulefoss, Lunde, Bø and Notodden.

SpareBank 1 Sørøst-Norge is a member of the Spare-Bank 1 Alliance.

For the complete corporate structure of subsidiaries, joint ventures and associated companies, see Note 29.

Please also see the specific chapters in the Annual Report for descriptions of the Bank's vision, values, goals and business concept, as well as the Group's corporate strategy.

The Bank's registered business address is in Sandefjord, it operates in Norway, and it is regulated by Norwegian law.

The annual financial statements for 2021 were approved by the Board on 01.03.2022 and by the Supervisory Board on 22.03.2022.

Currency

The reporting currency is the Norwegian krone (NOK) which is also the parent bank's functional currency. All amounts are stated in NOK millions unless otherwise specified.

Note 2 – Accounting policies

The basis for the preparation of the annual financial statements

The parent bank's financial statements and the consolidated financial statements have been prepared in accordance with international accounting standards that are approved by the EU (IFRS) and have been adopted in Norway pursuant to the Accounting Act, for the financial year starting 01.01.2021 or later.

The parent bank's financial statements and the consolidated financial statements have been prepared under the going concern assumption.

Changes to accounting policies in 2021

The Bank made no changes to the accounting policies that came into effect for the 2021 financial year. The direct method is no longer used for the cash flow statement. The indirect method is now used because it is considered more informative.

IFRS standards and interpretations that have been approved but have not yet entered into force in 2021.

New and changed accounting standards and interpretations issued by IASB may affect the Group's future reporting. All possible effects of the new standards have not been reviewed but no changes that may conceivably materially affect the Group's future reporting have been identified.

The following describes the most important accounting policies applied in the preparation of the parent bank's financial statements and the consolidated financial statements. These policies were applied in the same manner in all the periods presented, unless otherwise stated in the description.

Reporting currency

The reporting currency is the Norwegian krone (NOK) which is also the Bank's functional currency. All amounts are stated in NOK millions unless otherwise specified.

Consolidation policies

The consolidated financial statements include the Bank and its subsidiaries. The description of the accounting policies applied in the preparation of the consolidated financial statements also applies to the parent bank's financial statements, unless otherwise explicitly stated.

Subsidiaries are consolidated from the date the Bank takes over control, and consolidation is withdrawn from the date the Bank releases control.

All balances, income and expenses between group companies are eliminated in full. The non-controlling interest's share of the Group's profit is presented on a separate line in the income statement below profit after tax. The non-controlling interest's share is shown as a separate item in equity.

With takeover of control in a company (business combination) all identifiable assets and liabilities are measured at fair value in accordance with IFRS 3. A positive difference between the fair value of the purchase cost and fair value of identifiable assets and liabilities is recognised as goodwill. Any negative difference is recognised immediately. Recognition of goodwill after initial recognition is discussed under the section on intangible assets.

Ownership interests in companies in which the Group has a controlling influence, together with others (joint ventures), or a significant influence (associated companies) are measured using the equity method.

In the parent bank's financial statements, investments in subsidiaries, joint ventures and associated companies are recognised at historical cost. A test for impairment is carried out if there are any indications of a fall in value.

Segment reporting

A business segment is a part of the operations that delivers products or services that are subject to risks and returns that are different from other business areas. SpareBank 1 Sørøst-Norge currently reports using the business segments Retail Market and Corporate Market.

Events after the statement of financial position date

The financial statements are regarded as approved for publication once the Board of Directors has considered them. The Supervisory Board and regulatory authorities will then be able to refuse to approve the financial statements, but not change them.

Events occurring up to the time the financial statements are deemed approved for publication, and which

concern circumstances that existed on the statement of financial position date, will be included in the information used to determine accounting estimates and are thus fully reflected in the financial statements. Events concerning circumstances that occurred after the statement of financial position date, will be disclosed if they are material.

Cash and cash equivalents

Cash and cash equivalents consist of cash in NOK and foreign currencies, deposits in Norges Bank, and deposits in other credit institutions.

Financial instruments

In accordance with IFRS 9 financial assets are classified in three categories:

- fair value with changes in value through profit or loss
- fair value with changes in value through other comprehensive income (OCI) with and without reversals through profit or loss
- amortised cost

For financial assets, a distinction is made between debt instruments, derivatives and equity instruments. Debt instruments are all financial assets that are not derivatives or equity instruments.

Debt instruments

Debt instruments with contractual cash flows that are only payments of interest and the principal on given dates and that are held in a business mode for the purpose of receiving contractual cash flows are measured at amortised cost.

Debt instruments with contractual cash flows that are only payments of interest and the principal on given dates and that are held in a business model, both in order to receive contractual cash flows and for sale, are measured at fair value with changes in value through other comprehensive income (OCI), with interest income and any write-downs presented in the ordinary result. Changes in value recognised over other comprehensive income (OCI) are to be reclassified as ordinary profit from the sale or disposal of the assets.

Other debt instruments shall be measured at fair value with changes in value through profit or loss. This applies to the debt instruments with cash flows that are not just payments of normal interest and principal, and debt instruments that are held in a business model where the objective is not primarily receipt of contractual cash flows.

1. Loans to and receivables from credit institutions, as well as receivables from central banks

Loans to and receivables from credit institutions, as well as receivables from central banks, are measured at amortised cost.

2. Loans to and receivables from customers with a variable interest rate

In Norway, variable rates are the normal terms for loans made to the retail market and to parts of the corporate market. The terms are normally standardised and apply equally to all loans of this type. The borrower's right to early redemption and the competition between banks means that the lenders' cash flow may differ little from what is defined as payment of interest and principal on given dates in IFRS 9.

Therefore, the Bank's assessment is that these lenders' terms are consistent with measurement and classification at amortised cost.

3. Loans to and receivables from customers with a variable interest rate secured by mortgages in residential property

Loans to and receivables from customers with a variable interest rate secured by mortgages in residential property are measured and classified at fair value with changes in value through other comprehensive income, (OCI). This is because the business model's purpose is considered to be receiving contractual cash flows and sales.

4. Loans to and receivables from customers with a fixed interest rate

Loans to and receivables from customers with a fixed interest rate are measured and classified at fair value with changes in value through profit or loss (fair value option).

5. Interest-bearing securities

The Group's portfolio of interest-bearing securities includes both certificates and bonds. Interest-bearing securities are assessed and classified at fair value with changes in value through profit or loss.

Derivatives

All derivatives are measured in principle at fair value with changes in value through profit or loss, but derivatives designated as hedging instruments are accounted for in accordance with the principles for hedge accounting.

1. Hedge accounting

The Bank uses fair value hedging in order to manage its interest rate risk for liabilities on issuance of securities with fixed interest rates. The Bank assesses

and documents hedging efficiency, both upon initial classification and on an ongoing basis. With fair value hedging, the hedging instrument is recognised at fair value and the hedged item is recognised at amortised cost adjusted for changes in fair value of the hedged risk. Changes in these values are recognised through profit or loss.

The application of hedge accounting requires that the hedging be highly effective. Hedging is considered to be very efficient if it upon the signing of the product and in the term to maturity it can be expected that changes in fair value of the hedging instrument will largely compensate for changes in fair value of the hedged item in relation to the risk that is hedged. With retrospective calculation of hedging efficiency, the fair value of the hedged instruments is measured and compared with the change in fair value of the hedged item.

Only hedging related to the Bank's funding activities is defined as "fair value hedging".

The Bank does not have any contracts that qualify for cash flow hedging.

Equity Instruments

Investments in equity instruments are measured and classified at fair value with value change through the income statement.

1. Shares, equity certificates and units

The Bank's share portfolio consists primarily of strategic long-term share investment. The Bank classifies and measures the portfolio at fair value through profit or loss. If an active market cannot be found for a financial asset (or the asset is unlisted), the Group can calculate fair value using various valuation models.

Financial liabilities

The Group's financial liabilities are recognised at amortised cost.

1. Deposits

Deposits from customers are measured at amortised cost.

2. Long-term borrowing (liabilities from the issuance of securities and deposits from credit institutions)

Loans are initially recognised at borrowing cost. This is the fair value of the consideration received less transaction expenses.

Variable rate loans are subsequently measured at amortised cost and any premium/discount will be accrued over the term.

Fixed rate loans that have been swapped to variable rate hedging are recognised (fair value hedging) with discounting according to the current yield curve.

Impairment provisions on gross lending and guarantees

The Bank's impairment provisions are recognised based on expected credit losses (ECL).

The general model for impairment provisions for financial assets in IFRS 9 applies to financial assets that are measured at amortised cost or at fair value with changes in value through other comprehensive income (OCI), and which are not credit-impaired upon initial recognition. Loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss are also included.

The measurement of provisions for expected credit losses in the general model depends on whether the credit risk has increased materially since initial capitalisation. Upon initial capitalisation and when the credit risk has not increased significantly after initial capitalisation, provisions should be made for 12 months' expected credit losses. A 12-month expected credit loss is the loss that is expected to occur over the life of the instrument, but that can be attributed to the events that will occur over the next 12 months. If the credit risk has increased significantly after initial recognition, allocation should be made for expected credit losses through the useful life.

Expected credit losses are calculated based on the present value of all cash flows over the remaining expected useful life, i.e. the difference between the contractual cash flows in accordance with the contract and the cash flow which the Bank expects to receive, discounted by the effective interest rate on the instrument.

Cash and receivables from central banks, as well as loans to and receivables from credit institutions, are excluded from loss assessments due to their low credit risk.

The Bank uses three macroeconomic scenarios to take account of non-linear aspects of expected credit losses. The different scenarios are used to adjust relevant parameters for calculating expected credit losses and a probability-weighted average of expected credit losses in line with respective scenarios is recognised as credit losses. The three scenarios are the expected scenario (S1), downside scenario (S2) and upside scenario (S3).

Impairment model

The expected credit loss estimate is calculated on a monthly basis, and is based on data in the data warehouse, which has the history of account and customer data for the entire credit portfolio, loans, credit and guarantees. The expected credit loss estimates are calculated based on the 12-month and lifetime probability of the customer's default (probability of default – PD), the loan's loss in the event of default (loss given default – LGD) and the loan's exposure at default (exposure at default – EAD).

The Bank retains a history of observed probability of default (PD) and observed loss given default (LGD). This provides a basis for producing estimates of future values for PD and LGD.

The Bank considers macroeconomic factors such as unemployment, GDP growth, interest rates, housing prices and economic forecasts in order to be able to provide future-oriented information. Expected term to maturity of loans is also included in the estimates for future-oriented information. Monthly reports are produced for validation and stress testing, which include the history of observed PD and LGD. These are validated at least annually. ECL calculations are made using the same models calibrated for this purpose. The stress tests include different scenarios for the main macroeconomic aggregates and how these can affect the estimates of PD, LGD, EAD, ECL (expected credit loss) and RWA (risk-weighted assets) in both regulatory and financial credit models. The base scenario from the stress tests was based on the benchmark scenario from the monetary policy report from Norges Bank. For further details on the scenario weights and sensitivity, see Note 12 Impairment of loans, guarantees etc.

The definition of default in Stage 3 (see below) concurs with the internal risk management and capital adequacy calculations. 90 days past due and credit-impaired is used as an important default criterion here. The criteria for a significant increase in credit risk are described in Stages 1 and 2 below. Significant increase in credit risk is measured for each individual loan. Impairment provisions are calculated and reported by the business segments Retail Market and Corporate Market.

The Group has not overridden the impairment model in any way.

Stage 1

This is the starting point for all financial assets covered by the general loss model. All of the assets which do not have any significantly higher credit risk than at initial recognition are given a provision for loss corresponding to the 12-month expected losses. All assets that have

not been transferred to Stages 2 or 3. The model assumes that customers with a PD lower than 0.6 % can be categorised as low risk and defined as Stage 1 irrespective of the change in PD.

Stage 2

Stage 2 of the loss model contains assets that have seen a significant increase in credit risk since initial recognition, but where the assets are not credit-impaired on the statement of financial position date. For these assets provision shall be made for expected losses throughout the useful life. This group contains assets with a significant degree of credit impairment but which on the statement of financial position date belong to customers that are classified as healthy. The line between Stage 1 depends on whether a significant increase in credit risk has occurred, unless this can be refuted. As far as the line between Stage 1 is concerned, the Bank defines a significant degree of credit impairment on the basis of the extent to which an exposure's calculated probability of default (PD) has increased significantly. A significant change to the credit risk is deemed to have occurred if payment is delayed by 30 days irrespective of the level of PD, or assets are linked to customers who have been placed on the watchlist. As a rule, customers on the watchlist have seen a significant increase of credit risk if PD has increased by more than 150% since approval to a level above 0.60%.

The change is measured by comparing the customer's PD in the same month the account was opened/renewed ("PD_OB") with the customer's PD for the reporting month ("PD_CB").

Stage 3

Stage 3 of the loss model contains assets that are credit-impaired. An asset is credit-impaired when one or more events have occurred that have a negative impact on the financial asset's estimated future cash flows. For these assets provision shall be made for expected losses throughout the useful life. The Bank has defined the existence of credit deterioration as when a loan is in default. This definition is in line with the definition that applies for internal risk management and regulatory capital adequacy calculation for IRB banks. Also see Note 9 for a more detailed description and distribution of risk classes.

Credit-impaired exposures

A customer's total exposure (above NOK 1,000) is regarded as in being in default and is included in the Bank's overview of non-performing exposures when unpaid instalments or interest are 90 days past due or lines of credit have been overdrawn for 90 days or more. Loans and other exposures where there have been no payment defaults but where the customer's

financial situation makes it likely that the Bank will incur a loss are defined as problem exposures. Problem exposures consist of the sum of default exposures more than 90 days past due and other problem exposures (non-performing exposures with individual impairment).

Recognised losses

When it is highly probable that a loss is final, the loss is classified as a recognised loss. Recognised losses that are covered by previous individual impairment provisions are entered against those provisions. Recognised losses that are not covered by individual impairment provisions, as well as over and undercoverage in relation to previous impairment provisions, are recognised through profit or loss.

Recognition and derecognition of financial assets and liabilities

Financial assets and liabilities are recognised on the trade date, i.e. the date that the Bank becomes party to the instruments' contractual terms and conditions.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the rights to the cash flows from the asset are transferred in such a way that the risks and returns related to the ownership are for the most part transferred.

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

Modified assets and liabilities

If modifications or changes are made to the terms of an existing financial asset or liability, the instrument is treated as a new financial asset if the renegotiated terms are significantly different from the previous terms. If the terms are substantially different, the old financial asset or liability is derecognised, and a new financial asset or liability is recognised. In general a loan is considered to be a new financial asset if new loan documentation is issued, at the same time as a new credit process is carried out with determination of new loan terms.

If the modified instrument is not considered to be significantly different from the existing instrument, it shall be regarded for accounting purposes as a continuation of the existing instrument. With a modification that is recorded as a continuation of an existing instrument, the new cash flows are discounted with the instrument's original effective interest rate and any difference compared with the existing carrying amount is taken to income.

Taken over assets

As part of the process for non-performing loans and guarantees, the Bank will in some acquire assets that have been provided as collateral for such exposures. Upon their take over, the assets will be valued at their estimated realisation value. Taken over assets that will be realised are classified as holdings or fixed assets held for sale and recognised in the accounts in line with IAS 2 or IFRS 5, respectively.

Transfer of loan portfolios

The Bank has signed an agreement for the legal sale of loans with high security and collateral in real estate to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. The Bank considers that practically all the risks and returns related to the sold loans have been transferred. All the transferred loans are derecognised on the Bank's statement of financial position. In accordance with the management agreement entered into with these two companies in the Alliance, the Bank manages the loans and maintains customer contact. In addition to the sales price, the Bank receives a payment in the form of regular commission for the loans. Reference is made to more details in Note 9.

Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently depreciated on a straight-line basis over their expected useful life in accordance with IAS 16. In determining the depreciation plan, the individual assets are split to the extent necessary into components with different useful lives, and account is taken of the estimated residual value for the Bank's and the Group's assets. Land and art are not depreciated, but are periodically tested for impairment when a fall in value is indicated. Property, plant and equipment that are depreciated, are subject to an impairment test in accordance with IAS 36, when circumstances indicate this.

The Bank does not have classified assets according to IAS 40 (investment property).

Write-downs

The capitalised amounts for the Bank's assets are reviewed on the statement of financial position date. This is done to test for any indications of falls in value. If such indications exist, the asset's recoverable amount is estimated. Write-downs are made when the carrying amount of an asset or cash flow generating unit exceeds the recoverable amount. Write-downs are recognised through profit or loss.

Leases

The Bank recognises leases in line with IFRS 16 by recognising a right-of-use asset and associated lease liability. The lease liability is recognised as a liability at

amortised cost based on the lease's remuneration and effective interest. The right-of-use asset is recognised as part of the Bank's business assets and the remaining right-of-use asset is tested for falls in value in line with IAS 36.

Intangible assets

Goodwill

Goodwill is the difference between the acquisition cost for the purchase of a business and the fair value of the Group's share of the net identifiable assets of the business on the acquisition date. Goodwill arising from the acquisition of a subsidiary is classified as an intangible asset. Goodwill is tested annually for impairment and is capitalised at acquisition cost with deduction for impairment. Write-downs of goodwill are not reversed. Gains or losses on the sale of a business includes the carrying amount of goodwill of the sold business.

Pensions

Defined benefit schemes

Pension liabilities and expenses for defined benefit pension schemes are calculated according to the insurance core principles of an independent actuary. Pension expenses consist of the period's pension benefits earned for those employees who are included in the scheme, interest rates of net liabilities, as well as any plan changes. There will be a premium for both the employer's contributions and financial tax in the calculation of the annual pension cost and in the calculation of the net pension liabilities.

In calculating net liabilities (present value liabilities less the fair value of pension funds) there can arise actuarial gains and losses (estimated deviation) as a result of changes in assumptions or empirical deviation. Estimate and actual differences are recognised through OCI in the period in which they occur.

The Bank's collective defined benefit scheme is closed to new employees.

Defined contribution schemes

Defined contribution pension schemes means that the Bank does not promise future pension of a certain size but pays an annual contribution to the employees' pension savings. The future pension will depend upon the size of the contribution and the annual return on pension savings. Contributions to the scheme are recognised as expenses directly. The Bank participates in Fellesordningen for Avtalefestet Pensjon (AFP). Premiums for the contractual early retirement scheme (AFP) are also treated as a defined contribution scheme.

Please see Note 24 for a more detailed description of and changes to the Bank's pension schemes.

Unsecured liabilities

The Bank issues financial guarantees as part of its ordinary operations. Loss assessments take place as part of the assessment of losses on loans and according to the same principles and are reported together with these. Provisions are made for other unsecured liabilities if the balance of probabilities is that the liability is realised, and the financial consequences can be calculated reliably.

Provisions for restructuring expenses when the Bank has a contractual or legal obligation.

Subordinated loans and hybrid Tier 1 securities

Subordinated loans have priority after all other liabilities. Subordinated loans are classified as liabilities on the statement of financial position and are measured at amortised cost in the same way as other long-term loans (see above).

Hybrid Tier 1 securities where the Group is not liable to repay either interest or the principal are classified a hybrid capital under equity. The interest expense on the hybrid Tier 1 security is not presented as an interest expense in the income statement, instead it is recognised directly against equity. The tax effect of the interest expense is classified as tax on the ordinary profit.

Dividends and gifts

The proposed dividends for equity certificates and dividends/gifts to community capital are classified as equity during the period up to their approval by the Bank's Supervisory Board and are reclassified as other liabilities once they have been approved.

Income recognition

Interest income and costs

Interest income and expenses related to assets and liabilities that are measured at amortised cost, are recognised through profit or loss on an ongoing basis based on the effective interest rate method. The effective interest rate is determined by discounting contractual cash flows within the expected term to maturity. All fees related to interest-bearing borrowings and loans are included in the calculation of the effective interest rate and are amortised over the expected term to maturity. For interest-bearing instruments that are measured at fair value, the interest rate will be classified as interest income or expense, whereas the effect of changes in value is classified as income/expenses from other financial investments or through other comprehensive income (OCI).

Interest income on financial assets measured at amortised cost and financial assets measured at fair value through OCI are presented on the line 'Interest

income, amortised cost'. Interest income on financial assets measured at fair value through profit and loss is presented on the line 'Interest income – assets measured at fair value'.

If a financial asset or a group of similar assets are written down as a result of value loss, the interest income is recognised through profit or loss using the interest rate that future cash flows are discounted with to calculate the value loss.

Average interest rate

The average interest rate for the year is stated in several places in the notes. The average interest rate for the year is equal to the year's interest income or interest expense after amortised cost divided by average loans or borrowing, respectively.

Commission income and expenses

Commission income and expenses are generally recognised on an accruals basis in correlation with a service being provided. Fees relating to interest-bearing instruments are not recognised as commissions but are included in the calculation of the effective interest rate and recognised accordingly. Fees for advice services are earned in accordance with the agreement for the advice services, usually as the service is provided. The same applies to ongoing management services. Fees and charges for the sale or brokerage of financial instruments, property or other investment objects that do not generate statement of financial position items in the Bank's accounts, are taken to income when the transaction is completed.

Other operating income

Rental income from real estate is recognised as income on a straight-line basis over the term of the lease.

Dividends received

Dividends received on equity instruments are recognised through profit or loss once the Bank's right to receive payment has been established.

Transactions and holdings in foreign currency

Transactions in foreign currency are converted to Norwegian kroner at the exchange rate on the transaction date. Gains and losses related to completed transactions, or to the conversion of holdings of monetary items on the statement of financial position date, are recognised through profit or loss.

Tax

Tax recognised on the profit and loss account consists of the current tax (tax payable) and changes to deferred tax. Current tax is tax calculated on taxable income for the year.

Deferred tax is recognised according to the liability method in accordance with IAS 12. A liability or asset is calculated by deferred tax on temporary differences, which is the difference between the carrying amount and tax value of assets and liabilities. However, a liability or asset is not calculated on deferred tax for goodwill that does not provide tax deductions, nor on initially recognised items that neither affect the profit/loss for accounting purposes nor taxable profit/loss.

A deferred tax asset is calculated on carried forward tax losses. A deferred tax asset is recognised only to the extent that there are expected future taxable profits that make it possible to exploit the associated tax advantage.

Wealth tax is not regarded as tax according to IAS 12 and is presented as an operating expense.

Cash flow statement

The cash flow statement shows cash flow grouped by sources and scope of application. Cash and cash equivalents include cash, receivables from central banks and receivables from banks without termination deadlines.

Note 3 – Critical accounting estimates and discretionary valuations

Losses on loans and guarantees

The Bank reviews its entire corporate market portfolio annually. Large and risky exposures, as well as defaulted and problem exposures are reviewed on an ongoing basis. Exposures that are more than 30 days past due are assessed in relation to measures and/or the need for impairment.

Loans to individuals are reviewed when they are in default and no later than after 90 days, or if they have a particularly poor payment history.

The measurement of ECL (expected credit losses) in accordance with IFRS 9 requires assessment of when there has been a significant increase in credit risk and on determination of the level of impairment, especially with regard to the estimation of the amount and the date of future cash flows and security values. These estimates are driven by a number of factors where changes may result in different levels of Impairment provisions. Elements of the ECL model that contain assessments and estimates include:

- The internal PD model, which states the probability of default
- Criteria that evaluate whether there has been a significant increase in credit risk, so as to estimate the lifetime expected credit losses
- The use of future-oriented information on macro-economic factors, as well as weighting of various probabilities and how they might affect the estimates for PD, LGD and EAD.

Please see Note 2 for a more detailed description of the principles/new loss model in accordance with IFRS 12.

Fair value

Assets that are valued at fair value through the profit and loss account will normally be sold in active markets and the value will thus be able to be determined with reasonable certainty.

With the exception of a few shares, the Norwegian share market is not very liquid. Share prices will in most cases be the last traded price. In some cases where the liquidity is poor and there are greater unexplained price movements around year-end, the price could be determined as the volume-weighted average over a period of time, usually December.

Correspondingly, the fair values of assets and liabilities are recognised at amortised cost and as stated in the notes, may be estimates based on discounted expected cash flows, multiplier analyses or other calculation methods. These may be subject to considerable uncertainty.

Fair value derivatives

The fair value of derivatives is usually determined by using valuation models where the price of underlying factors, such as interest rates and currency, are obtained in the market. The volatility of options will either be observed implicit volatility or calculated volatility based on historical share price movements for the underlying. Where the Bank's risk position is approximately neutral, average share prices will be used. A neutral risk position means, for example, that the interest rate risk within a term constraint is virtually zero. In the opposite case, the relevant purchase or sales price is used to assess the net position.

For derivatives where the counterparty has a weaker credit rating than the Bank, the price will reflect an underlying credit risk.

Liquidity portfolio

The Bank's liquidity portfolio is classified and measured at fair value through profit or loss in accordance with IFRS 9.4.1.4 based on the purpose of the portfolio. For the instruments where there are directly observable prices in the market, these are used for the valuation. The remaining part of the portfolio is valued by calculating the present value of the estimated cash flow based on the observable yield curve, including an indicated credit spread for the issuer from a reputable brokerage firm or Reuters/Bloomberg pricing services.

Fixed-rate loans

The fair value of fixed interest rate loans to customers is calculated as the fair value of the agreed cash flows discounted with an observable yield curve with the addition of a calculated margin.

Variable rate loans secured by mortgages in residential property

Loans to and receivables from customers with a variable interest rate secured by mortgages in residential property are measured and classified at fair value with changes in value through other comprehensive income, (OCI). This is because the business model's purpose is

considered to be to receive contractual cash flows and sales of loans (transfer of mortgages to SB1 Boligkreditt AS).

The fair value of such mortgages is understood to be:

- Loans in loss category 1 - the loan's nominal value (not equal to amortised cost).
- Loan in loss category 2, and 3J - the loan's nominal value decreases by the expected losses (= amortised cost)
- Loans in loss category 3K - the loan's nominal value decreases by individual impairment provisions (= amortised cost)

Note 4 – Merger of SpareBank 1 BV and Sparebanken Telemark on 01.06.2021

The merger of SpareBank 1 BV and Sparebanken Telemark was completed on 01.06.2021, with accounting effect from the same date. SpareBank 1 BV is the acquiring bank and has changed its name to SpareBank 1 Sørøst-Norge. The merger was accounted for in line with the acquisition method in line with IFRS 3. The Bank's head office is currently in Tønsberg, although it will move to Fokserød in Sandefjord during the second quarter of 2022.

On 30 November 2020, the boards of the banks adopted an internal agreement on a possible merger between SpareBank 1 BV and Sparebanken Telemark. The merger was based on two solid and well-run banks being seen as having potential that could be exploited to further optimise their comparative advantages by forming SpareBank 1 Sørøst-Norge. This region (the former counties of Buskerud, Vestfold and Telemark) has a population of 750,000 and a very dynamic and expansive business sector. The intention behind the merger is to form a powerful bank that will strengthen the banks' positions with customers, produce greater returns for the owners, and, not least, create secure and attractive jobs within banking and finance in the region. The new bank also wants to strengthen and secure the banks' positions in the respective local communities via a decentralised organisational model, which together with the four strong and important local savings bank foundations is intended to underpin the Bank's identity.

The merger plan was approved by the boards of directors of both banks on 22.02.2021. The merger plan received the final approval of the banks' Board of Representatives on 25.03.2021, and on 21.05.2021, the Financial Supervisory Authority of Norway granted the

necessary permissions for the merger. Completion of the merger was approved for 01.06.2021.

The final merger plan set the exchange ratio at 60 % for SpareBank 1 BV and 40% for Sparebanken Telemark, equivalent to an exchange ratio of 3.41 per equity certificate. The remuneration for the takeover of Sparebanken Telemark's business was settled in the form of new equity certificates in SpareBank 1 Sørøst-Norge. In connection with the merge, the equity certificate capital was increased by NOK 676.3 million through the issuance of 45,089,995 new equity certificates, of which 37,116,986 equity certificates were for the former equity certificate holders of Sparebanken Telemark and 7,973,009 equity certificates were for Sparebankstiftelsen Telemark – Grenland as remuneration for the business taken over from Sparebanken Telemark. These equity certificates were issued with a nominal value of NOK 15 per equity certificate and at a price of NOK 39.31 per equity certificate. The price corresponded to the 3-month volume weighted price as at 17.02.2021 less the proposed dividend of NOK 1.90 per equity certificate in SpareBank 1 BV.

A NOK 157.5 million increase in equity certificate capital was also registered by converting primary capital to equity certificate capital through the issuance of 10,498,569 new equity certificates for SpareBank 1 Stiftelsen BV, see Note 41,49 for further details.

Following the issuance of new equity certificates, total equity certificate capital amounted to NOK 1,780.3 million divided into NOK 118,689,917 equity certificates with a nominal value of NOK 15 per equity certificate.

The fair value of the 45,089,995 equity certificates that were issued as remuneration for the equity certificate holders in Sparebanken Telemark and Sparebankstiftelsen Telemark – Grenland amounts to NOK 47.80 per equity certificate, which corresponds to the selling price on 31.05.2021. The difference between the fair value of the remuneration for the equity certificate holders in Telemark before the merger and their share of net equity pursuant to the acquisition analysis

amounts to negative goodwill ('badwill') and was recognised through profit or loss at the time of completion (01.06.2021) in line with IFRS 3.

The table on the next page shows the remuneration, fair value of assets and liabilities from Sparebanken Telemark, as well as the calculation of negative goodwill as at 01.06.2021 (completion date).

Amounts in NOK millions

Fair value of identifiable assets and liabilities	PARENT BANK Telemark			GROUP Telemark		
	31.05.2021	Added/ less value	Fair value as at 01.06.2021	31.05.2021	Added/ less value	Fair value as at 01.06.2021
Cash and receivables from central banks	13	-	13	13	-	13
Loans to and receivables from credit institutions	1,382	-	1,382	1,382	-	1,382
Net lending to and receivables from customers	26,241	46	26,287	26,225	46	26,271
Interest-bearing securities	1,420	-	1,420	1,420	-	1,420
Financial derivatives	64	-	64	64	-	64
Shares, equity certificates and units	880	-	880	880	-	880
Interests in group companies	29	4	32	-	-	-
Ownership interests in joint ventures and associated companies	108	279	387	272	115	387
Tangible assets	131	42	173	144	44	188
Goodwill	-	-	-	-	-	-
Deferred tax assets	17	(22)	(5)	23	(23)	-
Other assets	40	-	40	61	-	61
Total assets	30,327	349	30,675	30,484	183	30,667
Deposits from credit institutions	147	-	147	147	-	147
Deposits from customers	18,715	-	18,715	18,707	-	18,707
Liabilities from the issuance of securities	7,291	-	7,291	7,291	-	7,291
Financial derivatives	30	-	30	30	-	30
Subordinated loan capital	250	-	250	250	-	250
Other liabilities and commitments	239	-	239	234	-	234
Total liabilities	26,672	-	26,672	26,659	-	26,659
Net assets	3,654	349	4,003	3,825	183	4,008
Hybrid capital (hybrid Tier 1 securities)	100	-	100	100	-	100
Minority	-	-	-	5	-	5
Net equity for distribution to equity certificate holders and community capital	3,554	349	3,903	3,720	183	3,903

The calculated equity based on a closing price as at 31.05.2021 of NOK 47.80 and an exchange ratio of 40 TM/60 BV.

3,752 3,752

Calculated negative goodwill

151 151

The fact that the remuneration for the equity certificate holders was lower than the value-adjusted equity certificate capital gave rise to negative goodwill that was recognised through profit or loss on the date of the merger, 01.06.2021.

Reconciliation of the equity statement	Parent bank	Group
The calculated equity based on a closing price as at 31.05.2021 of NOK 47.80 and an exchange ratio of 40 Telemark/60 BV.	3,752	3,752
Hybrid capital (hybrid Tier 1 securities)	100	100
Treasury holding of equity certificate fraction	(8)	(8)
Minority	-	5
Equity added from the merger with Sparebanken Telemark	3,844	3,849

Amounts in NOK millions

	Parent bank			Group		
	Sparebanken Telemark	SpareBank 1 BV	SpareBank 1 Sørøst- Norge	Sparebanken Telemark	SpareBank 1 BV	SpareBank 1 Sørøst- Norge
Opening balance 01.06.2021						
Assets						
Cash and receivables from central banks	13	96	109	13	96	109
Loans to and receivables from credit institutions	1,382	1,195	2,577	1,382	1,243	2,625
Net lending to and receivables from customers	26,287	34,059	60,346	26,271	34,032	60,304
Interest-bearing securities	1,420	4,255	5,675	1,420	4,255	5,675
Financial derivatives	64	79	143	64	79	143
Shares, equity certificates and units	880	1,332	2,203	880	1,332	2,203
Interests in group companies	32	37	69	-	-	-
Ownership interests in joint ventures and associated companies	387	477	865	387	735	1,123
Tangible assets	173	70	243	188	87	275
Goodwill	-	-	-	-	34	34
Deferred tax assets	(5)	11	7	-	12	12
Other assets	40	99	140	61	124	185
Total assets	30,675	41,710	72,376	30,667	42,030	72,688
Liabilities						
Deposits from credit institutions	147	-	147	147	-	147
Deposits from customers	18,715	27,051	45,767	18,707	27,015	45,722
Liabilities from the issuance of securities	7,291	8,409	15,699	7,291	8,409	15,699
Financial derivatives	30	85	115	30	85	115
Subordinated loan capital	250	401	651	250	401	651
Other liabilities and commitments	239	380	619	234	443	677
Total liabilities	26,672	36,326	62,998	26,659	36,352	63,011
Equity						
Equity certificate capital	1,090	947	1,780	1,090	947	1,780
Treasury holding	-	-	(3)	-	-	(3)
Share premium fund	98	1,026	2,777	98	1,026	2,777
Dividend equalisation fund	489	645	645	489	645	645
Endowment fund	-	7	7	-	7	7
Fund for unrealised gains	4	21	21	4	21	21
Hybrid capital (hybrid Tier 1 securities)	100	250	350	100	250	350
Primary capital fund	1,873	2,261	3,423	1,873	2,261	3,423
Other equity	349	227	227	349	520	520
Negative goodwill	-	-	151	-	-	151
Minority interests	-	-	-	5	1	7
Total equity	4,003	5,384	9,378	4,008	5,678	9,677
Total liabilities and equity	30,675	41,710	72,376	30,667	42,030	72,688
Off-statement of financial position items:						
Portfolio transferred to mortgage credit institutions	11,853	13,232	25,086	11,853	13,232	25,086

The pro forma results for the period 01.01.2021-31.12.2021 represent the results of both banks consolidated as if the merger had occurred with accounting effect from 01.01.2021.

Negative goodwill was recognised in the pro forma results from 01.01.2021 and the added value on buildings was written off for the entire period. NOK 20.8

million in acquisition costs in connection with the merger were charged to Sparebanken Telemark in the period January to May.

There were no significant eliminations between the banks during this period meaning that the results for the period was just consolidated.

Amounts in NOK millions

Pro forma results 01.01-31.12.2021	Parent bank	Group
Interest income	1,525	1,525
Interest expenses	410	408
Net interest income	1,116	1,117
Commission income	610	612
Commission expenses	39	37
Other operating income	9	257
Net commission and other income	580	831
Dividends	179	41
Net result from ownership interests in joint ventures and associated companies	1	168
Net result from other financial investments	178	179
Net result from financial investments	357	388
Total net income	2,053	2,336
Personnel expenses	427	605
Other operating expenses	408	444
Total expenses	835	1,050
Profit before losses and tax	1,219	1,286
Losses on loans and guarantees	86	86
Profit before tax	1,133	1,200
Tax expense	189	197
Ordinary profit	944	1,004

Note 5 – Segment information

The segment information is related to the way in which the Group is managed and followed up internally by the business through performance and capital reporting, proxies and procedures.

The reporting of segments is divided into the following areas: Retail market (RM) and corporate market (CM) customers, which include the parent bank and subsidiaries related to real estate and accounting services.

Other operations mainly include subsidiaries that manage properties.

Liabilities and assets are not distributed by business area beyond deposits and loans. Group eliminations appear in a separate column if they are not distributed. The same accounting policies are applied in the segment reporting as those used for the Group.

Group as at 31.12.2021 (amounts in NOK millions)

Income statement	RM	CM	Other operations	Group eliminations	Total
Profit					
Net interest income	550	370	0.1	(0.2)	920
Net commission and other income	838	254	-	(17)	1,075
Operating expenses	653	242	7	(15)	886
Profit before losses	735	382	(6)	(2)	1,109
Losses on loans and guarantees	8	71	-	0.5	79
Profit before tax	728	311	(6)	(2)	1,030
Statement of financial position					
Net lending to customers	44,609	17,963	-	(29)	62,542
Other assets	-	-	12,488	(119)	12,370
Total assets per segment	44,609	17,963	12,488	(148)	74,911
Deposits from and liabilities to customers	31,098	15,166	-	(52)	46,212
Other equity and liabilities	-	-	28,815	(116)	28,699
Total equity and debt per segment	31,098	15,166	28,815	(168)	74,911

Group 31.12.2020 (amounts in NOK millions)

Income statement	RM	CM	Other operations	Group eliminations	Total
Profit					
Net interest income	403	247	1	(0.3)	649
Net commission and other income	462	149	0.2	(0.5)	611
Operating expenses	427	171	4	(3)	599
Profit before losses	437	225	(3)	2	661
Losses on loans and guarantees	7	28	-	(4)	31
Profit before tax	430	197	(3)	7	630
Statement of financial position					
Net lending to customers	25,024	7,440	-	(21)	32,444
Other assets	-	-	8,072	(60)	8,012
Total assets per segment	25,024	7,440	8,072	(81)	40,455
Deposits from and liabilities to customers	16,488	9,414	-	(39)	25,864
Other equity and liabilities	-	-	14,634	(42)	14,592
Total equity and debt per segment	16,488	9,414	14,634	(81)	40,455

Note 6 – Capital adequacy

When calculating capital adequacy, SpareBank 1 Sørøst-Norge uses the standard method for calculating credit risk and the basic method for operational risk.

On 13.03.2020, the Ministry of Finance decided to reduce the countercyclical buffer from 2.5 % to 1 % with immediate effect. Based on this, the regulatory requirement for Common Equity Tier 1 capital is a minimum of 11 %. In connection with the merger, between Telemark and BV the Financial Supervisory Authority of Norway set a Pillar 2 requirement for the Bank of 2.3 %, applicable from 01.06.2021. This requirement will apply until the Financial Supervisory Authority of Norway sets a new Pillar 2 requirement. The Board of Directors will start work on a new internal capital adequacy assessment process (ICAAP) as soon as possible. The assessment must be submitted to the Financial Supervisory Authority of Norway by no later than 12 months after the merger has been completed. The current total requirement for Common Equity Tier 1 capital is thus 13.3 %. The Group's target for the Common Equity Tier 1 capital ratio is a minimum of 16.0 %.

At the end of the year, the Common Equity Tier 1 capital ratio was 18.3 % (18.8 %, incl. 39.1 % of the profit as at 31.12.2021). The leverage ratio was 8.4% (8.6 %) at the end of the quarter. The regulatory requirement for the leverage ratio is 5.0 %.

On 10.12.2020, the Financial Supervisory Authority of Norway published a circular on assessing what exposures should be considered high risk. The Financial Supervisory Authority of Norway's interpretation of the

current CRR rules indicates that property development projects constructed for the purpose of resale at a profit should be regarded as speculative investments and be risk weighted at 150 %. These regulations were implemented by both banks in the previous three quarters. In the current quarter, construction projects with documented binding pre-sales of at least 50 % of the exposure are risk-weighted by 100 %, ref. Circular 2/2021 from the Financial Supervisory Authority of Norway.

Extended consolidation for owner companies in the Samarbeidende Sparebanker grouping

Under the CRD IV rules, SpareBank 1 Sørøst-Norge is currently below the materiality threshold for reporting fully consolidated capital adequacy. Consequently, capital adequacy is not worked out at a consolidated level. The Bank has carried out proportional consolidation of interests in the cooperative group since 2018.

The following companies are included in proportional consolidation:

SpareBank 1 Boligkreditt AS (10.7 %)
SpareBank 1 Næringskreditt AS (12.3 %)
SpareBank 1 Kreditt AS (9.5 %)
SpareBank 1 SMN Finans AS (11.5 %)
BN Bank ASA (7.5%)

The provision applies to interests in other financial institutions engaged in the activities to which the cooperation relates; see Financial Institutions Act, section 17-13.

Proportional consolidation

(Amounts in NOK millions)	31.12.2021	31.12.2020
Primary capital		
Common Equity Tier 1 capital	8,817	4,907
Tier 1 capital	9,293	5,233
Primary capital	10,124	5,744
Basis for calculation	48,269	26,156
Capital adequacy		
Common Equity Tier 1 capital ratio	18.3%	18.8%
Tier 1 capital ratio	19.3%	20.0%
Capital adequacy	21.0%	22.0%
Leverage ratio	8.40%	8.59%

Parent bank

Primary capital	31.12.2021	31.12.2020
Equity certificate capital	1,778	947
Share premium fund	2,777	1,026
Dividend equalisation fund	811	645
Primary capital fund	3,532	2,261
Fund for unrealised gains/losses	26	22
Gift fund	202	7
Allocated dividend classified as equity	297	120
Total capitalised equity (excluding hybrid capital)	9,423	5,027
Value adjustments on shares and bonds measured at fair value (AVA)	(11)	(8)
Allowance for non-material interests in the financial sector	(122)	(956)
Deduction for material interests in the financial sector	(749)	-
Dividends allocated for distribution, classified as equity	(297)	(120)
Dividends/gifts to community capital, classified as equity	(196)	-
Total Common Equity Tier 1 capital	8,048	3,944
Hybrid capital	350	250
Total Tier 1 capital	8,398	4,194
Supplementary capital in excess of Tier 1 capital		
Time-limited primary capital*	650	400
Allowance for non-material interests in the financial sector	-	(5)
Net primary capital	9,047	4,589
Risk-weighted basis for calculation		
Assets not included in the trading portfolio	36,532	18,735
Operational risk	3,066	1,945
CVA surcharge (counterparty risk derivatives)	74	79
Total basis for calculation	39,672	20,758
Common Equity Tier 1 capital	20.3%	19.0%
Tier 1 capital	21.2%	20.2%
Capital adequacy	22.8%	22.1%
Leverage ratio	10.2%	10.2%
Buffer requirements		
Capital conservation buffer (2.50%)	992	519
Countercyclical buffer (1.0%)	397	208
Systemic risk buffer (3.00%)	1,190	623
Total buffer requirement for Common Equity Tier 1 capital	2,579	1,349
Minimum requirement for Common Equity Tier 1 capital (4.50%)	1,785	934
Available Tier 1 capital in excess of minimum requirement and buffer requirement	3,684	1,660

	31.12.2021	31.12.2020
Governments and central banks	27	-
Local and regional authorities	63	59
Publicly owned companies	10	10
Institutions	159	164
Companies	4,280	2,118
Mass market	4,600	2,760
Mortgaged against residential and holiday property	16,456	8,240
Mortgaged against commercial property	5,589	2,252
Exposures past due	326	75
High-risk exposures	1,646	1,280
Covered bonds	497	296
Receivables from institutions and companies with short-term ratings	340	146
Shares in mutual funds	48	43
Equity items	2,135	1,160
Other exposures	356	133
Total credit risk	36,532	18,735

Note 7 – Financial risk management

Risk exposure

SpareBank1 Sørøst-Norge is exposed to various types of risk through its activities.

The main types are listed below:

Strategic risk is the risk of incurring losses due to erroneous strategic decisions.

ESG risk is the risk of incurring losses due to:

- changes in natural, climate or environmental conditions (E) that directly or indirectly could have a negative effect for the Group
- non-compliance with regulatory requirements or the market's expectations linked to human rights, labour rights and conduct (S)
- non-compliance with regulatory requirements or the market's expectations linked to governance and control (G).

Business risk is the risk of unexpected fluctuations in income and expenses as a result of changes in external circumstances such as the market situation or government regulations. The latter particularly applies to falls in income resulting from increased competition, changes in framework conditions or other changes in the basis for business, as well as changes in the cost picture that cannot be compensated for by other cost reductions or income increasing measures.

Credit risk is the risk of incurring losses due to customers or other counterparties being unable or unwilling to fulfil their obligations. Credit risk arises due to, and is primarily associated with:

- Financing/lending in the retail market
- Financing/lending in the corporate market

The Group is also exposed to credit risk from investments in interest-bearing securities. This is described in more detail in the section on market risk below.

Concentration risk is the risk of an accumulation of exposure to an individual customer, branch or geographic area. Concentration risk across risk types consists of exposure that may occur across different types of risk or business areas in the Group due to, for example, common underlying risk drivers.

Liquidity and funding risk is the risk that the Group will not be in a position to fulfil its obligations when they fall due, as well as the risk of the Group being unable

to meet its liquidity obligations without the cost of this increasing significantly.

Market risk is the risk of incurring losses due to changes in observable market variables such as interest rates, foreign exchange rates and securities markets.

Owner risk is the risk of the Group incurring negative results from interests in strategically owned companies and/or has to supply new equity to these companies.

SpareBank 1 Sørøst-Norge is primarily exposed to owner risk through indirect interests in SpareBank 1 Gruppen AS (4.4%), as well as direct interests in BN Bank ASA (7.5 %), SpareBank 1 Boligkreditt AS (10.7 %), SpareBank 1 Næringskreditt AS (12.3%), SpareBank1 Kreditt AS (9.5 %), SpareBank 1 Forvaltning AS (6.0%), SpareBank 1 SMN Finans AS (11.5 %), SpareBank 1 Betaling AS (8.0 %), SpareBank 1 Markets AS (2.2 %), SpareBank 1 Bank og Regnskap AS (8.7 %) and SpareBank 1 Gjeldsinformasjon AS (10.7 %).

Insurance risk is the risk that arises due to, and associated with, ownership of SpareBank 1 Gruppen and through this indirect ownership of Fremtind.

Systemic risk is the risk of financial instability resulting in interruptions to the provision of financial services on a scale that may result in a significant negative impact on production and employment.

Systemic risk arises as a consequence of, and is associated with, the characteristics of the financial system in which the Group operates.

Compliance risk is the risk of the Group incurring public sanctions/fines or financial losses due to failure to comply with laws and regulations.

Operational risk is the risk of incurring losses due to inadequate or failed internal processes or systems, human error or external events.

Reputational risk is the risk of a drop in earnings and capital access due to a lack of confidence and reputation in the market, i.e. with customers, counterparties, the share market and/or authorities.

Risk exposure in SpareBank 1 Sørøst-Norge

The banking industry's core business is to create value

by assuming deliberate and acceptable risk. SpareBank 1 Sørøst-Norge expends substantial resources on developing processes for comprehensive risk management in line with leading practice.

The Group's risk and capital management is designed to support its mission of creating financial and strategic added value, and at the same time ensure financial stability and prudent asset management.

This will be achieved by:

- having a strong risk culture characterised by high awareness of risk management and the Group's core values.
- having a good understanding of the risks that are drivers for earnings, expenses and losses.
- to the greatest possible extent price services and products in line with the underlying risk.
- having adequate financial strength in relation to long-term strategic goals, initiatives and the chosen risk profile, while aiming for optimal capital allocation in the different business areas.
- exploiting synergy and diversification effects.
- avoiding unexpected individual incidents being able to seriously damage the Group's financial position

Governance and control framework

In order to ensure an effective and appropriate process for risk and capital management, the business management is based on the following framework:

- The Group's strategic goals
- Organisation and corporate culture
- Risk surveys
- Risk analysis
- Financial projections and stress tests
- Risk strategies (determination of risk capacity and risk appetite)
- Liquidity and capital management (including risk-adjusted return and liquidity and capital requirement assessments)
- Monitoring, reporting and follow-up
- Evaluation and measures
- Crisis management, contingency plans and recovery plans
- Compliance

Risk strategy

The Group aims for a moderate to low risk profile and to achieve such a high level of quality in their risk management that no single events can cause serious damage the Bank's financial position. The Bank's risk profile is quantified by targets for risk-adjusted return, expected credit loss, assessments of liquidity and capital requirements, including regulatory requirements for capital adequacy.

The Group believes it is important to have a control and management structure that promotes targeted and independent management and control.

The risk groups that affect financial reporting to the greatest extent are described below in more detail. For a further description of the risk situation and risk management, please refer to chapter 3.3., the discussion in the Board of Directors' report, the Pillar 3 report and the report on corporate governance policies and practices. The reports are available on the Bank's website under investor relations (IR) <https://www.sparebank1.no/nb/bv/om-oss.html>.

Credit risk

Credit risk is managed through the framework for credit approval, exposure monitoring and portfolio management, which are reviewed and approved by the Board of Directors at least annually.

The Group's credit policy consists of the overall strategic credit limits aimed at ensuring a diversified portfolio and a satisfactory risk profile. This includes limits for the probability of default, expected loss, risk-adjusted capital and the proportion of total lending exposure to the corporate market. In order to avoid unwanted concentration risk, the credit-strategic limits also set limitations related to exposure and risk profile at the portfolio level, and for various sectors and individual customers. These limits are additional to the limits set by the Norwegian "Regulations relating to major exposures". The established management and control mechanisms are intended to support the Group's risk appetite in the area, which has been set at low to moderate.

The credit policy guidelines determine the minimum requirements that apply to all types of financing, except for exposures granted as part of the exercise of special credit hedging authorisations. In addition to the general credit policy guidelines, a set of more specific credit policy guidelines have been prepared relating to the sectors or segments which may entail a special risk. For example, with respect to property exposures, minimum requirements are set for equity, advance sales of housing projects and level of financing in relation to rental income from property for rent.

The Board of Directors is responsible for the Group's loan- and credit approvals, but delegates credit authorisation, within certain limits, to the CEO, who delegates these within his own authorisations. The delegated credit authorisations are personal and linked to the individual exposure's probability of default and security coverage.

The Group uses the credit models for risk classification, risk pricing and portfolio management. The risk classification system is based on the following main components:

1. Probability of default. (PD):

Customers are classified into default classes based on the probability of default during a 12-month period based on a long-term outcome. The probability of default is calculated on the basis of historical data series for financial key figures linked to earnings and consumption, as well as on the basis of non-financial criteria such as behaviour and age. In order to classify customers according to the probability of default, nine different default classes are used (A-I). In addition, the Group has two default classes (J and K) for customers with defaulted and/or impaired exposures.

2. Exposure at default (EAD):

This is a calculated amount that calculates the Group's probable exposure to the customer in the event of default. This exposure comprises lending volume, guarantees and approved undrawn facilities. Guarantees and approved undrawn facilities on customers are multiplied by a conversion factor.

3. Loss given default (LGD):

This is an estimate of how much it is assumed that the Group could potentially lose if the customer defaults on its obligations. The assessment takes into account the value of underlying securities and the expenses the Group has incurred by collecting the defaulted exposure.

The Group determines the realisable value of securities provided on the basis of its own experience over time, and so that, based on a conservative assessment, these reflect the assumed realisation value in a cyclical downturn. Seven different classes are used (1-7) for the classification of exposures in accordance with the loss given default.

The Group carries out continuous further development and verification of the risk management system and credit approval process in order to ensure good quality over time. The quantitative validation shall ensure that the estimates used for the probability of default, exposure at default and loss given default maintain a sufficiently good quality. Analyses are conducted which assess the models' ability to rank customers according to risk (discrimination ability), and the ability to determine the correct level of risk parameters. In addition, stability is analysed in the models' estimates and the models' sensitivity to cyclical fluctuations. The quantitative validation is also supplemented by more qualitative assessments. In addition to the credit risk in the loan

portfolio, the Group has credit risk through the liquidity portfolio. This portfolio consists primarily of securities with low risk which qualify for access to borrowing in Norges Bank.

Please see Notes 8-15 for a more detailed description of the portfolio as at 31.12.2021.

Liquidity risk is managed based on the Group's liquidity policy, which is revised and adopted by the Board of Directors at least annually. Liquidity management is based on frameworks and reflects the Group's agreed risk profile. The strategy establishes a framework for the size of the liquidity reserves and the duration of the time period that the Group should be independent of new market financing. The established management and control mechanisms are intended to support the Group's risk appetite in the area, which has been set at low.

The Group's lending is primarily financed by customer deposits and long-term securities debt. Liquidity reserves consist of cash, securities lodged as securities in Norges Bank, non-utilised committed credit facilities, housing loans that have been prepared for sale to SpareBank 1 Boligkreditt AS and listed securities. The sale of well secured home loans to SpareBank 1 Boligkreditt AS contributes to calming funding requirements and thus the Group's liquidity risk. Crisis management and recovery plans have been established. These include contingency plans for dealing with liquidity and solvency crises.

The Finance Department is responsible for day-to-day risk management, while the controller function in the Economics Department and the Department for Risk Management & Compliance monitors and reports to the Board of Directors the utilisation of limits in accordance with the liquidity strategy.

Please see Note 18.

Market risk is managed through the Group's market and counterparty risk policy. The management process includes risk limits, continuous measurement, monitoring and reporting. The Group takes a conservative approach to risk exposure in this area, including by not taking positions in securities and financial instruments for the purpose of resale or for the short term with the intention of benefiting from price or interest rate variations. The general rule is that the Group must limit its market risk by actively using hedging instruments.

Uncovered risk should only occur within specifically assigned limits. The established management and control mechanisms are intended to support the Group's risk appetite in the area, which is set at low.

Interest rate risk is the risk of incurring losses due to changes in interest rates. Interest rate risk is measured by simulating how different fluctuations in the yield curve would affect the Group's positions. The Group's interest rate risk is generally short-term and considered low.

Credit spread risk is defined as the risk of incurring losses due to a widening of credit spreads on interest-bearing securities in which the Group is invested. The Group is mainly exposed to credit spread risk through its management of the liquidity portfolio, which consists of low-risk certificates and bonds.

Foreign exchange risk is the risk of incurring losses due to changes in foreign exchange rates. Since SpareBank 1 Sørøst-Norge is a currency agent and the Group has entered into an agreement with SpareBank 1 SMN related to the delivery of foreign currency transactions to the Group's customers, currency risk will consist of guarantees provided to SpareBank 1 SMN for the Group's customers that have taken up currency loans or entered into agreements on currency derivatives, as well as a limited currency exposure in foreign currency notes in the Group's branches. Stricter requirements are established for advice and assessment of the customer's competence when guarantees for foreign currency loans are to be granted.

Price risk on securities is the risk of incurring losses due to changes in the value of bonds, certificates and equity instruments in which the Group has invested. The Group's risk exposure to this type of risk is regulated through limits for maximum investments in the various portfolios.

Please see Notes 16 and 17 for a more detailed description of the portfolio as at 31.12.2021.

Sustainability/ESG risk A framework has been established to ensure that ESG risk is addressed in all of the Group's operational units. This includes:

- Governing documents explicitly related to sustainability and corporate social responsibility
- Assessing ESG risk in governing documents in areas of risk where climate risk is an underlying risk driver. This especially includes credit risk, market risk, liquidity and funding risk, insurance risk/owner risk and operational risk/reputational risk

- Established roles and responsibilities, including employing a dedicated sustainability coordinator
- Establishment of a specific skills plan for the area of sustainability

Please refer to the discussion in the introductory part of the Annual Report and chapter 3.3.

Operational risk is managed through the risk strategy that is determined annually by the Board of Directors to define the Group's risk appetite.

SpareBank1 Sørøst-Norge considers corporate culture to be the single most important factor in operational risk management. Organisation surveys are carried out regularly that measure the organisation's satisfaction and risk culture.

In order to ensure that it is managed according to an updated and relevant risk picture, the Group has a risk-based and dynamic approach to the management of operational risk, where risk analyses will be updated, and risk-reducing measures will be implemented on an ongoing basis. Operational risk in the Group is also evaluated and documented annually in a collaboration between the risk management unit and the process and risk owners for the various business areas.

Compliance risk is managed through the framework for compliance that is set out in the Bank's compliance policy and shall ensure that the Group does not incur public sanctions/fines or financial loss as a result of the lack of implementation and compliance with laws, and regulations. The Group's compliance policy is approved by the Board of Directors and describes the main principles for responsibility and organisation.

SpareBank 1 Sørøst-Norge constantly strives to establish and have good processes for ensuring compliance with applicable laws and regulations. Focus areas are monitoring compliance with regulatory requirements and ensuring that the Group has the best adaptation to future changes in the regulations. SpareBank 1 Sørøst-Norge's compliance function is organisationally independent of the business units. The department bears overall responsibility for the framework, monitoring and reporting within the compliance area.

Note 8 – Change in receivables from and liabilities to credit institutions

Group

Amounts in NOK millions	31.12.2021	31.12.2020
Loans to and receivables from credit institutions		
Lending and receivables without agreed maturity or notice period	1,698	769
Lending and receivables with agreed maturity or notice period	455	305
Total	2,153	1,074
Liabilities to credit institutions		
Loans to and deposits from credit institutions with agreed maturity or notice period	150	200
Total receivables from and liabilities to credit institutions	150	200

Figures have not been prepared for the parent bank, since they are almost identical to the Group's figures.

Note 9 – Loans to and receivables from customers

The Bank's credit portfolio to customers is distributed between the BM and PM segments. Exposures are risk classified according to the IRB models that have been developed in the SpareBank 1 Alliance.

The Bank's experience with the risk classification model is good and the profile of the exposure distribution

is supported by other exposure assessments. The portfolio appears as stable over time.

For more details about impairments in line with IFRS 9, please see Note 2.

Gross lending to and receivables from customers

(Amounts in NOK millions)

Parent bank	31.12.2021				31.12.2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Lowest risk	29,916	102	-	30,019	12,252	60	-	12,312
Low risk	15,961	323	-	16,285	11,321	234	-	11,555
Moderate risk	10,729	2,284	-	13,013	5,897	1,065	1	6,963
High risk	1,039	654	-	1,693	276	508	4	789
Very high risk	756	625	18	1,400	316	459	-	774
Default and impaired	-	25	366	391	-	-	223	223
Total gross lending to and receivables from customers	58,401	4,015	384	62,801	30,061	2,327	228	32,616

(Amounts in NOK millions)

Group	31.12.2021				31.12.2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Lowest risk	29,902	102	-	30,004	12,252	60	-	12,312
Low risk	15,961	323	-	16,285	11,321	234	-	11,555
Moderate risk	10,714	2,284	-	12,998	5,888	1,065	1	6,954
High risk	1,039	654	-	1,693	276	508	4	789
Very high risk	756	625	18	1,400	316	459	-	774
Default and impaired	-	25	366	391	-	-	202	202
Total gross lending to and receivables from customers	58,372	4,015	384	62,771	30,052	2,327	207	32,586

Gross lending to and receivables from customers at amortised cost and at fair value through OCI

(Amounts in NOK millions)

Parent bank	31.12.2021				31.12.2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Lowest risk	28,036	92	-	28,128	11,252	54	-	11,306
Low risk	15,411	311	-	15,722	10,880	230	-	11,110
Moderate risk	10,389	2,164	-	12,554	5,757	1,011	-	6,768
High risk	1,035	645	-	1,680	308	477	-	785
Very high risk	753	601	18	1,373	290	475	-	764
Default and impaired	-	25	359	385	-	-	219	219
Total gross lending to and receivables from customers at amortised cost and at fair value through OCI	55,624	3,840	378	59,841	28,487	2,246	219	30,952

(Amounts in NOK millions)

Group	31.12.2021				31.12.2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Lowest risk	28,021	92	-	28,114	11,252	54	-	11,306
Low risk	15,411	311	-	15,722	10,880	230	-	11,110
Moderate risk	10,374	2,164	-	12,539	5,748	1,011	-	6,759
High risk	1,035	645	-	1,680	308	477	-	785
Very high risk	753	601	18	1,373	290	475	-	764
Default and impaired	-	25	359	385	-	-	198	198
Total gross lending to and receivables from customers at amortised cost and at fair value through OCI	55,595	3,840	378	59,812	28,478	2,246	198	30,922

Guarantees (amounts in NOK millions)

Group	31.12.2021				31.12.2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Very low	234	9	-	243	109	2	-	111
Low	144	5	-	149	82	12	-	94
Moderate	292	59	-	351	104	89	-	193
High	75	3	-	78	23	11	-	34
Very high	47	15	-	62	35	18	-	53
Default and impaired	-	-	18	18	-	-	4	4
Total guarantees	792	91	19	901	354	132	4	490

Unused credit facilities (amounts in NOK millions)

Group	31.12.2021				31.12.2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Very low	2,520	21	-	2,541	1,794	1	-	1,795
Low	341	2	-	344	85	1	-	86
Moderate	892	97	-	989	23	2	-	25
High	298	15	-	313	-	1	-	1
Very high	179	35	1	215	-	-	-	-
Default and impaired	-	-	10	10	-	-	-	-
Total undertakings	4,229	171	10	4,410	1,903	5	62	1,908

Loan commitments (amounts in NOK millions)

Group	31.12.2021				31.12.2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Very low	479	17	-	496	294	-	-	294
Low	1,269	-	-	1,269	207	-	-	207
Moderate	1,001	-	-	1,001	628	15	-	643
High	184	-	-	184	8	-	-	8
Very high	2	-	-	2	52	-	-	52
Default and impaired	-	2	-	2	-	-	-	-
Total undertakings	2,935	19	-	2,955	1,190	15	-	1,205

Parent bank					Group				
31.12.2020		31.12.2021		Loans by geographic area (Amounts in NOK millions)	31.12.2021		31.12.2020		
Gross share	Lending	Gross share	Lending		Lending	Gross share	Lending	Gross share	
59.5%	19,600	67.7%	42,492	Vestfold og Telemark	42,463	67.6%	19,579	57.2%	
27.6%	10,397	21.2%	13,283	Viken	13,283	21.2%	10,389	30.4%	
12.8%	2,548	11.0%	6,933	Rest of Norway	6,933	11.0%	2,548	12.2%	
0.2%	70	0.1%	92	Abroad	92	0.1%	70	0.2%	
100.0%	32,616	100.0%	62,801	Total gross lending by geographic area	62,771	100.0%	32,586	100.0%	

31.12.2020	31.12.2021	Gross lending by sector and industry		31.12.2021	31.12.2020
24,967	44,736	Employees, etc.		44,736	24,967
5,170	11,201	Property management/business services, etc.		11,172	5,141
619	2,853	Property management housing cooperatives		2,853	619
383	768	Wholesale and retail trade/hotels and restaurants		768	383
215	590	Agriculture/forestry		590	215
278	571	Building and construction		571	278
370	714	Transport and service Industries		714	370
327	759	Production (manufacturing)		759	327
1	10	Public administration		10	1
286	598	Abroad and others		598	286
32,616	62,801	Total gross lending		62,771	32,586
8,252	19,814	- Of which, measured at amortised cost		19,784	8,223
22,700	40,143	- Of which, measured at fair value through OCI		40,143	22,700
1,664	2,844	- Of which, measured at fair value through profit or loss		2,844	1,664
(151)	(229)	Impairment provisions on loans		(229)	(143)
32,464	62,571	Net lending		62,542	32,444
32,616	62,801	Gross lending		62,771	32,586
12,660	23,769	Gross lending transferred to SB1 Boligkreditt		23,769	12,660
752	1,565	Gross lending transferred to SB1 Næringskreditt		1,565	752
46,028	88,135	Gross lending including SB1 Boligkreditt and Næringskreditt		88,105	45,999

Loans with forbearance

Loans where forbearance has been granted to relieve a customer's financial problems must, according to IFRS 9, be classified as Stage 2 or 3.

Loans that have experienced significantly increased credit risk since their initial recognition must be classified as Stage 2. Credit impaired loans are classified as Stage 3.

Gross lending with forbearance:

(Amounts in NOK millions)

	Parent bank/Group			Total
	Stage 1	Stage 2	Stage 3	
31.12.2021				
Gross lending with forbearance without individual impairment	-	394	-	394
Gross lending with forbearance with individual impairment	-	-	136	136
Total gross lending with forbearance	-	394	136	529

Gross lending with forbearance:

(Amounts in NOK millions)

	Parent bank/Group			Total
	Stage 1	Stage 2	Stage 3	
31.12.2020				
Gross lending with forbearance without individual impairment	-	145	-	145
Gross lending with forbearance with individual impairment	-	-	58	58
Total gross lending with forbearance	-	145	58	203

Note 10 – Transfer of financial assets

SpareBank 1 Boligkreditt AS

SpareBank 1 Boligkreditt AS is owned by the savings banks that are part of the SpareBank 1 Alliance and shares premises with SpareBank 1 Næringskreditt AS in Stavanger. The Bank owned a 10.7% stake as at 31.12.2021. The purpose of the mortgage credit institution is to ensure banks in the Alliance have access to stable, long-term financing for mortgages at competitive prices. SpareBank 1 Boligkreditt's bonds are rated Aaa by Moody's and AAA by Fitch. SpareBank 1 Boligkreditt acquires loans secured by mortgages in residential property and issues covered bonds in line with the regulations established for these in 2007. As part of the Alliance, the Bank can transfer loans to the company, and as part of the Bank's financing strategy, loans have been transferred to the company. Loans transferred to SpareBank 1 Boligkreditt AS are secured by mortgages in residential property up to 75% of appraised value. Transferred loans are legally owned by SpareBank 1 Boligkreditt AS and the Bank has, besides the right to perform management and the right to take over fully or partially written down loans (at the written down values), no right to the use of the loans. At the end of December 2021, the book value of transferred loans amounted to NOK 23,769 million. The Bank is in charge of the management of the transferred loans and receives a commission based on the net value of the return on the loans the Bank has transferred and the expenses to the company.

Payments received for loans that have been transferred to SpareBank 1 Boligkreditt AS are equivalent to the nominal value of the transferred loan and are measured at almost equal to the loans' fair value at the end of 2021 and 2020. Loans transferred to SpareBank 1 Boligkreditt AS are very well secured and have a very small probability of loss.

The Bank has also entered into a shareholder agreement with the shareholders of SpareBank 1 Boligkreditt AS. This means, among other things, that the Bank must contribute to SpareBank 1 Boligkreditt AS having a Common Equity Tier 1 capital ratio that matches the requirements set by the authorities (incl. the requirements for buffer capital and Pillar 2 calculations) and, if necessary, supply Tier 1 capital if it falls to a lower level. SpareBank 1 Boligkreditt AS has internal guidelines regarding the Tier 1 capital ratio that exceed the authorities' requirements, as well as a management buffer of 0.4%. Based on a concrete assessment, the

Bank has chosen not to hold capital for this liability because the risk of the Bank being forced to contribute is regarded as very small. In connection with this, a number of alternative approaches may also be relevant should such a situation. Together with the other owners of SpareBank 1 Boligkreditt AS, the Bank has entered into an agreement to establish a liquidity facility for SpareBank 1 Boligkreditt AS. This means that the banks have committed to buy covered bonds in the event that SpareBank 1 Boligkreditt AS is unable to refinance its operations in the market. The purchase of bonds is conditional on the institution's collateral not having ceased payments such that it is actually able to issue such bonds. Therefore, no credit guarantee is available that can be invoked in the event that the institution or collateral is insolvent. The purchase is limited to the total value of the next 12 months' maturity in the company at any given time. Previous purchases under this agreement are deducted from future purchase obligations. Each owner is principally liable for its share of the requirement, and secondarily for twice the primary liability under the same agreement. The bonds can be deposited with Norges Bank, so carry no significant added risk for the Bank. According to its internal policy, SpareBank 1 Boligkreditt AS holds liquidity for the next 6 months' maturity. This is deducted when assessing the banks' liability. It is therefore only if SpareBank 1 Boligkreditt AS does not have liquidity for the next 12 months' maturity that the Bank will report some exposure here in relation to capital adequacy or major exposures.

SpareBank 1 Næringskreditt AS

The loans transferred to SpareBank 1 Næringskreditt AS are very well secured and have a very small probability of loss. SpareBank 1 Næringskreditt was established in 2009 and has a licence from the Financial Supervisory Authority of Norway to operate as a mortgage credit institution. The Bank owned a 12.3% stake as at 31.12.2021. SpareBank 1 Næringskreditt's bonds are rated Aaa by Moody's. The company is owned by the savings banks that are part of the SpareBank 1 Alliance and shares premises with SpareBank 1 Boligkreditt AS in Stavanger. The purpose of the mortgage credit institution is to ensure banks in the Alliance have access to stable, long-term financing for commercial property at competitive prices. SpareBank 1 Næringskreditt AS acquires loans secured by mortgages in commercial property and issues covered bonds in line with the regulations established for these in 2007. As part of

the Bank's financing strategy, loans have been transferred to the company. Loans transferred to SpareBank 1 Næringskreditt AS are secured by mortgages in commercial property up to 60% of appraised value. Transferred loans are legally owned by SpareBank 1 Næringskreditt AS and the Bank has, besides the right to perform management and the right to take over fully or partially written down loans (at the written down values), no right to the use of the loans. At the end of December 2021, the book value of transferred loans amounted to NOK 1,565 million. The Bank is in charge of the management of the transferred loans and receives a commission based on the net value of the return on the loans the Bank has transferred and the expenses to the company.

Payments received for loans that have been transferred to SpareBank 1 Næringskreditt AS are equivalent to the nominal value of the transferred loan and are measured at almost equal to the loans' fair value at the end of 2021 and 2020. Loans transferred to SpareBank 1 Næringskreditt AS are very well secured and have a very small probability of loss.

The Bank has also entered into a shareholder agreement with the shareholders of SpareBank 1 Næringskreditt AS. This means, among other things, that the Bank must help to ensure that SpareBank 1 Næringskreditt AS's Tier 1 capital ratio is at least 11.0 %, and potentially supply Tier 1 capital if it falls to a lower level. SpareBank 1 Næringskreditt AS has internal guidelines regarding the Tier 1 capital ratio that exceed the authorities' requirements, as well as a management buffer of 0.4 %. Based on a

concrete assessment, the Bank has chosen not to hold capital for this liability because the risk of the Bank being forced to contribute is regarded as very small. In connection with this, a number of alternative approaches may also be relevant should such a situation occur. Together with the other owners of SpareBank 1 Næringskreditt AS, the Bank has entered into an agreement to establish a liquidity facility for SpareBank 1 Næringskreditt AS. This means that the banks have committed to buy covered bonds in the event that SpareBank 1 Næringskreditt AS is unable to refinance its operations in the market. The purchase of bonds is conditional on the institution's collateral not having ceased payments such that it is actually able to issue such bonds. Therefore, no credit guarantee is available that can be invoked in the event that the institution or collateral is insolvent. The purchase is limited to the total value of the next 12 months' maturity in the company at any given time. Previous purchases under this agreement are deducted from future purchase obligations. Each owner is principally liable for its share of the requirement, and secondarily for twice the primary liability under the same agreement. The bonds can be deposited with Norges Bank, so carry no significant added risk for the Bank. According to its internal policy, SpareBank 1 Næringskreditt AS holds liquidity for the next 6 months' term to maturity. This is deducted when assessing the banks' liability. It is therefore only if SpareBank 1 Næringskreditt AS no longer has liquidity for the next 12 months' maturity that the Bank will report some exposure here in relation to capital adequacy or major exposures.

Note 11 – Age distribution of loans past due

The table shows overdue instalments on loans divided by the number of days after the due date. Only figures for the Group are shown as the parent bank's figures are identical.

Group

31.12.2021 (amounts in NOK millions)	Under 30 days	31 – 90 days	Over 91 days	Total
Loans to and receivables from customers				
Retail market	4	1	27	31
Corporate market	10	1	11	22
Total	13	1	38	53

Group

31.12.2020 (amounts in NOK millions)	Under 30 days	31 – 90 days	Over 91 days	Total
Loans to and receivables from customers				
Retail market	1	-	44	45
Corporate market	-	2	21	23
Total	1	2	65	68

Note 12 – Impairment of loans, guarantees etc.

31.12.2020	31.12.2021	(Amounts in NOK millions)	31.12.2021	31.12.2020
-	89	Effects of merger with Sparebanken Telemark ¹⁾	89	-
10	(28)	Change in IFRS 9 expected credit losses	(19)	7
26	25	Recognised losses	17	26
-	(3)	Receipts on previously recognised impairments	(3)	-
(1)	(5)	Other corrections/amortisation of impairments	(5)	(1)
35	79	Total loss cost on loans and guarantees	79	31

1) The loss cost at the end of the year amounted to NOK 79 million. In connection with the opening balance as at 01.06.2021 (see Note 3), loans and guarantees in Stage 1 were measured at fair value, equivalent to amortised cost. Upon initial recognition in the merged bank, the loans were reassessed and loss provisions of NOK 89 million were made in Stage 1. This corresponds to Sparebanken Telemark's impairment provision as at 31.05.2021 (prior to the merger).

Parent bank			Group	
31.12.2020	31.12.2021	Loss cost by sector and industry (amounts in NOK millions)	31.12.2021	31.12.2020
-	89	Effects of merger with Sparebanken Telemark ¹⁾	89	-
7	(2)	Employees, etc.	(2)	7
13	(11)	Property management/business services, etc.	(11)	9
-	-	Property management housing cooperatives	-	-
-	(3)	Wholesale and retail trade/hotels and restaurants	(3)	-
-	2	Agriculture/forestry	2	-
(4)	4	Building and construction	4	(4)
10	1	Transport and service Industries	1	10
7	-	Production (manufacturing)	-	7
-	-	Public administration	-	-
1	(1)	Abroad and others	(1)	1
35	79	Total losses on loans and guarantees	79	31

Only the Group is shown since the parent bank's figures are virtually identical to the consolidated figures.

(Amounts in NOK millions)

Impairment provisions for loans and guarantees	Group			Total
	Stage 1	Stage 2	Stage 3	
31.12.2020	52	50	69	172
Recognised through profit or loss in connection with the recognition of loans in Stage 1 upon the merger	89	-	-	89
Recognised gross on the statement of financial position in connection with the recognition of loans in Stage 2 upon the merger	-	38	-	38
Change in recognised gross on the statement of financial position in connection with the recognition of loans in Stage 3 upon the merger	-	-	-	9
Impairment provisions transferred to Stage 1	32	(22)	(10)	-
Impairment provisions transferred to Stage 2	(5)	6	-	-
Impairment provisions transferred to Stage 3	(2)	(3)	5	-
New financial assets issued or purchased	53	16	2	72
Increase in existing loans	(16)	21	57	63
Reduction in existing loans	(47)	(12)	(10)	(69)
Financial assets that have been deducted	(38)	(22)	(17)	(77)
Changes due to recognised impairments (recognised losses)	-	-	(9)	(9)
31.12.2021	120	72	95	287
- reversal of impairment provisions related to fair value through OCI*	(24)	-	-	(24)
Capitalised impairment provisions as at 31.12.2021	96	72	95	264
Of which, impairment provisions for capitalised loans	70	68	91	229
Of which, impairment provisions for unused credits and guarantees	26	4	4	34
Of which: impairment provisions, retail market - amortised cost	4	28	30	62
Of which: impairment provisions, corporate market - amortised cost	92	44	65	201

(Amounts in NOK millions)

	Group			
Impairment provisions for loans and guarantees	Stage 1	Stage 2	Stage 3	Total
01.01.2020	42	42	82	165
Impairment provisions transferred to Stage 1	7	(7)	-	-
Impairment provisions transferred to Stage 2	(4)	4	-	-
Impairment provisions transferred to Stage 3	-	(2)	3	-
New financial assets issued or purchased	25	13	2	40
Increase existing loans	10	22	33	64
Reduction existing loans	(11)	(8)	(17)	(36)
Financial assets that have been deducted	(16)	(14)	(8)	(39)
Changes due to recognised impairments (recognised losses)	-	-	(24)	(24)
31.12.2020	52	50	69	172
(*) reversal of impairment provisions related to fair value through OCI*	(15)	-	-	(15)
Capitalised impairment provisions as at 31.12.2020	38	50	69	157
Of which, impairment provisions for capitalised loans	28	46	69	143
Of which, impairment provisions for unused credits and guarantees	10	4	-	14
Of which: impairment provisions, retail market - amortised cost	1	21	25	48
Of which: impairment provisions, corporate market - amortised cost	36	29	44	109

* The effect of the merger is NOK 8 million before tax

Sensitivity analysis – loss model

The model calculates impairments on exposures in three different scenarios where the probability of the individual scenario occurring is weighted. The base scenario for the IFRS 9 calculations is mainly based on the benchmark trajectory of the Monetary Policy Report from Norges Bank and contains expectations regarding macroeconomic factors such as unemployment, GDP growth, interest rates, house prices, etc.

At the same time, the loss model is based on multiple input factors from the portfolios, where the events have occurred as of the statement of financial position date but where there is some natural delay before updated information is entered into the model. Because of this delay factor, the Bank has conducted an expanded review of our CM portfolio in order to identify and make provisions for individual commitments and industries that we believe will experience specific problems making it through the crisis. PD/LGD levels have not been recalibrated in the model as at 31.12.2021.

The Bank changed the scenario weights for the corporate market portfolio by 5 percentage points from the downside scenario to the expected scenario in 2021. The scenario weights for the retail market portfolio were unchanged. The effect of this change is an improvement of around NOK 24 million. The changes were made in the third quarter of 2021.

Below, the impairment provisions are shown at full (100 %) weighting of the various scenarios in order to illustrate the span in the model.

At the turn of the year, internal simulations were carried out for changes to weighted PD. The simulation shows that, given the Bank's scenario weighting as at 31.12.2021, impairment provisions increase by around NOK 10 million for every 10% increase in weighted PD. These indicate that adjustments to the scenarios have about the same effect as similar adjustments to PD levels.

Scenario weights used as at 31.12.2021 (Amounts in NOK millions)		Weight RM/CM	CM	RM	Total
Scenario 1 (expected case)		80%/80%	117	42	160
Scenario 2 (downside case)		15%/15%	80	42	122
Scenario 3 (upside case)		5%/5%	4	1	6
Total estimated IFRS 9 provisions			201	86	287
- reversal of impairment provisions related to fair value through OCI			-	(24)	(24)
Capitalised impairment provisions for the parent bank as at 31.12.2021			201	62	264

Impairment provisions at 100% weighting of the scenarios (Amounts in NOK millions)		Weight RM/CM	CM	RM	Total
Scenario 1 (expected case)		100%/100%	147	200	200
Scenario 2 (downside case)		100%/100%	530	812	812
Scenario 3 (upside case)		100%/100%	89	117	117

Scenario weights used	31.12.2021		31.12.2020	
	CM	RM	CM	RM
Scenario 1 (expected case)	80%	80%	80%	80%
Scenario 2 (downside case)	15%	15%	20%	15%
Scenario 3 (upside case)	5%	5%	0%	5%

Quality in the loan portfolio (ECL)

(Amounts in NOK millions)

	Group			Total
	Stage 1	Stage 2	Stage 3	
Gross lending to and receivables from customers				
Opening balance 2021*	28,478	2,246	198	30,922
Effects of merger with Sparebanken Telemark	23,696	1,061	102	24,859
Transferred to Stage 1	955	(932)	(23)	-
Transferred to Stage 2	(1,926)	1,933	(8)	-
Transferred to Stage 3	(132)	(62)	194	-
New financial assets issued or purchased	26,696	883	18	27,597
Increase in existing loans	819	121	7	948
Reduction in existing loans	(3,213)	(204)	(31)	(3,448)
Financial assets that have been deducted	(19,735)	(1,095)	(104)	(20,934)
Changes due to recognised impairments (recognised losses)	-	(1)	(7)	(8)
Changes due to reversals of previous impairments (recognised)	-	-	(9)	(9)
Closing balance 2021*	55,638	3,950	339	59,927
Provision ratio	0.2%	1.8%	28.1%	0.5%
Of which corporate market	15,995	1,638	209	17,843
Of which retail market	39,643	2,312	130	42,085

	Group			Total
	Stage 1	Stage 2	Stage 3	
Gross lending to and receivables from customers				
Opening balance 2020*	27,431	1,947	258	29,636
Loans transferred to Stage 1	583	(581)	(2)	-
Loans transferred to Stage 2	(1,058)	1,074	(16)	-
Loans transferred to Stage 3	(20)	(45)	65	-
New financial assets issued or purchased	14,485	616	23	15,125
Increase existing loans	305	41	1	347
Reduction existing loans	(1,120)	(142)	(54)	(1,316)
Financial assets that have been deducted	(12,128)	(665)	(40)	(12,832)
Changes due to recognised impairments (recognised losses)	-	-	(37)	(37)
Closing balance 2020*	28,478	2,246	198	30,922
Provision ratio	0.2%	2.2%	34.9%	0.6%
Of which corporate market	6,021	1,044	119	7,185
Of which retail market	22,457	1,202	79	23,738

* Does not include loans measured at fair value through profit or loss

Note 13 – Credit risk exposure for each internal risk rating

The Bank uses its own classification system for monitoring credit risk in the portfolio. Risk is classified based on each exposure's probability of default.

Besides probability of default, the Bank also uses the assessed value of collateral as an element in classifying customers by risk. They are distributed by assigning collateral to the individual loans.

Individual customers are then grouped into risk groups based on their probability of default and collateral class, as shown below. The classification matrix has 77 risk classes for probability of default and collateral coverage. The exposures are grouped according to total exposure. Total exposure is the sum of the lending balance, guarantee limit, credit limit and accrued interest.

Parent bank and Group

(Amounts in NOK millions)	Average unsecured exposure in %		Average unsecured exposure in %	
	Gross lending		Gross lending	
	2021	31.12.2021	2020	31.12.2020
Lowest risk	0.0%	30,019	0.0%	12,312
Low risk	0.2%	16,285	0.2%	11,555
Moderate risk	5.2%	13,013	2.9%	6,963
High risk	7.9%	1,693	6.7%	789
Highest risk	18.5%	1,400	10.9%	774
In default and impaired	13.5%	391	18.0%	223
Total	1.9%	62,801	1.3%	32,616

Note 14 – The maximum credit risk exposure, not taking into account collateral security

The table below shows the maximum exposure to credit risk for the components in the statement of financial position, including derivatives. Exposure is shown gross prior to any collateral security and allowed set-offs.

Parent bank			Group	
Gross exposure			Gross exposure	
31.12.2020	31.12.2021	(Amounts in NOK millions)	31.12.2021	31.12.2020
		Assets		
101	114	Cash and receivables from central banks	114	101
1,035	2,153	Loans to and receivables from credit institutions	2,153	1,074
32,464	62,571	Net lending to and receivables from customers	62,542	32,444
6,327	9,280	Securities - at fair value	9,490	6,518
125	101	Derivatives	101	125
129	354	Other assets	512	193
40,182	74,573	Total assets	74,911	40,455
		Liabilities		
		Contingent liabilities		
160	197	- Payment guarantees	197	160
302	465	- Contractual guarantees	465	302
4	113	- Loan guarantees	113	4
24	126	- Other guarantee liabilities	126	24
1,913	4,414	Unutilised credit facilities	4,410	1,908
2,402	5,314	Total financial guarantees	5,311	2,397
40,672	75,474	Total credit risk exposure excluding. unutilised credit facilities	75,812	40,945
Credit risk exposure relating to loans, by country				
		Credit exposure relating to loans, including. unutilised credit facilities		
31.12.2020	31.12.2021		31.12.2021	31.12.2020
34,455	67,122	Norway	67,089	34,450
73	92	Abroad	92	73
34,528	67,214	Total	67,181	34,523

With regard to credit exposure, only the loan item is divided by geographic area, ref. Note 9.

Collateral per security class

The table below shows the total value of collateral distributed per security class in the Bank's risk classification system. The value is calculated based on an average of the intervals within each class.

Parent bank and Group	Average percentage per class	31.12.2021	31.12.2020
Collateral class 1	120%	8,700	3,952
Collateral class 2	110%	13,804	5,238
Collateral class 3	90%	17,289	7,792
Collateral class 4	70%	14,171	9,797
Collateral class 5	50%	3,234	1,439
Collateral class 6	30%	326	201
Collateral class 7	10%	131	44
Total collateral from risk classification		57,656	28,462

Note 15 – Credit quality per class of financial assets

The credit quality of financial assets is handled by the SpareBank 1 Alliance using its internal guidelines for credit ratings.

The table below shows the credit quality per class of assets for the loan-related assets on the statement of financial position, based on the Bank's own credit rating system.

31.12.2021 Parent bank	Notes	Neither fallen due nor written down					Fallen due or individually written down	Total
		Lowest risk	Low risk	Moderate risk	High risk	Highest risk		
Loans to and receivables from credit institutions	8	2,153	-	-	-	-	-	2,153
Loans to and receivables from customers:								
Retail market	9	24,709	12,740	6,300	421	515	151	44,836
Corporate market	9	5,310	3,545	6,714	1,272	885	240	17,965
Total gross lending		32,172	16,285	13,013	1,693	1,400	391	64,954
Financial investments								
Listed government bonds	27	252	-	-	-	-	-	252
Other listed bonds	27	461	3,855	-	-	-	-	4,316
Unlisted bonds	27	-	52	1,514	-	-	-	1,566
Total financial investments		714	3,907	1,514	-	-	-	6,135
Accrued interest		12	-	-	-	-	-	12
Total financial investments		725	3,907	1,514	-	-	-	6,146
Total		32,897	20,192	14,527	1,693	1,400	391	71,101

31.12.2020 Parent bank	Notes	Neither fallen due nor written down					Fallen due or individually written down	Total
		Lowest risk	Low risk	Moderate risk	High risk	Highest risk		
Loans to and receivables from credit institutions	8	1,035	-	-	-	-	-	1,035
Loans to and receivables from customers:								
Retail market	9	10,852	9,839	3,744	182	283	66	24,967
Corporate market	9	1,851	1,572	3,056	570	461	139	7,649
Total gross lending		13,739	11,411	6,800	751	744	205	33,651
Financial investments								
Listed government bonds	27	208	-	-	-	-	-	208
Other listed bonds	27	304	2,829	-	-	-	-	3,133
Unlisted bonds	27	7	-	1,078	-	-	-	1,085
Total financial investments		519	2,829	1,078	-	-	-	4,425
Accrued interest		8	-	-	-	-	-	8
Total financial investments		527	2,829	1,078	-	-	-	4,433
Total		14,266	14,240	7,878	751	744	205	38,084

31.12.2021 Group	Notes	Neither fallen due nor written down					Fallen due or individually written down	Total
		Lowest risk	Low risk	Moderate risk	High risk	Highest risk		
Loans to and receivables from credit institutions	8	2,153	-	-	-	-	-	2,153
Loans to and receivables from customers:								
Retail market	9	24,709	12,740	6,300	421	515	151	44,836
Corporate market	9	5,294	3,545	6,699	1,272	885	240	17,935
Total gross lending		32,157	16,285	12,998	1,693	1,400	391	64,924
Financial investments								
Listed government bonds	27	252	-	-	-	-	-	252
Other listed bonds	27	461	3,855	-	-	-	-	4,316
Unlisted bonds	27	-	52	1,514	-	-	-	1,566
Total financial investments		714	3,907	1,514	-	-	-	6,135
Accrued interest		12	-	-	-	-	-	12
Total financial investments		725	3,907	1,514	-	-	-	6,146
Total		32,882	20,192	14,512	1,693	1,400	391	71,070

31.12.2020 Group	Notes	Neither fallen due nor written down					Fallen due or individually written down	Total
		Lowest risk	Low risk	Moderate risk	High risk	Highest risk		
Loans to and receivables from credit institutions	8	1,074	-	-	-	-	-	1,074
Loans to and receivables from customers:								
Retail market	9	10,852	9,839	3,744	182	283	66	24,967
Corporate market	9	1,851	1,572	3,047	570	461	119	7,620
Total gross lending		13,777	11,411	6,791	751	744	184	33,660
Financial investments								
Listed government bonds	27	208	-	-	-	-	-	208
Other listed bonds	27	304	2,829	-	-	-	-	3,133
Unlisted bonds	27	7	-	1,078	-	-	-	1,085
Total financial investments		519	2,829	1,078	-	-	-	4,425
Accrued interest		8	-	-	-	-	-	8
Total financial investments		527	2,829	1,078	-	-	-	4,433
Total		14,304	14,240	7,869	751	744	184	38,093

Note 16 – Market risk related to interest rate risk

Market risk is the risk that the fair value or the Bank's future cash flows from financial instruments will fluctuate as a result of changes in interest rates, market prices, or rates of equity instruments.

Interest rate risk arises due to interest-bearing assets and liabilities having different remaining fixed rate periods. The Bank's Board of Directors has approved limits for the total interest rate risk with respect to parallel shifts in the yield curve and fluctuations in the yield curve (yield curve risk). Interest rate risk is steered towards the desired level of risk by using fixed rate periods for investments and borrowing, as well as by using interest rate derivatives. The base risk is the change in value for the Group's assets and liabilities that occurs when the entire yield curve shifts in parallel. This risk is shown in the table below and is calculated as the effect on the instruments' fair value of a change in

interest rates where the entire yield curve is assumed to shift in parallel by 1 percentage point. The impact on profit is shown in the table. A plus sign shows income while minus sign shows an expense. As at 31.12.2021, the Bank would gain income of NOK 11.0 million (NOK -0.2 million) with a 1-percentage point increase in market interest rates. (The effect of an equivalent reduction in interest rates would be symmetrical).

Account has not been taken here of administrative interest rate risk, i.e. the effect of the fact that in practice some time would pass from a change in interest rates occurring in the market until the Bank would be able to adjust the terms and conditions for deposits and loans subject to variable rates. The Group's interest rate risk is linked to shifts in the yield curve for Norwegian kroner (NOK).

Group (amounts in NOK millions)

Interest rate risk, 1-percentage point increase	2021	2020
Certificates and bonds	(14)	(15)
Fixed rate loans to customers	(89)	(49)
Fixed rate deposits for customers	1	2
Bonds	229	132
Derivatives	(117)	(71)
Yield curve risk, effect on profit before tax	11	-

Group (amounts in NOK millions)

Sensitivity of net interest expense	2021	2020
+25	3	-
+50	5	-
+100	11	-
+200	22	-

Method used for sensitivity analysis

BankRisk is a system for the management of interest rate risk and liquidity in banks. The system has standard reports for calculating interest and liquidity risk.

Calculations are made of duration, summaries, etc. of bond holdings, borrowing in bonds and loans in the money market and interest rate swaps.

Group (amounts in NOK millions)

Yield curve risk	2021	2020
0-3 months	10	2
3-12 months	1	1
1-3 years	(1)	-
3-5 years	1	-
5-10 years	(1)	(2)
Yield curve risk, effect on profit before tax	11	-

Note 17 – Financial derivatives

General description

The table below shows the fair value of the Bank's financial derivatives presented as assets and liabilities, as well as the nominal values of the contract volumes. Positive market values of the contracts are presented as assets, while negative market values are presented as liabilities. The contract volume, shows the size of the derivatives' underlying assets and liabilities, and is the basis for the measurement of changes in the fair value of the Bank's derivatives. Derivative transactions are related to the ordinary banking operations and implemented to reduce risk related to the Bank's liquidity portfolio and the Bank's borrowing in the financial markets and to identify and reduce risk related to customer-related activities. Only hedging related to the Bank's funding activities is defined as 'fair value hedging' in accordance with IFRS 9.

Fair value hedging

The Bank has hedged fixed rate borrowing with a capitalised value of NOK 5,600 million. The borrowing is hedged 1:1 through external contracts where the term to maturity and fixed rate of the hedged item and hedging transaction match. The Bank prepares quarterly documentation of the effectiveness of the hedging instrument in relation to the hedged item. A total of eight transactions involving borrowing were hedged as at 31.12.2021.

All interest rate swap agreements are based on observable market prices. Both the hedging instruments and hedged items experienced substantial changes in value during 2021. This was due to a sharp rise in the yield curve in 2021. The Bank does not hedge cash flows.

Figures have not been prepared for the parent bank, since they are identical with the Group figures.

Fair value hedging	31.12.2021	31.12.2020
Net loss recognised through profit or loss related to hedging instruments at fair value hedging	135	(116)
Total gain on the hedging item related to the hedged risk	(134)	117
Total fair value hedging recognised through profit or loss	1	-
Accumulated hedging adjustments for hedged items	(40)	68

Group

Amounts in NOK millions	31.12.2021			31.12.2020		
Interest rate instruments	Contract sum	Fair value Assets	Liabilities	Contract sum	Fair value Assets	Liabilities
Interest rate swap agreements – hedging of customer-related assets at fair value through profit or loss	2,882	18	15	1,560	4	36
Interest rate swap agreements – hedging of fixed income securities	355	14	20	365	10	25
Interest rate swap agreements – hedging of fair value of fixed rate borrowing	5,600	66	28	3,050	111	-
Total interest rate instruments	8,837	98	64	4,975	125	61

Note 18 – Maturity analysis of assets and liabilities/liquidity risk

Liquidity risk is the risk that the Bank may be unable to meet its payment obligations, and/or the risk of not being able to finance the desired growth in assets. SpareBank 1 Sørøst-Norge draws up an annual liquidity strategy which addresses the Bank's liquidity risk, among other things.

The Bank's liquidity risk is covered by the Bank's liquidity reserve/buffer. The main objective of SpareBank 1 Sørøst-Norge is to maintain the viability of the Bank in a normal situation, without external funding, for 12 months. The Bank should also be able to survive a minimum of 150 days in a 'highly stressed' situation where there is no access to funding from the capital markets. The Bank exercises daily governance according to the above goals. A contingency plan for dealing with liquidity crises has also been established.

Maturity analysis of assets and liabilities

As at 31.12.2021, the remaining term to maturity of the Bank's long-term funding was 3.1 (3.1) years.

The liquidity coverage ratio (LCR) was 175% (189%) at the end of the year and the average LCR was 166% (189%) in 2021.

The table below shows the maturity dates after the statement of financial position date for assets and liabilities. Only the Group's maturity dates are shown as differences between the Group's figures and the parent bank's figures are minor.

Group

31.12.2021 (Amounts in NOK millions)	On request/ without any remaining term to maturity	Under 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and receivables from central banks	114	-	-	-	-	114
Loans to and receivables from credit institutions	-	1,698	455	-	-	2,153
Loans to and receivables from customers	-	6,193	628	4,118	51,832	62,771
- Impairments in Stages 1 and 2	-	-	-	(138)	-	(138)
- Impairments in Stage 3	-	-	(91)	-	-	(91)
Certificates, bonds and other securities measured at fair value	-	423	198	5,156	369	6,146
Financial derivatives	-	-	-	66	32	98
Shareholdings and other equity interests	2,203	-	-	-	-	2,203
Interests in joint ventures and associated companies	1,141	-	-	-	-	1,141
Intangible assets	-	-	-	-	34	34
Tangible assets	277	-	-	-	-	277
Deferred tax assets	23	-	-	-	-	23
Other assets	-	181	-	-	-	181
Total assets	3,757	8,494	1,190	9,203	52,267	74,911

Liabilities						
Deposits from credit institutions	-	-	150	-	-	150
Deposits from customers	40,493	5,533	184	2	-	46,212
Liabilities from the issuance of securities	-	576	895	13,422	2,021	16,913
Financial derivatives	-	1	1	57	4	64
Subordinated loan capital	-	-	301	350	-	651
Tax payable	-	-	220	-	-	220
Other liabilities and commitments	-	461	-	-	139	601
Total liabilities	40,493	6,571	1,751	13,832	2,165	64,811

Group

31.12.2020 (Amounts in NOK millions)	On request/ without any remaining term to maturity	Under 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and receivables from central banks	101	-	-	-	-	101
Loans to and receivables from credit institutions	39	730	305	-	-	1,074
Loans to and receivables from customers	-	67	385	1,674	30,461	32,587
- Impairments in Stages 1 and 2	-	-	-	(74)	-	(74)
- Impairments in Stage 3	-	-	(69)	-	-	(69)
Certificates, bonds and other securities measured at fair value	8	7	166	4,252	-	4,433
Financial derivatives	-	8	(4)	65	56	125
Shareholdings and other equity interests	1,372	-	-	-	-	1,372
Interests in joint ventures and associated companies	713	-	-	-	-	713
Intangible assets	-	-	-	-	25	25
Tangible assets	102	-	-	-	-	102
Deferred tax assets	11	-	-	-	-	11
Other assets	-	55	-	-	-	55
Total assets	2,346	867	783	5,917	30,542	40,455
Liabilities						
Deposits from credit institutions	-	200	-	-	-	200
Deposits from customers	22,279	3,259	297	28	1	25,864
Liabilities from the issuance of securities	-	147	916	5,356	1,490	7,909
Financial derivatives	-	62	(1)	53	9	123
Subordinated loan capital	-	-	-	401	-	401
Tax payable	-	-	125	-	-	125
Other liabilities and commitments	-	210	11	-	75	296
Total equity and liabilities	22,279	3,878	1,348	5,838	1,575	34,918

Liquidity risk

The table below shows the Bank's expected future cash flows related to liabilities. The table is based on nominal values, as well as interest rates as at 31.12.2021.

The terms to maturity of fixed rate deposits are set to the end of the fixed rate period. The terms to maturity of other deposits are regarded as being upon request, which also means the future interest elements have not been added. The terms to maturity of derivatives are set to the end of the contract period. Contractual cash

flows on derivatives have not been capitalised. The terms to maturity of securities issued and subordinated loan capital are set to the end of the contract period. The terms to maturity of other liabilities are set to the maturity date.

Only the Group's maturity dates are shown as differences between the Group's figures and the parent bank's figures are minor.

Group

31.12.2021 (amounts in NOK millions)	On request/ without any remaining term to maturity	Under 3 months	3-12 months	1-5 years	Over 5 years	Total
Deposits from and liabilities to credit institutions	-	-	151	-	-	152
Deposits from and liabilities to customers	40,493	5,533	184	2	-	46,212
Liabilities from the issuance of securities	-	640	1,119	14,065	2,060	17,884
Subordinated loan capital	-	3	310	365	-	678
Derivatives linked to commitments	-	7	19	47	5	77
Loan commitments	-	2,955	-	-	-	2,955
Total	40,493	9,137	1,783	14,479	2,065	67,957

Group

31.12.2020 (amounts in NOK millions)	On request/ without any remaining term to maturity	Under 3 months	3-12 months	1-5 years	Over 5 years	Total
Deposits from and liabilities to credit institutions	-	-	200	-	-	200
Deposits from and liabilities to customers	22,279	3,259	297	28	1	25,864
Liabilities from the issuance of securities	-	147	916	5,356	1,490	7,909
Subordinated loan capital	-	-	-	401	-	401
Derivatives linked to commitments	-	62	(1)	53	9	123
Loan commitments	-	1,205	-	-	-	1,205
Total	22,279	4,673	1,412	5,838	1,500	35,702

Note 19 – Net interest income

Parent bank			Group	
2020	2021	(Amounts in NOK millions)	2021	2020
		Interest income		
12	10	Interest and similar income from loans to and receivables from credit institutions	10	12
914	1,192	Interest and similar income from loans to and receivables from customers	1,192	913
58	57	Interest and similar income from certificates, bonds and other interest-bearing securities	57	58
(5)	(6)	Other interest income and similar income	(5)	(3)
979	1,254	Total interest income	1,253	980
		Interest expenses		
1	1	Interest and similar expenses for liabilities to credit institutions	1	1
176	151	Interest and similar expenses for deposits from and liabilities to customers	150	176
124	143	Interest and similar expenses for issued securities	143	124
10	11	Interest and similar expenses for subordinated loan capital	11	10
20	29	Other interest expenses and similar expenses	29	21
331	334	Total interest expenses	333	331
648	920	Net interest income	920	649

2020	2021	Average interest rates and average interest-bearing assets and liabilities	2021	2020
		Assets		
31,214	50,035	Average interest-bearing balance, lending to customers	50,006	31,214
2.90%	2.38%	Average interest rate, lending to customers	2.38%	2.90%
4,195	6,199	Average interest-bearing balance, securities placements	6,199	4,195
1.39%	1.04%	Average interest rate, securities placement	1.04%	1.39%
		Liabilities		
25,047	38,036	Average interest-bearing balance, deposits	37,991	25,047
0.68%	0.40%	Average interest rate, deposits	0.40%	0.68%
7,900	12,793	Average interest-bearing balance, borrowed securities	12,793	7,900
1.87%	1.10%	Average interest rate, borrowed securities	1.10%	1.87%

Note 20 – Net commission and other income

Parent bank			Group	
2020	2021	(Amounts in NOK millions)	2021	2020
		Commission income		
7	9	Guarantee commission	9	7
1	1	Interbank commission	1	1
8	10	Credit brokerage	10	8
20	33	Securities trading and management	33	20
100	151	Payment services	151	100
55	90	Insurance services	90	55
6	11	Other commission income	11	6
133	209	Commission from Boligkreditt and Næringskreditt	209	133
331	513	Total commission income	513	331
		Commission expenses		
1	1	Interbank fees	1	1
12	19	Payment services	19	12
7	10	Other commission expenses	10	7
19	30	Total commission expenses	30	19
312	483	Total net commission income	483	312
		Other operating income		
-	3	Operating income from real estate	4	-
4	-	Profit from the sale of fixed assets	-	8
5	5	Other operating income	4	3
-	-	Operating income from estate agency business	176	115
-	-	Operating income from accounting firms	50	38
9	7	Total other operating income	233	165
320	489	Total net commission and other operating income	716	477

Note 21 – Net income from financial assets

Parent bank			Group	
2020	2021	(Amounts in NOK millions)	2021	2020
67	129	Total dividend from shares	33	31
2	12	Dividends from subsidiaries	-	-
-	-	Income from interests in joint ventures	153	101
2	12	Total net income from ownership interests	153	101
Net income from other financial investments:				
8	(31)	Bonds and certificates - at fair value through profit or loss	(31)	8
8	(31)	Total income from bonds and certificates	(31)	8
(14)	-	Net revaluation of covered bonds and derivatives	-	(14)
5	3	Net revaluation of secured fixed interest rate loans and derivatives	3	5
(10)	9	Net revaluation of other financial derivatives	9	(10)
(19)	12	Total income from financial derivatives	12	(19)
(2)	20	Shares - at fair value through profit or loss	20	(2)
-	10	Realised instruments available for sale	10	-
2	(3)	Impairment of shares/instruments available for sale	-	2
-	151	Recognition of negative goodwill	151	-
(1)	178	Total income from shares	181	(1)
13	12	Net profit on transactions	12	13
13	12	Total net income from foreign exchange trading	12	13
70	311	Net income from financial assets	360	134

Note 22 – Personnel expenses and compensation for executive persons and elected officers

Please refer to appendices 5.1.0 and 5.1.1 in the Annual Report for the documents “Remuneration Policy in SpareBank 1 Sørøst-Norge” and “Report on remuneration for executive persons” (Executive Remuneration Report).

The documents provide general and detailed information about remuneration in the parent bank and for executive persons in the Group.

Parent bank			Group		
2020	2021	Personnel expenses	Note	2021	2020
169	242	Salary		379	259
32	51	Pension expenses (Note 24)	24	57	38
49	73	Social security expenses		93	63
250	365	Total personnel expenses		529	359
Employees					
235	320	Average number of FTEs		463	345
236	378	Number of FTEs at 31.12		533	344
240	385	Number of employees at 31.12		552	351

Loans and guarantees for employees and employee representatives:	2021	2020
Loans to employees of the parent bank	910	553
Loans to employees in subsidiaries	260	242

2021: Loans to employees of the parent bank, permanent employees only. Pensioners are not included and amount to NOK 75 million.

For information regarding close associates see Note 39.

Note 23 – Other operating expenses

Parent bank				Group	
2020	2021	(Amounts in NOK millions)	Note	2021	2020
97	139	IT expenses		150	105
19	35	Market expenses		37	20
21	31	Ordinary depreciation	30	38	28
4	7	Wealth tax		7	4
16	21	Building/operating expenses		28	20
56	92	Other operating expenses		98	61
213	326	Total other operating expenses		357	240
		Auditor's fees (amounts NOK thousands)			
843	972	Ordinary auditing		1,718	1,133
36	1,157	Other certification services		1,208	66
46	73	Tax advice		84	77
235	823	Other services in addition to auditing		1,031	269
1,160	3,025	Total compensation for external auditor ex. VAT		4,041	1,545
-	37	Of which to others than the main external auditor KPMG		538	89

Note 24 – Pensions

General description of the company's pension liabilities

Pension schemes are administered via their own pension fund and provide entitlement to defined future pension benefits from the age of 67. The schemes also include spouse pensions, child pensions and disability pensions subject to further rules. The Group also has pension liabilities with respect to people who took early retirement and some employees with salaries above 12G (where G = the National Insurance basic amount). The banking and financial services industry has entered into an agreement on contractual early retirement (AFP) for employees from the age of 62. The Bank's user fee equals the National Insurance Scheme's accrual of paid out pensions for employees who take advantage of AFP. The Bank's liability is 100% from the age of 62 to 64. The calculation assumes that 50% will take advantage of the scheme from age 62 and 100% from age 64. The AFP expense is systematically

distributed over the average remaining accrual period. The pension scheme meets the requirements for mandatory occupational pensions.

The Group is obliged to have an occupational pension scheme pursuant to the Mandatory Occupational Pensions Act. The Bank's pension scheme satisfies the requirements of this Act. SpareBank 1 BV's collective defined benefit schemes were discontinued in 2018 and replaced by the defined contribution pension scheme. A compensation scheme was established on the basis of a historical qualifying period within the discontinued defined benefit schemes. The compensation scheme only applies to active employees and accrues until the age of 67, or until the employment relationship is terminated for other reasons than: illness, transition to work assessment allowance, or permanent

disability. Some 96 employees were covered by this scheme as at 31.12.2021.

Employees of the former Sparebanken Telemark have two closed collective pension schemes that cover 180 people, 81 of whom are active and 99 of whom are pensioners. A new contractual early retirement scheme (AFP) was established in 2010 as a replacement for the old one. The scheme is treated in the accounts as a defined contribution pension scheme, where the premium payments are recognised on an ongoing basis, and no provisions are made in the financial statements.

In addition, the Bank has pension obligations in relation to 10 people as at 31.12.2021, which are financed directly through operations.

The estimated liability at the balancing of the accounts is used for the measurement of accrued pension liabilities. Employer contributions on uninsured benefits

are recognised on an ongoing basis. The companies' pension liabilities are greater than the pension funds. This under-financing is shown on the statement of financial position as a provision for accrued expenses and liabilities.

As at 31.12.2021, the parent bank had a common defined contribution pension scheme. The scheme which covers a total of 305 employees, is charged to operations and is compensated with:

Salaries up to 12G:	7.0%
Supplement for salaries between 7.1 and 12 G:	15.0%

As at 31.12.2021, the subsidiaries have defined contribution pensions, charged to operations, which cover 166 employees. These schemes vary in compensation from 4.0 % to 5.8 % (between 0G and 7.1G) and 4.0 % to 8.0 % (between 7.1G and 12G).

Actuarial assumptions

Parent bank and Group	2021	2020
Economic assumptions		
Discount rate (covered bonds)	1.50%	1.50%
Expected return on assets	1.50%	1.50%
Expected future wage development	2.50%	2.00%
Expected adjustment of G	2.25%	1.75%
Expected pension adjustment	0.25-2.25%	1.75-2.00%
Employer contributions	14.10%	14.10%
Financial activities tax (parent bank)	5.00%	5.00%
Demographic assumptions		
Voluntary retirement under 50 years	0.00%	0.00%
Voluntary retirement over 50 years	0.00%	0.00%
Disability table used	IR02/IR03	IR02/IR73
Mortality table used	K2013 BE/FNH2013	K2013 BE/UM

Parent bank			Group	
2020	2021	Members	2021	2020
109	292	Number of people in the pension scheme	298	115
97	179	- of which active	181	99
12	113	- of which pensioners/not active	117	16
2020	2021	(Amounts in NOK millions)	2021	2020
Net pension liabilities on the statement of financial position				
-	286	Present value of pension liabilities in fund-based schemes	295	7
63	81	Present value of other defined benefit schemes	81	63
-	(298)	Fair value of pension assets	(306)	(7)
12	70	Accrued employer contributions/financial activities tax	70	12
75	139	Net pension liabilities on the statement of financial position 31.12	140	75
Accrued pension expenses				
10	21	Defined benefit pensions earned during the period	21	10
1	1	Net interest expenses, pension liabilities	1	1
2	14	Effect of changes to/winding up of scheme	14	2
2	3	Accrued employer contributions	3	2
15	39	Net defined benefit pension expenses taken to profit/loss	39	15
Movement in net pension liabilities on the statement of financial position				
57	69	Net pension liabilities on the statement of financial position 1.1	69	57
5	6	Actuarial gains/losses recognised in other operating income and expenses as at 1.1	6	5
-	33	Net pension liability transferred upon merger on 01.06	33	-
15	39	Net defined benefit pension expenses taken to profit/loss	39	15
(2)	(26)	Amount paid to defined benefit schemes/paid for through operations	(26)	(3)
1	19	The year's actuarial gains/losses recognised in other operating income and expenses	20	1
75	139	Net pension liabilities on the statement of financial position 31.12	140	75
Movement in gross pension liability on the statement of financial position (before e.c./financial tax)				
52	63	Gross pension liabilities on the statement of financial position 1.1	70	59
-	264	Gross pension liability transferred upon merger on 01.06	264	-
10	16	Pensions earned in the year	16	10
1	5	Interest on pension liabilities	5	1
2	11	Effect of changes to/winding up of scheme	11	2
(2)	(8)	Pensions paid (incl. paid over operations)	(8)	(2)
1	17	Actuarial loss/(gain)	18	1
63	368	Gross pension liability on the statement of financial position 31.12 (before e.c./financial tax)	377	70
Movement in fair value of pension assets on the statement of financial position				
-	-	Fair value of pension assets on the statement of financial position, 1.1	7	7
-	236	Fair value of pension funds transferred upon merger on 01.06	236	-
-	18	Paid to fund-based schemes	18	-
-	2	Net interest income from funds	2	-
-	(6)	Paid pensions	(6)	-
-	1	Actuarial (loss)/gain	1	-
-	251	Fair value of pension assets on the statement of financial position, 31.12	259	7
	18	Expected payment to defined benefit schemes in 2021 (before employer's contribution/financial activities tax)	19	

Note 25 – Tax

Parent bank			Group	
2020	2021	(Amounts in NOK millions)	2021	2020
541	951	Profit before tax	1,030	630
(77)	(319)	+/- permanent differences*	(319)	(145)
4	49	+/- change in temporary differences	50	1
468	680	Tax basis/taxable income	761	485
117	170	Tax payable 25% (22%)	178	121
-	35	Tax payable on the statement of financial position from Telemark	35	-
4	8	Wealth tax and withholding tax	8	4
121	212	Tax payable on the statement of financial position, incl. wealth tax and withholding tax	220	125
(1)	(12)	+/-change in deferred tax	(13)	(1)
5	(4)	Too much (-)/little tax set aside in previous years	(4)	5
121	154	Tax expenses for the year, excl. wealth and withholding tax	161	125
22.3%	16.2%	Effective tax rate	15.6%	19.9%

2020	2021	Temporary differences and capitalised deferred tax/tax asset*	2021	2020
(5)	2	Tangible assets	4	(7)
9	18	Gain and loss account	19	9
50	21	Loans at fair value/outstanding receivables	21	50
(23)	33	Securities incl. derivatives	33	(23)
(75)	(168)	Net pension liabilities	(169)	(75)
(45)	(94)	Total temporary differences	(93)	(46)
25%	25%	Tax rate	25%/22%	25%/22%
(11)	(23)	Deferred tax assets	(23)	(12)

2020	2021	Reconciliation of tax for the period taken to profit/loss and profit before tax	2021	2020
135	238	25% of profit before tax	245	158
(20)	(80)	Permanent differences	(80)	(34)
5	(4)	Too much (-)/little tax set aside in previous years	(4)	2
121	154	Tax on ordinary profit/loss	161	125

2020	2021	Tax expenses on comprehensive income	2021	2020
121	154	Total tax expenses taken to profit/loss	161	125
3	2	Tax on items recognised directly against equity	2	3
124	157	Total tax expenses on comprehensive income	163	129

2020	2021	Reconciliation of change in temporary differences	2021	2020
(39)	(45)	Temporary differences as at 01.01	(46)	(43)
-	(69)	Temporary differences Sparebanken Telemark as at 01.01	(69)	-
-	88	Added value, merger 01.06	88	-
-	(19)	+/- change in temporary differences recognised directly against equity	(19)	-
(5)	(49)	+/- change in temporary differences recognised through profit or loss	(46)	(3)
(45)	(94)	Temporary differences as at 31.12	(93)	(46)

* Includes tax-free dividends, negative goodwill in connection with the merger, non-deductible expenses, net tax-free gain upon realisation of shares within the EEA, and deduction for profit contributions from associated companies (profit contributions are deducted since they have already been subject to tax in the individual company).

In line with the IFRS regulations, wealth tax is classified as a charge and not as a tax expense. Wealth tax amounting to NOK 7.8 million was recognised in 2021 (NOK 3.5 million in 2020) and was classified as other operating expenses.

Note 26 – Financial instruments at fair value

The tables below show the classification of financial instruments in:

Category 1	Financial instruments at fair value through profit or loss and OCI
Category 2	Financial instruments at fair value through profit and loss, specifically recognised at fair value
Category 3	Financial derivatives as hedging instruments
Category 4	Financial instruments measured at amortised cost, incl. liabilities designated hedged items

Group (amounts in NOK millions)

31.12.2021	Category 1	Category 2	Category 3	Category 4	Total
Assets					
Cash and receivables from central banks	-	-	-	114	114
Loans to and receivables from credit institutions	-	-	-	2,153	2,153
Net lending to and receivables from customers	40,143	2,844	-	19,555	62,542
Interest-bearing securities	6,146	-	-	-	6,146
Financial derivatives	-	-	98	-	98
Shares, equity certificates and units	2,203	-	-	-	2,203
Total assets	48,492	2,844	98	21,822	73,256
Liabilities					
Deposits from and liabilities to credit institutions	-	-	-	150	150
Deposits from and liabilities to customers	-	-	-	46,212	46,212
Liabilities from the issuance of securities	5,597	-	-	11,316	16,913
Financial derivatives	-	-	64	-	64
Subordinated loan capital	-	-	-	651	651
Total liabilities	5,597	-	64	58,330	63,991

Group (amounts in NOK millions)

31.12.2020	Category 1	Category 2	Category 3	Category 4	Total
Assets					
Cash and receivables from central banks	-	-	-	101	101
Loans to and receivables from credit institutions	-	-	-	1,074	1,074
Net lending to and receivables from customers	22,700	1,664	-	8,080	32,444
Interest-bearing securities	4,433	-	-	-	4,433
Financial derivatives	-	-	125	-	125
Shares, equity certificates and units	1,372	-	-	-	1,372
Total assets	28,504	1,664	125	9,255	39,549
Liabilities					
Deposits from and liabilities to credit institutions	-	-	-	200	200
Deposits from and liabilities to customers	-	-	-	25,864	25,864
Liabilities from the issuance of securities	2,825	-	-	5,084	7,909
Financial derivatives	-	-	61	-	61
Subordinated loan capital	-	-	-	401	401
Total liabilities	2,825	-	61	31,549	34,434

Financial instruments at fair value are classified at different levels.

Level 1: Valuation based on quoted prices on an active market. The fair value of financial instruments traded on active markets is based on their market price on the statement of financial position date. A market is considered to be active if the market prices are easily and regularly available from a stock exchange, dealer, broker, economic grouping, pricing service or regulatory authority, and these prices represent actual and regularly occurring market transactions at arm's length. The category includes listed shares and units in mutual funds, treasury bills, government bonds and certificates that are traded in active markets.

Level 2: Valuation based on observable market data. Level 2 consists of instruments which are valued using information other than quoted prices, but where prices are directly or indirectly observable for the assets or liabilities, and also include listed prices in a non-active market.

- These valuation methods maximise the use of observable data where it is available and rely as little as possible on the Bank's own estimates.
- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on the observable yield curve.
- The fair value of bonds and certificates (assets and liabilities) is calculated as the present value of the estimated cash flow based on the observable yield curve, including an indicated credit spread on the issuer from a reputable brokerage firm or Reuters/Bloomberg pricing services.
- This category includes bonds, certificates, equity instruments, own securities debt at fair value, and derivatives.

Level 3: Valuation based on other than observable data. If no valuation is available in relation to level 1 and 2, valuation methods based on non-observable information are used.

- Fair value of fixed rate loans: The Bank uses the base rate/reference rate on the loans, and discounts using its own swap curve to calculate the funding margin. The Bank has no 'day 1 profit'. For valuations at later dates, the Bank reads in reads customer interest and adjusts for funding and customer margins. The swap interest will be charged on the discount date. This is then compared with the swap rate on the calculation date taking account of the remaining term to maturity. Changes to the customer margin (administrative mark-up, mark-up for anticipated losses and return on equity) in the term of the loan are not assessed/taken into account.
- Equity investments are valued at fair value under the following conditions:
 1. Price at the time of the last capital increase or last sale between independent parties, adjusted for changes in market conditions since the capital increase/sale.
 2. Fair value based on expected future cash flows for the investment.
- On the remaining financial instruments, fair value is determined on the basis of value estimates obtained from external parties.
- This category includes other equity instruments, loans at fair value through OCI and the Bank's own fixed rate loans.
- The fair value of mortgages is understood to be:
 - Loans in loss category 1 - the nominal value of the loan (not equal to amortised cost). Loan in loss category 2, and 3 - the loan's nominal value decreases by the expected losses (= amortised cost). Loans in loss category 3K - the loan's nominal value decreases by individual impairment provisions (= amortised cost).

The Group's assets and liabilities measured at fair value as at 31.12.2021

Assets (Amounts in NOK millions)	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
- Fixed-rate loans	-	-	2,844	2,844
- Loans at fair value through OCI	-	-	40,143	40,143
- Bonds and certificates	252	5,894	-	6,146
- Equity Instruments	199	-	2,004	2,203
- Derivatives	-	98	-	98
Total assets	451	5,992	44,991	51,434
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value				
- Securities issued at fair value	-	5,597	-	5,597
- Derivatives	-	64	-	64
Total liabilities	-	5,661	-	5,661

The Group's assets and liabilities measured at fair value as at 31.12.2020

Assets (Amounts in NOK millions)	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
- Fixed-rate loans	-	-	1,664	1,664
- Loans at fair value through OCI	-	-	22,700	22,700
- Bonds and certificates	208	4,225	-	4,433
- Equity Instruments	214	-	1,158	1,372
- Derivatives	-	125	-	125
Total assets	421	4,351	25,522	30,294
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value				
- Securities issued at fair value	-	2,825	-	2,825
- Derivatives	-	61	-	61
Total liabilities	-	2,886	-	2,886

Changes in instruments classified as Level 3 as at 31.12.2021

(Amounts in NOK millions)	Fixed-rate loans	Equity Instruments	Loans at fair value through OCI
Opening balance 01.01.2021	1,664	1,158	22,700
Supply from merger with Sparebanken Telemark	1,444	866	14,852
Additions	694	134	21,864
Disposals	(958)	(153)	(19,273)
Net gain/loss on financial instruments	-	(1)	-
Closing balance 31.12.2021	2,844	2,004	40,143

Changes in instruments classified as Level 3 as at 31.12.2020

(Amounts in NOK millions)	Fixed-rate loans	Equity Instruments	Loans at fair value through OCI
Opening balance 01.01.2020	1,774	1,178	21,307
Additions	297	-	12,662
Disposals	(408)	(8)	(11,269)
Net gain/loss on financial instruments	-	(12)	-
Closing balance 31.12.2020	1,664	1,158	22,700

Note 27 – Interest-bearing securities

Interest-bearing securities are measured at fair value through profit or loss. Only figures for the Group are shown as the parent bank's figures are identical.

The Group's assets and liabilities measured at fair value as at 31.12.2021

(Amounts in NOK millions)	31.12.2021		31.12.2020	
	Nominal value	Fair value	Nominal value	Fair value
State	250	255	200	210
Other public issuer	619	621	374	376
Financial companies	5,178	5,270	3,778	3,827
Non-financial companies	-	-	20	20
Total interest-bearing securities	6,047	6,146	4,372	4,433

Interest-bearing securities by maturity

31.12.2021 (amounts in NOK millions)	Under 3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
State	-	-	205	50	-	255
Other public issuer	134	2	286	199	-	621
Financial companies	289	196	1,860	2,556	369	5,270
Total interest-bearing securities at fair value	423	198	2,351	2,805	369	6,146

31.12.2020 (amounts in NOK millions)	Under 3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
State	-	-	210	-	-	210
Other public issuer	-	75	245	55	-	376
Financial companies	7	90	1,652	1,996	81	3,827
Non-financial companies	-	-	-	20	-	20
Total interest-bearing securities at fair value	7	166	2,108	2,072	81	4,433

Changes in value of interest-bearing securities

(Amounts in NOK millions)	Valuation based on quoted prices on an active market.	Valuation based on observable market data	Valuation based on other than observable market data	Total
Carrying amount 31.12.2020	208	4,225	-	4,433
Additions, merger	-	1,420	-	1,420
Additions	53	2,614	-	2,667
Disposals	-	(2,388)	-	(2,388)
Change in value through profit or loss	(6)	20	-	14
Carrying amount 31.12.2021	255	5,891	-	6,146

Figures have not been prepared for the parent bank, since they are almost identical to the Group's figures.

Note 28 – Shareholdings and other equity interests

SpareBank 1 Sørøst-Norge has classified the equity portfolio as available for sale in accordance with IAS 39. Fair value is measured using the valuation methods based on observable market data, estimated cash flows or asset and liability assessment. Where fair value cannot be measured reliably enough, cost price is used.

Amounts in NOK millions	Group	
	31.12.2021	31.12.2020
- listed	175	194
- unlisted	2,028	1,178
Total shares, equity certificates and units	2,203	1,372

Subsidiaries have no investments in shares, hence reporting for the Group only

Specification of significant ownership interests as at 31.12.2021

Company name	Organisation no.	Number of shares	Ownership interest in %	Cost price	Market value	Carrying amount
SpareBank 1 Boligkreditt AS	988 738 387	8,325,220	10.7%	1,250	1,250	1,250
SpareBank 1 Næringskreditt AS	894 111 232	1,992,650	12.3%	252	252	252
SpareBank 1 SMN Finans AS	938 521 549	11,450	11.5%	136	136	136
SpareBank 1 Betaling AS	919 116 749	1,637,956	8.0%	59	88	88
SpareBank 1 Kreditt AS	975 966 453	273,630	9.5%	85	85	85
SpareBank 1 Forvaltning AS	925 239 690	164,821	6.0%	59	59	59
Other SB1 shares and equity certificates	-	-	-	89	110	110
Other shareholdings	-	-	-	202	223	223
Total shares, equity certificates and units	-	-	-	2,132	2,203	2,203

The market values of the shares in SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS, SpareBank 1 Kreditt AS, SpareBank 1 Betaling, SpareBank 1 Finans Midt-Norge AS and SpareBank 1 Forvaltning AS are set at their original cost price since this is regarded as the best estimate based on the last share price and share of book equity.

Specification of significant ownership interests as at 31.12.2020

Company name	Organisation no.	Number of shares	Ownership interest in %	Cost price	Market value	Carrying amount
SpareBank 1 Boligkreditt AS	988 738 387	4,734,098	6.1%	711	711	711
SpareBank 1 Næringskreditt AS	894 111 232	1,896,005	11.7%	239	239	239
SpareBank 1 SMN Finans AS	938 521 549	5,628	6.1%	68	68	68
SpareBank 1 Kreditt AS	975 966 453	181,030	6.4%	56	56	56
SpareBank 1 Betaling AS	919 116 749	883,799	4.7%	18	47	47
Other SB1 shares and equity certificates	-	-	-	49	70	70
Other shareholdings	-	-	-	166	181	181
Total shares, equity certificates and units	-	-	-	1,307	1,372	1,372

Changes in value of shares and units classified at fair value with changes in value through profit or loss based on the following categories:

Category 1	Valuation based on quoted prices in an active market.
Category 2	Valuation based on observable market data
Category 3	Valuation based on other than observable market data

	Cat. 1	Cat. 2	Cat. 3	Total
Carrying amount 31.12.2020	214	-	1,158	1,372
Supply from merger with Sparebanken Telemark	(6)	-	866	859
Additions/disposals	(27)	-	(19)	(46)
Change in value through profit or loss	19	-	(1)	18
Carrying amount 31.12.2021	199	-	2,004	2,203

	Cat. 1	Cat. 2	Cat. 3	Total
Carrying amount 31.12.2019	241	-	1,178	1,418
Additions/disposals	(20)	-	(14)	(34)
Change in value through profit or loss	(7)	-	(6)	(13)
Carrying amount 31.12.2020	214	-	1,158	1,372

Note 29 – Interests in group companies, associated companies and joint ventures

Company name (Amounts in NOK millions)	Type	Organisation no.	Acquired	Registered office	Ownership interest	Share of votes	Cost price	Book value
EiendomsMegler 1 BV AS	Subsidiary	982 832 632	Jan. 2000	Nøtterøy	100%	100%	12	22
EiendomsMegler 1 Telemark AS****	Subsidiary	971 225 793	Jun. 2021	Skien	51%	51%	1	1
Z Eiendom AS***	Subsidiary	988 024 082	Jan. 2017	Nøtterøy	55%	55%	7	7
SpareBank 1 Regnskapshuset Sørøst-Norge AS	Subsidiary	998 867 770	Sept. 2012	Drammen	100%	100%	16	6
Imingen Holding AS	Subsidiary	990 507 007	Nov. 2006	Kongsberg	100%	100%	1	2
Larvik Marina AS	Subsidiary	989 866 990	Jan. 2017	Nøtterøy	100%	100%	0	0
Tufte Eiendom AS****	Subsidiary	986 844 058	Jun. 2021	Porsgrunn	100%	100%	9	9
Sparebankgården AS****	Subsidiary	989 974 777	Jun. 2021	Porsgrunn	100%	100%	22	22
							68	69

Associated companies and joint ventures	Classification	Organisation no.	Business office	Ownership interest	Share of votes	Number of shares
Samarbeidende Sparebanker AS*	Joint ventures	977 061 164	Oslo	22.8%	10.0%	201,975
BN Bank ASA**	Associated companies	914 864 445	Trondheim	7.5%	7.5%	1,053,610

Parent bank				Group			
(Amounts in NOK millions)	BN Bank ASA	SamSpar AS	Carrying amount	BN Bank ASA	SamSpar AS	EiendomsMegler 1 Næringsmegling AS	Carrying amount
Carrying amount 01.01	105	380	485	219	492	2	713
Merger with Sparebanken Telemark	111	270	381	111	270	(3)	378
Demerger of SpareBank 1 Forvaltning AS	-	(5)	(5)	-	(5)	-	(5)
Dividends paid 2021	-	-	-	-	(96)	-	(96)
Profit contribution 2021	-	-	-	31	121	-	153
Change in value	-	-	-	-	(3)	-	(3)
Carrying amount 31.12	217	645	862	361	779	-	1,141

*) Samarbeidende Sparebanker AS (SamSpar) is owned jointly by 10 participating savings banks. Please also refer to section 3 of the Annual Report for a more detailed description of the Alliance cooperation. The Bank is represented on the board and has considerable influence in the company.

**) The Bank is represented on the board and has considerable influence in BN Bank ASA.

***) The remaining 45 % of Z-Eiendom AS is owned by the individual employees in the company.

****) EiendomsMegler 1 Telemark AS, Tufte Eiendom AS and Sparebankgården AS join the Group in connection with the merger with Sparebanken Telemark in June 2021. The remaining 49 % in EiendomsMegler 1 Telemark AS is owned by Skien Boligbyggelag.

Note 30 – Property, plant and equipment

Parent bank					Group					
Facilities under construction	Right-of-use asset IFRS 16	Buildings and other real estate	Machinery, fixtures and fittings and vehicles	Total	2021 (Amounts in NOK millions)	Facilities under construction	Right-of-use asset IFRS 16	Buildings and other real estate	Machinery, fixtures and fittings and vehicles	Total
-	92	2	27	121	Acquisition cost or adjusted value as at 01.01.2021	-	112	14	39	165
1	32	135	15	182	Additions through merger	1	14	182	19	217
-	10	-	3	14	Additions	-	12	-	5	17
-	-	-	(18)	(19)	Disposals	-	-	(12)	(21)	(33)
1	134	136	26	298	Acquisition cost or adjusted value as at 31.12.2021	1	138	184	43	366
-	(32)	(1)	(13)	(47)	Cumulative depreciation and impairment 01.01.2021	-	(41)	(8)	(21)	(70)
-	(21)	(4)	(6)	(31)	Depreciation for the year	-	(23)	(6)	(9)	(38)
-	-	-	18	19	Depreciation related to discontinued assets	-	-	-	18	18
-	(53)	(5)	(1)	(59)	Cum. depreciation and impairment adjusted for objects written down to 0 as at 31.12.2021	-	(64)	(14)	(11)	(89)
1	80	131	26	239	Carrying amount as at 31.12.2021	1	74	170	32	277

Parent bank					Group					
Facilities under construction	Right-of-use asset IFRS 16	Buildings and other real estate	Machinery, fixtures and fittings and vehicles	Total	2020 (Amounts in NOK millions)	Facilities under construction	Right-of-use asset IFRS 16	Buildings and other real estate	Machinery, fixtures and fittings and vehicles	Total
-	89	13	36	138	Acquisition cost or adjusted value as at 01.01.2020	-	109	26	48	183
-	2	-	4	7	Additions	-	2	-	6	8
-	-	(11)	(13)	(24)	Disposals	-	-	(12)	(14)	(26)
-	92	2	27	121	Acquisition cost or adjusted value as at 31.12.2020	-	112	14	39	165
-	(16)	(3)	(21)	(41)	Cumulative depreciation and impairment 01.01.2020	-	(20)	(10)	(32)	(61)
-	(16)	-	(5)	(21)	Depreciation for the year	-	(22)	-	(6)	(28)
-	-	2	13	15	Depreciation related to discontinued assets	-	-	2	13	15
-	(32)	(1)	(13)	(47)	Cum. depreciation and impairment adjusted for objects written down to 0 as at 31.12.2020	-	(34)	(8)	(21)	(63)
-	59	1	14	74	Carrying amount as at 31.12.2020	-	77	6	19	102

The Bank has not mortgaged or accepted other disposal restrictions for its fixed assets.

Gross value of fully depreciated assets:

The gross value of fixed assets that are fully depreciated, is calculated to be obsolete. Obsolete fixed assets are valued as no longer being in use.

Revaluations:

The Bank has not carried out ongoing revaluations of fixed assets.

Note 31 – Goodwill

Parent bank			Group	
2020	2021	(Amounts in NOK millions)	2021	2020
		Goodwill		
-	-	Acquisition cost as at 1.1	37	37
-	-	Additions	9	-
-	-	Disposals	-	-
-	-	Acquisition cost as at 31.12	46	37
-	-	Cumulative impairments 01.01	12	12
-	-	Impairments for the year	-	-
-	-	Disposals	-	-
-	-	Cumulative impairments 31.12	12	12
-	-	Capitalised goodwill as at 31.12	34	25

2020	2021	The carrying amount consists of:	2021	2020
-	-	Merger between EiendomsMegler 1 Vestfold and EiendomsMegler 1 Buskerud in 2009	3	3
-	-	Acquisition of accounting firms – the subsidiary's purchase of 100% of the shares in 2013	15	15
-	-	Z Eiendom AS - from merger with SpareBank 1 Nøtterøy-Tønsberg in 2017	7	7
-	-	Acquisition of Regnskapsdata Kongsberg AS and merger into SpareBank 1 Regnskapshuset Sørøst-Norge AS	9	-
-	-	Carrying amount 31.12	34	25

2020	2021	Impairments for the year:	2021	2020
-	-	Impairments for the year	-	-

Goodwill items are reviewed annually and are written down if there is a basis for it after a specific assessment.

Note 32 – IFRS 16 Leases

The IFRS 16 standard primarily impacts the lessor's accounts and means that substantial leases for the Group are capitalised. The standard eliminates the former distinction between operational and financial leases and requires the calculation of a right-of-use asset (the right to use the leased asset) and a financial obligation to pay rent for significant leases.

IFRS 16 includes an option to omit calculating the right-of-use asset and the accompanying lease liability for leases if the lease is short-term (under 12 months) or the value of the lease of the asset is low. The Group has taken advantage of this exemption.

The Group has only fixed lease liabilities. The present value of the lease liability is calculated by discounting the remaining payments of rent by the Bank's marginal loan rate (funding rate). Options to extend the lease period are included if these can with reasonable

certainty be expected to be used. The present value of the option is then recognised in the lease liability and right-of-use asset.

The income statement is also affected because operating expenses are replaced with interest on the lease liability and amortisation of the right-of-use asset. The total cost will be higher in the first few years of a lease (the interest rate element is greater then) and lower in subsequent years. Interest expenses are calculated using the discounted rate on the lease liability.

The lessor's accounting will remain essentially unchanged from IAS 17. The lessor will continue to recognise leases either as operational or financial leases depending on whether the lease essentially transfers risks and returns related to the ownership of the underlying asset to the lessee.

Parent bank		Statement of financial position	Group	
31.12.2020	31.12.2021	(Amounts in NOK millions)	31.12.2021	31.12.2020
60	83	Lease liabilities	75	74
59	80	Right-of-use asset	74	73

Parent bank		Income statement	Group	
31.12.2020	31.12.2021	(Amounts in NOK millions)	31.12.2021	31.12.2020
16	21	Depreciation	20	21
(17)	(22)	Payments of rent	(21)	(20)
1	1	Interest	1	2
1	-	Total	-	2

Note 33 – Other assets

Parent bank			Group	
31.12.2020	31.12.2021	(Amounts in NOK millions)	31.12.2021	31.12.2020
16	11	Accounts receivable	87	20
7	10	Accrued, not received income	11	14
16	31	Other prepaid expenses	41	17
4	42	Provisions and internal accounts	42	4
125	98	Financial derivatives	98	125
169	193	Total other assets	279	180

Note 34 – Deposits from customers

Parent bank					Group			
31.12.2020		31.12.2021			31.12.2021		31.12.2020	
Share	Deposits	Share	Deposits	(Amounts in NOK millions)	Share	Deposits	Deposits	Share
85.1%	22,032	88.3%	40,846	Deposits from and liabilities to customers with no agreed term to maturity	40,794	88.3%	21,993	85.0%
14.9%	3,871	11.7%	5,418	Deposits from and liabilities to customers with agreed term to maturity	5,418	11.7%	3,871	15.0%
100.0%	25,903	100.0%	46,264	Total deposits from customers	46,212	100.00%	25,864	100.00%
Share	Deposits	Share	Deposits	Deposits by sector and industry	Share	Deposits	Deposits	Share
61.3%	15,885	65.4%	30,255	Employees, etc.	30,255	65.5%	15,885	61.4%
12.6%	3,269	13.3%	6,149	Property management/business services, etc.	6,098	13.2%	3,230	12.5%
0.1%	22	0.6%	296	Property management housing cooperatives	296	0.6%	22	0.1%
4.1%	1,073	3.5%	1,611	Wholesale and retail trade/hotels and restaurants	1,611	3.5%	1,073	4.2%
0.9%	223	0.9%	421	Agriculture/forestry	421	0.9%	223	0.9%
2.8%	716	2.7%	1,232	Building and construction	1,232	2.7%	716	2.8%
6.5%	1,673	5.9%	2,725	Transport and service Industries	2,725	5.9%	1,673	6.5%
1.5%	385	1.4%	658	Production (manufacturing)	658	1.4%	385	1.5%
7.2%	1,858	3.6%	1,684	Public administration	1,684	3.6%	1,858	7.2%
3.1%	799	2.7%	1,234	Abroad and others	1,234	2.7%	799	3.1%
100.0%	25,903	100.0%	46,264	Total deposits by sector and industry	46,212	100.0%	25,864	100.0%
Share	Deposits	Share	Deposits	Deposits distributed by geographic areas	Share	Deposits	Deposits	Share
61.6%	15,949	71.4%	33,023	Vestfold og Telemark	32,971	71.3%	15,921	61.6%
29.4%	7,626	19.0%	8,795	Viken	8,795	19.0%	7,616	29.4%
7.6%	1,981	8.6%	3,966	Rest of Norway	3,966	8.6%	1,981	7.7%
1.3%	346	1.0%	481	Abroad	481	1.0%	346	1.3%
100.0%	25,903	100.0%	46,264	Total deposits distributed by geographic areas	46,212	100.0%	25,864	100.0%

Note 35 – Financial borrowing

SpareBank 1 Sørøst-Norge issues and redeems securities issued as part of its liquidity management. The refinancing requirement has also been partly funded by the transfer of the loan portfolio to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS.. Only figures for the Group are shown as the parent bank's figures are identical.

Group

	31.12.2021		31.12.2020	
	Nominal value	Book value	Nominal value	Book value
(Amounts in NOK millions)				
Loans from credit institutions, incl. F-loans from Norges Bank	150	150	200	200
Bond debt	15,293	15,293	7,794	7,794
Bond debt, SNP	1,550	1,550	-	-
Value adjustments and accrued interest	-	70	-	115
Total interest-bearing securities	16,993	17,063	7,994	8,109

Average interest rate, financial borrowing	1.1%	1.8%
--------------------------------------------	------	------

Financial borrowing by maturity date	31.12.2021	31.12.2020
2021	-	1,019
2022	1,618	1,500
2023	2,875	1,375
2024	3,700	911
2025	4,200	1,569
2026	2,600	450
2027 and later	2,000	1,041
Total financial borrowing, nominal value	16,993	7,865

All of the Bank's borrowing is in Norwegian kroner (NOK)

Figures have not been prepared for the parent bank, since they are almost identical to the Group's figures.

(Amounts in NOK millions)	31.12. 2021	Merger 01.06.2021 Sparebanken Telemark	Issued	Due/ redeemed	Change in value adjustment and accrued interest	31.12. 2020	Issued	Due/ redeemed	Change in value adjustment and accrued interest	31.12. 2019
Loans from financial institutions, nominal value	150	150	-	(200)	-	200	200	-	-	-
Bond debt	15,293	7,216	2,900	(2,617)	-	7,794	1,477	(1,906)	-	8,223
Bond debt, SNP	1,550	-	1,550	-	-	-	-	-	-	-
Value adjustments and accrued interest	70	75	-	-	(120)	115	-	-	59	56
Total interest-bearing securities	17,063	7,441	4,450	(2,817)	(120)	8,109	1,677	(1,906)	59	8,279

Note 36 – Other liabilities and commitments

Parent bank		(Amounts in NOK millions)	Note	Group	
31.12.2020	31.12.2021			31.12.2021	31.12.2020
		Other liabilities and commitments			
75	139	Pension liabilities	24	140	75
14	34	Provisions for losses on guarantees	9	34	14
18	40	Accounts payable		50	24
60	83	IFRS 16 liabilities related to leases	32	78	74
102	129	Other liabilities		147	111
13	31	Other expenses incurred		41	20
19	30	Holiday pay		46	29
9	16	Employer's National Insurance contributions and financial activities tax		21	13
61	64	Financial derivatives	17	64	61
372	566	Total other liabilities and commitments		621	421
		Off-statement of financial position liabilities			
1,913	4,414	Unutilised credit facilities		4,410	1,908
490	901	Guarantees	37	901	490
2,402	5,314	Total off-statement of financial position liabilities		5,311	2,397
		Assets pledged as security			
869	414	Securities pledged in Norges Bank		414	869
869	414	Total assets pledged as security		414	869

Note 37 - Guarantees

	Group	
(Amounts in NOK millions)	31.12.2021	31.12.2020
Guarantee liabilities by type of guarantee		
Loan guarantees	197	160
Payment guarantees	465	302
Contractual guarantees	113	4
Other guarantee liabilities	126	24
Total guarantee liabilities	901	490
Guarantee liabilities by sector and industry		
Employees, etc.	45	47
Agriculture/forestry	2	1
Production (manufacturing)	92	24
Building and construction	175	91
Wholesale and retail trade/hotels and restaurants	105	43
Property management/business services, etc.	334	238
Transport and service Industries	140	40
Public administration	7	5
Abroad and others	1	1
Total guarantee liabilities by sector and industry	901	490
Total guarantee liabilities by geographic area		
Vestfold og Telemark	698	311
Viken	139	141
Rest of Norway	54	28
Abroad	11	11
Total guarantee liabilities by geographic area	901	490

Figures have not been prepared for the parent bank, since they are almost identical to the Group's figures.

Note 38 – Subordinated loan capital

Time-limited subordinated bonds loans

	Group	
(Amounts in NOK millions)	31.12.2021	31.12.2020
FRN callable subordinated bond 2017/2022	250	250
FRN callable subordinated bond 2017/2022	50	-
FRN callable subordinated bond 2018/2023	150	150
FRN callable subordinated bond 2018/2023	50	-
FRN callable subordinated bond 2021/2026	150	-
Accrued interest	1	1
Value adjustments	-	-
Total time-limited subordinated loans	651	401
Average interest rate, subordinated loan capital	2.1%	2.4%

Change in subordinated loan capital (Amounts in NOK millions)	31.12.2021	Merger 01.06.2021 portfolio Sparebanken Telemark	Issued	Due/ redeemed	31.12.2020	Issued	Due/ redeemed	31.12.2019
Time-limited subordinated loan capital, nominal value	650	250	150	(150)	400	-	-	400
Accrued interest	1	-	-	-	1	-	-	1
Value adjustments	-	-	-	-	-	-	-	-
Total subordinated loan capital	651	250	150	(150)	401	-	-	401

Note 39 – Close associates

Loans to subsidiaries, associated companies and joint ventures are provided on ordinary customer terms and conditions. Loans to other close associates also comply with the Bank's other customer terms and conditions.

All figures are for the parent bank.

	Subsidiaries, associated companies and joint ventures	
	2021	2020
Loans (amounts in NOK millions)		
Loans outstanding as at 01.01.	29	26
Additions, merger 01.06	15	-
Net lending in the period	(15)	3
Outstanding loans as at 31.12.	29	29
Interest income	1	1
Impairment of loans recognised in profit and loss	-	4
Deposits (amounts in NOK millions)	2021	2020
Deposits as at 01.01.	57	30
Additions, merger 01.06	8	-
Net deposits in the period	25	27
Deposits as at 31.12.	91	57
Interest expenses	0.7	0.1
Issued guarantees	-	-

Note 40 – Earnings per equity certificate and calculation of the equity certificate fraction

Earnings per equity certificate are calculated by dividing the portion of the profit/loss for the year that is assigned to the company's equity certificate holders (minus own equity certificates) by a weighted average of the number of equity certificates over the year.

Earnings per equity certificate

(Amounts in NOK millions)	31.12.2021	31.12.2020
Adjusted profit for the year		
Profit for the year in accordance with the annual financial statements	796	420
- corrected for interest on hybrid Tier 1 securities recognised directly against equity	(11)	(9)
- corrected for income/expenses recognised through profit or loss - transferred to/from FUG	(3)	6
Adjusted profit for the year	782	417
Equity certificate holders' share (60.3%) of corrected result	471	228
Profit/loss for the year allocated to the company's equity certificate holders	471	228
Number of equity certificates issued (weighted average 01.01.-31.12.2021)	95	63
Earnings per equity certificate	4.94	3.62
Par value	15.00	15.00

Calculation of equity certificate fraction

Parent bank (amounts in NOK millions)	31.12.2021	31.12.2020
Equity certificate capital		
Share premium fund	1,778	-
Dividend equalisation fund	2,777	-
Allocated to dividends	811	537
Total equity certificate holders' capital	297	-
Total equity certificate holders' capital	5,663	537
Primary capital/Sparebankens Fond	3,532	2,072
Allocated to gifts	202	-
Total community-owned capital	3,734	2,072
Equity, excl. dividends, gifts, hybrid capital and other equity	9,397	2,609
Equity certificate fraction	60.3%	20.6%
Community capital	39.7%	79.4%

Proposed dividend for 2021 (amounts in NOK millions)	31.12.2021	31.12.2020
Proposed dividend prior to publication, not recognised as distribution to the owners in the period (NOK millions)	296.7	119.9
Proposed dividend per equity certificate (NOK)	2.50	1.90
Proposed dividends/gifts for community capital (NOK millions)	195.6	-

Note 41 – Equity certificate holders and distribution of equity certificates

In connection with the merger between SpareBank 1 BV and Sparebanken Telemark, the equity certificate capital was increased by NOK 676.3 million through the issuance of 45,089,995 new equity certificates, of which 37,116,986 equity certificates were for the former equity certificate holders of Sparebanken Telemark and 7,973,009 equity certificates were for Sparebankstiftelsen Telemark – Grenland as remuneration for the business taken over from Sparebanken Telemark. A NOK 157.5 million increase in equity certificate capital was also registered by converting primary capital to equity certificate capital through the issuance of

10,498,569 new equity certificates for SpareBank 1 Stiftelsen BV, see Note 3 for further details.

Following the issuance of new equity certificates, total equity certificate capital will amount to NOK 1,780.3 million divided into NOK 118,689,917 equity certificates with a nominal value of NOK 15 per equity certificate. SpareBank 1 Sørøst-Norge owned 188,826 equity certificates at the end of the quarter. The equity certificates are evidence of all the equity certificates that SpareBank 1 BV owned in Sparebanken Telemark and vice versa prior to the merger.

Equity certificate holders

There were 5,929 equity certificate holders as at 31.12.2021, and the 20 largest were:

	Quantity	%
1. SpareBank 1 Stiftelsen BV	24,141,356	20.3%
2. Sparebankstiftelsen Telemark-Grenland	18,910,174	15.9%
3. Sparebankstiftelsen Nøtterøy-Tønsberg	10,925,503	9.2%
4. Sparebankstiftelsen Telemark-Holla og Lunde	10,273,723	8.7%
5. VPF Eika Egenkapitalbevis	3,838,504	3.2%
6. Spesialfondet Borea utbytte	2,456,235	2.1%
7. Pareto Invest AS	1,771,308	1.5%
8. Landkreditt Utbytte	1,100,000	0.9%
9. Melesio Invest AS	928,150	0.8%
10. Catilina Invest AS	912,032	0.8%
11. Wenaasgruppen AS	907,432	0.8%
12. Sanden AS	707,494	0.6%
13. Foretakskonsulenter AS	621,230	0.5%
14. Kommunal Landspensjonskasse Gjensidige	582,614	0.5%
15. Aars AS	534,737	0.5%
16. Skogen Investering AS	520,000	0.4%
17. Salt Value AS	497,211	0.4%
18. Elgar Kapital AS	468,000	0.4%
19. Babord AS	421,266	0.4%
20. Hausta Investor AS	420,000	0.4%
Total for 20 largest shareholders	80,936,969	68.2%
SpareBank 1 Sørøst-Norge (own equity certificates)	188,826	0.2%
Other owners	37,564,122	31.6%
Total number of equity certificates (par value NOK 15)	118,689,917	100.0%

Equity certificates held by executive personnel, the Board of Directors and Supervisory Board members

The Board of Directors:

Finn Haugan	30,000
Anne Berg Behring	5,881
Elisabeth Haug	2,700
Hanne Myhre Gravdal	6,871
Heine Wang (Wang Invest AS)	27,000
Jan Erling Nilsen	2,986
Frede Christensen	9,651

The Supervisory Board:

Øystein Beyer	5,570
Ingebjørg Tollnes	2,000
Knut Åge Andersen	313
Inger Kristin Eide	1,749
Anne R. Jørgensen	7,466
Stein Erik Amlie	7,465
Halvor Aarnes	36,699
Reidun Sundal	15,094
Iver A. Juel	340,506
Sindre Iversen (Espedal & Co AS)	257,752
Bjørn Hellevammen	19,004
Hallgeir Skogen	95,113
Gro Aakre (AAJ AS)	11,262
Morten Wexels	2,986
Egil Stokken	340

Executive Management Team :

Per Halvorsen	13,687
Geir A. Hansen	9,464
Lasse Olsen	7,574
Arent Kr. Anfinssen	9,620
Marianne Sommerro Evensen	17,363
Roar Snippen	20,463
Johan Hjerkin	2,481
Marianne Thorsdal	8,827
Tonje Stormoen	9,620

Note 42 – Pro forma income statement, statement of financial position and key figures

The pro forma results for 2021 and 2020 represent the income statements, statements of financial position and key figures for both banks, consolidated as if the merger had occurred with accounting effect from 01.01.

There were no significant eliminations between the banks during this period meaning that the results for the period was just consolidated.

Combined results (pro forma) ¹⁾

Group		
(Amounts in NOK millions)	31.12.2021	31.12.2020
Interest income	1,525	1,713
Interest expenses	408	611
Net interest income	1,117	1,102
Commission income	612	555
Commission expenses	37	38
Other operating income	257	235
Net commission and other income	831	752
Dividends	41	52
Net result from ownership interests	168	152
Net result from other financial investments	179	(5)
Net income from financial assets	388	200
Total net income	2,336	2,054
Personnel expenses	605	536
Other operating expenses	444	401
Total operating expenses	1,050	937
Profit before losses and tax	1,286	1,117
Losses on loans and guarantees	86	66
Profit before tax	1,200	1,050
Tax expense	197	212
Profit before other comprehensive income	1,004	839

1) Alternative performance measures are defined in a separate appendix to the Annual Report

Summary of statement of financial position and key figures (pro forma) ¹⁾**Group**

(Amounts in NOK millions)	31.12.2021	31.12.2020
Profitability		
Return on equity	10.6%	9.5%
Net interest income, excl. interest on FO	1.54%	1.63%
Cost-income ratio	44.9%	45.6%
Statement of financial position figures		
Gross lending to customers incl. transfers to mortgage companies	88,105	82,927
Gross lending to customers on the statement of financial position	62,771	58,128
Loans transferred to mortgage credit institutions	25,334	24,799
Lending growth 12% past 12 months	6.2%	7.9%
Deposits from customers	46,212	43,579
Deposit coverage on the statement of financial position	73.6%	75.0%
Deposit coverage, incl. mortgage credit institutions	52.5%	52.6%
Deposit growth in the past 12 months	6.0%	7.5%
Total assets	74,911	70,155
Total assets, incl. mortgage credit institutions	100,245	94,954
Equity, excl. hybrid capital	9,750	8,947
Staffing		
Number of FTEs	533.2	539.1
<i>of which parent bank</i>	377.8	380.4

1) Alternative performance measures are defined in a separate appendix to the Annual Report

Note 43 – Events after the statement of financial position date

In January 2022, the Board of Directors decided to offer redundancy packages to all of the Bank's employees who were born in 1960 or earlier. This is part of the process of realising expected synergies in connection with the merger between SpareBank 1 BV and Spare-

banken Telemark. The offer covers 45 employees and the deadline for acceptance was set as 28.02.2022. In the event of 100% acceptance, the one-time cost for the Bank will amount to approximately NOK 45 million.

Statement by the Board of Directors and CEO

We confirm that the annual accounts for the period 01.01.2021 to 31.12.2021, to the best of our knowledge, have been prepared in accordance with applicable accounting standards and that the information in the financial statements gives a true and fair view of the parent bank's and the Group's assets, liabilities,

financial position and results as a whole and that information in the annual report provides a true and fair view of the financial performance and position of the parent bank and the Group, along with a description of the most important risk and uncertainty factors faced by the Group.

Sandefjord, 01.03.2022

The Board of Directors of SpareBank 1 Sørøst-Norge



Finn Haugan
Chair of the Board




Anne Berg Behring
Deputy Chair



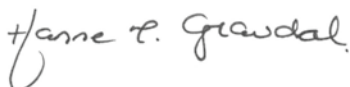
Elisabeth Haug



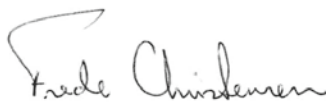
Heine Wang



Jan Erling Nilsen



Hanne Myhre Gravdal
Employee representative



Frede Christensen
Employee representative



Per Halvorsen
CEO



Alternative performance measures

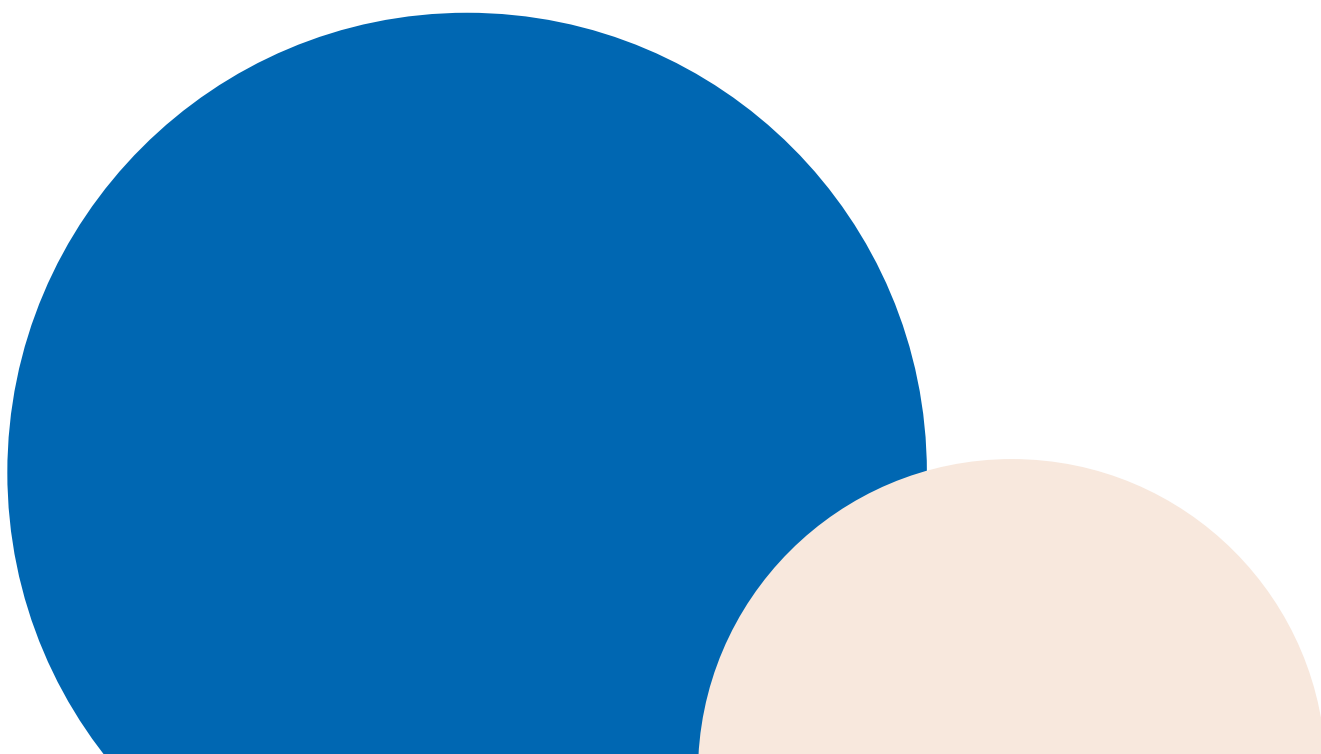
SpareBank 1 Sørøst-Norge presents alternative performance measures (APMs) as useful additional information to the financial statements. The measures are not defined in the International Financial Reporting Standards (IFRS) and are not necessarily directly comparable with other companies' performance measures. APMs are included in reports to provide insights and an understanding of the Group's financial results and represent important metrics with respect to how the executive management team manages the companies and activities in the Group. APMs are not meant to replace or overshadow

the accounting figures. Key figures regulated in IFRS or other legislation are not considered APMs. The same is true for non-financial information.

SpareBank 1 Sørøst-Norge's are presented in the overview of main figures and key figures and in the Board of Directors' Report.

All APMs are presented on a separate page together with the Annual Report and show comparable figures.

<https://www.sparebank1.no/nb/bv/om-oss/investor/finansiell-info/kvartals-og-aarsrapporter.html>



Auditor's report



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Enterprise 935 174 627 MVA

To the Board of Representatives of SpareBank 1 Sørøst-Norge

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SpareBank 1 Sørøst-Norge, which comprise:

- The financial statements of the parent company SpareBank 1 Sørøst-Norge (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of SpareBank 1 Sørøst-Norge and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

Offices in:

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserede revisorer - medlemmer av Den norske Revisorforening

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund



Independent Auditor's Report - SpareBank 1 Sørøst-Norge

We have been the auditor of the Company for 13 years from the election by the general meeting of the shareholders on 20 March 2009 for the accounting year 2009 with a renewed election on the 20 March 2014.

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.

1. Expected credit loss on loans and guarantees to the corporate market

Reference is made to note 2 Accounting policies, note 3 Critical accounting estimates and discretionary valuations, note 9 Loans and receivables from customers, note 12 Impairment of loans, guarantees etc. and the Board of Directors' annual report, paragraph Losses and impairment provisions.

The Key Audit Matter	How the matter was addressed in our audit
<p>Expected credit loss on loans and guarantees that are not credit-impaired amounts to MNOK 168 for the Company and the Group as of 31 December 2021. Expected credit losses on loans and guarantees that are credit-impaired amounts to MNOK 95 for the Company and the Group as of 31 December 2021.</p> <p>IFRS 9 requires that the Group recognise expected credit loss equal to 12-month expected credit losses for loans and guarantees that doesn't have a significant increase in credit risk (stage 1), and lifetime expected credit loss for loans and guarantees that has a significant increase in credit risk (stage 2). The Group apply models for calculating expected credit loss for stage 1 and 2. The models are complex and includes large amounts of data. At the same time, management exercise judgement, particularly related to the following parameters;</p> <ul style="list-style-type: none"> • Probability of default (PD) • Loss given default (LGD) • Exposure at default (EAD) • Definition of significant increase in credit risk • Weighing of different forward-looking macroeconomic scenarios. <p>For loans and guarantees where there is significant increase in credit risk and where the engagement is credit-impaired (stage 3), the Group calculates the lifetime expected credit loss based on an individual assessment. Determining the expected credit loss entails a high degree of management judgment. Key factors in management's assessments are:</p> <ul style="list-style-type: none"> • identification of credit-impaired loans and guarantees 	<p>We gained an understanding of the Groups definitions, methods and control procedures for measuring and recognition of expected credit loss.</p> <p>We have obtained an assurance report with reasonable assurance (ISAE 3000) from an independent auditor which has evaluated:</p> <ul style="list-style-type: none"> • whether PD, LGD and EAD included in the model are calculated correctly • whether data input used in the model is correct, and • whether the model calculating expected credit losses are in accordance with the requirements in IFRS 9. <p>We have assessed the independent auditor's competence and objectivity. We have, with assistance from our specialist, evaluated the reports results in order to assess possible deviations and consequences for our audit. We have further conducted our own procedures in order to test the completeness and accuracy of data input in the model calculated expected credit loss.</p> <p>In order to challenge management's judgements and parameters that have been used in the calculation of the expected credit loss for stage 1 and 2, we have;</p> <ul style="list-style-type: none"> • Assessed the applied definition of significant increase in credit risk and weighing of different scenarios. • Assessed model-calculated expected credit losses against comparable banks <p>For a selection of credit-impaired loans and guarantees, we have challenged management's judgment by assessing the size of cash flows</p>



Independent Auditor's Report - SpareBank 1 Sørøst-Norge

<ul style="list-style-type: none"> assumptions for determining the size of expected cash flows, including valuation of collaterals. <p>Based on the size of the gross lending, inherent credit risk, complexity of the models and degree of management judgment, we consider the expected credit losses to be a key audit matter.</p>	<p>and testing the valuation of collaterals against internal and external valuations.</p> <p>We have challenged management's process for identifying credit-impaired loans and guarantees by developing our own view on loans and guarantees that are credit impaired by using external credit information and other available public information.</p> <p>We have assessed whether note disclosures related to IFRS 9 and ECL are sufficient in accordance with the requirements of IFRS 7.</p>
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2. IT-systems and application controls

<i>The Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>SpareBank 1 Sørøst-Norge is dependent on the IT infrastructure in the financial reporting.</p> <p>The Group uses a standard core system delivered and operated by an external service provider. Sound governance and control over the IT systems is critical to ensure accurate, complete and reliable financial reporting.</p> <p>Furthermore, the IT systems support regulatory compliance for financial reporting to authorities, which is central to licensed businesses.</p> <p>The system calculates interest rates on borrowing and lending (application controls) and the Group's internal control systems are based on system-generated reports.</p> <p>Due to the importance of the IT systems for the Group's operations, the IT environment supporting the financial reporting process is considered a key audit matter.</p>	<p>In connection with our audit of the IT-system in the Company, we have gained an understanding of the control environment and tested that selected general IT controls are functioning as intended and support important application controls. In our control testing, we have focused on access management controls.</p> <p>The independent auditor of the external service provider has assessed and tested the effectiveness of internal controls related to the IT systems outsourced to external service provider. We have obtained the attestation report (ISAE 3402) from the independent auditor to evaluate whether the external service provider has satisfactory internal control in areas of significant importance to the Group. We have assessed the independent auditor's competence and objectivity, as well as evaluated the report in order to assess possible deviations and consequences for our audit.</p> <p>We have requested the independent auditor of the service provider to test a selection of standard reports and application controls in the core-system to assess whether:</p> <ul style="list-style-type: none"> standard system reports contain all relevant data, and the application controls, including controls related to interest rate-, annuity- and fee calculations, is functioning as intended. <p>We have inquired management regarding their evaluation and review of the independent auditor's attestations report, in order to evaluate if findings are sufficiently followed up.</p>



Independent Auditor's Report - SpareBank 1 Sørøst-Norge

	We have used our IT audit specialist in the work to understand the control environment, test controls and examine the reports.
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3. Business combination with Sparebanken Telemark

Reference is made to note 4 Merger of SpareBank 1 BV and Sparebanken Telemark on 1 June 2021 and the Board of Directors' Report.

<i>The Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>On 1 June 2021, SpareBank 1 BV completed the business combination with Sparebanken Telemark, where SpareBank 1 BV is the acquiring party in the merger. SpareBank 1 BV also made a name change to SpareBank 1 Sørøst-Norge.</p> <p>The merger is a significant transaction that requires special attention related to recognition and measurement, as well as information in the notes.</p> <p>To recognise and measure the identifiable assets acquired and the liabilities assumed at the time of the acquisition, an acquisition analysis is performed. Acquisition analysis requires extensive use of estimates and estimates when measuring fair values for identifiable assets and liabilities, as well as associated tax effects. The assessment determines the size of negative goodwill in the transaction. Consequently, the transaction requires significant attention throughout the audit and is subject to a high degree of auditor discretion.</p>	<p>In our review, we have, among other things:</p> <ul style="list-style-type: none"> • read the agreement on the business combination and on that basis assess the valuation of the consideration paid, • reviewed management's valuations and identification of fair value adjustments against a report prepared by SpareBank 1 Markets, • reviewed the Financial Due Diligence report prepared by Deloitte, • reviewed the recognition of the transaction, including the equity effects, and subsequent processing of estimated negative goodwill against the acquisition analysis and; • assessed whether the note information relating to the business combination is adequate.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other accompanying information otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report



- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial



Independent Auditor's Report - SpareBank 1 Sørøst-Norge

statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name 5967007LIEEXZX4VQO21-2021-12-31-no have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities

Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities

Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its financial statements in the European Single Electronic Format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the financial statements tagged under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 1 March 2022
KPMG AS

Svein Arthur Lyngroth
State Authorised Public Accountant

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

Presentation of the executive management team



Per Halvorsen (1962) – CEO

Per Halvorsen became the CEO of SpareBank 1 Sørøst-Norge when it was established through the merger of SpareBank 1 BV and Sparebanken Telemark.

He graduated from BI Norwegian Business School/Norwegian School of Marketing.

Halvorsen became the CEO of Sparebanken Telemark in 2006 and steered the bank through four mergers and an IPO (2018). He has many years of experience from management positions in Vesta Liv/Skandia (now Nordea Liv) and Vital Forsikring ASA (now DNB Liv).

He has extensive board experience, including as chair of the boards of the SpareBank 1 Alliance, Samarbeidende Sparebanker (SamSpar), EiendomsMegler 1 Telemark and SpareBank 1 Forsikring, as well as a board member in BN Bank, SpareBank 1 Markets and EiendomsMegler 1 Næringsmegling.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 13,687



Geir Årstein Hansen (1959) – Deputy CEO

Geir Årstein Hansen has a master's degree in business and economics from NHH Norwegian School of Economics in Bergen, with additional education from BI Norwegian Business School in strategic change management and high-performance management.

He joined the Bank in 1985 and has worked in various managerial positions in many areas. Prior to this he worked in real estate brokerage and education.

In addition to being the Deputy CEO, he is responsible for the area of finance and credit management.

He has extensive experience of board work in the Group and is currently a deputy board member of Samarbeidende Sparebanker AS, Samarbeidende Sparebanker Utvikling DA and SpareBank 1 SamSpar AS.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 9,464



Roar Snippen (1963) – Executive Vice President Finance & Analysis

Roar Snippen has 30 years of experience from the financial service industry within various positions.

He graduated as an economist from the University of Oslo (UiO) and as an auditor from Buskerud and Vestfold University College and has also completed the Solstrand Programme.

He worked for Storebrand from 1998 to 2006 as its director with responsibility for strategic risk management and investment strategy.

In 2006, he became the CEO of Holla og Lunde Sparebank and, following its merger in 2012 with Sparebanken Telemark, he became the director of economy and finance.

Roar Snippen has several years of experience as a board member of Eika Forvaltning, and is currently a board member of Skagerak Maturo Seed AS.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 20,463



Marianne Sommero Evensen (1970) – Executive Vice President Risk Management, Compliance & Group Administration

Marianne Sommero Evensen is a state-authorised public accountant from the Norwegian School of Economics in Bergen (NHH).

She has worked for the Bank since 2003 and had several managerial positions and as sector adviser for the corporate market, project management, risk, compliance and group management.

She has previously had 10 years of experience from auditing and consulting activities in KPMG and Møller & co, both as manager and sector adviser.

She has board experience as current Secretary to the Group Board of Directors and previously as a board member of a financial institution. Currently holds no board positions.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 7,574



Lasse Olsen (1975) – Executive Vice President Retail Market

Lasse Olsen is a qualified economist from BI Norwegian Business School with a specialisation in information technology and management.

He has 18 years of experience from the banking and financial services sector, including within asset management and as a specialist consultant and bank manager.

He joined the Bank in 2008 and held various management positions in the retail market division. He became the Director Retail Market in SpareBank 1 BV on 01.11.2015.

He is currently chair of the board of EiendomsMegler 1 BV.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 17,363



Arent Anfinsen (1970) – Executive Vice President Corporate Market

Arent Anfinsen has a master's degree in business and economics from the Norwegian School of Economics (NHH) in Bergen.

He was the head of the corporate department in Sparebanken Telemark from 2012 until its merger with SpareBank 1 BV in 2021. He has experience from management positions in Storebrand and the Norwegian Public Service Pension Fund, as well as financial experience from positions in DNB Markets and Vital.

He has board experience, including as the chair of the board of SpareBank 1 Regnskaps- huset Sørøst-Norge AS and a board member of EiendomsMegler 1 Næringsmegling AS.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 7,465



Marianne Thorsdal (1963) – Executive Vice President HR & Organisational Development

Marianne Thorsdal has educational training and a master's degree in social sciences, with a specialisation in management and occupational health from Vestfold University College. She has also taken individual subjects within law, economics and HR, at BI Norwegian Business School and the University of Oslo (UiO).

She has long experience from the public and private sectors, including South-Eastern Norway Regional Health Authority, Telemark University College and IKEA Norway.

She was appointed the director of HR and organisation in Sparebanken Telemark in 2012 in connection with the merger with Holla og Lunde Sparebank. Her core areas are management, corporate culture, communication and competence.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 8,827



Tonje Stormoen (1965) – Executive Vice President Business Support

Tonje Stormoen has a bachelor's degree in business management from BI Norwegian Business School, with a specialisation in marketing and international management. She has additional education in change management and project management.

She has held several previous managerial positions, including various executive positions in Intrum Justitia AS, Branch Bank Manager, head of business development and Marketing Director of SpareBank 1 Nøtterøy-Tønsberg. Joined SpareBank 1 BV in 2017.

She has board experience from various companies within real estate brokerage, finance, media and debt collection. Currently holds no board positions.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 9,620



Johan Hjerkin (1970)

– Executive Vice President Strategy & Business Development

Johan Hjerkin has a master's degree in business and economics from the Norwegian School of Economics (NHH) in Bergen, as well as the NHH Executive Programme "Strategic business understanding".

He has 20 years of banking experience from Postbanken BA (1996-99) and DNB (1999-2017), of which 15 years was as a manager with responsibility for strategy and major change projects in DNB. Joined SpareBank 1 BV in May 2017.

Former board member of Netaxept AS (2004-08). He currently holds no board positions.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 13,687



Presentation of the Board of Directors



Finn Haugan (1953) – Chair of the Board

Finn Haugan lives in Trondheim and has a master's degree in business and economics from BI Norwegian Business School. He has been the CEO of SpareBank 1 SMN (formerly Sparebanken Midt-Norge) since 1991. He has previously served in leading positions in Forretningsbanken and Fokus Bank. His last position here was deputy managing director, from 1989-1991.

Haugan has held a number of board positions in recent years in the financial services industry, including the role of chair of the boards of SpareBank 1 Gruppen AS, the Norwegian Banks' Guarantee Fund, Finance Norway and the Norwegian Savings Banks Association.

He is currently chair of the boards of Sinkaberg-Hansen AS Fiskeoppdrett, Norbit ASA, Forte Fondsforvaltning AS, SOLON Eiendom AS and Elekt AS, as well as a deputy chair of the board of LL Holding, and a board member of Okea ASA. Chair of the Remuneration Committee and Risk Committee. Member of the Audit Committee.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 30,000



Anne Berg Behring (1964) – Deputy Chair

Anne Berg Behring lives in Porsgrunn and has a bachelor's degree in business administration from BI Norwegian Business School.

She was the chair of the board of Sparebanken Telemark until its merger with SpareBank 1 BV in 2021.

Berg Behring is the CEO of Coop Sørøst SA (formerly Coop Vestfold og Telemark SA) and has broad experience from the retail trade, property and board work in Coop Norge.

She is a board member of COOP Norge SA. Member of the Remuneration Committee and Risk Committee.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 5,881



Elisabeth Haug (1977) – Board member

Elisabeth Haug lives in Oslo and has a master's degree in marketing, economics and management from BI Norwegian Business School.

She has strategic and operational management experience from digital technology companies such as Vipps, where she was first deputy CEO and thereafter head the newly launched Vipps Mobil AS. Haug was the CEO of mCash before the merger between mCASH and Vipps in 2017.

She has previously served in executive positions in FINN and Schibsted.

Today, she is the CEO of the online pharmacy Farmasiet AS.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 2,700



Heine Wang (1963) – Board member

Heine Wang lives on Nøtterøy and is a lawyer. He has held various board positions, including as former president of the Confederation of Norwegian Enterprise (NHO).

He has been the CEO of Nokas, a business he helped to build up and which currently has a turnover of about NOK 8.3 billion and 17,000 employees in six countries.

Wang was a board member and deputy chair of SpareBank 1 Nøtterøy-Tønsberg from 2015 up to its merger with SpareBank 1 BV, where he also became the deputy chair. Member of the Audit Committee and Risk Committee.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 27,000



Jan Erling Nilsen (1979) – Board member

Jan Erling Nilsen lives in Porsgrunn. He holds a master's degree in accounting and auditing from BI Norwegian Business School and a master's degree in business administration from the Norwegian School of Economics in Bergen (NHH).

He became a board member of Sparebanken Telemark in 2017.

Nilsen is a business development consultant with his own firm and before that was the COO/CFO of Movement Group AS from 2015 to 2021 and COO/CFO of Borgestad ASA from 2013 to 2015. He has auditing and consulting experience from EY from 2006 to 2013. Chair of the Audit Committee.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 2,986



Frede Christensen (1961) – Board member, employee representative

Frede Christensen lives in Skien and has a bachelor's degree in business management from BI Norwegian Business School in banking. He holds authorisation from the Association of Norwegian Stockbroking Companies.

He has 40 years of wide-ranging banking experience and became the head of Sparebanken Telemark's investment firm in 2007. Christensen has also headed the process team for placements in the SpareBank 1 Alliance and in Samarbeidende SpareBanker (SamSpar).

Today, he works as a capital adviser.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 9,651



Hanne Myhre Gravdal (1964) – Board member, employee representative

Hanne Myhre Gravdal lives in Sylling and is a graduate economist with further management competence at board level from BI Norwegian Business School.

She has worked in the banking sector for several institutions since 1984, including as a branch manager of Sparebanken Øst.

Gravdal joined SpareBank 1 BV since 2004, and currently works as a senior investment adviser in the retail market. Her outside positions include sitting on the municipal council and the municipal executive board in Lier. She became a board member of SpareBank 1 BV in 2011. Member of the Remuneration Committee.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 6,871

Governing bodies

The Supervisory Board

Depositor-elected representatives:

Lars Ole Bjørnsrud, Chair
Øystein Beyer, Deputy Chair
Ingebjørg Tollnes
Helge Standeren
Tom Mellow
Kristin Storhaug
Ellen Mette Oredalen
Knut Åge Andersen
Thale Knudsen

Karl Arne Lia, deputy member
Kjell E. Nilsen, deputy member
Inger Joh. Toset, deputy member

Equity certificate holders' representatives:

Bjørn R. Hellevammen
Iver A. Juel
Bjørn Solheim
Sindre Iversen
Reidun Sundal
Hallgeir Skogen
Gro Aakre
Morten Wexels
Egil Stokken

Gjertrud Eide, deputy member
Jørn Pettersen, deputy member
Christine Lindefjell, deputy member

Employee-elected representatives:

Inger Kristin Eide
Hege V. Simonsen
Tom Sørensen
Anne Rundtom Jørgensen
Stein Erik Amilie
Halvor Aarnes

Bente Melum Svendsen, deputy member
Hanne Grøtterød, deputy member

The Nomination Committee

Jan Terje Olsen, Chair
Svein Aaser
Lars Ole Bjørnsrud
Tom Sørensen
Bjørn Solheim
Helge Standeren
Anne Rundtom Jørgensen

The Board of Directors

Finn Haugan, Chair
Anne Berg Behring, Deputy Chair
Elisabeth Haug
Heine Wang
Jan Erling Nilsen
Hanne Myhre Gravdal, employee representative
Frede Christensen, employee representative

Lene Marie Aas Thorstensen, deputy member
Gisle Fauskanger, deputy member
Helga Marie Finsveen, deputy member employee representative
Geir A. Vestre, deputy member employee representative

The Audit Committee

Jan Erling Nilsen, Chair
Finn Haugan
Heine Wang

Risk Committee

Finn Haugan, Chair
Anne Berg Behring
Heine Wang

The Remuneration Committee

Finn Haugan, Chair
Anne Berg Behring
Hanne Myhre Gravdal

The Board of Directors' activities in 2021

Board of Directors – key issues in 2021	Prepared in Board's subcommittees GU, RU, RI	Board meetings in 2021											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
		Q1			Q2			Q3			Q4		
Transaction and implementation of merger of SpareBank 1 Telemark/ SpareBank 1 BV		Sup. Board's decision 25.03			Date of legal merger 01.06			Implementation of merger					
Transaction and implementation of merger of SpareBank 1 Sørøst-Norge and SpareBank 1 Modum							Letter of intent 15.09			Sup. Board's decision 16.12			
Corporate strategy 2022-2025, approved seven strategic initiatives: sustainability, customer-oriented, stronger top line, data and insight-driven, attractive workplace, quality, regional bank ambition						Established strategy project – assessed framework conditions, produced overview of current situation and established targets			Strategy approved				
Financial forecasts and liquidity and capital adequacy requirements – ICAAP/ILAAP/MREL	RI												
Code of Conduct, polices for corporate governance, sustainability, risk and capital management, incl. contingency plans (determination of risk appetite)	RI,GU					Adjusted policies and authorisations in connection with merger			Considered and approved policy documents for merged group applicable for 2022				
Fixed agenda items: agenda, minutes, impartiality, CEO's briefing and operational reporting													
Sustainability, risk, compliance and incident reporting	RI	Q4				Q1			Q2			Q3	
Goal monitoring via balanced score-card		Q4				Q1			Q2			Q3	
Official financial reporting	RI/RU	Q4		2020			Q1			Q2			Q3
Plan and reporting from external auditor		Q4		plan – Annual Report			Q1			Q2			Q3
Plan and reporting from internal auditor		plan – Annual Report								half-year report			
Annual management and control report (management reporting internal control)	RI												
Annual sustainability report													
Remuneration reporting on compliance and setting of remuneration for executive management team	GU												
Board's annual plan, Board's guidelines and instructions for subcommittees						Ap-proved in connection with merger						for 2022	
Election of Board's subcommittees													
Annual self-evaluations of Board and subcommittees													

GU – Remuneration Committee RU – Remuneration Committee

RI – Risk Committee

Overview of board meetings in 2021

2021	Number of meetings
The Board of Directors	29
Board's subcommittees:	
The Remuneration Committee	9
The Audit Committee	5
The Risk Committee	6

*) The figures include meetings held in SpareBank 1 BV from 01.01 to 01.06.

External auditor

KPMG AS
State-authorised public accountant
Svein Arthur Lyngroth

Internal audit function

Ernst & Young AS
State authorised accountant Kjetil Kristensen



Corporate governance

In accordance with section 3-3b of the Accounting Act, the Bank has prepared a separate report that deals with the policies and practice related to corporate governance. The report is referred to in a separate paragraph in the annual report, while the full report is published on the Bank's website

www.sparebank1.no/nb/bv/om-oss/investor/virksomhetsstyring.html

Risk management and internal control

SpareBank 1 Sørøst-Norge's risk and capital management must support the Group's strategic development and goal attainment, while also helping to ensure sustainable development, financial stability and prudent asset management.

This must be ensured by establishing:

- A clear corporate culture characterised by ethical conduct and a good awareness of sustainability and integrated risk management.
- An understanding of profitability from a sustainability and risk perspective that ensures good capital utilisation within the approved business strategy.
- A good culture of risk analysis and continuous improvement that ensures that no unexpected single events do serious damage to the Group's financial position.
- Structures that ensure that the organisation operates in compliance with statutory and regulatory requirements at all times.

General policy for sustainability, compliance risk and capital management

Scope

The policy covers the Group, which includes the parent bank and subsidiaries, as well as associated companies and joint ventures where applicable and relevant.

Purpose and definition of risk appetite and risk capacity

The policy and underlying documents provide direction for the work on risk management and internal control in SpareBank 1 Sørøst-Norge. It defines the risk the Group is willing to take to achieve its strategic goals, as well as how the risk should be managed and followed up. The purpose of the policy is summarised in the table below.

TOPIC	DESCRIPTION OF PURPOSE AND DEFINITION OF RISK APPETITE AND RISK CAPACITY
Overview	To provide a comprehensive overview of the Group's risks.
Risk capacity	<p>To specify the Group's risk capacity, defined as:</p> <p>The total exposure to risk the Group can withstand before entering into a recovery situation and having to:</p> <ul style="list-style-type: none"> • Implement material corrective and/or mitigation measures. • Implement an unwanted change to the business model.
Risk appetite	<p>To define the risk the Group is willing to assume to achieve strategic goals as they are defined in the business strategy. The limits for risk appetite are set based on:</p> <ul style="list-style-type: none"> • The maximum desired risk exposure from a profitability and loss perspective, where sustainability and maintaining the Group's reputation and trust in it are also central. • The risk appetite is assessed with respect to the aggregated level of total risk exposure, exposure to individual risks and conducted stress tests.
Management and control	To define how risks should be managed and followed up.
Roles and responsibilities	To define roles and responsibilities.

Monitoring

The risk limits are monitored through ongoing reporting of the status in relation to the limits. This includes:

- Defining lines of responsibility for the various risk areas and associated limits
- Requirements for reporting deviations
- Requirements for assessing and implementing mitigation measures in the event of a negative development.

Risk appetite

The Group's risk appetite is defined from both a qualitative and a quantitative standpoint.

A general overview of the Group's qualitative risk appetite is presented in the table below.

#	RISK AREA	RISK APPETITE	REASONS
1	ESG risk	Low to moderate	<p>The Group has developed a sustainability strategy that clearly signals that the Group wants to be a driving force in the area of sustainability.</p> <p>The Group has committed to complying with:</p> <ul style="list-style-type: none"> • Global Reporting Initiative (GRI) • TCFD -Task Force on Climate-related Financial Disclosures <p>Initiatives supported by SpareBank 1 Sørøst-Norge:</p> <ul style="list-style-type: none"> • UN Global Compact • Principles for Responsible Banking • UN Sustainable Development Goals (SDGs) <p>Specification of targets and risk appetite/limits within the area of sustainability is included in the underlying policy documents for the various areas of risk.</p>
2	Business risk Profitability	Low	<p>The profitability must be adequate to help the Group maintain a level of financial strength that supports the Group's long-term goals and at the same time provides the owners with a reasonable return on their invested capital.</p>
3	Credit risk	Low to moderate	<p>The Group must grant credit and manage the credit portfolio within acceptable risk levels that indicate that the majority of the retail and corporate market portfolio must have low to moderate risk based on the probability of default and loss risk. The Group must have a good credit culture and management focus on managing credit risk through monitoring, measuring and ensuring compliance with established credit processes and the defined risk appetite.</p>
	Concentration risk		<p>The credit portfolio must be satisfactorily diversified in relation to the risk of concentration within sectors, industries, geographic areas and the size of individual customer exposures.</p>
4	Market risk	Low	<p>In its activities, the Group must prioritise risk taking linked to the development of local communities by contributing to the delivery of credit products in the retail and corporate markets and given this the risk associated with financial risk taking must therefore be low.</p> <p>The Group must seek to have securities with a good rating and negotiability. The share, interest rate and counterparty risk must be low and must be distributed across different issuers and counterparties in order to reduce the loss potential due to any defaults.</p>

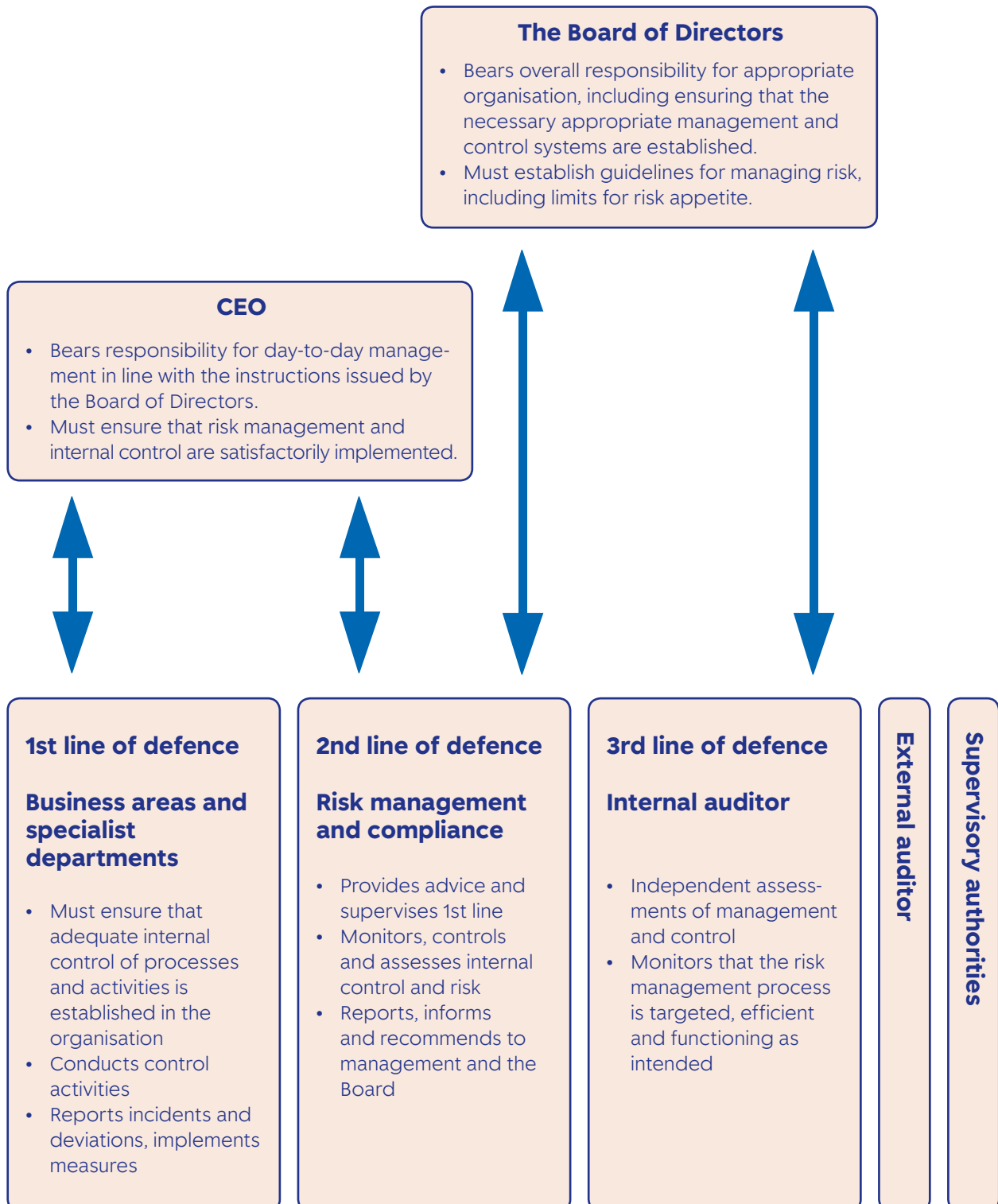
#	RISK AREA	RISK APPETITE	REASONS
5	Liquidity and funding risk	Low	The Group has a low risk profile for liquidity risk where no single events should be able to seriously harm the Bank's financial position. To ensure this, these limits are set such that there is an adequate buffer in relation to the regulatory levels and that they result in an adequate survival period in a stress situation.
	Financial strength and capital allocation		The Group must be seen to be properly capitalised in relation to risk levels, regulatory requirements and the market's expectations regarding financial strength. In a situation involving an economic setback, the Group must have the financial strength to withstand operating with deficits/significantly weaker results over a 3-year period.
	Systemic risk		The Group must have sufficient buffers to ensure that it can provide financial services in the Group's region in case unforeseen events occur that challenge financial stability. This is so that it can help reduce any negative impacts on production and employment.
	Rating		The Group must have a rating on a par with comparable savings banks in Norway.
6	Owner risk	Low	It is a key condition for goal attainment that the Group is part of the SpareBank 1 Alliance, SpareBank 1 Banksamarbeidet DA and SamSpar. When assessing strategic ownership interests, there is also an emphasis on assessing expected returns in relation to the capital tied up.
7	Operational risk	Low	The Group should have a low risk profile for operational risk, quantified and monitored in relation to predefined incident categories.
8	Insurance risk	Low to moderate	As an owner of insurance activities: Insurance risk arises due to, and associated with, ownership of SpareBank 1 Gruppen and through this indirect ownership of Fremtind.
			Internal insurance risk in the Group: The largest identified risk drivers for the Group are handled through a process where, among other things, the probability of the risks occurring, and the potential consequences should they occur are assessed. Consequences are calculated as a financial amount.
			The figures for probability and consequence that are input for each risk driver provide the basis for calculating expected and unexpected credit losses (standard deviation). For each risk driver, an assessment is made of the insurance cover for the various risks. In addition, an assessment is made of the confidence in the implemented risk-reducing control measures. Overall, the internal control measures and insurance cover result in a risk-reducing financial consequence that should be low.
	Total risk appetite	Low to moderate	Overall, the Group should be exposed to low to moderate risk based on the above.

The overall to risk appetite is low to moderate and unchanged from previous years. The qualitatively defined risk appetite is operationalised through quantitatively defined risk limits and targets within each of the defined areas of risk. This in turn sets the direction for the underlying governing documents.

Organisation, implementation and monitoring

SpareBank 1 Sørøst-Norge has for many years, both under its own auspices and through its collaboration in the SpareBank 1 Alliance, put considerable resources into developing effective processes for identifying, measuring and managing risk. The Group's organisation must

support, and be in line with, the regulatory requirements and internal ambitions surrounding risk management and internal control. A model has been established that involves three lines of defence. This is illustrated in more detail and described in the model below.



The Board of Directors of SpareBank 1 Sørøst-Norge is responsible for approving a prudent risk appetite/profile, financial strength and return targets, overall frameworks for sustainability, compliance, risk and capital management, including the IRB system, and risk models in general.

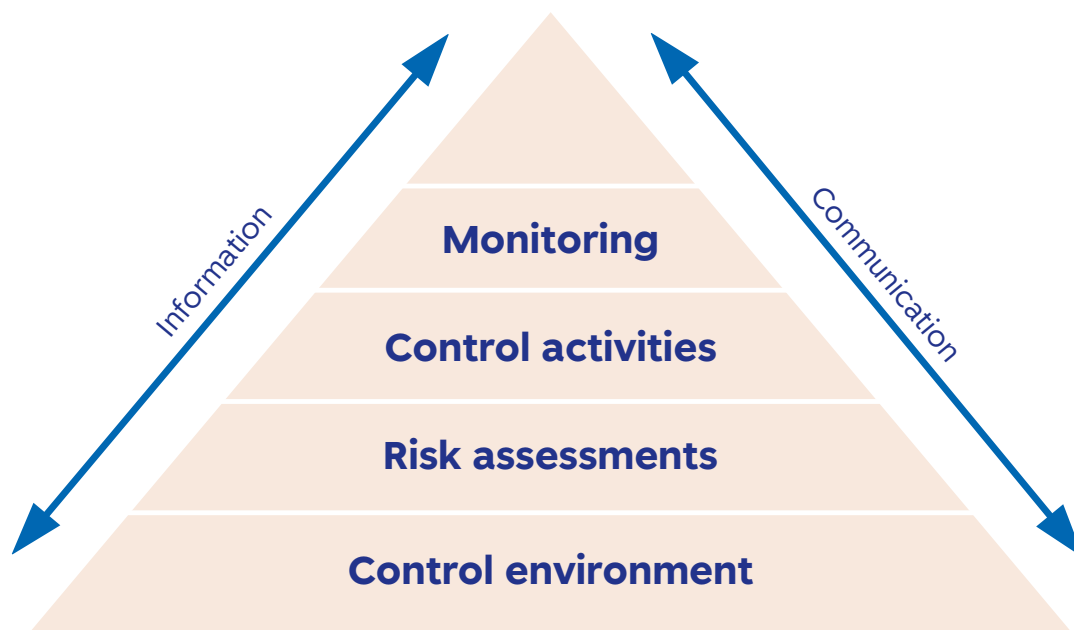
The Board of Directors is also responsible for approving risk limits and authorisations, the internal capital adequacy assessment process (ICAAP), the internal liquidity adequacy assessment process (ILAAP) and the minimum requirement for own funds and eligible liabilities (MREL) process, as well as the associated assessments of prudent financial strength, financing and liquidity in relation to the Group's risk exposure and contingency plans, which includes compliance with regulatory requirements.

The Board must ensure that the framework is adequately communicated and implemented throughout the Group. The Board must also ensure that the framework is followed up with adequate authority and resources. The Board's duties are formalised in a specific plan that

is updated annually. This must ensure that the Board prioritises and carries out assigned key duties in a satisfactory manner.

The Risk Committee, as one of the Board's working committees, is responsible for the initial treatment of the topic in relation to sustainability, compliance, risk management, capital management and internal control, etc. before final consideration and approval by the Board. This entails, among other things, processes linked to ICAAP, ILAAP, MREL and the validation of credit models, risk appetite and risk reporting.

The CEO is responsible for establishing good structures for addressing sustainability, compliance, risk and capital management. This means that the CEO is responsible for ensuring that effective risk management systems are implemented in the Group and that risk exposure is monitored. The CEO is responsible for delegating authorisations and reporting to the Board.



Internal control and management confirmation

The Group's internal control is based on the Committee of Sponsoring Organisations of the Treadway Commissions (COSO) framework, which contains five components:

1. **Control environment:** Includes the people in the organisation, including their individual qualities and integrity, ethical values, attitudes and skills, as well as how the organisation is organised. The control environment also includes management philosophy, management style and form of operation.
2. **Risk assessment:** Assessment of internal and external factors that affect goal attainment.
3. **Control activities:** Guidelines and procedures that are intended to ensure that risks are reduced and managed efficiently.
4. **Information and communication:** Processes that ensure that relevant information is identified and communicated on time.
5. **Monitoring:** Processes for ensuring that internal control is appropriately defined and performed, and that it is effective and adaptable.

The five components are intended to help the Group achieve its strategic goals through good risk management and corporate governance. The COSO framework has been established in line with the Group's general principles for sustainability and risk and capital management, in which continuous improvement, efficient operations, reliable financial reporting and compliance with laws and regulations are important factors. Executive vice presidents, heads of business units and control, specialist and support environments produce reports every year that set out how the risk management and internal control within their areas of responsibility is performed (management confirmation).

The main purpose of the annual management confirmation process is:

- To provide the Board of Directors and executive management team with a summary of the performance of the risk management and internal control.
- To map the Group's strengths and weaknesses within risk management and internal control so that the necessary improvement measures can be implemented.
- To facilitate active engagement and understanding with respect to risk management and internal control among managers at all levels of the Group.

The reporting must be used actively in a management development process that increases the understanding of the importance of good risk management and quality. The Control Objectives for Information and Related Technology (COBIT) framework is used as a basis for risk management and internal control for the area of information technology (IT).

The COBIT framework ensures comprehensive management and control within three key areas:

- Internal and regulatory requirements and controls.
- Technical issues and challenges.
- IT risk.

The framework unifies recognised IT standards and best practice with other general and strategic goals.





Equity certificates

SpareBank 1 Sørøst-Norge has two types of owners: holders of its listed equity certificates (the equity certificate capital) and the community-owned capital (the primary capital). At the end of the year, equity certificates accounted for 60.3% (the equity certificate fraction) of the Bank's equity, while 39.7% was community-owned.

SpareBank 1 Sørøst-Norge's equity certificate capital amounted to NOK 1,778 million at the end of the year, made up of 118,689,917 equity certificates, each with a nominal value of NOK 15. The Bank's equity certificate is listed on Oslo Børs, and the number of owners as at 31.12.2021 was 5,929 (4,218). Of the Bank's owners 98.8% (96.6%) are Norwegian, of which 54.1% (38.9%) are the savings bank foundations (see section 3.7.0).

Note 40 provides an overview of the equity certificates owned by the Bank's executive persons and employee representatives. The table below provides information about the 20 largest owners, as well as the change in

their holdings over the past year. Changes in the number of equity certificates held by savings bank foundations were due to the merger and the associated issue in connection with the merger between SpareBank 1 BV and Sparebanken Telemark on 01.06.2021. Some 55,588,564 new equity certificates were issued at that time, of which 10,498,569 were issued to SpareBank 1 Stiftelsen BV, 7,973,009 equity certificates were issued to Sparebankstiftelsen Telemark-Grenland, and 37,116,986 equity certificates were issued to other owners of Sparebanken Telemark. This means that one equity certificate in Sparebanken Telemark was exchanged for approximately 3.41 equity certificates in SpareBank 1 Sørøst-Norge.

Owner	31.12.2021	31.12.2020	Change in no. from last year
SpareBank 1 Stiftelsen BV	24,141,356	13,642,787	10,498,569
Sparebankstiftelsen Telemark-Grenland	18,910,174	-	18,910,174
Sparebankstiftelsen Nøtterøy-Tønsberg	10,925,503	10,925,503	-
Sparebankstiftelsen Telemark-Holla og Lunde	10,273,723	-	10,273,723
VPF Eika Egenkapitalbevis	3,838,504	2,291,750	1,546,754
Spesialfondet Borea utbytte	2,456,235	158,082	2,298,153
Pareto Invest AS	1,771,308	1,532,868	238,440
Landkreditt Utbytte	1,100,000	1,000,000	100,000
Melesio Invest AS	928,150	853,368	74,782
Catilina Invest AS	912,032	731,950	180,082
Wenaasgruppen AS	907,432	907,432	-
Sanden AS	707,494	588,000	119,494
Foretakskonsulenter AS	621,230	621,230	-
Kommunal Landspensjonskasse Gjensidige	582,614	-	582,614
Aars AS	534,737	-	534,737
Skogen Investering AS	520,000	40,000	480,000
Salt Value AS	497,211	343,071	154,140
Elgar Kapital AS	468,000	231,400	236,600
Babord AS	421,266	-	421,266
Hausta Investor AS	420,000	420,000	-
Total 20 largest owners	80,936,969	34,287,441	46,649,528
Share of equity certificate capital	68.2%	54.3%	-

Equity certificates in SpareBank 1 Sørøst-Norge

The legal provisions for equity certificates establish limits that are largely consistent with those that apply to shares in commercial banks.

Acts and regulations

The equity certificates issued by the Bank are regulated by the Financial Institutions Act, chapter 10. Listed equity certificates are not included in any of the Norwegian equity indices, although they are included in a separate index for equity certificates (OSEEX Equity Certificate Index).

Annual dividends for the equity certificates may be distributed from the annual profit in accordance with the parent bank's financial statements for the last financial year. The amount of the dividend is proposed by the Bank's Board of Directors and is approved by the Supervisory Board. The dividend cannot be set higher than a level that is consistent with good, prudent business practice with respect to losses that might have occurred after the end of the financial year or that must be expected to occur.

The current tax regulations mean that the dividend payment will be taxed. The basis for the taxation is the dividend in percentage less a fixed percentage, the so-called dividend tax exemption.

Equity certificates as an equity instrument

An equity certificate is an equity instrument that savings banks use to raise equity capital. It has many similarities to shares. The differences primarily concern ownership of the equity and influence in governing bodies. The return on equity certificates is divided into two components, an annual cash dividend and price appreciation of the equity certificate. Equity certificate capital is secured in the event of any losses in the Bank in that it has priority over Sparebankens Fond.

Owner and dividend policy

Equity certificate holders elect nine (37.5%) of the 24 members of the Bank's Supervisory Board. Please also see the Bank's corporate governance principles (section 3.2.0).

SpareBank 1 Sørøst-Norge aims to achieve results that deliver a good return on the Bank's equity. This will ensure its owners a competitive, stable, long-term return in terms of dividends and higher prices for its equity certificates. Please also see the Bank's dividend policy, which is discussed in the Bank's corporate governance principles (section 3.2.0).

The annual profit will be distributed between the equity capital and primary capital in line with their proportion of the Bank's equity. SpareBank 1 Sørøst-Norge assumes that around 50% of the owner capital's share of the annual

profit will be paid out as cash dividends. In order to maintain stable ownership fractions over time, as a general rule, dividend funds amounting to around 50 % of the primary capital's share of the profit for the year will be transferred to SpareBank 1 Stiftelsen BV and Sparebankstiftelsen Telemark-Grenland.

When determining the level of dividends, the Group's financial strength must be taken into account, including its expected financial performance in a normalised market situation, future capital requirements, external framework conditions, the Group's goals and strategic plans.

In 2021, profit after tax per equity certificate for the Group amounted to NOK 5.03 (4.34), and for the parent bank it amounted to NOK 4.05 (3.64). Based on the Bank's dividend policy, the Board of Directors proposes paying a dividend of NOK 2.50 (1.90) per equity certificate for 2021, totalling NOK 297 million (NOK 120 million). The dividend equalisation fund was credited with NOK 1.55 (1.74) per equity certificate for 2021, totalling NOK 183 million (NOK 110 million).

Financial calendar for 2022

- Ex-dividend date: 23.03
- Q1 11.05
- Q2 11.08
- Q3 10.11

Dividend last 5 years

Year	Dividends	Price 31.12	Direct return
2017	2.40	33.90	7.1%
2018	2.95	35.60	8.3%
2019	2.42	39.60	6.1%
2020	1.90	41.30	4.6%
2021	2.50	65.40	3.8%

Information for the market

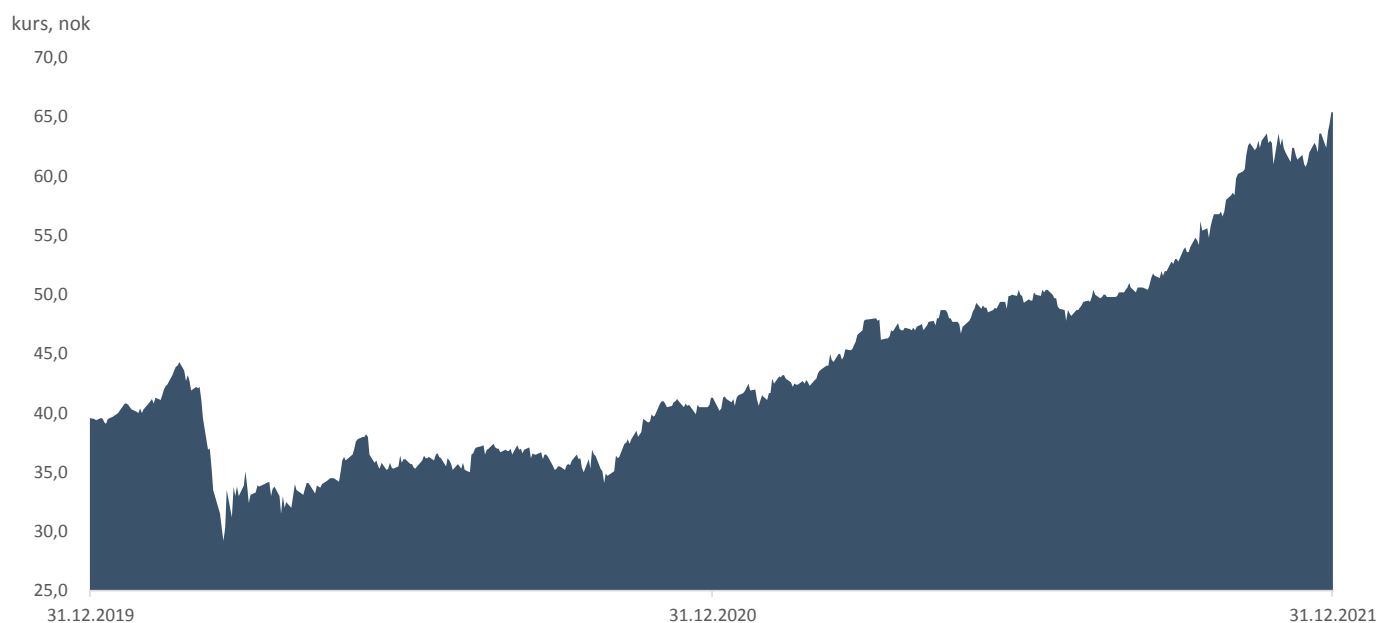
Clear, easily understood and timely information supports the relationship of trust between the owners, the Board of Directors and management, and ensures that the Bank's stakeholders can both assess and deal with the Bank at all times. Therefore, the Bank's guidelines for investor communications emphasise the importance of extensive engagement with the Bank's various stakeholders, where the focus is on openness, predictability and transparency. The Bank also attaches great importance to ensuring it provides correct, relevant and up-to-date information about the Bank's performance and earnings in order to gain the trust of the investor market. Information for the market is provided through quarterly interim reports and investor presentations. All interim reports, press releases and presentations are available on the Bank's website.

Stock exchange listing

The Bank's equity certificates are freely negotiable securities and are listed on the Oslo Børs. The equity certificates are registered with the Norwegian Central Securities Depository (VPS). The equity certificate's ticker code is SOON.

Further details about the equity certificate are provided in Note 40 and 41.

Price performance in the last 2 years



Business description

SpareBank 1 Sørøst-Norge is a regional financial services group for Southeast Norway that offers a wide range of financial, insurance, accounting and real estate brokerage services. We are present for the local businesses, people and communities in our region. The Group has 16 staffed branches in Vestfold, Telemark and the lower part of Buskerud. We believe it is very important to be there for our customers in whatever channel they currently prefer – in person and/or digitally.

Much of 2021 was affected by the merger between SpareBank 1 BV and Sparebanken Telemark, with their legal merger and change of name to SpareBank 1 Sørøst-Norge taking place on 01.06.2021. The new group holds significant market positions in Southeast Norway. Its clearly expressed ambition is to preserve the benefits associated with local banks and combine these with solid financial muscle.

The Group saw good growth throughout the year in both the retail and corporate markets. Its market position was strengthened in several of its local areas and there was a good influx of new customers. The development within both lending and saving was positive.

The banking and financial services industry, and society in general, is constantly evolving, especially within the digital sphere. Digital development is one of the Group's priority areas.

SpareBank 1 Sørøst-Norge wants to be the personal regional bank that provides value for local businesses, people and communities. We are there for customers, both in person and digitally. Customers are increasingly going digital, and our good digital solutions are very popular. Use of the mobile bank increased in 2021, with no fewer than 48.6 million logins.

Retail market

SpareBank 1 Sørøst-Norge enjoys a strong market position in Vestfold og Telemark and parts of Buskerud. The newly merged Bank also delivered good financial results in 2021 to the satisfaction of its owners, local communities and the voluntary sector.

We will continue to be the relationship bank that meets customers in their preferred channel – either digitally or in person at one of our 16 branches.

The competition for customers is fierce. In addition to competitive mortgage rates, we believe in meeting customers in person. Feedback from customers confirms that they think we are easy to get in touch with. We went to great lengths to ensure our branches were open as much as possible during the pandemic, and we are pleased that we were able to help the vast majority of customers who were financially affected by infection control rules. Having local roots is a strong element of our strategy.

Customers appreciate our good digital services. SpareBank 1 has Norway's best and most user-friendly digital bank, and we are available to customers every day until midnight via our customer service centre.

The Group believes helping to ensure that each customer has secure and healthy personal finances is an important task. We are proud to be able to say that a large proportion of our customers have a buffer account, and up to 25% of our mortgage customers regularly save via funds. We are also seeing that an ever-growing proportion of younger customers are good savers. Demand for green funds and ESG funds in general is rising sharply.

The market's interest in sustainability is growing rapidly, and sustainability forms an integral part of the Group's activities. The "My carbon footprint" service in the digital bank helps our customers live more sustainably by monitoring how their spending affects the climate.

Corporate market

The merger between SpareBank 1 BV and Sparebanken Telemark was a major factor in 2021. The Group has expended resources on establishing a common new corporate culture, as well as common new policies and guidelines. SpareBank 1 Sørøst-Norge is well equipped for the future and saw volume growth in the corporate market of 7.2% over the course of 2021. We have seen a good influx of new customers and the Group is strengthening its market position in the region.

The Group has focused heavily on the launch of Bank + Accounting, which makes us more attractive for both existing and potential new customers. Good work is being done to ensure that customers view the Group as a natural place to resolve their financial challenges. Many credit decisions depend on good quality accounting and insurance. By gathering such products into a single financial services group, customers are ensured that they comply with the Bank's requirements and expectations.

Otherwise, 2021 was characterised by expectations of the pandemic coming to an end. In the end, this did not happen. The phasing out of the economic measures was postponed, and most companies fared well. We are excited about what the new year may bring.

The merger between SpareBank 1 BV and Sparebanken Telemark

The merger between the two banks has helped consolidate our position in the region. Going forward, the Group will focus on building an attractive, sound regional bank for Southeast Norway. We want to make ourselves attractive for customers, investors and employees. Our ambition is to be one of the most attractive places to work in banking and finance in Southeast Norway, at the same time as we facilitate profitable growth.

New vision, values and local brand identity

Good internal participation has resulted in the development and establishment of a new vision and values. Our vision, "Together we create value", provides a clear direction, both for the short term and for the long term. Our values, "present, power and movement" provide all employees with good guidance in their day-to-day work.

Present means available to our users and each other in-house. We have **power** through the people who work here. Together we are a strong, solid organisation, rich in experience and expertise. We are in constant **movement**. Looking back to learn and moving forward to develop. We provide support and help make dreams come true.



Number of retail customers in 2020

114,500

Number of retail customers in 2021

118,500



Number of corporate customers in 2020

10,308

Number of corporate customers in 2021

11,222

The work on establishing a local brand identity has been a high priority. A clear brand is good for business. The brand is primarily about the experiences customers have with us, and the products and services we deliver. A strong brand makes it easy for customers to choose us.

We have defined our local brand identity – or the impression we want to make – as follows:

“ The personal regional bank that provides value for local businesses, people and communities. ”

This identity helps us to stand out from our competitors in our region; it makes us unique. It supports our strategy of being an attractive bank for the region with high levels of customer satisfaction.

Business Development

SpareBank 1 Sørøst-Norge is constantly working to adapt the Group's activities to match the customers' expectations and a competitive picture that is constantly changing. Changed framework conditions also create new business opportunities.

In the work on our corporate strategy, we looked at a number of important trends that will affect banking and finance in the next few years, including:

- From climate awareness to climate action
- More important to know your customers
- Permanent changes in digital interaction

Change fit

While predicting the future is difficult, taking a conscious approach to the future and having an organisation that is able to adapt quickly are useful. “Change fit” is defined as having the long-term stamina to stick at it in the face of constant unpredictability and to implement changes that increase competitiveness with enthusiasm and at a fast pace.

When digital developments accelerated in 2020 due to the Covid-19 shutdown of society, it was precisely the opportunities that arose that it was important to take advantage of. Managers and employees continued this development throughout 2021. Having the skills to constantly face new requirements and changes will perhaps be one of the most important skills going forward. The Group is, therefore, committed to facilitating learning and development in order to retain and develop our

capable employees. Power and movement are two of our values.

Together we create value

The SpareBank 1 banks collaborate on service development through SpareBank 1 Utvikling AS. This contributes to economies of scale that benefit both customers and owners. SpareBank 1 Sørøst-Norge wants to preserve its distinctive character as a local regional bank while being at the forefront of digital services that make the everyday lives of customers simpler and better. Being close to this development, builds expertise and best practice across the Alliance.

Digital bank

Norwegian bank customers demand good digital banks, and this is increasingly becoming a driver of customer relationships. Customer surveys show very high satisfaction with our digital bank, although its high quality is generally only known to our existing customers. Going forward, it will be important to highlight the benefits of having one of the market's best digital banks for retail and corporate customers.

Data and insights

Knowing your customers well is crucial to success as a relationship bank. One important strategic priority area is the work on becoming a data and insight-driven organisation. SpareBank 1 Sørøst-Norge has in the last few years focused on innovation in relation to ways of utilising customer data. Processing and structuring data means that today we have good segmentation models for both our retail and corporate customers. This provides opportunities for better customer segmentation and a good basis for further work on service concepts.

A parallel priority is the focus on data-driven customer engagement where we are working on an insight-based basis in order to be present and relevant for our customers. We know that our customers want to hear more from us and data and insights result in higher quality and relevance for the future engagement with customers.

This presents good sales opportunities and will in the long-term contribute to higher customer satisfaction.

**Facts about
2021** 



Share of mortgage applications started digitally:

92,8%



Number of logins to mobile bank:

(retail)

48.6 million



Number of customers with Own Pension Account:

1.315



Number of customers with saving agreements for funds:

22.022



Number of homes sold by EiendomsMegler 1 BV and EiendomsMegler 1 Telemark:

3.176

This represents an increase of 11 % since 2020.



Total new:

Retail customers

4.000

Corporate customers

914

The SpareBank 1 Alliance

The SpareBank 1 Alliance was established in 1996 in the wake of the banking crisis in the early 1990s. Overall, it is Norway's second largest financial services grouping in terms of total assets. The SpareBank 1 Alliance currently consists of 14 independent savings banks that all provide a full range of financial products and services to private individuals, companies and organisations in their local markets around Norway.

The purpose of the SpareBank 1 Alliance is to secure the independence of each bank, regional roots, profitability and financial strength by sharing development expenses, achieving economies of scale and building up vital expertise. Today, the SpareBank 1 Alliance has around 8,400 employees in total, of whom around 1,844 work in SpareBank 1 Gruppen AS, SpareBank 1 Utvikling DA and their subsidiaries.

SpareBank 1 Sørøst-Norge's participation in the Alliance is addressed through its stake in Samarbeidende Sparebanker AS (SamSpar AS). The Bank owned a 22.8% stake in SamSpar AS as at 31.12.2021.

Organisation of the cooperation

Cooperation in the Alliance is organised through the two jointly owned companies SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA and their subsidiaries, and through a number of other companies directly owned by the 14 banks. It is the companies within SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA that provide the foundation for the cooperation, the companies that are referred to as the Alliance Cooperation.

SpareBank 1 Gruppen AS

SpareBank 1 Gruppen AS is a holding company with five subsidiaries. These companies develop and supply products to the Alliance banks, which in turn offer them to customers in their local markets. The holding company's job is to take care of financial management, risk management and compliance, legal services and government relations. The company also develops and delivers products to the trade unions and trade union members in the Norwegian Confederation of Trade Unions (LO)



These 14 banks make up the SpareBank 1 Alliance:

SpareBank 1 Sørøst-Norge

SpareBank 1 Gudbrandsdal

SpareBank 1 Hallingdal Valdres

SpareBank 1 Lom og Skjåk

SpareBank 1 Modum

SpareBank 1 Nordmøre

SpareBank 1 Østlandet

SpareBank 1 Helgeland

SpareBank1 Ringerike Hadeland

SpareBank 1 SMN

SpareBank 1 SR Bank

SpareBank 1 Søre Sunnmøre

SpareBank 1 Østfold Akershus

SpareBank 1 Nord-Norge

via the LOfavør loyalty programme. LO is a co-owner of SpareBank 1 Gruppen AS with a stake of 9.6%.

SpareBank 1 Utvikling DA

SpareBank 1 Utvikling DA consists of a number of development and specialist environments that deliver business platforms and common management and development services to the 14 owner banks. The company helps to ensure that the joint development and common activities provide the banks with economies of scale and competence advantages. The company owns and manages the Alliance's intellectual property rights under the common brand name "SpareBank 1". The company has two subsidiaries that also deliver common services to the 14 Alliance banks.

Fremtind Forsikring AS

Fremtind is the result of a merger between the insurance companies of SpareBank 1 and DNB. It is one of Norway's largest insurance companies, and the largest provider of insurance sold by banks. Fremtind distributes its products via the banks' local branches across the country, customer centres and digitally. The SpareBank 1

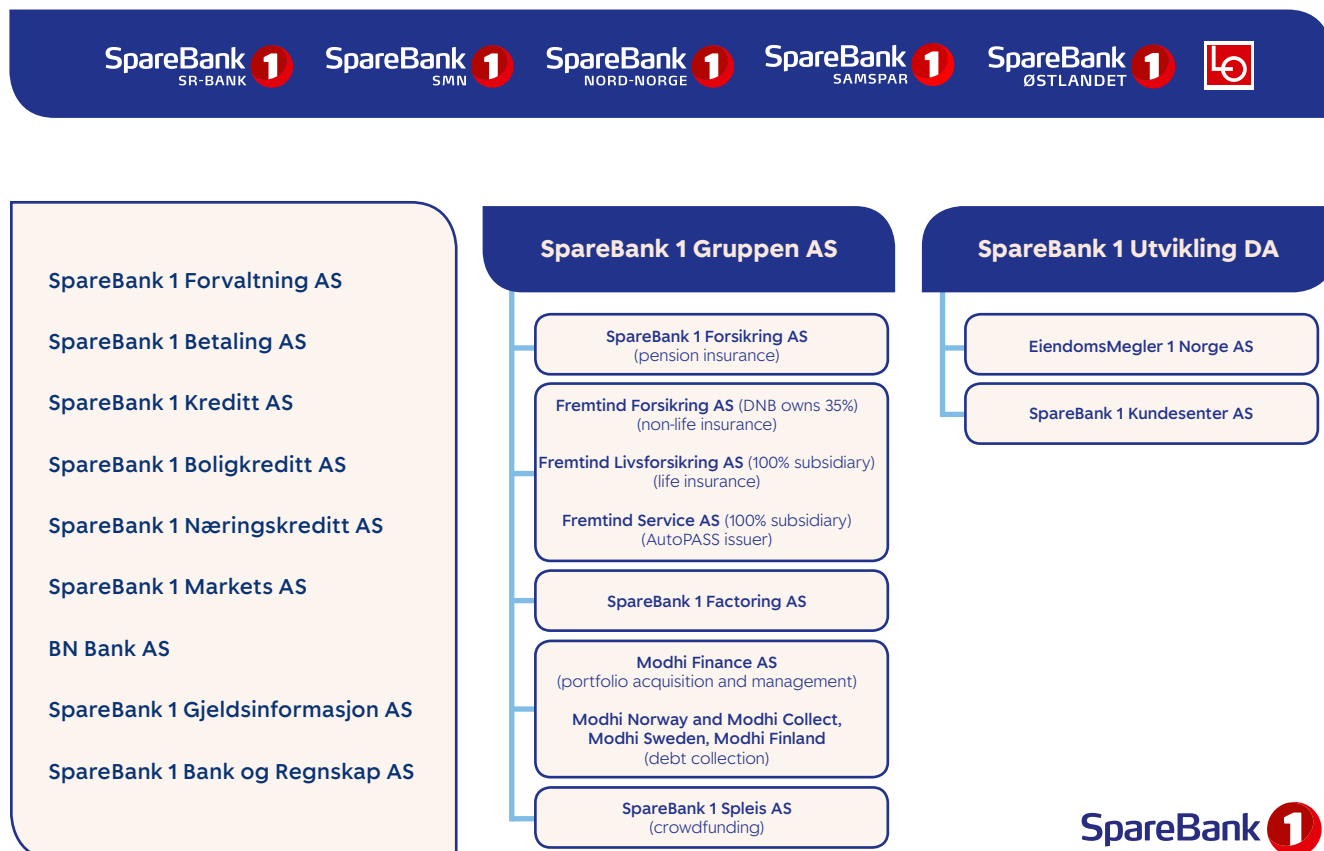
banks distribute the insurance under the SpareBank 1 brand, while DNB distributes it under the DNB name. The company also supplies products to LO's 930,000 members via the LOfavør brand.

SpareBank 1 Forvaltning AS

SpareBank 1 Forvaltning was established on 01.05.2021. At the same time, ODIN Forvaltning AS was demerged from SpareBank 1 Gruppen AS and merged with SpareBank 1 Forvaltning AS on a continuity basis. On the date it was transferred, SpareBank 1 Forvaltning AS's owners and assets were identical to those of SpareBank 1 Gruppen AS. SpareBank 1 Kapitalforvaltning AS and SpareBank 1 Verdipapirservice AS were acquired by SpareBank 1 Forvaltning AS on 01.07.2021. On 15.09.2021, an agreement was signed to acquire SpareBank 1 SR Forvaltning.

The stakes in SpareBank1 Forvaltning AS were rebalanced on 29.12.2021 in connection with the SR-Forvaltning transaction. The Financial Supervisory Authority of Norway gave its approval for the acquisition on 29.12.2021. SR-Forvaltning statement of financial position was consolidated into SpareBank 1 Forvaltning as at 31.12.2021.

Ownership and company structure in the SpareBank 1 Alliance



The savings bank foundations

SpareBank 1 Sørøst-Norge's clearly expressed ambition is to be an attractive regional bank for Southeast Norway with a strong local presence in line with the traditions of savings banks. A good, close partnership with the savings bank foundations is important in order to underscore this. The savings bank foundations play important roles in their communities and contribute to local value creation throughout our market area. The foundations are also an important source of equity for the Bank should the Group need capital in the future.

Two savings bank foundations were established in connection with the merger between Sparebanken Telemark and Holla and Lunde Sparebank in 2012: Sparebankstiftelsen Telemark-Holla and Lunde and Sparebankstiftelsen Telemark-Grenland. Similarly, SpareBank 1 Stiftelsen BV and Sparebankstiftelsen Nøtterøy-Tønsberg were established in 2017 as a result of the merger between SpareBank 1 BV and SpareBank 1 Nøtterøy-Tønsberg.

One of the jobs of our four foundations is to ensure that the capital the Bank has built up over almost 200 years remains in the areas where it was created. The savings bank foundations ensure that the traditions of the savings banks are appropriately preserved, and they are also, not least, long-term stable owners of the Bank.

Each year, the foundations distribute considerable sums as gifts to local organisations, sports teams, cultural institutions and others, with an emphasis on gifts that benefit children and young people in their respective local areas. The foundations do not stipulate any requirements or expectations for gift recipients concerning quid pro quos in relation to the gifts.

In 2021, the four savings bank foundations distributed gifts to good causes amounting to a total of NOK 59 million in our market area.

The savings bank foundations' websites and social media channels are regularly updated with relevant news. The Bank also shares news and good stories about the gifts on its website and in social media channels.



Our employees

Every employee of SpareBank 1 Sørøst-Norge is valuable, and we believe motivated and satisfied employees are our most important resource when it comes to making the Group competitive. The people who work for us give us the power to develop, and as we move forward together this creates security, a sense of proficiency and motivation.

An attractive workplace due to the merger

Naturally enough, the merger between SpareBank 1 BV and Sparebanken Telemark was a major factor in 2021 and one of the main ambitions has been to create an attractive workplace for our employees who now number 552. The main aims of the work on creating an attractive workplace have been job satisfaction, building a corporate culture, learning and development, collaboration across the organisation, flexible workdays, and a focus on sustainability.

Over the course of yet another year of the pandemic, we have learned from, and built on, our previous experience. We have become good at digital solutions for working together, and we have seen that more flexible workdays have resulted in both satisfied employees and good results. The hybrid working day is here to stay. As a result, we have developed guidelines for flexible workplaces that mean that, while the office will continue to be our social and professional focal point, employees will also have the opportunity to work from home. One of the aims of this is to try and achieve a good balance between work and time off, which reduces both stress and emissions. The arrangements will be evaluated every 3 months so that we learn and improve as we go.

A new strategy has seen the light of day since the merger, and our employees played a large part in its formulation. Active employee participation in the work on where we are going and how we will get there is a critical success factor for a successful strategy.

Working environment, equality and diversity

In SpareBank 1 Sørøst-Norge, we all have a shared responsibility to create a good working environment in which everyone thrives, acts respectfully and has a high degree of trust in each other.

Both Sparebanken Telemark and SpareBank 1 BV have in previous years carried out annual employee surveys in partnership with SpareBank 1 SamSpar. In 2021, the agreement with our earlier provider was terminated. Therefore, no employee survey was carried out in 2021. We have been actively working to put a new provider in place for 2022. Given the special situation we are in with both the merger and the pandemic, the Group also wants to prepare a separate survey on job satisfaction. This will be sent out to all employees on a quarterly basis in 2022 so that we achieve better continuity and an insight into how we are doing at work and have a chance to improve during the year.

The balance between work and private life is important. In 2022, SpareBank 1 Sørøst-Norge will partner with the University of South-Eastern Norway on a research project that aims to learn more about occupational health in the hybrid working day. The project will teach us work recovery methods so that we can examine if some employees enjoy better effects from work recovery than others. The project will also teach us how measures in the workplace should be implemented to achieve good results.

Our goal in SpareBank 1 Sørøst-Norge is to be a workplace that highlights, values, learns from and focuses on equality and diversity among our employees. A great deal of space was afforded to social sustainability in our strategy work. We are at the starting line when it comes to structuring the work on equality and diversity. We want more knowledge, so surveys and insights are on the agenda for 2022. Implementing good, targeted measures in those areas that represent the greatest risk for us will be a natural next step. Some measures have already been approved, and these have been systematically incorporated into the table. Annual evaluations of implemented measures will be incorporated into

MEASURES AND GOALS FOR OUR WORK ON EQUALITY AND DIVERSITY								
		REASON FOR THE MEASURE	MEASURES	METRICS AND TARGETS	STATUS	RESPONSIBLE	DEAD-LINE	LONG-TERM RESULTS
AREAS	RESPONSIBILITY	The work on equality and diversity must be taken seriously. This will be achieved by first anchoring it in the executive management team and then among employees.	• Dedicated work on equality and diversity in relation to the executive management team.	✓ Executive Vice President HR & Organisational Development has dedicated responsibility for the work on equality and diversity	Completed	Executive Vice President HR & Organisational Development	2021	Through dedicated work on equality and diversity, we will ensure it is implemented and demonstrate that we are taking the work seriously.
	KNOWLEDGE AND INSIGHT	In order to arrive at good, result-oriented measures and targets, we need knowledge about, and insight into, the current situation. We want to work systematically and take a result-oriented approach to equality and diversity, and a thorough analysis will help us move forward.	• Analysis of status of equality and diversity in the Group	✓ Greater knowledge about, and insight into, the situation regarding equality and diversity in the Group	Planned	Executive Vice President HR & Organisational Development	2022	Arrive at good, result-oriented measures and objectives in order to fulfil our equality and diversity responsibilities
	GENDER	The proportion of female managers does not reflect the proportion of women in the enterprise as a whole. The proportion of women in the Group is 59%, while the proportion of women in management roles is 37%.	• Sign the “Women in Finance Charter” and thereby set targets for, for example, gender balance and report on progress.	✓ The proportion of women in management roles (at different levels and in different departments) should reflect the proportion of women in the Group	Planned	Executive Vice President HR & Organisational Development	2022	Increase the proportion of women in management roles
	GENDER/ETHNICITY	We want to reflect the society of which we are a part and have assessed the homogeneous working environment as being a risk.	• Pilot project: Anonymised CVs in the recruitment selection processes.	✓ Appoint competent employees regardless of gender or ethnic background	Planned	Executive Vice President HR & Organisational Development	2022	No discrimination in recruitment

The table is based on the Equality and Anti-Discrimination Ombud's template for reporting on measures. The table is not considered complete, rather it is a tool for specifying our work in the areas of equality and diversity. More measures and targets will be prepared within new areas.

our procedures. It is important for us to comply with the Equality and Anti-Discrimination Act, as well as the duties to act and disclose contained therein.

The gender balance in the Group in 2021 was 59 % women and 41 % men, and the proportion of women among managers was 37 %. We have a clear goal of increasing the proportion of women in management roles. The measures that have been approved include signing the "Women in Finance Charter".

When recruiting new employees, we are committed to hiring competent employees regardless of gender or ethnic background. In 2021, a decision was made to initiate a pilot project within recruitment in which we will use anonymised CVs in the selection phase. This could help to prevent discrimination in recruitment processes.

With an average age of 49 in the parent bank, recruiting new employees is an important arena for bringing in

younger employees with complementary skills and varied backgrounds. Of the 29 new recruits in 2021, 17 were younger than 30. In order to make life easier and working for the Bank more attractive for younger employees with very young children, up to one hour of paid welfare leave is granted every day so that they can drop off/pick up their child during the child's first year in kindergarten.

Some 31 employees left the Group over the course of the calendar year. This represents a turnover rate of 7%. At the end of 2021, the Group had a total of 552 permanent employees who represented 533 full-time equivalents (FTEs).

SpareBank 1 Sørøst-Norge seeks to avoid discrimination in all contexts. No cases of discrimination were reported in 2021. There were no whistleblowing cases in 2021 either.

Category	2020		2021	
	Parent bank	Group	Parent bank	Group
Diversity and equal opportunities				
Total number of employees	240	354	385	552
Number of FTEs	236.0	343.9	377.8	533.0
Proportion of women	55%	57%	55%	59%
Proportion of men	45%	43%	45%	41%
Employees aged under 30	11%	11%	6%	9%
Employees aged 30-50	41%	45%	40%	42%
Employees aged over 50	48%	44%	54%	49%
Proportion of women by position level				
Manager level 2	33%	33%	38%	38%
Manager level 3-4	32%	35%	31%	37%
Managers aged under 30	-	-	-	-
Managers aged 30-50	35%	45%	27%	36%
Managers aged over 50	27%	55%	33%	36%
Proportion of women on the Board	43%	40%	43%	26%
Proportion of female board members under 30	-	-	-	-
Proportion of female board members 30-50	67%	37%	50%	38%
Proportion of female board members over 50	33%	63%	40%	25%
Average pay				
Average pay of executive personnel				
Women	950,500	951,515	1,008,166	1,021,060
Men	1,020,625	1,047,620	1,006,312	1,056,596
Women's pay as a % of men's pay	93%	91%	100%	97%
Average pay of other employees				
Women	537,881	558,606	572,238	564,029
Men	619,289	681,197	643,726	686,678
Women's pay as a % of men's pay	87%	82%	89%	82%
Sick leave				
Total	2.7%	4.0%	2.8%	4.3%
Absence due to sick children (person days) men	-	-	45	69
Absence due to sick children (person days) women	-	-	122	192
Employment				
Number of new employee hires	11	21	13	29
Turnover	4.6%	6.0%	5.0%	6.8%
Number of new employee hires, by age				
Number of new employee hires under 30	6	9	8	17
Number of new employee hires 30-50	5	11	5	11
Number of new employee hires over 50	-	1	-	1
Total number of employees who took parental leave	6	8	7	14
Total number of female employees who took parental leave (total eligible)	5 (5)	6 (6)	5 (2)	10 (10)
Total number of male employees who took parental leave (total eligible)	1 (1)	2 (2)	2 (2)	4 (4)
Parental leave, average number of weeks women	31	31	34	31
Parental leave, average number of weeks men	14	14	20	15
Proportion that works part-time				
Proportion that works part-time, men	-	-	-	-
Proportion that works part-time, women	-	-	3.7%	6.0%

*) All figures as at 31.12 unless otherwise specified

*) Sick leave is over the year



PRB:
5.2

Skills

We are committed to continuous learning in an ever more digital workplace. As an employer, we believe it is important to help employees develop their skills, while at the same time we want to motivate employees to take responsibility for their own learning in their working life.

SpareBank 1 Sørøst-Norge believes that it is positive that employees want to develop and, therefore, also provides support for studying via further or continued education. Based on the study programme's relevance to the individual's job and the Group's future skills needs, the company may pay all or part of the expenses associated with studying. The development of formal qualifications in the Group is addressed through, among other things, membership of several industry-related authorisation schemes.

Both SpareBank 1 BV and Sparebanken Telemark have done a lot of work on management development in recent years. SpareBank 1 BV also continued an employeeship programme that ran right up to the merger in 2021. Both the management development and employeeship programmes will be continued in SpareBank 1 Sørøst-Norge in the new strategy period, and this an important part of the work on creating an attractive workplace.

Performance and career development reviews are important for, among other things, mapping needs and setting ambitions for learning and skills development. Obviously, 2021 was a different kind of year, and because of the major organisational changes in connection with the merger, it was not appropriate to conduct performance and career development reviews in the same way as in previous years. Their conduct has therefore varied.

Internal risk assessments and the materiality analysis indicate that we need to focus on the development of our employees. Improving sustainability skills has therefore been elevated to a major priority in the sustainability strategy. The Bank has set itself the goal of ensuring that by the end of 2022 all of SpareBank 1 Sørøst-Norge's employees will feel confident that they know enough about sustainability to do their job well. This will in turn help us achieve our sustainability goal of being competent RM and CM advisers for customers within sustainability. Employees will learn more about sustainability through internal bespoke courses for the various departments, working on cases across departments and further follow-up. The KPI for the goal of improving skills will be the proportion of employees who have completed the course (and the number of courses where this is relevant).

The focus on skills in SpareBank 1 Sørøst-Norge will create an attractive workplace by giving each individual an opportunity to acquire new knowledge and feel a sense of proficiency.

Health, safety and the environment (HSE)

There was a heavy focus on HSE work throughout 2021. Up to the date of the merger, the banks each carried out cooperation committee meetings in line with the timetables and other meetings as needed to fulfil and meet various needs.

A new Cooperation Committee (SAMU) and a new Working Committee (AMU) were constituted in connection with the merger between SpareBank 1 BV and Sparebanken Telemark. The first priority of the new Bank has been to put in place a new corporate agreement. This work has been completed and a new agreement came into effect as early as 01.12.2021. SAMU/AMU meetings were also conducted in line with the new timetable.

In addition to constituting a new SAMU and a new AMU, a number of other committees and ombudsmen were established as a consequence of the merger. The local banks have an appointments committee, remuneration committee, chief safety representative and safety representatives.

The Bank's crisis management team, which was convened in 2020 when Norway was struck by Covid-19, was also active throughout 2021. The corporate crisis staff have made recommendations to the crisis management team on how we can best carry out good, day-to-day operations during the pandemic. The crisis management team has approved and introduced various measures in line with the government's requirements and recommendations.

We saw both employers and employees demonstrate a high degree of flexibility and a willingness to adapt in 2021 in order to deliver good work in a satisfactory manner over a prolonged period. Both parties have demonstrated that flexibility and the ability to adapt to new needs have been a strength and decisive factor in delivering good results.

Not only do we have satisfactory results to show for it, we can also point to professionalism as a common thread through all the work that has been carried out in various arenas. We are open about what we expect with respect to deliveries, and we have loyal employees on our team. It is important for us that everything we do has a context and that we can help each other do well.

Cooperation with employee organisations

The Group has a good partnership with employee organisations. That cooperation has been both constructive and fruitful, especially in connection with the merger. It has proved a useful contribution that has in an appropriate manner resulted in a successful merger.

Employee remuneration

SpareBank 1 Sørøst-Norge has established a common remuneration policy. In addition to this, both of the former banks had performance-based reward schemes. Overall, the schemes were relatively similar with indicators linked to financial targets, customers and employees. The objective of the schemes was to act as a strategic tool that ensured a focus on targets, value creation and development, in addition to making us an attractive employer. The aim is to draw up a common scheme in the future with the same objective.

For a report on remuneration for executive persons (Executive Remuneration Report) and the Remuneration Policy in SpareBank 1 Sørøst-Norge, see appendices 5.1.0 and 5.1.1 of the Annual Report.

STRATEGIC ANCHORING:

GUIDELINES

- Sustainability strategy and sustainability policy

RESPONSIBLE DEPARTMENT

- HR & Organisational Development

GOALS IN THE SUSTAINABILITY STRATEGY

- 2.1 Improving sustainability skills
- 2.4 Fulfil our equality and diversity responsibilities

TRAINING

- Increase awareness of sustainability through risk workshops and projects
- Plus: Improve skills regarding social sustainability, managing equality and diversity, etc.

GENERAL MEASURES

- Hold courses for all employees that provide them with detailed insights into sustainability in their field
- Sign the "Women in Finance Charter"
- Greater focus on equality and diversity. Analysis with associated measures and objectives
- Diversity in the recruitment process
- Pilot "Anonymous CVs"
- Highlight diversity in descriptions of jobs

GRI 401-1, 2, 3, 404-1,2,3, 405-1,2, 406

UN GC 1-3, 6

SDG 8.3, 8.5

EAD Act section 26a

Sustainability in SpareBank 1 Sørøst-Norge

The Bank has been an important local supporter for more 160 years and has helped to ensure the survival of local communities. Given our proximity to customers and good local knowledge, the Bank wants to contribute to value creation and sustainable development in our market area, which covers Vestfold og Telemark County, as well as the lower portion of the former Buskerud County. SpareBank 1 Sørøst-Norges ambition is to significantly amplify our positive, and reduce our negative, impacts on people, the environment and society.

**PRB:
5.1-3**

When SpareBank 1 Sørøst-Norge was established in 2021, sustainable development was highlighted as a priority strategic area.

The new Bank has adopted a new, ambitious sustainability strategy that will come into effect from 2022. It is important for the Bank to involve and engage all of our employees in our sustainability work. The sustainability strategy includes a strong commitment to developing our in-house skills in order to become the customers' advisers in the green transition. Read more about this in the chapter on employees under skills. A management structure has been established in which the risk reporting for sustainability and climate risk takes place as part of the regular risk reporting to the executive management team and the Board of Directors. The Board revises the sustainability strategy annually. The executive management team holds regular meetings on sustainability and innovation, and a separate forum for coordinating between different departments and sustainability initiatives is being established. Our sustainability work is explained in the framework below. Also see our [sustainability policy](#) on our website for more details about our sustainability work, and why we have chosen to focus on five SDGs in particular.

In 2021, the Bank took important steps towards analysing, assessing and managing climate and sustainability risk, together with our customers. We established a green bond framework oriented towards both our largest exposures and areas where we see opportunities for growth, spoke to numerous customers about risk and opportunities, and all new corporate loans are now assessed in relation to sustainability. We assess the physical climate risk associated with objects offered as collateral to the Bank, offer better lending terms and conditions with the aim of encouraging transition within real estate, building and construction, and transport, and take account of physical climate risk and transition risk in our credit policy and credit strategy. See Note 7 and section 3.3.0 for more information on sustainability and climate risk. Risks and opportunities in the area of climate and sustainability will be even more clearly integrated into our core activities in the year ahead. See the appendix "*Sustainability and climate risk*" for further information about our focus on sustainability and climate risk.











Framework for our sustainability work

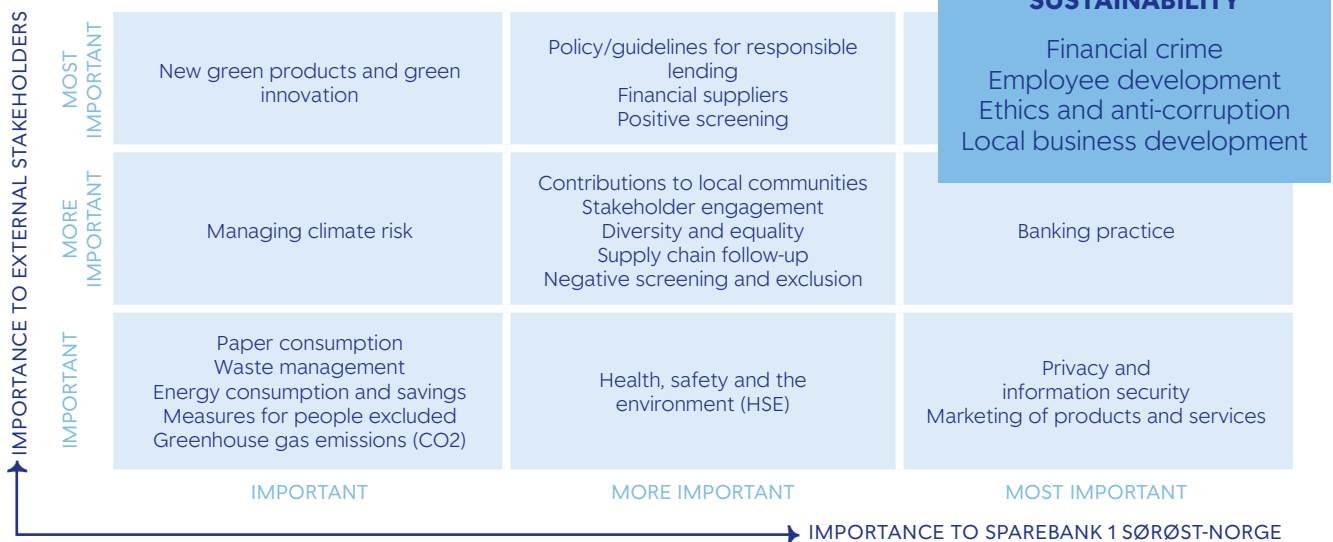
SpareBank 1 Sørøst-Norge's ambition is to “*significantly amplify our positive, and reduce our negative, impacts on the environment, social conditions and governance (ESG)*” in accordance with the UN Principles for Responsible Banking (PRB).

SpareBank 1 Sørøst-Norge has selected SDGs 8, 9, 11, 13 and 16



Relationship between the UN Sustainable Development Goals (SDGs) and targets and SpareBank 1 Sørøst-Norge's own goals and targets in our sustainability strategy

SUSTAINABILITY STRATEGY SPAREBANK 1 SØRØST-NORGE	METRICS AND TARGETS	TARGET	UN SUSTAINABLE DEVELOPMENT GOALS (SDGS)
	RESPONSIBLE	1.1 Prevent and detect money laundering and terrorist financing 1.2 Prevent digital scams 1.3 Managing privacy 1.4 Responsible operations beyond what is required 1.5 Advise customers on combating financial crime 1.6 Fulfil our corporate social responsibility (share knowledge)	 16.4 16.5
	Socially engaged	2.1 Improving sustainability skills 2.2 Share knowledge: “Konjunktur Sørøst” business cycle barometer 2.3 Focus on corporate social responsibility with the foundations 2.4 Fulfil our equality and diversity responsibilities 2.5 Become a savings and mortgage customer adviser on sustainability 2.6 Tripartite partnership RM/CM/EM1 on sustainable buildings 2.7 Helping SME customers to, for example, obtain public support and win tenders 2.8 Entrepreneur initiative (project support, prices, guarantees)	    8.3 8.4 9.3 9.4 11.a 13.a
	Climate offensive	3.1 Measures for sustainable operations 3.2 Involve the employees in climate measures 3.3 Helping housing customers to avoid to climate risk and save energy 3.4 Solar energy funding 3.5 Advise customers on the transition: solar energy funding, climate report, electrification, circular economics 3.6 Helping customers avoid climate and natural risk	   9.2 11.b 13.1 13.a
	We must prevent and detect financial crime		

SpareBank 1 Sørøst-Norge's **material topics** within sustainability**Materiality analysis** conducted with various internal and external stakeholdersAreas in which SpareBank 1 Sørøst-Norge has the greatest chance of reinforcing **positive** – and reducing **negative** – impacts**Impact analysis** conducted in 2021

POSITIVE IMPACT	NEGATIVE IMPACT
Work	Sustainable markets
Sustainable markets	Work
Housing	Waste

The framework is a tool for ensuring that our work on sustainability is coherent and complete. See the Appendix "GRI Content Index".

Policies and guidelines**Sustainability strategy and sustainability policy****Framework:**

GRI, SDGs, PRB, UN GC, TCFD, Eco-Lighthouse

Key legislation:

Accounting Act, section 3-3a and c,
Transparency Act and
Sustainable Finance Act
(Disclosure Directive and the EU
taxonomy)
Equality and Anti-Discrimination Act

Our contributions to the global effort



SpareBank 1 Sørøst-Norge is taking part in the shared global effort to achieve the UN Sustainable Development Goals by 2030 and the Paris Agreement. It is important for the Bank to support sustainability efforts in the financial services sector and other sectors, while at the same time quality assuring our own work.

We support global initiatives and comply with a number of frameworks

PRB:
1.2

UN Sustainable Development Goals

SpareBank 1 Sørøst-Norge supports the UN Sustainable Development Goals, which are the world's action plan for a sustainable future. The Bank has selected five UN Sustainable Development Goals (SDG) where we have a real chance of having a positive impact, and/or risk of having a negative impact: SDGs 8, 9, 11, 13 and 16. Relevant targets are linked to the goals in our *Sustainability Strategy*. Our sustainability work is steered by SDG 17 Partnerships for the Goals.

UN Global Compact

The Bank has been a signatory to the UN Global Compact since 2019. The Global Compact is the world's largest corporate social responsibility initiative. The Bank has undertaken to "operate responsibly, in alignment with universal sustainability principles; take actions that support the society around you; commit to the effort from your organisation's highest level, pushing sustainability deep into your DNA; report annually on your ongoing efforts; and engage locally where you have a presence." In the Appendix "GRI Content Index" we show how we are delivering on the UN Global Compact's ten principles.

UN Principles for Responsible Banking

The Bank was one of the banks that signed up to the Principles for Responsible Banking (PRB) when they were first established in 2019. This committed us to tailoring our strategy to the UN Sustainable Development Goals and the Paris Agreement, analysing our (positive and negative) impacts within sustainability. We were the first bank in the world to have its progress on the principles assessed by the UN. We have set ourselves goals, with associated measures, in order to improve. We have marked the sections of the Annual Report that show how we are living up to the principles (also see the Appendix "GRI Content Index").

Global Reporting Initiative (GRI)

We will endeavour to report in line with GRI core, the leading international standard for sustainability reporting recommended by the Oslo Børs. See the Appendix "GRI Content Index".

Eco-Lighthouse

SpareBank 1 Sørøst-Norge is Eco-Lighthouse certified. This environmental management system is used to reduce and report on direct (Scope 1) and indirect (Scopes 2 and 3) greenhouse gas emissions. See our reporting in the appendix "Energy and Climate Report 2021".

"Task force on climate-related financial disclosures" (TCFD)

SpareBank 1 Sørøst-Norge reports on sustainability and climate risk in line with TCFD recommendations. This helps us understand the risks and opportunities within climate and sustainability. See the appendix "Sustainability and climate risk".

Science-based targets

SpareBank 1 Sørøst-Norge has set itself a science-based target in line with the UNEP Finance Initiative's Emissions Gap Report of reducing the carbon intensity of both its operations and its loan portfolio by 7% per year, with no end point and 2019 as the baseline year, in line with SDG Goal 13 and Norway's target under the Paris Agreement of cutting emissions by up to 50-55% by 2030, and the Climate Change Act's target of a 90-95% reduction by 2050.

Our material topics within sustainability

Good engagement with stakeholders and employees provides direction for SpareBank 1 Sørøst-Norge's sustainability work. Based on our materiality analysis, impact analysis and internal risk assessments within the area of sustainability, we will focus on the following topics:



Materiality analysis and stakeholder engagement

PRB: 4.1

The Group conducted a materiality analysis in 2018 (SpareBank 1 BV) and 2019 (Sparebanken Telemark) through comprehensive stakeholder engagement. SpareBank 1 Sørøst-Norge has a number of stakeholders who are involved in and influence the Group's work on sustainability. The analysis indicated areas in which the Group can amplify its positive impacts and risk areas where the Group should reduce its negative impacts.

Overall, the material topics in the analyses were:

- Combating financial crime
- Employee development
- Working on ethics and anti-corruption
- Stimulating local business development

Read more about our stakeholder engagement in the appendix "Stakeholder engagement".

Stakeholder chart



**PRB:
2.1**
Impact analysis

As part of the work on following up the UN Principles for Responsible Banking, SpareBank 1 Sørøst-Norge updated its impact analysis in 2021. The Bank used the Portfolio Impact Analysis Tool for Banks – Version 2, developed by the United Nations Environment Programme Finance Initiative (UNEP FI). The Bank only operates in Norway (Vestfold og Telemark and the lower portion of the former county of Buskerud), and the conducted analysis covered the Bank's main business areas: the retail market (about 70% of total business: includes insurance 5%, real estate 8% and fund management 2%) and the corporate market (about 30%).

The analysis shows that the Group has the greatest positive impacts on the areas of work (job creation, good social conditions in the workplace), sustainable markets (access to work and financial services for people and small businesses), and housing conditions, and the greatest negative impacts on sustainable markets, work and waste (see the impact analysis figure above in the sustainability framework). Our approach to amplifying our positive impacts and reducing our negative impacts

is explained in the follow sections (work and social conditions are described in the chapter "Employees"). Our approach to responsible internal operations, for example, reducing waste and emissions in line with the impact analysis, is explained in the appendix "Energy and Climate Report".

Our material topics

The report will also take a closer look at how we approach our material topics within sustainability. We will show what we have done, what we will continue working on and the risks and opportunities we see in the area. All of the areas are strategically anchored with responsibilities, guidelines, training, goals in the sustainability strategy and measures. This is shown in the green section found at the end of each topic. A figure in the chapter on employees provides more detailed information about our employees and goal 2.4 in our sustainability strategy. Fulfil our equality and diversity responsibilities. The figure also links our sustainability work to relevant GRI standards (GRI), the UN Principles for Responsible Banking (PRB), the UN Global Compact (UN GC), the UN Sustainable Development Goals (SDGs), Eco-Lighthouse and the articles in the EU taxonomy.



Responsible lending

The Bank's core business is to lend money to retail and corporate customers. Responsible lending is a key element of the Bank's social mission. It is important for the Bank to be a driving force for sustainable development among our customers.

Retail market (RM)

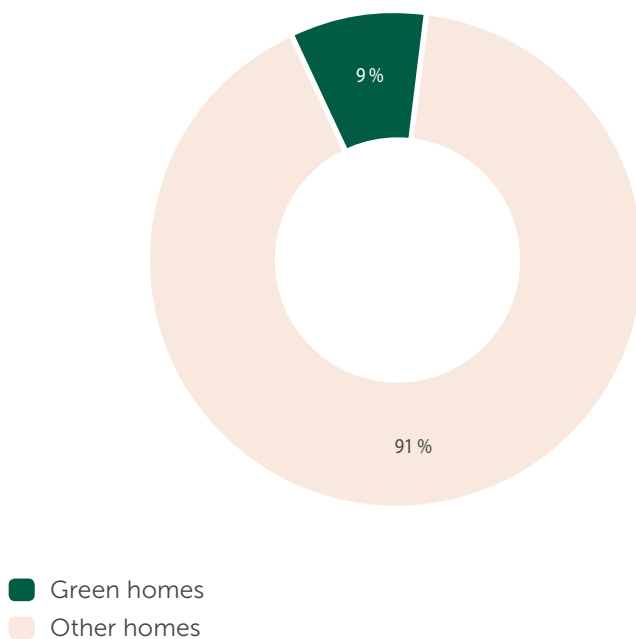
The focus in the retail market (RM) is on SDGs 8 and 13. Our risk assessment and impact analysis indicate that we have the greatest opportunity to have positive impacts within the areas of work, sustainable markets and housing conditions, and the greatest risk of having negative impacts within waste, the climate and resource security.

Green mortgages

We offer green mortgages on more favourable interest terms for new builds and existing homes with an energy rating of "A" or "B", as well as homes that initially have

a lower energy rating but that are upgraded such that they achieve an energy rating of "C" or better. This reduces our negative impacts within the areas of the climate, resource use and waste (through lower energy use and thus lower emissions, as well as reducing waste through renovation rather than demolition). At the end of 2021, our lending volume within green mortgages amounted to NOK 298 million (a sharp increase from NOK 39.1 million in 2020). The proportion of homes eligible under the green bond framework accounted for 9 % of our lending volume in 2021. The distribution for the different types of homes is shown in the table.

Proportion of green homes
eligible under the green bond framework*



	TOTAL VOLUME IN NOK MILLIONS	NO. OF OBJECTS
Semi-detached house	939	70
A and B	321	25
TEK10 and TEK17	619	45
Detached house	4.452	233
A and B	1.498	68
TEK10 and TEK17	2.954	165
Freehold flat	1.673	147
A and B	476	41
TEK10 and TEK17	1.197	106
Total	7.064	450

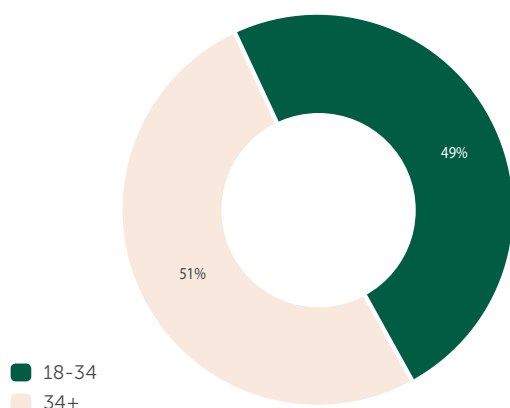
* Homes with a potential high climate risk have not been eliminated from the base data.

Products with a social profile

We take advantage of the opportunity to have a positive impact on housing conditions and work by offering products and services with a social profile that provide financial benefits for customers:

- LOfavør deposit loans for young people are an offer for young customers who want to enter the rental market
- Mortgages for young people and LOfavør mortgages for young people are discounted products designed to help young homebuyers enter the housing market
- LOfavør first mortgages are our most affordably priced loans for first-time buyers of any age
- Wage guarantee fund LO loans are loans charged at mortgage rates for customers whose employer is going to declare bankruptcy and aimed at tiding them over while waiting for a payout from the wage guarantee fund
- LOfavør conflict loans are loans charged at mortgage rates for customers who end up in prolonged labour disputes in connection collective bargaining agreements.

Flexibility quota age distribution



The Mortgage Regulation allows banks to operate with a flexibility quota with regards to the number of customers who do not fulfil some requirements of the Regulation (debt servicing capacity, debt-equity ratio and loan-to-value ratio). Young first-time buyers are often given priority within the scope of this quota. In 2021, 49% of the quota was expended on young people aged 18-34. This amounted to NOK 931 million.

Corporate market (CM)

Responsible lending to businesses is one of the Group's core activities and the area in which we have the greatest opportunity to have an impact on sustainable development and transition. Our risk assessment and impact analysis indicate that we have the greatest opportunity to have positive impacts and the greatest risk of having negative impacts within the industry where we lend the most money, property rental. Our exposure to property development projects is also significant. Other industries

(such as building and construction, operating companies, transport companies and agriculture) are exposed to near-term transition risk due to customers and the government demanding zero-emission solutions.

Transparency Act

Major companies¹ and listed companies are subject to the Transparency Act, which will enter into force on 01.07.2022. This entails both the Bank and our largest customers having to assess the risk of human and labour rights violations in their own operations, their supply chains and at partners.

¹ Companies that meet two of the following three conditions: sales revenue of NOK 70 million, statement of financial position total of NOK 35 million and an average of 50 FTEs in the accounts.

What was done in 2021?

We want to reliable and competent advisers for customers in the green transition.

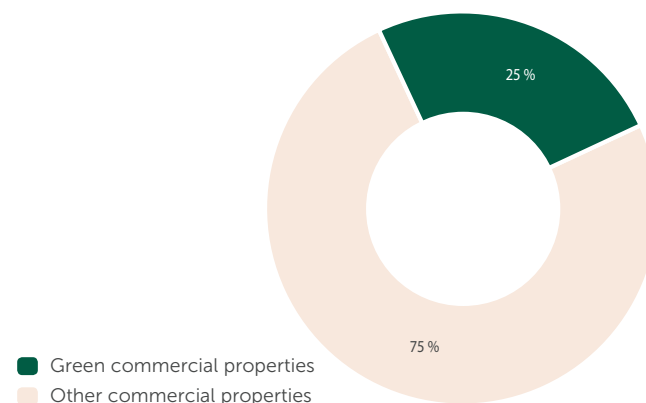
That is why we have:

- Started to incorporate the environment, social conditions and governance(ESG) in the customer engagement in the corporate market, especially with respect to larger customers in industries with risk and where we have high exposure, and our CM advisers now carry out due diligence assessments (in an ESG module) for all new loan cases.
- Conducted a survey of physical climate risk in the loan portfolio and will start a dialogue on measures with customers with the highest risk.
- Improved our lending terms for commercial properties that are energy-efficient, have low physical climate risk and/or are environmentally certified, and we have a building inspector check
- that major projects are taking social conditions and management seriously.

320
customers are
assessed using
the ESG
module

The proportion of commercial properties that qualify as green was 25% of the lending volume at the end of 2021.

Proportion of green commercial properties in the corporate market portfolio



Green framework

SpareBank 1 Sørøst-Norge has established a green bond framework and issued its first green bond in December 2021 (volume up to NOK 400 million). The framework complies with the ICMA Green Bond Principles, and the ambition is to comply with the EU Green Bond Standard.

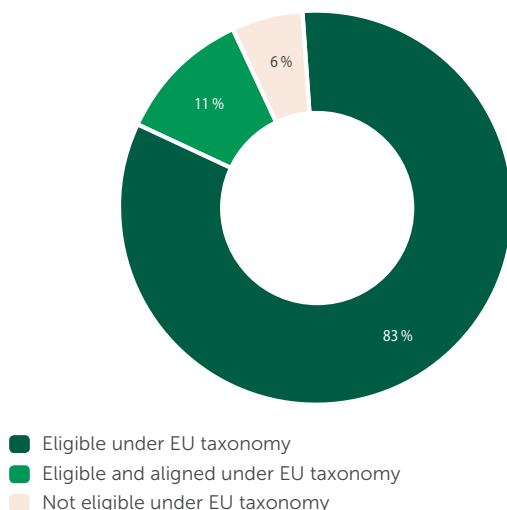
It includes:

- ✓ Green homes and commercial buildings
- ✓ District heating
- ✓ Renewable energy
- ✓ Sustainable production and technology (to encourage transition in existing industry and innovative technology companies in line with the EU taxonomy's environmental goals)

The EU taxonomy

The EU uses the EU taxonomy to define which economic activities are deemed sustainable in order to guide investors and businesses in the direction of net zero emissions by 2050 and to achieve a number of environmental and social goals. Taking account of the EU taxonomy played an important role in shaping the Bank's sustainability and credit strategy. The *Act on Sustainability-related Disclosures in the Financial Services Sector*, which will probably enter into force in the second half of 2022, will require the Bank to report on the degree to which our activities are sustainable according to the EU taxonomy. The proportion of the Bank's total exposure that satisfies the taxonomy requirements is likely to affect how much reserve capital we will have to set aside for the loans we provide, thereby affecting our profitability. Even if our customers are too small to have a duty to report under the taxonomy, they will face documentation requirements from us, investors, major customers and when they apply for government grants.

The proportion of our total loan portfolio assumed to be covered by (eligible) and adapted to (aligned) the EU taxonomy



The Bank's ambition is to report in line with the EU taxonomy for 2022. For more detailed information, see the appendix "*The EU taxonomy*".

The way forward

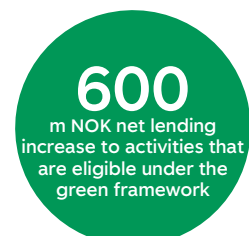
Increase our green exposure to achieve the goal of a 7 % annual reduction in the loan portfolio's carbon intensity, align ourselves with the EU taxonomy's requirements and reduce our sustainability risk:

- The Group wants to double its green exposure to NOK 25 billion by 2025
- Year of construction and available energy rating must be mapped for the entire real estate portfolio
- Physical climate risk must be assessed for the entire real estate portfolio
- We must climate-stress test the Bank's exposure to income from emission-intensive industries, as well as in relation to transition risk and physical climate risk in the loan portfolio
- We must survey what additional activities the Bank has in those industries covered by all six environmental goals in the EU taxonomy that are in line with the taxonomy criteria
- SpareBank 1 will revise the questions we ask when assessing sustainability in relation to new loans so that they more clearly distinguish between high and low risk. The Bank will also start assessing existing loans and larger customers with exposure other than credit.

We must actively seek to reduce sustainability and climate risk in our loan portfolio:

- We will sign up to the Partnership for Carbon Accounting Financials (PCAF), which is a global partnership between financial institutions, and use PCAF's tools to report on greenhouse gas emissions.
- The accounting firm will develop and offer climate reports as a product
- We will raise our customers' awareness through good engagement
 - Account managers and the head of sustainability must discuss risks and opportunities within the areas of sustainability and the climate, as well as measures, with selected loan customers with significant exposure, risk or opportunities in each of the main industries in the corporate market. Compliance with the Transparency Act will be included for all customers subject to the Act, and we will inform customers about how the EU taxonomy may affect them.

Goals for the corporate market:



Risks and opportunities

Retail market

The Bank's residential mortgage portfolio is relatively old (about 90% were built before 2012). Many of these homes have already been renovated. Nevertheless, the potential that exists, with respect to contributing to more energy-efficient homes and increasing the Bank's green exposure, in engaging with customers about renovations is considerable. This is also key to reducing our negative impact within waste (ref. impact analysis): Renovating a building instead of demolishing it avoids waste from both the demolition process and the new construction. The energy crisis will probably make these conversations more common and simpler than before. Similarly, climate adaptation (drainage, stormwater solutions, etc.) discussions will become more common if physical climate risk manifests itself in the form of torrential rain that causes flooding, etc. However, both types of conversations require the advises to know a lot about which solutions will sufficiently improve energy efficiency within a reasonable budget.

Insurance is a prerequisite if homeowners are to manage the risks posed by extreme weather, and the connection between the two is likely to become even more important for us as a lender. There are also insurance challenges and opportunities in relation to retail customers in other areas. Today, too many usable insurance objects are scrapped because repairing them is not seen as viable. Fremtind, our non-life insurance company, is now focusing on reuse and repair in cases involving damage: a damaged car can now only be scrapped if the damage amounts to 80 % of the value of the car, compared with 60 % before. The balance between environmental and social responsibility will be a demanding one going forward, and urgently requires innovative solutions. For example, it would be natural for us to focus more on financing zero-emission cars in the future in order to achieve the taxonomy and climate targets. However, the people who can afford these cars are the well-to-do customers. The same applies to new, energy-efficient homes and climate adaptation measures.

Corporate market

The Bank's exposure to transition risk is relatively low. This is partly due to its very low exposure to the most carbon-intensive industries (see the appendix "Greenhouse gas emissions in the loan portfolio"). However, our borrowers in

the rental property segment may face increased customer requirements for environmentally certified, energy-efficient and flexible buildings in the wake of the energy crisis and changes to working life during Covid-19. These changes, along with more online shopping, may kill off shops and thus lead to less demand for premises. Climate change related events (e.g. bark beetle attacks in Canada) and transition risks (high prices for energy, gas and emission quotas, shut-downs of European manufacturing due to costs and requirements for climate-friendly materials) mean that developers will experience increased costs and delays. Industrial and wholesale and retail sale customers may experience similar difficulties. Building and construction companies and transport companies face transition risks related to regulatory requirements concerning zero-emission solutions and untested technological alternatives (e.g. biofuels and hydrogen). Some customers also have objects in locations that entail a high physical climate risk.

Good engagement and advice that balances the risks, costs and possibilities provided by potential solutions (e.g. renovation and climate adaptation of buildings, own production of renewable energy and electric vehicles and machinery) will become increasingly important.

For more information on sustainability and climate risks, see the appendix "Sustainability and climate risk". See the description of collateral objects with potential physical climate risk in the appendix "Physical climate risk in the loan portfolio".

We have drawn up reporting routines for climate and sustainability risk incidents. See our sustainability policy on our website for more information.



Our credit policy and sustainability policy state that we will not provide loans to companies that deliberately or inadvertently:



- Have a particularly high risk of committing, or are involved in specific suspected cases of, serious environmental harm or that lack the financial capacity to carry out required environmental measures

and to comply with environmental requirements

- Have as their main activity, helping to increase or streamline the extraction of fossil fuels, or transport and store fossil fuels (with the exception of loans that contribute to transition at existing customers involved in such activities)
- Are involved in the extraction, or generation of energy based on, fossil fuels, thermal coal, oil sands or nuclear power, or hydropower production that does not satisfy the principles of the World Commission on Dams
- Perform lobbying aimed at weakening a necessary transition to a low-emission society in line with Norway's goals in the Climate Change Act and the world's goals in the Paris Agreement
- Use timber from entities engaged in illegal logging, the sale of illegally felled timber or deforestation, or destroy tropical rainforest or clear remove primary forest or protected forest (High Conservation Value Forests)



- Export weapons, or components exclusively intended for use in weapons, to areas experiencing systematic and gross violations of human rights, widespread corruption, or civil war

- Are involved in the development, testing, production, storage, or transport of controversial weapons, or components exclusively intended for such weapons, including cluster munitions, antipersonnel mines, nuclear weapons, chemical weapons and biological weapons
- Have a particularly high risk of, or specific suspected cases of, corruption, money laundering or terrorist financing, including customers who have not satisfied our documentation requirements concerning actual beneficial owners and the origin of funds.
- Are involved in cryptocurrency mining/production



- Have a particularly high risk of committing, or are involved in specific suspected cases of, serious and systematic violations of human and labour rights.

STRATEGIC ANCHORING:

GUIDELINES

- Sustainability strategy and sustainability policy

RESPONSIBLE DEPARTMENT

- CM
- RM
- Sustainability

GOALS IN THE SUSTAINABILITY STRATEGY

- 2.1** Improving sustainability skills
- 2.5** Become a savings and mortgage customer adviser on sustainability
- 2.6** Tripartite partnership RM/CM/EM1 on sustainable buildings
- 2.7** Helping SME customers to, for example, obtain public support and win tenders
- 3.3** Helping housing customers to avoid to climate risk and save energy
- 3.4** Solar energy funding
- 3.5** Advise customers on the transition: solar energy funding, climate report, electrification, circular economics
- 3.6** Helping customers avoid climate and natural risk

GENERAL MEASURES

- Increase our green exposure to achieve the goal of a 7% annual reduction in the loan portfolio's carbon intensity and reduce our sustainability risk
- Actively seek to reduce sustainability and climate risk in our loan portfolio

TRAINING AND EDUCATION

- CM: training and guidance on sustainability assessments when granting new corporate loans
- Plus: Improving skills of advisers

GRI 201-2, FS7, FS8, FS10, FS11, 404-2,3

PRB 1.1, 2.2-4, 3.1-2, 6.1

UN GC 1, 2, 4-9

SDG 8.3, 9.2, 9.3, 9.4, 11a), 16.4

ECO-LIGHT-HOUSE 2066-70, 2072

EU TAXONOMY section 3, section 10-17

Combating financial crime

Our sustainability strategy makes combating financial crime a major part of our efforts to operate responsibly. As a bank, we want to assume responsibilities beyond what is required by law. We have the expertise, resources, opportunity to have positive impacts, and need to mitigate risk within fraud, anti-money laundering and terrorist financing.

Financial crime is a societal problem that impacts both individuals and business. Crimes that target the financial services sector are becoming ever more complex and the Bank's efforts to prevent and detect crime are becoming more important. This work is linked to SDG 16, target 16.4 regarding reducing illicit financial and arms flows and combating all forms of organised crime.

What was done in 2021?

- A web-based dashboard was established to monitor the area on an ongoing basis and those responsible for it were trained in how to use the dashboard
- Risk assessments were conducted and measures implemented to mitigate identified risks, which included the misuse of Covid-19 funds
- A dedicated anti-fraud unit was established, doubling the number of staff in the Financial Crime Department from three to six

The way forward

SpareBank 1 Sørøst-Norge will continue to improve procedures and compliance by:

- Focusing on using good digital tools for receiving and dealing with fraud cases
- Increased and closer cooperation with the SpareBank 1 Alliance and others
- Using the dashboard on a continuous basis
- Raising the awareness of customers, the market and in-house
 - Giving talks on financial crime
 - In-house training (6-8 digital courses and in-person visits to branches at least once a year)

Risks and opportunities

The risks associated with not combating financial crime are failing to meet statutory requirements and a loss of confidence among customers and the rest of society. SpareBank 1 Sørøst-Norge's efforts to combat financial crime increase confidence in the Bank, at the same time as they maintain a well-functioning financial system. By focusing on this area, we can help minimise the risk of fraud and other forms of organised crime.

14.049 100

Flagged transactions

Cases reported to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (ØKOKRIM)

STRATEGIC ANCHORING:

GUIDELINES

- Policy for anti-money laundering and terrorist financing

RESPONSIBLE DEPARTMENT

- Financial crime

GOALS IN THE SUSTAINABILITY STRATEGY

- 1.1 Prevent and detect money laundering and terrorist financing
- 1.2 Prevent digital scams
- 1.4 Responsible operations beyond what is required
- 1.5 Advise customers on combating financial crime
- 1.6 Fulfil our corporate social responsibility (share knowledge)
- 2.1 Improving sustainability skills

MEASURES

- Greater focus on using digital tools
- Close cooperation with the SpareBank 1 Alliance
- Raising awareness in-house and externally: talks, training, etc.

Training and education

- All employees have completed nano-learning courses in detecting fraud, money laundering and other areas
- Plus: Improving sustainability skills in relation to financial crime

GRI SB1SON-1, 205-1,2,3 404-2,3

PRB 5.1

UN GC 2, 10

SDG 16.4

EU TAXONOMY section 3(c), section 18

Ethics and anti-corruption

Having the trust of customers, investors and other stakeholders in society is important for us as a bank. SpareBank 1 Sørøst-Norge wants to be known for its high ethical standards. Our employees must provide professional and responsible advice and not breach our Code of Conduct. Our decisions and conduct must support the Bank's strategy and our corporate social responsibilities.

Customer Privacy

SpareBank 1 Sørøst-Norge processes huge amounts of personal data as part of its day-to-day operations. This data includes personal data about both customers and our employees. In the processes and tasks SpareBank 1 Sørøst-Norge performs, it is important to protect the data subjects' privacy and process personal data in a good secure manner and in compliance with the legislation concerning privacy. This will increase the confidence in us of customers, employees, partners, owners and supervisory authorities, and could create new business opportunities.

Therefore, the overarching objectives of all the data protection work in SpareBank 1 Sørøst-Norge are to ensure that, by taking a systematic and risk-based approach, we:

- Safeguard the privacy of data subjects and protect the reputation of SpareBank 1 Sørøst-Norge and the SpareBank 1 Alliance by processing personal data properly
- Support the business operations by ensuring that the Bank maintains control over its processing of personal data at all times
- Ensure compliance with the Personal Data Act and the EU's General Data Protection Regulation (GDPR), other data protection legislation and relevant industry standards

What was done in 2021?

- In 2021, the Board of Directors approved a policy for managing internal irregularities, the Code of Conduct, a policy for managing conflicts of interest, a policy for suitability assessments and a policy concerning the impartiality of board members. A whistleblowing standard was also drawn up.
- The regulatory compliance status (including any deviations) was reported to the Board of Directors and executive management team on a quarterly basis.
- Internal control processes were performed to prevent, detect and manage any incidents within the areas of ethics and anti-corruption – no incidents were detected
- A Code of Conduct was produced for all of SpareBank 1 Sørøst-Norge
- A detailed review was conducted of which aspects of sustainability it is relevant to follow up through internal controls – the areas that are followed up include

the quality of sustainability assessments for loans in the corporate market in light of the credit strategy, sustainability policy, green bond framework, Transparency Act and EU taxonomy

- The Bank has whistleblowing channels, both internal and external, which can be used to anonymously report concerns, issues and wrongdoing (also within sustainability). No reports were received in 2021.
- Sustainability and climate risk assessments were conducted in partnership with specialist environments in order to shed light on risks and opportunities
 - The following specialist environments participated: corporate market, retail market, the accounting firm, internal operations, economics, finance, real estate, deposits and placements, HR and organisational development, securities trading and asset management, market and communications
 - Other specialist environments conduct their own risk assessments that cover sustainability and the climate (e.g. financial crime and anti-money laundering)
 - The risk matrix now includes the link between risk within environment/climate, social conditions and governance on the one hand, and the consequences such as loss of reputation, income, or customers on the other

0

Number of known cases of corruption

2

Number of complaints about breaches of privacy
All cases are considered resolved

The way forward

SpareBank 1 Sørøst-Norge will constantly strive to improve its skills, work processes, control measures and compliance with procedures and legislation.

- Privacy is important to SpareBank 1 Sørøst-Norge, which is why we will:
 - Increase awareness surrounding file sharing
 - Introduce an annual campaign to delete unnecessary emails (reduces energy use and greenhouse gas emissions, as well as the risk of sensitive information being retained for too long or going astray)
- Conduct annual sustainability and climate risk assessments
- Launch and integrate an updated Code of Conduct

Risks and opportunities

Increased and closer cooperation with the SpareBank 1 Alliance, participants in the value chain and others in the

financial services industry will grow the expert environment and reduce the risk associated with new threats and new fraud and corruption methods.

STRATEGIC ANCHORING:

GUIDELINES

- Policy for managing internal irregularities
- Code of Conduct
- Policy for managing conflicts of interest
- Policy for suitability assessments
- Policy for impartiality of board members

RESPONSIBLE DEPARTMENT

- Compliance
- HR

GOALS IN THE SUSTAINABILITY STRATEGY

- 1.3** Managing privacy
- 1.4** Responsible operations beyond what is required
- 2.1** Improving sustainability skills
- 3.1** Measures for sustainable operations
- 3.2** Involve the employees in climate measures

MEASURES

- Increase in-house awareness surrounding file sharing
- Introduce annual email deletion campaign
- Sustainability and climate risk assessments
- Integrate Code of Conduct

GRI 205-2,3 and 418-1, 404-2,3

PRB 5.1, 5.2

UN GC 2, 10

SDG 16.5

TRAINING

- All employees have received training in information security via nano-learning courses. Topics: cyberthreats, use of collaboration solutions, security measures/culture, snooping
- All employees also took privacy e-learning courses on the topics of confidentiality, posting and internal control
- Plus: all employees in Risk & Compliance must feel confident that they know enough about sustainability requirements, policies, legislation, risks

Local corporate social responsibility and business development

The Bank wants to go on the offensive and contribute to value creation in our market area. It is important to us, and our customers, that we have a local presence, sound expertise in providing advice and knowledge of our market areas. The Group's main strategic objective is to create value for its customers and our region.

Local engagement

The savings bank foundations are the Bank's four largest owners. The savings bank foundations contribute to positive development in their local communities by distributing part of the profit to various good causes. The work of the savings bank foundations benefits clubs and associations across the region by supporting initiatives and projects that promote a desire to live in the region, good environments for bringing up children and a variety of activities within areas such as culture, sports and volunteering. The savings bank foundations also contribute gifts that promote positive social development in areas such as research, knowledge dissemination and business development.

What was done in 2021?

- Strengthened our network for start-up environments
 - Established an entrepreneur forum (special expert group that will focus on entrepreneurial environments)
 - The Bank is part of the effort to promote the entrepreneurial environment in Drammen. A new agreement was signed in 2021 with Gründerhuset in Drammen by Drammen Works.
 - Improving skills for start-ups
 - In collaboration with Gründeriet in Sandefjord, we arranged six webinars designed for start-ups in order to improve skills in relation to sources of funding, board work, tax and duty issues, budgeting and liquidity management, setting up companies, and choice of company form
 - Partnership with Kongsberg Innovation where we held breakfast meetings for start-ups and small established companies
- Sustainability criteria are used in major sponsorships and partnership agreements
- Helped more start-ups within sustainability to get grants and growth guarantee loans
- Awarded scholarships to talented young athletes, musicians and artists in local communities

- In 2021, the savings bank foundations distributed NOK 58.5 million to the arts and culture, sports and humanitarian work:

The way forward

The Bank will continue to contribute to local business development by:

- Supporting newly started companies (entrepreneurs) by offering efficient solutions for climate reports, participating in tenders and applying for public support, respectively.
- Strengthening the entrepreneur initiative by preparing project support, distributing entrepreneur awards and guarantees
- Continuing the entrepreneur forum's work on improving skills both internally in the subject group and within start-up environments
- Mapping opportunities for partnering with local investor networks
- Launch the "Konjunktur Sørøst" business barometer, which will provide data and statistics on both the market area as a whole and 13 different cities/town in particular
- Exploring how sustainability can be more closely integrated into our corporate social responsibility work

Risks and opportunities

The impact analysis showed that we have a significant opportunity to have positive impacts within the areas of work (job creation) and sustainable markets, but also need to avoid negative impacts. Our stakeholders also want us to invest in local business development. Many of our customers are smaller companies. They have simultaneously had to deal with Covid-19 shutdowns, greater competition from online shopping, higher electricity prices and supply chain challenges, and often also lack the bandwidth and expertise to satisfy new requirements made by large customers and the authorities within the area of sustainability.

**NOK
18.523.000**
SpareBank 1
Stiftelsen BV

**NOK
15.252.850**
Sparebankstiftelsen
Telemark-Holla
og Lunde

**NOK
12.748.725**
Sparebankstiftelsen
Telemark-Grenland

**NOK
11.800.000**
Sparebankstiftelsen
Nøtterøy-Tønsberg

The new sustainability strategy, therefore, strengthens our focus on entrepreneurs and SMEs. We want to make the Bank more relevant for these customers by helping them obtain state grants, win tenders and take advantage of business opportunities within sustainability. We have set ourselves a goal of being the Bank for green SMEs and start-ups, and of acting as a support system

for SME customers within climate reports, applications for grants and tender processes by the end of 2023. We will monitor developments by measuring sales of climate reports, the number of SME customers and growth guarantee loans. It may also be relevant to monitor the development of, for example, Enova grants in our market area.

STRATEGIC ANCHORING:

GUIDELINES

- Sustainability policy
- Code of Conduct

RESPONSIBLE DEPARTMENT

- Market
- CM
- Sustainability

GOALS IN THE SUSTAINABILITY STRATEGY

- 1.6** Fulfil our corporate social responsibility (share knowledge)
- 2.1** Improving sustainability skills
- 2.2** Share knowledge: "Konjunktur Sørøst" business cycle barometer
- 2.3** Focus on corporate social responsibility with the foundations
- 2.7** Helping SME customers to, for example, obtain public support and win tenders
- 2.8** Entrepreneur initiative (project support, prices, guarantees)

MEASURES

- Entrepreneur initiative
- Launch the "Konjunktur Sørøst" business barometer
- Integrate sustainability into the corporate social responsibility work

TRAINING

- The entrepreneur forum gets a monthly refill of competence targeted at entrepreneurs
- Plus: Corporate advisers and accountants will participate in courses on support schemes relevant to start-ups, more mature growth companies and established companies undergoing changes, respectively.

GRI 404-2,3

UN GC 7-9

SDG 8.3, 8.5, 9.2, 9.4, 11 a), 13 a)

Ethical marketing

It is important that SpareBank 1 Sørøst-Norge markets its products and services in an ethically sound manner. This will make our products and services understandable and ensure that customers are properly informed and can make good decisions about their own personal finances.

The Bank wields a lot of influence through its marketing to customers and when we sign sponsorships and other partnership agreements. We want to avoid greenwashing by not marketing products as sustainable if they are not. We can also have an impact by ensuring that everyone we sign an agreement with must take account of the environment, social conditions and responsible governance.

What was done in 2021?

In 2021, our marketing had a clearer focus on sustainability.

- We conducted a project about sustainability and brands where we defined measures for our future work on sustainability within marketing, including procedures for taking account of sustainability in new marketing initiatives.
- Our sponsorship agreements were followed up in relation to sustainability
 - The work of following up sustainability in our sponsorship agreements has started. We maintain a dialogue with those we sponsor to ensure that the partnership is in line with our sustainability policy and complies with the Transparency Act's requirements concerning human and labour rights.
- When we purchase marketing materials, we comply with the Bank's rules for sustainable purchasing
- The SpareBank 1 brand was ranked number two among Norwegian banks with respect to sustainability and corporate social responsibility²

No breaches of the regulations and guidelines for product and service information and labelling were reported in 2021. No failures to comply with regulations and/or voluntary guidelines for marketing, including advertising, promotions and sponsorships were reported either.

The way forward

SpareBank 1 Sørøst-Norge will take a conscious approach to its marketing by:

- Signing the anti-greenwashing decree
- Drawing up guidelines for integrating sustainability into the brand
- Updating our sponsorship strategy such that it takes more account of sustainability, including the requirements of the Transparency Act

Risks and opportunities

It is important for SpareBank 1 Sørøst-Norge to take a conscious approach to sustainability throughout our supply chain. If we fail to take account of sustainability, we risk harming our reputation and losing the confidence of customers. Ethical marketing across our marketing and communication channels could contribute to greater awareness about the topic or area.

²⁾ Sustainable Brand Index 2021

STRATEGIC ANCHORING:

GUIDELINES

- Sustainability policy
- Code of Conduct

RESPONSIBLE DEPARTMENT

- Market
- Sustainability

GOALS IN THE SUSTAINABILITY STRATEGY

- 1.6** Fulfil our corporate social responsibility (share knowledge)
- 2.1** Improving sustainability skills
- 1.4** Responsible operations beyond what is required

TRAINING

- Awareness surrounding the topic, including through risk workshops and projects
- Plus: Improving sustainability skills in relation to marketing.

MEASURES

- Drawing up guidelines for integrating sustainability into marketing campaigns and brand building work
- Signing the anti-greenwashing decree
- The sponsorship strategy must take even clearer account of sustainability

GRI 203-1 and

417-1,2,3
404-2,3

UN GC 2

SDG 8.3, 9.4, 13.3,
16.5

Sustainable fund management

Our customers invest significant amounts in the securities funds we distribute. This, therefore, gives us an opportunity to encourage the funds to place greater emphasis on the environment, social conditions and governance (ESG) in their investments.

SpareBank 1 Sørøst-Norge complies with the SpareBank 1 Alliance's guidelines for sustainable distribution and recommending securities funds. The Bank requires managers to sign a distribution agreement and document that they stipulate sustainability requirements for the investments they make. SpareBank 1 wants to clearly flag the funds that do, and do not, comply with our guidelines. Fund managers have to sign the UN Principles for Responsible Investment and report how they comply with them.

What was done in 2021?

SpareBank 1 launched ESG labelling of funds in 2020. The labelling indicates how companies have documented their work on sustainability through responsible owner-

ship, socially beneficial investments or exclusion. The guidelines for the sustainable distribution and recommendation of investment funds were updated in 2021. The head of sustainability at SpareBank 1 Sørøst-Norge participated in the process. The Bank has also carried out important preparatory work within the areas of funds and savings in order to meet the requirements of the Sustainable Finance Act.

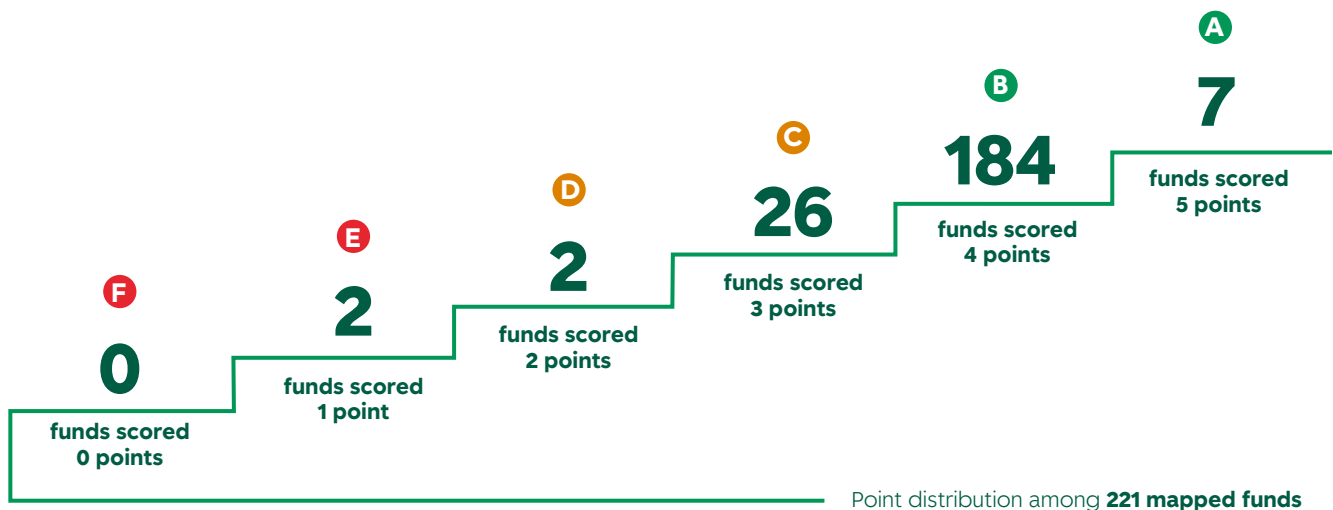
Fund labelling is based on an annual sustainability analysis the Governance Group conducts of all 285 securities funds the SpareBank 1 Alliance distributes (SpareBank 1 Sørøst-Norge distributed 274 funds at the end of 2021). The table below shows the number of funds that satisfy the various criteria in the survey:

NEGATIVE SCREENING, the fund does not invest in companies that:	2020	2021
Invest in controversial weapons	234	220
Invest in weapons or military equipment for restrictive countries	230	204
Receive a significant share of their income from thermal coal or that base significant parts of their activities on thermal coal	187	200
Contributes to serious environmental damage	206	204
At an aggregated company level, produce unacceptable levels of greenhouse gases	181	192
Are involved in serious violations of human rights	211	204
Are involved in serious violations of individual rights in war and conflict	207	200
Are involved in gross corruption	207	198
Invest in the production of pornography*	189	
Invest in tobacco production	208	198
POSITIVE SCREENING	2020	2021
Funds that carry out the positive selection of companies based on socially useful non-financial factors	9	7
ACTIVE OWNERSHIP	2020	2021
Funds that, as part of their ownership, communicate with companies about ESG	228	216
Funds that, as part of their ownership, communicate with companies about ESG and vote in general meetings	229	216
Funds that publicly disclose how their active ownership is exercised	213	216

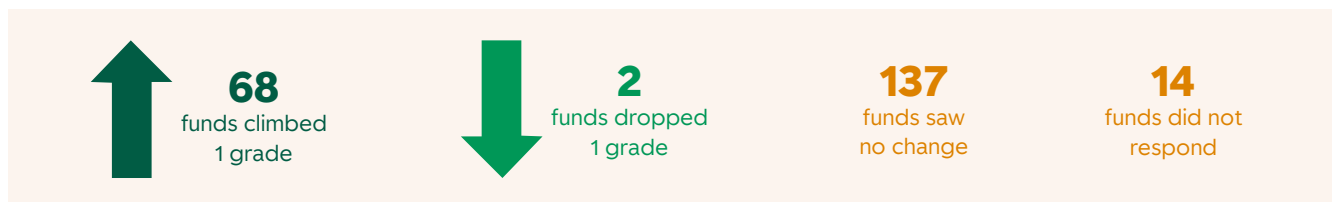
* The labelling scheme is based on our guidelines for sustainable distribution and recommending securities funds. The Governance Group recommended that we remove our expectation that funds should not invest in the production of pornography from the guidelines because funds that otherwise performed very well but do not regard having such an exclusion and not investing in pornography as relevant were being punished disproportionately harshly for it. This is, therefore, no longer included in the labelling scheme. Unit classes have also been removed from the funds.

A questionnaire has been produced that must be answered by all fund providers in order to map the funds' ESG factors. This determines the score the fund receives. A fund can score a total of five points for three criteria: negative screening, positive screening and active ownership. The funds are then assigned a grade on a scale from "A" to "F" based on their score. Responses are collected annually and help determine the sustainability

score. Spot checks are also carried out to ensure that funds have been assigned the correct grade. Funds graded "A", "B" or "C" (as 217 funds were in 2021) meet our minimum sustainability requirements and can be included as one of our recommended funds if they meet other criteria. In 2021, we ceased new sales of one fund because it did not meet our requirement not to invest in controversial weapons.



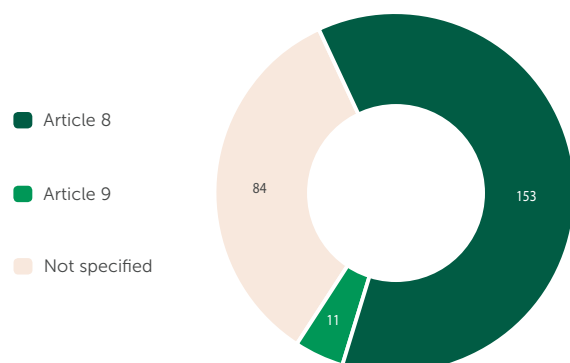
The grade development per fund was positive compared with the year before.



* Only funds whose objective is sustainable investments (positive selection) can receive the top grade in our labelling scheme. Only a small number of funds have this as their objective. Since a very high number of funds are already graded "B" but do not have sustainable investments as their objective (positive selection), they saw no positive change in their score.

Both the labelling scheme and the guidelines for funds recommended and distributed by SpareBank 1 and have been assessed in light of the requirements of the Sustainable Finance Disclosure Regulation (SFDR) and the Sustainable Finance Act (see the section on "Responsible lending" for more information). SpareBank 1 has chosen to retain its existing labelling scheme until it is clearer how fund managers categorise their funds in practice. In our follow-up of fund managers, we examined whether and how they categorised their funds in accordance with the EU's SFDR. A total of 164 funds are categorised as being within Article 8 (promotes environmental or social characteristics) and Article 9 (has sustainable investment as its objective).

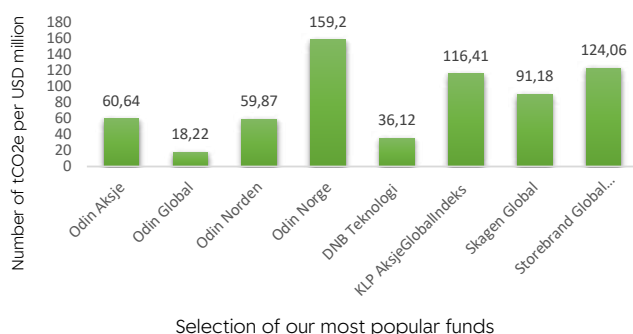
Number of funds categorised based on the SFDR



A significant proportion of the investment funds distributed by the Bank are from ODIN, which is owned by SpareBank 1. All ODIN funds are Article 8 funds, except for the newly launched ODIN Sustainability. This fund has sustainable investment as its objective and will therefore report in line with Article 9 of the SFDR. The investments will be linked to the environmental goals and social goals in the EU taxonomy.

We have commenced a dialogue about the funds' carbon intensity with the fund managers (see figure below). We have a significant footprint and the opportunity to have a positive impact within the areas of the climate, waste and the reuse of resources through the fund assets we manage on behalf of our customers. Carbon intensity is one possible general indicator of the impact we are having.

Carbon intensity in our funds



The funds' carbon intensity (emissions per USD 1 under management) varies significantly. It must be analysed in light of the sectors in which the managers invest and

how they monitor their portfolio companies' sustainability. For example, ODIN Norway is more exposed to oil and gas than the other funds in the overview and therefore has a higher carbon intensity. However, if the fund is able to influence companies to transition faster in the green shift, the fund's sustainability impact may nevertheless be greater than that of the other funds.

The way forward

- SpareBank 1 Utvikling is developing an advisory tool that will provide advice in line with the Sustainable Finance Act
- Revising investment advice procedures such that we inform customers of the sustainability risk in investments and the investment risk in sustainability investments before the customer invests
- Annually reviewing funds, including their reporting of their green proportion in line with the EU taxonomy, and updating guidelines and labelling schemes in light of the SFDR

Risks and opportunities

Demand for funds with a clear sustainability profile is increasing and this gives the Bank an opportunity to encourage people to make sustainable investments. However, this trend requires our advisers to provide customers with balanced advice: conventional funds may have sustainability risks but at the same time it can be risky to invest in dedicated sustainability funds because they have a limited investment universe. One risk associated with sustainable investments is a lack of information and good data that can be used as a basis for classifying something as sustainable.

STRATEGIC ANCHORING:

GUIDELINES

- Guidelines for sustainable distribution and recommending securities funds.

GOALS IN THE SUSTAINABILITY STRATEGY

- 1.6** Fulfil our corporate social responsibility (share knowledge)
- 2.1** Improving sustainability skills
- 2.5** Become a savings and mortgage customer adviser on sustainability

MEASURES

- Annual updating of the sustainability labelling of funds and updating of procedures

GRI FS10 and FS11
404-2,3

UN GC 1-2, 4-8

SDG 8.3, 9.4,
13 a), 16.4

SFDR section
3(2), section 6(2)

RESPONSIBLE DEPARTMENT

- Savings and investment

TRAINING

- E-learning RM: training in fund labelling
- Plus: Improving skills in relation to the requirement for investment advisers to inform customers about the sustainability risk associated with investments, and the investment risk in sustainability investments, in line with the Sustainable Finance Disclosure Regulation (SFDR)

ECO-LIGHT-HOUSE

2065, 2069, 2070,
2071, 2072

Sustainable purchasing

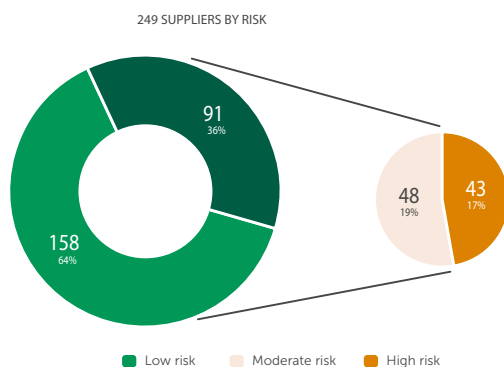
The Bank has a responsibility to safeguard human and labour rights, the environment and communities throughout our supply chains. Therefore, SpareBank 1 Sørøst-Norge requires suppliers to have sustainability policies and to translate these into action.

What was done in 2021?

The Transparency Act requires the Bank, as well as some of our larger corporate customers, to disclose how we manage challenges related to human rights and labour rights in-house, in relation to business partners, and in supply chains. There is a risk that we might make purchases from suppliers that breach human and labour rights, and the Bank also faces possible risk in connection with outsourcing services. Sustainability considerations were, therefore, further integrated into both purchasing and outsourcing in 2021.

SpareBank 1 follows up suppliers with an increased risk of having a negative impact on an annual basis. In 2019, SpareBank 1 conducted risk assessments of 249 suppliers:

- Some 91 had an increased risk of having a negative impact
- They were asked whether they have ESG guidelines, whether they can document their use of an environmental management system, and whether they have mapped their main negative impacts in ESG
- Some 43 were identified as requiring further follow-up



- 158 suppliers assessed as presenting a low risk were not followed up
- 48 suppliers assessed as presenting a moderate risk were not followed up further
- 43 suppliers assessed as having increased risk were followed up further

Of the 43 suppliers with a high risk of having a negative impact, three main categories were selected for further follow-up in 2021:

- IT related acquisitions: IT equipment

- Administrative procurements: Furniture
- Main suppliers: IT services and consultants

Two in-depth surveys were conducted within IT equipment and IT services. The suppliers were asked to document their general guidelines, action plans and actual sustainability risk. All of the suppliers have guidelines in place, while fewer presented action plans. Little information was received in relation to actual risk. This makes it difficult to see which specific areas the individual supplier should focus on to reduce risk.

The way forward

- Follow-up actual risk in the supply chains of the suppliers surveyed in 2021
- Conduct new surveys of more suppliers/categories
- All new suppliers will be assessed with respect to sustainability in terms of eligibility requirements, contract requirements and award criteria
- Support local business development by briefing local suppliers on the Transparency Act's due diligence requirements related to human and labour rights and being a reliable customer for them

GOALS FOR 2021	RESULTS 2021	GOALS FOR 2022	GOALS FOR 2022-2024
• Finalise an action plan and follow-up certain categories in Q1	✓ Action plan completed	• Compliant with the Transparency Act	• Evaluate and further develop the work on sustainable purchasing
• Follow-up other suppliers Q2-Q4	✓ Followed up certain categories in Q2-Q4	• Follow-up of certain categories	• Improve systems and follow-up of suppliers
• Introduce system support into sustainability work	✓ System support introduced	• Work with new suppliers	

Risks and opportunities

Failing to monitor our suppliers' sustainability awareness exposes SpareBank 1 Sørøst-Norge to risk. The risk may arise from outsourcing to countries in which human and labour rights are not taken account of or from our suppliers causing environmental problems. SpareBank 1 Sørøst-Norge therefore complies with the guidelines for sustainable purchasing.

A very high proportion of the purchases made by the banks in the SpareBank 1 Alliance are made through joint agreements. We already utilise the significant purchasing power this affords us to influence whether and how our suppliers work to reduce negative

impacts in sustainability throughout their supply chains. By following up our suppliers, we have an opportunity to detect and prevent violations of human rights and labour rights.

STRATEGIC ANCHORING:

GUIDELINES

- Sustainability policy
- Guidelines for sustainable purchasing

RESPONSIBLE DEPARTMENT

- Economics

GOALS IN THE SUSTAINABILITY STRATEGY

- 1.4** Responsible operations beyond what is required
- 1.6** Fulfil our corporate social responsibility (share knowledge)
- 2.1** Improving sustainability skills
- 3.1** Measures for sustainable operations

TRAINING

- Skills improvement measures via SpareBank 1 Alliance acquisitions.
- Plus: Improving skills within reporting, Transparency Act and requirements for suppliers

MEASURES

- Produce a policy with criteria (including sustainability) and tender thresholds for local purchases, based on documentation from the SpareBank 1 Alliance if possible
- Climate report in corporate governance

GRI 308-1,2,
414-1,2

PRB 5.1

UN GC 1-9

SDG 9.2, 13 a),
16.4

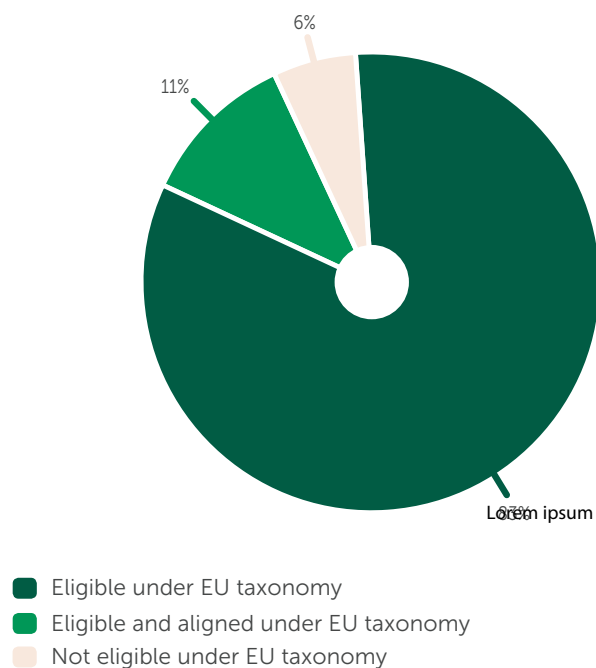
The EU taxonomy

The Norwegian Act that will enact the taxonomy in Norwegian law has been approved and will probably come into force in the spring. A sustainable activity significantly contributes to achieving one of the six environmental goals (reducing emissions, climate adaptation, circular economy, reducing pollution, contributing to clean water and clean oceans, or preserving biodiversity) without this being at the expense of the other environmental goals. The activity must also satisfy minimum social standards and the sector's minimum criteria.

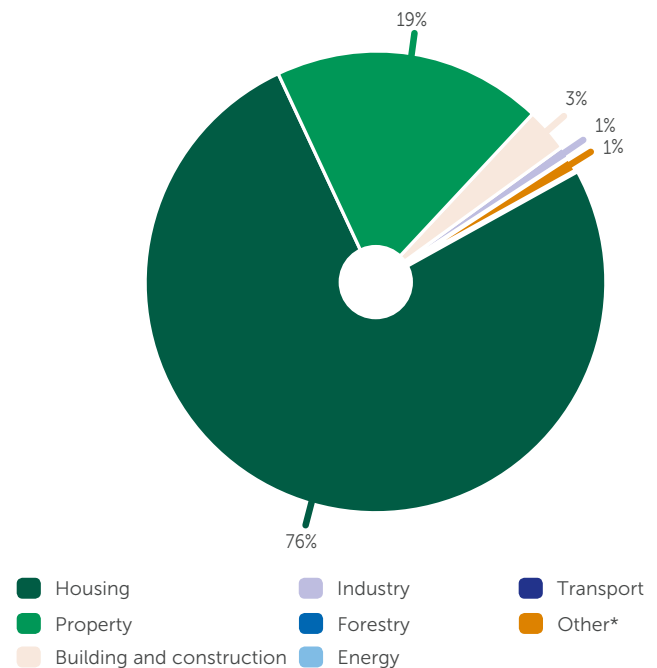
The Bank has mapped loans in the retail and corporate market that are covered (eligible) under the delegated acts for the climate goals in the EU classification directive (EU taxonomy) and has also mapped which loans can be deemed to be adapted (aligned) to the EU taxonomy as part of the work on publishing a green bond framework.

However, this must be considered a work in progress. Several activities will become eligible both under the environmental targets that currently have defined minimum criteria and under the four other environmental goals, and some activities will probably become ineligible based on more accurate information about criteria.

The proportion of our total loan portfolio assumed to be covered by (eligible) and adapted to (aligned) the EU taxonomy (lending volume)



Proportion of total lending volume (by main sectors) covered by the EU taxonomy (eligible)



* Other includes: Academic, scientific and technical, water and sewerage, cultural activities, teaching, information and communication, health and social services, business services, other services and financing and insurance.

CLARIFICATION

This document represents voluntary reporting and is intended to be a first step towards formal, correct reporting in line with Article 8 of the EU Taxonomy Regulations in light of the Ministry of Finance's encouragement dated 14.12.2021.

As an SME bank, the Bank does not have loans to corporate customers that are large enough to be subject to the disclosure duty. Therefore, the figure shows loans to corporate customers that are in sectors covered by the EU taxonomy (eligible) and thus can voluntarily report in line with the taxonomy, as well as activities in these sectors that we have so far found to be in line with the taxonomy's criteria (aligned). The majority of the objects assumed to be eligible are energy-efficient homes and commercial properties. The criteria for determining the eligibility or otherwise of objects are assessed by an independent third party, Cicero Shades of Green, as part of the work on the green bond framework. The figure only includes loans, not other financial instruments (such as deposits) or other income. The figure also does not include eligible objects related to the Bank's ownership interests in subsidiaries or other owned companies (e.g. the share of electric car leasing via SMN Finans).

METHODS

The analysis of which of the Bank's activities are covered (eligible) under the delegated acts for the climate goals in the EU classification directive (EU taxonomy) is based on:

- which financial investments the Bank is exposed to (this year's reporting only includes loans, not, for example, deposits, equity investments or bonds)
- which of the sectors covered we have exposure in via these financial instruments
- to which economic activities in the sectors with exposure does the Bank have exposure
- which customers the Bank has in these sectors and whether they are subject to a disclosure duty under the Taxonomy Regulation
- whether a relevant activity meets at least one technical criterion for at least one of the two environmental goals for which technical criteria (reduction in greenhouse gas emissions and climate adaptation) have so far been approved.

We have used the following formula to determine our total lending volume within the various NACE codes in the EU taxonomy:

$$\frac{(\text{Total credit limit} - \text{total lending})}{2 + \text{total lending}} = \text{total lending volume}$$

The total lending volume in each NACE code was then distributed by the following industries: housing, property, building and construction, manufacturing, forestry, energy, transport and other (see what "other" includes

under the figure "Proportion of total lending volume (by main sectors) covered by the EU taxonomy (eligible)").

THE WAY FORWARD

The Bank has set strategic credit targets for energy rating and climate risk for both the retail and corporate markets, as well as for eligible objects in our green bond framework. Better lending terms are also granted to new and existing homes and commercial properties that are eligible under the taxonomy.

Because Norwegian legislation is so good in many relevant areas, it may be easier in Norway than in many EU countries to show that a loan that contributes significantly to achieving one environmental goal does not do so at the expense of other environmental goals or have a significant negative social impact. However, very few new buildings in our market area currently meet the requirements stipulated by the EU taxonomy and the changes will probably first occur in relation to larger buildings in the top tier in the Oslo region. For this reason, developing a portfolio of new buildings that are eligible under the EU taxonomy will be challenging. It is, therefore, important to understand the potential under the taxonomy for transition activities in property, building and construction, transport and manufacturing.

Deposits, equity investments and bonds covered by and aligned with the taxonomy will be surveyed in 2022 in preparation for future reporting. The same applies in the next round to eligible other income.

Collateral objects with significant climate risk are not excluded from the estimate of activities aligned with the EU taxonomy (see the appendix "Physical climate risk in the loan portfolio" for more details). Because Norwegian legislation is strict when it comes to most environmental areas, the need to reduce the volume because of harm to other environmental targets is probably limited. The risk of a downward adjustment because activities breach social minimum standards is also considered limited: The Bank conducts a sustainability assessment of both the customer and the relevant loan and has additional procedures for screening customers in relation to the risk of financial crime.

What we know so far about what activities may be defined as harmful under the EU taxonomy suggests that the Bank has very limited exposure to such activities, and that these are largely excluded via our credit policy. The Bank is monitoring the work on the social taxonomy the EU is developing and has started work on exploring risks and opportunities related to it.

The mapping of loans eligible under, and aligned with, the taxonomy's final four environmental targets has begun based on the draft EU legislation.

Sustainability and climate risk

INCLUDES REPORTING ON TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

SpareBank 1 Sørøst-Norge put sustainability and climate risk on the agenda, both in-house and externally, throughout 2021. The Bank reports on climate risk in line with the TCFD recommendations. This helps us better understand our risks and opportunities within climate and sustainability.

GOVERNANCE

DESCRIBE THE BOARD'S OVERSIGHT OF SUSTAINABILITY AND CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Board plays a participatory role and has insights into climate and sustainability risk.

The Board of Directors has:

- ✓ Approved a new sustainability strategy (2022-25)
- ✓ Approved the sustainability and climate targets and measures in the strategy
- ✓ Approved the structure for the Board's annual revision of the sustainability strategy (including the climate goals) and the structure for the quarterly risk reporting for the Board on sustainability and the climate

Sustainability and climate risk was a topic in three board meetings (the first in SpareBank 1 BV and the last two in SpareBank 1 Sørøst-Norge) in 2021.

This provided the Board with insight into, and they approved:

- The status of the Group's climate and sustainability work
- An updated sustainability strategy (including relevant initiatives for cutting climate risk and taking advantage of opportunities) and the background for it
- Changes to the sustainability and credit policies that take climate risk into account as well as address sustainability factors in policies and guidelines for remuneration, conflicts of interest, counterparty risk (incl. liquidity management and equity investments), the area of deposits and placements, and corporate governance.

See our [sustainability policy](#) for a more detailed explanation of the Board's role. For more information about the

process for quantifying climate risk, see the section on stress testing under "Risk management".

DESCRIBE MANAGEMENT'S ROLE IN ASSESSING AND MANAGING SUSTAINABILITY AND CLIMATE-RELATED RISKS AND OPPORTUNITIES

Responsibility for incorporating climate and sustainability risk into risk management lies with the head of sustainability, in cooperation with the head of risk management. The executive management team has set the overarching ambitions and is monitoring the work closely. They discussed the issue in several meetings in 2021. Climate and sustainability risk was an important element in the discussions on the sustainability strategy. All board matters are discussed by the executive management team.

STRATEGY

DESCRIBE THE SUSTAINABILITY AND CLIMATE-RELATED RISKS AND OPPORTUNITIES THE ORGANISATION HAS IDENTIFIED OVER THE SHORT, MEDIUM, AND LONG TERM

In 2021, the Bank updated its assessment of the Bank's sustainability risks and opportunities as part of its strategy work. We determined that we may be exposed to climate risk both through loans to the corporate market and residential mortgages in the retail market. We have high risk, but also great opportunities to have a positive impact within property (housing, projects and rental properties). In 2021, we collected data on the Bank's collateral objects' physical climate risk within both industry and housing, and also significantly improved our overview of the energy efficiency of the buildings and homes we finance.

Physical climate risk may primarily arise in the long term (generally 10+ years) if homes or commercial properties are located in places at an increased risk of flooding due to rain, storm surges, quick clay, landslides or

avalanches, and situations or events that occur are not covered by the borrower's insurance. In the medium to long term, we may experience increased re-leasing risk (if our borrower rents out a building that is of poor technical quality and the tenant does not want to renew the lease and our borrower cannot afford to upgrade the building to satisfy the tenant's possible sustainability and climate requirements). We differentiate mortgage pricing based on energy efficiency. Activities that involve a particularly high risk of environmental harm, including climate risk, will not receive a loan from us.

In the short and medium term, we are exposed to transition risk related to electrification and the transition to zero-emission operations in a number of industries that, individually, we have little exposure to, but which collectively constitute an important share of the loan portfolio: building and construction, transport, fuel sales, operating companies and agriculture.

The loan portfolio in the corporate market has some exposure to the metal industry. High prices for energy and/or climate quotas can present a challenge for this type of industry.

We have started to explore business opportunities within financing by offering better terms and conditions for leasing zero-emission vehicles and machinery, as well as for solar energy projects. We also see potential for greater demand for green mortgages, green deposits and sustainable investment fund savings.

DESCRIBE THE IMPACT OF SUSTAINABILITY AND CLIMATE-RELATED RISKS AND OPPORTUNITIES ON THE ORGANISATION'S BUSINESSES, STRATEGY, AND FINANCIAL PLANNING

One of the SDGs SpareBank 1 Sørøst-Norge has selected is SDG 13: Climate Action. The work is strategically anchored in the sustainability strategy, the sustainability policy, the credit policy and the guidelines for distributing securities funds.

We have signed up to the UN Principles for Responsible Banking, and the sustainability strategy includes, among other things, measures to help retail and corporate customers in the climate change transition, through both reducing emissions and climate adaptation. This includes a focus on skills and advice and renovation-related partnerships, as well as climate adaptation for homes and commercial buildings. Other specific follow-up measures in the sustainability strategy include focusing on financing zero-emission vehicles and machinery; solar energy financing for homes and commercial properties; and cooperation across relevant departments in the Bank in the value chain for green buildings and homes. The Bank is involved in developing the questions asked in the ESG and climate risk module for assessing new corporate loans. It has made sure that each of the risk elements mentioned in the scenarios below, as well as, for example,

sustainability risks related to the Transparency Act's due diligence requirements, are included in the questions for the sectors in the overview, as well as for other relevant sectors. These questions will be linked to the analysis of credit risk in 2022. The scenarios below will also be linked directly to dedicated learning paths that advisers in the retail and corporate markets will complete during the strategy period, starting in 2022.

Together with the industry, SpareBank 1 Sørøst-Norge is complying with the recommendations in the Roadmap for Green Competitiveness in the Norwegian Financial Sector, which was launched in June 2018. We aim to achieve the targets in the roadmap in this strategy period (2022-2025) despite the deadline for achieving the roadmap's targets being 2030.

DESCRIBE THE RESILIENCE OF THE ORGANISATION'S STRATEGY, TAKING INTO CONSIDERATION DIFFERENT CLIMATE-RELATED SCENARIOS, INCLUDING A 2°C OR LOWER SCENARIO

Work on scenario analyses has started. So far, we have used simple scenarios based on scenarios from the Network for Greening the Financial System (see below): one with relatively high transition risk in the short term but lower physical climate risk in line with the 2°C target ("orderly"); one with low transition risk in the short term but high transition risk in the somewhat longer term, as well as higher physical climate risk (a 3°C scenario) ("disorderly"); and a scenario without transition risk but with the same higher physical climate risk (a 4°C scenario) ("hot house world"). These have been chosen to highlight the range of possible impacts from both transition and physical climate risks within different time horizons. In 2022, the scenarios will be refined further as part of the work on climate stress testing the Bank's exposure to physical climate risk, as well as income from/lending to carbon-intensive sectors.

Overall, our market area has relatively low physical climate risk in an international context. Our portfolio also has a relatively low carbon footprint compared with many Norwegian and foreign banks because we are not directly exposed to shipping, fisheries, aquaculture or fossil energy production (only indirectly via a small number of exposures within oil services) and have little exposure to agriculture.

Our analysis tells us, among other things, that our loan portfolio:

- is exposed, in the short term (1-5 years), to transition risk within segments that use or sell fuel for fossil fuel-driven vehicles and machinery, as well as potentially individual customers in sectors that could be vulnerable to higher energy or quota prices
- has, in the short to medium term (1-10 years), limited exposure to physical climate risk, even though a small segment has indications of high climate risk (see separate appendix on physical climate risk)

- is exposed, in the medium term (6-10 years), to transition risk linked to technology development and market changes (e.g. whether buildings meet environmental requirements or whether owners have the money to upgrade in line with environmental requirements)
- may, in the long term (10+ years), be exposed to greater climate risk (especially within lending for rental properties and homes)

Property projects in the figure below include housing, and rental properties include home rentals/home sales. The category fossil vehicles/machinery are also relevant for private vehicles/machinery.

RISK MANAGEMENT

DESCRIBE THE ORGANISATION'S PROCESSES FOR IDENTIFYING AND ASSESSING SUSTAINABILITY AND CLIMATE-RELATED RISKS

At an overarching level and for operational risk: The Bank considers transition risk more important than physical climate risk in the short term, and transition risk is increasing in importance in the Bank's general risk picture, albeit from a low starting point. We conduct annual assessments of sustainability and climate risk for each of the Group's areas. In 2021, separate working groups took part in the assessments in each of the Group's key business areas (retail market, corporate market, finance, deposits and placements, Regnskaps-huset, EiendomsMegler 1 and Z-eiendom, HR, market, communication, economics and operations). Potential risks were identified and systematised by a separate working group in each of those areas. Areas with high risk are subsequently followed up with measures, inte-

grated into the Sustainability Department's action plan and in the Risk & Compliance Department's internal controls. Climate and sustainability risk will be a key topic in several technical seminars on risk management and compliance.

In the loan portfolio:

The Risk & Compliance Department have, in collaboration with the head of sustainability, conducted an overarching risk analysis of physical climate risk and transition risk for the industries in our loan portfolio. The industry categorisation was based on the two-digit NACE code. This has provided us with a provisional overview of our climate risk. We assess both physical climate risk and transition risk. Within transition risk, we assess political and legal risk, reputational risk, market risk and climate driven technological innovation. We arrive at the climate risk by assessing likelihood, vulnerability and exposure.

The Bank has obtained data on estimated physical climate risk (flooding, storm surges, quick clay, landslides, rockfalls, avalanches) from Norkart for all collateral objects (see separate appendix on physical climate risk), as well as an access client where individual objects can be assessed prior to granting credit. The access client also makes it possible to analyse climate risk as concentration risk (the risk of too much of the Bank's exposure being concentrated in a small geographical area) and to assess the covariation of climate risk factors across objects. The solution will be used in climate stress testing (e.g. objects with high risk/vulnerability can be analysed based on various scenarios in which one adjusts the reduction factor and increases the loan's proportion of the collateral's value (loan-to-value (LTV)) for all such objects).

SCENARIOS	INDUSTRIES		
	PROPERTY DEVELOPMENT PROJECTS	PROPERTY RENTALS	FOSSIL VEHICLES/MACHINERY (TRANSPORT, BUILDING AND CONSTRUCTION, AGRICULTURE, OPERATING COMPANIES)
ORDERLY	Higher carbon prices result in higher costs for materials. Environmental standards, regulations and customers demand reliable energy supplies, own energy production and proximity to public transport hubs . Requirements for circular construction processes , emission-free construction sites and energy-efficient buildings using low carbon materials increase costs.	Higher carbon prices and climate requirements in construction processes result in more expensive buildings, higher rents and, therefore, potentially fewer customers. Changed customer preferences (room solutions, energy efficiency, environmental certification) increase operating and maintenance costs. Requirement: older buildings must be renovated: higher costs.	Statutory requirements accelerate transition to electric power, higher costs. Residual values of fossil vehicles/machinery fall. Small actors reliant on public projects are impacted. Higher carbon prices/cost of emissions. Changed customer preferences increases pressure for electricity/hydrogen/biofuel for larger machinery/vehicles
DISORDERLY	Low carbon prices in short term, then rise rapidly: higher prices for materials. Requirements for new types of technology/materials in the building result in higher costs. Governments employ strong measures to reverse developments; industry unable to deliver or extremely expensive. Reputational risk if one does not adapt to regulatory requirements. Compensation requirements because of environmental impact.	Few requirements initially, but then governments employ strong measures to reverse developments; industry unable to deliver or extremely expensive. Changed customer preferences and government requirements result in loss of customer groups. Prohibitions against use of technical solutions e.g., heating, materials, etc. result in higher costs. Reputational risk if one does not adapt to regulatory requirements.	Few requirements initially, especially for large machinery/vehicles, but then governments employ strong measures to reverse developments; industry unable to deliver or extremely expensive. Changed customer preferences and government requirements result in loss of customer groups. Statutory requirements for zero emission vehicles/machinery require rapid, major investment.
HOT WORLD	Extreme weather and natural risk make construction harder and uncertain, resulting in tougher requirements, which in turn increases costs. Significant climate change: Unstable/expensive deliveries of materials (droughts, disease, social unrest, war). Projects in areas with (snow) activities that are disappearing become less attractive. Limited travel activity due to strain on infrastructure.	Extreme weather and natural risk make construction harder, resulting in fewer rental objects. Serious climate change, basis for (snow) activities disappears. Limited travel activity or obstacles due to impact on the infrastructure. Maintenance costs rise sharply because of extreme weather.	Extreme weather damages roads and charging infrastructure, and hinders deliveries of components for vehicles. Natural damage results in more work for machinery operators.

We involved customer advisers in the above-mentioned risk analyses. This taught them more about the topic, while at the same time they were able to contribute first-hand knowledge of the customer to the analysis.

In 2021, the SpareBank 1 Alliance acquired a module that corporate market advisers use to assess a loan's sustainability risk. The Bank's head of sustainability was involved in the working group that implemented this and in the working group that is now drawing up a common set of questions in the SpareBank 1 Alliance for use in risk analyses and credit risk assessments.

At a customer level:

The dialogue with customers in the retail and corporate markets on climate and sustainability risks and opportunities has begun (see the section below on targets for more details).

New products/services:

The Bank has implemented a policy for new and changed products, solutions and processes. The procedures require product owners to answer specific control questions related to sustainability and climate risk before new products, processes and services are launched. This applies to both products developed in-house and products the Bank receives from SpareBank 1 Utvikling. All new investment funds distributed by the Bank are ESG labelled.

DESCRIBE THE ORGANISATION'S PROCESSES FOR MANAGING CLIMATE-RELATED RISKS

Climate risk is identified, assessed and managed at various levels and using various methods, including:

- At an overarching level through the Bank's internal capital adequacy assessment process (ICAAP), risk strategy, other governing documents, etc.
- At a detailed level through assessments conducted as part of granting credit, investment decisions, product development, etc.
- Ongoing monitoring and quarterly reporting from the administration to the Board of Directors and executive management team.
- Through the green bond framework, which is third-party reviewed by Cicero Shades of Green based on the EU taxonomy, which will help to highlight how much of the loan portfolio is green as defined by the international requirements for green bonds.

In cooperation with the head of sustainability, the corporate division has looked at which industries are the most carbon-intensive. This overview is used to see which industries will experience the biggest changes in the future and where we will find the greatest transition risk. The corporate market department has, therefore, included investments in these industries in its strategy. Our sustainability strategy also includes a heavy focus on the skills of advisers in the retail and corporate markets, which will enable them to provide advice to customers on risks within the area of climate change (especially

within property and sectors exposed to transition risks due to electrification). We also want to take advantage of the demand for climate reports for SMEs by offering these via our accounting firm. The sustainability strategy also includes a focus on a tripartite partnership on financing and selling green commercial properties, selling homes in these buildings and selling green mortgages related to these homes.

The Bank offers green loans for new, existing and renovated homes that achieve a high degree of energy efficiency, which in the long term we believe will help to reduce the risk in the loan portfolio. Commercial properties with an energy rating of "A" or "B", or that are Swan Eco-labelled or BREEAM Excellent certified, will be eligible for better lending terms.

Operational risk:

The Bank is partly Eco-Lighthouse certified in line with the industry rules for banking and finance (SpareBank 1 BV was the taking over bank in the merger and was Eco-Lighthouse certified, while the branches of the former Sparebanken Telemark will be Eco-Lighthouse certified in 2022). The Bank produces its own climate report for the entire Group and is planning to integrate this into corporate governance in 2022. Therefore, the Bank feels that it has the operational risk associated with the climate under control.

DESCRIBE HOW PROCESSES FOR IDENTIFYING, ASSESSING, AND MANAGING SUSTAINABILITY AND CLIMATE-RELATED RISKS ARE INTEGRATED INTO THE ORGANIZATION'S OVERALL RISK MANAGEMENT

Sustainability, and more specifically climate risk, is a separate priority area for the Group in its overarching strategy for 2022-2025, which is also reflected in the sustainability policy. Responsibility for incorporating climate and sustainability risk into risk management lies with the head of sustainability, in cooperation with the head of risk management. Therefore, we feel that processes for identifying, assessing and managing climate-related risks have been well integrated into the Group's overall risk management, although this will remain a focus area going forward. We view it as an important area of our risk management and, therefore, pay a lot of attention to the topic.

METRICS AND TARGETS

DISCLOSE THE METRICS USED BY THE ORGANISATION TO ASSESS SUSTAINABILITY AND CLIMATE-RELATED RISKS AND OPPORTUNITIES IN LINE WITH ITS STRATEGY AND RISK MANAGEMENT PROCESS

The Group aims to cut greenhouse gas emissions per unit of value creation from the Group's operations by 7% per year from 2019 levels and do the same for the loan portfolio in order to contribute to Norway's target of cutting emissions by 50-55% by the end of 2030 and by 90-95% by the end of 2050. We depend on input factors that, for the time being, do not have zero emissions. The remaining emissions from operations, as well as any dif-

ference between the cuts achieved in the loan portfolio and the target for that year, are offset by purchasing high-quality climate quotas or, if possible, investing in local climate projects in order to reduce our climate-related reputational risk and make use of local investment opportunities.

We use the Eco-Lighthouse environmental management system, and our environmental certification is verified by a third party. We have implemented the criteria for banking and finance for credit provision, financing, bonds, savings products/placements of customers' deposits and management of the Group's own funds. We report on these criteria in the Annual Report for 2021.

We have published estimated emissions for our corporate loan portfolio (Scope 3: see the section under the appendix "Energy and Climate Report" for more details about what is included in Scope 3) in this Annual Report, although we should stress that the estimates are based on aggregated sector figures for Norway not specific data obtained from our loan customers.

In the situational analysis for the sustainability strategy, as well as in risk assessments for selected loan cases, we have used the industry-level scenario analyses developed by the CICERO Centre for International Climate Research as part of the Sustainable Edge project, which we participated in through SamSpar. The goal is to ensure that the financial services sector has better information about the climate risk in the companies in which we invest. The project is developing a practical tool for investors and lenders that will enable us to analyse climate risk and the extent to which the companies we invest in are contributing to the transition to a low-emission society. The analysis is at the two-digit NACE code level.

SpareBank 1 BV conducted an impact analysis in 2020 because it was a signatory to the UN Principles for Responsible Banking. This indicated that its most significant negative impacts were within the areas of the climate, resource security and waste (the analysis has been updated in 2021 for the new, merged bank, with slightly different results, see the introduction to the chapter on sustainability). Therefore, in addition to the climate, we have added a goal to the revised sustainability strategy of becoming the customer's adviser on the circular economy and natural risk.

For a complete overview of our goals and measures within climate risk, see our sustainability policy.

DISCLOSE SCOPE 1, SCOPE 2 AND, IF APPROPRIATE, SCOPE 3 GREENHOUSE GAS (GHG) EMISSIONS AND THE RELATED RISKS

For climate reports for Scope 1-3, excluding emissions from our suppliers, from loans, and from the fund portfolio: See the Annual Report, appendix "Energy and Climate Report A provision calculation has been carried

out for Scope 3 in the loan portfolio. See the Annual Report, appendix "Greenhouse gas emissions in the loan portfolio".

Because we do not perform our own fund management but instead distribute funds from other providers, we have as yet not calculated emissions from the fund portfolio. However, we have collected data on total Scope 1 and Scope 2 emissions, as well as other relevant parameters (e.g. carbon intensity) from 195 of the investment funds we distribute and will work to ensure that SpareBank 1 uses the data in sustainability assessments of the funds going forward. We have not calculated emissions at our other suppliers because the materiality and impact analyses indicate that this is not a significant area for us, and a very high proportion of the supplier relationships are managed centrally by SpareBank 1 Utvikling.

DESCRIBE THE TARGETS USED BY THE ORGANISATION TO MANAGE SUSTAINABILITY AND CLIMATE-RELATED RISKS AND OPPORTUNITIES AND PERFORMANCE AGAINST TARGETS

We estimate the loan portfolio's greenhouse gas emissions and carbon intensity based on the above-mentioned reduction target, and in 2021 we conducted a survey of sectors and individual customers with the greatest emissions. We started a dialogue with relevant individual customers in 2021 and will start a dialogue with approximately 50 customers in 2022 on potential preventive measures. These are companies where we have high exposure in an industry that is considered exposed to transition risk and, to some extent, physical climate risk; companies in industries the corporate market department prioritises in its strategy due to, among other things, opportunities within the areas of the climate and sustainability, and which the Bank therefore needs to know better; companies with poor ESG rating scores; and customers in other areas where the Bank sees commercial opportunities related to climate risk.

In line with the Eco-Lighthouse's banking and finance criteria, we evaluate targets, measures and exclusions annually.

As part of our sustainability strategy, a goal has been set of doubling the proportion of green exposures from the level in 2020 to NOK 25 billion in 2025, distributed between the retail market (NOK 10 billion) and the corporate market (NOK 2.5 billion). Strategic credit targets have also been set regarding a higher proportion of energy-efficient commercial properties/homes without high climate risk, and a lower proportion of energy-inefficient commercial properties/homes and/or buildings with high physical climate risk. In the corporate market, commercial initiatives that focus on sustainability are planned for two specific sectors along with associated performance targets, as well as sales targets for climate reports. Sales targets for green mortgages will also be established following the merger with SpareBank 1 Modum.

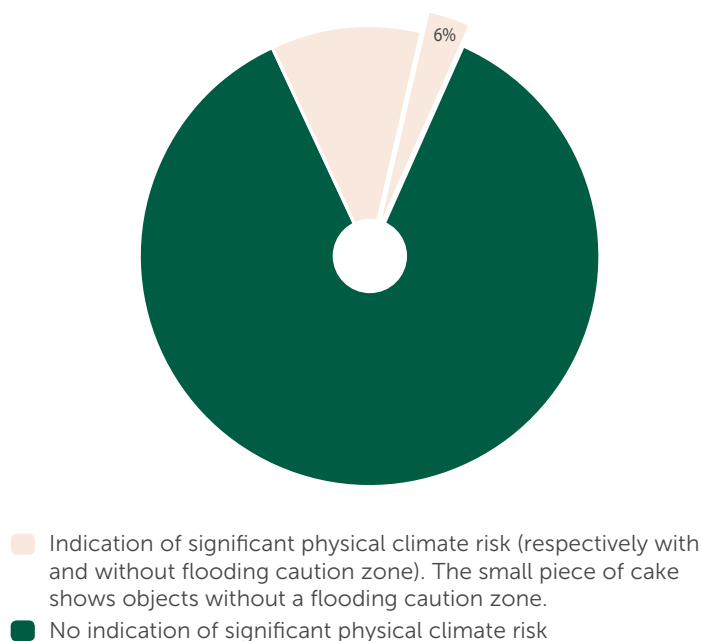
Physical climate risk in the loan portfolio

We must actively seek to reduce sustainability and climate risk in our loan portfolio. We have therefore obtained data on physical climate risk (flooding, storm surges, quick clay, landslides, rockfalls, avalanches) for all collateral objects and started the mapping work.

Overall, our market area has relatively low physical climate risk in an international context. Nevertheless, it is still important for the Bank to identify material physical climate risk in order to help our loan customers reduce their, and thereby our, risk. The Bank has analysed all collateral objects (in both the retail and corporate markets) based

on risk and vulnerability data from the Norwegian Water Resources and Energy Directorate (NVE). The data was provided collated by Norkart. The figure below shows objects with indications of material physical climate risk in our loan portfolio (this should not be confused with actual risk, see the explanation below the figure).

Objects with indications of physical climate risk*



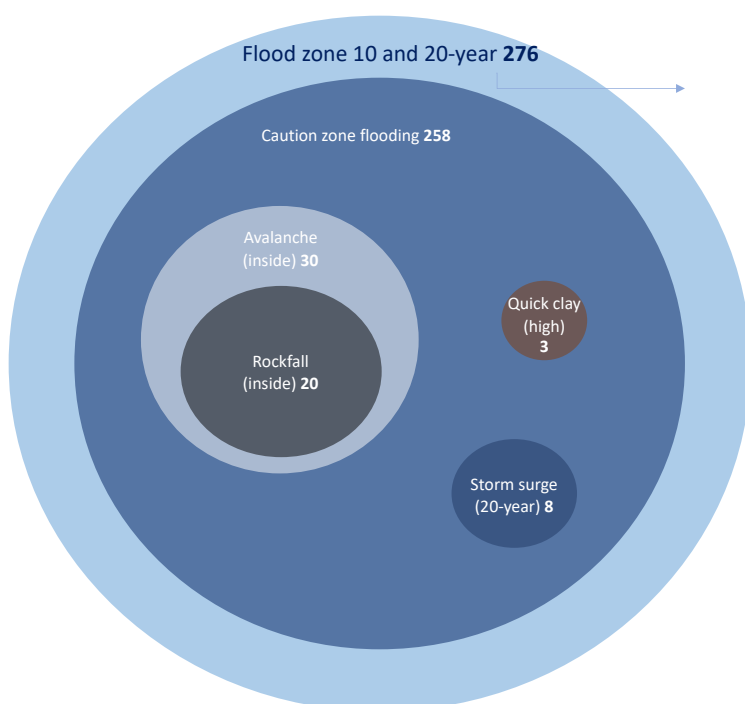
* The objects may have significant physical climate risk. We will analyse objects in hazard zones to map the actual risk, although we will not include objects only covered by caution zones since such areas are model estimates that do not take into account local conditions.

As at 31.12.2021, around 6% of the collateral objects (in both the retail and corporate markets) were exposed to 10/20-year flood risk, were both within an avalanche and a rockfall zone, have a high degree of quick clay risk, are

exposed to 20-year flood risk and/or are exposed to landslide events. These have been screened for overlap between risk events.

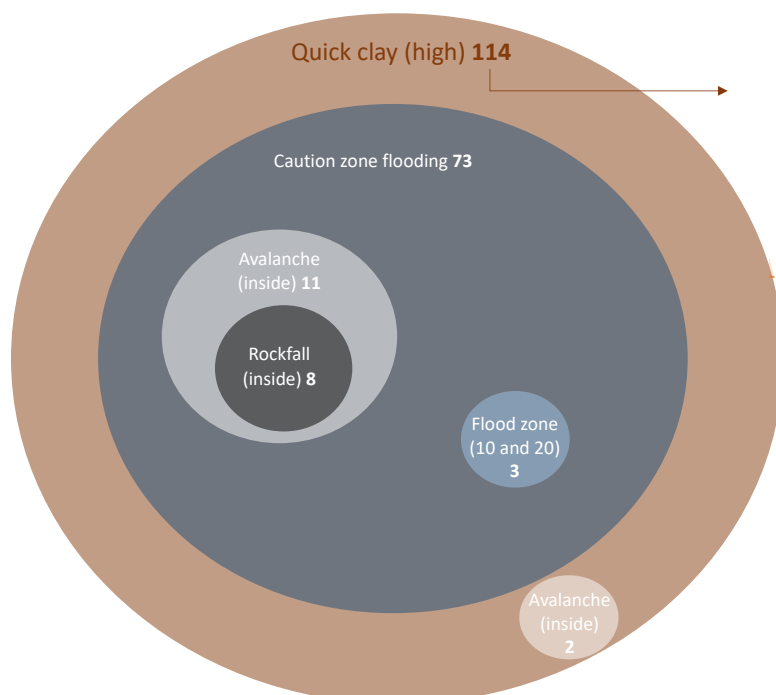
DETAILED OVERVIEW OF THE NUMBER OF OBJECTS WITH INDICATIONS OF SIGNIFICANT PHYSICAL CLIMATE RISK WITHIN THE VARIOUS SCENARIOS

The circles only indicate relative sizes within each figure. The sizes of the circles cannot be compared between figures:



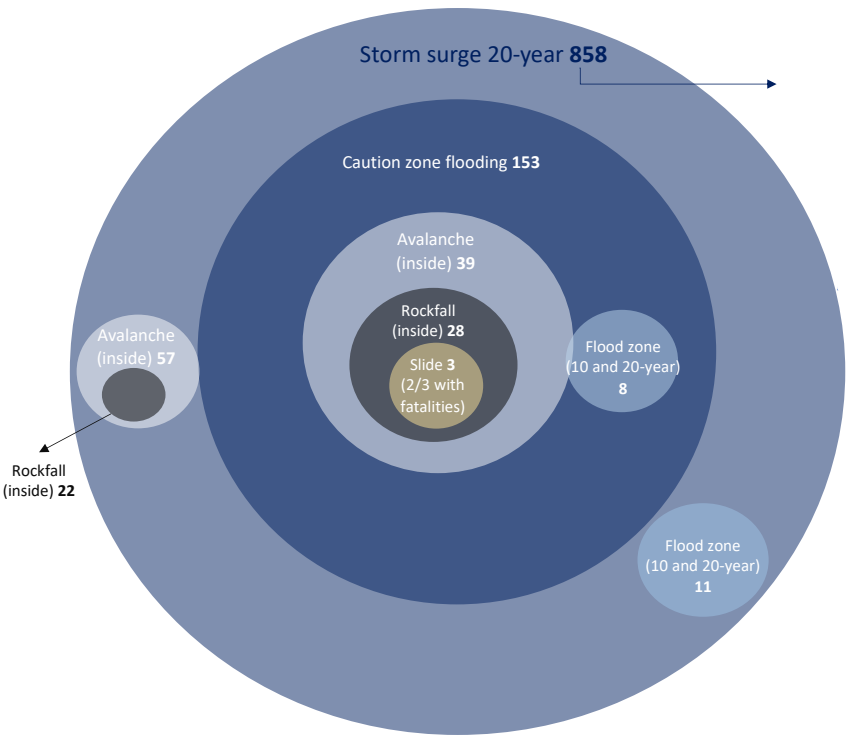
Flood zone 10 and 20-year

	Homes and holiday homes	Industry	Agriculture/fishing	Other/unknown
Companies	12	16	-	19
Private	102	2	27	44
Other/unknown	36	9	-	9



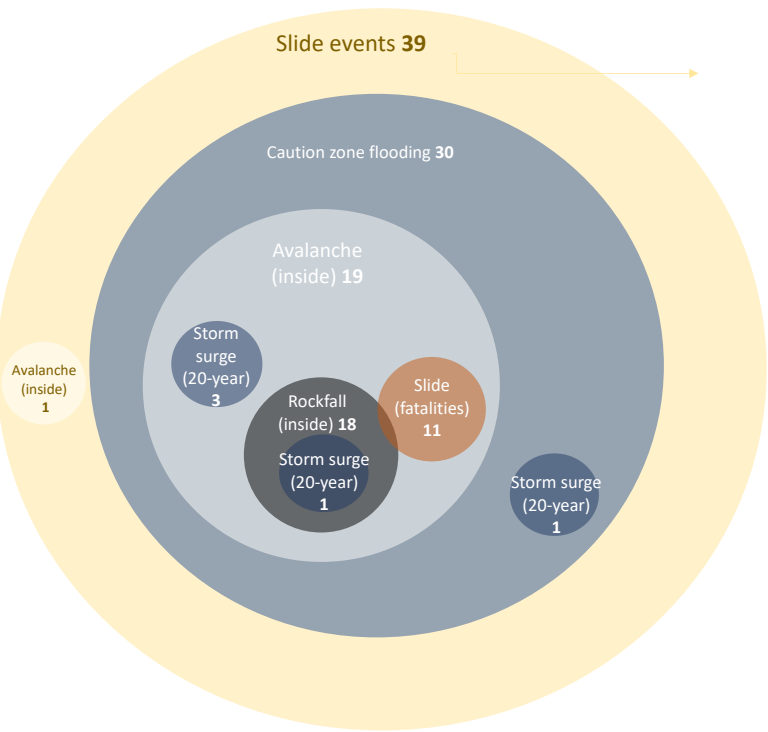
High risk of quick clay

	Homes and holiday homes	Industry	Agriculture/fishing	Other/unknown
Companies	5	1	-	1
Private	51	-	15	26
Other/unknown	15	-	-	-



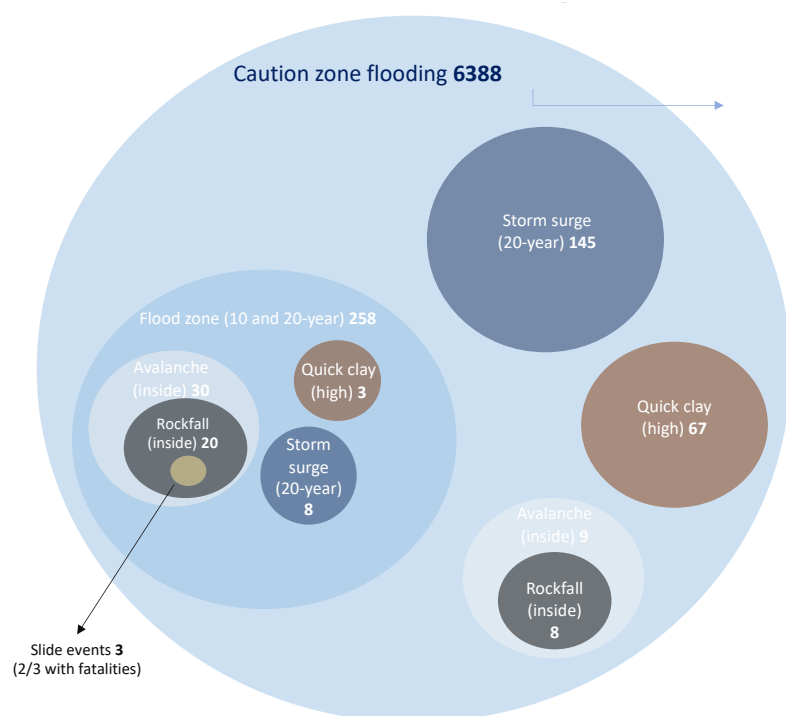
Storm surge 20-year

	Homes and holiday homes	Industry	Agriculture/fishing	Other/unknown
Companies	22	22	1	57
Private	386	4	63	149
Other/unknown	134	3	-	17



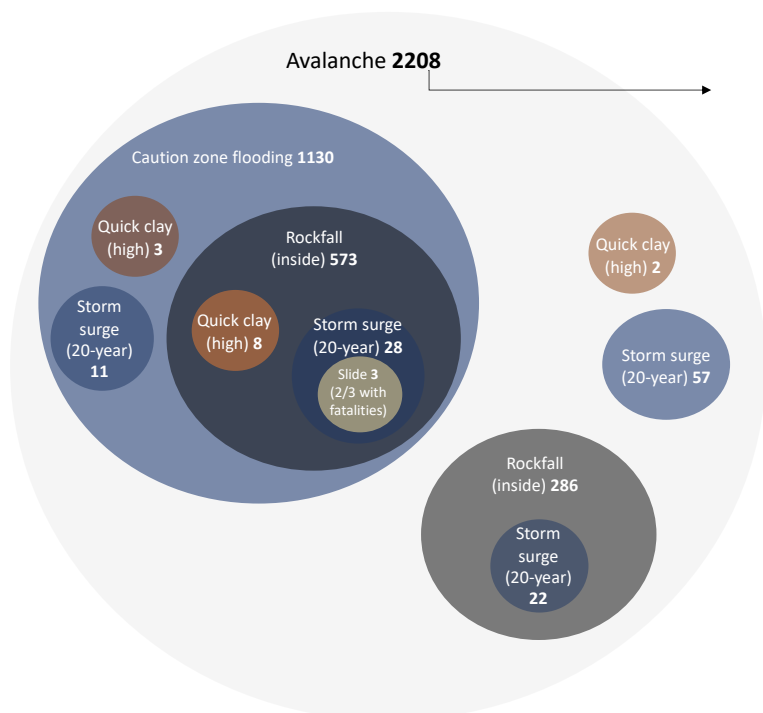
Slide events

	Homes and holiday homes	Industry	Agriculture/fishing	Other/unknown
Companies	-	-	-	1
Private	8	-	15	11
Other/unknown	3	-	-	1



Caution zone for flooding

	Homes and holiday homes	Industry	Agriculture/fishing	Other/unknown
Companies	128	184	9	214
Private	2,867	23	904	1,335
Other/unknown	578	22	-	124



Avalanche*

	Homes and holiday homes	Industry	Agriculture/fishing	Other/unknown
Companies	17	15	-	6
Private	389	3	135	173
Other/unknown	12	1	-	7

*All objects in the rockfall zone are included

CLARIFICATION

Buildings located in a risk area are not automatically exposed to the indicated risk, and the risk is not necessarily as high as indicated. Building owners may have implemented measures (such as drainage), the building may be located on a part of the plot that is not exposed to risk, or there may be other local topographical factors that prevent the building from being exposed. The data sources used also contain a mixture of hazard data and caution data, to some extent. The latter of these covers very many low-risk areas (see below for more details).

To the extent that a collateral object is exposed to real physical climate risk, this will only be a problem for the Bank in situations or incidents that the borrower's insurance does not cover.

Conversely, buildings that are outside risk zones may also be exposed for reasons not captured by the map data. For example, a building in an urban area may experience problems with stormwater in the event of torrential rain if natural streams and green areas that used to drain away the water have been covered over with asphalt.

METHODS

As a first attempt at indicating what constitutes significant physical climate risk, some assessments have been made of which caution and hazard zones should be included in the analysis.

Objects inside 10 and 20-year flood zones, as well as 20-year storm surge zones, are included. This time horizon is within the terms to maturity of many loans. Depending on the results of more detailed mapping, it may also be appropriate to include objects in the 50, 100 and 200-year flood zones (this would increase the total number of objects inside flood zones by 47, 143 and 341, respectively, and almost all of these objects are also included in the flood caution zone).

Less hazard, consequence and risk data are available for quick clay. So far, we have focused on hazard data because these are meant to give some indication of the likelihood of events. Consequence and thus also risk data are more secondary in nature since our focus is on our collateral objects and not on other consequences covered by the analysis. Depending on the results of further investigations, it may nevertheless be relevant to include quick clay zones in higher risk classes (4 and 5).

Caution zones for avalanches, rockfalls and floods, respectively, are included in the analysis, although they are so general (see below) that they are of limited interest when assessing risk. However, when assessed in the context of other parameters (ref. the figures above), they can highlight objects that are located in multiple different hazard and caution zones and which must, therefore, be assumed to be at greater overall risk. This applies, for example, to data on avalanche incidents and

fatalities from such incidents, which are based on data on more than 50,000 such incidents and are reported by many different entities in society.

A rough terrain model (25 x 25m, but more detailed for landslides and floods) automatically indicates caution zones based on the characteristics of the terrain (e.g. incline of the slope in the case of avalanches, and incline/geology for rockfalls). It will not always capture the peculiarities at a specific address and does not take into account local climate and vegetation conditions. No fieldwork has been carried out to delimit the zones based on local factors (e.g. forest, topography, implemented safety measures, etc.). This is why the areas included in caution zones will be too large. For example, caution zones for avalanches include areas that do not get enough precipitation in the form of snow for them to present a genuine avalanche risk.

Most quick clay hazard zones are defined on the basis of a very small number of test bores. Quick clay slides are a risk in areas that used to be covered by water, where there are uncompacted sediments and a sufficient incline. Many of these areas have not been surveyed in detail. Approximately 21% of our collateral objects are located in such areas.

The data for avalanches contains data from the "Snøskred aktsomhetsområde", "Snø- og steinsprang aktsomhetsområde" and "Skredfaresone" datasets. "Skredfaresone" includes all types of slides, including landslides. The risk of slides associated with sludge slides is not included.

USE OF THE RESULTS

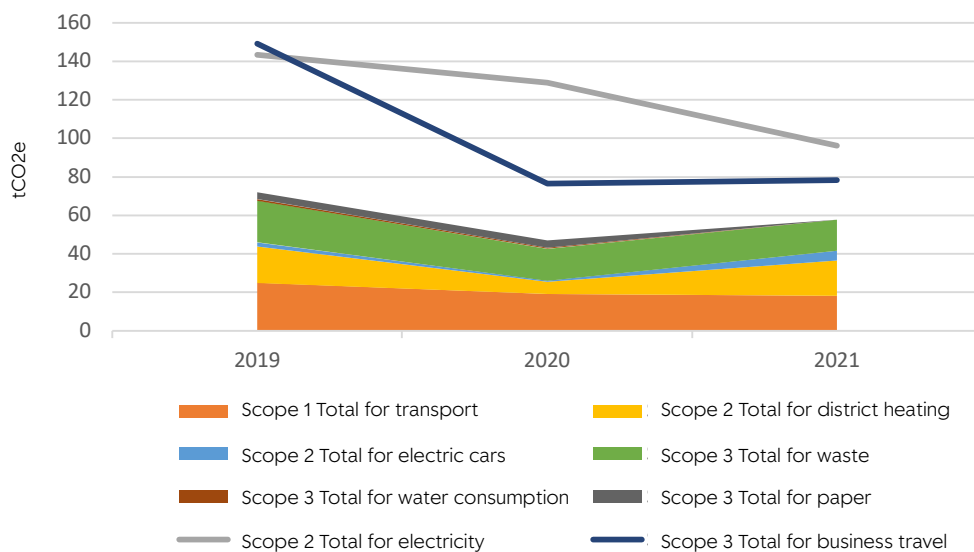
The data that provide the basis for the analysis are only suitable for providing an overall overview of climate risk. They are not precise enough to indicate the particular risk to an individual collateral object. We will survey this risk for the 6% of objects with indications of significant physical climate risk through a combination of field visits, customer interaction and more advanced and precise mapping tools. We will start with objects that face multiple material risks, including risks outside the area of sustainability and based on the term to maturity of the relevant loan.

The caution zone maps from the Norwegian Water Resources and Energy Directorate (NVE) used in the analysis (for flooding, avalanches and rockfalls) have, as mentioned above, clear weaknesses that need to be borne in mind when interpreting the results. They are national overview maps that show which areas may be exposed to risk. The maps are not meant to be used for assessing a specific address, instead they indicate where risk should be investigated further. Therefore, the fact that a collateral object lies outside such a caution zone does not in itself confirm that the object does not have a high risk. Nor can they be used as a basis for calculating the probability of events occurring.

Energy and Climate Report 2021

SpareBank 1 Sørøst-Norge is actively working to reduce its climate footprint from operations in line with our target of a 7% annual cut in emissions per NOK 1 earned. Our total GHG emissions amounted to 232.4 tonnes of CO₂ equivalents (tCO₂e) in 2021. This is a reduction of 9.5% from the year before. The Bank purchases NOTE climate quotas and guarantees of origin to compensate for our emissions.

Overview of our main emission categories



We will actively work to cut emissions in our internal operations:

- The branches of the former Sparebanken Telemark will be Eco-Lighthouse certified in order to cut emissions from internal operations.
 - The branches of the former SpareBank 1 BV were Eco-Lighthouse certified in line with the new banking and finance criteria in 2020.
- We will revise our travel policy in light of the climate goals and a more hybrid working day (digital meetings, flexible workplace, etc.)
- The climate report will be included in corporate governance
- The branches of the former Sparebanken Telemark will be included in our agreement with GreenTech
 - SpareBank 1 BV delivered its IT waste to GreenTech, which sells used IT equipment and contributes to the circular economy
- We will include data centres in Scope 3

SPAREBANK 1 SØRØST-NORGE'S ENERGY AND CLIMATE REPORT 2021

CEMASys helps SpareBank 1 Sørøst-Norge produce its Energy and Climate Report. The purpose of this report is to provide an overview of the Group's greenhouse gas (GHG) emissions, which is an integral part of an overall climate strategy. Climate reports are an important tool in the work on identifying specific measures for reducing your energy consumption and the associated GHG emissions. This Annual Report enables the organisation to measure its key figures and thus evaluate itself over time.

The report includes all of the activities of SpareBank 1 Sørøst-Norge, the Group and the branches.

The information used in climate reports is obtained from both external and internal sources and is converted into tonnes of CO₂ equivalents (tCO₂e). The analysis is based on the international standard "A Corporate Accounting and Reporting Standard", which was developed by the Greenhouse Gas Protocol Initiative (GHG Protocol). This is the most commonly used method worldwide for measuring GHG emissions. ISO standard 14064-I is based on it.

Reporting Year Energy and GHG Emissions

Emission source	Description	Consumption	Unit	Energy (MWh)	Emissions tCO ₂ e	% share
Transportation total				77.4	18.2	7.8 %
Petrol		6,795.4	liters	65.8	15.9	6.8 %
Diesel (NO)		1,112.2	liters	11.6	2.3	1.0 %
Scope 1 total				77.4	18.2	7.8 %
Electricity total				3,104.1	96.2	41.4 %
Electricity Nordic mix		3,104,058.0	kWh	3,104.1	96.2	41.4 %
District heating location total				1,258.7	18.4	7.9 %
District heating Norway mix		1,258,683.0	kWh	1,258.7	18.4	7.9 %
Electric vehicles total				162.5	5.0	2.2 %
Electric car Nordic		162,509.0	kWh	162.5	5.0	2.2 %
Scope 2 total				4,525.2	119.6	51.5 %
Waste total				-	16.3	7.0 %
Paper waste, recycled		16,783.0	kg	-	0.4	0.2 %
Residual waste, incinerated	Includes 420 kg isolation. 5200kg of the residual waste is from a renovation project	30,886.0	kg	-	15.5	6.7 %
Wood waste, recycled	Renovation project	2,980.0	kg	-	0.1	-
Glass waste, recycled		1,264.0	kg	-	-*	-
Organic waste, recycled		4,698.0	kg	-	0.1	-
EEwaste, recycled		590.0	kg	-	-*	-
Plastic waste, recycled		1,406.7	kg	-	-*	-
Metal waste, recycled	Complex iron. Renovation project	1,540.0	kg	-	-*	-
Plasterboard waste, recycled	Renovation project	7,740.0	kg	-	0.2	0.1 %
Mineral wool waste, recycled (CL)	Renovation project	1,120.0	kg	-	-*	-
Residual waste, recycled		1,857.0	kg	-	-*	-
Business travel total				-	78.2	33.7 %
Domestic, RF		71.0	flight trip	-	8.1	3.5 %
Mileage all. avg. car		413,967.0	km	-	69.7	30.0 %
Mileage all. el car Nordic		55,434.0	km	-	0.4	0.2 %
Scope 3 total				-	94.6	40.7 %
Total				4,602.7	232.4	100.0 %
KJ				16,569,631,540.8		

Reporting Year Market-Based GHG Emissions

Category	Unit	2021
Electricity market-based	tCO ₂ e	-**
Scope 2 market-based	tCO ₂ e	23.4
Total market-based	tCO ₂ e	136.2

In 2021, SpareBank 1 Sørøst-Norge's total greenhouse gas emissions amounted to 232.4 tCO₂e. SpareBank 1 BV and Sparebanken Telemark merged and became SpareBank 1 Sørøst-Norge in 2021. In 2020, SpareBank 1 BV's emissions amounted to 182 tCO₂e and Sparebanken Telemark's amounted to 74.8 tCO₂e, which amounts to 256.8 tCO₂e in total. Despite this, emissions have fallen by 9.5% or 24.4 tCO₂e. One of the main reasons for this significant drop was the mandatory order to work from home because of the Covid-19 pandemic. This resulted in less electricity consumption in the branches and fewer business trips. The pandemic also gave rise to new ways of working and digital meetings, which also reduce the need to travel.

Scope 1:

Transport: Actual consumption of fossil fuels by the Group's vehicles (owned, rented and leased). The consumption of diesel (B5) and petrol in 2021 accounted for emissions equivalent to 19.2 tCO₂e. This is a reduction of 0.9 tCO₂e compared with 2020.

Scope 2:

Electricity: Measured electricity consumption in leased premises/buildings. The table shows GHG emissions from electricity calculated using the location-based emission factor Nordic mix. The Nordic mix is made up of a weighted average of the Swedish, Norwegian, Danish and Finnish factors based on figures from the IEA. Norway is part of a common Nordic power market, and it is therefore natural to choose the Nordic region as a geographical delimitation, since this best represents the power market in which Norway operates, in line with the GHG Protocol (page 53 of Scope 2 Guidance). The emission factor was reduced from 41 gCO₂e per kWh in 2020 to 31 gCO₂e per kWh in 2021, a reduction of 24%. The emissions from electricity were equivalent to 96.2 tCO₂e and accounted for 54.8% of total emissions. Emissions from electricity were cut by 32.8 tCO₂e.

**Market-based electricity has zero emissions for 2021 because guarantees of origin were purchased.

District heating: Measured consumption of district heating in leased premises/buildings. Emissions from "Heat, waste incineration 70% (Nordic)" decreased from 4.3 tCO₂e in 2020 to 0 in 2021. This is because district heating has a higher degree of renewable energy, and from 2021 it is therefore more correct to use "District Heating, Norwegian Mix" for all district heating. Emissions from district heating in 2021 were 18.4 tCO₂e and account for 10.4%.

Scope 3:

Waste: Total emissions from generated waste. Emissions from waste are calculated up to the stage where waste is defined as a new resource. For recovered fractions, this means transport to the recovery point. For waste incineration, this includes both transport and incineration. Total emissions from waste in 2021 amounted to 16.3 tCO₂e. A proportion of this came from a renovation project completed in 2021.

* Some waste categories are shown with zero emissions because they contain emissions of less than 0.1 tCO₂e. The emissions are still included in total emissions but the calculation does not appear in the table because it is very low.

Air travel: Total emissions from air travel in 2021 amounted to 8.1 tCO₂e. Air travel saw an increase from 2020 because the Bank is bigger after the merger.

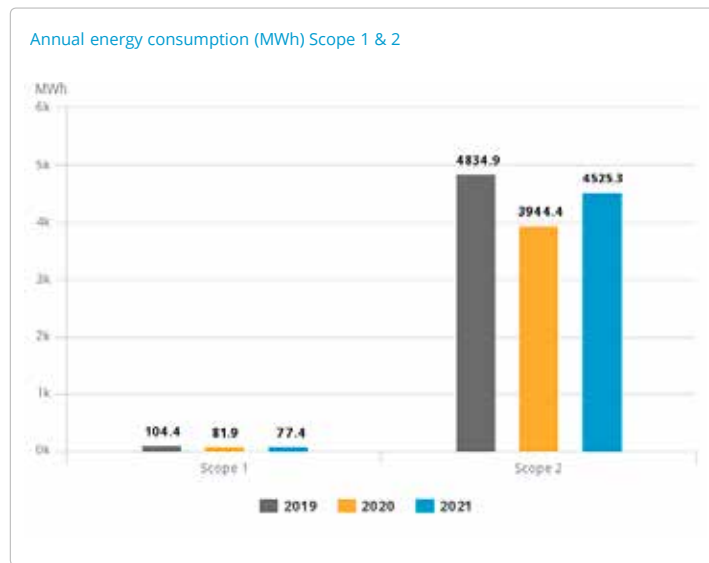
Mileage allowance: In 2021, total emissions from petrol and diesel cars amounted to 11.5 tCO₂e and from electric cars 0.4 tCO₂e.

Historical data from both SpareBank 1 BV and Sparebanken Telemark have been entered into the same climate report and there will therefore be some differences from the reporting in 2020. The main categories with respect to changes in emissions are electricity, waste and business travel.

Annual GHG Emissions

Category	Description	2019	2020	2021	% change from previous year
Transportation total		25.0	19.1	18.2	-4.4 %
Petrol		19.4	14.3	15.9	11.5 %
Diesel (NO)		5.6	4.8	2.3	-51.7 %
Scope 1 total		25.0	19.1	18.2	-4.4 %
Electricity total		143.4	129.0	96.2	-25.4 %
Electricity Nordic mix		143.4	129.0	96.2	-25.4 %
District heating location total		18.8	6.4	18.4	185.0 %
District heating Norway mix		17.6	6.4	18.4	185.0 %
District cooling NO/Arendal		1.2	-	-	-
Electric vehicles total		2.1	0.5	5.0	912.6 %
Electric car Nordic		2.1	0.5	5.0	912.6 %
District heating general total		6.7	4.3	-	-36.9 %
Heat Waste incin. 70% (Nordic)		6.7	4.3	-	-100.0 %
Scope 2 total		171.1	140.2	119.6	-14.7 %
Business travel total		149.2	76.5	78.2	2.2 %
Mileage all. avg. car		134.2	70.0	69.7	-0.4 %
Mileage all. el car Nordic		0.1	0.2	0.4	111.3 %
Continental/Nordic, incl. RF		5.1	1.4	-	-100.0 %
Intercontinental, RF		4.5	1.1	-	-100.0 %
Hotel nights, Nordic		2.8	1.2	-	-100.0 %
Hotel nights, Europe		0.2	-	-	-100.0 %
Domestic, RF		2.2	2.3	8.1	255.8 %
Train (NO)		-	0.2	-	-100.0 %
Bus (NO)		-	0.1	-	-100.0 %
Waste total		21.8	16.7	16.3	-2.0 %
Paper waste, recycled		0.8	0.4	0.4	-12.7 %
Plasterboard waste, recycled	Renovation project	-	-	0.2	100.0 %
Residual waste, incinerated	Includes 420 kg isolation. 5200kg of the residual waste is from a renovation project conducted in 2021.	20.7	16.0	15.5	-3.3 %
Wood waste, recycled	Renovation project	-	-	0.1	100.0 %
Glass waste, recycled		-	-	.*	296.2 %
Plastic waste, recycled		-	-	.*	244.8 %
Residual waste, recycled		0.1	0.1	.*	-57.0 %
EEwaste, recycled		-	-	.*	-39.5 %
Organic waste, recycled		0.1	0.1	0.1	8.1 %

Metal waste, recycled	Complex iron. Renovation project	-	-	-*	100.0 %
Mineral wool waste, recycled (CL)	Renovation project	-	-	-*	100.0 %
Vannforbruk total		0.7	0.5	-	-24.1 %
Water supply, municipal		0.7	0.5	-	-100.0 %
Papir total		3.6	3.8	-	6.1 %
Other material inputs	Paper,office (Eco-label)	0.8	0.7	-	-100.0 %
Toilet paper		2.8	3.1	-	-100.0 %
Scope 3 total		175.3	97.5	94.6	-3.0 %
Total		371.3	256.8	232.4	-9.5 %
Percentage change		100.0 %	-30.8 %	-9.5 %	



Annual Market-Based GHG Emissions

Category	Unit	2019	2020	2021
Electricity market-based	tCO ₂ e	750.3	254.4	-
Scope 2 market-based	tCO ₂ e	777.9	265.6	23.4
Total market-based	tCO ₂ e	978.2	382.1	136.2
Percentage change		100.0 %	-60.9 %	-64.4 %

Annual Key Energy and Climate Performance Indicators

Name	Unit	2019	2020	2021	% change from previous year
Scope 1 + 2 emissions (tCO ₂ e)		196.0	159.3	137.9	-13.5 %
Total emissions (s1+s2+s3) (tCO ₂ e)		371.3	256.8	232.4	-9.5 %
Total energy scope 1 + 2 (MWh)		4,939.3	4,026.3	4,602.7	14.3 %
kg CO ₂ e (s1+s2+s3)/FTE		709.9	491.9	424.9	-13.6 %

Greenhouse gas emissions in the loan portfolio

Norway and the world face vast challenges due to climate change. The objective of the Paris Agreement, which was signed by nearly all UN member states, is to limit global temperature rises to “well below” 2°C compared with pre-industrial times.

The Bank wants to cut our GHG emissions in our loan portfolio by 7% per year per unit of value creation. If we do not achieve this target, we will purchase high-quality climate quotas each year to compensate for the difference or, if appropriate, invest a similar amount locally to reduce GHG emissions.

CORPORATE MARKET

Estimated carbon footprint of the Bank's loan portfolio (Scope 3) for corporate customers amounts to: 157,000 tCO₂e. Our carbon footprint for 2021 cannot be compared to the calculation for the year before since only SpareBank 1 BV conducted such a calculation and Sparebanken Telemark did not.

Calculations of carbon-related credit exposure by industry

Estimated carbon footprint of the Bank's CM loan portfolio:
157,000
tCO₂e

Sector	Total lending in Norway (NOK millions)*	The Bank's lending as at 31.12.2021	The Bank's proportion of total lending in Norway	Total emissions to air (tCO ₂ e thousands)**	The Bank's proportion of emissions (calculated emissions in the Bank's loan portfolio in tCO ₂ e thousands)	Bank's emissions intensity per NOK millions in loans***
Real estate, renting and business activities*	687,720	13,320,446,603	1.9%	67	1.30	0.000
Real estate development**	148,389	3,511,346,451	2.4%	1,662	39.32	0.011
Building and construction work beyond real estate development**	46,382	1,044,610,026	2.3%	494	11.13	0.011
Wholesale and retail trade, repair of motor vehicles	77,010	1,023,703,129	1.3%	1,070	14.22	0.014
Financing and insurance activities	86,025	994,792,140	1.2%	1	0.01	0.000
Other service activities***	49,134	918,681,886	1.9%	313	5.85	0.006
Manufacturing****	77,463	612,928,529	0.8%	6,684	52.89	0.086
Agriculture	56,667	543,182,566	1.0%	522	5.00	0.009
Other transport and storage*****	69,687	329,876,641	0.5%	3,492	16.53	0.050
Electricity, gas, steam and air conditioning supply	57,195	303,778,387	0.5%	1,554	8.25	0.027
Accommodation and food service activities	19,845	166,792,722	0.8%	51	0.43	0.003
Forestry	4,067	153,826,492	3.8%	48	1.82	0.012
Information and communications technology	18,760	145,450,698	0.8%	10	0.08	0.001
Fishing	42,345	21,470,562	0.1%	844	0.43	0.020
Aquaculture	41,011	5,849,996	0.0%	47	0.01	0.001
Total	1,481,700	23,096,736,829	1.6%	16,859	157	0.007

* Source: Statistics Norway, Table 08116: “Financial corporations. Lending by borrower sector”

** Source: Statistics Norway, Table 09288: “Greenhouse gases from Norwegian economic activity, by industry and pollutant”

*** The Bank's emission intensity shows how carbon-intensive the various sectors are and is thus an indicator of transition risk.

Clarifications regarding industry allocation

The extraction of crude oil and natural gas and associated services, aviation and international shipping are excluded since the Bank has no exposure to these industries.

* Real estate, renting and business activities: Allocated emissions from heating of commercial buildings.

** Real estate development/building and construction work: Emissions related to building and construction are distributed between these industries by volume of loans.

*** Other service activities: The Bank has a, very limited, volume of loans to oil service companies, which is included in this category.

**** Industry: Oil refining is excluded because the Bank has no exposure to the industry.

***** Transportation and storage: Domestic shipping is excluded because the Bank has no exposure to the industry

Method

The calculation is based on how large a proportion of the total lending of Norwegian banks and financial institutions SpareBank 1 Sørøst-Norge accounts for in the individual industries. This proportion is then multiplied by total emissions (CO₂e) in the individual industry.

Assumptions

The estimate assumes that the borrowing requirements of each industry are equally distributed across the country and that the emission intensity of each industry is equally distributed across the country. Therefore, the model does not take into account regional differences in borrowing needs and emission intensity. The Bank may be both under-represented and over-represented in some industries.

Use of the results

The model provides a rough estimate of carbon-related credit exposure and carbon intensity in the industries to which the Bank lends money. The method is not precise enough to be used as a basis for comparisons with other banks.

Clarifications regarding industry allocation

The extraction of crude oil and natural gas and associated services, aviation and international shipping are excluded since the Bank has no exposure to these industries.

RETAIL MARKET

Estimated carbon footprint of the residential mortgage portfolio (Scope 3) amounts to:

38 333 tCO₂e equal to **5,30 tCO₂e** per household

Calculation of CO₂ related credit exposure in our residential mortgage portfolio

	AVG. CO ₂ PER OBJECT	TONNES OF CO ₂	NUMBER OF OBJECTS
A	1.82	31	17
B	2.46	287	117
C	2.50	731	293
D	3.07	1.030	336
E	4.26	1.782	418
F	5.47	2.747	502
G	6.25	5.008	801
TEK17	2.06	181	88
TEK10	2.22	507	228
TEK07	2.42	237	98
TEK97	3.44	1.519	441
TEK87	4.32	1.917	444
TEK69	5.77	6.081	1.052
TEK49	5.76	8.090	1.405
OLDER	8.18	8.057	985
Total	5,30 CO₂	38.333	7.225

Methods

The carbon footprint of the Bank's residential mortgage portfolio is calculated based on the home's estimated electricity consumption. 126 grams of CO₂ equivalents (gCO₂e) per kWh is used as the best estimate of GHG emissions. This is based on a European power mix and thus the principle of the free flow of power across national borders in Europe. By comparison, the Nordic

mix would have given 31 gCO₂e per kWh, while the latest available data for emissions from NVE's estimated actual electricity deliveries in Norway (2020) was 8 gCO₂e per kWh. The estimate for electricity consumption is based on building standard and the usable area of the home. The building standard is set equal to the construction year minus 2 years. In other words, a house built in 2010 would be classified as TEK07 and not TEK10.

Calculation of CO2 related credit exposure in our residential mortgage portfolio



GHG emissions are calculated for the Bank's collateral in the collateral classes of detached house, semi-detached house and flat, with the associated financing in the retail market. The extracted data is corrected for duplicate records, second homes or additional collateral, as well as for missing and/or misleading data records.

The extracted data represents detached houses and flats in our retail market loan portfolio. The average construction year in the extracted data was 1969 and the usable space in the home was 169 m². In the future, the Bank will try to improve the quality of the data used for the calculations.

Stakeholder engagement

OVERVIEW OF SIGNIFICANT ELEMENTS OF OUR STAKEHOLDER ENGAGEMENT IN 2021

FORUM	THEME	MEASURES IMPLEMENTED
<ul style="list-style-type: none"> Customer and market surveys Expectation surveys Digital and physical channels Webcasts and webinars 	<ul style="list-style-type: none"> How the group and activities are perceived by our customers Merger information for customers (SpareBank 1 BV and SpareBank 1 Telemark became SpareBank 1 Sørøst-Norge) Customer satisfaction increased in 2020 (from 65 to 71) Good digital solutions, responsible advice, local presence Covid-19 challenges: e-commerce, delayed deliveries 	<ul style="list-style-type: none"> We will be present, with power and in movement Immediate answers to questions More emphasis on sustainability assessments in customer cases
<ul style="list-style-type: none"> Management meetings, general meetings, departmental meetings Annual organisational surveys and employee appraisal and performance interviews Cooperation with trade unions Departmental sustainability meetings Manager and employee development 	<ul style="list-style-type: none"> Cooperation, engagement, working environment and well-being Development and involvement Sustainability issues Need to improve internal expertise on sustainability Good common culture after the banks merge 	<ul style="list-style-type: none"> Various measures by department, including a powerful boost in skills, see the annual report, chapter 3 "The business", subsection 3.8.0 "Organisation and HR: skills" Culture survey
<ul style="list-style-type: none"> Information meetings, investor presentations, themed presentations Supervisory Board meetings Stock exchange announcements and quarterly reports Website 	<ul style="list-style-type: none"> Financial results, credit quality, strategic direction, return on equity certificate, dividend, results on score and ratings Demand for green framework and issuance of green bonds 	<ul style="list-style-type: none"> Interim result presentations targeted at existing owners, analysts and potential new investors Green framework, green bonds
<ul style="list-style-type: none"> In-person meetings Email 	<ul style="list-style-type: none"> New opportunities due to the merger, need to understand differences and similarities in the foundations' working methods Dialogue on improving customer-facing skills, possible collaboration with the University of South-Eastern Norway Discussion of framework conditions for investing in start-ups Test and skills centre at Kongsberg Innovation Centre 	<ul style="list-style-type: none"> Good dialogue with all four savings bank foundations. Preparation of a partnership concept regarding the approach to awarding grants.
<ul style="list-style-type: none"> Email Meetings 	<ul style="list-style-type: none"> Dialogue surrounding tenders Follow-up of sustainability guidelines 	<ul style="list-style-type: none"> Clarification of what our sustainability requirements mean when our guidelines are applied: sustainability policy and sustainable purchasing.
<ul style="list-style-type: none"> Digital meetings Savings and investment committee (SIC) Communication committee Email 	<ul style="list-style-type: none"> Operationalisation of ESG assessments Climate risk and TCFD reporting EU taxonomy for sustainable activities Guidelines for fund management, ESG labelling scheme for securities funds Ethics and sustainability in purchasing Transparency Act 	<ul style="list-style-type: none"> Collaboration on the purchasing of tools and data on climate risk Common acquisition of module for assessing ESG loan applications: Discussion on the approach to reporting under the EU taxonomy Sharing of experience related to strategic development
<ul style="list-style-type: none"> Ministry of Finance, Financial Supervisory Authority of Norway, Norwegian Data Protection Authority, Innovation Norway Corporate health service 	<ul style="list-style-type: none"> Operations Questions and reporting regarding privacy and money laundering Growth guarantee scheme Sick leave, health promotion work 	<ul style="list-style-type: none"> Compliance with laws and regulations, including collecting proof of identity and updated information about customers Growth guarantee for local SMEs in the area of sustainability Improvement measures for reduced sick leave: crisis management in connection with Covid-19, new corporate agreement approved in 2021.
<ul style="list-style-type: none"> SIC 	<ul style="list-style-type: none"> ESG issues linked to some companies and funds. Follow-up of ESG in fund distribution. <ul style="list-style-type: none"> Excluded one fund that did not meet our requirement not to invest in controversial weapons. 	<ul style="list-style-type: none"> Guidelines for sustainable distribution and recommending securities funds were updated Process started for following up fund distribution in the SpareBank 1 Alliance Engagement has resulted in managers having sold their holdings in some companies
<ul style="list-style-type: none"> Email Digital meetings 	<ul style="list-style-type: none"> Briefing on the group's sustainability strategy, with a focus on the implications for credit quality. Meeting with Moody's Sustainax produced the first ESG analysis of the Bank conducted by an external third party 	<ul style="list-style-type: none"> Awaiting responses on ratings from Moody's and the ESG analysis
<ul style="list-style-type: none"> Different meetings places with other banks within areas of common interest to the industry (via, among others, Finance Norway, FinAut and VFF) 	<ul style="list-style-type: none"> Framework conditions for the banking industry EU taxonomy Transparency Act Training needs within sustainability Common approach to energy rating requirements and the definition of what constitutes high climate risk 	<ul style="list-style-type: none"> Cooperation on input for the development of detailed criteria for the implementation of the EU taxonomy Contribution to source data for the impact analysis for Norwegian banks
<ul style="list-style-type: none"> Written communication with NGOs Digital meetings with, among others, the Norwegian Green Building Alliance, Zero, and Global Compact Norway UNEP FI Finance Sector Union of Norway LO Finans 	<ul style="list-style-type: none"> Information about the ability to apply for funds from foundations targeted specifically at sustainability issues BREEAM and the EU taxonomy Clarification of role of UN Global Compact in the Norwegian financial services sector Alternatives to purchasing quotas for climate neutrality 	<ul style="list-style-type: none"> Any applications to the foundations for grants for sustainability purposes BREEAM-NOR version 3.0 was launched in February 2022 and should reflect the requirements in the EU taxonomy ZERO project and conference topic: quota purchasing for Norwegian enterprises
<ul style="list-style-type: none"> Meetings and presentations Emails University of South-Eastern Norway (USN), Norwegian School of Economics (NHH) Education environments and schools in the market area 	<ul style="list-style-type: none"> Our approach to sustainability Our experience with the sustainability initiative How a company should work with sustainability Cooperation with the University of South-Eastern Norway 	<ul style="list-style-type: none"> Improvements to our sustainability work with SMEs via an article on ESG issues for SMEs under the auspices of the Norwegian School of Economics (NHH). Invited to write a magazine article on sustainability assessments and SMEs
<ul style="list-style-type: none"> Local chambers of commerce and business networks Different conferences Entrepreneurial environments in the market area The Student Welfare Organisation of Southeast Norway (SSN) Miscellaneous meeting arenas with sports teams and associations 	<ul style="list-style-type: none"> The connection between sustainability and local business development Opportunities for cooperation on the Business Barometer for our market area Cooperation opportunities with start-up environments Improving young people's understanding of personal finances Dialogue with SSN on climate report, financial advice for students, cooperation on meeting any common challenges where we share locations The Bank as a local supporter, contributor and source of inspiration. 	<ul style="list-style-type: none"> Co-arranger of seminars and conferences Cooperation agreement with Kongsberg Innovation, support for Gründeriet (Sandefjord), continuation of cooperation with Silicia Swap weekend Information seminars and other events

GRI Content Index

Starting in 2020, SpareBank 1 Sørøst-Norge strives to report in line with the Global Reporting Initiative (GRI), the leading standard for reporting on sustainability. The GRI standard consists of principles, guidance and result indicators that companies can use to measure and report on financial, environmental and social conditions (see www.globalreporting.org for more information). Where relevant, the Group's GRI reporting is linked to its compliance with the UN Principles for Responsible Banking (PRB), the Group's compliance with the ten principles of the UN Global Compact (GC), and the UN Sustainable Development Goals (SDG) the Group is specifically focusing on.

GENERAL DISCLOSURES					
Disclosure	Description	Principles for Responsible Banking (PRB)	UN Global Compact (GC)	UN Sustainable Development Goals (SDGs)	SpareBank 1 Sørøst-Norge's reporting for 2021
The organisation and its reporting practices					
2-1	Organisational details	PRB 1.1			Name: SpareBank 1 Sørøst-Norge. The head office is in Anton Jenssens gate 2, Tønsberg. The Bank only operates in Norway. Annual Report, chapter 1: "SpareBank 1 Sørøst-Norge", section 1.2.0 "Corporate strategy", 1.4.0 "About us" and chapter 2 "Annual financial statements 2021".
2-2	Entities included in the organisation's sustainability reporting				Annual Report, Note 1: "General information" and Note 29: "Interests in group companies, associated companies and joint ventures"
2-3	Reporting period, frequency and contact point				2021, annually. Contact person: Orjan.Larsen@sparebank1bv.no.
2-4	Restatements of information				SpareBank 1 BV and Sparebanken Telemark merged and became SpareBank 1 Sørøst-Norge on 01.06.2021. See Annual Report, note 4 "Merger of SpareBank 1 BV and Sparebanken Telemark on 01.06.2021"
2-5	External assurance				The report has not been verified externally. External verification is planned from 2022 onwards.
Activities and workers					
2-6	Activities, value chain and other business relationships	PRB 1.1			Annual Report, chapter 1 "SpareBank 1 Sørøst-Norge", section 1.2.0 "Corporate strategy" and section 1.5.0 "Main figures/key figures". chapter 2 "Annual financial statements 2021". chapter 4 "Corporate social responsibility" section 4.1.0 "Sustainability: main areas, sustainable purchasing". No material changes from the year before.
2-7	Employees				Annual Report, chapter 3 "The business", section 3.8.0 "Employees"
2-8	Workers who are not employees				We had two people who were employed via Manpower as at 31.12.2021. Temporary employees are covered by the pension scheme and occupational injury insurance.
Governance					
2-9	Governance structure and composition	PRB 5.1			Annual Report, chapter 3 "The business"

2-10	Nomination and selection of the highest governance body				Annual Report, chapter 3 “The business”, section 3.2.0 “Corporate governance: www.sparebank1.no/nb/bv/om-oss/investor/virksomhetsstyring.html .”
2-11	Chair of the highest governance body				Annual Report, chapter 3 “The business”, section 3.1.1 “Presentation of the Board of Directors”
2-12	Role of the highest governance body in overseeing the management of impacts				Annual Report, chapter 3 “The business”, section 3.1.2 “Governing bodies”, 3.2.0 “Corporate governance” and appendix “Sustainability and climate risk”. See our sustainability policy.
2-13	Delegation of responsibility for managing impacts				
2-14	Role of the highest governance body in sustainability reporting				
2-15	Conflicts of interest				Discussed in each board meeting + remuneration policy. Three instances identified and assessed. Deviations: none.
2-16	Communication of critical concerns				We have reporting procedures, see our Code of Conduct. Deviations: none.
2-17	Collective knowledge of the highest governance body				Annual Report, chapter 3 “The business”, section 3.1.1 “Presentation of the Board of Directors”
2-18	Evaluation of the performance of the highest governance body				Evaluated annually, presented to the Nomination Committee. Annual Report, chapter 3 “The business”, section 3.2.0 “Corporate governance: www.sparebank1.no/nb/bv/om-oss/investor/virksomhetsstyring.html ”.
2-19	Remuneration policies				Annual Report, chapter 3 “The business”, section 3.2.0 “Corporate governance: www.sparebank1.no/nb/bv/om-oss/investor/virksomhetsstyring.html ”
2-20	Process to determine remuneration				Is decided by the Supervisory Board (general meeting). Annual Report, chapter 3 “The business”, section 3.2.0 “Corporate governance: www.sparebank1.no/nb/bv/om-oss/investor/virksomhetsstyring.html ”.
2-21	Annual total compensation ratio				Annual Report, chapter 3 “The business”, section 3.2.0 “Corporate governance: www.sparebank1.no/nb/bv/om-oss/investor/virksomhetsstyring.html ”.
Strategy, policies and practices					
2-22	Statement on sustainable development strategy	PRB 1.2			Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability”.
2-23	Policy commitments	PRB 5.2	GC 7 and 10	SDG 8 and 16	Annual Report, chapter 3 “The business”, section 3.2.0 “Corporate governance” and 3.3.0 “Risk management and internal control”. See our sustainability policy.
2-24	Embedding policy commitments				Annual Report, chapter 4 “Corporate social responsibility”, del-chapter 4.1.0 “Sustainability: Local corporate social responsibility and business development, sustainable fund management, sustainable purchasing”, the appendices “Sustainability and climate risk” and “Stakeholder engagement”. See our sustainability policy.
2-25	Processes to remediate negative impacts	PRB 5.1			Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability”

2-26	Mechanisms for seeking advice and raising concerns				We have reporting procedures, see our Code of Conduct. Annual Report, chapter 4 "Corporate social responsibility", section 4.1.0 "Sustainability"
2-27	Compliance with laws and regulations		GC 7 and 8	SDG 13.3 and 16.6	Annual Report, chapter 3 "The business", section 3.3.0 "Risk management and internal control"
2-28	Membership associations			SDG 17	Finance Norway. Annual Report, chapter 4 "Corporate social responsibility", section 4.1.0 "Sustainability", the appendix "Stakeholder engagement"

Stakeholder engagement

2-29	Approach to stakeholder engagement	PRB 4.1		SDG 17	Annual Report, chapter 4 "Corporate social responsibility", section 4.1.0 "Sustainability", the appendix "Stakeholder engagement"
2-30	Collective bargaining agreements	PRB 4.1	GC 3	SDG 8	100% of employees are covered by collective bargaining agreements.

GRI 3

3-1	Process to determine material topics	PRB 5.1			Annual Report, chapter 4 "Corporate social responsibility", section 4.1.0 "Sustainability: our framework, our material topics"
3-2	List of material topics				
3-3	Management of material topics				

SPECIFIC DISCLOSURES

Disclosure	Description	Principles for Responsible Banking (PRB)	UN Global Compact (GC)	UN Sustainable Development Goals (SDGs)	SpareBank 1 Sørøst-Norge's reporting for 2021
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ECONOMY

Management Approach

3-3	Management of material topics	PRB 5.1			Annual Report, chapter 1 "SpareBank 1 Sørøst-Norge", section 1.2.0 "Corporate strategy", chapter 3 "The business", section 3.2.0 "Corporate governance", chapter 4 "Corporate social responsibility", section 4.1.0 "Sustainability: framework and local corporate social responsibility and business development", the appendix "Sustainability and climate risk"
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Economic Performance

201-1	Direct economic value generated and distributed			SDG 8.5 and 9.4	Annual Report, chapter 1 "SpareBank 1 Sørøst-Norge", section 1.5.0 "Main figures/key figures" and chapter 2 "Annual financial statements 2021", section 2.1.0 "Results"
201-2	Financial implications and other risks and opportunities due to climate change		GC 7, 8 and 10	SDG 11.b and 13.3	Annual Report, chapter 4 "Corporate social responsibility", section 4.1.0 "Sustainability: responsible lending" and the appendix "Sustainability and climate risk" and "Physical climate risk in our loan portfolio" Reports and risks and opportunities as drivers behind innovation and product adaptation, although not methods and financial calculations.
201-3	Defined benefit plan obligations and other retirement plans				No material for the Bank. See our materiality analysis.
201-4	Financial assistance received from government				No material for the Bank. See our materiality analysis.

Indirect Economic Impacts					
203-1	Infrastructure investments and services supported			SDG 8.3	Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability: local corporate social responsibility and business development”. Investments in other services (disbursements from the Foundation, customer dividends, sponsorships, etc.) are reported on, not investments in infrastructure.
203-2	Significant indirect economic impacts				No material for the Bank. See our materiality analysis.
Financial crime and anti-corruption					
3-3	Management of material topics	PRB 5.1			Annual Report, chapter 4 “Corporate social responsibility”, del-chapter 4.1.0 “Sustainability: combating financial crime and ethics and anti-corruption”
Anti-corruption					
205-1	Operations assessed for risks related to corruption		GC 10	SDG 16.5	Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability: combating financial crime and ethics and anti-corruption” Not broken down by partners and regional location
205-2	Communication and training about anti-corruption policies and procedures				
205-3	Confirmed incidents of corruption and actions taken				
Financial crime					
SB1SON-1	Combating money laundering and terrorist financing			SDG 16.4	Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability: combating financial crime”
ENVIRONMENT					
Emissions and compliance with environmental regulations					
3-3	Management of material topics	PRB 5.1			Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability” and the appendices “Energy and Climate Report ” and “Greenhouse gas emissions in the loan portfolio”
Emissions					
305-1	Direct (Scope 1) GHG emissions		GC 7, 8 and 9	SDG 12.2, 12.6, 12.8, 13.3, 15.a and b	Annual Report, chapter 4 “Corporate social responsibility”, the appendices “Energy and climate report” and “Greenhouse gas emissions in the loan portfolio”
305-2	Energy indirect (Scope 2) GHG emissions				
305-3	Other indirect (Scope 3) GHG emissions				
305-4	GHG emissions intensity				
305-5	Reduction of GHG emissions				
305-6	Emissions of ozone-depleting substances (ODS)				Not material.
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emission				Not material.
Follow-up of suppliers – the environment					
3-3	Management of material topics	PRB 5.1			Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability: sustainable fund management and sustainable purchasing”

Follow-up of suppliers					
308-1	New suppliers that were screened using environmental criteria		GC 7, 8 and 9	SDG 13.3	Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability: sustainable fund management and sustainable purchasing”
308-2	Negative environmental impacts in the supply chain and actions taken				
SOCIETY					
Employees					
3-3	Management of material topics	PRB 5.1			Annual Report, chapter 3 “The business”, section 3.8.0 “Employees”. See our Code of Conduct and our sustainability policy.
Employment					
401-1	New employee hires and employee turnover		GC 1 and 6	SGD 8.5, 8.8 and 16b	Annual Report, chapter 3 “The business”, section 3.8.0 “Employees”, see table
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees				All permanent employees with a 20% position or more have the same rights and employee benefits. Temporary employees are only covered with the pension scheme and occupational injury insurance.
401-3	Parental leave				Annual Report, chapter 3 “The business”, section 3.8.0 “Employees”, see table
Training and education					
404-1	Average hours of training per year per employee			SDG 4.4, 4.7 and 8.5	Training and education have not been broken down by hours per employee.
404-2	Programmes for upgrading employee skills and transition assistance programmes				Annual Report, chapter 3 “The business”, section 3.8.0 “Employees: skills”
404-3	Percentage of employees receiving regular performance and career development reviews				Annual Report, chapter 3 “The business”, section 3.8.0 “Employees”
Diversity and equal opportunity					
405-1	Diversity of governance bodies and employees		GC 6	SDG 8.5 and 16b	Annual Report, chapter 3 “The business”, section 3.8.0 “Employees: equality and diversity”, see tables
405-2	Ratio of basic salary and compensation of women to men				
Non-discrimination					
406-1	Incidents of discrimination and corrective actions taken		GC 1, 2 and 6	SDG 8.8 and 16.b	No known cases of discrimination.
Follow-up of suppliers – socially.					
3-3	Management of material topics	PRB 5.1			
Supplier Social Assessment					
414-1	New suppliers that were screened using social criteria		GC 1-6	SDG 12.6 and 16.6	Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability: sustainable fund management and sustainable purchasing”
414-2	Negative social impacts in the supply chain and actions taken				
Marketing and privacy					
3-3	Management of material topics	PRB 5.1			Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability: Ethical marketing and ethics and anti-corruption”

Marketing and Labelling					
417-1	Requirements for product and service information and labelling		GC 2	SDG 9.4, 12.6, 12.8, 13.3 and 16.5	Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability: Ethical marketing”
417-2	Incidents of non-compliance concerning product and service information and labelling				
417-3	Incidents of non-compliance concerning marketing communications				
Customer Privacy					
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data				Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability: Ethics and anti-corruption”
Product responsibility and active ownership					
3-3	Management of material topics	PRB 5.1			Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability: responsible lending”
Product liability					
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose		GC 1	SDG 8.10, 9.4 and 12.6	Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability: responsible lending”
FS8	Monetary value of products and services designed to deliver a specific environmental benefit		GC 8 and 9	SDG 9.4, 12.2, 12.6, 12.8, 13.3, 15a and b	
Active ownership					
FS10	Percentage and number of companies held in the institution’s portfolio with which the reporting organisation has interacted on environmental or social issues.		GC 8	SDG 8.10, 11.a, 12.6, 12.8, 13.3	Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability: responsible lending”
FS11	Percentage of assets subject to positive and negative environmental or social screening		GC 1,2, 4-6 and 7		Annual Report, chapter 4 “Corporate social responsibility”, section 4.1.0 “Sustainability: sustainable fund management”

SpareBank 1 Sørøst-Norge's remuneration policy

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9. Maintenance	p. 198
10. Reference	p. 198

1. Purpose

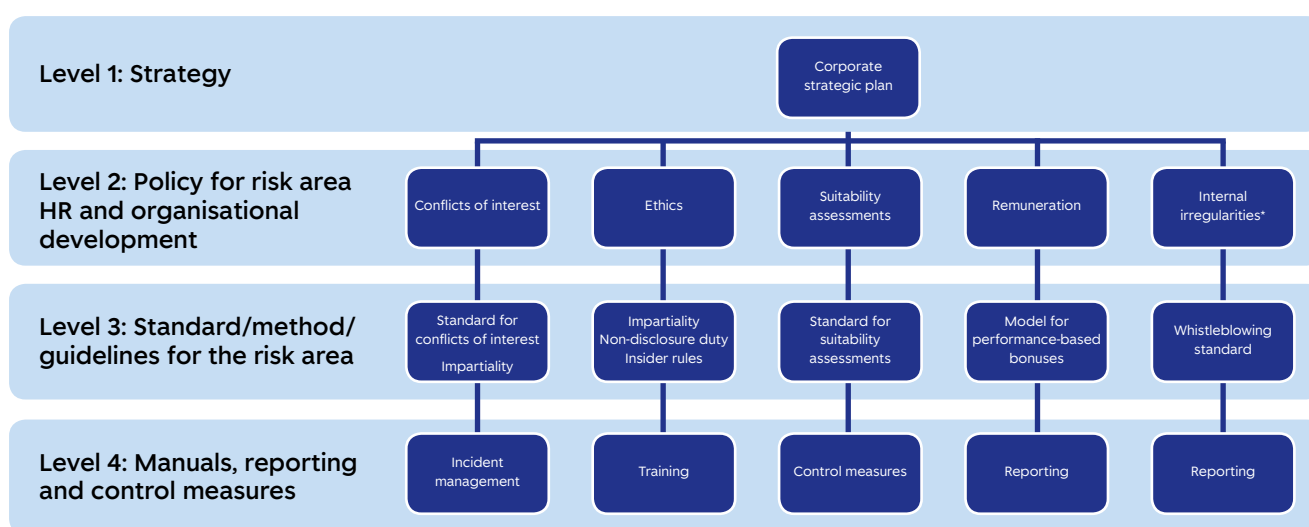
SpareBank 1 Sørøst-Norge's (parent bank) remuneration policy must help maintain the Bank's competitiveness, attract and retain relevant expertise, promote and provide incentives for good management and control of the Bank's risk, counter excessive risk-taking and contribute to avoiding conflicts of interest.

A performance promoting remuneration scheme is an important strategic instrument. All rewards in SpareBank 1 Sørøst-Norge must contribute to achieving goals and the desired conduct.

The Board of Directors must establish, and ensure that the Bank has and practices, guidelines and frameworks for the remuneration system at all times. The remuneration system must be in line with the Bank's strategy, overarching objectives, financial capacity, risk tolerance and long-term interests.

2. Framework – management and control of remuneration in SpareBank 1 Sørøst-Norge

2.1. General governing documents



3. General guidelines and regulatory requirements

SpareBank 1 Sørøst-Norge's remuneration policy is generally based on the following legal authorities/laws, which provide important guidance and principles upon which good remuneration management must be based:

- Financial Institutions Act
- Financial Institutions Regulations
- Public Limited Liability Companies Act
- Regulation on guidelines and report on remuneration of executive persons
- The Financial Supervisory Authority of Norway's circular 2/2020 dated 19.05.2020

4. Remuneration Committee

Enterprises with more than 50 employees and enterprises with total assets of more than NOK 5 billion must have a remuneration committee appointed by the Board of Directors. The committee must have at least one employee representative and must otherwise consist of all or parts of the Board of Directors. The committee must have sufficient knowledge and experience of risk analyses to assess whether the remuneration policy is appropriate for the Bank.

SpareBank 1 Sørøst-Norge's Remuneration Committee must consist of three members: the Chair of the Board, the Deputy Chair and a member elected from among the Board's employee representatives. The committee is chaired by the Chair of the Board.

Please refer to the "Instructions for the Board of Directors' Remuneration Committee".

5. Definition

Remuneration encompasses all of the benefits a person receives by virtue of their position in the Bank.

This includes wages and other benefits in the form of:

- base salary
- benefits in kind
- bonuses
- allocations of equity certificates, subscription rights, options and other forms of remuneration related to equity certificates or the price performance of SpareBank 1 Sørøst-Norge's equity certificate
- pension schemes
- early retirement schemes
- severance schemes
- all forms of variable elements of remuneration, or special benefits that are additional to base salary

6. Who is covered?

The remuneration policy covers all employees of SpareBank 1 Sørøst-Norge's parent bank. Special requirements apply to the remuneration arrangements for executive persons, employees with duties that are of significant importance for the Bank's risk exposure, employees who perform control tasks and employee representatives, see point 7.2.

Executive persons in SpareBank 1 Sørøst-Norge are defined as:

- The executive management team

SpareBank 1 Sørøst-Norge has adopted an overarching principle that the executive management team, as the heads of the individual business areas, should perform the management and control of the risk in their own operations as part of their leadership.

Other discretionary criteria for identifying executive persons must comply with the applicable criteria established by the Financial Supervisory Authority of Norway at any given time.

For SpareBank 1 Sørøst-Norge these are defined as:

- The executive management team
- The Board of Directors
- The Chair of the Supervisory Board

Employees with duties that are of significant importance for the Bank's risk exposure:

- Regional managers in RM and CM
- The heads of the credit area in RM and CM
- Employees who perform control tasks:

Employees with control duties:

- Head of risk management
- Head of compliance

A person is considered a risk-taker if in the previous financial year they were awarded total remuneration equal to or higher than a member of the executive management team.

7. Risk capacity and risk appetite – management model, responsibilities and roles

The Bank must have a low risk profile for remuneration risk where no single events (disbursements or allocations) should be able to seriously harm the Bank's financial position.

7.1. SpareBank 1 Sørøst-Norge – an attractive employer

The Bank should be an attractive employer with a competitive remuneration policy.

The Bank's remuneration system should motivate fulfilment of the Group's vision, values and strategy.

The remuneration system should contribute to motivation, efforts, results and the sustainable development of the Bank. They should provide room for individual remuneration and must contribute to attracting, developing and retaining skilled employees with relevant expertise, and otherwise comply with good corporate governance principles.

Remuneration formation in the Bank should be balanced in relation to profitability, earnings, socioeconomic considerations, the work performed and the position's other responsibilities and authorities, as well as the qualifications required, the level of problem-solving and market considerations.

7.1.1. Equal pay

Remuneration must be determined in the same way for men and women. The principle of equal pay means that employees must receive the same pay for the same work or work of equal value, regardless of gender.

All employees of the Bank must understand the composition of their total remuneration. A simple, clear and understandable remuneration profile is an aid in the competition for skills and labour.

7.1.2. Fixed salary

The remuneration system's guidelines state that an employee's fixed salary should make up for the majority of their remuneration. Furthermore, an employee's fixed salary is based on the following factors:

- An assessment of the position – job requirements (complexity, responsibilities and authorities)
- A proficiency assessment – skills, results, conduct
- A market assessment – supply, demand, benchmark

Employees should not receive board fees for offices they take on within the Group; any board fees from outside the Group must be clarified with the CEO. This rule does not apply to employee representatives on the Bank's Board of Directors.

7.1.3. Variable remuneration

The Bank can have individual schemes for variable remuneration linked to target attainment. Performance-based reward schemes can be agreed.

7.1.4. Pension scheme

The Bank's employees earn pension rights in line with the Bank's current pension scheme at any given time.

7.1.5. Collective benefits

All employees are entitled to receive the collective benefits described in the Bank's personnel handbook at any given time.

7.1.6. Benefits in kind

Benefits in kind are remuneration in a form other than money that employees receive as part of their employment and that result in a personal financial benefit. Executive persons will usually receive the benefits in kind that are normal for comparable positions and where they are required for work purposes.

7.1.7. Severance schemes

The general rule is that there are no special arrangements for employees of the Group that regulate severance pay, pensions and other individual circumstances beyond what is normal for their position. Nevertheless, market conditions may mean that there is a need to enter into such agreements.

Severance agreements entered into with people other than the CEO must reflect the results achieved over time and be formulated in such a way that inadequate results are not rewarded.

7.1.8. Options

The Bank may have arrangements for allocating equity certificates, subscription rights, options or other forms of remuneration related to equity certificates or the price performance of the Bank's equity certificate.

7.2. Special rules for executive persons, employees with duties that are of significant importance for the Bank's risk exposure and employees who perform control tasks.

7.2.1. Guidelines for variable remuneration

- The relationship between fixed and variable remuneration for executive persons should be balanced. Their fixed salary should be high enough to avoid the Bank having to pay variable remuneration.
- For the CEO and executive management team, their variable remuneration must not amount to more than half of their fixed remuneration. As a general rule, this principle should also apply to other executive persons in the Bank.

- For managers, risk-takers and employees with control tasks, their variable remuneration must be determined based on function-specific objectives and not be based on the performance of the unit they supervise. The remuneration must not challenge their independence.

Other matters are described in the Financial Institutions Regulations.

7.2.2. Risk-adjusted profit

Variable remuneration must be based on a combination of an assessment of the person concerned, the department concerned and the Bank as a whole. When measuring performance, the Group's risk and the costs associated with the need for capital and liquidity must be taken into account.

The basis for determining variable remuneration must be the risk-adjusted profit. The process for determining remuneration must take into account the risk resulting from the Group's activities, including the cost of the capital and liquidity that the Group requires.

The Board of Directors' decision should make it clear that risk assessments have been conducted as part of the allocation process.

Before deferred remuneration is paid out to executive persons, an assessment must be made of whether the conditions and criteria for prudent distribution still exist. This must include assessing the risk-adjusted profit and whether the growth is within the adopted limits, whether there is a need for further issues, whether the capital adequacy is satisfactory and whether the disbursement could affect the dividend ratio.

7.3. Responsibilities for and roles in managing and controlling remuneration risk

7.3.1. The Board of Directors

The Board of Directors is responsible for:

- approving the remuneration policy and ensuring that the documentation on which decisions are based is preserved
- determining the framework for variable remuneration
- determining the salary and other remuneration of the CEO each year
- approving the "Annual Review and Practice Report" and "Executive Remuneration Report"
- presenting the "Executive Remuneration Report" to the Supervisory Board.

7.3.2. The CEO

The CEO is responsible for:

- determining the annual salary and other remuneration of the other members of the executive management team based on an assessment by the Remuneration Committee.

7.3.3. The Remuneration Committee

The Remuneration Committee is responsible for:

- preparing all matters related to remuneration that will be considered by the Board of Directors in accordance with the "Instructions for the Board of Directors' Remuneration Committee".
- conducting an annual review of how the remuneration policy is practised and preparing a written report that is presented to the Board of Directors.
- prepared an "Executive Remuneration Report" in line with point 8.2.
- advising the CEO with respect to the remuneration of the executive management team.

7.3.4. The internal auditor

The internal auditor is responsible for:

- conducting an annual review of the report on how the remuneration policy is practised and making recommendations to the Board of Directors.

7.3.5. The external auditor

The external auditor is responsible for:

- reviewing the report on the remuneration executive persons received or became eligible for over the course of the previous financial year (Executive Remuneration Report) before the report is considered by the Supervisory Board.

7.3.6. The Supervisory Board

The Supervisory Board is responsible for:

- considering and approving the “Remuneration Policy in SpareBank 1 Sørøst-Norge” upon every material change and at least every fourth year, ref. section 6-16b(5) of the Public Limited Liability Companies Act.
- considering and approving the “Executive Remuneration Report”

8. Reporting

8.1. Annual Review and Practice Report

The Bank must review how the remuneration policy is practised at least once a year and prepare a written report that must be presented to the Board of Directors. The report must be reviewed by an independent control function (the internal auditor).

8.2. Executive Remuneration Report

The Board of Directors must prepare a report on the remuneration executive persons received or became eligible for over the course of the previous financial year. The report must cover the remuneration that former, current and future executive persons received or became eligible for over the course of a financial year, ref. section 6(2) of the Regulation on guidelines and report on remuneration of executive persons. The information must be individualised per executive person. The Executive Remuneration Report must be considered and approved by the Supervisory Board. The executive persons who must be included in the report are the executive management team, the Board of Directors and the Chair of the Supervisory Board. Other members of the Supervisory Board are also included in the report, although they are not individualised.

The Bank must publish the information on remuneration in line with the applicable legislation at any given time.

8.3. Exemptions from the disclosure duty

The report must not contain the personal data mentioned in Article 9(1) of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27.04.2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

The Board of Directors must ensure that the report does not contain information that indicates the individual executive person's family situation.

Information that is subject to a statutory duty of confidentiality is not subject to the duty of disclosure and must not be made public. Information that cannot be disclosed without causing disproportionate harm to enterprise can also be exempted from disclosure if this is necessary.

9. Maintenance

The remuneration policy applies for 1 year at a time and is revised annually. Changes to the remuneration system must be discussed with employee representatives. The Remuneration Committee must prepare the Board of Directors' consideration of the Remuneration Policy in SpareBank 1 Sørøst-Norge.

10. Reference

Instructions for the Board of Directors' Remuneration Committee in SpareBank 1 Sørøst-Norge.
Policy for managing conflicts of interest in SpareBank 1 Sørøst-Norge.

Revision history

Date	Description	Document owner
05.10.2021	Considered by the executive management team	Marianne Thorsdal
06.10.2021	Briefed SAMU	Marianne Thorsdal
14.10.2021	Dealt with by the Board of Directors' Remuneration Committee	Marianne Thorsdal
14.10.2021	Approved by the Board of Directors	Marianne Thorsdal
09.02.2022	Dealt with by the Board of Directors' Remuneration Committee	Marianne Thorsdal
09.02.2022	Considered by the Board of Directors	Marianne Thorsdal
22.03.2022	Approved by the Supervisory Board	Marianne Thorsdal

Report on remuneration for executive persons for 2021 (Executive Remuneration Report).

Introduction

The report was prepared and produced based on the requirements of section 6-16b of the Public Limited Liability Companies Act and associated Regulations, as well as the Regulation on guidelines and report on remuneration of executive persons.

On 01.06.2021, SpareBank 1 BV and Sparebanken Telemark merged, where SpareBank 1 BV was the takeover bank. At the same time, the merged bank changed its name to SpareBank 1 Sørøst-Norge.

This report covers executive persons in the parent bank, who are defined as the executive management team, the Board of Directors and the Supervisory Board.

Remuneration for executive persons from the former SpareBank 1 BV are included in the report for the full 2021 financial year, while remuneration for executive persons from the former Sparebanken Telemark are only included from the date of the merger. The executive management team was expanded by two people in 2021, from seven to nine members, due to the merger. Two members of the executive management team of the former SpareBank 1 BV left the Group in 2021, while four members from the former Sparebanken Telemark have joined the new executive management team.

Personnel expenses related to one-time costs due to the merger mainly consisted of a change in the pension provisions for the newly appointed CEO and severance pay for the former CEO. This has an impact and is included in both the accounts and overall remuneration.

Both of the merged banks had their own remuneration policy. Following the merger there was a need for coordination, and a new common "Remuneration Policy in SpareBank 1 Sørøst-Norge" was considered by the Board of Directors at a meeting on 09.02.2022. The policy will be presented to the Supervisory Board for consideration and approval on 22.03.2022.

All the figures are stated in NOK thousands unless otherwise specified.

For more information, see the Bank's interim financial statements and Annual Report for 2021.

Total remuneration

Tabell - Godtgjørelse til ledende personer for regnskapsåret 2021

Alle tall i hele tusen

Navn på ledende person, stilling	1						2				3	
	Fast lønn		Fast godtgjørelse		Naturalytelser		Variabel godtgjørelse		Ekstraordinære gjenstander			
	2020	2021	2020	2021	2020	2021	Ett-års variabel	Flerårig variabel	2020	2021		
Rune Fjeldstad, administrerende direktør til juni 2021	3.002,0	2.559,2			51,0	39,2	176,0	156,3	90,0	70,0		
Per Halvorsen, konsernsjef fra juni 2021	0,0	1.823,7			0,0	91,9						
Lasse Olsen, konserndirektør personmarkedet	1.809,0	1.785,8			34,0	159,4	104,0	92,3	47,5	37,5		
Stian Thomassen, direktør BM til juni 2021	1.687,0	1.594,1			117,0	92,7	99,0	89,1	52,5	37,5		
Arent Kristian Anfinssen, konserndirektør bedriftsmarked fra juni 2021	0,0	848,7			0,0	84,1						
Geir Årstein Hansen, visedirektør	1.616,0	1.749,6			185,0	180,2	99,0	359,4	50,0	62,5		
Marianne Sommerro Evensen, konserndirektør risikostyring, compliance og konsernadministrasjon	1.372,0	1.321,3			51,0	142,5	101,0	111,6	50,0	62,5		
Roar Snippen, konserndirektør økonomi og analyse fra juni 2021	0,0	957,4			0,0	84,9						
Johan Hjerkin, konserndirektør strategi og forretningsutvikling	1.462,0	1.510,3			141,0	120,2	86,0	86,5	47,5	37,5		
Marianne Thorsdal, konserndirektør HR og organisasjonsutvikling fra juni 2021	0,0	690,8			0,0	85,0						
Tonje Stormoen, konserndirektør forretningsstøtte	1.228,0	1.272,4			161,0	163,3	79,0	81,8	37,5	37,5		
Finn Haugan, styreleder			500,0	575,0		1,5						
Anne Berg Behring, nestleder styret fra juni 2021			0,0	228,5								
Heine Wang, styremedlem			285,0	279,2		0,2						
Gisle Dahn, styremedlem til juni 2021			235,0	106,3		0,2						
Jan Erling Nilsen, styremedlem fra juni 2021			0,0	154,2								
Elisabeth Haug, styremedlem			150,0	170,0								
Janne Sølvli Weseth, styremedlem til juni 2021			185,0	85,4								
Hanne Myhre Gravdal, styremedlem ansattes representant			150,0	178,8								
Geir A. Vestre, styremedlem ansattes representant til juni 2021			150,0	77,1								
Frede Christensen, styremedlem ansattes representant fra juni 2021			0,0	99,2								
Lars Ole Bjørnsrud, representantskapsleder			80,0	91,7								
Øvrige medlemmer representantskap			171,0	434,6								
Sum	12.176,0	16.113,1	1.906,0	2.479,8	740,0	1.245,4	744,0	976,9	375,0	345,0	0,0	0,0

Tabell - Godtgjørelse til ledende personer for regnskapsåret 2020

Alle tall i hele tusen

Navn på ledende person, stilling	4		5		6				7	
	Pensjonskostnad		Total godtgjørelse		Andel fast og variabel godtgjørelse				Foretak i samme konsern eller foretaksgruppe	
	2020	2021	2020	2021	Andel fast	2020	2021	Variabel	2020	2021
Rune Fjeldstad, administrerende direktør til juni 2021	5.989,0	599,9	9.308,0	3.424,6	97 %	93 %	3 %	7 %		
Per Halvorsen, konsernsjef fra juni 2021	0,0	18.445,2	0,0	20.360,8		100 %		0 %		85,0
Lasse Olsen, konserndirektør personmarkedet	179,0	197,5	2.173,5	2.272,4	93 %	94 %	7 %	6 %		
Stian Thomassen, direktør BM til juni 2021	176,0	140,7	2.131,5	1.954,1	93 %	94 %	7 %	6 %		
Arent Kristian Anfinssen, konserndirektør bedriftsmarked fra juni 2021		125,5	0,0	1.058,3		100 %		0 %		
Geir Årstein Hansen, visedirektør	895,0	944,1	2.845,0	3.295,7	95 %	87 %	5 %	13 %		
Marianne Sommerro Evensen, konserndirektør risikostyring, compliance og konsernadministrasjon	304,0	360,5	1.878,0	1.998,4	92 %	91 %	8 %	9 %		
Roar Snippen, konserndirektør økonomi og analyse fra juni 2021	0,0	120,9	0,0	1.163,2		100 %		0 %		
Johan Hjerkin, konserndirektør strategi og forretningsutvikling	185,0	206,4	1.921,5	1.960,8	93 %	94 %	7 %	6 %		
Marianne Thorsdal, konserndirektør HR og organisasjonsutvikling fra juni 2021	0,0	121,3	0,0	897,1		100 %		0 %		
Tonje Stormoen, konserndirektør forretningsstøtte	190,0	220,3	1.695,5	1.775,3	93 %	93 %	7 %	7 %		
Finn Haugan, styreleder			500,0	576,5	0 %	0 %	0 %	0 %		
Anne Berg Behring, nestleder styret fra juni 2021			0,0	228,5		0 %		0 %		
Heine Wang, styremedlem			285,0	279,4	0 %	0 %	0 %	0 %		
Gisle Dahn, styremedlem til juni 2021			235,0	106,5	0 %	0 %	0 %	0 %		
Jan Erling Nilsen, styremedlem fra juni 2021			0,0	154,2		0 %		0 %		
Elisabeth Haug, styremedlem			150,0	170,0	0 %	0 %	0 %	0 %		
Janne Sølvli Weseth, styremedlem til juni 2021			185,0	85,4	0 %	0 %	0 %	0 %		
Hanne Myhre Gravdal, styremedlem ansattes representant			150,0	178,8	0 %	0 %	0 %	0 %		
Geir A. Vestre, styremedlem ansattes representant til juni 2021			150,0	77,1	0 %	0 %	0 %	0 %		
Frede Christensen, styremedlem ansattes representant fra juni 2021			0,0	99,2		0 %		0 %		
Lars Ole Bjørnsrud, representantskapsleder			80,0	91,7	0 %	0 %	0 %	0 %		
Øvrige medlemmer representantskap			171,0	434,6	0 %	0 %	0 %	0 %		
Sum	7.918,0	21.482,3	23.859,0	42.642,5	95 %	97 %	5 %	3 %	0,0	85,0

Explanation table per executive person:

no reporting in column 3 extraordinary objects.

Equity certificates

No equity certificates, subscription rights, options or other forms of remuneration related to equity certificates in SpareBank 1 Sørøst-Norge or other enterprises in the same group, or the SpareBank 1 Alliance, have been allocated or offered.

The Bank's ability to reclaim variable remuneration

The current guidelines allow the Bank to demand the repayment of variable remuneration that has been paid out. No variable remuneration was demanded back in the 2021 financial year.

Information on compliance with the remuneration policy's guidelines and how the performance criteria were applied

The CEO's remuneration package comprises a fixed salary, variable remuneration, benefits in kind and pension and insurance schemes. The CEO's fixed salary and variable remuneration are determined annually by the Board of Directors following an assessment by and recommendation from the Remuneration Committee. The remuneration of the other members of the executive management team is determined by the CEO based on an assessment by the Remuneration Committee. The assessments are based on the results achieved in defined target areas according to balanced scorecards, individual performance and wage growth in comparable positions. Fixed salary accounts for the majority of the remuneration and variable remuneration does not amount to more than half of the fixed remuneration.

The remuneration of the Board of Directors and the Supervisory Board is determined by the Supervisory Board based on the recommendations of the Nomination Committee and is not included in overviews showing annual changes in remuneration and the Bank's results.

As a group, the executive management team and executive persons must be comprised of people with a high level of expertise if the Bank's ambition of becoming a regional bank for Southeast Norway is to be achieved. It is essential that the Bank provides continuity and predictability for this group of employees and their terms and conditions must be competitive. When salary and other remuneration reflect the expertise required and level of problem solving necessary, we believe that this contributes to the Bank's long-term results.

Exemptions and deviations from the remuneration policy and the procedure for implementation

There are no exemptions or deviations from the remuneration policy and the procedure for implementation.

Annual changes to remuneration and the Bank's profit

Table of over remuneration and change from previous years

Name	2016	2017	Change 2016/2017	2018	Change 2017/2018	2019	Change 2018/2019	2020	Change 2019/2020	2021	Change 2020/2021
Rune Fjeldstad to June 2021 (1)	2,619	2,862	243	3,039	177	3,108	69	3,229	121	2,755	(474)
Geir Årstein Hansen	1,538	1,726	188	1,829	103	1,849	20	1,900	51	2,289	389
Marianne Sommerro Evensen	1,073	1,123	50	1,225	102	1,296	71	1,524	228	1,575	51
Beate Steen Kolstø to Dec 2016	1,200	-	(1,200)	-	-	-	-	-	-	-	-
Stian Thomassen to June 2021 (2)	1,602	1,714	112	1,808	94	1,859	51	1,903	44	1,776	(127)
Lasse Olsen	1,367	1,709	342	1,832	123	1,884	52	1,947	63	2,037	90
Johan Hjerkin from May 2017	-	824	824	1,479	655	1,617	138	1,689	72	1,717	28
Tonje Stormoen	-	1,008	1,008	1,193	185	1,316	123	1,468	152	1,518	50
Roar Snippen, from June 2021	-	-	-	-	-	-	-	-	-	1,042	1,042
Marianne Thorsdal, from June 2021	-	-	-	-	-	-	-	-	-	776	776
Arent K. Anfinsen from June 2021	-	-	-	-	-	-	-	-	-	933	933
Per Halvorsen from June 2021	-	-	-	-	-	-	-	-	-	1,916	1,916
	9,399	10,966	1,567	12,405	1,439	12,929	524	13,660	731	18,334	4,674

(1) A severance agreement was agreed in accordance with which he stepped down as CEO with effect from 01.06.2021.

(2) A severance agreement was agreed in accordance with which he stepped down as Director CM with effect from 01.06.2021 and the employment relationship ended on 01.09.2021.

Average remuneration by FTEs

FTEs	Total compensation	Average remuneration	Year
172	124.221	722	2016
223	164.108	735	2017
220	145.846	663	2018
223	151.284	678	2019
228	154.997	680	2020
308	225.019	731	2021

The table above shows average remuneration by FTEs, excluding executive persons for the period 2016-2021. Average FTEs and remuneration take into account the fact that employees of the former Sparebanken Telemark are included in the overview from 01.06.2021.

Profit for the year before other comprehensive income

2016	307.659
2017	508.738
2018	596.086
2019	538.564
2020	504.720

The table above shows the Bank's profits for the period 2016-2020

Information regarding the Supervisory Board's decision

This is the first year SpareBank 1 Sørøst-Norge has produced a report on the remuneration of executive persons, ref. section 6(2) of the Regulation on guidelines and report on remuneration of executive persons of 2021.



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To the Board of Representatives of SpareBank 1 Sørøst-Norge

Independent auditor's assurance report on report on salary and other remuneration to directors

Opinion

We have performed an assurance engagement to obtain reasonable assurance that SpareBank 1 Sørøst-Norge report on salary and other remuneration to directors (the remuneration report) for the financial year ended 31 December 2021 has been prepared in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

In our opinion, the remuneration report has been prepared, in all material respects, in accordance with section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation.

Board of directors' responsibilities

The board of directors is responsible for the preparation of the remuneration report and that it contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and for such internal control as the board of directors determines is necessary for the preparation of a remuneration report that is free from material misstatements, whether due to fraud or error.

Our independence and quality control

We are independent of the company as required by laws and regulations and the International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the remuneration report contains the information required in section 6-16 b of the Norwegian Public Limited Liability Companies Act and the accompanying regulation and that the information in the remuneration report is free from material misstatements. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information".

We obtained an understanding of the remuneration policy approved by the general meeting. Our procedures included obtaining an understanding of the internal control relevant to the preparation of the remuneration report in order to design procedures that are appropriate in the circumstances, but

Offices in:

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Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund



not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Further we performed procedures to ensure completeness and accuracy of the information provided in the remuneration report, including whether it contains the information required by the law and accompanying regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 1 March 2022
KPMG AS

Svein Arthur Lyngroth
State Authorised Public Accountant

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



