



Annual Report 2021

SpareBank 1 SR-Bank's 2021

Q1

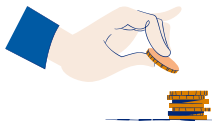


Benedicte Schilbred Fasmer starts work as the new group chief executive

of SpareBank 1 SR-Bank. The staff meet her via digital meetings and direct TV broadcasts because of Covid-19 restrictions.

On average, retail customers have NOK 20,000 more in their account than they did a year ago.

Covid-19 and the restrictions resulting from it have changed saving habits.



The Business Barometer shows **significant differences between companies** and considerable uncertainty about how the business sector in Southern Norway will fare. **Nevertheless, a majority of companies expect growth in 2021.**



SpareBank 1 SR-Bank ForretningsPartner AS acquires the accounting firm Tveit Regnskap.

Together these two are one of the largest providers of accounting and consulting services in Norway with revenue of around NOK 450 million, 400 employees and 7,000 customers from Bergen in the west to Oslo in the east.



Q2



SpareBank 1 SR-Bank boosts its focus on entrepreneurs. The group's entrepreneur programme aims to **contribute to at least 1,000 new jobs in Southern Norway by 2025.** Together with Sparebankstiftelsen SR-Bank, NOK 30 million will be invested in the next 4 years.

Young customers save more.

In the second half of the year, 65% more customers aged 18-34 set up fund savings agreements.



CEO Fasmer, with support of a unified group executive management team, makes **changes to the existing corporate strategy.**

The changes are required to equip the group for **growth and development** in a market with different general conditions and customer behaviour.

SpareBank 1 SR-Bank becomes a **founding partner of the Women in Finance Charter.** The initiative commits the group to clear goals within the area of gender equality.





Roger Lund Antonesen

is appointed the new Executive Vice President Retail Market and **Nina Moi Edvardsen**



is appointed Executive Vice President of the newly merged area HR, Communication and Sustainability.



THE GOVERNANCE GROUP

SpareBank 1 SR-Bank receives an **A- in The Governance Group's "Bærekraft på børs"** sustainability report on listed companies.

At the end of September, **Norway reopens**. We reach stage four in the government's reopening plan, meaning that the remaining Covid-19 measures are discontinued.

Q3



Norges Bank raises its policy rate from an historic low level. In line with the improving economy, money market rates also rise. SpareBank 1 SR-Bank raises its rates by 0.25 percentage points due to higher borrowing costs.

SpareBank 1 SR-Bank **increases its stake in SpareBank 1 Forvaltning** by merging its subsidiary, SR-Forvaltning, into the company. SpareBank 1 Forvaltning is the SpareBank 1 banks' joint savings venture that is aiming to **become a leading national asset manager**.

Q4



The SpareBank 1 Alliance **celebrates its 25th anniversary on 11.11.2021.**

The Alliance consists of 14 independent savings banks that work together on a joint platform and brand, and it is the group's most important strategic partnership.

SpareBank 1 SR-Bank sets itself **new sustainable goals**. The new goals include zero net emissions by 2050 for financing and investment activities and becoming a climate neutral group by 2022.



SpareBank 1 SR-Bank's employees **demonstrate the strength of their faith in their workplace** by subscribing to the group's share saving programme. More than 70% of employees subscribe for 2022.

On Wednesday 15.12.2021, **stricter national measures are reintroduced to reduce Covid-19 infections**. The restrictions affect employees, retail customers and corporate customers.

Highlights

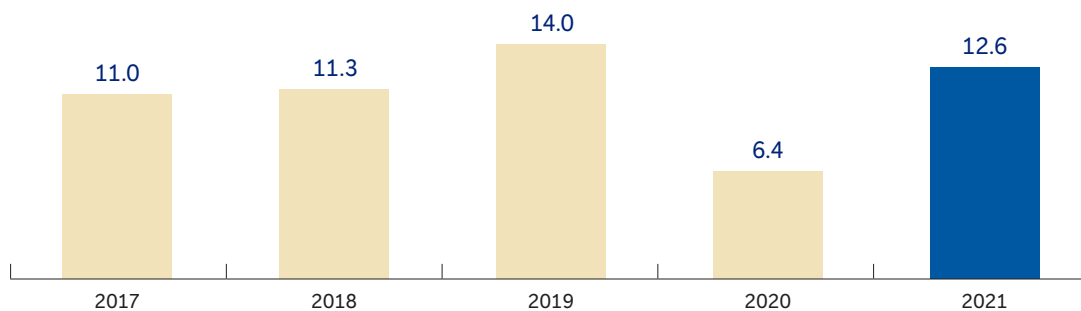
(Figures in NOK millions)	2021	2020
Net interest income	3,990	4,142
Net commissions and other operating income	1,717	1,396
Net income from financial investments	1,037	699
Total operating costs	2,714	2,386
Operating profit before impairment provisions	4,030	3,851
Impairment provisions on loans and financial liabilities	192	2,030
Pre-tax profit	3,838	1,821

Key figures

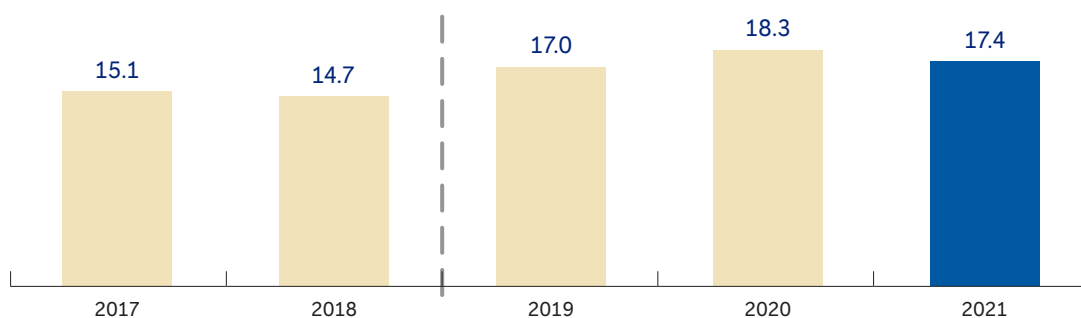
Profitability		
Return on equity %	12.6	6.4
Cost/income ratio	40.2	38.3
Average interest margin %	1.3	1.5
Balance sheet figures		
Gross loans to customers	230,299	219,181
Deposits from customers	137,664	118,170
Lending growth including SpareBank 1 Boligkreditt	5.1%	3.7%
Deposit growth	16.5%	14.6%
Total assets 31.12.	304,402	287,049
Financial strength		
Common Equity Tier 1 capital ratio %	17.4	18.3
Tier 1 capital ratio %	18.9	19.9
Capital ratio %	20.5	21.7
Leverage ratio %	7.1	7.8
Tier 1 capital	24,164	24,127
Liquidity		
Liquidity coverage ratio (LCR)	168%	157%
Deposit-to-loan ratio	59.8%	53.9%
Branches and staffing		
No. of FTEs, incl. temps	1,556	1,332
No. of branches	34	34
SpareBank 1 SR-Bank share		
Market price at year end	133.20	91.00
Earnings per share	12.08	5.87
Dividend per share	6.00	3.10
Effective yield on share %	55.8	-9.0

Please also refer to the complete overview of key figures and definitions on pages 158.

Return on equity (%)

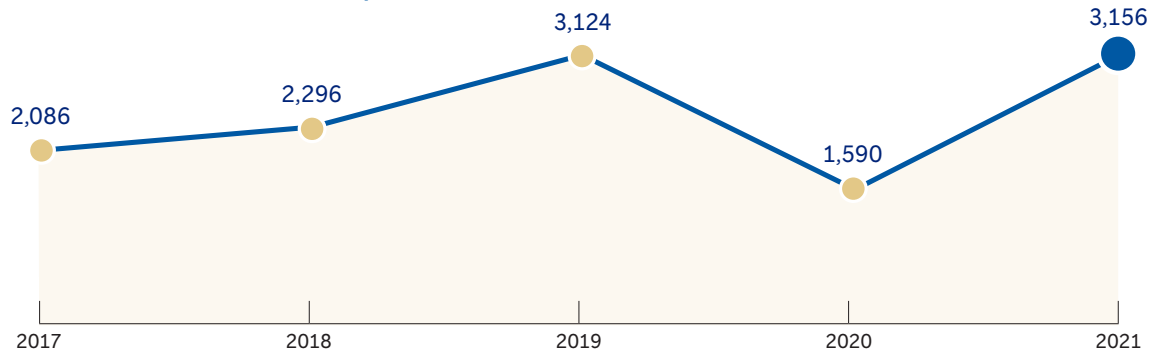


Common Equity Tier 1 capital ratio (%)

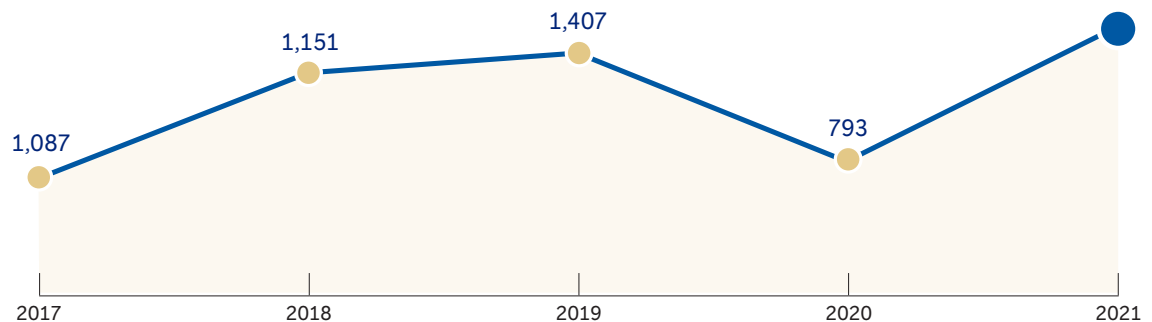


Historical capital ratio figures are based on the capital adequacy rules and regulations up to and including 2018, when the so-called Basel I floor applied.

Consolidated net profit (NOK millions)



Dividend (NOK millions) ¹⁾



1) The board exercised its special authorisation from April 2020 and at the board meeting on 10.2.2021 approved a dividend of NOK 5.50 per share for the 2019 financial year, which was paid out on 19.3.2021. The board exercised its special authorisation from April 2021 and at the board meeting on 30.9.2021 approved a dividend of NOK 3.10 per share for the 2020 financial year, which was paid out on 13.10.2021.

High activity in a challenging year

2021 was supposed to be the year we put the pandemic behind us. That is not quite how things turned out. Fortunately, optimism has returned and we are moving in the direction of more normal lives.

2021 will be remembered for its unpredictability, constant changes and a Covid-19 pandemic that never quite let go. Both private individuals and companies have had to deal with and endure the constantly changing situation. However, all in all, I think we can safely say that most people have fared better than feared. As a society, we have managed to cope with the increased uncertainty and higher infection rates we saw towards the end of the year. Unemployment is low and both we and companies expect growth going forward.

Despite the pandemic, which varied in intensity throughout 2021, the group maintained good operations and high levels of activity in all of our business areas. The group has delivered a strong result for the year and a good return for our shareholders. The price of the SRBNK share rose to NOK 133 at the end of 2021, which represents an effective return of almost 56% compared with the end of 2020.

We maintained our good market position in Rogaland, while in Oslo, Viken, Vestland and Agder we saw continued growth. Diversification with respect to both regions and sectors is important for creating a larger platform for growth. Overall, the group saw lending grow by 5.1% in 2021. The housing market in Southwestern Norway was characterised by strong demand and rising prices. As the largest actor in this market area, EiendomsMegler 1 SR-Eiendom saw both higher turnover and a stronger profit.

Our Business Barometer and surveys of our customers provided us with good insights into the challenges companies were facing, at the same time as we were able to help resolve them. SpareBank 1 SR-Bank ForretningsPartner

bought the accounting firm Tveit Regnskap in April in order to boost our role as a sparring partner in the everyday lives of corporate customers. We strive to follow-up our customers closely and maintain an ongoing dialogue with them. In a challenging year, it was important for us to reinforce this closeness.

For a long time, we have been systematically working to increase efficiency through digitalisation and automation, both internally and in relation to customers. In 2021, 70% of all products and services were purchased via a digital channel and 94% of all mortgage applications were completed digitally by the customers themselves. The pandemic has helped to improve the overall digital skills of society. The continued widespread use of digital tools will be important in order to meet the customers' needs, streamline operations and, thereby, improve competitiveness going forward. Combined with highly proficient staff and a physical presence across larger parts of Southern Norway, it will ensure we remain an attractive partner for existing and new customers.

I would like to thank our customers for their confidence in us and our staff for the work they have done to produce these good results. Many of them have worked from home in the past year and it is not every day that a new CEO is forced to meet large parts of their organisation primarily through digital media. Despite this, we have managed to deliver strong results and put in place a new strategy and a new organisation. I think that is an achievement of which we should be proud of. We are now equipped for the future and for profitable growth.



We have also put in place goals for our sustainability work. As a financial services group, we have a unique opportunity to influence the transition in cooperation with our customers. That is a responsibility we aim to fulfil. We are at a point where it is important to understand the changes that are starting to happen so that we can make wise choices in our lending processes.

Going forward, success will depend on the interaction between skilled staff and enterprising customers. I am proud of the commitment and genuine desire in this organisation to work with customers to find good solutions. This

has been important during the pandemic, and it will at least be just as important in the future.

I look forward to the continuation.

Benedicte Schilbred Fasmer
CEO

SpareBank 1 SR-Bank

The group, strategy and objectives

SpareBank 1 SR-Bank ASA wants to be the leading relationship bank in its market area; a financial services group for the whole of Southern Norway that offers customers far more than just banking services.

Over many years, SpareBank 1 SR-Bank has developed into an extensive financial services group with subsidiaries and product companies that complement the bank's service provision. The idea is to provide the power necessary for growth and development in the market area in which the group operates. The group helps customers make important decisions and investments – both in the lives of retail customers and in the development of companies.

The group plays an active role in society. This is natural given the group's roots and long history as a savings bank. SpareBank 1 SR-Bank actively works to stimulate job creation and to ensure companies can grow. The group wants to be an ally for companies in the green transition that will characterise Norwegian businesses going forward.

SpareBank 1 SR-Bank has a national distribution network and has for many years been the second largest Norwegian-owned bank. The group has branches in Rogaland, Vestland, Agder and Oslo.

The group's head office, Finansparken, is in Stavanger. The group's strategic goal is to grow beyond the bank's traditional market areas and in the last few years it has expanded its activities in Oslo and Viken. In the past 3 years, the bank's lending in this part of the country has increased from NOK 18 billion to NOK 27 billion, and four branches have been established

since 2017. The highest growth in lending was seen outside Rogaland, where the bank is already the market leader. The bank's lending increased by a total of NOK 11 billion in 2021.

Business areas

SpareBank 1 SR-Bank is more than just a bank. The group offers a varied range of traditional banking services such as loans, insurance and savings products, securities trading, accounting services and estate agency services for both retail and corporate customers.

The group's main business areas are traditional banking services designed for the retail, corporate and public sector markets. The bank has more than 350,000 private people and businesses as customers, NOK 230 billion in lending and total assets of NOK 304 billion.

In 2015, SpareBank 1 SR-Bank started providing accounting services through SR-Regnskapshuset and grew by acquiring a number of smaller accounting firms in the group's market area. The company has since changed its name to SpareBank 1 SR-Bank ForretningsPartner and established a solid market position in Rogaland, Vestland and Agder within accounting services. In the last few years, it has expanded its range of services to include consulting services for companies within HR, payroll, consulting and sustainability.

The group's focus on accounting services was further



reinforced in 2021 through the acquisition of Tveit Regnskap. Following the acquisition, ForretningsPartner has 400 employees, annual revenue of NOK 450 million and more than 7,000 customers along the coast from Bergen in the west to Oslo in the east.

The acquisition of Tveit Regnskap, is part of the group's targeted focus on small and medium-sized enterprises (SMEs). In 2021, the group chose to split the corporate market division in two and established a separate division for SME & Agriculture.

The activities of its subsidiary Monner designed to provide comprehensive banking services for entrepreneurs were merged into the bank in spring 2021. Monner's crowdfunding activities will be continued in a separate company that now specifically targets the property market. This company has taken the name Monio.

EiendomsMegler 1 SR-Eiendom saw good levels of activity in 2021 and sold more than 7,300 homes. The estate agent enjoys a strong market position in Rogaland and has ambitions to grow in all of the counties in Southern and Western Norway. The company provides services for both private and corporate customers. At the start of 2021, the estate agency appointed a new CEO, Laila Neverdahl, who came from from the Nordic Choice hotel chain.

SpareBank 1 SR-Bank increased its stake in SpareBank 1 Forvaltning, by merging the shares from our subsidiary SR-Forvaltning AS into the company. SpareBank 1 SR-Bank received shares in SpareBank 1 Forvaltning as remuneration for selling its shares in SR-Forvaltning. Following the acquisition, SpareBank 1 SR-Bank is the largest owner of SpareBank 1 Forvaltning with a stake of almost 36.3%. SpareBank 1 Forvaltning is SpareBank 1 banks' joint savings company. A new series of funds will be established under the SpareBank 1 brand based on SR-Bank Fondene. These will be managed from Stavanger.

Sparebankstiftelsen SR-Bank

SpareBank 1 SR-Bank's largest owner is Sparebankstiftelsen SR-Bank. The group was converted from an equity certificate bank to a public limited company ("limited liability savings bank") with effect from 1.1.2012. The Sparebankstiftelsen SR-Bank foundation was established at the same time. The purpose of the foundation is to manage the shares it received upon its formation and to exercise and maintain a substantial, long-term and stable ownership interest in SpareBank 1 SR-Bank. The foundation can distribute the surplus just as savings banks have traditionally done and donates to non-profit projects in the group's market area. Since it was established 10 years ago, the foundation has given gifts to clubs, associations and good causes totalling more than NOK 500 million.

SpareBank 1 SR-Bank's goal is to produce financial results that provide a good, stable return on equity and a competitive return in the form of dividends and a higher SRBNK share price for owners.

Macro trends

SpareBank 1 SR-Bank can see that consumer behaviour continues to change, and so do customers' expectations when it comes to banking services. At the same time, Norwegian banks are facing changed general conditions and regulations from both the Norwegian authorities and the EU. The competition from new actors outside the traditional Norwegian banking market has also increased.

There are two trends in particular that will impact the group in the future. Customer data is an important driver for growth, as is the transition of the Norwegian business sector to a future of lower greenhouse gas emissions in line with national objectives. The group has noted that many customers are putting in place new transition strategies and making changes to their operations for the purpose of sustainability.

The strategy – a future-oriented relationship bank

SpareBank 1 SR-Bank has been building relationships with customers and local communities since 1839. At the same time, the way we build relationships has changed. Today, customer relationships are built both digitally and in person. Customers must feel seen and heard by the staff they meet when they contact the group. At the same time, the services and products must be viewed as simple and accessible. This allows the group to deliver added value beyond individual products.

You need skilled employees to successfully build strong customer relationships. Employees who are able to work together across business units, who can work towards shared goals and who can quickly and effectively get to grips with new solutions, systems and processes. Going forward, SpareBank 1 SR-Bank's employees will receive more training that will help them cope a more data-driven workday.

Profitable customer growth

Sparebanken Rogaland (SR-Bank) was established in 1976 and was an amalgamation of 22 local savings banks. Since then, SpareBank 1 SR-Bank has grown both organically and through acquisitions of other banks and companies. The growth has taken place within different sectors, and has steadily been broadened from a geographical perspective. In 2000, the group started activities in Agder, and in 2006 it spread its branch network to the former county of Hordaland. In 2018, the group chose to include Oslo and Viken in its market area and is pleased with the results that this has produced.

The group has been seen ups and downs in the Norwegian economy throughout its history. The most recent was the economic downturn in 2020 due to the Covid-19 situation.

A high Tier 1 capital ratio, which had been built up over a number of years, provided a solid foundation that allowed the group to maintain a firm financial footing and support corporate customers who were facing financial challenges due to the pandemic. Sectoral, geographic and financial diversification has also equipped the group well for the years ahead.

Partnering with other actors to develop the best services and products for Norwegian banking customers will only become more important in the years ahead. The group is benefiting from economies of scale. It collaborates with other independent Norwegian banks on the development of IT solutions and digital services, marketing and purchasing through SpareBank 1 Gruppen.

Sustainability

The group continued its work on sustainability throughout 2021. Sustainability has to a great extent transitioned from being a specialist area to becoming a parameter that the entire group must take into account. Skills are being boosted to ensure that employees have a sound understanding of what sustainability is and how it affects the group and the individual's working day.

The Governance Group's analysis of the 100 largest companies listed on the Oslo Børs shows that the group has built up a good foundation for its sustainability work. The group achieved a grade of A- in the 2021 survey. The Governance Group is an independent analysis and advisory firm with first-rate expertise within risk identification, management, follow-up and reporting on sustainability and ESG conditions.

A fifth of all new lending to larger corporate customers went to sustainable activities in 2021. At the same time, SR-Bank Markets contributed to transactions totalling more than NOK 400 million linked to renewable energy, drone technology and food security.

Our strategic goals

In 2021, a unified group executive management team spent time adjusting the existing corporate strategy. The strategy has been changed to ensure that the group is still well equipped for growth and development. The goals are to become more customer-oriented throughout the organisation, to achieve closer interaction across the group and to boost sustainability as a priority business area.

In the years to come, the group will prioritize five focus areas that will provide direction on how both capital and human resources should be balanced to ensure that the strategy can be implemented.

Interaction on customers across the group

Profitable growth is generated by looking after existing customers while striving to recruit new long-term customer relationships. The organisation must have a "customer first" mentality at all levels.

Interaction between the various parts of the group is a

driver for creating good customer experiences. In the fight for customers, interaction across the group, both in person and digitally, strengthens customer relationships. In addition to their purely financial value, strategic stakes in subsidiaries also enrich the business model and strengthen the group's overall competitiveness.

Interaction and channel cooperation require employees to be aware of the value these produce. Systems, products and services need to work together holistically and well so that we can exploit the group's potential.

Customers' perceptions of SpareBank 1 SR-Bank are formed in every interaction and meeting with the group, and the sum of these help build the SpareBank 1 SR-Bank brand.

The group has chosen to sharpen its customer offer to certain segments. Targeted work results in an extra focus on those customers who most appreciate a close relationship with the bank, while preserving the other customers' good service experience.

Simpler solutions for customers and employees

New statutory requirements and guidelines make the group's operations more complicated. The requirements must continuously be balanced against the customers' need for simple and accessible services.

The group's specialist environments are striving to cut the number of processes, while improving them and making them more customer-oriented. Renewal and improvements require data, insights and innovation in a good interaction between people and technology.

The systems and technology used by the group also affect the employees' working day and efficiency. In the coming period, a lot of attention will be paid to making the individual employee's working day simpler, and using data and technology as a means of simplifying and streamlining.

The number of credit cases per FTE has clearly risen in the past 5 years in SpareBank 1 SR-Bank, both in the retail market and in the corporate market. This testifies to the steady improvements in efficiency seen in the area of financing. Going forward, the group will focus on strengthening this positive trend.

Employees with skills for the future

Capable employees build stronger customer relationships. The group will continue to focus on employees' professional development in order to remain an attractive place to work. In 2021, the areas of HR, communications and sustainability were merged into a single unit to create synergies between the three disciplines as a hub for the development of the group's employees.



In order to realise the strategy, employees must be able to adapt their skills in line with the constant market changes to, and renewal of, the business model. Employees must be able to implement new solutions quickly and standardisation will be required in order to fully benefit from the effects of new solutions, systems and processes.

The organisation will use even more digital tools and become even more data-driven in the years ahead. Customers should experience high quality standards and services across the group, and this will be achieved by further standardising customer work.

The customer’s ally in the sustainability transition

A bank’s potential to contribute to the green shift is equal to the sum of its customers’ activities.

SpareBank 1 SR-Bank wants to be an active contributor to the sustainability transition and a driving force for restructuring. It will do this by providing advice and raising the awareness of, and setting requirements, for its customers.

SpareBank 1 SR-Bank has set new sustainability goals for itself. The goals cover its contributions to cutting emissions and restructuring in business. The group will also combat financial crime, work for equal pay between the genders and safeguard human rights through transparency in its supply chains.

The targets being aimed for are:

- Net zero emissions in our financing and investment activities by the end of 2050
- A climate neutral group by the end of 2022
- Financing and facilitating NOK 50 billion in sustainable activities by the end of 2030
- Financing NOK 15 billion in green real estate by 2025
- Facilitating new jobs through entrepreneurship and innovation

Profitability

SpareBank 1 SR-Bank will focus on profitable customer growth in 2022. The group will take a strategic approach to cost effectiveness with the goal of achieving a ranking

among the top 50% of comparable financial services groups in a Nordic benchmark with respect to return on equity and cost/income ratio. This goal will be achieved by increasing income from profitable lending growth and clear growth in other income.

Clear requirements are set for lending in the corporate market. The companies that receive financing must have a long-term perspective and the group must know the owners and management of the company well. Financing linked to shipping and offshore is managed by a central specialist environment.

SpareBank 1 SR-Bank’s creates value by assuming recognised and acceptable risk. The group therefore invests substantial resources in improving risk management systems, processes and skills in line with leading international practices.

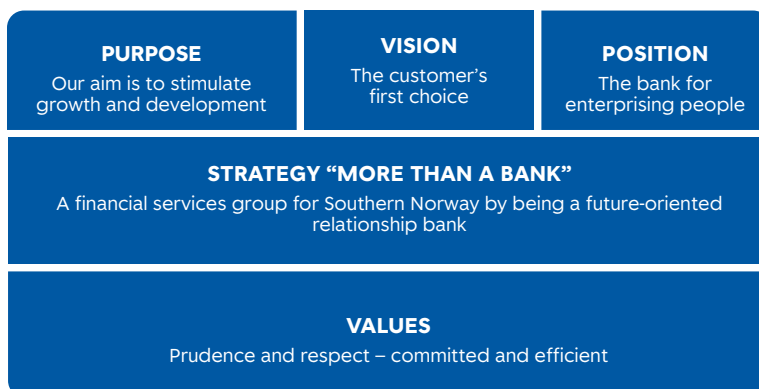
Innovation and development

SpareBank 1 SR-Bank participates in a number of networks and collaborations in which new services and customer offers are tested and developed. The SpareBank 1 Alliance represents the group’s most strategically important partnership. It continuously develops technology and digital solutions for the benefit of customers and the online and mobile banks. SpareBank 1 Utvikling has built up a large specialist environment over many years that focuses on developing the banks’ digital services.

In 2021, SpareBank 1 achieved silver in Cicero’s ranking of Norway’s best mobile banks in an assessment that covered 16 Norwegian mobile banks.

SpareBank 1 SR-Bank is helping to build start-up companies through GründerAcademy. In 2021, GründerAcademy also started a mentoring scheme in which experienced business managers and specialists are introduced to start-ups. GründerAcademy runs accelerator programmes in close cooperation with facilitators in Agder, Rogaland, Vestland and Østlandet. The GründerAcademy has helped create 450 jobs since the group started focusing on entrepreneurs in 2015.

Foundation and strategy



Wholly owned subsidiaries

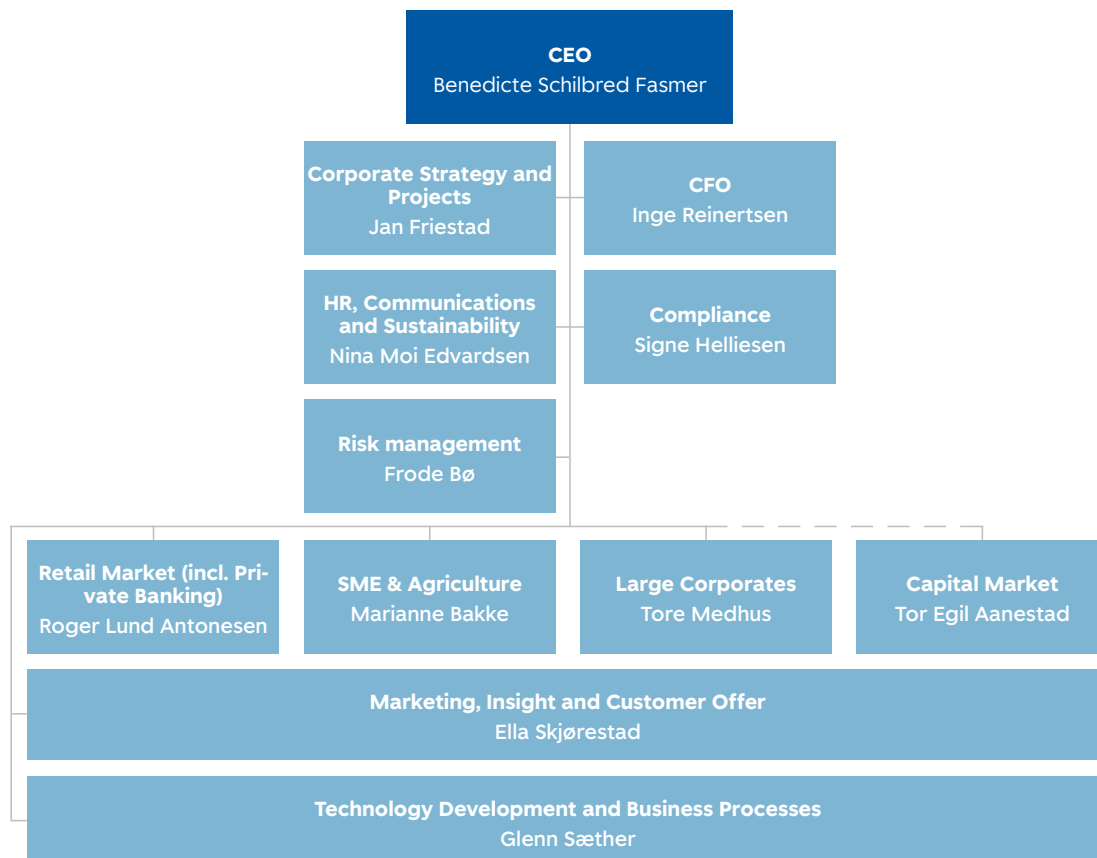
EiendomsMegler 1 SR-Eiendom AS Sales of homes and commercial properties 189	SR-Boligkreditt AS Mortgage credit company - issuer of covered bonds (home mortgages) 1	FinStart Nordic AS Investment portfolio FinTech 1	SpareBank 1 SR-Bank Forretnings-Partner AS* Accounting and advice 361	Monio AS Digital loan platform for small businesses 13
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= no. of FTEs

Part-owned companies

BN Bank ASA Commercial bank with offices in Oslo and Trondheim 35.0%	SpareBank 1 Gruppen AS Holding company for the products companies in the SpareBank 1 Alliance 19.5%	SpareBank 1 Kreditt AS Credit card company, based in Trondheim 17.1%	SpareBank 1 Forvaltning AS Fund management and portfolio management *** 36.3%	SpareBank 1 Betaling AS** The company behind the mobile payment solution 19.2%
SpareBank 1 Gjeldsinformasjon AS Retrieves debt information directly from financial institutions 18.3%	SpareBank 1 Bank og Regnskap AS Accounting application and bank in a single smart package 25.0%	* SpareBank 1 SR-Bank ForretningsPartner took over Tveit Regnskap with effect from 15.04.2021. ** Owns 22% of Vipps AS. *** On 29.12.2021, SR-Forvaltning AS was sold to SpareBank1 Forvaltning AS.		

Organisation



Employees

SpareBank 1 SR-Bank's vision is to be a **future-oriented relationship bank**. This requires everyone in the group to see things from the customer's perspective and deliver good solutions that benefit the customer.

Employees are the group's most important resource, and it is constantly working on facilitating professional development, well-being and engagement in the organisation. Employees and managers have to be performing at their best in line with the group's strategy in order to create added value for customers, directly, and owners, indirectly. Continuous changes in customer behaviour and ever more digitalisation means that existing employees have to systematically update their skills to achieve the group's goals.

We have managers and staff who are genuinely interested in the customer, the market, the industries that our customers operate in, and which consumer trends influence the customer's relationship with the group. In collaboration with the employees, the group executive management team is adapting the organisation and operations to current and future customer behaviour.

Skills recruitment

SpareBank 1 SR-Bank strives to be an attractive employer in order to attract and maintain the right expertise for the future.

At year end 2021, the group had 1,555 full-time equivalents (FTEs), of whom 1,505 were permanent employees. Total FTEs in the group increased by 221 in 2021 due to SpareBank 1 SR-Bank ForretningsPartner's acquisition of Tveit Regnskap and some growth in the parent bank.

A large proportion of recruitment was put on hold in 2020, but 2021 was a more normal year with the recruitment of new expertise from both inside and outside the group. In 2020, 55 external candidates were recruited, while 93 were recruited in the parent bank in 2021.

Employee turnover in the company was low, at approximately 6%.

We had two work experience trainees in 2021. This proved to be both useful for the candidates and a valuable contribution to the working environment. We also started internships for bachelor students via BI. This is a good opportunity to attract new and important knowledge, as well as an important contribution to our corporate social responsibility of providing students and others who need it with useful work experience.

In a labour market where the competition for strategically important skills is fierce, it is clear that SpareBank 1 SR-Bank is an attractive place to work and that our vacancies are filled.

Change and skills

Ensuring the professional development of our staff, managers and talented resources is a prerequisite for commitment and performance. The group endeavours to develop and strengthen the knowledge and skills of managers and employees in a planned manner such that everyone can deliver on the strategy set out for the next period at all times. We are determined to ensure that every individual employee can improve their everyday practices, acquire new skills and learn from colleagues. We have focused on strategically important subject areas such as management, sustainability and money laundering, and have delivered courses, seminars and collections digitally. We also tailor our training programmes within strategically important fields in-house in cooperation with other educational institutions. Additionally, where units need specific new and important skills, some employees are given the opportunity to develop these through formal further and continued education programmes.

Annual goals and performance reviews set out clear expectations vis-à-vis delivery and results. In 2021, 1,022 employees started the review of their performance, and approximately 62% completed the review in the specific



system. Our managers play an active role in this work and are good at systematic follow-up and support throughout the year. The group provides good internal career development opportunities. We put together an internal pool of good candidates for vacant positions. Managers play an important role in the professional development of employees who can take on new, internal positions.

Working environment

As a year, 2021 turned out to be a very different one, including as far as the working environment was concerned. Many employees worked from home for large parts of the year. Employee surveys designed with Covid-19 and working from home in mind were prepared to safeguard the employees in this situation. The responses rate for both surveys were well over 80%. The surveys were open such that the HR department could follow up the employees afterwards. The surveys show that the vast majority of employees handled working from home well. Most of the employees said that they were just as motivated regarding the work as before the Covid-19 situation and mastered the technological tools well. Naturally enough, the thing they missed most was the social interaction.

HSE

The group takes a systematic approach to health, safety and the environment, primarily via the cooperation with the chief safety representative, HSE manager and line management. A special risk assessment was conducted regarding the extensive use of working from home. The risk assessment, as well as the feedback in employee surveys, resulted in an intense focus on ergonomics in relation to working from home. The chief safety representative has distributed desks, chairs and other ergonomic aids on loan. Information materials have been produced and yoga classes (on video) and measures for physical activity offered to all employees. At the same time, the group systematically worked on infection control in all locations to protect both employees and customers from

infection by Covid-19 and to do our bit for the community effort to keep infections down. The group's sick leave rate was normal in 2021. In addition to the ordinary work on reducing sick leave, the extensive use of working from home and infection reducing measures may of course be impacting sick leave beyond Covid-19. The average healthy rate in 2021 was 96.9%.

The group's life phase policy enables employees to remain in work their entire professional life and ensures that their conditions are adjusted during their various life phases. This applies, for example, to employees with small children and ensuring that employees are looked after if they experience a life crisis. It also encourages the group's seniors who want to follow the group's development to stay in work longer. The average retirement age in 2021 was 64.8, a drop of 0.8 years compared with 2020.

Equality and diversity

In SpareBank 1 SR-Bank, our goal is to make sure that we are an attractive place to work by having a diverse and inclusive working environment with equal opportunities for all employees. In the group, diversity is about creating an inclusive working environment. We are doing this by building a corporate culture that cultivates a sense of belonging and where the individual's contribution is valued.

Diversity is also important because it reflects our customers and helps ensure long-term value creation.

We have an equality and diversity committee, which is an advisory body tasked with proposing measures to achieve our diversity and equality goals. The group became a signatory to the Women in Finance Charter in 2021. The charter is owned by some professional organisations and its purpose is to help increase the proportion of women in leading positions in the financial services industry in Norway. Our membership commits us to setting internal goals for gender



balance at a management level, having a person at management level with dedicated responsibility for following up the work, publishing the status and development publicly underway, and last but not least, linking managers' remuneration to achievement of the goals.

Our goal is a 40/60 gender balance at all management levels, regardless of gender and in more specialist positions. The reorganisation in the latter half of 2021 resulted in greater access for women to management level 3 and a group executive management team with an even gender balance. Nevertheless, the gender balance at management level varies between all of the divisions and we are still focusing directly on some divisions with a weak gender balance.

In order to support the goal of a better gender balance, the goals of a 40/60 gender balance and diversity have also been included in management level succession plans. We have also set a goal of an almost 50/50 gender balance for graduate programs in leadership, management development and talent programmes and mentor programmes.

Thorough consideration must be given to equality, diversity and the equal pay situation in the relevant department in all recruitment, and the relevant candidates' potential impact on these must be discussed. Lists of final candidates for advertised positions are also required to have a 50/50 gender balance.

The group also aims to ensure equal pay for equal work and equal performance, irrespective of gender. In 2021, a NOK 1 million equal pay pot was distributed to equalise pay differences that could be attributed to gender. The equal pay perspective must also be included in all forms of pay determination such as pay settlements, recruitment, etc.

All employees who go on parental leave are entitled to salary evaluation in advance of, or during, leave. We also move employees who have been on parental leave for longer than 5 months up an extra step on the pay scale when they return to work.

We have had an equality and diversity committee for many years. This is an advisory body tasked with proposing measures to achieve our equality and diversity goals. We are seeing the results of the work in the area of equality and diversity, although we must continue to work on management and culture related to diversity in the group. We have defined measures designed to develop a pool of talent in order to attract candidates from both genders going forward so that over time we can achieve gender equality. We will also strengthen the work of ensuring an inclusive working environment in which one feels a sense of belonging.

Cooperation with employee organisations and the safety service

The group cooperates constructively with both employee organisations and the safety service. They both provide appropriate help based on their missions in order to ensure that the group can achieve its goals.

Employee remuneration

The group's strategy is to practise a competitive remuneration model that allows the group to attract the skills of the future and retain capable employees. The group's remuneration model consists of three elements: fixed salary, variable pay and other employee benefits. The variable remuneration system is intended to encourage extraordinary performance and results and has been designed in line with the group's strategies, business goals and values.

Equality and diversity	2020		2021	
	Parent bank	Group	Parent bank	Group
Total no. of FTEs	944	1,146	981	1 181
Percentage of women	54%	53%	53%	53%
Percentage of men	46%	47%	47%	47%
Employees under 30	8%	9%	10%	11%
Employees 30-50	54%	55%	54%	55%
Employees over 50	38%	36%	35%	34%
Women employed part-time ¹⁾	6,6%	7,2%	9,1%	10,1%
Men employed part-time ¹⁾	0,9%	0,8%	1,9%	1,6%
Proportion of women by position level				
Management level 1	0%	0%	100%	100%
Management level 2 ²⁾	37%	37%	36%	38%
Management level 3 ²⁾	na	na	35%	34%
Management level 4	40%	37%	41%	37%
Age distribution managers				
Managers under 30	4%	3%	2%	2%
Managers 30-50	54%	58%	55%	58%
Managers over 50	42%	39%	43%	40%
Age distribution board members				
Board members under 30	-	0%	-	0%
Board members 30-50	-	25%	-	14%
Board members over 50	-	75%	-	86%
Percentage of women on the board of directors	-	50%	-	43%
Average Salary				
Women	663,154	644,113	700,215	668,164
Men	817,799	791,883	845,795	794,945
Women's wages relative to men by position level				
Management level 1	-	-	-	-
Management level 2 ²⁾	77%	79%	74%	79%
Management level 3 ²⁾	na	na	79%	80%
Management level 4	95%	94%	94%	100%
Parental leave taken, average number of weeks				
Women	22,7	21,3	19,2	19,4
Men	14,0	13,3	11,0	10,8
Sick leave				
Total	3,2%	3,0%	3,3%	3,1%
Women	4,7%	4,5%	4,7%	4,6%
Men	1,6%	1,5%	1,9%	1,6%
Work absence due to child illness (day's work)				
Women	730,0	808,0	422,0	443,0
Men	443,0	460,0	200,7	208,3

¹⁾ Includes employees on partial disability pensions and permanent employees on temporarily reduced hours.

²⁾ Management levels 2 and 3 were merged in 2020, although the two levels are split for 2021. Management level 1 corresponds to the CEO, management level 2 is the group executive management team, and management level 3 is the divisional management teams. ForretningsPartner AS, Monio AS and FinStart AS are not included in the figures.

Equality and diversity	2021	
	Parent bank	Group
Turnover. number of employees		
Number who left	60	71
Number who left. women	30	35
Number who left. men	30	36
Total turnover	6.3%	6.0%
Turnover. women	5.8%	5.6%
Turnover. men	6.5%	6.4%
Number who left. under 30	7	12
Number who left. 30-50	34	40
Number who left. over 50	19	19
Turnover. under 30	7.8%	10.2%
Turnover. 30-50	6.6%	6.3%
Turnover. over 50	5.1%	4.3%
Recruitment		
Number recruited. total	93	102
Number recruited. women	42	45
Number recruited. men	51	57
Proportion recruited. women	45.2%	44.1%
Proportion recruited. men	54.8%	55.9%
Number recruited. under 30	46	49
Number recruited. 30-50	45	51
Number recruited. over 50	2	2
Proportion recruited. under 30	49.5%	48.0%
Proportion recruited. 30-50	48.4%	50.0%
Proportion recruited. over 50	2.2%	2.0%

Business areas

Retail market

SpareBank 1 SR-Bank is the leader in the retail market in Southern and Western Norway with 350,000 retail customers older than 13. Four branches have also been opened in the period 2018-2021 to serve customers in Oslo and Viken.

The market share in Southern and Western Norway was around 20% at the end of 2021. In addition to retail customers, the division serves almost 3,500 clubs and associations.

A complete range of good digital services, a modern customer service centre, and a well-developed network of branches provide our customers with fast, easy access to financial services and expertise via all channels.

The corporate market segment

The group's corporate market customer services are organised into Large Corporates and SME & Agriculture. Customers are served by dedicated advisers with good local knowledge who can advise companies in connection with establishment, operations and growth. SpareBank 1 SR-Bank is a total provider of financial products and services for corporate customers, which includes having specialist units for international cash management (ICM), insurance, pensions, accounting services and other areas. Over time, good digital solutions have been established for corporate customers, and we are constantly striving to improve and put in place further digital sales and self-service solutions for customers in the corporate market.

Large Corporates

The group's largest corporate customers are served by Large Corporates, which has more than 3,500 corporate customers organised into five regional business units, as well as three specialist units within energy and maritime, leasing and the public sector.

SME & Agriculture

SMEs are served by SME & Agriculture, which has almost

20,000 corporate customers spread out across the group's entire market area. Agricultural customers are served by a dedicated department with a high degree of expertise.

Capital market

SpareBank 1 SR-Bank Markets is the region's leading investment firm.

Its activities include own account and customer trading in interest rate instruments and foreign exchange, providing advice and facilitating debt and equity funding, as well as administrative securities services. Its primary mission is to serve customers in collaboration with the group's other business areas and help combine special expertise with knowledge and an understanding of the local region.

Subsidiaries

EiendomsMegler 1 SR-Eiendom AS

EiendomsMegler 1 SR-Eiendom AS is the leading real estate agent in the group's market area and the largest company in the nationwide EiendomsMegler 1 group. Its business operations consist of brokering commercial property and selling holiday homes, new builds and used homes.

SR-Forvaltning AS

SR-Forvaltning AS is licensed to provide active portfolio management and securities management services. SR-Forvaltning expanded operations in autumn 2018 by establishing more new securities funds. At the start of 2021, the company manages eight securities funds, of which three are unit trusts, two bond funds and three balanced funds. SR-Forvaltning AS also manages discretionary portfolios for SpareBank 1 SR-Bank's pension fund, and for external customers based on discretionary mandates. On 29.12.2021, SR-Forvaltning AS was sold to SpareBank 1 Forvaltning AS.

SpareBank 1 SR-Bank ForretningsPartner AS

The company was established in the first quarter of 2015 and has since its start-up grown from NOK 0 to almost NOK 327 million in 2021. With the acquisition of Fast Solutions AS in September 2020 and Tveit Regnskap AS in April 2021,

SpareBank 1 SR-Bank ForretningsPartner AS has established a solid market position in accounting services, with offices in Rogaland, Vestland, Oslo and Agder. It is now one of the country's largest actors within accounting and consulting services.

SR-Boligkreditt AS

SR-Boligkreditt AS is a wholly owned subsidiary and was established in the second quarter of 2015. The purpose of the company is to purchase home mortgages from SpareBank 1 SR-Bank and to fund this by issuing covered bonds. SR-Boligkreditt AS enables SpareBank 1 SR-Bank to diversify and optimise its funding. Moody's has given the company its best rating, Aaa.

FinStart Nordic AS

FinStart Nordic AS invests in, and contributes to the development and growth of, innovative financial technology companies. The aim is to strengthen and expand the group's existing value chains, digitalisation and streamlining of the core business, and financial return on the company portfolio. The company also manages an existing portfolio from the former SR-Investering AS, which is primarily invested in the oil industry.

Monio AS

Monio AS is a payment company and a registered loan arranger that was acquired by SpareBank 1 SR-Bank on 1.7.2019. In December 2020, Monio AS's licence was expanded to cover payment initiation service provider (PISP) services and account information service provider (AISP) services under the PSD2 regulations. The company arranges direct loans from private investors (people and limited liability companies) to small and medium-sized Norwegian companies via its proprietary digital platform. At year end 2021, the company had arranged loans totalling NOK 657.4 million (NOK 303.2 million) for Norwegian enterprises. The company's main product is arranging secured loans for property projects.

Part-owned companies

SpareBank 1 Gruppen AS

SpareBank 1 Gruppen AS is owned by:

- SpareBank 1 SR-Bank ASA (19.5%)
- SpareBank 1 Nord-Norge (19.5%)
- SpareBank 1 SMN (19.5%)
- SpareBank 1 Østlandet (12.4%)
- Samarbeidende Sparebanker (19.5%)
- Norwegian Confederation of Trade Unions (LO) and affiliated trade unions (9.6%).

SpareBank 1 Gruppen AS owns 100% of the shares in:

- SpareBank 1 Forsikring AS
- SpareBank 1 Factoring AS
- Modhi Finans AS
- SpareBank 1 Spleis AS
- Fremtind Forsikring AS (65%)
- LO Favør AS (49%)

SpareBank 1 Utvikling DA

SpareBank 1 Utvikling DA is responsible for Alliance processes and the delivery of services to the SpareBank 1 Alliance. It also develops and delivers things such as common IT/mobile phone solutions, branding and marketing concepts, business concepts, products and services, expertise, analyses, processes, best practice solutions and purchasing. SpareBank 1 SR-Bank owned a 18.0% stake in SpareBank 1 Banksamarbeidet at year end 2021. The companies in SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA together constitute what is called the Alliance.

The SpareBank 1 Alliance's banks and LO also own direct stakes in the following companies:

- BN Bank ASA
- SpareBank 1 Forvaltning AS
- SpareBank 1 Boligkreditt AS
- SpareBank 1 Kreditt AS
- SpareBank 1 Næringskreditt AS
- SpareBank 1 Markets AS
- SpareBank 1 Betaling AS
- SpareBank 1 Bank og Regnskap AS
- SpareBank 1 Gjeldsinformasjon AS

SpareBank 1 Forvaltning AS

The SpareBank 1 Forvaltning group was established on 1.5.2021. At the same time, ODIN Forvaltning AS was demerged from SpareBank 1 Gruppen AS and merged with SpareBank 1 Forvaltning AS based on continuity. At the time of the transfer, SpareBank 1 Forvaltning AS had the same owners and ownership interests as SpareBank 1 Gruppen AS. On 1.7.2021, SpareBank 1 Forvaltning AS acquired SpareBank 1 Kapitalforvaltning AS and SpareBank 1 Verdipapirservice AS. On 29.12.2021, SR-Forvaltning AS was sold to SpareBank 1 Forvaltning AS. A rebalancing of the stakes in SpareBank 1 Forvaltning AS was carried out in connection with the transaction and SpareBank 1 SR-Bank's stake in SpareBank 1 Forvaltning AS increased to 36.3% at the end of 2021.

BN Bank ASA

SpareBank 1 SR-Bank and the other savings banks in the SpareBank 1 Alliance acquired Glitnir Bank ASA in the fourth quarter of 2008. It has since been renamed BN Bank ASA. SpareBank 1 SR-Bank owns a 35.0% stake.

SpareBank 1 Kreditt AS

SpareBank 1 Kreditt AS is owned by the SpareBank 1 banks. SpareBank 1 SR-Bank owns a stake of 17.1%. The company is the supplier of credit card solutions to SpareBank 1 banks.

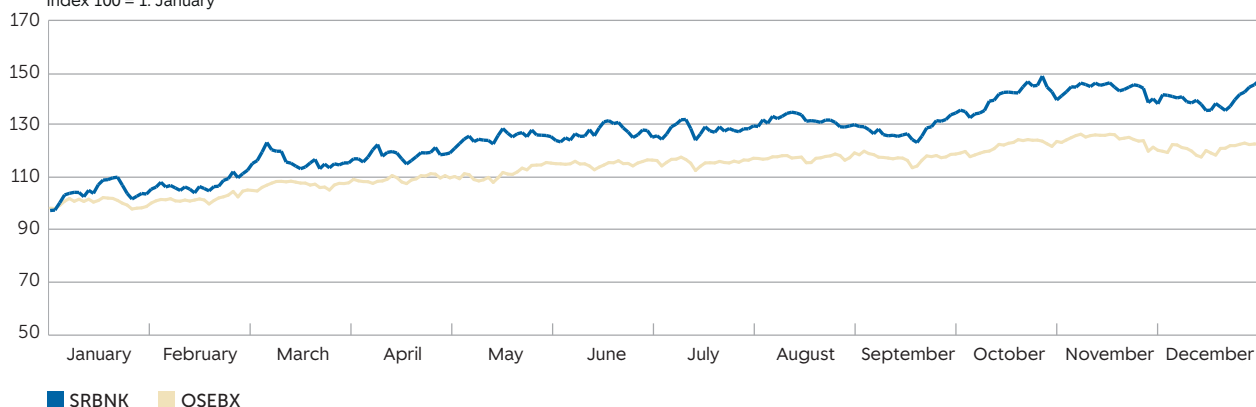
SpareBank 1 Betaling AS

The SpareBank 1 banks jointly own SpareBank 1 Betaling AS. SpareBank 1 SR-Bank's stake is 19.2%. SpareBank 1 Betaling AS owns a 23.1% stake in Vipps AS.

The SR-Bank share

Relative share price trend 2021

Index 100 = 1. January



Facts about our share

SpareBank 1 SR-Bank ASA converted from an equity certificate bank to a limited liability savings bank on 1.1.2012. (Former equity certificate holders received one share for each equity certificate they held at the time of the conversion.)

The share capital amounts to NOK 6,393,777,050 divided into 255,751,082 shares, each with a nominal value of NOK 25.

The ticker code on the Oslo Børs is "SRBNK". "SRBNK" is included in the Oslo Børs's main index OSEBX, OSEAX All-share index and OSE40 Financials/OSE4010 Banks sector index. The liquidity segment is Match. SRBNK is also included in the "MSCI Global Small Cap index".

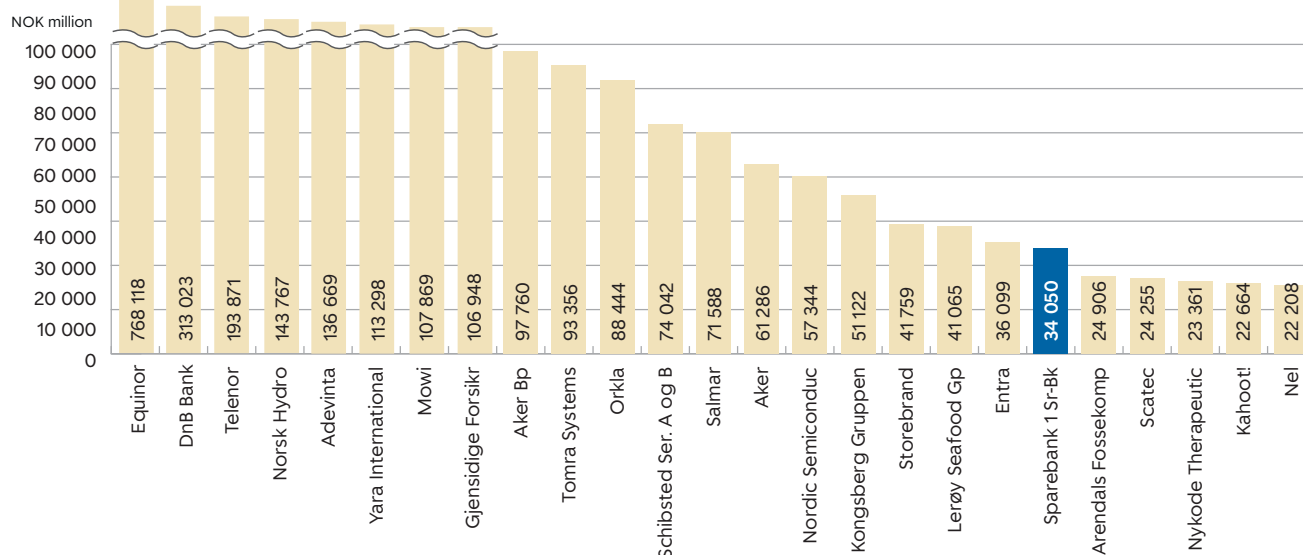
Facts about Sparebankstiftelsen SR-Bank

The Sparebankstiftelsen SR-Bank foundation was established as part of the conversion. The purpose of the foundation is to manage the shares received upon its formation and to exercise and maintain a substantial, long-term and stable ownership interest in SpareBank 1 SR-Bank. Ownership should be exercised in accordance with the generally accepted principles of corporate governance and within the limits and guidelines adopted by the general meeting. The ownership interest must represent at least 25% of shares issued.

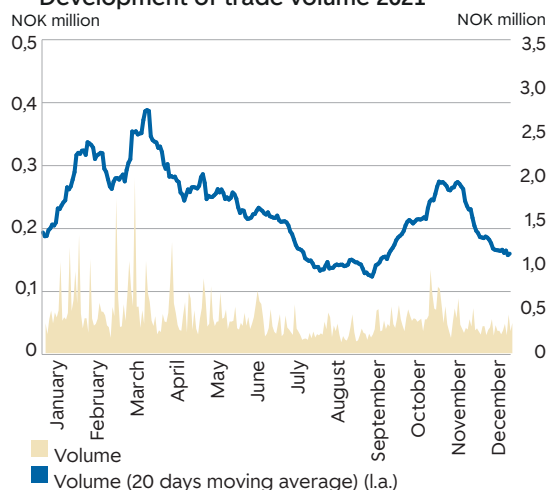
The foundation can distribute its surplus and, in line with savings bank traditions, donates to publicly beneficial projects in Rogaland, Agder, and Vestland.

As at 31.12.2021, the foundation owned 72,419,305 shares, equivalent to 28.3% of shares issued.

Largest Norwegian companies based on market value



Development of trade volume 2021



Share price and price/book - SRBANK 2021



Dividend policy

SpareBank 1 SR-Bank's financial goal for its activities is to achieve results that provide a good, stable return on the bank's equity, thus creating value for the owners in the form of competitive dividends and a higher share price.

Consideration must be given to financial needs, including capital adequacy requirements and the group's targets and strategic plans, when determining the annual dividend. Unless capital requirements dictate otherwise, the goal of the board is to distribute approximately half of the net profit for the year as dividends. The parent company's profit after tax was NOK 2,764 million, equivalent to NOK

10.55 per share. Consolidated earnings per share was NOK 12.08. In line with SpareBank 1 SR-Bank's dividend policy, various factors have been taken into consideration in determining the dividend, including, in particular, financial strength and the Tier 1 capital ratio. The group's target is a Common Equity Tier 1 capital ratio of 16.7%, including a 1.0 percentage point management buffer.

The board is proposing a dividend of NOK 6.00 per share for 2021.

This corresponds to a payout rate of around 49.7% of consolidated earnings per share.

Investor policy

It is crucial for SpareBank 1 SR-Bank to maintain the confidence of the investor market by disclosing accurate, relevant and timely information about the group's performance and results. Market information is generally provided via quarterly investor presentations (physical and digital presentations), websites, press releases and financial statements. Regular presentations are also made to international partners, rating agencies, lenders and investors.

It is in SpareBank 1 SR-Bank ASA's own interests to publish current financial analyses of the highest possible quality. All analysts are treated equally at all times regardless of their recommendations and views on the bank's share. At the end of 2021, 12 brokerage houses officially covered the SRBNK shares. Updated contact information for the brokerage houses is available at all times on: www.sr-bank.no/ir.

Information addresses

SpareBank 1 SR-Bank publishes information for the market online at: www.sr-bank.no.

Other links to financial information: www.euronext.com/nb/markets/oslo (Oslo Børs)

Financial calendar for 2022

General meeting:	28.04.2022
First quarter:	05.05.2022
Second quarter:	11.08.2022
Third quarter:	27.10.2022

Market value:

NOK 34.1 billion

Largest owner:

Sparebankstiftelsen SR-Bank

Dividend 2021:

NOK 6.00 per share

Ownership

SpareBank 1 SR-Bank ASA aims to ensure the good liquidity of its share and that it has a good range of owners who represent customers, regional investors and Norwegian and international investors.

The price of the SRBNK share rose from NOK 91.00 to NOK 133.20 in 2021. This resulted in an effective return of 55.8%, inclusive of dividends paid out in 2021. The Oslo Børs Benchmark Index rose by 23.4% in the same period.

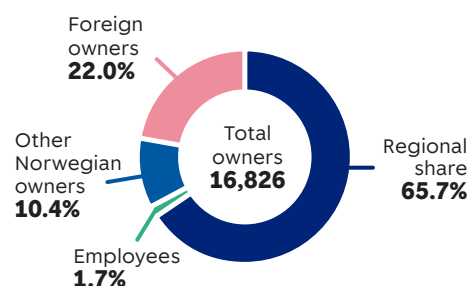
There were 16,826 (13,113) owners of SRBNK at year end 2021. The percentage owned by companies and individuals based abroad was 22.2%, and the percentage owned by companies and individuals resident in Rogaland, Agder, Vestland, Oslo and Viken was 65.7%. The 20 largest shareholders owned a total of 56.7% of the shares. The bank owned 41,517 treasury shares. Group employees owned a total of 1.7% of the shares at the end of the year.

Credit rating

Moody's Investor Services rates SpareBank 1 SR-Bank A1 long-term and P-1 short-term, while Fitch Ratings rates it A- long-term and F2 short-term.

The table below shows the 20 largest shareholders as at 31.12.2021:

20 largest owners as at 31.12.2021		Number of shares	Stake %
1	Sparebankstiftelsen SR-Bank	72,419,305	28.30%
2	National Insurance Scheme Fund	19,495,629	7.60%
3	SpareBank 1-stiftinga Kvinnherad	6,226,583	2.40%
4	Brown Brothers Harriman & Co, USA	6,205,787	2.40%
5	State Street Bank and Trust Co, USA	4,888,496	1.90%
6	Verdipapirfondet Alfred Berg Gambak	3,511,467	1.40%
7	Odin Norge	3,423,133	1.30%
8	JPMorgan Chase Bank NA, U.S.A.	3,251,464	1.30%
9	Pareto Aksje Norge	2,738,521	1.10%
10	Danske Invest Norske Instit. II	2,619,067	1.00%
11	Vpf Nordea Norge Verdi	2,431,211	1.00%
12	State Street Bank and Trust Co, USA	2,415,400	0.90%
13	State Street Bank and Trust Co, USA	2,389,983	0.90%
14	Verdipapirfondet Alfred Berg Norge	2,003,621	0.80%
15	Clipper AS	1,945,800	0.80%
16	Pareto Invest AS	1,841,509	0.70%
17	KLP Aksjenorge Index	1,811,268	0.70%
18	Westco AS	1,796,737	0.70%
19	Verdipapirfondet DNB Norge	1,773,845	0.70%
20	The Bank of New York Mellon SA, Ireland	1,725,603	0.70%
Total 20 largest		144,914,429	56.70%



Key figures	2021	2020	2019	2018	2017
Market price 31.12., NOK	133.2	91.00	100.00	89.20	87.00
Dividend per share, NOK ^{5) 6)}	6.00	3.10	5.50	4.50	4.25
Direct return ¹⁾	4.5%	3.4%	5.5%	5.0%	4.9%
Effective return ²⁾	55.80%	-9.0%	17.2%	7.4%	46.9%
Book equity per share, NOK ³⁾	99.05	95.97	89.90	82.27	77.24
Earnings per share, NOK	12.08	5.87	12.06	8.96	8.16
Payout ratio, net ⁴⁾	49.67%	52.81%	45.61%	50.22%	52.08%
Number of shares issued 31.12.	255,751,082	255,751,082	255,751,082	255,751,082	255,751,082
Treasury shares 31.12.	41,517	23,112	91,311	85,206	206,757
Number of outstanding shares 31.12.	255,709,565	255,727,970	255,659,771	255,665,876	255,544,325

¹⁾ Dividend as a percentage of market price at year end.

²⁾ Appreciation during the year plus dividend paid as a percentage of market price at the beginning of the year.

³⁾ Equity divided by number of shares issued.

⁴⁾ Dividend as a percentage of the shareholders' proportion of the consolidated profit after tax

⁵⁾ The board exercised its special authorisation from April 2020 and at the board meeting on 10.2.2021 approved a dividend of NOK 5.50 per share for the 2019 financial year, which was paid out on 19.3.2021.

⁶⁾ The board exercised its special authorisation from April 2021 and at the board meeting on 30.9.2021 approved a dividend of NOK 3.10 per share for the 2020 financial year, which was paid out on 13.10.2021. The total dividend of NOK 793 million reduced other equity.

Sustainability

About the sustainability report

The sustainability report is an integral part of SpareBank 1 SR-Bank's annual report. The report satisfies the requirements of the Global Reporting Initiative (GRI), and the goal of our sustainability reporting is to show all of our stakeholders how SpareBank 1 SR-Bank contributes to social value creation through its activities. SpareBank 1 SR-Bank has signed up to, and complies with, the UN Principles for Responsible Banking and the group also uses the framework prepared by the TCFD when reporting on climate risk. The sustainability report and associated data is verified by an auditor.

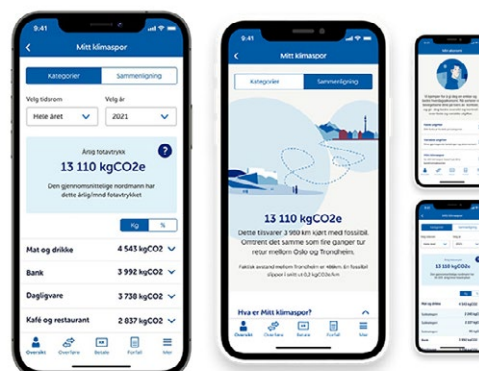
More information about the group's sustainability work can be found on the group's website and especially in the document ["Sustainability in SpareBank 1 SR-Bank"](#).

The customer's ally in the sustainability transition

Society is facing a global challenge that will require robust, result-oriented cooperation, as well as huge investment in the period up to 2050. SpareBank 1 SR-Bank's ambition is to ensure that we are doing our bit to be part of the solution and a proactive ally in the shift to a more sustainable society. As an important social actor, the group actively participates in a number of initiatives locally, nationally and globally. In 2021, SpareBank 1 SR-Bank signed up to the Women in Finance Charter, Shift – Business Climate Leaders and the Partnership for Carbon Accounting Financials (PCAF). See table 1 for an overview of the initiatives.

In 2021, SpareBank 1 SR-Bank launched an updated and more ambitious sustainability and climate strategy. The group also achieved a grade of A- in a ranking of sustainability on the Oslo Børs in 2021.

The group has monitored regulatory developments within sustainability during the year: the Act for Sustainability-related Disclosures (taxonomy directive and disclosure directive) and the Transparency Act. At the same time, employees in the group have actively participated in Finance Norway's reference group for sustainable finance.



The launch of "My carbon footprint" in the digital bank has caught the attention of customers. The digital bank's climate report feature will make it easier for customers to help reduce greenhouse gas emissions and make sustainable choices in their everyday lives.

In 2021, SpareBank 1 SR-Bank established, through its subsidiary SpareBank 1 SR-Bank ForretningsPartner, consulting services with cutting edge expertise in sustainability for the corporate market in order to contribute and support the green transition.

The main objectives in 2022 will be to implement the measures linked to the sustainability and climate strategy that were approved in 2021, to comply with the coming regulations and to generally boost the skills of employees within the area of sustainability.

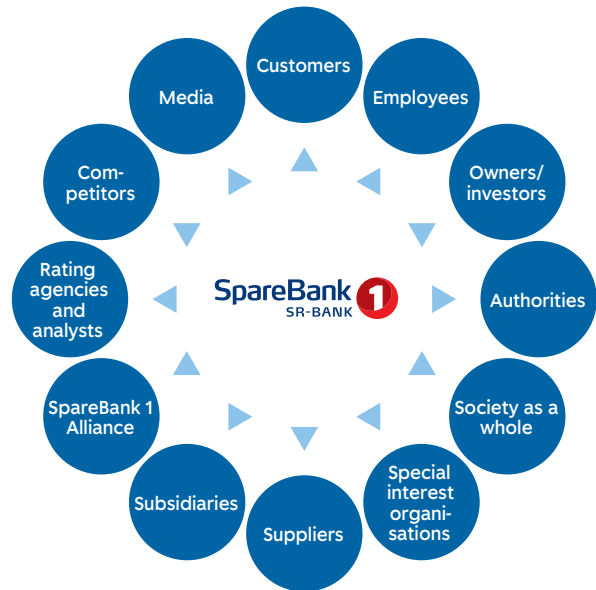
Table 1: Initiatives and frameworks which SpareBank 1 SR-Bank is affiliated with.

Initiative/framework	Description
UN Sustainable Development Goals (UN SDGs)	SpareBank 1 SR-Bank has identified three UN Sustainable Development Goals where the group has the greatest potential to have a positive impact through its core activities: Goal 5 Gender equality Goal 8 Decent work and economic growth Goal 13 Climate action
UN Global Compact	SpareBank 1 SR-Bank has been a signatory to the UN Global Compact, the world's largest initiative for corporate social responsibility, since 2015. The group recognises and supports the UN Global Compact's 10 principles of sustainability.
UN Principles for Responsible Banking (PRB)	SpareBank 1 SR-Bank has been a signatory to the UNEP FI Principles for Responsible Banking since 2019. Through the PRB, the group has committed itself to continuously improving its work on being a responsible bank.
Global Reporting Initiative (GRI)	SpareBank 1 SR-Bank reports in line with the leading international standard, GRI Core, which is also the one recommended by the Oslo Børs. For the GRI Content Index see page 151.
Carbon Disclosure Project (CDP)	SpareBank 1 SR-Bank reports in line with the CDP, which is a global system for measuring, reporting and sharing climate and environmental information. In 2021, the group achieved a grade of B.
Partnership for Carbon Accounting (PCAF)	SpareBank 1 SR-Bank became a member of PCAF in autumn 2021. This is a global partnership of financial institutions that collaborates on methods for reporting greenhouse gas emissions in banking and investment portfolios.
Task Force on Climate-related Financial Disclosures (TCFD)	SpareBank 1 SR-Bank has reported on climate risk in line with the recommendations issued by the TCFD since 2018.
Responsible Ship Recycling Standards (RSRS)	SpareBank 1 SR-Bank supports the RSRS initiative and integrates the principles for the responsible breaking up and recycling of ships into its loan terms and conditions and other terms.
Poseidon Principles	SpareBank 1 SR-Bank signed up to the Poseidon Principles in 2020. This is a global framework in which banks have joined forces to encourage their shipping customers to abide by responsible environmental standards and help cut emissions.
EU classification system (taxonomy) for sustainable activities	SpareBank 1 SR-Bank is working on classifying its portfolio in line with the taxonomy and the Norwegian Act on sustainability-related disclosures.
The Norwegian State Pension Fund Global, the Norwegian Sustainable Investment Forum (Norsif) and the UN Principles for Responsible Investments (UN PRI)	SpareBank 1 SR-Bank complies with the Government Pension Fund Global's ethical exclusion list with respect to the companies in which it invests.
Skift – Business Climate Leaders	SpareBank 1 SR-Bank became a member of Skift, a network for business climate leaders, in autumn 2021.
Women in Finance Charter	SpareBank 1 SR-Bank became a signatory to the Women in Finance Charter in autumn 2021. The group is actively working on gender balance and inclusion. Read more on page 15 in the chapter on employees.

The group's stakeholders and main material topics

At the end of 2021, SpareBank 1 SR-Bank surveyed its risk and opportunities in relation to ESG to ensure that its sustainability work matched its stakeholders' (figure 1) expectations. At the same time, this work helped to reinforce the ongoing stakeholder engagement. An updated materiality analysis was produced based on interviews, questionnaires and working meetings with both internal and external stakeholders. The results from the impact analysis carried out in line with the UN Principles for Responsible Banking (UN PRB) were also included in the materiality analysis. The impact analysis shows which areas the group should prioritise in its sustainability work. [Read more about the impact analysis here.](#)

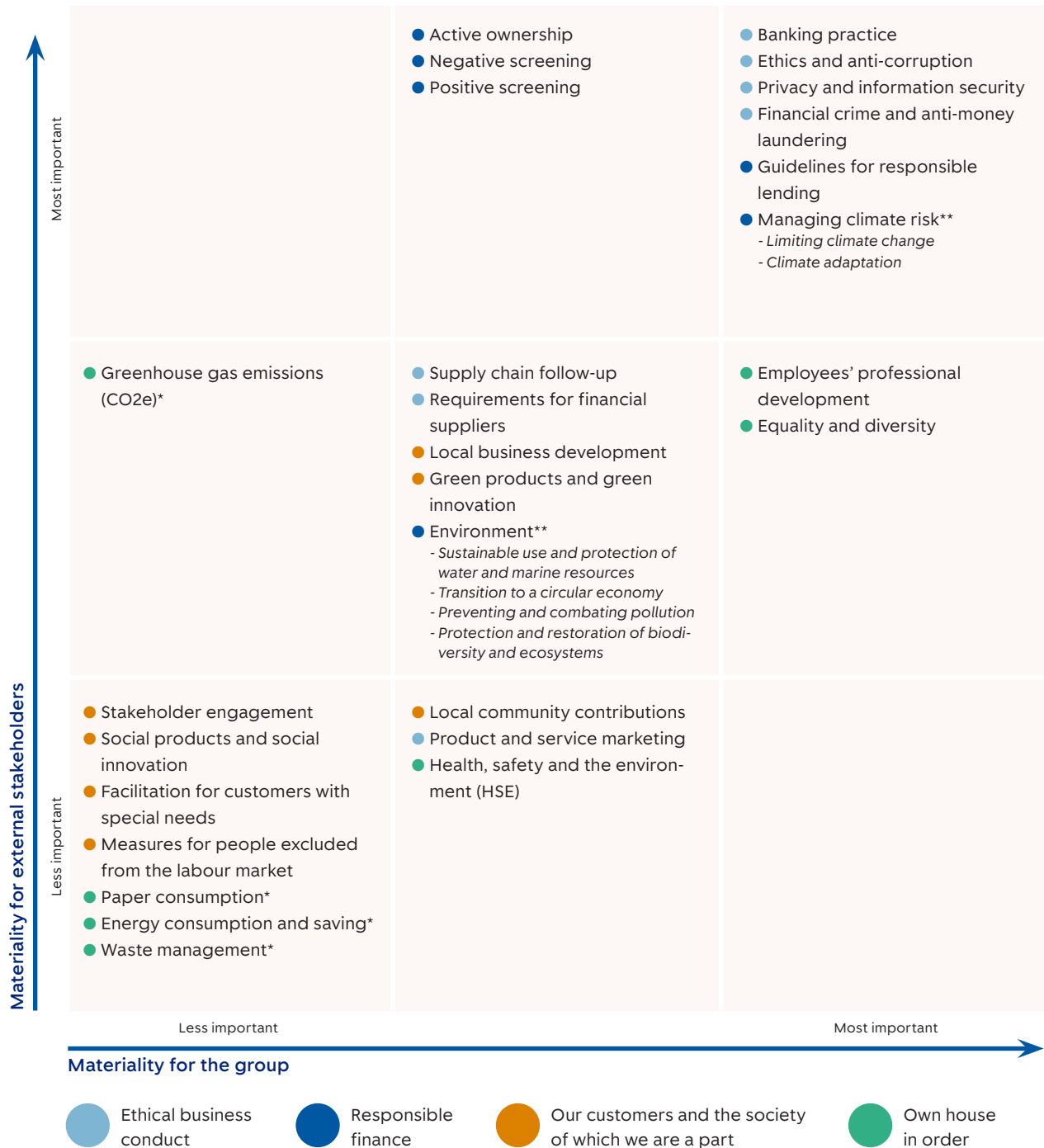
Figure 1: Stakeholder map (not exhaustive)



The materiality matrix (figure 2) provides the group with a structured overview of the stakeholders' perspectives on various topics, ranked by importance. Figure 2 shows that the topics that both internal and external stakeholders feel are the most important ones are ethics and anti-corruption, privacy and information security, financial crime and anti-money laundering, managing climate risk, responsible lending and banking practice.



Figure 2: Materiality matrix



* applies internally in the group
 ** taxonomy-related topic

The results of the materiality matrix provide SpareBank 1 SR-Bank with valuable insights and an opportunity to prioritise, adjust and sharpen its ongoing work on sustainability. The matrix also provides a basis for sustainability reporting in line with the Global Reporting Initiative (GRI). [Read more about the results of the materiality analysis and engagement with society on topics within sustainability in the document “Sustainability in SpareBank 1 SR-Bank”.](#) When assessing materiality, it is important to take account

of both how sustainability affects the group and how the group impacts various sustainability factors. This approach is called double materiality and is a central part of the development within sustainability reporting. For example, we know that the future directive on sustainability reporting in the EU, the Corporate Sustainability Reporting Directive (CSRD), is based on double materiality.

SpareBank 1 SR-Bank's sustainability and climate strategy

SpareBank 1 SR-Bank has raised the level of ambition in its sustainability and climate strategy, which was approved by the board in November 2021. ESG will be deeply integrated into all of the group's business areas by the end of 2025. This will incorporate ESG risks and opportunities into all activities, thus giving the group the ability to exploit the opportunities that will arise in line with the coming regulations. These could be experienced in everything the group does, for example in how the group creates valuable customer experiences, delivers results, operates, as well as how the group collaborates internally and externally, and, not least, in how the group contributes to sustainable social development. All employees must take a proactive and responsible approach to sustainability.

The sustainability and climate strategy is anchored in SpareBank 1 SR-Bank's corporate strategy and adapted to the objectives of the Paris Agreement. The group bases its work on sustainability on the UN Sustainable Development Goals and these have been integrated into the strategy.

For a detailed overview of governing documents concerning sustainability and how they are incorporated into the group see the documents:

["Sustainability in SpareBank 1 SR-Bank"](#)
["Sustainability and climate strategy"](#)

General objectives, goals and targets

SpareBank 1 SR-Bank has achieved good scores over the years, from both leading sustainability indices and rating agencies, for the group's commitment to promoting sustainability in the financial services sector and for continuously improving its sustainability work. This shows that the group has focused on relevant topics in its sustainability work and that its systematic work has produced results. SpareBank 1 SR-Bank will measure its general progress in the 2022-2025 strategy period based on four selected external assessment sources. For more information, [read more here](#).

The following four objectives have been defined with specific goals and targets:

Emission reduction

- **A climate neutral** group by the end of 2022
- **Net zero emissions** in our financing and investment activities by 2050

Transition

- Financing and facilitation of **NOK 50 billion in sustainable activities** by the end of 2030
- Financing of **NOK 15 billion in green properties** by the end of 2025
- Facilitating **new jobs** through entrepreneurship and innovation

Equality and diversity

- **Gender balance** (40/60) on all management levels and material positions in the company by 2025
- **Equal pay** for genders – equal pay for equal work
- Through our advisory, products and services we will **strengthen economic equality**

Combat financial crime

- Have **zero-tolerance** for all forms of financial crime
- **Safeguard human rights** by contributing to transparency in supply chains
- Be known for a **high ethical standards**

UN Sustainable Development Goals

The group's sustainability work is based on the 17 UN Sustainable Development Goals. SpareBank 1 SR-Bank supports the global effort to eradicate poverty, fight inequality and limit climate change by 2030. The group has identified three UN Sustainable Development Goals where it has the greatest opportunity to have a positive impact through its core activities: Goal 5 Gender equality, Goal 8 Decent work and economic growth, and Goal 13 Climate action.

The work on supporting these goals is integrated into the group's sustainability and climate strategy. The targets can be seen in the sustainability and climate strategy ([read more here](#)).



[Read more about the group's work on these in 2021 in the document "Sustainability in SpareBank 1 SR-Bank".](#)

Principles for Responsible Banking (PRB)

SpareBank 1 SR-Bank signed up to the PRB when they were launched in 2019 and since then the principles have provided direction for our sustainability work. We are committed to complying with the six Principles for Responsible Banking and to implementing them.

Principle 1: Alignment	Banks must align their business strategy to be consistent with the UN Sustainable Development Goals, the Paris Agreement, and relevant national frameworks	SpareBank 1 SR-Bank approved a new revised sustainability and climate strategy in 2021 that is aligned with the principles.
Principle 2: Impact and target setting	Banks must continuously increase their positive impacts while reducing their negative impacts on people, the climate and the environment	In its sustainability and climate strategy, SpareBank 1 SR-Bank has set itself a specific goal of becoming a climate neutral group. The group is aiming for net zero emissions from the group's financing and investment activities.
Principle 3: Clients and customers	Banks must work responsibly with their clients and their customers to encourage sustainable practices	SpareBank 1 SR-Bank launched "My carbon footprint" in its digital bank in 2021. The online bank's climate report feature will make it easier for customers to help reduce greenhouse gas emissions and make sustainable choices in their everyday lives. The group has established consulting services for corporate customers within sustainability through SpareBank 1 SR-Bank ForretningsPartner.
Principle 4: Stakeholders	Banks must proactively and responsibly partner with stakeholders to achieve society's goals	During the year, SpareBank 1 SR-Bank maintained a good dialogue with the group's stakeholders, and it produces an annual overview of this engagement. The group also conducted a new materiality analysis in 2021.
Principle 5: Governance and culture	To achieve their goals for responsible and sustainable banking operations, banks must implement effective governance and a culture of responsible banking	In 2021, SpareBank 1 SR-Bank decided to start the process of implementing ISO 14001. Employee skills development were also a focus area in 2021. The aim is to make sustainability an integral part of the group's day-to-day work.
Principle 6: Transparency and accountability	Banks must periodically review their individual and collective implementation of these principles	SpareBank 1 SR-Bank delivered its first PRB report in 2021. It can be read in its entirety here .

Regulatory compliance

SpareBank 1 SR-Bank closely monitors regulatory developments within sustainability and responsible business. New regulations that will enter into force in 2022 – the Act on sustainability-related disclosures (SFDR) and the Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act) – will be central to this work.

The Act on sustainability-related disclosures (taxonomy directive and disclosure directive) is expected to be enacted into Norwegian law in the first half of 2022 through an amendment to Annex IX (Financial services) of the EEA Agreement. The EU taxonomy for economic activities is a common classification system and is often referred to as the foundation for the EU's initiatives for the green transition. The main principle behind the taxonomy is that an economic activity must make a significant contribution to one of the EU's environmental goals in order to be considered sustainable. At the same time, it is a requirement that the activity cannot significantly harm any of the other environmental goals. The activity must also satisfy a number of minimum requirements concerning social conditions and governance (including the OECD Guidelines for Multinational Enterprises, the ILO's Core Conventions and the UN Guiding Principles for Business and Human Rights).

SpareBank 1 SR-Bank is subject to the EU taxonomy. For SpareBank 1 SR-Bank, the taxonomy will increase the need for sustainability considerations to be included in financing processes. In order for the group to be able to report its loan and investment portfolios in line with the taxonomy, an extensive process will be required to collect data from relevant customers. Going forward, the group's green financing framework (Sustainable Finance Framework) will have to be updated and adapted according to the development of the taxonomy. Adapting to the EU taxonomy will, together with other sustainability assessments, be part of a comprehensive system for measuring, analysing and pricing various ESG factors¹ and could therefore represent a competitive advantage with regard to the influx of customers and investors.

¹ Systems for the management and control of other ESG factors, including CO₂ emissions and reports, are being developed, ref. EBA REPORT ON MANAGEMENT AND SUPERVISION OF ESG RISKS FOR CREDIT INSTITUTIONS AND INVESTMENT FIRMS, EBA/REP/2021/1812. JUN2021

In its guidelines on the EU Taxonomy Regulations, the EU has set six environment-related objectives that are intended to give guidance and support the EU's goal to reach carbon neutrality by 2050.

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

From and including the 2023 accounts, the group will report the green financing fraction in line with the taxonomy regulations. Initially, the group will only state loans for activities covered by the taxonomy regulations, i.e. not those that are green but those that could potentially be. This is referred to in the EU regulations as *eligibility*. At the moment, there is an additional requirement for taxonomy reporting for financial institutions. Stating that only customers that report themselves can be included as part of the green fraction. This requirement also applies to eligibility reporting. As at 31.12.2021, the proportion of the loan portfolio that was potentially eligible for the green fraction was 63%². Since no corporate customers have reported in line with the taxonomy yet, this proportion exclusively represents residential mortgages and car loans in the retail market.

An amendment is expected on the MiFID II regulations as of November 2022. Adding a new requirement to survey customers' sustainability preferences and offer financial products that accommodate these preferences. The adaptation work for this has already started with the adjustment of advice processes to ensure that they also take account of the customers' sustainability preferences.

The Transparency Act, to which SpareBank 1 SR-Bank is subject, will be in force from 1.7.2022. Introduce a requirement for organisations to conduct due diligence assessments related to the risk of negative consequences for basic human rights and decent working conditions within their organisation and supply chains. The due diligence assessments must be conducted by 30.06.2023. The group's work in this area is anchored in the overall strategy for sustainability. SpareBank 1 SR-Bank are commitment that it will not contribute to breaching human rights, labour rights or international law. This is specified in, for example, its "Guidelines for sustainability – labour and human rights". ([Read more here](#)).

² Capital adequacy consolidation is used to calculate this proportion, as recommended in the [FAQs from the EU Commission](#) in relation to taxonomy reporting.

Other key guidelines:

- [Code of conduct](#)
- [Equality and diversity policy](#)
- [Responsible investment policy](#)
- [Guidelines for sustainability in procurement](#)
- [Guidelines for policy](#)

The group carried out several evaluations and measures in 2021 that are included in the overarching work on due diligence assessments. For example, sustainability assessments of corporate customers (page 36), supplier follow-up (page 41), and ESG assessments of all funds offered via SpareBank 1's fund platform (page 33) include questions about, or assessments of the likelihood of, breaches of human rights and decent working conditions. Work on the due diligence assessment required by the Transparency Act will continue in 2022.

Responsible finance

SpareBank 1 SR-Bank's core business activities are to allocate capital to retail and corporate customers. Responsible lending and investments are an important element of the group's social role. In the materiality analysis of 2021, supports that responsible lending practices are one of the banks material topics.

Strategy

Financing is a central component of the strategy approved in autumn 2021. SpareBank 1 SR-Bank's overall potential for contributing to the restructuring towards the green shift is equal to the sum of the impact all of the group's customers represent. Therefore, the bank's guidelines for responsible finance are of major relevance with respect to the pace of restructuring around us in society. Many of the specific goals in the strategy are aimed at financing and credit. The group are constantly striving to get better at measuring progress within sustainable finance and the goals the group sets are thus intended to help boost this work. It is mainly within responsible investing and lending/credit that the group can influence by setting standards and expectation to steer capital toward a sustainable direction. The group will be a discussion partner and a positive contributor to SpareBank 1 SR-Bank's customers in the transition to a more sustainable society and business environment.

Responsible lending

SpareBank 1 SR-Bank's goal is to contribute to financing and facilitating NOK 50 billion in sustainable activities by the end of 2030. A framework has been produced in order to indicate which activities are considered sustainable. The framework is largely based on the definitions in the EU taxonomy for sustainable activities. The goal of sustainable financing encompasses the corporate market, the retail market and facilitation via SR-Bank Markets. The group has also set a target of at least NOK 15 billion in financing for green commercial properties by the end of 2025. A similar

target will also be set for financing activities within renewable energy, including infrastructure.

Lending to the corporate market

The group has a lot of influence thanks to its financing activities, with corporate customers accounting for around 40% of its total lending. The group's corporate loan portfolio is well diversified. The group finances Norwegian SMEs, with an emphasis on commercial property. SpareBank 1 SR-Bank requires its corporate customers to operate in compliance with applicable laws and regulations, which include climate and environmental considerations and taking a conscious approach to human rights. The "Guidelines for sustainability in the corporate market" provide direction on the type of customers the group hopes to attract and what is expected of customers. ([Read more here](#))

In 2021, SpareBank 1 SR-Bank's green loans accounted for 2.3% of the total loan portfolio.

Category	Proportion of total loan portfolio
Renewable/green exposure	2.3%

* Only includes significant customer exposures in the corporate portfolio
• The account managers have tried to define the exposures based on the taxonomy, environmental goals 1 and 2 (without using technical criteria)
• Estimated based on reported figures for 2021, not audited internally

The corporate market mapped its loan portfolio with respect to sustainability in 2021. The analysis was carried out on three levels: greenhouse gas emissions, positive and negative impacts, and climate risk. The greenhouse gas emissions associated with the loan portfolio are assessed using the method issued by the Partnership for Climate Accounting Financials (PCAF). (page 36)

Sustainable shipping

SpareBank 1 SR-Bank reported in line with the Poseidon Principles for the first time in autumn 2021. The Poseidon Principles are a global framework for financial institutions that finance shipping and promote efforts to cut greenhouse gas emissions in the shipping sector. Every signatory to the Poseidon Principles must report the progress made in their loan portfolio every year and this is collated in a report. Some 23 banks were included in the 2021 report and SpareBank 1 SR-Bank's portfolio came out best with a portfolio alignment score of -15.6%.

In 2021, all new credit exposures within shipping have included a clause concerning the Responsible Ship Recycling Standards (RSRS). The RSRS are about the responsible disposal of vessels and mobile offshore units. The initiative addresses both the environmental and the social aspects of sustainability, with a focus on human rights. The initiative is an important sectoral contribution towards transitioning to a circular economy, which is one of the six defined environmental objectives of the EU taxonomy.

ESG scoring of corporate loans

The group has developed a framework for assessing sustainability (ESG score) that is used in connection with granting

credit and renewals for customers whose consolidated exposure exceeds NOK 50 million. The scoring is an attempt to assess the customer's sustainability risk and help customer advisers in their dialogue about sustainability with the customer. The group's overarching ambition when it comes to sustainability is to be the customer's ally in the transition. Appropriately including sustainability in the dialogue with customers is, therefore, an important success criterion. The ESG scores are based on questions about the customer's practices within areas such as climate risk, the environment, human rights and sustainable governance, which includes corruption. If a customer is given a particularly low ESG score, their customer adviser is required to draw up an action plan for improvement together with the customer.

In 2021, the corporate advisers completed a training programme that included both e-learning and case discussions on material sustainability topics. Case discussions are a useful means of ensuring advisers know what they are talking about when they talk to customers about sustainability. The training measures will continue in 2022. In 2021, a total of 185 credit exposures underwent ESG scoring using the assessment form. All customers with consolidated exposure of more than NOK 50 million must be scored.

In 2021, TietoEvry, in collaboration with a number of Norwegian savings banks, developed an ESG model that facilitates the integration of ESG assessments into the credit system workflow. The module will be introduced in SpareBank 1 SR-Bank in the first quarter of 2022. An effort is also being made under the SpareBank 1 umbrella to standardise assessment criteria and facilitate further integration in the risk models so that sustainability factors can be included in assessments of credit risk. Additionally, there are plans to conduct ESG assessments of more customers in the future by lowering the exposure size limit to significantly less than NOK 50 million.

Lending to the retail market

SpareBank 1 SR-Bank's retail market portfolio accounts for around 60% of total lending and mainly consists of residential mortgages for retail customers. The sustainability strategy's goal of financing and facilitating NOK 50 million in sustainable activities by the end of 2030 also applies to the retail market portfolio. The framework for sustainable activities defines which loans can be considered sustainable and this definition corresponds with the group's requirements in its green bond programme. For the retail market, these include loans for zero emission vehicles, sustainable homes and renovation.

SpareBank 1 SR-Bank has the potential to have a positive impact in the retail market portfolio with respect to the social aspect of sustainability. Providing access to financing can help to improve customers' living conditions, especially for customers with lower incomes. Among other things, SpareBank 1 SR-Bank uses its flexibility quota on customers in the process of establishing themselves and buying their first home, as well as on existing customers who have ended up in a difficult situation.

As far as sustainability risk in the retail market portfolio is concerned, the relevant risk is primarily the climate risk

resulting from loans for homes, and in particular the physical climate risk. Going forward, work will also be done on analysing sustainability risk in the retail market portfolio as well.

Green borrowing

SpareBank 1 SR-Bank has set up a programme for green bonds. The programme is a framework for which loans qualify as green and can thus provide a basis for issuing green bonds. SpareBank 1 SR-Bank can issue green bonds based on a portfolio of loans within sustainable residential and commercial properties, renewable energy and green transport. The framework is based on the guidelines in the ICMA Green Bond Principles. The group issued two new green bonds in the euro market in 2021. For more information about green bonds, [read here](#).

Green products and green innovation

Helping customers make sustainable choices by offering customers green products and services is an important contribution to the green shift. The ambition is to offer a green or sustainable alternative in each product category. SpareBank 1 SR-Bank's sustainable product framework is designed to define exactly which activities are considered sustainable and which can be included as contributions to the goal of financing and facilitating at least NOK 50 billion in sustainable activities by the end of 2050. The framework is based on guidelines issued by the Loan Market Association (LMA): the Green Loan Principles and the Sustainability Linked Loan Principles. Further criteria were also taken from the EU taxonomy for sustainable activities, where relevant.

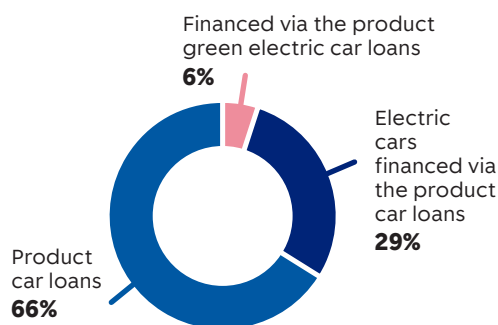
SpareBank 1 SR-Bank continuously strives to assess and develop products and services that will help our customers make more sustainable choices regarding their personal finances. Green residential mortgages were launched in the retail market in early 2021. These are offered to customers who want to finance particularly energy-efficient homes with an energy rating of A or B.

SpareBank 1 SR-Bank offers green car loans aimed at electric car owners to retail customers, as well as green car insurance through the insurance company Fremtind. SpareBank 1 SR-Bank also offers environmental loans designed for agriculture that initially include investment in solar farms. An environmental loan product designed for retail customers was also launched in 2022. This is intended to finance the purchase and installation of solar panels by private individuals.

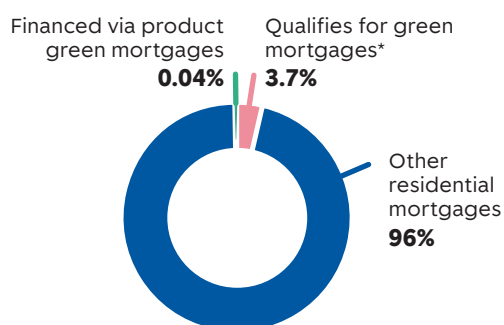
Product	Loans paid out	Green products as a proportion of total lending in the product category *
Green electric car loans	118,273,679	6%
Green car insurance	84,660,000	17.5%
Green mortgages	58,030,018	0.04%

* Green car loans: Total car loan portfolio, loan volume
 * Green car insurance: of total car insurance, measured by premiums written

Other product car loans



Proportion of financed residential mortgages



The strategic goal of being the customer's ally in the sustainability shift also applies to retail customers. The group wants to help make customers more aware of sustainability and to help customers make more sustainable choices. "My carbon footprint" is a digital service that shows the customer their climate footprint based on their transaction history. A beta version of the service was launched in November 2021 and customers have already started using it. There is potential for improving the solution, for example by connecting more data sources to improve the accuracy of the calculations. Work will be done on improving "My carbon footprint" further under the SpareBank 1 umbrella in 2022.

Service	Number of unique users	Number of unique users as a proportion of number of customers
My carbon footprint	6,425	2.65%

Responsible asset management

SpareBank 1 SR-Bank's recommended savings products were managed by the group's wholly owned subsidiary, SR-Forvaltning, throughout 2021.

SR-Forvaltning's funds and portfolios are managed in line with the standard for sustainable investments and SR-Forvaltning's climate strategy. All the products and model portfolios are classified as article 8 products under the Sustainable Finance Disclosure Regulation. This means that the management of the products takes into account environmental considerations and/or social conditions. SR-Forvaltning maintains a constant focus on operationalising the UN Principles for Responsible Investment (PRI).

SR-Forvaltning has published CO2 reports for its three unit trusts since 2019. The following results were achieved in 2021: SR-Bank Verden 19.3, SR-Bank Utbytte 33.7 and SR-Bank Norge 49.1. The reports describe the portfolios' CO2 intensity (million tCO2e/NOK million in revenue). The proportion of companies reporting increased from 74% in 2020 to 90% in 2021, which means that the analysis is becoming steadily more representative.

Active ownership is important for an asset manager. As a shareholder, SR-Forvaltning has a direct impact on how the company operates. SR-Forvaltning votes for its shareholdings in general meetings and uses voting services from ISS Proxy Voting Services and their "Sustainability Proxy Voting Guidelines" as a basis for casting its votes. SR-Forvaltning cast votes in 77 out of 79 meetings (97%) in 2021. SR-Forvaltning did not cast votes in the other two meetings due to technical challenges related to voting in some countries. SR-Forvaltning continues its dialogue with the portfolio companies if it feels that there is an elevated sustainability risk. Given this, there were investor dialogues with four different portfolio companies in 2021.

In 2022, SR-Forvaltning will become part of SpareBank 1 Forvaltning and will thus no longer be a wholly owned subsidiary of SpareBank 1 SR-Bank. Therefore, in the future, the management will be assessed from a fund provider perspective rather than as a subsidiary.

Responsible investments in SpareBank 1 SR-Bank

Besides investments made via SR-Forvaltning, SpareBank 1 SR-Bank makes direct investments in shares and bonds within given limits. The "Standard for responsible investments in SpareBank 1 SR-Bank" conforms with the group's sustainability strategy and ESG factors are assessed in connection with new and renewed investments. Active ownership is practised where appropriate.

Responsible distribution of securities funds

In 2021, SpareBank 1 SR-Bank mainly recommended funds managed by SR-Forvaltning, although customers are also offered funds from a number of managers, in both staffed and digital channels. The SpareBank 1 Alliance has jointly developed guidelines for the distribution of securities funds together with The Governance Group (TGG) and has also produced a labelling system for funds' sustainability. Every fund offered to SpareBank 1 customers has a sustainability score that customers can find in the online bank. The grading scale runs from A to F and points are awarded for exclusions, active ownership and positive screening. The labelling scheme was developed in-house together with TGG, although it also builds on the Norwegian State Pension Fund Global's exclusion criteria and the EU taxonomy's criteria for sustainable activities.

The labelling scheme is intended to make it easier for customers to choose sustainable funds. The fund platform also offers several fund products with a green profile. As at 31.12.2021, SR-Bank Fondene scored a B in the labelling system.

Climate risk (TCFD)

SpareBank 1 SR-Bank reports on climate risk in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Climate change and climate adaptation both represent risks and opportunities that could impact SpareBank 1 SR-Bank's activities. SpareBank 1 SR-Bank is indirectly exposed to climate risks and opportunities through its lending, investments and insurance, and directly through its own operations. The group conducts annual stress tests and financial simulations on its loan portfolio. The results show that the group is well-equipped to deal with the financial consequences of major downturns, including any transition risk related to less activity in the business sector. The stress tests also correspond well with the Financial Supervisory Authority of Norway's analysis in which the Norwegian financial services industry is considered well equipped to handle potential losses in the transition to a low emission society. SpareBank 1 SR-Bank reports in line with the CDP's climate module every year and the report is publicly available on the CDP's website.

The Task Force for Climate-related Financial Disclosures (TCFD) was established in 2015 at the request of the finance ministers and heads of the central banks of the G20 countries.

In 2016, the working group published its recommendations on how financial institutions should report on climate risk. The recommendation consists of four categories:

- Governance
- Strategy
- Risk management
- Metrics and targets

The Carbon Disclosure Project (CDP) is an international initiative that focuses on making environmental and climate-related information from companies, cities and regions available to investors and other stakeholders. The CDP's goal is to be seen as a gold standard within environmental reporting and it has developed reporting standards for the climate, water, forests and supply chains. More than 13,000 companies reported environmental data via the CDP in 2021¹. The initiative is based on the notion that raising companies' awareness of their own climate/environmental impact will lead to them making more sustainable choices and thereby capitalising on the transition to a low emission society. SpareBank 1 SR-Bank has reported in line with the CDP's climate standard since 2019 and scored a grade B in 2021.

¹ <http://www.cdp.net>

The board of directors and group executive management team

The board bears overall responsibility for the group's operations and for monitoring climate risks and opportunities. This responsibility includes monitoring, supervising, approving and following up the work on sustainability, including reporting and strategy work. The sustainability and climate strategy has been integrated into the corporate strategy, and the status of the sustainability strategy is followed up on a quarterly basis (or more frequently) by the board throughout the year. Climate risk has been explicitly discussed by the board on many occasions: in the board's annual consideration of climate risk in board meetings, in the revision of guidelines, in the ICAAP, and when introducing and presenting sustainability reports and annual reports.

The CEO bears overall strategic responsibility for sustainability, including within climate-related topics in SpareBank 1 SR-Bank. The Executive Vice President HR, Communications and Sustainability bears strategic responsibility, together with the CEO, and operational responsibility for sustainability in the group.

The group executive management team has established an interdisciplinary committee that discusses risks and opportunities related to sustainability and climate, including climate risk. In 2021, the committee was involved in the group's strategy process that resulted in an updated sustainability and climate strategy. The group executive management team has delegated operational responsibility for climate risk to the group's risk department, where climate risk is treated on a par with other types of financial risk and is regularly reported to the group executive management team.

Expertise in understanding climate risks and opportunities is important if climate risk is to be appropriately included in corporate governance. Relevant expert resources have given talks to the group executive management team and the board of directors in order to improve their expertise in climate risk and they have also taken internal e-learning course on sustainability, including climate risk.

Strategy

SpareBank 1 SR-Bank used a scenario analysis involving four scenarios to identify the current and potential consequences of climate threats and opportunities related to the group's business, strategy and financial planning. The group has also identified climate-related threats and opportunities in the short, medium and long term. Examples of identified opportunities for diversifying business activities in relation to green real estate include access to new markets and greater access to capital through a green bond framework. Examples of identified potential risks include credit risk and reputational and market risk due to changes to the regulation and taxation of carbon emissions.

Both climate risks and opportunities have been incorporated into the new sustainability and climate strategy. The strategy represents a higher level of ambition, partly due to the fact that, going forward, it ensures that sustainability will be integrated throughout the group. The measures linked to the strategy deal with financing, capital allocation

and expertise. In its sustainability and climate strategy, SpareBank 1 SR-Bank has set a target of net zero greenhouse gas emissions from the group's financing and investment activities by the end of 2050.

The strategy is designed to ensure that the group contributes to the transition society is undergoing and emerges from it stronger. Financial planning will be affected by the goal of providing NOK 50 billion for financing and facilitating sustainable activities. At the same time, the group will improve its credit models so that it can finance the transition better. SpareBank 1 SR-Bank is mainly exposed to climate risk through its customer financing, especially through the greenhouse gas emissions financed via the loan portfolio. Risk has also been identified in relation to potential exposure to stranded assets due to either physical climate risk or transition risk.

Expertise in how climate change and climate policy might impact various sectors over time is required to ensure that the climate risk to which the group's loan portfolio is exposed is acceptable. The group wants to enhance its expertise in sustainability in the strategy period 2022-2025 and understanding climate risk is an important element of this.

Risk management

Climate risk is an integral part of the group's risk management processes and SpareBank 1 SR-Bank identifies and assesses climate risks and opportunities that can affect customers, business areas and operations at various levels.

SpareBank 1 SR-Bank's greatest exposure to climate risk is in the corporate market portfolio, which is why managing the climate risk in this area has been made a priority. Going forward, work on the corporate market's climate risk will focus on the following areas:

- Improving and standardising ESG risk assessments for corporate market customers
- Using the sustainable product framework to identify opportunities within sustainable financing
- Monitoring the pace of restructuring in industries exposed to climate risk and adapting the risk management accordingly

The group's risk assessment module for corporate customers forms part of the risk management system for climate risk. The group wants to improve the module further and has, therefore, initiated a project, together with other banks in the SpareBank 1 Alliance, which aims to establish common assessment criteria for sustainability risk. The idea is to further improve the quality of sustainability assessments and, in the long term, enable banks to include sustainability and climate factors in their credit models through common data capture and models. The model performs a broader assessment of four industries where the group believes customers are most exposed to climate risk: oil production, shipping, fisheries/aquaculture and commercial property.

The group also monitors the development of regulations related to ESG in order to keep an eye on any potential operational risk related to upcoming regulations. It is important to understand how different industries might be affected by changes to regulations, technology and market

dynamics so that the transition risk in the group's loan portfolio can be assessed.

Metrics and targets

SpareBank 1 SR-Bank is exposed to climate risk through the various industries the group finances. The group uses qualitative assessments of industry-related climate risk to identify potential climate risk in the loan portfolio. In connection with the ICAAP reporting in 2021, the loan portfolio was subjected to a stress test using a traffic light model with a general assessment of physical risk and transition risk at an industry level.

The analysis shows that more than three quarters of the bank's corporate portfolio is considered to be in industries with overall low climate risk. The industries with high and moderate climate risk account for 9.8% of SpareBank 1 SR-Bank's exposure in the corporate market, while the exposure to industries deemed to have a slightly elevated risk is 12.5%. The remaining 77.7% of exposure is deemed to derive from industries with low climate risk.

Further analysing the loan portfolio will be important going forward. The group uses various analyses to form a comprehensive picture: scenario analyses, emissions analyses and analyses based on assessments of the climate risk at an industry level.

The group reports its own greenhouse gas emissions in line with the GHG Protocol.

Analysis of emissions from corporate loans

In autumn 2021, SpareBank 1 SR-Bank started analysing emissions levels from corporate loans based on the methodology of the Partnership for Carbon Accounting Financials (PCAF). The analysis is based on calculated income or balance sheet-based emission factors per industry code. These are used to calculate greenhouse gas emissions per company before the financial institution's share is then calculated based on the current LTV ratio.

Partnership for Carbon Accounting Financials (PCAF)

The PCAF is a global partnership consisting of financial institutions that are working together to develop a harmonised approach and methodology for assessing and reporting carbon emissions for loan and investment portfolios. The background for the initiative is an understanding of the important contribution the financial services industry could potentially make to achieving the goals of the Paris Agreement.

Furthermore, the goal is to replace calculated emissions with actual reported emissions, ideally verified by a third party, from as many enterprises and industries as possible in order to improve the quality of the analysis. This first analysis reports emissions obtained for the shipping portfolio linked to the Poseidon Principles reporting and for offshore drilling.

In the table below, the column “weighted average data quality” describes how accurate the PCAF methodology regards the source data to be. The scale runs from 1-5, where 1 is the best, and is based on reported figures from customers that have been verified by a third party. 4 and 5 are based on the use of emission factors as described above.

Given the analysis methodology and the use of estimates, the results presented are uncertain and must be regarded as a starting point. Therefore, some significant variation must be expected in measurements of emissions going forward as the group gains greater access to actual emissions data.

Industry	Loans parent bank, Q4'21 NOK mn.	Estimated Scopes 1 and 2 emissions from CM portfolio ('000s tCO2e)	% shares	Weighted avg. data quality (1-5, where 1 is best)	Carbon intensity (tCO2e per NOK mn. in loans)
Aquaculture, fisheries	3.586	31	1,9%	4,2	8,9
Industry	3.912	33	2,1%	4,0	9,0
Agriculture/forestry	5.305	651	41,1%	5,0	122,6
Service sector	16.024	106	6,7%	4,3	6,4
Wholesale and retail trade, hotels and restaurants	3.053	20	1,3%	4,2	6,6
Energy, oil and gas; E&P	431	73	4,6%	4,4	169,0
Energy, oil and gas; offshore drilling	757	13	0,8%	2,0	17,2
Energy, oil and gas; oil services	473	66	4,2%	4,0	139,4
Building and construction	3.956	11	0,7%	4,1	3,3
Power and water supply	1.412	6	0,4%	4,1	4,5
Real estate	33.599	13	0,8%	4,1	0,4
Shipping, transport: other transport and storage	2.099	19	1,2%	4,1	8,9
Shipping, transport: offshore	2.717	103	6,5%	3,8	37,7
Shipping, transport: shipping	7.106	435	27,5%	2,2	61,2
Public sector and financial services	2.451	4	0,2%	4,2	1,5
Total	86.313	1.582	100,0%	4,0	18,4

The two largest sources of emissions are agriculture/forestry at 41.1% and shipping at 27.5%.

Consequently, it is these two industries that are the main drivers behind the group’s greenhouse gas emissions and that, therefore, will be most exposed to transition risk. Agriculture accounts for a relatively larger share of SpareBank 1 SR-Bank’s greenhouse gas emissions when compared with national figures. This is due to agricultural greenhouse gas emissions largely being linked to ruminants and the high concentration of cattle and sheep in the group’s main market area, Rogaland. In calculating emission figures for agriculture, 30% of each agricultural exposure, capped at NOK 1.5 million, is defined as financing for a home and thus excluded from the calculation. In total, this amounts to around NOK 1 billion.

Agriculture and the government have signed a letter of intent concerning agriculture cutting greenhouse gas emissions and increasing carbon sequestration by a total of 5 million tCO2e over a 10-year period, i.e. 2021-2030. This entails emissions in 2030 being 18% lower than the level they were at in 2020. Understanding the group’s agriculture loan portfolio and how it will be impacted by future regulations

is important both if we want to help customers in the transition and with respect to achieving the goals in the group’s sustainability and climate strategy. Training measures will be implemented in 2022. In 2022, there will also be a focus on preparing measures in line with the group’s sustainability and climate strategy. ESG assessments will be made of agriculture customers from 2022 onwards.

One important task in 2022 will be to improve the stress testing of both the retail and corporate loan portfolios in relation to physical climate risk. The group will continue its work on improving the source data for the emissions analysis, including by using the correct industry codes, especially with respect to agriculture customers.

The new sustainability and climate strategy sets a specific goal for the group of achieving net zero emissions from financing and investment activities by the end of 2050. In 2022, the group will set targets in connection with achieving the net zero emissions ambition by the end of 2050. These are measures that will both reduce the group’s climate risk and contribute to exploiting the business opportunities inherent in the green shift.

Sustainability integrated into all of the group's activities

Combating money laundering and terrorist financing

Ensuring that the industry is not exploited for financial crime through the misuse of the services and products being offered is part of the financial services industry's social mission. SpareBank 1 SR-Bank prepares an annual assessment of the risk of money laundering and terrorist financing linked to its operations, along with the associated risk mitigation measures. Operations-oriented risk assessments also include analysing corruption and sanctions risks.

A wide range of key people in the group are involved in producing the risk assessment before it is considered by the board. Group guidelines for anti-money laundering and sanctions have been drawn up and are available to all employees and external parties on the group's website. Managers have to confirm on an annual basis that they take a conscious approach towards the risk associated with money laundering and terrorist financing, and that they are familiar with the guidelines and policy that is anchored in the group guidelines for anti-money laundering and sanctions.

SpareBank 1 SR-Bank also has an extensive framework of guidelines intended to prevent the group being used for money laundering, tax evasion, corruption or terrorist financing. The framework is there to ensure that the group complies with the statutory requirements in various processes through established routines, customer measures, electronic monitoring, sanctions regulations, and procedures for internal control. The group has committed to complying with the framework and guidelines in the Wolfsberg principles for combatting financial crime. The Wolfsberg principles establish requirements, for example, transparency in customer transactions and how information is monitored and managed in line with the authorities' requirements.

The board, managers and staff undergo annual training activities to ensure that they have the expertise they need to manage AML risk, including the risk the group faces in the areas of money laundering, tax evasion, corruption and terrorist financing.

In 2021, the Financial Supervisory Authority of Norway conducted a thematic inspection to check compliance with the Money Laundering Act in one of SpareBank 1 SR-Bank's subsidiaries.

In 2022, the group will continue to focus heavily on complying with the Money Laundering Act and will continuously adapt to stricter rules issued by the European Banking Authority (EBA), the Financial Supervisory Authority of Norway and other authorities.

Ethics and anti-corruption

SpareBank 1 SR-Bank's code of conduct and anti-corruption policy are intended to contribute to, among other things, fighting corruption, extortion, bribery, money laundering, fraud, terrorist financing, and the financing of other criminal

activities. The code of conduct is intended to make people aware of the potential dilemmas and ensure that all of our employees maintain high ethical standards.

SpareBank 1 SR-Bank focuses on the board, management and employees receiving good and sufficient training on the group's ethical framework and has established an anti-corruption e-learning course that has been run for many years. It is vital that the board and management, as well as advisers, have a good understanding of our ethical framework. The framework is included as part of the continuous work on both ensuring the cultivation of an ethical culture and how the group does business. SpareBank 1 SR-Bank's code of conduct can be [read here](#).

A specific anti-corruption policy has been produced and risk analyses are conducted based on working meetings with purchasing, accounting and employees in both the retail and corporate markets. The risk assessment from 2021 shows that SpareBank 1 SR-Bank's anti-corruption work is regarded as satisfactory and that measures have been established to systematically follow-up control activities in the area of anti-corruption. Governing documents are published, accessible and regularly revised in the group's quality system, which ensures information about the topic is available across the group. The quality of the in-house anti-corruption training is considered good and employee surveys demonstrate a high degree of awareness.

The guidelines for anti-corruption and impartiality have been incorporated into the purchasing and credit policy, and partners and suppliers are sent a sustainability appendix which includes the anti-corruption guidelines. The group has its own ethics committee, which assesses whether the code of conduct satisfies the expectations and requirements of customers, suppliers and society as a whole. The ethics committee has representatives from several business areas and two meetings were held during 2021.

All employees must sign the code of conduct every year. Annual refreshers on ethics are also provided via the authorisation scheme for financial advisers. The anti-corruption work includes ensuring new employees read and sign the code of conduct. This is also included as a topic in the group's annual Ethics Week.

The group has zero tolerance of corruption and compliance assessments are conducted in relation to compliance with the anti-corruption policy. The group review specific transactions and activities, planned and existing business connections, and various categories and groups of employees. The assessments take a risk-based approach, and the inspections include financial and non-financial control actions. Reporting lines have been established and any measures are followed up in line with existing routines.

The group has whistleblowing routines for anonymous, written and verbal reports. SpareBank 1 SR-Bank has established an external notification agreement with the law firm EY in which the information will be treated confidentially by

dedicated case managers in EY. Two whistleblowing cases were processed in 2021. These were processed in line with the bank's whistleblowing procedures. The cases have been closed.

Theme	No. of	Stake
Board members of SpareBank 1 SR-Bank ASA that have been aware of the code of conduct, including anti-corruption	8	100%
Board members of SpareBank 1 SR-Bank ASA that have received training in anti-corruption	8	100%
Permanent employees who have signed the code of conduct	1,283	*
Permanent employees who have completed anti-money laundering training**	1,159	82.3%
Permanent employees who completed anti-corruption training	273	***
Corruption related incidents***		Not relevant

* All permanent employees, except those on long-term sick leave, other leave or similar, have signed the code of conduct.

** A total of three learning modules were assigned to 1,338 employees according to their position. The average completion rate is 82.3%

*** All managers and corporate advisers complete extended anti-corruption training. Some 273 courses were completed over the course of 2020 and 2021.

*** Since there were no corruption related incidents, no employees were punished, no supplier agreements were terminated due to corruption, and there were no court cases related to corruption in which the company or an employee was involved.

• ForretningsPartner is included in permanent employees, except for the employees in the acquired companies, Tveit Regnskap and Vangdal.

Board members have completed a separate anti-corruption training programme and are directly involved in the work on formulating and quality assuring the group's code of conduct each year. Besides the board, managers and some key personnel take a special training course in anti-corruption.

Privacy and information security

SpareBank 1 SR-Bank's security and privacy strategy is to ensure the confidentiality, integrity and availability of information between the customer and the group. SpareBank 1 SR-Bank has a large customer base and is therefore a stakeholder that processes customer information and personal data on a large scale. The personal data rules, which consist of the EU's General Data Protection Regulation (GDPR) and Norwegian Personal Data Act, provide strong protections for privacy. The regulations give customers more rights, and routines and procedures in the quality management system have been drawn up to safeguard these rights. Furthermore, SpareBank 1 SR-Bank's privacy statement ensures individuals have a right to information about how the group processes personal information in an easily accessible manner.

SpareBank 1 SR-Bank has formalised and incorporated definitions of roles and responsibilities for information security and privacy. A quality management system has been established with the group's governing documents

for information security and privacy. Risk management processes have been established to constantly identify and monitor risks. The processes are designed to ensure compliance with internal requirements, acts and regulations and that risks are mapped and managed. The processes cover both information security and privacy risks. Risk mitigation measures are registered, followed up, and reported via a dedicated measures database.

Both proactive and reactive measures are taken to prevent, detect, investigate and manage security incidents. These include established contingency plans, regularly conducting emergency response exercises, on-call arrangements and crisis teams tasked with efficiently managing major incidents. The group has a dedicated incident response team that monitors and follows up security incidents and discrepancies relating to the use of IT systems in the group 24/7.

SpareBank 1 SR-Bank has implemented a number of technical safety barriers and puts employees through regular information security and privacy training in order to avoid unwanted incidents. These are tangible, concrete measures that are designed to prevent human and technical errors. Should unwanted incidents and discrepancies related to information security and privacy nevertheless occur, these are registered, followed up and reported via a dedicated incident database. In the event of breaches of personal data security that must be reported to the Norwegian Data Protection Authority, the group's data protection unit will ensure that incidents are reported within the deadline of 72 hours and also that the affected customers are notified in accordance with the GDPR. The incident database helps to make sure that the group learns from discrepancies and can thus avoid repeating similar ones.

Regular audits of both our organisation and external suppliers are conducted to ensure that the group's information security and privacy requirements are being properly addressed throughout the value chain.

During 2021, the group reported 17 breaches of personal data security to the Norwegian Data Protection Authority. The authority did not issue instructions or impose fines for any of these breaches in 2021. This was due to the fact that the breaches were not considered serious, that the group practises effective and robust event management, and that adequate measures were implemented to correct errors and prevent future breaches.

Responsible information, communication and marketing

SpareBank 1 SR-Bank offers products and services that have a major impact on companies' and individuals' finances, including loan and credit agreements, savings, pensions and insurance products. This comes with a serious responsibility to help customers make informed choices when entering into agreements with the group. In line with the group's product management policy, customer segments should only be offered appropriate products and the products must be marketed in line with the requirements

for good marketing practices. When determining how good marketing practices should be understood in each instance, the group refers to the specific requirements for honesty and good business practices that apply to financial institutions, as well as any special disclosure obligations that apply, for example to the marketing of credit agreements. Among other things, a product's characteristics and terms and conditions must be stated clearly and be understandable to the customer group targeted by the marketing. Furthermore, products and services must only be distributed by employees with a sufficient understanding of the product's/service's function, characteristics and risks.

There is an increasing focus on, and awareness of, the topic of greenwashing in connection with marketing sustainable products. Greenwashing involves misleading marketing in which a company or product is presented as being more sustainable than it actually is. SpareBank 1 SR-Bank is conscious of its practices in relation to marketing sustainable products and bases them on the Norwegian Consumer Authority's guide to making sustainability-related claims in marketing. ([Read more here](#)) There are guidelines that ensure customers' interests and investor protection are safeguarded when they are being sold products and services. Credit policy guidelines, routines, and guidelines for the investment firm's activities, product and distribution strategy for financial instruments have been established, and routines, processes and work descriptions have been operationalised. Training is also provided via the authorisation scheme for financial advisers (AFR), training programmes via VPF and VPF, and internal specialist days and training modules from SPAMA.

The group's product and service management policy requires adequate quality assurance and risk assessments to be conducted in the event of changes to products and services, with the involvement of relevant disciplines and anchoring of decisions at a sufficiently high level in the organisation. A standardised product, process and system scoring (PoPs) process has been established to meet the requirement, with weekly formalised case management meetings in which all relevant technical groups in the group participate. The process is intended to ensure that customer interests are adequately safeguarded in all new and changed products and services. The same risk assessment and decision-making process applies in the case of significant changes to customer-related processes, including communication and marketing. More than 100 change cases were formally processed in the group's PoPs process in 2021.

No adverse events involving a failure to comply with the regulations or internal guidelines for product and service information, labelling and marketing were recorded in 2021.

Environmental responsibility in own operations

As a responsible financial services group, SpareBank 1 SR-Bank takes a proactive approach to environmental and climate challenges. The group are constantly striving to be a resource-saving and environmentally efficient organisation by setting requirements for our own organisation, suppliers, and partners.

SpareBank 1 SR-Bank's registered energy and climate report based on the international "A Corporate Accounting and Reporting Standard". This standard was developed by the "Greenhouse Gas Protocol Initiative" – the GHG Protocol. The climate accounts show tCO₂e that are direct and indirect emissions related to the group. These are greenhouse gas emissions that come from consumption due to, for example, travel, waste management, and energy use. Based on the climate report, the group identified which sources impact the external environment and implemented concrete measures to minimise them. In 2021, a working group carried out extensive work to assess environmental certification of the entire group with the aim of cutting its greenhouse gas emissions. The work resulted in a decision to certify SpareBank 1 SR-Bank pursuant to the ISO 14001 standard, at a group level. This work will continue unabated in 2022 with a dedicated resource for the environmental certification of the group.

The climate report for 2021 shows a reduction in CO₂ emissions from 2020 to 2021. The group's emissions amounted to 337.6 tCO₂e in 2020 compared with 287.8 tCO₂e in 2021. The greenhouse gas emissions were made up as follows in 2021:

- Scope 1: 23.1 tCO₂e
- Scope 2: 142.4 tCO₂e
- Scope 3: 122.3 tCO₂e
- Total: 287.8 tCO₂e

In 2021, SpareBank 1 SR-Bank made the following changes that reflect the environmental responsibilities in its own operations:

- Established an energy management system (EMS) in owned premises for the purpose of improving its oversight and control of energy consumption.
- Monthly energy reports with follow-up measures in the event of abnormal consumption.
- Signed an agreement concerning guarantees of origin from electricity suppliers that guarantees that the same amount of hydropower will be produced as the electricity we consume.
- Increased space efficiency in offices and co-location. In 2021, the group had two construction projects in which the number of square metres was reduced. There will be a strong focus on increasing space efficiency and co-location going forward.
- Reduced the number of floors in use at head office, Finansparken, after more and mandatory working from home.
- Changed the concept manual for building offices to increase the use of system fittings for the sake of flexibility and sustainability.
- Reduced the number of pool vehicles from 25 to 6 since the Covid-19 situation and increased working from home have considerably reduced the need for transport.
- Focused on sustainability in requests for tenders where suppliers must describe how their sustainability work could make a positive contribution to specific requests. Sustainability is also used as an award criterion in the selection of suppliers.

Annual greenhouse gas emissions

Category	2019	2020	2021	% change from previous year
Transport total	69.1	35.2	23.1	-34.4 %
Petrol	23.0	13.8	10.8	-21.9 %
Diesel (NO)	46.1	21.4	12.3	-42.6 %
Scope 1 Emissions	69.1	35.2	23.1	-34.4 %
Electricity total	183.7	192.5	141.7	-26.4 %
Electricity Nordic mix	183.7	192.5	141.7	-26.4 %
Electric cars total	0.3	0.2	0.7	166.3 %
Electric cars Nordic	0.3	0.2	0.7	166.3 %
Scope 2 Emissions	184.0	192.7	142.4	-26.1 %
Waste total	15.1	5.5	3.5	-37.2 %
Paper waste, recycled	0.6	0.3	0.2	-10.7 %
Residual waste, incinerated	14.3	3.5	2.8	-20.4 %
Glass waste, recycled	-	-	-	28.6 %
EE waste, recycled	-	-	-	-16.7 %
Organic waste, recycled	0.1	0.2	0.2	-9.3 %
Hazardous waste, recycled	-	-	-	-
Plastic waste, recycled	-	-	-	-79.0 %
Cardboard waste, recycled	-	-	-	-100.0 %
Wood waste, incinerated	-	-	-	-100.0 %
Metal waste, recycled	-	-	-	-100.0 %
Hazardous waste, incinerated	-	1.2	-	-100.0 %
Residual waste, recycled	-	0.2	0.2	-14.6 %
Business journeys, total	432.8	104.2	53.8	-48.3 %
Air travel	-	104.2	53.8	-48.3 %
Continental/Nordic, RF	432.8	-	-	-
Fuel and energy related activities, total	154.6	142.9	65.0	-54.5 %
Diesel (WTT)	12.1	6.1	2.7	-54.9 %
Electricity Nordic Mix (WTT)	136.6	133.2	59.4	-55.4 %
Petrol (WTT)	5.9	3.6	2.8	-22.0 %
Scope 3 Emissions	602.5	252.6	122.3	-51.6 %
Total	855.6	480.5	287.8	-40.1 %
Percentage change	100.0 %	-43.8 %	-40.1 %	

Annual key figures and climate indicators

Name	Unit	2019	2020	2021	% change from the previous year
Total emissions (S1+S2+S3) (tCO2e)		855.6	480.5	287.8	-40.1%
MWH/heated floor space (S1+S2)		0.1	0.1	0.1	-3.6%
kgCO2e/heated floor space (S1+S2+S3)		21.8	14.0	8.3	-40.8%
kgCO2e by turnover	NOK millions	157.0	77.0	42.2	-45.2%
Revenue	NOK millions	5,450.0	6,237.0	6,744.0	8.1%

Sustainable purchasing

Sustainable purchasing is about suppliers being aware of their supply chain and the work they do to reduce their negative impact on the environment, social conditions and conduct throughout their supply chain. SpareBank 1 SR-Bank requires suppliers to have guidelines for sustainability and to convert these guidelines into action. All new suppliers must be assessed in relation to sustainability and must accept an appendix on sustainable purchasing when agreements are signed. Through SpareBank 1 Utvikling, SpareBank 1 SR-Bank and the Alliance banks contribute to sustainable purchasing and supplier follow-up at an Alliance level.

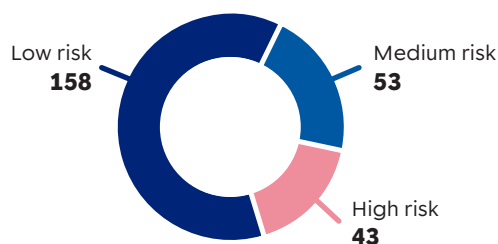
Follow-up of suppliers with an increased risk of having a negative impact

SpareBank 1 Utvikling and the banks in the SpareBank 1 Alliance systematically collaborate on following up suppliers. After reviewing the agreement archive, a total of 254 existing suppliers were flagged for a due diligence assessment. These were mainly common suppliers that are administered by SpareBank 1 Utvikling. A category-based risk assessment was conducted of the 254 suppliers, and they were mapped according to probability of ESG risk and consequences. Some 158 of the suppliers were assessed as representing a low risk, for example service providing companies that operate in a regulated market in Norway. The other 96 suppliers had some or an increased risk of having a negative impact on ESG (environmental, social and governance conditions). These 96 suppliers were look at more closely and 43 of them were identified as relevant for further follow-up.

Of these 43 suppliers, we chose to examine three main categories more closely:

- IT-related procurements: IT equipment
- Administrative procurements: Furniture
- Largest suppliers: IT services and consultants

254 suppliers by risk



- * 158 suppliers were assessed as having a low risk and were not followed up
- * 53 suppliers were assessed as having a moderate risk and were not followed up further
- * 43 suppliers were assessed as having an increased risk and will be followed up further

Conducting inspections

In 2021, six suppliers were subject to two in-depth inspections in two procurement areas: IT equipment and IT services. The suppliers were asked to document their general guidelines, action plans and actual sustainability risks in their supply chain. All of the suppliers showed that they had guidelines in place, while fewer were able to show that they had action plans. Little information was received about actual risks. It is difficult for an independent third party to see the specific areas that an individual supplier should focus on in order to reduce risk.

In 2022, based on the inspections, following up the actual risks in supply chains will be a priority area for those suppliers who have already been inspected. This is also in line with the Transparency Act, which comes into effect on 1.7.2022. Additionally, new inspections will be conducted of more suppliers/categories and the sustainability work for new suppliers will be reinforced.

Results 2021	Goals 2021	Goals 2022	Goals 2022-2024
<ul style="list-style-type: none"> • Action plan completed • Followed up certain categories in Q2-Q4 • Introduced system support 	<ul style="list-style-type: none"> • Finalise action plan and follow up certain categories in Q1 • Follow up other suppliers Q2 – Q4 • Introduce system support in the sustainability work 	<ul style="list-style-type: none"> • Compliant with the Transparency Act • Follow-up of certain categories • Work with new suppliers 	<ul style="list-style-type: none"> • Evaluate and improve work on sustainability in purchasing • Improve systems and follow-up of suppliers

Stimulating new jobs

SpareBank 1 SR-Bank is interested in innovation and creating growth in skills-based jobs. The GründerAcademy foundation is one of the group's initiatives for creating the jobs of the future. The foundation is supported by SpareBank1 SR-Bank and Sparebankstiftelsen SR-Bank. GründerAcademy is arranged twice a year as a digital programme with in-person contact points. Participants are offered lectures, 1:1 follow-up and access to a large network. This is designed to better equip the entrepreneurs for the journey on which they are embarking.

A large number of applications have been received since its inception. Almost 450 entrepreneurs have undergone training through the GründerAcademy programme since it started in 2015. They have represented companies with a good spread within technology, social entrepreneurship and sustainability. This has created around 450 new jobs through 390 companies. Some NOK 650,000 was presented in awards to entrepreneurs as a means of encouraging entrepreneurship in 2021.

Community support

As part of SpareBank 1 SR-Bank's activities, the group supports measures that are based on good living conditions, contributing to growth and development, and a desire for enterprising people to get more back for their efforts. In 2021, the group contributed NOK 11 million in the form of grants and sponsorship agreements to various organisations, clubs and associations. The group's employees donated the 2021 Christmas gift of NOK 250,000 to the

Church City Mission and NOK 300,000 was donated to the year's annual telethon. SpareBank 1 SR-Bank's activities within community engagement and sponsorship are an extension of the group's day-to-day work. The aim is to start initiatives that can make a positive difference in our local areas, achieve a clearer position in the market with the group's sponsorship strategy, and to link sponsorships closely to the group's sustainability goals. In the future, the group wants to focus on gender equality in its sponsorship work. Among other things, the group has signed agreements with both Avaldsnes Elite AS and Viking FK's women's team.

SpareBank 1 SR-Bank's largest shareholder is Sparebankstiftelsen SR-Bank, which owns a stake of 28.3%. Sparebankstiftelsen SR-Bank keeps the savings bank tradition alive. The foundation can distribute profits, which it receives in the form of dividends from SpareBank 1 SR-Bank, as donations to non-profit causes. This is to be done in line with the foundation's vision of "Creating Values Together" as well as the foundation's values of "Together we are to create, enrich and develop healthy communities". This reinforces the bank's local presence and local engagement. In 2021, NOK 91 million was distributed to 559 recipients in Rogaland, Vestland and Agder. Together with Sparebankstiftelsen SR-Bank, the group helps talented young people develop through G9alt Talentutvikling. G9alt Talentutvikling is a foundation that distributes up to NOK 800,000 to talented young people in Rogaland, the former Hordaland County and Agder. The maximum annual amount of NOK 800,000 was distributed in 2021.

Group executive management team



Benedicte Schilbred Fasmer

CEO

Fasmer (1965) became the CEO in January 2021. Fasmer has an MBA from the Norwegian School of Economics (NHH). She has experience from various management positions in Fremtind Forsikring, DNB, Sparebanken Vest, Rieber & Søn and Citibank, as well as 20 years' board experience from a variety of enterprises and organisations.

Board appointments: Chair of the board of Fremtind Forsikring AS Independent board member and chair of the risk committee in Vocalink Limited, UK. Deputy chair of the boards of SpareBank 1 Gruppen AS and SpareBank 1 Banksamarbeidet DA. She is also on the UN High-Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI panel). Deputy board member of Finance Norway and Finance Norway Service Office.

Number of shares*: 7,793



Inge Reinertsen

CFO

Reinertsen (1971) became the CFO in 2010. Reinertsen has an MBA from the Norwegian School of Economics (NHH). He has experience from various management positions in the SpareBank 1 SR-Bank Group and has worked for the group since 2001.

Board appointments: Chair of the boards of SR-Boligkreditt AS, Bjergsted Terrasse 1 AS and SR-Forvaltning AS. Board member of SpareBank 1 Næringskreditt, SpareBank 1 SR-Bank Pensjonskasse, FinStart Nordic AS and SpareBank 1 Markets AS. Deputy board member of SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA.

Number of shares*: 93,813



Roger Lund Antonesen

EXECUTIVE VICE PRESIDENT, RETAIL MARKET

Antonesen (1975) became the Executive Vice President Retail Market in December 2021. Antonesen holds an Executive Master's in Strategic Management from the Norwegian School of Economics (NHH) and an Executive Master's in Technology Management from the Norwegian Institute of Technology (NTNU)/MIT. He has more than 20 years of management experience and 15 years of experience from the financial services industry, and came from the position of DNB's Executive Vice President SME Corporate Banking.

Number of shares*: 0



Ella Skjørestad

EXECUTIVE VICE PRESIDENT MARKETING, INSIGHT AND CUSTOMER OFFER

Skjørestad (1980) became the Executive Vice President Marketing, Insight and Customer Offer in 2018. Skjørestad holds a master's degree in Comparative Politics from the University of Bergen. She has previous experience from Storebrand and Storebrand Direct. She joined SpareBank 1 SR-Bank in June 2010 as head of marketing in the retail banking market and since then has held positions such as marketing director and director of customer services retail market.

Board appointments: Board member of Fremtind Service AS, EiendomsMegler 1 SR-Eiendom AS, SpareBank 1 ForretningsPartner AS and Stiftelsen GründerAcademy. Deputy board member of Fremtind Forsikring AS.

Number of shares*: 9,475

* Number of shares in SpareBank 1 SR-Bank as at 31.12.2020. The figures also include shares belonging to immediate family members and companies in which the person has a determining influence.



Frode Bø

EXECUTIVE VICE PRESIDENT RISK MANAGEMENT

Bø (1968) became the Executive Vice President Risk Management in 2006. He holds a Bachelor of Management and has also completed a master's degree programme in operational auditing and risk management at BI Norwegian Business School. Bø's previous experience includes working at Kværner and Mobil Exploration Norway. He has worked for SpareBank 1 SR-Bank since 2001. Up to 2016, he was also a lecturer in the Department of Industrial Economics, Risk Management and Planning at the University of Stavanger.

Number of shares*: 18,189



Nina Moi Edvardsen

EXECUTIVE VICE PRESIDENT HR, COMMUNICATIONS AND SUSTAINABILITY

Edvardsen (1972) became the Executive Vice President HR, Communications and Sustainability in November 2021. Edvardsen graduated in international marketing from BI Norwegian Business School. She has long and broad management experience within marketing and organisational development from the media industry, energy and mobility. Edvardsen came from her position as Executive Vice President HR in Møller Mobility Group.

Number of shares*: 10,000



Signe Helliesen

EXECUTIVE VICE PRESIDENT COMPLIANCE

Helliesen (1976) became the Executive Vice President Compliance in 2019. Helliesen graduated in business economics from the Norwegian School of Economics (NHH) and holds an Executive MBA in Technology and Innovation of Finance, FinTech, also from NHH. Helliesen has experience from EY. She has worked for SpareBank 1 SR-Bank since 2008.

Board appointments: Chair of the board of Stiftelsen G9alt Talentutvikling. Deputy board member of Verdipapirforetakenes Forbund.

Number of shares*: 1,038



Glenn Sæther

EXECUTIVE VICE PRESIDENT TECHNOLOGY DEVELOPMENT AND BUSINESS PROCESSES

Sæther (1966) became the Executive Vice President Technology Development and Business Processes in 2009. Sæther graduated in Economics and Business Administration from BI Norwegian Business School and has previous experience from Sandnes Municipality, Webcenter Unique ASA, and Helse Vest RHF. He has worked for SpareBank 1 SR-Bank since 2005.

Board appointments: Chair of the boards of FinStart Nordic AS, Nordic Edge AS and Monio AS. Board member of SpareBank 1 SR-Bank ForretningsPartner AS and SpareBank 1 Verdipapirservice AS. Deputy board member of SR-Forvaltning AS.

Number of shares*: 31,222

* Number of shares in SpareBank 1 SR-Bank as at 31.12.2021. The figures also include shares belonging to immediate family members and companies in which the person has a determining influence.



Jan Friestad

EXECUTIVE VICE PRESIDENT CORPORATE STRATEGY AND PROJECTS

Friestad (1966) has worked for SpareBank 1 SR-Bank since 1988 and as a member of the group executive management team since August 2011. After having been responsible for the retail market up to autumn 2021, he took up his position as Executive Vice President Corporate Strategy and Projects in October 2021. He holds a degree in economics and business administration from the University of Stavanger and has also taken various Master of Management courses at BI Norwegian Business School.

Board appointments:

Chair of the boards of EiendomsMegler 1 SR-Eiendom AS and SpareBank 1 Forvaltning AS. Deputy chair of the board of SpareBank 1 Kreditt AS and board member of SpareBank 1 Betaling AS. Deputy member of the board of Vipps AS.

Number of shares*: 50,968



Tore Medhus

EXECUTIVE VICE PRESIDENT LARGE CORPORATES

Medhus (1965) became Executive Vice President Large Corporates in 2000. He holds a Master of Business and Marketing from Oslo Business School/BI. He has previous experience from Elcon Finans, Forende Credit Finans and Telenor. Medhus has worked for SpareBank 1 SR-Bank since 1994.

Board appointments:

Chair of the board of SpareBank 1 SR-Bank ForretningsPartner AS. Deputy chair of the boards of BN Bank ASA and SpareBank 1 Factoring AS. Board member of Monio AS and FinStart Nordic AS.

Number of shares*: 59,793



Marianne Bakke

EXECUTIVE VICE PRESIDENT SME AND AGRICULTURE

Bakke (1976) became the Executive Vice President SME & Agriculture in September 2021. She was educated at the University of Stavanger/University of the West of Scotland: Business and Economics/ MSc International Marketing (1995-2000). Bakke has previous experience from a private equity company, HitecVision. She joined SpareBank 1 SR-Bank in 2005 as an adviser for corporate customers. Since then she has held managerial posts in leasing and SME.

Board appointments:

Board member of Tveit Regnskap AS and SpareBank 1 SR-Bank ForretningsPartner AS.

Number of shares*: 1,337

* Number of shares in SpareBank 1 SR-Bank as at 31.12.2021. The figures also include shares belonging to immediate family members and companies in which the person has a determining influence.

Board of directors



Dag Mejdell

CHAIR OF THE BOARD, CHAIR OF THE REMUNERATION COMMITTEE AND MEMBER OF THE RISK COMMITTEE

Dag Mejdell (1957) has extensive experience from various management positions in business, most recently as the CEO of Posten Norge AS from 2006 to 2016. From 2000 to 2005 he was the CEO of Dyno Nobel ASA and before that he worked for Dyno ASA for 19 years, the last three of which were as the CEO. Mejdell has an MBA from the Norwegian School of Economics (NHH). Chair of the board of SpareBank 1 SR-Bank ASA since June 2016.

Other positions: Chair of the boards of Norsk Hydro ASA, Mesterguppen AS, Torghatten AS and International Post Corporation UA CV.

No. of board meetings in 2021:

17 of 17

Number of shares*: 37,000



Kate Henriksen

BOARD MEMBER AND MEMBER OF THE AUDIT COMMITTEE

Kate Henriksen (1960) is the CEO of Miles Bergen AS. She was formerly the divisional director, retail market, at Sparebanken Vest. Henriksen studied Business Administration at the Norwegian School of Economics (NHH). She has also studied information technology and automation at Bergen College of Engineering. Board member of SpareBank 1 SR-Bank ASA since June 2015.

No. of board meetings in 2021:

16 of 17

Number of shares*: 1,500



Tor Dahle

BOARD MEMBER, CHAIR OF THE RISK COMMITTEE AND MEMBER OF THE AUDIT COMMITTEE

Tor Dahle (1952) was the general manager of Sparebankstiftelsen SR-Bank from January 2012 to December 2021. He has experience from various management positions at SpareBank 1 SR-Bank ASA, including as CFO and more recently as Managing Director at SR-Investering AS. Dahle has an MBA from the Norwegian School of Economics (NHH). Board member of SpareBank 1 SR-Bank ASA since June 2013.

No. of board meetings in 2021:

16 of 17

Number of shares*: 72,457,858



Trine Sæther Romuld

BOARD MEMBER, CHAIR OF THE AUDIT COMMITTEE AND MEMBER OF THE REMUNERATION COMMITTEE

Trine Sæther Romuld (1968) is the CFO & COO of Salmar ASA. Romuld has extensive experience from a range of leadership roles in seafood, oil services, consultancy and the audit industry with both Norwegian and international firms. Additionally, Romuld has significant experience as a board member and chair of audit committees for listed companies. Romuld qualified as a state authorised public accountant from the Norwegian School of Economics (NHH). Board member of SpareBank 1 SR-Bank ASA since April 2020.

Other positions: Chair of the board of Romsdal Processing AS. Board member in Icelandic Salmon AS, Vikenco AS, Kirkenes Processing AS and Hitramat Farming AS.

No. of board meetings in 2021:

15 of 17

Number of shares*: 0

* Number of shares in SpareBank 1 SR-Bank as at 31.12.2021. The figures also include shares belonging to immediate family members and companies in which the person has a determining influence.



Jan Skogseth

BOARD MEMBER AND MEMBER OF THE RISK COMMITTEE

Jan Skogseth (1955) was the CEO of Aibel AS from 2008 until 2017. He has 35 years of experience from the oil, gas and renewables industries, from oil companies and from oil industry supplies, nationally and internationally. Graduated from the South Dakota School of Mines & Technology, Master of Science, Mechanical Engineering. Board member of SpareBank 1 SR-Bank ASA since April 2017.

Other positions: Chair of the board of directors of Gassco AS. Board member of Scatec ASA and Nammo AS.

No. of board meetings in 2021:
17 of 17

Number of shares*: 10,000



Kristian Kristensen

EMPLOYEE-ELECTED BOARD MEMBER

Kristian Kristensen (1982) is the deputy chair of the Finance Sector Union of Norway SpareBank 1 SR-Bank. He holds a bachelor's degree in marketing communication from BI Norwegian Business School and has taken courses in technological change and social development at NTNU, digital business understanding, and sustainability as a competitive advantage and sustainable marketing at BI Norwegian Business School. Board member of SpareBank 1 SR-Bank ASA since June 2016.

Other positions: Member of the board of the Finance Sector Union of Norway, Rogaland division.

No. of board meetings in 2021:
17 of 17

Number of shares*: 3,967



Sally Lund-Andersen

EMPLOYEE-ELECTED BOARD MEMBER AND MEMBER OF THE REMUNERATION COMMITTEE

Sally Lund-Andersen (1961) is the head group employee representative at SpareBank 1 SR-Bank ASA. Board member of SpareBank 1 SR-Bank ASA since January 2012.

Other positions: Chair of the Finance Sector Union of Norway, Rogaland division and permanent observer on the board of SpareBank 1 Utvikling DA.

No. of board meetings in 2021:
17 of 17

Number of shares*: 3,349

* Number of shares in SpareBank 1 SR-Bank as at 31.12.2021. The figures also include shares belonging to immediate family members and companies in which the person has a determining influence.

Corporate governance

The board of directors and group executive management team of SpareBank 1 SR-Bank annually review the corporate governance principles and how they are functioning in the group. The formal requirements for this report follow from section 3-3b of the Accounting Act and the Oslo Børs's requirements concerning complying with, or explaining deviations from, the Norwegian Code of Practice for Corporate Governance.

1. Implementation and reporting on corporate governance

There are no significant deviations between the Code of Practice and SpareBank 1 SR-Bank's compliance with it. Four deviations are described below under sections 3, 6, 9 and 14.

SpareBank 1 SR-Bank's objectives are to stimulate growth and development. It is the very foundation of the company's business model. SpareBank 1 SR-Bank will help to create profitability and value for its owners, customers and communities. SpareBank 1 SR-Bank's vision is: "The customer's first choice". The values that will support our vision are: "Prudence and respect. Committed and efficient." SpareBank 1 SR-Bank ASA shall be characterised by high ethical standards and good corporate governance.

SpareBank 1 SR-Bank's corporate governance must ensure proper management and provide increased assurance that stated goals and strategies will be realised. Good corporate governance in SpareBank 1 SR-Bank includes the values, objectives and overarching principles according to which the company is governed and controlled in order to protect the interests of its various stakeholders. The governance structure is a prerequisite for creating long-term value for owners, customers and employees. It must also ensure that

SpareBank 1 SR-Bank is sustainable over time.

As part of the management structure, SpareBank 1 SR-Bank has a hierarchy of governing documentation with four levels. The company's government documents are available to all employees. The governing documents define the frameworks and principles that are implemented and addressed by the operational processes:

Level 1: Corporate governance principles

Level 2: Policies

Level 3: Standards and business requirements

Level 4: Routines, processes and work descriptions

Level 1: Corporate governance principles

Governance principles and strategies constitute the highest level of governance in the group and provide guidelines for all operational management. Individual subsidiaries have their own governance principles and strategies where required (separate articles of association, corporate strategies, etc.). The principles, agreed by the board, defines



the overarching framework for the management of all operations.

SpareBank 1 SR-Bank's corporate governance principles include:

- Regulations guidance through laws, regulatory, guidelines, etc.
- The company's articles of association, available on www.sr-bank.no
- The management model, see page 53 of the annual report
- Strategic and financial goals, objectives and values, see page 8 of the annual report for more details
- Instructions for the board of directors and CEO, available on www.sr-bank.no
- The code of conduct is available on www.sr-bank.no
- Sustainability and climate strategy, available on www.sr-bank.no
- Frameworks and authorities

Code of conduct

SpareBank 1 SR-Bank must have high ethical standards. The group's code of conduct guidelines describe what is expected of anyone who represents SpareBank 1 SR-Bank.

The code of conduct regulates how employees of SpareBank 1 SR-Bank are expected to conduct themselves in relation to customers, suppliers, competitors, and everyone else. The code of conduct states that employees of the group shall show respect and consideration, and that all communication shall be open, honest and clear and in accordance with the norms, statutes and rules that apply in society when employees are identified as representing the organisation.

SpareBank 1 SR-Bank's code of conduct deals with, among other things, impartiality and relationships with customers, suppliers and competitors, as well as relevant personal financial issues. No form of discrimination or harassment is accepted. SpareBank 1 SR Bank's customer service must be known for its high level of integrity, availability and transparency, and must comply with good business practices. SpareBank 1 SR-Bank wants to be a responsible company that treats all suppliers and competitors with respect and competes fairly and in accordance with the competition regulations. SpareBank 1 SR-Bank does not accept any form of corruption or misuse of inside information.

SpareBank 1 SR-Bank will seek to avoid conflicts of interest. All employees must bear in mind that conflicts of interest

can arise in connection with their work for the group and actively seek to identify them. They should seek to identify such conflicts of interest through initial investigations as early in the process as possible and must follow the group's procedures, routines and guidelines for this. When conflicts of interest arise, we will be transparent about them and seek to resolve them in a proper manner.

All suspected misconduct must be reported in line with SpareBank 1 SR-Bank's rules and procedures for whistleblowing. All reports must be treated with respect and be taken seriously, and reprisals due to reports will not be accepted. In addition to the routines for internal whistleblowing, a channel has been set up for the submission of anonymous electronic reports via an external party.

Sustainability

SpareBank 1 SR-Bank takes a proactive approach to sustainability and responsibility for the environmental challenges society faces. The group will not, directly or indirectly, participate in violations of human and labour rights, corruption, serious environmental harm or other actions that could be considered unethical. This applies both internally and in relation to society. Our responsibilities encompass products and services, consultancy and sales, investment and credit decisions, marketing, procurement, and corporate governance. SpareBank 1 SR-Bank has established standards and guidelines for safeguarding these responsibilities. Our internal work on HSE, ethics and environmental efficiency are also encompassed by our definition of sustainability.

Level 2: Policies

Policies and overarching guidelines are drawn up to address legal requirements and support the group's corporate governance within key areas such as risk management, product and service management, anti-money laundering, privacy, outsourcing and information security, etc.

All governing documents at this level must be approved by the board. The documents specify key overarching principles for a business area or specialist area and are formulated with a scope and format that are designed for a broad group of recipients in the group. Policies are elaborated on and described in detail in standards and business requirements.

Level 3: Standards and business requirements

Standards and business requirements contain requirements and guidance for a business or subject area.

Standards and business requirements clarify and detail the group's overarching principles in more detailed requirements that make operationalisation possible in routines, processes and work descriptions.

Documents at this level are approved by executive vice presidents for their respective responsibilities.

Level 4: Routines, processes and work descriptions

Detailed routines, processes and work descriptions linked

to a business area or subject area. Operationalise requirements and principles in other governing documentation and are presented in a written, readily accessible format and explain how, when and by whom they must be performed.

Deviations from the Code of Practice: None

2. Business

SpareBank 1 SR-Bank is a future-oriented relationship bank for the whole of Southern Norway.

The institution's articles of association state that: "The object of the company is to operate as a bank, including promoting savings by accepting deposits from an unrestricted group of depositors; providing services to the public, business community and public sector; and managing the funds it controls in a prudent manner in accordance with the statutory rules that apply to the company's operations. The company can also provide investment services within the framework of the licences it holds at any given time. The company may, within the framework of applicable law, execute the business and render the services that are naturally associated with operating banking and investment services."

SpareBank 1 SR-Bank's business is explained in its articles of association, which are available on www.sr-bank.no. The group's goals and main strategies are described in the annual report.

The board of SpareBank 1 SR-Bank heads the company's strategic planning and draws up clear goals, strategies and risk profiles for the bank's activities. Information about this is provided in the board of directors' report. Goals, strategies and risk profiles are evaluated at least once a year, including as part of the work on the business plan and ICAAP.

SpareBank 1 SR-Bank must be operated in a manner that inspires confidence. Our values provide the basis for the group's strategic ambitions. The group's activities require a high level of confidence on the part of customers, employees, owners and society.

SpareBank 1 SR-Bank wants to be the customer's ally in the sustainability shift, as well as a proactive ally for people and businesses in restructuring. Given this, sustainability must form an integral part of everything the company does. All employees must take a proactive, responsible approach to sustainability.

SpareBank 1 SR-Bank takes the following approach sustainability and corporate social responsibility:

1. SpareBank 1 SR-Bank wants to be an active contributor to the low emission society by strengthening the capacity of the group and its customers to adapt to and mitigate the consequences of climate change.
2. SpareBank 1 SR-Bank wants to help with the transition to a more sustainable society by assisting customers with restructuring and financing sustainable activities and projects.

3. SpareBank 1 SR-Bank wants to create equal opportunities for all by promoting diversity, inclusion and equality.
4. SpareBank 1 SR-Bank will combat financial crime and ensure security and transparency throughout our operations. Our advice and solutions must be characterised by the fact that we run our business in an open and transparent manner, with conduct that is honest and trustworthy.

SpareBank 1 SR-Bank has produced its own equality and diversity policy. Gender equality is one of the group's priority Sustainable Development Goals, and a dedicated equality and diversity committee has been appointed to propose measures aimed at achieving the group's objectives for equality and diversity. For further information on the group's objectives, how they have been implemented and their impact, see page 15 of the annual report.

Deviations from the Code of Practice: None

3. Equity and dividends

The board of directors assesses the capital situation on an ongoing basis in light of the company's objectives, strategies and approved risk profile.

Please see the group's risk and capital management report (Pillar 3) for more information about the capital adequacy regulations, the principles SpareBank 1 SR-Bank applies as a basis for assessing its capital requirements, and more details about the elements that make up the group's capital ratio. The report is available on www.sr-bank.no.

The board considers the group to be well capitalised in relation to current regulatory requirements.

Dividends

Consideration must be given to financial needs, including capital adequacy requirements and the group's targets and strategic plans, when determining the annual dividend. Unless capital requirements dictate otherwise, the goal of the board is to distribute approximately half of the net profit for the year as dividends.

Share buyback

At its meeting on 28.4.2021, the general meeting authorised the board to acquire and register liens on the bank's own shares for up to 10% of the bank's share capital. The shares must be acquired in the securities market via the Oslo Børs. Each share can be purchased at a price of between NOK 1 and NOK 150. The authorisation is valid for 12 months from the date it is adopted by the general meeting.

Issuance of hybrid Tier 1 securities and subordinated loans

At its meeting on 28.4.2021, the general meeting authorised the board to issue hybrid Tier 1 securities and raise subordinated loans, together or individually, distributed as follows:

Hybrid Tier 1 securities:
NOK 3,000,000,000 or the equivalent amount in a foreign

currency.

Perpetual subordinated loans:

NOK 3,000,000,000 or the equivalent amount in a foreign currency.

Dated subordinated loans:

NOK 3,000,000,000 or the equivalent amount in a foreign currency.

The authority applies for 18 months from adoption by the general meeting.

Capital increases

The general meeting on 28.4.2021 authorised the board to increase the company's share capital by up to NOK 639,377,700 if necessary, to ensure an optimal capital structure by issuing a maximum of 25,575,108 shares, each with a nominal value of NOK 25, ref. section 10-14 of the Public Limited Liability Companies Act. The authorisation is valid for 12 months from the date it is adopted by the general meeting.

Deviations from the Code of Practice:

It follows from the Code of Practice that authorisations to increase capital should be justified and limited to defined purposes. The board fundamentally agrees with this but believes there is a need for a certain degree of flexibility. As long as the authorisations are clearly limited in terms of time and scope, and in reality only adjust and streamline the capital structure of the bank, it should be up to the board to make such decisions rather than having to hold an extraordinary general meeting.

4. Equal treatment of shareholders and transactions with close associates

SpareBank 1 SR-Bank has one class of share. All shares have equal voting rights. In the event of an increase in share capital, existing shareholders have pre-emptive rights, unless special circumstances dictate that these rights can be waived. Such waiver must, should one be applicable, be in the common interests of the company and its shareholders. This would ensure full transparency with respect to this, and the shareholders would receive the same information about it at the same time via a stock exchange announcement and on www.sr-bank.no. Any buyback of shares must be carried out in the market at market prices. As at 31.12.2021, SpareBank 1 SR-Bank owned 41,517 treasury shares, which represent 0.02% of outstanding shares.

Largest shareholder

Sparebankstiftelsen SR-Bank is SpareBank 1 SR-Bank's largest shareholder with a stake of 28.3%.

The foundation was established on 1.1.2012 when SpareBank 1 SR-Bank was converted into a public limited company. Pursuant to the foundation's articles of association, its purpose is to manage the shares that were transferred to the foundation upon its establishment and to exercise and maintain a significant long-term and stable stake in SpareBank 1 SR-Bank. The terms of the conversion specify

that its stake must represent at least 25% of the outstanding shares in SpareBank 1 SR-Bank.

Deviations from the Code of Practice: None

5. Shares and negotiability

The bank's shares are listed on the Oslo Børs with the ticker SRBNK and are freely negotiable. The articles of association contain no restrictions on the negotiability of shares.

Deviations from the Code of Practice: None

6. General meetings

General meeting

The general meeting is SpareBank 1 SR-Bank's supreme body and the meeting is open and accessible for all shareholders. The general meeting approves the company's articles of association and constitutes the main forum for shareholders, elected representatives and management. The board must ensure that meetings of the general meeting are properly arranged. Pursuant to the articles of association, the annual general meeting must be held before the end of April each year. The notice and registration form for general meetings must be sent to shareholders and published on www.sr-bank.no by no later than 21 days before the date of the meeting. The general meeting is held by the chair of the board, unless the general meeting decides otherwise. Procedures for voting and submitting proposals must be specified in the notice. In accordance with the company's articles of association, documents that will be considered by the general meeting must be made available on SpareBank 1 SR-Bank's website, www.sr-bank.no. The same applies to documents that must by law be included or attached to notices of a general meeting. If the documents are made available in this way, the legal requirement to send them out to shareholders does not apply. A shareholder may nevertheless request documents be sent regarding general meeting agenda items. Case documents must contain all the documentation necessary for shareholders to take a position on the matters being considered. The chair of the board, at least one representative of the nomination committee, and the auditor take part in the general meeting. Other board members are free to attend. The CEO and CFO participate. The minutes of general meetings are available on www.sr-bank.no.

In general, resolutions require a simple majority. Decisions about disposals of shares, mergers, demergers, sales of a substantial part of SpareBank 1 SR-Bank's operations or issuing shares in the company require the approval of at least two thirds of the votes and share capital represented at the general meeting.

Shareholders have the right to submit proposals and cast their vote directly or by proxy, including a proxy appointed by SpareBank 1 SR-Bank. The proxy form also allows shareholders to appoint proxies per matter. Going forward, it will not be possible to vote for individual candidates when electing the board and nomination committee since the objective of achieving the desired and statutory overall

composition of expertise will be afforded the greatest weight.

Deviations from the Code of Practice:

Going forward, it will not be possible to vote for individual candidates since the objective of achieving the overall composition of expertise will be afforded the greatest weight.

All board members may take part in the general meeting but only the chair of the board's participation is mandatory.

7. Nomination committee

The nomination committee comprises up to five members that are elected by the general meeting for a period of 2 years. Sparebankstiftelsen SR-Bank must also be represented on the nomination committee. No board members or members of the group executive management team can be members of the nomination committee. The nomination committee provides detailed recommendations to the general meeting concerning the election of the chair and members of the board, and the chair and members of the nomination committee. The recommendation should provide pertinent information about the candidates' background and independence. The nomination committee's recommendations are published together with the other case documents for the general meeting no later than 21 days before the general meeting. The nomination committee also proposes the remuneration for members of the board and nomination committee. The general meeting determines the nomination committees' remuneration. An overview of the nomination committee's members and how to submit contributions to the nomination committee can be found on www.sr-bank.no.

The nomination committee must take account of relevant statutory requirements and good governance principles as part of its job of making recommendations on the composition of SpareBank 1 SR-Bank's governing bodies. The recommendations concerning members of the board and nomination committee must take into account considerations concerning the community of shareholders' interests, well as the requirements for expertise, capacity and diversity. The nomination committee's instructions state that in its work on the composition of the board and the nomination committee the committee must seek to address equality and diversity with respect to, for example, age, gender and educational and professional background. The nomination committee conducts individual interviews with the CEO, the chair of the board and board members.

The nomination committee held five meetings in 2021.

Specific instructions have been prepared for the nomination committee and approved by the general meeting. The instructions are available on www.sr-bank.no. Revised instructions will be presented at the annual general meeting in 2022.

Deviations from the Code of Practice: None

8. Board of directors: composition and independence

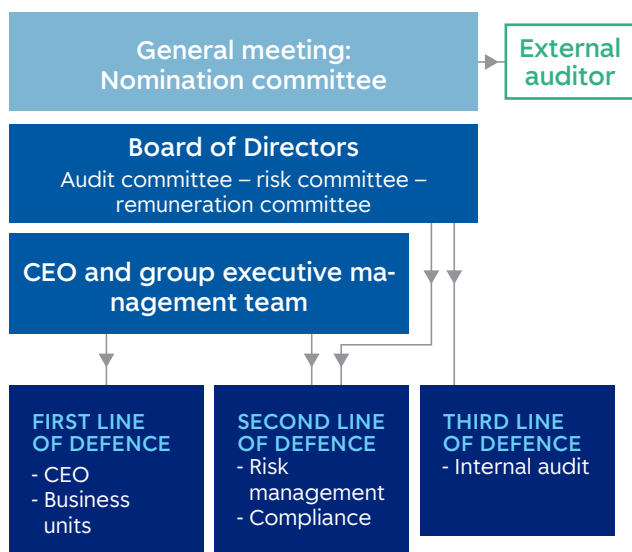
The board is elected by the general meeting for up to 2 years at a time. The board consists of up to eight members, including two employee representatives. No executive personnel are members of the board. The composition of the board should be such that it can protect the interests of the shareholder community. A suitability assessment is made when board members are being elected that takes into account the need for continuity and independence. Ensuring the board has a balanced composition that also takes diversity requirements into account is also important. The combined expertise of the elected board members must satisfy all the requirements concerning qualifications, including any statutory ones, and they must have the capacity to perform their board duties.

Prior to 1.9.2021, the board had eight members.

However, one board member left the board on 1.9.2021 due to their changed work situation.

As at 31.12.2021, the board therefore had seven members, including two employee representatives. As at 31.12.2021, the board's employee-elected members consisted of two women and three men. From and including the 2022 annual general meeting, the board will again consist of eight members. All board members are independent of the bank's group executive management team and important business connections. The individual board members' backgrounds are described in the presentation of the board in the annual report and on www.sr-bank.no. The presentation of the board also details the board members' participation in board meetings in 2021. Board members are encouraged to own shares in the company. The presentation of the board includes the number of shares in SpareBank 1 SR-Bank ASA owned by the board members and close associates as at 31.12.2021.

Governing bodies in SpareBank 1 SR-Bank



Deviations from the Code of Practice: None

9. The work of the board of directors

The board bears overall responsibility for the management of SpareBank 1 SR-Bank and must, via the CEO, ensure that the business is properly organised and managed. The work of the board follows a set annual plan that covers its statutory and regulatory duties, as well as its duties pursuant to decisions by authorities, the articles of association, decisions by the general meeting and the board's instructions. The instructions for the board are available on www.sr-bank.no and provide detailed rules for the board's work and procedures, including which matters should be considered by the board, and rules for convening and conducting board meetings. The board has established instructions for the CEO that are available on www.sr-bank.no.

In 2021, there were held 17 board meetings, of which 11 were full-day meetings.

The board annually conducts an evaluation of its working method and competence and discusses improvements to the organisation and execution of the board's work. The self-assessment report is available to the nomination committee. In 2021, the board used an external consultant to facilitate the board's self-evaluation.

The board's instructions stipulate that a board member cannot take part in consideration of an item or a decision on an issue where the person concerned or their close associates must be regarded as having a direct or indirect personal or financial interest in the matter. Each board member must undertake to ensure that they are not legally incompetent for any given item to be considered by the board.

The board has established three permanent board committees, which consist of members of the company's board and are described in more detail below. The board is collectively responsible for the decisions it takes. For this reason, the committees make no decisions but supervise, on behalf of the board, the group executive management team's work and prepare matters for the board's consideration within their areas of responsibility. All the information learned by the board committees must be communicated to the other board members as well. The committees are free to draw on resources in the group and on resources, advice and recommendations from sources outside the group.

Transactions with close associates

The board's instructions describe in detail how agreements with close associates should be handled. The board shall approve agreements between the company and shareholders, board members or members of the group executive management team, or any close associates of these, and obtain the opinion of an independent third party. However, this does not apply to agreements entered into as part of SpareBank 1 SR-Bank's normal activities and that are based on ordinary commercial terms and principles, agreements with a low transaction value, or agreements with wholly owned subsidiaries. Agreements between close associates and enterprises in the group will be concluded on commercial terms and conditions. Board members must notify the

board if they have a substantial, direct interest in an agreement entered into by the company or another company in the SpareBank 1 SR-Bank Group.

SpareBank 1 SR-Bank's code of conduct and insider rules set requirements for employee conduct, which include guidelines concerning own interests, as well as trading by employees and directors in securities issued by the company.

Transactions with close associates are discussed in note 39 to the consolidated financial statements for 2021.

Audit committee

The audit committee consists of three members. The composition of the committee satisfies the Code of Practice's independence and competence requirements. The audit committee shall ensure that the group has an independent and effective external auditor and satisfactory financial reporting in accordance with the law and regulations. The audit committee held six meetings in 2021.

Risk committee

The risk committee consists of three members. The committee shall ensure that the group's risk and capital management underpins the group's strategic development and goal attainment, while ensuring financial stability and prudent asset management. The risk committee held seven meetings in 2021.

Remuneration committee

The remuneration committee consists of three members. One of the members must be the employee-elected board member. The committee shall ensure that the preparatory work for the annual review of the group's remuneration system and the CEO's contract and terms by the whole board.

The remuneration committee held seven meetings in 2021.

The committees' mandates are available on www.sr-bank.no.

Deviations from the Code of Practice:

All agreements between the company and close associates must be approved by the board, which must also obtain the opinion of an independent third party. However, this does not apply to agreements entered into as part of SpareBank 1 SR-Bank's normal activities and that are based on ordinary commercial terms and principles, agreements with a low transaction value, or agreements with wholly owned subsidiaries.

10. Risk management and internal control

SpareBank 1 SR-Bank's core activity is to create value by taking conscious and acceptable risks. The group therefore invests significant resources in improving risk management systems and processes in line with leading international practice.

Risk and capital management in SpareBank 1 SR-Bank should create financial and strategic added value through:

- A good risk culture
- A clear management and control structure that promotes independence
- A good understanding and management of the risks that drive earnings and losses
- Preventing single events damaging the group's financial position
- Pricing products and services based on underlying risk
- Effective raising and use of capital that reflects the chosen risk profile

The framework is described in more detail in note 6 to the annual financial statements, as well as in SpareBank 1 SR-Bank's Pillar III document, which is available on www.sr-bank.no.

The annual manager's verification process is carried out as part of risk management and internal control in SpareBank 1 SR-Bank, in accordance with the CRR/CRD IV regulations. The purpose of the manager's verification process is to assess whether risk management and internal control are being satisfactorily carried out in SpareBank 1 SR-Bank. The internal control is based on the EBA Guidelines on Internal Governance (GL05¹) and the COSO² framework – a recognised and widely used framework for designing, implementing and evaluating good risk management and internal control.

The board sets the group's risk profile, the overall limits, authorities and guidelines for risk management, and ensures that the group has a satisfactory capital base based on the risk borne by the group and regulatory requirements. The company's overall risk exposure and risk trends are monitored via periodic risk reports for the company's group executive management team and board. General risk monitoring and reporting is performed by the risk management department, which is independent of the business units.

The parent bank's financial statements and the consolidated financial statements for 2021 for SpareBank 1 SR-Bank ('the group') have been prepared in accordance with International Finance Reporting Standards (IFRS) as adopted by the EU. This includes interpretations from the IFRS Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).

Preparing financial statements in accordance with IFRS requires the use of estimates. Furthermore, applying international reporting standards requires management to use its judgement. Areas that involve a great deal of discretionary estimates, a high degree of complexity, or areas where assumptions and estimates are significant for the parent bank's and the consolidated financial statements are described in note 3.

To ensure the independence of the management and control in SpareBank 1 SR-Bank, these responsibilities have been split between different roles in the organisation.

1 EBA/GL/2021/05

2 The Committee of Sponsoring Organisations of the Treadway Commission (COSO)

First line of defence

The CEO bears overall responsibility for ensuring that the group's risk management complies with frameworks adopted by the board. Business units are responsible for overall risk management within their business area.

Second line of defence (general risk reporting and follow-up)

The risk management and compliance departments are independent of the business units and report directly to the CEO. The risk management department bears overall responsibility for the ongoing development of the risk management framework, including risk models and risk management systems. The department is also responsible for independently monitoring and reporting risk exposure. The compliance department bears overall responsibility for the framework, monitoring and reporting on regulatory compliance.

Third line of defence (independent confirmation)

The internal audit function ensures that the risk management process is result-oriented, effective and functioning as intended. The group's internal audit function has been outsourced, and this ensures that the function has the required independence, competence and capacity. The internal audit function's reports and recommendations on improvements are followed up systematically in line with the internal guidelines for following up internal audit reports. The internal audit function prepares periodic status reports for the group executive management team, the risk committee and the board that provide a summary of completed audit projects and activities in the period just ended. Furthermore, the internal audit function must present an annual report to the risk committee and the board that covers significant risk exposures and topics related to governance, risk management and internal control, and other matters about which the board needs to know or has asked.

Deviations from the Code of Practice: None.

11. Remuneration of the board of directors

The remuneration of the board's members and subcommittees is fixed by the general meeting based on the recommendations of the nomination committee. Board members' remuneration is not linked to financial performance or similar factors. None of the board members, other than the employee representatives, have responsibilities for the company beyond their board duties. Information about the full amount of remuneration paid to individual board members is presented in the executive remuneration report.

Deviations from the Code of Practice: None

12. Remuneration of executive persons

SpareBank 1 SR-Bank has established a remuneration system that applies to all employees.

The group's remuneration system must be consistent with the group's overarching objectives, risk tolerance and

long-term interests and shall help to promote and provide incentives for good management and control of the group's risk, discourage excessive or unwanted risk taking, and help to avoid conflicts of interest, and shall comply with the applicable regulations. The total remuneration shall be competitive, but the group shall not be a wage leader. It shall ensure that the group attracts, develops and retains competent employees over time. The scheme will ensure a reward model that is perceived to be fair, predictable and future-oriented and motivating. Fixed salaries shall make up the main element of the total remuneration, which shall also consist of variable pay, pensions and benefits in kind.

The guidelines for executive remuneration are established by the general meeting. The guidelines are available on www.sr-bank.no. Information about the group executive management team's full remuneration is presented in the executive remuneration report.

Deviations from the Code of Practice: None

13. Information and communications

SpareBank 1 SR-Bank's website (www.sr-bank.no) has a dedicated investor information section, which is available in both Norwegian and English. The group makes every effort to ensure that correct, relevant and timely information about the group's performance and results inspires investor market confidence. Stock exchange notices, annual and interim reports, presentation materials and webcasts are available on www.sr-bank.no. The bank's investor information section includes functionality that allows shareholders to communicate with the bank at any time.

Information for the market is distributed via quarterly investor presentations. Regular presentations are made to international partners, lenders and investors. All reporting is based on transparency and the equal treatment of market players in the securities market. The group's financial calendar is published on www.sr-bank.no.

The Director of Communications is the point of contact for the media and is responsible for dealing with enquiries concerning cases of special or media interest. The bank's media section can be contacted at any time. Contact information is available on www.sr-bank.no.

Deviations from the Code of Practice: None

14. Take-overs

The board of SpareBank 1 SR-Bank ASA will deal with any takeover bid in accordance with the principle of the equal treatment of shareholders. At the same time, the board will ensure that shareholders receive the most comprehensive information possible in all situations that affect the interests of shareholders. When acquiring shares in a financial institution involving any stake of more than 10% of the share capital, consent must be applied for from the Financial Supervisory Authority of Norway. In connection with SpareBank 1 SR-Bank receiving permission to convert to a public limited company, a condition was set that



Sparebankstiftelsen SR-Bank would maintain an ownership stake that would amount to at least 25% of the shares issued in SpareBank 1 SR-Bank.

Deviations from the Code of Practice:

The board has not established explicit general principles for handling take-over bids. The reason for this is the Financial Institutions Act's restrictions on ownership of financial institutions and the licensing conditions in connection with the conversion to ASA. The board endorses the Code of Practice's wording on this point.

15. Auditor

The external auditor presents an annual audit plan to the audit committee and board.

The audit committee recommends the election of an auditor to the board. The board holds at least one annual meeting with the auditor without the group executive management team being present. The audit committee makes recommendations to the board concerning approval of the external auditor's fees. The board then presents the proposals concerning fees to the general meeting for approval.

The external auditor shall provide the audit committee with a report on the main elements of the audit of the previous financial year, including, in particular, any material weaknesses identified with respect to internal control relating to the financial reporting process.

Deviations from the Code of Practice: None

Report on corporate governance pursuant to section 3-3b of the Accounting Act.

The report complies with the requirements of the act.

1. SpareBank 1 SR-Bank ASA complies with the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NCGB).
2. The Code of Practice is available on www.nues.no
3. Any deviations from the Code of Practice are commented on in the board's report on corporate governance.
4. Point 10 of the report provides a description of the main elements of the internal control and risk management systems associated with financial reporting processes.
5. SpareBank 1 SR-Bank has no articles of association that deviate from chapter 5 of the Public Limited Liability Companies Act that deals with general meetings.
6. An account is provided of the composition of the board and its working committees, and a description is provided of the main elements of the guidelines and mandates for these bodies in points 8 and 9 of the report.
7. An account of the provisions of the articles of association that regulate the appointment and replacement of board members is provided in point 8 of the report.
8. An account of the provisions of the articles of association and authorities that empower the board to decide that the enterprise will buy back or issue its own shares is provided in point 3 of the report.
9. Points 2, 7 and 8 of the report provide an account of SpareBank 1 SR-Bank's equality and diversity policy.

Governing bodies in SpareBank 1 SR-Bank

	Shares as at 31.12.2021 ¹⁾	Shares as at 31.12.2020 ¹⁾		Shares as at 31.12.2021 ¹⁾	Shares as at 31.12.2020 ¹⁾
Board of Directors			Group executive management team		
<i>Members</i>					
Dag Mejdell, Oslo (chair)	37,000	30,000	Benedicte Schilbred Fasmer, CEO	7,793	2,500
Kate Henriksen, Bergen	1,500	0	Inge Reinertsen, CFO	93,813	92,686
Trine Sæther Romuld, Hafrsfjord	0	0	Jan Friestad, Executive Vice President Corporate Strategy and Projects	50,968	49,853
Tor Dahle, Stavanger	72,457,858	72,457,858	Tore Medhus, Executive Vice President Large Corporates	59,793	58,666
Jan Skogseth, Sandnes	10,000	10,000	Glenn Sæther, Executive Vice President Technology Development and Business Processes	31,222	30,509
Sally Lund-Andersen, Haugesund (employee representative)	3,349	2,850	Ella Skjørestad, Executive Vice President Marketing, Insight and Customer Offer	9,475	8,830
Kristian Kristensen, Randaberg (employee representative)	3,967	3,674	Nina Moi Edvardsen, Executive Vice President HR, Communications and Sustainability	10,000	**
Board's Risk Committee			Frode Bø, Executive Vice President Risk Management	18,189	17,896
Tor Dahle, Stavanger (chair)	72,457,858	72,457,858	Signe Helliesen, Executive Vice President Compliance	1,038	745
Jan Skogseth, Sandnes	10,000	10,000	Marianne Bakke, Executive Vice President SMB & Agriculture	1,337	**
Dag Mejdell, Oslo	37,000	30,000	Roger Lund Antonesen, Executive Vice President Retail Market	0	**
Board's audit committee			** New to the group executive manage- ment team from 2021		
Kate Henriksen, Bergen (chair)	1,500	0	External auditor		
Trine Sæther Romuld, Hafrsfjord	0	0	PricewaterhouseCoopers (PwC)		
Tor Dahle, Stavanger	72,457,858	72,457,858	0		
Board's remuneration committee			Internal auditor		
Dag Mejdell, Oslo (chair)	37,000	30,000	Ernst & Young (EY)		
Trine Sæther Romuld, Hafrsfjord	0	0	0		
Sally Lund-Andersen	3,349	2,850	0		
Nomination committee					
Per Trygve Sekse, Sandnes (chair)	1,625	1,625			
Kirsti Tønnessen, Stavanger	0	0			
Gunn-Jane Håland, Stavanger	1,096	1,096			
Tore Heggheim, Hafrsfjord (represents Sparebankstiftelsen SR-Bank which owns 72,419,305 shares)	0	0			
Torbjørn Gjelstad, Oslo	0	0			

1) Number of shares owned in SpareBank 1 SR-Bank ASA, including shares belonging to immediate family members and companies in which the person has a determining influence.

** New to the group executive management team from 2021

Board of Directors' Report

SpareBank 1 SR-Bank ASA achieved a consolidated pre-tax profit of NOK 3,838 million in 2021. The net profit for the year was NOK 3,156 million, an increase of NOK 1,566 million from NOK 1,590 million for 2020.

The return on equity after tax was 12.6%, compared with 6.4% in 2020.

The board of directors is very satisfied with the result for 2021.

Solid efforts by employees, good credit work and good relationships with customers were important drivers behind a good result. Our market position as one of Southern Norway's leading financial services groups and the country's second largest Norwegian owned bank was further strengthened by a net increase of 4,800 retail customers aged 13 and older and more than 2,500 new corporate customers. SpareBank 1 SR-Bank grew its market share for branches outside Rogaland in 2021. The group's shareholders achieved an effective return of 55.8% in 2021, inclusive of dividend payments of NOK 5.50 per share on 19.3.2021 and NOK 3.10 per share on 13.10.2021, respectively.

Lending to customers increased by 5.1% in 2021 and deposits from customers increased by 16.5% in 2021. The deposit-to-loan ratio, measured as deposits as a percentage of total loans, was 59.8% at year end 2021, compared with 53.9% in 2020.

Net interest income totalled NOK 3,990 million in 2021, compared with NOK 4,142 million in 2020. Net interest income as a percentage of average total assets decreased to 1.35% in 2021, from 1.50% in 2020. The lower net interest income was primarily due to lower lending margins due to a rising interest rate path in the second half of 2021.

Net commissions and other operating income totalled NOK 1,717 million in 2021, an increase of NOK 321 million from NOK 1,396 million in 2020. The net return on financial investments amounted to NOK 1,037 million in 2021, compared with NOK 699 million in 2020. Income from associated companies totalled NOK 676 million in 2021, an increase of NOK 13 million from 2020.

The group's operating costs for the year amounted to NOK 2,714 million in 2021, compared with NOK 2,386 million in 2020, an increase of NOK 328 million (13.7%) since 2020. NOK 143 million of the increase in costs was due to higher costs in SpareBank 1 SR-Bank ForretningsPartner AS resulting from the acquisition of Fast Solutions AS with effect from 1.9.2020 and the acquisition of Tveit Regnskap AS with effect from 15.4.2021. The high level of activity in the real estate market resulted in a NOK 34 million increase in costs

in EiendomsMegler 1 SR-Eiendom AS. Variable remuneration increased by NOK 110 million as a result of the improvement in profit from 2020 to 2021. The cost/income ratio, measured as operating costs as a percentage of operating income, increased from 38.3% in 2020 to 40.2% in 2021.

The group's net impairment provisions on loans and financial liabilities amounted to NOK 192 million compared with NOK 2 030 million in 2020. Impairment provisions in 2020 were heavily affected by the Covid-19 outbreak. Impairment provisions were sharply reduced in 2021 due to the limited impact the pandemic has had on credit quality and the need for impairment provisions. Closely monitoring customers and preventive work remain important tools for maintaining a good risk profile in the group's loan portfolio in order to reduce future losses.

The allocation of the year's profit is based on the parent bank's distributable profit of NOK 2,764 million for 2021. The board proposes that NOK 1,535 million will be paid out as dividends, corresponding to NOK 6.00 per share, while NOK 1,229 million will be allocated to other equity and enhancing the group's financial strength.

The Common Equity Tier 1 capital ratio decreased from 18.3% at the start of the year to 17.4% at year end 2021. The reduction was primarily attributable to payment of a dividend of NOK 5.50 for the 2019 financial year and provisions for, and payment of, a dividend of NOK 3.10 for the 2020 financial year. The Tier 1 capital ratio (including hybrid Tier 1 securities) decreased in the same period from 19.9% to 18.9%. At year end 2021, SpareBank 1 SR-Bank ASA is in a solid financial position and the group has a good starting point for improving its good position in Southern Norway. The board of directors has set a target for Common Equity Tier 1 capital ratio of 16.7%, which includes a 1.0 percentage point management buffer.

Nature of the business

The SpareBank 1 SR-Bank Group consists of the parent bank, SpareBank 1 SR-Bank ASA, and subsidiaries.

The most important subsidiaries are:

EiendomsMegler 1 SR-Eiendom AS, SR-Forvaltning AS (sold 29.12.2021), SR-Boligkreditt AS, SpareBank 1 SR-Bank ForretningsPartner AS, FinStart Nordic AS and Monio AS.

SpareBank 1 SR-Bank ASA's head office is in Stavanger and it has 34 branches in the counties of Rogaland, Vestland, Agder and Oslo. The group's primary activities are selling and procuring a wide range of financial products and services, investments services, leasing, estate agency, consulting services and accounting services.

Group's performance

SpareBank 1 SR-Bank ASA recorded good progress in all of the group's business areas in 2021. The bank maintained its position as the market leader in Rogaland in both the retail market and the corporate market, and at the same time the group strengthened its positions in Vestland and the Agder counties. SpareBank 1 SR-Bank ASA has within a few years also become a challenger for established financial service groups in Oslo and has opened four new branches in the capital since 2018. The capital market division has established itself as South-western Norway's leading expert environment in its field. EiendomsMegler 1 has become one of the largest chain of estate agents in Norway. EiendomsMegler 1 SR-Eiendom AS is the market leader in Rogaland and Agder, and strengthened its position in Vestland in 2021.

The group's subsidiaries and its strategic stakes in the SpareBank 1 Alliance's product companies make a significant contribution to SpareBank 1 SR-Bank ASA's earnings.

The market has been impacted by Covid-19 and volatile oil prices since the middle of March 2020. The government has taken steps to prop up the business sector, and liquidity loans and cash support for companies have helped many get through the crisis. The government also implemented a vaccination programme in 2021 and the vaccination rate among the population is high. Low interest rates are having a positive impact on the housing market and contributing to good demand for mortgages from retail customers. Even though the period has been challenging, in our experience, the group's corporate customers are solution-oriented. For

its part, the group is providing advice in order to find good solutions for customers. It has been important during these strange times to remain close to customers and be there for them in bad times too.

Impairment provisions on loans and financial liabilities totalled NOK 192 million in 2021, compared with NOK 2,030 million in 2020. This resulted in impairment provisions as a percentage of gross loans, including loans sold to the mortgage credit institutions, amounting to 0.09%. The impairment provisions on loans in 2021 largely involved individual exposures within oil-related activities. The board regards the quality of the loan portfolio and risk management as good.

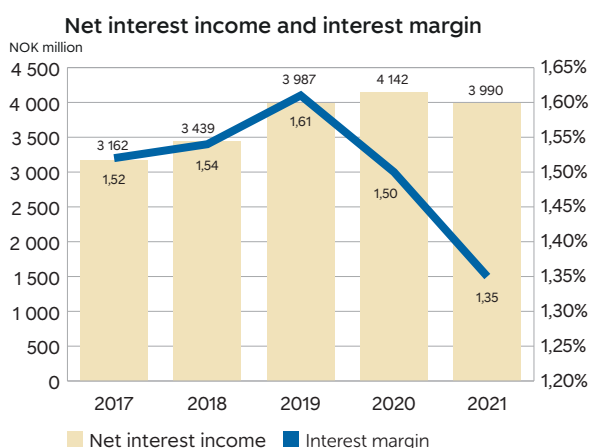
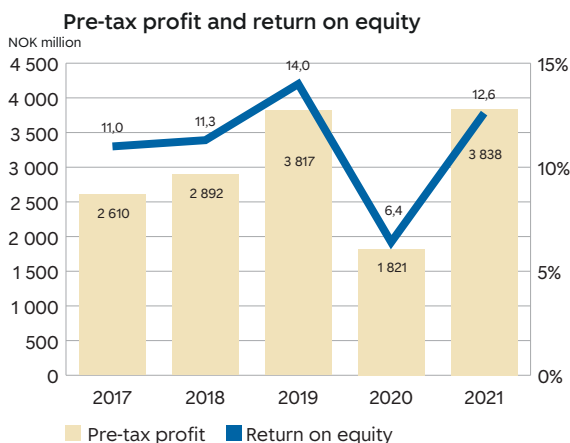
Developments in the group's market areas

Households' expectations regarding the development of the Norwegian economy remain positive. The negative effects of Covid-19 are decreasing as a result of a high vaccination rate among the population and the gradual reopening of society. In the National Budget for 2022, Mainland Norway's gross domestic product (GDP) is expected to grow by around 3.8%, which is almost unchanged from 3.9% in 2021.

Demographic development trends are very important for the group's framework conditions. The group's market area has seen high migration and population growth for a long time now. The percentage of people with a disability is also significantly lower than the national average. The population is relatively young in and around the larger cities and along the coast of Southern Norway and Vestland, as well as Oslo. Statistics Norway's population growth forecasts indicate that growth in Rogaland, Vestland and Oslo will also remain above the national average in the longer term.

According to the Norwegian Labour and Welfare Administration (NAV) the unemployment rate in Norway was 2.2% at the end of December 2021, down from 3.8% in December 2020. In Rogaland, the unemployment rate was 2.0%, in Vestland it was 2.1%, in Agder 2.0%, and in Oslo 2.7%.

Earnings performance



Net interest income

The group's net interest income totalled NOK 3,990 million in 2021 (NOK 4,142 million), a reduction of NOK 152 million from 2020. The lower net interest income was primarily due to lower lending margins due to a rising interest rate path in the second half of 2021. The negative effect was only partially offset by increased lending volumes, improved deposit margins and lower external funding costs. The average interest margin was 1.35% in 2021, compared with 1.50% in 2020.

Other operating income

Net commissions and other operating income amounted to NOK 1,717 million in 2021 (NOK 1,396 million), an increase of NOK 321 million from 2020.

Income from money transfer services amounted to NOK 245 million in 2021 (NOK 248 million), which is NOK 3 million less than in 2020. Income from money transfer services is still being affected by lower travel activity and credit card use after the Covid-19 outbreak. On the other hand, the impact of the pandemic is diminishing and income from money transfer services gradually increased over 2021.

Income from savings/investments increased by NOK 21 million to NOK 216 million in 2021 (NOK 195 million) due to good activity and increased assets under management in the area of savings. Assets under management had

increased to NOK 32.4 billion at the end of 2021 (NOK 27.1 billion). Income from insurance increased by NOK 25 million to NOK 231 million (NOK 206 million), of which NOK 17 million was due to increased profitability commissions resulting from a low claims rate in 2021. Income from real estate brokerage amounted to NOK 439 million (NOK 396 million), an increase of NOK 43 million compared with 2020. The increase was due to continued high levels of activity in the property market. Facilitation increased by NOK 70 million to NOK 142 million in 2021 (NOK 72 million) thanks to Corporate Finance's high earnings due to the completion of projects. SpareBank 1 SR-Bank ForretningsPartner AS's income amounted to NOK 315 million (NOK 154 million) in 2021, an increase of NOK 161 million compared with 2020. The increase was primarily due to the acquisition of Tveit Regnskap AS with effect from 15.4.2020 and of Fast Solutions AS with effect from 1.9.2021.

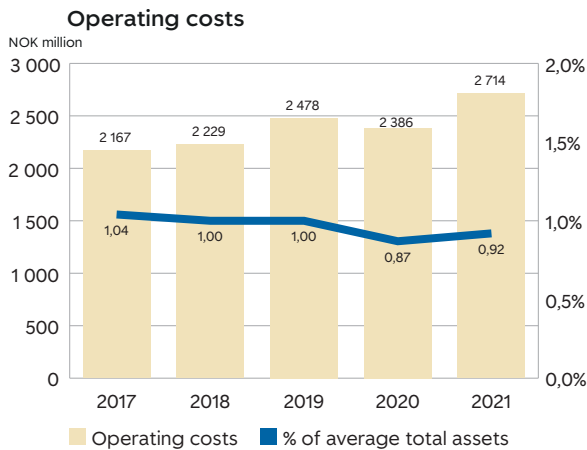
Operating costs

The group's operating costs amounted to NOK 2,714 million for 2021 (NOK 2,386 million), a year-on-year increase of NOK 328 million (13.7%). NOK 143 million of the increase in costs was due to higher costs in SpareBank 1 SR-Bank ForretningsPartner AS resulting from the acquisition of Fast Solutions AS with effect from 1.9.2020 and the acquisition of Tveit Regnskap AS with effect from 15.4.2021. The high level of activity in the real estate market resulted in a NOK 34 million increase in costs in EiendomsMegler 1 SR-Eiendom AS. Variable remuneration increased by NOK 110 million as a result of the improvement in profit from 2020 to 2021. Adjusted for the above, the group's operating costs increased by NOK 51 million (2.7%) from 2020 to 2021.

Personnel costs amounted to NOK 1,722 million in 2021 (NOK 1,436 million), an increase of NOK 286 million from 2020. Excluding the change in variable remuneration and higher personnel costs in EiendomsMegler 1 SR-Eiendom AS and SpareBank 1 SR-Bank ForretningsPartner AS, personnel costs increased by NOK 37 million (3.4%) from 2020 to 2021. The increase was due to ordinary wage growth and an increase of 35 FTEs in the parent bank in 2021.

Operating costs in excess of personnel costs were NOK 992 million in 2021 (NOK 950 million), an increase of NOK 42 million (4.4%). Other operating costs increased by NOK 38 million to NOK 252 million in 2021 and were largely attributable to NOK 19 million in higher costs in SpareBank 1 SR-Bank ForretningsPartner AS due to more activity and NOK 16 million from the increased use of external consultants. Depreciation decreased by NOK 12 million from 2020 to NOK 175 million in 2021, where ordinary depreciation was NOK 1 million lower while depreciation linked to lease rights increased by NOK 5 million from 2020.

The group's cost/income ratio, costs measured as a percentage of income, was 40.2% for 2021 (38.3%). The parent bank's cost/income ratio was 36.4% in 2021 (36.2%).



Impairment provisions on loans and non-performance

The group's net impairment provisions on loans and financial liabilities amounted to NOK 192 million in 2021, a reduction of NOK 1,838 million from 2020. Impairment provisions in 2020 were significantly impacted by the outbreak of Covid-19, which resulted in falls in oil prices and the introduction of strict infection control measures. High impairment provisions were made based on the uncertain market conditions, especially within offshore-related activities. Impairment provisions were sharply reduced in 2021 due to the limited impact the pandemic has had on credit quality and the need for impairment provisions.

The group's customers have coped well with the Covid-19 outbreak and registered payment defaults have been low, except for parts of offshore-related activities. Customers made limited use of the option to defer payment deadlines and a large proportion of liquidity loans granted in connection with the pandemic have been repaid. The exposure related to offshore exposures has been greatly reduced over the past 5 years.

The group's impairment provisions on loans and financial liabilities amounted to 0.09% of gross loans at the end of 2021 (0.95%).

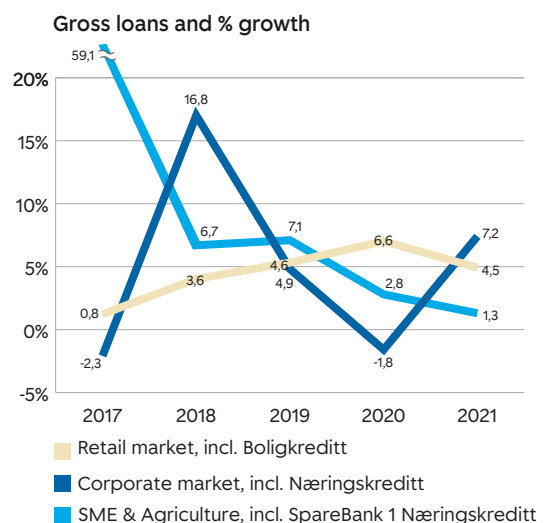
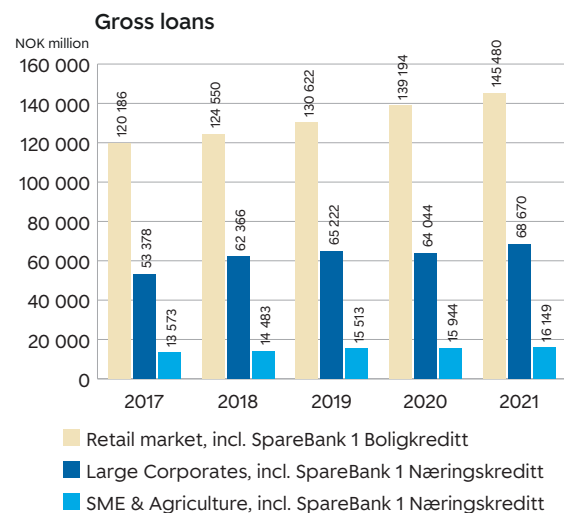
Closely monitoring customers and prevention work are important measures that the group actively employs to maintain a good risk profile in the group's loan portfolio. Because of the low oil prices and Covid-19 outbreak, this work was further reinforced from March 2020. The group's corporate market divisions have, in cooperation with SpareBank 1 SR-Bank ForretningsPartner AS, worked closely and proactively with customers. Combined with government support measures this has improved the lending portfolio's risk profile.

The group's loans and financial liabilities are classified into three groups: Stage 1, Stage 2 and Stage 3. Stage 3 is used for loans and financial liabilities that have seen a significant rise in credit risk since being granted and where there is objective evidence of a loss event on the balance sheet date. The loss provision must cover expected losses over

their lifetime for these loans and financial liabilities. Gross loans and financial liabilities classified as Stage 3 amounted to NOK 4,099 million at the end of 2021 (NOK 4,991 million), of which provisions as a percentage of gross exposures were 30.5% (34.6%). Gross loans and financial liabilities classified as Stage 3 corresponded to 1.46% (1.90%) of gross loans and financial liabilities. The reduction in Stage 3 in 2021 was mainly due to the recognition of losses during the year.

Balance sheet

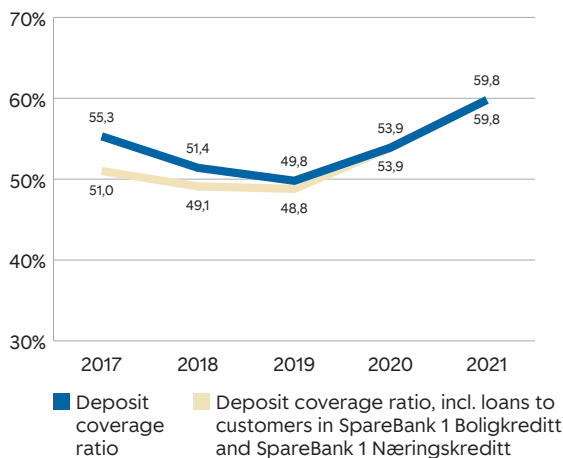
The group's total assets recognised on the balance sheet increased from NOK 287.0 billion to NOK 304.4 billion in 2021. The increase was primarily due to lending growth. Lending growth was 5.1% and total lending amounted to NOK 230.3 billion at the end of 2021 (NOK 219.2 billion). Lending to the retail market grew by 4.6%. SME & Agriculture saw lending growth of 3.1% in 2021, while Large Corporates saw lending growth of 6.4%. The distribution between loans to the retail market and the corporate market was 62.2% and 37.8%, respectively, at the end of 2021, compared with 62.5% and 37.5% the year before.



Over the past 12 months, deposits from customers increased by 16.5% (14.6%) to NOK 137.7 billion (NOK 118.2 billion). Excluding deposits from customers in the public sector, deposits increased by 12.1% in the past 12 months. At year end 2021, deposits from the retail customers accounted for 42.0% (45.2%) of the group's customer deposits. At the end of 2021, the deposit-to-loan ratio, measured as deposits as a percentage of gross loans, had increased to 59.8% (53.9%). In addition to ordinary customer deposits, the group had NOK 32.4 billion (NOK 27.1 billion) under management, primarily through sales of savings and fund products from SR-Forvaltning AS and ODIN Forvaltning AS.

SpareBank 1 SR-Bank ASA had very good liquidity at year end 2021 and believes it will continue to have good access to long-term funding at competitive prices. The group strives to achieve an even maturity structure for funding and believes it is important to have good relations with Norwegian and international investors and banks. The liquidity buffer was NOK 57.9 billion at the end of 2021 and would cover normal operations for 37 months in the event of closed markets and without net lending growth. NOK 20.4 billion of the bank's external funding will come due in the next 12 months. In addition to the liquidity buffer, the bank has NOK 22.7 billion in residential mortgages ready for covered bond funding.

Deposit coverage ratio



Business areas

SpareBank 1 SR-Bank ASA is split into different business areas, which are defined on the basis of their form of distribution, products, and customers. The reporting format is based on the risk and return profile of the assets and is split into Retail Market, SME & Agriculture, Large Corporates, Capital Market and significant subsidiaries. The retail market division's result and balance sheet items include the figures from SR-Boligkreditt AS.

Retail market division

Retail Market posted a contribution before impairment provisions of NOK 1,713 million in 2021 (NOK 1,618 million), NOK 95 million higher than in 2020.

Net interest income increased by NOK 96 million as a result of increased lending and deposit volumes. Net commission income increased by NOK 24 million from 2020. Income

from the area of payments was still adversely affected by the pandemic. The growth in the area of insurance continued with good sales and higher profitability commissions due to lower claims rates.

The level of activity in the savings and investment market was high in 2021. Income increased in the first half of 2021 but levelled off in the second half due to changes in the pricing model. On 1.6.2021, the bank changed its pricing model for investment services and as a result of this income growth in the savings area will be somewhat weaker in the coming period.

Activity in the housing market remained high. Higher mortgage rates may affect growth going forwards. Norges Bank increased its policy rate by 0.25 percentage points in December 2021 and the bank announced higher mortgage rates with effect for the existing portfolio from 31.1.2022. Growth in the Oslo area continued, and the fourth branch was opened in the fourth quarter of 2021.

Lending growth in the past 12 months was 4.3% at the end of 2021. Deposits have grown by 8.9% in the past 12 months.

The quality of the retail market portfolio is considered to be very good with a low risk of losses and low defaults. The proportion of loan exposure within 85% of the loan to value ratio was 94.8% at year end 2021 (90.4%). The model-calculated IRB risk weights for residential mortgages were 18.5% at the end of 2021 (20.1%) and reflect a solid, stable portfolio. Due to regulatory requirements for minimum risk weights of 20% for residential mortgages, a 20% risk weight was used in the capital ratio reporting.

SME & Agriculture

SME & Agriculture posted a contribution before impairment provisions of NOK 473 million in 2021 (NOK 491 million), NOK 18 million lower than in 2020. The lower result before impairment provisions was mainly due to reduced interest income resulting from lower lending margins compared with 2020. The division's pre-tax profit was NOK 470 million in 2021 (NOK 404 million).

In the past 12 months, the division's lending volume has increased by 3.1% and deposits have increased by 10.7% (NOK 1.5 billion).

The quality of the SME & Agriculture portfolio is considered very good, with a low risk of losses and low defaults. The proportion of exposures with a probability of default of less than 2.5% through a full loss cycle was 86.0% of the portfolio at year end 2021 (83.6%).

Large Corporates

Large Corporates' contribution before impairment provisions was NOK 1,700 million in 2021 (NOK 1,717 million), NOK 17 million lower than in 2020. Interest income decreased by NOK 134 million to NOK 1,536 million in 2021 due to lower margins. Good activity in the market resulted in an increase of NOK 48 million in commissions. The division's pre-tax profit increased to NOK 1,472 million in 2021 (NOK -137 million) due to significantly less need for impairment provisions in 2021.

The division's lending volume has increased by 6.4% (NOK 4.1 billion) in the past 12 months. The division's deposits have increased by 26.7% (NOK 12.5 billion) in the past 12 months. More than 60% of the growth came from public sector customers, geographically spread out across the entire market area.

The quality in Large Corporates is also considered good. The proportion of exposures with a probability of default of less than 2.5% through a full loss cycle was 85.3% of the portfolio at year end 2021 (82.3%). The property sector portfolio represents the group's largest concentration in a single sector and accounted for 13.2% (13.6%) of total loan exposure. A large portion of this portfolio consisted of financing commercial properties for leasing.

During the pandemic, no significant negative change was registered in the quality of the Large Corporates portfolio, although the situation for exposures within exposed industries is still being carefully monitored. There was also a focus on a number of restrictions relating to industries aimed at reducing the exposure in volatile industries and at the same time the upper limit for exposure in major exposures has been reduced. This is intended to help improve the group's robustness in order to provide it with financial leeway in any new challenging situations.

High vaccination rates against Covid-19 resulted in optimism about economic developments. This is also reflected by more normal levels of individual impairment provisions in Large Corporates. Impairment provisions on loans and financial liabilities amounting to NOK 228 million were recognised in 2021 (NOK 1,854 million).

Capital market division

Securities activities are organised under the SR-Bank Markets brand and include customer and own account trading in fixed income instruments, foreign exchange and Corporate Finance services.

SR-Bank Markets' operating income amounted to NOK 238 million in 2021 (NOK 220 million). The income generated is recognised as income in the business areas to which the customers are assigned, primarily Large Corporates. In 2021, income of NOK 104 million was recognised in the business areas (NOK 80 million). The pre-tax result amounted to NOK 61 million in 2021 (NOK 71 million).

Total business volumes were at a normal level in 2021 without significant negative effects due to Covid-19. SR-Bank Markets expects this positive trend to continue going forward.

Subsidiaries

The subsidiaries' products and services enable the group to offer a broader range to customers and enhance the bank's earnings basis. Good teamwork and joint marketing make the group a one-stop provider of financial products and services.

EiendomsMegler 1 SR-Eiendom AS

The company announced a turnover of NOK 448.6 million

for 2021 (NOK 405.0 million) and a pre-tax profit of NOK 60.0 million (NOK 49.9 million). The improved result was due to a good property market and focusing on operational efficiency. Faster sales, higher prices and good cost control have had a good effect on results.

In 2021, 7,367 (6,707) properties were sold with a total value of around NOK 25.9 billion (NOK 21.1 billion). The supply of new assignments was very good with 7,391 new assignments in 2021.

Overall, the company is the largest actor in real estate brokerage in the counties of Rogaland, Vestland and Agder, with a stable market share of just under 20% in this market area.

The good growth in the housing market in 2021 was mainly driven by low interest rates, high purchasing power and a focus on private homes during and after the pandemic. The number of used homes and holiday homes sold was the highest ever. The demand for detached and terraced houses was strong and most of the homes exceeded their asking price. The market for holiday properties was also good with greater interest in, and higher sales of, holiday properties, both on the coast and in the mountains.

SR-Forvaltning AS

SR-Forvaltning AS saw good growth in both income and profit in 2021 due to good operations, good market development and good sales. The company's strategy has been to grow by building on its established cost base (which was increased with the SR-Bank Fondene venture in 2019) and it is now seeing the fruits of this. Given its integration with a new savings group from and including 2022 (SpareBank 1 Forvaltning AS), where SpareBank 1 SR-Bank ASA will be the largest owner, The future outlook for the company is positive.

The company achieved a turnover of NOK 105.5 million in 2021 (NOK 93.1 million) and made a pre-tax profit of NOK 34.1 million (NOK 19.3 million). This corresponds to an increase of no less than 76%. The company saw good sales in 2021 with positive net subscriptions of just over NOK 1 billion. SR-Bank Fondene in particular saw good growth. Savings agreement business grew particularly well, both in terms of volume and numbers. The assets under management at year end 2021 amounted to NOK 16.4 billion (NOK 13.5 billion).

SpareBank 1 SR-Bank ASA has signed an agreement to increase its stake in SpareBank 1 Forvaltning AS. SpareBank 1 Forvaltning AS, the savings and investment products and services company of the SpareBank 1 banks and the Norwegian Confederation of Trade Unions (LO), acquired all of the shares in SR-Forvaltning ASA. At the same time, SpareBank 1 SR-Bank ASA became the largest owner of SpareBank 1 Forvaltning AS with a stake of 36.3%. The transaction was completed on 29.12.2021.

SpareBank 1 SR-Bank ForretningsPartner AS

SpareBank 1 SR-Bank ForretningsPartner AS achieved a turnover of NOK 326.7 million in 2021 (NOK 176.0 million) and

a pre-tax profit of NOK 34.5 million (NOK 21.0 million). The result includes depreciation of intangible assets amounting to NOK 5.5 million (NOK 2.9 million).

With the acquisition of Fast Solutions AS in September 2020 and Tveit Regnskap in April 2021, SpareBank 1 SR-Bank ForretningsPartner AS has established a solid market position in accounting services, with offices in Rogaland, Vestland, Oslo and Agder. It is now one of the country's largest actors within accounting and consulting services.

SR-Boligkreditt AS

The company achieved a pre-tax profit of NOK 838.7 million in 2021 (NOK 811.2 million). The increased result was mainly due to lower interest costs. The increase was partly offset by negative market value adjustments of basis swaps. Net interest income rose by NOK 133.0 million in 2020 to NOK 936.9 million in 2021. The market value of basis swaps was NOK -70.2 million in 2021 compared with NOK 70.9 million in 2020.

The company's purpose is to purchase residential mortgages from SpareBank 1 SR-Bank ASA, and it funds this by issuing covered bonds. SR-Boligkreditt AS enables the parent company to diversify and optimise its funding. Moody's has given SR-Boligkreditt AS its best rating, Aaa. At year end 2021, the company had issued covered bonds with a nominal value of NOK 78.5 billion (NOK 75.4 billion) and bought loans worth NOK 89.6 billion (NOK 85.6 billion) from SpareBank 1 SR-Bank ASA.

FinStart Nordic AS

FinStart Nordic AS invests in, and contributes to the development and growth of, innovative financial technology companies. The aim is to strengthen and expand the group's existing value chains and contribute to the streamlining of its core business through the supply of innovative products and services. At the same time, FinStart Nordic AS is looking to achieve a financial return on the company portfolio. The company also manages a portfolio from a former subsidiary that primarily had investments linked to the oil industry.

The company posted a pre-tax result of NOK 85.0 million in 2021 (NOK -113.1 million). The improved result came from changes in the value of the financial technology (fintech) portfolio totalling NOK 60.4 million and changes in the values of investments in the oil industry of NOK 32.0 million. A sell down of the investment in Boost Ai AS to Nordic Capital contributed significantly to the increase in value.

Despite Covid-19, the fintech portfolio of early phase investments has shown positive growth in the past year and the market for raising capital improved in 2021. All of the companies in the portfolio are satisfactorily capitalised and several of the companies are in the process of transitioning to a scale-up phase.

Considerable uncertainty surrounding market developments in 2020 resulted in substantial write-downs on

investments in the oil industry. This uncertainty decreased significantly in 2021, and developments in the past year have resulted in the writing up of several investments.

Both the fintech portfolio and the investments in the oil industry exhibit prospects for growth and positive developments in value in both the short and medium term.

Monio AS

Monio AS (formerly Monner AS) is a payment company and a registered loan arranger. Monio AS is a licensed payment initiation service provider (PISP) and account information service provider (AISP) under the PSD2 Regulation.

In 2021, Monio AS posted a profit of NOK 49.7 million (NOK 17.4 million loss), where NOK 70.3 million of the profit was due to proceeds from the sale of Monio AS's entrepreneur business to SpareBank 1 SR-Bank ASA in April 2021. The gain has been eliminated in the consolidated accounts. Excluding the gain from this sale, Monio AS posted a loss of NOK 20.6 million in 2021. The negative result was in line with expectations and due to the company being in a development phase, which means that costs from products and market development will be higher than earnings. The company gained a record number of new lenders who set up a savings accounts in the bank. Some 3,113 private lenders set up Monio savings accounts in 2021 compared with 2,095 private lenders in 2020.

Monio AS arranges direct loans from private investors (people and limited liability companies) to small and medium-sized Norwegian companies via its proprietary digital platform. At year end 2021, the company had arranged loans totalling NOK 657.4 million (NOK 303.2 million) for Norwegian enterprises. The company's main product is arranging secured loans for property projects. The market for crowd-funded business loans grew well. Monio AS arranged loans for NOK 354.2 million in 2021 compared with NOK 144.2 million in 2020.

Associated companies and joint ventures

SpareBank 1 Alliance

The SpareBank 1 Alliance is Norway's second largest financial group and is a banking and product partnership in which the SpareBank 1 banks in Norway cooperate in order to keep them strong and independent. The purpose of the Alliance is to procure and provide competitive financial services and products, and to exploit economies of scale in the form of lower costs and/or higher quality. The Alliance is run through its ownership and participation in SpareBank 1 Utvikling DA, while the development and operation of product companies is organised through the banks' ownership of the holding company SpareBank 1 Gruppen AS.

SpareBank 1 Gruppen AS

SpareBank 1 Gruppen AS owns 100% of the shares in SpareBank 1 Forsikring AS, SpareBank 1 Factoring AS, Modhi

Finance AS and SpareBank 1 Spleis AS. SpareBank 1 Gruppen AS also owns 65% of the shares in Fremtind Forsikring AS and 49% of the shares in LO Favør AS. SpareBank 1 SR-Bank ASA owned a 19.5% stake in SpareBank 1 Gruppen AS at the end of 2021.

SpareBank 1 Gruppen AS posted a record pre-tax profit of NOK 4,152 million for 2021 (NOK 1,817 million), which is NOK 2.3 billion better than in 2020. The controlling interest's share of the net profit for the year amounted to NOK 2,414 million (NOK 988 million).

The Fremtind Insurance Group saw a strong improvement in profit in 2021 because of a significantly better insurance result due to lower claims ratios in 2021. The financial result was also better in 2021. The insurance result included NOK 160 million of reserves recognised as income linked to the transferred portfolio from DNB Liv AS. Both the insurance result and the financial result were strongly impacted by the Covid-19 situation in 2020.

SpareBank 1 Forsikring saw an improvement in the risk, administration and interest results in 2021. In 2021, properties in the collective portfolio were written up by NOK 312 million, while they were written down by NOK 317 million in 2020. The previously allocated administration reserves totalling NOK 270 million were also dissolved in 2021 and contributed to this good result.

SpareBank 1 Utvikling DA

SpareBank 1 Utvikling DA delivers business platforms and common management and development services to the Alliance banks. The company contributes to joint activities that provide the banks with benefits in the form of economies of scale and expertise. The company also owns and manages the Alliance's intellectual property rights under a common brand name. SpareBank 1. SpareBank 1 SR-Bank ASA owned a 18.0% stake in SpareBank 1 Utvikling DA at year end 2021.

SpareBank 1 Forvaltning AS

The SpareBank 1 Forvaltning group was established on 1.5.2021. At the same time, ODIN Forvaltning AS was demerged from SpareBank 1 Gruppen AS and merged with SpareBank 1 Forvaltning AS based on continuity. At the time of the transfer, SpareBank 1 Forvaltning AS had the same owners and ownership interests as SpareBank 1 Gruppen AS. On 1.7.2021, SpareBank 1 Forvaltning AS acquired SpareBank 1 Kapitalforvaltning AS and SpareBank 1 Verdipapirservice AS. On 29.12.2021, SR-Forvaltning AS was acquired by SpareBank 1 Forvaltning AS. A rebalancing of the stakes in SpareBank 1 Forvaltning AS was carried out in connection with the transaction and SpareBank 1 SR bank ASA's stake in SpareBank 1 Forvaltning AS increased to 36.3% at the end of 2021.

SpareBank 1 Forvaltning AS posted a pre-tax profit of NOK 208 million for 2021. Increased total assets and good net new subscriptions in ODIN Forvaltning resulted in increased management fees.

BN Bank ASA

BN Bank ASA is a nationwide bank with its head office in Trondheim. BN Bank ASA achieved a pre-tax profit of NOK 632 million in 2021 (NOK 467 million). The improvement in the result was largely due to lower impairment provisions in 2021. Net interest income increased by NOK 41 million and other operating income increased by NOK 24 million compared with 2020. NOK 18 million in impairment provisions were reversed in 2021, while impairment provisions of NOK 75 million were recognised as costs in 2020.

The bank is owned by the banks in the SpareBank 1 Alliance. SpareBank 1 SR-Bank ASA's stake was 35.0% at year end 2021.

SpareBank 1 Kreditt AS

SpareBank 1 Kreditt AS is owned by the SpareBank 1 banks. SpareBank 1 SR-Bank ASA owns a stake of 17.1%. The company provides credit card solutions for the SpareBank 1 banks and posted a pre-tax profit of NOK 89 million in 2021 (NOK 16 million). The improvement in profit was due to reduced impairment provisions as a result of calibrating the loss model. Impairment provisions amounted to NOK 17 million in 2021, down from NOK 95 million in 2020.

SpareBank 1 Betaling AS

The SpareBank 1 banks jointly own SpareBank 1 Betaling AS. SpareBank 1 SR-Bank ASA's stake is 19.2%. SpareBank 1 Betaling AS owns a 23.1% stake in Vipps AS.

SpareBank 1 Betaling AS posted a pre-tax result of NOK -69 million for 2021 (NOK -9 million). The negative profit contribution was due to the operating loss in Vipps AS, of which NOK -8 million was due to the correction of the profit for 2020.

Events after the balance sheet date

Russia invaded Ukraine on February 24 and harsh sanctions have been imposed on Russia and Belarus. SpareBank 1 SR-Bank and the bank's clients have no major direct or indirect exposure to these nations when presenting the Annual Reports for 2021. The bank performs an ongoing risk assessment of the Ukraine conflict, including influence on commodities and energy prices. In addition, a variety of safeguards have been put in place to protect the bank's IT infrastructure and prevent cyber-attacks on its most vital systems and procedures. An escalation of the crisis in Ukraine could have a greater impact on the global economy than it has so far, but this is difficult to predict, as the situation is still unclear.

No material events have otherwise been registered after 31.12.2021 that affect the annual financial statements as prepared.

Accounting policies

Please refer to note 2 for a description of the accounting policies applied in the parent company's and consolidated financial statements. The same accounting policies are applied in interim and annual financial statements.

Corporate governance

Corporate governance in SpareBank 1 SR-Bank ASA is based on, among other things, the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance. This comprises the objectives and overriding principles according to which the group is governed and controlled, to secure the interests of shareholders, customers and other stakeholders. Governance of the group's activities shall ensure prudent asset management and greater assurance that publicly declared goals and strategies are reached and realised. You can read more about corporate governance on page 36 in the chapter "Corporate governance".

Risk management

SpareBank 1 SR-Bank ASA's core activity is to create value by taking conscious and acceptable risks. The group therefore invests significant resources in the further development of risk management systems and processes in line with leading international practice.

Risk and capital management in SpareBank 1 SR-Bank should ensure financial resilience and create financial and strategic added value through:

- A good risk culture
- A clear management and control structure that promotes independence
- A good understanding and management of the risks that drive earnings and losses
- Preventing single events damaging the group's financial position
- Pricing products and services based on underlying risk
- Effective raising and use of capital that reflects the chosen risk profile

The group's risk is quantified, inter alia, by computing expected losses and risk-adjusted capital so it can cover any unexpected losses. Expected losses describe the amount the group statistically expects to lose during a 12-month period, while risk-adjusted capital describes how much capital the group believes it needs to cover the actual risk to which the group is exposed.

Credit risk

Credit risk is managed via the framework procedures for granting credit, monitoring exposures and portfolio management. The general credit strategy stipulates that the group shall have a moderate risk profile.

The quality of the corporate market portfolio is good, although challenges remain within the offshore/platform segment.

The proportion of exposures with a probability of default of less than 2.5% through a full loss cycle is rising and now amounts to 85.4% of the portfolio. The portfolio in the property sector represents the group's greatest concentration in a single sector. A large portion of this portfolio consists of financing commercial properties for leasing. The

portfolio is characterised by long-term leases and financially solid tenants.

The quality of the retail market portfolio is considered to be very good with a low risk of losses. Most of the portfolio is secured by mortgages on real estate, and the LTV is, for the most part, moderate. This implies that potential losses are limited as long as the values are not significantly impaired.

Market risk

Market risk is managed on the basis of conservative limits for positions in interest instruments and currencies, as well as investments in shares and bonds. The board reviews and approves the limits at least once a year.

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 bonds and certificates totalled NOK 56.3 billion. Quantification of the risk associated with falls in value in the liquidity portfolio measured at fair value is calculated based on the Financial Supervisory Authority of Norway's model for risk-based supervision of market risk.

Risk activities relating to trading in foreign exchange, interest rate instruments and securities arise within the limits, authorities and credit lines for counterparties that are adopted at any time. SpareBank 1 SR-Bank ASA assumes, to a limited extent, the interest rate and foreign exchange risk in connection with trading activities for own account. As far as possible, income from operations is generated in the form of customer margins in order to ensure earnings are as stable and reliable as possible.

The group's market risk exposure is deemed moderate.

Liquidity risk

The bank's framework for managing liquidity risk shall reflect the bank's conservative risk profile. Liquidity risk shall be low. The group's lending is financed primarily by customer deposits and long-term securities issued, including the sale of home mortgage portfolios to the wholly owned company SR-Boligkreditt AS. The liquidity risk is restricted by diversifying securities issued in terms of markets, funding sources, instruments and maturity periods.

SpareBank 1 SR-Bank ASA had very good liquidity at year end 2021 and believes it will continue to have good access to long-term funding at competitive prices. The group strives to achieve an even maturity structure for funding and believes it is important to have good relations with Norwegian and international investors and banks. The liquidity buffer was NOK 57.9 billion at year end 2021 and would cover normal operations for 37 months in the event of closed markets. NOK 20.4 billion of the bank's external funding will come due in the next 12 months. In addition to the liquidity buffer, the bank has NOK 22.7 billion in residential mortgages ready for covered bond funding.

The group's liquidity situation is very good, and the group has continued to enjoy a high proportion of long-term funding in the last 12 months. The group's net stable funding ratio (NSFR) at year end 2021 as 124% (123%).

Operational risk

The group uses a systematic process to identify and quantify operational risks that the group is exposed to at any time. The analysed risk exposure in 2021 remained within the board's adopted limits for maximum allowable exposure at all times.

Adverse events are registered and systematically analysed to avoid repetitions and learn lessons. No single events occurred in 2021 that had significant financial consequences.

Compliance

SpareBank 1 SR-Bank ASA's goal is to have good processes to ensure compliance with legislation and regulations. The board adopts the group's compliance policy that describes the main principles for responsibility and organisation.

Compliance risk is the risk of the group incurring public sanctions/penalties or financial loss as a result of a failure to comply with legislation and regulations. The compliance function is tasked with identifying and preventing risks related to compliance with external and internal regulations. Compliance conducts risk assessments that provide a basis for control plans and recommending measures. Observations from control activities are regularly reported to the board and group executive management team. Compliance is involved in the efforts to ensure responsible product and service management through participation in the group's approval process for new products, systems and services. Compliance also conducts training activities and advises the organisation on regulations.

In 2021, there was a particularly heavy focus on compliance with the frameworks established for the Securities Trading Act, AML (Money Laundering Act), data protection (GDPR) and the implementation of a new savings and distribution model. The group's code of conduct clarifies the principles with which the bank and employees must comply. Among other things, they emphasise the group's work on sustainability and zero tolerance for corruption. Furthermore, the group has made systematic improvements to "The Guide" quality system. The system is a tool that translates legal requirements and guidance from the board and group executive management team into operational requirements for what will apply in the group. The Guide contributes to good management and control, including by highlighting the governance structure, managing the group's governing documentation and operationalising the work on internal control.

Owner risk

Owner risk is the risk that SpareBank 1 SR-Bank ASA bears if it suffers negative results from stakes in strategically owned

companies and/or the need to inject fresh capital into these companies. Owned companies are defined as companies where SpareBank 1 SR-Bank ASA has a significant stake and influence. SpareBank 1 SR-Bank is mainly exposed to owner risk through its stakes in:

- SpareBank 1 Gruppen AS (19.5%)
- SpareBank 1 Næringskreditt AS (15.6)
- BN Bank ASA (35.0%)
- SpareBank 1 Forvaltning AS (36.3%)
- SpareBank 1 Kreditt AS (17.1%)
- SpareBank 1 Bank og Regnskap AS (25.0%)
- SpareBank 1 Betaling AS (19.2%)
- SpareBank 1 Gjeldsinformasjon AS (18.3%)
- Kapp Securities AS (100.0%)
- MyRent AS (38.3%)

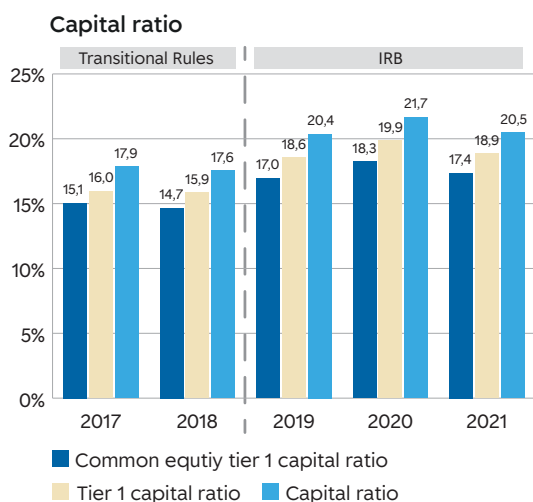
Corporate social responsibility and sustainability

The business sector's focus on sustainability has significantly increased recently. SpareBank 1 SR-Bank ASA thinks this is a positive development and sees great opportunities in the green shift. The group is actively striving to contribute to sustainable development and believes it has a responsibility to be part of the solution and a proactive ally in the transition to a more sustainable society. In autumn 2021, the group adopted a new sustainability strategy as part of its corporate strategy. The ambition is for sustainability to form an integral part of all of the group's activities. SpareBank 1 SR-Bank ASA wants to help ensure that the Paris Agreement's goal of limiting global warming to 1.5°C by 2050 is achieved. The group has set itself the goals of becoming climate neutral by 2022 and achieving net zero emissions from its lending and investment activities by 2050 to underpin this ambition. A target of funding NOK 50 billion in sustainable activities by 2030 has also been set. The group will report its progress towards this goal from 2022 onwards. The group supports the UN Sustainable Development Goals and has selected three goals that it will particularly focus on: Goal 5 Gender equality, Goal 8 Decent work and economic growth, and Goal 13 Climate action. The group has developed specific targets for these.

Capital management

Capital management shall ensure that SpareBank 1 SR-Bank ASA balances the relationship between:

- Effective funding and capital allocation in relation to the group's strategic objectives and adopted business strategy
- Competitive returns on equity
- Satisfactory capital ratio on the basis of the adopted risk profile and the regulations issued by the authorities, as well as the demands of market players at any time
- Competitive terms and ample access to long-term funding from the capital markets
- Exploitation of growth opportunities in the group's defined market area.



A capital plan is drawn up every year to ensure long-term, effective capital management. These projections take into account both expected developments in the coming years and a situation involving a serious economic recession over several years. Various stress tests are carried out of both individual factors and scenario analyses where the group is exposed to a range of negative macroeconomic events over several years. In addition, SpareBank 1 SR-Bank has prepared contingency plans for dealing with such crises as effectively as possible should they nevertheless arise. SpareBank 1 SR-Bank ASA is in a solid financial position. At year end 2021, the Common Equity Tier 1 capital ratio was 17.4% (18.3%) while the Tier 1 capital ratio was 18.9% (19.9%) and the capital ratio was 20.5% (21.7%).

A countercyclical buffer requirement applies in Norway in the range of 0-2.5 percentage points in the form of Common Equity Tier 1 capital. The purpose of the countercyclical buffer is to make the banks more solid and robust in relation to lending losses. The capital buffer requirement amounted to 2.5 percentage points at the end of 2019. As a result of the Covid-19 situation, the countercyclical buffer requirement was reduced by 1.5 percentage points to 1.0% with effect from March 2020. In June 2021, the Ministry of Finance decided to increase the capital requirement for the countercyclical buffer by 0.5 percentage points to 1.5% with effect from 30.6.2022. In December 2021, a decision was made to further increase the countercyclical buffer requirement by 0.5 percentage points to 2.0% with effect from 31.12.2022.

The Pillar 2 premium is an institution-specific premium intended to ensure that Norwegian banks have adequate capital to cover the risk associated with operations, including risks not covered by the regulatory minimum requirement. In 2018, the Financial Supervisory Authority of Norway stipulated a Pillar 2 premium of 1.7 percentage points for the group.

At year end 2021, the total requirement for a Common Equity Tier 1 capital ratio of 15.2%, inclusive of a 1.0% management buffer, was met by a good margin.

SpareBank 1 SR-Bank ASA's internal target for its Common Equity Tier 1 capital ratio is 16.7% by the end of 2022. The group has maintained its original capital target in order to take into account expectations of a gradual increase in the countercyclical buffer from 2022. Banks classified as systemically important financial institutions are also subject to a special capital buffer requirement. SpareBank 1 SR-Bank ASA has not been identified as a systemically important financial institution.

On 28.4.2021, the general meeting approved the board's proposal that no dividend be paid out for 2020 at that time. The decision was in line with the recommendations of the Financial Supervisory Authority of Norway, Norwegian Ministry of Finance and European Central Bank (ECB). However, the board received special authorisation from the general meeting to make a decision about the distribution of a dividend, at some later point in time, of up to NOK 3.10 per share based on the bank's approved annual financial statements for 2020. On 30.9.2021, the board exercised its special authorisation and decided to pay out a dividend of NOK 3.10 per share based on the bank's approved annual financial accounts for 2020. The dividend for 2020 was paid out on 13.10.2021.

External audit

The group's external auditor is PricewaterhouseCoopers AS (PwC).

Internal audit

Internal audits are carried out by EY. Internal audits report directly to the board.

Insurance

Insurance has been taken out for the members of the board of directors and the CEO to cover their potential liability to the company and third parties. This insurance covers the liability of the indemnified for economic loss resulting from claims arising from alleged liable actions or omissions.

Employees and working environment

SpareBank 1 SR-Bank ASA's employees are its most important resources for creating value for the benefit of its customers, the region and the bank. The group's organisational and working environment surveys for 2021 show that employees are satisfied and have a good relationship with the group as an employer. The surveys are reviewed and followed up in all units in order to ensure a positive development and strengthen a healthy working environment characterised by a long-term approach, openness, honesty and security in line with the group's basic values.

Read more about the measures being taken to secure the right expertise, good working environments and equality in the chapter on employees on page 14, and in the executive remuneration report for SpareBank 1 SR-Bank for 2021.

The bank's share

The share price for the bank's share (SRBNK) was NOK 133.20 at year end 2021. This represented an effective

return, inclusive of dividends, of 55.8% from the end of 2020. The main Oslo Børs index rose by 23.4% in the same period. The SRBNK share was traded stably in 2021 with the equivalent of 5.3% (5.3%) of outstanding SRBNK shares being traded.

There were 16,826 shareholders at year end 2021 (13,113). The proportion owned by foreign companies and individuals was 22.2%, while 65.7% were resident in Rogaland, Agder, Vestland, Oslo and Viken. The 20 largest shareholders owned a total of 56.7% of the shares. The bank holds 41,517 treasury shares, while group employees owned 1.7%.

Going concern

Financial strength improved in 2021 and the market outlook appears to be good. Together with implemented and planned measures, this contributes to a good prospect of further progress for the group in 2022. The annual financial statements have been prepared based on the assumption that the group is a going concern.

Allocation of profit for the year/dividend

SpareBank 1 SR-Bank ASA's financial goal for its activities is to achieve results that provide a good, stable return on the bank's equity, thus creating value for the owners in the form of competitive dividends and a higher share price. Consideration must be given to financial needs, including capital adequacy requirements and the group's targets and strategic plans, when determining the annual dividend. Unless capital requirements dictate otherwise, the goal of the board is to distribute approximately half of the net profit for the year as dividends.

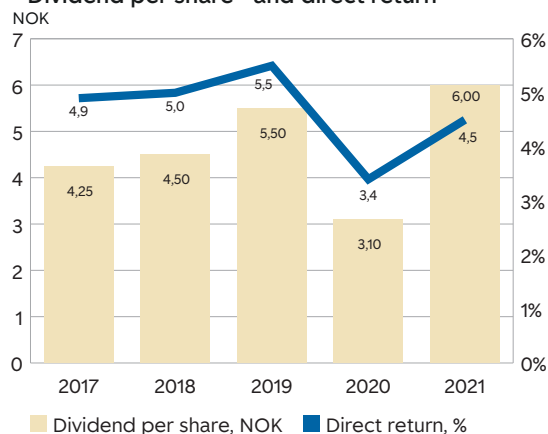
The dividend paid is based on the parent bank's distributable profit, which was NOK 2,764 million in 2021, equivalent to NOK 10.81 per share. In line with the dividend policy, various factors are taken into consideration when proposing dividends, with particular weight being attached to capital requirements and the Tier 1 capital ratio. The board is, therefore, proposing a dividend of NOK 6.00 per share for 2021, which corresponds to around 49.7% of the consolidated earnings per share.

The board proposes the following allocations for financial year 2021:

	NOK millions
Parent company net profit for the year	2,764
Distributable	2,764
Dividend (NOK 6.00 per share)	1,535
Retained earnings	1,229
Total	2,764

In the opinion of the board, following the proposed allocations and other completed and planned actions, SpareBank 1 SR-Bank ASA's financial strength will be good, and it will have sufficient flexibility to support the group's planned activities for the future.

Dividend per share¹⁾ and direct return²⁾



¹⁾ The board exercised its special authorisation from April 2020 and at the board meeting on 10.2.2021 approved a dividend of NOK 5.50 per share for the 2019 financial year, which was paid out on 19.3.2021. The board exercised its special authorisation from April 2021 and at the board meeting on 30.9.2021 approved a dividend of NOK 3.10 per share for the 2020 financial year, which was paid out on 13.10.2021.

²⁾ Dividend per share as a percentage of share price as at the end of the year.

Outlook for 2022

Knowledge, high vaccination rates and good support measures from the Norwegian government have helped to mitigate the negative effects of the pandemic. Nevertheless, some uncertainty still exists regarding how fully reopening society will impact economic development going forward. Optimism has returned in the retail market and parts of the business sector, but with an expectation of continued lower activity within tourism and service industries at the start of 2022.

The Norwegian economy developed positively in 2021, with a higher oil price, a good property market and falling unemployment. However, less international demand and a more volatile oil price are expected to affect economic development going forward. According to the latest updated forecasts, the IMF expects the global economy to grow by 4.9% in 2022. The growth is expected to be highest in industrialised countries, with somewhat lower growth in emerging economies due to lower Covid-19 vaccination rates.

In Norway, slightly higher unemployment is expected at the start of 2022 due to continued Covid-19 measures, although unemployment is expected to gradually fall during the year. The housing market and private consumption are being stimulated by low mortgage rates, and good demand for loans is expected in the retail market going forward, despite indications of a higher policy rate. Expectations of higher wage growth in 2022 will partly offset the effect of increased mortgage rates. Real Estate Norway is forecasting 4% growth for housing prices in 2022.

According to the latest forecasts from Statistics Norway, 4.2% GDP growth is expected for Mainland Norway in 2022. Due to the ripple effects of the pandemic, the Norwegian Petroleum Directorate expects oil investments on the

Norwegian Continental Shelf to decrease by almost 13% in 2022, before investments are expected to rise again in 2023-2025. Statistics Norway expects price inflation, adjusted for energy and taxes, to be 2.5% in 2022.

In 2021, Norges Bank raised its key policy rate from 0% to 0.5% with an increase of 0.25% in September and another 0.25% in December. The market expects the effects of the Covid-19 outbreak to diminish going forward and Norges Bank's interest rate forecast is a further three interest rate hikes of 0.25 percentage points each in 2022. In connection with Norges Bank raising its policy rate in December 2021, SpareBank 1 SR-Bank ASA announced interest rate increases of up to 0.25 percentage points with effect for existing portfolios from 31.1.2022.

The group's long-term return on equity target is a minimum of 12%. The target will be achieved through profitable lending growth, moderate impairment loss, growth in other operating income, gains from financial investments, and cost-effectiveness. The group's target for cost-effectiveness is below 40%.

The group has a Common Equity Tier 1 capital ratio target of 16.7%. SpareBank 1 SR-Bank ASA is a solid, profitable group and has in recent years increased its financial strength in line with the authorities' requirements. This was achieved through earnings via a business model involving good breadth in earnings and efficient operations. Financial strength is very good, earnings have strengthened, and the group's impairment provisions have been substantially reduced in 2021. In the board's judgement, the group has turned the page on the largest impairment provisions due to the oil price slump and Covid-19, and impairment provisions are now deemed to be back at normal levels.

SpareBank 1 SR-Bank ASA's dividend policy remains unchanged, with an expected dividend of around 50% of the profit for the year. Consideration must be given to financial needs,

including capital adequacy requirements and the group's targets and strategic plans, when determining the annual dividend.

For a long time, the group has been systematically working to increase efficiency through digitalisation and automation, both internally and in relation to customers. More and more of the group's retail customers are purchasing their products via self-service solutions. In 2021, 70% of all products and services were purchased via a digital channel and 94% of all mortgage applications were completed digitally by the customer themselves. The pandemic has contributed to a general improvement in the digital skills of customers, and it is assumed that more customers will continue to choose self-service solutions. The continued widespread use of digital tools will be important in order to meet the customers' needs, streamline operations and, thereby, improve competitiveness going forward.

SpareBank 1 SR-Bank ASA is a proactive financial services group with strong distribution. As Norway's second largest privately owned bank, the group provides financial strength for growth, value creation, and profitability for customers, society, and our owners. The group is a bank for the whole of Southern Norway, in which the Oslo region is a particular focus area. Having a presence in this market is important with respect to geographical diversification and creating a greater basis for growth, and thus earnings. Now that society has reopened, the group is well-positioned for further growth.

A good mutual relationship between the region's inhabitants, the business sector and the bank are important for growth in the group's market area. The board would like to thank the group's customers, owners, employees and other partners for their loyal support of SpareBank 1 SR-Bank ASA in 2022 and assure them that it will make every effort to ensure that this teamwork continues.

Stavanger 15 March 2022



Dag Mejdell
Chair of the board



Kate Henriksen



Tor Dahle



Trine Sæther Romuld



Jan Skogseth



Sally Lund-Andersen
Employee representative



Kristian Kristensen
Employee representative



Benedicte Schilbred Fasmer
Chief Executive Officer

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INCOME STATEMENT

Parent bank		(Figures in NOK millions)	Note	Group	
2020	2021			2021	2020
3,525	3,055	Interest income amortised cost	18	5,474	6,238
1,726	1,527	Interest income other	18	712	715
1,940	1,565	Interest expense amortised cost	18	2,012	2,511
13	5	Interest costs other	18	184	300
3,298	3,012	Net interest income		3,990	4,142
934	1,019	Commissions	19	1,801	1,501
107	91	Commission costs	19	90	111
10	12	Other operating income	19	6	6
837	940	Net commissions and other operating income		1,717	1,396
57	30	Dividends		30	57
836	1,106	Income from ownership interests	38	676	663
-98	297	Net income/loss from financial investments	20	331	-21
795	1,433	Net income from financial investments		1,037	699
4,930	5,385	Total net income		6,744	6,237
1,029	1,182	Personnel costs	21	1,722	1,436
610	636	Other operating costs	22	817	763
145	142	Depreciation and write-downs of fixed assets and intangible assets	29,30,31	175	187
1,784	1,960	Total operating costs		2,714	2,386
3,146	3,425	Operating profit before impairment losses		4,030	3,851
2,003	193	Impairments on loans and financial liabilities	10	192	2,030
1,143	3,232	Pre-tax profit		3,838	1,821
73	468	Tax cost	24	682	231
1,070	2,764	Net profit for the year		3,156	1,590
982	2,697	Shareholders' share of the profit		3,089	1,503
88	67	Hybrid capital owners' share of the profit		67	88
-	-	Non-controlling interests		-	-1
1,070	2,764	Net profit for the year		3,156	1,590
Statement of Comprehensive Income					
-10	-72	Actuarial gains/losses on pensions		-72	-7
3	18	Tax effect of actuarial gains/losses on pensions		18	2
-7	-54	Total items not reclassified through profit or loss		-54	-5
5	-2	Change in ECL 12 months		-	-
		Change in value, basis swap	27	-58	47
		Tax effect of change in value, basis swaps	27	15	-12
		Share of other comprehensive income in associated companies and joint ventures		10	12
5	-2	Total items that can be reclassified through profit or loss		-33	47
-2	-56	Year's comprehensive income		-87	42
1,068	2,708	Total comprehensive income		3,069	1,632
Earnings per share					
3.84	10.55	Earnings per share ¹⁾	21, 40	12.08	5.87
3.84	10.55	Diluted earnings per share ²⁾	21, 40	12.08	5.87

¹⁾ The shareholders' share of the profit/average no. of outstanding shares

²⁾ The shareholders' share of the profit/average no. of outstanding shares + bonus shares

BALANCE SHEET

Parent bank		(Figures in NOK millions)	Note	Group	
2020	2021			2021	2020
Assets					
68	78	Cash and receivables from the central bank	36	78	68
25,304	13,214	Loans to and receivables from credit institutions	7	5,366	12,589
131,792	139,260	Loans to customers	8, 11, 13	228,578	216,966
36,978	54,321	Certificates and bonds	13, 26	56,266	39,921
8,971	6,713	Financial derivatives	27	5,053	8,672
596	694	Equities, units and other equity interests	28	1,001	908
2,246	2,363	Investments in ownership interests	38	4,894	4,523
7,346	7,569	Investments in group companies	38	-	-
-	70	Intangible assets	29	458	298
1,002	565	Deferred tax asset	24	598	1,015
295	283	Tangible fixed assets	30	979	994
915	881	Lease rights	31	335	346
414	361	Other assets	32	796	749
215,927	226,372	Total assets		304,402	287,049
Liabilities					
4,218	3,361	Debt to credit institutions	7	2,634	4,144
118,394	138,043	Deposits from customers	33	137,664	118,170
51,748	44,116	Securities issued	34	122,276	126,763
13,115	5,495	Financial derivatives	27	3,203	6,825
669	-	Payable tax	24	232	835
936	920	Liabilities associated with lease rights	31	359	365
197	269	Pension liabilities	23	277	204
256	153	Impairment provisions on financial liabilities	10	153	256
378	518	Other liabilities	35	830	540
400	7,465	Senior non-preferred debt	34	7,465	400
2,154	2,130	Subordinated loan capital	37	2,130	2,154
192,465	202,470	Total liabilities		277,223	260,656
Equity					
6,394	6,394	Share capital	40	6,394	6,394
1,587	1,587	Share premium reserve		1,587	1,587
1,407	1,535	Allocated dividend		1,535	1,407
1,850	1,850	Hybrid capital	40	1,850	1,850
		Non-controlling interests		-	5
12,224	12,536	Other equity		15,813	15,150
23,462	23,902	Total equity		27,179	26,393
215,927	226,372	Total liabilities and equity		304,402	287,049

Stavanger 15 March 2022



Dag Mejdell
Chair of the board



Kate Henriksen



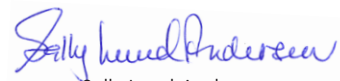
Tor Dahle



Trine Sæther Romuld



Jan Skogseth



Sally Lund-Andersen
Employee representative



Kristian Kristensen
Employee representative



Benedicte Schilbred Fasmer
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

(Figures in NOK millions)

Parent bank	Share capital	Share premium reserve	Hybrid capital	Non-controlling interests	Other equity	Total equity
Equity 31.12.2019	6,394	1,587	1,850		12,651	22,482
Net profit for the year					1,070	1,070
Actuarial gains/losses after tax on pension schemes					-7	-7
Change in ECL ¹⁾ 12 months					5	5
Total comprehensive income					1,068	1,068
Hybrid capital						-
Interest hybrid capital					-88	-88
Trade in treasury shares					1	1
Transactions with shareholders					1	1
Equity 31.12.2020	6,394	1,587	1,850		13,631	23,462
Net profit for the year					2,764	2,764
Actuarial gains/losses after tax on pension schemes					-54	-54
Change in ECL ¹⁾ 12 months					-2	-2
Total comprehensive income					2,708	2,708
Hybrid capital						-
Interest hybrid capital					-67	-67
Dividends in 2019, finally determined in 2021					-1,407	-1,407
Dividends in 2020, finally determined in 2021					-793	-793
Trade in treasury shares					-1	-1
Transactions with shareholders					-2,201	-2,201
Equity 31.12.2021	6,394	1,587	1,850		14,071	23,902

¹⁾ ECL - expected credit loss

Group

Equity 31.12.2019	6,394	1,587	1,850		15,003	24,834
Net profit for the year				-1	1,591	1,590
Actuarial gains/losses after tax on pension schemes					-5	-5
Basis swap spread after tax					35	35
Share of other comprehensive income from associated companies					12	12
Total comprehensive income				-1	1,633	1,632
Hybrid capital						-
Interest hybrid capital					-88	-88
Non-controlling interest				6	-6	-
Transactions against equity in subsidiaries and associated companies					14	14
Trade in treasury shares					1	1
Transactions with shareholders					1	1
Equity 31.12.2020	6,394	1,587	1,850	5	16,557	26,393
Net profit for the year					3,156	3,156
Actuarial gains/losses after tax on pension schemes					-54	-54
Basis swap spread after tax					-43	-43
Share of other comprehensive income from associated companies					10	10
Total comprehensive income				-	3,069	3,069
Hybrid capital						-
Interest hybrid capital					-67	-67
Non-controlling interest				-5	5	-
Transactions against equity in subsidiaries and associated companies					-16	-16
Dividends in 2019, finally determined in 2021					-1,407	-1,407
Dividends in 2020, finally determined in 2021					-793	-793
Trade in treasury shares					-	-
Transactions with shareholders					-2,200	-2,200
Equity 31.12.2021	6,394	1,587	1,850	-	17,348	27,179

STATEMENT OF CASH FLOW

(Figures in NOK millions)

Parent bank				Group	
2020	2021		Note	2021	2020
558	-6,977	Change in loans to customers	8	-7,136	-12,068
4,646	4,017	Interest receipts from loans to customers		5,652	6,405
15,071	19,649	Change in deposits from customers	33	14,113	15,064
-865	-737	Interest payments on deposits from customers		-733	-861
-10,181	8,365	Change in receivables and deposits with credit institutions	7	3,115	-5,901
-38	-209	Interest on receivables and debt to credit institutions		-438	-389
-5,543	-17,343	Change in certificates and bonds	26	-12,982	-7,129
502	485	Interest receipts from certificates and bonds		500	505
860	922	Commission receipts		1,709	1,438
-14	82	Capital gains from sale of trading		120	5
-1,660	-1,624	Payments for operations		-2,238	-2,372
-1,078	-669	Paid tax	24	-834	-1,225
3,381	-7,110	Other cash flow from operating activities		-8,283	4,183
5,639	-1,149	A Net change in liquidity from operations		-7,435	-2,345
-37	-139	Investments in tangible fixed assets	30	-177	-47
6	3	Receipts from sale of tangible fixed assets	30	3	6
-252	-676	Long-term investments in equities		-929	-257
266	395	Receipts from sales of long-term investments in equities		492	305
854	1,115	Dividends from long-term investments in equities		406	271
837	698	B Net change in liquidity from investments		-205	278
5,802	15,746	Increase in securities issued and senior non-preferred debt	34	31,105	25,367
-9,923	-14,133	Repayment – securities issued and senior non-preferred debt	34	-21,838	-20,387
-779	-379	Interest payments on securities issued and senior non-preferred debt		-835	-1,356
-	-	Borrowing and sale of own subordinated loans	37	-	-
-	-	Repayments - subordinated loans	37	-	-
-49	-40	Interest payments on subordinated loans		-40	-49
-	-	Increase in hybrid capital issued	40	-	-
-88	-67	Interest payments on debt established by issuing hybrid capital		-67	-88
-69	-72	Lease payments	31	-57	-47
-	-2,200	Dividend to shareholders		-2,200	-
-5,106	-1,145	C Net change in liquidity from financing		6,068	3,440
1,370	-1,596	A+B+C Net change in cash and cash equivalents in the year		-1,572	1,373
768	2,138	Cash and cash equivalents 1.1.		2,152	779
2,138	542	Cash and cash equivalents 31.12.		580	2,152
		Specification of cash and cash equivalents			
68	78	Cash and receivables from the central bank		78	68
2,070	464	Receivables from credit institutions at call		502	2,084
2,138	542	Cash and cash equivalents 31.12.		580	2,152

Cash and cash equivalents include cash and deposits in the central bank, and that part of total loans to and deposits in credit institutions that relate to pure placements in credit institutions. The statement of cash flow shows how the parent bank and group generated liquid assets and how these were applied.

NOTE 1 GENERAL INFORMATION

The SpareBank 1 SR-Bank Group consists of the parent bank, SpareBank 1 SR-Bank ASA ("the bank") and its subsidiaries.

Subsidiaries - Ownership 100%

SR-Boligkreditt AS
EiendomsMegler 1 SR-Eiendom AS
FinStart Nordic AS with subsidiaries and associated companies
SpareBank 1 SR-Bank ForretningsPartner AS and subsidiaries
Finansparken Bjergsted AS
Bjergsted Terrasse 1 AS
Monio AS
Rygir Industrier AS with subsidiaries (acquired assets)

Investments in associated companies	Ownership interest in % 31.12.
BN Bank ASA	35.0
SpareBank 1 Kreditt AS	17.1
SpareBank 1 Bank og Regnskap AS	25.0
SpareBank 1 Betaling AS	19.2
SpareBank 1 Gjeldsinformasjon AS	18.3
SpareBank 1 Forvaltning AS	36.3

Investments in joint ventures	Ownership interest in % 31.12.
SpareBank 1 Gruppen AS	19.5
SpareBank 1 Utvikling DA	18.0

NOTE 2 ACCOUNTING POLICIES BASIS FOR PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The parent bank's financial statements and the consolidated financial statements for 2021 for SpareBank 1 SR-Bank ('the group') have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. This includes interpretations from the IFRS Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).

SpareBank 1 SR-Bank is a public limited company registered in Norway with its headquarters in Stavanger. SpareBank 1 SR-Bank is listed on the Oslo Børs.

The basis for measurement used in both the parent bank's and the consolidated financial statements is acquisition cost, with the following modifications: financial derivatives, parts of financial assets, and parts of financial liabilities are recognised at fair value with value changes through profit or loss.

Preparing financial statements in accordance with IFRS requires the use of estimates. Furthermore, applying international reporting standards requires management to use its judgement. Areas that involve a great deal of discretionary estimates, a high degree of complexity, or areas where assumptions and estimates are significant for the parent bank's and the consolidated financial statements are described in note 3.

Distribution of stakes in companies where the management structure is regulated by an agreement between the owners (stakes in %)	SpareBank 1 Gruppen AS	BN Bank ASA
SpareBank 1 SR-Bank	19.5	35.0
SpareBank 1 SMN	19.5	35.0
SpareBank 1 Nord-Norge	19.5	10.0
Samarbeidende Sparebanker	19.5	
SpareBank 1 Østlandet	12.4	10.0
SpareBank 1 Sørøst-Norge		7.5
SpareBank 1 Østfold Akershus		2.5
Norwegian Confederation of Trade Unions (LO)	9.6	

Some Alliance companies are classified as associated companies despite the stake being smaller than 20%. This is because the ownership structure and strategic cooperation between the owner banks in SpareBank 1 Gruppen AS give SpareBank 1 SR-Bank significant influence in these companies.

The bank's head office is in Stavanger and it has 34 branches in Rogaland, Agder, Vestland and Oslo. Some of the branches share premises with EiendomsMegler 1 SR-Eiendom AS. All subsidiaries have head offices in Stavanger, except for FinStart Nordic AS and Monio AS which have head offices in Oslo.

The group's primary activities are selling and procuring a wide range of financial products and services, investments services, consulting services, accounting services and leasing and estate agency.

The consolidated financial statements were approved by the board on 15.3.2022. The general meeting is the bank's supreme authority.

The annual financial statements are presented in accordance with IFRS and interpretations that are obligatory for annual financial statements presented as at 31.12.2021. The annual financial statements have been prepared on the assumption that the group is a going concern.

New and revised standards that were applied in 2021:

In 2017, the EBA published new guidelines for calculating defaults, and in December 2019 the Norwegian authorities set statutory Norwegian limits for failures to pay. The new guidelines and regulation contain significant changes compared with the previous definition of default as it was described in chapter 10 of the Capital Requirements Regulation. The new definition of what constitutes a default came into effect on 1.1.2021. SpareBank 1 SR-Bank has implemented the new definition of default since 1.1.2021.

Reforming and alternatives to IBORs have become a priority for authorities around the world in recent years. Since 2018, the IASB has been working on a project looking at the accounting implications of the above interest rate reform. The project was divided into two phases and changes to the standards IFRS 4, IFRS 9, IFRS 7 and IFRS 16 took effect in 2020 (Phase 1) and 2021 (Phase 2). All of SpareBank 1 SR-Bank's interest rate derivatives use an IBOR as a benchmark rate and are therefore affected by the changes, including the decision on 5.3.2021 to discontinue LIBOR. The most important positions are in EURIBOR and NIBOR. The bank is monitoring market developments closely and is involved in

several projects to monitor the changes and facilitate any adjustments. Early application was permitted and the group made use of this opportunity in 2019. Please refer to note 27.

Otherwise, no new standards, amendments to the standards or interpretations that materially affected the accounts of the group or the parent company were adopted from 1.1.2021.

New standards and interpretations that have not been adopted yet:

A number of new standards, amendments to standards and interpretations will be compulsory in future annual financial statements. There are no standards or interpretations that have not entered into force which are expected to have a material impact on the group's financial statements.

Presentation currency

The presentation currency is the Norwegian krone (NOK), which is also the group's presentation currency. The functional currency of parent company and all major subsidiaries is the Norwegian crown (NOK). All figures are in NOK millions unless otherwise stated.

Subsidiaries

Subsidiaries' assets are measured using the cost method of accounting in the bank's financial statements. Investments are measured at the acquisition cost of the shares assuming that no write-downs have been necessary.

Dividends, group contributions and other distributions are recognised as income in the year that they are approved by the general meeting. If the dividend or group contribution exceeds the share of the retained profit after the acquisition, the amount in excess represents a repayment on invested capital, but is, pursuant to IAS 27, recognised as income in the year that it is paid.

Consolidation

The consolidated financial statements include all subsidiaries. Subsidiaries are all entities (including structured entities) controlled by the group. Control over a unit occurs when the group is exposed to variability in the return from the unit and has the ability to influence this return through its power over the unit. Subsidiaries are consolidated from the day control arises and deconsolidated when control ceases.

The acquisition method is used for acquisitions of business. The remuneration paid is measured at the fair value of the assets transferred, liabilities assumed and equity instruments issued. The fair value of all assets or liabilities according to the agreement on conditional consideration are also included in the remuneration. Identifiable assets, liabilities and contingent liabilities are recognised at their fair value on the acquisition date. Minority interests in the acquired business are measured from time to time at either fair value or their share of the net assets of the acquired business.

Costs linked to the acquisition are recognised as costs or activated as they are incurred.

When an acquisition occurs in multiple steps, the assets from previous acquisitions must be remeasured at fair value on the date the check is made and the change in value recognised.

Conditional consideration is measured at fair value on the acquisition date. The treatment of subsequent changes in the fair value of conditional consideration depends on whether the conditional consideration is classified as an asset, liability or equity. Assets and liabilities that are not financial assets or liabilities (i.e. outside the scope of IFRS 9) are measured at fair value with changes through profit or loss. Financial assets or liabilities are measured at fair value and changes must, in accordance with IFRS 9, be recognised or presented in other comprehensive income (OCI). No new measurement is made of conditional consideration that is classified as equity and subsequent settlements are recognised against equity.

Intra-group transactions, intra-company balances and unrealised profit between group companies are eliminated. Unrealised losses are also eliminated. Reported figures from subsidiaries are, if necessary, restated so they correspond with the group's accounting policies.

The minority interest's (non-controlling owner's) share of the group's profit is presented on a separate line under net profit for the period in the income statement. Their share of the minority's equity is shown as a separate item.

IFRS 9 Financial Instruments

Financial assets

According to IFRS 9, financial assets must be classified into three measurement categories: fair value with changes through profit or loss, fair value with changes through OCI and amortised cost. The measurement category must be determined upon initial recognition of the asset. Financial assets are classified on the basis of the contractual terms and conditions for the financial assets and business model used to manage the portfolio, or groups of portfolios, of which the assets are a part.

Financial assets with contractual cash flows that are only payments of interest and the principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows should initially be measured at amortised cost. 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 for the purpose of receiving contractual cash flows and sales, should initially be measured at fair value with changes through OCI, with interest income, currency translation effects, and any impairment provisions presented in the ordinary income statement. Changes recognised through OCI must be reclassified to the income statement upon the sale or other disposal of the assets.

Instruments that are initially measured at amortised cost or at fair value with changes through OCI can be designated at fair value through profit or loss if this eliminates or substantially reduces an accounting mismatch.

Other financial assets must be measured at fair value with changes through profit or loss. This includes derivatives, equity instruments and other cash flow instruments that are not only payments of normal interest (time value of money, credit spread and other normal margins linked to loans and receivables) and the principal, and instruments that are held in a business model in which the main purpose is not the reception of contractual cash flows. SpareBank 1 SR-Bank has chosen to measure investments in shares that are not held for trading purposes at fair value through profit or loss.

Financial liabilities

As a general rule, financial liabilities should be measured at amortised cost with the exception of financial derivatives measured at fair value, financial instruments included in a trading portfolio, and financial liabilities it has been decided to recognise at fair value with changes through profit or loss.

A financial asset and a financial liability can be offset and the net amount presented on the balance sheet if there is a right to offset the recognised amounts and the intent is to settle them on a net basis or to realise the asset and settle the liability at the same time.

Hedge accounting

SpareBank 1 SR-Bank carries out hedging accounting in line with the rules for hedging assets. Hedging accounting is carried out when this is in line with the bank's risk management strategy. Hedging accounting requires documentation that the hedging is in line with the bank's risk management, that there is a financial relationship between the hedging object and the hedging instrument, and that credit risk cannot be the dominant element in this context. Please refer to note 27.

Recognition and derecognition of financial assets and liabilities

Financial assets and liabilities are recognised on the trading day, that is, when the bank becomes a party to the instruments' contractual terms.

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

Financial liabilities are derecognised when the contractual terms have been settled, cancelled or expired.

Modified assets and liabilities

If modifications or changes to the terms of an existing financial asset or liability are made, the instrument is treated as a new financial asset if the renegotiated terms differ materially from the old terms. If the terms differ significantly, 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, while a new credit process is being issued with new loan terms.

If the modified instrument is not considered to be significantly different from the existing instrument, the instrument is considered to be a continuation of the existing instrument. In the case of a modification recognised as a continuation of existing instruments, the new cash flows are discounted using the instrument's original effective interest rate and any difference between the existing book value is recognised in profit and loss.

Change in ownership interests in subsidiaries without loss of control

Transactions with minority interests (non-controlling owners) in subsidiaries that do not result in loss of control are treated as equity transactions. In the event of further acquisitions, the difference between the remuneration and the shares' proportional share of the carrying amount for net assets in the subsidiary is recognised against the equity of the parent company's owners.

Gains or losses from sales to minority interests are similarly recognised against equity.

Disposal of subsidiaries

In the event of a loss of control, any remaining ownership interest is measured at fair value with changes recognised through profit or loss. Fair value will thereafter constitute the acquisition cost for further accounting, as an investment in an associated company, joint venture or financial asset. Amounts that were previously recognised in other comprehensive income relating to this company are treated as if the group had disposed of underlying assets and liabilities. This could entail amounts that have previously been recognised in other comprehensive income being reclassified to the income statement.

Associated companies

Associated companies are entities in which the group has a significant interest but not control. Normally, significant influence arises when the group has a stake of between 20% and 50% of the voting capital. Investments in associated companies are recognised in accordance with the cost method of accounting in the bank's financial statements and the equity method in the consolidated financial statements.

New investments are recognised at acquisition cost in the consolidated financial statements. Investments in associated companies include goodwill identified at the time of the acquisition, reduced by any possible later impairment provisions.

The group's share of profits or losses in associated companies are recognised and added to the book value of the investments. The group's share of the other comprehensive income in the associated company is recognised in other comprehensive income in the group and is also supplemented with the carrying amount for the investments. The group does not recognise the share of any loss if this means that the capitalised amount of the investment will be negative (including unsecured receivables on the unit) unless the group has incurred obligations or made payments on behalf of the associated company.

Joint arrangements

Under IFRS 11, investments in joint arrangements must be classified as either a joint operation or a joint venture, depending on the contractual rights and obligations of each investor. SpareBank 1 SR-Bank has assessed its joint arrangements and determined that they are joint ventures. Joint ventures are recognised using the equity method in the group and the cost method in the financial statements.

When the equity method is used joint ventures are recognised at their original acquisition cost. The carrying amount is thereafter adjusted to recognise the share of the results after the acquisition and the share of other comprehensive income. When the group's share of a loss in a joint venture exceeds the capitalised amount (including other long-term investments that are in reality part of the group's net investment in the venture), no further loss is recognised unless liabilities have been assumed or payments have been made on behalf of the joint venture.

Unrealised gains from transactions between the group and its joint ventures are eliminated in relation to the ownership interest in the venture. Unrealised losses are also eliminated unless the transaction gives evidence of a fall in value on the transferred asset. Amounts reported from joint ventures are, if necessary,

restated to ensure they correspond with the accounting policies of the group.

Loans

Loans are classified based on two business models. Loans with contractual cash flows that are only payments of interest and the principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows should initially be measured at amortised cost. Loans with contractual cash flows that are only payments of interest and the principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows and sales, should initially be measured at fair value with changes through OCI, with interest income, currency translation effects, and any impairment provisions presented in the ordinary income statement. Changes recognised through OCI must be reclassified to the income statement upon the sale or other disposal of the assets.

Loans with variable rates are measured at amortised cost in accordance with IFRS 9. The amortised cost is the acquisition cost minus repayments on the principal, taking into account transaction costs, plus or minus cumulative amortisation using the effective interest method, and less any amount for impairment in value or exposure to loss. The effective interest rate is the interest that exactly discounts estimated future cash receipts and payments over the expected life of the financial instrument up to the loan's gross recognised amount.

Home mortgages that qualify for sale to mortgage credit institutions are held both to receive contractual cash flows and for sale in the parent bank. These are therefore measured at fair value over the OCI, with interest income and any impairment provisions presented in the ordinary result. The business model at the consolidated level involves such home mortgages being held to receive cash flows and thus measurement at amortised cost.

Fixed-rate loans to customers are earmarked upon initial recognition as measured at fair value with changes in value through profit or loss, in accordance with IFRS 9. Gains and losses resulting from changes in fair value are recognised through profit or loss as a change in value. Accrued interest and premiums/discounts are recognised as interest. The bank uses the fair value option for measuring fixed-rate lending, as this largely eliminates inconsistencies in measuring other comparable instruments in the balance sheet.

Sale of loans

The bank has concluded an agreement concerning the sale of loans with low loan-to-value and collateral in real estate to SpareBank 1 Næringskreditt AS. In line with the administration contract between the bank and the mortgage credit institutions, the bank administers the loans and maintains the contact with customers. The bank receives a fee in the form of commissions for the duties involved in administering the loans. The agreement between the bank and the mortgage credit institutions involved the bank transferring practically all of the risk and benefits of ownership associated with the sold loans. The sales are treated as pure sales and the loans are fully removed from the bank's balance sheet. This is described in note 9.

The bank has concluded an agreement concerning the sale of loans with low loan-to-value and collateral in real estate to SR-Boligkreditt AS. In line with the administration contract between the bank and mortgage credit institutions, the bank

administers the loans and maintains the contact with customers. The bank receives a fee in the form of commissions for the duties involved in administering the loans. The remuneration will be recognised as income as settlements are made.

The sales are treated as pure sales and the loans are fully eliminated from the bank's balance sheet.

Impairment provisions on loans

According to IFRS 9, impairment provisions must be recognised based on expected credit losses (ECL). The general model for impairment provisions on financial assets in IFRS 9 applies to financial assets measured at amortised cost or at fair value with changes through OCI, and which had no incurred losses upon initial capitalisation. In addition, there are also loan exposures, financial guarantee contracts and unused credit lines that are not measured at fair value through profit or loss, and changes to lease agreements are also included.

The measurement of expected losses in the general model depends on whether or not the credit risk has increased significantly since initial recognition. Upon initial recognition and when the credit risk has not increased significantly after initial recognition, provisions must be made for 12 months' expected losses. If the credit risk has increased substantially after initial recognition, provisions must be made for expected losses over the entire lifetime. Expected credit losses are calculated based on the present value of all cash flows over the remaining lifetime, i.e. the difference between the contractual cash flows under the contract and the cash flow that the bank expects to receive, discounted at the effective interest rate on the instrument.

In the case of corporate customers, the customer's entire exposure is deemed in default if one of the customer's loan accounts is in default. For retail customers, all accounts in the same product area will be deemed in default if one of the customer's loan accounts is in default.

In addition to the general model, there are separate principles for issued, including renegotiated loans treated as new ones, and purchased loans where there is objective evidence of a loss upon initial recognition. For these, an effective interest rate shall be calculated taking into account the expected credit loss, and for changes in expected cash flows, the change shall be discounted using the initially fixed effective interest rate and recognised in the income statement. For these assets, there is no need to monitor whether there has been a significant increase in credit risk after initial recognition, as expected losses over the entire lifetime will nevertheless be considered.

More detailed description of the bank's impairment model

An impairment estimate is prepared each quarter based on data in the bank's data warehouse, which contains a history of account and customer data for the entire credit portfolio. The loss estimates are calculated on the basis of the 12-month and lifelong probability of default (PD), loss given default (LGD) and exposure at default (EAD). The data warehouse contains a history of observed PD and LGD. This provides the basis for producing good estimates of future values for PD and LGD. In line with IFRS 9, the bank groups its loans into three stages.

Stage 1:

This is the starting point for all financial assets covered by the general loss model. All assets that do not have a significantly

higher credit risk, defined as lifetime probability of default, than they did upon initial recognition will have a loss provision equal to 12 months' expected losses. This category will contain all assets that have not been transferred to stages 2 or 3.

Stage 2:

Stage 2 of the loss model applies to assets that have seen a significant rise in credit risk since initial recognition, but that do not have objective evidence of a loss event. For these assets, the loss provision must cover expected losses over the entire lifetime. As far as the demarcation with stage 1 is concerned, the bank bases its definition of a significant degree of credit deterioration on the extent to which the exposure's calculated probability of default (PD) has increased significantly. An increase in PD of more than 150% cent and which results in a PD higher than 0.6% is considered a significant change in credit risk. In addition, overdrafts or arrears of at least 30 days will always be considered a significant increase in credit risk. Exposures subject to repayment relief may, based on an individual assessment, also be regarded as having experienced a significant increase in credit risk. An exposure migrates to a lower stage when the conditions for the original migration no longer exist.

Stage 3:

Stage 3 of the loss model applies to assets that have seen a significant increase in credit risk since being granted and where there has been an objective event that results in reduced future cash flow for servicing the exposure. Objective evidence may be default, bankruptcy, insolvency or other significant financial difficulties. For these assets the loss provision must cover expected losses over the lifetime.

Non-performing loans

Defaults are defined in two categories:

- Failures to pay are defined as substantial overdrafts that are more than 90 days past due.
- Manual default flagging is mainly based on internal credit assessments. Events that are included in this category are provisions for losses from customers, bankruptcy/debt negotiations, assessments of forbearance, periods of grace of more than 180 days or other indications that considerable doubt may exist about whether the customer will meet their obligations.

The comparative figures have not been restated based on the new definition of what constitutes a default. Implementation of the new definition of default had not resulted in a significant increase in the volume of loans in Stage 3.

Realised losses

When it is highly probable that the losses are final, the losses are classified as realised losses. Realised losses that are covered by earlier specific loss provisions are recognised against the provisions. Realised losses without cover by way of impairment provisions on loans and over or under coverage in relation to previous impairment provisions on loans are recognised through profit or loss.

Reposessed assets

As part of the handling of non-performing loans and guarantees, the group acquires, in some cases, assets that have been lodged as security for such exposures. At the time of takeover, the assets are measured at their assumed realisation value and the value of the loan exposure is adjusted accordingly. Reposessed assets that are to be realised are classified as operations that will be sold and holdings or fixed assets held for sale are recognised in

accordance with the relevant IFRS standards (normally IAS 16, IAS 38, IFRS 9 or IFRS 5).

Financial leases

Financial leases are recognised on the balance sheet under the main item "Net lending to customers" and recognised in accordance with the amortised cost principle. All fixed income during the expected term of the lease is included when calculating the lease's effective interest.

Securities

Other financial assets must be measured at fair value with changes through profit or loss. This includes derivatives, equity instruments and other cash flow instruments that are not only payments of normal interest (time value of money, credit spread and other normal margins linked to loans and receivables) and the principal, and instruments that are held in a business model in which the main purpose is not the reception of contractual cash flows. SpareBank 1 SR-Bank has chosen to measure investments in shares that are not held for trading purposes at fair value through profit or loss.

Derivatives and hedging

Derivatives consist of currency and interest rate instruments. Derivatives are recognised at fair value through profit or loss. The fair value of derivatives includes the value of counterparty credit risk (CVA).

The group uses derivatives for operational and accounting (funding) hedging purposes to minimise the interest rate risk in fixed-rate instruments (fixed-rate funding and fixed-rate loans), bonds (assets and liabilities), and certificates (assets and liabilities). The effectiveness of the hedging is assessed and documented both when the initial classification is made and on an ongoing basis. When fair value hedging is used the hedging instrument is recognised at fair value, but as far as the hedged item is concerned changes in fair value linked to the hedged risk are recognised through profit and loss and against the hedged item. The bank makes use of basis swaps and interest rate and currency swaps to convert borrowing in one currency to the desired currency. When a basis swap is designated as a hedging instrument for hedging a specifically identified loan, changes in the value of the hedging instrument linked to changes in the "basis spread" are recognised through OCI. See note 27 for further information.

Goodwill

Goodwill is the positive difference between the cost of acquiring a business and the fair value of the bank's share of the net identifiable assets in the business at the time of acquisition. Goodwill on the acquisition of subsidiaries is classified as intangible assets. Goodwill on the acquisition of shares in associated companies and joint ventures is included in the investment and tested for depreciation as part of the book (carrying) value of the investment. Goodwill is not subject to amortisation, but is subject to annual impairment testing with the purpose of identifying any indications that impairment may have occurred, in accordance with IAS 36. Any assessment of a fall in value is measured at the lowest level in the undertaking where goodwill is followed up for internal management purposes. Impairments of goodwill cannot be reversed. In those cases where the cost of acquiring a business is lower than the fair value of the bank's share of net identifiable assets at the time of acquisition, so-called badwill, the difference is immediately recognised as income and included in income from ownership interests.

Tangible fixed assets

Tangible fixed assets consist of plots of land and operating equipment. Buildings and operating equipment are recognised at cost less depreciation and impairments. Plots of land are recognised at cost price less impairments. Plots of land are not depreciated. The cost price includes all direct costs related to the acquisition of the asset.

Depreciation is on a straight-line basis in order to allocate the cost price, less possible residual value, over the useful life of the operating equipment.

IFRS 16 Leases

The group has entered into leases for premises and tangible fixed assets that affect the group's accounting and results in almost all leases being capitalised. The group has recognised a right-of-use asset and a financial liability for all of its leases, with a few practical exceptions. The group chose to use the exemptions for short-term leases (12 months or less), low value leases and components that are not rent, meaning that these are not included in the calculation. The income statement is also affected by the total cost usually being higher in the first few years of a lease and lower in later years. Operating costs will also be replaced with interest and depreciation. Cash flows from operations increase because payments for the lease liability's principal will be classified as a financing activity. That part of payments that are interest can be presented as cash flow from operations. In some cases, the group is the lessor and the accounting in relation to this does not change significantly. Information about leases is provided in note 31.

Operations/assets that will be sold

These items on the balance sheet contain the group's assets it has decided to sell. The items include assets and liabilities relating to repossessed properties and property companies that are to be syndicated and disposed of by selling parts to customers. The item is measured at the lowest value of the carrying amount and fair value minus sales costs.

Funding

Funding is initially recognised at the cost at which it is raised, which is the fair value of the proceeds received after deducting transaction costs. Funding is thereafter measured at amortised cost, and any discount/premium is accrued over the term of the borrowing. Fixed-rate funding is subject to hedging, which results in measurement at fair value with discounting according to the applicable yield curve, though not taking into account changes in own credit spreads. Deposits from customers and credit institutions are measured at amortised cost.

Pensions

SpareBank 1 SR-Bank group has two types of pension schemes: defined benefit based and defined contribution based. The group has both covered and uncovered defined benefit pension schemes. The covered defined benefit pension scheme was, until 31.12.2015, covered by the group's pension fund. In addition to the pension liabilities covered by the pension fund, the group has uncovered pension liabilities that cannot be covered by the assets in the collective schemes. The covered defined benefit pension scheme was closed to new members from and including 1.4.2011 and to existing members from 1.1.2016.

Defined benefit scheme

A defined benefit scheme is defined as a scheme that is not a

defined contribution scheme.

A defined benefit scheme will typically define an amount an employee will receive from and including the date of retirement, usually dependent of age, number of years worked and pay.

The liability that must be recognised for the defined benefit scheme is the present value of the liability on the balance sheet date, with deductions for the fair value of the pension assets. The gross liability is calculated by an independent actuary using the unit credit method during calculations. The gross liability is discounted to the present value using the interest rate on high quality corporate bonds with almost the same term to maturity as the payment horizon of the liability.

Gains and losses that occur with the recalculation of the liability due to experience gains and losses, and changes in actuarial assumptions, are recognised against equity via the comprehensive income statement in the period they arise. The effects of changes in the schemes' plans are recognised immediately.

Defined contribution scheme

In the case of defined contribution plans, the company pays a fixed contribution to an insurance company. The company has no legal or self-imposed obligation to inject further assets if there proves to be insufficient assets to pay all employees the benefits linked to their earnings in this or earlier periods. The subscriptions are recognised as a payroll cost. Any pre-paid subscription is recognised as an asset (pension asset) to the extent that the subscription can be refunded or reduces future subscription payments.

Contingent liabilities

The group issues financial liabilities such as guarantees, loan exposures, and unused credit lines as part of its ordinary business. Gross latent liabilities are specified in note 8. Impairment provisions on guarantees, loan commitments and unused credit facilities are made as part of the assessment of IFRS 9 and in accordance with the same policies, and are reported as liabilities on the balance sheet. Individual impairment provisions are made on financial liabilities that have had a significant increase in credit risk since the grant and where there is an objective event that results in reduced future cash flow for servicing the exposure. Objective evidence may be default, bankruptcy, insolvency or other significant financial difficulties.

Provisions are made for other uncertain liabilities if it is more probable than not that the liability will materialise and the financial consequences can be reliably calculated. Information is disclosed about contingent liabilities that do not satisfy the criteria for balance sheet recognition if they are significant.

Provisions are made for restructuring costs when the group has a contractual or legal obligation, payment is probable and the amount can be estimated, and the size of the obligation can be estimated with sufficient reliability.

Hybrid Tier 1 capital

Subordinated loans are classified as subordinated loan capital on the balance sheet and are measured at amortised cost such as other long-term loans. The bank uses fair value hedging for measuring fixed-rate loans.

Hybrid Tier 1 capital instruments which are perpetual, and where the group has a unilateral right not to pay interest to investors

under certain conditions, do not satisfy the definition of financial liabilities under IAS 32. Such bonds are classified as equity on the balance sheet (hybrid capital) and the interest rate is presented as a reduction in other equity.

Dividends

Dividends are recognised as equity in the period prior to being approved by the general meeting.

Interest income and interest costs

Interest income and interest costs related to financial assets and financial liabilities that are measured at amortised cost, or debt instruments that are measured at fair value through OCI, are recognised continuously in the income statement in accordance with the effective interest rate method. The effective interest rate is the interest rate that results in the present value of the expected cash flow over the expected life of a financial asset or liability being equal to the book value (before provisions for losses) of the respective financial asset or liability. In calculating the effective interest rate, the cash flow effect stated in the agreement is estimated, but without taking into account future credit losses. The calculation thus takes into account fees, transaction costs, premiums and discounts.

Interest income for assets measured at amortised costs is calculated using their gross book value unless there is objective evidence of a loss in relation to the asset.

Interest income for assets for which there is objective evidence of a loss and interest costs for financial liabilities are calculated on their net book values.

Interest income and costs related to financial instruments measured at amortised costs or fair value are classified as interest income and interest costs, respectively. A breakdown of interest income and costs measured at amortised cost and fair value is provided in note 18. Other changes in value are classified as income from financial instruments.

Commissions and commission costs

Commissions and commission costs are generally accrued in line with the delivery/receipt of a service. 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 through profit or loss. Advisory/consultancy fees are accrued in accordance with the signed agreement, typically at the time the service is delivered.

The same applies to day-to-day management services. Fees and charges related to the sale or brokerage of financial instruments, properties or other investment objects that do not generate balance sheet items in the consolidated financial statements, are recognised when the transaction is completed.

Transactions and balance sheet items in foreign currency

Transactions involving foreign currencies are converted into Norwegian krone using the exchange rates at the time of the transactions. Gains and losses related to executed transactions, or to the conversion of holdings of balance sheet items in currency on the balance sheet date are recognised in the income statement. Gains and losses on non-monetary items are included in the income statement in the same way as the corresponding balance sheet item.

The exchange rate on the balance sheet date is used when converting balance sheet items.

Taxes

Taxes consist of payable tax and deferred tax. Payable tax is the estimated tax on the year's taxable profit.

Payable tax for the period is calculated according to the tax laws and regulations enacted or substantively enacted on the balance sheet date.

Deferred taxes are accounted for using the liability method in accordance with IAS 12. Deferred tax assets or liabilities are calculated based on all the temporary differences, which are the differences between the book values of assets and liabilities for accounting purposes and for taxation purposes. Nonetheless, no deferred tax liability or benefit is calculated on goodwill that does not provide tax-related deductions, or on initially recognised items that affect either the accounting or taxable result.

Deferred tax assets are calculated for tax loss carry forwards. Assets with deferred tax are included only to the extent that future taxable profits are expected to make it possible to exploit the related tax benefit.

Cash flow statement

The statement of cash flow shows cash flows grouped by source and application area. Cash is defined as cash, deposits in central banks, and deposits in credit institutions with no period of notice. The statement of cash flow is prepared using the direct method.

Segment reporting

A business segment is part of an entity that is engaged in providing individual products or services that are subject to risks and returns that are different from those of other business segments. A geographic market (segment) is a part of a business that supplies products and services within a limited geographic area that is subject to risks and returns that are different from other geographic markets. As regards segment reporting, the group executive management team is considered to be supreme decision-making authority. The figures in the segment reporting are based on internal reporting for the group executive management team.

Events after the balance sheet date

The financial statements are published after the board has approved them. The general meeting and the regulatory authorities may refuse to approve the published financial statements subsequent to this but they cannot change them.

Events that take place before the date on which the financial statements are approved for publication, and which affect conditions that were already known on the balance sheet date, will be incorporated into the pool of information that is used when making accounting estimates and are thereby fully reflected in the financial statements. Events that were not known on the balance sheet date will be reported if they are material.

The financial statements have been prepared on the basis of a going concern assumption.

The board's proposed dividend is specified in the board of directors' report and note 41. The proposed dividend is classified as equity until it has finally been approved.

NOTE 3 CRITICAL ESTIMATES AND JUDGEMENTS CONCERNING USE OF THE ACCOUNTING POLICIES

Given our increased understanding of the impact of the pandemic and the ongoing vaccination programmes, the uncertainty surrounding macroeconomic developments shrank in 2021. Some uncertainty still exists regarding what effects fully reopening society will have on developments in Norway and the global economy, and the picture is constantly changing. This continues to cause great uncertainty in relation to critical estimates.

Impairment provisions on loans and financial liabilities

The group conducts an annual evaluation of its entire corporate market portfolio. High-risk exposures in the corporate market portfolio are evaluated on a quarterly basis. Loans to retail customers are subject to evaluation when they are in default for more than 90 days after they fall due and larger commitments in default are evaluated on a quarterly basis.

The group's risk classification systems are described under financial risk management.

The group carries out an impairment if there is objective evidence that can be identified for an individual commitment, and the objective evidence entails a reduction in future cash flows for servicing the commitment. Objective evidence may be default, bankruptcy, insolvency or other significant financial difficulties.

Individual impairment provisions are calculated as the difference between the loan's book (carrying) value and the present value of future cash flows based on the effective interest rate at the time of the calculation of the initial individual impairment. Account is taken of subsequent changes in interest rates for loan agreements with variable rates if these changes affect the expected cash flow. For smaller exposures, the general rule is that the difference between the actual exposure at the time of impairment and the realisation value (underabsorption) of the pledged collateral is written down, and that the impairment is based on one scenario. For larger exposures, the general rule is that the difference between the actual exposure and the bank's assessment of the discounted value of the customer's future cash flow is written down, and the impairment is based on three scenarios.

According to IFRS 9, loss provisions are recognised for all exposures based on expected credit loss (ECL). The measurement of the provisions for expected losses on exposures that are not individually impaired depends on whether or not the credit risk has increased significantly since initial capitalisation. Upon initial capitalisation and when the credit risk has not increased significantly after initial capitalisation, provisions must be made for 12 months' expected losses. If the credit risk has increased substantially after initial recognition, provisions must be made for expected losses over the entire lifetime. Expected credit loss is calculated on the basis of the present value of all cash flows over the remaining expected lifetime. A probability weighted average is calculated for three different scenarios: an upside scenario, a base scenario and a downside scenario, respectively. The upside scenario is based on data from a historically representative period of strong economic expansion and the base scenario and downside scenario are based on internally prepared prognoses and stress tests linked to the group's periodic internal capital adequacy assessment process (ICAAP) for various given scenarios. The mutual weighting of the scenarios is considered and determined by a specially established internal working group composed of people at a management level. The choice of scenarios and their weighting are regularly reviewed (at least once a year) by this working group. As at 31.12.2021, the base scenario's weight was 65%, the upside scenario's 17.5% and the downside scenario's 17.5%. The weighting is the same for all portfolios and reflects the uncertainty surrounding economic development going forward. In order to illustrate the associated weight sensitivity, a simulation of the effects of a more conservative scenario weighting was conducted in which the weight of the base scenario was reduced to 50% and the downside scenario and upside scenario were both increased to 25%. Such a change in the scenario weights would, seen in isolation, increase the group's expected impairment provisions for exposures without individual impairment by NOK 168 million. Given the continued uncertainty surrounding the Covid-19 pandemic, the group has chosen to exercise its discretion and override the modelled ECL in the corporate market portfolio by NOK 32 million as at 31.12.2021. Please also see note 6.

Sensitivity calculations (NOK millions)	Upside scenario	Basis scenario	Downside scenario	Large Corporates	SMB & Agriculture	Retail market	SR-Boligkreditt	Total group
Weights used as at 31.12.2021								
ECL in upside scenario	17.5%			115	60	39	13	227
ECL in base scenario		65.0%		149	73	41	14	277
ECL in downside scenario			17.5%	1,634	560	227	141	2,562
ECL with applied scenario weights (current, used from the fourth quarter of 2020)	17.5%	65.0%	17.5%	403	156	73	36	668
Alternative scenario weighting I (used up to the third quarter of 2020, albeit with scenarios that were at the time less conservative)	0.0%	60.0%	40.0%	743	268	116	65	1,192
Alternative scenario weighting II (used up to the fourth quarter of 2019, albeit with scenarios that were at the time less conservative)	25.0%	65.0%	10.0%	289	118	59	27	493
Alternative scenario weighting III (illustration, not used before)	25.0%	50.0%	25.0%	512	191	87	46	836
Alternative scenario weights IV	33.3%	33.3%	33.3%	633	231	103	56	1,023

Closely monitoring customers and preventive work are important measures actively employed by the group to maintain its good risk profile in the group's loan portfolio. As a result of the low oil price and Covid-19 outbreak, this work was intensified at the end of the first quarter of 2020 and has been continued since. The group has given advice in order to find good solutions for customers, including by granting interest-only periods and providing assistance with applications for the use of various support schemes. The group's assessments of critical estimates and judgements concerning use of the accounting policies are challenging but are currently considered to be the best estimate of the consequences the Covid-19 situation will have for the group.

Fair value of financial derivatives and other financial instruments

The fair value of derivatives is determined by using valuation methods where the price of the underlying instrument, for example, interest rate or currency rate, is obtained from the market. When measuring financial instruments for which observable market data is not available, the group makes assumptions with regard to what market actors would base their valuation on for equivalent financial instruments. Valuations require the extensive use of discretion, including when calculating liquidity risk, credit risk and volatility. Any change in the aforementioned factors will affect the fair value determined for the group's financial instruments. For more information see note 25 on the classification of financial instruments. In the case of options, volatility will be either observed implicit volatility or calculated volatility based on historical price movements for the underlying object.

NOTE 4 SEGMENT REPORTING

The group executive management team has assessed which segments are reportable based on the form of distribution, products and customers. The primary reporting format is based on the risk and return profile of the assets and is split into Retail Market, Large Corporates, SME & Agriculture, Capital Market and significant subsidiaries. Account trading/staff/support includes all staff departments and treasury area in the parent bank. The activity in SR-Boligkredditt is divided between the segments retail market and account trading/staff/support in the parent bank. Commissions from SpareBank 1 Boligkredditt are reported under the item "Net commissions and other income".

Reporting per business area:

(Figures in NOK millions)

2021	Retail market	Large Corporates	SME & Agriculture	Capital market	Own account trading/staff/support ²⁾	Eiendoms-Megler 1	Forretnings-Partner	Other business	Eliminations	SR-Bank Group
Interest income	2,121	1,990	512	142	1,486	2	1	2	-70	6,186
Interest costs	348	454	39	119	1,314	-	1	12	-91	2,196
Net interest income¹⁾	1,773	1,536	473	23	172	2	-	-10	21	3,990
Commissions	603	271	120	16	9	449	327	119	-113	1,801
Commission costs	59	16	9	-	64	-	-	32	-90	90
Other operating income	1	-	-	-	11	-	-	104	-110	6
Net commissions and other operating income	545	255	111	16	-44	449	327	191	-133	1,717
Dividends	-	-	-	-	30	-	-	-	-	30
Income from ownership interests	-	27	-	-	1,079	-	-	-1	-429	676
Net income/loss from financial investments	-	39	2	95	92	-	-	87	16	331
Net income from financial investments	-	66	2	95	1,201	-	-	86	-413	1,037
Personnel costs	435	127	80	63	478	278	233	37	-9	1,722
Administration costs	170	30	33	10	395	109	43	56	-29	817
Other operating costs	-	-	-	-	142	4	16	29	-16	175
Total operating costs	605	157	113	73	1,015	391	292	122	-54	2,714
Operating profit before impairment	1,713	1,700	473	61	314	60	35	145	-471	4,030
Impairment on loans and financial liabilities	-39	228	3	-	-	-	-	-	-	192
Pre-tax profit	1,752	1,472	470	61	314	60	35	145	-471	3,838
Net interest income										
Net external interest income	1,773	1,536	473	23	172	-	-	-	13	3,990
Net internal interest income	-	-	-	-	-	2	-	-10	8	-
Net interest income	1,773	1,536	473	23	172	2	-	-10	21	3,990
Balance sheet										
Gross loans to customers	141,544	68,290	16,185	28	4,542	-	-	-	-290	230,299
Impairment provisions on loans	-166	-1,363	-192	-	-	-	-	-	-	-1,721
Certificates/bonds/financial derivatives	-	3	-3	3,187	62,430	-	-	17	-4,315	61,319
Other assets	-2,495	7,748	-192	1,096	20,692	238	614	1,471	-14,667	14,505
Total assets	138,883	74,678	15,798	4,311	87,664	238	614	1,488	-19,272	304,402
Deposits from customers	63,342	59,118	16,040	9	-466	-	-	-	-379	137,664
Other liabilities and equity ¹⁾	75,541	15,560	-242	4,302	88,130	238	614	1,488	-18,893	166,738
Total liabilities and equity	138,883	74,678	15,798	4,311	87,664	238	614	1,488	-19,272	304,402

2020	Retail market	Large Corporates	SME & Agriculture	Capital market	Own account trading/staff/support ²⁾	Eiendoms-Megler 1	Forrettings-Partner	Other business	Eliminations	SR-Bank Group
Interest income	2,175	2,079	540	141	2,111	2	-	2	-97	6,953
Interest costs	498	409	54	90	1,867	-	-	12	-119	2,811
Net interest income ¹⁾	1,677	1,670	486	51	244	2	-	-10	22	4,142
Commissions	591	227	103	3	11	405	170	102	-111	1,501
Commission costs	72	19	11	1	55	-	-	37	-84	111
Other operating income	1	-	-	-	10	-	-	35	-40	6
Net commissions and other operating income	520	208	92	2	-34	405	170	100	-67	1,396
Dividends	-	-	-	-	57	-	-	-	-	57
Income from ownership interests	-	-	-	-	836	-	-	-4	169	663
Net income/loss from financial investments	-	-10	3	87	-116	-	-	-41	56	-21
Net income from financial investments	-	-10	3	87	777	-	-	-45	-113	699
Personnel costs	417	122	70	58	362	240	123	49	-4	1,436
Other operating costs	162	29	20	11	391	113	19	47	-30	763
Depreciation and write-downs of fixed assets and intangible assets	-	-	-	-	144	4	8	48	-17	187
Total operating costs	579	151	90	69	897	357	150	144	-51	2,386
Operating profit before impairment	1,618	1,717	491	71	90	50	20	-99	-107	3,851
Impairments on loans and financial liabilities	89	1,854	87	-	-	-	-	-	-	2,030
Pre-tax profit	1,529	-137	404	71	90	50	20	-99	-107	1,821
Net interest income										
Net external interest income	1,677	1,670	486	51	244	-	-	-	14	4,142
Net internal interest income	-	-	-	-	-	2	-	-10	8	-
Net interest income	1,677	1,670	486	51	244	2	-	-10	22	4,142
Balance sheet										
Gross loans to customers	135,947	64,191	15,692	18	3,681	-	-	-	-348	219,181
Impairment provisions on loans	-208	-1,806	-201	-	-	-	-	-	-	-2,215
Certificates/bonds/financial derivatives	-	-45	-	4,485	51,092	-	-	19	-6,958	48,593
Other assets	7,608	-6,232	765	1,811	34,330	212	214	1,482	-18,700	21,490
Total assets	143,347	56,108	16,256	6,314	89,103	212	214	1,501	-26,006	287,049
Deposits from customers	58,159	46,654	14,494	15	-927	-	-	-	-225	118,170
Other liabilities and equity ¹⁾	85,188	9,454	1,762	6,299	90,030	212	214	1,501	-25,781	168,879
Total liabilities and equity	143,347	56,108	16,256	6,314	89,103	212	214	1,501	-26,006	287,049

¹⁾ Net interest income and other liabilities contain allocated arrangements between the segments. The interest on intercompany receivables for the retail market division and the corporate market divisions is fixed based on expected observable market interest rates (NIBOR) plus expected additional costs for the group's long-term funding (credit premium). Differences between the group's actual funding costs and the interest applied on intercompany receivables are eliminated in the parent bank.

²⁾ Interest income in the segment is the internal charging of the funding costs.

The group primarily operates in a geographical area bounded by Oslo in the south-east and Bergen in the north-west. In addition to the segment notes, important asset classes (loans and deposits) are segmented geographically in separate notes under loans and deposits. Geographical distribution is based on the customer's branch.

Geographic distribution	Rogaland		Agder		Vestland		Oslo/Viken		SR-Bank Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net interest income	3,017	3,256	300	325	480	416	193	145	3,990	4,142
Net commissions and other operating income	1,087	992	194	168	331	208	105	27	1,717	1,396
Net income from financial investments	934	750	3	6	4	6	96	-62	1,037	699
Operating costs	2,187	1,926	177	160	269	195	81	105	2,714	2,386
Operating profit before impairment provisions	2,851	3,071	320	339	546	435	313	6	4,030	3,851
Impairment provisions on loans and financial liabilities	201	2,004	-13	26	4	-1	-	-	192	2,030
Pre-tax profit	2,650	1,067	333	313	542	436	313	5	3,838	1,821
Gross loans to customers	160,535	159,725	21,215	20,609	34,419	28,835	14,130	10,011	230,299	219,181
Impairment provisions on loans	-1,666	-2,141	-27	-64	-28	-9	-	-2	-1,721	-2,215
Certificates/bonds/financial derivatives	61,319	48,594	-	-	-	-	-	-	61,319	48,593
Other assets	12,221	18,750	2,657	1,147	-787	963	414	630	14,505	21,490
Total assets	232,409	224,928	23,845	21,692	33,604	29,789	14,544	10,640	304,402	287,049
Deposits from customers	115,648	94,590	8,002	5,904	12,196	11,702	1,818	5,973	137,664	118,170
Other liabilities and equity	116,761	130,338	15,843	15,788	21,408	18,086	12,726	4,667	166,738	168,879
Total liabilities and equity	232,409	224,928	23,845	21,692	33,604	29,789	14,544	10,640	304,402	287,049

NOTE 5 CAPITAL ADEQUACY

(Figures in NOK millions)

Capital adequacy is calculated and reported in accordance with the EU's capital requirements for banks and investment firms (CRD IV/CRR).

SpareBank 1 SR-Bank has permission from the Financial Supervisory Authority of Norway to use internal measurement methods (Internal Rating Based Approach) for quantifying credit risk. The use of IRB requires the bank to comply with extensive requirements relating to organisation, expertise, risk models and risk management systems.

The EU's Capital Requirements Regulation (CRR/CRD IV) were incorporated into the EEA agreement in March 2019, and the implementation of the regulations came into effect in Norway on 31.12.2019.

The total minimum Common Equity Tier 1 capital ratio requirement for SpareBank 1 SR-Bank, inclusive of the countercyclical buffer and Pillar 2 premium, as at 31.12.2021 was 1.0%. The requirement consists of a 4.5% minimum requirement plus other buffer requirements, which consist of a capital conservation buffer of 2.5%, a systemic risk buffer of 4.5% and a countercyclical buffer of 1.0%. As a result of Covid-19 situation,

the countercyclical buffer was reduced by 1.5% points in March 2020. In June 2021, it was decided to increase the capital requirement for the countercyclical buffer by 0.5 percentage points to 1.5% with effect from 30.6.2022. In December 2021, a decision was made to further increase the countercyclical buffer requirement by 0.5 percentage points to 2.0% with effect from 31.12.2022. The Financial Supervisory Authority of Norway has also set an individual Pillar 2 requirement of 1.7%.

SpareBank 1 SR-Bank's internal target for its Common Equity Tier 1 capital ratio is 16.7%. The group has maintained its original capital target in order to take into account expectations of a gradual increase in the countercyclical buffer from 2022. The internal target includes a management buffer of 1.0%.

Investments in associated companies and joint ventures are recognised in the group using the equity method and in accordance with the cost method in the parent bank. The investments are treated identically for the purposes of determining the capital ratio, except for the group's investments in BN Bank, SpareBank 1 Forvaltning and SpareBank 1 Kreditt. A proportionate consolidation is carried out for the group's capital ratio. The comparable figures for 2020 include figures from SpareBank 1 Næringskreditt., which was sold with effect from 30.9.2021.

Parent bank			Group	
2020	2021		2021	2020
6,394	6,394	Share capital	6,394	6,394
1,587	1,587	Premium reserve	1,587	1,587
1,407	1,535	Allocated to dividend	1,535	1,407
1,850	1,850	Hybrid capital	1,850	1,850
12,224	12,536	Other equity	15,813	15,150
		Non-controlling interests	-	5
23,462	23,902	Book equity	27,179	26,393

Parent bank			Group	
2020	2021		2021	2020
		Tier 1 capital		
-	-70	Deferred taxes, goodwill and other intangible assets	-681	-364
-1,407	-1,535	Deduction for allocated dividend ¹⁾	-1,535	-1,407
-52	-206	Deduction in expected losses IRB less loss provisions	-305	-146
-1,850	-1,850	Hybrid capital that cannot be included in CET 1 capital	-1,850	-1,850
-	-	Deduction for CET 1 capital in essential investments in financial institutions	-325	-246
-151	-165	Deduction for CET 1 capital in not essential investments in financial institutions	-150	-154
-50	-63	Value adjustment due to requirements concerning proper valuation	-71	-50
19,952	20,013	CET 1 capital	22,262	22,176
1,850	1,850	Hybrid capital	1,951	1,951
	-49	Deduction for essential investments in financial institutions	-49	
21,802	21,814	Tier 1 capital	24,164	24,127
		Tier 2 capital		
2,097	2,097	Term subordinated loan capital	2,238	2,252
-43	-195	Deduction for essential investments in financial institutions	-195	-43
2,054	1,902	Tier 2 capital	2,043	2,209
23,856	23,716	Net primary capital	26,207	26,336
		Credit risk Basel II		
16,932	18,522	SME	18,535	16,935
20,779	22,961	Specialised enterprises	25,456	23,130
6,413	6,948	Other corporations	7,116	6,529
1,007	842	Mass market SME	1,172	1,311
12,286	11,042	Mass market - mortgage on real estate	30,473	31,178
2,695	2,030	Other mass market	1,997	2,692
11,086	12,114	Equity positions	-	-
71,198	74,459	Total credit and counterparty risk IRB	84,749	81,775
33	33	States and central banks	43	43
153	44	Local and regional authorities, state-owned enterprises	277	308
4,212	2,736	Institutions	1,042	1,580
8,425	9,868	Enterprises	10,408	8,984
3,358	3,420	Mass market	4,147	4,020
-	-	Mass market - mortgage on real estate	881	931
9,219	10,059	Covered bonds	2,524	2,095
6,029	6,000	Equity positions	6,494	6,436
	182	Units in securities funds	196	
4,284	2,972	Other assets	3,811	4,902
35,713	35,314	Total credit and counterparty risk standard method	29,823	29,299
121	134	Credit value adjustment risk (CVA)	259	334
7,171	7,258	Operational risk	10,587	9,854
	410	Other risk exposures ³⁾	2,563	
114,203	117,575	Risk-weighted balance sheet	127,981	121,262
5,139	5,291	Minimum requirement Common Equity Tier 1 capital 4.5%	5,759	5,457
		Buffer requirement		
2,855	2,939	Capital conservation buffer 2.5%	3,200	3,032
5,139	5,291	Systemic risk buffer 4.5%	5,759	5,457
1,142	1,176	Countercyclical buffer 1.0%	1,280	1,213
9,136	9,406	Total buffer requirement to Common Equity Tier 1 capital ratio	10,238	9,701
5,677	5,316	Available Common Equity Tier 1 capital ratio after buffer requirement	6,264	7,018
17.47%	17.02%	Common Equity Tier 1 capital ratio ^{1) 2)}	17.39%	18.29%
19.09%	18.55%	Tier 1 capital ratio ^{1) 2)}	18.88%	19.90%
20.89%	20.17%	Capital ratio ^{1) 2)}	20.48%	21.72%
7.44%	6.90%	Leverage ratio	7.14%	7.79%

¹⁾ The board exercised its special authorisation from April 2020 and at the board meeting on 10.2.2021 approved a dividend of NOK 5.50 per share for the 2019 financial year, which was paid out on 19.3.2021.

²⁾ The board exercised its special authorisation from April 2021 and at the board meeting on 30.9.2021 approved a dividend of NOK 3.10 per share for the 2020 financial year, which was paid out on 13.10.2021. The total dividend of NOK 793 million reduced other equity.

³⁾ Risk weights for residential mortgages are subject to a regulatory floor of 20%. Without this floor, the risk weight for residential mortgages in the group would have been 18.5% as at 31.12.2021.

NOTE 6 FINANCIAL RISK MANAGEMENT

Risk and capital management in SpareBank 1 SR-Bank should create financial and strategic added value based on:

- A good risk culture
- A clear management and control structure that promotes independence
- A good understanding and management of the risks that drive earnings and losses
- Preventing single events damaging the group's financial position
- Pricing products and services based on underlying risk
- Effective raising and use of capital that reflects the chosen risk profile

SpareBank 1 SR-Bank bases its risk and capital management on the following general principles:

- The group's risk and capital management framework must be documented and based on the best international practices
- The group must have a management and control structure that promotes prudent, independent management and control
- The risk and capital management shall form an integral part of the management and decision process in the group
- Risk and capital management in the group shall support the group's strategic development and achievement of objectives while ensuring financial stability and sound management of assets
- The group must have a good risk culture characterised by a high awareness of risk and capital management
- The board must approve the group's desired risk profile on at least an annual basis
- SpareBank 1 SR-Bank shall have a willingness to assume risk that provides a sufficient buffer in relation to the group's risk capability, and that no single events can seriously damage the group's financial position
- The risk identification process must be implemented regularly, look forwards, and cover all significant areas of risk
- Quantification of risk must be based on recognised methods and be sufficiently conservative to properly take account of any weaknesses in the model
- Thorough analyses must be carried out of the identified risks in order to understand the risks' effects on income, costs and losses
- Based on the risk analysis, effective management and control measures shall be established for the individual risks based on the risk analysis. Measures that reduce probability shall take precedence over measures that reduce consequences
- The group must prepare a minimum 5-year financial prognosis at least once a year, and this must as a minimum cover expected financial developments, as well as a period involving a serious financial setback. The serious financial setback must be severe, but realistic.
- Return on economic capital shall be one of the most important strategic result measurements for the internal control of SpareBank 1 SR-Bank. The credit-based framework for EAD in the bank's internal market divisions must be determined on the basis of risk-adjusted returns.
- The group must carry out comprehensive, periodic risk follow-up and reporting
- The group shall, insofar as it is possible, price activities and products in line with the underlying risk to ensure the right level of risk is assumed

- The group must draw up robust recovery plans so it can manage critical situations in the best possible way should they arise
- The group must have clear, unambiguous definitions of the various types of risk

SpareBank 1 SR-Bank is exposed to various types of risk:

Credit risk: the risk of loss resulting from the customer's inability or unwillingness to fulfil his obligations

Liquidity risk: the risk that the group is unable to refinance its debt or does not have the ability to fund increases in assets without significant additional costs

Market risk: the risk of loss due to changes in observable market variables such as interest rates, foreign exchange rates and securities markets

Operational risk: the risk of losses due to weak or inadequate internal processes or systems, human error or external incidents

Climate risk: the risk of financial losses and financial instability as a result of physical climate change and society's response to it.

Owner risk: the risk of SpareBank 1 SR-Bank suffering negative results from stakes in strategically owned companies or of the group having to inject fresh equity into these companies. Owned companies are defined as companies where SpareBank 1 SR-Bank has a significant stake and influence

Compliance risk: the risk of the group incurring public sanctions/penalties or financial loss as a result of a failure to comply with legislation and regulations

Pension risk: the risk of increases in future pension liabilities

Regulatory risk: Uncertainty about future regulations

Business risk: the risk of unexpected income and cost variations due to changes in external factors such as market conditions or government regulations

Reputational risk: the risk of a failure in earnings and access to capital because of lack of trust and reputation in the market, i.e. customers, counterparties, stock market and authorities

Strategic risk: the risk of losses resulting from the wrong strategic decisions

Concentration risk: the risk of an accumulation of exposure to an individual customer, sector or geographical area arising

Risk exposure in SpareBank 1 SR-Bank

The risk management department is independent of the business units and reports directly to the CEO. The department is responsible for the ongoing development of the risk management framework, including risk models and risk management systems. The department is also responsible for independently monitoring and reporting risk exposure.

SpareBank 1 SR-Bank is exposed to various types of risk. The general framework for managing the most important types of risk is described below:

Credit risk is managed via the framework procedures for granting credit, monitoring exposures and portfolio management. The group's credit strategy comprises overarching credit strategy limits to ensure a diversified portfolio and a satisfactory risk profile. The main focus when granting credit must be on the customer's ability to service the debt and good security cannot be allowed to compensate for a weak/inadequate ability to service the debt.

The strategic credit limits set requirements and limitations related to overall loss profile and portfolio quality, respectively. The group particularly focuses on the concentration risk associated with exposure to large individual customers and certain industries. In order to avoid undesirable concentration risk, the strategic credit limits also set restrictions in relation to exposure and risk profile at a portfolio level, and for different industries and individual customers. These restrictions are additional to the limits stipulated by the Regulation regarding Major Exposures. The group's credit policy guidelines stipulate minimum requirements that apply to all types of financing, except exposures granted as part of the exercise of special credit hedging authorities. In addition to the general credit policy guidelines, a set of more specific credit policy guidelines related to sectors or segments that can entail a special risk have been prepared.

There must be a particular emphasis on ensuring that the customer's activities comply with the applicable laws and regulations, and that they have a long-term perspective. The group's sustainability policy is reflected in its general credit policy guidelines, including the requirement that all financing must satisfy the group's policies relating to environmental, social and corporate governance. The group also has guidelines that support the group's anti-money laundering (AML) policy.

The board is responsible for the group's granting of loans and credit, but delegates the responsibility to the CEO, within certain limits. The CEO then delegates these within his own authority. Delegated credit authority is linked to an exposure's probability of default and security cover. The authority is personal. The credit review routines regulate in detail all factors related to the granting of credit by the group and follow-up of commitments.

The group utilises 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 them defaulting during a period of 12 months, based on a long-term outcome in a complete loss cycle. The probability of default is calculated on the basis of historical series of data for financial key figures related to earnings and deterioration, as well as the basis of non-financial criteria such as conduct and age. When funding commercial property for leasing, a special credit model must be used internally that calculates the probability of default based on the expected cash flow from the leasing activities combined with behavioural criteria. Nine default classes (A – I) are used to classify the customers according to the probability of default. The group has two additional default classes (J and K) for customers with defaulted and/or written-down exposures.

2. **Exposure at default (EAD):** This is an estimate of what the group's exposure will be were a customer to default. This exposure consists of lending volume, guarantees and approved, but not drawn limits respectively. Approved, but not drawn facilities of a retail market customer has a conversion factor equal to 1. This means that the limit is assumed 100% withdrawn given default. For the corporate market, approved but not drawn facilities are multiplied by a conversion factor that varies between 60-90%, depending on the customer's probability of default. For guarantees, the conversion factor is an authority-set parameter set to 1 for loan guarantees and 0.5 for other warranties.

3. **Loss given default (LGD):** This is an estimate of how much the group can potentially lose if the customer defaults on his obligations. The assessment takes into account, among other things, the value of underlying collateral, degree of recovery on unsecured part of the commitment, degree of recovery before realisation and collection costs. The group determines the realisation value of collateral based on statistical data over time, as well as expert assessments in cases where statistical data do not provide an adequate basis. Realisation values are set so that they reflect an assumed realisation value in a recession based on a conservative assessment. Seven different classes are used (1-7) for classifying exposures in relation to loss given default.

The group continuously develops and tests the risk management system and the credit granting process to ensure that it is of high quality over time. Quantitative validation is intended to ensure that the estimates used for the probability of default, exposure at default and loss given default are always of adequately good quality. Analyses are carried out to assess the models' ability to rank the customers according to risk (discrimination ability), and the ability to determine the correct level for the risk parameters. In addition, the stability of the models' estimates and the models' cyclical sensitivity are analysed. The quantitative validation will be supplemented by more qualitative assessments in some cases. This is especially true if the amount of statistical data is limited.

In addition to the credit risk in the lending portfolio, the group has credit risk through its exposure in the liquidity reserve portfolio. This portfolio consists mainly of low risk certificates and bonds that qualify for loans from Norges Bank.

For further information please see notes 7-13.

Liquidity risk is managed via the group's general liquidity strategy, which is reviewed and adopted by the board at least once a year. Liquidity management is based on conservative limits and reflects the group's moderate risk profile. The group's treasury department is responsible for liquidity management, while the risk management and compliance department monitor and report on the utilisation of limits in accordance with the liquidity strategy.

The group's lending is mainly funded by customer deposits and long-term securities debt. The liquidity risk is restricted by diversifying securities debt in terms of markets, funding sources, instruments and maturity periods.

For further information see notes 16 and 17.

Market risk is managed through the market risk strategy, which defines the group's willingness to assume risk. The strategy and the associated specification of the necessary risk ceilings, reporting procedures and authorities are reviewed and adopted by the board at least once a year.

Market risk in SpareBank 1 SR-Bank primarily relates to the group's long-term investments in securities. In addition, the group is exposed to some market risk through trading activities in interest rate and currency markets, as well as from activities that underpin ordinary funding and lending activities. The group's market risk is measured and monitored on the basis of conservative limits that are renewed and approved by the board at least once a year. The size of the limits is determined on the basis of stress tests and analyses of negative market movements. The group's exposure to market risk is moderate.

Interest rate risk is the risk of losses incurred due to changes in interest rates. The group's interest rate risk is regulated by limits for maximum value change following a change in the interest rate level of 1 percentage point. The interest rate commitments for the group's instruments are mostly short-term and the group's interest rate risk is low.

Currency risk is the risk of losses due to fluctuations in foreign exchange rates. The group measures currency risk on the basis of net positions in the different currencies in which the group has exposure. Currency risk is regulated by nominal limits for maximum aggregate currency positions and maximum positions within individual currencies. The scope of the group's trading in foreign currency is modest and the currency rate risk is considered low.

Price risk is the risk of losses that arise following changes in the value of the group's bonds, certificates, and equity instruments. The spread risk is defined as the risk of changes in the market value of bonds as a result of general changes in the credit spreads. Credit spread risk expresses the potential loss in the bond portfolios beyond the bankruptcy risk. Quantification of the risk-adjusted capital for spread risk in the bond portfolios is calculated based on the Financial Supervisory Authority of Norway's model for risk-based supervision of market risk in insurance companies. The group's risk exposure to this type of risk is regulated by limits for maximum investments in the different portfolios.

For more information see notes 14, 15 and 27.

Operational risk is managed via a risk strategy that is set annually by the board and which defines the group's willingness to assume risk. The strategy includes limits for permissible risk exposure and qualitative criteria for which events will, regardless, be deemed to be within the board's defined willingness to assume risk.

The group has a dynamic approach to operational risk management and conducts periodic analyses to detect weaknesses and new or changed risks. Adverse events that occur are registered

and systematically followed up to learn lessons and avoid repetitions. Furthermore, all major change initiatives undergo a standardised risk assessment process to prevent changes introducing unwanted risks. Risk mitigation measures are assessed and implemented on an ongoing basis.

Climate risk is an integral part of the group's risk management processes and SpareBank 1 SR-Bank identifies and assesses climate risks and opportunities that can affect customers, business areas and operations at various levels. The group conducts annual stress tests and financial simulations on its loan portfolio. SpareBank 1 SR-Bank's greatest exposure to climate risk is in the corporate market portfolio, including agriculture, so climate managing the risk in this area has been made a priority. The group's corporate market divisions have since 2019 used a separate risk assessment module for sustainability that is integrated into the credit process for all exposures over NOK 50 million. In 2021, SpareBank 1 SR-Bank started analysing CO2 emissions based on the methodology of the Partnership for Carbon Accounting Financials (PCAF).

Owner risk is managed through active board participation in a number of the part-owned companies. SpareBank 1 SR-Bank is mainly exposed to owner risk in SpareBank 1 Gruppen AS (19.5%), BN Bank ASA (35.0%), SpareBank 1 Utvikling DA (18.0%), SpareBank 1 Forvaltning AS (36.3%), SpareBank 1 Kreditt AS (17.7%), SpareBank 1 Betaling AS (19.8%), SpareBank 1 Bank og Regnskap AS (25.0%) and SpareBank 1 Gjeldsinformasjon AS (18.3%).

Compliance risk is managed by implementing the framework for compliance provided by the bank's compliance policy. The framework is intended to ensure that the group does not incur public sanctions/penalties or financial loss as a result of a failure to comply with legislation and regulations. The group's compliance policy is adopted by the board and describes the main principles for responsibility and organisation in relation to complying with legal requirements and rules.

The group must have very little tolerance for compliance risk. This means that regulations must be interpreted from a conservative perspective. The group will be able to challenge but not breach established or new framework conditions, and the framework for compliance must be tailored to the scope of the group.

SpareBank 1 SR-Bank is cognisant of the need to have good processes to ensure compliance with legislation and regulations. The focus of compliance shall form an integral part of the management and decision process in the group.

SpareBank 1 SR-Bank's compliance function is organised independently of the business units. The department bears overall responsibility for the framework, monitoring and reporting within the area. The Executive Vice President Compliance reports directly to the CEO and the board. The investment firm and subsidiaries have their own compliance officers where this is required.

NOTE 7 CREDIT INSTITUTIONS - RECEIVABLES AND LIABILITIES

(Figures in NOK millions)

Parent bank			Group	
2020	2021		2021	2020
Loans to and receivables from credit institutions				
2,070	464	Receivables at call	502	2,084
12,983	7,890	At call	4	254
10,251	4,860	With agreed maturities or notice	4,860	10,251
25,304	13,214	Total	5,366	12,589
Debt to credit institutions				
23,234	12,750	NOK	4,902	10,519
2,070	464	Currency	464	2,070
25,304	13,214	Total	5,366	12,589
Debt to credit institutions				
288	804	At call	77	214
3,930	2,557	With agreed maturities or notice	2,557	3,930
4,218	3,361	Total	2,634	4,144
Received securities that can be sold or mortgaged				
Resale agreements				
9,375	4,039	Certificates and bonds	4,039	9,375
9,375	4,039	Total received securities	4,039	9,375
-	-	Of which received securities that are sold or mortgaged	-	-
-	-	Certificates and bonds	-	-

Securities that are bought due to a resale agreement are not recognised since the risks and rewards of ownership of the assets have not been transferred. Such transactions generally involve interest-bearing securities. Received securities, including collateral, are recognised off the balance sheet independent of whether the group is allowed to sell or mortgage the security. When received securities are sold, the group will recognise a liability on the balance sheet. The balance sheet item "Loans to and receivables from credit institutions" includes receivables with resale agreements.

NOTE 8 LOANS AND OTHER FINANCIAL LIABILITIES TO CUSTOMERS

(Figures in NOK millions)

Parent bank			Group	
2020	2021		2021	2020
82,740	86,873	Loans at amortised cost	221,849	209,527
41,563	45,611	Loans at fair value through OCI		
9,654	8,450	Loans at fair value through profit or loss	8,450	9,654
133,957	140,934	Gross loans	230,299	219,181
-2,178	-1,685	- Impairment provisions after amortised cost	-1,721	-2,215
13	11	- Home mortgages at fair value through OCI		
131,792	139,260	Net loans	228,578	216,966
		Distribution by market		
53,943	56,363	Retail Market	145,658	139,192
65,038	68,729	Large Corporates	68,439	64,695
15,394	15,840	SME & Agriculture	16,200	15,712
418	474	Public sector	474	418
-836	-472	Net corporate accounts currency ¹⁾	-472	-836
133,957	140,934	Gross loans	230,299	219,181
-2,178	-1,685	- Impairment provisions after amortised cost	-1,721	-2,215
13	11	- Home mortgages at fair value through OCI		
131,792	139,260	Net loans	228,578	216,966
		Of which subordinated loan capital		
43	-	Primary capital	-	43
43	-	Subordinated loan capital recognised as lending	-	43
2,181	2,655	Loans to employees	3,505	2,994
1,603	1,535	Of which loans in SR Boligkreditt	2,049	2,119
		The terms are one percentage point lower than the standardised rate set by the Ministry of Finance.		
		Loans sold to mortgage companies		
85,509	89,574	Loans sold to SR-Boligkreditt	-	-
51	56	Received commissions from SR-Boligkreditt	-	-
14	-	Received commissions from SpareBank 1 Boligkreditt	-	14
		Total exposure by probability of default (PD)^{1) 2) 3)}		
75,853	84,929	0.00 - 0.50%	169,170	156,864
61,079	65,879	0.50 - 2.50%	77,161	70,951
12,985	10,576	2.50 - 5.00%	11,139	13,706
5,567	5,465	5.00 - 99.9%	6,233	6,398
5,031	4,143	Exposures in default	4,179	5,038
160,515	170,992	Total exposure	267,882	252,957
-17,795	-19,414	Unused credit lines for customers	-26,897	-24,962
-8,763	-10,644	Guarantees	-10,686	-8,814
133,957	140,934	Gross loans	230,299	219,181

Parent bank			Group	
2020	2021	Gross loans by probability of default (PD) ^{1) 2) 3)}	2021	2020
64,702	71,814	0.00 - 0.50%	148,659	138,591
51,187	53,254	0.50 - 2.50%	64,431	60,978
9,749	8,229	2.50 - 5.00%	8,779	10,462
4,631	4,740	5.00 - 99.9%	5,502	5,458
3,688	2,897	Exposures in default	2,928	3,692
133,957	140,934	Gross loans	230,299	219,181
Expected annual average net impairment provisions by probability of default PD^{2) 3) 4)}				
14	17	0.00 - 0.50%	19	16
118	123	0.50 - 2.50%	124	120
89	82	2.50 - 5.00%	82	90
109	116	5.00 - 99.9%	118	111
10	11	Exposures in default	12	10
340	349	Total	355	347
Gross loans to customers by industry				
2,904	3,586	Aquaculture	3,594	2,909
2,829	3,718	Industry	3,766	2,881
5,199	5,305	Agriculture/forestry	5,576	5,481
14,286	15,804	Service sector	16,100	14,421
3,204	3,008	Wholesale and retail trade, hotels and restaurants	3,180	3,339
2,544	1,195	Energy, oil and gas	1,195	2,544
4,235	3,951	Building and construction	4,152	4,421
1,129	1,412	Power and water supply	1,412	1,129
31,419	33,599	Real estate	33,608	31,430
11,227	11,812	Shipping and other transport	11,958	11,372
2,180	2,451	Public sector and financial services	2,451	2,180
81,156	85,841	Total industry	86,992	82,107
52,801	55,093	Retail market	143,307	137,074
133,957	140,934	Gross loans	230,299	219,181
-2,178	-1,685	- Impairment provisions after amortised cost	-1,721	-2,215
13	11	- Home mortgages at fair value through OCI		
131,792	139,260	Loans to customers	228,578	216,966
Financial liabilities⁵⁾				
8,763	10,644	Guarantees customers	10,686	8,814
17,795	19,414	Unused credit lines for customers	26,897	24,962
9,473	12,475	Approved loan exposures	12,475	9,473
36,031	42,533	Gross financial liabilities	50,058	43,249
Other pledged guarantees and liabilities				
7,220	12,048	Unused credit lines for credit institutions	-	-
75,385	78,529	Guarantees others	589	589
35	2	Letters of credit	2	35
82,640	90,579	Total other pledged guarantees and liabilities	591	624

(Note 8 cont.)

Parent bank			Group		
2020	2021	Expected annual average impairment provisions by sector and industry ^{2) 3)}	2021	2020	
13	21	Aquaculture	20	13	
20	19	Industry	19	20	
5	3	Agriculture/forestry	3	5	
79	93	Service sector	94	79	
34	25	Wholesale and retail trade, hotels and restaurants	25	34	
14	5	Energy, oil and gas	5	14	
26	20	Building and construction	20	26	
3	4	Power and water supply	4	3	
99	117	Real estate	117	99	
26	26	Shipping and other transport	26	26	
1	3	Public sector and financial services	3	1	
320	336	Total industry	336	320	
20	13	Retail market	19	27	
340	349	Total	355	347	
Gross loans by geographic area					
72,801	71,175	Rogaland	132,570	133,239	
22,899	24,771	Vestland	37,940	34,775	
12,570	13,033	Agder	21,897	21,079	
15,552	21,866	Oslo/Viken	26,824	19,177	
2,950	4,505	International	4,724	3,120	
7,185	5,584	Other	6,344	7,791	
133,957	140,934	Gross loans	230,299	219,181	
Loans to and receivables from customers related to financial leases⁸⁾					
Gross investments related to financial leases					
1,813	1,966	Up to 1 year	1,966	1,813	
4,490	4,841	Between 1 to 5 years	4,841	4,490	
657	571	Later than 5 years	571	657	
6,961	7,378	Total	7,378	6,961	
Net investments related to financial leases					
1,662	1,794	Up to 1 year	1,794	1,662	
4,273	4,607	Between 1 to 5 years	4,607	4,273	
639	558	Later than 5 years	558	639	
6,574	6,959	Total	6,959	6,574	

Gross loans to customers by industry, with incremental impairment provisions and net loans

Parent bank							
2021	Gross loans at amortised cost	Stage 1	Stage 2	Stage 3	Loans at fair value	Net loans	
Aquaculture	3,551	-8	-33	-	35	3,545	
Industry	3,657	-10	-8	-132	61	3,568	
Agriculture/forestry	2,724	-1	-6	-2	2,581	5,296	
Service sector	15,141	-43	-63	-133	663	15,565	
Wholesale and retail trade, hotels and restaurants	2,757	-11	-17	-6	251	2,974	
Energy, oil and gas	1,195	-2	-3	-68	-	1,122	
Building and construction	3,651	-7	-18	-19	300	3,907	
Power and water supply	1,408	-3	-6	-	4	1,403	
Real estate	33,373	-79	-91	-53	226	33,376	
Shipping and other transport	11,678	-10	-47	-691	134	11,064	
Public sector and financial services	2,451	-	-	-	-	2,451	
Total industry	81,586	-174	-292	-1,104	4,255	84,271	
Retail market	5,287	-11	-34	-70	49,806	54,978	
Adjustment for fair value through OCI					11	11	
Loans to customers	86,873	-185	-326	-1,174	54,072	139,260	

2020	Gross loans at amortised cost	Stage 1	Stage 2	Stage 3	Loans at fair value	Net loans	
Aquaculture	2,872	-14	-15	-	32	2,875	
Industry	2,747	-17	-11	-83	82	2,718	
Agriculture/forestry	2,582	-2	-6	-6	2,617	5,185	
Service sector	13,730	-59	-72	-128	556	14,027	
Wholesale and retail trade, hotels and restaurants	2,959	-24	-28	-16	245	3,136	
Energy, oil and gas	2,544	-14	-9	-705	-	1,816	
Building and construction	3,942	-18	-21	-12	293	4,184	
Power and water supply	1,125	-4	-3	-	4	1,122	
Real estate	31,170	-100	-75	-62	249	31,182	
Shipping and other transport	11,100	-23	-37	-454	127	10,713	
Public sector and financial services	2,180	-	-	-	-	2,180	
Total industry	76,951	-275	-277	-1,466	4,205	79,138	
Retail market	5,789	-13	-54	-93	47,012	52,641	
Adjustment for fair value through OCI					13	13	
Loans to customers	82,740	-288	-331	-1,559	51,230	131,792	

Gross loans to customers by industry, with incremental impairment provisions and net loans

Group							
2021	Gross loans at amortised cost	Stage 1	Stage 2	Stage 3	Loans at fair value	Net loans	
Aquaculture	3,586	-8	-33	-	8	3,553	
Industry	3,756	-10	-8	-132	10	3,616	
Agriculture/forestry	4,479	-1	-7	-2	1,097	5,566	
Service sector	16,001	-43	-64	-133	99	15,860	
Wholesale and retail trade, hotels and restaurants	3,146	-11	-17	-7	34	3,145	
Energy, oil and gas	1,195	-2	-3	-68	-	1,122	
Building and construction	4,103	-8	-18	-18	49	4,108	
Power and water supply	1,412	-3	-6	-	-	1,403	
Real estate	33,480	-79	-91	-53	128	33,385	
Shipping and other transport	11,931	-10	-47	-691	27	11,210	
Public sector and financial services	2,451	-	-	-	-	2,451	
Total industry	85,540	-175	-294	-1,104	1,452	85,419	
Retail market	136,309	-18	-59	-71	6,998	143,159	
Loans to customers	221,849	-193	-353	-1,175	8,450	228,578	

2020⁹⁾

Aquaculture	2,901	-14	-15	-	8	2,880	
Industry	2,871	-17	-11	-83	10	2,770	
Agriculture/forestry	4,366	-2	-6	-6	1,115	5,467	
Service sector	14,304	-59	-73	-128	117	14,161	
Wholesale and retail trade, hotels and restaurants	3,309	-24	-28	-16	30	3,271	
Energy, oil and gas	2,544	-14	-9	-705	-	1,816	
Building and construction	4,368	-18	-21	-12	53	4,370	
Power and water supply	1,127	-4	-3	-	2	1,122	
Real estate	31,287	-100	-75	-62	143	31,193	
Shipping and other transport	11,348	-23	-37	-454	24	10,858	
Public sector and financial services	2,180	-	-	-	-	2,180	
Total industry	80,605	-275	-278	-1,466	1,502	80,088	
Retail market	128,922	-23	-79	-94	8,152	136,878	
Loans to customers	209,527	-298	-357	-1,560	9,654	216,966	

Gross loans by risk class

Parent bank	2021				2020			
	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans
A-C	73,142	352	2	73,496	64,186	71	196	64,453
D-F	47,329	4,136	109	51,574	45,243	5,475	803	51,521
G-I	8,317	4,764	42	13,123	9,887	5,387	298	15,572
J-K	23	-	2,718	2,741	4	-	2,407	2,411
Total gross loans	128,811	9,252	2,871	140,934	119,320	10,933	3,704	133,957
Group								
A-C	151,317	933	4	152,254	137,812	251	196	138,259
D-F	55,523	5,317	109	60,949	53,486	7,070	807	61,363
G-I	8,473	5,809	46	14,238	10,068	6,751	311	17,130
J-K	28	-	2,740	2,768	4	-	2,425	2,429
Total gross loans	215,341	12,059	2,899	230,299	201,370	14,072	3,739	219,181

Gross loans and financial liabilities, incremental distribution

Parent bank	2021				2020⁹⁾			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross loans Large Corporates								
Gross loans 1.1.	54,430	6,975	3,215	64,620	56,013	7,717	1,871	65,601
Transferred to (from) Stage 1	-2,834	2,827	7	-	-5,505	4,991	514	-
Transferred to (from) Stage 2	1,879	-1,949	70	-	1,364	-2,171	807	-
Transferred to (from) Stage 3	-	5	-5	-	100	1	-101	-
Net increase/(decrease) balance existing loans	2,926	470	565	3,961	3,992	1,816	207	6,015
New issued or purchased financial assets	23,712	318	136	24,166	18,751	707	730	20,188
Derecognised financial assets	-19,362	-3,123	-1,531	-24,016	-20,285	-6,086	-813	-27,184
Gross loans 31.12.	60,751	5,523	2,457	68,731	54,430	6,975	3,215	64,620
Gross loans SME & Agriculture								
Gross loans 1.1.	13,502	1,760	132	15,394	12,620	1,656	94	14,370
Transferred to (from) Stage 1	-867	856	11	-	-935	915	20	-
Transferred to (from) Stage 2	580	-608	28	-	584	-615	31	-
Transferred to (from) Stage 3	-	-	-	-	27	12	-39	-
Net increase/(decrease) balance existing loans	666	127	23	816	720	138	17	875
New issued or purchased financial assets	4,559	331	41	4,931	4,175	229	17	4,421
Derecognised financial assets	-4,449	-762	-90	-5,301	-3,689	-575	-8	-4,272
Gross loans 31.12.	13,991	1,704	145	15,840	13,502	1,760	132	15,394
Gross loans – retail market								
Gross loans 1.1.	51,388	2,198	357	53,943	51,950	2,419	175	54,544
Transferred to (from) Stage 1	-904	845	59	-	-1,360	1,241	119	-
Transferred to (from) Stage 2	582	-605	23	-	649	-738	89	-
Transferred to (from) Stage 3	6	20	-26	-	4	4	-8	-
Net increase/(decrease) balance existing loans	6,208	216	49	6,473	8,311	275	28	8,614
New issued or purchased financial assets	27,432	543	29	28,004	24,773	428	26	25,227
Derecognised financial assets	-30,643	-1,192	-222	-32,057	-32,939	-1,431	-72	-34,442
Gross loans 31.12.	54,069	2,025	269	56,363	51,388	2,198	357	53,943
Gross loans – total								
Gross loans 1.1.	119,320	10,933	3,704	133,957	120,583	11,792	2,140	134,515
Transferred to (from) Stage 1	-4,605	4,528	77	-	-7,800	7,147	653	-
Transferred to (from) Stage 2	3,041	-3,162	121	-	2,597	-3,524	927	-
Transferred to (from) Stage 3	6	25	-31	-	131	17	-148	-
Net increase/(decrease) balance existing loans	9,800	813	637	11,250	13,023	2,229	252	15,504
New issued or purchased financial assets	55,703	1,192	206	57,101	47,699	1,364	773	49,836
Derecognised financial assets	-54,454	-5,077	-1,843	-61,374	-56,913	-8,092	-893	-65,898
Gross loans 31.12.	128,811	9,252	2,871	140,934	119,320	10,933	3,704	133,957
Gross financial liabilities^{6) 7)}								
Financial liabilities 1.1.	32,837	1,945	1,249	36,031	27,537	2,446	884	30,867
Net increase/(decrease) in period	6,830	-277	-51	6,502	5,300	-501	365	5,164
Financial liabilities 31.12.	39,667	1,668	1,198	42,533	32,837	1,945	1,249	36,031

Group	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross loans Large Corporates								
Gross loans 1.1.	54,086	6,975	3,215	64,276	56,012	7,717	1,871	65,600
Transferred to (from) Stage 1	-2,835	2,828	7	-	-5,505	4,991	514	-
Transferred to (from) Stage 2	1,879	-1,949	70	-	1,364	-2,171	807	-
Transferred to (from) Stage 3	-	5	-5	-	100	1	-101	-
Net increase/(decrease) balance existing loans	2,925	470	565	3,960	3,992	1,816	207	6,015
New issued or purchased financial assets	23,713	318	136	24,167	18,756	707	730	20,193
Derecognised financial assets	-19,307	-3,124	-1,531	-23,962	-20,633	-6,086	-812	-27,531
Gross loans 31.12.	60,461	5,523	2,457	68,441	54,086	6,975	3,216	64,277
Gross loans SME & Agriculture								
Gross loans 1.1.	13,792	1,789	131	15,712	12,860	1,680	94	14,634
Transferred to (from) Stage 1	-880	868	12	-	-948	928	20	-
Transferred to (from) Stage 2	595	-623	28	-	593	-624	31	-
Transferred to (from) Stage 3	-	-	-	-	27	12	-39	-
Net increase/(decrease) balance existing loans	684	129	23	836	730	141	17	888
New issued or purchased financial assets	4,655	334	41	5,030	4,244	229	16	4,489
Derecognised financial assets	-4,512	-776	-90	-5,378	-3,714	-577	-8	-4,299
Gross loans 31.12.	14,334	1,721	145	16,200	13,792	1,789	131	15,712
Gross loans – retail market								
Gross loans 1.1.	133,492	5,308	392	139,192	122,027	5,025	192	127,244
Transferred to (from) Stage 1	-2,187	2,122	65	-	-2,714	2,586	127	-
Transferred to (from) Stage 2	1,789	-1,821	32	-	1,650	-1,756	106	-
Transferred to (from) Stage 3	9	31	-40	-	8	6	-14	-
Net increase/(decrease) balance existing loans	9,228	290	50	9,568	12,487	411	30	12,928
New issued or purchased financial assets	55,794	1,183	28	57,005	45,622	852	29	46,503
Derecognised financial assets	-57,579	-2,298	-230	-60,107	-45,588	-1,816	-78	-47,482
Gross loans 31.12.	140,546	4,815	297	145,658	133,492	5,308	392	139,192
Gross loans – total								
Gross loans 1.1.	201,370	14,072	3,738	219,180	190,899	14,422	2,157	207,478
Transferred to (from) Stage 1	-5,902	5,818	84	-	-9,167	8,505	661	-
Transferred to (from) Stage 2	4,263	-4,393	130	-	3,607	-4,551	944	-
Transferred to (from) Stage 3	9	36	-45	-	135	19	-154	-
Net increase/(decrease) balance existing loans	12,837	889	638	14,364	17,209	2,368	254	19,831
New issued or purchased financial assets	84,162	1,835	205	86,202	68,622	1,788	775	71,185
Derecognised financial assets	-81,398	-6,198	-1,851	-89,447	-69,935	-8,479	-898	-79,312
Gross loans 31.12.	215,341	12,059	2,899	230,299	201,370	14,072	3,739	219,181
Gross financial liabilities^{6) 7)}								
Financial liabilities 1.1.	39,789	2,208	1,252	43,249	34,272	2,698	885	37,855
Net increase/(decrease) in period	7,165	-304	-52	6,809	5,517	-490	367	5,394
Financial liabilities 31.12.	46,954	1,904	1,200	50,058	39,789	2,208	1,252	43,249

Forbearance on gross loans and financial liabilities, incremental distribution

Forbearance per stage								
Loans	-	2,219	2,521	4,740	-	2,390	2,989	5,379
Financial liabilities	-	267	1,019	1,286	-	526	985	1,511
Forbearance 31.12.	-	2,486	3,540	6,026	-	2,916	3,974	6,890

¹⁾ Loans to customers with a positive balance on corporate accounts

²⁾ PD = probability of default

³⁾ The expected average annual net impairment provision is the amount that the parent bank and the group statistically expect to lose on the lending portfolio over a 12-month period. The calculations are based on a long-term average over an economic cycle. The 2020 figures have been changed as a result of updated source data.

⁴⁾ In the event of an impairment, all the loan capital is moved to the default class irrespective of earlier classification.

⁵⁾ Financial liabilities not on the balance sheet that are the basis for impairment provisions.

⁶⁾ Other financial liabilities include guarantees, unused credit lines and loan exposures.

⁷⁾ Financial liabilities provide the basis for impairment provisions under IFRS 9. See also note 10.

⁸⁾ Included in loans to customers

⁹⁾ The movements in loans from 2020 have been changed due to the updated basis.

NOTE 9 LOANS SOLD TO SPAREBANK 1 BOLIGKREDITT AND SPAREBANK 1 NÆRINGSKREDITT

Loans sold to SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt is owned by the savings banks that make up the SpareBank 1 Alliance and shares premises with SpareBank 1 Næringskreditt in Stavanger. The agreement with SpareBank 1 Boligkreditt was terminated on 31.12.2020 and the bank had no assets or sold loans in SpareBank 1 Boligkreditt as at 31.12.2020. The bank managed the sold loans and received a commission based on the net interest margin on sold loans and a share of the cost in the company up to 31.12.2020.

Loans sold to SpareBank 1 Næringskreditt

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 that issues covered bonds. The bank owned a 15.6% stake until 29.09.2021 when the shares were sold (15.6% as at 31.12.2020). At the end of December 2021 and 2020 no loans had been sold to SpareBank 1 Næringskreditt. The bank manages any sold loans and received a commission based on the net interest margin on sold loans and a share of the cost in the company up to 31.12.2020.

NOTE 10 IMPAIRMENT PROVISIONS ON LOANS AND FINANCIAL LIABILITIES

(Figures in NOK millions)

Parent bank	1.1.2021	Change in impairment provisions on loans on loans	Change in impairment provisions on financial liabilities	Total 31.12.2021
Impairment provisions on loans and financial liabilities				
Impairment provisions after amortised cost – Large Corporates	2,035	-444	-96	1,495
Impairment provisions after amortised cost – SME & Agriculture	226	-9	-6	211
Impairment provisions after amortised cost – Retail Market	95	-23	-1	71
Home mortgages at fair value through OCI	78	-17	-	61
Total impairment provisions on loans and financial liabilities	2,434	-493	-103	1,838
Presented as:				
Impairment provisions on loans	2,178	-493	-	1,685
Impairment provisions on financial liabilities	256	-	-103	153
Total impairment provisions on loans and financial liabilities	2,434	-493	-103	1,838
Impairment provisions on loans and financial liabilities	1.1.2020			31.12.2020
Impairment provisions after amortised cost – Large Corporates	1,239	684	112	2,035
Impairment provisions after amortised cost – SME & Agriculture	157	56	13	226
Impairment provisions after amortised cost – Retail Market	95	-	-	95
Home mortgages at fair value through OCI	54	23	1	78
Total impairment provisions on loans and financial liabilities	1,545	763	126	2,434
Presented as:				
Impairment provisions on loans	1,415	763	-	2,178
Impairment provisions on financial liabilities	130	-	126	256
Total impairment provisions on loans and financial liabilities	1,545	763	126	2,434

Impairment provisions on loans, Large Corporates	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance 1.1.	213	205	1,388	1,806	111	301	711	1,123
Changes 1.1. - 31.12.								
Transferred to (from) Stage 1	-14	14	-	-	-11	11	-	-
Transferred to (from) Stage 2	61	-62	1	-	44	-46	2	-
Transferred to (from) Stage 3	-	3	-3	-	-	-	-	-
Net new measurement of impairment provisions	-119	99	-359	-379	26	84	680	790
New issued or purchased loans	63	17	9	89	82	23	8	113
Loans that have been derecognised	-70	-71	-13	-154	-39	-168	-13	-220
Total impairment provisions on loans	134	205	1,023	1,362	213	205	1,388	1,806
Impairment provisions on loans, SME & Agriculture								
Balance 1.1.	60	76	65	201	24	52	69	145
Changes 1.1. - 31.12.								
Transferred to (from) Stage 1	-3	3	-	-	-3	3	-	-
Transferred to (from) Stage 2	17	-19	2	-	13	-14	1	-
Transferred to (from) Stage 3	-	-	-	-	4	-	-4	-
Net new measurement of impairment provisions	-37	24	13	-	10	40	2	52
New issued or purchased loans	16	12	3	31	17	7	-	24
Loans that have been derecognised	-14	-16	-10	-40	-5	-12	-3	-20
Total impairment provisions on loans	39	80	73	192	60	76	65	201
Impairment provisions on loans – retail market								
Balance 1.1.	16	49	106	171	9	29	109	147
Changes 1.1. - 31.12.								
Transferred to (from) Stage 1	-1	1	-	-	-1	1	-	-
Transferred to (from) Stage 2	11	-12	1	-	4	-6	2	-
Transferred to (from) Stage 3	-	2	-2	-	-	-	-	-
Net new measurement of impairment provisions	-16	8	-19	-27	-2	23	-	21
New issued or purchased loans	7	9	2	18	8	9	4	21
Loans that have been derecognised	-5	-16	-10	-31	-2	-7	-9	-18
Total impairment provisions on loans	12	41	78	131	16	49	106	171
Impairment provisions on loans – total								
Balance 1.1.	289	330	1,559	2,178	144	382	889	1,415
Changes 1.1. - 31.12.								
Transferred to (from) Stage 1	-18	18	-	-	-15	15	-	-
Transferred to (from) Stage 2	89	-93	4	-	61	-66	5	-
Transferred to (from) Stage 3	-	5	-5	-	4	-	-4	-
Net new measurement of impairment provisions	-172	131	-365	-406	34	147	682	863
New issued or purchased loans	86	38	14	138	107	39	12	158
Loans that have been derecognised	-89	-103	-33	-225	-46	-187	-25	-258
Total impairment provisions on loans	185	326	1,174	1,685	289	330	1,559	2,178
Impairment provisions on financial liabilities								
Balance 1.1.	43	47	166	256	21	82	27	130
Changes 1.1. - 31.12.								
Transferred to (from) Stage 1	-2	2	-	-	-2	2	-	-
Transferred to (from) Stage 2	18	-18	-	-	10	-10	-	-
Transferred to (from) Stage 3	-	-	-	-	-	-	-	-
Net new measurement of impairment provisions	-37	14	-80	-103	3	12	139	154
New issued or purchased loans	18	7	1	26	16	4	1	21
Loans that have been derecognised	-8	-7	-11	-26	-5	-43	-1	-49
Total impairment provisions on financial liabilities	32	45	76	153	43	47	166	256
Of which impairment provisions in the Large Corporates	25	34	74	133	35	32	162	229
Of which impairment provisions in SME & Agriculture	6	11	2	19	7	14	4	25
Of which impairment provisions in Retail Market	-	1	-	1	1	1	-	2

(Note 10 cont.)

Group	1.1.2021	Change in impairment provisions on loans on loans	Change in impairment provisions on financial liabilities	Total 31.12.2021
Impairment provisions on loans and financial liabilities				
Impairment provisions after amortised cost – Large Corporates	2,035	-444	-96	1,495
Impairment provisions after amortised cost – SME & Agriculture	226	-9	-6	211
Impairment provisions after amortised cost – Retail Market	210	-41	-1	168
Home mortgages at fair value through OCI	-	-	-	-
Total impairment provisions on loans and financial liabilities	2,471	-494	-103	1,874
Presented as:				
Impairment provisions on loans	2,215	-494	-	1,721
Impairment provisions on financial liabilities	256	-	-103	153
Total impairment provisions on loans and financial liabilities	2,471	-494	-103	1,874

Impairment provisions on loans and financial liabilities	1.1.2020			Total 31.12.2020
Impairment provisions after amortised cost – Large Corporates	1,240	683	112	2,035
Impairment provisions after amortised cost – SME & Agriculture	157	56	13	226
Impairment provisions after amortised cost – Retail Market	159	50	1	210
Home mortgages at fair value through OCI	-	-	-	-
Total impairment provisions on loans and financial liabilities	1,556	789	126	2,471
Presented as:				
Impairment provisions on loans	1,426	789	-	2,215
Impairment provisions on financial liabilities	130	-	126	256
Total impairment provisions on loans and financial liabilities	1,556	789	126	2,471

Impairment provisions on loans, Large Corporates	2021				2020 ¹⁾			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance 1.1.	213	205	1,388	1,806	111	301	711	1,123
Changes 1.1. - 31.12.								
Transferred to (from) Stage 1	-14	14	-	-	-11	11	-	-
Transferred to (from) Stage 2	61	-62	1	-	44	-46	2	-
Transferred to (from) Stage 3	-	3	-3	-	-	-	-	-
Net new measurement of impairment provisions	-119	99	-359	-379	26	84	680	790
New issued or purchased loans	63	17	9	89	82	23	8	113
Loans that have been derecognised	-70	-71	-13	-154	-39	-168	-13	-220
Total impairment provisions on loans	134	205	1,023	1,362	213	205	1,388	1,806

Impairment provisions on loans, SME & Agriculture								
Balance 1.1.	60	76	65	201	24	52	69	145
Changes 1.1. - 31.12.								
Transferred to (from) Stage 1	-3	3	-	-	-3	3	-	-
Transferred to (from) Stage 2	17	-19	2	-	13	-14	1	-
Transferred to (from) Stage 3	-	-	-	-	4	-	-4	-
Net new measurement of impairment provisions	-37	24	13	-	10	40	2	52
New issued or purchased loans	16	12	3	31	17	7	-	24
Loans that have been derecognised	-14	-16	-10	-40	-5	-12	-3	-20
Total impairment provisions on loans	39	80	73	192	60	76	65	201

Impairment provisions on loans – retail market								
Balance 1.1.	25	75	108	208	12	35	111	158
Changes 1.1. - 31.12.								
Transferred to (from) Stage 1	-1	1	-	-	-1	1	-	-
Transferred to (from) Stage 2	19	-20	1	-	5	-7	2	-
Transferred to (from) Stage 3	-	3	-3	-	-	1	-1	-
Net new measurement of impairment provisions	-26	18	-18	-26	-	37	-	37
New issued or purchased loans	10	15	3	28	12	17	5	34
Loans that have been derecognised	-7	-25	-11	-43	-3	-9	-9	-21
Total impairment provisions on loans	20	67	80	167	25	75	108	208

Impairment provisions on loans – total	2021				2020 ¹⁾			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance 1.1.	298	356	1,561	2,215	147	388	891	1,426
Changes 1.1. - 31.12.								
Transferred to (from) Stage 1	-18	18	-	-	-15	15	-	-
Transferred to (from) Stage 2	97	-101	4	-	62	-67	5	-
Transferred to (from) Stage 3	-	6	-6	-	4	1	-5	-
Net new measurement of impairment provisions	-182	141	-364	-405	36	161	682	879
New issued or purchased loans	89	44	15	148	111	47	13	171
Loans that have been derecognised	-91	-112	-34	-237	-47	-189	-25	-261
Total impairment provisions on loans	193	352	1,176	1,721	298	356	1,561	2,215
Impairment provisions on financial liabilities								
Balance 1.1.	43	47	166	256	21	82	27	130
Changes 1.1. - 31.12.								
Transferred to (from) Stage 1	-2	2	-	-	-2	2	-	-
Transferred to (from) Stage 2	18	-18	-	-	10	-10	-	-
Transferred to (from) Stage 3	-	-	-	-	-	-	-	-
Net new measurement of impairment provisions	-37	14	-80	-103	3	12	139	154
New issued or purchased loans	18	7	1	26	16	4	1	21
Loans that have been derecognised	-8	-7	-11	-26	-5	-43	-1	-49
Total impairment provisions on financial liabilities	32	45	76	153	43	47	166	256
Of which impairment provisions in the Large Corporates	25	34	74	133	35	32	162	229
Of which impairment provisions in SME & Agriculture	6	11	2	19	7	14	4	25
Of which impairment provisions in Retail Market	1	1	-	2	1	1	-	2

¹⁾ The movements in impairment provisions from 2020 have been changed due to the updated basis.

NOTE 11 CREDIT RISK EXPOSURE FOR EACH INTERNAL RISK CLASS

(Figures in NOK millions)

Probability of default (PD) ¹⁾	Average unsecured exposure ³⁾	Total exposures	Average unsecured exposure	Total exposures
	2021		2020	
Parent bank				
0.00 - 0.50%	21.8%	84,929	26.1%	75,853
0.50 - 2.50%	25.0%	65,879	27.0%	61,079
2.50 - 5.00%	34.4%	10,576	31.6%	12,985
5.00 - 99.9%	32.6%	5,465	33.6%	5,567
Non-performing and impaired	46.9%	4,143	50.2%	5,031
Total²⁾		170,992		160,515
Group				
0.00 - 0.50%	14.3%	169,170	17.6%	156,864
0.50 - 2.50%	22.9%	77,161	25.2%	70,951
2.50 - 5.00%	32.4%	11,139	30.8%	13,706
5.00 - 99.9%	28.7%	6,233	30.9%	6,398
Non-performing and impaired	46.6%	4,179	50.1%	5,038
Total²⁾		267,882		252,957

¹⁾ PD = probability of default. 12 months PIT (Point In Time)

²⁾ Gross loans, guarantees customers and unused credits.

³⁾ Unsecured exposures are calculated (per exposure) as the sum of the unsecured portion divided by the total exposure

NOTE 12 MAXIMUM CREDIT RISK EXPOSURE

(Figures in NOK millions)

Maximum exposure to credit risk for balance sheet components, including derivatives. Exposure is shown gross before assets pledged as security and permitted offsetting.

Parent bank			Group	
2020	2021		2021	2020
		Assets		
1	6	Receivables from the central bank	6	1
25,304	13,214	Loans to and receivables from credit institutions	5,366	12,589
131,792	139,260	Loans to and receivables from customers	228,578	216,966
36,978	54,321	Certificates and bonds	56,266	39,921
8,971	6,713	Derivatives	5,053	8,672
203,046	213,514	Total credit risk exposure balance sheet items	295,269	278,149
		Financial guarantees and loan exposures		
8,763	10,644	Guarantees customers	10,686	8,814
75,385	78,529	Guarantees others	589	589
7,220	12,048	Unused credit lines for financial institutions	-	-
17,795	19,414	Unused credit lines for customers	26,897	24,962
9,473	12,475	Loan exposures	12,475	9,473
118,636	133,110	Total financial guarantees and loan exposures	50,647	43,838
321,682	346,624	Total credit risk exposure	345,916	321,987

Credit risk exposure related to financial assets by geographic area

Parent bank			Group	
2020	2021		2021	2020
		Banking operations		
186,245	190,226	Rogaland	161,099	158,619
15,820	16,858	Agder	26,542	25,102
28,751	31,890	Vestland	45,820	41,321
24,082	29,123	Oslo/Viken	32,488	26,262
15,146	10,352	International	10,235	15,132
5,689	7,141	Other	8,413	6,958
275,733	285,590	Total banking operations	284,597	273,394
		Market activities		
10,331	15,163	Norway	16,808	12,782
24,019	34,969	Europe/Asia/Africa	35,269	24,511
2,628	4,189	North America/Oceania	4,189	2,628
36,978	54,321	Total market activities	56,266	39,921
8,971	6,713	Derivatives	5,053	8,672
321,682	346,624	Total by geographic area	345,916	321,987

NOTE 13 CREDIT QUALITY PER CLASS OF FINANCIAL ASSET

(Figures in NOK millions)

The bank manages the credit quality of financial assets in accordance with its internal credit rating guidelines. The table shows the credit quality per class of asset for loan-related assets on the balance sheet, based on the customer's probability of default in % (PD).

Parent bank

2021	0.00 - 0.50%	0.50 - 2.50%	2.50 - 5.00%	5.00 - 99.99%	Exposures in default	Impairment provisions	Total
Net loans							
Loans to and receivables from credit institutions	13,214	-	-	-	-	-	13,214
Loans to and receivables from customers							
- Retail market	42,682	11,873	661	840	307	-130	56,233
- Large Corporates	21,447	35,389	6,257	3,052	2,585	-1,363	67,367
- SME & Agriculture	6,505	6,890	1,428	865	153	-181	15,660
Total net loans	83,848	54,152	8,346	4,757	3,045	-1,674	152,474
Financial investments							
Norwegian government bonds	1,577	-	-	-	-	-	1,577
Listed certificates and bonds	52,599	78	17	49	1	-	52,744
Total financial investments	54,176	78	17	49	1	-	54,321
Total loan-related assets	138,024	54,230	8,363	4,806	3,046	-1,674	206,795
2020							
Net loans							
Loans to and receivables from credit institutions	25,304	-	-	-	-	-	25,304
Loans to and receivables from customers							
- Retail market	40,588	10,881	900	1,235	339	-158	53,785
- Large Corporates	17,094	34,368	7,625	2,141	3,392	-1,806	62,814
- SME & Agriculture	4,436	7,712	1,726	1,356	164	-201	15,193
Total net loans	87,422	52,961	10,251	4,732	3,895	-2,165	157,096
Financial investments							
Norwegian government bonds	-	-	-	-	-	-	-
Listed certificates and bonds	36,749	46	21	156	6	-	36,978
Total financial investments	36,749	46	21	156	6	-	36,978
Total loan-related assets	124,171	53,007	10,272	4,888	3,901	-2,165	194,074

Group

2021	0.00 - 0.50%	0.50 - 2.50%	2.50 - 5.00%	5.00 - 99.99%	Exposures in default	Impairment provisions	Total
Net loans							
Loans to and receivables from credit institutions	5,366						5,366
Loans to and receivables from customers							
- Retail market	119,329	23,146	1,231	1,606	346	-166	145,492
- Large Corporates	21,357	35,240	6,231	3,039	2,574	-1,363	67,078
- SME & Agriculture	6,782	6,953	1,436	875	154	-192	16,008
Total net loans	152,834	65,339	8,898	5,520	3,074	-1,721	233,944
Financial investments							
Norwegian government bonds	1,577	-	-	-	-	-	1,577
Listed certificates and bonds	54,527	78	17	49	1	-	54,672
Unlisted certificates and bonds	-	-	-	17	-	-	17
Total financial investments	56,104	78	17	66	1	-	56,266
Total loan-related assets	208,938	65,417	8,915	5,586	3,075	-1,721	290,210
2020¹⁾							
Net loans							
Loans to and receivables from credit institutions	12,589						12,589
Loans to and receivables from customers							
- Retail market	114,095	20,971	1,658	2,101	367	-158	139,034
- Large Corporates	17,007	34,183	7,584	2,129	3,374	-1,806	62,471
- SME & Agriculture	4,574	7,839	1,755	1,377	167	-201	15,511
Total net loans	148,265	62,993	10,997	5,607	3,908	-2,165	229,605
Financial investments							
Norwegian government bonds	-	-	-	-	-	-	-
Listed certificates and bonds	39,673	46	21	156	6	-	39,902
Unlisted certificates and bonds	-	-	-	19	-	-	19
Total financial investments	39,673	46	21	175	6	-	39,921
Total loan-related assets	187,938	63,039	11,018	5,782	3,914	-2,165	269,526

¹⁾ The movements in loans from 2020 have been changed due to the updated basis.

Classification of financial investments:

Bonds are allocated to SpareBank 1 SR-Bank's estimated PD based on an external rating. If a security has an official rating, this must be applied, but if no official rating exists, an internal model is used as the basis for risk classification. The list below illustrates the relationship between SpareBank 1 SR-Bank's PD and Standard & Poor's rating matrix (Long-Term Credit Ratings).

Bank's risk classification	S&P rating
PD 0.00% - 0.50%	AAA to BBB-
PD 0.50% - 2.50%	BB+ to BB-
PD 2.50% - 5.00%	B
PD 5.00 - 99.99%	B and lower

NOTE 14 MARKET RISK RELATED TO INTEREST RATE RISK

(Figures in NOK millions)

The table specifies the effect on the result of a positive parallel shift in the yield curve of 1 percentage point at the end of the last 2 years before tax if all financial instruments are measured at fair value.

Parent bank			Group	
2020	2021		2021	2020
-52	-74	Certificates and bonds	-79	-56
-24	-17	Fixed-rate loans to customers	-17	-24
-25	-25	Other loans and deposits	-117	-115
79	96	Securities issued	185	153
-8	-8	Other	-7	-8
-30	-28	Total interest rate risk	-35	-50
		Maturity bands		
-12	-21	0-3 months	-26	-32
-4	-	3 - 6 months	-	-4
2	1	6 - 9 months	1	2
1	-3	9 - 12 months	-3	1
2	4	12-18 months	4	2
-1	-1	18-24 months	-1	-1
-14	-9	2-10 years	-9	-14
-4	1	10+ years	-1	-4
-30	-28	Total interest rate risk	-35	-50
		Currency		
-7	-33	NOK	-40	-27
-13	11	EUR	11	-13
-6	-4	USD	-4	-6
-1	-1	CHF	-1	-1
-3	-1	Other	-1	-3
-30	-28	Total interest rate risk	-35	-50

Interest rate risk arises because the group's assets and liabilities may be subject to different fixed-rate periods. Interest rate instrument trading must at all times comply with the adopted limits and authorities. The group's limits define quantitative targets for maximum potential loss by a parallel shift in the yield curve of 1 percentage point.

The limit is NOK 85 million divided between NOK 50 million and NOK 35 million for Treasury and SR-Bank Markets, respectively. The interest rate risk is quantified and monitored continuously.

For floating loans and deposits, a statutory duty of disclosure is assumed when calculating exposure to interest rate risk.

The interest rate risk table shows the effect of an immediate parallel shift (increase) of 1 percentage point in the yield curve in the bank's currencies.

NOTE 15 MARKET RISK RELATED TO CURRENCY RISK

(Figures in NOK millions)

The table shows net foreign currency exposure including financial derivatives as at 31.12., calculated in accordance with the CRR/CRD IV regulations that refer to CRR article 352 (EU) no. 575/2013.

Parent bank			Group	
2020	2021		2021	2020
		Currency		
56	30	EUR	30	56
39	35	USD	35	39
6	1	CHF	1	6
1	-	GBP	-	1
-	-4	SEK	-4	-
16	6	DKK	6	16
4	6	Other	6	4
122	74	Total	74	122
3.7	2.2	Effect on result of 3% change before tax	2.2	3.7

Currency risk arises when differences exist between the group's assets and liabilities in the individual currency. Currency and currency derivative trading must at all times comply with the adopted limits and authorities. The group's limits define quantitative targets for the maximum net exposure in currency, measured in NOK. Currency risk is quantified and monitored continuously.

The group has defined limits for the net exposure in each currency, as well as limits for aggregated net currency exposure (expressed as the highest of the sum of long and short positions). The overnight price risk for spot trading in currencies must not exceed NOK 175 million per individual currency, and NOK 225 million in aggregate.

NOTE 16 LIQUIDITY RISK

(Figures in NOK millions)

The table shows cash flows including contractual interest maturity.

Parent bank ¹⁾

2021	At call	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Debt to credit institutions	841	2,520	-	-	-	3,361
Deposits from customers	138,043	-	-	-	-	138,043
Securities issued	-	5,534	4,336	33,949	1,448	45,267
Liability related to lease rights	-	20	57	274	571	922
Senior non-preferred debt	-	4	64	5,965	1,924	7,957
Subordinated loan capital	-	9	34	65	2,148	2,256
Total liabilities	138,884	8,087	4,491	40,253	6,091	197,806
Derivatives						
Contractual cash flows out		-26,853	-20,881	-65,596	-37,015	-150,345
Contractual cash flows in		26,908	21,105	66,396	39,708	154,117
2020						
Debt to credit institutions	1,018	3,200	-	-	-	4,218
Deposits from customers	118,394	-	-	-	-	118,394
Securities issued	-	959	12,635	34,083	4,821	52,498
Liability related to lease rights	-	-	69	257	1,002	1,328
Senior non-preferred debt	-	1	4	19	404	428
Subordinated loan capital	-	8	30	90	2,181	2,309
Total liabilities	119,412	4,168	12,738	34,449	8,408	179,175
Derivatives						
Contractual cash flows out		-24,837	-18,528	-70,244	-28,031	-141,640
Contractual cash flows in		24,238	17,778	69,052	28,015	139,083

Group ¹⁾

2021	At call	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Debt to credit institutions	114	2,520	-	-	-	2,634
Deposits from customers	137,664	-	-	-	-	137,664
Securities issued	-	5,620	14,812	69,523	35,043	124,998
Liability related to lease rights	-	15	43	176	125	359
Senior non-preferred debt	-	4	64	5,965	1,924	7,957
Subordinated loan capital	-	9	34	65	2,148	2,256
Total liabilities	137,778	8,168	14,953	75,729	39,240	275,868
Derivatives						
Contractual cash flows out		-26,837	-15,583	-41,635	-6,319	-90,374
Contractual cash flows in		26,676	15,283	40,756	6,598	89,313
2020						
Debt to credit institutions	944	3,200	-	-	-	4,144
Deposits from customers	118,170	-	-	-	-	118,170
Securities issued	-	1,035	20,890	75,841	29,590	127,356
Liability related to lease rights	-	-	49	153	191	393
Senior non-preferred debt	-	1	4	19	404	428
Subordinated loan capital	-	8	30	90	2,181	2,309
Total liabilities	119,114	4,244	20,973	76,103	32,366	252,800
Derivatives						
Contractual cash flows out		-24,826	-10,634	-45,239	-6,293	-86,992
Contractual cash flows in		24,094	10,386	44,381	6,099	84,960

¹⁾ Also see note 6 financial risk management.

NOTE 17 MATURITY ANALYSIS OF ASSETS AND DEBT/LIABILITIES

(Figures in NOK millions)

Parent bank

2021	At call ¹⁾	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Assets						
Cash and receivables from the central bank	78	-	-	-	-	78
Loans to and receivables from credit institutions	11,919	474	-	821	-	13,214
Gross loans to customers	16,529	914	7,330	51,946	64,215	140,934
- Impairment provisions after amortised cost	-1,685	-	-	-	-	-1,685
- Home mortgages at fair value through OCI	11	-	-	-	-	11
Loans to customers	14,855	914	7,330	51,946	64,215	139,260
Certificates and bonds		3,812	16,196	32,680	1,633	54,321
Financial derivatives	1,949	287	275	1,552	2,650	6,713
Equities, units and other equity interests	694	-	-	-	-	694
Investments in ownership interests	2,363	-	-	-	-	2,363
Investments in group companies	7,569	-	-	-	-	7,569
Intangible assets	70	-	-	-	-	70
Deferred tax asset	565	-	-	-	-	565
Tangible fixed assets	283	-	-	-	-	283
Lease rights	881	-	-	-	-	881
Other assets	361	-	-	-	-	361
Total assets	41,587	5,487	23,801	86,999	68,498	226,372
Liabilities						
Debt to credit institutions	841	2,520	-	-	-	3,361
Deposits from customers	138,043	-	-	-	-	138,043
Securities issued	-	3,546	5,813	29,755	5,002	44,116
Financial derivatives	600	243	423	2,789	1,440	5,495
Payable tax	-	-	-	-	-	-
Liability related to lease rights	-	19	57	274	570	920
Pension liabilities	269	-	-	-	-	269
Impairment provisions on financial liabilities	153	-	-	-	-	153
Other liabilities	518	-	-	-	-	518
Senior non-preferred debt	-	-	-	5,623	1,842	7,465
Subordinated loan capital	-	-	-	-	2,130	2,130
Total liabilities	140,424	6,328	6,293	38,441	10,984	202,470

Group

2021	At call¹⁾	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Assets						
Cash and receivables from the central bank	78	-	-	-	-	78
Loans to and receivables from credit institutions	4,071	474	-	821	-	5,366
Gross loans to customers	16,239	916	7,345	52,308	153,491	230,299
- Impairment provisions after amortised cost	-1,721	-	-	-	-	-1,721
- Home mortgages at fair value through OCI	-	-	-	-	-	-
Loans to customers	14,518	916	7,345	52,308	153,491	228,578
Certificates and bonds at fair value	-	3,812	17,822	32,999	1,633	56,266
Financial derivatives	1,949	287	275	1,491	1,051	5,053
Equities, units and other equity interests	1,001	-	-	-	-	1,001
Investments in ownership interests	4,894	-	-	-	-	4,894
Investments in group companies	-	-	-	-	-	-
Intangible assets	458	-	-	-	-	458
Deferred tax asset	598	-	-	-	-	598
Tangible fixed assets	979	-	-	-	-	979
Lease rights	335	-	-	-	-	335
Other assets	796	-	-	-	-	796
Total assets	29,677	5,489	25,442	87,619	156,175	304,402
Liabilities						
Debt to credit institutions	114	2,520	-	-	-	2,634
Deposits from customers	137,664	-	-	-	-	137,664
Securities issued	-	3,546	16,228	72,154	30,348	122,276
Financial derivatives	600	243	193	1,378	789	3,203
Payable tax	232	-	-	-	-	232
Liability related to lease rights	-	15	43	176	125	359
Pension liabilities	277	-	-	-	-	277
Impairment provisions on financial liabilities	153	-	-	-	-	153
Other liabilities	830	-	-	-	-	830
Senior non-preferred debt	-	-	-	5,623	1,842	7,465
Subordinated loan capital	-	-	-	-	2,130	2,130
Total liabilities	139,870	6,324	16,464	79,331	35,234	277,223

¹⁾ Overdraft facilities and operating credits (including flexi loans) are included in the "at call" interval. Non-financial assets and liabilities have for presentation purposes been added to the "at call" column. Deposits have been added to the "at call" column but there is no expectation that all deposits would have to be settled within a short space of time.

NOTE 18 NET INTEREST INCOME

(Figures in NOK millions)

				Parent bank				Group						
2020				2021				2021				2020		
Measured at fair value	Measured at fair value through OCI	Measured at amortised cost	Total	Measured at fair value	Measured at fair value through OCI	Measured at amortised cost	Total	Measured at amortised cost	Measured at fair value	Total	Measured at amortised cost	Measured at fair value		
Interest income														
-	-	103	103	-	-	80	80	Interest on receivables from credit institutions	34	34	-	42	42	-
288	1,005	3,256	4,549	265	825	2,818	3,908	Interest on lending to customers	5,544	5,279	265	6,309	6,021	288
433	-	69	502	437	-	48	485	Interest on certificates and bonds	499	52	447	505	78	427
-	-	97	97	-	-	109	109	Interest on written down loans	109	109	-	97	97	-
721	1,005	3,525	5,251	702	825	3,055	4,582	Total interest income	6,186	5,474	712	6,953	6,238	715
Interest costs														
91	-	50	141	249	-	40	289	Interest on debt to credit institutions	472	44	428	432	54	378
-	-	865	865	-	-	737	737	Interest on deposits from customers	733	733	-	861	861	-
-80	-	858	778	-246	-	625	379	Interest on securities issued	835	1,081	-246	1,356	1,436	-80
2	-	47	49	2	-	38	40	Interest on subordinated loan capital	40	38	2	49	47	2
-	-	88	88	-	-	96	96	Fee to the Norwegian Banks Guarantee Fund	107	107	-	100	100	-
-	-	32	32	-	-	29	29	Interest on lease rights	9	9	-	13	13	-
13	-	1,940	1,953	5	-	1,565	1,570	Total interest costs	2,196	2,012	184	2,811	2,511	300
708	1,005	1,585	3,298	697	825	1,490	3,012	Net interest income	3,990	3,462	528	4,142	3,727	415

NOTE 19 NET COMMISSIONS AND OTHER OPERATING INCOME

(Figures in NOK millions)

Parent bank			Group	
2020	2021		2021	2020
100	107	Guarantee commissions	106	99
8	10	Securities trading	10	8
128	142	Saving and investments	217	194
65	56	Commissions from mortgage credit institutions	-	14
332	327	Money-transfer services	325	330
206	231	Insurance services	231	206
-	-	Fee accounting	315	154
95	146	Other commissions	158	100
-	-	Property sales	439	396
934	1,019	Total commissions	1,801	1,501
82	80	Money-transfer services	80	82
25	11	Other commission costs	10	29
107	91	Total commission costs	90	111
10	12	Operating income from investment properties	6	6
10	12	Total other operating income	6	6
837	940	Net commissions and other operating income	1,717	1,396

NOTE 20 NET INCOME/LOSSES FROM FINANCIAL INSTRUMENTS

(Figures in NOK millions)

Parent bank			Group	
2020	2021		2021	2020
-107	247	Net gain/loss on equity instruments ¹⁾	296	-49
37	-561	Net gain/loss on bonds and certificates	-562	29
-121	458	Net derivatives, bonds and certificates	458	-121
-47	4	Net counterparty risk, inclusive of CVA	4	-47
19	-13	Net derivatives, fixed-rate	-13	19
-2	27	Net derivatives, debt	30	-3
-10	-12	Net derivatives, basis swap spread	-24	13
133	147	Net gain currency	142	138
-98	297	Net income/loss from financial investments	331	-21

¹⁾ Including gains from the sale of SR-Forvaltning of NOK 134 million in the parent bank and NOK 92 million in the group.

NOTE 21 PERSONNEL COSTS

(Figures in NOK millions)

Parent bank			Group	
2020	2021		2021	2020
729	860	Salaries	1,311	1,055
110	111	Pension costs (note 23)	131	129
140	155	Social costs	209	190
50	56	Other personnel costs	71	62
1,029	1,182	Total personnel costs	1,722	1,436
961	978	Average no. of employees	1,495	1,374
900	935	No. of FTEs as at 31.12.	1,505	1,283
962	998	No. of employees as at 31.12.	1,614	1,378
46,061	10,563	Outstanding no. of shares from bonus share programme	10,563	46,061
		Outstanding fund units from the bonus programme		120

Remuneration to group executive management team

(Figures in NOK thousands)

		Salary ¹⁾	Other remuneration ¹⁾	Variable remuneration this year ¹⁾		Total remuneration	Accrued pension rights	Pension cost	Loans	Number of shares	Outstanding number of shares from bonus share program
2021											
Benedicte Schilbred Fasmer	Chief Executive Officer	3,712	861	1 158	5,731	-	1,042	3,728	7,793		
Inge Reinertsen	Chief Financial Officer	2,393	305	624	3,322	18,655	983	7,500	93,813		
Tore Medhus	Executive Vice President Large Corporates	2,401	177	652	3,230	24,488	950	1,934	59,793		
Marianne Bakke (from 1.9.2021)	Executive Vice President SMB and Agriculture	506	49	216	771		184	6,000	1,337		
Jan Friestad ⁴⁾	Executive Vice President Corporate Strategy and Projects	2,430	185	585	3,200	3,368	180	3,901	50,968		
Roger Lund Antonesen (from 1.12.2021)	Executive Vice President Retail Market	238	765	58	1,061	-	-	-	-		
Glenn Sæther	Executive Vice President Technology Development and Business Processes	2,152	262	550	2,964	16,924	1,098	9,424	31,222		
Frode Bø ³⁾	Executive Vice President Risk Management	2,086	497	145	2,728	21,517	1,109	833	18,189		
Ella Skjørestad	Executive Vice President Marketing, Insight and Customer Offer	1,852	280	486	2,618	735	179	3,860	9,475		
Nina Moi Edvardsen (from 15.10.2021)	Executive Vice President HR, Communications and Sustainability	428	127	30	585	-	33	10,961	10,000		
Signe Helliesen ³⁾	Executive Vice President Compliance	1,392	571	95	2,058	968	183	3,338	1,038		
Thor-Christian Haugland (to 1.9.2021)	Executive Vice President, Communication and Sustainability	1,244	169	299	1,712		783				
Gro Tveit ³⁾ (to 15.04.2021)	Executive Vice President, HR and Business Support	594	170	36	800		63				
2020											
Arne Austreid	Chief Executive Officer	4,044	260	-	4,304	34,680	1,745	-	115,468	1 241	
Inge Reinertsen	Chief Financial Officer	2,339	304	-	2,643	13,655	761	9,000	92,686	733	
Tore Medhus	Executive Vice President, Corporate Market	2,342	174	-	2,516	19,120	735	2,003	58,666	733	
Jan Friestad	Executive Vice President, Retail Market	2,368	208	-	2,576	3,454	164	6,051	49,853	722	
Glenn Sæther	Executive Vice President, Strategy, Innovation and Development	2,078	317	-	2,395	11,469	954	8,551	30,509	627	
Thor-Christian Haugland	Executive Vice President, Communications and Sustainability	1,798	271	-	2,069	12,512	622	7,840	29,193	585	
Frode Bø ³⁾	Executive Vice President, Risk Management	2,011	484		2,495	15,371	835	1,067	17,896		
Ella Skjørestad	Executive Vice President, Customer Services and Marketing	1,790	273	-	2,063	779	163	4,056	8,830	309	
Gro Tveit ³⁾	Executive Vice President, Human Resources and Business Support	1,838	485		2,323	2,440	168	5,009	20,774		
Signe Helliesen ³⁾	Executive Vice President, Compliance	1,339	617		1,956	1,018	166	3,511	745		

¹⁾ Benefits are recognised as costs in the current year.²⁾ Number of shares the person owns in SpareBank 1 SR-Bank as at 31 December. The figures also include shares belonging to immediate family members and known companies in which the person has a controlling influence, ref. section 1-2 of the Limited Liability Companies Act.³⁾ Employees with control functions do not receive variable remuneration beyond performance remuneration.⁴⁾ Executive Vice President Retail Market up to 30.11.2021 and Executive Vice President Corporate Strategy and Projects from 1.10.2021

Remuneration of the board

(Figures in NOK thousands)

		Honorar	Andre godtgjørelser	Lån	Antall aksjer ⁵⁾
2021					
Dag Mejdell	Chair of the board, chair of the remuneration committee and member of the risk committee	692	-	-	37,000
Kate Henriksen	Board member and leader of the audit committee	355	-	-	1,500
Tor Dahle ^{5) 7)}	Board member, chair of the risk committee and member of the audit committee	387	708	1,500	72,457,858
Jan Skogseth	Board member and member of the risk committee	332	-	1,300	10,000
Ingrid Riddervold Lorange (to 01.09.2021)	Board member and member of the risk committee	212	-	-	-
Trine Sæther Romuld	Board member, member of the audit committee and member of the remuneration committee	327	-	2,857	-
Sally Lund-Andersen ⁸⁾	Employee-elected board member and member of the remuneration committee	317	1,025	2,555	3,349
Kristian Kristensen ⁸⁾	Employee-elected board member	292	786	2,471	3,967
2020					
Dag Mejdell	Chair of the board, chair of the remuneration committee and observer of the risk committee	675	-	-	30,000
Kate Henriksen	Board member and leader of the audit committee and member of the remuneration committee	334	-	-	-
Tor Dahle ^{5) 6) 7)}	Board member, chair of the risk committee and member of the audit committee	353	613	-	72,457,858
Jan Skogseth	Board member and member of the risk committee	315	-	1,650	10,000
Ingrid Riddervold Lorange (from 23.04.2020)	Board member and member of the risk committee	210	-	-	-
Trine Sæther Romuld (from 23.04.2020)	Board member and member of the audit committee	206	-	1,070	-
Sally Lund-Andersen ⁸⁾	Employee-elected board member and member of the remuneration committee	300	1,010	2,713	2,850
Kristian Kristensen ⁸⁾	Employee-elected board member	275	754	2,613	3,674
Birthe Cecilie Lepsøe (to 23.04.2020)	Board member	122	-	-	-
Therese Log Bergjord (to 23.04.2020)	Board member	104	-	-	-

⁵⁾ Number of shares the person owns in SpareBank 1 SR-Bank as at 31 December. The figures also include shares belonging to immediate family members and known companies in which the person has a controlling influence, ref. section 1-2 of the Limited Liability Companies Act. In addition to this, the shares of the institution the individual representative was elected on behalf of are included.

⁶⁾ Tor Dahle is the general manager of Sparebankstiftelsen SR-Bank

⁷⁾ Other remuneration is related to pension from prior employment

⁸⁾ Other remuneration is related to current employment

For more information on remuneration to group executive management team see the Executive remuneration report 2021.

NOTE 22 OTHER OPERATING COSTS

(Figures in NOK millions)

Parent bank			Group	
2020	2021		2021	2020
346	353	IT costs	381	373
56	65	Marketing	81	73
25	31	Operating costs real estate	37	31
10	10	Rent premises	26	26
70	83	External fees	98	80
		Assignment costs real estate	46	50
103	94	Other operating costs	148	130
610	636	Total other operating costs	817	763

Fees for external auditor - specification of audit fees

(Figures in NOK thousands)

2,518	2,287	Statutory audit	4,395	4,919
30	-	Tax advice ¹⁾	310	284
554	360	Other certification services	826	890
3,526	2,946	Other non-auditing services ¹⁾	3,278	4,278
6,628	5,593	Total	8,809	10,371

6	-	¹⁾ Fees for Advokatfirmaet PricewaterhouseCoopers that are included in tax advice and other non-auditing services	-	6
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All figures are inclusive of VAT

NOTE 23 PENSIONS

SpareBank 1 SR-Bank Group has, as at 31.12.2021, defined benefit based and defined contribution based pension schemes for its employees. The company's and group's pension schemes comply with the requirements of the Mandatory Occupational Pension Act.

The group previously had a funded defined benefit pension scheme covered by the group's pensions fund. This scheme was wound up in 2015 and employees who were in the defined benefit scheme were issued a paid-up policy for their earned rights in the defined benefit scheme.

Paid-up policies will be managed by the pension fund, which from 1.1.2016 became a paid-up fund. A framework agreement has been established between SpareBank 1 SR-Bank and the pension fund that covers things such as financing, capital management, etc. Because of the responsibilities SpareBank 1 SR-Bank still has, future liabilities will have to be incorporated in the financial statements. The board of the pension fund must consist of representatives of the group and pension scheme

participants in accordance with the pension fund's articles of association.

In addition to the pension liabilities linked to paid-up policies that are managed via the pension fund, the group has uncovered pension liabilities. The liabilities concern people who were not enrolled in the pension fund, supplementary pensions in excess of 12G (G = the National Insurance basic amount), defined contribution service pensions for salaries in excess of 12G (invested in Storebrand Assets Management AS), ordinary early retirement pensions and statutory early retirement pensions (AFP). The pension scheme for executive personnel is described in the executive remuneration report for SpareBank 1 SR-Bank.

The AFP scheme, which applies with effect from 1.1.2011, should be regarded as a defined benefit multi-company scheme, but will be recognised as a defined contribution scheme until adequate reliable information is available to allow the bank and the group to recognise their proportional shares of the pension costs, the pension liabilities and the pension funds in the scheme. Thus, the bank's and the group's liabilities are not recognised on the balance sheet as liabilities as at 31.12.2021.

The following economic assumptions are made when calculating pension liabilities:

	2021	2020
Discount rate	1.90%	1.70%
Expected return on assets	1.90%	1.70%
Future salary growth rate	2.75%	2.25%
Adjustment of NI basic amount (G)	2.50%	2.00%
Pension adjustment ¹⁾	0.00%	0.00%
Adjustment of paid-up policies	0.00%	0.00%
Employer's NI contribution/financial activity tax	19.10%	19.10%
Voluntary retirement before 45 – unfunded scheme	5.00%	5.00%
Voluntary retirement after 45 – unfunded scheme	2.00%	2.00%
The remaining average accrual time (in number of years) for members of the unfunded defined benefit plans has been calculated as approx.	6.60	6.80
The average life expectancy (no. of years) for a person who turns 65 on the balance sheet date is as follows:		
Man	21.80	21.70
Woman	25.00	24.90
The average life expectancy (no. of years) for a person who 20 years after the balance sheet date turns 65 is as follows:		
Man	23.50	23.50
Woman	26.90	26.80
The mortality table that has been adjusted for opening mortality and the decline in the mortality rate.	K2013BE	K2013BE
Disability	IR73	IR73

¹⁾ Closed service pensions above 12G (G= the basic National Insurance amount) are regulated in line with general developments in the pay scale for finance or a corresponding scale that might replace the pay scale.

The pension liabilities are calculated annually by an independent actuary using a straight line accrual method. The present value of the defined benefits are determined by discounting estimated future payments by a discount rate based on the interest rate for a bond issued by the company with a high credit rating (corporate bond or covered bond) in the same currency and with a maturity that is almost the same as the maturity of the related pension liabilities. Use of the corporate bond rate as the basis for the discount rate requires the existence of corporate bonds with long maturities and high quality in the same currency, as well as a deep market for such bonds. Market players have

asserted that the covered bond market is sufficiently deep and that pricing in the market is reliable. Analyses conducted by an actuary, Gabler AS, and the bank's own analyses, which take into account interest rate swap agreements, support the assertion that a deep and liquid market exists for corporate bonds with a high credit rating, concentrated on covered bonds. The Norwegian covered bond market has become better developed after the financial crisis and has a high credit rating. The bank and the group have therefore chosen the covered bond rate as their discount rate for calculating pension liabilities.

(Figures in NOK millions)

Parent bank			Group	
2020	2021		2021	2020
		Capitalised liabilities		
-	-	Pension benefits – funded scheme	-	-
197	269	Pension benefits – unfunded scheme	277	204
197	269	Total capitalised liabilities	277	204
		Costs charged to income statement		
-1	-	Pension benefits – funded scheme	-	-1
16	9	Pension benefits – unfunded scheme	10	16
15	9	Total costs charged to income statement	10	15
		Pension liabilities related to defined benefit pensions		
1,291	1,283	Present value pension liabilities 1.1.	1,318	1,328
7	4	Pension benefits accrued in the period	4	7
23	23	Interest costs on pension liabilities	24	24
		<i>Effect of recalculation:</i>		
-85	36	- Change in financial assumptions	37	-87
90	-7	- Experience gains and losses	-9	90
-43	-45	Payments/redemption from fund	-46	-44
1,283	1,294	Present value pension liabilities 31.12.	1,328	1,318
1,118	1,068	of which fund-based	1,096	1,147
166	226	of which not fund-based	232	171
		Pension assets		
1,206	1,285	Pension assets 1.1.	1,313	1,234
21	24	Interest income	25	21
97	61	Actual return on assets in relation to booked interest income	62	98
4	7	Employer's NI contributions	8	4
-43	-45	Payments/redemption from fund	-47	-44
1,285	1,332	Pension assets 31.12.	1,361	1,313
		Net pension liabilities on the balance sheet		
1,283	1,294	Present value pension liabilities 31.12.	1,328	1,318
1,285	1,332	Pension assets 31.12.	1,361	1,313
-2	-38	Net pension liabilities 31.12.	-33	5
167	264	Upper limit for capitalisation of the asset ²⁾	266	167
32	43	Employer's NI contributions	44	32
197	269	Net pension liabilities on the balance sheet	277	204
		Pension costs for the period		
7	4	Accrued defined benefit-based pensions	4	7
23	23	Interest costs on pension liabilities	24	24
-21	-24	Interest income	-25	-22
4	5	Other changes	6	4
13	8	Net defined benefit-based pension costs without employer's NI contributions	9	13
2	1	Accrued employer's NI contributions	1	2
15	9	Net defined benefit-based pension costs recognised through profit or loss	10	15
95	102	Contribution based pension costs and joint AFP scheme	121	114
110	111	Pension costs in the period recognised in the income statement	131	129

²⁾ The group has overcoverage (the value of the pension funds exceeds the calculated pension liabilities) related to the closed defined benefit pension scheme which has not been capitalised since the overcoverage does not entail financial benefits in the future in the form of reduced premium payments or repayments.

Composition of the group's pension assets

	2021	2020
Real estate	-	-
of shares	309	304
Other assets	1,052	1,009
Total pension assets	1,361	1,313

Development during the last 5 years for the group's defined benefit pension plan

	2021	2020	2019	2018	2017
Present value pension liabilities 31.12.	1,328	1,318	1,328	1,344	1,594
Pension assets 31.12.	1,361	1,313	1,234	1,225	1,256
Net pension liabilities	-33	5	94	119	338

Sensitivity in calculation of pension liabilities when weighted assumptions change as follows:

	Change in assumption	Effect on pension liabilities	
		Increase in assumption	Reduction in assumption
Discount rate	+/- 0.50%	-7.4%	8.3%
Wage growth	+/- 0.50%	0.7%	0.6%
Pension adjustment	+/- 0.25%	3.9%	3.6%
Expected lifetime	1 year	4.2%	-4.1%

The sensitivity analysis above is based on a change in one of the assumptions, given that all other assumptions remain constant. This is improbable in practice and changes in some of the assumptions may correlate. Sensitivity calculations are executed using the same method as actuarial calculations for calculating the pension liabilities on the balance sheet.

NOTE 24 TAX

(Figures in NOK millions)

Parent bank			Group	
2020	2021		2021	2020
1,143	3,232	Pre-tax profit	3,835	1,821
-842	-1,363	Permanent differences ¹⁾	-894	-769
-48	-	Group contribution	-	5
2,434	-3,738	Change in temporary differences	-3,779	2,295
-10	-72	- of which recognised directly against equity	-72	-7
2,677	-1,941	Tax base/taxable income for the year	-910	3,345
669	-	Of which payable tax	232	835
12	-	Tax effect of group contribution	-	1
-606	467	Change in deferred tax	450	-593
-2	1	Tax payable on hybrid capital booked against equity	1	-12
-	-	Excess/insufficient payable tax allocation in previous years	-1	-
73	468	Total tax cost	682	231
		Explanation of why the tax cost for the year is not 25% of the year's pre-tax profit		
286	808	Tax on pre-tax profit	930	451
-211	-341	Tax on permanent differences ¹⁾	-210	-193
-	-	Change in deferred tax from previous years	-25	-13
-2	1	Payable tax recognised directly against equity	-12	-14
-	-	Excess/insufficient tax allocation in previous years	-1	-
73	468	Calculated tax cost	682	231
		Deferred tax asset		
134	-708	- deferred tax asset that reverses in more than 12 months	-790	-1,174
12	-	- deferred tax asset that reverses within 12 months	-	-1
146	-708	Total deferred tax asset	-790	-1,175
		Deferred tax		
-1,148	143	- deferred tax that reverses in more than 12 months	189	160
-	-	- deferred tax that reverses within 12 months	3	-
-1,148	143	Total deferred tax	192	160
-1,002	-565	Net deferred tax/deferred tax asset	-598	-1,015
		Change in deferred tax		
-623	437	Year's change in deferred tax on the balance sheet	417	-595
-	-	Change in deferred tax acquisition and sales	3	-14
15	12	Change in deferred tax for group contributions on the balance sheet	12	15
2	18	- of which change not recognised through profit or loss	18	1
-606	467	- of which change recognised through profit or loss	450	-593
		Specification of temporary differences		
44	39	Gains and loss account	93	44
-4,365	-601	Differences related to financial items	-751	-4,399
-	-	Loans	-	-
-197	-269	Pension liabilities	-276	-204
7	3	Accounting provisions	92	71
484	529	Leasing operating equipment	528	479
-30	-23	Tangible fixed assets	29	-12
48	-	Group contribution paid	-	-
-	-1,941	Deficit to carry forward ²⁾	-2,107	-39
-4,009	-2,263	Total temporary differences	-2,392	-4,060
25%	25%	Tax rate applied	22% - 25%	22% - 25%

¹⁾ Includes tax-exempted dividends, non-tax-deductible expenses, net tax-exempt gains on the realisation of equities in the European Economic Area (EEA), and tax allowances for profit attributable to associated companies (the percentage of the profit is extracted as it has already been taxed in the individual company).

²⁾ Deficit to carry forward is linked to temporary differences.

NOTE 25 CLASSIFICATION OF FINANCIAL INSTRUMENTS

(Figures in NOK millions)

Parent bank

2021	Recognised at fair value	Financial derivatives as hedging instruments	Financial assets and liabilities measured at amortised cost	Total
Assets				
Cash and receivables from the central bank			78	78
Loans to and receivables from credit institutions			13,214	13,214
Loans to customers	54,061		85,199	139,260
Certificates and bonds	46,720		7,601	54,321
Financial derivatives	4,474	2,239		6,713
Equities, units and other equity interests			694	694
Total assets	105,255	2,239	106,786	214,280
Liabilities				
Debt to credit institutions			3,361	3,361
Deposits from customers			138,043	138,043
Securities issued ¹⁾			44,116	44,116
Financial derivatives	3,681	1,814		5,495
Senior non-preferred debt ¹⁾			7,465	7,465
Subordinated loan capital ¹⁾			2,130	2,130
Total liabilities	3,681	1,814	195,115	200,610
2,000				
Assets				
Cash and receivables from the central bank			68	68
Loans to and receivables from credit institutions			25,304	25,304
Loans to customers	51,217		80,575	131,792
Certificates and bonds	30,663		6,315	36,978
Financial derivatives	4,865	4,106		8,971
Equities, units and other equity interests	596			596
Total assets	87,341	4,106	112,262	203,709
Liabilities				
Debt to credit institutions			4,218	4,218
Deposits from customers			118,394	118,394
Securities issued ¹⁾			51,748	51,748
Financial derivatives	10,384	2,731		13,115
Senior non-preferred debt ¹⁾			400	400
Subordinated loan capital ¹⁾			2,154	2,154
Total liabilities	10,384	2,731	176,914	190,029

Information about fair value**Parent bank**

The table below shows financial instruments at fair value according to their valuation method. The different levels are defined as follows:

Listed price in an active market for an identical asset or liability (level 1). Valuation based on observable factors other than listed price (used in level 1) either direct (price) or indirect (deduced from prices) for the asset or liability (level 2). Valuation based on factors not obtained from observable markets (non-observable assumptions) (level 3).

2021	Valuation according to prices in an active market	Valuation according to observable market data	Valuation according to factors other than observable market data	Total
Assets				
Loans to customers			54,061	54,061
Certificates and bonds	27,588	19,132	7,601	54,321
Financial derivatives		6,713		6,713
Equities, units and other equity interests	563	44	87	694
Liabilities				
Financial derivatives		5,495		5,495

No transfers between levels 1 and 2.

2020

Assets				
Loans to customers			51,217	51,217
Certificates and bonds	16,062	14,601		30,663
Financial derivatives		8,971		8,971
Equities, units and other equity interests	506	27	63	596
Liabilities				
Financial derivatives		13,115		13,115

No transfers between levels 1 and 2.

Change in holding during the financial year of assets measured on the basis of factors other than observable market data

Parent bank 2021	Loans to customers	Equities, units and other equity interests
Balance 1.1.	51,217	63
Additions/disposals	3,127	26
Transferred from or to measurement according to prices in an active market or observable market data		
Change in value ²⁾	-283	-2
Balance 31.12.	54,061	87
Nominal value/cost price	54,344	92
Fair value adjustment	-283	-5
Balance 31.12.	54,061	87
Parent bank 2020		
Balance 1.1.	49,711	99
Additions/disposals	1,304	1
Transferred from or to measurement according to prices in an active market or observable market data		
Change in value ²⁾	202	-37
Balance 31.12.	51,217	63
Nominal value/cost price	50,983	7
Fair value adjustment	234	56
Balance 31.12.	51,217	63

Group

	Recognised at fair value	Financial derivatives as hedging instru- ments	Financial assets and liabilities measured at amortised cost	Total
2021				
Assets				
Cash and receivables from the central bank			78	78
Loans to and receivables from credit institutions			5,366	5,366
Loans to customers	8,450		220,128	228,578
Certificates and bonds	48,000		8,266	56,266
Financial derivatives	3,105	1,948		5,053
Equities, units and other equity interests	1,001			1,001
Total assets	60,556	1,948	233,838	296,342
Liabilities				
Debt to credit institutions			2,634	2,634
Deposits from customers			137,664	137,664
Securities issued ¹⁾			122,276	122,276
Financial derivatives	2,602	601		3,203
Senior non-preferred debt ¹⁾			7,465	7,465
Subordinated loan capital ¹⁾			2,130	2,130
Total liabilities	2,602	601	272,169	275,372
2020				
Assets				
Cash and receivables from the central bank			68	68
Loans to and receivables from credit institutions			12,589	12,589
Loans to customers	9,654		207,312	216,966
Certificates and bonds	32,746		7,175	39,921
Financial derivatives	5,707	2,965		8,672
Equities, units and other equity interests	908			908
Total assets	49,015	2,965	227,144	279,124
Liabilities				
Debt to credit institutions			4,144	4,144
Deposits from customers			118,170	118,170
Securities issued ¹⁾			126,763	126,763
Financial derivatives	3,945	2,880		6,825
Senior non-preferred debt ¹⁾			400	400
Subordinated loan capital ¹⁾			2,154	2,154
Total liabilities	3,945	2,880	251,631	258,456

¹⁾ Securities issued, senior non-preferred debt and subordinated loans issued contain secured debt.

²⁾ Changes are recognised in net income from financial instruments.

Information about fair value**Group**

The table below shows financial instruments at fair value according to their valuation method. The different levels are defined as follows:

Listed price in an active market for an identical asset or liability (level 1). Valuation based on observable factors other than listed price (used in level 1) either direct (price) or indirect (deduced from prices) for the asset or liability (level 2). Valuation based on factors not obtained from observable markets (non-observable assumptions) (level 3).

2021	Valuation according to prices in an active market	Valuation according to observable market data	Valuation according to factors other than observable market data	Total
Assets				
Loans to customers			8,450	8,450
Certificates and bonds	28,347	19,653		48,000
Financial derivatives		5,053		5,053
Equities, units and other equity interests	563	44	394	1,001
Liabilities				
Financial derivatives		3,203		3,203

No transfers between levels 1 and 2.

2020

Assets				
Loans to customers			9,654	9,654
Certificates and bonds	17,623	15,123		32,746
Financial derivatives		8,672		8,672
Equities, units and other equity interests	506	27	375	908
Liabilities				
Financial derivatives		6,825		6,825

No transfer between levels 1 and 2.

Change in holding during the financial year of assets measured on the basis of factors other than observable market data

Group 2021	Loans to customers	Equities, units and other equity interests
Balance 1.1.	9,654	375
Additions	1,653	120
Disposals	-2,574	-92
Transferred from or to measurement according to prices in an active market or observable market data	-	-
Change in value ²⁾	-283	-9
Balance 31.12.	8,450	394
Nominal value/cost price	8,499	384
Fair value adjustment	-49	10
Balance 31.12.	8,450	394
Group 2020		
Balance 1.1.	8,948	455
Additions	2,400	61
Disposals	-1,896	-40
Transferred from or to measurement according to prices in an active market or observable market data	-	-
Change in value ²⁾	202	-101
Balance 31.12.	9,654	375
Nominal value/cost price	9,420	296
Fair value adjustment	234	79
Balance 31.12.	9,654	375

The merger between SpareBank 1 Skadeforsikring and DNB Forsikring was completed with accounting effect from 1.1.2019, with SpareBank 1 Skadeforsikring as the company doing the taking over. SpareBank 1 Gruppen owns 65% of Fremtind Forsikring AS and DNB 35%. DNB's increase in its stake in Fremtind Forsikring from 20% to 35% in 2019 increased SpareBank 1 Gruppen's equity at a group level by around NOK 4.7 billion. The majority interest's (the SpareBank 1 banks and the Norwegian Confederation of Trade Unions (LO)) share of this increase was around NOK 2,400 million. SpareBank 1 SR-Bank's share of this increase (19.5%) amounted to NOK 460 million and was recognised as income in the first quarter of 2019. On 2.9.2019, Fremtind Forsikring was granted permission by the Financial Supervisory Authority of Norway to operate life insurance activities through its wholly owned subsidiary Fremtind Livsforsikring. The individual personal risk insurance cover from SpareBank 1 Forsikring AS and DNB Livsforsikring, as well as the personal risk insurance cover paid for by companies from SpareBank 1 Forsikring AS, were transferred to Fremtind Livsforsikring on 1.1.2020. A total value of NOK 6.25 billion was assumed for the personal risk area. The merger resulted in increased equity for SpareBank 1 Gruppen at a group level. The controlling interest's (the SpareBank 1 banks and

the Norwegian Federation of Trade Unions) share of this increase was NOK 1.7 billion. SpareBank 1 SR-Bank's share of this increase (19.5%) was NOK 340 million and was recognised as income in the first quarter of 2020. SpareBank 1 Gruppen (parent company) received a tax-free gain of approximately NOK 937 million as a result of this merger. As a consequence of this, SpareBank 1 SR-Bank received dividends of NOK 195 million in the second quarter of 2020. The dividends were recognised in the parent bank.

Other assets are measured using various methods such as last known transaction price, earnings per share, dividend per share, EBITDA and discounted cash flows.

Fixed-rate loans are measured on the basis of the interest rate agreed with the customer. Loans are discounted using the applicable yield curve, having taken into account a market premium, which is adjusted for the profit margin. The conducted sensitivity analyses indicate an increase in the discount rate of 10 basis points would have a negative effect on the result amounting to NOK 26 million.

Parent bank

Fair value of financial instruments at amortised cost	Carrying amount	Fair value	Carrying amount	Fair value
	2021	2021		
Assets				
Cash and receivables from the central bank	78	78	68	68
Loans to and receivables from credit institutions	13,214	13,214	25,304	25,304
Loans to customers ¹⁾	85,199	85,199	80,575	80,575
Certificates and bonds ³⁾	7,601	7,609	6,315	6,329
Total assets at amortised cost	106,092	106,100	112,262	112,276
Liabilities				
Debt to credit institutions	3,361	3,361	4,218	4,218
Deposits from customers ¹⁾	138,043	138,043	118,394	118,394
Securities issued ³⁾	44,116	44,406	51,748	51,886
Senior non-preferred debt	7,465	7,533	400	400
Subordinated loan capital ³⁾	2,130	2,252	2,154	2,158
Total liabilities at amortised cost	195,115	195,595	176,914	177,056

Group

Fair value of financial instruments at amortised cost	Carrying amount	Fair value	Carrying amount	Fair value
	2021	2021		
Assets				
Cash and receivables from the central bank	78	78	68	68
Loans to and receivables from credit institutions	5,366	5,366	12,589	12,589
Loans to customers ¹⁾	220,128	220,128	207,312	207,312
Certificates and bonds ³⁾	8,266	8,274	7,175	7,191
Total assets at amortised cost	233,838	233,846	227,144	227,160
Liabilities				
Debt to credit institutions	2,634	2,634	4,144	4,144
Deposits from customers ¹⁾	137,664	137,664	118,170	118,170
Securities issued ³⁾	122,276	122,836	126,763	126,756
Senior non-preferred debt	7,465	7,532	400	400
Subordinated loan capital ³⁾	2,130	2,152	2,154	2,158
Total liabilities at amortised cost	272,169	272,818	251,631	251,628

¹⁾ Customer loans and deposits at amortised cost amount to book value best estimate at fair value.

²⁾ Changes are recognised in net income from financial instruments.

³⁾ Fair value is mainly determined based on observable prices in an active market.

NOTE 26 CERTIFICATES AND BONDS

(Figures in NOK millions)

Parent bank		Certificates and bonds	Group	
2020	2021		2021	2020
30,663	46,720	Certificates and bonds at fair value	48,000	32,746
6,315	7,601	Certificates and bonds at amortised cost	8,266	7,175
36,978	54,321	Total certificates and bonds	56,266	39,921
		Government		
-	1,549	Nominal value	1,549	-
-	1,577	Book value	1,577	-
		Other public issuers		
2,930	4,051	Nominal value	4,351	3,230
2,982	4,098	Book value	4,398	3,282
		Covered bonds		
16,672	22,510	Nominal value	22,668	17,172
16,804	22,652	Book value	22,791	17,307
		Other financial enterprises		
		including multilateral development banks		
16,438	25,321	Nominal value	26,801	18,565
16,963	25,628	Book value	27,117	19,085
		Non-financial enterprises		
256	377	Nominal value	394	274
229	366	Book value	383	247
36,296	53,808	Total certificates and bonds at nominal value	55,763	39,241
36,978	54,321	Total certificates and bonds	56,266	39,921

NOTE 27 FINANCIAL DERIVATIVES

General description:

The fair value of financial derivatives is determined using valuation methods where the price of the underlying object, for example interest and currency rates, are obtained from the market. If the group's risk position is relatively neutral, normal rates will be used in pricing. A neutral risk position means, for example, that the interest rate risk within a re-pricing interval is approximately zero. Otherwise, the relevant purchase or sales price is used to assess the net position. The credit valuation adjustment (CVA) for derivative transactions is assessed on the basis of the net positive market values per counterparty. The CVA risk for counterparties that regularly exchange collateral and Norwegian municipalities is considered marginal. For other counterparties, the CVA calculation is based on the probability of default compared with the remaining term to maturity of the derivative positions and loss given default.

The group hedges fixed-rate loans. Each hedge is documented with a reference to the group's risk management strategy, a clear identification of the item being hedged, the hedging instrument used, a description of the hedged risk, a description of why hedging is regarded as highly probable and a description of how and when the group shall determine the effectiveness of the hedge during the accounting period and that it is expected to be very effective during the next accounting period. The group has defined the hedged risk as value changes linked to

the NIBOR component of the hedged fixed interest rates in NOK and value changes linked to the LIBOR components of the hedged fixed interest rates in foreign currencies.

The bank makes use of basis swaps and interest rate and currency swaps to convert borrowing in one currency to the desired currency. A typical example would be the bank raising a loan in EUR that is converted to NOK via a basis swap. The value of basis swaps can change significantly from day-to-day due to changes in margins. This risk is not hedged and results in unrealised gains and losses.

As at 31.12.2021, the net fair value of the hedging instruments was NOK 965 million (NOK 1,741 million in assets and NOK 776 million in liabilities). The corresponding figures for 2020 were NOK 4,071 million (NOK 4,109 million in assets and NOK 38 million in liabilities). There was no ineffective result for hedging instruments in 2021.

Central clearing and ISDA agreements with CSA supplements regulate the counterparty risk through payments of margins in relation to exposure limits. Such agreements represent a contract sum of NOK 254.4 billion and security of NOK 1,948 million and NOK 600 million has been pledged and received as at 31.12.2021. The group has no financial instruments that are booked net.

Group

(Figures in NOK millions)

At fair value through profit or loss	2021			2020		
	Contract amount	Fair value Assets	Liabilities	Contract amount	Fair value Assets	Liabilities
Currency instruments						
Currency futures (forwards)	3,616	88	60	4,347	130	82
Currency swaps	20,359	222	167	22,727	173	732
Currency swaps (basis swap)	38,025	246	390	44,584	377	1,110
Currency swaps (basis swap hedging)	31,562	52	381	15,937	55	375
Currency options	-	-	-	180	10	10
Total currency instruments	93,562	608	998	87,775	745	2,309
Interest rate instruments						
Interest rate swaps	75,206	744	817	70,348	853	1,598
Other interest rate contracts	1,314	12	12	693	-	-
Total interest rate instruments	76,520	756	829	71,041	853	1,598
Interest rate instruments, hedging						
Interest rate swaps	105,569	1,741	776	96,599	4,109	38
Total interest rate instruments, hedging	105,569	1,741	776	96,599	4,109	38
Collateral						
Collateral		1,948	600		2,965	2,880
Total collateral		1,948	600		2,965	2,880
Total currency instruments	93,562	608	998	87,775	745	2,309
Total interest rate instruments	182,089	2,497	1,605	167,640	4,962	1,636
Total collateral		1,948	600		2,965	2,880
Total currency and interest rate instruments	275,651	5,053	3,203	255,415	8,672	6,825
Counterparty risk:						
Netting agreements		1,683			1,695	
Taking into account collateral		2,548			5,845	
Total exposure to financial derivatives		822			1,132	

Counterparty risk associated with derivatives is reduced via ISDA agreements and CSA supplements. The CSA supplement regulates the counterparty risk through payments of margins in relation to exposure limits.

IBOR reform

Reforming and alternatives to IBOR rates have become a priority area for governments around the world in recent years. However, there is uncertainty surrounding which methods will be used for any changes and when they will be introduced. All of SpareBank 1 SR-Bank's interest rate derivatives use IBOR rates as a benchmark rate, and may thus be affected by changes. The most important positions are in EURIBOR and NIBOR. The bank is monitoring market developments closely and is involved in several projects to monitor the changes and facilitate any adjustments. The table below shows nominal amount and weighted average remaining maturity for derivatives in hedging relationships, assets and liabilities that may be affected by IBOR reform, categorised by the relevant IBOR rate.

Financial derivatives	2021		2020	
	Contract amount	Weighted maturity	Contract amount	Weighted maturity
CIBOR DKK (6 months)	806	3.9	931	5.4
EURIBOR EUR (3 months)	96,449	4.7	69,423	5.3
EURIBOR EUR (6 months)	120	3.3	241	6.6
LIBOR USD (1 month)	881	1.0	1,340	2.0
LIBOR USD (3 months)	14,137	1.5	16,183	2.5
LIBOR USD (6 months)	818	1.4	577	1.3
NIBOR NOK (1 month)	46	5.1	59	6.2
NIBOR NOK (3 months)	68,191	4.2	54,553	4.9
NIBOR NOK (6 months)	855	2.7	755	5.0
STIBOR SEK (3-month)	286	3.1	233	3.6
Total interest rate instruments	182,589		144,295	

Currency instruments	2021		2020	
	Contract amount	Weighted maturity	Contract amount	Weighted maturity
EURIBOR EUR (3-month) to LIBOR USD (3-month)	14,240	2.2	11,397	3.0
EURIBOR EUR (3-month) to NIBOR NOK (3-month)	48,843	3.4	37,328	4.4
EURIBOR EUR (3-month) to STIBOR SEK (3-month)	198	0.5	212	1.3
LIBOR USD (3-month) to NIBOR NOK (3-month)	5,440	2.1	5,683	2.3
STIBOR SEK (3-month) to NIBOR NOK (3-month)	682	1.8	256	5.6
LIBOR USD (6 months) to FIXED NOK	184	4.5		
Total currency instruments	69,587		54,876	
Total exposure to financial derivatives	252,176		199,171	
Assets				
Certificates and bonds				
EURIBOR EUR (3 months)	479	0.4	660	1.2
LIBOR USD (3 months)	9	2.8	36	1.8
NIBOR NOK (3 months)	27,450	1.7	17,888	2.2
Total exposure certificates and bonds	27,938		18,584	
Liabilities				
Securities issued				
EURIBOR EUR (3-month)	1,448	3.5	1,363	2.5
EURIBOR EUR (6-month)	499	9.0	524	10.0
LIBOR USD (3-month)	88	0.7	85	1.7
LIBOR USD (6-month)	1,243	1.8	1,203	2.8
NIBOR NOK (3-month)	27,208	7.5	30,924	7.4
STIBOR SEK (3-month)	682	1.8		
Total exposure securities issued	31,168		34,099	

The bank also has loans to customers in GBP and USD LIBOR and EURIBOR, respectively, as well as loans to and deposits from customers linked to NIBOR.

Fair value interest rate risk 2021	Carrying amount	Accumulated fair value adjustment of the hedged item	Value changes used for calculating hedge in-effectiveness			
			Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Hedging instrument						
Interest rate swaps						2,780
Hedged item						
Debt securities issued	104,049	12,167				-2,793
Hedged item						
Debt securities issued	5,348	379	50,496	35,659		91,882

Fair value hedging of interest rate risk 2020	Carrying amount	Accumulated fair value adjustment of the hedged item	Value changes used for calculating hedge in-effectiveness			
			Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years
Hedging instrument						
Interest rate swaps						-1,521
Hedged item						
Debt securities issued	97,886	3,553				1,525
Hedged item						
Debt securities issued	649	16,245	50,974	26,786		94,654

NOTE 28 SHARES, MUTUAL FUNDS AND EQUITY CERTIFICATES

(Figures in NOK millions)

Parent bank			Group	
2020	2021		2021	2020
		At fair value through profit or loss		
275	359	- Listed	359	275
169	181	- Securities funds	181	169
62	23	- Hybrid capital	23	62
90	131	- Unlisted	438	402
596	694	Total shares, mutual funds and equity certificates	1,001	908

Shares, mutual funds and equity certificates are classified as fair value through profit or loss.

Investments in shares, mutual funds and equity certificates

Parent bank (Amounts in NOK 1000)	The company's share capital	Stake in %	Number of equ- ities/units	Acquisition cost	Book value/ market value
At fair value through profit or loss					
Sandnes Sparebank	230,149	15.1%	3,485,009	149,476	344,319
Other listed companies				15,054	15,108
Listed companies				164,530	359,427
SR-Bank Rente			177,395	181,185	181,533
Securities funds				181,185	181,533
Hybrid capital				22,000	22,573
SpareBank 1 Markets	529,221	5.6%	176,341	37,102	33,000
SpareBank 1 Mobilitet Holding AS	200	8.0%	801	25,000	25,000
VN Norge AS					60,084
Other unlisted companies				18,032	12,763
Total unlisted companies				80,134	130,847
Total at fair value through profit or loss equities, units and other equity interests				447,849	694,380
Group					
At fair value through profit or loss					
Listed companies, parent bank				164,530	359,427
Securities funds, parent bank				181,185	181,533
Hybrid capital, parent bank				22,000	22,573
Total unlisted companies, parent bank				80,134	130,847
HitecVision Asset Solutions, L.P.		1.2%		24,702	16,666
HitecVision Private Equity IV LP		2.0%		22,058	15,681
SR PE-Feeder III KS		40.5%		29,096	58,946
SR PE-Feeder IV AS		25.2%		12,672	27,030
Optimarin AS		14.8%		23,588	28,346
Boost AI AS		7.0%		68,865	68,865
Other unlisted companies in subsidiaries				125,697	91,144
Total unlisted in subsidiaries				306,678	306,678
Total unlisted in group				386,812	437,525
Total at fair value through profit or loss equities, units and other equity interests				754,527	1,001,058

NOTE 29 INTANGIBLE ASSETS

(Figures in NOK millions)

Parent bank			Group			
Goodwill	Total	2021	Total	Goodwill	Customer contracts	Research and development
-	-	Acquisition cost 1.1.2021	314	264	22	28
70	70	Additions	208	179	25	4
-	-	Disposals	41	20	-	21
70	70	Acquisition cost 31.12.2021	481	423	47	11
-	-	Accumulated depreciation and impairment 1.1.2021	16	-	12	4
-	-	Year's disposals	3	-	-	3
-	-	Year's depreciation and impairment provisions	10	-	5	5
-	-	Accumulated depreciation and impairment 31.12.2021	23	-	17	6
70	70	Intangible assets 31.12.2021	458	423	30	5
Distribution of intangible fixed assets						
-	-	SpareBank 1 SR-Bank ForretningsPartner AS – acquisition of accounting firm	305	275	30	
-	-	Activated R&D costs in subsidiaries	5			5
70	70	SpareBank 1 SR-Bank AS – Monio	148	148		
70	70	Intangible assets 31.12.2021	458	423	30	5
2020						
		Acquisition cost 1.1.2020	282	254	19	9
		Additions	32	10	3	19
		Disposals	-	-	-	-
		Acquisition cost 31.12.2020	314	264	22	28
		Accumulated depreciation and impairment 1.1.2020	9	-	9	-
		Year's disposals	-	-	-	-
		Year's depreciation and impairment provisions	7	-	3	4
		Accumulated depreciation and impairment 31.12.2020	16	-	12	4
		Intangible assets 31.12.2020	298	264	10	24
Distribution of intangible fixed assets						
		SR-Forvaltning – acquisition of 33.3% of the shares in May 2009	20	20	-	-
		SpareBank 1 SR-Bank ForretningsPartner AS – acquisition of accounting firm	126	116	10	-
		Activated R&D costs in subsidiaries	24	-	-	24
		SpareBank 1 SR-Bank AS – Monio	128	128	-	-
		Intangible assets 31.12.2020	298	264	10	24

The goodwill on the group's balance sheet increased in 2021 due to the acquisition of Tveit Regnskap. The total purchase price exceeds identifiable assets less debt. The total purchase price amounts to NOK 200 million and the table below shows the goodwill added in 2021. Parent bank additions are eliminated in the group.

78	Cost price	200
-	Assets and liabilities identified as:	
-	Customer contracts	25
8	Tangible fixed assets	12
-	Trade receivables	133
-	Bank deposits	25
-	Liabilities	-154
-	Total	41
70	Goodwill added	159

Goodwill is the difference between identifiable assets inclusive of excess values and the cost price of the identifiable assets. The elements in the goodwill item relate to future earnings in the company supported by the calculations of the present value of expected future earnings, which document a future economic benefit from acquiring the company. The goodwill item's elements are measured annually and written down if there is a basis for this following a concrete assessment.

NOTE 30 TANGIBLE FIXED ASSETS

(Figures in NOK millions)

Parent bank			Group				
Buildings and real estate	Machinery, fixtures, and vehicles	Total	2021	Total	Machinery, fixtures, and vehicles	Buildings and real estate ¹⁾	
133	543	676	Acquisition cost 1.1.2021	1,527	667	860	
8	61	69	Additions	102	74	28	
-	-	-	Adjustment of cost price	-	-	-	
-	3	3	Disposals ²⁾	18	18	-	
141	601	742	Acquisition cost 31.12.2021	1,611	723	888	
40	341	381	Accumulated depreciation and impairment 1.1.2021	533	450	83	
3	75	78	Year's depreciation	112	82	30	
-	-	-	Year's impairment provisions	-	-	-	
-	-	-	Year's disposals ²⁾	13	13	-	
43	416	459	Accumulated depreciation and impairment 31.12.2021	632	519	113	
98	185	283	Tangible fixed assets 31.12.2021	979	204	775	
270			Fair value¹⁾			999	
2020							
143	510	653	Acquisition cost 1.1.2020	1,497	631	866	
-	44	44	Additions	52	48	4	
-6	-1	-7	Adjustment of cost price	-7	-1	-6	
4	10	14	Disposals ²⁾	15	11	4	
133	543	676	Acquisition cost 31.12.2020	1,527	667	860	
38	260	298	Accumulated depreciation and impairment 1.1.2020	410	354	56	
3	82	85	Year's depreciation	118	90	28	
-	-	-	Year's impairment provisions	7	7	-	
1	1	2	Year's disposals ²⁾	2	1	1	
40	341	381	Accumulated depreciation and impairment 31.12.2020	533	450	83	
93	202	295	Tangible fixed assets 31.12.2020	994	217	777	
242			Fair value ¹⁾			995	

¹⁾ Finansparken Bjergsted was completed in 2019, and is included at its construction cost at fair value. Fair values of other buildings are determined by appraisal.

²⁾ Included in the year's disposals for 2021 is NOK 3 million related to decommissioned operating assets. The corresponding figure for 2020 was NOK 8 million.

Collateral

The group has not mortgaged/pledged or accepted any other disposal restrictions on its tangible fixed assets.

Revaluation/ depreciation

The group does not make regular revaluations of tangible fixed assets. In connection with the initial implementation of IFRS, buildings were measured at cost less accumulated depreciation in accordance with current Norwegian legislation. Percentage rate of depreciation is 10% to 33% for machinery, equipment and vehicles, and 2% for bank buildings, investment property and other real estate.

Buildings and real estate

Of the total book value of buildings and real estate in the group, NOK 686 million is for use in the banking business. The fair value of buildings is determined by appraisal.

NOTE 31 LEASE RIGHTS AND LEASE LIABILITIES

(Figures in NOK millions)

Pursuant to IFRS 16, lessees must capitalise a right-to-use asset and a lease liability for each of their leases, with a few practical exceptions:

SpareBank 1 SR-Bank has taken advantage of the following practical exceptions:

- exception for low value assets
- exception for short-term leases (12 months and shorter)
- omitting including components that are not leases

Leases are identified based on the following criteria:

- identifiable asset
- right to receive all the financial benefits from the use of a specific asset during the lease period
- right to control the use of the asset

Measurement and recognition

The lease liability is measured as the present value of the agreed lease payments. The lease period represents the period that cannot be cancelled. In addition to this, extension options are included in the lease period if it is reasonably safe to assume that the option will be exercised. The same applies if there is an option to shorten the lease period and it is reasonably safe that the option will be exercised.

In subsequent measurements, the lease liability is measured at amortised cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from changes in an index, or if the bank changes its assessment of whether it will exercise extension or termination options. When the lease liability is remeasured in this way, a corresponding adjustment of the capitalised right-of-use asset is made, or is recognised through profit or loss if the recognised value of the right-of-use asset has been reduced to zero.

Lease payments in the measurement consist of fixed lease payments and variable leases based on interest rates or indices on the startup date. In addition to this, costs incurred by early termination of the lease must be included in the lease payments

if it is reasonably certain that early termination will take place. Likewise, the price for exercising any purchase option must be included if it is reasonably safe to assume that the option will be exercised.

The right-of-use asset is measured as the lease liability plus any paid advance lease payment, direct acquisition costs and provisions for costs upon returning the property to the landlord. Provisions for costs upon returning the property must be recognised as a separate liability on the balance sheet and not be included in the lease liability. In subsequent periods, the right-of-use asset is measured using an acquisition model.

When calculating the lease liability, options that are expected to be exercised are taken into account and options that are not expected to be exercised are excluded.

The short-term or low value agreements not included in the IFRS 16 calculation amounted to NOK 5.6 million in annual rent in 2021 (NOK 0.9 million in 2020).

Recognition and discount rate

IFRS 16 refers to two different methods for determining the discount rate for lease payments:

- implicit interest rate
- the lessee's marginal loan rate if the implicit interest rate cannot be easily determined

The group uses implicit interest rate calculations for leased vehicles. For all other leases it uses the marginal loan rate. The marginal loan rate is defined as the interest rate a lessee in a similar environment would have to pay to borrow, over a similar period and with equivalent security, an amount necessary to acquire property with a value equivalent to the right-of-use asset.

The group's leases mainly consist of leases for buildings with different terms and option structures. When calculating a lease liability, extension options are included in the lease period when it is reasonably probable that the option will be exercised.

Parent bank			Group	
2020	2021		2021	2020
		Balance sheet		
915	881	Lease rights	335	346
936	920	Liabilities associated with lease rights	359	365
		Income statement		
53	57	Amortisation of lease rights	53	44
-	4	Write-down of lease rights	-	4
32	29	Interest on lease rights liabilities	9	13
84	90	Total costs pursuant to IFRS 16	62	62
		Effects of IFRS 16		
70	72	Reduction in operating costs pursuant to IAS 17	36	32
84	91	Increase in costs pursuant to IFRS 16	62	62
-14	-19	Changes to pre-tax profit	-26	-30
		Lease rights		
682	915	Lease rights 31.12.	346	398
275	-	Adjustment of calculations previous years	-	20
957	915	Lease rights 1.1.	346	418
54	27	Additions in the period	42	43
43	-	Disposals in the period	-	67
53	57	Depreciation	53	44
-	4	Impairment provisions	-	4
915	881	Lease rights at the end of the period	335	346
		Liabilities associated with lease rights		
688	936	Liabilities associated with lease rights 31.12.	365	395
275	-	Adjustment of calculations previous years	-	20
963	936	Liabilities associated with lease rights 1.1.	365	415
54	27	Additions in the period	42	51
43	-	Disposals in the period	-	67
69	72	Instalments in the period	57	47
32	29	Interest rate	9	13
936	920	Lease liabilities at the end of the period	359	365

NOTE 32 OTHER ASSETS

(Figures in NOK millions)

Parent bank			Group	
2020	2021		2021	2020
4	-	Income earned but not received	2	15
9	31	Prepaid costs	38	17
4	5	Over funding of pension liabilities	5	4
200	200	Paid in capital SR-Bank Pension Fund	200	200
23	1	Unsettled trades	1	23
174	124	Other assets	550	490
414	361	Total other assets	796	749

NOTE 33 DEPOSITS FROM CUSTOMERS

(Figures in NOK millions)

Parent bank			Group	
2020	2021		2021	2020
102,059	119,450	Deposits from and liabilities to customers, at call	119,090	101,835
16,335	18,593	Deposits from and liabilities to customers with agreed maturity	18,574	16,335
118,394	138,043	Total deposits from customer	137,664	118,170
		Deposits by sector and industry		
457	421	Aquaculture	421	457
1,499	1,852	Industry	1,852	1,499
1,309	1,464	Agriculture/forestry	1,464	1,309
14,561	17,450	Service sector	17,071	14,337
3,753	3,631	Wholesale and retail trade, hotels and restaurants	3,631	3,753
1,679	1,520	Energy, oil and gas	1,520	1,679
2,340	2,574	Building and construction	2,574	2,340
984	1,554	Power and water supply	1,554	984
6,559	7,195	Real estate	7,195	6,559
1,952	2,007	Shipping and other transport	2,007	1,952
27,695	37,742	Public and municipal administration	37,742	27,695
2,207	2,771	Financial services	2,771	2,207
64,995	80,181	Total industry	79,802	64,771
53,399	57,862	Retail market	57,862	53,399
118,394	138,043	Total deposits by sector and industry	137,664	118,170
		Deposits by geographic area		
80,587	80,340	Rogaland	79,961	80,363
10,602	12,623	Agder	12,623	10,602
13,557	20,050	Vestland	20,050	13,557
10,636	14,938	Oslo/Viken	14,938	10,636
1,382	8,071	International	8,071	1,382
1,630	2,021	Other	2,021	1,630
118,394	138,043	Total deposits by geographic area	137,664	118,170

NOTE 34 SECURITIES ISSUED AND SENIOR NON-PREFERRED DEBT

(Figures in NOK millions)

Securities issued

Parent bank				Group		
NOK	Currency	Total		Total	Currency	NOK
-	1,245	1,245	Other long-term borrowing	1,245	1,245	-
17,382	25,489	42,871	Bonds and certificates ¹⁾	42,871	25,489	17,382
-	-	-	Covered bonds ¹⁾	78,160	60,102	18,058
17,382	26,734	44,116	Total securities issued	122,276	86,836	35,440

Maturity date of securities issued

NOK	Currency	Total	Maturity	Total	Currency	NOK
3,542	5,821	9,363	2022	19,548	10,996	8,552
3,280	3,374	6,654	2023	17,617	9,335	8,282
3,028	9,674	12,702	2024	17,777	14,749	3,028
4,228	1,170	5,398	2025	19,592	9,358	10,234
3,304	5,231	8,535	2026	13,509	10,205	3,304
-	358	358	2027	7,784	7,784	-
-	-	-	2028	4,951	4,951	-
-	1,106	1,106	2029 and maturity after	21,498	19,458	2,040
17,382	26,734	44,116	Total securities issued	122,276	86,836	35,440

¹⁾ Own certificates and bonds have been deducted.

Senior non-preferred debt

NOK	Currency	Total		Total	Currency	NOK
2,545	4,920	7,465	Senior non-preferred bonds	7,465	4,920	2,545
2,545	4,920	7,465	Total senior non-preferred debt	7,465	4,920	2,545

Maturity date for senior non-preferred debt

NOK	Currency	Total	Maturity	Total	Currency	NOK
702	4,920	5,622	2027	5,622	4,920	702
1,843	-	1,843	2029 and maturity after	1,843	-	1,843
2,545	4,920	7,465	Total senior non-preferred bonds	7,465	4,920	2,545

Group

Change in securities issued	Balance sheet 31.12.2021	Issued 2021	Matured/redeemed 2021	Exchange rate and other changes 2021	Balance sheet 31.12.2020
Other long-term borrowing, nominal value	1,243	-	-	41	1,202
Bonds and certificates, nominal value	42,264	8,485	-14,134	-1,138	49,051
Covered bonds, nominal value	77,655	15,359	-7,704	-2,495	72,495
Value adjustments and accrued interest	1,114	-	-	-2,901	4,015
Total securities issued	122,276	23,844	-21,838	-6,493	126,763

Change in debt raised by issuing senior non-preferred debt	Balance sheet 31.12.2021	Issued 2021	Matured/redeemed 2021	Exchange rate and other changes 2021	Balance sheet 31.12.2020
Senior non-preferred bonds, nominal value	7,519	7,261	-	-141	399
Value adjustments and accrued interest	-54	-	-	-55	1
Total securities issued	7,465	7,261	-	-196	400

NOTE 35 OTHER DEBT AND OTHER LIABILITIES

(Figures in NOK millions)

Parent bank			Group	
2020	2021	Other liabilities	2021	2020
90	35	Accounts payable	66	109
38	41	Tax deducted	57	56
4	-	Unsettled trades	-	4
122	159	Other liabilities	194	148
82	84	Accrued holiday pay	135	116
42	199	Other accrued costs	378	107
378	518	Total other liabilities	830	540
Security pledged				
23,709	18,998	Securities prepared for pledges of security in Norges Bank	18,998	23,709
728	2,707	Security pledged year end	2,707	728

Ongoing legal disputes

The group is a party in a number of court cases with a total financial scope that is not considered to be significant, inasmuch as the group has made loss provisions in those cases where it is assumed more likely than not that the group will incur a loss as a result of the cases.

NOTE 36 RESTRICTED FUNDS

(Figures in NOK millions)

Parent bank			Group	
2020	2021		2021	2020
38	41	Tax deducted	57	56
38	41	Total restricted funds	57	56

NOTE 37 SUBORDINATED LOAN CAPITAL

(Figures in NOK millions)

Parent bank							Group	
2020	2021	Principal	Terms	Maturity	First due date	2021	2020	
Non-perpetual								
702	703	700	NOK 3-month NIBOR + 1.45% p.a.	2029	2024	703	702	
627	628	625	NOK 3-month NIBOR + 1.52% p.a.	2028	2023	628	627	
300	300	300	NOK 3-month NIBOR + 1.45% p.a.	2028	2023	300	300	
525	499	50	EUR 6 month Euribor + 1.725% p.a.	2030	.	499	525	
2,154	2,130		Total non-perpetual			2,130	2,154	
2,154	2,130		Total subordinated loan capital			2,130	2,154	

Subordinated loan capital in foreign currencies are included in the group's total currency position so that there is no currency risk associated with the loans. Of a total of NOK 2,130 million in subordinated loan capital, NOK 2,097 million counts as term subordinated loan capital. Capitalised costs associated with borrowing are reflected in the calculation of amortised cost.

Group	Balance 31.12.2021	Issued/sale own 2021	Matured/ redeemed 2021	Exchange rate and other changes 2021	Balance 31.12.2020
Change in subordinated loans¹⁾					
Dated subordinated loan capital, nominal value	2,125	-	-	-25	2,150
Value adjustments and interest	5			1	4
Total subordinated loan capital	2,130	-	-	-24	2,154

¹⁾ This note is identical for the parent bank.

NOTE 38 INVESTMENTS IN OWNERSHIP INTERESTS

Subsidiaries, associated companies and joint ventures

Company	Acquisition date	Registered head office	Ownership in % ¹⁾
Investments in subsidiaries			
Shares held by the parent bank			
EiendomsMegler 1 SR-Eiendom	1990	Stavanger	100.00
SR-Forvaltning ²⁾	2001	Stavanger	0.00
FinStart Nordic Group	2005	Oslo	100.00
SpareBank 1 SR-Bank ForretningsPartner	2015	Stavanger	100.00
Finansparken Bjergsted	2014	Stavanger	100.00
Rygir Industrier Group	2012	Stavanger	100.00
SR-Boligkreditt	2015	Stavanger	100.00
Bjergsted Terrasse	2019	Stavanger	100.00
Monio	2019	Oslo	100.00
Shares owned by subsidiaries			
Jærmegleren	2007	Stavanger	100.00
Kapp Securities	2018	Oslo	100.00
Finstart Nordic SPV	2021	Oslo	100.00
Rygir Tomteutvikling	2013	Stavanger	100.00
Rygir Shipping	2017	Stavanger	100.00
Aberdeen Offshore II	2021	Oslo	97.00
Aberdeen Offshore	2017	Stavanger	100.00
Tveit Regnskap	2021	Vindafjord	100.00
Tveit Regnskap Odda	2021	Ullensvang	100.00
Tveit Regnskap Bergen	2021	Bergen	100.00
Tveit Regnskap Bjørnafjorden	2021	Bjørnafjorden	100.00
Tveit Regnskap Stavanger	2021	Stavanger	100.00
Vangdal Regnskap	2021	Bergen	100.00
Investments in associated companies			
SpareBank 1 Boligkreditt ³⁾	2005	Stavanger	0.00
SpareBank 1 Næringskreditt ⁴⁾	2009	Stavanger	0.00
BN Bank	2008	Trondheim	35.02
SpareBank 1 Kreditt	2012	Trondheim	17.06
SpareBank 1 Betaling	2015	Oslo	19.21
SpareBank 1 Bank og Regnskap	2018	Trondheim	25.00
SpareBank 1 Gjeldsinformasjon	2020	Oslo	18.26
SpareBank 1 Forvaltning	2021	Oslo	36.34
Investments in associated companies in the FinStart Nordic Group			
Just Technologies	2018	Oslo	15.18
Beaufort Solutions	2019	Oslo	43.40
MyRent	2020	Oslo	38.27
Investments in joint ventures			
SpareBank 1 Gruppen	1996	Oslo	19.50
SpareBank 1 Utvikling	2004	Oslo	18.00

¹⁾ Voting rights and ownership share are equal in all companies

²⁾ Stake changed from 100.00% to 0% as at 30.12.2021

³⁾ Stake changed from 2.21% to 0% as at 31.12.2020

⁴⁾ Stake changed from 15.63% to 0% as at 30.9.2021

Subsidiaries**Shares in subsidiaries parent bank**

Investments are recognised at the parent bank's acquisition cost. These items are fully consolidated in the consolidated financial statements.

(Figures in NOK thousands)

2021	The company's share capital	Ownership interest in %	No. of equities	Nominal value	Assets	Liabilities	Total income	Total costs	The company's result for the year	Book value
SR-Boligkreditt	6,000,000	100.00	6,000,000	6,000,000	94,961,535	88,297,875	840,566	3,275	654,220	6,000,150
Total investments in credit institutions				6,000,000	94,961,535	88,297,875	840,566	3,275	654,220	6,000,150
EiendomsMegler 1 SR-Eiendom	1,500	100.00	150	1,500	237,718	124,988	451,144	391,099	46,665	97,205
FinStart Nordic Group	75,000	100.00	6,700	67,000	447,416	657	92,331	7,368	87,918	353,975
SR-Forvaltning	6,000	0.00	-	-	-	-	77,139	43,001	25,588	-
SpareBank 1 SR-Bank ForretningsPartner	3,300	100.00	33,000	3,300	613,877	235,832	326,761	292,249	26,860	320,125
Rygir Industrier Group	14,400	100.00	90,000	14,400	214,157	68,913	-6,286	7,213	8,501	117,109
Finansparken Bjergsted	76,000	100.00	8,000	76,000	657,960	231,418	27,261	24,830	1,896	456,416
Bjergsted Terrasse	4,000	100.00	4,000,000	4,000	65,811	60,189	-4,644	8,019	-9,877	21,630
Monio	45,056	100.00	4,505,646,926	45,056	102,982	17,099	80,218	30,549	37,242	202,070
Total other investments				211,256	2,339,921	739,096	1,043,924	804,328	224,793	1,568,530
Total investments in subsidiaries parent bank				6,211,256	97,301,456	89,036,971	1,884,490	807,603	879,013	7,568,680
2020										
SR-Boligkreditt	6,000,000	100.00	6,000,000	6,000,000	95,200,552	88,561,113	841,648	3,376	632,690	6,000,150
Total investments in credit institutions				6,000,000	95,200,552	88,561,113	841,648	3,376	632,690	6,000,150
EiendomsMegler 1 SR-Eiendom	1,500	100.00	150	1,500	212,337	107,534	406,795	356,908	38,783	97,205
FinStart Nordic Group	75,000	100.00	6,700	67,000	426,727	70,259	-63,678	49,397	-88,761	353,975
SR-Forvaltning	6,000	100.00	6,000	6,000	60,420	21,320	61,368	42,033	14,450	29,018
SpareBank 1 SR-Bank ForretningsPartner	1,300	100.00	13,000	1,300	214,030	62,846	169,967	148,960	15,095	120,125
Rygir Industrier Group	14,400	100.00	90,000	14,400	240,848	77,105	18,304	-407	19,473	117,050
Finansparken Bjergsted	76,000	100.00	8,000	76,000	663,436	238,789	25,799	23,045	2,147	456,416
Bjergsted Terrasse	3,000	100.00	3,000,000	3,000	50,345	46,845	71	9,035	-6,993	3,000
Monio	45,056	100.00	4,505,646,926	45,056	58,825	10,184	3,942	21,329	-12,631	169,320
Total other investments				214,256	1,926,967	634,882	622,567	650,299	-18,436	1,346,109
Total investments in subsidiaries parent bank				6,214,256	97,127,519	89,195,995	1,464,215	653,675	614,254	7,346,259

Investments in associated companies and joint ventures

(Figures in NOK millions)

Parent bank			Group	
2020	2021		2021	2020
2,336	2,246	Carrying amount 1.1.	4,523	4,180
-57	100	Additions/disposals	82	-78
-33	17	Recognised value adjustment	14	-12
-	-	Equity changes	-4	23
-	-	Share of profit/loss	676	663
-	-	Dividend paid	-397	-253
2,246	2,363	Carrying amount 31.12.	4,894	4,523
-	-	Share of profit from SpareBank 1 Gruppen	471	534
-	-	Share of profit from SpareBank 1 Forvaltning	36	-
-	-	Share of profit from SpareBank 1 Boligkreditt	2	2
-	-	Share of profit from SpareBank 1 Næringskreditt	6	9
-	-	Share of profit from BN Bank	164	121
-	-	Share of profit from SpareBank 1 Utvikling	1	2
-	-	Share of profit from SpareBank 1 Kreditt	11	2
-	-	Share of profit from SpareBank 1 Bank og Regnskap	-	-2
-	-	Share of profit from SpareBank 1 Betaling	-14	-2
-	-	Share of profit from the FinStart Nordic Group	-1	-3
195	366	Dividend from SpareBank 1 Gruppen	-	-
5	2	Dividend from SpareBank 1 Boligkreditt	-	-
16	17	Dividend from SpareBank 1 Næringskreditt	-	-
-	12	Dividend from SpareBank 1 Kreditt	-	-
37	-	Dividend from BN Bank	-	-
253	397	Total income	676	663

Investments in all the companies are assessed using the cost method in the parent bank and the equity method in the group.

Investments in joint ventures and associated companies in the group as at 31.12.2021 include goodwill amounting to NOK 122 million (2020: NOK 67 million).

The group's ownership interests in associated companies and joint ventures

(Figures in NOK millions)

2021		Assets	Liabilities	Income	Costs	Profit or loss	Carrying amount 31.12.	Stake in %	Number of shares
SpareBank 1 Gruppen	Oslo	24,222	21,270	7,494	6,686	471	2,239	19.50	381,498
SpareBank 1 Utvikling	Oslo	180	41	289	287	1	139	18.00	-
SpareBank 1 Boligkreditt	Stavanger	-	-	-	-	2	-	0.00	-
BN Bank	Trondheim	14,665	12,908	315	100	164	1,722	35.02	4,943,072
SpareBank 1 Næringskreditt	Stavanger	-	-	10	1	6	-	0.00	-
SpareBank 1 Kreditt	Trondheim	999	823	75	57	11	176	17.06	492,772
SpareBank 1 Betaling	Oslo	150	1	-13	-	-14	149	19.21	3,954,249
SpareBank 1 Bank og Regnskap	Trondheim	42	-	-	-	-	42	25.00	5,000
SpareBank 1 Gjeldsinformasjon	Oslo	1	-	-	-	-	1	18.26	85,543,049
SpareBank 1 Forvaltning	Oslo	429	157	185	110	36	327	36.34	1,024,547
Other investments						-1	99		
Total		40,687	35,199	8,355	7,242	676	4,894		
2020									
SpareBank 1 Gruppen	Oslo	21,150	18,309	4,791	4,439	534	2,229	19.50	381,498
SpareBank 1 Utvikling	Oslo	195	166	282	276	2	29	18.00	-
SpareBank 1 Boligkreditt	Stavanger	-	-	4	1	2	-	0.00	-
BN Bank	Trondheim	12,526	10,933	292	102	121	1,558	35.02	4,943,072
SpareBank 1 Næringskreditt	Stavanger	1,875	1,549	15	2	9	326	15.63	2,537,657
SpareBank 1 Kreditt	Trondheim	1,030	855	77	58	2	175	17.67	510,296
SpareBank 1 Betaling	Oslo	153	1	-1	-	-2	152	19.77	3,661,853
SpareBank 1 Bank og Regnskap	Trondheim	2	1	-	-	-2	1	20.00	20,000
SpareBank 1 Gjeldsinformasjon	Oslo	1	-	-	-	-	1	18.26	85,302,090
Other investments						-3	52		
Total		36,932	31,814	5,460	4,878	663	4,523		

NOTE 39 MATERIAL TRANSACTIONS WITH CLOSE ASSOCIATES

(Figures in NOK millions)

Close associates means associated companies, joint ventures and subsidiaries and people close to executive personnel and members of the board. The bank's outstanding balances with executive personnel and board members are described in the executive remuneration report for SpareBank 1 SR-Bank.

2021	Loans 31.12.	Deposits 31.12.	Receiv- ables	Lia- bilities	Interest income	Interest costs	Comm- issions	Other operating income	Operating costs
EiendomsMegler 1	-	83	1	-	3	2	-	9	9
SR-Forvaltning	-	-	-	-	-	-	34	7	-
FinStart Nordic	-	64	-	-	1	-	-	2	-
SpareBank 1 SR-Bank ForretningsPartner	-	58	-	-	4	-	-	2	9
SR-Boligkreditt ¹⁾	7,886	726	2,023	2,292	52	1	56	1	-
Rygir Industrier Group	65	12	-	-	2	-	-	-	-
Finansparken Bjergsted	224	50	624	643	4	-	-	1	45
Bjergsted Terrasse	-	15	54	-	5	1	-	-	-
Monio	-	97	-	-	-	-	-	1	-
Total subsidiaries	8,174	1,105	2,702	2,935	70	4	90	24	63

¹⁾ Transferred loans, sold NOK 64,800 million and bought NOK 200 million.

2020

EiendomsMegler 1	-	54	-	-	6	6	-	8	9
SR-Forvaltning	-	50	-	-	-	-	34	6	-
FinStart Nordic	50	-	-	-	1	-	-	-	-
SpareBank 1 SR-Bank ForretningsPartner	-	38	-	-	1	-	-	2	9
SR-Boligkreditt ¹⁾	12,729	74	667	6,291	83	2	51	1	-
Rygir Industrier Group	65	18	-	-	4	-	-	-	-
Finansparken Bjergsted	232	35	640	650	6	-	-	-	44
Bjergsted Terrasse	-	1	42	-	-	-	-	-	-
Monio	-	27	-	-	-	-	-	-	-
Total subsidiaries	13,076	297	1,349	6,941	101	8	85	17	62

¹⁾ Transferred loans, sold NOK 70,200 million and bought NOK 2,000 million.

Associated companies and joint ventures

2021	Loans 31.12.	Deposits 31.12.	Receiv- ables	Lia- bilities	Interest income	Interest costs	Comm- issions	Other operating income	Operating costs
SpareBank 1 Gruppen	1,049	-	244	-	19	-	255	-	9
SpareBank 1 Utvikling	-	-	-	-	-	-	-	-	289
SpareBank 1 Kreditt	821	-	-	-	18	-	42	-	-
SpareBank 1 Forvaltning	-	-	-	-	-	-	73	-	-
Total associated companies and joint ventures	1,870	-	244	-	37	-	370	-	298

2020

SpareBank 1 Gruppen	961	-	-	-	22	-	293	-	8
SpareBank 1 Utvikling	-	-	-	-	-	-	-	-	202
SpareBank 1 Boligkreditt ²⁾	-	-	-	-	2	-	14	-	-
SpareBank 1 Næringskreditt	-	-	-	-	-	-	-	-	-
SpareBank 1 Kreditt	878	-	-	-	25	-	53	-	-
Total associated companies and joint ventures	1,839	-	-	-	49	-	360	-	210

²⁾ Transferred loans, sold NOK 1,870 million and bought NOK 4,723 million. The agreement with SpareBank1 Boligkreditt was terminated as at 31.12.2020.

Transactions with close associates of the group executive management team and the board

There were no transactions with close associates of the group executive management team or for the board.

NOTE 40 SHARE CAPITAL AND OWNERSHIP STRUCTURE

Share capital

SpareBank 1 SR-Bank's share capital amounts to NOK 6,393,777,050 divided into 255,751,082 shares, each with a nominal value of NOK 25. The share capital (formerly equity share capital) was raised in the following manner and on the following dates:

Year		Change in share capital	Total share capital	No. of equities
1994	Public issue	744.0	744.0	7,440,000
2,000	Private placement with employees	5.0	749.0	7,489,686
2001	Private placement with employees	4.8	753.8	7,538,194
2004	Bonus issue	150.8	904.6	9,045,834
2005	Bonus issue/split	226.1	1,130.7	22,614,585
2007	Private placement	200.0	1,330.7	26,613,716
2007	Bonus issue/split	443.5	1,774.2	70,969,909
2008	Dividend issue	91.7	1,866.0	74,638,507
2008	Private placement with employees	6.6	1,872.6	74,903,345
2009	Bonus issue/split	374.5	2,247.1	89,884,014
2009	Private placement	776.2	3,023.3	120,933,730
2010	Private placement with employees	7.8	3,031.1	121,243,427
2010	Private placement with Kvinnherad	151.7	3,182.8	127,313,361
2012	Conversion limited savings bank	1,804.4	4,987.2	199,489,669
2012	Private placement	1,406.5	6,393.8	255,751,082

Besides the share capital, the equity consists of the share premium reserve, hybrid capital and other equity.

Dividend policy

SpareBank 1 SR-Bank's financial goal for its activities is to achieve results that provide a good, stable return on the bank's equity, thus creating value for the owners in the form of competitive dividends and a higher share price. Consideration must be given to financial needs, including capital adequacy requirements and the group's targets and strategic plans, when determining the annual dividend. Unless capital requirements dictate otherwise, the goal of the board is to distribute approximately half of the net profit for the year as dividends.

Trading in own shares in 2021 (Figures in NOK thousands)	No. of equities	Nominal value
Holding as at 31.12.2020	23,112	578
Traded in 2021	18,405	460
Holding as at 31.12.2021	41,517	1,038

20 largest shareholders as at 31.12.2021

Shareholder	of shares	% ratio
Sparebankstiftelsen SR-Bank	72,419,305	28.3%
National Insurance Scheme Fund	19,495,629	7.6%
SpareBank 1-stiftinga Kvinnherad	6,226,583	2.4%
Brown Brothers Harriman & Co, USA	6,205,787	2.4%
State Street Bank and Trust Co, USA	4,888,496	1.9%
Verdipapirfondet Alfred Berg Gambak	3,511,467	1.4%
Odin Norge	3,423,133	1.3%
JPMorgan Chase Bank NA, U.S.A.	3,251,464	1.3%
Pareto Aksje Norge	2,738,521	1.1%
Danske Invest Norske Instit. II	2,619,067	1.0%
Vpf Nordea Norge Verdi	2,431,211	1.0%
State Street Bank and Trust Co, USA	2,415,400	0.9%
State Street Bank and Trust Co, USA	2,389,983	0.9%
Verdipapirfondet Alfred Berg Norge	2,003,621	0.8%
Clipper AS	1,945,800	0.8%
Pareto Invest AS	1,841,509	0.7%
KLP Aksjenorge Index	1,811,268	0.7%
Westco AS	1,796,737	0.7%
Verdipapirfondet DNB Norge	1,773,845	0.7%
The Bank of New York Mellon SA, Ireland	1,725,603	0.7%
Total 20 largest	144,914,429	56.7%
Other shareholders	110,836,653	43.3%
Shares issued	255,751,082	100.0%

The total number of shareholders as at 31.12.2021 was 16,826. This is 3,713 more than at year end 2020. The proportion of shares held by shareholders residing in Rogaland, Agder, Vestland, Oslo and Viken was 65.7%, and the proportion held by foreign shareholders was 22.2%. Please also see the overview of shareholders on the board and supervisory board. For more information about SpareBank 1 SR-Bank's share please refer to the special section in the annual report.

20 largest shareholders as at 31.12.2020

Shareholder	of shares	% ratio
Sparebankstiftelsen SR-Bank	72,419,305	28.3%
National Insurance Scheme Fund	21,078,112	8.2%
Brown Brothers Harriman & Co, USA	6,612,187	2.6%
SpareBank 1-stiftinga Kvinnherad	6,226,583	2.4%
State Street Bank and Trust Co, USA	6,005,407	2.3%
Vpf Nordea Norge Verdi	4,933,097	1.9%
Danske Invest Norske Instit. II	3,550,817	1.4%
Odin Norge	3,423,133	1.3%
Verdipapirfondet Alfred Berg Gambak	3,311,467	1.3%
Pareto Aksje Norge	3,193,790	1.2%
J.P. Morgan Chase Bank N.A., USA	2,887,077	1.1%
Clipper AS	2,211,000	0.9%
Verdipapirfondet Alfred Berg Norge	2,012,771	0.8%
KLP Aksjenorge Index	1,988,704	0.8%
State Street Bank and Trust Co, USA	1,934,397	0.8%
JPMorgan Bank Luxembourg	1,812,377	0.7%
Westco AS	1,797,687	0.7%
Pareto Invest AS	1,712,275	0.7%
The Bank of New York Mellon, Ireland	1,685,603	0.7%
Norwegian Armed Forces' Personnel Service	1,625,811	0.6%
Total 20 largest	150,421,600	58.8%
Other shareholders	105,329,482	41.2%
Shares issued	255,751,082	100.0%

The total number of shareholders as at 31.12.2020 was 13,113. This is 1,792 more than at year end 2019. The proportion of shares held by shareholders residing in Rogaland, Agder, Vestland, Oslo and Viken was 66.2%, and the proportion held by foreign shareholders was 21.8%. Please also see the overview of shareholders on the board and supervisory board. For more information about SpareBank 1 SR-Bank's share, please refer to the special section in the annual report.

Hybrid capital

(Figures in NOK millions)

Group ¹⁾

	Principal		Terms	Maturity	First maturity date	2021	2020
Hybrid capital	150	NOK	3-month NIBOR + 3.20%	No due date	2022	150	150
Hybrid capital	400	NOK	3-month NIBOR + 3.50%	No due date	2023	400	400
Hybrid capital	450	NOK	3-month NIBOR + 3.50%	No due date	2024	450	450
Hybrid capital	250	NOK	3-month NIBOR + 3.35%	No due date	2024	250	250
Hybrid capital	600	NOK	3-month NIBOR + 3.25%	No due date	2025	600	600
Total hybrid capital						1,850	1,850

Change of hybrid capital	Balance sheet 31.12.2021	Issued 2021	Matured/ redeemed 2021	Exchange rate and other changes 2021	Balance sheet 31.12.2020
Total hybrid capital	1,850	-	-	-	1,850

¹⁾ This note is identical for the parent bank.

NOTE 41 EVENTS AFTER THE BALANCE SHEET DATE

Russia invaded Ukraine on February 24 and harsh sanctions have been imposed on Russia and Belarus. SpareBank 1 SR-Bank and the bank's clients have no major direct or indirect exposure to these nations when presenting the Annual Reports for 2021. The bank performs an ongoing risk assessment of the Ukraine conflict, including influence on commodities and energy prices. In addition, a variety of safeguards have been put in place to protect the bank's IT infrastructure and prevent cyber-attacks on its most vital systems and procedures. An escalation of the crisis in Ukraine could have a greater impact on the global economy than it has so far, but this is difficult to predict, as the situation is still unclear.

No material events have otherwise been registered after 31.12.2021 that affect the annual financial statements as prepared.

The proposed dividend is NOK 6.00 per share and will total NOK 1,535 million.



To the General Meeting of Sparebank 1 SR-Bank ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sparebank 1 SR-Bank ASA, which comprise:

- The financial statements of the parent company Sparebank 1 SR-Bank ASA (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 SR-Bank ASA 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.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



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

We have been the auditor of the Company for 20 years from time of election in 2002.

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.

Key Audit Matter

How our audit addressed the Key Audit Matter

Valuation of loans to customers

Loans to customers represents a considerable part of the Group's total assets. The bank's procedures and control systems related to credit rating and their monitoring process are central to the valuation of loans. The framework is complex and includes a considerable volume of data and judgemental parameters.

The use of estimates may affect profit before tax. Estimates may also affect the compliance with the Capital Requirements Regulation due to the risk classification of loans. We focused on this area due to the significance of the impairment considerations for the value of loans in the financial statements, and the fact that the use of judgement has a potential to affect the profit for the period. Furthermore there is an inherent risk of errors because of the complexity and quantity of data involved in the modelling.

Assessment of write down is based on a model based framework including elements that require management to use their best estimate. The framework is complex and includes significant amount of data and judgemental parameters.

The use of models to determine expected credit losses entails judgement, specifically with respect to:

We addressed and tested controls related to valuation of loans to customers. The objective of these controls are to identify whether loans have objective evidence of impairment, and how the impairment losses should be calculated when objective evidence exists. We concluded that we could rely on these controls in our audit.

Throughout 2021, we held meetings with the credit and legal department in the bank. The financial statement show that total non-performing and impaired loans are at a sharply reduced level compared to last year. In these meetings, we challenged the bank's assessments, including possible impairment indicators on loans where there is not yet objective evidence that impairment exists. This included loans that were assessed by the bank and loans selected based on industry, size, risk and haphazardly. We assured that the bank had particular attention on loans in the petroleum related industry. For loans where objective evidence exists, we challenged the bank and examined the relevance and the reasonableness of the assumptions and the method used in the calculation of realisable value. Our procedures indicate that the bank's assumptions and methods were reasonable.

Our audit also includes tests aimed towards the company's financial reporting systems which are relevant to the financial reporting. The company utilizes external service providers to operate some of its central core IT systems. We have utilized auditor of the external service organizations to assess and evaluate the design and effectiveness of such controls, and to test established controls to ensure the integrity of the IT systems relevant for financial reporting. In this regard, the above mentioned auditor have submitted an ISAE 3402 type 2 report. The auditor's testing included,



- classification of the various credit portfolios by risk and asset type;
- identification of impaired loans or loans presenting a significant increase in credit risk;
- how the loans are categorised in stages;
- the use of parameters such as the probability of default and loss given default and scenarios.

According to accounting standards, the bank shall assess, at the end of each reporting period, whether there is objective evidence that impairment exists for the loans. If there are, the losses should be calculated as the residual of the book value less the present value of future cash flows. Both assessments involve significant judgements.

In our audit, we gave special attention to:

- Managements' process to identify loans with objective evidence that impairment exists.
- Managements' process to monitor engagements that are particularly exposed due to the decline in the petroleum related industry.
- Management's assumptions used in calculating the impairment amount for loans where impairment exists.

Refer to note 6, 8, 10, 11, 12, 13 and 14 in the annual report for a description of the group's credit risk and managements process related to impairment of loans to customers and assumptions for valuation

among other things, the assessment of whether key calculation made by the core systems were in line with expectations, including the evaluation of interest rate calculations and amortization. The tests also included data integrity, as was modifications and changes in access and restricted access to the systems. To determine whether we could use the information received by the other auditors as a basis for our assessments, we assured the auditor's competence and objectivity and reviewed the reports sent and considered possible nonconformities and measures. We also carried out tests ourselves towards access controls to IT systems and segregation of duties where necessary for the sake of our own specific audit procedures. Our assessments and tests support our assumption that data handled and calculations made by the company's external core system were reliable. This was a necessary basis for our audit.

We performed credit assessments for a sample of loans, where we evaluated whether objective evidence for impairment losses exist. We also assessed the realisable value the bank had calculated. These values are calculated by using internal and external appraisals. The financial statement show that the loan loss provision ratios is somewhat increased this year. The loan-loss provision ratio is defined as individual write-downs in percent of non-performing and impaired loans. The results of our testing of individual impairment losses show that management had used reasonable assumptions in the calculation of the impairment amounts.

For loans considered on a collective basis the calculation is based on a framework model. We tested the model and considered the relevance and the reasonableness of important assumptions used in the calculation.

As for the internal control environment, we obtained a detailed understanding of the processes and tested the controls associated with:

- the calculation and methodologies used;
- whether the Management-approved internal models worked as intended;
- the reliability of the sources of the data used for calculation purposes;

Our testing of the internal controls did not give any indication of material misstatements in the model or non-compliance with IFRS. The financial statement show that the loan-loss provision ratio, measured as



collective impairment losses in percent of gross loans, is stable compared to last year. The level of collective losses were among other things compared to other comparable banks and analysed towards the bank's other loan portfolio. We concluded that the assumptions used in the calculation of the impairment amounts were reasonable.

We satisfied ourselves that disclosures regarding valuation of loans and guarantees, appropriately describes risks in the portfolio, and that the disclosures are in accordance with the requirements.

Completeness and valuation of derivatives

Derivatives consist mainly of interest- and currency instruments. The bank uses derivatives to reduce interest and exchange risk related to fixed-rate funding and loans to customers, bonds (assets and liabilities) and certificates (assets and liabilities). The bank has also a significant trade of derivatives on behalf of customers. There is a risk of errors in the financial statements if derivatives are not accurately registered in the banks systems.

Derivatives are measured at fair value, and the valuation techniques depends partly on management judgement as described in note 27. The use of assumptions (interest rates and credit spread) can therefore potentially affect the income statement.

Refer to notes 2, 3, 6, 14, 15, 16, 25, 26 and 27 for a more complete description of the Groups risk governance and use of derivatives.

The bank has established processes and controls to ensure accurate registration and measurement of derivative contracts.

We tested the bank's control over the entering into and closing of derivative contracts, including the registration in the banks systems. Our audit also includes tests to ensure that the bank reconciles transactions with counterparties on a daily basis. Furthermore, we have tested the banks methodology and controls regarding pricing models. We concluded that we could rely on these controls in our audit.

Interest and exchange curves were on a daily basis fed into the bank's portfolio system as basis for pricing of derivatives. We tested the pricing by recalculating the pricing of different derivatives by using the same interest and exchange curves as the bank. We compared these prices to external sources. The result of our testing show that management used reasonable assumptions when calculating the fair value of the derivatives.

We satisfied ourselves that disclosures regarding derivatives were appropriate.

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.

(4)



The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

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

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and



obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements



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

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name sparebankisrbankasa-2021-12-31-nb 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

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Stavanger, 15 March 2022

PricewaterhouseCoopers AS

Torbjørn Larsen
State Authorised Public Accountant

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



To the Board of Directors in SpareBank 1 SR-Bank

Report on SpareBank 1 SR-Bank's sustainability reporting

We have undertaken a limited assurance engagement of SpareBank 1 SR-Bank's sustainability reporting. SpareBank 1 SR-Bank's sustainability reporting comprises GRI Index for 2021 and measurements and reporting of key performance indicators for sustainability per 01 January – 31. December 2021.

SpareBank 1 SR-Bank's GRI Index is an overview of which principles, aspects and indicators from The Global Reporting Initiative guidelines that SpareBank 1 SR-Bank uses to measure and report on sustainability, together with a reference to where material sustainability information is reported. SpareBank 1 SR-Bank's GRI Index for 2021 is part of SpareBank 1 SR-Bank's annual report for 2021. Our limited assurance engagement comprises whether SpareBank 1 SR-Bank has developed a GRI Index for 2021 and whether disclosures are presented according to the Standards published by The Global Reporting Initiative (www.globalreporting.org/standards) (criteria).

Key performance indicators for sustainability are indicators for sustainability performance that SpareBank 1 SR-Bank's GRI Index for 2021 refer to, and that SpareBank 1 SR-Bank measure and control. Key performance indicators for sustainability are available and included in SpareBank 1 SR-Bank's annual report 2021. SpareBank 1 SR-Bank has prepared the key performance indicators. Our limited assurance engagement comprises the basis for the measurements, the calculations of the measurements, and whether key performance indicators are presented according to the Standards published by The Global Reporting Initiative (www.globalreporting.org/standards) (criteria).

Tasks and responsibilities of management

Management is responsible for SpareBank 1 SR-Bank's sustainability reporting and that the reporting is developed in accordance with the Standards published by The Global Reporting Initiative. Their responsibility includes developing, implementing and maintaining internal controls that ensure the reporting of the GRI Index and key performance indicators for sustainability.

Our independence and quality control

We are independent of the company in accordance with applicable laws and regulations and the Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our independent statement, and we have fulfilled our ethical obligations in accordance with these requirements and IESBA Code. We use ISQC 1 - Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and maintains a comprehensive quality control system including documented policies and procedures of the ethical standards, professional standards and applicable legal and regulatory claim.

The Auditors responsibilities

Our responsibility is to express a limited assurance conclusion on SpareBank 1 SR-Bank's sustainability reporting based on the procedures we have performed and the evidence we have obtained. We have performed our work and will issue our statement in accordance with the Standard

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



on Assurance Engagements ISAE 3000: "Assurance engagements other than audits or review of historical financial information".

Our work involves performing procedures to obtain evidence that SpareBank 1 SR-Bank's sustainability reporting is developed in accordance with the Standards published by The Global Reporting Initiative. The procedures selected depend on our judgement, including assessments of the risks that the sustainability reporting as a whole are free from material misstatement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the subject matter. Therefore, we design procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our control also includes an assessment of whether the applied criteria are appropriate and an assessment of the overall presentation of the subject matter.

The procedures performed include meetings with representatives from SpareBank 1 SR-Bank that are responsible for the key areas covered by the sustainability reporting, including credit, HR, procurement, risk and compliance, to evaluate internal controls and procedures related to sustainability reporting; collecting and reviewing relevant information that supports the presentation of key performance indicators; evaluating the completeness and accuracy of the key performance indicators; and controlling the calculations of key performance indicators based on an assessment of the risk that the key performance indicators contain information that is incorrect.

In our opinion, sufficient evidence has been obtained and we consider that our work provides an appropriate basis to form our conclusion.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that

SpareBank 1 SR-Bank's GRI Index is not developed and presented, in all material respects, in accordance with the requirements of the Standards published by The Global Reporting Initiative; and

Key performance indicators for sustainability are not developed, measured and reported, in all material aspects, in accordance with the requirements of the Standards published by The Global Reporting Initiative.

Stavanger, 15 March 2022

PricewaterhouseCoopers AS

Torbjørn Larsen
State authorized public accountant

(This translation from Norwegian has been made for information purposes only)

(2)

Statement by the Board of Directors and CEO

We hereby confirm that the financial statements for the period 1.1.to 31.12.2021 have, to the best of our knowledge, been prepared pursuant to applicable accounting standards, and that the information provided presents a true and fair picture of the company's and the group's assets, liabilities, financial positions and profit as a whole.

We also confirm that the board of directors' report provides a true and fair presentation of the performance, result and position of the company and group, together with a description of the most important risk and uncertainty factors that the company and the group face.

Stavanger 15 March 2022



Dag Mejdell
Chair of the board



Kate Henriksen



Tor Dahle



Trine Sæther Romuld



Jan Skogseth



Sally Lund-Andersen
Employee representative



Kristian Kristensen
Employee representative



Benedicte Schilbred Fasmer
Chief Executive Officer

GRI Index – SpareBank 1 SR-Bank 2021

GENERAL DISCLOSURES

Dis-closure	Description	Location in the report (chapter, page)	Reporting directly in the index
Organisational profile			
102-1	Name of the organisation		SpareBank 1 SR-Bank ASA
102-3	Most important brands, products and/or services	SpareBank 1 SR-Bank (8)	
102-3	Location of the organisation's head office		Stavanger
102-4	Number of countries in which the organisation operates		Norway
102-5	Ownership and legal form of business organisation	SpareBank 1 SR-Bank (8,9)	
102-6	Description of the markets served by the organisation	SpareBank 1 SR-Bank (8)	
102-7	Size and scope of the organisation	SpareBank 1 SR-Bank (8) Employees (14) Annual financial statement (72,73)	
102-8	"Total number of employees by type of employment, employment contract and region, broken down by gender"	Employees(17)	
102-9	Description of the organisation's supply chain	Board of director's report (62,63,64,65)	
102-10	"Significant changes during the reporting period regarding the size, structure or ownership"	Business areas (19)	
102-11	"Description of whether and how the precautionary principle is used within the organisation"		SpareBank 1 SR-Bank is a member of Global Compact and thus has committed to practicing the "precautionary principle".
102-12	"External initiatives, charters or principles in the financial, environmental or social area that the organisation supports or has acceded to"	Sustainability (24,25)	For more details, please see Sustainability in SR-Bank document
102-13	"Membership in industry organisations or other associations, and national/international lobby organisations"	Sustainability (25)	For more details, please see Sustainability in SR-Bank document
Strategy and analysis			
102-14	Statement from the CEO	The CEO statement - High activity in a challenging year (6)	
Ethics and integrity			
102-16	"The organisation's values, principles, standards and norms of behaviour"	Sustainability (37,38)	
Governance			
102-18	"The organisation's management structure, including the highest authority and committees who are responsible for decisionmaking on financial, environmental and social topics"	SpareBank 1 SR-Bank (13)	

Dis-closure	Description	Location in the report (chapter, page)	Reporting directly in the index
Stakeholder engagement			
102-40	Stakeholder groups that the organisation is in dialogue with	Sustainability The group's stakeholders and main material topics (26,27)	
102-41	"Percentage of employees who are covered by collective bargaining agreements"		60% of employees are members of a trade union. 84% of employees are covered by collective bargaining agreements (ForretningsPartner and Monner are not included in the figures)
102-42	"Description of how the organisation chooses relevant stakeholders"	Sustainability The group's stakeholders and main material topics (26,27)	
102-43	"Approach to stakeholder engagement, including frequency of engagement by type and stakeholder group"	Sustainability The group's stakeholders and main material topics (26,27)	
102-44	"Important topics and questions raised through stakeholder dialogue and the organisation's response"	Sustainability The group's stakeholders and main material topics (26,27)	
Practices for reporting			
102-45	"Overview of all the units that are encompassed by the organisation's annual financial statements or similar documents"	Annual financial statements (76,77)	
102-46	"Description of the process for defining the report's content and limitations, as well as the implementation of the reporting principles"	Sustainability (26,27)	
102-47	List of all the topics that have been identified as material		Banking practice Ethics and anti-corruption Privacy and information security Financial crime and anti-money laundering Financial crime and anti-money laundering Managing climate risk
102-48	Change of historical data from earlier reports		None
102-49	"Significant changes from the previous report with regard to the scope of the content, limitation of the report or the measurement methods"		None
102-50	Reporting period		01.01.21-31.12-21
102-51	Date of publication for the previous report		25.03.2020
102-52	Reporting frequency		Annually
102-53	Contact person for questions about the report or its content		Nina Moi-Edwardsen
102-54	Reporting level		This report has been prepared in accordance with the GRI Standards: Core option
102-55	GRI Index		Annual report 2021, page 153
102-56	Current practices for external verification of the reporting		The report is verified by PwC Norway

SPECIFIC INFORMATION

Dis-closure	Description	Location in the report (chapter, page)	Reporting directly in the index
Financial performance			
103-1	Description and limitation of material topic(s)	Sustainability Climate risk (34,35,36)	See GRI 102-47
103-2	"Description of the management system that covers material topic(s)"	Årsberetningen (66) Sustainability Climate risk (34,35,36)	
103-3	Evaluation of the management system	Corporate governance (48,49)	
201-1	Direct financial value created and distributed	Annual financial state- ment (72)	
201-2	"Financial implications, risks and opportunities due to climate change"	Sustainability Climate risk (34,35,36)	
Indirect financial impacts			
103-1	Description and limitation of material topic(s)	Sustainability (26,27)	
103-2	"Description of the management system that covers material topic(s)"	Sustainability (26,27, 28,29)	
103-3	Evaluation of the management system	Sustainability (26,27,28)	
203-2	"Significant, indirect financial impacts of the organisation's operations"	Sustainability Stimulating new jobs (42) Community support (42)	
Ethics and anti-corruption			
103-1	Description and limitation of material topic(s)	Sustainability Ethics and anti-corrup- tion (37)	
103-2	"Description of the management system that covers material topic(s)"	Sustainability Ethics and anti-corrup- tion (37)	
103-3	Evaluation of the management system	Sustainability Ethics and anti-corrup- tion (37)	
205-2	"Communication and training about anti-corruption policies"	Sustainability Ethics and anti-corrup- tion (37,38)	
205-3	Confirmed incidents of corruption and corrective actions	Sustainability Ethics and anti-corrup- tion (37,38)	
Reduce greenhouse gas emissions			
103-1	Description and limitation of material topic(s)	Sustainability Environmental responsibility in own operations (39,40)	
103-2	"Description of the management system that covers material topic(s)"	Sustainability Environmental responsibility in own operations (39,40)	
103-3	Evaluation of the management system	Sustainability Environmental responsibility in own operations (39,40)	
302-1	Energy consumption within the organisation	Sustainability Environmental responsibility in own operations (39,40)	
305-1 305-2 305-3	Greenhouse gas emissions	Sustainability Environmental responsibility in own operations (39,40)	

Dis-closure	Description	Location in the report (chapter, page)	Reporting directly in the index
Sustainable purchasing			
103-1	Description and limitation of material topic(s)	Sustainability Sustainable purchasing (41)	
103-2	Description of the management system that covers material topic(s)	Sustainability Sustainable purchasing (41)	
103-3	Evaluation of the management system	Sustainability Sustainable purchasing (41)	
308-2	Significant actual and potential negative environmental impacts of work practices in the supply chain and actions taken.	Sustainability Sustainable purchasing (41)	
Training and education			
103-1	Description and limitation of material topic(s)	Employees(14,15)	
103-2	Description of the management system that covers material topic(s)	Employees (14,15)	
103-3	Evaluation of the management system	Employees (14,15)	
404-1	New employees hires and employee turnover	Employees (14)	
404-2	Programmes for personal development and lifelong learning that develop the employee's value in the labour market	Employees (14,15)	
404-3	Percentage of employees who receive regular performance and career development reviews	Employees (14,15)	
Diversity and equality			
103-1	Description and limitation of material topic(s)	Employees (15,16)	
103-2	Description of the management system that covers material topic(s)	Employees (15,16)	
103-3	Evaluation of the management system	Employees (15,16)	
405-1	Diversity of governance bodies and in different employee categories	Employees (17)	
405-2	Pay differences between men and women	Employees (17)	
Supplier social assessment			
103-1	Beskrivelse og avgrensning for vesentlig(e) tema	Sustainability Sustainable purchasing (41)	
103-2	Beskrivelse av styringssystemet som dekker vesentlig(e) tema	Sustainability Sustainable purchasing (41)	
103-3	Evaluering av styringssystemet	Sustainability Sustainable purchasing (41)	
414-2	Betydelige faktiske og potensielt negative konsekvenser for samfunnet i leverandørkjeden og iverksatte tiltak	Sustainability Sustainable purchasing (41)	

Dis-closure	Description	Location in the report (chapter, page)	Reporting directly in the index
Responsible marketing of products and services			
103-1	Description and limitation of material topic(s)	Sustainability Responsible information, communication and marketing (38,39)	
103-2	Description of the management system that covers material topic(s)	Sustainability Responsible information, communication and marketing (38,39)	
103-3	Evaluation of the management system	Sustainability Responsible information, communication and marketing (38,39)	
417-2	Incidents of non-compliance concerning product and service information and labelling	Sustainability Responsible information, communication and marketing (38,39)	
417-3	Incidents of non-compliance concerning marketing communications	Sustainability Responsible information, communication and marketing (38,39)	
Privacy and information security			
103-1	Description and limitation of material topic(s)	Sustainability, Privacy and information security (38)	
103-2	Description of the management system that covers material topic(s)	Sustainability, Privacy and information security (38)	
103-3	Evaluation of the management system	Sustainability, Privacy and information security (38)	
418-1	Number of documented complaints related to breaches of privacy or losses of customer data	Sustainability, Privacy and information security (38)	
Responsible credit			
103-1	Description and limitation of material topic(s)	Sustainability Responsible lending (31, 32,33)	
103-2	Description of the management system that covers material topic(s)	Sustainability Responsible lending (31, 32,33)	
103-3	Evaluation of the management system	Sustainability Responsible lending (31, 32,33)	
FS8	Monetary value of products and services designed to deliver a specific environmental benefit	Sustainability Responsible lending (32,33)	
Responsible investments and requirements for financial suppliers			
103-1	Description and limitation of material topic(s)	Sustainability Responsible asset management (33)	
103-2	Description of the management system that covers material topic(s)	Sustainability Responsible asset management (33)	
103-3	Evaluation of the management system	Sustainability Responsible asset management (33)	
FS10	Percentage and number of companies held in the organisation's portfolio with which the reporting organisation has interacted on environmental or social issues.	Sustainability Responsible asset management (33)	
FS11	Percentage of assets subject to positive and negative environmental or social screening	Sustainability Responsible asset management (33)	

Key figures last 5 years

(Figures in NOK millions)

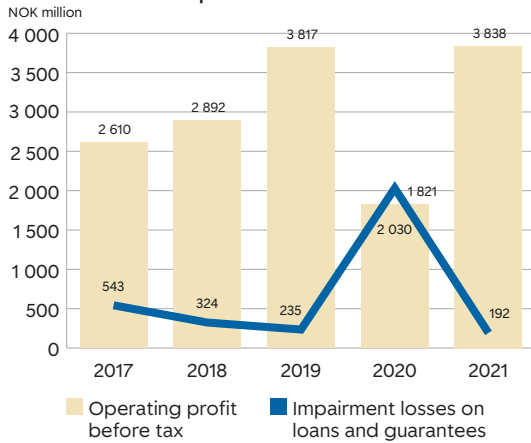
SpareBank 1 SR-Bank Group	2021	2020	2019	2018	2017
Summary of results					
Net interest income	3,990	4,142	3,987	3,439	3,162
Net commissions and other operating income	1,717	1,396	1,416	1,437	1,524
Net income from financial investments	1,037	699	1,127	569	634
Total net income	6,744	6,237	6,530	5,445	5,320
Total operating costs	2,714	2,386	2,478	2,229	2,167
Operating profit before impairment provisions	4,030	3,851	4,052	3,216	3,153
Impairment provisions on loans and financial liabilities	192	2,030	235	324	543
Pre-tax profit	3,838	1,821	3,817	2,892	2,610
Tax cost	682	231	693	596	524
Net profit for the year	3,156	1,590	3,124	2,296	2,086
Balance sheet figures					
Lending to retail market	143,307	137,074	124,392	113,879	104,299
Lending to retail market, incl. SB1 Boligkreditt	143,307	137,074	128,635	122,756	118,413
Lending to corporate market	86,990	82,525	83,061	78,725	67,883
Lending to corporate market, incl. SB1 Næringskreditt	86,990	82,525	83,061	79,142	68,352
Retail market deposits	57,862	53,399	48,375	45,650	44,258
Corporate market deposits	79,802	64,771	54,731	53,164	51,126
Lending growth in retail market, excl. SB1 Boligkreditt %	4.5	10.2	9.2	9.2	14.4
Lending growth in corporate market, excl. SB1 Næringskreditt %	5.4	-0.6	5.5	16.0	2.1
Percentage growth in retail market deposits	8.2	10.4	6.0	3.1	3.1
Percentage growth in corporate market deposits ¹⁾	23.2	18.3	2.9	4.0	18.9
Total assets	304,402	287,049	255,895	234,061	216,618
Average total assets	295,753	275,235	247,923	223,838	207,562
Impairment provisions on loans and loans in Stage 3²⁾					
Impairment provisions as a % of gross loans	0.09	0.95	0.12	0.18	0.33
incl. loans SB1 Boligkreditt and SB1 Næringskreditt	0.09	0.94	0.11	0.17	0.29
Loans and financial liabilities in Stage 3 as a % of gross loans and financial liabilities.	1.46	1.90	1.32	1.27	
incl. loans SB1 Boligkreditt and SB1 Næringskreditt	1.46	1.90	1.30	1.22	
Non-performing exposures as a % of gross loans					0.32
incl. loans SB1 Boligkreditt and SB1 Næringskreditt					0.30
Other impaired exposures as a % of gross loans					0.91
incl. loans SB1 Boligkreditt and SB1 Næringskreditt					0.83
Equity					
Share capital	6,394	6,394	6,394	6,394	6,394
Share premium reserve	1,587	1,587	1,587	1,587	1,587
Other equity	17,348	16,562	15,003	13,054	11,758
Hybrid capital	1,850	1,850	1,850	550	150
Total equity	27,179	26,393	24,834	21,585	19,889
Profitability, financial strength and staffing					
Return on equity %	12.6	6.4	14.0	11.3	11.0
Cost/income ratio	40.2	38.3	37.9	40.9	40.7
Operating costs as a % of average total assets	0.92	0.87	1.00	1.00	1.04
Average interest margin	1.35	1.50	1.61	1.54	1.52
Common Equity Tier 1 capital ratio ³⁾	17.39	18.29	16.96	14.72	15.05
Tier 1 capital ratio ³⁾	18.88	19.90	18.58	15.85	16.04
Capital ratio ³⁾	20.48	21.72	20.42	17.60	17.88
No. of FTEs	1,505	1,283	1,260	1,178	1,142

¹⁾ From 2019 includes deposits corporate market net consolidated accounts currency. The historical figures have been correspondingly restated.

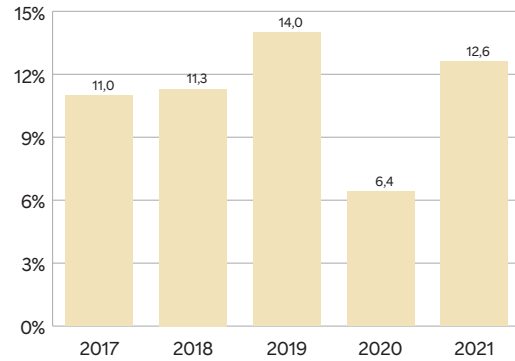
²⁾ Loans and financial liabilities in Stage 3 as a % of gross loans. Figures prior to 1.1.2018 are total non-performing and impaired exposures pursuant to IAS 39 as a % of gross loans.

³⁾ Historical capital ratio figures in the group are based on the capital adequacy rules and regulations before 2019, when the so-called Basel I floor applied. A decision was made in April 2020 not to pay a dividend for 2019 at this time. The figures reported as at 31.12.2019 have not been restated. The board exercised its special authorisation from April 2020 and at the board meeting on 10.2.2021 approved a dividend of NOK 5.50 per share for the 2019 financial year, which was paid out on 19.3.2021. The board exercised its special authorisation from April 2021 and at the board meeting on 30.9.2021 approved a dividend of NOK 3.10 per share for the 2020 financial year, which was paid out on 13.10.2021.

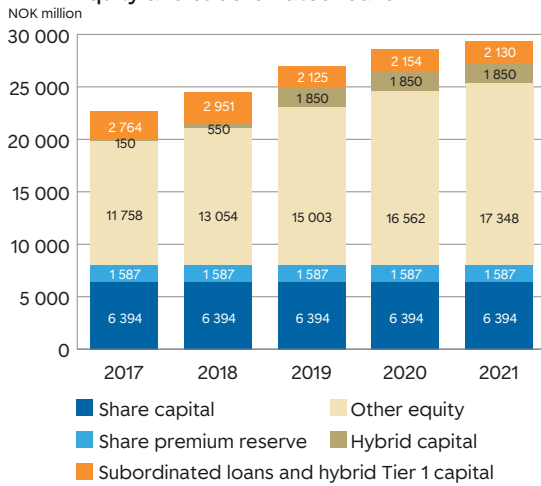
Profit and impairment losses



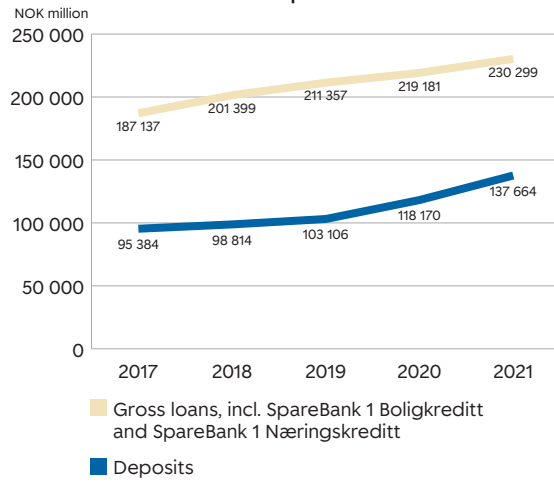
Return on equity



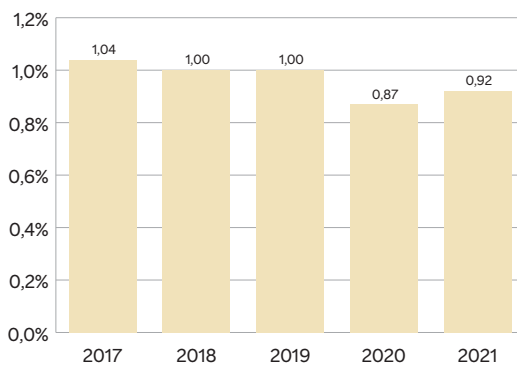
Equity and subordinated loans



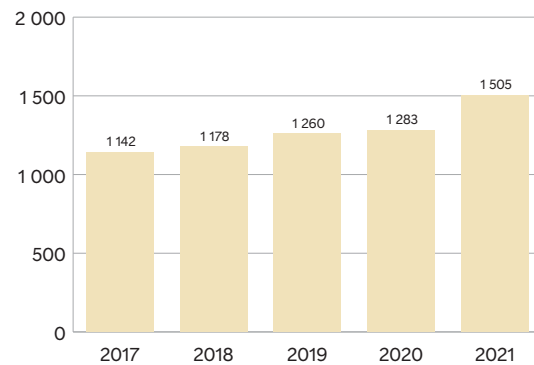
Gross loans and deposits



Operating costs as % of average total assets



FTEs, Group





Our aim is to stimulate growth
and development

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