2022

Annual Report

SpareBank 1 SØRØST-NORGE

Gunn Tove Skaane Buaas
Adviser in Skien

Contents

A word from the CEO

A powerful regional bank in an attractive market

2022 was another exciting and challenging year for the Norwegian banking industry in general and for us at SpareBank 1 Sørøst-Norge in particular. On 01.04.2022, SpareBank 1 Sørøst-Norge merged with SpareBank 1 Modum, just 10 months after the merger between SpareBank 1 BV and Sparebanken Telemark. In anticipation of the merger with SpareBank 1 Modum, the technical merger between SpareBank 1 BV and Sparebanken Telemark due in 2021 was postponed until SpareBank 1 Modum was in place. This was implemented on the weekend of the 07-09.10.2022 with very good results, and on Monday 10.10.2022, a common technical platform for SpareBank 1 Sørøst-Norge was finally established. We are very proud to have completed two successful mergers of three banks in less than a year, with everything going as planned and all of the objectives achieved. These two mergers have strengthened our position in South East Norway in line with our stated ambitions.

Looking back, structural growth has been vital for the Bank's development. Since the 1980s, the Bank's total assets have grown by an average of about 12% each year, which is considerably higher than the growth in credit over the same period. Overall, 11 mergers have been completed, from countryside to city. One of the motivations behind all of the mergers has been the same in every case. To create good results, you need to be forward-leaning and merge in good times. It is also important to maintain your strong focus on customers from day one, at the same time as you work efficiently and quickly on all the internal processes that need to be put in place. I greatly appreciate the work put in throughout the year by everyone involved: employees, managers, the Board and partners. Together we have created value.

2022 was a good year for the banking/financial services industry. The Group delivered good results and the Bank's top line was strengthened in line with our ambitions. Commission income, including income from subsidiaries, grew by no less than 12%. Increasing income from sources other than margin-based services such as deposits and lending is important for greater profitability. We expect to grow further in the future. We strengthened our subsidiary SpareBank 1 Regnskapshuset Sørøst-Norge with the acquisition of Grenland Gruppen AS in November 2022. Grenland Gruppen is a strong actor within accounting and advice in Telemark. We also implemented structural changes within real estate by merging the subsidiary EiendomsMegler 1 Sørøst-Norge with EiendomsMegler 1 Modum and buying out the minority shareholders in Z-eiendom, to further strengthen EiendomsMegler 1 Sørøst-Norge. This is all part of the job of incorporating the Bank's subsidiaries in order to develop a comprehensive and better offering for our customers.

The regulations that govern the financial services industry are constantly evolving. Greater expertise and resources are required for the stricter requirements concerning compliance, risk management, sustainability and digitalisation. At the same time, our customers want good advice, a local presence and competitive terms and conditions. Economies of scale are an important value driver for meeting these challenges and at the same time achieving good profitability. That is why we believe there will be more structural changes going forward.

Thanks to the structural changes, we have built up considerable expertise in implementing mergers. Research shows that many mergers and acquisitions do not achieve their objectives. I firmly believe that we can prove the opposite to be true in our case. In our merger-related work, we placed considerable weight on ensuring that we had good processes that were well-anchored among employees, employee representatives, owners and other stakeholders. This ensures a sense of ownership and enthusiasm about common objectives. It is also important to focus on management and develop a healthy corporate culture. Actively working to understand cultural differences, establish an attractive place to work and implement best practice better equips us to meet the challenges of tomorrow. In 2022, we implemented our own management development programme for all groups of managers. Next year, we intend to focus further on employees. Motivated, happy employees are our most important resource. I am proud and humbled by the commitment the organisation has shown over the past 3 years.

The mergers have also created five strong local savings bank foundations in the region. They will safeguard the DNA of the old savings banks thanks to their local roots. At the same time, in the future, together with the Bank, they will organise gift distribution and market activities in the respective market areas in order to consolidate the Bank's position as a local bank. The payments to the foundations in the form of dividends and gifts, including any additional dividend, will amount to more than NOK 710 million for the year. Therefore, we are very pleased that we are able to share most of the profit with owners and local communities in 2022.

SpareBank 1 Sørøst-Norge enjoys a strong market position in an attractive growth area. The pandemic has taught us that greater flexibility with a view to where you live and work is possible. Lower prices for homes in our market area compared with Oslo combined with good infrastructure and an increase in working from home have resulted not just in great interest in moving to our market area but many people doing it. The Bank's market area also includes an exciting and diverse range of employers, in both the public and the private sectors. Education and health are two important public sector employers in the region. The private sector has a broadly composed business sector along the axes Drammen - Kongsberg - Notodden and via Grenland – the towns in Vestfold and back to Drammen. Many solid international enterprises are based in the region, which results in considerable value creation and many jobs.

The financial services industry is playing an important part in moving the world in the direction we want, and sustainability is a key focus area for us in SpareBank 1 Sørøst-Norge. We want help customers in the green transition and contribute as a group in areas where we have the opportunity to have an impact. In 2022, we established the "Konjunktur Sørøst" business cycle barometer, arranged an internal sustainability festival and carried out a comprehensive training programme for all employees in order to boost our sustainability skills. The goal is to ensure that all employees can feel confident that they have the necessary sustainability skills to do their job. In 2022, we also started work on a comprehensive process that will enable us to apply for permission to become an AIRB bank, which will further strengthen the Bank's competitiveness. I am convinced that the sum of these things will create value for our customers, owners, employees and local communities.

Our vision is: "Together we create value". By doing things together as a team, we will become better, stronger, more knowledgeable and more powerful. I would like to thank all of the Group's employees for the results that were created in 2022. I am proud of the willingness to change and determination demonstrated by the organisation in what was yet another challenging year full of valuable lessons.

Per Halvorsen
CEO

Together we create value

Corporate strategy

Brand

As far as SpareBank 1 Sørøst-Norge is concerned, brand building is about clarifying who we want to be and ensuring that we stand out from the crowd of competitors. A strong brand will help attract new customers, good partners and new skills. A brand is therefore an important means of creating lasting competitive advantages.

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

As a relationship bank, we want to be seen as the personal regional bank that provides value for local businesses, people and communities.

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

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

The SpareBank 1 Alliance uses the NeedScope's brand strategy framework to understand the banking market and measure our brand strength relative to that of our competitors. A strong brand is built by being relevant, different and consistent wherever the customer is in contact with the Bank. Despite the major changes in society, basic banking needs remain reasonably stable. Nevertheless, there have been major changes in how banks position themselves. In the overall competitive landscape, the SpareBank 1 banks have a very clear position in their chosen segment as a close, safe, helpful bank that is good at following up its customers. The positive development since 2018 has been significant, and SpareBank 1 now numbers among the top 5% of clearest brands worldwide, according to Kantar. It is important for SpareBank 1 Sørøst-Norge to take advantage of the strong position of the Alliance while simultaneously building positive associations with our new and relatively young brand name, Sørøst-Norge.

Vision and values

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

We create value for customers through good advice based on expertise, quality and ethical standards in line with the best traditions of the savings bank industry. We build up skills and corporate culture in-house and deliver good results every day for customers, owners, employees and society. "Together" is warm, friendly and inclusive.

Together we create development and growth over time. Our vision and values provide an important platform from which to successfully achieve our goals.

Our values, "Present", "Power" and "Movement", speak of a group that is constantly evolving, at the same time as we preserve our proximity to our customers. The power inherent in a strong corporate culture should make a difference, a power that is created by the people who work here.

Present

We available to our surroundings and to each other.

We are present where people reside, work and live – physically and digitally. Now and for the future they dream of.

Power

We create power through the people who work here. Together we are a strong, solid organisation, rich in experience and expertise.

Our power contributes to development for customers, employees, owners and local communities.

Movement

Movement creates development, a sense of mastery and motivation – which can turn dreams into reality.

Movement lays the groundwork for change and growth, and ensures a good ability to execute.

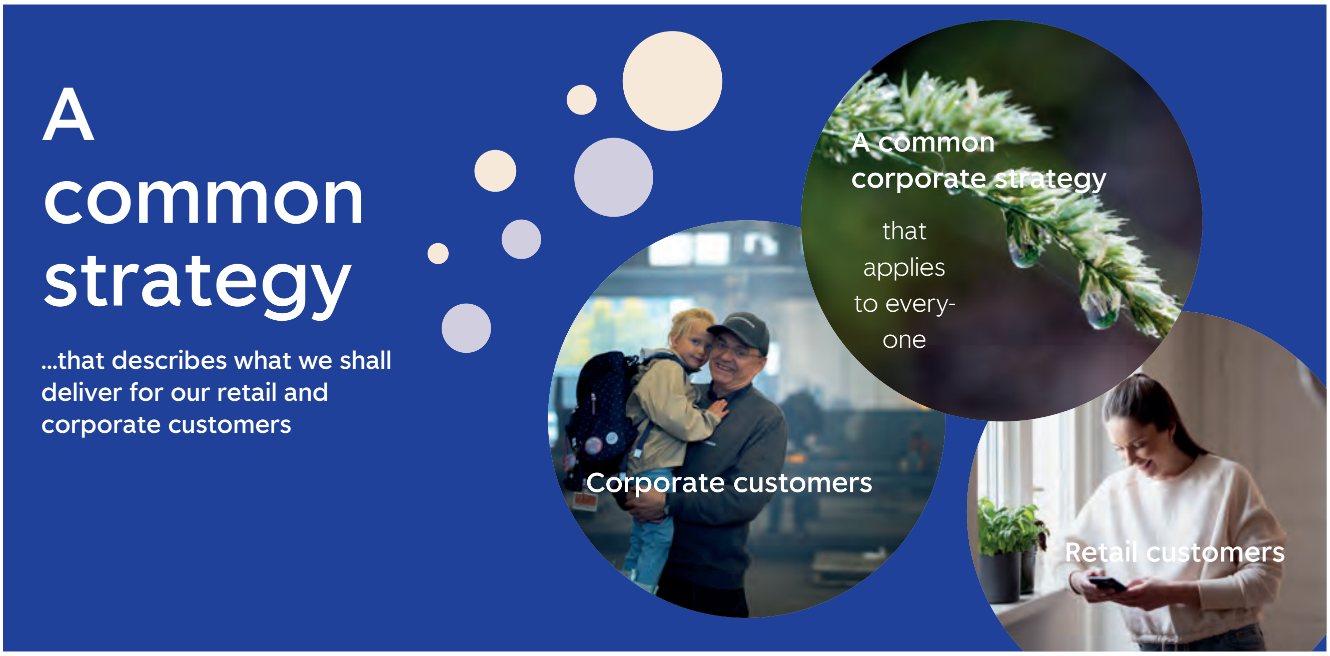
We move forward in order to develop and learn from experience.

Corporate Strategy 2025

Our Corporate Strategy 2025 sets out the strategic direction for SpareBank 1 Sørøst-Norge during the strategy period and provides guidelines for the goals and measures that the organisation has established for all levels based on a balanced scorecard. The strategy has a wide reach across the Group, including subsidiaries. Following the merger with SpareBank 1 Modum, it has been important to come together and agree on our goals and direction. The methodology follows our strategy framework, which consists of the following four main milestones:

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

Strategies are about making choices. The strategy is divided up into a common corporate part that applies to everyone, and more specific goals and measures for succeeding in the retail and corporate market.



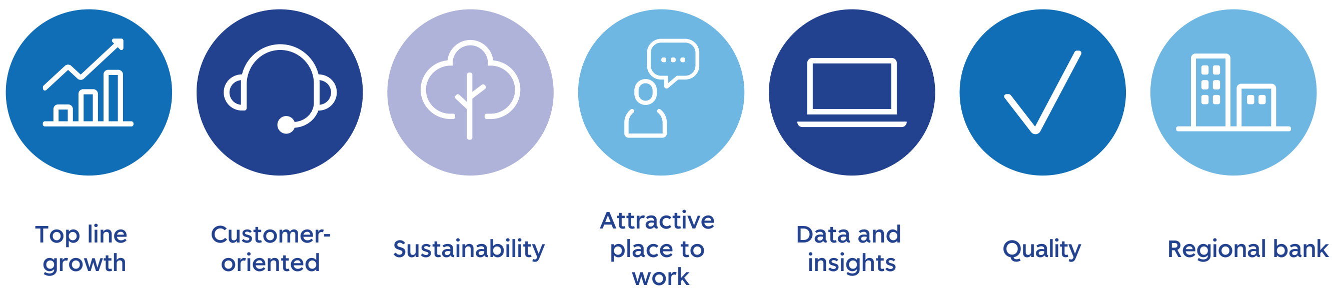
Four overarching goals

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

1) Strengthen customer relationships and become the preferred bank for the retail and SME segment in our market area
2) Build an attractive, sound regional bank for South East Norway
3) Be one of the most attractive places to work in banking/finance in South East Norway
4) Facilitate profitable growth that provides a basis for increased added value for all of our stakeholders

Seven Strategic focus areas

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



Group goals 2025

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

Customer satisfaction

> 66

Common equity Tier 1 capital

17.0%

Sustainability exposure

NOK 25 billion

Return on equity

> 11%

Attractive workplace

> 75

Other operating income:

NOK 950 million

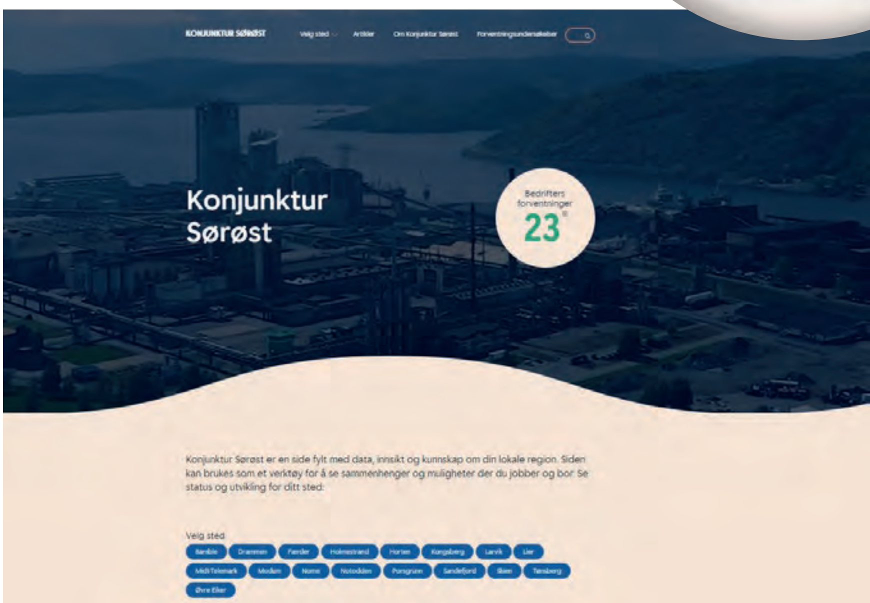
A look back at 2022

Q1

January
The Norwegian Competition Authority approves the merger between SpareBank 1 Sørøst-Norge and SpareBank 1 Modum. Both banks are systematically and actively working to prepare for the legal merger that is planned to take place in 01.04.2022.

Some 200 employees in the Bank and accounting firm are invited to take part in a future-oriented research project on work restitution led by the University of South-Eastern Norway (USN). The aim is to gain a better understanding of work-related health and motivation processes.

February
Our new "Konjunktur Sørøst" business cycle barometer sees the light of day on 22.02.2022. A website filled with data, insights and knowledge about our region broken down into 17 local areas. This tool will increase our credibility and visibility as a source of trends and facts about business and people in our market area.



March
Consumers again name SpareBank 1 one of the most sustainable brands in the Norwegian banking and financial services industry in the Sustainable Brand Index, the country's largest brand survey.

We deliver our first annual results as SpareBank 1 Sørøst-Norge, which reflect our good start and the region's optimism. The consolidated profit (pro forma) is just over NOK 1 billion after tax.

Photos from the campaign:
Norway's most personal mobile bank

Q2

April

On 01.04.2022, the legal merger between SpareBank 1 Sørøst-Norge and SpareBank 1 Modum is completed. The merger will further strengthen our market position in Buskerud in general and the Drammen's region in particular. The new group will have 660 employees and 21 local branches.

SpareBank 1 continues its partnership with the national cross-country ski team and the sponsorship agreement with the NSF is extended to the end of the 2025 season.

The "RM Project" kicks off. SpareBank 1 wants to take the position of the Bank with the best digital solutions. The focus will be on raising awareness of the fact that we offer "Norway's most personal mobile bank".

May

We open a new head office for SpareBank 1 Sørøst-Norge in Fokserød in Sandefjord. Some 75 staff and management employees will be based here while it will also be a meeting place for everyone in the Group.

The savings programme for employees is continued and there is a lot of interest. Some 417 employees buy 320 542 equity certificates for a total of NOK 18.8 million.

June

Our commitment to sustainability continues and in June we kick off a major training programme for every employee of the Bank. The programme will be adjusted for the different disciplines with the goal of ensuring that every employee is confident about what sustainability entails for their everyday work.

The Board of Directors agrees to the Bank applying for approval as an AIRB bank and the process that will allow us to do so is scheduled to start after the summer.

Q3

July
Faster transfers and settlements are important for customers and SpareBank 1 starts piloting a new infrastructure for instant payments. This is a major collaborative project in which Bits is the owner and we work closely with Tietoevry.

August
The "KonkurranseKRAFT" project aims to improve the Group's competitive power and get it and its employees ready to apply for approval as an AIRB bank. An extensive process is underway. The plan is to submit the application to the Financial Supervisory Authority of Norway in the first half-year 2024.

September
September sees the launch of the SpareBank 1 Global Index, an index fund that focuses on sustainability and is now included in the Alliance's new series of funds. Saving in index funds has been a trend for a long time and demand is high.

We present our first survey of expectations from various local areas in the region linked to our "Konjunktur Sørøst" business cycle barometer. This reveals interesting findings with record low expectations and garners a lot of external attention for us.

Q4

October

An important milestone is reached as we complete a successful technical merger between the former SpareBank 1 BV, Sparebanken Telemark and SpareBank 1 Modum to form SpareBank 1 Sørøst-Norge. Never before has a technical merger of three banks with such complex systems been carried out.

The Bank's rating from Moody's is upgraded from A2 to A1. This further boosts lenders' confidence in us and means better and cheaper access to funding, especially internationally. The "Bedriftsløftet 2.0" business boost campaign is launched and the national effort to capture the position of Norway's best bank for SMEs continues.

November

Grenland Gruppen AS became a subsidiary of SpareBank 1 Regnskapshuset Sørøst-Norge AS. The goal of acquiring and establishing Regnskapshuset in Telemark as well is thus achieved.

The boards of EiendomsMegler 1 Modum and EiendomsMegler 1 Sørøst-Norge agree to merge the brokerage companies. This will improve competitiveness, improve cooperation with the Bank and result in a more attractive employer.

December

We sign an agreement with the Women in Finance Charter, which aims to increase the proportion of women in leading positions within financial services. Equality and diversity are among our main SDGs in the period up to 2025.

SpareBank 1 Sørøst-Norge becomes the sole owner of Z-eiendom. Prior to this we owned a 60% stake in the real estate company, whose catchment area is Tønsberg and Færder.

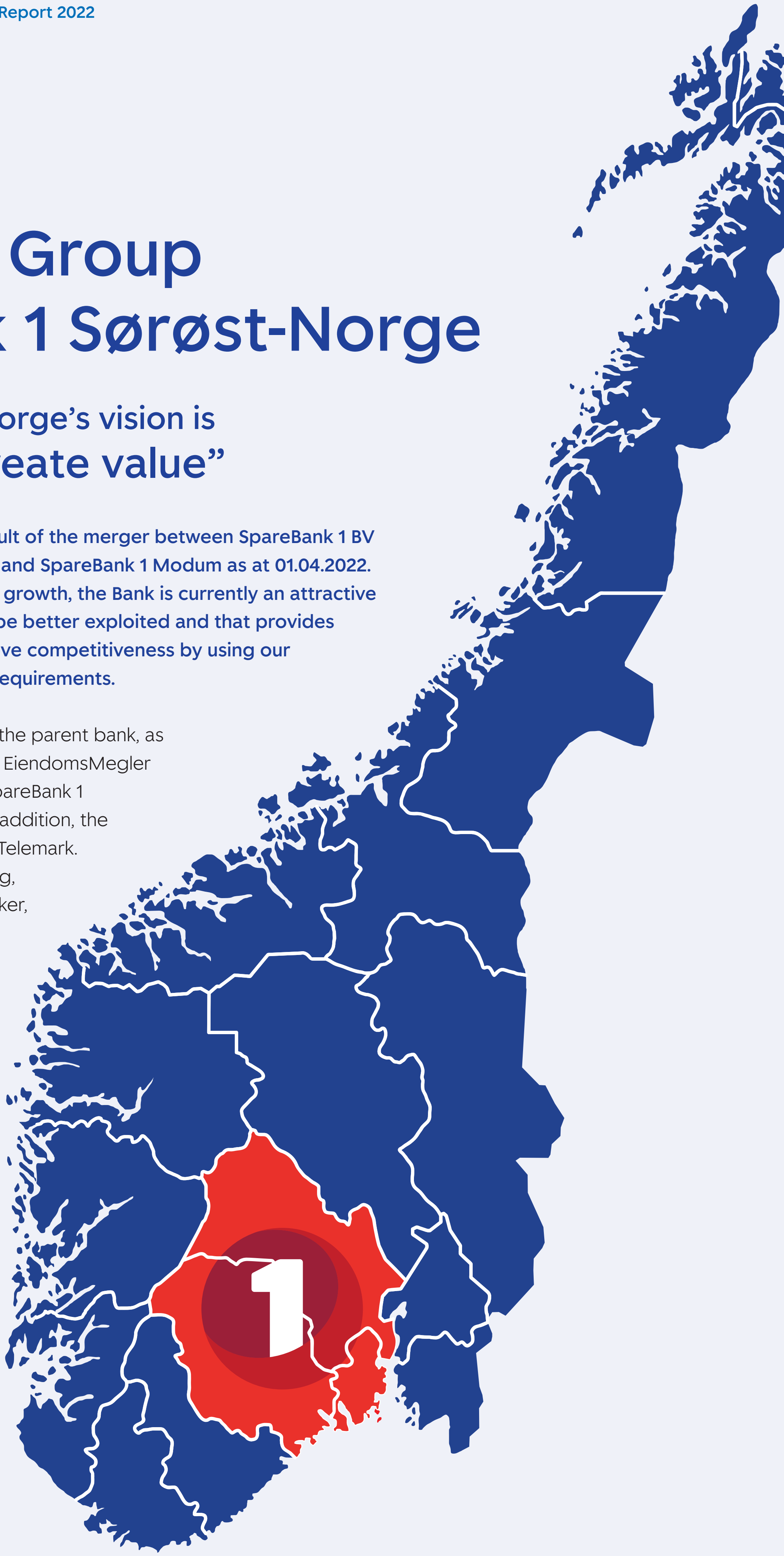
About the Group SpareBank 1 Sørøst-Norge

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

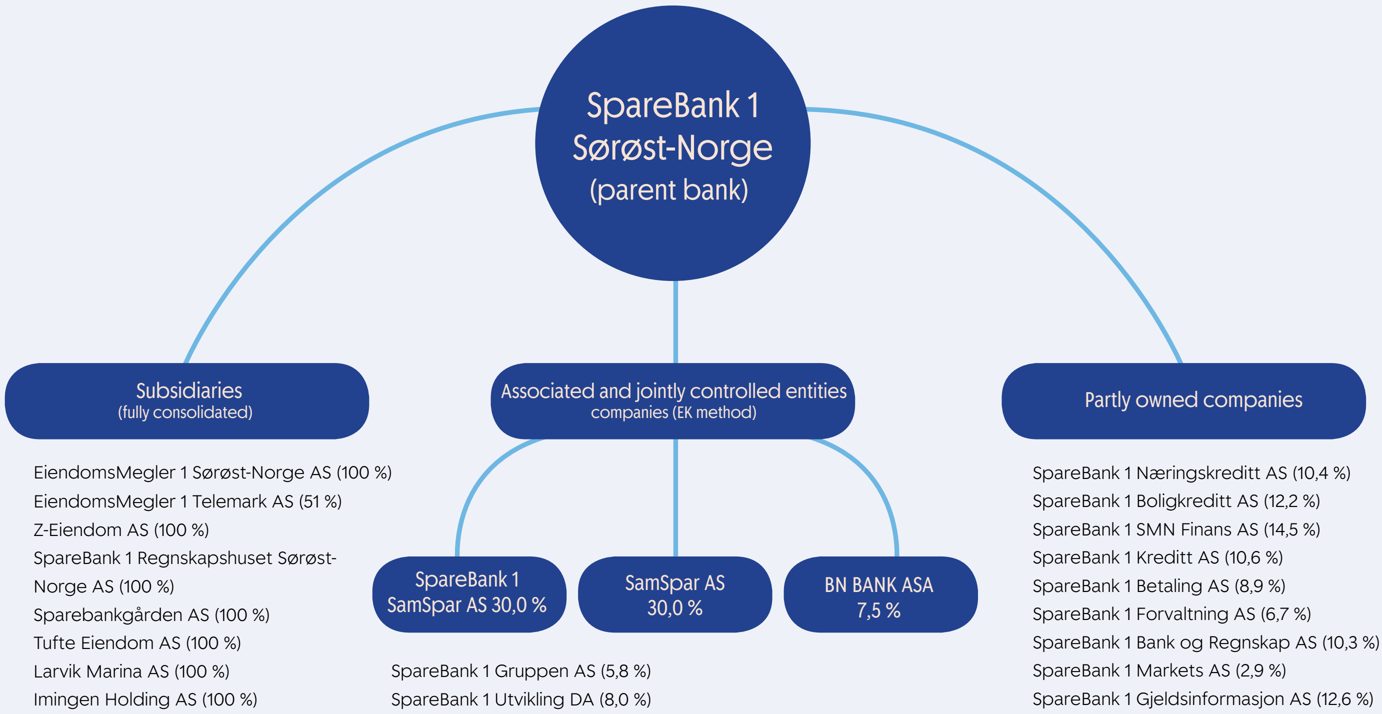
SpareBank 1 Sørøst-Norge is the result of the merger between SpareBank 1 BV and Sparebanken Telemark. in 2021, and SpareBank 1 Modum as at 01.04.2022. As a result of structural and organic growth, the Bank is currently an attractive size where economies of scale can be better exploited and that provides opportunities that allow us to improve competitiveness by using our own models for calculating capital requirements.

The Group's main activity consists of the parent bank, as well as the wholly owned subsidiaries EiendomsMegler 1 Sørøst-Norge AS, Z-eiendom and SpareBank 1 Regnskapshuset Sørøst-Norge AS. In addition, the Bank owns 51% of EiendomsMegler 1 Telemark. The Group has branches in Kongsberg, Vikersund, Åmot, Hokksund, Nedre Eiker, Drammen, Lier, Holmestrand, Horten, Tønsberg, Færder, Sandefjord, Larvik, Bamble, Porsgrunn, Skien, Ulefoss, Lunde, Bø and Notodden.

The region has a diverse business sector. SpareBank 1 Sørøst-Norge has a total of 21 branches spread across cities and towns in areas seeing economic growth. The business sector in the Bank's market areas is well diversified with the varied composition of the sectors represented by the public sector, industry, power, technology, research and trade.



The Group consists of the parent bank and eight subsidiaries: EiendomsMegler 1 Sørøst-Norge (100%), SpareBank 1 Regnskapshuset Sørøst-Norge AS (100%), Z-eiendom AS (100%), EiendomsMegler 1 Telemark (51%), Tufte Eiendom AS (100%), Sparebankgården AS (100%), Larvik Marina AS (100%) and Imingen Holding AS (100%)
The Bank has three associated companies/joint ventures: Samarbeidende Sparebanker AS (30.0%), SpareBank 1 SamSpar (30.0%) and BN Bank ASA (7.5%).



Important financial events in the quarter

- Common Equity Tier 1 capital ratio, proportional consolidation of more than 17%
- Return on equity of 11%
- Cost-income ratio of less than 40%
- Dividend of at least 50%, shared equally between the owners' and community capital's share of the profit for the year

Important value drivers for achieving financial goals

- Top-line growth – including higher other income
- Strong cost control
- Capital efficiency
- AIRB ambition

Main figures

NOK 1 041 million

Profit after tax

9.2%

Return on equity

19.5%

Common Equity Tier 1 capital ratio

Main figures last 5 years

Consolidated figures	2022	2021	2020	2019	2018
Income Statement (NOK millions)					
Net interest income	1 573	920	649	657	593
Other income	1 050	1 075	611	599	606
Operating expenses	1 272	886	599	588	466
Profit before losses	1 351	1 109	661	667	733
Losses on loans and guarantees	40	79	31	2	1
Profit for the year before other comprehensive income	1 041	869	505	539	596
Statement of financial position (NOK millions)					
Gross lending	72 852	62 771	32 586	31 410	29 532
Gross lending, incl. transfers to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt [1]	105 141	88 105	45 999	44 292	41 854
Impairment provisions on loans	306	229	143	145	157
Deposits from customers	55 216	46 212	25 864	24 443	22 139
Total assets	89 547	74 911	40 455	38 822	36 581
Average total assets	82 229	60 257	39 737	38 109	35 597
Average equity (excl. hybrid capital)	11 087	7 518	5 115	4 771	4 382
Key figures (%)					
Net interest income	1.91	1.53	1.63	1.72	1.67
Operating expenses	1.55	1.47	1.51	1.54	1.31
Profit for the year before other comprehensive income	1.27	1.44	1.27	1.41	1.67
Cost-income ratio [1]	48.5	44.4	47.6	46.9	38.9
Cost-income ratio excl. financial investments [1]	51.8	54.2	53.2	54.3	42.4
Loss rate on lending [1]	0.06	0.17	0.10	0.01	0.00
Loans in Stage 3 as % of gross lending (from 2019)/ Default percentage (net) (to 2018) [1]	0.90	0.61	0.61	0.82	0.54
Deposit coverage [1]	75.8	73.6	79.4	77.8	75.0
Total rate of return	1.27	1.44	1.27	1.41	1.67
Return on equity [1]	9.2	11.4	9.9	11.3	13.6
Capital adequacy ratio	22.1	21.0	22.0	22.1	20.0
Tier 1 capital ratio	20.4	19.3	20.0	20.0	17.9
Common Equity Tier 1 capital	19.5	18.3	18.8	18.5	16.7
Growth in deposits [1][2]	19.5	78.7	5.8	10.4	5.4
Growth in gross lending, incl. transfers to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt [1][2]	19.3	91.5	3.9	5.8	8.2
Price of equity certificate as at 31.12 (NOK)	55.0	65.4	41.3	39.6	35.6
Market capitalisation (NOK millions)	7 411	7 762	2 606	2 499	2 246
Book equity per equity certificate (NOK) (Group) [1]	53.38	49.32	45.62	43.71	42.06
Earnings per equity certificate (NOK) (parent bank) [1][3]	4.27	4.94	3.62	4.43	4.98
Earnings per equity certificate (NOK) (Group) [1][3]	4.27	5.37	4.34	4.63	5.40
Dividend per equity certificate (NOK)	2.60	2.50	1.90	2.42	2.95
Price/earnings per equity certificate annualised (Group) [1]	12.87x	12.18x	9.52x	8.56x	6.59x
Price/book equity (Group)	1.03x	1.33x	0.91x	0.91x	0.85x

1. Alternative performance measures are defined in a separate appendix to the Annual Report
2. Pro forma growth in 2022 (2021) var 1.2% (7.4%) for deposits and 2.5% (6.4%) for gross lending
3. rage 01.Earnings per weighted equity certificate (weighted ave01-31.12)

Board of Directors’ Report

Board of Directors' Report 2022

On 01.06.2021, SpareBank 1 BV and Sparebanken Telemark merged with SpareBank 1 BV as the takeover bank. At the same time, the merged bank changed its name to SpareBank 1 Sørøst-Norge. On 01.04.2022. SpareBank 1 Sørøst-Norge merged with SpareBank 1 Modum, where SpareBank 1 Sørøst-Norge was the taking over bank. The goal of the merger is to create a competitive bank in the banks' market areas and be well-positioned for the future.

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

Figures from the transferring banks were included in the official accounts with effect from 01.06.2021 (Sparebanken Telemark) and 01.04.2022 (SpareBank 1 Modum). Pro forma financial statements have been prepared for 2021 and 2022 to improve comparability[1]. Please refer to the separate pro forma income statement and statement of financial position in Note 42.

Highlights from the pro forma financial performance and statement of financial position performance as at 31.12.2022 are shown below, with the pro forma figures as at 31.12.2021 in brackets.

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

Highlights (pro forma) for the period 01.01-31.12

- Ordinary profit after tax of NOK 1 066 million (NOK 1 152 million)
- Net interest income of NOK 1 620 million (NOK 1.270 million)
- Net income from financial assets NOK 177 million (NOK 455 million)
  - Profit from SpareBank 1 Gruppen and BN Bank ASA of NOK 53 million (NOK 177 million) and NOK 43 million (NOK 36 million), respectively
  - Negative goodwill due to the merger in 2021 NOK 151
- Higher operating expenses were mainly due to one-off merger-related costs of NOK 114 million (NOK 68 million)
- Losses on loans and guarantees of NOK 40 million (NOK 88 million)
- Return on equity 8.8% (10.4%), adjusted for one-time effects 9.6% (10.1%)
- Lending and deposit growth in the past 12 months of 2.5% (6.4%) and 1.2% (7.4%), respectively

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

Highlights of the year 01.01-31.12

Merger completed on 01.04.2022
- Ordinary profit after tax of NOK 1 041 million (NOK 869 million)
- The Board is proposing a cash dividend for equity certificate holders of NOK 2.60 (2.50) per equity certificate, totalling NOK 364 million (NOK 297 million), and gift funds for community capital amounting to NOK 236 million (NOK 196 million).
- The Board is proposing a possible cash dividend for equity certificate holders of NOK 1.50 per equity certificate, totalling NOK 210 million, and dividends/ gift funds for community capital amounting to NOK 136 million.
- Net interest income of NOK 1 573 million (NOK 920 million)
- Losses on loans and guarantees of NOK 40 million (NOK 79 million)
- Profit from SpareBank 1 Gruppen and BN Bank ASA of NOK 51 million (NOK 121 million) and NOK 43 million (NOK 31 million), respectively
- Return on equity of 9.2% (11.4%)
- Common Equity Tier 1 capital ratio, Group (proportional consolidation) 19.5% (18.3%)

Financial performance

Profit

The SpareBank 1 Sørøst-Norge Group posted a profit from ordinary operations before losses of NOK 1 351 million (NOK 1 109 million). Profit after tax was NOK 1 041 million (NOK 869 million), which represents 1.27% (1.44%) of average total assets. The Group's return on equity was 9.2% (11.4%).

Earnings per equity certificate (weighted average as at 31.12) in the parent bank were NOK 4.27 (4.94) and in the Group NOK 4.27 (5.37).

In the Group's dividend policy, the Board of Directors has decided to change the dividend distribution rate from about 50% to a minimum of 50%. The Bank's normal policy is that a minimum of 50% of the equity certificate holders' share of each year's profit should be paid out as a cash dividend.

Because of the good results in 2022 and the Bank's very good financial strength as at 31.12.2022, the Board of Directors is recommending a cash dividend for 2022 of NOK 2.60 per equity certificate, totalling NOK 364 mil-

[1] The pro forma figures for 2021 and 2022 represent the combined income statement and statement of financial position without calculation of added/less value

lion, and gift funds for community capital totalling NOK 236 million. In total, the distribution rate of the parent bank's official profit is around 58% and 56% of the pro forma consolidated profit for 2022.

Based on the Group's extremely good financial strength, even after the ordinary dividend for equity certificate holders and gift funds for community capital, the Board of Directors will propose to the Supervisory Board that the Board of Directors be authorised to pay an additional dividend to the Bank's equity certificate holders and for gifts to good causes if the financial situation so permits. An additional dividend of up to NOK 1.50 per equity certificate is proposed, which corresponds to NOK 210 million in dividends and NOK 136 million in gifts via community capital. The Board will assess whether there is a basis for paying out any additional dividend/gifts in the third quarter of 2023.

The ordinary dividend and any additional dividend would result in the total distribution of around 91% of the parent bank's official profit (also see Note 40) and 89% of the Group's pro forma profit. The Financial Supervisory Authority of Norway has been informed of the proposed level of the cash dividend for equity certificate holders and gift funds for community capital, based on section 10-6(3) of the Financial Institutions Act.

Net interest income

Net interest income amounted to NOK 1 573 million (NOK 920 million). Net interest income as a percentage of average total assets was 1.91% (1.53%).

At the end of the year, the Bank had transferred mortgages worth NOK 30 802 million (NOK 23 769 million) to SpareBank 1 Boligkreditt AS, and NOK 1 487 million (NOK 1 565 million) to SpareBank 1 Næringskreditt AS. Earnings from these loan portfolios are shown under net commission income and amounted to NOK 166 million (NOK 209 million). The decrease was due to higher market interest rates during 2022 and some delay in when interest rate changes take effect.

Net commission and other income

Net commission and other income totalled NOK 883 million (NOK 716 million).

Net commission income

Net commission income amounted to NOK 579 million (NOK 483 million). The commissions from SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS accounted for NOK 166 million (NOK 209 million) of this.

Other operating income

Other operating income amounted to NOK 304 million (NOK 233 million).

Net income from financial assets

Net income from financial assets amounted to NOK 167 million (NOK 360 million). As at 31.12.2022, the main items consist of NOK 77 million (NOK 33 million) in dividends received, NOK 94 million (NOK 153 million) in net profit from ownership interests, and net result from other financial investments of NOK -5 million (NOK 174 million). The latter item for 2021 includes NOK 151 million in recognised negative goodwill related to the merger with Sparebanken Telemark.

The net result from ownership interests includes the results from SpareBank 1 Gruppen AS and BN Bank ASA of NOK 51 million (NOK 121 million) and NOK 43 million (NOK 31 million), respectively. The indirect stake in SpareBank 1 Gruppen AS and direct stake in BN Bank ASA were increased from 3.0% and 5.0% to 4.4% and 7.5%, respectively, in connection with the merger on 01.06.2021. In connection with the merger on 01.04.2022, the indirect ownership interest in SpareBank 1 Gruppen AS was further increased from 4.4% to 5.8%.

Income from ownership interests, SpareBank 1 Gruppen

SpareBank 1 Gruppen posted a result that was significantly weaker than in 2021. The profit before tax amounted to NOK 1 458 million (NOK 4 105 million), which is NOK 2 647 million weaker than in 2021. Compared with last year, financial income in the insurance companies was significantly lower due to weak equity markets and increased interest rates, as well as write-downs of investment properties. In the fourth quarter, SpareBank 1 Gruppen became a 50% owner of the Kredinor Group, and the Group's gain of NOK 382 million from the derecognition of Modhi Finance and its transfer to Kredinor was recognised as income in the current quarter. The result after tax was NOK 1 196 million (NOK 3 250 million), of which NOK 895 million (NOK 2 415 million) constitutes the controlling interest's share.

The Fremtind Forsikring Group posted a profit before tax of NOK 1 137 million (NOK 3 085 million). Its profit after tax was NOK 859 million (NOK 2 386 million). Profit decreased due to a weaker insurance result and a weaker financial result. The insurance result was NOK 1 263 million in 2022 (NOK 2 457 million), a decrease of NOK 1 193 million compared with the year before. The claims rate for the year was 65.5% compared with 57.6% at the same time the year before. The claims rate rose due to major fires early in the year and in December, as well as a higher claims rate for cars and travel in the retail market. The financial result was adversely impacted by weak developments in the equity markets and weaker interest rate returns due to higher interest rates and credit spreads, as well as write-downs of investment properties.

SpareBank 1 Forsikring's profit before tax amounted to NOK 68 million (NOK 894 million). Its profit after tax was NOK 53 million (NOK 778 million). The risk result was NOK 219 (143) million, which is NOK 76 million higher. SpareBank 1 Sørøst-Norge's share of SpareBank 1 Gruppen's profit amounted to NOK 51 million in 2022 (NOK 121 million).

Income from ownership interests, SpareBank 1 SamSpar AS

On 08.12.2022, the annual general meeting of Samarbeidende Sparebanker AS decided that the shares in SpareBank 1 SamSpar AS would be distributed as dividends in kind to the owner banks.

A valuation of SpareBank 1 SamSpar AS was conducted in connection with the change in company structure. The company was valued at NOK 185 million, which results in a gain in Samarbeidende Sparebanker AS of NOK 155 million. The gain was distributed in its entirety as dividends in kind to the owner banks.
Following the restructuring, the total equity in the company accounts of Samarbeidende Sparebanker AS and SpareBank 1 SamSpar AS was equal to the equity in the Group before the change and the transaction thus does not affect the Group.

The transaction was recognised in SpareBank 1 Sørøst-Norge as NOK 55.5 million in income for the parent bank and there was no recognition of income in the Group, as described above. SpareBank 1 Sørøst-Norge owns 29.98% of SpareBank 1 SamSpar AS.

SpareBank 1 SamSpar AS's result for 2022 was NOK -0.89 million, of which SpareBank 1 Sørøst-Norge's share was NOK -0.27 million.

Income from ownership interests, BN Bank ASA

BN Bank ASA posted a profit for 2022 of NOK 578 million (NOK 478 million). SpareBank 1 Sørøst-Norge owns 7.5% of BN Bank ASA. SpareBank 1 Sørøst-Norge's share of BN Bank's profit amounted to NOK 43 million (NOK 31 million).

Merger-related one-time costs (NOK millions)	**2022** Official	**2021** Official	**2022** Pro forma	**2021** Pro forma
Personnel expenses	39	19	43	19
Other operating expenses	68	27	71	49
Total	**107**	**46**	**114**	**68**

Operating expenses

Total operating expenses were NOK 1 272 million (NOK 886 million). Operating expenses as a percentage of total operating income for the Group came to 48.5% (44.4%). The corresponding cost-income ratio for the parent bank was 43.0% (40.2%).

Personnel expenses

Personnel expenses amounted to NOK 716 million (NOK 529 million). Of which, merger-related one-off costs amounted to approximately NOK 39 million (NOK 19 million), which mainly relates to provisions for restructuring packages in 2022.

The number of FTEs at the end of the year was 652 (533), of which the parent bank employed 432 (378). The increase is directly related to the merger with SpareBank 1 Modum with effect from 01.04.2022, with approximately 100 employees.

Other operating expenses

Other operating expenses were NOK 556 million (NOK 357 million). Of which one-off costs amounted to NOK 68 million (NOK 27 million), mainly related to costs related to the transactions in 2021 and 2022 and the technical merger.

Losses and impairment provisions

Impairment of loans amounted to NOK 40 million (NOK 79 million) and was lower than in last year's official accounts. Taking into account the merger effects and pro forma accounts, impairment of loans amounted to NOK 30 million (NOK -1 million). The increase from 2021 was due in part to changed scenario weights for the corporate market with an increase of 5 percentage points from the normal to worst case, i.e. from 80/15/5 to 75/20/5. The worst case scenario for the corporate market portfolio was increased because of the increased risk in the corporate market due to the current uncertainty in the macro situation. The retail market portfolio's weights were left unchanged from 2021, i.e. 80/15/5. The weights for the retail market include an increase in the worst case scenario back during the pandemic, and this has been maintained in light of the economic outlook. For more information, please see Note 12.

Impairments of loans to the corporate market amounted to NOK 24 million (NOK -9 million), while for the retail market impairments amounted to NOK 6 million (NOK -2 million).

Total impairments for loans and guarantees amounted to NOK 353 million (NOK 287 million), which is equivalent to 0.48% (0.46%) of gross lending on the statement of financial position. Problem loans (Stage 3) amounted to NOK 160 million (NOK 95 million), which is equivalent to 0.22% (0.15%) of gross lending on the statement of financial position.

Statement of financial position performance

The Group's total assets amounted to NOK 89 547 million (NOK 74 911 million). The Group's business capital (total assets including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS) amounted to NOK 121 837 million (NOK 100 245 million).

Lending and deposit performance

Gross lending (including the volume transferred to SpareBank 1 Boligkreditt AS/SpareBank 1 Næringskreditt AS) amounted to NOK 105 141 million. The past 12 months have seen lending growth of 2.5% (pro forma). NOK 1 563 million (1.9%) of the growth came in the retail market and NOK 971 million (4.4%) in the corporate market. The retail market's share of lending (including SpareBank 1 Boligkreditt AS) at the end of the quarter was 78% (65%).

At the end of the year, the Group had a deposit volume of NOK 55 216 million (NOK 46 212 million) with deposit growth of 1.2% (pro forma) in the past 12 months. NOK 1 241 million (3.5%) of the growth came in the retail market and NOK -590 million (-3.0%) in the corporate market.

The Group had a deposit coverage ratio of 75.8%, compared with 73.6% at the same time last year. Including the volume transferred to SpareBank 1 Boligkreditt AS/ SpareBank 1 Næringskreditt AS, the deposit coverage ratio amounted to 52.5% (53.2%).

The retail market's share of deposits at the end of the quarter was 66% (64%).

Liquidity

The Bank's liquidity situation at the end of the year was very good. The Bank's liquidity portfolio was valued at NOK 8.5 billion and its LCR at 263% (175%) as at the end of the year. The Bank aims to keep its liquidity risk low. In a normal market, SpareBank 1 Sørøst-Norge's goal is to be able to maintain ordinary operations for a minimum of 12 months without access to new external financing. The Bank was well above this target as at 31.12.2022.

At the end of the 2022, mortgages totalling NOK 30.8 billion (NOK 23.8 billion) had been transferred to SpareBank 1 Boligkreditt AS. As at As at 31.12.2022, the Bank had a portfolio of loans approved for transfer to SpareBank 1 Boligkreditt AS worth NOK 27.4 billion (NOK 24.5 billion).

In addition, the Bank had transferred loans to SpareBank 1 Næringskreditt AS worth NOK 1.5 billion (NOK 1.6 billion) as at 31.12.2022.

In 2022, the Group's target was to increase the average term to maturity of its bond debt to a minimum of 3.0 years. At the end of the year, the average term to maturity was 3.1 (3.2) years.

The Bank received updated requirements from the Financial Supervisory Authority of Norway in December 2022, where it was decided that SpareBank 1 Sørøst-Norge must have a risk-weighted MREL (total own funds and eligible liabilities) requirement of 26.5% of the adjusted basis for calculation at any given time. Given that the own funds that are used to meet risk-weighted MREL cannot at the same time be used to cover the combined buffer requirement (7.5%), the actual requirement for MREL capital is 34.0%, which must be met in its entirety by the end of 2023 with gradual escalation in 2022 and 2023.

The requirement of 34.0% was calculated based on the applicable capital requirements as at the end 2022 and does not take into account an increased countercyclical buffer and systemic risk buffer in 2023. The increase in the systemic risk buffer from 3.0% to 4.5%, which was postponed until the end of 2023, has not been taken into account in the requirement as at 01.01.2023. A decision has been made to increase the countercyclical buffer by 0.5 percentage points in 2023.

Taking into account the increase in capital requirements, the actual need for MREL capital (effective MREL) will increase from 34.0% to 37.5% at the end of 2023, and the minimum requirement for subordination will increase in the same period to 30.5%. The Bank's minimum subordination requirement at the end of 2022 was 25.0%, phased in on a linear basis.

At the end of the year, the Bank had issued NOK 3.5 billion in SNP bonds. SNP bonds have higher borrowing costs than other traditional funding, so the total cost of borrowing is expected to increase.

Equity

Capital adequacy

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

From the end of 2022 onwards, the Bank will report a consolidated capital adequacy statement. This has, in isolation, increased the Common Equity Tier 1 capital ratio by approximately 0.2 percentage points. The Bank proportionally consolidates its ownership interests in SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS, SpareBank 1 Kreditt AS, SpareBank 1 Finans Midt-Norge AS and BN Bank ASA.

In 2022, the Ministry of Finance decided to increase the countercyclical buffer by 1.0 percentage point to 2.0%. It has also decided to increase the countercyclical buffer by a further 0.5 percentage points as at 31.03.2023, such that the total countercyclical buffer will be 2.5% at the end of the first quarter of 2023. On 16.12.2022, the Ministry of Finance decided to postpone introduction of an increase in the systemic risk buffer for banks that use the standard method. The requirement to increase the systemic risk buffer from 3.0% to 4.5% has been postponed by a year, meaning that the requirement will apply from the end of 2023. In connection with the approval of the merger with SpareBank 1 Modum in March, the Financial Supervisory Authority of Norway set a new Pillar 2 requirement of 2.5%. This requirement will apply until the Financial Supervisory Authority of Norway sets a new Pillar 2 requirement. The Board of Directors has started work on a new internal capital adequacy assessment process (ICAAP). The assessment must be submitted to the Financial Supervisory Authority of Norway by no later than 12 months after the merger has been completed. The regulatory requirement for the Common Equity Tier 1 capital ratio at the end of 2022 was 14.5% excluding the management buffer. The Group's target for the Common Equity Tier 1 capital ratio is 17.0%.

At the end of 2022, the Common Equity Tier 1 capital ratio was 19.5% (18.3%) and the leverage ratio was 8.5% (8.4%). The regulatory requirement for the leverage ratio is 3.0%. Both targets were met by a good margin at the end of 2022, including if the possible additional dividend is taken into account.

The EU's banking package entered into force in Norway 01.06.2022. This entails, among other things, a lower capital weight for loans to SMEs. This has, in isolation, increased the Common Equity Tier 1 capital by approximately 0.6 percentage points.

Use of own models for calculating capital requirements

The Group aims to establish itself as a sound, competitive bank, which means it is crucial that we ensure that our competitiveness, profitability and control and management are on a par with our competitor banks. The Group's strategy plan includes an ambition to increase our market share in our region while being a proactive participant in the structural development of the banking sector in Eastern Norway. A permit to use Advanced Internal Rating-Based (AIRB) would help to achieve these goals. The Group has, through organic and structural growth, reached a size that means it can start working on preparing an application to the Financial Supervisory Authority of Norway for approval to use advanced IRB models.

The Board of Directors sees it as a strength that the SpareBank 1 Alliance has already developed a strong professional environment that manages and develops IRB models. SpareBank 1 Sørøst-Norge has also used credit management models for several years.

In 2022, the Bank established a project to identify areas that need to be reworked before an application can be submitted. An application is expected to be submitted by the end of the first half of 2024.

Equity certificates

As at On 31.12.2022, the Bank had equity certificate capital of NOK 2 101 million consisting of 140 098 561 equity certificates with a nominal value of NOK 15. The equity certificate's closing price on the Oslo Børs at the end of the year was NOK 55.00. The Bank has a market making agreement with SpareBank 1 Markets AS, which entails, for example, that the company must provide prices for a limited number of equity certificates for at least 85% of the Oslo Børs's opening hours. The number of equity certificate holders as at 31.12.2022 was 5 961 compared with 5 929 as at 31.12.2021.

Allocation of the annual result

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

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

In the Group's dividend policy, the Board of Directors has decided to change the dividend distribution rate from about 50% to a minimum of 50%. The Bank's normal policy is that a minimum of 50% of the equity certificate holders' share of each year's profit should be paid out as a cash dividend.

Because of the good results in 2022 and the Bank's very good financial strength as at 31.12.2022, the Board of Directors is recommending a cash dividend for 2022 of NOK 2.60 per equity certificate, totalling NOK 364 million, and gift funds for community capital totalling NOK 236 million. In total, the distribution rate of the parent bank's official profit is around 58% and 56% of the pro forma consolidated profit for 2022.

Based on the Group's extremely good financial strength, even after the ordinary dividend for equity certificate holders and gift funds for community capital, the Board of Directors will propose to the Supervisory Board that the Board of Directors be authorised to pay an additional dividend to the Bank's equity certificate holders and for gifts to good causes if the financial situation so permits. An additional dividend of up to NOK 1.50 per equity certificate is proposed, which corresponds to NOK 210 million in dividends and NOK 136 million in gifts via community capital. The Board will assess whether there is a basis for paying out any additional dividend/gifts in the third quarter of 2023.

The ordinary dividend and any additional dividend would result in the total distribution of around 91% of the parent bank's official profit (also see Note 40) and 89% of the Group's pro forma profit. The Financial Supervisory Authority of Norway has been informed of the proposed level of the cash dividend for equity certificate holders and gift funds for community capital, based on section 10-6(3) of the Financial Institutions Act.

The Board of Directors proposes that the parent bank's profit at the disposal of SpareBank 1 Sørøst-Norge, amounting to NOK 1 039 764 847, be used as follows:

(Figures in NOK thousands)	
Coverage of paid interest to hybrid capital investors	18 908
Transferred to fund for unrealised gains	73 508
Transferred to Sparebankens fond	210 543
Transferred to the risk equalisation fund	136 686
Dividend for payment in 2023	
NOK 2.60 per equity certificate	364 256
Gift funds for community capital	235 864
Total	1 039 765

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

In accordance with the Financial Institutions Act, section 10-17, SpareBank 1 Sørøst-Norge has calculated the corrected profit for the year in the parent bank's financial statements as NOK 947 million (NOK 782 million).

Transactions with close associates

Apart from the completed merger between SpareBank 1 Sørøst-Norge and SpareBank 1 Modum from 01.04.2022, the Group has not carried out any transactions with close associates that had a significant impact on the company's position or results during the reporting period.

Merger – synergies

On 01.04.2022, SpareBank 1 Sørøst-Norge merged with SpareBank 1 Modum. A merger with SpareBank 1 Modum will strengthen the Bank's position in the Drammen region, while supporting the Bank's ambition to become an AIRB bank. Thanks to several mergers in recent years, the Bank has good experience and expertise in implementing mergers in the savings bank sector.

In the first quarter of 2022, the Bank offered severance packages to anyone born in 1960 or earlier. The offer was sent to just under 50 employees and 37 employees accepted. The costs associated with severance packages were, in their entirety, recognised as a cost of NOK 39 million in the first quarter.

The transaction costs related to the merger between SpareBank 1 BV and Sparebanken Telemark were recognised in 2021. In 2022, total costs of NOK 68 million were recognised in relation to the technical merger of the three former banks (October 2022) and transaction costs related to the merger with SpareBank 1 Modum. A successful technical merger was completed as planned in October.

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

No events with a material bearing on the Group's financial results and/or financial position have occurred since the statement of financial position date. The Group has good financial strength and Tier 1 capital, and the Bank's capital adequacy exceeds the internal financial strength target and the authorities' minimum requirement. The annual financial statements and the consolidated financial statements have been prepared on the basis of a going concern assumption. The Bank's operations and position compared with the Bank's short-term and long-term forecasts for the years to come justify such an assumption.

Corporate governance

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

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

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

In accordance with section 3-3b of the Norwegian Accounting Act, the Bank has prepared a separate report that deals with the policies and practice related to corporate governance. The report has been published on the Bank's website.
Corporate governance | SpareBank 1 Sørøst-Norge.

Risk and capital management

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

This will be achieved by:
- having a strong risk culture characterised by high awareness of risk and capital management.
- having a good understanding of the risks that driving earnings.
- wherever possible, pricing products in line with the underlying risk.
- striving for optimal capital use within the approved corporate strategy
- exploiting synergy and diversification effects
- avoiding unexpected individual incidents being able to seriously damage the Group's financial position

A comprehensive framework for risk and capital management has been established in SpareBank 1 Sørøst-Norge.

In capital adequacy calculations, SpareBank 1 Sørøst-Norge uses the standard method for calculating credit risk and the basic method for operational risk. As part of its strategic ambitions, the Group's goal is to apply for approval to use the IRBA method. An application is expected to be submitted by the end of the first half of 2024.

Capital management shall ensure:
- an effective funding and capital allocation in relation to the Group's strategic goals and adopted business strategy
- competitive return on equity
- satisfactory capital adequacy based on the chosen risk profile and the current requirements of the authorities and market players

- competitive terms and a long-term good access to borrowing in the capital markets
- exploitation of growth opportunities in the Group's defined market area

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

The main areas of risk

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

SpareBank 1 Sørøst-Norge will produce financial and strategic added value by:
- having a strong risk culture characterised by high awareness of risk management and the Group's core values
- having a good understanding of the risks that are drivers for earnings, expenses and losses.
- to the greatest possible extent price services and products in line with the underlying risk.
- having adequate financial strength in relation to long-term strategic goals, initiatives and the chosen risk profile, while aiming for optimal capital allocation in the different business areas
- exploiting synergy and diversification effects.
- avoiding unexpected individual incidents being able to seriously damage the Group's financial position

The Group's risk is quantified by, amongst other things, calculations of expected loss and risk-adjusted capital in order to be able to cover unexpected losses. Expected losses indicates the amount one must statistically expect to lose during a 12-month period. The risk-adjusted capital describes how much capital the Group believes it needs to cover the actual risk the Group is exposed to.

The most significant risks in the Group are discussed in more detail below. For further details please refer to the Pillar 3 documents published on the Bank's website.

Risk related to corporate social responsibility and sustainability

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

Credit risk

Credit risk is managed through the framework for sustainability and corporate social responsibility, credit granting, exposure monitoring and portfolio management. The Bank's risk strategy stipulates that the Group must have a low to moderate risk profile for credit risk.

Credit risk is defined as the risk of incurring losses due to customers or other counterparties being unable and/or unwilling to fulfil their obligations.

The Bank largely finances retail and corporate customers in South East Norway, although it also participates in financing individual projects in partnership with the regional banks in the SpareBank 1 Alliance.

Overall, the quality of the corporate market portfolio is considered good. In spite of the pandemic of the last few years and last year's higher costs (particularly the higher costs for transport, energy and finance), the measured risk in the Bank's corporate market loan portfolio remained stable and on a par with the year before. Defaults remain low.

Financing commercial properties remains the largest segment of the Bank's corporate financing. Increased financial expenses and energy costs, and the demand for sustainable commercial buildings, have implications for growth in the industry, and the Bank has adopted clearer guidelines in a new revised policy for financing commercial properties. The Bank attaches great importance to ESG assessments in credit cases and in 2022 it implemented a new expanded model for ESG assessments. Yield levels for commercial properties have increased slightly in recent times and this will impact the LTV ratio in the portfolio somewhat. The Bank's exposure to development projects decreased over the course of the year due to the completion of major construction projects and a parallel reduction in new projects.

The quality of the retail market portfolio is very good and 2022 was characterised by stable development in the loan to asset value ratio and risk profile. Most of the portfolio is secured by collateral in real estate, and borrowing is generally moderate compared with secured assets. This indicates a limited loss potential as long as these values are not significantly reduced.

In the opinion of the Board of Directors, SpareBank 1 Sørøst-Norge's overall credit risk is within the Bank's approved risk tolerances. The Group's credit risk is considered moderate to low.

Market risk

The management of market risk is based on conservative limits for positions in the interest rate market, as well as investments in shares and bonds. The limits are reviewed and approved by the Board of Directors annually.
Part of the Group's market risk is linked to investments in bonds and certificates. At the end of 2022, the Group's holdings of liquid assets in the form of certificates and bonds amounted to NOK 8.3 billion (NOK 6.1 billion). The risk associated with the liquidity portfolio is quantified using calculations that correspond to the Financial Supervisory Authority of Norway's model for market risk.

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

Liquidity risk

The Bank's framework for managing liquidity risk must reflect the Bank's conservative risk profile. Liquidity risk should be low. The Group's lending is primarily financed by customer deposits and long-term securitised debt, and by the sale of residential mortgage portfolios to SpareBank 1 Boligkreditt AS. The liquidity risk is limited in that the securitised debt is distributed between different markets, funding sources, instruments and maturities.

At the end of 2022, SpareBank 1 Sørøst-Norge had very good liquidity and expects to enjoy continued good access to long-term financing at competitive prices. The Group seeks to achieve an even maturity structure on loans and emphasises good relationships with investors and banks. The liquidity buffer was NOK 19.1 billion at the end of 2022 and would cover normal operations for 18 months with closed markets. The Bank's liability from debt financing falling due in the next 12 months amounts to NOK 1.2 billion. In addition to the liquidity buffer, the Bank has NOK 27.4 billion in mortgages ready for covered bond financing.

In the last year, the Group has continued a high percentage of long-term financing. The Net Stable Funding Ratio (NSFR) at the end of 2022 was 129% (147%).

Operational risk

As far as possible, the operational risk management process in SpareBank 1 Sørøst-Norge must ensure that no single events caused by operational risk can seriously damage the Group's financial position. SpareBank 1 Sørøst-Norge takes a risk-based approach where its risk management is based on knowledge and an understanding of what creates and drives operational risk in the Group, and must, to the greatest possible extent, match efficient processes with the desired level of risk exposure. In the Group's risk strategy, the Board of Directors has decided that the exposure to operational risk must be low. The Group uses a systematic process to identify and quantify operational risks to which the Group is exposed at any given time. This quantification is being improved each year in order to understand and reduce tail risk within the largest types of operational risk. Processes have also been established for continuous improvement, including the development of the organisation's expertise, innovation and capability, special systems for reporting undesired events and structured follow-up of improvement measures. This helps to ensure that SpareBank 1 Sørøst-Norge remains a robust and profitable organisation over time by prioritising correctly and making continuous improvements.

Targeted malicious attacks against the financial services industry's IT systems have increased both internationally and in Norway. Cyber risk/cybercrime poses a significant risk to the industry and in the last few years collaborations have been entered into both within the financial services industry and across different industries to find good solutions to managing the risk. At the same time, increased digitalisation and the associated increased pace of change in the industry are changing its exposure to operational risk. The risk of cyber-attacks and hacking is one of the Group's top priority risks. Our internal organisation was recently adjusted to further ensure good management and control in the area.
As a key part of quality assurance efforts in recent years, the Group has strengthened its processes for combating and handling money laundering and terrorist financing. Improvements were also made in other risk areas, including handling personal data, monitoring outsourcing agreements and approving new products, processes and services. Sustainability risk has been made an even more integral part of the work on operational risk.

Owner risk

Owner risk is the risk that SpareBank 1 Sørøst-Norge might incur negative results from interests in strategically owned companies and/or has to supply new equity to these companies. SpareBank 1 Sørøst-Norge is primarily exposed to owner risk through indirect interests in SpareBank 1 Gruppen AS (5.8%), as well as direct interests in BN Bank ASA (7.5%), SpareBank 1 Boligkreditt AS (12.2%), Sparebank 1 Næringskreditt AS (10.4%), SpareBank 1 Kreditt AS (10.6%), Sparebank 1 SMN Finans AS (14.5%), SpareBank 1 Betaling AS (8.9%), SpareBank 1 Markets AS (2.9%), SpareBank 1 Forvaltning AS (6.7%), SpareBank 1 Bank og Regnskap AS (10.3%) and SpareBank 1 Gjeldsinformasjon AS (12.6%).

Compliance

SpareBank 1 Sørøst-Norge's goal is to have good processes for ensuring compliance with applicable laws and regulations. The Board of Directors approves the

Group's compliance policy, which describes the main principles for methods, responsibility and organisation.

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

The compliance function works constantly to further develop good processes to ensure compliance with applicable laws and regulations. The Group has established effective first-line control, an independent compliance function and an independent internal audit function (three lines of defence).

Compliance advises the organisation on new and current regulations, and contributes by conducting gap analyses and risk assessment processes. This work forms the basis for control plans and recommendations concerning measures that promote a healthy risk culture and ensures compliance with regulations.

Observations from control activities are reported to the Board of Directors and executive management team on a quarterly basis.

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

In 2022, the main focus was on ensuring compliance with the Money Laundering Act (AML), General Data Protection Regulation (GDPR) and MiFID II, as well as ensuring compliance with the Group's responsibility to monitor its outsourced services and that sustainability and corporate social responsibility were being addressed in all of the Group's business areas. During the year, Compliance helped get the Bank registered as an insurance agency and it assisted with the work on the Transparency Act and the EBA GL on corporate governance. Considerable resources were also devoted to preparing for implementation of the new Financial Contracts Act. The Group's revised ethical guidelines were adopted by the Board of Directors in a new Code of Conduct, which is designed to raise awareness and ensure compliance with the Group's ethical standards.

Corporate social responsibility, sustainability and other matters

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

Organisation and HR

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

Please see the chapters "Our employees", "Remuneration policy", "Executive Remuneration Report" and "Report on the work on equality, diversity and inclusion", as well as Note 22, for further information on skills, the working environment, equality and remuneration.

Directors and officers liability insurance

SpareBank 1 Sørøst-Norge has taken out directors and officers liability insurance for SpareBank 1 Sørøst-Norge, which also covers subsidiaries in which it has a stake of more than 50%. The insurance covers the insured's legal liability for asset loss resulting from an alleged act or omission for which they are held liable. The insurance has been taken out with financially strong insurance providers (rating).

Future prospects

The level of activity in the Norwegian economy was high in the fourth quarter. Unemployment has remained very low. Inflation was high, although prices for some commodities have fallen back. Despite the high inflation and higher interest rates, household demand for goods and services has remained stable. Tight fiscal and monetary policy means that the outlook is more negative. The expectations of companies and households regarding 2023 have been particularly affected by higher interest rates and electricity prices. Local surveys show that households are pessimistic about their personal finances in 2023. Unemployment is expected to rise from the current historically low level to a more normal level of around 2.5%. Higher interest rates and high inflation may result in a reduction in real disposable income in 2023, which may lead to a reduction in private consumption and less demand for credit in the household segment. Such a trend could also lead to weak growth in house prices in the region in 2023.

According to the companies in the regional network, growth in activity slowed in the autumn. In the coming period, companies expect sharp rises in prices and costs, higher interest rates and fewer new assignments to result in less activity. Less activity eased the shortage of qualified labour, although more companies than normal still experienced capacity limitations and describe the labour market as tight. Inflation has been unusually high, although more than half of companies believe inflation will slow going forward. For Region SOUTH, the survey shows that companies expected reduced investments and reduced profitability. Commercial real estate prices are also expected to fall as a result of higher interest costs and higher yield requirements.

The debt-to-income ratio is high in parts of the Norwegian household segment. If inflation and wages growth do not slow down, the policy rate, and thus lending rates, may have to rise a lot with the consequential sharp fall in house prices. Our analyses based on figures from Statistics Norway shows that households in our region have a significantly lower ratio between income and house prices than in, for example, Oslo. This means that households are assumed to spend a smaller share of their income on living costs and that their demand for goods and services is thus less sensitive to any fall in house prices. Smaller fluctuations in the demand for goods and services help reduce the risk of a serious downturn for business in the region. A high proportion of public sector jobs in the region also has a mitigating effect.

Higher interest rates may lead to lower credit growth and greater competition, especially for mortgages. This may result in pressure on lending margins. High market rates and credit premiums may also lead to more competition for deposits with the resulting pressure on margins.

The Group's target for its return on equity is 11% in the period up to the end of 2024. As far as results are concerned, 2022 was affected by a somewhat high level of costs resulting from restructuring and other merger-related costs. About NOK 30 million remains to be realised of the communicated merger synergies. These are expected to be distributed approximately equally in 2023 and 2024. The Group's target return on equity of 11% remains unchanged but will in the short term be affected by structural costs. The 11% return on equity target will be achieved through profitable growth, good cost control and the efficient use of capital. The efficient use of capital depends on a number of factors, where approval from the authorities to use AIRB models is a very important step. The internal work is proceeding as planned and the Board expects applications to be submitted to the Financial Supervisory Authority of Norway by the end of the first half-year 2024. Another means of improving efficiency is by increasing the dividend distribution rate in light of the Group's good financial strength. The Board has therefore changed the dividend policy such that the distribution rate has been amended from about 50% to a minimum of 50%. The Board of Directors has also decided to introduce a profitability target via a cost-income ratio of less than 40%. In light of this, the Group will commence a profitability and cost programme.

The Ministry of Finance has decided to postpone introduction of the higher systemic risk buffer requirement to the end of 2023. At the end of 2022, the Group's Common Equity Tier 1 capital ratio requirement was 15.5%, including the 1-percentage point management buffer. This is expected to increase to just under 17% by the end of 2023. Prior to the allocation of the annual profit for 2022, the Group's Common Equity Tier 1 capital ratio was proportionately consolidated at 21.2%. The increased regulatory requirements for both capital and compliance combined with a demanding macroeconomic outlook may be important drivers of structural changes in the savings banking sector. In a situation where there is great uncertainty surrounding macroeconomic developments, the Bank has both good financial strength and good capacity for paying dividends.

The Board wishes to play an active role in the future structural changes that are expected in the savings bank sector.

Thank you

The Board of Directors would like to thank the Group's employees and elected officers for their excellent efforts and positive cooperation in 2022.

The interaction between residents, businesses and the Bank is important for the development of the Group's market area. In this context, the Board of Directors would like to thank the Group's customers, owners and other partners for their excellent support of the SpareBank 1 Sørøst-Norge Group in 2022. The Bank will focus on continuing this good cooperation in 2023.

Sandefjord, 09.03.2023
The Board of Directors of SpareBank 1 Sørøst-Norge

Finn Haugan
Chair of the Board

Anne Berg Behring
Deputy Chair

Elisabeth Haug

Heine Wang

Jan Erling Nilsen

Lene Marie Aas Thorstensen

John-Arne Haugerud

Hanne Myhre Gravdal
Employee representative

Frede Christensen
Employee representative

Per Halvorsen
CEO

"We care about the people who create value, whether they be employees, owners or managers.

From the "Bedriftsløftet" business boost campaign.

Annual financial statements

Income Statement IFRS

Parent bank				Group	
2021	**2022**	(Amounts in NOK millions)	**Note**	**2022**	**2021**
96	287	Interest income - assets measured at fair value	19	287	96
1 158	2 297	Interest income - assets measured at amortised cost	19	2 296	1 157
334	1 012	Interest expenses	19	1 010	333
920	**1 572**	**Net interest income**	**19**	**1 573**	**920**
513	618	Commission income	20	618	513
30	39	Commission expenses	20	39	30
7	16	Other operating income	20	304	233
489	**595**	**Net commission and other income**	**20**	**883**	**716**
33	77	Dividends	21	77	33
108	116	Net result from ownership interests	21	94	153
19	-5	Net result from other financial investments	21	-5	22
151	0	Recognition of negative goodwill	21	0	151
311	**188**	**Net income from financial assets**	**21**	**167**	**360**
1 721	**2 355**	**Total net income**		**2 623**	**1 995**
365	501	Personnel expenses	22	716	529
326	512	Other operating expenses	23	556	357
691	**1 013**	**Total operating expenses**		**1 272**	**886**
1 030	**1 343**	**Profit before losses and tax**		**1 351**	**1 109**
79	40	Losses on loans and guarantees	12	40	79
951	**1 303**	**Profit before tax**		**1 311**	**1 030**
154	263	Tax expense	25	270	161
796	**1 040**	**Profit before other comprehensive income**		**1 041**	**869**
		Controlling interest's share of profit		1 038	865
		Non-controlling interest's share of profit		3	4

OCI

Parent bank				Group	
2021	**2022**	(Amounts in NOK millions)	**Note**	**2022**	**2021**
796	**1 040**	**Profit before other comprehensive income**		**1 041**	**869**
		Items reversed through profit or loss			
1	3	Change in value of loans classified at fair value		3	1
		Share of OCI from associated companies and joint ventures		-1	
		Items not reversed through profit or loss			
-14	35	Estimation difference, IAS 19 Pensions	24	35	-15
-13	**38**	**Total other comprehensive income recognised as equity**		**37**	**-14**
783	**1 078**	**Total comprehensive income**		**1 078**	**855**
		Controlling interest's share of profit		1 075	851
		Non-controlling interest's share of profit		3	4
4.94	**4.27**	**Earnings before other profit/loss items per equity certificate**	**40**	**4.27**	**5.37**

Statement of financial position

Parent bank				Group	
31.12.2021	31.12.2022	(Amounts in NOK millions)	Note	31.12.2022	31.12.2021
114	108	Cash and receivables from central banks		108	114
1 698	2 499	Loans to and receivables from credit institutions without agreed maturity	8	2 499	1 698
455	605	Loans to and receivables from credit institutions with agreed maturity	8	605	455
62 571	72 572	Net lending to customers	5, 9,10,11,12,15	72 546	62 542
6 146	8 430	Interest-bearing securities	27	8 430	6 146
2 203	2 617	Shareholdings and other equity interests	28	2 617	2 203
69	153	Interests in group companies	29	0	0
862	1 191	Ownership interests in joint ventures and associated companies	29	1 452	1 141
239	282	Tangible assets	30, 32	326	277
0	357	Goodwill	31	458	34
23	38	Deferred tax assets	25	39	23
193	351	Other assets	33	467	279
74 573	**89 202**	**Total assets**		**89 547**	**74 911**
150	0	Deposits from credit institutions	8	0	150
46 264	55 284	Deposits from customers	34	55 216	46 212
16 913	19 570	Liabilities from the issuance of securities	35	19 570	16 913
212	308	Tax payable	25	319	220
609	835	Other liabilities and commitments	24, 36	919	664
651	749	Subordinated loan capital	38	749	651
64 801	**76 745**	**Total liabilities**		**76 773**	**64 811**
1 778	2 101	Equity certificate capital	40, 41	2 101	1 778
2 777	3 779	Share premium fund		3 779	2 777
1 108	1 413	Dividend equalisation fund		1 413	1 108
3 727	4 716	Sparebankens Fond		4 716	3 727
26	91	Fund for unrealised gains		91	26
350	350	Hybrid capital		350	350
0	0	Other equity		310	318
7	7	Gift fund		7	7
		Non-controlling interest's share		7	10
9 773	**12 457**	**Total equity**		**12 774**	**10 100**
74 573	**89 202**	**Liabilities and equity**		**89 547**	**74 911**

Change in equity

Group

(Amounts in NOK millions)	Equity certificate capital[1]	Share premi-um fund	Risk equalisation fund	Spare-bankens Fond	Gift fund	Fund for unrealised gains	Hybrid capital	Other equity	Non-con-trolling interest's share	Total equity equity
Equity as at 31.12.2021	**1 778**	**2 777**	**1 108**	**3 727**	**7**	**26**	**350**	**318**	**10**	**10 100**
Equity added from the merger with SpareBank 1 Modum	321	998	0	795						2 113
Interest expenses on subordinated bonds			-11	-7						-19
Dividends/gifts from 2021, paid out in 2022			-297	-196					-4	-497
Employee equity certificate savings scheme	2	4								6
Other changes in equity			3	2		-8		-5		-8
Profit before other comprehen-sive income			**586**	**380**		**74**		**-1**	**3**	**1 041**
Entries that can be reclassified through profit or loss:										
Change in value of loans classified at fair value			2	1						3
Share of OCI from associated companies and joint ventures								-1		-1
Entries that can be reclassified through profit or loss:										
Estimation difference, IAS 19 Pensions			21	14						35
Equity as at 31.12.2022	**2 101**	**3 779**	**1 413**	**4 716**	**7**	**91**	**350**	**310**	**7**	**12 774**

1) NOK 0.6 million (NOK 2.8 million) was deducted from equity certificate capital as at 31.12.2022 (31.12.2021) for the treasury holding

(Amounts in NOK millions)	Equity certificate capital[1]	Share premium fund	Risk equalisa-tion fund	Spare-bankens Fond	Gift fund	Fund for unrealised gains	Hybrid capital	Other equity	Non-con-trolling interest's share	Total equity equity
Equity as at 31.12.2020	**947**	**1 026**	**765**	**2 261**	**7**	**22**	**250**	**258**	**2**	**5 537**
Equity added from the merger with Sparebanken Telemark, as well as bond issue SpareBank 1 BV.	831	1 751		1 162			100		5	3 849
Interest expenses on subordinated bonds								-11		-11
Dividends from 2020, paid in 2021			-120						-1	-121
Other changes in equity								-8		-8
Profit before other comprehensive income			**471**	**310**		**3**		**80**	**4**	**869**
Entries that can be reclassified through profit or loss:										
Change in value of loans classified at fair value						1				1
Entries that can be reclassified through profit or loss:										
Estimation difference, IAS 19 Pensions			-8	-6				-1		-15
Equity as at 31.21.2021	**1 778**	**2 777**	**1 108**	**3 727**	**7**	**26**	**350**	**318**	**10**	**10 100**

1) NOK 2.8 million was deducted from equity certificate capital as at 31.12.2021 for the treasury holding

Parent bank

(Amounts in NOK millions)	Equity certificate capital[1]	Share premium fund	Risk equalisa-tion fund	Spare-bankens Fond	Gift fund	Fund for unrealised gains	Hybrid capital	Other equity	Total equity equity
Equity as at 31.12.2021	**1 778**	**2 777**	**1 108**	**3 727**	**7**	**26**	**350**	**0**	**9 773**
Equity added from the merger with SpareBank 1 Modum	321	998	0	795					2 113
Interest expenses on subordinated bonds			-11	-7					-19
Dividends/gifts from 2021, paid out in 2022			-297	-196					-492
Employee equity certificate savings scheme	2	4							6
Other changes in equity			3	2		-8			-3
Profit before other comprehensive income			**586**	**380**		**74**			**1 040**
Entries that can be reclassified through profit or loss:									
Change in value of loans classified at fair value			2	1					3
Share of OCI from associated companies and joint ventures									
Entries that can be reclassified through profit or loss:									
Estimation difference, IAS 19 Pensions			21	14					35
Equity as at 31.12.2022	**2 101**	**3 779**	**1 413**	**4 716**	**7**	**91**	**350**	**0**	**12 456**

1) NOK 0.6 million (NOK 2.8 million) was deducted from equity certificate capital as at 31.12.2022 (31.12.2021) for the treasury holding

(Amounts in NOK millions)	Equity certificate capital[1]	Share premium fund	Risk equalisa-tion fund	Spare-bankens Fond	Gift fund	Fund for unrealised gains	Hybrid capital	Other equity	Total equity equity
Equity as at 31.12.2020	**947**	**1 026**	**765**	**2 261**	**7**	**22**	**250**	**0**	**5 277**
Equity added from the merger with Sparebanken Telemark, as well as bond issue SpareBank 1 BV.	831	1 751		1 162			100		3 844
Interest expenses on subordinated bonds								-11	-11
Dividends from 2020, paid in 2021			-120						-120
Other changes in equity									
Profit before other comprehensive income			**471**	**310**		**3**		**11**	**796**
Entries that can be reclassified through profit or loss:									
Change in value of loans classified at fair value						1			1
Entries that can be reclassified through profit or loss:									
Estimation difference, IAS 19 Pensions			-8	-6					-14
Equity as at 31.12.2021	**1 778**	**2 777**	**1 108**	**3 727**	**7**	**26**	**350**	**0**	**9 773**

1) NOK 2.8 million was deducted from equity certificate capital as at 31.12.2021 for the treasury holding

Cash flow statement

Parent bank			Group	
31.12.2021	31.12.2022	(Amounts in NOK millions)	31.12.2022	31.12.2021
		Cash flow from operating activities		
951	1 303	Period's profit before tax	1 311	1 030
		Net income from associated companies and joint ventures	-158	-153
-151	0	Negative goodwill through profit or loss	0	-151
0	-6	Loss/gain from fixed assets	-6	6
31	50	Depreciation and impairments	54	36
79	40	Impairment of loans	40	79
-117	-258	Tax payable	-267	-123
-3 944	-139	Change in lending and other assets	-143	-3 959
1 646	521	Change in deposits from customers	505	1 642
59	-150	Change in loans to and receivables from credit institutions	-150	59
-293	-1 694	Change in certificates and bonds	-1 694	-293
-19	-21	Change in other receivables	-24	-46
20	-252	Change in other current liabilities	-262	-16
-1 738	**-607**	**Net cash flow from operating activities**	**-794**	**-1 888**
		Cash flow from investing activities		
1 186	625	Cash and cash equivalents added through merger 1)	642	1 186
-22	-37	Investments in property, plant and equipment	-39	-29
0	15	Sales of property, plant and equipment	15	23
-177	-231	Investments in shares, equity certificates and units	-114	-81
223	130	Sales of shares, equity certificates and units	130	223
1 209	**502**	**Net cash flow from investing activities**	**635**	**1 322**
		Cash flow from financing activities		
4 450	6 168	Increase in financial borrowing	6 223	4 450
-2 817	-4 787	Repayment of financial borrowing	-4 785	-2 817
150	416	Borrowing subordinated loans/additional Tier 1 capital	416	150
-150	-411	Repayment, subordinated loans / additional Tier 1 capital	-411	-150
0	6	Buy-back of own equity certificates for saving programme	6	0
-124	-492	Dividends/gifts paid	-496	-125
1 509	**901**	**Net cash flow from financing activities**	**954**	**1 508**
980	**796**	**Total change in cash and cash equivalents in year**	**796**	**942**
832	1 812	Cash and cash equivalents OB	1 812	870
1 812	2 607	Cash and cash equivalents at end of period	2 607	1 812
980	**796**	**Net change in cash and cash equivalents in year**	**796**	**942**
		Cash and cash equivalents, specified		
114	108	Cash holdings and receivables from central banks	108	114
1 698	2 499	Loans to and receivables from credit institutions without agreed maturity	2 499	1 698
1 812	**2 607**	**Cash and cash equivalents**	**2 607**	**1 812**

1) Added cash and cash equivalents from Sparebanken Telemark upon the merger on 01.06.2021 and cash and cash equivalents from SpareBank 1 Modum upon the merger on 01.04.2022

Additional specifications

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

Parent bank			Group	
31.12.2021	**31.12.2022**	(Amounts in NOK millions)	**31.12.2022**	**31.12.2021**
1 192	2 356	Interest received on loans to customers	2 354	1 191
-151	-494	Interest paid on deposits from customers	-492	-150
10	39	Interest received on loans to and receivables from credit institutions	39	10
-1	-1	Interest paid on loans to and receivables from credit institutions	-1	-1
57	189	Interest received on certificates and bonds	189	57
-154	-482	Interest paid on certificates and bonds	-482	-154
129	193	Dividends from investments	172	33
1 083	**1 800**	**Net cash flow from interest received, interest payments and dividends received**	**1 780**	**988**

Pia Haugen Ravnaas
Adviser in Sandefjord

Notes to the financial statements

BALANCE SHEET

OTHER INFORMATION

Note 1 – General information

Brief description of the business and structure

The SpareBank 1 Sørøst-Norge Group supplies financial services packages to retail and corporate within the areas of:

- financing
- savings and investment
- insurance
- payment services
- real estate brokerage
- accounting and financial advice services

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

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

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

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

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

The annual financial statements for 2022 were approved by the Board on 09.03.2023 and by the Supervisory Board on 30.03.2023.

Currency

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

Note 2 – Accounting policies

The basis for the preparation of the annual financial statements

The parent bank's financial statements and the consolidated financial statements for 2022 for SpareBank 1 Sørøst-Norge have been prepared in accordance with international accounting standards that are approved by the EU (IFRS) and have been adopted in Norway pursuant to the Accounting Act, for the financial year starting 01.01.2022 or later.

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

Changes to accounting policies in 2022

As of the financial year 2021, the Bank changed its accounting policy and definition of cash and cash equivalents. In connection with this, loans to and receivables from credit institutions with agreed maturity or terms were no longer included as part of cash and cash equivalents. The change in policy was made due to the Bank believing that presenting the figures in this way provides more relevant information and a better basis for comparisons with other banks. The figures that were reclassified on the basis of cash and cash equivalents were NOK 305 million per as at 01.01.2020 and as at 31.12.2020.

The Financial Supervisory Authority of Norway made the Bank aware that the aforementioned, voluntary change in policies should be discussed in the annual report for 2021.

As of the financial year 2021, the Bank defines cash and cash equivalents as including cash holdings, receivables from central banks and loans to and receivables from credit institutions without agreed maturity.

From the end of 2022 onwards, the Bank will report a consolidated capital adequacy statement since the Bank is not below the materiality limit set out in the CRD IV regulations.

IFRS standards and interpretations that have been approved but have not yet entered into force in 2022.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts replaces IFRS 4 Insurance Contracts and specifies principles for recognising, measuring, presenting and disclosing insurance contracts.

The purpose of the new standard is to eliminate different practices in the accounting treatment of insurance contracts. The key features of the new model are as follows:

• An estimated present value of future cash flows for a group of insurance contracts. Future cash flows include future payments of premiums and payments of insurance settlements, claims and other payments to policyholders. The estimate must take into account an explicit adjustment for risk and must be based on the circumstances on the statement of financial position date.

• A contractual service margin, which is equal to the day-1 gain in the estimated present value of future cash flows from a group of insurance contracts. This is equal to the profit element of the insurance contracts that must be recognised over the period during which the service is provided, i.e. the policy's period of cover.

• Certain changes in the estimated present value of future cash flows are adjusted in relation to the contractual service margin and are thereby recognised through profit or loss over the remaining period covered by the relevant contracts.

• The effects of changes in the discount rate must, as an accounting policy choice, be presented either through profit or loss or through other comprehensive income.

Generally, IFRS 17 should be applied retrospectively, although modified retrospective application or application based on fair value on the date of transition is permitted if retrospective application is impractical.

Effective from 01.01.2023, with a requirement that comparable figures be stated. Early application is permitted. Given its status as an associated company, SpareBank 1 Gruppen's implementation of this standard is expected to have an impact on the Group's equity. The work in SpareBank 1 Gruppen has yet to be completed and the implementation effects will be commented on in the first quarter of 2023.

Otherwise, no other IFRSs or IFRIC interpretations have come into effect that are expected to have a material impact on the accounts.

Reporting currency

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

Consolidation policies

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

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

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

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

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

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

Business combinations

The takeover method is used for taken over businesses. The remuneration is measured at fair value. Direct takeover expenses are recognised as expenses as they arise, with the exception of issuance and borrowing expenses. Acquired assets and liabilities are measured at fair value on the date of acquisition. If the remuneration exceeds the value of identified assets and liabilities, the difference is recognised as goodwill. If the acquisition cost is lower than the identified assets and liabilities, the difference is recognised through profit or loss on the date of the transaction. For phased acquisitions of subsidiaries, the Group measures previous stakes in the company at fair value immediately before the transfer of control, and any gains or losses are recognised through profit or loss. Contingent remuneration is measured at fair value regardless of the likelihood of the remuneration being paid. Adjustments to contingent remuneration in subsequent periods are recognised in line with relevant standards.

Segment reporting

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

Events after the statement of financial position date

The financial statements are regarded as approved for publication once the Board of Directors has considered them. The Supervisory Board and regulatory authorities will then be able to refuse to approve the financial statements, but not change them.
Events occurring up to the time the financial statements are deemed approved for publication, and which concern circumstances that existed on the statement of financial position date, will be included in the information used to determine accounting estimates and are thus fully reflected in the financial statements. Events concerning circumstances that occurred after the statement of financial position date, will be disclosed if they are material.

Cash and cash equivalents

Cash and cash equivalents consist of cash in NOK and foreign currency, as well as receivables from central banks. The liquidity holding in the cash flow statement also includes net lending and receivables from other credit institutions without notice periods.

Financial instruments

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

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

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

Debt instruments

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

Debt instruments with contractual cash flows that are only payments of interest and the principal on given dates and that are held in a business model, both in order to receive contractual cash flows and for sale, are measured at fair value with changes in value through other comprehensive income (OCI), with interest income and any write-downs presented in the ordinary result. Changes in value recognised over other comprehensive income (OCI) are to be reclassified as ordinary profit from the sale or disposal of the assets.
Other debt instruments shall be measured at fair value with changes in value through profit or loss. This applies to the debt instruments with cash flows that are not just payments of normal interest and principal, and debt instruments that are held in a business model where the objective is not primarily receipt of contractual cash flows.

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

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

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

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

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

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

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

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

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

5. Interest-bearing securities

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

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

Hedge accounting
The Bank uses fair value hedging in order to manage its interest rate risk for liabilities on issuance of securities with fixed interest rates. The Bank assesses and documents hedging efficiency, both upon initial classification and on an ongoing basis. With fair value hedging, the hedging instrument is recognised at fair value and the hedged item is recognised at amortised cost adjusted for changes in fair value of the hedged risk. Changes in these values are recognised through profit or loss.

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

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

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

Equity Instruments
Investments in equity instruments are measured and classified at fair value with value changes through profit or loss.

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

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

1. Deposits
Deposits from customers are measured at amortised cost.

2. Long-term borrowing (liabilities from the issuance of securities and deposits from credit institutions)
Loans are initially recognised at borrowing cost. This is the fair value of the consideration received less transaction expenses.

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

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

Impairment provisions on gross lending and guarantees
The Bank's impairment provisions are recognised based on expected credit losses (ECL).
The general model for impairment provisions for financial assets in IFRS 9 applies to financial assets that are measured at amortised cost or at fair value with changes in value through other comprehensive income (OCI), and which are not credit-impaired upon initial recognition. Loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss are also included.

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

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

Cash and receivables from central banks, as well as loans to and receivables from credit institutions, are excluded from loss assessments due to their low credit risk.
The Bank uses three macroeconomic scenarios to take account of non-linear aspects of expected credit losses. The different scenarios are used to adjust relevant parameters for calculating expected credit losses and a probability-weighted average of expected credit losses in line with respective scenarios is recognised as credit losses. The three scenarios are the normal scenario (S1), worst scenario (S2) and best scenario (S3).

Impairment model
The expected credit loss estimate is calculated on a monthly basis, and is based on data in the data warehouse, which has the history of account and customer data for the entire credit portfolio, loans, credit and guarantees. The expected credit loss estimates are cal-

culated based on the 12-month and lifetime probability of the customer's default (probability of default – PD), the loan's loss in the event of default (loss given default - LGD) and the loan's exposure at default (exposure at default – EAD).

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

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

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

Stage 1
This is the starting point for all financial assets covered by the general loss model. All of the assets with no significantly higher credit risk than at initial recognition are assigned a provision for impairment corresponding to 12 months' expected losses. All assets that have not been transferred to Stages 2 or 3. The model assumes that customers with a PD lower than 0.6% can be categorised as low risk and defined as Stage 1 irrespective of the change in PD.

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

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

Stage 3
Stage 3 of the loss model contains assets that are credit-impaired. An asset is credit-impaired when one or more events have occurred that have an adverse impact on the financial asset's estimated future cash flows. For these assets provision shall be made for expected losses throughout the useful life. The Bank has defined the existence of credit deterioration as when a loan is in default. This definition is in line with the definition that applies for internal risk management and regulatory capital adequacy calculation for IRB banks. Also see Note 8 for more detailed description and distribution of risk classes.

Credit-impaired exposures
A customer's total exposure (above NOK 1 000) is regarded as in being in default and is included in the Bank's overview of non-performing exposures when unpaid instalments or interest are 90 days past due or lines of credit have been overdrawn for 90 days or more. Loans and other exposures where there have been no payment defaults but where the customer's financial situation makes it likely that the Bank will incur a loss are defined as problem exposures. Problem exposures consist of the sum of default exposures more than 90 days past due and other problem exposures (non-performing exposures with individual impairment).

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

through profit or loss.

Recognition and derecognition of financial assets and liabilities
Financial assets and liabilities are recognised on the trade date, i.e. the date that the Bank becomes party to the instruments' contractual terms and conditions. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the rights to the cash flows from the asset are transferred in such a way that the risks and returns related to the ownership are for the most part transferred.

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

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

Taken over assets

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

Transfer of loan portfolios

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

Tangible assets

Property, plant and equipment are initially recognised at cost and subsequently depreciated on a straight-line basis over their expected useful life in accordance with IAS 16. In determining the depreciation plan, the individual assets are split to the extent necessary into components with different useful lives, and account is taken of the estimated residual value for the Bank's and the Group's assets. Land and art are not depreciated, but are periodically tested for impairment when a fall in value is indicated. Property, plant and equipment that are depreciated, are subject to an impairment test in accordance with IAS 36, when circumstances indicate this. The Bank does not have classified assets according to IAS 40 (investment properties).

Leases

The Bank recognises leases in line with IFRS 16 by recognising a right-of-use asset and associated lease liability. The lease liability is recognised as a liability at amortised cost based on the lease's remuneration and effective interest. The right-of-use asset is recognised as part of the Bank's business assets and the remaining right-of-use asset is tested for falls in value in line with IAS 36.

Intangible assets – goodwill

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

Writing down of property, plant and equipment

At the end of each reporting period, the Group assesses whether there are indications of falls in the value of fixed assets or intangible assets. If there are, the recoverable amount of the asset is calculated by estimating the possible fall in value. Goodwill is tested for impairment at least once a year. SpareBank 1 Sørøst-Norge has chosen to perform this annual test in the fourth quarter.

An asset has been recognised at higher than its recoverable amount if its carrying amount exceeds the amount that could be recovered by its use or selling the asset. If this is the case, the asset has fallen in value and it must be written down to its recoverable amount. See Note 31 Goodwill for a description of testing for impairment.

The following relevant criteria must be assessed when assessing whether there are indications of a fall in value:

- A fall in the market value of the asset
- Changes to the long-term required return that could impact the discount rate used to calculate the asset's value in use
- There are plans to restructure or liquidate the asset
- The asset is generating less income than expected

Calculations of value in use are based on historical results and projections approved by the executive management team. A future cash flow must be estimated based on forecasts for the cash-generating units. This is equal to the discounted value of future dividends. The method assumes that all distributable surplus capital is paid out as dividends each year, which is then discounted at a pre-tax discount rate that reflects the implied average required rate of return for the Bank's issued equity certificates.

The write-down assessments are based on an explicit 5-year projection period and a 5-year normalisation period. The normalisation period is only included to ensure that cash flow reaches a normalised growth rate before a terminal value is calculated. The terminal value is calculated using the Gordon Growth Model formula. During the normalisation period, growth is equal to the long-term growth assumption and all other assumptions are equal to the those in the last year of the explicit projection period.

Pensions

Defined benefit schemes

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

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

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

Defined contribution schemes

Defined contribution pension schemes means that the Bank does not promise future pension of a certain size, but pays an annual contribution to the employees' pension savings. The future pension will depend upon the size of the contribution and the annual return on pension savings. Contributions to the scheme are recognised as costs directly. The Bank participates in Fellesordningen for Avtalefestet Pensjon (AFP). Premiums for the contractual early retirement scheme (AFP) are also treated as a defined contribution scheme. Please see Note 24 for a more detailed description of and changes to the Bank's pension schemes.

Unsecured liabilities

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

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

Subordinated loans and additional Tier 1 capital

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

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

Dividends and gifts

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

Income recognition

Interest income and expenses

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

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

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

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

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

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

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

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

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

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

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

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

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

Emilie Kleven Andersen
Adviser in Drammen

Note 3 – Critical estimates and assessments regarding the use of accounting policies

In preparing the parent bank's and consolidated financial statements, the management makes estimates, discretionary assessments and assumptions that affect the impact of applying the accounting policies and the information in notes. This will therefore affect the reported amounts for assets, liabilities, income and expenses and note disclosures. Estimates and discretionary assessments are evaluated continually and based on historical experience and expectations regarding future events considered likely on the statement of financial position date. Actual results will differ from estimated amounts. The items discussed below are selected items where the greatest degree of discretion is exercised.

Losses on loans and guarantees

The Bank's financial statements must provide a true and fair picture, including with respect to the Bank's impairment provisions. As described in the policy note above, impairment provisions reflect expected credit losses (ECL). When assessing ECL, account must be taken of relevant factors known on the reporting date for annual financial statements, as well as expectations concerning future financial performance.

The Bank reviews its entire corporate market portfolio annually. Large and risky commitments, as well as defaulted and doubtful commitments are reviewed on an ongoing basis. Commitments that have been in default for more than 30 days are assessed in relation to measures and/or the need for impairment.

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

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

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

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

Goodwill

The Group conducts tests for any impairment of goodwill annually or if there are any indications of impairment, ref. IAS 36. The assessment is based on the Group's utility value. The recoverable amount from cash-generating units must be determined when calculating discounted future cash flows. The cash flows are based on historical earnings and expectations regarding future circumstances, and include assumptions and estimates regarding uncertain circumstances. The outcomes of impairment tests depend on estimates of the required rate of return. The required rate of return is determined on a discretionary basis based on the information available on the statement of financial position date.

When testing for any impairment of goodwill related to the merger between SpareBank 1 Sørøst-Norge and SpareBank 1 Modum, the lowest level for the cash-generating unit is the retail market and corporate market segments. Goodwill is proportionally distributed between the segments based on the share of working capital. A net cash flow is estimated based on earnings in the Bank's loan portfolio. The write-down assessments are based on an explicit 5-year projection period and a 5-year normalisation period. The normalisation period is only included to ensure that cash flow reaches a normalised growth rate before a terminal value is calculated. The terminal value is calculated using the Gordon Growth Model formula. During the normalisation period, growth is equal to the long-term growth assumption and all other assumptions are equal to the those in the last year of the explicit projection period. Calculations show that the value of discounted future cash flows exceeds capitalised goodwill by a good margin.

Other goodwill in the Group is calculated based on estimated expected net cash flows and discounted at a risk-free interest rate + a risk premium for similar businesses.

Acquisitions

Business combinations must be recognised using the acquisition method, ref. IFRS 3. In the acquisition method, added value must be fully allocated where the purchase sum is allocated to identified assets and liabilities in the acquired company. Added value in excess of that allocated to identified assets and liabilities is recognised as goodwill. Any shortfall in value must, after careful consideration, be recognised through profit or loss in the acquisition year (negative goodwill). The analyses include the use of both specific calculations and best judgement to determine the most correct fair value possible for the acquired companies on the date of acquisition. There will always be some uncertainty associated with discretionary items, although they are supported by calculations of expected cash flows, comparable transactions in previous periods, etc.

Fair value of shares, equity certificates and units

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

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

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

Fair value derivatives

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

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

Liquidity portfolio

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

Variable rate loans secured by mortgages in residential properties

Loans to and receivables from customers with a variable interest rate secured by mortgages in residential properties are measured and classified at fair value with changes in value through other comprehensive income, (OCI). This is because the business model's purpose is considered to be to receive contractual cash flows and sales of loans (transfer of mortgages to SB1 Boligkreditt AS).

The fair value of such mortgages is understood to be:

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

Classification of additional Tier 1 capital

SpareBank 1 Sørøst-Norge has issued additional Tier 1 capital where the terms satisfy the criteria in CRD IV for inclusion as Tier 1 capital. From 2017, these are classified as equity in the financial statements since they do not meet the definition of a financial liability under IAS 32. The bonds are perpetual and SpareBank 1 Sørøst-Norge is entitled not to pay interest to the investors. The interest is not presented as an interest expense in the income statement, but as a reduction in equity.

Note 4 – Merger of SpareBank 1 Sørøst-Norge and SpareBank 1 Modum 01.01.2022

The merger of SpareBank 1 Sørøst-Norge and SpareBank 1 Modum was completed on 01.04.2022, with accounting effect from the same date. SpareBank 1 Sørøst-Norge is the takeover bank. The merger was treated in line with the acquisition method in line with IFRS 3. The Bank's head office is in Fokserød in Sandefjord.

On 15.09.2021, the boards of the banks adopted an internal agreement on a possible merger between SpareBank 1 Sørøst-Norge and SpareBank 1 Modum. The intention behind the merger is to form a powerful bank that will strengthen the banks' positions with customers, produce greater returns for the owners, and, not least, create secure and attractive jobs within banking and finance in the region. The new bank also wants to strengthen and secure the banks' positions in the respective local communities via a decentralised organisational model, which together with the five strong and important local savings bank foundations is intended to underpin the Bank's identity.

The merger plan was approved by the boards of directors of both banks on 10.11.2021. The merger plan received the final approval of the banks' supervisory board/general meeting on 16.12.2021, and on 03.03.2022, the Financial Supervisory Authority of Norway granted the necessary permissions for the merger. Completion of the merger was approved from 01.04.2022.

The final merger plan set the exchange ratio at 85.2% for SpareBank 1 Sørøst-Norge and 14.8% for SpareBank 1 Modum, equivalent to an exchange ratio of 2.223 per equity certificate. The remuneration for the takeover of SpareBank 1 Modum's business was settled in the form of new equity certificates in SpareBank 1 Sørøst-Norge.

In connection with the merger, the equity certificate capital was increased by NOK 321.1 million through the issuance of 21 408 644 new equity certificates, of which 8 521 495 equity certificates were for the former equity certificate holders of SpareBank 1 Modum and 12 887 149 equity certificates were for Sparebankstiftelsen SpareBank 1 Modum, as remuneration for the business taken over from SpareBank 1 Modum. These equity certificates were issued with a nominal value of NOK 15 per equity certificate and at a price of NOK 53.54 per equity certificate. The exchange rate corresponds to the 3-month volume-adjusted exchange rate as at 04.11.2021.

Following the issuance of new equity certificates, total equity certificate capital will amount to NOK 2 101.5 million divided into NOK 140 098 561 equity certificates with a nominal value of NOK 15 per equity certificate.

The fair value of the 21 406 644 equity certificates that were issued as remuneration for the equity certificate holders in SpareBank 1 Modum and Sparebankstiftelsen SpareBank 1 Modum amounts to NOK 61.6 per equity certificate, which corresponds to the selling price on 31.03.2022. The difference between the fair value of the remuneration for the equity certificate holders in SpareBank 1 Modum before the merger and their share of net equity pursuant to the acquisition analysis amounts to goodwill and was recognised on the statement of financial position at the time of completion (01.04.2022) in line with IFRS 3.

The table below shows the remuneration, fair value of assets and liabilities from SpareBank 1 Modum, as well as the calculation of goodwill as at 01.04.2022 (completion date).

Remuneration (Amounts in NOK millions)	**Quantity**	**Price (NOK)**	**Remuneration**
Equity certificate capital – Brannkassestiftelsen Midt-Buskerud	2 963 998	53.54	159
Equity certificate capital – Sparebankstiftelsen Modum	18 444 646	53.54	988
Total remuneration	21 408 644		1 146

(Amounts in NOK millions)	PARENT BANK Modum			GROUP Modum		
Fair value of identifiable assets and liabilities	**31.03. 2022**	**Added/less value**	**Fair value 01.04.2022**	**31.03. 2022**	**Added/less value**	**Fair value 01.04.2022**
Cash and receivables from central banks	11		11	11		11
Loans to and receivables from credit institutions	613		613	613		613
Gross lending to and receivables from customers	9 754	-18	9 736	9 776	-18	9 758
Impairment provisions	-31	24	-7	-31	24	-7
Net lending to and receivables from customers	9 723	6	9 729	9 745	6	9 751
Interest-bearing securities	589		589	589		589
Financial derivatives	13		13	13		13
Shares, equity certificates and units	372		372	372		372
Interests in group companies	48		48	-		-
Ownership interests in joint ventures	82	192	274	166	108	274
Tangible assets	51	11	62	68	11	79
Goodwill	9		9	48		48
Deferred tax assets	4	-4	0	4	-4	0
Other assets	26		26	26		26
Total assets	**11 541**	**205**	**11 746**	**11 656**	**121**	**11 776**
Deposits from customers	8 499		8 499	8 485		8 485
Liabilities from the issuance of securities	1 306		1 306	1 306		1 306
Financial derivatives	1		1	1		1
Subordinated loan capital	90		90	90		90
Other liabilities and commitments	88		88	123		123
Total liabilities	**9 984**	**0**	**9 984**	**10 005**	**0**	**10 005**
Net equity for distribution to equity certificate holders and community capital	**1 557**	**205**	**1 762**	**1 650**	**121**	**1 771**
The calculated equity based on a closing price as at 31.03.2022 of NOK 61.6 and an exchange ratio of 15 Modum/85 SOON.			2 113			2 113
Calculated goodwill			**-351**			**-342**

(Amounts in NOK millions)	PARENT BANK			GROUP		
Opening balance 01.04.2022	**SpareBank 1 Modum**	**SpareBank 1 Sørøst-Norge**	**New SpareBank 1 Sørøst-Norge**	**SpareBank 1 Modum**	**SpareBank 1 Sørøst-Norge**	**New SpareBank 1 Sørøst-Norge**
Assets						
Cash and receivables from central banks	11	106	117	11	106	117
Loans to and receivables from credit institutions	613	1 826	2 439	613	1 826	2 439
Gross lending to and receivables from customers	9 736	63 106	72 842	9 758	63 078	72 835
Impairment provisions	-7	-222	-229	-7	-222	-229
Net lending to and receivables from customers	9 729	62 884	72 614	9 751	62 856	72 607
Interest-bearing securities	589	6 930	7 519	589	6 930	7 519
Financial derivatives	13		13	13		13
Shares, equity certificates and units	372	2 190	2 562	372	2 190	2 562
Interests in group companies	48	69	117	0	0	0
Ownership interests in joint ventures and associated companies	274	862	1 136	274	1 155	1 429
Tangible assets	62	246	308	79	285	364
Goodwill	9		360	48	24	415
Deferred tax assets	0	23	23	0	25	25
Other assets	26	256	282	26	342	367
Total assets	**11 746**	**75 392**	**87 489**	**11 776**	**75 738**	**87 857**
Liabilities						
Deposits from credit institutions		150	150	-	150	150
Deposits from customers	8 499	47 151	55 650	8 485	47 105	55 590
Liabilities from the issuance of securities	1 306	16 971	18 277	1 306	16 971	18 277
Financial derivatives	1		1	1		1
Subordinated loan capital	90	651	742	90	651	742
Other liabilities and commitments	88	1 036	1 124	123	1 103	1 226
Total liabilities	**9 984**	**65 960**	**75 944**	**10 005**	**65 980**	**75 986**
Equity						
Equity certificate capital	249	1 780	2 101	249	1 780	2 101
Treasury holding		-3	-3		-3	-3
Share premium fund	101	2 777	3 775	101	2 777	3 775
Dividend equalisation fund	31	812	812	31	812	812
Gift fund		7	7		7	7
Fund for unrealised gains	23	27	27	23	27	27
Hybrid capital (hybrid Tier 1 securities)		350	350		350	350
Sparebankens Fond	1 154	3 532	4 327	1 154	3 532	4 327
Other equity	205	150	150	214	470	470
Minority interests					5	5
Total equity	**1 762**	**9 432**	**11 546**	**1 771**	**9 758**	**11 871**
Total liabilities and equity	**11 746**	**75 392**	**87 489**	**11 776**	**75 738**	**87 857**
Off-statement of financial position items:						
Portfolio transferred to mortgage credit institutions	4 980	25 821	30 800	4 980	25 821	30 800

The pro forma results for the period 01.01.2022-31.03.2022 represent the results of both banks consolidated as if the merger had occurred with accounting effect from 01.01.2022.

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

Pro forma results 01.01-31.03.2022 (amounts in NOK millions)	**Parent bank**	**Group**
Interest income	514	514
Interest expenses	161	161
Net interest income	**353**	**353**
Commission income	161	161
Commission expenses	10	10
Other income	2	67
Net commission and other income	**154**	**218**
Dividends	14	14
Net result from ownership interests in joint ventures and associated companies	1	15
Net result from other financial investments	-2	-2
Net result from financial investments	**12**	**27**
Total net income	**520**	**598**
Personnel expenses	160	201
Other operating expenses	143	163
Total expenses	**303**	**364**
Profit before losses and tax	**216**	**235**
Losses on loans and guarantees	-11	-11
Profit before tax	**227**	**245**
Tax expense	50	51
Ordinary profit	**177**	**195**

Note 5 – Segment information

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

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

'Not allocated' mainly includes subsidiaries that manage properties and group eliminations.

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

Group 31.12.2022

(Amounts in NOK millions)	RM	CM	Not allocated	Total
Profit				
Net interest income	916	656	1	1 573
Net commission and other income	800	263	-13	1 050
Operating expenses	928	357	-13	1 272
Profit before losses	**788**	**562**	**0**	**1 351**
Losses on loans and guarantees	8	31		40
Profit before tax	**780**	**531**	**0**	**1 311**
Statement of financial position				
Net lending to customers	52 096	20 476	-26	72 546
Other assets			17 001	17 001
Total assets per segment	**52 096**	**20 476**	**16 975**	**89 547**
Deposits from and liabilities to customers	36 756	18 527	-67	55 216
Other equity and liabilities			34 331	34 331
Total equity and debt per segment	**36 756**	**18 527**	**34 264**	**89 547**

Group 31.12.2021

(Amounts in NOK millions)	RM	CM	Not allocated	Total
Profit				
Net interest income	550	370	-0	920
Net commission and other income	838	254	-17	1 075
Operating expenses	653	242	-8	886
Profit before losses	**735**	**382**	**-8**	**1 109**
Losses on loans and guarantees	8	71	0	79
Profit before tax	**728**	**311**	**-9**	**1 030**
Statement of financial position				
Net lending to customers	44 609	17 963	-29	62 542
Other assets			12 370	12 370
Total assets per segment	**44 609**	**17 963**	**12 340**	**74 911**
Deposits from and liabilities to customers	31 098	15 166	-52	46 212
Other equity and liabilities			28 699	28 699
Total equity and debt per segment	**31 098**	**15 166**	**28 647**	**74 911**

Note 6 – Capital adequacy

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

From the end of 2022 onwards, the Bank will report a consolidated capital adequacy statement. This has, in isolation, increased the Common Equity Tier 1 capital ratio by 0.2 percentage points.

The Bank proportionally consolidates its ownership interests in:

- SpareBank 1 Boligkreditt AS
- SpareBank 1 Næringskreditt AS
- SpareBank 1 Kreditt AS
- SpareBank 1 Finans Midt-Norge
- BN Bank ASA

In 2022, the Ministry of Finance decided to increase the countercyclical buffer by a total of 1.0 percentage point to 2.0% at the end of 2022. It has also decided to increase the countercyclical buffer by a further 0.5 percentage points as at 31.03.2023, such that the total countercyclical buffer will be 2.5% at the end of the first quarter of 2023.
On 16.12.2022, the Ministry of Finance decided to postpone introduction of an increase in the systemic risk buffer for banks that use the standard method.

The requirement to increase the systemic risk buffer from 3.0% to 4.5% has been postponed by a year, meaning that the requirement will first apply from the end of 2023.

In connection with the approval of the merger with SpareBank 1 Modum in March, the Financial Supervisory Authority of Norway set a new Pillar 2 requirement of 2.5%. This requirement will apply until the Financial Supervisory Authority of Norway sets a new Pillar 2 requirement. The Board of Directors is going to start work on a new internal capital adequacy assessment process (ICAAP). The assessment must be submitted to the Financial Supervisory Authority of Norway by no later than 12 months after the merger has been completed.

The regulatory requirement for the Common Equity Tier 1 capital ratio at the end of 2022 was 14.5% excluding the management buffer. The Group's target for the Common Equity Tier 1 capital ratio is 17.0%.

At the end of 2022, the Common Equity Tier 1 capital ratio was 19.5% (18.3%) and the leverage ratio was 8.5% (8.4%). The regulatory requirement for the leverage ratio is 3.0%. Both targets were met by a good margin by the end of 2022.

The EU's banking package entered into force in Norway 01.06.2022. This entails, among other things, an expanded SME discount. This has, in isolation, increased the Common Equity Tier 1 capital ratio by approximately 0.6 percentage points.

Parent bank			Group (proportional consolidation)
31.12.2021	31.12.2022	(Amounts in NOK millions)	31.12.2022
9 423	**12 107**	**Total capitalised equity (excluding hybrid capital)**	**12 424**
-492	-946	Capitalised equity not included in Tier 1 capital	-946
		Common Equity Tier 1 capital from consolidated companies that can be included	200
		Non-controlling interests that cannot be included in Common Equity Tier 1 capital	-7
-11	-15	Value adjustments on shares and bonds measured at fair value (AVA)	-22
		Other intangible assets	-9
		Positive value of adjusted expected loss	-67
	-357	Deduction for goodwill	-458
-122	-174	Deduction for non-material interests in the financial sector	-174
-749	-886	Deduction for material interests in the financial sector	
8 048	**9 729**	**Total Common Equity Tier 1 capital**	**10 939**
350	350	Hybrid capital	350
		Deductions for non-material investments in other Tier 1 capital	-7
		Additional Tier 1 capital issued by consolidated companies that can be included	156
8 397	**10 079**	**Total Tier 1 capital**	**11 439**
		Supplementary capital in excess of Tier 1 capital	
650	745	Time-limited primary capital	745
		Deductions for non-material investments in other Tier 1 capital	-7
		Primary capital issued by consolidated companies that can be included	222
9 047	**10 824**	**Net primary capital**	**12 399**
		Risk-weighted basis for calculation	
36 532	41 126	Assets not included in the trading portfolio	51 272
3 066	3 782	Operational risk	4 327
74	56	CVA surcharge (counterparty risk on derivatives)	497
39 672	**44 964**	**Total basis for calculation**	**56 096**
20.3%	21.6%	Common Equity Tier 1 capital ratio	19.5%
21.2%	22.4%	Tier 1 capital ratio	20.4%
22.8%	24.1%	Capital adequacy	22.1%
11.0%	11.0%	Leverage ratio	8.5%
		Buffer requirements	
992	1 124	Capital conservation buffer (2.5%)	1 402
397	899	Countercyclical buffer (2.0%/1.0%)	1 122
1 190	1 349	Systemic risk buffer (3.0%)	1 683
2 579	**3 372**	**Total buffer requirement for Common Equity Tier 1 capital**	**4 207**
1 785	2 023	Minimum requirement for Common Equity Tier 1 capital (4.5%)	2 524
3 684	4 333	Available Common Equity Tier 1 capital in excess of minimum requirement	4 208

Parent bank			Group (proportional consolidation)
31.12.2021	31.12.2022	**Specification of risk-weighted credit risk** (amounts in NOK millions)	31.12.2022
27	60	Governments and central banks	60
63	241	Local and regional authorities	313
10	10	Publicly owned companies	11
159	195	Institutions	521
4 280	4 015	Companies	5 269
4 600	5 760	Mass market	7 325
16 456	18 078	Mortgaged against residential and holiday properties	25 116
5 589	5 990	Mortgaged against commercial real estate	6 313
326	592	Exposures past due	646
1 646	1 898	High-risk exposures	1 898
497	452	Covered bonds	762
340	513	Receivables from institutions and companies with short-term ratings	513
48	69	Shares in securities funds	69
2 135	2 757	Equity items	1 682
356	497	Other exposures	774
36 532	**41 126**	**Total credit risk**	**51 272**

Proportional consolidation 31.12.2021

(Amounts in NOK millions)	31.12.2021
Primary capital	
Common Equity Tier 1 capital	8 817
Tier 1 capital	9 293
Primary capital	10 124
Basis for calculation	48 269
Capital adequacy	
Common Equity Tier 1 capital ratio	18.3%
Tier 1 capital ratio	19.3%
Capital adequacy	21.0%
Leverage ratio	8.4%

Note 7 – Financial risk management

Risk exposure

SpareBank 1 Sørøst-Norge is exposed to various types of risk through its activities.

The main types are listed below:

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

ESG risk is the risk of incurring losses due to:
- changes in natural, climate or environmental conditions (E) that directly or indirectly could have an adverse impact for the Group
- non-compliance with regulatory requirements or the market's expectations linked to human rights, labour rights and good conduct (S)
- non-compliance with regulatory requirements or the market's expectations linked to governance and control (G).

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

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

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

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

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

Liquidity and funding risk is the risk that the Group will not be in a position to fulfil its obligations when they fall due, as well as the risk of the Group being unable to meet its liquidity obligations without the cost of this increasing significantly.

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

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

SpareBank 1 Sørøst-Norge is primarily exposed to owner risk through indirect interests in SpareBank 1 Gruppen AS (5.8%), as well as direct interests in BN Bank ASA (7.5%), SpareBank 1 Boligkreditt AS (12.2%), Sparebank 1 Næringskreditt AS (10.4%), SpareBank 1 Kreditt AS (10.6%), SpareBank 1 Finans Midt-Norge AS (14.5%), SpareBank 1 Betaling AS (8.9%), SpareBank 1 Forvaltning AS (6.7%), SpareBank 1 Bank og Regnskap AS (10.3%), SpareBank 1 Gjeldsinformasjon (12.6%) and SpareBank 1 Markets AS (2.9%).

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

Systemic risk is the risk of financial instability resulting in interruptions to the provision of financial services on a scale that may result in a significant adverse impact on production and employment.
Systemic risk arises as a consequence of, and is associated with, the characteristics of the financial system in which the Group operates.

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

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

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

Management and control of the Group's risk exposure

The core business of the banking industry is to create value by assuming deliberate and acceptable risk. SpareBank 1 Sørøst-Norge expends substantial resources on developing processes for comprehensive risk management in line with leading practice.

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

This will be achieved by:

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

Governance and control framework

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

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

Risk strategy

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

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

The risk groups that affect financial reporting to the greatest extent are described below in more detail. For a further description of the risk situation and risk management, please refer to chapter 3.3., the discussion in the Board of Directors' report, the Pillar 3 report and the report on corporate governance policies and practices. The reports are available on the Bank's website under investor relations (IR) Investor | SpareBank 1 Sørøst-Norge.

Credit risk

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

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

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

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

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

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

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

3. Loss given default (LGD):
This is an estimate of how much it is assumed that the Group could potentially lose if the client defaults on its obligations. The assessment takes into account the value of underlying securities and the expenses the Group has incurred by collecting the defaulted commitment. The Group determines the realisable value of securities provided on the basis of its own experience over time, and so that, based on a conservative assessment, these reflect the assumed realisation value in a cyclical downturn. Seven different classes are used (1-7) for the classification of exposures in accordance with the loss given default.

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

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

Please see Notes 9-15 for a more detailed description of the portfolio as at 31.12.2022.

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

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

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

Please see Note 18.

Market risk is managed through the Group's market and counterparty risk policy. The management process includes risk limits, continuous measurement, monitoring and reporting. The Group takes a conservative approach to risk exposure in this area, including by not taking positions in securities and financial instruments for the purpose of resale or for the short term with the intention of benefiting from price or interest rate variations. The general rule is that the Group must limit its market risk by actively using hedging instruments. Uncovered risk should only occur within specifically assigned limits. The established management and control mechanisms, which are intended to support the Group's risk appetite in the area, are set to low.

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

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

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

Exchange rate risk on securities is the risk of loss arising from changes in the value of bonds, certificates and equity instruments in which the Group has invested. The Group's risk exposure to this type of risk is regulated through limits for maximum investments in the various portfolios.

Please see Notes 16, 17 and 27 for a more detailed description of the portfolio as at 31.12.2022.

Sustainability/ESG risk

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

- Governing documents explicitly related to sustainability and corporate social responsibility
- Assessing ESG risk in governing documents in areas of risk where climate-related risk is an underlying risk driver. This especially includes credit risk, market risk, liquidity and funding risk, insurance risk/owner risk and operational risk/reputational risk
- Conduct of ESG assessments for new corporate customers
- Climate-related risk stress testing
- Developed a comprehensive sustainability skills plan for all of the Bank's employees, including the Board of Directors and the executive management team

Climate-related risk stress testing:
SpareBank 1 Sørøst-Norge views ESG risk as an integral part of known types of risk to which the Bank is exposed. Therefore, the Bank has looked at how ESG risk can impact credit risk, which in turn could affect capital requirements. The Bank has chosen to take a risk-based approach to ESG. It has based its assessments on those industries to which the Bank either has a high level of exposure or where ESG risk can have the greatest potential impact.

The work on scenario analyses is ongoing. So far, simple scenarios have been used that are based on scenarios from the Network for Greening the Financial System

- Relatively high transition risk in the short term, although lower physical climate-related risk in line with the 2°C target ("Orderly")
- Low transition risk in the short term, although high transition risk in the somewhat longer term and higher physical climate-related risk (a 3°C scenario) ("Disorderly")
- No transition risk, although greater physical climate-related risk (a 4°C scenario) ("Hot World").
- These have been chosen to highlight the range of possible impacts from both transition risk and physical climate-related risk within different time horizons. The scenarios are refined every year.

Overall, the physical climate-related risk in the Group's market area is, in an international context, relatively low. The portfolio also has a relatively low carbon footprint compared with many Norwegian and foreign banks because the Group is not directly exposed to shipping, fisheries, aquaculture or fossil energy production (only indirectly via a small number of exposures within oil services) and its exposure to agriculture is relatively low.

- In the short term (1-5 years), it is exposed to transition risk within segments that use or sell fuel for fossil fuel-driven vehicles and machinery, as well as potentially individual customers in sectors that could be vulnerable to higher energy or quota prices.
- In the short to medium term (1-10 years), it has limited exposure to physical climate-related risk, even though a small segment has indications of high climate-related risk.
- In the medium term (6-10 years), it is exposed to transition risk linked to technology development and market changes (e.g. whether buildings meet environmental requirements or whether owners have the money to upgrade in line with environmental requirements).
- In the long term (10+ years), its climate-related risk may increase (especially within lending for leasing properties and homes)
- The Bank also conducted annual risk workshops with every business unit in order to discuss various risk drivers, describe a variety of scenarios, score them using a grading scale and then establish measures where the need for them was most critical.

Based on the organised risk workshops and NGFS stress tests, the Bank has looked at how the stress tests determine capitalisation based on credit risk. Once the entire CM portfolio had been analysed and scored based on materiality, the Bank attempted to quantify the quantitative challenges that ESG risk may entail for the Bank. The Bank has taken each industry as its starting point and assessed the impacts that could lead to more defaults as a result of weaker conduct scores, changes in PD and LGD as a result of a new calibrated downturn estimate.

Preliminary calculations show that the Bank's specified losses might increase slightly as a result of changes in a disorderly scenario versus an orderly scenario as the PD pathways increase slightly. The figure is easily within the credit risk covered by Pillar 1 and is not large enough to impact the accounts. The results of the stress tests also show that the ECL models take sufficient account of impairment provisions.

Please also refer to the discussion in the Annual Report's chapter on sustainability.

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

SpareBank 1 Sørøst-Norge considers corporate culture to be the single most important factor in operational risk management. Organisation surveys are carried out regularly that measure the organisation's satisfaction and risk culture.

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

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

SpareBank 1 Sørøst-Norge constantly strives to establish and have good processes for ensuring compliance with applicable laws and regulations. Focus areas are monitoring compliance with regulatory requirements and ensuring that the Group has the best adaptation to future changes in the regulations.

The Group's compliance function is organisationally independent of the business units. The department bears overall responsibility for the framework, monitoring and reporting within the compliance area.

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

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

Group Amounts in NOK millions	**31.12.2022**	**31.12.2021**
Loans to and receivables from credit institutions		
Lending and receivables without agreed maturity or notice period	2 499	1 698
Lending and receivables with agreed maturity or notice period	605	455
Total	**3 104**	**2 153**
Liabilities to credit institutions		
Loans to and deposits from credit institutions with agreed maturity or notice period	0	150
Total receivables from and liabilities to credit institutions	**0**	**150**

Note 9 – Loans to and receivables from customers

The Bank's credit portfolio to customers is distributed between the corporate market and retail market segments.

Exposures are risk classified according to the IRB models that have been developed in the SpareBank 1 Alliance.

The Bank's experience with the risk classification model is good and the profile of the exposure distribution is supported by other exposure assessments.
The portfolio appears as stable over time.

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

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

Gross lending to and receivables from customers

Gross lending to and receivables from customers (amounts in NOK millions)	31.12.2022				31.12.2021			
Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Lowest risk	37 228	154	0	37 382	29 902	102	0	30 004
Low risk	17 045	291	0	17 336	15 961	323	0	16 285
Moderate risk	12 001	2 182	33	14 216	10 714	2 284	0	12 998
High risk	1 099	521	0	1 620	1 039	654	0	1 693
Very high risk	618	1 035	60	1 713	756	625	18	1 400
Default and impaired	0	0	584	584	0	25	366	391
Total gross lending to and receivables from customers	**67 991**	**4 184**	**677**	**72 852**	**58 372**	**4 015**	**384**	**62 771**

Gross lending to and receivables from customers at amortised cost and at fair value through OCI (amounts in NOK millions)	31.12.2022				31.12.2021			
Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Lowest risk	34 717	133	0	34 850	28 136	92	0	28 229
Low risk	16 336	267	0	16 603	15 411	311	0	15 722
Moderate risk	11 776	2 132	33	13 941	10 374	2 164	0	12 539
High risk	1 085	508	0	1 593	1 035	645	0	1 680
Very high risk	617	1 012	60	1 688	753	601	18	1 373
Default and impaired	0	0	566	566	-	25	359	385
Total gross lending to and receivables from customers at amortised cost and at fair value through OCI	**64 530**	**4 052**	**659**	**69 241**	**55 710**	**3 840**	**378**	**59 927**

Guarantees
(amounts in NOK millions)

	31.12.2022				31.12.2021			
Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Very low	405	6	0	411	234	9		243
Low	63	5	0	68	144	5		149
Moderate	304	15	2	322	292	59		351
High	21	18	0	39	75	3		78
Very high	16	30	0	46	47	15	0	62
Default and impaired	0	0	25	25	-	-	18	18
Total guarantees	**808**	**75**	**27**	**910**	**792**	**91**	**19**	**901**

Unused credit facilities
(amounts in NOK millions)

	31.12.2022				31.12.2021			
Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Very low	3 294	4	0	3 297	2 520	21		2 541
Low	383	14	0	397	341	2		344
Moderate	498	108	0	606	892	97		989
High	118	21	0	139	298	15		313
Very high	76	45	0	121	179	35	1	215
Default and impaired	0	0	13	13	-	-	10	10
Total unutilised credit facilities	**4 370**	**191**	**13**	**4 573**	**4 229**	**171**	**10**	**4 410**

Loan commitments
(amounts in NOK millions)

	31.12.2022				31.12.2021			
Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Very low	2 096	0	0	2 096	479	17		496
Low	572	0	0	572	1 269			1 269
Moderate	349	0	0	349	1 001			1 001
High	52	0	0	52	184			184
Very high	0	0	0	0	2			2
Default and impaired	0	5	0	5		2		2
Total approvals	**3 069**	**5**	**0**	**3 074**	**2 935**	**19**	**0**	**2 955**

Parent bank					Group			
31.12.2021		31.12.2022		**Loans by geographic area** (Amounts in NOK millions)	31.12.2022		31.12.2021	
Gross share	Lending	Gross share	Lending		Lending	Gross share	Lending	Gross share
67.7%	42 492	58.2%	42 388	Vestfold og Telemark	42 362	58.1%	42 463	67.6%
21.2%	13 283	31.0%	22 582	Viken	22 582	31.0%	13 283	21.2%
11.0%	6 933	10.7%	7 787	Rest of Norway	7 787	10.7%	6 933	11.0%
0.1%	92	0.2%	120	Abroad	120	0.2%	92	0.1%
100.0%	**62 801**	**100.0%**	**72 878**	**Total gross lending by geographic area**	**72 852**	**100.0%**	**62 771**	**100.0%**

Parent bank			Group	
31.12.2021	31.12.2022	**Gross lending by sector and industry**	31.12.2022	31.12.2021
44 736	51 349	Employees, etc.	51 349	44 736
11 201	13 202	Real estate management/business services, etc.	13 176	11 172
2 853	3 343	Real estate management housing cooperatives	3 343	2 853
768	1 003	Wholesale and retail trade/hotels and restaurants	1 003	768
590	993	Agriculture/forestry	993	590
571	881	Building and construction	881	571
714	1 132	Transport and service Industries	1 132	714
759	565	Production (manufacturing)	565	759
10	0	Public administration	0	10
598	409	Other	409	598
62 801	**72 878**	**Total gross lending**	**72 852**	**62 771**
19 814	20 144	- Of which, measured at amortised cost	20 119	19 784
40 143	49 122	- Of which, measured at fair value through OCI	49 122	40 143
2 844	3 611	- Of which, measured at fair value through profit or loss	3 611	2 844
(229)	-306	Impairment provisions on loans	-306	(229)
62 571	**72 572**	**Net lending**	**72 546**	**62 542**
62 801	**72 878**	**Gross lending**	**72 852**	**62 771**
23 769	30 802	Gross lending transferred to SB1 Boligkreditt	30 802	23 769
1 565	1 487	Gross lending transferred to SB1 Næringskreditt	1 487	1 565
88 135	**105 167**	**Gross lending including SB1 Boligkreditt and Næringskreditt**	**105 141**	**88 105**

Loans with forbearance

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

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

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

Gross lending with forbearance:

Group (amounts in NOK millions)		**31.12.2022**	
	Stage 2	**Stage 3**	**Total**
Gross lending with forbearance without individual impairment	465	27	493
Gross lending with forbearance with individual impairment		276	276
Total gross lending with forbearance	**465**	**303**	**768**

		31.12.2021	
	Stage 2	**Stage 3**	**Total**
Gross lending with forbearance without individual impairment	394		394
Gross lending with forbearance with individual impairment		136	136
Total gross lending with forbearance	**394**	**136**	**529**

Note 10 – Transfer of financial assets

SpareBank 1 Boligkreditt AS

SpareBank 1 Boligkreditt AS is owned by the savings banks that are part of the SpareBank 1 Alliance and shares premises with SpareBank 1 Næringskreditt AS in Stavanger. The Bank owned a 12.2% stake as at 31.12.2022. The purpose of the mortgage credit institution is to ensure banks in the Alliance have access to stable, long-term financing for mortgages at competitive prices. SpareBank 1 Boligkreditt's bonds are rated Aaa by Moody's and AAA by Fitch. SpareBank 1 Boligkreditt acquires loans secured by mortgages in residential properties and issues covered bonds in line with the regulations established for these in 2007. As part of the Alliance, the Bank can transfer loans to the company, and as part of the Bank's financing strategy, loans have been transferred to the company. Loans transferred to SpareBank 1 Boligkreditt AS are secured by mortgages in residential properties up to 75% of appraised value. Transferred loans are legally owned by SpareBank 1 Boligkreditt AS and the Bank has, besides the right to perform management and the right to take over fully or partially written down loans (at the written down values), no right to the use of the loans. At the end of December 2022, the book value of transferred loans amounted to NOK 30 802 million. The Bank is in charge of the management of the transferred loans and receives a commission based on the net value of the return on the loans the Bank has transferred and the expenses to the company.

Payments received for loans that have been transferred to SpareBank 1 Boligkreditt AS are equivalent to the nominal value of the transferred loan and are measured at almost equal to the loans' fair value at the end of 2022 and 2021. Loans transferred to SpareBank 1 Boligkreditt AS are very well secured and have a very small probability of loss.

The Bank has also entered into a shareholder agreement with the shareholders of SpareBank 1 Boligkreditt AS. This means, among other things, that the Bank must contribute to SpareBank 1 Boligkreditt AS having a Common Equity Tier 1 capital ratio that matches the requirements set by the authorities (incl. the requirements for buffer capital and Pillar 2 calculations) and, if necessary, supply Tier 1 capital if it falls to a lower level. SpareBank 1 Boligkreditt AS has internal guidelines regarding the Tier 1 capital ratio that exceed the authorities' requirements, as well as a management buffer of 0.4%. Based on a concrete assessment, the Bank has chosen not to hold capital for this liability because the risk of the Bank being forced to contribute is regarded as very small. In connection with this, a number of alternative approaches may also be relevant should such a situation.

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

SpareBank 1 Næringskreditt AS

The loans transferred to SpareBank 1 Næringskreditt AS are very well secured and have a very small probability of loss.

SpareBank 1 Næringskreditt was established in 2009 and has a licence from the Financial Supervisory Authority of Norway to operate as a mortgage credit institution. The Bank owned a 10.4% stake as at 31.12.2022. SpareBank 1 Næringskreditt's bonds are rated Aaa by Moody's. The company is owned by the savings banks that are part of the SpareBank 1 Alliance and shares premises with SpareBank 1 Boligkreditt AS in Stavanger. The purpose of the mortgage credit institution is to ensure banks in the Alliance have access to stable, long-term financing for commercial real estate at competitive prices. SpareBank 1 Næringskreditt AS acquires loans secured by mortgages in commercial real estate and issues covered bonds in line with the regulations established for these in 2007. As part of the Bank's financing strategy, loans have been transferred to the company. Loans transferred to SpareBank 1 Næringskreditt AS are secured by mortgages in commercial real estate up to 60% of appraised value. Transferred loans are legally owned by SpareBank 1 Næringskreditt AS and the Bank has, besides the right to perform management and the right to take over fully or partially written down loans (at the written down values), no right to the use of the loans. At the end of December 2022, the book value of transferred loans amounted to NOK 1 487 million. The Bank is in charge of the management of the transferred loans and receives a commission based on the net value of the return on the loans the Bank has transferred and the expenses to the company.

Payments received for loans that have been transferred to SpareBank 1 Næringskreditt AS are equivalent to the nominal value of the transferred loan and are measured at almost equal to the loans' fair value at the end of 2022 and 2021. Loans transferred to SpareBank 1 Næringskreditt AS are very well secured and have a very small probability of loss.

The Bank has also entered into a shareholder agreement with the shareholders of SpareBank 1 Næringskreditt AS. This means, among other things, that the Bank must help to ensure that SpareBank 1 Næringskreditt AS's Tier 1 capital ratio is at least 11.0%, and potentially supply Tier 1 capital if it falls to a lower level. SpareBank 1 Næringskreditt AS has internal guidelines regarding the Tier 1 capital ratio that exceed the authorities' requirements, as well as a management buffer of 0.4%. Based on a concrete assessment, the Bank has chosen not to hold capital for this liability because the risk of the Bank being forced to contribute is regarded as very small. In connection with this, a number of alternative approaches may also be relevant should such a situation occur.

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

Note 11 – Age distribution of loans past due

The table shows past due amounts for loans and overdrafts on credit/deposits by the number of days past due that are not due to payment service delays.

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

Group	**31.12.2022**			
(Amounts in NOK millions)	**Under 30 days**	**31-90 days**	**Over 91 days**	**Total**
Loans to and receivables from customers				
Retail market	0	5	59	64
Corporate market	3	6	5	13
Total	**3**	**11**	**63**	**77**

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

Note 12 – Losses on loans and guarantees

Parent bank		Losses on loans and guarantees	Group	
31.12.2021	31.12.2022	(Amounts in NOK millions)	31.12.2022	31.12.2021
89		Effects of merger with Sparebanken Telemark [2]		89
	10	Effect of merger with SpareBank 1 Modum [1]	10	
-28	36	Change in IFRS 9 expected credit losses	36	-28
25	16	Recognised losses	16	25
-3	-12	Receipts on previously recognised impairments	-12	-3
-5	-10	Other corrections/amortisation of impairments	-10	-5
79	**40**	**Total loss cost on loans and guarantees**	**40**	**79**

Parent bank		Loss cost by sector and industry	Group	
31.12.2021	31.12.2022	(Amounts in NOK millions)	31.12.2022	31.12.2021
89		Effects of merger with Sparebanken Telemark [2]		89
	10	Effect of merger with SpareBank 1 Modum [1]	10	
-2	6	Employees, etc.	6	-2
-11	12	Real estate management/business services, etc.	12	-11
0	0	Real estate management housing cooperatives	0	0
-3	13	Wholesale and retail trade/hotels and restaurants	13	-3
2	3	Agriculture/forestry	3	2
4	-8	Building and construction	-8	4
1	6	Transport and service Industries	6	1
0	-1	Production (manufacturing)	-1	0
0	0	Public administration	0	0
-1	0	Other	0	-1
79	**40**	**Total losses on loans and guarantees**	**40**	**79**

1) Loans and guarantees in Stage 1 were measured at fair value, equivalent to amortised cost, in connection with the opening balance upon the merger with SpareBank 1 Modum on 01.04.2022. Upon initial recognition in the merged bank, the loans were reassessed and loss provisions of NOK 10 million were made in Stage 1. This corresponds to SpareBank 1 Modum's impairment provisions as at 31.03.2022 (prior to the merger).

2) Loans and guarantees in Stage 1 were measured at fair value, equivalent to amortised cost, in connection with the opening balance upon the merger between SpareBank 1 BV and Sparebanken Telemark on 01.06.2021. Upon initial recognition in the merged bank, the loans were reassessed and loss provisions of NOK 89 million were made in Stage 1. This corresponds to Sparebanken Telemark's impairment provision as at 31.05.2021 (prior to the merger).

Capitalised impairment provisions

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

Group (Amounts in NOK millions)	Stage 1	Stage 2	Stage 3	Total
31.12.2021	**120**	**72**	**95**	**287**
Recognised through profit or loss in connection with the recognition of loans in Stage 1 upon the merger	10	0	0	10
Recognised gross on the statement of financial position in connection with the recognition of loans in Stage 2 upon the merger	0	7	0	7
Impairment provisions transferred to Stage 1	19	-19	0	0
Impairment provisions transferred to Stage 2	-11	13	-2	0
Impairment provisions transferred to Stage 3	0	-2	2	0
New financial assets issued or purchased	33	11	18	62
Increase in existing loans	16	41	52	109
Reduction in existing loans	-41	-15	9	-48
Financial assets that have been deducted	-36	-24	-14	-74
Changes due to recognised impairments (recognised losses)	0	0	0	0
31.12.2022	**109**	**85**	**160**	**353**
- reversal of impairment provisions related to fair value through OCI 1)	-28			-28
Capitalised impairment provisions as at 31.12.2022	**81**	**85**	**160**	**325**
Of which, impairment provisions for capitalised loans	69	81	156	306
Of which, impairment provisions for unused credits and guarantees	12	4	4	20
Of which: impairment provisions, corporate market - amortised cost	68	40	129	237
Of which: impairment provisions, retail market - amortised cost	13	45	31	89

1) The effect of the merger is NOK 3 million before tax

Group (Amounts in NOK millions)	Stage 1	Stage 2	Stage 3	Total
31.12.2020	**52**	**50**	**69**	**172**
Recognised through profit or loss in connection with the recognition of loans in Stage 1 upon the merger	89	0	0	89
Recognised gross on the statement of financial position in connection with the recognition of loans in Stage 2 upon the merger	0	38	0	38
Change in recognised gross on the statement of financial position in connection with the recognition of loans in Stage 3 upon the merger	0	0	9	9
Impairment provisions transferred to Stage 1	32	-22	-10	0
Impairment provisions transferred to Stage 2	-5	6	0	0
Impairment provisions transferred to Stage 3	-2	-3	5	0
New financial assets issued or purchased	53	16	2	72
Increase in existing loans	-16	21	57	63
Reduction in existing loans	-47	-12	-10	-69
Financial assets that have been deducted	-38	-22	-17	-77
Changes due to recognised impairments (recognised losses)	0	0	-9	-9
31.12.2021	**120**	**72**	**95**	**287**
- reversal of impairment provisions related to fair value through OCI 1)	-24	0	0	-24
Capitalised impairment provisions as at 31.12.2021	**96**	**72**	**95**	**264**
Of which, impairment provisions for capitalised loans	70	68	91	229
Of which, impairment provisions for unused credits and guarantees	26	4	4	34
Of which: impairment provisions, corporate market - amortised cost	92	44	65	201
Of which: impairment provisions, retail market - amortised cost	4	28	30	62

1) The effect of the merger is NOK 8 million before tax

Sensitivity analysis – loss model

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

At the same time, the loss model is based on multiple input factors from the portfolios, where the events have incurred as of the balance sheet date but where there is some natural delay before updated information is entered into the model. Because of this delay factor, the Bank has conducted an expanded review of our CM portfolio in order to identify and make provisions for individual commitments and industries that we believe will experience specific problems making it through the crisis. PD/LGD levels have not been recalibrated in the model as at 31.12.2022.

In addition to expanded individual loss assessments, the Bank changed the model's scenario weighting based on an assessment. The scenario weights percentages were changed for the corporate market portfolio from 80/15/5 to 75/20/5. The worst case scenario was increased because of the increased risk in the corporate market due to the current uncertainty in the macro situation. The retail market portfolio's scenario weights percentages were left unchanged at 80/15/5. The weights include an increase in the worst case scenario back during the pandemic, and this has been maintained in light of the economic outlook.

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

Scenario weights used as at 31.12.2022

Group (amounts in NOK millions)	Weights CM/ RM	CM	RM	Total
Scenario 1 (normal case)	75%/80%	161	64	226
Scenario 2 (worst case)	20%/15%	104	49	153
Scenario 3 (best case)	5%/5%	9	3	11
Total estimated IFRS 9 provisions		**274**	**117**	**390**
- adjusted for amortisation effects		-37		-37
- reversal of impairment provisions related to fair value through OCI			-28	-28
Capitalised impairment provisions as at 31.12.2022		**237**	**89**	**325**

Impairment provisions at 100% weighting of the scenarios 31.12.2022

Group (amounts in NOK millions)	Weights CM/ RM	CM	RM	Total
Scenario 1 (normal case)	100%/100%	215	84	299
Scenario 2 (worst case)	100%/100%	519	330	849
Scenario 3 (best case)	100%/100%	170	57	227
Total impairment provisions at 100% weighting of the scenarios 31.12.2022		**904**	**470**	**1 374**

Scenario weights used

	31.12.2022		31.12.2021	
	CM	RM	CM	RM
Scenario 1 (normal case)	75%	80%	80%	80%
Scenario 2 (worst case)	20%	15%	15%	15%
Scenario 3 (best case)	5%	5%	5%	5%

Quality in the loan portfolio (ECL)

Gross lending to and receivables from customers

Group (Amounts in NOK millions)	Stage 1	Stage 2	Stage 3	Total
Opening balance 2022 [1]	**55 639**	**3 950**	**338**	**59 927**
Effect of merger with SpareBank 1 Modum	8 509	528	53	9 090
Transferred to Stage 1	1 435	-1 426	-9	0
Transferred to Stage 2	-2 073	2 104	-31	0
Transferred to Stage 3	-69	-85	154	0
New financial assets issued or purchased	22 237	421	258	22 916
Increase in existing loans	2 709	186	20	2 915
Reduction in existing loans	-4 746	-417	-32	-5 195
Financial assets that have been deducted	-19 113	-1 239	-81	-20 432
Changes due to recognised impairments (recognised losses)	-2	0	-22	-24
Changes due to reversals of previous impairments (recognised)	5	29	10	43
Closing balance 2022 [1]	**64 530**	**4 052**	**659**	**69 241**
Provision ratio	*0.2%*	*2.1%*	*24.2%*	*0.5%*
Of which corporate market	18 861	1 399	453	20 713
Of which retail market	45 668	2 653	207	48 528

[1] Does not include loans measured at fair value through profit or loss

Group (Amounts in NOK millions)	Stage 1	Stage 2	Stage 3	Total
Opening balance 2021 [1]	**28 478**	**2 246**	**198**	**30 922**
Effects of merger with Sparebanken Telemark	23 696	1 061	102	24 859
Transferred to Stage 1	955	-932	-23	0
Transferred to Stage 2	-1 926	1 933	-8	0
Transferred to Stage 3	-132	-62	194	0
New financial assets issued or purchased	26 696	883	18	27 597
Increase in existing loans	819	121	7	948
Reduction in existing loans	-3 213	-204	-31	-3 448
Financial assets that have been deducted	-19 735	-1 095	-104	-20 934
Changes due to recognised impairments (recognised losses)	0	-1	-7	-8
Changes due to reversals of previous impairments (recognised)	0	0	-9	-9
Closing balance 2021 [1]	**55 638**	**3 950**	**339**	**59 927**
Provision ratio	*0.2%*	*1.8%*	*28.1%*	*0.5%*
Of which corporate market	15 995	1 638	209	17 843
Of which retail market	39 643	2 312	130	42 085

[1] Does not include loans measured at fair value through profit or loss

Note 13 – Credit risk exposure for each internal risk rating

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

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

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

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

Group	Average unsecured exposure in %	Gross lending	Average unsecured exposure in %	Gross lending
(Amounts in NOK millions)	**2022**	**31.12.2022**	**2021**	**31.12.2021**
Lowest risk	0.0%	37 382	0.0%	30 004
Low risk	0.3%	17 336	0.2%	16 285
Moderate risk	3.1%	14 216	5.2%	12 998
High risk	6.3%	1 620	7.9%	1 693
Highest risk	12.5%	1 713	18.5%	1 400
In default and impaired	14.1%	584	13.5%	391
Total	**1.2%**	**72 852**	**1.9%**	**62 771**

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

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

Parent bank		Gross exposure		Group	
31.12.2021	31.12.2022	(Amounts in NOK millions)	Note	31.12.2022	31.12.2021
		Assets			
114	108	Cash and receivables from central banks		108	114
2 153	3 104	Loans to and receivables from credit institutions	8	3 104	2 153
62 571	72 572	Net lending to and receivables from customers	9	72 546	62 542
9 280	12 390	Securities - at fair value	27	12 498	9 490
101	259	Derivatives	17	259	101
354	768	Other assets	33	1 031	512
74 573	**89 202**	**Total assets**		**89 547**	**74 911**
		Liabilities			
		Contingent liabilities	37		
197	141	- Payment guarantees		141	197
465	311	- Contractual guarantees		311	465
113	377	- Loan guarantees		377	113
126	83	- Other guarantee liabilities		83	126
4 414	4 520	Unutilised credit facilities		4 518	4 410
5 314	**5 431**	**Total financial guarantees**		**5 429**	**5 311**
75 474	**90 113**	**Total credit risk exposure excluding. unutilised credit facilities**		**90 458**	**75 812**

Credit risk exposure relating to loans, by country

Parent bank		Credit exposure gross lending, including. unutilised credit facilities		Group	
31.12.2021	31.12.2022	(Amounts in NOK millions)	Note	31.12.2022	31.12.2021
67 122	77 278	Norway		77 249	67 089
92	120	Abroad		120	92
67 214	**77 398**	**Total**		**77 369**	**67 181**

Collateral per security class

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

Group	% – show average per class	31.12.2022	31.12.2021
Collateral class 1	120%	12 295	8 700
Collateral class 2	110%	19 009	13 804
Collateral class 3	90%	19 689	17 289
Collateral class 4	70%	14 738	14 171
Collateral class 5	50%	2 737	3 234
Collateral class 6	30%	334	326
Collateral class 7	10%	94	131
Total collateral from risk classification		**68 897**	**57 656**

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

Note 15 – Credit quality per class of financial assets

The credit quality of financial assets is handled by the SpareBank 1 Alliance using its internal guidelines for credit ratings.
The table below shows the credit quality per class of assets for the loan-related assets on the statement of financial position, based on the Bank's own credit rating system.
Figures have not been prepared for the parent bank, since they are almost identical to the Group's figures.

Group		31.12.2022 Neither fallen due nor written down						
(Amounts in NOK millions)	Notes	Lowest risk	Low risk	Moderate risk	High risk	Highest risk	Fallen due or individually written down	Total
Loans to and receivables from credit institutions	8	3 104						3 104
Loans to and receivables from customers								
Retail market	9	30 552	13 908	6 469	372	636	194	52 131
Corporate market	9	6 830	3 428	7 748	1 248	1 077	390	20 721
Total gross lending		**40 486**	**17 336**	**14 216**	**1 620**	**1 713**	**584**	**75 956**
Financial investments								
Listed government bonds	27	247						247
Other listed bonds	27	1 211	4 502					5 712
Unlisted bonds	27		-	2 436				2 436
Total financial investments		**1 458**	**4 502**	**2 436**				**8 395**
Accrued interest		34						34
Total financial investments		**1 492**	**4 502**	**2 436**				**8 430**
Total		**41 978**	**21 838**	**16 652**	**1 620**	**1 713**	**584**	**84 386**

Group		31.12.2021 Neither fallen due nor written down						
(Amounts in NOK millions)	Notes	Lowest risk	Low risk	Moderate risk	High risk	Highest risk	Fallen due or individually written down	Total
Loans to and receivables from credit institutions	8	2 153						2 153
Loans to and receivables from customers								
Retail market	9	24 709	12 740	6 300	421	515	151	44 835
Corporate market	9	5 294	3 545	6 699	1 272	885	240	17 935
Total gross lending		**32 156**	**16 285**	**12 998**	**1 693**	**1 400**	**391**	**64 924**
Financial investments								
Listed government bonds	27	252						252
Other listed bonds	27	461	3 855					4 316
Unlisted bonds	27		52	1 514				1 566
Total financial investments		**714**	**3 907**	**1 514**	**0**	**0**	**0**	**6 135**
Accrued interest		12						12
Total financial investments		**725**	**3 907**	**1 514**	**0**	**0**	**0**	**6 146**
Total		**32 881**	**20 192**	**14 512**	**1 693**	**1 400**	**391**	**71 070**

Note 16 – Market risk related to interest rate risk

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

Interest rate risk arises due to interest-bearing assets and liabilities having different remaining fixed rate periods. The Bank's Board of Directors has approved limits for the total interest rate risk with respect to parallel shifts in the yield curve and fluctuations in the yield curve (yield curve risk). Interest rate risk is steered towards the desired level of risk by using fixed rate periods for investments and borrowing, as well as by using interest rate derivatives. The base risk is the change in value for the Group's assets and liabilities that occurs when the entire yield curve shifts in parallel. This risk is shown in the table below and is calculated as the effect on the instruments' fair value of a change in interest rates where the entire yield curve is assumed to shift in parallel by 1 percentage point. The impact on profit is shown in the table. A plus sign shows income while minus sign shows an expense. As at 31.12.2022, the Bank would gain income of NOK 4.6 million (NOK 11.0 million) with a 1-percentage point increase in market interest rates. (The effect of an equivalent reduction in interest rates would be symmetrical).

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

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

Group (amounts in NOK millions)

Interest rate risk, 1-percentage point increase	**2022**	**2021**
Certificates and bonds	-19	-14
Fixed rate loans to customers	-114	-89
Fixed rate deposits for customers	5	1
Bonds	228	229
Derivatives	-95	-117
Yield curve risk, effect on profit before tax	**5**	**11**

Group (amounts in NOK millions)

Sensitivity of net interest expense	**2022**	**2021**
Increase in basis points		
+25	1	3
+50	2	5
+100	5	11
+200	9	22

Method used for sensitivity analysis

BankRisk is a system for the management of interest rate risk and liquidity in banks. The system has standard reports for calculating interest and liquidity risk. Calculations are made of duration, summaries, etc. of bond holdings, borrowing in bonds and loans in the money market and interest rate swaps.

Group (amounts in NOK millions)

Yield curve risk	**2022**	**2021**
Increase in basis points		
0-3 months	7	10
3-12 months	4	1
1-3 years	2	-1
3-5 years	2	1
5-10 years	-10	-1
Yield curve risk, effect on profit before tax	**5**	**11**

Note 17 – Financial derivatives

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

Fair value hedging
The Bank has hedged fixed rate borrowing with a capitalised value of NOK 6 800 million. The borrowing is hedged 1:1 through external contracts where the term to maturity and fixed rate of the hedged item and hedging transaction match. The Bank prepares quarterly documentation of the effectiveness of the hedging instrument in relation to the hedged item. A total of 11 transactions involving borrowing were hedged as at 31.12.2022.

All interest rate swap agreements are based on observable market prices. Both the hedging instruments and hedged items experienced substantial changes in value during 2022. This was due to a sharp rise in the yield curve in 2022. The Bank does not hedge cash flows.

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

Fair value hedging

Group (amounts in NOK millions)	**31.12.2022**	**31.12.2021**
Net loss recognised through profit or loss related to hedging instruments at fair value hedging	224	135
Total gain on the hedging item related to the hedged risk	-222	-134
Total fair value hedging recognised through profit or loss	**2**	**1**
Accumulated hedging adjustments for hedged items	-262	-40

Interest rate instruments	**31.12.2022**			**31.12.2021**		
Group		Fair value			Fair value	
(Amounts in NOK millions)	Contract sum	Assets	Liabilities	Contract sum	Assets	Liabilities
Interest rate swap agreements – hedging of customer-related assets at fair value through profit or loss	3 560	121	1	2 882	18	15
Interest rate swap agreements – hedging of fixed income securities	455	16	15	355	14	20
Interest rate swap agreements – hedging of fair value of fixed rate borrowing	6 800	54	250	5 600	66	28
Total interest rate instruments	**10 815**	**191**	**267**	**8 837**	**98**	**64**

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

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

The Bank's liquidity risk is covered by the Bank's liquidity reserve/buffer. The main objective of SpareBank 1 Sørøst-Norge is to maintain the viability of the Bank in a normal situation, without external funding, for 12 months. The Bank should also be able to survive a minimum of 6 months in a 'highly stressed' situation where there is no access to funding from the capital markets. The Bank exercises daily governance according to the above goals. A contingency plan for dealing with liquidity crises has also been established.

Maturity analysis of assets and liabilities

As at 31.12.2022, the remaining term to maturity of the Bank's long-term
funding was 3.1 (3.2) years.

The liquidity coverage ratio (LCR) was 263% (175%) at the end of the year and the average LCR was 175% (170%) in 2022.

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

Group

31.12.2022 (Amounts in NOK millions)	**At call/without maturity**	**Under 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets						
Cash and receivables from central banks	108					108
Loans to and receivables from credit institutions		2 499	605			3 104
Loans to and receivables from customers		7 032	697	6 414	58 708	72 852
- Impairments in Stages 1 and 2				-150		-150
- Impairments in Stage 3			-156			-156
Interest-bearing securities		228	456	7 745		8 430
Financial derivatives		33		95	64	191
Shareholdings and other equity interests	2 617					2 617
Interests in joint ventures and associated companies	1 452					1 452
Intangible assets	458					458
Tangible assets	326					326
Deferred tax assets	39					39
Other assets		276				276
Total assets	**5 000**	**10 068**	**1 603**	**14 104**	**58 772**	**89 547**
Liabilities						
Deposits from credit institutions						
Deposits from customers	44 445	10 175	596			55 216
Liabilities from the issuance of securities		75	993	16 568	1 934	19 570
Financial derivatives			33	219	15	267
Subordinated loan capital			829	-80		749
Tax payable			319			319
Other liabilities and commitments		549			103	652
Total liabilities	**44 445**	**10 800**	**2 769**	**16 708**	**2 051**	**76 773**

Group

31.12.2021 (Amounts in NOK millions)	At call/without maturity	Under 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and receivables from central banks	114					114
Loans to and receivables from credit institutions		1 698	455			2 153
Loans to and receivables from customers		6 193	628	4 118	51 832	62 771
- Impairments in Stages 1 and 2				-138		-138
- Impairments in Stage 3			-91			-91
Interest-bearing securities		423	198	5 156	369	6 146
Financial derivatives				66	32	98
Shareholdings and other equity interests	2 203					2 203
Interests in joint ventures and associated companies	1 141					1 141
Intangible assets					34	34
Tangible assets	277					277
Deferred tax assets	23					23
Other assets		181				181
Total assets	**3 757**	**8 494**	**1 190**	**9 203**	**52 267**	**74 911**
Liabilities						
Deposits from credit institutions			150			150
Deposits from customers	40 493	5 533	184	2	0	46 212
Liabilities from the issuance of securities		576	895	13 422	2 021	16 913
Financial derivatives		1	1	57	4	64
Subordinated loan capital			301	350		651
Tax payable			220			220
Other liabilities and commitments		461			139	601
Total equity and liabilities	**40 493**	**6 571**	**1 751**	**13 832**	**2 165**	**64 811**

Liquidity risk

The table below shows the Bank's expected future cash flows related to liabilities. The table is based on nominal values, as well as interest rates as at 31.12.2022.

The terms to maturity of fixed rate deposits are set to the end of the fixed rate period. The terms to maturity of other deposits are regarded as being upon request, which also means the future interest elements have not been added. The terms to maturity of derivatives are set to the end of the contract period. Contractual cash flows on derivatives have not been capitalised. The terms to maturity of securities issued and subordinated loan capital are set to the end of the contract period. The terms to maturity of other liabilities are set to the maturity date.

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

Group

31.12.2022 (Amounts in NOK millions)	**At call**	**Under 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets						
Deposits from and liabilities to credit institutions						
Deposits from and liabilities to customers	44 445	10 175	596			55 216
Liabilities from the issuance of securities		226	1 543	10 212	10 080	22 061
Subordinated loan capital		14	388	314		716
Derivatives linked to commitments		16	31	97	17	161
Loan commitments		3 074				3 074
Total	**44 445**	**13 506**	**2 558**	**10 623**	**10 096**	**81 229**

Group

31.12.2021 (Amounts in NOK millions)	**At call**	**Under 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets						
Deposits from and liabilities to credit institutions			151			152
Deposits from and liabilities to customers	40 493	5 533	184	2		46 212
Liabilities from the issuance of securities		640	1 119	14 065	2 060	17 884
Subordinated loan capital		3	310	365		678
Derivatives linked to commitments		7	19	47	5	77
Loan commitments		2 955				2 955
Total	**40 493**	**9 137**	**1 783**	**14 479**	**2 065**	**67 957**

Note 19 – Net interest income

Parent bank			Group	
2021	**2022**	(Amounts in NOK millions)	**2022**	**2021**
		Interest income		
10	39	Interest and similar income from loans to and receivables from credit institutions	39	10
1 192	2 356	Interest and similar income from loans to and receivables from customers	2 354	1 192
57	189	Interest-bearing securities	189	57
-6		Other interest income and similar income		-5
1 254	**2 584**	**Total interest income**	**2 583**	**1 253**
		Interest expenses		
1	1	Interest and similar expenses for liabilities to credit institutions	1	1
151	494	Interest and similar expenses for deposits from and liabilities to customers	492	150
143	457	Interest and similar expenses for issued securities	457	143
11	25	Interest and similar expenses for subordinated loan capital	25	11
29	35	Other interest expenses and similar expenses	35	29
334	**1 012**	**Total interest expenses**	**1 010**	**333**
920	**1 572**	**Net interest income**	**1 573**	**920**

2021	**2022**	**Average interest rates and average interest-bearing assets and liabilities**	**2022**	**2021**
		Assets		
50 035	70 524	Average interest-bearing balance, lending to customers	70 497	50 006
2.38%	3.34%	Average interest rate, lending to customers	3.34%	2.38%
6 199	7 915	Average interest-bearing balance, securities placements	7 915	6 199
1.04%	2.39%	Average interest rate, securities placement	2.39%	1.04%
		Liabilities		
38 036	53 393	Average interest-bearing balance, deposits	53 334	37 991
0.40%	0.92%	Average interest rate, deposits	0.92%	0.40%
12 793	18 424	Average interest-bearing balance, borrowed securities	18 424	12 793
1.10%	2.48%	Average interest rate, borrowed securities	2.48%	1.10%

Note 20 – Net commission and other income

Parent bank			Group	
2021	2022	(Amounts in NOK millions)	2022	2021
		Commission income		
9	12	Guarantee commission	12	9
1	1	Interbank commission	1	1
14	19	Credit brokerage	19	14
28	34	Securities trading and management	34	28
147	223	Payment services	223	147
95	144	Insurance services	144	95
11	18	Other commission income	18	11
209	166	Commission from Boligkreditt and Næringskreditt	166	209
513	**618**	**Total commission income**	**618**	**513**
		Commission expenses		
1	1	Interbank fees	1	1
19	23	Payment services	23	19
10	14	Other commission expenses	14	10
11	25	Interest and similar expenses for subordinated loan capital	25	11
29	35	Other interest expenses and similar expenses	35	29
30	**39**	**Total commission expenses**	**39**	**30**
483	**579**	**Total net commission income**	**579**	**483**
		Other income		
3	4	Operating income from real estate	4	3
0	6	Profit from the sale of fixed assets	6	1
5	6	Other operating income	6	4
		Operating income from estate agency business	233	176
		Operating income from accounting firms	55	50
7	**16**	**Total other operating income**	**304**	**233**
489	**595**	**Total net commission and other income**	**883**	**716**

Note 21 – Net income from financial assets

Parent bank			Group	
2021	2022	(Amounts in NOK millions)	2022	2021
33	**77**	**Total dividend from shares**	**77**	**33**
12	4	Dividends from subsidiaries		
96	111	Income from interests in joint ventures	94	153
108	**116**	**Total net income from ownership interests**	**94**	**153**
		Net income from other financial investments:		
-31	-77	Bonds and certificates - at fair value through profit or loss	-77	-31
-31	**-77**	**Total income from bonds and certificates**	**-77**	**-31**
0	-2	Net revaluation of covered bonds and derivatives	-2	0
3	-14	Net revaluation of secured fixed interest rate loans and derivatives	-14	3
9	6	Net revaluation of other financial derivatives	6	9
12	**-10**	**Total income from financial derivatives**	**-10**	**12**
20	-1	Shares at fair value through profit or loss	-1	20
10	66	Realised instruments available for sale	66	10
-3	0	Impairment of shares/instruments available for sale	0	0
151	0	Income recognition of negative goodwill	0	151
178	**65**	**Total income from shares**	**65**	**181**
12	**17**	**Total net income from foreign exchange**	**17**	**12**
311	**188**	**Net income from financial assets**	**167**	**360**

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

Please refer to the documents “Remuneration Policy in SpareBank 1 Sørøst-Norge” and “Report on remuneration for executive persons”. The documents provide general and detailed information about remuneration in the parent bank and for executive persons in the Group.

Parent bank		Personnel expenses		Group	
2021	**2022**	(Amounts in NOK millions)	**Note**	**2022**	**2021**
242	354	Salary		528	379
51	45	Pension expenses	24	57	57
73	102	Social security expenses		131	93
365	**501**	**Total personnel expenses**		**716**	**529**
		Employees			
320	426	Average number of FTEs		609	463
378	432	Number of FTEs at 31.12		652	533
385	449	Number of employees at 31.12		676	552

Loans and guarantees for employees and employee representatives:	2022	2021
Loans to employees of the parent bank	1 195	910
Loans to employees in subsidiaries	478	260

Loans to pensioners are not included and amounted to NOK 197 million for 2022 and NOK 75 million for 2021.
Restructuring packages amounting to NOK 39 million (NOK 19 million) were recognised as expenses under personnel expenses.

Note 23 – Other operating expenses

Parent bank				Group	
2021	**2022**	(Amounts in NOK millions)	**Note**	**2022**	**2021**
139	187	IT expenses		202	150
35	47	Market expenses		53	37
31	47	Ordinary depreciation	30	51	38
0	3	Write-down of goodwill	31	3	0
7	10	Wealth tax		10	7
21	36	Building/operating expenses		40	28
27	68	Merger expenses		68	27
65	113	Other operating expenses		130	71
326	**512**	**Total other operating expenses**		**556**	**357**

Parent bank		Auditor's fees	Group	
2021	**2022**	(Amounts in NOK thousands)	**2022**	**2021**
972	1 040	Ordinary auditing	1 851	1 718
1 157	227	Other certification services	246	1 208
73	227	Tax advice	232	84
823	850	Other services in addition to auditing	1 059	1 031
3 025	**2 344**	**Total compensation for external auditor ex. VAT**	**3 388**	**4 041**
37	*55*	*Of which to others than the main external auditor KPMG*	*292*	*538*

Note 24 – Pensions

General description of the company's pension liabilities

The Group is obliged to have an occupational pension scheme pursuant to the Mandatory Occupational Pensions Act. The Bank's pension scheme satisfies the requirements of this Act.

SpareBank 1 BV's collective defined benefit schemes were discontinued in 2018 and replaced by the defined contribution pension scheme. A compensation scheme was established on the basis of a historical qualifying period within the discontinued defined-benefit schemes. The compensation scheme only applies to active employees and accrues until the age of 67, or until the employment relationship is terminated for other reasons than: illness, transition to work assessment allowance, or permanent disability. 89 employees were covered by this scheme as at 31.12.2022.

Employees of the former Sparebanken Telemark have two closed collective pension schemes that cover 172 people, 72 of whom are active and 100 of whom are pensioners.

A new contractual early retirement scheme (AFP) was established in 2010 as a replacement for the old one. The scheme is treated in the accounts as a defined contribution pension scheme, where the premium payments are recognised on an ongoing basis, and no provisions are made in the financial statements.

In addition, the Bank has pension obligations in relation to 12 people as at 31.12.2022, which are financed directly through operations.

The estimated liability at the balancing of the accounts is used for the measurement of accrued pension liabilities. Employer contributions on uninsured benefits are recognised on an ongoing basis. The companies' pension liabilities are greater than the pension funds. This under-financing is shown on the statement of financial position as a provision for accrued expenses and liabilities.

As at 31.12.2022, the parent bank had a common defined contribution pension scheme. The scheme which covers a total of 366 employees, is charged to operations and is compensated with:

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

aAs at 31.12.2022, the subsidiaries have defined contribution pensions, charged to operations, which cover 198 employees. These schemes vary in compensation from 4.8% to 7.0% (between 0G and 7.1G) plus a supplement of 3.0% to 15.0% (between 7.1G and 12G).

Actuarial assumptions:

	Parent bank/Group	
	2022	2021
Economic assumptions		
Discount rate (covered bonds)	3.20%	1.50%
Expected return on assets	3.20%	1.50%
Expected future wage development	3.75%	2.50%
Expected adjustment of G	3.50%	2.25%
Expected pension adjustment	0.00-3.50%	0.25-2.25%
Employer contributions	14.10%	14.10%
Financial activities tax (parent bank)	5.00%	5.00%
Demographic assumptions		
Voluntary retirement under 50 years	0.00%	0.00%
Voluntary retirement over 50 years	0.00%	0.00%
Disability table used	IR02/IR03	IR02/IR03
Mortality table used	K2013 BE/FNH2013	K2013 BE/FNH2013

Number of people in the pension scheme

Parent bank			Group	
2021	2022	Members	2022	2021
292	279	Number of people in the pension scheme	285	298
179	164	of which active	166	181
113	115	of which pensioners/not active	119	117

Specification of pension liabilities and pension expenses

Parent bank 2021	Parent bank 2022	Net pension liabilities on the statement of financial position (Amounts in NOK millions)	Group 2022	Group 2021
286	271	Present value of pension liabilities in fund-based schemes	280	295
81	94	Present value of other defined benefit schemes	94	81
-298	-333	Fair value of pension assets	-341	-306
70	70	Accrued employer contributions/financial activities tax	70	70
139	**102**	**Net pension liabilities on the statement of financial position 31.12**	**103**	**140**
		Accrued pension expenses		
21	16	Defined benefit pensions earned during the period	16	21
1	2	Net interest expenses, pension liabilities	2	1
14	0	Effect of changes to/winding up of scheme	0	14
3	2	Accrued employer contributions	3	3
39	**20**	**Net defined benefit pension expenses taken to profit/loss**	**20**	**39**
		Movement in net pension liabilities on the statement of financial position		
69	115	Net pension liabilities on the statement of financial position 01.01	115	69
6	25	Actuarial gains/losses recognised in other operating income and expenses as at 01.01	25	6
33	13	Net pension liability transferred upon merger (01.04.2022/01.06.2021)	13	33
39	20	Net defined benefit pension expenses taken to profit/loss	20	39
-26	-25	Amount paid to defined benefit schemes/paid for through operations	-25	-26
19	-47	The year's actuarial gains/losses recognised in other income and expenses	-47	20
139	**102**	**Net pension liabilities on the statement of financial position 31.12**	**103**	**140**
		Movement in gross pension liability on the statement of financial position (before e.c./financial tax)		
63	368	Gross pension liabilities on the statement of financial position 01.01	377	70
264	11	Gross pension liability transferred upon merger (01.04.2022/01.06.2021)	11	264
16	11	Pensions earned in the year	11	16
5	5	Interest on pension liabilities	6	5
11	0	Effect of changes to/winding up of scheme	0	11
-8	-9	Pensions paid (incl. paid over operations)	-9	-8
17	-21	Actuarial loss/(gain)	-21	18
368	**367**	**Gross pension liability on the statement of financial position 31.12 (before e.c./financial tax)**	**375**	**377**
		Movement in fair value of pension assets on the statement of financial position		
0	251	Fair value of pension assets on the statement of financial position, 01.01	259	7
236	0	Fair value of pension funds transferred upon merger (01.06.2021)	0	236
18	17	Paid to fund-based schemes	17	18
2	2	Net interest income from funds	2	2
-6	-7	Paid pensions	-7	-6
1	18	Actuarial (loss)/gain	19	1
251	**281**	**Fair value of pension assets on the statement of financial position, 31.12**	**289**	**259**
	19	**Expected payment to defined benefit schemes in 2022 (before employer's contribution/financial activities tax)**	**19**	

Note 25 – Tax

Parent bank			Group	
2021	**2022**	(Amounts in NOK millions)	**2022**	**2021**
951	1 303	Profit before tax	1 311	1 030
-319	-254	+/- permanent differences [1]	-250	-319
49	109	+/- change in temporary differences	109	50
680	**1 158**	**Tax basis/taxable income**	**1 170**	**761**
170	289	Tax payable 25% (22%)	301	178
35	6	Tax payable on the statement of financial position from Modum	6	35
8	12	Wealth tax and withholding tax	12	8
212	**308**	**Tax payable on the statement of financial position, incl. wealth tax and withholding tax**	**319**	**220**
-12	-27	+/-change in deferred tax	-32	-13
-4	1	Too much (-)/little tax set aside in previous years	1	-4
154	**263**	**Tax expenses for the year, excl. wealth and withholding tax**	**270**	**161**
16.2%	20.2%	Effective tax rate	20.6%	15.6%
		Temporary differences and capitalised deferred tax/tax asset [1]		
2	4	Tangible assets	-3	4
18	15	Gain and loss account	15	19
21	-93	Loans at fair value/outstanding receivables	-93	21
33	62	Securities incl. derivatives	62	33
-168	-138	Net pension liabilities	-139	-169
-94	**-150**	**Total temporary differences**	**-159**	**-93**
25%	25%	Tax rate	25%/22%	25%/22%
-23	**-38**	**Deferred tax assets**	**-39**	**-23**
		Reconciliation of tax for the period taken to profit/loss and profit before tax		
238	326	25% of profit before tax	331	245
-80	-64	Permanent differences	-63	-80
-4	1	Too much (-)/little tax set aside in previous years	1	-4
154	**263**	**Tax on ordinary profit/loss**	**270**	**161**
		Tax expenses on comprehensive income		
154	263	Total tax expenses taken to profit/loss	270	161
2	-12	Tax on items recognised directly against equity	-12	2
157	**252**	**Total tax expenses on comprehensive income**	**258**	**163**

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

In line with the IFRS regulations, wealth tax is classified as a charge and not as a tax expense. Wealth tax amounting to NOK 12.8 million was recognised in 2022 (NOK 7.8 million in 2021) and was classified as other operating expenses.

Parent bank		Reconciliation of change in temporary differences	Group	
2021	2022	(Amounts in NOK millions)	2022	2021
-45	-94	Temporary differences as at 01.01	-93	-46
-69	-16	Temporary differences SpareBank 1 Modum 01.01.2022	-17	-69
88	17	Added value, merger 01.04.2022	17	88
-19	51	+/- change in temporary differences recognised directly against equity	43	-19
-49	-109	+/- change in temporary differences recognised through profit or loss	-109	-46
-94	**-150**	**Temporary differences as at 31.12**	**-159**	**-93**

Note 26 – Financial instruments at fair value

The tables below show the classification of financial instruments in:

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

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

Group **31.12.2022** (Amounts in NOK millions)	Category 1	Category 2	Category 3	Category 4	Total
Assets					
Cash and receivables from central banks				108	108
Loans to and receivables from credit institutions				605	605
Net lending to and receivables from customers	49 121	3 611		19 814	72 546
Interest-bearing securities	8 430				8 430
Financial derivatives			191		191
Shares, equity certificates and units	2 617				2 617
Total assets	**60 167**	**3 611**	**191**	**20 527**	**84 497**
Liabilities					
Deposits from and liabilities to credit institutions					
Deposits from and liabilities to customers				55 216	55 216
Liabilities from the issuance of securities	6 583			12 987	19 570
Financial derivatives			267		267
Subordinated loan capital				749	749
Total liabilities	**6 583**	**0**	**267**	**68 952**	**75 802**

Group
31.12.2021

(Amounts in NOK millions)	Category 1	Category 2	Category 3	Category 4	Total
Assets					
Cash and receivables from central banks				114	114
Loans to and receivables from credit institutions				1 698	1 698
Net lending to and receivables from customers	40 143	2 844		19 555	62 542
Interest-bearing securities	6 146				6 146
Financial derivatives			98		98
Shares, equity certificates and units	2 203				2 203
Total assets	**48 492**	**2 844**	**98**	**21 367**	**72 801**
Liabilities					
Deposits from and liabilities to credit institutions				150	150
Deposits from and liabilities to customers				46 212	46 212
Liabilities from the issuance of securities	5 597			11 316	16 913
Financial derivatives			64		64
Subordinated loan capital				651	651
Total liabilities	**5 597**	**-**	**64**	**58 330**	**63 991**

Financial instruments at fair value are classified at different levels.

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

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

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

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

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

The Group's assets and liabilities measured at fair value as at 31.12.2022

Assets (Amounts in NOK millions)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value				
- Fixed-rate loans			3 611	3 611
- Loans at fair value through OCI			50 159	50 159
- Bonds and certificates	250	8 180		8 430
- Equity Instruments	219		2 397	2 617
- Derivatives		191		191
Total assets	**469**	**8 371**	**56 167**	**65 008**

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit or loss				
- Securities issued at fair value		6 583		6 583
- Derivatives		267		267
Total liabilities		**6 850**		**6 850**

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

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

Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities at fair value through profit or loss				
- Securities issued at fair value		5 597		5 597
- Derivatives		64		64
Total liabilities		**5 661**		**5 661**

Changes in instruments classified as Level 3 as at 31.12.2022

Group (Amounts in NOK millions)	Fixed rate loans	Return instruments	Loans at fair value through OCI
Opening balance 01.01.2022	**2 844**	**2 004**	**40 143**
Supply from merger with SpareBank 1 Modum	651	352	6 506
Additions	758	111	22 912
Disposals	-641	-130	-20 439
Net gain/loss on financial instruments		60	
Closing balance 31.12.2022	**3 611**	**2 397**	**49 122**

Changes in instruments classified as Level 3 as at 31.12.2021

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

Note 27 – Interest-bearing securities

Interest-bearing securities are measured at fair value through profit or loss. Figures have not been prepared for the parent bank, since they are almost identical to the Group's figures.

Interest-bearing securities by issuer

Group	31.12.2022		31.12.2021	
(Amounts in NOK millions)	Nominal value	Fair value	Nominal value	Fair value
State	250	250	250	255
Other public issuer	2 289	2 327	619	621
Financial companies	5 757	5 832	5 178	5 270
Non-financial companies	20	20	0	0
Total interest-bearing securities	**8 316**	**8 430**	**6 047**	**6 146**

Interest-bearing securities by issuer

Group

31.12.2022 (Amounts in NOK millions)	At call	Under 3 months	3-12 months	1-5 years	Over 5 years	Total
State		202		48		250
Other public issuer	95	10	891	1 331		2 327
Financial companies	133	245	2 396	3 059		5 832
Non-financial companies			20			20
Total interest-bearing securities at fair value	**228**	**456**	**3 307**	**4 438**	**0**	**8 430**

Group

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

Changes in value of interest-bearing securities

Group (Amounts in NOK millions)	Valuation based on quoted prices in an active market.	Valuation based on observable market data	Total
Carrying amount 31.12.2021	**255**	**5 891**	**6 146**
Additions, merger	0	589	589
Additions	0	3 984	3 984
Disposals	0	-2 250	-2 250
Change in value through profit or loss	-5	-34	-40
Carrying amount 31.12.2022	**250**	**8 180**	**8 430**

Note 28 – Shares, equity certificates and units

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

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

Group (Amounts in NOK millions)	**31.12.2022**	**31.12.2021**
- listed	195	175
- unlisted	2 422	2 028
- unlisted	**2 617**	**2 203**

Specification of significant ownership interests as at 31.12.2022

Group

Company name	**Organisation no.**	**Number of shares**	**Ownership interest in %**	**Cost price**	**Market value**	**Carrying amount**
SpareBank 1 Boligkreditt AS	988 738 387	9 496 225	12.2%	1 426	1 424	1 424
SpareBank 1 Næringskreditt AS	894 111 232	1 684 924	10.4%	213	211	211
SpareBank 1 SMN Finans AS	938 521 549	15 225	14.5%	179	179	179
SpareBank 1 Betaling AS	919 116 749	2 446 000	8.9%	133	174	174
SpareBank 1 Kreditt AS	975 966 453	423 851	10.6%	139	151	151
SpareBank 1 Forvaltning AS	925 239 690	246 176	6.7%	87	93	93
Other SB1 shares and equity certificates				107	136	136
Other shareholdings				238	248	248
Total shares, equity certificates and units				**2 521**	**2 617**	**2 617**

Specification of significant ownership interests as at 31.12.2021

Group

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

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

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

Group (Amounts in NOK millions)	Cat. 1	Cat. 2	Cat. 3	Total
Carrying amount 31.12.2021	**199**		**2 004**	**2 203**
Supply from merger with SpareBank 1 Modum	22		352	374
Additions/disposals	4		-19	-15
Value adjustment via profit/loss	-5		60	54
Carrying amount 31.12.2022	**219**		**2 397**	**2 617**

Group (Amounts in NOK millions)	Cat. 1	Cat. 2	Cat. 3	Total
Carrying amount 31.12.2020	**214**		**1 158**	**1 372**
Additions from merger with Sparebanken Telemark	-6		866	859
Additions/disposals	-27		-19	-46
Value adjustment via profit/loss	19		-1	18
Carrying amount 31.12.2021	**199**		**2 004**	**2 203**

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

Subsidiaries

Company name (amounts in NOK millions)	Organisation no.	Acquisition date	Business office	Ownership interest	Voting share	Cost price	Carrying amount
Eiendomsmegler 1 Sørøst-Norge AS [1]	982 832 632	Jan. 2000	Nøtterøy	100%	100%	60	70
Eiendomsmegler 1 Telemark AS [2]	971 225 793	Jun. 2021	Skien	51%	51%	1	1
Z-Eiendom AS	988 024 082	Jan. 2017	Nøtterøy	100%	100%	15	15
SpareBank 1 Regnskapshuset Sørøst-Norge AS	998 867 770	Sept. 2012	Drammen	100%	100%	44	34
Imingen Holding AS	990 507 007	Nov. 2006	Kongsberg	100%	100%	1	2
Larvik Marina AS	989 866 990	Jan. 2017	Nøtterøy	100%	100%	0	0
Tufte Eiendom AS [2]	986 844 058	Jun. 2021	Porsgrunn	100%	100%	9	9
Sparebankgården AS [2]	989 974 777	Jun. 2021	Porsgrunn	100%	100%	22	22
Total shares in subsidiaries						**152**	**153**

The subsidiaries are included in the consolidated financial statements and recognised at cost price in the parent bank. None of the subsidiaries are listed.

Change in holdings of shares in subsidiaries

(Amounts in NOK millions)	Carrying amount
Carrying amount 01.01.2022	69
Merger EiendomsMegler 1 Modum AS	48
Issue SpareBank 1 Regnskapshuset Sørøst-Norge AS	28
Purchase of shares Z-Eiendom AS	8
Carrying amount 31.12.2022	**153**

Associated companies and joint ventures

Company name	Classification	Organisation no.	Business office	Ownership interest	Voting share	Number of shares
Samarbeidende Sparebanker AS [3)]	Joint ventures	977 061 164	Oslo	30.0%	11.1%	265 987
SpareBank 1 SamSpar AS [3)]	Joint ventures	992 258 381	Oslo	30.0%	11.1%	265 988
BN Bank ASA [4)]	Associated companies	914 864 445	Trondheim	7.5%	7.5%	1 053 610

Parent bank

(Amounts in NOK millions)	SamSpar AS	SpareBank 1 SamSpar AS	BN Bank ASA	Carrying amount
Carrying amount 01.01.2022	**645**	**0**	**217**	**862**
Merger with SpareBank 1 Modum	274			274
Demerger of SpareBank 1 SamSpar AS		55		55
Change in value				0
Carrying amount 31.12.2022	**919**	**55**	**217**	**1 191**

Group

(Amounts in NOK millions)	SamSpar AS	SpareBank 1 SamSpar AS	BN Bank ASA	Carrying amount
Carrying amount 01.01.2022	**779**	**0**	**361**	**1 141**
Merger with SpareBank 1 Modum	274		0	274
Demerger of SpareBank 1 SamSpar AS		9	0	9
Dividends paid 2022	-96		-15	-111
Profit contribution 2022	99	-1	43	141
Change in value/OCI	-2		0	-1
Carrying amount 31.12.2022	**1 054**	**8**	**390**	**1 452**

1. EiendomsMegler 1 Sørøst-Norge AS and EiendomsMegler 1 Modum AS merged in 2022 with accounting effect from 01.04.2022.
2. EiendomsMegler 1 Telemark AS, Tufte Eiendom AS and Sparebankgården AS join the Group in connection with the merger with Sparebanken Telemark in June 2021. The remaining 49% in EiendomsMegler 1 Telemark AS is owned by Skien Boligbyggelag.
3. Samarbeidende Sparebanker AS (SamSpar AS) and SpareBank 1 SamSpar AS are owned jointly by nine participating savings banks. Please also refer to section 3 of the Annual Report for a more detailed description of the Alliance cooperation. The Bank is represented on the board and has considerable influence in the company. On 08.12.2022, the annual general meeting of Samarbeidende Sparebanker AS (SamSpar AS) decided that the shares in SpareBank 1 SamSpar AS would be distributed as dividends in kind to the owner banks. A valuation of SpareBank 1 SamSpar AS was conducted in connection with the change in company structure. The company was valued at NOK 185 million. This entails a gain in financial income in Samarbeidende SpareBanker AS of NOK 155 million. Following the restructuring, the total equity in the company accounts of Samarbeidende Sparebanker AS and SpareBank 1 SamSpar AS was equal to the equity in the Group before the change (continuity in the Group).
4. The Bank is represented on the board and has considerable influence in BN Bank ASA.

Note 30 – Property, plant and equipment

Parent bank						Group				
Facilities under construction	Right-of-use asset IFRS 16	Buildings and other real estate	Machinery, fixtures and fittings and vehicles	Total	(Amounts in NOK millions)	Total	Machinery, fixtures and fittings and vehicles	Buildings and other real estate	Right-of-use asset IFRS 16	Facilities under construction
1	136	208	69	415	Acquisition cost or adjusted value as at 01.01.2022 1)	492	86	266	139	1
0	12	68	37	117	Additions through merger	122	42	68	12	0
1	14	0	24	39	Additions	46	29	0	16	1
-1	0	-12	-18	-30	Disposals	-34	-18	-12	-3	-1
1	**163**	**264**	**112**	**539**	**Acquisition cost or adjusted value as at 31.12.2022**	**625**	**138**	**321**	**165**	**1**
0	-56	-77	-44	-176	Cumulative depreciation and impairment 01.01.2022 1)	-214	-63	-95	-56	0
0	-2	-29	-24	-55	Cumulative depreciation linked to merger	-55	-24	-29	-2	0
0	-25	-12	-10	-47	Depreciation for the year	-51	-13	-14	-24	0
0	0	3	18	21	Depreciation linked to out-of-date assets	21	18	3	0	0
0	-83	-115	-60	-258	Cumulative depreciation and impairment 31.12.2022	-299	-82	-135	-82	0
1	**80**	**149**	**52**	**282**	**Carrying amount s at 31.12.2022**	**326**	**56**	**187**	**83**	**1**

1) Adjusted for effects after merger with Sparebanken Telemark

Parent bank						Group				
Facilities under construction	Right-of-use asset IFRS 16	Buildings and other real estate	Machinery, fixtures and fittings and vehicles	Total	(Amounts in NOK millions)	Total	Machinery, fixtures and fittings and vehicles	Buildings and other real estate	Right-of-use asset IFRS 16	Facilities under construction
	92	2	27	121	Acquisition cost or adjusted value as at 01.01.2021	165	39	14	112	
1	31	135	15	182	Additions through merger	217	19	182	14	1
	10		3	13	Additions	17	5		12	
		0	-18	-18	Disposals	-33	-21	-12		
1	**134**	**136**	**26**	**297**	**Acquisition cost or adjusted value as at 31.12.2021**	**366**	**43**	**184**	**138**	**1**
	-32	-1	-13	-47	Cumulative depreciation and impairment 01.01.2021	-70	-21	-8	-41	
	-21	-4	-6	-31	Depreciation for the year	-38	-9	-6	-23	
		0	18	19	Depreciation related to discontinued assets	18	18			
	-53	**-5**	**0**	**-58**	**Cumulative depreciation and impairment 31.12.2021**	**-89**	**-11**	**-14**	**-64**	
0	**81**	**131**	**26**	**239**	**Carrying amount as at 31.12.2021**	**277**	**32**	**170**	**74**	**1**

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

Gross value of fully depreciated assets: The gross value of fixed assets that are fully depreciated, is calculated to be obsolete. Obsolete fixed assets are measured as no longer being in use.
Revaluations: The Bank has not carried out ongoing revaluations of fixed assets.

Note 31 – Goodwill

Parent bank			Group	
2021	**2022**	(Amounts in NOK millions)	**2022**	**2021**
		Goodwill		
		Acquisition cost as at 01.01	46	37
	360	Additions	427	9
		Disposals		
	360	Acquisition cost as at 31.12	473	46
		Cumulative impairments 01.01	12	12
	3	Impairments for the year	3	
		Disposals		
	3	Cumulative impairments 31.12	15	12
	357	**Capitalised goodwill as at 31.12**	**458**	**34**

Parent bank			Group	
2021	**2022**	**The carrying amount consists of:**	**2022**	**2021**
	351	Merger of SpareBank 1 Sørøst-Norge and SpareBank 1 Modum	342	
	6	Acquisition of Varig Forsikring Midt-Buskerud AS (added via merger with SpareBank 1 Modum)	6	
		Acquisition of real estate brokerage business	56	10
		Acquisition of accounting firm business	54	24
	357	**Carrying amount 31.12**	**458**	**34**

2021	**2022**	**Impairments for the year**	**2022**	**2021**
	3	Varig Forsikring Midt-Buskerud AS	3	
	3	**Total write-downs for the year**	**3**	

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

The merger of SpareBank 1 Sørøst-Norge and SpareBank 1 Modum was carried out on 01.04.2022.

The difference between the fair value of the remuneration for the equity certificate holders in SpareBank 1 Modum before the merger and their share of net equity pursuant to the acquisition analysis amounts to goodwill and was recognised on the statement of financial position at the time of completion (01.04.2022) in line with IFRS 3. The table in Note 4 shows the remuneration, fair value of assets and liabilities from SpareBank 1 Modum, as well as the calculation of goodwill as at 01.04.2022 (completion date). which amounts to NOK 351 million in the parent bank and NOK 342 million in the Group, respectively.

Goodwill in the cash-generating units in the retail and corporate markets was tested for impairment as at 31.12.2022 in line with the requirements of IAS 36.

Assumptions in the model used for testing for impairment: return on equity (before tax) of 10% and long-term growth factor set at 2.0% for all cash-generating units. For a detailed description of the methods and assumptions used to calculate recoverable amounts for goodwill, see Note 2 “Accounting policies”.

Note 32 – IFRS 16 Leases

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

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

The Group has only fixed lease liabilities. The present value of the lease liability is calculated by discounting the remaining lease payments by the Bank's marginal loan rate (funding rate). Options to extend the lease period are included if these can with reasonable certainty be expected to be used. The present value of the option is then recognised in the lease liability and right-of-use asset.

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

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

Parent bank		Statement of financial position	Group	
31.12.2021	**31.12.2022**	(Amounts in NOK millions)	**31.12.2022**	**31.12.2021**
83	81	Lease liabilities	83	75
80	80	Right-of-use asset	83	74

		Income statement		
2021	**2022**	(Amounts in NOK millions)	**2022**	**2021**
21	25	Depreciation	25	20
-22	-27	Payments of rent	-26	-21
1	2	Interest	1	1
0	**0**	**Total**	**0**	**0**

Note 33 – Other assets

Parent bank				Group	
31.12.2021	**31.12.2022**		**Note**	**31.12.2022**	**31.12.2021**
11	7	Accounts receivable		114	87
10	10	Accrued, not received income		18	11
31	33	Other prepaid expenses		33	41
42	110	Provisions and internal accounts		110	42
98	191	Financial derivatives	17	191	98
193	**351**	**Total other assets**		**467**	**279**

Note 34 – Deposits from customers

Parent bank					Group			
31.12.2021		31.12.2022			31.12.2022		31.12.2021	
Share	Amount	Share	Amount	(Amounts in NOK millions)	Amount	Share	Amount	Share
88.3%	40 846	81.8%	45 232	Deposits from customers with no agreed term to maturity	45 165	81.8%	40 794	85.0%
11.7%	5 418	18.2%	10 051	Deposits from to customers with agreed term to maturity	10 051	18.2%	5 418	15.0%
100.0%	**46 264**	**100.0%**	**55 284**	**Total deposits from customers**	**55 216**	**100.0%**	**46 212**	**100.0%**

Share	Amount	Share	Amount	Deposits by geographical areas	Amount	Share	Amount	Share
71.4%	33 023	62.0%	34 295	Vestfold og Telemark	34 253	62.0%	32 971	71.3%
19.0%	8 795	29.6%	16 371	Viken	16 351	29.6%	8 795	19.0%
8.6%	3 966	7.5%	4 126	Rest of Norway	4 121	7.5%	3 966	8.6%
1.0%	481	0.9%	493	Abroad	492	0.9%	481	1.0%
100.0%	**46 264**	**100.0%**	**55 284**	**Total deposits distributed by geographic areas**	**55 216**	**100.0%**	**46 212**	**100.0%**

Parent bank			Group	
31.12.2021	31.12.2022	Deposits by sector and industry	31.12.2022	31.12.2021
30 255	36 228	Employees, etc.	36 228	30 255
6 149	5 896	Real estate management/business services, etc.	5 829	6 098
296	310	Real estate management housing cooperatives	310	296
1 611	1 754	Wholesale and retail trade/hotels and restaurants	1 754	1 611
421	802	Agriculture/forestry	802	421
1 232	1 744	Building and construction	1 744	1 232
2 725	4 184	Transport and service Industries	4 184	2 725
658	984	Production (manufacturing)	984	658
1 684	2 500	Public administration	2 500	1 684
1 234	882	Other	882	1 234
46 264	**55 284**	**Total deposits by sector and industry**	**55 216**	**46 212**

Note 35 – Liabilities from the issuance of securities

SpareBank 1 Sørøst-Norge issues and redeems securities issued as part of its liquidity management. The refinancing requirement has also been partly funded by the transfer of the loan portfolio to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS.

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

Group	31.12.2022		31.12.2021	
(Amounts in NOK millions)	Nominal value	Book value	Nominal value	Book value
Loans from credit institutions, incl. F-loans from Norges Bank	0	0	150	150
Bond debt	16 178	16 178	15 293	15 293
Bond debt, SNP	3 500	3 500	1 550	1 550
Value adjustments and accrued interest	0	-108		70
Total interest-bearing securities	**19 678**	**19 570**	**16 993**	**17 063**

Average interest rate, financial borrowing	2.5%	1.1%

Financial borrowing by maturity date (amounts in NOK millions)	31.12.2022	31.12.2021
2022		1 618
2023	1 068	2 875
2024	3 700	3 700
2025	4 590	4 200
2026	4 150	2 600
2027	4 250	1 700
2028 and later	1 920	300
Total financial borrowing, nominal value	**19 678**	**16 993**

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

Change in financial borrowing

Group (amounts in NOK millions)	31.12.2022	Merger [1]	Issued	Due/ redeemed	Change in no.	31.12.2021
Loans from credit institutions, nominal value	0	0	0	-150		150
Bond debt	16 178	598	3 620	-3 333		15 293
Bond debt, SNP	3 500	0	1 950	0		1 550
Value adjustments and accrued interest	-108				-179	70
Total interest-bearing securities	**19 570**	**598**	**5 570**	**-3 483**	**-179**	**17 063**

Group (amounts in NOK millions)	31.12.2021	Merger 2)	Issued	Due/ redeemed	Change in no.	31.12.2020
Loans from financial institutions, nominal value	150	150		-200		200
Bond debt	15 293	7 216	2 900	-2 617		7 794
Bond debt, SNP	1 550		1 550			
Value adjustments and accrued interest	70	75			-120	115
Total interest-bearing securities	**17 063**	**7 441**	**4 450**	**-2 817**	**-120**	**8 109**

1) Merger 01.04.2022 portfolio SpareBank 1 Modum
2) Merger 01.06.2021 portfolio Sparebanken Telemark

Note 36 – Other liabilities and commitments

Parent bank				Group	
31.12.2021	**31.12.2022**	(Amounts in NOK millions)	**Note**	**31.12.2022**	**31.12.2021**
		Other liabilities and commitments			
139	103	Pension liabilities	24	104	140
34	20	Provisions for losses on guarantees	9	20	34
40	42	Accounts payable		55	50
83	81	IFRS 16 liabilities related to leases	32	81	78
172	200	Other liabilities		237	190
31	68	Other expenses incurred		76	41
30	36	Holiday pay		55	46
16	19	Employer's National Insurance contributions and financial activities tax		25	21
64	267	Financial derivatives	17	267	64
609	**835**	**Total other liabilities and commitments**		**919**	**664**
		Off-statement of financial position liabilities			
4 414	4 520	Unutilised credit facilities	14	4 518	4 410
901	911	Guarantees	37	911	901
5 314	**5 431**	**Total off-statement of financial position liabilities**		**5 429**	**5 311**
		Assets pledged as security			
414	387	Securities pledged in Norges Bank		387	414
414	**387**	**Total assets pledged as security**		**387**	**414**

Note 37 - Guarantees

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

Group

(Amounts in NOK millions)	31.12.2022	31.12.2021
Guarantee liabilities by type of guarantee		
Loan guarantees	377	113
Payment guarantees	141	197
Contractual guarantees	311	465
Other guarantee liabilities	83	126
Total guarantee liabilities	**911**	**901**
Guarantee liabilities by sector and industry		
Employees, etc.	55	45
Agriculture/forestry	10	2
Production (manufacturing)	87	92
Building and construction	172	175
Wholesale and retail trade/hotels and restaurants	218	105
Real estate management/business services, etc.	246	334
Transport and service Industries	106	140
Public administration	16	7
Other	0	1
Total guarantee liabilities by sector and industry	**911**	**901**
Total guarantee liabilities by geographic area		
Vestfold og Telemark	555	698
Viken	321	139
Rest of Norway	25	54
Abroad	11	11
Total guarantee liabilities by geographic area	**911**	**901**

Note 38 – Subordinated loan capital

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

Time-limited subordinated bonds loans

Group amounts in NOK millions	31.12.2022	31.12.2021
FRN callable subordinated bond 2017/2022	0	250
FRN callable subordinated bond 2017/2022	0	50
FRN callable subordinated bond 2018/2023	150	150
FRN callable subordinated bond 2018/2023	50	50
FRN callable subordinated bond 2021/2026	45	
FRN callable subordinated bond 2021/2026	150	150
FRN callable subordinated bond 2022/2027	350	
Accrued interest	4	1
Value adjustments	0	0
Total time-limited subordinated loans	**749**	**651**

Average interest rate, subordinated loan capital	**3.2%**	**2.1%**

Change in subordinated loan capital

Group (amounts in NOK millions)	31.12.2022	Merger 1)	Issued	Due/ redeemed	31.12.2021
Time-limited subordinated loan capital, nominal value	745	90	350	-345	650
Accrued interest	4			3	1
Value adjustments	0				0
Total subordinated loan capital	**749**	**90**	**350**	**-342**	**651**

Group (amounts in NOK millions)	31.12.2021	Merger 2)	Issued	Due/ redeemed	31.12.2020
Time-limited subordinated loan capital, nominal value	650	250	150	-150	400
Accrued interest	1	0			1
Value adjustments	0	0			0
Total subordinated loan capital	**651**	**250**	**150**	**-150**	**401**

1) Merger 01.04.2022 portfolio SpareBank 1 Modum
2) Merger 01.06.2021 portfolio Sparebanken Telemark

Note 39 – Close associates

Loans to subsidiaries, joint ventures and associated companies are provided on ordinary customer terms and conditions. Loans to other related parties also follow the Bank's other customer terms and conditions.

All figures are for the parent bank.

Parent bank

	Subsidiaries, joint ventures and associated companies	
Loans (amounts in NOK millions)	**2022**	**2021**
Outstanding loans as at 01.01.	29	29
Additions via merger 01.04	2	15
Net lending in the period	-3	-15
Outstanding loans as at 31.12.	**28**	**29**
Interest income	2	1
Impairment of loans recognised in profit and loss	0	0

Deposits (amounts in NOK millions)	**2022**	**2021**
Deposits as at 01.01.	91	57
Additions via merger 01.04	15	8
Net deposits in the period	-28	25
Deposits as at 31.12.	**78**	**91**
Interest expenses	0	1
Issued guarantees	-	-

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

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

Earnings per equity certificate

Parent bank		
(Amounts in NOK millions)	**31.12.2022**	**31.12.2021**
Adjusted profit for the year		
Profit for the year in accordance with the annual financial statements	1 040	796
- corrected for interest on hybrid Tier 1 securities recognised directly against equity	-19	-11
- corrected for income/expenses recognised through profit or loss - transferred to/from FUG	-74	-3
Adjusted profit for the year	947	782
Equity certificate holders' share (60.7%) of corrected result	**575**	**471**
Profit/loss for the year allocated to the company's equity certificate holders	575	471
Number of equity certificates issued (weighted average 01.01-31.12)	134 642 474	95 417 844
Earnings per equity certificate	**4.27**	**4.94**
Nominal Value (NOK)	15.00	15.00

Calculation of equity certificate fraction

Parent bank		
Equity certificate fraction (amounts in NOK millions)	**31.12.2022**	**31.12.2021**
Equity certificate capital	2 101	1 778
Share premium fund	3 779	2 777
Dividend equalisation fund	1 049	811
Allocated but not approved dividends	364	297
Total equity certificate holders' capital	**7 293**	**5 663**
Sparebankens Fond	4 480	3 532
Allocated but not approved dividends/gifts for community capital	236	196
Gift fund	7	7
Total community-owned capital	**4 723**	**3 734**
Equity, excl. dividends, gifts, hybrid capital and other equity	12 016	9 397
Equity certificate fraction	**60.7%**	**60.3%**
Community capital fraction	**39.3%**	**39.7%**

Proposed dividend and gifts

	31.12.2022	31.12.2021
Proposed dividend (NOK millions)	364	297
Proposed dividend per equity certificate (NOK)	2.60	2.50
Proposed dividends/gifts for community capital (NOK millions)	236	196

Dividend policy

SpareBank 1 Sørøst-Norge's goal is to achieve financial results that provide equity certificate holders with a good, stable and competitive return in the form of dividends and increases in the price of the equity certificate.

The annual profit will be distributed between the equity capital and community capital in line with their proportion of the Bank's equity.

SpareBank 1 Sørøst-Norge assumes that a minimum of 50% of the owner capital's share of the annual profit will be paid out as cash dividends.

As a general rule, dividend funds amounting to a minimum of 50% of the community capital's share of the profit will be transferred to the foundations in order to maintain stable ownership fractions over time.

When determining the level of dividends, the Group's financial strength must be taken into account, including its expected financial performance in a normalised market situation, future capital requirements, external framework conditions, the Group's goals and strategic plans.

Note 41 – Equity certificate holders and distribution of equity certificates

In connection with the merger between SpareBank 1 Sørøst-Norge and SpareBank 1 Modum, the equity certificate capital was increased by NOK 321.1 million through the issuance of 21 408 644 new equity certificates, of which 18 444 646 equity certificates were for Sparebankstiftelsen SpareBank 1 Modum and 2 963 998 equity certificates were for Brannkassestiftelsen Midt-Buskerud, as remuneration for the business taken over from SpareBank 1 Modum.

Following the issuance of new equity certificates, total equity certificate capital will amount to NOK 2 101.5 million divided into NOK 140 098 561 equity certificates with a nominal value of NOK 15 per equity certificate. SpareBank 1 Sørøst-Norge owned 43 284 equity certificates at the end of the year.

The ownership fraction is 60.7%.

Nine of the 24 members (votes) on the Supervisory Board are equity certificate holders.

Equity certificate holders

There were 5 961 (5 929) equity certificate holders as at 31.12.2022 (2021).
The 20 largest holders were:

	Quantity	% of total number of equity certificates
SPAREBANK 1 STIFTELSEN BV	24 141 356	17.2%
SPAREBANKSTIFTELSEN TELEMARK	18 910 174	13.5%
SPAREBANKSTIFTELSEN SPAREBANK 1 MODUM	18 444 646	13.2%
SPAREBANKSTIFTELSEN NØTTERØY-TØNSBERG	10 925 503	7.8%
SPAREBANKSTIFTELSEN HOLLA OG LUNDE	10 273 723	7.3%
VPF EIKA EGENKAPITALBEVIS	3 951 495	2.8%
SPESIALFONDET BOREA UTBYTTE	2 907 433	2.1%
BRANNKASSESTIFTELSEN MIDT-BUSKERUD	2 863 998	2.0%
PARETO INVEST NORGE AS	2 608 539	1.9%
KOMMUNAL LANDSPENSJONSKASSE GJENSIDIGE	1 377 645	1.0%
LANDKREDITT UTBYTTE	950 000	0.7%
CATILINA INVEST AS	912 032	0.7%
WENAASGRUPPEN AS	907 432	0.6%
MELESIO INVEST AS	886 937	0.6%
SANDEN EQUITY AS	707 494	0.5%
AARS AS	684 737	0.5%
FORETAKSKONSULENTER AS	621 230	0.4%
SKOGEN INVESTERING AS	605 000	0.4%
BABORD AS	421 266	0.3%
HAUSTA INVESTOR AS	420 000	0.3%
Total 20 largest equity certificate holders	**103 520 640**	**73.9%**
SpareBank 1 Sørøst-Norge (own equity certificates)	43 284	0.0%
Other owners	36 534 637	26.1%
Total number of equity certificates (par value NOK 15)	**140 098 561**	**100.0%**

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

The executive management team

Name	Title	Number of equity certificats as at 31.12.2022
Per Halvorsen	CEO	17 566
Geir Årstein Hansen	Deputy CEO	10 343
Roar Snippen	Executive Vice President Economy & Finance	21 342
Marianne Sommerro Evensen	Executive Vice President Compliance, Privacy & Legal	8 453
Marianne Thorsdal	Executive Vice President HR & Organisational Development	9 706
Johan Hjerkinn	Executive Vice President Strategy & Business Development	3 360
Tonje Stormoen	Executive Vice President Business Support	10 499
Kristian Kloster	Executive Vice President Risk Management	2 898
Egil Meland	Executive Vice President Subsidiaries	293
Arent Kristian Anfinsen	Executive Vice President Corporate Market	8 344
Lasse Olsen	Executive Vice President Retail Market	18 242

The Board of Directors

Name	Title	Number of equity certificates as at 31.12.2022
Finn Haugan	Chair of the Board	30 000
Anne Berg Behring	Deputy Chair of the Board	8 881
Elisabeth Haug	Board Member	2 700
Heine Wang (Wang Invest AS)	Board Member	27 000
Jan Erling Nilsen	Board Member	2 986
John-Arne Haugerud	Board Member	8 420
Lene Marie Aas Thorstensen	Board Member	0
Hanne Myhre Gravdal	Employee representative	7 750
Frede Christensen	Employee representative	10 920

The Supervisory Board

Name	Title	Number of equity certificates as at 31.12.2022
Lars Ole Bjørnsrud	Chair	0
Other members of the Supervisory Board		569 616

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

The pro forma results for 2022 and 2021 represent the income statements, statements of financial position and key figures for both banks, consolidated as if the merger had occurred with accounting effect from 01.01.

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

Combined results (pro forma) [1]

Group		
(Amounts in NOK millions)	**2022**	**2021**
Interest income	2 650	1 753
Interest expenses	1 031	482
Net interest income	**1 620**	**1 270**
Commission income	639	707
Commission expenses	40	44
Other operating income	316	333
Net commission and other income	**915**	**996**
Dividends	79	45
Net result from ownership interests	96	218
Net result from other financial investments	2	192
Net income from financial assets	**177**	**455**
Total net income	**2 711**	**2 722**
Personnel expenses	747	719
Other operating expenses	583	536
Total operating expenses	**1 330**	**1 255**
Profit before losses and tax	**1 381**	**1 467**
Losses on loans and guarantees	40	88
Profit before tax	**1 341**	**1 378**
Tax expense	275	227
Profit before other comprehensive income	**1 067**	**1 152**

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

Summary of statement of financial position and key figures (pro forma) [1)]

Group		
(Amounts in NOK millions)	**31.12.2022**	**31.12.2021**
Profitability		
Return on equity	8.8%	10.4%
Net interest income, excl. additional Tier 1 capital	1.82%	1.50%
Cost-income ratio	49.1%	46.1%
Statement of financial position figures		
Gross lending to customers incl. transfers to mortgage credit institutions	105 141	102 608
Gross lending to customers on the statement of financial position	72 852	72 306
Loans transferred to mortgage credit institutions	32 289	30 302
Lending growth 12% past 12 months	2.5%	6.4%
Deposits from customers	55 216	54 566
Deposit coverage on the statement of financial position	75.8%	75.5%
Deposit coverage, incl. mortgage credit institutions	52.5%	53.2%
Deposit growth in the past 12 months	1.2%	7.4%
Total assets	89 547	86 487
Total assets, incl. mortgage credit institutions	121 837	116 789
Equity, excl. hybrid capital	12 424	11 447
Staffing		
Number of FTEs	651.8	637.2
of which parent bank	*431.6*	*448.6*

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

Note 43 – Events after the statement of financial position date

No events have occurred after the statement of financial position date that are of material relevance for the annual financial statements as submitted.

Nina Moe Gundersen and Isabell Tangerud
Advisers in Skien.

Declaration from the Board of Directors and the CEO

We confirm that the annual accounts for the period 1.01.2022 to 31.12.2022, to the best of our knowledge, have been prepared in accordance with International Financial Reporting Standards (IFRS) and that the information in the financial statements gives a true and fair view of the parent bank's and the Group's assets, liabilities, financial position and results as a whole and that information in the annual report provides a true and fair view of the financial performance and position of the parent bank and the Group, along with a description of the most important risk and uncertainty factors faced by the Group.

Sandefjord, 09.03.2023

Finn Haugan
Chair of the Board

Anne Berg Behring
Deputy Chair

Elisabeth Haug

Heine Wang

Jan Erling Nilsen

Lene Marie Aas Thorstensen

John-Arne Haugerud

Hanne Myhre Gravdal
Employee representative

Frede Christensen
Employee representative

Per Halvorsen
CEO

Alternative performance measures (APMs)

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

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

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

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

Auditor’s report

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Fax
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the Board of Representatives of SpareBank 1 Sørøst-Norge

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company SpareBank 1 Sørøst-Norge (the Company), which comprise the balance sheet as at 31 December 2022, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of SpareBank 1 Sørøst-Norge and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2022, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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

Basis for Opinion

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

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

We have been the auditor of the Company for 14 years from the election by the general meeting of the shareholders on 20 March 2009 for the accounting year 2009 with a renewed election on the 20 March 2014.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

The Key Audit Matter	*How the matter was addressed in our audit*
Expected credit loss on loans and guarantees that are not credit-impaired amounts to MNOK 166 for the Company and the Group as of 31 December 2022. Expected credit losses on loans and guarantees that are credit-impaired amounts to MNOK 160 for the Company and the Group as of 31 December 2022. IFRS 9 requires that the Group recognise expected credit loss equal to 12-month expected credit losses for loans and guarantees that doesn't have a significant increase in credit risk (stage 1), and lifetime expected credit loss for loans and guarantees that has a significant increase in credit risk (stage 2). The Group apply models for calculating expected credit loss for stage 1 and 2. The models are complex and includes large amounts of data. At the same time, management exercise judgement, particularly related to the following parameters; • Probability of default (PD) • Loss given default (LGD) • Exposure at default (EAD) • Definition of significant increase in credit risk • Weighing of different forward-looking macroeconomic scenarios. For loans and guarantees where there is significant increase in credit risk and where the engagement is credit-impaired (stage 3), the Group calculates the lifetime expected credit loss based on an individual assessment. Determining the expected credit loss entails a high degree of management judgment. Key factors in management's assessments are: • identification of credit-impaired loans and guarantees	We gained an understanding of the Groups definitions, methods and control procedures for measuring and recognition of expected credit loss. We have obtained an assurance report with reasonable assurance (ISAE 3000) from an independent auditor which has evaluated: • whether PD, LGD and EAD included in the model are calculated correctly • whether data input used in the model is correct, and • whether the model calculating expected credit losses are in accordance with the requirements in IFRS 9. We have assessed the independent auditor's competence and objectivity. We have, with assistance from our specialist, evaluated the reports results in order to assess possible deviations and consequences for our audit. We have further conducted our own procedures in order to test the completeness and accuracy of data input in the model calculated expected credit loss. In order to challenge management's judgements and parameters that have been used in the calculation of the expected credit loss for stage 1 and 2, we have; • Assessed the applied definition of significant increase in credit risk and weighing of different scenarios. • Assessed model-calculated expected credit losses against comparable banks For a selection of credit-impaired loans and guarantees, we have challenged management's judgment by assessing the size of cash flows

• assumptions for determining the size of expected cash flows, including valuation of collaterals. Based on the size of the gross lending, inherent credit risk, complexity of the models and degree of management judgment, we consider the expected credit losses to be a key audit matter.	and testing the valuation of collaterals against internal and external valuations. We have challenged management's process for identifying credit-impaired loans and guarantees by developing our own view on loans and guarantees that are credit impaired by using external credit information and other available public information. We have assessed whether note disclosures related to IFRS 9 and ECL are sufficient in accordance with the requirements of IFRS 7.

2. IT-systems and application controls

The Key Audit Matter	*How the matter was addressed in our audit*
SpareBank 1 Sørøst-Norge is dependent on the IT infrastructure in the financial reporting. The Group uses a standard core system delivered and operated by an external service provider. Sound governance and control over the IT systems is critical to ensure accurate, complete and reliable financial reporting. Furthermore, the IT systems support regulatory compliance for financial reporting to authorities, which is central to licensed businesses. The system calculates interest rates on borrowing and lending (application controls) and the Group's internal control systems are based on system-generated reports. Due to the importance of the IT systems for the Group's operations, the IT environment supporting the financial reporting process is considered a key audit matter.	In connection with our audit of the IT-system in the Company, we have gained an understanding of the control environment and tested that selected general IT controls are functioning as intended and support important application controls. In our control testing, we have focused on access management controls. The independent auditor of the external service provider has assessed and tested the effectiveness of internal controls related to the IT systems outsourced to external service provider. We have obtained the attestation report (ISAE 3402) from the independent auditor to evaluate whether the external service provider has satisfactory internal control in areas of significant importance to the Group. We have assessed the independent auditor's competence and objectivity, as well as evaluated the report in order to assess possible deviations and consequences for our audit. We have requested the independent auditor of the service provider to test a selection of standard reports and application controls in the core-system to assess whether: • standard system reports contain all relevant data, and • the application controls, including controls related to interest rate-, annuity- and fee calculations, is functioning as intended. We have used our IT audit specialist in the work to understand the control environment, test controls and examine the reports.

3. Business combination with SpareBank 1 Modum

Reference is made to note 4 Merger of SpareBank 1 Sørøst-Norge and SpareBank 1 Modum on 01.04.2022 ant the Board of Directors' Report.

The Key Audit Matter	*How the matter was addressed in our audit*
On 1. April 2022, SpareBank 1 Sørøst-Norge completed the business combination with Sparebank 1 Modum, where SpareBank 1 Sørøst-Norge is the acquiring party in the merger. The merger is a significant transaction that requires special attention related to recognition and measurement, as well as information in the notes. To measure the identifiable assets acquired and the liabilities assumed at the time of the acquisition, an acquisition analysis is performed. Acquisition analysis requires extensive use of estimates and estimates when measuring fair values for identifiable assets and liabilities, as well as associated tax effects. The assessment determines the size of the goodwill in the transaction. Consequently, the transaction requires significant attention throughout the audit and is subject to a high degree of auditor discretion.	In our review, we have, among other things: • read the agreement on the business combination and on that basis assess the valuation of the consideration paid, • reviewed management's valuations and identification of fair value adjustments against a report prepared by SpareBank 1 Markets, • reviewed the Financial Due Diligence report prepared by EY, • reviewed the recognition of the transaction, including the equity effects, and subsequent processing of estimated negative goodwill against the acquisition analysis and; • assessed whether the note information relating to the business combination is adequate.

Other Information

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

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

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial 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
As part of the audit of the financial statements of SpareBank 1 Sørøst-Norge we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name sparebank1srstnorge-2022-12-31-nb -no, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

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 the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities
Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in compliance with ESEF. We conduct our work in compliance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in compliance with the ESEF Regulation.

As part of our work, we have performed procedures to obtain an understanding of the Company's processes for preparing the financial statements in compliance with the ESEF Regulation. We examine whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 9 March 2023
KPMG AS

Anders Sjöström
State Authorised Public Accountant

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

Leila Konjic and Siw Lislelid
Advisers in Drammen

Presentation of the executive management team

Per Halvorsen (1962) – CEO

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

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

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

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

Number of equity certificates in SpareBank 1 Sørøst-Norge: 17 556

Geir Årstein Hansen (1959) – Deputy CEO

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

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

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

Number of equity certificates in SpareBank 1 Sørøst-Norge: 10 343

Roar Snippen (1963) – Executive Vice President Economy & Finance (CFO)

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

He graduated as an economist from the University of Oslo (UiO) and as an auditor University of South-Eastern Norway and has also completed the Solstrand Programme.

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

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

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

Number of equity certificates in SpareBank 1 Sørøst-Norge: 21 342

Marianne Sommerro Evensen (1970)
– Executive Vice President Compliance, Privacy, Legal & Group Administration

Marianne Sommerro Evensen holds a higher auditor qualification from the Norwegian School of Economics in Bergen (NHH).

She has worked for the Bank since 2003, and had several managerial positions and as sector adviser for the corporate market, project management, risk, compliance and group management.
She has previously had 10 years of experience from auditing and consulting activities.

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

Number of equity certificates in SpareBank 1 Sørøst-Norge: 8 453

Kristian Kloster (1978) – Executive Vice President Risk Management

Kristian Kloster graduated as a mathematician from the University of Oslo with a major in mathematical finance.

He joined the Bank in 2010 and has worked in various managerial positions within risk management.
He has previous experience from Nord Pool Clearing and Nasdaq OMX Commodities as Director Risk Management.

He currently holds no board positions.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 2 898

Johan Hjerkinn (1970) – Executive Vice President Strategy & Business Development

Johan Hjerkinn has a master's degree in business and economics from the Norwegian School of Economics (NHH) and has also completed the NHH Executive Programme "Strategic business understanding".

He has 25 years of banking experience from Postbanken BA (1996-99) and DNB (1999-17), of which 20 years as manager with responsibility for business development, strategy and major change projects in DNB. Joined SpareBank 1 BV in May 2017.

Former board member of Netaxept AS (2004-08).

Number of equity certificates in SpareBank 1 Sørøst-Norge: 3 360

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

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

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

She was appointed the director of HR and organisation in Sparebanken Telemark in 2012 in connection with the merger with Holla og Lunde Sparebank. Her core areas are management, corporate culture, communication and competence. She has board experience from various companies in the tourism and technology industries. She has been a regularly attending representative of the administration in several companies for a long time. Currently holds no board positions.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 9 706

Tonje Stormoen (1965) – Executive Vice President Business Support

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

She has held several previous managerial positions, including various executive positions in Intrum Justitia AS. She joined SpareBank 1 Nøtterøy-Tønsberg in 2007 as a branch bank manager and has also held the roles of head of business development and marketing director. He became the Executive Vice President Business Support in SpareBank 1 BV in 2017.

She has board experience from various companies in estate agency, finance, media and debt recovery. Currently holds no board positions.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 10 499

Egil Meland (1960) – Executive Vice President Subsidiaries

Egil Meland is a graduate economist from BI Norwegian Business School with additional education from BI in strategic change management and high-performance management.

He was the CEO of SpareBank 1 Modum from 2012 until 01.04.2022.

He was the CEO of Sandsvær Sparebank prior to its merger with SpareBank 1 Vestfold in 2008. Meland was the Deputy CEO of SpareBank 1 BV from 2008 to 2012.

He started his career in what is now Sparebanken Øst. When he left Sparebanken Øst in 2002 he was its Director Retail Market. As well as wide-ranging banking experience, he also has extensive board experience from groups, companies in the SpareBank 1 Alliance and SpareBank 1 Gruppen.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 293

Arent Kristian Anfinsen (1970) – Executive Vice President Corporate Market

Arent Kristian Anfinsen has a master's degree in business and economics from the Norwegian School of Economics (NHH) in Bergen and subsequently took an MBA in strategic corporate governance at the same institution.

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

He has board experience, including as the chair of the board of SpareBank 1 Regnskapshuset Sørøst-Norge AS. He is currently a board member of the same company. He has previously been a board member of EiendomsMegler 1 Næringsmegling.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 8 344

Lasse Olsen (1975) – Executive Vice President Retail Market

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

He has 20 years of experience from the banking and financial services sector, including within asset management and as a specialist consultant and bank manager.

He joined the Bank in 2008 and held various management positions in the retail market division. He became the Director Retail Market in SpareBank 1 BV on 01.11.2015.
He is currently a board member of EiendomsMegler 1 Sørøst-Norge

Number of equity certificates in SpareBank 1 Sørøst-Norge: 18 242

Presentation of the Board of Directors

Finn Haugan (1953) – Chair of the Board

Finn Haugan lives in Trondheim and has a master's degree in business and economics from BI Norwegian Business School. He was the CEO of SpareBank 1 SMN (formerly Sparebank-en Midt-Norge) from 1991 to 2019.

He has previously served in leading positions in Forretningsbanken and Fokus Bank/Danske Bank. His last position here was deputy managing director, from 1989-1991.

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

He is currently chair of the boards of Sinkaberg-Hansen AS Fiskeoppdrett, Norbit ASA, Borg Forvaltning AS, SOLON Eiendom AS, SOLON Eiendom Holding AS and Elekt AS, as well as a deputy chair of the board of LL Holding, and a board member of Okea ASA and Kolstad Håndball.

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

Anne Berg Behring (1964) – Deputy Chair

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

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

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

Number of equity certificates in SpareBank 1 Sørøst-Norge: 8 881

Elisabeth Haug (1977) – Board member

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

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

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

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

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

Heine Wang (1963) – Board member

Heine Wang lives on Nøtterøy and is a lawyer. He has held various board positions, including as former president of NHO. Currently chair of the boards of Sandefjord Lufthavn Torp AS, Cares AS, Arnadal Anlegg, Eik Maskin Vestfold/Buskerud and others.

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

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

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

Jan Erling Nilsen (1979) – Board member

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

He became a board member of Sparebanken Telemark in 2017.

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

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

John-Arne Haugerud (1956) – Board member

John-Arne Haugerud lives in Vikersund.

He has extensive experience as a manager and senior executive within IT and financial services, including 15 years on
the executive management team at EVRY ASA (now Tietoevry) and 6 years as CEO of EVRY
Verdipapirsentralen AS and as a member of the executive management team of Oslo Børs VPS ASA.

He is currently the CEO of Kraftia Energi AS. Haugerud has also wide-ranging experience of board work.

Haugerud was deputy chair of the board of SpareBank 1 Modum from 2011 up to its merger with SpareBank 1 Sørøst-Norge.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 8 420

Lene Marie Aas Thorstensen (1977) – Board member

Lene Marie Aas Thorstensen lives in Skien and holds a law degree from the University of Oslo.

She was a deputy board member of Sparebanken Telemark until its merger with SpareBank 1 BV in 2021 and a deputy board member of SpareBank 1 Sørøst-Norge until the merger with SpareBank 1 Modum in April 2022.

Thorstensen has extensive experience from public administration and private legal practice.
She currently works as a senior lawyer at the law firm Tenden Advokatfirma ANS and also holds
several board positions.

No equity certificates in SpareBank 1 Sørøst-Norge

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

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

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

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

Number of equity certificates in SpareBank 1 Sørøst-Norge: 7 750

Frede Christensen (1961) – Board member, employee representative

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

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

Today, he works as a capital adviser and also holds the role of Actual Manager of the investment firm SpareBank 1 Sørøst-Norge and Deputy Chair of the Bank.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 10 920

Governing bodies

The Supervisory Board

Depositor-elected representatives:

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

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

Equity certificate holders' representatives:

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

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

Employee-elected representatives:

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

Bente Melum Svendsen, deputy member
Hanne Grøtterød, deputy member

Nomination Committee

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

Board of Directors

Finn Haugan, Chair
Anne Berg Behring, Deputy Chair of the Board
Elisabeth Haug
Heine Wang
Jan Erling Nilsen
John-Arne Haugerud
Lene Marie Aas Thorstensen
Hanne Myhre Gravdal, employee representative
Frede Christensen, employee representative
Anne Leversby, regularly attending deputy member, employee representative

Ragnhild Ask Connell, deputy member
Gisle Fauskanger, deputy member
Helga Marie Finsveen, deputy member employee representative
Geir A. Vestre, deputy member employee representative

The Audit Committee

Jan Erling Nilsen, Chair
Finn Haugan
Heine Wang

Risk Committee

Finn Haugan, Chair
Anne Berg Behring
Heine Wang

The Remuneration Committee

Finn Haugan, Chair
Anne Berg Behring
Hanne Myhre Gravdal

The Board of Directors’ activities in 2022

Board of Directors – key issues in 2022	Prepared in Board’s subcommittees GU, RU, RI	Board meetings in 2022											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
		Q1			Q2			Q3			Q4		
The decision to merge with SpareBank 1 Modum was approved on 16.12.2021. Transaction and implementation of merger of SpareBank 1 Sørøst-Norge and SpareBank 1 Modum					Legal merger 01.04. 2022				Implementation of merger				
Corporate strategy for 2023-2025, the strategy was continued with the incorporation of SpareBank 1 Modum. The seven strategic initiatives were continued: sustainability, customer-oriented, stronger top line, data and insight-driven, attractive workplace, quality, regional bank ambition							In the negotiations with SpareBank 1 Modum it was agreed to largely continue in the strategic directions approved for SpareBank 1 Sørøst-Norge in autumn 2021.			Strategy approved			
Forecasts and liquidity and capital adequacy requirements – ICAAP/ILAAP/MREL	RI												
Code of Conduct, polices for corporate governance, sustainability, risk and capital management, incl. contingency plans (determination of risk appetite)	RI, GU					Adjusted policies and authorisations in connection with merger						Considered and approved policy documents for merged group applicable for 2023	
Fixed agenda items: agenda, minutes, impartiality, CEO’s briefing and operational reporting													
Sustainability, risk, compliance and incident reporting	RI	Q4				Q1			Q2			Q3	
Goal monitoring via balanced scorecard		Q4				Q1			Q2			Q3	
Interim financial statements and reporting	RI, GU	Q4				Q1			Q2			Q3	
Annual financial statements and Annual Report – incl. sustainability reporting													
Plan and reporting from external auditor		Q4	Plan – Annual Report			Q1			Q2			Q3	
Plan and reporting from internal auditor		Plan – Annual Report							Half-year report				
Annual report, management and control (management’s reporting on internal control)	RI												
Remuneration; reporting on remuneration and adoption of executive management team remuneration policy	GU												
Board’s annual plan, Board’s guidelines and instructions for subcommittees						Approved in connection with merger						For 2023	
Elections to the Board’s subcommittees													
Annual self-evaluations of Board and subcommittees													
Key issues in 2022													

GU – Remuneration Committee RU – Remuneration Committee RI – Risk Committee

Overview of board meetings in 2022

	Number of meetings
The Board of Directors	17
Board’s subcommittees:	
The Remuneration Committee	6
The Audit Committee	5
The Risk Committee	9

EXTERNAL AUDITOR

KPMG AS
State authorised accountant Anders Sjöström

INTERNAL AUDIT FUNCTION

EY AS
State authorised accountant Kjetil Kristensen

Ludvig Skogvold Goplen and Emilie Kleven Andersen, advisers in Drammen.

Corporate governance

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

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

Risk management and internal control

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

This must be ensured by establishing:

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

Risk strategy and general risk policy

Scope

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

Purpose and definition of risk appetite and risk capacity

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

TOPIC	DESCRIPTION OF PURPOSE AND DEFINITION OF RISK APPETITE AND RISK CAPACITY
Overview	To provide a comprehensive overview of the Group's risks.
Risk capacity	To specify the Group's risk capacity, defined as: The total exposure to risk the Group can withstand before entering into a recovery situation and having to: • Implement material corrective and/or mitigation measures • Implement an unwanted change to the business model
Risk appetite	To define the risk the Group is willing to assume to achieve strategic goals as they are defined in the business strategy. The limits for risk appetite are set based on: • The maximum desired risk exposure from a profitability and loss perspective, where sustainability and maintaining the Group's reputation and trust in it are also central. • The risk appetite is assessed with respect to the aggregated level of total risk exposure, exposure to individual risks and conducted stress tests.
Management and control	To define how risks should be managed and followed up.
Roles and responsibilities	To define roles and responsibilities.

Scope

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

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

Purpose and definition of risk appetite and risk capacity

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

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

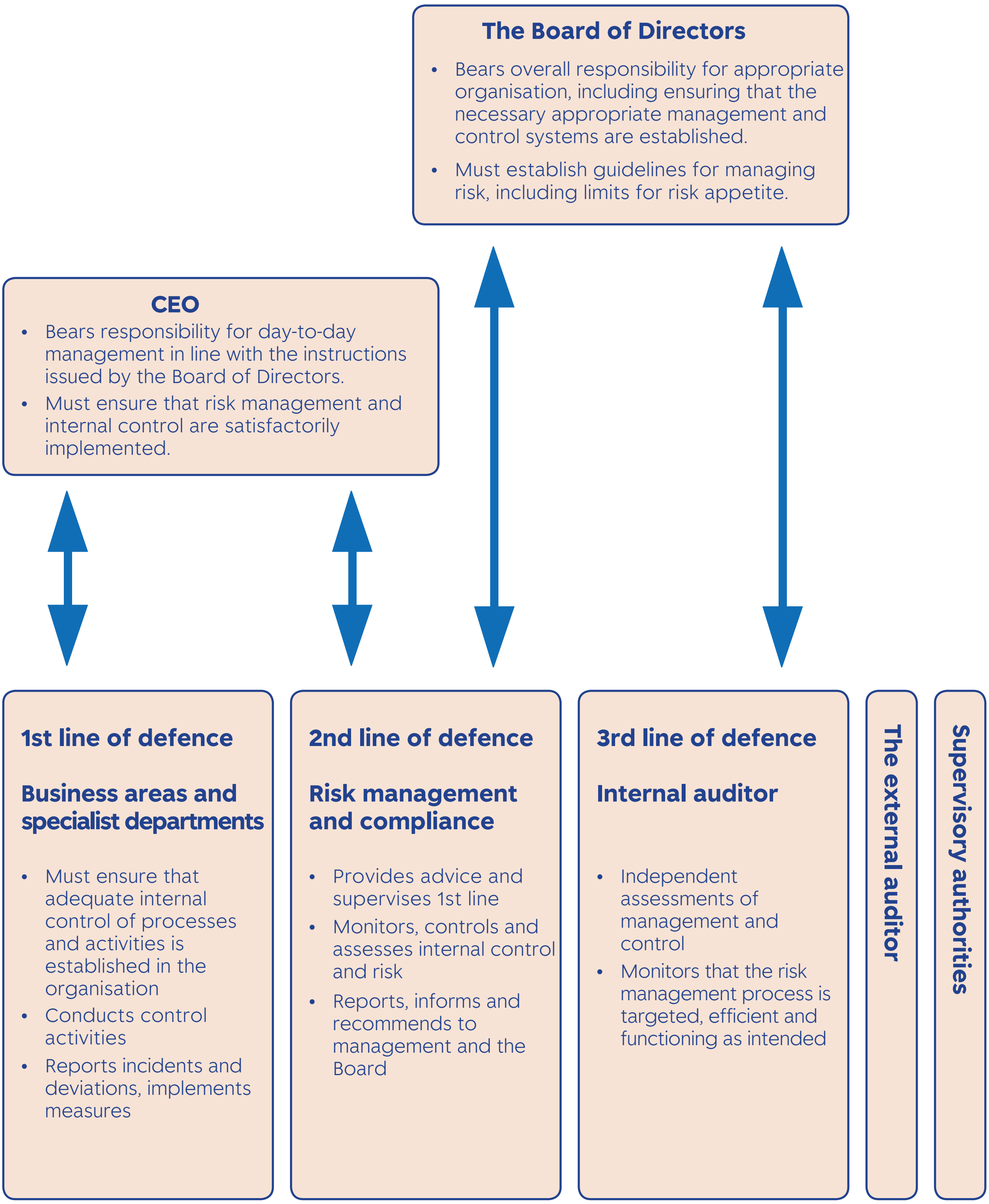
#	RISK AREA	RISK APPETITE	REASONS
1	**ESG risk**	Low to moderate	The Group has developed a sustainability strategy that clearly signals that the Group wants to be a driving force in the area of sustainability. The Group has committed to complying with: • Global Reporting Initiative (GRI) • Task Force on Climate-related Financial Disclosures (TCFD) • OECD Due Diligence Guidance • Eco-Lighthouse • Partnership for Carbon Accounting Financials (PCAF) • Task Force on Nature-related Financial Disclosures (TNFD) • Women in Finance Charter Initiatives supported by SpareBank 1 Sørøst-Norge: • UN Global Compact • Principles for Responsible Banking • UN Sustainable Development Goals Specification of targets and risk appetite/limits within the area of sustainability is included in the underlying policy documents for the various areas of risk.
2	**Business risk Profitability**	Low	The profitability must be adequate to help the Group maintain a level of financial strength consistent with the Group's long-term goals and at the same time provides the owners with a reasonable return on their invested capital.
3	**Credit risk**	Low to moderate	The Group must grant credit and manage the credit portfolio within acceptable risk levels that indicate that the majority of the retail and corporate market portfolio must have low to moderate risk based on the probability of default and loss risk. The Group must have a good credit culture and management focus on managing credit risk through monitoring, measuring and ensuring compliance with established credit processes and the defined risk appetite.
	Concentration risk		The credit portfolio must be satisfactorily diversified in relation to the risk of concentration within sectors, industries, geographic areas and the size of individual customer exposures.
4	**Market risk**	Low	In its activities, the Group must prioritise risk taking linked to the development of local communities by contributing to the delivery of credit products in the retail and corporate markets and given this the risk associated with financial risk taking must therefore be low. The Group must seek to have securities with a good rating and negotiability. The share, interest rate and counterparty risk must be low and must be distributed across different issuers and counterparties in order to reduce the loss potential due to any defaults.

#	RISK AREA	RISK APPETITE	REASONS
5	**Liquidity and funding risk**	Low	The Group has a low risk profile for liquidity risk where no single events should be able to seriously harm the Bank's financial position. To ensure this, these limits are set such that there is an adequate buffer in relation to the regulatory levels and that they result in an adequate survival period in a stress situation.
	Financial strength and capital allocation		The Group must be seen to be properly capitalised in relation to risk levels, regulatory requirements and the market's expectations regarding financial strength. In a situation involving an economic setback, the Group must have the financial strength to withstand operating with deficits/significantly weaker results over a 3-year period.
	Systemic risk		The Group must have sufficient buffers to ensure that it can provide financial services in the Group's region in case unforeseen events occur that challenge financial stability. This is so that it can help reduce any adverse impacts on production and employment.
	Rating		The Group must have a rating on a par with comparable savings banks in Norway.
6	**Owner risk**	Low	It is a key condition for goal attainment that the Group is part of the SpareBank 1 Alliance, SpareBank 1 Banksamarbeidet DA and SamSpar. When assessing strategic ownership interests, there is also an emphasis on assessing expected returns in relation to the capital tied up.
7	**Operational risk**	Low	The Group should have a low risk profile for operational risk, quantified and monitored in relation to predefined incident categories. All of the Group's employees should act ethically and strive to conduct themselves in a manner that does not adversely impact the Group's reputation, both in-house and in public. Learning is one of the values the Group emphasises. The Group should be known for its high level of expertise and accurate deliveries that ensure good customer experiences and keep losses due to operational errors low. The processes that ensure good risk analyses, work on continuous improvement processes and good internal control follow-up must be on a par with the practices of the largest savings banks in Norway.
8	**Insurance risk**	Low to moderate	As an owner of insurance activities: Insurance risk arises due to, and associated with, ownership of SpareBank 1 Gruppen and through this indirect ownership of Fremtind. Internal insurance risk in the Group: The largest identified risk drivers for the Group are handled through a process where, among other things, the probability of the risks occurring, and the potential consequences should they occur are assessed. Consequences are calculated as a financial amount. The figures for probability and consequence that are input for each risk driver provide the basis for calculating expected and unexpected credit losses (standard deviation). For each risk driver, an assessment is made of the insurance cover for the various risks. In addition, an assessment is made of the confidence in the implemented risk-reducing control measures. Overall, the internal control measures and insurance cover result in a risk-reducing financial consequence that should be low.
9	**Total risk appetite**	Low to moderate	Overall, the Group should be exposed to low to moderate risk based on the above.

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

Organisation, implementation and monitoring

SpareBank 1 Sørøst-Norge has for many years, both under its own auspices and through its collaboration in the SpareBank 1 Alliance, put considerable resources into developing effective processes for identifying, measuring and managing risk. The Group's organisation must support, and be in line with, the regulatory requirements and internal ambitions surrounding risk management and internal control. A model has been established that involves three lines of defence. This is illustrated in more detail and described in the model below.



The Board of Directors of SpareBank 1 Sørøst-Norge is responsible for approving a prudent risk appetite/profile, financial strength and return targets, overall frameworks for sustainability, compliance, risk and capital management, including the IRB system, and risk models in general.

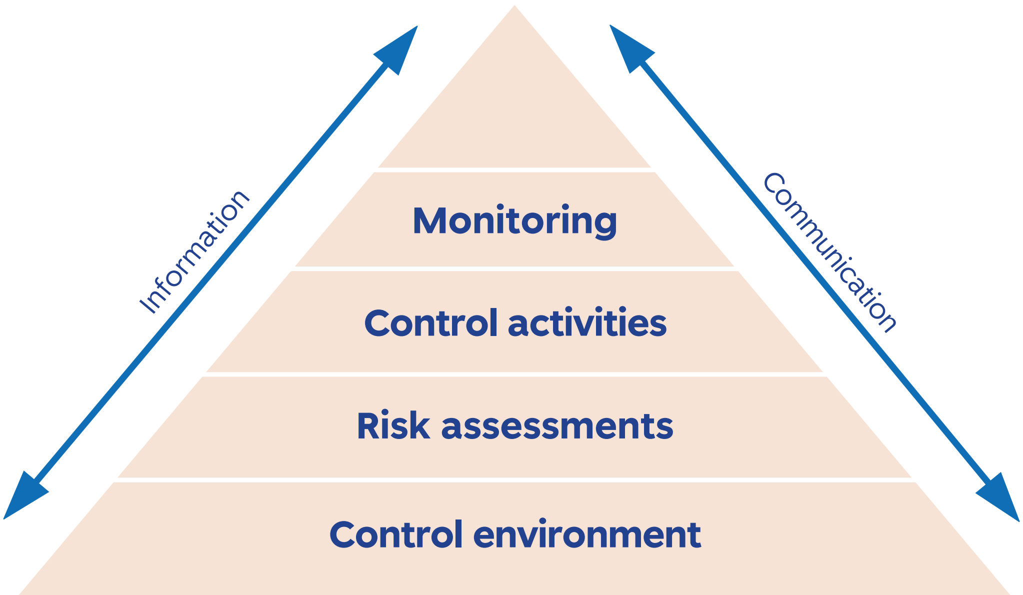
The Board of Directors is also responsible for approving risk limits and authorisations, the internal capital adequacy assessment process (ICAAP), the internal liquidity adequacy assessment process (ILAAP) and the minimum requirement for own funds and eligible liabilities (MREL) process, as well as the associated assessments of prudent financial strength, financing and liquidity in relation to the Group's risk exposure and contingency plans, which includes compliance with regulatory requirements.

The Board must ensure that the framework is adequately communicated and implemented throughout the Group. The Board must also ensure that the framework is followed up with adequate authority and resources.

The Board's duties are formalised in a specific plan that is updated annually. This must ensure that the Board prioritises and carries out assigned key duties in a satisfactory manner.

The Risk Committee, as one of the Board's working committees, is responsible for the initial treatment of the topic in relation to sustainability, compliance, risk management, capital management and internal control, etc. before final consideration and approval by the Board. This entails, among other things, processes linked to ICAAP, ILAAP, MREL and the validation of credit models, risk appetite and risk reporting.

The CEO is responsible for establishing good structures for addressing sustainability, compliance, risk and capital management. This means that the CEO is responsible for ensuring that effective risk management systems are implemented in the Group and that risk exposure is monitored. The CEO is responsible for delegating authorisations and reporting to the Board.



Internal control and management confirmation

The Group's internal control is based on the Committee of Sponsoring Organisations of the Treadway Commissions (COSO) framework, which contains five components:

1. **Control environment:** Includes the people in the organisation, including their individual qualities and integrity, ethical values, attitudes and skills, as well as how the organisation is organised. The control environment also includes management philosophy, management style and form of operation.
2. **Risk assessments:** Assessment of internal and external factors that affect goal attainment.
3. **Control activities:** Guidelines and procedures that are intended to ensure that risks are reduced and managed efficiently.
4. **Information and communication:** Processes that ensure that relevant information is identified and communicated on time.
5. **Monitoring:** Processes for ensuring that internal control is appropriately defined and performed, and that it is effective and adaptable.

The COSO framework has been established in line with the Group's general principles for sustainability and risk and capital management, in which continuous improvement, efficient operations, reliable financial reporting and compliance with laws and regulations are important factors. Executive vice presidents, heads of business units and control, specialist and support environments produce reports every year that set out how the risk management and internal control within their areas of responsibility is performed (management confirmation).

The main purpose of the annual management confirmation process is:

- To provide the Board of Directors and executive management team with a summary of the performance of the risk management and internal control.
- To map the Group's strengths and weaknesses within risk management and internal control so that the necessary improvement measures can be implemented.
- To facilitate active engagement and understanding with respect to risk management and internal control among managers at all levels of the Group.

The reporting must be used actively in a management development process that increases the understanding of the importance of good risk management and quality. The Control Objectives for Information and Related Technology (COBIT) framework is used as a basis for risk management and internal control for the area of information technology (IT).

The COBIT framework ensures comprehensive management and control within three key areas:

- Internal and regulatory requirements and controls.
- Technical issues and challenges.
- IT risk.

The framework unifies recognised IT standards and best practice with other general and strategic goals.

Nina Moe Gundersen and Gunn Tove Buaas, advisers in Skien.

Ingeborg Skaalen Berg, sustainability adviser and Ahmed Ghassan Chaer, adviser in Porsgrunn.

The equity certificate

SpareBank 1 Sørøst-Norge has two types of owners: holders of its listed equity certificates (the equity certificate capital) and the community-owned capital (the primary capital). At the end of the year, equity certificates accounted for 60.7% (the equity certificate fraction) of the Bank's equity, while 39.3% was community-owned.

SpareBank 1 Sørøst-Norge's equity certificate capital amounted to NOK 2 101 million at the end of the year, made up of 140 098 561 equity certificates, each with a nominal value of NOK 15. The Bank's equity certificate is listed on Oslo Børs, and the number of owners as at 31.12.2022 was 5 961 (5 929). Some 99.1% (98.8%) of the Bank's owners are Norwegian, of which around 59% (54%) are the savings bank foundations, ref. the chapter on the equity certificate.

Note 41 provides an overview of the equity certificates owned by the Bank's executive persons and employee representatives. The table below provides information about the 20 largest owners, as well as the change in their holdings over the past year. The changes in the number of equity certificates held by the savings bank foundations were due to the merger between SpareBank 1 Sørøst-Norge and SpareBank 1 Modum on 01.04.2022. Some 21 408 644 new equity certificates were issued at that time, of which 12 887 149 were issued to Sparebankstiftelsen SpareBank 1 Modum and 8 521 495 equity certificates to other owners of SpareBank 1 Modum. This means that one equity certificate in SpareBank 1 Modum was exchanged for approximately 2 223 equity certificates in SpareBank 1 Sørøst-Norge.

Owners	31.12.2022	31.12.2021	Change in no. from last year
SPAREBANK 1 STIFTELSEN BV	24 141 356	24 141 356	0
SPAREBANKSTIFTELSEN TELEMARK	18 910 174	18 910 174	0
SPAREBANKSTIFTELSEN SPAREBANK 1 MODUM	18 444 646		18 444 646
SPAREBANKSTIFTELSEN NØTTERØY-TØNSBERG	10 925 503	10 925 503	0
SPAREBANKSTIFTELSEN HOLLA OG LUNDE	10 273 723	10 273 723	0
VPF EIKA EGENKAPITALBEVIS	3 951 495	3 838 504	112 991
SPESIALFONDET BOREA UTBYTTE	2 907 433	2 456 235	451 198
BRANNKASSESTIFTELSEN MIDT-BUSKERUD	2 863 998		2 863 998
PARETO INVEST NORGE AS	2 608 539	1 771 308	837 231
KOMMUNAL LANDSPENSJONSKASSE GJENSIDIGE	1 377 645		1 377 645
LANDKREDITT UTBYTTE	950 000	1 100 000	-150 000
CATILINA INVEST AS	912 032	912 032	0
WENAASGRUPPEN AS	907 432	907 432	0
MELESIO INVEST AS	886 937	928 150	-41 213
SANDEN EQUITY AS	707 494	707 494	0
AARS AS	684 737	534 737	150 000
FORETAKSKONSULENTER AS	621 230	621 230	0
SKOGEN INVESTERING AS	605 000	520 000	85 000
BABORD AS	421 266	421 266	0
HAUSTA INVESTOR AS	420 000	420 000	0
Total 20 largest owners	**103 520 640**	**79 389 144**	**24 131 496**
Share of equity certificate capital	**74%**	**67%**	

Equity certificates in SpareBank 1 Sørøst-Norge

The legal provisions for equity certificates establish limits that are largely consistent with those that apply to shares in commercial banks.

Acts and regulations

The equity certificates issued by the Bank are regulated by the Financial Institutions Act, chapter 10. Listed equity certificates are not included in any of the Norwegian equity indices, although they are included in a separate index for equity certificates (OSEEX Equity Certificate Index).

Annual dividends for the equity certificates may be distributed from the annual profit in accordance with the parent bank's financial statements for the last financial year. The amount of the dividend is proposed by the Bank's Board of Directors and is approved by the Supervisory Board. The dividend cannot be set higher than a level that is consistent with good, prudent business practice with respect to losses that might have occurred after the end of the financial year or that must be expected to occur.

The current tax regulations mean that the dividend payment will be taxed. The basis for the taxation is the dividend in percentage less a fixed percentage, the so-called dividend tax exemption.

Equity certificates as an equity instrument

An equity certificate is an equity instrument that savings banks use to acquire equity capital. It has many similarities to shares. The differences primarily concern ownership of the equity and influence in governing bodies. The return on equity certificates is divided into two components, an annual cash dividend and price appreciation of the equity certificate. Equity certificate capital is secured in the event of any losses in the Bank in that it has priority over Sparebankens Fond.

Owner and dividend policy

Equity certificate holders elect nine (37.5%) of the 24 members of the Bank's Supervisory Board. Please also see the Bank's corporate governance principles.

SpareBank 1 Sørøst-Norge aims to achieve results that deliver a good return on the Bank's equity. This will ensure its owners a competitive, stable, long-term return in terms of dividends and higher prices for its equity certificates. Please also see the Bank's dividend policy, which is discussed in the Bank's corporate governance principles (section 3.2.0).

The annual profit will be distributed between the equity capital and primary capital in line with their proportion of the Bank's equity. SpareBank 1 Sørøst-Norge assumes that a minimum of 50% of the owner capital's share of the annual profit will be paid out as cash dividends. In order to maintain stable ownership fractions over time, as a general rule, dividend funds amounting to a minimum of 50% of the primary capital's share of the profit for the year will be transferred to SpareBank 1 Stiftelsen BV, Sparebankstiftelsen Telemark-Grenland and Sparebankstiftelsen SpareBank 1 Modum.

When determining the level of dividends, the Group's financial strength must be taken into account, including its expected financial performance in a normalised market situation, future capital requirements, external framework conditions, the Group's goals and strategic plans.

In 2022, profit after tax per equity certificate for the Group amounted to NOK 4.27 (4.94) of the parent bank's profit after tax. Based on the Bank's dividend policy, the Board of Directors proposes paying a dividend of NOK 2.60 (2.50) per equity certificate for 2022, totalling NOK 364 million (NOK 297 million).

Based on the Group's extremely good financial strength, even after the ordinary dividend for equity certificate holders and gift funds for community capital, the Board of Directors will propose to the Supervisory Board that the Board of Directors be authorised to pay an additional dividend to the Bank's equity certificate holders and for gifts to good causes if the financial situation so permits. An additional dividend of up to NOK 1.50 per equity certificate is proposed, which corresponds to NOK 210 million. The Board will assess whether there is a basis for paying out any additional dividend/gifts in the third quarter of 2023.

Financial calendar for 2023

- Ex-dividend date: 31.03.2023
- Q1 10.05.2023
- Q2 10.08.2023
- Q3 30.10.2023

Dividend last 5 years

Year	Dividend NOK	Price NOK 31.12	Direct return
2018	2.95	35.60	8.3%
2019	2.42	39.60	6.1%
2020	1.90	41.30	4.6%
2021	2.50	65.40	3.8%
2022	2.60	55.00	4.7%

Information for the market

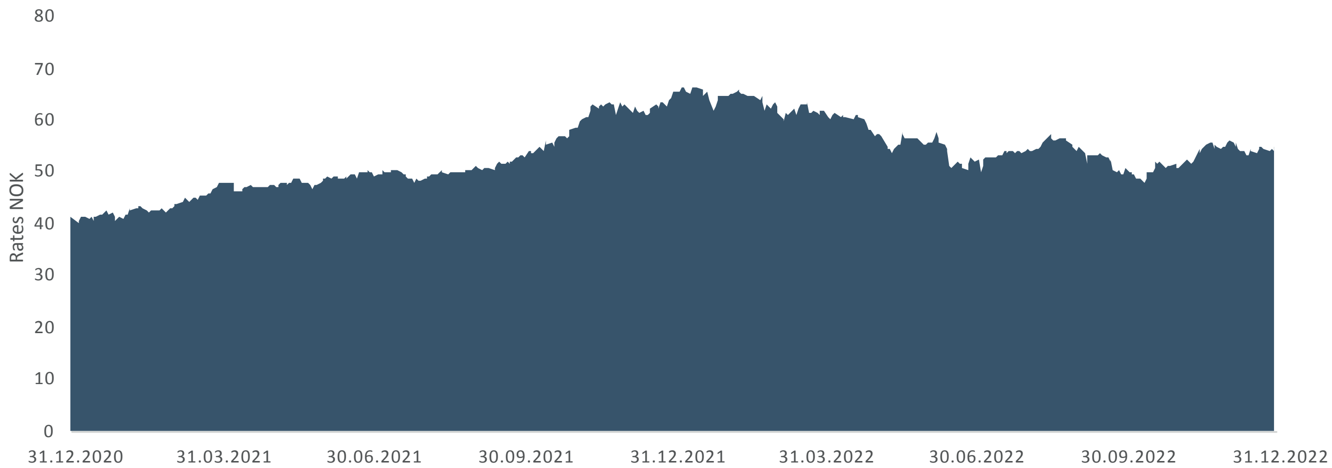
Clear, easily understood and timely information supports the relationship of trust between the owners, the Board of Directors and management, and ensures that the Bank's stakeholders can both assess and deal with the Bank at all times. Therefore, the Bank's guidelines for investor communications emphasise the importance of extensive engagement with the Bank's various stakeholders, where the focus is on openness, predictability and transparency. The Bank also attaches great importance to ensuring it provides correct, relevant and up-to-date information about the Bank's performance and earnings in order to gain the trust of the investor market. Information for the market is provided through quarterly interim reports and investor presentations. All interim reports and presentations are available on the Bank's website.

Stock exchange listing

The Bank's equity certificates are freely negotiable securities and are listed on the Oslo Børs. The equity certificates are registered with the Norwegian Central Securities Depository (VPS). The equity certificate's ticker code is SOON.

Further details about the equity certificate are provided in Notes 40 and 41.

Price performance in the last 2 years



Isabell Tangerud and Mergim Shala, advisers in Skien.

Business description

SpareBank 1 Sørøst-Norge is a regional financial services group for South East Norway that offers a wide range of financial, insurance, accounting and real estate brokerage services. One of our main goals is to be the preferred bank of private individuals and SMEs in our market area.

By delivering personalised, tailored advice and excellent user experiences, we create unique customer benefits in the channels our customers prefer. The Group has 21 branches in Vestfold, Telemark and Buskerud, and attaches great importance to being there for our customers as their personal regional bank.

South East Norway is an attractive market that is attracting new residents. The market is also characterised by its diverse industry base and a large public sector. In other words, it offers good framework conditions for running a banking group, and thanks to our 180 years of savings bank traditions, the Group is well positioned in the region.

2022 was a year marked by mergers. SpareBank 1 Sørøst-Norge was merged with SpareBank 1 Modum on 01.04.2022. These have helped strengthen our customer base and presence in Buskerud. At the same time it strengthens our ambition to be one of the most attractive places to work in banking/finance in South East Norway The merger lays the groundwork for increased profitability.

During the year, our Corporate Strategy 2025 was revised and updated, and the Group's banking services and IT systems from the three banks (SpareBank 1 BV, Sparebanken Telemark and SpareBank 1 Modum) were finally merged into a single system via a successful technical merger process in October 2022.

The Group has maintained its market positions in both the retail and corporate markets throughout the merger years and maintained its good customer satisfaction rates. At the same time, the Group has also produced better results that benefit customers, employees, owners and society as a whole. These include the substantial funds that the Group's largest owners, the five foundations, give back to local communities. Together we create value for those who live in our market area.

Retail market

SpareBank 1 Sørøst-Norge enjoys a strong market position in Vestfold og Telemark and Buskerud. The newly merged bank also delivered good financial results in 2022.

We will continue to be the relationship bank that meets customers in their preferred channel – either digitally or in person at one of our 21 branches. Some of the quality elements customers give us a high marks for include response times and their experiences of in-person meetings with an adviser. On 01.12.2022, we changed our drop-in opening hours to allow us to set aside more time for good advice sessions.

The competition for customers is fierce. In addition to competitive mortgage rates, we believe in meeting customers in person. Feedback from customers confirms that they think we are easy to get in touch with. Having local roots is a strong element of our strategy.

Customers appreciate our good digital services. SpareBank 1 has Norway's best and most user-friendly digital bank, and we are available to customers every day until midnight via our customer service centre.

The Group believes helping to ensure that each customer has secure and healthy personal finances is an important task. We are proud to be able to say that a large proportion of our customers have a buffer account, and up to 25% of our mortgage customers regularly save via funds. We are also seeing that an ever-growing proportion of younger customers are good savers. The demand for funds that focus on sustainability is rising sharply.

SpareBank 1's selected funds is a new package of funds for customers who want to save long-term in equity funds. It was launched in mid-November and has been well received by our customers, with 75% of new customers opting for the fund package. This fund package consists of three selected funds from SpareBank 1 and ODIN; two global funds and one Norwegian fund. "Possibly Norway's easiest way to start saving via funds". The package is suitable for customers who want to save for at least 10 years, expect high returns, want to spread risk and invest in funds that focus on sustainability.

The market's interest in sustainability is growing rapidly, and sustainability forms an integral part of the Group's activities. The volume of green mortgages increased from NOK 298 million as at 31.12.2021 to NOK 1.7 billion as at 31.12.2022.

Read more in the chapter "Sustainability" under responsible lending.

Corporate market

Following the merger with Sparebank 1 Modum, we have become a relatively large corporate bank in the regions of Telemark, Vestfold and Buskerud. In the corporate market (CM), we now have just over NOK 26 billion in lending and around 14 000 customers. We spent part of the year integrating and coordinating what has grown to around 100 employees in the corporate business area. For example, all of the managers in CM participated in a management development programme focusing on the topic of "social security".

We developed and introduced a new credit policy and credit standards – to ensure that we are better equipped for the introduction of the AIRB standard the Bank is going to apply for soon. Similarly, we spent the latter part of 2022 coordinating and upgrading our work on anti-money laundering (AML), and introducing a new CRM system for all departments in CM.

The technical merger in October completed the process of merging the three banks and was an important step in making us a single bank. We are now ready to look forward and attack the market as the regional local bank that we want to be in our three regions. We have big ambitions for the future.

In hindsight, it is clear that we had a heavy focus on the internal functioning of the Group in 2022. While much of this was necessary, it did impact our position in the market. The growth in credit just made it into positive territory at about 1%, and this is lower than we would like. We did well financially though and delivered income of NOK 90 million above budget. However, in 2023 we are planning to take market shares and budgeting for growth just above the overall credit growth in our regions. A major effort has been made to integrate sustainability into our work and advice, and this is now a topic in most customer meetings.

We assessed the physical climate-related risk linked to real estate assets put up as security for all new loan exposures of more than NOK 5 million.

See more about this in the chapter on sustainability, the appendix "Physical climate-related risk in the loan portfolio"

Otherwise, the end of 2022 was impacted by the general negative trend in the macro picture in Norway. We have yet to see this have a major adverse impact on customer behaviour, although some industries are expected to struggle. Like most banks, we are relatively large within commercial real estate, although we feel the portfolio is under good control. Most of the properties have low LTV ratios and many are subject to clauses stating that this should be decreasing. We also have little exposure to the industries we believe to be the most vulnerable in bad times – such as the retail and restaurant industries.

In 2023, we will concentrate on what we can do something about. This means that we will continue to focus on the quality of our customer portfolio and of our internal work. At the same time, we are anxiously monitoring developments in society. We think our region will cope well – despite tougher times.

Number of active retail customers in 2022

137.398

Number of new retail customers

4.000

Number of customers with securities

31.756

Number of active corporate customers in 2022

13.847

Number of new corporate customers

1.233

Business Development

SpareBank 1 Sørøst-Norge is constantly working to adapt the Group's activities to match the customers' expectations, new technology and a competitive picture that is constantly changing. Changed framework conditions can also create new business opportunities.

Change fit

The work on establishing a common corporate strategy is one of the means through which we examine important trends that may impact banking/finance in the coming years. The future is often uncertain and so are long-term plans. Therefore, it is important that the Group is able to adapt and develop at pace in line with constantly changing environments. Having the ability to constantly face new requirements and changes will perhaps be the most important skill going forward. We call this being change fit. The Group is, therefore, committed to facilitating learning and development in order to retain and develop our capable employees. This is what our values "power" and "movement" mean.

Together we create value

The SpareBank 1 banks collaborate on service development through SpareBank 1 Utvikling AS. This contributes to economies of scale that benefit both customers and owners.
SpareBank 1 Sørøst-Norge wants to preserve its distinctive character as a local and personal regional bank while being at the forefront of digital services that make the everyday lives of customers simpler and better. In 2022, the SpareBank 1 Alliance agreed to make major improvements within areas such as savings, financing, data and CRM. New funds were established under the SpareBank 1 brand and launched towards the end of the year.

Digital bank

Norwegian bank customers demand good digital banks, and this is increasingly becoming a driver of customer relationships. Customer surveys show that the satisfaction with our digital bank is very high. In 2022, we demonstrated how Norway's most personal mobile banking works on the inside. Useful, innovative services are one of our four customer promises.

SpareBank 1 Regnskap

The Group has been an active driving force and participant in efforts to strengthen our position in the competitive market for easy-to-use accounting systems for SMEs. We have focused on both how the end customer and the accountant experience the financial system. Accounting Norway conducts an annual survey in which our accounting application (Uni Micro) has risen from ninth place on the list to second place, with major improvements in perceived simplicity and quality. The Group and the Alliance have also developed the category bank+accounting. Offering everything in one place means that we are making our corporate customers' workday easier. Fundamental technical improvements were delivered in 2022, meaning it now only takes a couple of minutes for bank customers to set up SpareBank 1 Regnskap with reconciled bank data when they login to the accounting system for the first time.

Data and insights

One important strategic priority area is the work on becoming data and insight-driven. This is all about making data more widely available in simpler and faster ways so it can be used when making decisions as part of the dialogue with customers. Good insights into your customers is crucial to succeeding as Norway's best relationship bank. In 2022, the organisation worked on establishing new segmentation models and service concepts. In addition, work continues on strengthening the dialogue with customers through the use of data and insights. For example, relevant initiatives are made available to advisers via the CRM system, while the majority of relevant initiatives are automated based on customer events.

Business management has also been strengthened via the use of Microsoft Power BI. This work was started in 2022 and will be continued in 2023.

Zurf

The Group stimulates selected growth companies in the region via the Zurf accelerator programme. The six companies that have been through the programme have seen combined turnover growth of NOK 76 million and have contributed 25 new jobs. The programme has been expanded from covering Modum to also include Buskerud. New companies were admitted at the end of the year.

Also see "Sustainability", section "Local corporate social responsibility and business development"

Sustainability

The Group developed its "Konjunktur Sørøst" business cycle barometer (konjunktursorost.no) during the year, a tool that provides local statistics, articles and analyses on business and social developments in our market area. The barometer garnered a lot of positive attention from customers and the press.

Also see "Sustainability", section "Local corporate social responsibility and business development".

The Group also developed its own sustainability training programme, which has been tailored to suit each department. The UN Environment Programme's experts have recognised our skills training as a "leading example". In 2023, the course packages will be sold to other banks in the SpareBank 1 Alliance.

Also see the chapter "Our employees", page 155.

The SpareBank 1 Alliance

The SpareBank 1 Alliance was established in 1996 in the wake of the banking crisis in the early 1990s. Overall, it is Norway's second largest financial services grouping in terms of total assets. The SpareBank 1 Alliance currently consists of 13 independent savings banks that all provide a full range of financial products and services to private individuals, companies and organisations in their local markets around Norway.

The purpose of the SpareBank 1 Alliance is to secure the independence of each bank, regional roots, profitability and financial strength by sharing development expenses, achieving economies of scale and building up vital expertise. Today, the SpareBank 1 Alliance has around 8 900 employees in total, of whom around 1 700 work in SpareBank 1 Gruppen AS, SpareBank 1 Utvikling DA and their subsidiaries.

SpareBank 1 Sørøst-Norge's participation in the Alliance is addressed through its stakes in Samarbeidende Sparebanker AS (SamSpar AS) and Samarbeidende Sparebanker Utvikling DA (SamSpar Utvikling DA). The Bank's stakes in these two companies at the end of the year amounted to 30% and 44.2%, respectively.

13 regional and local SpareBank 1 banks are partners in the Alliance

Ownership and company structure in the SpareBank 1 Alliance

SpareBank 1 SR-BANK | SpareBank 1 SMN | SpareBank 1 NORD-NORGE | SpareBank 1 ØSTLANDET | SpareBank 1 SAMSPAR

SpareBank 1 Utvikling DA

SUBSIDIARIES:
EiendomsMegler 1 Norge AS (100%)
Joint venture for the EiendomsMegler 1 companies.)
SpareBank 1 Kundesenter AS (100%)
(Joint customer service centre during and outside the banks' business hours.)

SpareBank 1 Gruppen AS

SUBSIDIARIES:
SpareBank 1 Forsikring AS (100%)
(Pensions and real estate management, commercial)
SpareBank 1 Factoring AS (100%)
(Factoring services)
Spleis AS (100%)
(Crowdfunding)
Fremtind Forsikring AS (65%)
(Non-life insurance). Controlling interest – DNB own 35%)
- Fremtind Liv AS (personal risk products)
- Fremtind Service AS (AutoPass)

COMPANIES WITH OWNERSHIP INTERESTS:
LOfavør AS (49%)
(Member benefits for LO affiliated trade unions – LO owns 51%)
Kredinor AS (50%)
(Debt collection business – Kredinorstiftelsen owns 50%)

Ten part-owned companies outside the Alliance partnership:

BN Bank ASA
SpareBank 1 Boligkreditt AS
SpareBank 1 Forvaltning AS
ODIN Forvaltning AS
SpareBank 1 Kreditt AS
SpareBank 1 Markets AS
SpareBank 1 Næringskreditt AS
SpareBank 1 Bank og Regnskap AS

COMPANIES THAT ONLY MANAGE OWNERSHIP INTERESTS:
SpareBank 1 Betaling AS (Vipps)
SpareBank 1 Mobilitet Holding AS (Fleks)
SpareBank 1 Gjeldsinformasjon AS (Norsk Gjeldsinformasjon)

Organisation of the cooperation

Cooperation in the Alliance is organised through the two jointly owned companies SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA and their subsidiaries, and through a number of other companies directly owned by the 13 banks. It is the companies within SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA that provide the foundation for the cooperation, the companies that are referred to as the Alliance Cooperation.

SpareBank 1 Gruppen AS

SpareBank 1 Gruppen AS is the parent company of five subsidiaries, all of which develop and deliver products to the banks in the Alliance, which in turn offer these to customers in their local markets. A part-owned company, LOFavør AS (49% stake) develops and delivers products to the LO's trade unions and union members via the LOfavør loyalty programme.

SpareBank 1 Utvikling DA

SpareBank 1 Utvikling DA delivers business platforms and common management and development services to the banks in the Alliance. The company contributes to common activities that provide the banks with economies of scale and competence advantages. The company also owns and manages the Alliance's intellectual property rights under the common brand name: SpareBank 1.

SpareBank 1 Forvaltning AS

SpareBank 1 Forvaltning was established in 2021. SpareBank 1 Forvaltning represents a consolidation of power in the area of savings and investments and significantly strengthens the entire SpareBank 1 Alliance's customer offering. The company is directly owned by the SpareBank 1 Alliance and the Norwegian Confederation of Trade Unions (LO) and its affiliated trade unions. The Bank owned a 6.7% stake in SpareBank 1 Forvaltning at the end of 2022.

At the start of 2022, SpareBank 1 Forvaltning consisted of the parent company SpareBank 1 Forvaltning AS plus its subsidiaries ODIN Forvaltning AS, SR-Forvaltning AS, SpareBank 1 Kapitalforvaltning AS and SpareBank 1 Verdipapirservice. In November 2022, SpareBank 1 Forvaltning AS received a licence to operate as an investment firm. At the same time, a merger was completed between SR-Forvaltning and SpareBank 1 Forvaltning AS and its subsidiaries SpareBank 1 Kapitalforvaltning, SpareBank 1 Verdipapirservice. In parallel with this, SR-Forvaltning's fund management activities were merged into ODIN Forvaltning – which now manages two series of funds – ODIN funds and SpareBank 1 funds.

At the end of 2022, SpareBank 1 Forvaltning had a total of 120 employees and managed assets of just over NOK 125 billion.

The savings bank foundations

SpareBank 1 Sørøst-Norge's clearly expressed ambition is to be an attractive regional bank for South East Norway with a strong local presence in line with the traditions of savings banks. A good, close partnership with the savings bank foundations is important in order to underscore this. The savings bank foundations play important roles in their communities and contribute to local value creation throughout our market area. The foundations are also an important source of equity for the Bank should the Group need capital in the future.

SpareBank 1 Sørøst-Norge wishes to play an active role in the future structural changes that are expected in the savings bank sector. As part of the process surrounding the mergers of the savings banks, the Group spent time setting up local savings bank foundations as an important means of ensuring the capital remains in the areas where it was built up. Two savings bank foundations were established in connection with the merger between Sparebanken Telemark and Holla and Lunde Sparebank in 2012: Sparebankstiftelsen Telemark-Holla and Lunde and Sparebankstiftelsen Telemark-Grenland. Similarly, SpareBank 1 Stiftelsen BV and Sparebankstiftelsen Nøtterøy-Tønsberg were established in 2017 as a result of the merger between SpareBank 1 BV and SpareBank 1 Nøtterøy-Tønsberg. A strong new savings bank foundation was established in connection with the merger with SpareBank 1 Modum in 2022: Sparebankstiftelsen SpareBank 1 Modum.

One of the jobs of our five foundations is to ensure that the capital the Bank has built up over almost 200 years remains in the areas where it was created. The savings bank foundations ensure that the traditions of the savings banks are appropriately preserved, and they are also, not least, long-term stable owners of the Bank.

Each year, the foundations distribute considerable sums as gifts to local organisations, sports teams, cultural institutions and others, with an emphasis on gifts that benefit children and young people in their respective local areas. The foundations do not stipulate any requirements or expectations for gift recipients concerning quid pro quos in relation to the gifts.

In 2022, the five savings bank foundations distributed gifts to good causes amounting to a total of NOK 100 million in our market area. The Group's dividend policy ensures that substantial sums are transferred to the savings bank foundations. The savings bank foundations worked well with the Group in 2022, which provided SpareBank 1 Sørøst-Norge with a very good basis for promoting itself as an important, strong local bank for growth and activity in our local communities.

The savings bank foundations' websites and social media channels are regularly updated with relevant news. The Bank also shares news and good stories about the gifts on its website and in social media channels.

Our employees

Every employee of SpareBank 1 Sørøst-Norge is valuable, and we believe motivated and satisfied employees are our most important resource when it comes to making the Group competitive. The people who work for us give us the power to develop, and as we move forward together this creates security, a sense of proficiency and motivation.

Attractive place to work

With the merger between SpareBank 1 Sørøst-Norge and Sparebank 1 Modum in 2022, we stood by our ambition of being an attractive place to work for our now nearly 650 employees. For us, an attractive workplace must be founded on job satisfaction, building a corporate culture, learning and development, collaboration across the organisation, flexible workdays, and a focus on sustainability.

Employer branding is becoming increasingly important in today's competitive market, in which both attracting and retaining a good workforce are challenging. How we communicate that we are a great place to work is an area where we are constantly trying to improve. In 2022, we entered into a partnership with an external provider to develop an employer branding strategy.

Developing a healthy corporate culture is part of being an attractive place to work, and the work with the executive management team is key here. Every manager in the Group completed a management development programme in 2022. The management development programme is designed to create, among other things, a sense of psychological safety such that our managers can help to ensure employees are more satisfied and perform better. Psychological safety helps to improve interactions and increases the likelihood of strategic goals being achieved. The management development programme will continue in 2023.

Pending a new employee survey, which will be conducted in 2023, we chose to send out multiple smaller pulse surveys to employees in 2022 focusing on the topic of job satisfaction. We saw the score increase from 7.3/10 to 7.6/10 during the year, which we believe is a good starting point for the further work on culture.

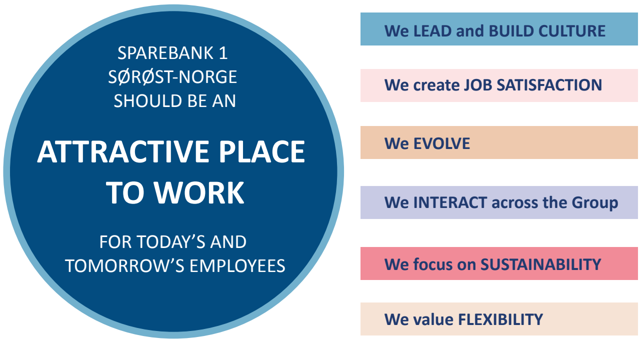


Figure 1: Cornerstones of an attractive place to work

We recruited a lot of new employees in 2022. Making a good start is important for a new employee and will impact their experience of inclusion, commitment and performance over time. Therefore, we have developed a more professional and process-controlled onboarding programme for newly hired employees and new managers, and have adopted new tools designed to contribute to this.

We believe flexibility is an important element of being an attractive place to work. Flexible arrangements promote a better work-life balance and have become a hygiene factor for both current and future employees. Better facilitation also increases the likelihood that employees can stay in work longer, and that employees can fulfil their care commitments at home while having greater responsibility at work. In 2022, we therefore chose to continue the earlier flexible workplace arrangement and turn it into a formal work from home scheme with a written agreement that gives employees the opportunity to work from home for up to 2 days a week. We also have flexible working hours solutions, shorter working hours in the summer, and reduced working hours for employees with children in the first year of kindergarten.

Because we think that work-life balance is important, we took part in a research project based on this topic. In partnership with the University of South-Eastern Norway, we participated in order to learn more about occupational health in the hybrid working day. The project looked at work recovery methods and examined whether some employees enjoy better effects from work recovery than others. The results of the research project will be available in 2023.

Skills, development and learning

Strategic skills management

Personal and professional development has been highlighted as one of the most important factors with respect to being seen as an attractive employer. Therefore, in line with the "Attractive Workplace" strategy area, SpareBank 1 Sørøst-Norge made skills an even greater strategic priority in 2022. We take a systematic approach to upskilling, based on a defined framework, in order to succeed in this area. In autumn 2022, we carried out a skills mapping process, the first step of which involved describing the skills we will need in the future. We then assessed the skills of the current workforce and identified any gaps. In the future, such skills mapping will be carried out annually. The work will result in an annual skills plan. Evaluation is an important component in which both learning activities are measured regularly and the methodology is evaluated every year to ensure continued learning. Taking a strategic approach to upskilling ensures that we have the expertise we require to meet current and future needs. The work on skills is based on the adopted strategy and overall goals.

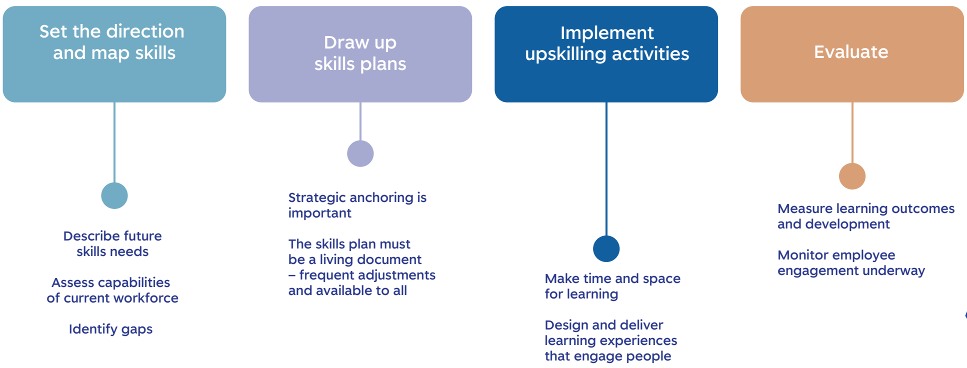


Figure 2: Framework for strategic skills management

Responsibility for own learning

In order to keep pace with the constant changes in society that are happening around us, customer needs and digitalisation, we focus on ensuring that each one of us takes responsibility for our own learning and actively seeks out knowledge. We are also committed to using the methods that provide the best possible learning. Therefore, we always want the learning programmes we develop to closely reflect our everyday work. The most valuable learning happens through learning-by-doing.

Figure 3: FinAut's schemes we take part in

Industry requirements for advice services

SpareBank 1 Sørøst-Norge is a member of the Financial Industry Authorisation Schemes (FinAut), which means that our advisers are authorised within their areas of expertise. The industry requirements for FinAut set out guidelines for the skills required for our advice services, both via the authorisation process itself and through annual upskilling. Our systematic authorisation work documents that our advisers have valid, up-to-date expertise within their field.

Metrics and targets	100% of employees subject to FinAut's authorisation requirements must have completed mandatory skills updating		
Performance indicators	Completion rate in %		
Goal attainment	2022	2021	2022
	✓ 100 %	✓ 100 %	✓ 100 %

Chosen learning programme 2022: Sustainability

SpareBank 1 Sørøst-Norge is well underway with a major training programme focusing on sustainability, which will run throughout the strategy period up to 2025. The sustainability strategy states that "all employees should feel confident with regard to sustainability in their day-to-day work." Risk assessments have made it clear that our employees believe they need to know more about sustainability in order to reduce risk in their area, as well as to make use of opportunities or help customers do likewise.

In 2022, we completed a large part of the basic coursework, which consisted of lectures from external experts, discussions and case stories. Each area has been provided with a bespoke course in the form of in-person full-day sessions in order to learn more about what sustainability means for them in their role. This learning programme will be continued in 2023. The area of sustainability is developing so rapidly that more skills will be added several times during the strategy period up to 2025. This will be done in the form of webinars, digital case stories and collaborations across the Group. Employees gain valuable learning by working with actual sustainability-related cases in their everyday work. The programme developed by SpareBank 1 Sørøst-Norge has been recognised by, among others, the UN Principles for Responsible Banking's working group as a leading example from among more than 300 banks around the world.

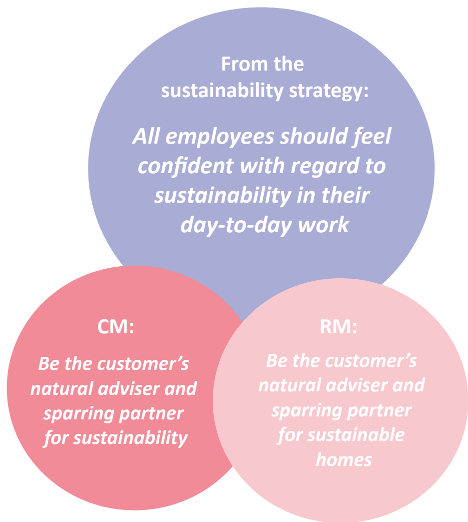


Figure 4: Goals in the sustainability strategy

Metrics and targets	90% of employees in the main target group must have participated in sustainability skills training in 2022
Performance indicators	Participation rate in %
Goal attainment	87 %

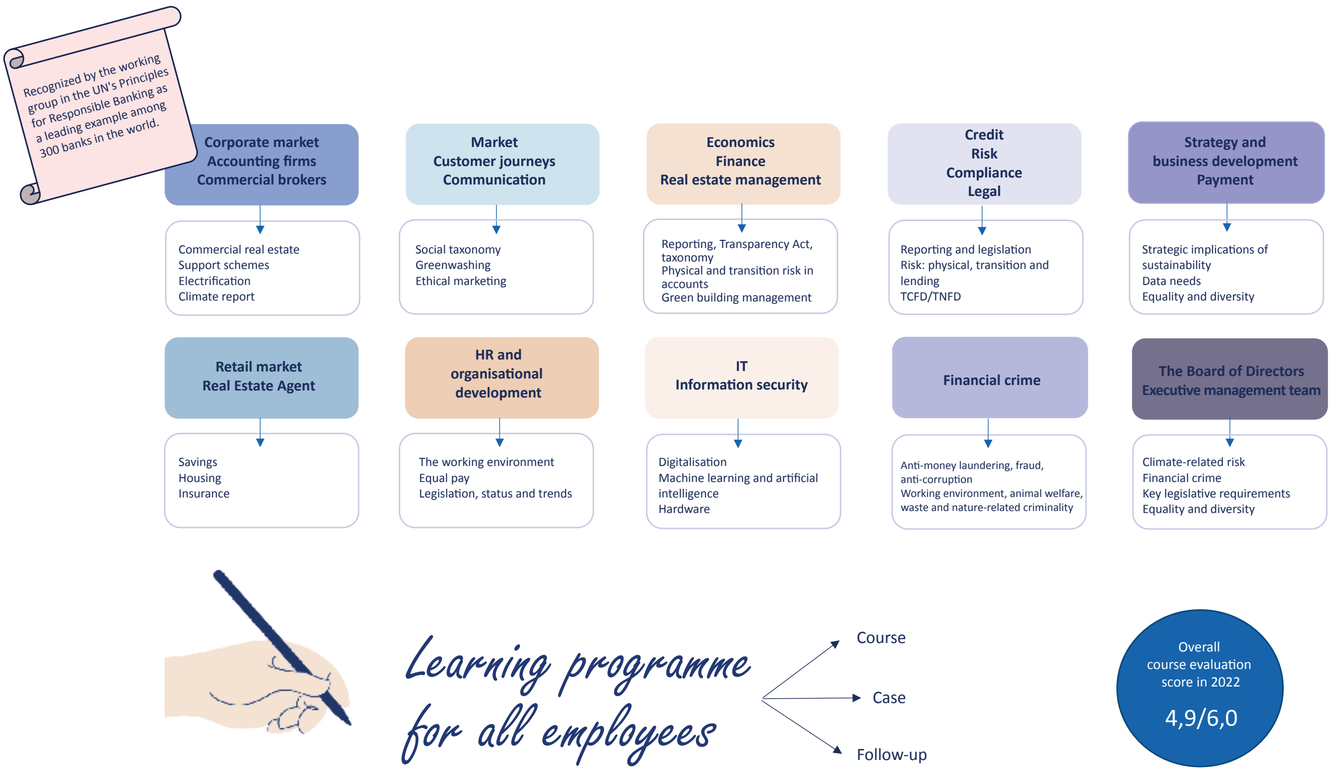


Figure 5: Improving sustainability skills 2022-2023

Chosen learning programme 2022: Anti-money laundering

Anti-money laundering was the second of the two areas to which we devoted a lot of time in 2022 as far as upskilling is concerned. Regulatory requirements and changes to the risk outlook resulted in this being high up on the agenda.
The anti-money laundering training provided in autumn 2022 was tailored to the different target groups and consisted of webinars with external speakers, e-learning modules and discussing cases.

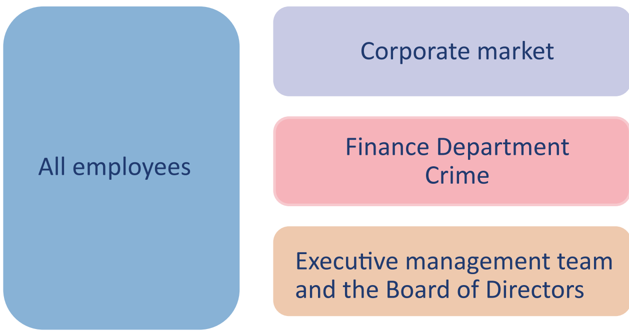


Figure 6: Anti-money laundering training 2022

Metrics and targets	**95% of employees in the target group must have completed mandatory anti-money laundering skills training in 2022**
Performance indicators	**Completion rate in %**
Goal attainment	✓ 96 %

Equality, diversity and inclusion

Together we create value. Our vision guides everything we do. We value diversity among our employees and believe that this provides us with a better basis for creating value for our customers and the local communities of which we are a part. For us, diversity is about more than someone's ethnic background, gender, age, sexual orientation or functional ability. Diversity is the sum of different personalities with different backgrounds, experiences, cultures, abilities, perspectives and interests. Diverse teams create innovation and development, and enable us to understand our customers' needs better and provide great customer experiences.

It is important to us that our employees respect the idea of equality and equal opportunities and that they actively contribute to an inclusive working environment. We believe that it is important that everyone is able to be who they are, feel a sense of belonging and have a place in a community, and we think that this creates psychological safety and lies at the heart of an inclusive working environment. At SpareBank 1 Sørøst-Norge, we actively work to promote equality and prevent discrimination. Read more about our systematic work and reporting in line with our activity and reporting duty in the chapter “Report on the work on equality, diversity and inclusion”.

Being socially engaged is one of the cornerstones of our sustainability strategy. Therefore, to sum up, we regard our work on equality, diversity and inclusion as being an integral part of our corporate social responsibility and an opportunity to have a positive impact beyond our own operations.

Figure 7: Overarching goals in the period up to 2025

What did we do in 2022?

In 2022, we laid the foundations for our work on equality, diversity and inclusion, and established an internal framework to ensure that we work systematically. Read more about this in the chapter “Report on the work on equality, diversity and inclusion”. The recently developed policy describes our views on equality, diversity and inclusion and sets out the direction for our work in this area. The focus on embedding it in the organisation and integrating the policy into internal processes will continue in 2023.

We achieved several milestones of which we are proud. The signing of the Women in Finance Charter in December 2022 was one of these. The aim of the Women in Finance Charter is to help increase the proportion of women in leading positions in the financial services industry, and this is something we support. Internally, we have set a target of having 40% of each gender among managers at all levels. This makes us accountable, in a good way, and ensures that we will make progress towards the goals we have set ourselves. We have also prioritised participation in Female Future – the national management development programme for talented women organised by the Confederation of Norwegian Enterprise (NHO).

2022 also saw a lot of mapping and analysis work. We examined the entire area of rewards and identified some areas that will be put on the agenda for 2023. For example, it is clear that, overall, women are underrepresented at management levels in SpareBank 1 Sørøst-Norge and that women also earn less than men. Meanwhile, the gender disparities in pay are smaller at the management level than at the staff level. We have conducted risk assessments to identify discrimination risks and obstacles to gender equality. The risk assessments involved broad participation throughout the organisation. The findings from both mapping pay and risk assessments will guide the measures we implement in the action plan for 2023, with the overall goals as a backdrop.

A skills-based recruitment process involves preparing a clear profile of what is required, as early as the needs analysis, with defined qualifications, knowledge and skills that are important for the role. The profile of what is required provides the basis for the bespoke job advert, structured interviews and testing, all of which are designed to evaluate the candidate’s skills as objectively as possible. The aims behind skills-based recruitment are: 1) to ensure that we do not recruit people based on a gut feeling and chemistry; and 2) to reduce the risk of unconscious discrimination in recruitment processes. We revised our recruitment strategy in 2022 to include a skills-based approach in everything from job analyses to advertising, testing and structured interviews. We believe that this is a step in the right direction to recruiting a more diverse workforce. We have particularly focused on our job adverts and worked closely with both the Marketing Department and recruitment managers to tailor our wording and qualification requirements. This was an interesting job and we believe that language and external communication play an important role in attracting a diverse workforce. We raise awareness of diversity and the value it can bring to teams by working closely with our managers. We want to further develop skills-based recruitment in 2023 by, for example, introducing diversity assessments of the recruiting manager’s team as part of the recruitment process job analysis. A diversity assessment would ensure that we are conscious of what is needed to complement the team, both in terms of skills and experience, but also in terms of gender, age, ethnicity, background, personality and perspectives.

Another important step that can contribute to a more diverse workforce and ensure inclusion is to increase diversity skills among our employees. Therefore, this is something that we want to put on the agenda for 2023. We also intend to develop a dedicated e-learning module on diversity and inclusion for all employees and incorporate these topics as part of our management development and employeeship programmes. The new employee survey that will be used in 2023 will allow us to measure perceived diversity and inclusion in-house, which we believe will be very valuable with respect to targeting the work on these topics even better.

Health, safety and the environment

The Group takes a systematic approach to HSE, primarily via a Cooperation Committee, which includes the Working Environment Committee, which focuses on the HSE work in operations. A new Cooperation Committee (SAMU) and a new Working Committee (AMU) were constituted in connection with the merger between SpareBank 1 Sørøst-Norge and SpareBank 1 Modum. SAMU/AMU meetings were also conducted in line with the timetable.

The main focus was on preventive measures aimed at ensuring the sick leave rate remains low. The Group's overall sick leave rate for 2022 was 5.1%. This is an increase from 2021, when the sick leave rate was 4.3%. We actively work on follow-up and facilitation with those on long-term sick leave. The Group works with the occupational health service. Together, they focus on preventive work, good working environments, well-being and healthy workplaces, which includes ergonomics and adapting office workstations for individual employees. We also offer our employees medical insurance, which ensures rapid access to treatment in the private health services. Additionally, psychological first aid provides access to a psychologist within 24 hours if employees are exposed to a sudden, unforeseen event. We also believe that physical activity is an important preventive measure for physical and mental health, and therefore provide support for exercise. Physiotherapy and chiropractors are also covered by this support scheme. No occupational injuries were recorded in 2022.

Employee remuneration

SpareBank 1 Sørøst-Norge's remuneration policy, approved by the Supervisory Board on 22.03.2022, and basically applies to all payments of remuneration in 2022. Following the merger with SpareBank 1 Sørøst-Norge on 01.04.2022, SpareBank 1 Modum is covered by the current policy. As far as variable pay is concerned, performance-based reward schemes were discontinued in 2022. Profit sharing is the only scheme that can be used if the Bank's results are extraordinarily good, for example relative to other banks with whom we compare ourselves or in the case of events that mean the staff have had to work far harder than could normally be expected over a longer period. A successful equity certificate savings scheme was completed in 2022, but will be continued.

The entire area of rewards was analysed in order to learn about the differences/disparities between the three merged banks, as well as to gain an insight into where we stand in relation to comparable banks. The analysis provides a good basis for further work on the area of rewards as a strategic means. Measures implemented within the area of rewards in 2022 gave us valuable insights that will provide a starting point for further work towards our strategic goals.

The "Report on remuneration for executive persons (Executive Remuneration Report)" and SpareBank 1 Sørøst-Norge's remuneration policy have bene appended to the Annual Report.

STRATEGIC ANCHORING:

GUIDELINES • Sustainability strategy and sustainability policy. • Equality, diversity and inclusion policy	**TARGETS IN THE SUSTAINABILITY STRATEGY** **2.1** Improving sustainability skills **2.4** Equality, diversity and inclusion	**MEASURES** • Complete in-person course and continue learning programme for all employees that provides them with detailed insights into sustainability in their field. • Greater focus on equality, diversity and inclusion in the Group.	**GRI** 401-1, 2, 3, 404-1,2,3, 405-1,2, 406 **UN's GC** 1-3, 6 **SDG** 8.3, 8.5 **EAD Act** section 26(a)
RESPONSIBLE DEPARTMENT HR & Organisational Development	**TRAINING** • Increase awareness of sustainability through risk workshops and projects • Improve skills regarding social sustainability, managing equality and diversity, working environment	**ESRS** S1-1 - 1-7, S1-9 – 1-11, 1-13, 1-14, 1-16	**SFDR PAI** 12

Leonora Ademi
Adviser in Sandefjord

Sustainability in SpareBank 1 Sørøst-Norge

Contents

Sustainability in SpareBank 1 Sørøst-Norge

SpareBank 1 Sørøst-Norge has been an important local supporter for more 160 years and has helped to ensure the survival of local communities. Given our proximity to customers and good local knowledge, the Bank wants to contribute to value creation and sustainable development in our market area, which covers Vestfold og Telemark County, as well as the lower portion of the former Buskerud County. SpareBank 1 Sørøst-Norges ambition is to significantly amplify our positive, and reduce our adverse, impacts on people, the environment and society.

PRB 5.1-3

SpareBank 1 Sørøst-Norge has made sustainability as one of its seven priority strategy areas. Following the establishment of SpareBank 1 Sørøst-Norge (formerly SpareBank 1 BV, Sparebanken Telemark and SpareBank 1 Modum), the sustainability strategy was updated and will apply from 2023. The sustainability strategy, which covers the entire Group, from banking via to insurance and real estate to accounting services, has three main pillars; responsible, socially engaged and climate proactive.

Five overarching goals have been set:

Description of the corporate goals for 2025		Metrics and targets	Status 2022	UN Sustainable Development Goals
Training	• SpareBank 1 Sørøst-Norge's employees should be confident that they know enough about sustainability to do their job • The Group has developed a plan to continue improving skills in the period up to 2025 in order to tackle future requirements	90 % participation	87 % participation	
Sustainable exposure*	• The Group wants to increase the volume of green exposure • "Green" includes both sustainability and compliance • Similar goals for RM and CM, and strategic credit targets for real estate	25 billion **	14 billion **	
Climate proactive	• The Group must cut greenhouse gas emissions per unit of value creation from operations and its loan portfolio by 7% each year from its 2019 level	7 % per year reduction in operations and lending	26,5 % reduction in operations and lending since 2019	
Equality, diversity and inclusion*	• By 2025, there should be at least 40% of each gender among managers at all levels • We will systematically work for equal pay, employee diversity and an inclusive working environment, and we will use our influence with customers, suppliers and society. A member of the executive management team will be given dedicated responsibility.	40 % of each gender among managers in 2025	41 % female managers	
Socially engaged	• In 2025, the "Konjunktur Sørøst" business cycle barometer is the leading source of knowledge, data and analyses with respect to business development in the market area and the biggest challenges business faces in the future	Leading source	Launched website Konjunktur Sørøst	

*On the CEO's scorecard.
**Includes volumes transferred to mortgage credit institutions

General status of corporate goals 2022:

Training
- 10 full-day courses were organised for various departments, with 87% participation and a feedback score of 4.9 out of 6
- These courses will be marked mandatory in the skills plans for the remaining 13%
- Most of our sister banks in the SpareBank 1 Alliance want the courses

Sustainable exposure
- Around NOK 430 million, or 5.0%, of the Bank's total liquidity portfolio was invested in green bonds at the end of 2022.
- The volume of green mortgages grew from NOK 298 million to NOK 1.7 billion.
- We started a project designed to cut energy and resource consumption in spaces we own and lease.

Climate proactive
- Total greenhouse gas emissions from lending and operations stood at 275 461 tonnes of CO_2 equivalents (tCO_2e) in 2022, down 9.2% in absolute numbers from the baseline year 2019, and down 26.5% in carbon intensity.

Equality, diversity and inclusion
- 41% of managers at the corporate level were women in 2022
- Drew up equality, diversity and inclusion policy
- Signed the Women in Finance Charter

Socially engaged
- Launched the "Konjunktur Sørøst" business cycle barometer, a website filled with data, insights and knowledge about 17 locations in South East Norway, and surveyed the financial expectations of people and businesses across the market area

See the framework below for a detailed description of the sustainability strategy.

Division of responsibilities

Sustainability is one of seven strategic focus areas in the corporate strategy. These are reviewed and revised annually by the Board of Directors. The Board of Directors and executive management team also monitor SDGs and measures on a quarterly basis using balanced scorecards. Sustainability is specified on all of the departments' scorecards, at both management and staff levels, and is therefore one of the factors that affects remuneration. Risk reporting on sustainability and climate-related risk is included in regular risk reporting to the executive management team and the Board of Directors. See the appendices "Climate-related risk" and "Nature-related risk" for further information. We also highlight the risks and opportunities associated with our material topics in these sections.

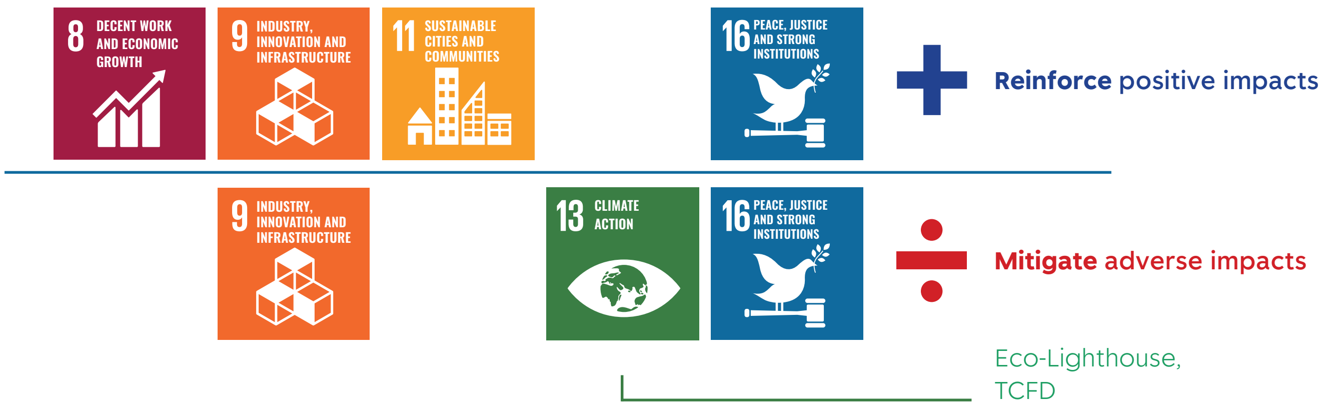
In 2022, a sustainability committee was established to coordinate our sustainability work and ensure planned measures are implemented. The committee consists of representatives from 17 different departments, including the head of compliance, heads of credit for the retail and corporate markets, head of financial crime and heads of the subsidiaries EiendomsMegler 1 and Regnskapshuset. The committee is chaired by the head of sustainability. The committee meets on a monthly basis and held five meetings in the last half of 2022.

Our sustainability work is explained in the framework below. Also see our sustainability policy on our website for more details about our sustainability work, and why we have chosen to focus on five SDGs in particular.

Framework for our sustainability work

SpareBank 1 Sørøst-Norge's ambition is to "significantly amplify our positive, and reduce our adverse, impacts on the environment, social conditions and governance (ESG)" in accordance with the UN Principles for Responsible Banking (PRB).

SpareBank 1 Sørøst-Norge has selected SDGs 8, 9, 11, 13 and 16



Relationship between the UN Sustainable Development Goals (SDGs) and targets and SpareBank 1 Sørøst-Norge's own goals and targets in our sustainability strategy

SUSTAINABILITY STRATEGY IN SPAREBANK 1 SØRØST-NORGE

GOAL	TARGET	UN SDG
RESPONSIBLE We must prevent and detect financial crime	**1.1** Prevent and detect money laundering and terrorist financing	16 PEACE, JUSTICE AND STRONG INSTITUTIONS: 16.4, 16.5
	1.2 Preventing fraud against customers	
	1.3 Managing privacy	
	1.4 Complying with sanctions regulations	
	1.5 Responsible operations beyond what is required	
	1.6 Advise customers on combating financial crime	
	1.7 Fulfil our corporate social responsibility (share knowledge)	
SOCIALLY ENGAGED We will take social and environmental conditions into account in our operations	**2.1** Improving sustainability skills	8 DECENT WORK AND ECONOMIC GROWTH: 8.3, 8.5; 11 SUSTAINABLE CITIES AND COMMUNITIES: 11.a; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE: 9.3, 9.4; 13 CLIMATE ACTION: 13.a
	2.2 Sharing knowledge via "Konjunktur Sørøst" business cycle barometer	
	2.3 Focus on corporate social responsibility with the foundations	
	2.4 Equality, diversity and inclusion	
	2.5 Become a savings and mortgage customer adviser on sustainability	
	2.6 Tripartite partnership RM/CM/EM1 on sustainable buildings	
	2.7 Helping SME customers obtain public support and win tenders	
	2.8 Entrepreneur initiative (project support, prices, guarantees)	
	2.9 Advising customers on social sustainability	
CLIMATE PROACTIVE Cut own emissions and help customers do the same	**3.1** Measures for sustainable operations	11 SUSTAINABLE CITIES AND COMMUNITIES: 11.b; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE: 9.2; 13 CLIMATE ACTION: 13.1, 13.a
	3.2 Involve the employees in climate measures	
	3.3 Helping housing customers to avoid to climate-related risk and save energy	
	3.4 Solar energy funding	
	3.5 Advise customers on the transition: renewables funding, climate report, electrification, circular economics, energy saving	
	3.6 Helping customers avoid climate-related and natural-related risks	

SpareBank 1 Sørøst-Norge's material sustainability topics in 2022

MATERIALITY ANALYSIS conducted in 2022

IMPORTANCE TO EXTERNAL STAKEHOLDERS / IMPORTANCE TO SPAREBANK 1 SØRØST-NORGE	IMPORTANT	MORE IMPORTANT	MOST IMPORTANT
MOST IMPORTANT		Managing labour and human rights Helping customers consume less energy	**MATERIAL TOPICS WITHIN SUSTAINABILITY** Corporate social responsibility and business development Responsible lending and investments Responsible advice (privacy, data and information security, ethics, compliance) Employee and manager development Combating financial crime Ethical marketing
MORE IMPORTANT	Placing customer funds in a sustainable way Circular mindset	Green products Health, safety and the environment Equality, diversity and inclusion Transparency	Risk management Equality and diversity externally Cutting greenhouse gas emissions
IMPORTANT	Fair marketing of products and services Managing climate-related risk Stakeholder engagement Cutting fossil transport Cutting energy consumption Monitoring supply chains	Managing nature-related risk Waste management Compensation schemes Avoiding conflicts of interest	Everyone being able to find and use our products and services

Areas in which SpareBank 1 Sørøst-Norge has the greatest chance of reinforcing positive – and reducing adverse – impacts

Impact analysis updated 2022

POSITIVE IMPACT	ADVERSE IMPACT
Resources and services that are accessible, achievable and of good quality	Resources and services that are accessible, achievable and of good quality
Jobs	Circularity
Species diversity and ecosystems	Climatic stability

The framework is a tool for ensuring that our work on sustainability is coherent and complete.

The Group's policies and guidelines

Sustainability strategy and sustainability policy

Framework:

GRI, UN Sustainable Development Goals, UN PRB, UN GC, TCFD, TNFD, Eco-Lighthouse, PCAF, anti-greenwashing decree, Women in Finance Charter

Key legislation:

Accounting Act, section 3-3(a)-(c), Transparency Act, Climate Act, Sustainable Finance Act (Sustainable Finance Disclosure Regulation and the EU Taxonomy)
Equality and Anti-Discrimination Act

Our contributions to the global effort

17 PARTNERSHIPS FOR THE GOALS

SpareBank 1 Sørøst-Norge is taking part in the shared global effort to achieve the UN Sustainable Development Goals by 2030 and the Paris Agreement. It is important for the Bank to support sustainability work in the financial services sector and other sectors, while at the same time quality assuring our own work.

PRB 1.2

UN SUSTAINABLE DEVELOPMENT GOALS

SpareBank 1 Sørøst-Norge supports the UN Sustainable Development Goals, which are the world's action plan for a sustainable future. The Bank has selected five UN Sustainable Development Goals (SDG) where we have a real chance of having a positive impact, and/or risk of having an adverse impact: SDGs 8, 9, 11, 13 and 16.

UN GLOBAL COMPACT

The Bank has been a signatory to the UN Global Compact since 2019. The Global Compact is the world's largest corporate social responsibility initiative. In the appendix "GRI Content Index" we show how we are delivering on the UN Global Compact's 10 principles.

UN PRINCIPLES FOR RESPONSIBLE BANKING

The Bank was one of the banks that signed up to the Principles for Responsible Banking (PRB) when they were first established in 2019. This committed us to tailoring our strategy to the UN Sustainable Development Goals and the Paris Agreement, analysing our (positive and adverse) impacts within sustainability. We have marked the sections of the Annual Report that show how we are living up to the principles (also see the appendix "GRI Content Index").

OECD DUE DILIGENCE GUIDANCE

The Bank makes active use of the guidance on due diligence for responsible business conduct, especially in conjunction with lending to the corporate market.

GLOBAL REPORTING INITIATIVE (GRI)

For the 2022 reporting, the bank has updated to the GRI standard that was issued in 2021. GRI is the leading international standard for sustainability reporting.

ANTI-GREENWASHING DECREE

The Bank signed the anti-greenwashing decree in 2022. We support the points in the decree and do our utmost to comply with the principles in our marketing and communications.

WOMEN IN FINANCE CHARTER

The Bank signed the Women in Finance Charter in 2022, which commits us to increasing the proportion of women in leading positions. We have set a target of having 40% of each gender among managers at all levels.

ECO-LIGHTHOUSE

SpareBank 1 Sørøst-Norge is Eco-Lighthouse certified. This environmental management system is used to reduce and report on our environmental efforts, including our greenhouse gas emissions. See our reporting in the appendix "Energy and Climate Report 2021".

PARTNERSHIP FOR CARBON ACCOUNTING FINANCIALS (PCAF)

The Bank signed up to PCAF in 2022, a global partnership between financial institutions working to access and report on greenhouse gas emissions in their portfolios.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) and TASK FORCE ON NATURE-RELATED FINANCIAL DISCLOSURES (TNFD)

SpareBank 1 Sørøst-Norge reports on climate-related and nature-related risks in line with TCFD and TNFD recommendations. This helps us understand the risks and opportunities within climate and nature.

SCIENCE-BASED TARGETS

SpareBank 1 Sørøst-Norge has set itself a science-based target in line with the UNEP Finance Initiative's Emissions Gap Report of reducing the carbon intensity of both its operations and its loan portfolio by 7% per year, with no end point and 2019 as the baseline year. This supports SDG 13 and Norway's target under the Paris Agreement of cutting emissions by up to 55% from a 1990 level by 2030, and the Climate Change Act's target of a 90-95% reduction by 2050.

Our material topics within sustainability

Good engagement with stakeholders and employees provides direction for SpareBank 1 Sørøst-Norge's sustainability work. Based on our materiality analysis, impact analysis and internal risk assessments within the area of sustainability, we will focus on the following topics:

- RESPONSIBLE LENDING
- RESPONSIBLE ADVICE
- COMBATING FINANCIAL CRIME
- LOCAL CORPORATE RESPONSIBILITY AND BUSINESS DEVELOPMENT
- SUSTAINABLE FUND MANAGEMENT
- ETHICAL MARKETING
- OUR EMPLOYEES

PRB 4.1

Stakeholder engagement

Our engagement with stakeholders throughout the year highlighted the sustainability topics that the Bank should focus on.
Read more about our stakeholder engagement in the appendix "Stakeholder engagement".

Stakeholder map

SpareBank 1 Sørøst-Norge updated its materiality analysis in 2022. In collaboration with the UN Global Compact, we entered into a partnership with the University of Oslo. Four students taking the newly established "Sustainability Laboratory" course carried out the materiality analysis.

Via extensive stakeholder engagement involving in-depth interviews and surveys, we mapped which topics our external and internal stakeholders believe impact us the most, as well as which topics we have the greatest impact on. The emphasis in the EU Corporate Sustainability Reporting Directive (CSRD) is on double materiality, which means that the Group has to report both on how we impact society and stakeholders and on how sustainability topics impact our operations and long-term value creation.
The materiality analysis indicated areas in which the Group can amplify its positive impacts and risk areas where the Group should reduce its adverse impacts. Overall, the material topics in the analyses were:

- Corporate social responsibility and business development
- Responsible lending and investments
- Responsible advice (ethics and anti-corruption, privacy, data and information security and compliance)
- Employee and manager development
- Combating financial crime

PRB 2.1 Impact analysis

As part of the work on following up the UN Principles for Responsible Banking, the Group updated its impact analysis in 2022. It used the analysis tool for banks developed by the United Nations Environment Programme Finance Initiative (UNEP FI). The Bank only operates in Norway (Vestfold og Telemark and the lower portion of the former county of Buskerud), and the conducted analysis covered the Bank's main business areas: the retail market (about 75%) and the corporate market (about 25%).

The analysis shows that the Group has the greatest positive impact in the following areas:
- Resources and services that are accessible, achievable and of good quality (financial services and housing)
- Jobs
- Species diversity and ecosystems (habitats, species, soil, air, water)

The analysis shows that the Group has the greatest adverse impact in the following areas:
- Resources and services that are accessible, achievable and of good quality (financial services and housing)
- Circularity (waste and resource intensity)
- Climatic stability

Our approach to amplifying our positive impacts and reducing our adverse impacts is explained in the following sections and relevant appendices.

Summary of our material topics

The report will also take a closer look at our work on our material sustainability (in section 3.8 "Our employees", you can read more about our work on upskilling, equality, diversity and inclusion, etc.). We will show what we did in 2022, what we will continue working on and the risks and opportunities we see in the area. All of the areas are strategically anchored with responsibilities, guidelines, training, goals in the sustainability strategy and measures. This is shown in the green section found at the end of each topic.

The figure also links our sustainability work to relevant GRI standards (GRI), the UN Principles for Responsible Banking (PRB), the UN Global Compact (UN GC), the UN Sustainable Development Goals (SDGs), Eco-Lighthouse and the articles in the EU Taxonomy, as well as Principal Adverse Impacts (PAI) under the Sustainable Finance Disclosure Regulation (SFDR).

Please also see the draft European Sustainability Reporting Standards (ESRS)[1] under the EU Corporate Sustainability Reporting Directive (CSRD) where relevant. The ESRS references should be read as guidance for readers looking for relevant information, not as proof of our compliance with all of the requirements of the individual standard. Since the standards have not been approved, the references may be changed at a later date. The Directive will not become mandatory for the Bank before our 2024 reporting, so going forward we will continue to prepared for this.
We report on a consolidated basis, including our subsidiaries, in the same way as our other annual reporting. The merger between SpareBank 1 BV (acquiring bank) and Sparebanken Telemark that formed SpareBank 1 Sørøst-Norge in 2021, as well as the merger between SpareBank 1 Sørøst-Norge (acquiring bank) and SpareBank 1 Modum, affect recent reporting years. We have not restated historical figures based on the merger in order to ensure consistency with other reporting.

The appendix "Human rights and decent working conditions, due diligence report" covers the supply chain. The appendices "EU Taxonomy", "Principal Adverse Impacts (PAI)", "Climate-related risk, TCFD", "Nature-related risk, TNFD", "Physical climate-related risk in the loan portfolio", "Greenhouse gas emissions in the loan portfolio" and "Greenhouse gas sequestration in forests" cover the downstream value chain (customers), while the rest (plus parts of the "EU Taxonomy") only cover the Bank's operations. We have not withheld information based on intellectual property rights, although some business development initiatives that are still being negotiated will be presented in future reporting. In the report, the short term means 0-1 year, the medium term means 1-5 years and the long term means more than 5 years.

[1] ESRS 1 section 6,4, BP-1, BP-2, GOV 1-3, SBM 1-3, IRO-1, DC-M, DC-T, E1-3 and S1-2 are covered in the introduction to the chapter on sustainability.

Leonora Ademi and Jørgen Berg Andersen, advisers in Sandefjord.

Responsible lending

The Bank's core business is to lend money to retail and corporate customers. Responsible lending is a key element of the Bank's social mission. It is important for the Bank to be a driving force for sustainable development among our customers.

The Bank's role in the Group's plan to achieve net zero emissions by the end of 2050 by cutting carbon intensity by 7% a year represents a clear commitment to grant loans for renovations in both the retail and corporate markets, with more favourable terms for renovation and less attractive terms for energy inefficient buildings without a clear plan for renovation. This is how we will become the customers' adviser in the transition to the circular economy. Our real estate brokers and advisers in the retail and corporate markets have completed detailed courses on sustainability within residential and commercial real estate. These particularly focused on how renovation reduces our adverse impacts within the areas of the climate, resource use and waste (through lower energy use and thus lower emissions, as well as reducing waste through renovation rather than demolition).

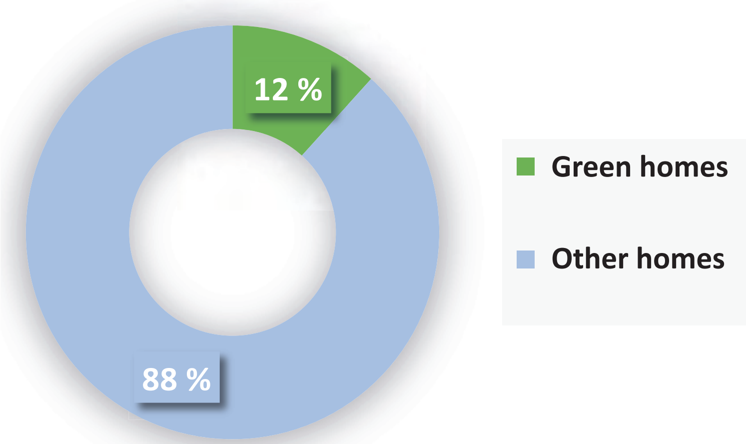
Retail market

The focus in the retail market (RM) is on SDGs 8 and 13. Our impact analyses for the retail market tell us that we have the greatest chance of having positive impacts and the greatest risk of having adverse impacts in:

POSITIVE IMPACT	ADVERSE IMPACT
Resources and services that are accessible, achievable and of good quality	Resources and services that are accessible, achievable and of good quality
	Equality and justice
	Circularity
	Climatic stability

Green mortgages: Focus on renovation and circularity

We offer green mortgages on more favourable interest terms for new builds and existing homes with an energy rating of "A" or "B", as well as homes that initially have a lower energy rating but that are upgraded such that they achieve at least a two-energy ratings improvement (30% reduction in energy consumption). In 2022, we also launched green loans of up to NOK 0.5 million for energy measures. At the end of 2022, our total lending volume within green mortgages amounted to NOK 1.7 billion (a sharp increase from NOK 298 million in 2021). The proportion of homes eligible under the green bond framework accounted for 11.7% of our total lending volume in the retail market in 2022.[2] The distribution for the different types of homes is shown in the table.



* Homes with a potential high climate-related risk have not been eliminated from the base data.
Holiday homes are included. Only includes mortgaged homes in the retail market, not the corporate market.

[2]Includes volumes in SpareBank 1 Boligkreditt.

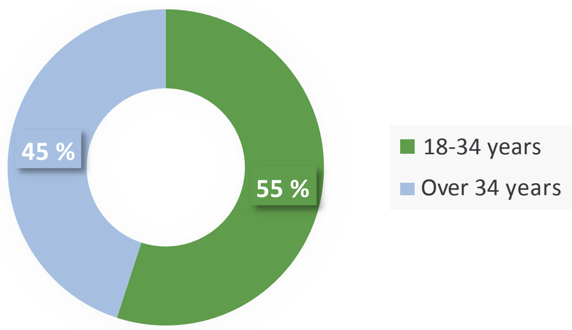
Products with a social profile

We take advantage of the opportunity to have a positive impact on housing conditions and work by offering products and services with a social profile that provide financial benefits for customers:

- LOfavør deposit loans for young people are an offer for young customers who want to enter the rental market
- Mortgages for young people and LOfavør mortgages for young people are discounted products designed to help young homebuyers enter the housing market
- LOfavør first mortgages are our most affordably priced loans for first-time buyers of any age
- Wage guarantee fund LO loans are loans charged at mortgage rates for customers whose employer is going to declare bankruptcy and aimed at tiding them over while waiting for a payout from the wage guarantee fund
- LOfavør conflict loans are loans charged at mortgage rates for customers who end up in prolonged labour disputes in connection collective bargaining agreements.

The Mortgage Regulation allows banks to operate with a flexibility quota with regards to the number of customers who do not fulfil some requirements of the Regulation (debt servicing capacity, debt-equity ratio and loan-to-value ratio). Young first-time buyers are often given priority within the scope of this quota. In 2022, 55% of the quota was expended on young people aged 18-34, which amounted to NOK 0.9 billion. This is an increase from 49% in 2021.

Flexibility quota age distribution



Corporate market

Responsible lending to businesses is one of the Group's core activities and the area in which we have the greatest opportunity to have an impact on sustainable development and transition. Our risk assessment and impact analysis indicate that we have the greatest opportunity to have positive impacts and the greatest risk of having adverse impacts within the industries where we lend the most money, real estate leasing and real estate projects. As far as the climate and environment are concerned, this applies to both industries, while social sustainability (human rights and labour rights) on construction sites and in supply chains is potentially our most important adverse impact within social sustainability (for more details, see the appendix "Human rights and decent working conditions"). This is also a material risk in other industries such as building and construction, operating companies, transport companies and agriculture – all of which have many small and medium-sized enterprises. These industries are also exposed to near-term transition risk due to customers and the government demanding zero-emission solutions. However, these exposures are largely managed via asset financing and leasing via SpareBank 1 Finans Midt-Norge (in which SpareBank 1 Sørøst-Norge owns a 14.5% stake).

In 2021, partly because of this, two areas stood out in our corporate market impact analysis: climate stability and thriving SMEs (for more on the latter, see "Local corporate social responsibility and business development" below). As far as these areas are concerned, our updated impact analyses show that we have the greatest chance of having positive impacts and the greatest risk of having adverse impacts within:

Corporate market: Climatic stability

POSITIVE IMPACT	ADVERSE IMPACT
Natural disasters	Energy
Species diversity and ecosystems	Other vulnerable groups
Resource intensity	Socioeconomic convergence

Corporate market: Thriving SMEs

POSITIVE IMPACT	ADVERSE IMPACT
Jobs	Resource intensity
Sector diversity	Waste
Socioeconomic convergence	

What did we do in 2022?

We will be safe, competent advisers for customers in the green transition: renewables funding, climate report, electrification, circular economics and energy saving. We want to help customers avoid climate-related and nature-related risk, and to advise customers on social sustainability. That is why we have:

- Developed a specially adapted course on sustainability for commercial real estate, which is mandatory for all advisers in the corporate market. We have also developed a special course on sustainability-related support schemes for selected corporate market advisers and advisers in Regnskapshuset. In relation to this, we also improved knowledge about the criteria for receiving electricity support, as well as about loan guarantee schemes for electricity-intensive businesses where the Bank has been allocated a lending budget of NOK 42.5 million.
- Held specific customer meetings, with participation from the Sustainability Department, on risk, opportunities and measures within sustainability with 14 corporate customers in 2022.
- The focus was on major customers in industries where we have a lot of exposure (real estate leasing and real estate projects; industries with risk and the capital to restructure (oil services and fuel); industries about whose risk picture we need to learn more: and customers in industries with opportunities).

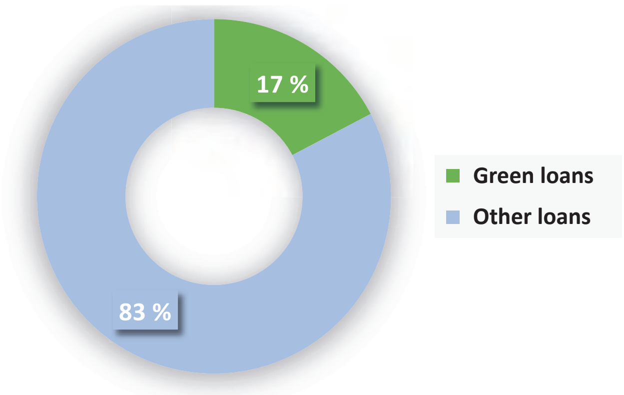
681
customers assessed by the ESG module

- Compliance with the Transparency Act was a topic for customer subject to, or materially affected by, the Act, and we have informed customers about how the EU Taxonomy may affect them. Sustainability topics are now an integral part of a significant proportion of meetings advisers have with other corporate customers.
- Conducted due diligence (via an ESG module) for all new loan and refinancing applications where the exposure would exceed NOK 5 million.
- Mapped and documented physical climate-related risk for all new and refinanced loans, and initiated a dialogue about measures with individual high-risk customers.
- Assessed the physical climate-related risk linked to real estate assets put up as security for all new loan exposures of more than NOK 5 million.
- Climate-stress tested the Bank's exposure to income from emission-intensive industries, as well as in relation to transition risk and physical climate-related risk in the loan portfolio. The overall exposure was very low.

We have actively sought to reduce sustainability and climate-related risk in our loan portfolio:

- We have signed up to the Partnership for Carbon Accounting Financials (PCAF), which is a global partnership between financial institutions, and now use PCAF's tools to report on greenhouse gas emissions in corporate loans.
- We made both the Bank's advisers and customers aware of what the Transparency Act and the EU Taxonomy entail via special newsletters and presentations in collaboration with professional organisations. In these we emphasised how the legal requirements not only affect companies with a duty to report, they also have consequences for smaller companies if they participate in competitive tenders, apply for public support, need investors, supply major customers/partners, or need bank loans.

Share of green loans RM



- We have offered improved lending terms for commercial properties that are energy-efficient, have low physical climate-related risk and/or are environmentally certified, and we have a building inspector check that major projects are taking social conditions and management seriously.

Green framework

At the end of 2022, SpareBank 1 Sørøst-Norge had issued green bonds amounting to NOK 2.6 billion. The framework complies with the ICMA Green Bond Principles, has been assessed against the EU Taxonomy, and the ambition is to comply with the EU Green Bond Standard. It includes:

- Green homes and commercial buildings
- District heating
- Renewable energy
- Sustainable production and technology (to encourage transition in existing industry and innovative technology companies in line with the EU Taxonomy's environmental goals)

The EU Taxonomy

The EU uses the EU Taxonomy to define which economic activities are deemed sustainable in order to guide investors and businesses in the direction of net zero emissions by 2050 and to achieve of a number of environmental and social goals. Taking account of the EU Taxonomy played an important role in shaping the Bank's sustainability and credit strategy. The Act on Sustainability-related Disclosures in the Financial Services Sector, which entered into force on 01.01.2023, will require the Bank to report on the degree to which our activities are sustainable according to the EU Taxonomy. The proportion of the Bank's total exposure that satisfies the taxonomy requirements is likely to affect how much reserve capital we will have to set aside for the loans we provide, thereby affecting our profitability. Even if our customers are too small to have a duty to report under the taxonomy, they will face documentation requirements from us, investors, major customers and when they apply for government grants. See our analysis of what is eligible and aligned vis-à-vis the EU Taxonomy in the appendix "EU Taxonomy".

The way forward

Increase our green exposure to achieve the goal of a 7% annual reduction in the loan portfolio's carbon intensity, align ourselves with the EU Taxonomy's requirements and reduce our sustainability risk:

- The Group is aiming to increase its green exposure from NOK 14 billion at the end of 2022 to NOK 25 billion by the end of 2025.
- We will prioritise contributing to upgrading existing properties in our loan portfolio and will be more restrictive in granting new loans for energy-inefficient properties.
- SpareBank 1 has recently launched a proprietary module for assessing sustainability in relation to corporate loans. The Bank's head of sustainability played an important role in this work. The module includes general environmental/climate, social and governance issues, as well as specific questions for the industries in which the Bank has the greatest exposure. The questions and industry scoring more clearly distinguish between high and low risk.
- Year of construction and available energy rating must be mapped for the entire real estate portfolio
- Physical climate-related risk must be assessed for the entire real estate portfolio in light of other risk factors.
- We will update our portfolio stress tests in line with the common methodology in the SpareBank 1 Alliance.
- We must survey what additional activities the Bank has in those industries covered by all six environmental goals in the EU Taxonomy that are in line with the taxonomy criteria
- The Bank will also start assessing sustainability vis-à-vis existing loans and larger customers with exposure other than credit.
- The accounting firm will develop and offer climate reports as a product
- Continue the sustainability learning programme. Possible topics include social sustainability in the customer relationship, the circular economy, and BREEAM-In-Use.

Risks and opportunities

Retail market

The Bank's residential mortgage portfolio is relatively old (about 90% were built before 2012). Many of these homes have already been renovated. Nevertheless, the potential that exists, with respect to contributing to more energy-efficient homes and increasing the Bank's green exposure, in engaging with customers about renovations is considerable. This is also key to reducing our adverse impact within circularity (ref. impact analysis): renovating a building instead of demolishing it avoids waste from both the demolition process and the new construction. The energy crisis will probably make these conversations more common and simpler than before. Similarly, climate adaptation (drainage, stormwater solutions, etc.) discussions will become more common if physical climate-related risk manifests itself in the form of torrential rain that causes flooding, etc. However, both types of conversations require the advises to know a lot about which solutions will sufficiently improve energy efficiency within a reasonable budget.

Insurance is a prerequisite if homeowners are to manage the risks posed by extreme weather, and the connection between the two is likely to become even more important for us as a lender. There are also insurance challenges and opportunities in relation to retail customers in other areas. Today, too many usable insurance objects are scrapped because repairing them is not seen as viable. Fremtind, our non-life insurance company, is now focusing on reuse and repair in cases involving damage: a damaged car can now only be scrapped if the damage amounts to 80% of the value of the car, compared with 60% before.

The balance between environmental and social responsibility will be a demanding one going forward, and urgently requires innovative solutions. For example, it would be natural for us to focus more on financing zero-emission cars in the future in order to achieve the taxonomy and climate targets. However, the people who can afford these cars are the well-to-do customers. The same applies to new, energy-efficient homes and climate adaptation measures. Generally, it is our young or low-income customers who are more likely to own older and less energy-efficient homes. We have now introduced green loans for energy measures that make it easier to make smaller investments in order to reduce this social sustainability risk. In addition to this, upgrades equivalent to two energy ratings now qualify for green renovation loans and not just upgrades to an energy rating of "C", which used to be the requirement.

Corporate market

The Bank's exposure to transition risk is relatively low. This is partly due to its very low exposure to the most carbon-intensive industries (see the appendix "Greenhouse gas emissions in the loan portfolio"). However, our borrowers in the real estate leasing segment may face increased customer requirements for environmentally certified, energy-efficient and flexible buildings in the wake of the energy crisis and changes to working life during Covid-19.

Climate change-related events and transition risk result in increased costs and delays for developers. Industrial and wholesale and retail sale customers may experience similar difficulties. For example, higher energy and thereby raw material prices, because there was not enough water in the Rhine to transport coal and because nuclear power stations in France had to close because their cooling water was too hot. High prices for energy, gas and emission quotas, shutdowns of European manufacturing due to costs and requirements for climate-friendly materials caused costs and delays.

Actors within building and construction and transport face transition risks related to higher prices for fossil fuels if these have not been reflected in contracts. The same applies to regulatory requirements concerning zero-emission solutions and untested technological alternatives (e.g. biofuels and hydrogen). Some customers also have objects in locations that entail a high physical climate-related risk.

Good engagement and advice that balances the risks, costs and possibilities provided by potential solutions (e.g. renovation and climate adaptation of buildings, own production of renewable energy and electric vehicles and machinery) will become increasingly important. For more information on sustainability and climate-related risks, see the appendix "Climate-related risk, TCFD". See the description of mortgaged objects with potential physical climate-related risk in the appendix "Physical climate-related risk in the loan portfolio".

We have drawn up reporting routines for climate-related and sustainability risk incidents. See our sustainability policy on our website for more information.

Our credit policy and sustainability policy state that we will not provide loans to:

- Purchase or refinance commercial buildings with an energy rating of "F" or "G", or that are older than 2012 and lack an energy certificate, unless concrete plans exist to improve them to a minimum energy rating of "E".

Companies that knowingly or negligently:

13 CLIMATE ACTION

- Have a particularly high risk of committing, or are involved in specific suspected cases of, serious environmental harm or that lack the financial capacity to carry out required environmental measures and to comply with environmental requirements
- Have as their main activity, helping to increase or streamline the extraction of fossil fuels, or transport and store fossil fuels (with the exception of loans that contribute to transition at existing customers involved in such activities)
- Are involved in the extraction, or generation of energy based on, fossil fuels, thermal coal, oil sands or nuclear power, or hydropower production that does not satisfy the principles of the World Commission on Dams
- Perform lobbying aimed at weakening a necessary transition to a low-emission society in line with Norway's goals in the Climate Change Act and the world's goals in the Paris Agreement
- Use timber from entities engaged in illegal logging, the sale of illegally felled timber or deforestation, or destroy tropical rainforest or clear remove primary forest or protected forest (High Conservation Value Forests)
- Trade in animal and plant species in breach of international rules for trading in endangered animals and plants, or that threaten populations of red-listed species
- Have operations in areas already experiencing water shortages or where such operations would have conflicted with the needs of local communities

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

- Export weapons, or components exclusively intended for use in weapons, to areas experiencing systematic and gross violations of human rights, widespread corruption, or civil war
- Are involved in the development, testing, production, storage, or transport of controversial weapons, or components exclusively intended for such weapons, including cluster munitions, antipersonnel mines, nuclear weapons, chemical weapons and biological weapons
- Have a particularly high risk of, or specific suspected cases of, corruption, money laundering or terrorist financing, including customers who have not satisfied our documentation requirements concerning actual beneficial owners and the origin of funds.
- Are involved in cryptocurrency mining/production
- Produce tobacco or components explicitly intended for similar products

8 DECENT WORK AND ECONOMIC GROWTH

- Have a particularly high risk of committing, or are involved in specific suspected cases of, serious and systematic violations of human and labour rights
- Produce pornographic material

STRATEGIC ANCHORING:

GUIDELINES
- Sustainability strategy and sustainability policy
- Credit policy

RESPONSIBLE DEPARTMENT
- CM
- RM
- Sustainability

GOALS IN THE SUSTAINABILITY STRATEGY

2.1 Improving sustainability skills
2.5 Become a savings and mortgage customer adviser on sustainability
2.6 Tripartite partnership RM/CM/EM1 on sustainable buildings
2.7 Helping SME customers obtain public support and win tenders
2.9 Advising customers on social sustainability
3.3 Helping housing customers to avoid to climate-related risk and save energy
3.4 Solar energy funding
3.5 Advise customers on the transition: renewables funding, climate report, electrification, circular economics, energy saving
3.6 Helping customers avoid climate-related and natural-related risks

MEASURES
- Increase our green exposure to achieve the goal of a 7% annual reduction in the loan portfolio's carbon intensity and reduce our sustainability risk
- Actively seek to reduce sustainability and climate-related risk in our loan portfolio

TRAINING
- Improving sustainability skills: sustainability in commercial real estate and housing, and support schemes.
- Advanced training in anti-money laundering for CM.

ESRS
E2-1, E3-1, E4-2, E4-3, E5-2, E5-3, S2-1, DC-P, DC-A

GRI 201-2, FS7, FS8, FS10, FS11. 404-2,3

PRB 1.1, 2.2-4, 3.1-2, 6.1

UN's GC 1, 2 , 4-9

SDG 8.3, 9.2, 9.3, 9.4, 11a), 16.4

ECO-LIGHTHOUSE
2066-70, 2072

EU TAXONOMY
Section 3, section 10-17

Ludvig Skogvold Goplen, Head of Digital Sales Corporate Market, and Leila Konjic, adviser in Drammen

Responsible advice

Providing advice is one of SpareBank 1 Sørøst-Norge's core activities, and we must treat customers and partners in a responsible and ethical manner that builds trust. Having the trust of customers, investors and other stakeholders in society is important for us as a bank and our advisory services must be consistent with the Bank's strategy and goals for corporate social responsibility.

What did we do in 2022?

Privacy

SpareBank 1 Sørøst-Norge processes huge amounts of personal data as part of its day-to-day operations. This data includes personal data about both customers and our employees. In the processes and tasks SpareBank 1 Sørøst-Norge performs, it is important to protect the data subjects' privacy and process personal data in a good secure manner and in compliance with the legislation concerning privacy. This will increase the confidence in us of customers, employees, partners, owners and supervisory authorities, and could create new business opportunities.

Therefore, the overarching objectives of all the data protection work in SpareBank 1 Sørøst-Norge are to ensure that, by taking a systematic and risk-based approach, we:

- Safeguard the privacy of data subjects and protect the reputation of SpareBank 1 Sørøst-Norge and the SpareBank 1 Alliance by processing personal data properly
- Support the business operations by ensuring that the Bank maintains control over its processing of personal data at all times
- Ensure compliance with the Personal Data Act and the EU's General Data Protection Regulation (GDPR), other data protection legislation and relevant industry standards

In 2022, we:

- Separated out the work on privacy into a dedicated department (used to be part of Compliance) where the department has overall responsibility for addressing the subject of privacy.
- Improved the processing overview, which describes the Bank's processing of personal data.
- Raised awareness about file sharing with short webinars and e-learning modules for employees
- Introduced an annual campaign to delete unnecessary emails, which both reduces the risk of sensitive information being retained for too long or going astray and reduced greenhouse gas emissions

9

Number of privacy deviations reported to the Norwegian Data Protection Authority

0

Number of instructions or penalties imposed by the Norwegian Data Protection Authority,

Ethics and good business conduct

The Group's business depends on the confidence of our customers, the public authorities and society in general. The Group's employees must act predictably, maintain high ethical standards and respect the Group's traditions as a savings bank with local roots. A code of Conduct has been developed for the Group, which is available on the Bank's website. Ethics is included in every employee's skills plan. Our employees must provide professional and responsible advice and not breach our Code of Conduct. We will not accept any kind of actions that could be perceived as bribery, corruption or attempts to improperly influence processes. All employees must avoid impartiality problems or conflicts of interest, and decisions and conduct must be consistent with the Bank's strategy and our corporate social responsibility.

Our vision, "Together we create value", should contribute to a corporate and business culture that emphasises creating value together with our customers, the staff, our owners and, not least, our local communities. The Board has approved our Code of Conduct, which applies to everyone in the Group. Managers must constantly assess the employees' compliance with this policy. In the introduction to the policy, the CEO states that every employee has a personal responsibility to ensure that they comply with it.

The Group offers no incentives that run counter to good business conduct. The parent bank has no bonus schemes, although the possibility of profit sharing for all employees does exist. Through our membership of Finance Norway, we comply with the financial service industry's ethics decree. This obliges us to avoid incentive systems that promote short-term thinking. The ethics decree also obliges us to take account of all of our stakeholders, disseminate knowledge about personal finances to customers, operate transparently and responsibly, contribute to healthy competition and follow up any breaches of industry standards. Important business conduct topics are regularly discussed by the Board of Directors and executive management team, as well as at lower management levels.

The Bank has whistleblowing channels, both internal and external (described in a specific standard for whistleblowing) in which someone can anonymously report concerns, challenges and wrongdoing (also within sustainability), including about potentially unethical or illegal conduct that could contribute to damaging the Group's reputation or financial situation. No reports were received in 2022.

The Code of Conduct obliges every employee of the Group to comply with current competition legislation. The Bank is also committed to ensuring that its work with other participants in the SpareBank 1 Alliance will not prevent free market competition. A policy has therefore been developed to help comply with competition legislation in such cases. It applies in the event of direct collaboration with other SpareBank 1 banks; joint ownership of companies (directly or via SpareBank 1 Utvikling, SpareBank 1 Gruppen or SamSpar); and collaboration on purchasing or product and service development (via either SpareBank 1 Utvikling or SamSpar).

In 2022, we:

- Developed a Code of Conduct covering ethics, how situations should be viewed and good business conduct, which was approved by the Board in October 2022. The policy includes whistleblower protections and obliges the Bank to help examine and investigate potential breaches of good business conduct (including corruption or bribery) immediately, independently and objectively.
- All employees receive regular training in ethics via nano-learning modules. Authorised customer advisers receive more frequent and thorough training.

0

Number of known cases of corruption

Data and information security

SpareBank 1 Sørøst-Norge constantly works to secure our services and systems so that our customers and employees can safely use our services. We take a risk-based approach to this area and conduct overarching vulnerability analyses and risk assessments on an annual basis.

The biggest threats identified by the Bank include:

- Ransomware delivered via, for example, ransomware viruses sent either directly to the Bank or to the Bank's suppliers.
- Phishing campaigns targeting the Bank's employees or employees of suppliers, as well as the Bank's customers.
- Adverse impacts resulting from the geopolitical situation, such as an increase in DDoS attacks and acts of espionage conducted by advanced perpetrators.

SpareBank 1 Sørøst-Norge both reinforced its technical measures and is also working to strengthen our security culture and expertise in this area to better equip us to fight cyberattacks.

The actions we took in 2022 include:

- Establishing a dedicated Information Security Department that constantly works to ensure confidentiality, integrity and availability.
- Conducting six e-learning courses in line with our information security training plan. The courses can be found in our security manual "Security our way" and cover the following topics:
    - Security culture survey 2022
        - Conducting an annual security culture survey among employees. The results of the survey provide a basis for, for example, the following year's upskilling measures.
    - Experiences from phishing testing
    - Do you know what is on your mobile phone?
    - Ransomware attacks: could they happen to us?
    - Protecting your passwords
    - The situation in Europe is extremely tense
    - Cyberthreats against SpareBank 1 in 2022
- In addition to the e-learning courses and security culture survey, we test the employees' security culture via, for example, phishing tests.

Compliance and transparency

Compliance with legislation and guidelines, as well as transparency, are prerequisites for maintaining SpareBank 1 Sørøst-Norge's integrity and the trust of customers, partners and society as a whole. We must always be able to account for our decisions and actions, and the decisions and documentation on which they are based. We also encourage our customers and partners to be transparent and comply with legislation and procedures.

In 2022, we:

- Reported our regulatory compliance status (including any deviations) to the Board of Directors and executive management team on a quarterly basis.
- Conducted sustainability-related risk assessments in partnership with specialist environments in order to shed light on risks and opportunities The following specialist environments participated:
    - Corporate market, retail market, the accounting firm, internal operations, economics, finance, real estate, deposits and placements, HR and organisational development, securities trading and asset management, market and customer journeys, communications and insurance.
    - Other specialist environments conduct their own risk assessments that cover sustainability (e.g. financial crime and risk management).

Equality, diversity and inclusion

SpareBank 1 Sørøst-Norge must actively strive for equality, diversity and inclusion, both in our own operations and with respect to customers and partners. Read more about the work in our own operations under "Our employees". External perspectives are just as important as internal ones. As a major financial services institution, SpareBank 1 Sørøst-Norge has a lot of influence, and we want to use this power to encourage our customers, suppliers and partners to move in a positive direction. We must stipulate requirements for equality, diversity and inclusion for the largest actors we work with, and promote equality among our customers through the products and services we deliver.

The Bank wants employees who reflect, and advise, the community of which they are a part, regardless of cultural background, ethnicity, religion and gender. We have zero tolerance for discrimination, both in the workplace and with respect to customers, partners and the rest of society.

In 2022, we:

- Drew up an equality, diversity and inclusion policy
- Conducted risk assessments with advisers and managers in the retail and corporate markets to shed light on risks within equality and diversity in advisory services and in our products and services

The way forward

- All employees must familiarise themselves with the Code of Conduct.
    - All new hires must read and sign the Code of Conduct.
- Internal control of sustainability aspects.
  Goal of quarterly meetings between the Compliance Department and Sustainability Department.
    - The areas that will be followed up include: the quality of sustainability assessments for lending in the corporate market in light of the credit strategy, sustainability policy, green bond framework, and regulations such as the Transparency Act and EU Taxonomy
- Risk assessments when introducing new ICT products and services.
- Clarifying the division of responsibilities for work on, and when establishing measures for, equality, diversity and inclusion in relation to customers and partners.
- All employees have to complete the information security training programme.
- Update governing documents to document compliance with the requirements of the EU Corporate Sustainability Reporting Directive (CSRD).

Risks and opportunities

Responsible advice that builds trust is crucial for SpareBank 1 Sørøst-Norge. We must process the personal data of customers and employees appropriately, both in day-to-day operations and in business development. The financial services industry is constantly being targeted by new corruption methods. Greater and closer cooperation with the SpareBank 1 Alliance, participants in the value chain and others in the financial services industry will bolster our expertise and reduce the risk associated with new corruption methods. The equal treatment of customers can be a challenge for banks and financial services. Companies started by women secure financing less frequently, and it has been asserted that, in Norway, it is harder for people with a minority background to get a mortgage. Some groups experience digital exclusion because they do not have BankID or Vipps and it might be difficult for them to get to a local physical branch. If we are able to excel at equal treatment, we may be able to attract these groups. We can also focus on reducing exclusion with respect to our corporate customers. This will support local business development and create jobs.

STRATEGIC ANCHORING:

GUIDELINES
- Policy for preventing and managing internal irregularities
- Code of Conduct
- Policy for managing conflicts of interest
- Remuneration policy
- Privacy policy
- Corporate governance policy
- Policy for suitability assessments
- Impartiality Policy
- Whistleblowing Standard
- Sustainability policy

RESPONSIBLE DEPARTMENT
- Compliance
- HR

GOALS IN THE SUSTAINABILITY STRATEGY

1.3 Managing privacy
1.4 Responsible operations beyond what is required
2.1 Improving sustainability skills
3.1 Measures for sustainable operations
3.2 Involve the employees in sustainability measures

MEASURES
- Sustainability and climate-related risk assessments
- Quarterly internal control vis-à-vis sustainability
- Spotlight on social sustainability in customer relations

TRAINING
- All employees: nano-learning modules about information security, e-learning courses on privacy
- All advisers authorised via the Financial Industry Authorisation Schemes (FinAut) complete annual upskilling courses in their fields, as well as refreshers on ethics and good practice
- All employees in Risk & Compliance must feel confident that they know enough about sustainability requirements, policies, legislation and risks
- Advisers: course on social sustainability in customer relations

GRI 205-2,3 and 418-1 404-2,3

PRB 5.1, 5.2

UN GC 2, 10

SDG 16,5

ESRS G2-1, 2 GOV 1-3, G2-2, G2-4

Combating financial crime

Our sustainability strategy makes combating financial crime a major part of our efforts to operate responsibly. We want to assume responsibilities beyond what is required by law. We have the expertise, resources, opportunity to have positive impacts, and need to mitigate risk within fraud, money laundering and terrorist financing.

Financial crime is a societal problem that impacts both individuals and business. Crimes that target the financial services sector are becoming ever more complex and the Bank's efforts to prevent and detect crime are becoming more important.

In general, the financial services industry performs a key function in society and constitutes an important part of Norway's critical infrastructure. The machinery of society would seize up without functioning payment systems. The Bank is conscious of its social responsibility and is constantly working to prevent and minimise opportunities to misuse our services for criminal purposes. This work is linked to SDG 16, target 16.4 regarding reducing illicit financial and arms flows and combating all forms of organised crime.

The Bank's Financial Crime Department has two main areas: its anti-money laundering and terrorist financing work and its work on customer security and fraud.

Combating money laundering and terrorist financing

Money laundering is a prerequisite for most types of crime, from illegal arms trafficking and drugs to people smuggling and terrorism. Putting an end to money laundering will, therefore, help to create a safer society and trust in the financial system.

What did we do in 2022?

- In 2022, we saw a marked increase in the number of flagged transactions and cases in progress that were completed. The flags come from Cash in Store and the Bank's anti-money laundering client.
- We conducted risk assessments and measures implemented to mitigate identified risks, which included assessing the sanctions risk related to the war in Ukraine.

Figures as at 31.12.2022:

Number of flags		Number of completed customer checks		Number of reported suspicious transactions	
2021	**2022**	**2021**	**2022**	**2021**	**2022**
Approximately 14 000	Approximately 21 000	675	1 291	100	325

The work has become more accurate over the last year: While every 140th flagged transaction was deemed suspicious and submitted to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) in 2021, every 64th transaction was submitted in 2022.

Combating fraud and scams

Fraud and scams can be targeted at the public sector as well as the private sector. In the public sector, they often involve the misuse of trust-based support schemes, including public social security and subsidy schemes. In addition to these come tax evasion. Fraud committed against the private sector can be divided into fraud targeted at private individuals and fraud targeted at commercial actors/companies. This is a widespread type of crime that can have serious consequences for those affected. Many cases show the proceeds from fraud are used to finance other types of crime like money laundering.

What did we do in 2022?

- We registered a significant increase in the number of cases of fraud in 2022
- Established formal cooperation between customer service centres and Financial Crime linked to customer engagement, including regular monthly meetings
- Improved/further developed case management tools, as well as a standard for reporting fraud cases for customers
- Streamlined case management processes
- Gave talks on fraud and risk at two sponsorship meetings to around 20 local sports teams

There was a significant increase in the number of fraud cases in 2022. At this time, it is not possible to identify exact figures for fraud. This is partly due to the fact that the three newly merged banks had different systems for registering data and partly due to the fact that fraud victims are often defrauded via multiple channels. A fraud case can thus consist of complaints involving VISA, credit cards, online banking and VIPPS. Nevertheless, based on the collected data we have estimated the following figures for 2022:

Estimated figures for fraud cases, excluding card fraud

Number of fraud cases dealt with, excluding card fraud	197
*The potential loss, for example pure card fraud	9 487 000
**Saved	6 220 000
Losses borne by the customer	2 833 000
Losses borne by the Bank	434 000

* The potential loss is the sum of transactions that were transferred out of the Bank in connection with fraud, including cards and VIPPS.
** Saved is the money that the Bank has got back from receiving businesses in connection with fraud.

Fraud cases that involve card only

Number of card fraud cases dealt with involving cards	723
Total loss card fraud	5 449 530
Losses borne by the Bank	1 877 000
Losses borne by the customer	1 805 615
Losses borne by the card companies	1 767 914

The way forward

SpareBank 1 Sørøst-Norge will continue to improve procedures and compliance by:

- Using good digital tools to receive and deal with fraud cases
- Increased and closer cooperation with the SpareBank 1 Alliance and internal collaboration across disciplines in the Bank
- Increased awareness raising vis-à-vis customers, the market and in-house
  - Talks on financial crime
  - In-house training (six to eight digital courses and in-person visits to branches at least once a year)
- Further developing case management tools and collecting data to improve the statistical basis
- Further strengthening efforts to combat financial crime, including by increasing staffing from nine to 11 FTEs. These two FTEs will start work in early 2023.

Risks and opportunities

The risks associated with not combating financial crime are failing to meet statutory requirements and a loss of reputation for the Bank among customers and the rest of society. SpareBank 1 Sørøst-Norge's efforts to combat financial crime contribute to financial stability, reduce the risk of money laundering and terrorist financing, and protect companies and individuals from fraud and scams. A new Financial Contracts Act and rulings by the Supreme Court of Norway will affect how banks will handle and assess cases.

STRATEGIC ANCHORING:

GUIDELINES
Policy for anti-money laundering and terrorist financing

RESPONSIBLE DEPARTMENT
- Financial crime

GOALS IN THE SUSTAINABILITY STRATEGY
1.1 Prevent and detect money laundering and terrorist financing
1.2 Prevent digital scams
1.4 Responsible operations beyond what is required
1.5 Advise customers on combating financial crime
1.6 Fulfil our corporate social responsibility (share knowledge)
1.7 Fulfil our corporate social responsibility (share knowledge)
2.1 Improving sustainability skills

MEASURES
- Greater focus on using digital tools
- Close cooperation with the SpareBank 1 Alliance
- Information work internally and externally: talks, tutorials etc.

TRAINING
- Webinar for all employees involved in anti-money laundering
- Advance courses on financial crime
- Role-based e-learning courses throughout the year

GRI SB1SON-1, 205-1,2,3, 404-2,3

PRB 5.1

UN GC 2, 10

SDG 16.4

SFDR PAI 11

ESRS G2-3

EU TAXONOMY
Section 3(c), section 18

Local corporate social responsibility and business development

SpareBank 1 Sørøst-Norge wants to be the personal regional bank that provides value for local businesses, people and communities. A local presence offering expert local knowledge and advice are important drivers when choosing a bank – and for a good, lasting customer relationship.

Local engagement

The savings bank foundations are the Bank's five largest owners. They contribute to positive development in their local communities by distributing parts of the Bank's profit to good causes. This benefits clubs and associations across the region by supporting initiatives and projects that promote a desire to live in the region, good environments for bringing up children and a variety of activities within areas such as culture, sports and volunteering. The savings bank foundations also contribute gifts that promote positive social development in areas such as research, knowledge dissemination and business development.

Development of local businesses

We want to build a bigger, stronger and more competitive SME bank and strengthen our position as Norway's best bank for SMEs ("Bedriftsløftet" business boost campaign). Vestfold og Telemark has seen lower growth in job numbers than the rest of the country in the last 10 years, as have important municipalities in our market area in Nedre Buskerud, such as Kongsberg and Drammen. Both the development of the region and the Bank's growth depend on this trend changing. Business development can also be an important driver of reduced exclusion. Vestfold og Telemark has the highest proportion of people not in work, education and labour market measures in the country, and the problem is greatest in that part of Telemark where the Bank is largest. This is also a significant problem in Nedre Buskerud.

Companies with fewer than 20 employees account for almost one third of the jobs in both Vestfold og Telemark and Buskerud, which is higher than most other parts of the country. The smallest companies, both start-ups and growth companies, are also responsible for a large proportion of new jobs. Therefore, in line with the Principles for Responsible Banking, we intend to do the following to strengthen SMEs and contribute to jobs and inclusion in our market area:

- Approve 5% more applications from corporate customers for grants, loans and government guarantees in 2023 than in 2022.
- Increase companies' use of the "Konjunktur Sørøst" business cycle barometer (visits to the website and participation at events) by 10% in 2023 compared with 2022.

Volume and proportion of corporate loans for micro-SMEs:*

Number of customers	Lending (NOK billions)	% of total corporate market lending
11 352	17.8	77.4

* 0-10 employees and max. EUR 2 million (NOK 21.907 million based on exchange rate as at 31.12.2022) balance for lending/credit

What did we do in 2022?

- We launched the "Konjunktur Sørøst" business cycle barometer. This continuously updated website disseminates local data, articles and analyses to businesses, the authorities and other interested parties about developments in 17 locations in Vestfold og Telemark and Nedre Buskerud. The topics cover a broad spectrum within demographics, work and economics, the retail and wholesale trade, house building and the environment. The "Konjunktur Sørøst" business cycle barometer also conducted surveys of expectations in which companies and households in each of these locations were asked about their financial expectations for the next 12 months. Based on the same survey of expectations, the Bank also presented a sustainability barometer for South East Norway, which measured the temperature of sustainability work among companies in the region. The Bank presented the local results from the survey of expectations to business associations and at local conferences across its market area.
- We strengthened our network among start-up environments in the region:
  - In 2022, the Zurf accelerator programme, which is financed by the Bank, helped three new companies create further value, more local jobs and realise their full potential.
  - We recruited three new growth companies to the Zurf programme in 2023, and expanded it to cover the entire Drammen region, not just Modum.
  - A new agreement was signed with "Industry Week" in the Grenland region.
  - Entrepreneurs in our market area were supported through collaborations with several entrepreneurial environments, including Kongsberg Innovasjon, Buskerud Næringshage, Gründerhuset by Drammen Works, Gründeriet i Sandefjord, Kobben i

Horten and Gründerhuset HI5 i Tønsberg.
  - Our corporate market accountants and advisers took a 1-day course dedicated to public support schemes, with external speakers from Enova, Innovation Norway, NEFCO and Export Finance Norway.
  - Propeller mentoring arenas for local young companies were conducted in collaboration with Young Entrepreneurship in which the companies got feedback on their business concepts.
- We are an active participant in “Growth in Kongsberg”, a project that aims to ensure growth in the city of technology, Kongsberg, in the period up to 2030.
- We have signed a cooperation agreement with the Church City Mission in Drammen
- Several of the foundations have launched a “grassroots gifts” concept, a low threshold gift concept.
- The foundations have established #Julegiver, a Christmas gift concept in which recipients spend the money received on doing things for others: vulnerable groups and so on.
- The Bank contributed to the SpareBank 1 Stiftelsen BV and Sparebankstiftelsen Telemark-Grenland collaboration on part funding the establishment of local branches of the UN Global Compact in Kongsberg and Grenland, respectively. The aim is to help small and medium-sized enterprises (SMEs) manage transition challenges within sustainability.
- In 2022, the savings bank foundations distributed NOK 100.9 million to the arts, culture, sports and humanitarian work:

25,2 mnok
SpareBank 1 Stiftelsen BV

20,0 mnok
Sparebankstiftelsen Holla og Lunde

29,0 mnok
Sparebankstiftelsen Telemark

13,0 mnok
Sparebankstiftelsen Nøtterøy-Tønsberg

13,7 mnok
Sparebankstiftelsen SpareBank 1 Modum

The way forward

The Group will focus on local business development and corporate social responsibility by, for example:

- Continuing the Zurf programme with three new companies and exploring more opportunities for growth and synergies for local business development due to the programme.
- Actively contributing to the development of a skills offer for SMEs in partnership with the UN Global Compact.
- Contributing courses and propeller mentoring arenas for local youth companies in collaboration with Young Entrepreneurship.
- Actively participating in entrepreneurial environments via local agreements in which we offer our expertise to start-up environments
- Sign a cooperation agreement with Vestfold Investornettverk, a collaborative project between entrepreneurs in Vestfold og Telemark and the law firm Tenden Advokatfirma
  - Helping to make the region more attractive for start-up/growth companies.
  - Advising entrepreneurs and acting as a liaison between entrepreneurs and local investors
- Coordinate our collaborative efforts with the University of South-Eastern Norway (USN) within sustainable regional development and skills development

Risks and opportunities

The fact that three banks have become one, in one of the fastest growing regions of the country, obviously provides an opportunity to give a powerful boost to local housing and business development. The opportunities presented by collaborating with the foundations that own the Bank are significant given that they have more capital than they did before thanks to the mergers. There should also be good opportunities for closer cooperation with the University of South-Eastern Norway (USN) given that the Bank’s market area is almost identical to USN’s.

At the same time, maintaining a local presence will be key for the Group going forward. The transition phase after a merger can result in adverse publicity and customer flight if we talk about being local but are not there when it counts. We must show people that we really are a local bank and think locally, for example by backing local entrepreneurs, and do not just want to become a major regional bank.

Setting strict energy and environmental requirements for our customers can also be hard. In the worst case, such requirements can run counter to the Group’s local corporate social responsibility in that retail customers are unable to keep their homes or cars are scrapped much earlier because a new alternative has come along.

STRATEGIC ANCHORING:

GUIDELINES
- Sustainability policy
- Code of Conduct

RESPONSIBLE DEPARTMENT
- Market
- CM
- Sustainability

GOALS IN THE SUSTAINABILITY STRATEGY

1.6 Fulfil our corporate social responsibility (share knowledge)
2.1 Improving sustainability skills
2.2 Share knowledge: "Konjunktur Sørøst" business cycle barometer
2.3 Focus on corporate social responsibility with the foundations
2.7 Helping SME customers to, for example, obtain public support and win tenders
2.8 Entrepreneur initiative (project support, prices, guarantees)

MEASURES
- Entrepreneur initiative
- Launching the "Konjunktur Sørøst" business cycle barometer
- Advising small and medium-sized enterprises on support schemes

TRAINING
- Corporate advisers and accountants have learned about support schemes relevant to start-ups, more mature growth companies and established companies undergoing changes, respectively.

GRI 404-2,3

UN GC 7-9

SDG 8.3, 8.5, 9.2, 9.4, 11a), 13a)

ESRS S3-5, S3-6

Ethical marketing

Our products and services must be marketed ethically and responsibly. It is important to SpareBank 1 Sørøst-Norge that products and services are easy to understand so that customers can easily update themselves and make the right decisions.

We want to avoid greenwashing by not marketing products as sustainable if they are not. We are also committed to ensuring that our partners (sponsorship recipients, events, etc.) comply with our sustainability policy and take account of the environment, social conditions and responsible business conduct.

What did we do in 2022?

- New sponsorship strategy adopted by the Group, in which the sustainability policy is specifically discussed
- Sponsorship agreements were updated to ensure that the partnership is in line with our sustainability policy
- Together with our owners (the foundations), we have helped to develop the concepts of grassroots gifts and #julegiver, which are financed by the foundations. We assist with the practical implementation.
- In collaboration with clubs we have arranged "Swap Weekend" events in Drammen and Skien
- The anti-greenwashing decree was signed
- The use of gifts and giveaways in connection with events has been reduced in order to minimise our environmental footprint
- A risk workshop on sustainability risk was held
- The Bank has taken the initiative to ensure the more precise use of sustainability claims on SpareBank 1 websites in relation to funds that focus on sustainability and the sustainability labelling of funds

No breaches of the regulations and guidelines for product and service information and labelling were reported in 2022.

The way forward

- Employees in the Marketing Department will undergo upskilling in sustainability in February 2023
- Customer-oriented activities related to green/sustainable loans
- Integration of green/sustainable loan products in campaigns/activities
- Signing an agreement as an activity partner with Odds women's football team via "Like Muligheter"
- Active work on the theme "Yes to second-hand" together with SpareBank 1 nationally – focusing on activities such as "Swap Weekend" and the "Ski Bank"

Risks and opportunities

The markets expects our marketing to be responsible. Marketing that helps to cut emissions, lessen environmental impact and improve social conditions is therefore important with respect to maintaining a good reputation, such that our customers and the market continue to have confidence in us. The authorities are increasingly focusing on greenwashing and the risk of getting a fine may increase with new Directives designed to strengthen consumer rights (the Enforcement and Modernisation Directive and the Directive empowering consumers for the green transition through better protection). The risk is probably greatest in situations where the Bank must be expected to have more information than the customer and where the customer therefore has to trust the information we provide. At the same time, marketing work can function as the Bank's listening posts in relation to customers and contribute to product and service development in the area of sustainability. Customers want to make an effort to be eco-friendly and socially responsible, and if we are good at marketing, we will help them do so.

STRATEGIC ANCHORING:

GUIDELINES
- Sustainability policy
Code of
 Conduct

GOALS IN THE SUSTAINABILITY STRATEGY
1.5 Responsible operations beyond what is required
1.7 Fulfil our corporate social responsibility (share knowledge)
2.1 Improving sustainability skills

RESPONSIBLE DEPARTMENT
- Market
- Sustainability

TRAINING
- Awareness of the topic via, for example, risk workshops and projects
- Improving sustainability skills in relation to
 marketing.

MEASURES
- Integration of sustainability in marketing campaigns and brand building work
- Sponsorship strategy must take account of sustainability sustainability
- Integration of green/-sustainable loan products in campaigns/activities
- Sign an agreement as an activity partner with Odds women's football team via "Like Muligheter"

GRI 203-1 and 417-1,2,3 404-2,3

UN GC 2

SDG 8.3, 9.4, 13.3, 16.5

ESRS S4-1, S4-5, S4-6

Sustainability in fund management

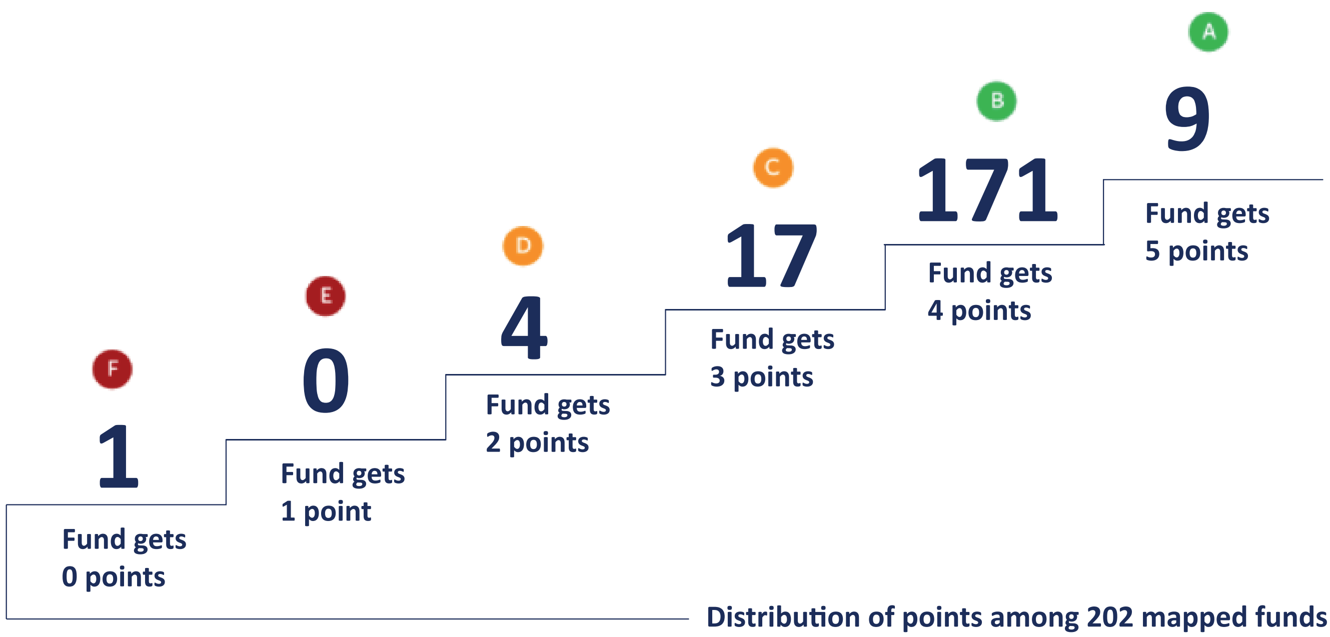
Our customers invest significant amounts in the securities funds we distribute. This, therefore, gives us an opportunity to encourage the funds to place greater emphasis on the environment, social conditions and governance (ESG) in their investments.

SpareBank 1 Sørøst-Norge complies with the SpareBank 1 Alliance's guidelines for the responsible distribution of securities funds The Bank requires managers to sign a distribution agreement and document that they stipulate sustainability requirements for the investments they make. SpareBank 1 wants to clearly flag the funds that do, and do not, comply with our guidelines. If funds do not meet our requirements, we stop distributing them, and funds that do not align with all of the guidelines achieve a poorer score. Fund managers have to sign the UN Principles for Responsible Investment and report how they comply with them.

What did we do in 2022?

We want to make it easier for our customers to choose the securities funds that are right for them, both with respect to returns and with respect to other factors that are relevant for society and the customers. Our guidelines for the responsible distribution of securities funds define what we *encourage* the managers of the securities funds we distribute to do within sustainability; what we *expect* of them; and, what we *require* of them. If a manager breaches our requirements and, after a conversation with us, does not change their practices, we stop distributing the relevant securities fund. We also label funds based on our expectations. Basically, we expect fund managers to be active owners and to exclude companies and sectors in order to ensure the more sustainable development of the individual company, but also for the sake of society and the environment. We also believe that it is important that the funds provide good returns for our customers.
All fund providers must respond to a questionnaire in order to map the funds' ESG factors. This determines the score the fund receives. A fund can score a total of five points for three criteria: negative screening, positive screening and active ownership. The funds are then assigned a grade on a scale from "A" to "F" based on their score. Responses are collected annually and help determine the sustainability score. Spot checks are also carried out afterwards to ensure that funds have been assigned the correct grade. Funds graded "A", "B" or "C" (as 197 funds were in 2022, see figure below) meet our minimum sustainability requirements and can be included as one of our recommended funds if they meet other criteria.

We update the funds' scores every year. The table below shows the distribution of the grades.



Distribution of points among 202 mapped funds

Grade development from 2021:

* Only funds whose objective is sustainable investments (positive selection) can receive the top grade in our labelling scheme. Only a small number of funds have this as their objective. The funds cannot be invested in oil and gas either. Since a very high number of funds are already graded “B” but do not have sustainable investments as their objective (positive selection), they saw no positive change in their score.

The grade development per fund was positive compared with the year before. The vast majority of funds score a grade “B”. We regard these as funds that have a good approach to environmental and social conditions with active portfolio managers.

The same fund scored an “F” in both 2021 and 2022. This fund cannot be bought via any of the SpareBank 1 banks. The fund has been kept in the review so that we can check whether it has improved.

To achieve an “A”, a fund cannot be invested in either oil or gas. The fund also has to meet all of SpareBank 1’s expectations and its purpose must be to make sustainable investments. Over the course of the year, we expanded our offering of funds that focus on sustainability because customers were asking for them.

- Just as many funds improved their grade from “C” to “B” as saw their grade move in the opposite direction.
- Only one of the fund managers (who manages five funds) states that they do not vote in general meetings.
- All of the managers state that they have signed the UN Principles for Responsible Investment and report on their compliance.

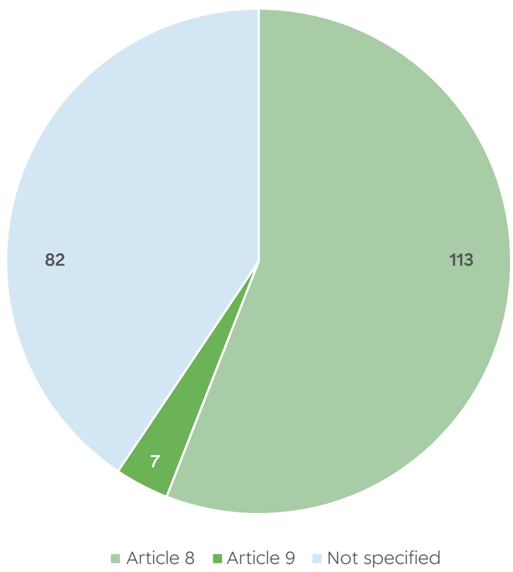
SpareBank 1 launched ESG labelling of funds in 2020. The labelling indicates how companies have documented their work on sustainability through responsible ownership, socially beneficial investments or exclusion. Fund labelling is based an annual analysis of all 202 securities funds the SpareBank 1 Alliance distributes (SpareBank 1 Sørøst-Norge distributed 174 funds at the end of 2022). The table below shows the number of funds that satisfy the various criteria in the survey:

Screening	2021 285 funds in total	2022 202 funds in total
NEGATIVE SCREENING, the fund does not invest in companies that:	**2021**	**2022**
Invest in controversial weapons	220	**201**
Invest in weapons or military equipment for restrictive countries	204	**199**
Receive a significant share of their income from thermal coal or that base significant parts of their activities on thermal coal	200	**193**
Contributes to serious environmental damage	204	**199**
At an aggregated company level, produce unacceptable levels of greenhouse gases	192	**185**
Are involved in serious violations of human rights	204	**199**
Are involved in serious violations of individual rights in war and conflict	200	**196**
Are involved in gross corruption	198	**194**
Invest in tobacco production	198	**187**
POSITIVE SCREENING	**2021**	**2022**
Funds that carry out the positive selection of companies based on socially useful non-financial factors	7	**9**
ACTIVE OWNERSHIP	**2021**	**2022**
Funds that, as part of their ownership, communicate with companies about ESG	216	**199**
Funds that, as part of their ownership, communicate with companies about ESG and vote in general meetings	216	**197**
Funds that publicly disclose how their active ownership is exercised	216	**199**

Both the labelling scheme and the guidelines for funds recommended and distributed by SpareBank 1 and were revised in 2022 in light of the requirements of the Sustainable Finance Disclosure Regulation (SFDR) and the Sustainable Finance Act (see the section on "Responsible lending" for more information) and approved in the SPU in 2022. SpareBank 1 has chosen to retain its existing labelling scheme until it is clearer how fund managers categorise their funds in practice. In our follow-up of fund managers, we examined whether and how they categorised their funds in accordance with the EU's SFDR. A total of 120 funds are categorised as being within Article 8 (promotes environmental or social characteristics) and Article 9 (has sustainable investment as its objective).

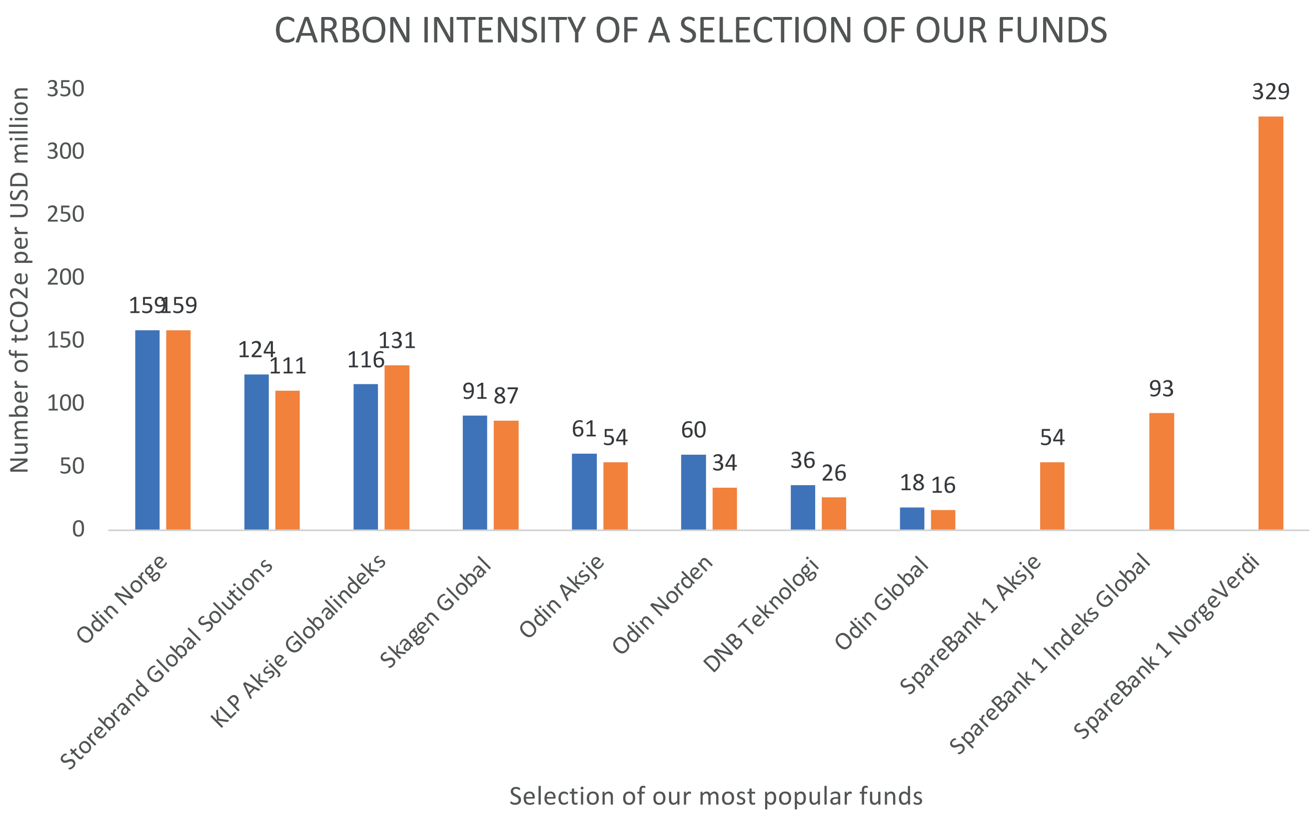
There has been a lot of criticism about funds having classified themselves as Article 9 funds with sustainable investments as their purpose even though they do not really meet the requirements. Some managers have reclassified themselves from Article 9 to Article 8 funds. Of the funds distributed by the SpareBank 1 banks, only the fund DNB Grønt Norden has changed its classification from Article 9 to Article 8.

Number of funds categorised based on the SFDR



A significant proportion of the investment funds distributed by the Bank are from ODIN, which is owned by SpareBank 1. All of ODIN's equity funds are Article 8 funds (Odin Aksje consists of multiple Odin funds, all of which are either Article 8 or Article 9 funds). The SpareBank 1 funds are also Article 8 funds. ODIN Bærekraft and Odin Sustainable Corporate Bond (newly launched) are exceptions. These funds have sustainable investment as its objective and will therefore report in line with Article 9 of the SFDR. The investments are linked to the environmental goals and social goals in the EU Taxonomy.

SpareBank 1 has commenced a dialogue about the funds' carbon intensity with the fund managers (see figure below). We have a significant footprint and the opportunity to have a positive impact within the areas of the climate, waste and the reuse of resources through the fund assets we manage on behalf of our customers. Carbon intensity is one possible general indicator of the impact we are having.



The way forward

- In 2023, SpareBank 1 Utvikling will launch a tool for investment advisers, which will include questions designed to clarify customers' sustainability preferences, based on the Sustainable Finance Disclosure Regulation, the EU Taxonomy and MiFID II.
- Revision of SpareBank 1 Sørøst-Norge's procedures for providing investment advice such that we inform customers about the sustainability risk in investments and the investment risk in sustainability investments before the customer invests.
- Annual review of funds, including their reporting of their green proportion in line with the EU Taxonomy, Principal Adverse Impacts (PAI) and updates of SpareBank 1's policies and labelling scheme in light of these experiences.

Risks and opportunities

Demand for funds with a clear sustainability profile is increasing and this gives the Bank an opportunity to encourage people to make sustainable investments. However, this trend requires our advisers to provide customers with balanced advice. Conventional funds may have sustainability risks but at the same time it can be risky to invest in dedicated sustainability funds because they have a limited investment universe.
One risk associated with such investments is a lack of information and good data that can be used as a basis for classifying something as sustainable. It is important for us to avoid greenwashing in the information we provide about securities funds that focus on sustainability. It is difficult for both us as a distributor and our customers to know which activities and investments can be regarded as sustainable. These are also topics that the consumer protection authorities take an interest in. Misleading information can over time result in both reputational damage and fines.

STRATEGIC ANCHORING:

GUIDELINES
Guidelines for sustainable distribution and recommendation of securities funds.

RESPONSIBLE DEPARTMENT
- savings and investment

GOALS IN THE SUSTAINABILITY STRATEGY
2.1 Improving sustainability skills
2.5 Become a savings and mortgage customer adviser on sustainability

MEASURES
- Launch an investment advice tool based on the Sustainable Finance Disclosure Regulation, the EU Taxonomy and MiFID II.
- Annual review of funds

GRI FS10 and FS11 404-2,3

UN GC 1-2, 4-8

SFDR section 3(2), section 6(2)

SDG 8.3, 9.4, 13 a), 16.4

ECO-LIGHTHOUSE 2065, 2069, 2070, 2071, 2072

TRAINING
- Improving skills in relation to the requirements for investment advisers in line with the Sustainable Finance Disclosure Regulation (SFDR) was completed in 2022
- Training in the use of tools for investment advisers

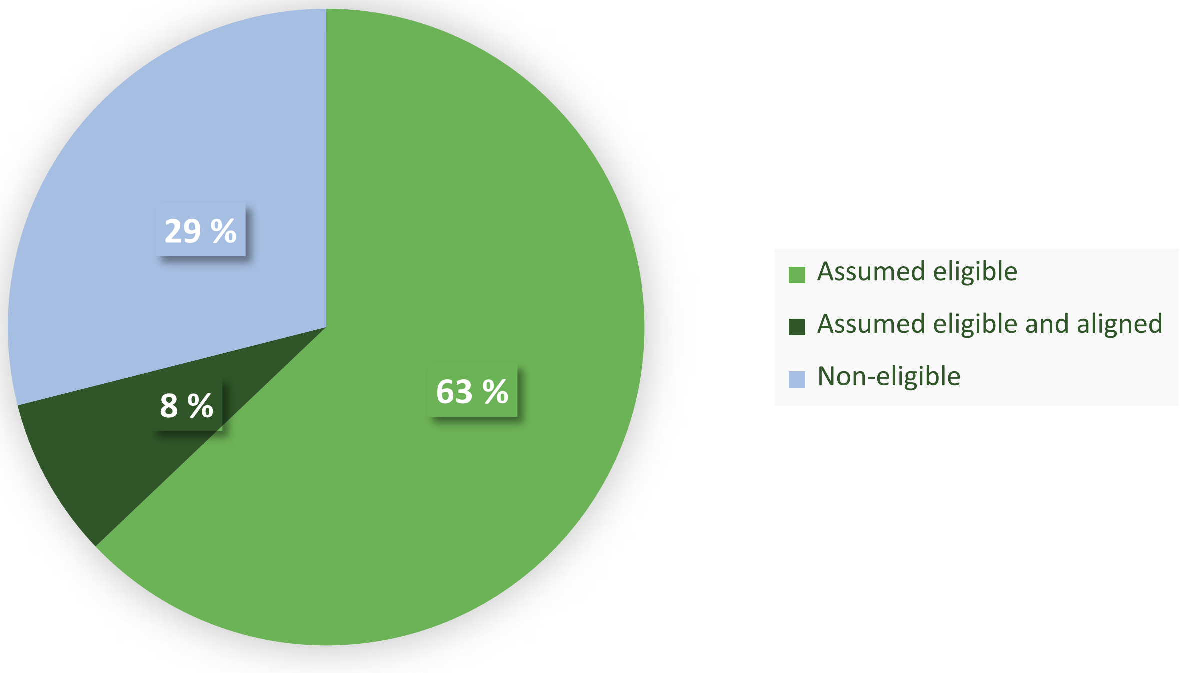
ESRS
E1-2, E1-9 E2-1, E3-1 E4-2, E5-1 S2-1, S3-1

Appendix 1 – EU Taxonomy

The Sustainable Finance Act, which enacts the EU Taxonomy in Norway, is now in force. A sustainable activity significantly contributes to achieving one of the six environmental goals (reducing emissions, climate adaptation, circular economy, reducing pollution, contributing to clean water and clean oceans, or preserving biodiversity) without this being at the expense of the other environmental goals. The activity must also satisfy minimum social standards and the sector's minimum criteria.

The Bank has mapped the loans in the retail and corporate market, as well as the Bank's liquidity investments and other material investments that are, respectively, covered (eligible) under the delegated acts for the climate goals in the EU classification directive (EU Taxonomy) or deemed to be adapted (aligned) to the EU Taxonomy. However, this must be considered a work in progress. Several activities will become eligible both under the environmental targets that currently have defined technical criteria and under the four other environmental goals, and some activities will probably become ineligible based on more accurate information-about criteria.

The proportion of statement of financial position assumed to be covered by (eligible) and adapted to (aligned) the EU Taxonomy's environmental objectives 1 (climate change mitigation) and 2 (climate change adaptation)



*Total balance includes the following activities in the numerator: financial companies, companies subject to a disclosure duty and loans to households. Following activities in the denominator: non-financial companies not subject to a disclosure duty under NFRD, activities that are not included, counterparties outside the EU/EEA, derivatives and others. States and other excluded assets are not included in either the numerator or the denominator.

Green Asset Ratio (GAR): Aggregated*

	Total gross Carrying amount (NOK billion)	Assumed eligible (NOK billion)	Assumed aligned (NOK billion)
Activities included in numerator			
Financial companies	10.129	6.119	711
Companies subject to disclosure duty (NFRD)	0	0	0
Households	51.340	46.243	6.077**
Total	**61.469**	**52.363**	**6.788**
Activities only included in denominator			
Activities not included	4.800	0	0
Non-financial companies not subject to disclosure duty under NFRD	16.724	16.724	3.977**
Counterparties outside EU/EØS	0	0	0
Derivates and others	191	0	0
Total	**21.715**	**16.724**	**3.977**
Total assets included in numerator and/or denominator	**83.184**	**69.087**	**10.765**
Activities not included in numerator or denominator			
States	2.048	0	
Other assets excluded	4.316	0	
TOTAL	**6.363**		
Total statement of financial position	**89.547**	**69.087**	
1) Assumed eligible (%) 2) Estimated green proportion		**1) 63 %**	**2) 8,2 %**

*No activities are currently eligible under the climate change adaptation objective, and the difference in qualifying NACE codes for the two objectives are negligible. Therefore, the table also provides an accurate overview regarding the emissions reduction target.** Activities that are associated with material physical climate-related risk and that have not implemented adequate measures are not excluded. See the appendix "Physical climate-related risk in the loan portfolio" for details.

Explanation

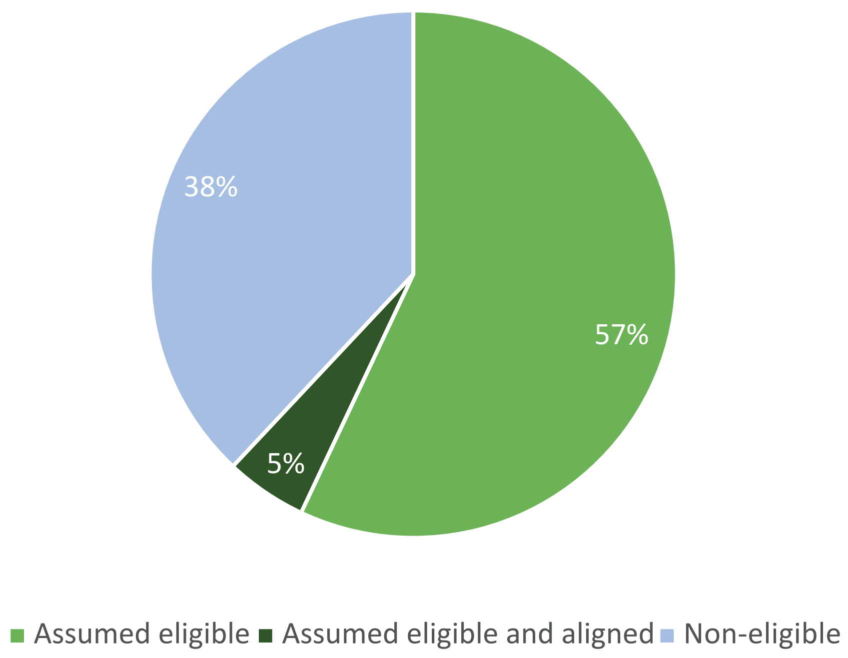
Financial companies

The total gross capitalised value for financial companies includes the liquidity portfolio, except for government-guaranteed securities, as well as equities and stakes, respectively. The column "Assumed eligible" shows activities that are assumed to be covered by the EU Taxonomy's two environmental objectives. In the case of financial companies, this includes liquidity investments in covered bonds and the capitalised value of SpareBank 1 Boligkreditt and SpareBank 1 Finans Midt-Norge, respectively, which are assumed to be fully covered by the EU Taxonomy's first two environmental objectives. For SpareBank 1 Næringskreditt, it is assumed that the proportion of our capitalised stakes that are not EU Taxonomy-eligible are not covered by the EU Taxonomy either. The column "Assumed aligned" describes activities that it is assumed are eligible under the technical criteria for one of the EU Taxonomy's climate objectives. For financial companies, this applies to EU Taxonomy-eligible proportions of the capitalised stakes in SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt and SpareBank 1 Finans Midt-Norge, respectively. For the mortgage credit institutions, the EU Taxonomy-eligible proportion has been set as equal to the EU Taxonomy-eligible proportion of lending the Bank has transferred to each of the mortgage credit institutions. For SpareBank 1 Finans Midt-Norge, the EU Taxonomy-eligible proportion has been set as equal to the proportion of the total assets under management accounted for by the recognised balance for electric vehicles as at 31.12.2022.

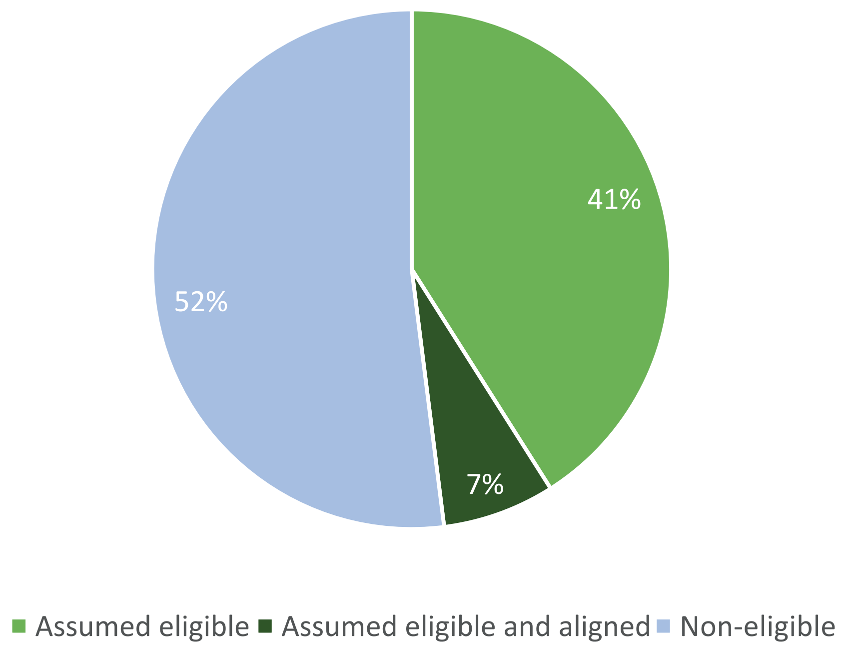
Further mapping will result in more activities that are assumed to be eligible and aligned. For example, the Group's relative share of SpareBank 1 Finans Midt-Norge's stake in the mobility company Flex is not included here and nor are our ownership shares of, for example, BN Bank's eligible and aligned activities.

The "non-eligible" proportion in the figures below may thus shrink.

Proportion of liquidity portfolio assumed eligible and assumed aligned with the EU Taxonomy



Proportion of ownership interests assumed eligible and assumed aligned with the EU Taxonomy



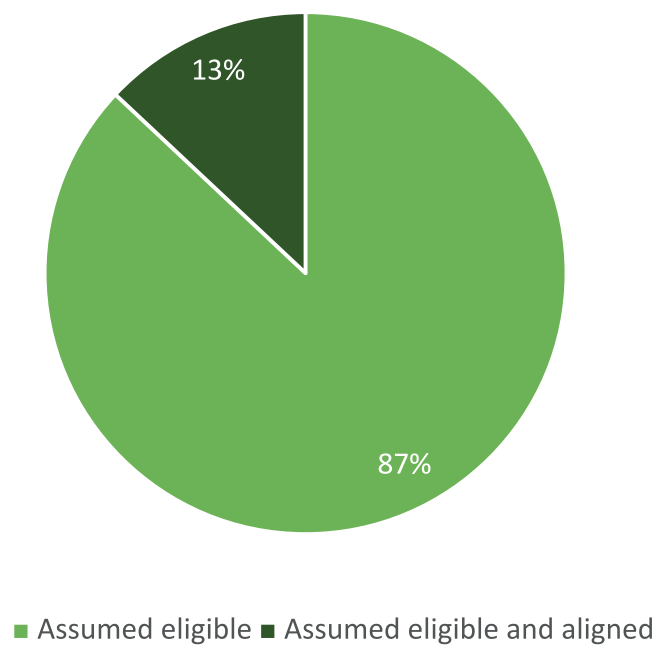
Companies subject to a disclosure duty

As far as we are aware, none of our corporate loan customers are currently subject to a disclosure duty (in line with the EU Non-Financial Reporting Directive).

Households

The total gross capitalised value for households shows the total lending on own book to the retail market (i.e. exclusive of SpareBank 1 Boligkreditt). It is assumed that mortgages are fully covered by the EU Taxonomy. The volume assumed to be EU Taxonomy-eligible consists of homes that: i) were built in 2012-2020; ii) were built prior to 31.12.2020 and have an energy rating of “A” or “B”; iii) were built in 2021 and are aligned with the EU Taxonomy’s technical criteria; iv) have been renovated such that their energy consumption has been reduced by at least 30% (two-energy ratings improvement); and v) climate-adapted homes.

Proportion of mortgage portfolio assumed eligible and assumed aligned with the EU Taxonomy



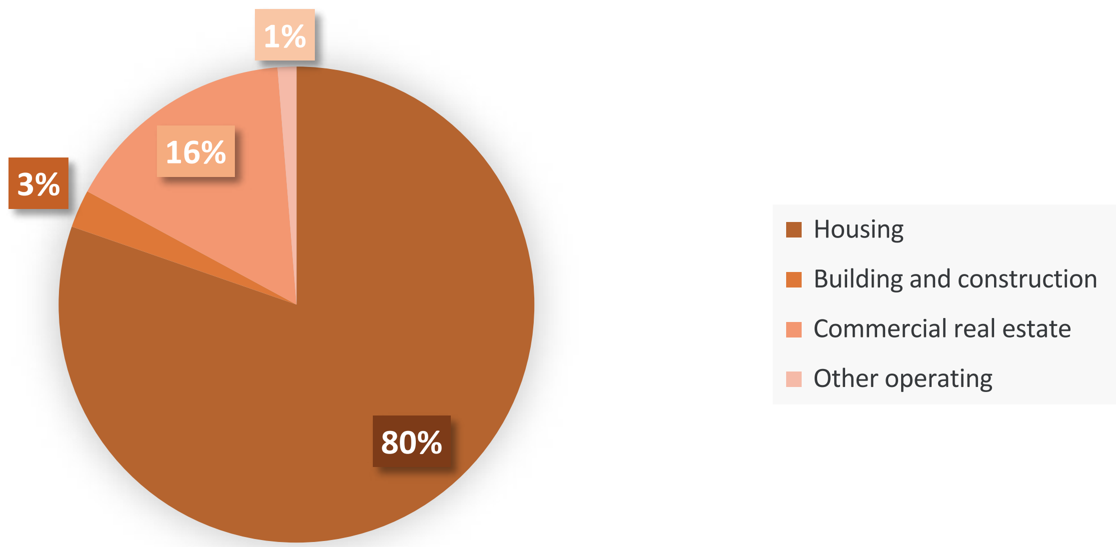
Activities only included in denominator and excluded activities

Activities only included in the denominator of the green fraction include activities in the corporate loan portfolio that are and are not registered with a NACE code covered by climate objectives 1 or 2, respectively (respectively "Activities not included" and "Non-financial companies not subject to disclosure duty under NFRD"). The majority of the objects assumed to be eligible are energy-efficient homes and commercial properties. The criteria for determining the eligibility or otherwise of objects are assessed by an independent third party, Cicero Shades of Green, as part of the work on the green bond framework in 2021.

The liquidity portfolio's exposure to the state is deducted from the Bank's investments in state-guaranteed green bonds.

"Other activities excluded" include cash and receivables from central banks; loans to/receivables from credit institutions with/without agreed maturity; fixed assets; goodwill; deferred tax assets; and other assets. The Bank has no trading portfolio.

Volume in our loan portfolio assumed eligible regarding the EU Taxonomy's climate objectives



* Others includes: Professional, scientific and technical services; business services; teaching; health and social services; cultural activities, entertainment and leisure activities; other services; electricity, gas, steam and hot water supply; water supply, sewerage and waste disposal activities; transport and storage; information and communication; agriculture, forestry and fishing; and manufacturing.

METHOD

The analysis of which of the Bank's activities are covered (eligible) under the delegated acts for the climate goals in the EU Taxonomy is based on:

- to which financial instruments the Bank is exposed
- which of the sectors covered we have exposure in via these financial instruments
- to which economic activities in the sectors with exposure does the Bank have exposure

  which customers the Bank has in these sectors and whether they are subject to a disclosure duty under the Taxonomy Regulation
- whether a relevant activity meets at least one technical criterion for at least one of the two environmental goals for which technical criteria (reduction in greenhouse gas emissions and climate adaptation) have so far been approved.

THE WAY FORWARD

· **Map remaining stakes** in activities that are EU Taxonomy eligible and/or aligned in preparation for the reporting for 2023.

· **Follow up strategic credit targets** linked to energy rating and climate-related risk for the retail and corporate markets. Better lending terms are also granted to new and existing homes that are eligible under the taxonomy.

· **Utilising the potential under the taxonomy for transition activities** in housing/real estate, building and construction, transport and manufacturing. Existing Norwegian legislation can make it easier to demonstrate that a loan that contributes significantly to achieving one environmental goal in Norway does not do so at the expense of other environmental goals or have a significant adverse social impact. However, very few new buildings in our market area currently meet the requirements stipulated by the EU Taxonomy and the changes will probably first occur in relation to larger buildings in the top tier in the Oslo region. Therefore, developing a portfolio of new buildings that are eligible under the EU Taxonomy will be challenging. This is why financing the renovation of existing buildings is important.

· **Link climate-related risk and taxonomy data:** Closer linking of data about assumed aligned lending for residential and commercial real estate with data about mortgaged objects with significant physical climate-related risk in order to quality assure the estimated volume. Collateral objects with significant climate-related risk are currently not excluded from the estimate of activities aligned with the EU Taxonomy (see the appendix "Physical climate-related risk in the loan portfolio" for more details).

· **Quality assure assumptions regarding limited material harm and limited challenges related to minimum social** standards: Because Norwegian legislation is strict when it comes to most environmental areas, the need to reduce the volume because of harm to other environmental targets is probably limited. The risk of a downward adjustment because activities breach social minimum standards is also considered limited: The Bank conducts a sustainability assessment of both the customer and the relevant loan and has additional procedures for screening customers in relation to the risk of financial crime.

· **Monitoring policy developments in the EU.** What we know so far about what activities may be defined as harmful under the EU Taxonomy suggests that the Bank has very limited exposure to such activities, and that these are largely excluded via our credit policy.

· **The mapping of loans** eligible under, and aligned with, the taxonomy's final four environmental targets.


SpareBank 1
SØRØST-NORGE

Appendix 2 – PAI reporting

Principal Adverse Impacts (PAI) is a reporting standard for investors under the Sustainable Finance Disclosure Regulation (SFDR). The aim of the reporting is to collect data about companies' main adverse impacts. The information below is intended for investors seeking information about SpareBank 1 Sørøst-Norge. It has been reported to the best of our ability given our current access to data. It refers to sections of the Annual Report, website or reports where one can find more information.
The reporting covers the entire Group.

Category		Indicator	Unit of measurement	SpareBank 1 Sørøst-Norge's reporting	Further information and references
Emissions	1	*Greenhouse gas emissions*	Scope 1 greenhouse gas emissions (tCO2e)	26	See Annual Report, appendix "Greenhouse gas emissions in own buildings"
			Scope 2 greenhouse gas emissions (tCO2e)	105	See the Annual Report, appendix "Greenhouse gas emissions in own buildings".
			Scope 3 greenhouse gas emissions (tCO2e)	275 329	Includes Scope 3 emissions from operations (see Annual Report, appendix "Greenhouse gas emissions in own buildings") and the loan portfolio (appendix "Greenhouse gas emissions in the loan portfolio").
			Total greenhouse gas emissions (tCO2e)	275 461	Includes emissions from operations (Scope 1-3, as well as estimated emissions from the portfolio of residential and corporate loans).
	2	*Carbon footprint*	Carbon footprint	275 461	Equal to total greenhouse gas emissions since the description here covers the entire value of the shares.
	3	*Carbon intensity*	tCO2e per NOK million of income	108.71	See the Annual Report, appendix "Greenhouse gas emissions in the loan portfolio". NB! The denominator is income (net interest income, commission income and other income) not loans. If lending is used, the intensity is significantly lower. For the carbon intensity of the most important securities funds we distribute, see the section "Sustainable fund management" in the chapter on sustainability in the Annual Report.
	4	*Fossil fuels*		The Group is not involved in the production of fossil-based power, energy or fuels, and it does not lend to new customers in this sector either. If a securities fund invests in companies that receive a significant share of their income from thermal coal, base significant parts of their activities on thermal coal, contribute to serious environmental damage or, on an aggregated company level, cause unacceptable levels of greenhouse gas emissions, the fund will receive a lower sustainability score and risk not being one of the funds recommended by the Bank.	Sustainability policy, page 19. "Sustainability" chapter in the Annual Report, sections "Responsible lending" and "Sustainable fund management".
	5	*Non-renewable energy production and consumption*		Production: See previous point. Consumption Almost 100% of the electricity physically delivered in Norway came from renewable sources in 2022 (1.6% from thermal power, of which about 40% was from renewables).	The Group purchases guarantees of origin for its energy consumption. The branches SpareBank 1 Modum added to SpareBank 1 Sørøst-Norge will be incorporated into the scheme from 2023 onwards.
	6	*Energy consumption intensity*	GWh per NOK million	0.001783741	Energy consumption 4 528 GWh/(net interest income NOK 1 619 000 000 + net commission income and other income NOK 915 000 000)
Biodiversity	7	*Adverse impact on biodiversity*		The Group has no activities in or near sensitive biodiversity areas. Loans are not given to companies that i) have a particularly high risk of committing, or are involved in specific suspected cases of, serious environmental harm or that lack the financial capacity to carry out required environmental measures and to comply with environmental requirements; ii) use timber from entities engaged in illegal logging, the sale of illegally felled timber or deforestation, or destroy tropical rainforest or clear remove primary forest or protected forest (High Conservation Value Forests); or iii) trade in animal and plant species in breach of international rules for trading in endangered animals and plants, or that threaten populations of red-listed species. If a securities fund invests in companies that contribute to serious environmental harm, the fund will receive a lower sustainability score and risk not being one of the funds recommended by the Bank.	Sustainability policy, pages 17 and 19. "Sustainability" chapter in the Annual Report, sections "Responsible lending" and "Sustainable fund management".

Category		Indicator	Unit of measurement	SpareBank 1 Sørøst-Norge's reporting	Further information and references
Water	**8**	*Emissions to water*	Tonnes of emissions to water	The Group has no direct emissions to water and does not lend to companies that are engaged in hydropower generation that do not satisfy the principles of the World Commission on Dams or that operate in areas already experiencing water shortages, or where such activities would conflict with the needs of the local community. If a securities fund invests in companies that contribute to serious environmental harm or unacceptable levels of greenhouse gas emissions, the fund will receive a lower sustainability score and risk not being one of the funds recommended by the Bank.	Sustainability policy, pages 14 and 17. "Sustainability" chapter in the Annual Report, sections "Responsible lending" and "Sustainable fund management".
Waste	**9**	*Hazardous and radioactive waste*	Tonnes of hazardous waste and radioactive waste.	The Group does not generate hazardous or radioactive waste, and does not lend to companies with a particularly high risk of causing, or that are specifically suspected of causing, severe environmental damage. If a securities fund invests in companies that contribute to serious environmental harm, the fund will receive a lower sustainability score and risk not being one of the funds recommended by the Bank.	Sustainability policy, pages 9, 15 and 19. "Sustainability" chapter in the Annual Report, sections "Responsible lending" and "Sustainable fund management".
Social and labour rights	**10**	*Breaches of the principles of the UN Global Compact (UN GC) and the OECD Guidelines for Multinational Enterprises*	Involved in breaches of the UN GC principles or the OECD Guidelines for Multinational Enterprises.	The Group is a member of the UN Global Compact and is not aware of any breaches of the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises.	https://unglobalcompact.org/what-is-gc/participants/137431
	11	*Lack of processes and tools for complying with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises*	Guidelines for monitoring compliance with the UN GC principles or the OECD Guidelines for Multinational Enterprises or complaints/complaint processing mechanisms for addressing breaches of the UN GC principles or the OECD Guidelines for Multinational Enterprises.	The Group has internal and external whistleblowing channels. The following guidelines ensure that we monitor compliance with the UN GC principles and the OECD Guidelines for Multinational Enterprises: · Sustainability policy · Code of Conduct · Policy for managing conflicts of interest · Policy for preventing and managing internal irregularities · Policy for suitability assessments · Remuneration policy · Privacy policy · Corporate governance policy · Whistleblowing Standard Anti-greenwashing decree · Eco-Lighthouse certification · Guidelines for the responsible distribution of securities funds. · Guidelines for corporate social responsibility and sustainability in the liquidity portfolio · Equality, diversity and inclusion policy · Policy for preventing and managing internal irregularities · Credit risk policy for RM and CM, respectively · Purchasing policy (coming in 2023)	Sustainability policy, page 8. Links to publicly available policies: https://www.sparebank1.no/nb/sorost/om-oss/barekraft/retningslinjer-og-rammeverk.html. UN GC membership: https://unglobalcompact.org/what-is-gc/participants/137431.
	12	*Unadjusted pay differences between the genders*	Average unadjusted pay gap between the genders	Women's pay as a % of men's pay: 82% among staff and 91% among managers.	The chapter "Our employees" in the Annual Report and appendix "Report on the work on equality, diversity and inclusion".
	13	*The Board's gender diversity*	The ratio between male and female board members is expressed as a percentage of all board members.	44.40%	https://www.sparebank1.no/nb/sorost/om-oss/om-banken/ledelse/styret.html
	14	*Exposure to controversial weapons*	"Involvement in the production or sale of controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)."	The Group is not involved in the production or sale of controversial weapons, nor does it lend to companies that are. If a securities fund invests in companies that produce or sell controversial weapons, the Bank will cease new sales of the fund.	Sustainability policy, page 14. "Sustainability" chapter in the Annual Report, sections "Responsible lending" and "Sustainable fund management".

Appendix 3 – Climate-related risk (TCFD index)

The Bank reports on climate-related risk in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This helps us better understand our risks and opportunities within the area of climate.

Corporate governance

DESCRIBE THE BOARD'S OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

In 2022, the Board of Directors expanded its role in, and insight into, climate-related risk, which was a topic in seven board meetings (quarterly risk reporting, strategy revision, annual reporting and revision of sustainability policy).

In 2022, the Board of Directors:

- Approved a new corporate strategy, in which sustainability is one of the overarching strategic goals and provides the basis for the strategies for the retail and corporate markets.
- Approved a new sustainability strategy (2023–2025) (see "Strategy" below) and revised the sustainability policy. Revisions are made every year and must be approved by the Board.
- Approved sustainability goals, including a goal of cutting emissions from operations and lending by 7% per year per NOK earned, as well as measures designed to implement the strategy.
- Approved changes to the credit policy designed to take climate-related risk into account, as well as the inclusion of additional sustainability aspects in the policy for deposits and placements policy.
- Supervised the work on climate-related risk. The Board's regular meeting plan includes an annual status report on sustainability. It also includes annual confirmation by the executive management team, Pillar 3 reporting and an annual report on management and control that includes climate-related risk. Risk reporting that includes these topics and reporting on the status of the measures in the strategy are both on the agenda each quarter, as is monitoring the scorecard for each department, several of which include specific climate-related risk KPIs.
- Started a bespoke learning programme for sustainability that will run until the end of the strategy period in 2025. It includes courses on the climate and environmental aspects of sustainability in which threats and opportunities relating to the business model are particular topics of discussion based on a 10-year perspective and in light of the Bank's exposure. See our sustainability policy for a more detailed explanation of the Board's role. For more information about the process for quantifying climate-related risk, see the points on stress testing in the sections on strategy and risk management, respectively, below.

DESCRIBE MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

The executive management team set the overarching ambitions and monitored the work closely in 2022:

- The executive management team considered all of the above agenda items in advance and follows the same learning programme as the Board of Directors.
- Sustainable business opportunities were also presented to the executive management team and discussed as a separate agenda item.
- A sustainability committee was established in which those operationally responsible for implementing the climate and sustainability strategy in the various departments, including managers where relevant, meet every month to coordinate and monitor the status of the measures.
- The head of sustainability leads a dedicated unit with professional responsibility for sustainability. He also chairs the Sustainability Committee and is responsible for incorporating climate-related risk into risk management, in cooperation with the head of risk management.

Strategy

DESCRIBE THE CLIMATE-RELATED RISKS AND OPPORTUNITIES THE ORGANISATION HAS IDENTIFIED OVER THE SHORT, MEDIUM, AND LONG TERM

In 2022, the Bank updated its assessment of climate-related risks and opportunities as part of its strategy work. This was based on estimated emissions and carbon intensity per industry, physical climate-related risk data and energy efficiency data for the Bank's mortgaged objects within commercial real estate and residential properties. We may be exposed to climate-related risk both through loans to the corporate market, mortgages in the retail market, the securities funds we distribute and through our liquidity portfolio.

In general, the Bank's carbon-related credit exposure is low compared with many other banks in Norway and internationally. We are not directly exposed to energy intensive industries such as shipping, fisheries, aquaculture or fossil energy production (only indirectly via a small number of exposures within oil services and fuel sales) and have little exposure to agriculture. This should ensure good access to funding in the future, we should be an attractive partner for other banks, and we should be an attractive place to work for environmentally conscious employees.

The total estimated emissions and carbon intensity from real estate, building and construction, where we have three quarters of our lending volume, are very low. However, they are nevertheless significant if that part of the value chain that is included in the transport, retail trade, forestry, manufacturing and service industries is included. Our highest carbon-related credit exposure is to mortgages. This is natural since mortgages account for the majority of the Bank's total loan portfolio. The liquidity portfolio is also exposed to mortgages and commercial real estate. Based on PCAF estimates, the Bank's highest carbon-related credit exposure in corporate loans is to agriculture (41%), despite the modest lending volume (2.5%).

Our analysis tells us, among other things, that our loan portfolio:

- Is exposed to transition risk in the medium term (1-5 years) related to higher CO2 taxes, customer requirements for zero emissions and the technological transition to zero-emission operations in a number of industries that, individually, we have little exposure to, but which collectively constitute an important share of the corporate loan portfolio: building and construction, transport, fuel sales, operating companies and agriculture.
- In the medium term, we are exposed to significant transition risk in relation to a small number of individual customers in manufacturing who are vulnerable to higher electricity and climate allowance prices, either because they are unable to recoup such costs by raising customer prices or because of their suppliers shutting down operations due to prices for energy and/or climate allowances being too high.
- Is exposed to significant transition risk in the medium term, but also offers great opportunities to have a positive impact within real estate (housing, projects and rental properties). High electricity prices have increased the awareness of electricity costs in buildings and homes that waste energy. The EU will soon pass Directives that require renovation of the 15% least energy-efficient buildings, probably by no later than 2030, and similar requirements for homes by no later than 2033. Requirements for solar panels will be phased in for both commercial buildings and homes in the same period. It is unclear whether, and when, the requirements will be adopted in Norway, and loans may have to be repriced because such things quite often involve refinancing. Nevertheless, this represents a material risk since many loans that are being approved today, for buildings with low energy efficiency and no energy production of their own, will have longer repayment periods than 7-10 years.
- Has limited exposure in the medium and long term (1-10 years) to physical climate-related risk, even though a small segment has indications of high climate-related risk (see appendix "Physical climate-related risk in the loan portfolio")
- Is exposed to transition risk in the long term (6-10 years) related to the re-letting or sale of commercial building mortgaged with the Bank due to technological developments and market changes (if our borrower rents out a building that is of poor technical quality and the tenant does not want to renew the lease and our borrower cannot afford to upgrade the building to satisfy the tenant's possible climate requirements).
- May in the long term (10+ years) be exposed to greater physical climate-related risk if homes or commercial properties are located in places at an increased risk of floods due to rain, storm surges, quick clay, landslides or avalanches, and situations or events that occur are not covered by the borrower's insurance.

The transition risk within both real estate and electrification is probably highest in cities and larger municipalities. Both zero emission requirements and customer demand for eco-certified, energy-efficient properties will probably be clearer (and arise earlier) in such places. The same is true for floods due to rain because green areas that carry water volumes away in the event of torrential rain are more often built over in urban cities. However, overall, our market area is exposed to relatively low physical climate-related risk in an international context.

We have started (see measures in the next section) exploring opportunities within financing, as well as new partners that can help customers through the climate transition. The Bank offers green loans for new, existing and renovated homes that achieve a high degree of energy efficiency, which in the long term we believe will help to reduce the risk in the loan portfolio. We also see potential for greater demand for green deposits and sustainable investment fund savings.

DESCRIBE THE IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON THE ORGANISATION'S BUSINESSES, STRATEGY, AND FINANCIAL PLANNING

Sustainability has been chosen as one of the Group's seven priority areas. One of the SDGs SpareBank 1 Sørøst-Norge has chosen to particularly focus on in its strategy is SDG 13: Climate Action. One of the three cornerstones of the Group's sustainability strategy is to be climate proactive and help customers be the same. Sustainability has also been integrated into the strategies for the retail and corporate markets. In the corporate market, commercial initiatives that focus on sustainability are planned for two specific sectors along with associated performance targets, as well as sales targets for climate reports.

In line with the UN Principles for Responsible Banking, to which the Bank is a signatory, the sustainability strategy includes measures to help retail and corporate customers in the climate change transition. This includes a heavy focus on the skills of advisers in the retail and corporate markets, which will enable them to provide advice to customers on risks within the area of climate change (especially within real estate and sectors exposed to transition risks due to electrification).

The focus is on working with partners in relation to the renovation and climate adaptation of homes and commercial real estate, respectively. We also want to take advantage of the demand for climate reports for SMEs by offering these via our accounting firm.

Other specific follow-up measures in the sustainability strategy include focusing on financing zero-emission vehicles and machinery; solar energy financing for homes and commercial properties; and planned efforts to improve cooperation across relevant departments in the Bank in the value chain for green buildings and homes. The tripartite partnership will also include a focus on financing and selling green commercial properties, selling homes in these buildings and selling green mortgages related to these homes.

Another important measure in the sustainability strategy is to integrate climate considerations into corporate governance by having climate budgets for the most important parts of the business. This is key in financial planning.

Following the recent mergers, the Group has commenced an assessment of owned and leased properties. Climate considerations have been integrated into the assessment via principles concerning reduced land use, avoiding demolition, source separating waste during renovation, avoiding unnecessary transport, facilitating climate-friendly commuting, requiring fossil-free building sites, and assessing the production of our own energy. New and refurbished premises must satisfy the requirements of the EU Taxonomy where appropriate. The solutions chosen must take account of major changes in consumption patterns in order to extend the lifetimes of the premises.

SpareBank 1 Sørøst-Norge measures carbon-related credit exposure, includes climate as part of the credit process, stipulates climate requirements for loans for residential and commercial properties, and regularly issues green bonds. Therefore, we are generally acting in line with the requirements for banks in the Roadmap for Green Competitiveness in the Financial Sector, which must be achieved by the end of 2030.

DESCRIBE THE RESILIENCE OF THE ORGANISATION'S STRATEGY, TAKING INTO CONSIDERATION DIFFERENT CLIMATE-RELATED SCENARIOS, INCLUDING A 2°C OR LOWER SCENARIO

Work on scenario analyses has started. So far, we have used simple scenarios based on scenarios from the Network for Greening the Financial System (see below): one with relatively high transition risk in the short term but lower physical climate-related risk in line with the 2°C target ("orderly"); one with low transition risk in the short term but high transition risk in the somewhat longer term, as well as higher physical climate-related risk (a 3°C scenario) ("disorderly"); and a scenario without transition risk but with the same higher physical climate-related risk (a 4°C scenario) ("hot house world"). These have been chosen to highlight the range of possible impacts from both transition risk and physical climate-related risk within different time horizons.

In 2022, the scenarios were refined further as part of the work on climate stress testing the Bank's exposure to physical climate-related risk, as well as income from/lending to carbon-intensive sectors.

Real estate projects in the figure below include housing, and rental properties include home rentals/home sales. The category fossil vehicles/machinery are also relevant for private vehicles/machinery.

The SpareBank 1 banks are working together to develop industry leading stress tests for climate-related risk. The Bank is participating in this work. The preliminary project that will deliver the proposed methodology and design is ongoing. The final proposals will be presented and approved in March 2023. The development of stress tests will be based on existing models in the Alliance. The climate-related risk data and assumptions will be obtained both internally and externally. The work will continue in 2023.

SCENARIOS \ INDUSTRIES	REAL ESTATE DEVELOPMENT PROJECTS	REAL ESTATE LEASING	FOSSIL VEHICLES/MACHINERY (TRANSPORT, BUILDING AND CONSTRUCTION, AGRICULTURE, OPERATING COMPANIES)
ORDERLY	**Higher carbon prices** result in higher costs for materials. Environmental standards, regulations and customers demand reliable energy supplies, **own energy production** and **proximity to public transport hubs**. Requirements for circular construction processes, emission-free construction sites and energy-efficient buildings using low carbon materials increase costs.	**Higher carbon prices and climate requirements in construction processes** result in more expensive buildings, higher rents and, therefore, potentially fewer customers. **Changed customer preferences** (room solutions, energy efficiency, environmental certification) increase operating and maintenance costs. **Requirement: older buildings must be renovated:** higher costs.	**Statutory requirements accelerate transition to electric power, higher costs.** Residual values of fossil vehicles / machinery fall. Small actors reliant on public projects are impacted. **Higher carbon prices**/cost of emissions. **Changed customer preferences** increases pressure for electricity/ hydrogen/ biofuel for larger machinery/vehicles.
DISORDERLY	**Low carbon prices** in short term, then rise rapidly: higher prices for materials. **Requirements for new types of technology**/materials in the building result in higher expenses. Governments employ **strong measures** to reverse developments; industry unable to deliver or extremely expensive. **Reputational risk** for customer (and the Bank if the customer does not adapt to the regulatory requirements. **Compensation requirements** because of environmental impact.	Few requirements initially, but then governments employ **strong measures** to reverse developments; industry unable to deliver or extremely expensive. **Changed customer preferences** and government requirements result in loss of customer groups. **Prohibitions** against use of technical solutions e.g., heating, materials, etc. result in higher expenses. **Reputational risk** if one does not adapt to regulatory requirements.	Few requirements initially, especially for large machinery vehicles, but then governments employ **strong measures** to reverse developments; industry unable to deliver or extremely expensive. **Changed customer preferences** and government requirements result in loss of customer groups. **Statutory requirements** for zero emission vehicles/machinery require rapid, major investment.
HOT WORLD	**Extreme weather and nature-related risk** make construction difficult and unsafe, and require tougher requirements, which in turn increases costs. **Significant climate change:** Unstable/expensive deliveries of materials (droughts, disease, social unrest, war). Projects in areas with (snow) activities that are disappearing become less attractive. **Limited travel activity** due to strain on infrastructure.	**Extreme weather and nature-related risk** make construction harder, resulting in fewer rental objects. **Serious climate change**, basis for (snow) activities disappears. **Limited travel activity** or obstacles due to impact on infrastructure. **Maintenance costs** rise sharply because of extreme weather.	**Extreme weather** damages roads and charging infrastructure, and hinders deliveries of components for vehicles. **Natural damage** results in more work for machinery operators.

Risk management

OUR PROCESSES FOR IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

At an overarching level and for operational risk

Important sources of exposure to climate-related risk for the Bank are our lending to the retail and corporate markets, our liquidity portfolio and the securities funds we invest in on behalf of our customers. Therefore, important governing documents for the process of identifying climate-related risks are the risk strategy, credit strategy, including the strategic credit targets, the guidelines for sustainability in liquidity management, and the guidelines for the responsible distribution of mutual funds.

The Bank considers transition risk more important than physical climate-related risk in the short term, and transition risk will become more important in the Bank's general risk picture, albeit from a low starting point.

We assess our climate-related risk every year. In 2022, dedicated working groups identified and assessed such risks for each of the Group's key business areas (retail market, corporate market, finance, savings and placements, payments, Regnskapshuset, EiendomsMegler 1 and Z-eiendom, HR, market, insurance communication, economics and operations). Areas with high risk are subsequently followed up with measures, integrated into the Sustainability Department's action plan and in the Risk Department's and Compliance Department's monitoring system.

As part of our work on following up the UN Principles for Responsible Banking, the Group conducts impact analyses. The updated analysis for 2022 showed that the Bank's material adverse impacts were within:

- Resources and services that are accessible, achievable and of good quality (financial services and housing)
- Circularity (waste and resource intensity)
- Climatic stability

The Bank is partly Eco-Lighthouse certified in line with the industry rules for banking and finance (the former Sparebanken Telemark's branches will be Eco-Lighthouse certified in 2023, along with a new head office, as part of the recertification of the rest of the branches). The Bank produces its own climate report for the entire Group and is planning to integrate this into corporate governance in 2023 (see section on financial planning above). Therefore, the Bank feels that it has the operational risk associated with the climate under control.

In the loan portfolio

The Risk Department and Compliance Department have, in collaboration with the head of sustainability, conducted an overarching risk analysis of physical climate-related risk and transition risk for the industries in our loan portfolio. The industry categorisation was based on the two-digit NACE code. This has provided us with a provisional overview of our climate-related risk. We assess both physical climate-related risk and transition risk. Within transition risk, we assess political and legal risk, reputational risk, market risk and climate driven technological innovation. We arrive at the climate-related risk by assessing likelihood, vulnerability and exposure.

The Bank has obtained data on estimated physical climate-related risk (flooding, storm surges, quick clay, landslides, rockfalls, avalanches) from Norkart for all mortgaged objects (see separate appendix on physical climate-related risk), as well as a map client where individual objects can be assessed prior to granting credit. The map solution also makes it possible to analyse climate-related risk as concentration risk (the risk of too much of the Bank's exposure being concentrated in a small geographical area) and to assess the covariation of climate-related risk factors across objects. The data will be used in climate stress testing (e.g. objects with high risk/vulnerability can be analysed based on various scenarios in which one adjusts the reduction factor and increases the loan's proportion of the collateral's value (loan-to-value (LTV)) for all such objects).

We involve customer advisers in the above-mentioned risk analyses. This taught them more about the topic, while at the same time they were able to contribute first-hand knowledge of the customer to the analysis.

The Bank is currently introducing a new model for assessing sustainability in relation to corporate loans (see the section on process for assessing climate-related risk below).

At a customer level

The dialogue with customers in the retail and corporate markets on climate and sustainability risks and opportunities has begun. We initiated a dialogue with relevant corporate customers in 2021, held sustainability meetings with around 20 customers who were exposed to or saw opportunities related to climate-related risk in 2022, and sustainability is now a topic in a very large number of meetings with corporate customers.

New products/services

The Bank has implemented a policy for new and changed products, solutions and processes. The procedures require product owners to answer specific control questions related to climate-related risk before new products, processes and services are launched. This applies to both products developed in-house and products the Bank receives from SpareBank 1 Utvikling. All new investment funds distributed by the Bank are ESG labelled.

OUR PROCESSES FOR MANAGING CLIMATE-RELATED RISKS

We identify, assess and manage climate-related risk at various levels using various methods:

- At an overarching level through the Bank's internal capital adequacy assessment process (ICAAP), risk strategy, other governing documents, etc.

- At a detailed level through assessments conducted as part of granting credit, investment decisions, product development, etc.
- Ongoing monitoring and quarterly reporting from the administration to the Board of Directors and executive management team.
- Through the green bond framework, which is third-party reviewed by Cicero Shades of Green based on the EU Taxonomy, which will help to highlight how much of the loan portfolio is green as defined by the international requirements for green bonds.

HOW OUR PROCESSES FOR IDENTIFYING, ASSESSING, AND MANAGING CLIMATE-RELATED RISKS ARE INTEGRATED INTO THE ORGANISATION'S OVERALL RISK MANAGEMENT

Climate-related risk has been integrated into the Bank's system in order to *identify* risk in areas where the impact is material:

- If sustainability or climate-related risks identified in risk workshops are deemed high, the risks and planned measures are included in the risk monitoring system, Betr.
- SpareBank 1 requires managers of the funds it distributes to complete an annual questionnaire to update their sustainability scores. The funds must clarify that they do not invest in activities connected to thermal coal; companies that aid deforestation; or companies that, through acts or omissions, cause unacceptable levels of greenhouse gases (substantially higher emissions, including per unit produced, than comparable companies).
- Mortgaged objects' exposure to physical climate-related risk is mapped for all loan exposures in excess of NOK 5 million in the corporate market, and for residential mortgages with an LTV ratio of more than 80% or where the value of the collateral exceeds NOK 15 million. A high risk exists if the mapping client or information the adviser has (through visits, from the customer or based on local knowledge) shows that the land number/title number is exposed to one or more of the following risks and that no measures have been taken:
  - Quick clay: high degree of danger
  - Flood: 10 or 20-year floods
  - 20-year storm surge
  - Both in avalanche and rockfall zones
  - Slide events
  - Highly exposed to other types of physical climate-related risk,
    e.g. drought or strong winds

The risk is then *assessed* in relevant contexts:

- Risk Management is represented on the Main Credit Committee and is, therefore, involved in complex and large loan application cases.
- The Bank's head of sustainability is a member of the working group that helps SpareBank 1's Savings & Investment Committee conduct sustainability assessments of securities funds. Funds that do not meet SpareBank 1's expectations due to high climate-related risk will receive a low score in our assessment.
- In loan cases with a high level of physical climate-related risk, the assessments must address: i) measures that can reduce the identified risk, ii) whether the risk is acceptable to the Bank; iii) whether the risk should be priced higher; and iv) whether stricter repayment period requirements should be set.
- Climate-related risk must be assessed for all corporate loans. A special model for assessing such risk has to be used if the exposure is more than NOK 5 million (NOK 10 million for real estate leasing and real estate projects). It asks for responses to general questions about physical climate-related risk and transition risk for all industries, as well as mandatory, specific questions for key risk industries for the Bank (real estate leasing, real estate projects, machinery operators, transport and agriculture). The Bank actively participated in the design of the model, which was developed by the SpareBank 1 Alliance's competence centre for credit models, as well as the questions customers in key industries are asked. The model enables the integration of climate-related risk in analyses of credit risk as the data and basis for analysis become adequate.

We are doing the following to *manage* climate-related risk by reducing, transferring, accepting or controlling it:

- We include climate-related risk in our internal control procedures, as well as in risk assessments in areas other than sustainability.
- If a high level of sustainability or climate-related risk is identified in risk workshops, measures will be identified in the Bank's credit policy, technical credit standards and procedures that can be used to manage the risk, or new measures will have to be established. The risk is followed up in the next risk workshop with appropriate measurements.
- The sustainability department is responsible for the technical determination of whether, and to what extent, a given climate-related risk is material, although responsibility for incorporating such materiality considerations into risk management and properly prioritising them in light of other risks lies with the head of risk management in collaboration with the head of sustainability.
- Acceptable repayment periods for commercial buildings differ depending on energy rating and LTV ratio. Loan applications for low energy efficiency buildings, or buildings without a certificate, may be denied. However, we offer favourable loans terms for renovating such buildings if the customer so wishes. This can reduce both the risk of the property not being leased out or having a low sales value, and our carbon exposure.
- Securities funds that receive a lower score than "C" (where "A" is the highest and "F" the lowest score") due to high climate-related risk, will not be recommended to our customers. They will also be presented with their low score in our sustainability labelling of funds on our website.

Metrics and targets

METRICS AND TARGETS WE USE TO ASSESS AND CLIMATE-RELATED RISKS AND OPPORTUNITIES

The Bank uses the following metrics to assess sustainability and climate-related risk and opportunities:

- Greenhouse gas emissions per unit of added value from operations and the loan portfolio, respectively
- Emissions per mortgaged object in the residential mortgage portfolio
- Carbon intensity and emissions per industry in the corporate market portfolio (using the Partnership for Carbon Accounting Financials (PCAF) approach)
- Proportion of mortgaged objects in the retail and corporate market portfolios with indications of exposure to material physical climate-related risk
- Proportion of liquidity portfolio invested in securities that are aligned with the EU Taxonomy
- Volume of issued green bonds
- Proportion of the loan portfolios in the retail and corporate markets that is eligible and that is assumed to be aligned with the EU Taxonomy's climate objectives, respectively
- Proportion of employees who have received training in climate-related risks and opportunities relevant to their work
- Proportion of loans granted in the retail and corporate markets that is assumed to be aligned with the EU Taxonomy's climate objectives
- Proportion of the loan portfolios in the retail and corporate markets with energy rating of "A"/"B", respectively; energy rating "F"/"G"; and that have no data regarding either year of construction or energy rating
- Volume of green mortgages (which get our best interest rate)
- Some industries and activities are excluded from obtaining loans due to particularly high climate-related risk

We use the Eco-Lighthouse environmental management system, and our
environmental certification (and our sustainability reporting) is verified by a third party. We have implemented the criteria for banking and finance for credit provision, financing, bonds, savings products/placements of customers' deposits and management of the Group's own funds. We report on these criteria in the Annual Report for 2022. In line with the Eco-Lighthouse's banking and finance criteria, we evaluate targets, measures and exclusions annually.
Our sustainability policy contains more details about our goals and measures within climate-related risk.

GREENHOUSE GAS EMISSIONS (SCOPES 1-3), AND RELATED RISKS

For climate reports for Scopes 1-3, (excluding emissions from our suppliers, from our loans, and from the fund portfolio): See the Annual Report, appendix "Greenhouse gas emissions in own buildings". For Scope 3, loan portfolio, see the Annual Report, appendix "Greenhouse gas emissions in the loan portfolio".

Because we only distribute funds from other providers, we have as yet not calculated emissions from our fund portfolio. However, we have collected data on total Scope 1 and Scope 2 emissions, as well as other relevant parameters (e.g. carbon intensity) from 143 of the 202 investment funds SpareBank 1 distributes and are working to ensure that SpareBank 1 uses the data in sustainability assessments of the funds going forward (see chapter "Sustainable fund management".

We have not calculated emissions at our other suppliers. The materiality and impact analyses indicate that this is not a significant area for us, and a very high proportion of the supplier relationships, including the largest, are managed centrally by SpareBank 1 Utvikling.

THE TARGETS WE USE TO MANAGE CLIMATE-RELATED RISK AND OPPORTUNITIES AND PERFORMANCE AGAINST TARGETS

- The Group aims to cut carbon intensity (greenhouse gas emissions per NOK million in income) with 7% per year from 2019 levels and do the same for the loan portfolio in order to do our bit to achieve Norway's target of cutting emissions by 50-55% by the end of 2030 and by 90-95% by the end of 2050. Carbon intensity has been cut 26.5% from 2019 to 2022. See the Annual Report, appendices "Greenhouse gas emissions in own buildings" and "Greenhouse gas emissions in the loan portfolio" for estimated emissions from operations and the loan portfolio, as well as carbon intensity, in 2022; information on the emissions included in Scope 3; and projections. The most important measures designed to achieve the annual target can be found in the appendix "Greenhouse gas emissions in own buildings" and the section "Responsible lending". The appendix "Greenhouse gas emissions in the loan portfolio" provides an overview of carbon intensity and emissions per industry in the corporate market portfolio, as well as emissions per mortgaged object in the residential mortgage portfolio.
- Our goal are for a maximum of 0.5% of mortgaged objects in the corporate market portfolio and 5% in the retail market portfolio to have indications that they are exposed to significant physical climate-related risk. The goals are strategic credit targets and, therefore, do not have a defined time horizon. As at 31.12.2022, the figures were 0.99% and 4.2%, respectively. The appendix "Physical climate-related risk in the loan portfolio" shows what the targets are based on and how they will be followed up. For more on how these goals will be achieved, see the section

above on integrating processes for assessing climate-related risk into our risk management.

- The Group's goal is to have NOK 25 billion in green exposure by the end of 2025. As at 31.12.2022, this figure was NOK 14 billion. As at 31.12.2022, the proportion of loans granted in the retail market that is assumed to be aligned with the EU Taxonomy's climate objectives was 11.7%. No loans granted in the corporate market were to counterparties subject to a duty of disclosure and, therefore, these loans are not eligible under the EU Taxonomy. However, it is estimated that 16.8% (including both own book and mortgage credit institutions) is aligned with the other criteria in the EU Taxonomy. For details about the loan portfolios in the retail and corporate markets that is eligible and that is assumed to be aligned with the EU Taxonomy's climate objectives, respectively, see the appendix "EU Taxonomy".
- Our goal was for 5% of the liquidity portfolio to be invested in securities aligned with the EU Taxonomy by the end of 2022 (the targets for subsequent years will be set in 2023). As at 31.12.2022, the status for the green liquidity portfolio was 5% of the total portfolio (NOK 0.427 billion), and that NOK 2.62 billion in green bonds had been issued.
- Our goal is to ensure that 90% of the relevant employees have received training in climate-related risks and opportunities relevant to their work As at 31.12.2022, this figure was more than 93%. For details, see the chapter "Our employees".
- As at 31.12.2022, 13% of the buildings in the retail loan portfolio had an energy rating of "A"/"B" or construction year of 2012-20 (target: more than 11.18%), 8% had a rating of "F" (target: less than 11.05%), 13% "G" (target: less than 15.73%), 21% lack both construction year and energy rating (target: less than 40%). For the corporate market, the status was 18% (target: at least 14%), 2% (target: less than 4.25%), 5% (target: less than 6.16%) and 33% (target: less than 66.3%). The targets were set based on the expected changes that result from a larger proportion of data becoming available, although they will probably be revised in 2023 because they have been achieved. The goals are strategic credit targets and, therefore, do not have a defined time horizon.
- As at 31.12.2022, the volume of green mortgages (which get our best interest rate) amounted to NOK 1.7 billion. See the chapter "Responsible lending" for details.
- The Bank did not receive any loan applications from industries/activities excluded from obtaining loans due to climate-related risk in 2022. For an overview of the industries, see the chapter "Responsible lending".

Appendix 4 – Nature-related risk (TNFD index)

The Group reports on nature-related risk in line with the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD). This helps us better understand our risks and opportunities.

Corporate governance

THE BOARD'S OVERSIGHT OF NATURE-RELATED RISKS AND OPPORTUNITIES

Sustainability is one of seven strategic focus areas in the corporate strategy. These are reviewed and revised annually by the Board of Directors. The Board of Directors also monitors SDGs and measures on a quarterly basis using balanced scorecards. Risk reporting on sustainability risk, including nature-related risk, forms part of the regular risk reporting to the executive management team and the Board of Directors.

The Board of Directors has approved a sustainability strategy for the period 2022-2025 in which helping corporate customers manage nature-related risk has been highlighted as an important topic. A learning programme that will run throughout the strategy period up to 2025 was started in 2022 in order to increase the Board of Directors' sustainability knowledge. The first part included a description of the challenges associated with nature-related risk and explained the EU Taxonomy's environmental objectives that are relevant to nature-related risk, as well as how an activity is not aligned with the EU Taxonomy if it materially damages other environmental objectives.

The Board of Directors' work on discussing opportunities associated with nature-related risk has not begun yet.

MANAGEMENT'S ROLE IN ASSESSING AND MANAGING NATURE-RELATED RISKS AND OPPORTUNITIES

The executive management team has approved a revised sustainability strategy, follows up SDGs and measures on a quarterly basis via balanced scorecards, and participates in the same learning programme as the Board of Directors.

The Main Credit Committee, which includes members of the executive management team, dealt with several loan applications in 2022 involving nature-related risks. The Group's Sustainability Department was involved in this and provided its input.
The executive management team's work on discussing opportunities associated with nature-related risk has not begun yet.

Strategy

DESCRIBE THE NATURE-RELATED DEPENDENCIES, IMPACTS, RISKS AND OPPORTUNITIES THE GROUP HAS IDENTIFIED OVER THE SHORT, MEDIUM AND LONG TERM

The greatest nature-related risk is regarded as being within corporate loans for real estate projects and construction loans for retail customers. These account for a major part of the Bank's total loan portfolio. They also have a large nature-related footprint, both because they can be sited in pristine nature and because the construction processes and materials rely on materials and resources from nature.

The following risks are identified within different timeframes:

Short to medium term (0–5 years)	○ **Loss of ecosystem services** related to energy has resulted in higher costs for Norwegian loan customers and companies. This could persist over time and curtail growth in both the retail and corporate markets. ○ **Reputational risk** due to greater media focus on the natural world following the UN Nature Agreement in 2022, e.g. if the Bank distributes and recommends securities funds that invest in companies that have a highly adverse impact on nature. ○ **Slightly higher exposure** to vulnerable segments such as agriculture and holiday home constructionfollowing the merger with SpareBank 1 Modum. The segments still account for a modest proportion of the Bank's total portfolio.
Long term (5–10 years)	○ **Higher risk of rejection and slower approval processes for projects in forest or agricultural areas** in future planning periods because municipalities are taking greater account of nature-related risk due to commitments under the Nature Agreement and EU Taxonomy. Corporate customers who have received financing from the Bank for projects that have not completed the planning process may encounter problems. ○ **Reputational risk** linked to financing and brokering holiday home projects in vulnerable areas if our customers do not comply with municipal requirements or the local population perceives local natural assets to be under threat. ○ **Natural disasters in the Group's market area**, like municipal sewage discharges, could prevent further development. ○ **Changes in local ecosystems** may entail acute or chronic nature-related risk. This could happen in our market area, although the impact of changes elsewhere could also be major: a powder-post beetle attack in Canada in 2021 resulted in higher timber prices in Europe and Norway and made our customers' real estate projects more expensive because US market participants had to buy from Europe. Chronic risk such as water shortages can in turn contribute to higher electricity prices in Norway and make agriculture harder and more expensive. ○ Loans to companies that depend on natural resources that could in the long term beco-me protected constitute a risk. ○ **Requirements to replace or remove buildings** may arise where natural areas that have been damaged or that must be protected have to be restored. Restoration of nature is a point in the UN Nature Agreement. For example, holiday home projects do not just have a one-off adverse impact on nature, they can have an impact on local ecosystems over time, especially in areas with endangered species.

DESCRIBE THE IMPACT OF NATURE-RELATED RISKS AND OPPORTUNITIES ON THE GROUP'S BUSINESSES, STRATEGY, AND FINANCIAL PLANNING

Our awareness of nature-related risk as a financial risk is growing, and taking account of nature-related risk has been a part of the Group's sustainability strategy since 2022. Nature-related risk could impact different areas of the Group's operations, strategy and planning. Therefore, the sustainability strategy includes a focus on expertise on nature dependence, exposure to nature-related risk and nature-related opportunities. The departments for risk, compliance, legal questions and credit have conducted a detailed review of the topic as part of its learning programme for sustainability, as have the Board of Directors and executive management team, corporate advisers, and the departments for strategy and business development. This will be included in the learning programme that will last until the end of 2025, for all relevant departments. The work on TNFD's recommendations will be the next right step forward in raising awareness in the Group about risk caused by changes in nature.

DESCRIBE THE RESILIENCE OF THE GROUP'S OPERATIONS, STRATEGY, AND FINANCIAL PLANNING, TAKING INTO CONSIDERATION DIFFERENT SCENARIOS

The Group's sustainability strategy focuses on taking advantage of the potential offered by solar panels in both the retail and corporate markets, as well as helping customers take advantage of the potential for increasing energy efficiency. The need for such efforts will further increase in a scenario with greater warming because of the greater risk of losing ecosystem services, both in Norway (drought years and thus low hydropower production) and in Europe (cooling water too hot for nuclear power plants or too little water in the Rhine to transport coal to coal-fired power plants).

In 2022, Norway signed the UN Nature Agreement, which aims to stop the global crisis in nature. The agreement includes points concerning the 100% sustainable use of nature and 30% of nature protected being by the end of 2030. A scenario in which Norway's agreement obligations are followed up rapidly could result in transition risk for our customers.

Given our major exposure to real estate projects, including holiday home projects, we are exposed to the risk of municipalities imposing stricter development rules due to stricter national requirements to protect nature. Developers that have already obtained the permits necessary for their real estate projects may thus see an increase in the value of these properties and thus lower the Bank's risk as the lender. For customers in the early phases of projects, significant transition risk may arise in the form of new areas being protected and/or requirements for area neutrality.
The desire for jobs and tax revenues means the municipalities may approve projects that should not be carried out. If the Bank is not competent and strong enough we may, therefore, end up by including projects that prove to be risky or that are categorised as harmful in the EU Taxonomy.

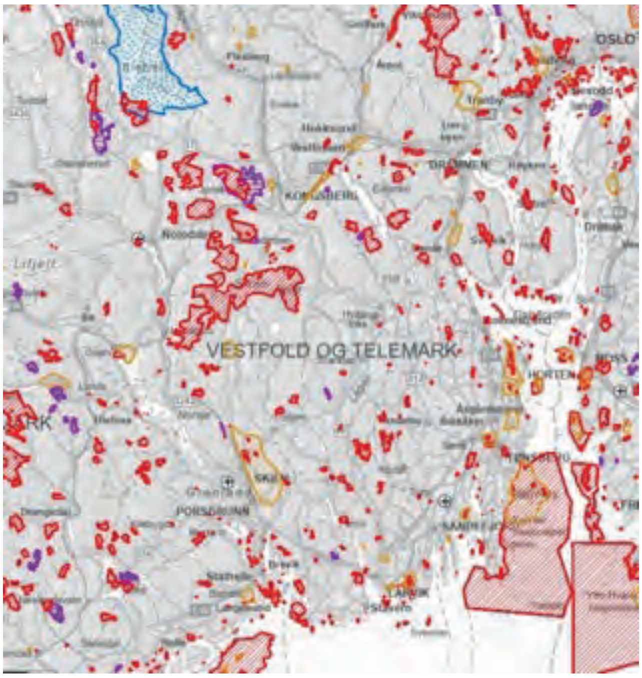
THE INTERACTIONS THE GROUP HAS WITH VULNERABLE OR IMPORTANT ECOSYSTEMS, OR AREAS WITH WATER SHORTAGES

Our market area contains a number of endangered species of national management interest. There are also wild reindeer areas where special precautions must be taken. In line with the UN Nature Agreement, it is important to take account of these ecosystems in new and ongoing projects.

As the map section from the Norwegian Environment Agency shows, both Buskerud and Vestfold og Telemark county authorities have several current and proposed nature protection areas, and other endangered species and ecosystems, which must be taken into account by development projects.

We are exposed to geographic areas other than our own via the securities funds. The funds we distribute may be invested in companies that overuse water and other natural resources and/or are critically dependent on these resources without having adequately reflected this in their strategy.

From a global perspective, Norway is not exposed to water shortages. On the other hand, we are aware of the consequences that periods of drought and extreme precipitation can have for the natural world and value creation that depends on the local environment. Agricultural customers are in particular exposed to risk related to changes in precipitation volumes. A lack of water and precipitation can also have consequences for electrification, as well as companies that depend on electricity supplies for their production (see previous section).



Risk management

HOW WE IDENTIFY AND ASSESS NATURE-RELATED DEPENDENCIES, IMPACTS, RISKS AND OPPORTUNITIES

At an overarching level and for operational risk
Important sources of exposure to nature-related risk for the Bank are our lending to the retail and corporate markets, our liquidity portfolio and the securities funds we invest in on behalf of our customers. Therefore, important governing documents for the process of identifying nature-related risks are the risk strategy, credit strategy, including the strategic credit targets, the guidelines for sustainability in liquidity management, and the guidelines for the responsible distribution of mutual funds.

In 2022, the Group identified and assessed potential nature-related risk in the following ways:

- Risk workshops were regularly conducted with all of the Group's departments to identify potential risks. Nature-related risk and its relative importance in light of other risks was a topic in the workshops.
- The module for assessing the sustainability of corporate loans includes questions regarding nature-related risk. In 2023, corporate advisers will start using a new module to assess new lending, with more detailed questions on this topic. The answers to the questions will result in a score, which will help decide whether the loan application is approved or not. Therefore, if current or potential customers have not integrated nature-related risk into their projects, they risk having their loan applications rejected. This module will also make managing nature-related risk a bigger part of the everyday work of corporate market advisers because they will have to search the Naturbase map solution in connection with all loan applications for real estate projects exceeding NOK 10 million. Nature-related risk is included via the following questions in the module:
  - *Real estate development projects:*
    - *To what extent has the project been adapted to take account of the circular economy (minimum waste; recycling; reuse; and flexible design for long service life for the building)?*
    - *Is the project sited in, or very close to, an area with particularly vulnerable nature/wild fauna?*
    - *Is the project sited in a marshland or wetlands area?*
    - *Does the company have systems in place to prevent the materials used in the construction project contributing to deforestation?*
  - *Agriculture:*
    - *Relative to the industry in general, to what extent is the customer assumed to be exposed to future regulations from government or the industry (transition risk related to climate change), for example, the Fertilising Products Regulation?*
    - *Does the farm have an approved forestry plan? If yes, has the forest management been certified in line with PEFC or FSC? Are parts of your forest protected?*
- Data on estimated physical climate-related risk has been collected from Norkart for all of the Bank's mortgaged objects. An access client has also been established in which individual objects can be assessed prior to loans being approved. The access client can also provide an overview of concentration risk.
- An impact analysis was conducted and indicates a large resource footprint for homes and commercial real estate. So far, this has been most evident in projects involving holiday home developments because the projects combine taking habitats into account along with the emission risk associated with building on marshland.

We have not mapped the exposure of the portfolio to other nature-related financial risks.

OUR PROCESS FOR MANAGING NATURE-RELATED DEPENDENCIES, IMPACTS, RISKS AND OPPORTUNITIES

We identify, assess and manage nature-related risk at various levels using various methods:

- At an overarching level through the Bank's internal capital adequacy assessment process (ICAAP), risk strategy, other governing documents, etc.
- At a detailed level through assessments conducted as part of granting credit, investment decisions, product development, etc.
- Ongoing monitoring and quarterly reporting from the administration to the Board of Directors and executive management team.
- Through the green bond framework, which is third-party reviewed by Cicero Shades of Green based on the EU Taxonomy's environmental objectives, which will help to highlight how much of the loan portfolio is green as defined by the international requirements for green bonds.
- Improving skills as described in the section above on nature-related risks and opportunities on the organisation's businesses, strategy, and financial planning.
- Through processes for determining the distribution of securities funds and regularly assessing their product quality. The funds are required not to invest in companies that damage UNESCO World Heritage Sites, contribute to the loss of globally endangered species and loss of important ecosystems, contribute to deforestation, contribute to serious pollution, or contribute in some other manner to serious environmental harm. Read more in the Annual Report, chapter "Sustainability", section "Sustainable fund management".

The action plan for 2023 includes plans to assess nature-related risk in loans, propose measures and map tools that can improve risk assessments for current and future real estate projects. The mapping will attach weight to important and vulnerable ecosystems.
The greater use of map services will allow us to avoid projects with material climate-related and nature-related risk.

HOW PROCESSES FOR IDENTIFYING, ASSESSING, AND MANAGING NATURE-RELATED RISKS ARE INTEGRATED INTO OUR OVERALL RISK MANAGEMENT

Nature-related risk has been integrated into the Bank's system in order to *identify* risk in areas where the impact is material:

- If nature-related risks identified in risk workshops are deemed high, the risks and planned measures are included in the risk monitoring system, Betr.
- SpareBank 1 requires managers of the funds it distributes to complete an annual questionnaire to update their sustainability scores (see the section above for a description of the issue).
- Loan exposure to nature-related risk is mapped for all loan exposures above NOK 5 million in the corporate market.

The risk is then *assessed* in relevant contexts:

- Risk Management is represented on the Main Credit Committee and is, therefore, involved in complex and large loan application cases.
- The Bank's head of sustainability is a member of the working group that helps SpareBank 1's Savings & Investment Committee conduct sustainability assessments of securities funds. Funds that do not meet SpareBank 1's expectations due to high nature-related risk will receive a low score in our assessment.
- Nature-related risk must be assessed for all corporate loans. A special model for assessing such risk has to be used if the exposure is more than NOK 5 million (NOK 10 million for real estate leasing and real estate projects). It asks for responses to general questions about nature-related risk for all industries, as well as mandatory, specific questions for key risk industries for the Bank (real estate projects and agriculture). The Bank actively participated in the design of the model, which was developed by the SpareBank 1 Alliance's competence centre for credit models, as well as the questions customers in key industries are asked. The model enables the integration of cc-related risk in analyses of credit risk as the data and basis for analysis become adequate.

We are doing the following to *manage* nature-related risk by reducing, transferring, accepting or controlling it:

- If a high level of nature-related risk is identified in risk workshops, measures will be identified in the Bank's credit policy, technical credit standards and procedures that can be used to manage the risk, or new measures will have to be established. The risk is followed up in the next risk workshop with appropriate measurements.
- The Sustainability Department is responsible for the technical determination of whether, and to what extent, a given nature-related risk is material, although responsibility for incorporating such materiality considerations into risk management and properly prioritising them in light of other risks lies with the head of risk management in collaboration with the head of sustainability.
- Securities funds that receive a lower score than "C" (where "A" is the highest and "F" the lowest score") due to high nature-related risk, will not be recommended to our customers. They will also be presented with their low score in our sustainability labelling of funds on our website.

HOW WE IDENTIFY SOURCES OF VALUE CREATION THAT CAN CAUSE NATURE-RELATED DEPENDENCIES, IMPACTS, RISKS AND OPPORTUNITIES

Potential and existing customers are assessed in relation to nature-related risk and can be excluded if they have activities that involve such challenges. See the Annual Report, section "Responsible lending" for details about activities and industries for which we do not grant loans because of nature-related risk.
The Group has seen opportunities in various areas related to nature-related risk: Business opportunities within carbon sequestration are discussed with forestry and agricultural customers. The Bank has start-ups in its loan portfolio that are involved in cutting greenhouse gas emissions, climate adaptation and reducing plastic waste in oceans. Greater customer focus on the climate and nature could represent an opportunity for the Bank if we offer nature-friendly funds.

The Bank's green framework includes a special category called sustainable production and technology, which is intended to catch opportunities that could be eligible under the environmental objectives in the EU Taxonomy not linked to the climate.

HOW WE INCLUDE STAKEHOLDERS, INCLUDING RIGHTSHOLDERS, IN ASSESSMENTS AND RESPONSES TO NATURE-RELATED DEPENDENCIES, IMPACTS, RISKS AND OPPORTUNITIES

Our lending exposes us to real estate projects. Compared with many other countries, the inclusion of stakeholders is well institutionalised in Norway as part of normal application processing for construction projects.

When the Savings and Investment Committee in the SpareBank 1 Alliance collects responses to the securities fund questionnaire (see above) this provides opportunities to talk to managers about sustainability topics. So do customer meetings, both those the Sustainability Department participate in and meetings sustainability advisers conduct on their own.

In our recent materiality analysis, external stakeholders ranked "management of nature-related risk" as less important for the Group than internal stakeholders did. Even though the topic did not score the highest, it scored higher than, for example, "Managing climate-related risk". In our updated impact analysis, species diversity and ecosystems are among the three areas in which the Group has the greatest potential to have a positive impact.

Metrics and targets

METRICS USED BY THE ORGANISATION TO ASSESS NATURE-RELATED RISKS AND OPPORTUNITIES IN LINE WITH ITS STRATEGY AND RISK MANAGEMENT PROCESS

The Bank has the following plans for including calculations of nature-related risks and opportunities, in addition to existing metrics and reporting related to greenhouse gas emissions and physical climate-related risk (see the appendices to the Annual Report "Greenhouse gas emissions in own buildings" and "Physical climate-related risk in the loan portfolio"):

- Carbon sequestration in forests as part of the climate report
- Land use per person in the real estate portfolio

METRICS WE USE TO ASSESS AND MANAGE DEPENDENCIES AND IMPACTS ON NATURE

Some industries and activities are excluded from obtaining loans due to particularly high nature-related risk, see the Annual Report, section "Responsible lending", and the sustainability policy.

We will work on specifying calculations and measurement parameters. The capture of data is limited for both loans and securities. Depending on the experiences of using the new model for sustainability assessments of corporate loans, it may be relevant to measure the proportion of loans to real estate projects or the construction of homes in or near forest, agricultural or protected areas.

THE TARGETS WE USE TO MANAGE NATURE-RELATED DEPENDENCIES, IMPACTS, RISKS AND OPPORTUNITIES AND PERFORMANCE AGAINST TARGETS

- The Bank did not receive any loan applications from industries/activities excluded from obtaining loans due to nature-related risk in 2022. For an overview of the industries, see the chapter "Responsible lending".
- In 2023, we will assess whether scores for relevant questions in the ESG module should become targets for nature-related risk for real estate projects and/or agricultural loans.

HOW ARE THE GOALS IN THE MANAGEMENT OF NATURE AND CLIMATE ADAPTED TO EACH OTHER WITH TRADE-OFFS

One important goal for the Bank is to increase the proportion of the loan portfolio that is eligible under the EU Taxonomy's climate objectives. To be eligible, the activity must not cause material harm to other environmental objectives, including the nature-related goals.

In clarifying the future role agriculture will play in our strategies for the retail and corporate markets, it will be important to balance: i) commercial considerations with ii) the high carbon footprint of several agricultural activities and iii) the vulnerability of other types of agricultural and forestry activities to droughts and other extreme weather.

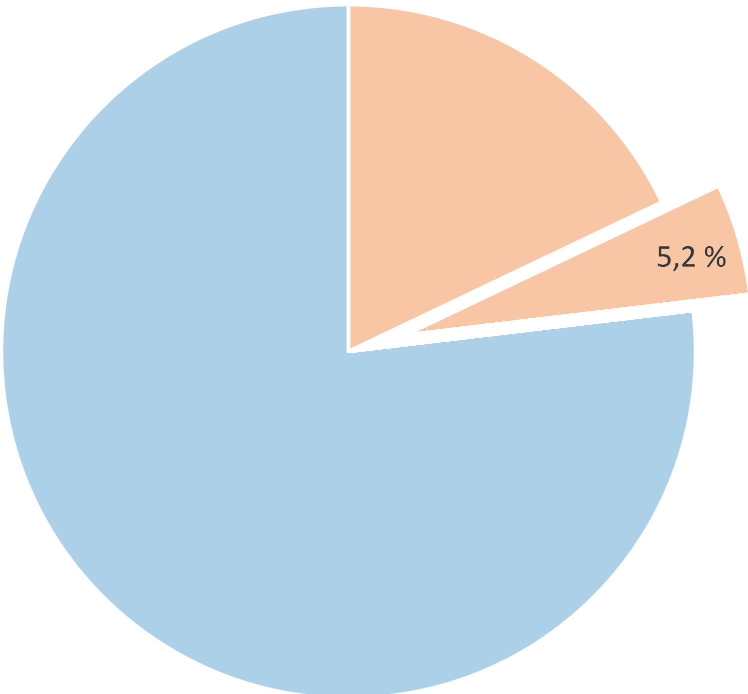
Appendix 5 – Physical climate-related risk in the loan portfolio

We must actively seek to reduce sustainability and climate-related risk in our loan portfolio. We have therefore obtained data on physical climate-related risk (flooding, storm surges, quick clay, landslides, rockfalls, avalanches) for all mortgaged objects and started the mapping work.

Overall, our market area is exposed to relatively low physical climate-related risk in an international context. Nevertheless, it is still important for the Bank to identify material physical climate-related risk in order to help our loan customers reduce their, and thereby our, risk.

The Bank has analysed all mortgaged objects (in the retail and corporate markets) based on risk and vulnerability data from the Norwegian Water Resources and Energy Directorate (NVE). The data was provided collated by Norkart. Our advisers use a map client based on the same data and physically assess climate-related risk in all loan exposures of more than NOK 5 million (corporate market) and NOK 15 million or an LTV ratio of more than 80% (retail market). The figure below shows objects with indications of material physical climate-related risk in our loan portfolio (this should not be confused with actual risk, see the explanation below the figure).

Objects with indications of physical climate-related risk*



■ Indication of significant physical climate-related risk (respectively with and without flood caution zone). The small pie slice showsobjects without a flood caution zone.

■ No indication of significant physical climate-related risk

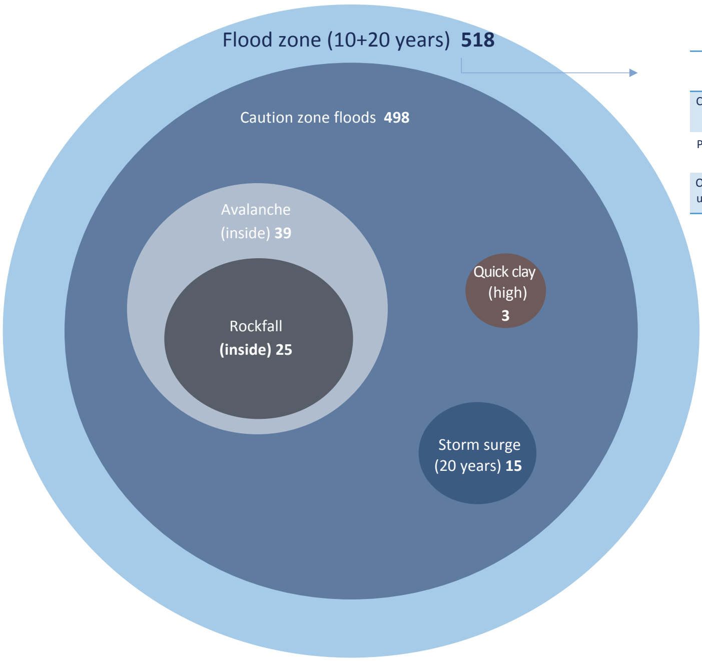
* The objects may have significant physical climate-related risk. We will analyse objects in hazard zones to map the actual risk, although we will not include objects only covered by caution zones since such areas are model estimates that do not take into account local conditions.

As at 31.12.2022, approximately 5.2% of the mortgaged objects in the Bank's portfolio had indications of material physical climate-related risk (without being located in a flood caution zone). They hit within one of the climate-related risk/risk combinations that are considered material:

- Exposed to 10 or 20-year floods
- • Within both avalanche and rockfall zones
- High risk of quick clay
- Exposed to 20-year storm surges
- Exposed to slide events

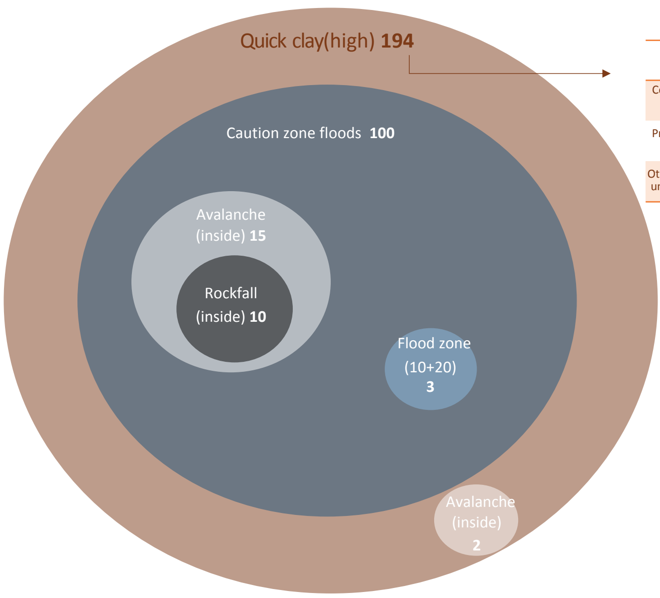
These have been screened for overlap between risk events.
Material physical climate-related risk can also arise in ways that it is currently difficult to collect data on in order to document it because they are largely temporary in nature. The most obvious examples are extreme droughts and strong winds.

Flood zone 10 and 20-year



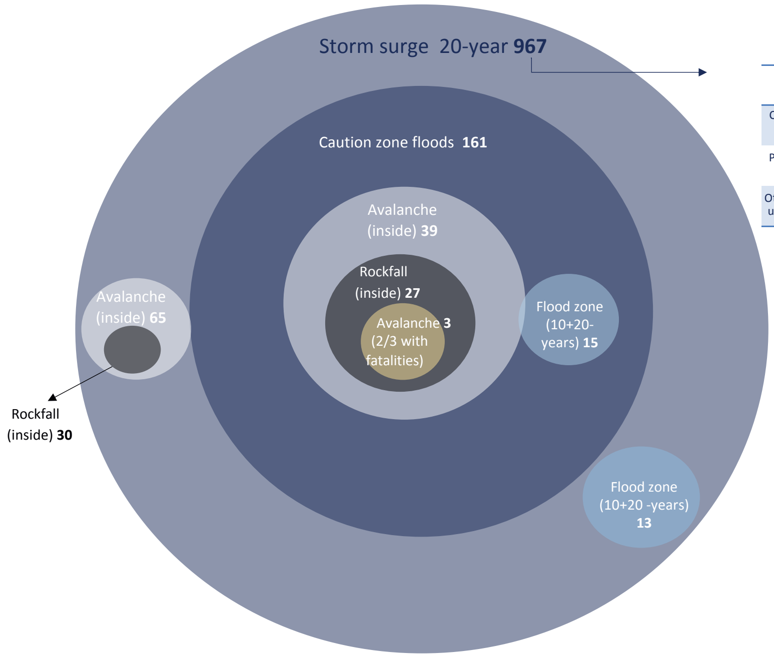
	Homes and holiday homes	Industry	Agriculture /fishing	Other/ unknown
Companies	17	22	0	34
Private	194	4	39	90
Other/ unknown	84	13	0	21

High risk of quick clay



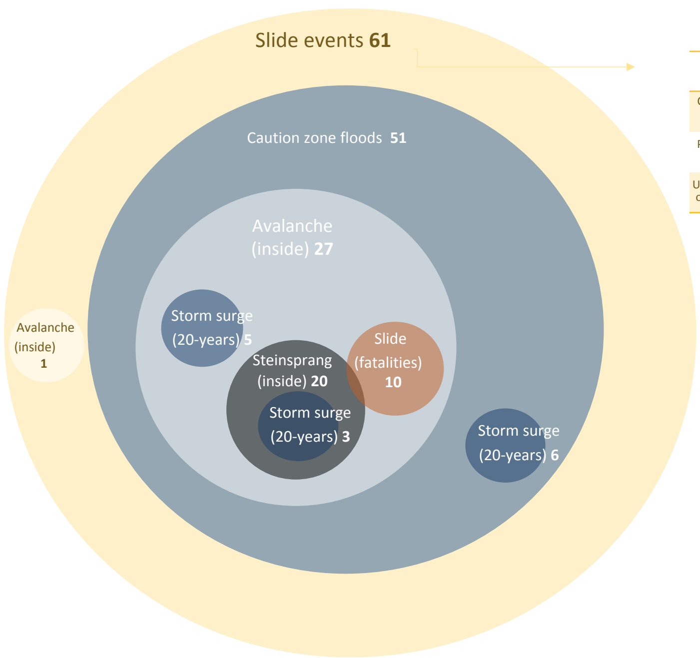
	Homes and holiday homes	Industry	Agriculture /fishing	Other/ unknown
Companies	6	1	0	1
Private	94	0	27	48
Other/ unknown	17	0	0	0

Storm surge 20-year



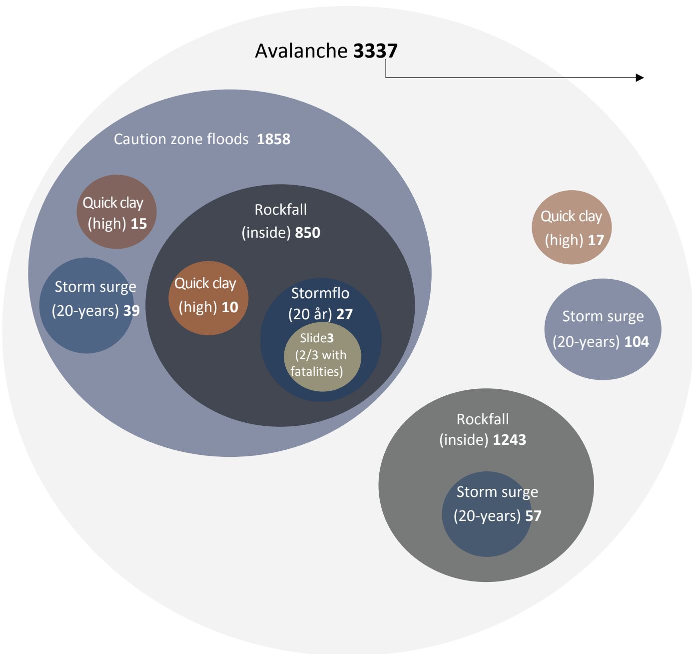
	Homes and holiday homes	Industry	Agriculture /fishing	Other/ unknown
Companies	27	18	1	58
Private	465	2	65	157
Other/ unknown	148	3	0	23

Slide events



	Homes and holiday homes	Industry	Agriculture /fishing	Other/ unknown
Company	0	0	0	2
Private	12	0	28	16
Unknown/ other	2	0	0	1

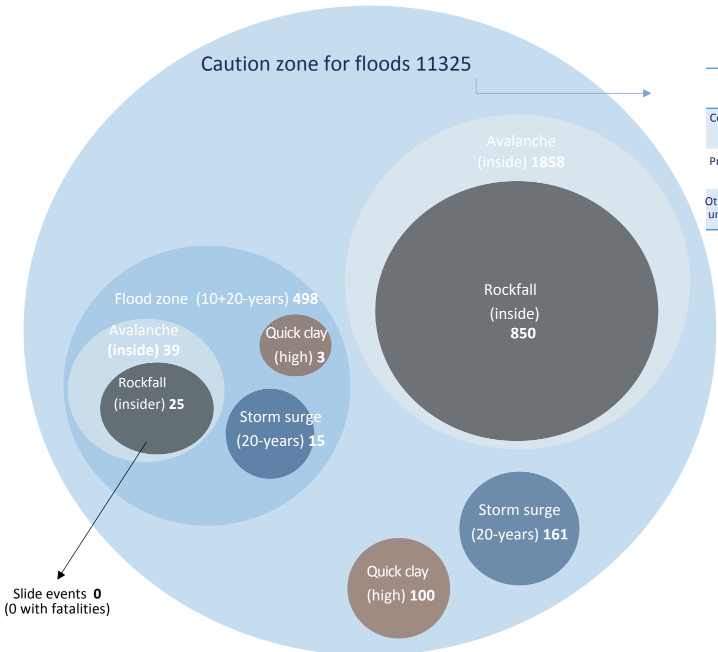
Avalanche*



	Homes and holiday homes	Industry	Agriculture /fishing	Other/ unknown
Companies	45	22	1	47
Private	1204	5	874	1071
Other/ unknown	57	2	0	9

*All objects in the rockfall zone are included

Caution zone for floods

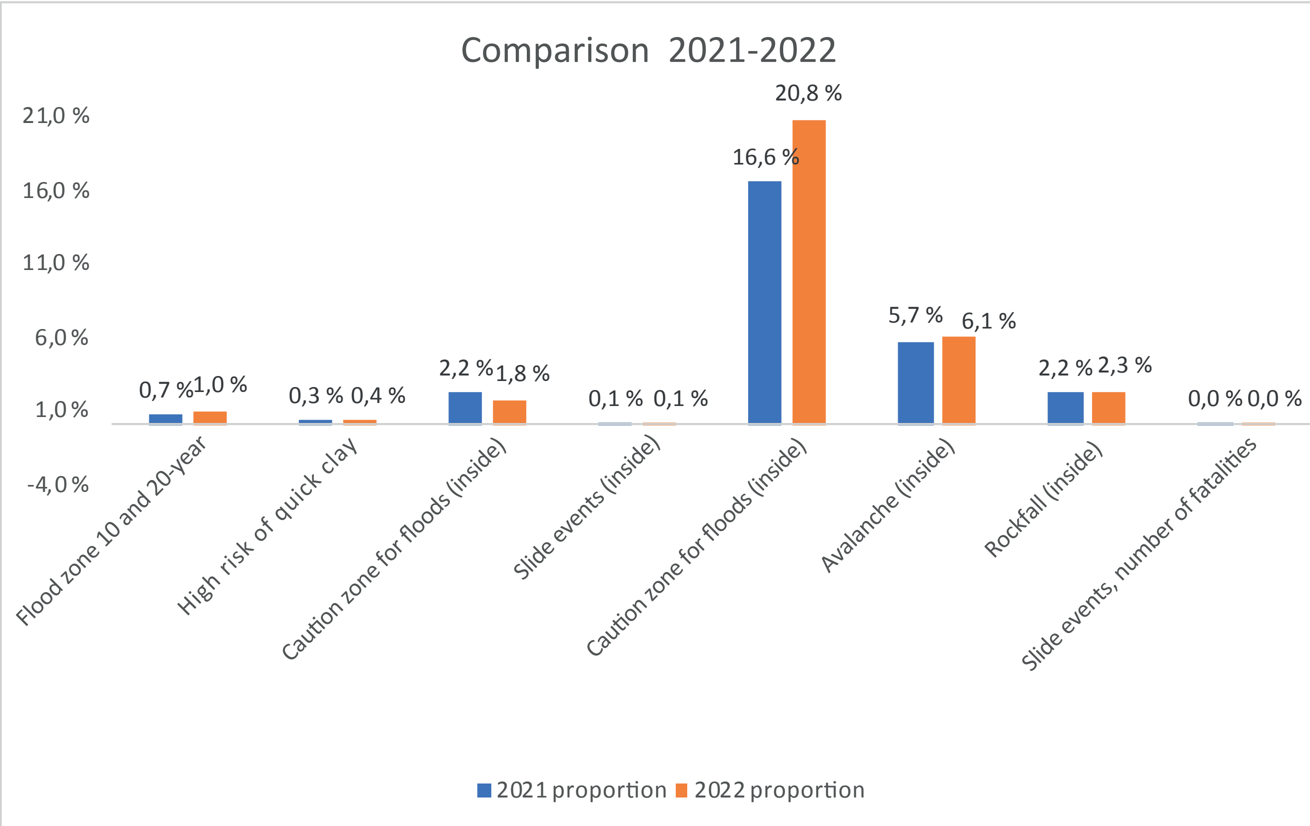


	Homes and holiday homes	Industry	Agriculture /fishing	Other/ unknown
Companies	290	271	16	330
Private	4572	31	1698	2585
Other/ unknown	1049	45	0	438

Compared with last year

For 2022, we included the portfolio of the former SpareBank 1 Modum in the base data. This explains most of the change in the number of objects. We also made some minor adjustments to the methodology, which means that the data presented in the 2021 Annual Report is not directly comparable. The graph below compared the year's figures with the figures for 2021 based on the methodology used for 2022.

The proportion of objects with indications of material physical climate-risk, but that are not located in a flood caution zone, was pretty much unchanged at around 5.2%. Both the number and proportion of objects located in a flood caution zone increased in 2022 compared with 2021. The proportion of objects that have both indications of material physical climate-related risk and are located in a flood caution zone also increased from 19.2% to 23.1%. This is linked to the fact that a higher proportion (around 30%) of the mortgaged objects in the municipalities in the market area of the former SpareBank 1 Modum are located in a flood caution zone compared with the rest of the portfolio. The number of objects located in an avalanche caution zone also increased, although the change in proportion of the total is significantly smaller.



Furthermore, we looked at the ownership of the object and categorised it as either retail or corporate market (RM and CM), respectively. The former includes objects categorised as private, while the latter includes objects categorised as companies and unknown, respectively. A large majority of agricultural and fishing properties are categorised as private. It must be assumed that business activities are carried out on a proportion of these properties. The proportions of objects with indications of material physical climate-related risk, but that were not located in a flood caution zone, were 4.20% for RM and 0.99% for CM in 2022. In 2021, the status was 4.16% for RM and 1.09% for CM.

Clarification

Buildings located in a caution or risk area are not automatically exposed to the indicated risk, and the risk is not necessarily as high as indicated. Building owners may have implemented measures (such as drainage), the building may be located on a part of the plot that is not exposed to risk, or there may be other local topographical factors that prevent the building from being exposed. The data sources used also contain a mixture of hazard data and caution data, to some extent. The latter of these covers very many low-risk areas (see below for more details).

To the extent that a mortgaged object is exposed to real physical climate-related risk, this will only be a direct risk for the Bank in situations or incidents that the borrower's insurance does not cover.

Conversely, buildings that are outside risk zones may also be exposed for reasons not captured by the map data. For example, a building in an urban area may experience problems with stormwater in the event of torrential rain if natural streams and green areas that used to drain away the water have been covered over with asphalt.

Methods

As a first attempt at indicating what constitutes significant physical climate-related risk, some assessments have been made of which caution and hazard zones should be included in the analysis.

Objects inside 10 and 20-year flood zones, as well as 20-year storm surge zones, are included. This time horizon is within the terms to maturity of many loans. Depending on the results from more detailed mapping, it may be relevant to also include objects in 50, 100 and 200-year flood zones. (This would increase the total number of objects in flood zones by 55, 100 and 776, respectively. Almost all of these objects are also included in flood caution zones.)

Less hazard, consequence and risk data are available for quick clay. So far, we have focused on hazard data because these are meant to give some indication of the likelihood of events. Consequence and thus also risk data are more secondary in nature since our focus is on the mortgaged object and not on other consequences covered by the analysis. Depending on the results of further investigations, it may nevertheless be relevant to include quick clay zones in higher risk classes (4 and 5).

Caution zones for avalanches, rockfalls and floods, respectively, are included in the analysis, although they are so general (see below) that they are of limited interest when assessing risk. However, when assessed in the context of other parameters (ref. the figures above), they can highlight objects that are located in multiple different hazard and caution zones. They must, therefore, be assumed to be at greater overall risk. This applies, for example, to data on avalanche incidents and fatalities from such incidents, which are based on data on more than 50 000 such incidents and are reported by many different entities in society.

Caution zones are automatically indicated based on a rough terrain model (25 x 25m, but more detailed for landslides and floods) based on the characteristics of the terrain (e.g. incline of the slope in the case of avalanches, and incline/geology for rockfalls). It will not always capture the peculiarities at a specific address and does not take into account local climate and vegetation conditions. No fieldwork has been carried out to delimit the zones based on local factors (e.g. forest, topography, implemented safety measures, etc.). This is why the areas included in caution zones will be too large. For example, caution zones for avalanches include areas that do not get enough precipitation in the form of snow for them to present a genuine avalanche risk.

Most quick clay hazard zones are defined on the basis of a very small number of test bores. Quick clay slides are a risk in areas that used to be covered by water, where there are uncompacted sediments and a sufficient incline. Many of these areas have not been surveyed in detail. Approximately 18% of our mortgaged objects are in areas that have not been surveyed.

The data for avalanches contains data from the "Snøskred aktsomhetsområde", "Snø- og steinsprang aktsomhetsområde" and "Skredfaresone" datasets. "Skredfaresone" includes all types of slides except for slush slides.

Use of the results

The data that provides the basis for the analysis is only suitable for providing an overall overview of climate-related risk and is not precise enough to specify such risk for individual mortgaged objects. We will survey this risk for the 5% of objects with indications of significant physical climate-related risk through a combination of field visits, customer interaction and more advanced and precise mapping tools. We will start with objects that face multiple material risks, including risks outside the area of sustainability and based on the term to maturity of the relevant loan.

The caution zone maps from the Norwegian Water Resources and Energy Directorate (NVE) used in the analysis (for flooding, avalanches and rockfalls) have clear weaknesses that need to be borne in mind when interpreting the results. They are national overview maps that show which areas may be exposed to risk. The maps are not meant to be used for assessing a specific address, instead they indicate where risk should be investigated further. Therefore, the fact that a mortgaged object lies outside such a caution zone does not in itself confirm that the object does not have a high risk. Nor can they be used as a basis for calculating the probability of events occurring.

Appendix 6 – Greenhouse gas emissions in own buildings

Energy and Climate Report 2022

SpareBank 1 Sørøst-Norge is actively working to reduce its climate footprint from operations in line with our target of a 7% annual cut in emissions per NOK 1 earned. Our total greenhouse gas emissions from operations amounted to 297.6 tonnes of CO2 equivalents (tCO2e) in 2022. Our carbon intensity (emissions per NOK earned) was cut by 2.6% from 2021 to 2022, and has been cut by 49.7% from 2019 to 2022.

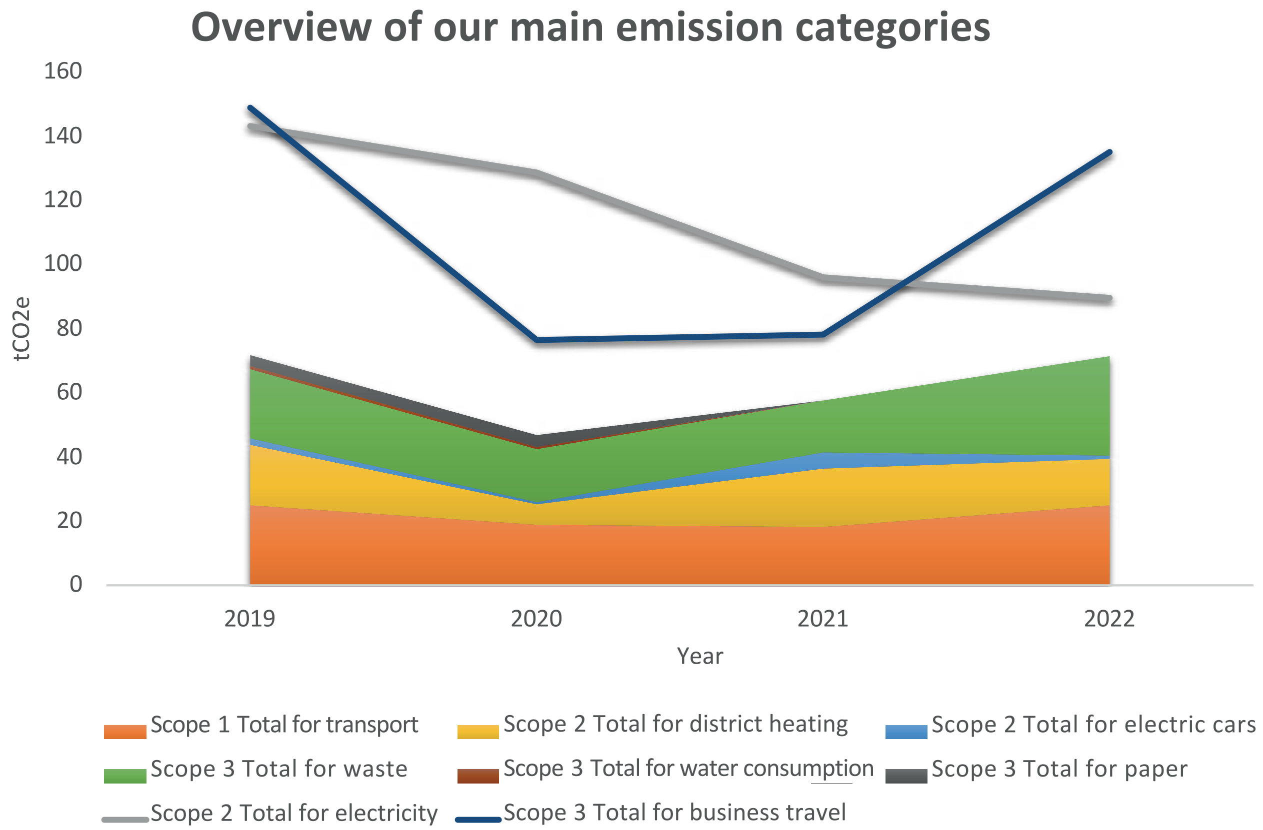
The Bank depends on input factors that, for the time being, do not have zero emissions. We offset the remaining emissions from operations, as well as any difference between the cuts achieved in the loan portfolio and the target for that year, by purchasing carbon credits* and guarantees of origin**.

The majority of the emissions related to the Group's operations were from our loan and investment portfolios. However, it is important for us to also cut our own emissions if we are to be a credible sparring partner when we are trying to help our loan customers reduce their emissions. The energy we use for heating and other operations in the buildings we lease and own is a significant source of the greenhouse gas emissions from our operations. Reducing floorspace and streamlining energy consumption in our remaining premises is therefore an important component of the real estate project the Group has initiated in order to review our portfolio of owned and leased spaces. See the overview of our main emission categories 2019-2022:

Carbon credits*
The Group purchased carbon credits to offset our emissions in 2021, and will do the same in 2023 for our 2022 emissions. Carbon credits are measurable, verifiable cuts in emissions from certified climate action projects. These projects reduce, remove or avoid greenhouse gas emissions. They can also have other positive effects, such as supporting communities, protecting ecosystems, restoring forests or reducing dependence on fossil fuels. We purchased carbon credits from a 120 MW solar project in Gujarat, India, sold by Juniper Green Sigma Private Ltd. The project has followed a strict set of criteria in order to be verified by independent third parties and has been reviewed by an expert panel of the Gold Standard carbon credit standard, which approved the credits from the project. Once the carbon credits have been bought, they are permanently withdrawn so they cannot be reused.

In line with our action plan, we explored the possibility of offsetting our remaining emissions by contributing to projects in our market area. The dialogue with the Norwegian environmental authorities indicated that the Group cannot use cuts in emissions from such projects to offset its own emissions. Claiming such reductions would involve double counting because the emissions are covered by Norway's commitments to the UN. Besides, the contribution associated with our offsetting would be so modest that it would not stimulate new activity. Because of the way the EU's allowance trading system works, voluntary offsetting of EU allowances by actors with ETS obligations would not entail any real cuts in emissions either. Therefore, purchasing high quality carbon credits is viewed as having a better climate impact in the short term.

Guarantee of Origin**
Guarantee of Origin is a labelling scheme for electricity in Europe. It has two purposes. Firstly, it shows the electricity customer that a quantity of power has been produced from a specific energy source. Secondly, guarantees of origin contribute to increasing the production of renewable power because power producers that sell guarantees of origin receive income from the production of renewable power. SpareBank 1 Sørøst-Norge purchases guarantees of origin for electricity for 18 of the Group's 21 branches. We expect all of our branches to be connected to electricity with guarantees of origin during 2023 as part of coordinating supplier agreements following the merger.


Overview of our main emission categories
160
140
120
100
80
60
40
20
0
tCO2e
2019
2020
2021
2022
Year
Scope 1 Total for transport
Scope 2 Total for district heating
Scope 2 Total for electric cars
Scope 3 Total for waste
Scope 3 Total for water consumption
Scope 3 Total for paper
Scope 2 Total for electricity
Scope 3 Total for business travel

What did we do in 2022?

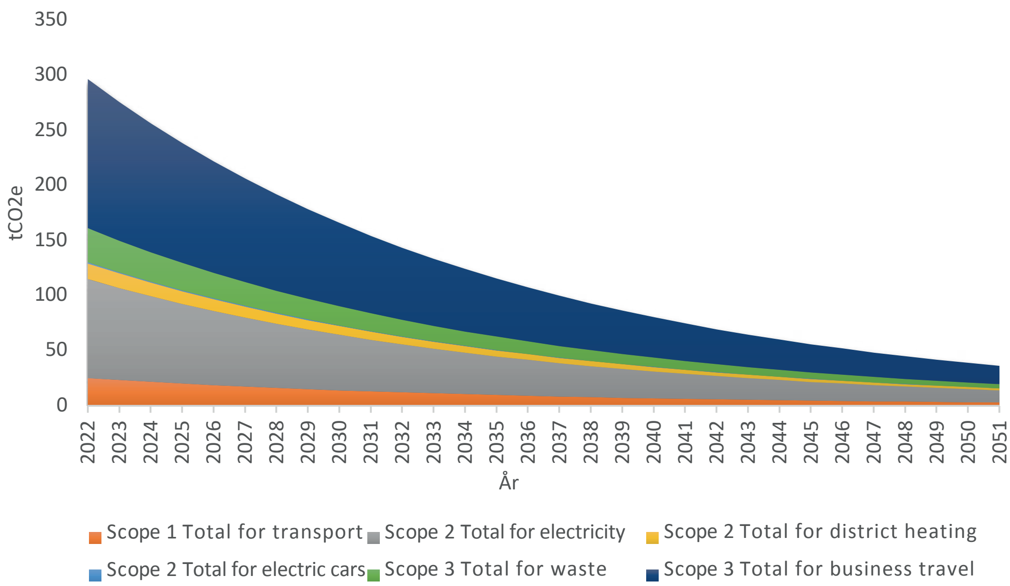
- included the branches of the former Sparebanken Telemark and SpareBank 1 Modum in our agreement with Foxway
    - We deliver our used IT hardware to Foxway, which sells/passes it on and this contributes to circular IT solutions. 23% of the equipment was recycled in 2022, and 77% was reused. All of the equipment handed in is equivalent to a saving of 146 tCO2e.
- Switched from owning IT hardware to leasing in line with the circular IT mindset
- Substantial parts of the Bank's data storage for Microsoft M365 was moved from the Netherlands to Norway in 2022. This means that the physical electricity deliveries for this data storage now has a smaller climate footprint.
- The Group has decided the remit, timeline up to 2025, priorities and budget of a project that will review our portfolio of owned and leased properties. Sustainability is one of the fundamental principles for the project. This states that the energy consumption, waste and transport linked to our buildings are the main sources of emissions from the Group's operations. Important real estate decisions (refurbishments, purchases, sales, leases, etc.) must take account of the Group's goal of reducing greenhouse gas emissions per unit of added value from operations by 7% a year. We have also specified that this means the following:
    - Reducing our use of space.
    - Renovating rather than demolishing. When carrying out a full renovation, efforts must be made to meet the requirements of the EU Taxonomy, including reducing energy consumption by at least 30%.
    - Source separate waste during renovation
    - Avoid unnecessary transport
    - Facilitate climate-friendly commuting
    - Require fossil free building sites
    - Assess producing own energy (e.g. solar)
    - New premises must satisfy the requirements of the EU taxonomy insofar as this is possible.
    - Extending the service life of premises by ensuring that important real estate decisions are based on a time horizon of 10+ years, life cycle costs and taking into account major changes in usage patterns.

The way forward

We will continue to work actively to cut emissions in our internal operations:

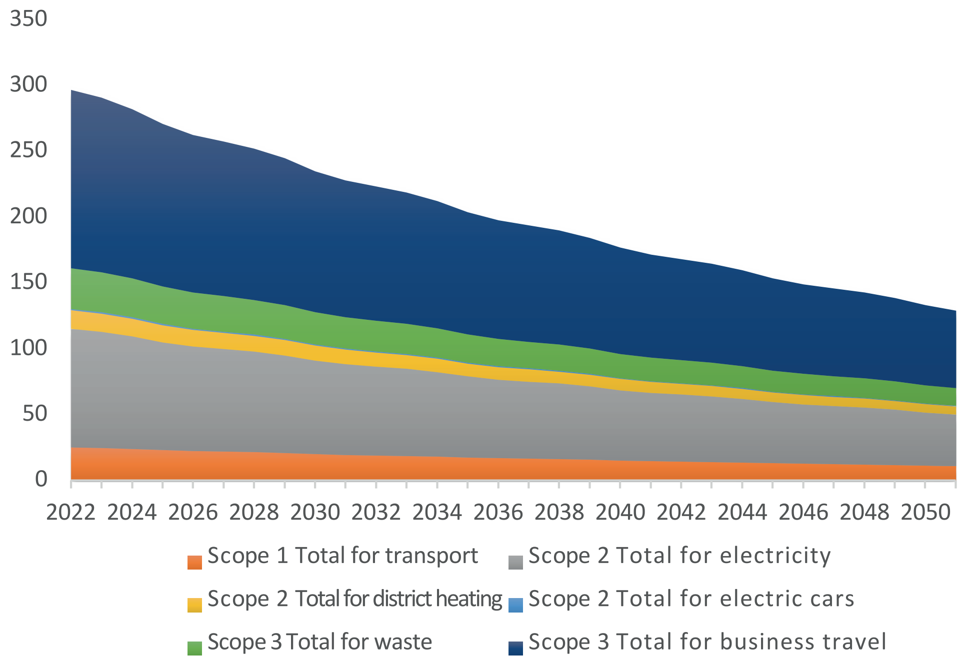
- The branches of the former Sparebanken Telemark will be Eco-Lighthouse certified in 2023.
    - The branches of the former SpareBank 1 BV and SpareBank 1 Modum were Eco-Lighthouse certified in line with the new banking and finance criteria and will be recertified in 2023.
- The climate report will be included in corporate governance
- Surveying and monitoring the amount and usage of data, to the extent possible, in various data centres in order to obtain an overview of emissions, and follow up data centre providers and request emission data (as well as make use of their services such as MS Sustainability Manager)
- Goal of having as little overlap as possible between suppliers thereby avoiding unnecessary emissions from data deliveries, software or services, as well as better security and streamlining operations.
- Moving more IT use from the ground (on-premises) to the cloud, as well as from other countries to Norway. This may result in increased emissions from cloud storage, although at the same time it will reduce the footprint linked to our physical server capacity and backup servers (mainly in TietoEvry and SpareBank 1 Utvikling) and shorten response times.
    - However, it will not be possible to move all cloud services to Norway, including because not all services are offered in all regions.
- Optimising resource use linked to payment services by reducing the use of paper for communications and assessing a higher standard service life for debit and credit cards.
- Revise our travel policy in light of the climate goals and a more hybrid working day (digital meetings, flexible workplace, etc.)
- The real estate project will focus on the following areas of relevance to the Group's climate goals:
    - Reduce total floorspace used by the Group per employee where m_2 per employee is particularly high by increasing efficiency in premises and where relevant freeing up premises.
    - Reduce energy consumption (by at least 30% where appropriate). Five or six branches have been identified as having great potential for energy efficiency improvements.
    - Renovation that helps to extend the service life of the premises (use of materials, design, etc.), or moving to more contemporary premises.

Emission projections in light of annual target of 7% reduction in carbon intensity and given stable income



Based on tCO2e of emissions in our main emission categories and stable income (no income growth) with a reduction in emissions of 7% per year, emissions from our operations will decrease sharply over the period up to 2050.

Emission projections in light of annual target of 7% reduction in carbon intensity and given income growth



Based on tCO2e of emissions in our main emission categories and income growth (estimated at 3-5% per year) with a reduction in emissions of 7% per year, emissions from our operations will decrease over the period up to 2050.

Energy and Climate Report 2022

The climate report forms part of the appendix “Greenhouse gas emissions in own buildings”.

CEMAsys helps SpareBank 1 Sørøst-Norge produce its Energy and Climate Report. The purpose of this report is to provide an overview of the Group’s greenhouse gas (GHG) emissions, which is an integral part of an overall climate strategy. Climate accounts are an important tool in the work on identifying specific measures for reducing your energy consumption and the associated GHG emissions. This Annual Report enables the organisation to measure its key figures and thus evaluate itself over time.

The report includes all of the activities of SpareBank 1 Sørøst-Norge, the Group and the branches.

The information used in climate accounts is obtained from both external and internal sources and is converted into tonnes of CO2 equivalents (tCO2e). The analysis is based on the international standard “A Corporate Accounting and Reporting Standard”, which was developed by the Greenhouse Gas Protocol Initiative (GHG Protocol). This is the most commonly used method worldwide for measuring greenhouse gas emissions. ISO standard 14064-I is based on it.

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Reporting Year Energy and GHG Emissions

Emission source	Description	Consumption	Unit	Energy (MWh)	Emissions tCO_2e	% share
Transportation total				**106.9**	**25.2**	**8.5 %**
Petrol		9,465.0	liters	91.7	22.1	7.4 %
Diesel (NO)		1,457.0	liters	15.1	3.0	1.0 %
Stationary combustion total				**54.2**	**0.9**	**0.3 %**
Biodiesel (100%), ME, stationary		5,664.0	liters	54.2	0.9	0.3 %
Scope 1 total				**161.1**	**26.1**	**8.8 %**
Electric vehicles total				**38.7**	**1.0**	**0.3 %**
Electric car Nordic		203,695.0	km	38.7	1.0	0.3 %
Electricity total				**3,452.1**	**89.8**	**30.2 %**
Electricity Nordic mix		3,452,100.0	kWh	3,452.1	89.8	30.2 %
District heating location total				**1,037.8**	**14.3**	**4.8 %**
District heating Norway mix		1,037,756.0	kWh	1,037.8	14.3	4.8 %
Scope 2 total				**4,528.6**	**105.1**	**35.3 %**
Waste total				**-**	**31.0**	**10.4 %**
Paper waste, recycled		26,168.0	kg	-	0.6	0.2 %
Residual waste, incinerated		59,549.0	kg	-	29.9	10.0 %
Wood waste, recycled		-	kg	-	-	-
Glass waste, recycled		4,000.0	kg	-	0.1	-
Organic waste, treated		8,230.0	kg	-	0.2	0.1 %
EE waste, recycled		9,910.0	kg	-	0.2	0.1 %
Plastic waste, recycled		1,981.0	kg	-	-	-
Business travel total				**-**	**135.4**	**45.5 %**
Air travel, domestic, incl. RF		161.0	flight trip	-	18.3	6.2 %
Air travel, continental, incl. RF		16.0	flight trip	-	2.7	0.9 %
Mileage all. avg. car		660,871.0	km	-	112.8	37.9 %
Mileage all. el car Nordic		313,222.0	km	-	1.5	0.5 %
Scope 3 total				**-**	**166.4**	**55.9 %**
Total				**4,689.6**	**297.6**	**100.0 %**
KJ				**16,882,619,796.0**		

Reporting Year Market-Based GHG Emissions

Category	Unit	2022
Electricity Total (Scope 2) with Market-based calculations	tCO_2e	99.3
Scope 2 Total with Market-based electricity calculations	tCO_2e	114.7
Scope 1+2+3 Total with Market-based electricity calculations	tCO_2e	307.2

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In 2022, SpareBank 1 Sørøst-Norge had a total greenhouse gas emission of 297.6 tonnes of CO2 equivalents (tCO2e). SpareBank 1 Sørøst-Norge had emissions of 232.4 tCO2e in 2021, which shows an increase in emissions of 28.06% or 65.2 tCO2e from 2021 to 2022. An important reason for the increase, in addition to normal operations after Covid-19 for most of 2022, is that SpareBank 1 Sørøst-Norge merged with SpareBank 1 Modum on 1 April 2022. This has resulted in three new offices (Vikersund, Åmot and Hokksund), additional rental areas and owned areas including the office in Drammen, as well as more employees. This has resulted in higher electricity consumption, an increase in kilometer allowance, and an increase in the number of business trips in 2022.

Scope 1:
Transport: Actual consumption of fossil fuel in the company's vehicles (owned, rented, and leased). Consumption of diesel and petrol accounts for emissions equivalent to 25.2 tCO2e in 2022. This is an increase of 7 tCO2e compared to 2022.

Stationary combustion: Consumption of stationary combustion in 2022 has a total emission of 0.9 tCO2e. The low emissions are due to the use of bio-fuel oil.

Scope 2:
Electricity: Measured consumption of electricity in rented premises/buildings. The table shows greenhouse gas emissions from electricity calculated with the location-based emission factor Nordic mix. The Nordic mix is created with a weighted average of the Swedish, Norwegian, Danish, and Finnish factors based on figures from the IEA. Norway is part of a common Nordic power market, and it is therefore natural to choose the Nordic region as a geographical demarcation as this best represents the power market Norway operates in, in accordance with the GHG protocol (see page 53 in Scope 2 Guidance for more information on location- based emission factors). The emission factor has been updated from the IEA and has been reduced from 31 gCO2e per kWh in 2021 to 26 gCO2e per kWh in 2022, which corresponds to a reduction of 16.1%. Emissions from electricity correspond to 89.6 tCO2e and make up 30.2% of the total emissions for SpareBank 1 Sørøst- Norge. Emissions from electricity were reduced by 6.4 tCO2e from 2021.

** Market-based electricity has a total of 99.3 tCO2e in 2022. Guarantees of origin has been purchased on all locations except at the offices of the former SpareBank 1 Modum (see table "Market-based emissions in the reporting year" for emissions from the residual mix).

District heating: Emissions from district heating in 2022 correspond to 14.3 tCO2e and correspond to 4.8% of the total emissions for SpareBank 1 Sørøst-Norge.

Scope 3
Waste: Total emissions from generated waste. Emissions from waste are calculated up to the stage where the waste is defined as a new resource. For recycled fractions, this means the transport to the recycling station. For incineration of waste, this includes both transport and incineration. Total emissions from waste in 2022 are 31 tCO2e. A large proportion of the waste comes from the renovation of the new head office at Fokserød.

*Individual waste categories are shown with zero emissions because they emit less than 0.1 tCO2e. The emission is still included in total emissions, but the calculation is not visible in the table because it is very low.

Flights: Total emissions from flights in 2022 are 21 tCO2e. Flights have increased from 2021 due to more normal operations after two abnormal years with Covid-19.

Kilometer allowance: In 2022, there is a total emission of 112.8 tCO2e from petrol/diesel cars and 1.5 tCO2e from electric cars, which is an increase of 67.8% from 2021. The increase is due to normal travel activity after abnormal years during Covid-19, travel activity linked to merger, and that the new head office led to longer work trips for some employees.

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Annual GHG Emissions

Category	Description	2020	2021	2022	% change from previous year
Transportation total		**19.1**	**18.2**	**25.2**	**38.2 %**
Petrol		14.3	15.9	22.1	39.3 %
Diesel (NO)		4.8	2.3	3.0	31.0 %
Stationary combustion total		**-**	**-**	**0.9**	**-**
Biodiesel (100%), ME, stationary		-	-	0.9	100.0 %
Scope 1 total		**19.1**	**18.2**	**26.1**	**43.4 %**
Electricity total		**129.0**	**96.2**	**89.8**	**-6.7 %**
Electricity Nordic mix		129.0	96.2	89.8	-6.7 %
District heating location total		**6.4**	**18.4**	**14.3**	**-22.1 %**
District heating Norway mix		6.4	18.4	14.3	-22.1 %
Electric vehicles total		**0.5**	**5.0**	**1.0**	**-79.8 %**
Electric car Nordic		0.5	5.0	1.0	-79.8 %
District heating general total		**4.3**	**-**	**-**	**-**
Heat Waste incin. 70% (Nordic)		4.3	-	-	-
Scope 2 total		**140.2**	**119.6**	**105.1**	**-12.2 %**
Waste total		**16.7**	**16.3**	**31.0**	**89.6 %**
Paper waste, recycled		0.4	0.4	0.6	55.9 %
Residual waste, incinerated		16.0	-	29.9	-
Residual waste, incinerated	Includes 420 kg isolation. 5200kg from residual waste from a renovating project	-	15.5	-	-100.0 %
Wood waste, recycled		-	-	-	-
Wood waste, recycled	Renovating project	-	0.1	-	-100.0 %
Glass waste, recycled		-	-	0.1	216.5 %
Organic waste, treated		0.1	0.1	0.2	75.2 %
EE waste, recycled		-	-	0.2	1,579.7 %
Plastic waste, recycled		-	-	-	40.8 %
Metal waste, recycled		-	-	-	-100.0 %
Metal waste, recycled	Complex steel. renovating project	-	-	-	-100.0 %
Mixed waste, recycled		0.1	-	-	-100.0 %
Plasterboard waste, recycled	Renovating project	-	0.2	-	-100.0 %
Mineral wool waste, recycled	Renovating project	-	-	-	-100.0 %
Business travel total		**76.5**	**78.2**	**135.4**	**73.1 %**
Mileage all. avg. car		70.0	69.7	112.8	61.8 %
Mileage all. el car Nordic		0.2	0.4	1.5	255.0 %
Air travel, continental, incl. RF		1.4	-	2.7	100.0 %
Air travel, intercontinental, incl. RF		1.1	-	-	-
Train (NO)		0.2	-	-	-
Hotel nights, Nordic		1.2	-	-	-
Air travel, domestic, incl. RF		2.3	8.1	18.3	126.8 %
Bus (NO)		0.1	-	-	-
Water use total		**0.5**	**-**	**-**	**-**

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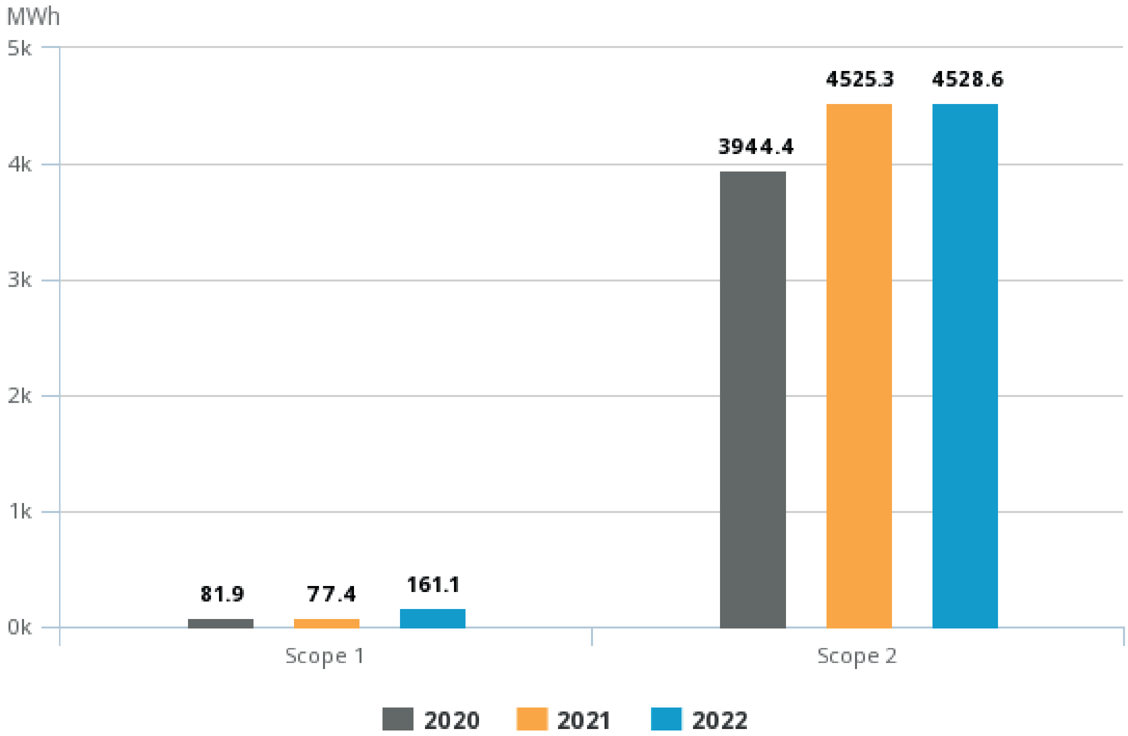
Water supply, municipal		0.5	-	-	-
Papir total		**3.8**	**-**	**-**	**-**
Other material inputs	Paper,office (Eco-label)	0.7	-	-	-
Toilet paper (A1-4, B1, C4)		3.1	-	-	-
Scope 3 total		**97.5**	**94.6**	**166.4**	**75.9 %**
Total		**256.8**	**232.4**	**297.6**	**28.0 %**
Percentage change		**100.0 %**	**-9.5 %**	**28.0 %**	

Annual energy consumption (MWh) Scope 1 & 2



Annual Market-Based GHG Emissions

Category	Unit	2020	2021	2022
Electricity Total (Scope 2) with Market-based calculations	tCO_2e	254.4	-	99.3
Scope 2 Total with Market-based electricity calculations	tCO_2e	265.6	23.4	114.7
Scope 1+2+3 Total with Market-based electricity calculations	tCO_2e	382.1	136.2	307.2
Percentage change		**100.0 %**	**-64.4 %**	**125.5 %**

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Annual Key Energy and Climate Performance Indicators

Name	Unit	2020	2021	2022	% change from previous year
Scope 1 + 2 emissions (tCO2e)		159.3	137.9	131.2	-4.8 %
Total emissions (s1+s2+s3) (tCO2e)		256.8	232.4	297.6	28.0 %
Total energy scope 1 +2 (MWh)		4,026.3	4,602.7	4,689.6	1.9 %
Sum energy per location (MWh)		3,944.4	4,525.2	4,528.6	0.1 %
Sum square meters (m2)		24,692.6	25,266.5	30,871.0	22.2 %
Sum locations kWh/m2		159.7	179.1	146.7	-18.1 %
kg CO2e (s1+s2+s3)/årsverk		491.9	424.9	458.5	7.9 %
Total tCO2e pr revenue (Scope 1+2+3)		-	-	113.5	100.0 %
Total tCO2e kWh/Revenue		-	-	1,787,882.8	100.0 %
Total tCO2e MWh/Revenue		-	-	1,787.9	100.0 %
FTE		522.0	547.0	649.0	18.6 %
Revenue	MNOK	-	-	2.6	100.0 %

Read our entire Energy and Climate Report and about our methodology on our website.

Appendix 7 – Greenhouse gas emissions in the loan portfolio

Norway and the world face vast challenges due to climate change. The objective of the Paris Agreement, which was signed by nearly all UN member states, is to limit global temperature rises to "well below" 2°C compared with pre-industrial times. The most important contribution the Bank can make is to help loan customers reduce their emissions.

Therefore, the Bank's goal is to reduce greenhouse gas emissions from our loan portfolio by 7% per year per unit of added value in line with a goal of achieving net zero emissions in 2050 (see the section "Responsible lending"). If we do not achieve this target, we will purchase high-quality climate quotas each year to compensate for the difference or, if appropriate, invest a similar amount locally to reduce greenhouse gas emissions.

CARBON INTENSITY AND PROJECTIONS OF EMISSIONS

Our carbon intensity is calculated as the total emissions in our loan portfolio divided by the sum of net interest income, commission income and other operating income (including from subsidiaries). Financial income (dividends plus net profit from stakes in part-owned companies, and changes in the value of investments) is not included. These sources of income vary a lot from year to year, independent of our actual operations. The emissions associated with these sources of financial income are not included either.

It is important to underscore that our carbon intensity would have appeared significantly lower if we had instead used tCO2e of emissions divided by NOK million in lending since our lending volume is considerably larger than our income.

Estimated total carbon footprint of the Bank's lending portfolio:
275 163
tCO_2e

Estimated carbon intensity
108,71
tCO_2e/per NOK million of income

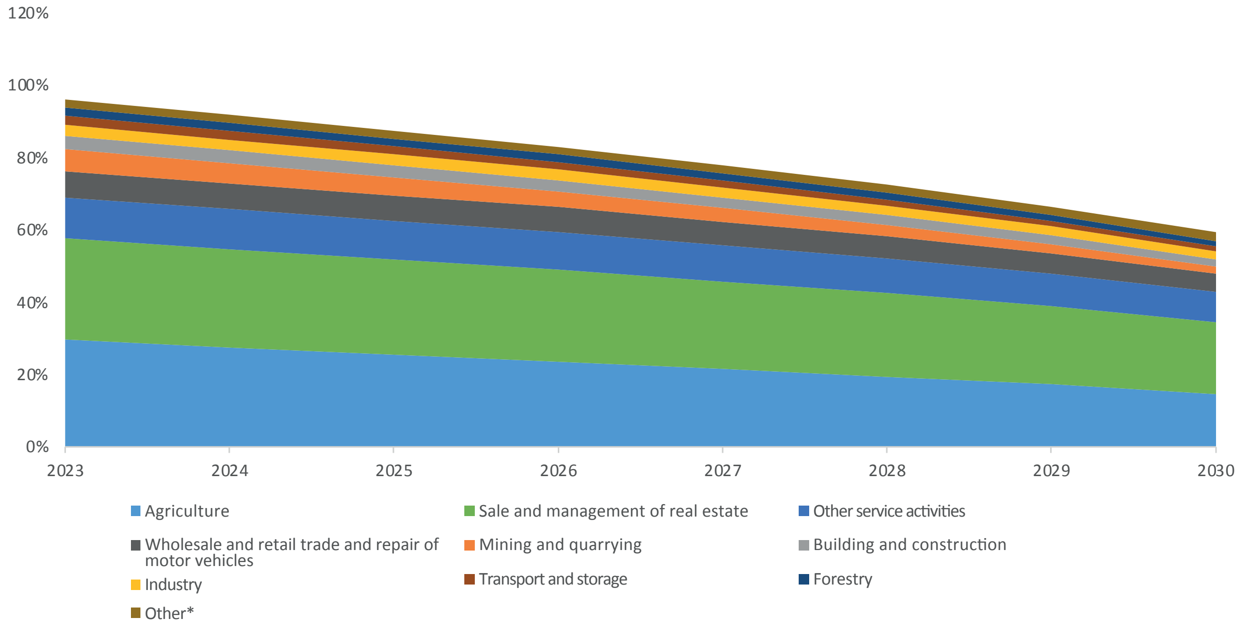
	2019*	2022*	% change
Operating emissions, Scopes 1-3 (tCO2e)	255	298	16.6%
Emissions from the loan portfolio RM (tCO2e)	218 880	191 764	-12.4%
Emissions from the loan portfolio CM (tCO2e)	84 306	83 399	-1.1%
TOTAL emission (tCO2e)	303 441	275 461	-9.2%
Net interest income (NOK millions)	1 243	1 620	30.3%
Net commission and other income (NOK millions)	823	915	11.2%
TOTAL income (NOK millions)	2 066	2 535	22.7%
Carbon intensity (tCO2e per NOK million of income)	147.81	108.71	-26.5%

*Pro forma accounts Financial income is not included.

The 2019 emissions for RM and CM were estimated based on the lending of RM and CM in SpareBank 1 BV, Sparebanken Telemark and SpareBank 1 Modum, respectively, in 2019. For CM, the 2019 emissions were estimated based on the actual portfolio in 2019 and by using the same emission factor as for 2022. For RM, an emissions factor of 126 gCO2e per kWh was used for 2019 and of 111 gCO2e per kWh for 2022.

The figure below estimates the total emissions from our loan portfolio up to and including 2030. Even though it is estimated that every sector will reduce its emissions, it is assumed that the sectors' pace of change will vary greatly. This is due to both the estimated costs of reduction and barriers in important sectors and the fact that the Bank weights sectors differently from a strategic perspective. The weights are linked to both the need to reduce emissions and to the general growth strategy.

Projection of emissions from lending



1. Here, the residential mortgage portfolio has been assigned the same emission factor as the sale and management of real estate.
2. A deduction has been made for the estimated proportion of the volume of loans to agricultural customers that relates to homes. It is assumed that a home has a value of NOK 3 million and that the loans are for 60% of the market value (LTV).
3. Sale and management of real estate, including real estate projects.
4. Other = Electricity, gas, steam and hot water supply; financial and insurance activities; fishing and hunting; information and communication; and accommodation and food service activities.

CORPORATE MARKET

The Bank became a member of the Partnership for Carbon Accounting Financials (PCAF) in autumn 2022. Therefore, this is the first time the Bank has published estimated emissions from corporate loans calculated in line with the PCAF methodology. PCAF is a global partnership of financial institutions that collaborate on assessing and disclosing greenhouse gas emissions linked to their loans and investments in a uniform manner. Membership gives the Bank access to standards for measuring and disclosing emissions in the loan portfolio, discussion groups and relevant forums, as well as detailed databases with emission factors for calculating emissions.

Estimated emissions for the Bank's corporate loan portfolio in 2022 amounted to 83 399 tCO2e.

This figure cannot be directly compared with the previous year's calculation. This was calculated using an different methodology and without SpareBank 1 Modum, which was merged with the Bank in the second quarter of 2022.

Estimated carbon footprint of the Bank's CM loan portfolio
83 399
tCO_2e

Sector	Lending in NOK millions Parent bank	Estimated emissions Scopes 1 and 2 tCO2e	Data quality	Carbon intensity (tCO2e of emissions per NOK million in lending)
Other service activities	1 976	12 622	4.5	6.4
Mining and quarrying	110	7 360	4.0	67.2
Building and construction	2 411	4 048	4.5	1.7
Electricity, gas, steam and hot water supply	48	345	4.0	7.2
Financing and insurance activities	1 097	269	4.1	7.2
Fishing	24	214	4.7	0.2
Industry	413	3 473	4.2	8.4
Information and communication	211	184	4.6	0.9
Agriculture*	584	34 426	3.0	59.0
Sale and management of real estate**	15 215	4 994	4.2	0.3
Accommodation and food service activities	160	1 336	4.5	8.3
Forestry	193	2 652	4.9	13.8
Transport and storage	260	2 994	4.7	11.5
Wholesale and retail trade and repair of motor vehicles	915	8 482	4.5	9.3
Total	**23 616**	**83 399**	**4.3**	**3.5**

*A deduction has been made in the table for the estimated proportion of the volume of loans to agricultural customers that relates to homes. It is assumed that
a home has a value of NOK 3 million and that the loans are for 60% of the market value (LTV).
**Sale and management of real estate, including real estate projects.

METHOD AND UNCERTAINTY

Estimated emissions are calculated in line with PCAF methodology and include Scope 1, direct emissions, and Scope 2, indirect emissions linked to electricity, steam, heating and cooling. Other direct emissions linked to upstream and downstream activities, Scope 3, are not included. The quality of estimated emissions is scored using the PCAF methodology's 1-5 scale for data quality, where 1 is the highest quality and 5 is the lowest quality. The score is a product of accuracy and type of base data. In the Bank's calculations, the main emissions from all companies is calculated using data quality 4, with a turnover-based on calculation where turnover is multiplied by LTV ratio and an emission factor (country and industry/NACE (four digits) - specific and adapted data quality 4). NACE codes are a European standard for grouping industries. Emissions in sole proprietorships and for self-employed are mainly calculated using data quality 5. Here, the loan to the customer is multiplied by an emission factor (country and industry/NACE (four digits) - specific and adapted data quality 5).

For agriculture, emissions are calculated based on a physical activity-based calculation, data quality 3. Here, the number of animals per type and number of thousand square metres per type of land use for each agricultural customer is multiplied by the LTV ratio and emission factors estimated based on an analysis from Ruralis and the Norwegian Institute of Bioeconomy Research (NIBIO), supported by land statistics from NIBIO. Information about the number of animals per type and number of thousand square metres per type of land use for each agricultural customer is obtained from the Norwegian Agriculture Agency's public database for the production and relief worker support scheme for agricultural enterprises in 2021.
The quality of the data used for the calculation is, in other words, modest, although there are also other uncertainty factors. The PCAF emission factors for different industries are, with the exception of agriculture, not adapted to Norwegian conditions. They may, therefore, have a significant margin of error. More accurate emission factors can change our estimates, potentially quite significantly. Besides this, PCAF's estimates also rely on assumptions that it is important to understand. For example, the emission factor selected for electricity is very important with respect to estimated emissions, especially for real estate. The NACE codes used for categorising individual loans may also be out of date. They represent the activity a business was most involved in at the time the code was registered.

RETAIL MARKET

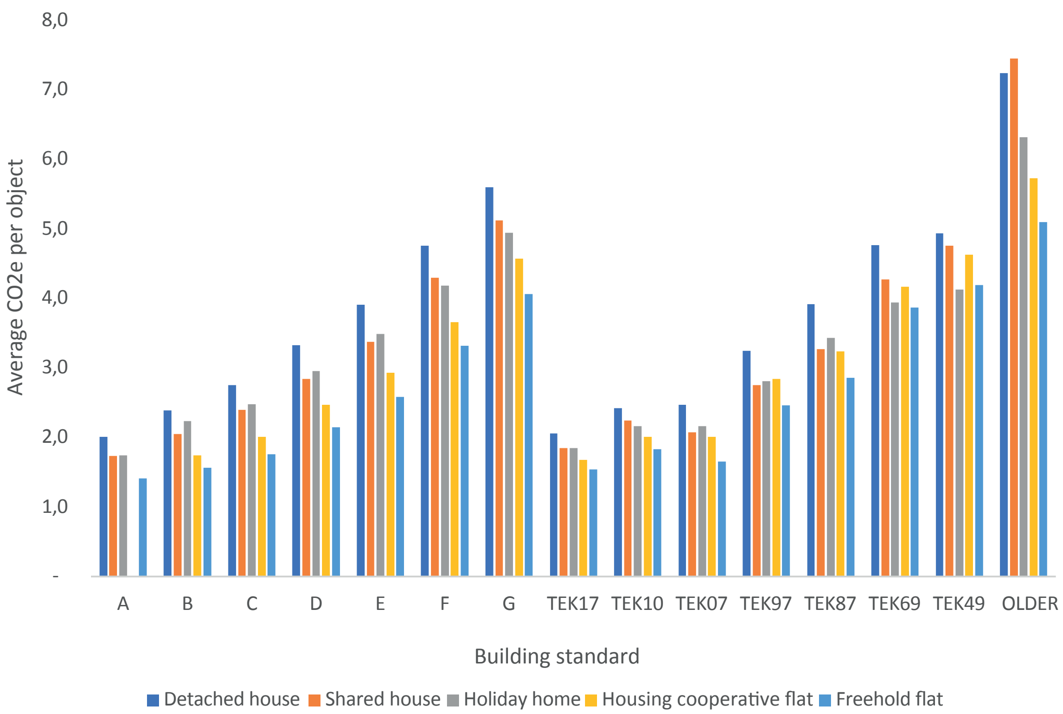
Estimated carbon footprint of the residential mortgage portfolio amounts to 191 796 tCO2e, equivalent to 4.17 tCO2e per home. Estimated emissions for 2022 cannot be compared with the previous year's calculations. They were arrived at without the inclusion of SpareBank 1 Modum, which was merged with the Bank in the second quarter of 2022, and by mistake excluded objects that lacked both an energy certificate and a construction year.

Estimated greenhouse gas emissions from our residential mortgage portfolio*

BUILDING STANDARD	AVERAGE CO2e PER OBJECT	TONN CO2e
A	1,57	310
B	2,00	3 060
C	2,34	5 667
D	2,82	7 693
E	3,49	12 534
F	4,36	17 781
G	5,23	37 494
TEK17	1,81	2 681
TEK10	2,16	3 620
TEK07	2,20	1 255
TEK97	3,00	8 009
TEK87	3,64	8 438
TEK69	4,57	25 370
TEK49	4,81	25 404
Older	6,83	32 480
Total	**4,17**	**191 796**

*The table includes housing cooperative flats, shared houses (semi-detached or terraced houses), detached houses, holiday homes and freehold flats. It does not include land, homes under construction or agricultural or commercial properties.

Estimated greenhouse gas emissions from our mortgage portfolio by type of home



METHOD

The carbon footprint of the Bank's residential mortgage portfolio is calculated based on the home's estimated electricity consumption. For homes, where we have energy rating data, this is used. Where we do not, the home's construction year is used. Estimated energy consumption per m^2 gross area, which is the basis for calculating greenhouse gas emissions, is based on values for detached houses and flats, respectively. The category "Detached house" also includes homes categorised as holiday homes and semi-detached houses, while freehold flats and flats in housing cooperatives are included in the category "Flats".

We have categorised homes for which we lack both an energy rating and a construction year (52%) as follows: Older (12%), G (17%), TEK49 (12%), F (10%), TEK69 (12%), E (10%), TEK87 (5%), TEK97 (5%), D (5%), C (3%), TEK07 (0.5%), TEK10 (2%), B (3%), TEK17 (3.5%) and A (0%). Older buildings are assigned a higher proportion because analyses have been conducted that show that this segment of buildings more frequently lack an energy rating. Buildings with a construction year of 2017 have also been assigned a higher proportion. Many new buildings lack an energy rating and will typically not be energy rated before the current owners are going to sell them.

111 gCO2e per kWh, calculated by Multiconsult in accordance with Norwegian Standard 3720:2018 "Method for greenhouse gas calculations for buildings", is used as the best estimate for greenhouse gas emissions for Norwegian homes. This is based on a European power mix and, therefore, the principle of the free flow of power across national borders in Europe, although it is adjusted for bioenergy and district heating in a Norwegian context. By comparison, the latest available data for emissions from NVE's estimated actual electricity deliveries in Norway (2021) were 11 gCO2e per kWh. The estimate for electricity consumption is based on building standard and the usable area of the home. The building standard is set as equal to the construction year minus 2 years because experience shows that it takes about 2 years after a new building standard has been adopted before new houses are built according to this standard. In other words, a home built in 2010 will be classified as built in accordance with TEK07 (Building Technology Regulations from 2007) and not TEK10.

The extracted data is corrected for double registration, second homes or additional collateral, as well as for missing and/or misleading data records. The funding ratio is not taken into account. The average construction year in the extracted date was 1974 and the usable space in the home was 164.9 m^2.

THE WAY FORWARD

Because the method is still under development, it is likely that we will see some fairly large variations in measurements of emissions from year to year. In the future, the Bank will try to improve the quality of the data used for the calculations.

- We will continue to follow the work of PCAF. Further adaptations of the PCAF methodology to Norwegian conditions would result in more correct estimates of emissions in the corporate loan portfolio.
- It will also be natural to ask the largest emitters in the corporate market for more precise emissions data.
- Finance Norway is in talks with the relevant authorities regarding simplifying and improving the data for NACE codes for companies. This will result in more precise estimates in the corporate loan portfolio.
- We will work for a common approach to estimating emissions in the loan portfolios for the retail market and the corporate market. An emission factor for residential mortgages equal to the one used by PCAF for the corporate market portfolio would have to include emissions related to the construction process.

[1] For agriculture, emissions in 2019 were estimated by assuming the same relative distribution and LTV ratio as in 2022, combined with the actual volume of lending in 2019.

[2] Klaus Mittenzwei and Anne Strøm Prestvik (2023) «Klimagassutslipp fra norsk jordbruk fordelt på areal, dyr og matproduksjon» https://www.platonklima.no/wp-content/uploads/2022/02/Rapport-analyse-5-2022-Klimagassutslipp-fra-jordbruk-1.pdf, Tabell 11, «Utslipp av jordbruksrelaterte klimagasser fordelt på aktivitetsnivå i norsk jordbruk (2018)».

[3] Multiconsult (2023), DNB Green Buildings portfolio - impact assessment, side 11, https://www.ir.dnb.no/sites/default/files/Report_DNB_Green%20Residential%20Buildings_Impact_2022.pdf

[4] https://www.nve.no/energi/energisystem/kraftproduksjon/hvor-kommer-strommen-fra/

Appendix 8 – Greenhouse gas sequestration in forests

In Norway, forests and land use sequester greenhouse gases equal to almost half of total emissions, and are also significant carbon sinks.

CO2 SEQUESTRATION IN FORESTS

The estimated CO2 sequestration by forests in our corporate loan portfolio is based on loans to NACE 02 - forestry and logging, and the forest areas registered in the database of the Norwegian Institute of Bioeconomy Research (NIBIO). It assumes that the forest in our portfolio is representative in terms of Norway's total forest land with respect to site quality and CO2 sequestration. In other words, the age of the forest corresponds to the Norwegian average and the distribution of the forest areas in the Bank's loan portfolio between productive forest, unproductive forest and forested marshland is the same as in the rest of the country. Furthermore, we assume[1] that forest soil in productive forest (75.5%) sequesters 13.2 tCO2 per 1000 m^2 and that 12.8 tCO2 per 1000 m^2 is sequestered by unproductive forest (17.9%), and 24 tCO2 per 1000 m^2 by forested marshland (6.6%). The carbon sequestration by biomass in the forest, which accounts for about 29% of the carbon sequestration in forest soil, is then added to the estimate, which results in a total estimate of 16.8 tCO2 per 1000 m^2.

We also estimate the forest areas of customers with an agriculture NACE code using the approach described above, based on the following assumptions:

- The customers are split 50/50 between Vestfold og Telemark and Buskerud, respectively.

- Each customer in Vestfold og Telemark has 550 000 m^2 of forest[2] and in Buskerud[3] 760 000 m^2.

The total CO2 sequestration is then adjusted for financing ratio.
In total, there are 331 properties with an estimated 244 138 000 m^2 of forest included.

[1] Arne Grønlund, Knut Bjørkelo, Gro Hylen and Stein Tomter (2010), CO2-opptak i jord og vegetasjon i Norge: Lagring, opptak og utslipp av CO2 og andre klimagasser, Bioforsk Report, Vol. 5, No. 162, https://nibio.brage.unit.no/nibio-xmlui/bitstream/handle/11250/2601534/Bioforsk-Rapport-2010-05-162.pdf

2 https://www.statsforvalteren.no/contentassets/7293147da4d2403ea0879c8c1e766d84/rsk-vestfold-og-telemark-2019-2022.pdf

3 https://www.statsforvalteren.no/siteassets/utgatt/fm-buskerud/dokument-fmbu/landbruk-og-mat/skogbruk/skogbruksplan/hovedplan_buskerud_2013-2023_oktober-2013.pdf

Customers with industry code forestry: Estimate			
Quantity	Forest (1,000m^2)	CO_2 sequestration, total (tonnes)	CO_2 sequestration, adjusted for proportion of financing (tonnes)
53	62 048	104 283	41 988
Customers with industry code agriculture: Estimate			
Quantity	Forest (1,000m^2)	CO_2 sequestration, total (tonnes)	CO_2 sequestration, adjusted for proportion of financing (tonnes)
3 338	2 186 390	3 674 614	1 513 523
	Estimated total CO2 sequestration from forests in SpareBank 1 Sørøst-Norge's loan portfolio		
	Forest (1,000m^2)	CO_2 sequestration, total (tonnes)	CO_2 sequestration, adjusted for proportion of financing (tonnes)
	2 248 438	3 778 897	1 555 511

STORAGE OF CO2 IN FORESTS

According to the climate report for forest produced by NIBIO[4], lowland forest in Norway covered a total area of 14 988 000 hectares (ha) in 2020, and stored 452 million tCO_2. This equals 30.16 tCO_2 per hectare. The table below shows the calculated carbon storage represented by our lending to forestry. We assume that our forestry portfolio has the same distribution of tree species as the portfolio of our sister bank SpareBank 1 Østlandet[5].

Area (ha)	CO_2 storage per ha (tonnes)	Total CO_2 storage in forest assets (tonnes)	Total CO_2 storage adjusted for financing ratio (tonnes)
24 414	30.16	736 320	303 092

[4] https://www.skogbruk.nibio.no/klimagassregnskapet-for-norske-skoger

[5] Multiconsult (2022), SpareBank 1 Østlandet Green Portfolio Impact Assessment 2022, https://www.sparebank1.no/content/dam/SB1/bank/ostlandet/omoss/investor/Rapporter2022/Green/Multiconsult-Impact-Assessment-Report-SpareBank1-Ostlandet_2022.pdf, Tabell 16.

Appendix 9 – Human rights and decent working conditions

• Report on due diligence in 2022

SpareBank 1 Sørøst-Norge has a responsibility to safeguard human and labour rights, the environment and communities, internally and throughout our supply chain.

The Transparency Act came into force on 01.07.2022. The Act requires SpareBank 1 Sørøst-Norge to disclose information about how the Group manages human rights and labour rights challenges in its operations, in relation to business partners and in its supply chain.

We have drawn up a procedure and established a transparency committee that is responsible for responding to access requests. The Transparency Committee consists of representatives from Sustainability, Communication, Compliance and Legal. People have been assigned professional responsibility for different types of events. We did not receive any access requests in 2022.

This report is included in the Group's 2022 Annual Report, and therefore has been approved by the Board of Directors. The results will also be communicated to the Board of Directors as part of the annual reporting on sustainability.

WHAT DID WE DO IN 2022?

OWN BUILDINGS

Our sustainability policy, our equality, diversity and inclusion policy and our Code of Conduct state that we must not contribute to breaches of human rights or labour rights. These *policies* are also reflected in our personnel and management manual.

We regularly *survey* and *assess* our working environment through working environment surveys and performance and career development reviews in order to involve and protect employees. In relation to our activity and reporting duties, we conduct annual analyses and risk assessments in the area of equality and discrimination. Read more about our work and *measures* for preventing discrimination and protecting human rights and labour rights in the chapter "Our employees" and the appendix "Report on the work on equality, diversity and inclusion". This annual reporting ensures that the *implementation* and *results* of measures are *monitored*. The surveys also function as an arena for *communication with affected employees*. A working environment committee that includes safety representatives and employee representatives also deals with ongoing challenges in this area.

We comply with anti-discrimination legislation and the Working Environment Act's requirement for a fully satisfactory working environment. Should breaches of policies and guidelines occur, we have procedures for handling reports of concern and whistleblowing.

Read more in the Annual Report, section "Our employees".

CORPORATE CUSTOMERS

Our sustainability policy and credit risk policy contain guidelines stating which industries and activities we cannot finance. Several of the requirements are intended to prevent breaches of human rights and labour rights (see the Annual Report, section "Responsible lending"). Our surveys and assessments showed that, based on our operations, we are exposed to a risk of contributing to breaches of human rights and labour rights through the activities we finance (ref. section 4(b) of the Transparency Act). Major companies and listed companies are subject to the Transparency Act. They must assess the risk of breaches of human rights and labour rights in their own operations, their supply chains and at partners, and can require that their subcontractors comply with this. If our customers fail to comply with the Act, irrespective of whether they are directly or indirectly subject to it, this can constitute a credit risk for us. We therefore implemented the following *measures*:

- We informed customers who could be affected by the Transparency Act, directly or indirectly, before it entered into force in order to prepare them for the legal requirements. We also held information meetings with corporate advisers to ensure that they understand the direct and indirect impacts for customers.
- We require building inspectors to check social sustainability conditions in real estate projects with exposure of more than NOK 10 million.
- The following questions have now been included in

the module for assessing the sustainability of corporate loans in SpareBank 1.
- To what extent is the company aware of, and has policies for, breaches of human rights and labour rights in its own operations and in its supply chain? Are the guidelines communicated to subcontractors?
- To what extent has the company conducted due diligence and implemented measures to manage the risk of breaches of human rights and labour rights in its own operations and in its supply chain?
- To what extent does the company comply with its activity and reporting duties within equality and diversity (applies to businesses with more than 50 employees)?

The module/questions must be used in all loan approval processes with debtor involvement of NOK 5 million or more (for commercial buildings and real estate projects the threshold will be NOK 10 million until further notice). Some 681 assessments were conducted in 2022. Assessments conducted via the module are assigned a period of validity to ensure implementation and results are monitored regularly, as well as regular communication with affected customers.
Legally, it is unclear whether we, as the lender, have any indirect liability for remediation and damages due to any breaches of the Transparency Act by customers.

Read more about accountability with respect to loans in the chapter "Sustainability", section "Responsible lending".

INVESTMENTS

Our customers invest significant amounts in the securities funds we distribute. SpareBank 1 Sørøst-Norge complies with the SpareBank 1 Alliance's guidelines for the responsible distribution of securities funds These signal an expectation that fund managers with whom we have a distribution agreement do not invest in companies that:
- are involved in serious violations of human rights, labour rights or the Geneva Conventions, and state this in their policies
- contribute to, or are responsible for, serious violations of individuals' rights in war or conflict situations
- sell arms to states involved in armed conflicts that use weapons in ways that constitute serious and systematic breaches of international law.

The Bank requires managers to sign a distribution agreement and document that they stipulate sustainability requirements for the investments they make. Fund managers have to sign the UN Principles for Responsible Investment and report how they comply with them. All securities funds distributed by SpareBank 1 are surveyed and assessed every year, including in relation to human rights and labour rights.

The survey results in the following measures: SpareBank 1 assigns funds a sustainability label based on the extent to which they comply with the above policies' requirements and expectations. New sales of funds that do not comply with our requirements are stopped. This has happened to some funds. Funds that do not score on all requirements and expectations, receive a poorer score.

Conducting this process annually, and backing it up with additional spot checks, ensures the implementation and results are monitored, and communication with affected funds. The table below shows the number of funds that satisfy the various criteria in the survey in 2022:

Screening	2021 285 funds in total	2022 202 funds in total
NEGATIVE SCREENING, the fund does not invest in companies that:	**2021**	**2022**
Invest in controversial weapons	220	**201**
Invest in weapons or military equipment for restrictive countries	204	**199**
Receive a significant share of their income from thermal coal or that base significant parts of their activities on thermal coal	200	**193**
Contributes to serious environmental damage	204	**199**
At an aggregated company level, produce unacceptable levels of greenhouse gases	192	**185**
Are involved in serious violations of human rights	204	**199**
Are involved in serious violations of individual rights in war and conflict	200	**196**
Are involved in gross corruption	198	**194**
Invest in tobacco production	198	**187**
POSITIVE SCREENING	**2021**	**2022**
Funds that carry out the positive selection of companies based on socially useful non-financial factors	7	**9**
ACTIVE OWNERSHIP	**2021**	**2022**
Funds that, as part of their ownership, communicate with companies about ESG	216	**199**
Funds that, as part of their ownership, communicate with companies about ESG and vote in general meetings	216	**197**
Funds that publicly disclose how their active ownership is exercised	216	**199**

According to the Sustainable Finance Act, securities funds must classify themselves as either Article 6 (without specific sustainability objectives or factors), Article 8 (contributes to promoting sustainability objectives) or Article 9 (has sustainable investments as its purpose). This includes social sustainability factors such as human rights and labour rights.

The individual fund managers are responsible for ensuring that SpareBank 1's customers have the correct sustainability information about the relevant fund at all times. If breaches of human rights or labour rights are identified in a company invested in by one of the funds we offer to customers, we will use our position to encourage the fund provider to take the steps necessary in relation to the relevant company, including *remediation* or *damages* where this is required.

Read more about how we assess and follow up fund managers in the section "Sustainable fund management".

SPONSORSHIPS

The recipients we sponsor provide a quid pro quo by helping to strengthen our brand. Therefore, they must be viewed as business partners of the Group. The Group's sponsorship strategy provides guidelines for such partnerships and specific sustainability criteria that is used to map and assess sponsorship opportunities.

We have taken specific measures: In 2022, two recipients of our sponsorship funds also received funds from a sponsor with activities and attitudes to human rights and labour rights that breach our sustainability policy. We have requested that they terminate their partnership with the relevant sponsor so we can continue to sponsor them.
We describe how we manage adverse impacts in this appendix, and in the Annual Report's section "Local corporate social responsibility and business development". This contains more details about our sponsorship work.

PURCHASING

Most of SpareBank 1 Sørøst-Norge's purchases are made through SpareBank 1 Utvikling. SpareBank 1 Utvikling's agreements with suppliers of goods and services partly consist of SpareBank 1 Utvikling's own agreements and partly of Alliance agreements used by the banks/companies. The Alliance's purchasing department signs supplier agreements on behalf of the Alliance and follows up the sustainability risk associated with these. Therefore, the *policies* and accountability associated with human rights and labour rights are anchored in SpareBank 1 Utvikling's purchasing strategy (drawn up by the Alliance's purchasing department), standard appendices regarding sustainability/policies regarding sustainability in purchasing, the action plan for sustainable purchases in the SpareBank 1 Alliance, and the Bank's own purchasing policy (under development).

SpareBank 1 Sørøst-Norge expects its suppliers and business partners to take a conscious approach to sustainability risk in their operations and supply chains, and to actively and systematically strive to mitigate adverse impacts on the climate, environment, social conditions and business conduct. Therefore, we require suppliers to have sustainability policies and to translate these into action. Climate, environmental, social and business conduct considerations were further integrated into both purchasing and outsourcing in 2022.

SpareBank 1 Utvikling has, based on risk, picked out purchase categories and individual suppliers for further surveying and assessments based on the following criteria:

- Greatest risk of adverse impacts on environmental, social and business conduct conditions
- Largest volume in turnover
- Core activities
- Greatest potential for mitigating adverse impacts on environmental, social and business conduct conditions

The following purchase areas were selected and prioritised for follow-up in 2021-2022:

- Office furniture
- IT systems
- IT hardware
- Consulting and staffing agencies

Summary of supplier follow-up 2019-2022

Key performance indicators for 249 existing suppliers	Goal	Result			
		2019	2020	2021	2022
Risk assessment of suppliers	249	249			
Follow-up of suppliers with elevated risk	91	16	91		
Suppliers requiring further follow-up	43 (48)				
In-depth surveys, number of suppliers	12			6	12
Suppliers with agreed improvement	n/a				6
Suppliers with cancelled agreement	0				0
Breadth survey, suppliers who responded	36				18

IN-DEPTH INVESTIGATIONS

SpareBank 1 Utvikling prioritised in-depth surveys of 12 of the supply chains, rather than look at the breadth of the portfolio. The follow-up of the 12 suppliers focused on compliance with the Transparency Act and their work on fundamental human rights and decent working conditions in their supply chains. The follow-up was carried out using a combination of written in-depth surveys and 1:1 meetings. A breadth survey of 36 suppliers was also initiated in order to obtain an overarching picture of the same factors at the rest of the suppliers with a higher risk.

IT hardware and systems suppliers responded to a questionnaire survey and were followed up in 1:1 meetings. Only 1:1 meetings were conducted with suppliers of office furniture and consulting and staffing agencies. The questions dealt with:

- Sustainability goals and strategies
- Process for supplier follow-up
- Practical actions in relation to suppliers, including any finds of actual risk
- Work on the Transparency Act

Findings from initial contact:

- All of the suppliers had goals and strategies in place
- Most had processes for supplier follow-up
- Fewer presented action plans/findings of actual risk in a readily accessible manner
- Most were working on the Transparency Act, although some had little or no knowledge of the Act

Results after follow-up:

- Several suppliers had significantly improved their work in relation to the Transparency Act
- Many had strengthened their practical supplier follow-up
- Several suppliers reported that the follow-up gave them the knowledge and motivation to work on sustainability

The results of the in-depth surveys are presented in the table below.

Performance indicators for 12 suppliers	Goal: everyone responds satisfactorily	Results of survey	Results after agreed improvements
Sustainability goals and strategies	12	11	12
Process for supplier follow-up	12	10	12
Practical supplier follow-up	12	8	12
Started work on Transparency Act	12	6	12

BREADTH SURVEY

The breadth survey was conducted via a web-based survey module in which 36 suppliers had to answer questions about whether they have a strategy and goals for their company's sustainability work, policies for their suppliers, and in relation to work on the Transparency Act. 18 suppliers responded. The rest will be followed up in 2023.

The responses from the breadth survey show that most have a strategy and goals for their company's sustainability work, and slightly fewer have a process for supplier follow-up. Around half of the suppliers that responded have carried out, or started work on, due diligence.
The table below shows the results of the breadth survey.

No.	Questions	ANSWERS		
		YES	NO	PARTLY
1	Do you have a strategy and goals for the company's sustainability work?	17	1	N/A
2	Have you established a process for following-up the company's subcontractors in relation to sustainability including procedures for waste management?	13	5	N/A
3	Is your company subject to the Transparency Act?	17	1	N/A
4	Have you conducted due diligence assessments in line with the Transparency Act?	3	7	8

LOCAL PURCHASING

As far as our suppliers are concerned, we have set amount criteria and identified risky industries, and prioritised suppliers to follow up based on a review of amount per supplier.
Some criteria were set on the basis of a risk-based approach that triggers a need for follow-up:

1. The supplier does not have an agreement with the SpareBank 1 Alliance and is therefore not handled by the Alliance's purchasing department.
2. Large total amount (last financial year) and significant volume expected going forward as well Threshold of NOK 1 million
3. Large single amount, or tender, for more than NOK 500 000, and agreements where it is overwhelmingly likely that they will be long lasting and cumulatively worth more than NOK 1 million over time.
4. Risk sectors:
   - Office furniture
   - IT systems
   - IT hardware
   - Consulting and staffing agencies
   - Hotel, restaurant and food service
   - Building and construction
   - Transport
   - Sports teams

For further surveys, a supplier must satisfy criteria 1 and 4, and either criteria 2 or 3.

If we become aware of breaches of human rights and labour rights at one of our suppliers, we will work with the relevant supplier to see whether it is possible to ensure that the supplier provides those who have been impacted with remediation and replacement where this is required.

THE WAY FORWARD

- SpareBank 1 Utvikling will follow up suppliers that did not respond to the breadth survey in 2022, as well suppliers with agreed improvements.
- SpareBank 1 Utvikling will conduct new surveys of more suppliers/categories. SpareBank 1 Sørøst-Norge will seek to influence this work, for example we want to explore ISS.
- all new suppliers will be assessed with respect to sustainability in terms of eligibility requirements, contract requirements and award criteria
- Finalise purchasing policy for SpareBank 1 Sørøst-Norge with criteria (including sustainability) and tender thresholds for local purchases.
- Follow up our suppliers who meet the criteria that trigger a need for follow-up.
- Support local business development by briefing local suppliers, including suppliers involved in any renovation of the Group's properties, on the Transparency Act's due diligence requirements related to human rights and labour rights, and by being a reliable and secure customer for them.

Read more about the way forward in relation to our own buildings, investments, sponsorships and customers in the Annual Report's chapter "Sustainability".

[1] Companies that meet two of the following three conditions: sales revenue of NOK 70 million, statement of financial position total of NOK 35 million and an average of 50 FTEs in the financial year.

Appendix 10 – Stakeholder engagement

Good stakeholder engagement can help us in the work of amplifying our positive impacts and mitigating our adverse impacts on people, the environment and society.

The overview shows an excerpt from our stakeholder engagement in 2022. Our most material stakeholder engagement is marked in green. These stakeholder groups have the greatest influence on our sustainability work, while we also have a great influence on their sustainability work.

WHO AND WHERE	WHAT
CUSTOMERS • Customer and market surveys • Customer meetings • Sustainability assessments (due diligence) for corporate lending • "Konjunktur Sørøst" business cycle barometer • Lectures, webinars, seminars and social media.	• How the group and activities are perceived by our customers, customer's needs and wishes in relation to products and services. • Merger information for customers (SpareBank 1 Modum became part of SpareBank 1 Sørøst-Norge on 01.04.2022) • Customer satisfaction retail market (from 77 in 2021 to 75 in 2022) • Customer satisfaction corporate market (from 69 in 2021 to 71 in 2022) • Good digital solutions, responsible advice and local presence • Surveys of companies' and households' expectations for the future in 17 locations in South East Norway • Newsletters for customers about the EU Taxonomy, the Transparency Act and the electricity support scheme
EMPLOYEES • Training, courses and nano-learning • Agenda Sustainability, 2 weeks of webinars and climate competitions • New employee gatherings • Employee performance and career development reviews • Organisational surveys • Cooperation with trade unions • Departmental sustainability meetings • Sustainability risk workshops with various departments • Full-day courses on sustainability topics related to each department • Sustainability Committee	• Sustainability impacts the work of every employee. Involvement, anchoring and sharing knowledge are crucial for achieving the Bank's goals and maintaining a good dialogue with customers on sustainability topics. • Need for ongoing upskilling in relation to sustainability • Good common culture after the banks merge • Equality, diversity and inclusion among employees • Get employees' perspectives on sustainability risks and opportunities
OWNERS AND INVESTORS • Information meetings, investor presentations and themed presentations • Supervisory Board meetings • Stock exchange announcements and annual/quarterly reports • Website	• Sustainability is increasingly a topic in meetings with owners and investors. How sustainability is impacting, for example: • Financial results, credit quality, strategic direction, return on equity certificate, dividend, results of scores and ratings
FOUNDATIONS • Meetings • Email dialogue	• New opportunities due to the merger, need to understand differences and similarities in the foundations' working methods • Dialogue on improving customer-facing skills, possible collaboration with the University of South-Eastern Norway • Co-funding of local offices for the UN Global Compact (see below) • Partnership with the Telemark Research Institute on further developing the business barometer for South East Norway
AUTHORITIES • Ministry of Finance, • Financial Supervisory Authority of Norway and Norwegian Data Protection Authority • Innovation Norway • Corporate health service • Ministry of Climate and Environment • Enova • Norwegian Water Resources and Energy Directorate (NVE)	• Operations • Questions and reporting regarding privacy and money laundering • The growth guarantee scheme and presentations on how Innovation Norway can help our customers • Sick leave, health promotion work • The opportunity to support national initiatives for offsetting the Bank's emissions • The Bank's desire for the authorities to play a more active role in following up the energy rating scheme

WHO AND WHERE	WHAT
TOMORROW'S EMPLOYEES • Universities • Media • Social media	• Visibility at career days • Work experience places • Comments on student papers • Job adverts
SUBSIDIARIES AND PART-OWNED COMPANIES • Meetings • Email dialogue	• Opportunities for greater cooperation (Fremtind, SpareBank 1 Finans Midt-Norway) • Transparency Act (SpareBank 1 Insurance) • Sustainable Finance Disclosure Regulation (ODIN, SpareBank 1 Forvaltning) • Sustainability strategy SpareBank 1 Regnskapshuset Sørøst-Norge
SPONSORSHIP AND GIFT RECIPIENTS • Meetings • Lectures	• Relationship between the sponsorship agreements and the Group's sustainability policy • Link between distributing gifts and SDGs • Talks on financial crime
SUPPLIERS • Meetings • Email dialogue • Via forum in the Alliance	• Dialogue surrounding tenders • Follow-up of sustainability guidelines • Due diligence (see appendix "Report on due diligence")
SPAREBANK 1 UTVIKLING, SPAREBANK 1 GRUPPEN AND SISTER BANKS IN THE SPAREBANK 1 ALLIANCE • Meetings in various forums, such as the Sustainability Forum, Savings and Investment Committee (SIC)	• ESG issues linked to some companies and funds. • Updating ESG policy and methodology for sustainability labelling of funds
RATING AGENCIES AND ANALYSTS • Meetings • Email dialogue • Assessments	• Briefing on the Group's sustainability strategy, focusing on the implications for credit quality. • Meeting with Moody's, dialogue surrounding ESG rating • Dialogue with SustainAX on the ESG analysis of the Bank
COMPETITORS • Various forums with other banks within areas of common interest to the industry (via, for example, Finance Norway)	• Framework conditions for the banking industry • EU Taxonomy • Transparency Act • Training needs within sustainability • Dialogue with the Norwegian Water Resources and Energy Directorate (NVE) and Enova on the energy labelling scheme • Nature-related risk
SPECIAL INTEREST ORGANISATIONS • Written and verbal communication with NGOs, e.g.: Norwegian Green Building Alliance, Zero, UN Global Compact Norway (UN GCN), Rainforest Foundation Norway, UNEP FI, Finance Sector Union of Norway, LO Finans, Future in Our Hands	• Information about the ability to apply for funds from foundations targeted specifically at sustainability issues • BREEAM and the EU Taxonomy • FNGCN: Joint event at Arendal Week, discussions on contributing to the opening of local branches in Kongsberg and Grenland
ACADEMIA • University of South-Eastern Norway (USN) and University of Oslo (UiO) • Education environments and schools in the market area • Meetings and email dialogue • Career days	• Our approach to sustainability • Our experience with the sustainability initiative • How a company should work with sustainability • Input on the University of South-Eastern Norway's strategy: Students on Work Experience • Partnership with the University of Oslo on "Sustainability Laboratory", a new course the UN Global Compact is helping to start.
MEDIA • Articles • Interviews • Website • Local business cycle barometer, Konjunktur Sørøst, website: www.konjunktursorost.no	• Launch of "Konjunktur Sørøst" business cycle barometer and local results of the surveys of expectations for companies and households • Local articles on global and national issues on the website for our business barometer.
SOCIETY AT LARGE • Local chambers of commerce and business networks • Various conferences • Entrepreneurial environments in the market area • The Student Welfare Organisation of South-east Norway (SSN) • • Miscellaneous meeting arenas with sports teams and associations	• Joint events for the local launch of the "Konjunktur Sørøst" business cycle barometer • The connection between sustainability and local business development • Opportunities for cooperation on the Business Barometer for our market area • Cooperation opportunities with start-up environments • Improving young people's understanding of personal finances through, for example, visits to schools • Dialogue with SSN on climate report, financial advice for students, cooperation on meeting any common challenges where we share locations • The Bank as a local supporter, contributor and source of inspiration.

Appendix 11 – GRI Content Index

SpareBank 1 Sørøst-Norge reports in line with the Global Reporting Initiative (GRI) framework, the leading standard for reporting on sustainability. The GRI standard consists of principles, guidance and result indicators that companies can use to measure and report on financial, environmental and social conditions (see www.globalreporting.org for more information). Where relevant, the Group's GRI reporting is linked to its compliance with the UN Principles for Responsible Banking (PRB), the Group's compliance with the ten principles of the UN Global Compact (GC), and the UN Sustainable Development Goals (SDG) the Group is specifically focusing on.

General disclosures

GRI-disclosure	Description	Principles for Responsible Banking (PRB)	UN Global Compact	UN Sustainable Development goals	SpareBank 1 Sørøst-Norge's reporting for 2022
1. The organisation and its reporting practices					
2-1	Organisational details	PRB 1.1			Name: SpareBank 1 Sørøst-Norge. Head office: Fokserødveien 12, 3241 Sandefjord. The Bank only operates in Norway. Annual Report, "SpareBank 1 Sørøst-Norge", "Corporate strategy", "Group goals 2025" and "About the Group".
2-2	Entities included in the organisation's sustainability reporting				Annual Report, Note 1: "General information" and Note 29: "Interests in group companies, associated companies and joint ventures"
2-3	Reporting period, frequency and contact point				2022, annually. Contact person: jorund.buen@sb1sorost.no
2-4	Restatements of information				SpareBank 1 Modum became part of SpareBank 1 Sørøst-Norge on 01.04.2022. See the Annual Report, Note 4 "Merger of SpareBank 1 Sørøst-Norge and SpareBank 1 Modum on 01.04.2022"
2-5	External assurance				The report is externally verified by KPMG.
2. Activities and workers					
2-6	Activities, value chain and other business relationships	PRB 1.1			Annual Report, "SpareBank 1 Sørøst-Norge", chapters "Corporate strategy" and "Main figures". Chapter "Annual financial statements 2022", chapter "Sustainability", section "Our material topics", appendix "Human rights and decent working conditions". No material changes from the year before.
2-7	Employees				Annual Report, chapter "Our employees".
2-8	Workers who are not employees				As at 31.12.2022, the parent bank had 17 temps from staffing agencies
3. Governance					
2-9	Governance structure and composition	PRB 5.1			Annual Report, chapters "Business description" and "Corporate governance".
2-10	Nomination and selection of the highest governance body				Annual Report, chapters "Business description" and "Corporate governance": https://www.sparebank1.no/nb/sorost/om-oss/investor/virksomhetsstyring.html
2-11	Chair of the highest governance body				Annual Report, chapters "Business description", "Presentation of the Board of Directors" and "Corporate governance".
2-12	Role of the highest governance body in overseeing the management of impacts	PRB 5.2			Annual Report, chapters "Governing bodies", "Corporate governance" and "Sustainability", as well as appendices "Climate-related risk" and "Nature-related risk". See our sustainability policy.
2-13	Delegation of responsibility for managing impacts	PRB 5.1			
2-14	Role of the highest governance body in sustainability reporting				

3. Governance					
2-15	Conflicts of interest	PRB 1.1			Discussed in every board meeting, plus remuneration policy. Impartiality/conflicts of interest linked to positions/ roles of three board members were considered in 2022, no deviations discovered.
2-16	Communication of critical concerns				We have procedures for whistleblowing, a Code of Conduct, and standards for reporting wrongdoing. Deviations: none.
2-17	Collective knowledge of the highest governance body	PRB 5.1			Annual Report, chapter "Presentation of the Board of Directors".
2-18	Evaluation of the performance of the highest governance body				Evaluated annually, presented to the Nomination Committee. Annual Report, chapter "Corporate governance"
2-19	Remuneration policies				Annual Report, chapter "Corporate governance"
2-20	Process to determine remuneration				Is decided by the Supervisory Board (general meeting). Annual Report, chapter "Corporate governance"
2-21	Annual total compensation ratio				Annual Report, chapter "Corporate governance"
4. Strategy, policies and practices					
2-22	Statement on sustainable development strategy	PRB 1.2			Annual Report, chapter "SpareBank 1 Sørøst-Norge", statement from the CEO Per Halvorsen.
2-23	Policy commitments	PRB 5.2	GC 7 and 10	SDG 8 and 16	Annual Report, chapter 3 "The business", sections 3.2.0 "Corporate governance" and 3.3 "Risk management and internal control". See our sustainability policy.
2-24	Embedding policy commitments				Annual Report, chapter "Sustainability", sections "Local corporate social responsibility and business development" and "Sustainable fund management", the appendices "Climate-related risk, TCFD", "Nature-related risk, TNFD", "Human rights and decent working conditions" and "Stakeholder engagement". See our sustainability policy.
2-25	Processes to remediate adverse impacts	PRB 5.1			Annual Report, chapter "Sustainability"
2-26	Mechanisms for seeking advice and raising concerns				We have procedures for whistleblowing. Annual Report, chapter "Sustainability: responsible advice"
2-27	Compliance with laws and regulations		GC 7 and 8	SDG 13.3 and 16.6	Annual Report, chapter "Risk management and internal control"
2-28	Membership associations			SDG 17	Finance Norway. Annual Report, section "Sustainability", appendix "Stakeholder engagement"
Stakeholder engagement					
2-29	Approach to stakeholder engagement	PRB 4.1		SDG 17	Annual Report, chapter "Sustainability", appendix "Stakeholder engagement"
2-30	Collective bargaining agreements	PRB 4.1		SDG 17	100% of the employees in the Bank, with the exception of the executive management team, are covered by collective bargaining agreements.
GRI 3					
3-1	Process to determine material topics	PRB 5.1			Annual Report, chapter "Sustainability: our framework, our material topics"
3-2	List of material topics				
3-3	Management of material topics				

Specific disclosures

Economics					
Management Approach					
3-3	Management of material topics	PRB 5.1			Annual Report, chapters "Corporate strategy", "Corporate governance", "Sustainability", sections "Framework" and "Local corporate social responsibility and business development", as well as appendix "Climate-related risk, TCFD"
Economic Performance					
201-1	Direct economic value generated and distributed			SDG 8.5 and 9.4	Annual Report, chapter "Main figures" and chapter "Annual financial statements 2022", section 2.1 "Income statement".
201-2	Financial implications and other risks and opportunities due to climate change	PRB 5.1	GC 7, 8 and 10	SDG 11.b and 13.3	Annual Report, chapter "Sustainability: Responsible lending" and the appendices "Climate-related risk, TCFD" and "Physical climate-related risk in our loan portfolio" Reports and risks and opportunities as drivers behind innovation and product adaptation, although not methods and financial calculations.
201-3	Defined benefit plan obligations and other retirement plans				No material for the Bank.
201-4	Financial assistance received from government				No material for the Bank.
Indirect Economic Impacts					
203-1	Infrastructure investments and services supported			SDG 8.3	Annual Report, chapter "Sustainability", section "Local corporate social responsibility and business development" Investments in other services (disbursements from the foundations, customer dividends, sponsorships, etc.) are reported on, not investments in infrastructure.
203-2	Significant indirect economic impacts				No material for the Bank. See our material topics in the chapter "Sustainability: Introduction".
Financial crime and anti-corruption					
3-3	Management of material topics	PRB 5.1			Annual Report, chapter "Sustainability", sections "Combating financial crime" and "Responsible advice"
Anti-corruption					
205-1	Operations assessed for risks related to corruption		GC 10	SDG 16.5	Annual Report, chapter "Sustainability", sections "Combating financial crime" and "Responsible advice" Not broken down by partners and regional location
205-2	Communication and training about anti-corruption policies and procedures				
205-3	Confirmed incidents of corruption and actions taken				
Financial crime					
SB1SON-1	Combating money laundering and terrorist financing	PRB 5.1			Annual Report, chapter "Sustainability" and the appendices "Greenhouse gas emissions in own buildings (energy and greenhouse gas report)" and "Greenhouse gas emissions in the loan portfolio"

Environment					
Emissions and compliance with environmental regulations					
3-3	Management of material topics	PRB 5.1			Annual Report, chapter “Sustainability” and the appendices “Greenhouse gas emissions in own buildings (energy and greenhouse gas report)” and “Greenhouse gas emissions in the loan portfolio”
Emissions					
305-1	Direct (Scope 1) GHG emissions		GC 7, 8 and 9	SDG 12.2, 12.6, 12.8, 13.3, 15.a and b	Annual Report, chapter “Sustainability”, the appendices “Greenhouse gas emissions in own buildings (energy and greenhouse gas report)” and “Greenhouse gas emissions in the loan portfolio”.
305-2	Energy indirect (Scope 2) GHG emissions				
305-4	GHG emissions intensity				
305-5	Reduction of GHG emissions				
305-6	Emissions of ozone-depleting substances (ODS)				Not material. See our material topics in the chapter “Sustainability: our material topics”
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emission				
Follow-up of suppliers – the environment					
3-3	Management of material topics	PRB 5.1			Annual Report, chapter “Sustainability”, section “Sustainable fund management”, appendix “Human rights and decent working conditions”
Follow-up of suppliers					
308-1	New suppliers that were screened using environmental criteria		GC 7, 8 and 9	SDG 13.3	Annual Report, chapter “Sustainability”, section “Sustainable fund management”, appendix “Human rights and decent working conditions”.
308-2	Adverse environmental impacts in the supply chain and actions taken				
Society					
Employees					
3-3	Management of material topics	PRB 5.1			Annual Report, chapters “Our employees” and “Sustainability”, section “Our material topics”
Employment					
401-1	New employee hires and employee turnover		GC 1 and 6	SGD 8.5, 8.8 and 16b	Annual Report, chapter “Our employees”, appendix “Report on the work on equality, diversity and inclusion”.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees				All permanent employees with a 20% position or more have the same rights and employee benefits. Temporary employees are only covered with the pension scheme and occupational injury insurance.
401-3	Parental leave				Annual Report, chapter “Our employees”, appendix “Report on the work on equality, diversity and inclusion”.

Training					
404-1	Average hours of training per year per employee				On average, approximately 17.1 hours in total are spent by each employee of the parent bank on courses (includes all of the completed courses in the learning portal, as well as the hours spent on sustainability and anti-money laundering training).
404-2	Programmes for upgrading employee skills and transition assistance programmes			SDG 4.4, 4.7 and 8.5 SDG 4.4, 4.7 and 8.5 SDG 4.4, 4.7 and 8.5	We offer study support for further and continuing education. Based on the study programme's relevance to the individual's job and the Group's future skills needs, the company pays 100% of the expenses associated with studying. The development of formal qualifications in the Group is addressed through, among other things, membership of several industry-related authorisation schemes. We have our own management development programme for all managers in the Group. No programmes for the transition to retirement.
404-3	Percentage of employees receiving regular performance and career development reviews				92% of all parent bank employees had performance and career development reviews in 2022. The figure is somewhat low due to mergers, reorganisation and changes in managers during the period when the performance and career development reviews were being conducted.
Equality and diversity					
405-1	Diversity of governance bodies and employees		GC 6	SDG 8.5 and 16b	Annual Report, chapter "Our employees", section "Equality, diversity and inclusion", and appendix "Report on the work on equality, diversity and inclusion".
405-2	Ratio of basic salary and compensation of women to men				
Non-discrimination					
406-1	Incidents of discrimination and corrective actions taken		GC 1, 2 and 6	SDG 8.8 and 16.b	No known cases of discrimination.
Follow-up of suppliers – social conditions					
3-3	Management of material topics	PRB 5.1			Annual Report, appendix "Human rights and decent working conditions"
Supplier Social Assessment					
414-1	New suppliers that were screened using social criteria		GC 1-6	SDG 12.6 and 16.6	Annual Report, chapter "Sustainability", section "Sustainable fund management", appendix "Human rights and decent working conditions".
414-2	Adverse social impacts in the supply chain and actions taken				
Marketing and privacy					
3-3	Management of material topics	PRB 5.1			Annual Report, chapter "Sustainability", sections "Responsible advice and "Ethical marketing"
Marketing and Labelling					
417-1	Requirements for product and service information and labelling		GC 2	SDG 9.4, 12.6, 12.8, 13.3 and 16.5	Annual Report, chapter "Sustainability", section "Ethical marketing"
417-2	Incidents of non-compliance concerning product and service information and labelling				
417-3	Incidents of non-compliance concerning marketing communications				

Customer Privacy					
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data				Annual Report, chapter “Sustainability”, section “Responsible advice”
Product responsibility and active ownership					
3-3	Management of material topics	PRB 5.1			Annual Report, chapter “Sustainability”, section “Responsible lending”
Product liability					
FS7	Monetary value of products and services designed to deliver a specific social benefit		GC 1	SDG 8.10, 9.4 and 12.6	Annual Report, chapter “Sustainability”, section “Responsible lending”
FS8	Monetary value of products and services designed to deliver a specific environmental benefit		GC 8 and 9	SDG 9.4, 12.2, 12.6, 12.8, 13.3, 15a and b	
Active ownership					
FS10	Percentage and number of companies held in the institution’s portfolio with which the reporting organisation has interacted on environmental or social issues.		GC 8	SDG 8.10, 11.a, 12.6, 12.8, 13.3	Annual Report, chapter “Sustainability”, section “Responsible lending”
FS11	Percentage of assets subject to positive and negative environmental or social screening		GC 1,2, 4-6 and 7		Annual Report, chapter “Sustainability: sustainable fund management”

Independent auditor's attestation statement on SpareBank 1 Sørøst-Norge's Sustainability Report 2022

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To the Board of Directors of Sparebank1 Sørøst-Norge

Independent Limited Assurance Report on the Sustainability Report of Sparebank1 Sørøst-Norge

Scope of the engagement

We have been engaged by the Board of Directors of Sparebank1 Sørøst-Norge («the Company») to issue an assurance report on the Sustainability Report included in the Company's annual report for the year ended 31 December 2022 («the Report»). The information reviewed in the report covers the following chapters:

- «Our employees», pages 155-161
- «Sustainability in SpareBank 1 Sørøst-Norge», pages 162-193
- Appendix 2 until Appendix 3, pages 200-208
- Appendix 5 until Appendix 7, pages 215-235
- Appendix 9 until Appendix 11, pages 238-250
- Report on remuneration for executive persons for 2022 (Executive Remuneration Report), pages 262-268

We have performed the assurance engagement to obtain limited assurance that the Report is prepared, in all material respects, in accordance with the Global Reporting Initiative («GRI») Standards as described in page 168 of the Report.

The scope of our limited assurance engagement excludes future events or the achievability of the objectives, targets, and expectations of the Company. The scope also excludes information contained in webpages referred to in the Report unless specified in this limited assurance report.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this limited assurance report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and the evidence obtained nothing has come to our attention that causes us to believe that the Report is not prepared, in all material respects, in accordance with the GRI standards, as described in page 168 of the Report.

Management's responsibility

The Board of Directors and the Managing Director («management») are responsible for the preparation of the Report, and the information and assertions contained within it, in accordance with the GRI Standards as described in page 168 of the Report.

Offices in:

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

Management is also responsible for such internal control as management determines is necessary to enable the preparation of a Report that are free from material misstatement, whether due to fraud or error, and for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities.

Our independence and quality control

We are independent of the Company as required by laws and regulations and the International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We apply International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility

Our responsibility is to perform a limited assurance engagement and to express a conclusion based on the work performed.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (revised) – "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

Procedures performed

A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate. The procedures selected depend on our understanding of the Report and other engagement circumstances, and our considerations of areas where material misstatements are likely to arise. Our procedures included:

- Comparing the information presented in the report to the relevant criteria in GRI.
- A risk analysis, including a media search, to identify relevant sustainability issues for the Company in the reporting period.
- Inquiries of management to gain an understanding of the Company's processes for determining the material issues for the Company's key stakeholder groups.
- Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies for material issues, and the implementation of these across the business.
- Interviews with relevant staff at the corporate and business unit level responsible for providing the information in the Report.
- Reviewing relevant internal and external documentation, on a limited test basis, in order to determine the reliability of the Report.
- Comparing the information presented in the Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying

sources has been included in the Report.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of the Company.
- Assessed the information in the GRI Index as presented in the Company's Sustainability Report as appendix «GRI Index» on pages 245-250.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained has a reasonable assurance engagement been performed.

Inherent limitations

Due to the inherent limitations of any internal control, it is possible that errors or misstatements in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation of the Report, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Oslo, 9 March 2023
KPMG AS

Anders Sjöström
State Authorized Public Accountant

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

SpareBank 1 Sørøst-Norge's remuneration policy

Contents

1. Purpose

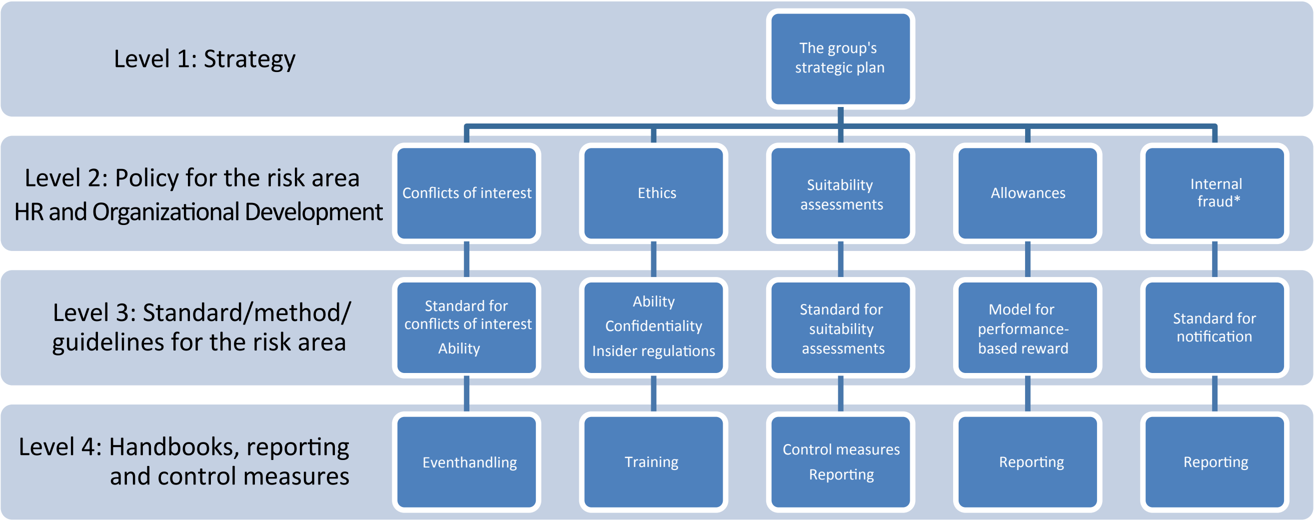
SpareBank 1 Sørøst-Norge's (parent bank) remuneration policy must help maintain the Bank's competitiveness, attract and retain relevant expertise, promote and provide incentives for good management and control of the Bank's risk, counter excessive risk-taking and contribute to avoiding conflicts of interest.

A performance promoting remuneration scheme is an important strategic instrument. All rewards in SpareBank 1 Sørøst-Norge must contribute to achieving goals and the desired conduct.

The Board of Directors must establish, and ensure that the Bank has and practices, guidelines and frameworks for the remuneration system at all times. The remuneration system must be in line with the Bank's strategy, overarching objectives, financial capacity, risk tolerance and long-term interests.

2. Framework – management and control of remuneration in SpareBank 1 Sørøst-Norge

2.1. General governing documents



3. General guidelines and regulatory requirements

SpareBank 1 Sørøst-Norge's remuneration policy is generally based on the following legal authorities/laws, which provide important guidance and principles upon which good remuneration management must be based:

- Financial Institutions Act
- Financial Institutions Regulations
- Public Limited Liability Companies Act
- Regulation on guidelines and report on remuneration of executive persons
- The Financial Supervisory Authority of Norway's circular 2/2020 dated 19.05.2020

4. Remuneration Committee

Enterprises with more than 50 employees and enterprises with total assets of more than NOK 5 billion must have a Remuneration Committee appointed by the Board of Directors. The committee must have at least one employee representative and must otherwise consist of all or parts of the Board of Directors. The committee must have sufficient knowledge and experience of risk analyses to assess whether the remuneration policy is appropriate for the Bank.

SpareBank 1 Sørøst-Norge's Remuneration Committee must consist of three members: the Chair of the Board, the Deputy Chair and a member elected from among the Board's employee representatives. The committee is chaired by the Chair of the Board.

Please refer to the "Instructions for the Board of Directors' Remuneration Committee".

5. Definition

Remuneration encompasses all of the benefits a person receives by virtue of their position in the Bank.

This includes wages and other benefits in the form of:
• base salary
• benefits in kind
• bonuses
• allocations of equity certificates, subscription rights, options and other forms of remuneration related to equity certificates or the price performance of SpareBank 1 Sørøst-Norge's equity certificate
• pension schemes
• early retirement schemes
• severance schemes
• all forms of variable elements of remuneration, or special benefits that are additional to base salary

6. Who is covered?

The remuneration policy covers all employees of SpareBank 1 Sørøst-Norge's parent bank. Special requirements apply to the remuneration arrangements for executive persons, employees with duties that are of significant importance for the Bank's risk exposure, employees who perform control tasks and employee representatives, see point 7.2.

Executive persons in SpareBank 1 Sørøst-Norge are defined as:
• The executive management team

SpareBank 1 Sørøst-Norge has adopted an overarching principle that the executive management team, as the heads of the individual business areas, should perform the management and control of the risk in their own operations as part of their leadership.

Other discretionary criteria for identifying executive persons must comply with the applicable criteria established by the Financial Supervisory Authority of Norway at any given time.

For SpareBank 1 Sørøst-Norge these are defined as:
- The executive management team
- The Board of Directors
- The Chair of the Supervisory Board

Employees with duties that are of significant importance for the Bank's risk exposure:
- Regional managers in RM and CM
- The heads of the credit area in RM and CM
- Employees who perform control tasks:

Employees with control duties:
- Head of risk management
- Head of compliance

A person is considered a risk-taker if in the previous financial year they were awarded total remuneration equal to or higher than a member of the executive management team.

7. Risk capacity and risk appetite – management model, responsibilities and roles

The Bank must have a low risk profile for remuneration risk where no single events (disbursements or allocations) should be able to seriously harm the Bank's financial position.

7.1. SpareBank 1 Sørøst-Norge – an attractive employer

The Bank should be an attractive employer with a competitive remuneration policy. The Bank's remuneration system should motivate fulfilment of the Group's vision, values and strategy.

The remuneration system should contribute to motivation, efforts, results and the sustainable development of the Bank. They should provide room for individual remuneration and must contribute to attracting, developing and retaining skilled employees with relevant expertise, and otherwise comply with good corporate governance principles.

Remuneration formation in the Bank should be balanced in relation to profitability, earnings, socioeconomic considerations, the work performed and the position's other responsibilities and authorities, as well as the qualifications required, the level of problem-solving and market considerations.

7.1.1. Equal pay

Remuneration must be determined in the same way for men and women. The principle of equal pay means that employees must receive the same pay for the same work or work of equal value, regardless of gender.

All employees of the Bank must understand the composition of their total remuneration. A simple, clear and understandable remuneration profile is an aid in the competition for skills and labour.

7.1.2. Fixed salary

The remuneration system's guidelines state that an employee's fixed salary should make up for the majority of their remuneration. Furthermore, an employee's fixed salary is based on the following factors:
- an assessment of the position – job requirements (complexity, responsibilities and authorities)
- a proficiency assessment – skills, results, conduct

A market assessment – supply, demand, benchmark
Employees should not receive board fees for offices they take on within the Group; any board fees from outside the Group must be clarified with the CEO. This rule does not apply to employee representatives on the Bank's Board of Directors.

7.1.3. Variable remuneration

The Bank can have individual schemes for variable remuneration linked to target attainment. Performance-based reward schemes can be agreed.

7.1.4. Pension scheme

The Bank's employees earn pension rights in line with the Bank's current pension scheme at any given time.

7.1.5. Collective benefits

All employees are entitled to receive the collective benefits described in the Bank's personnel handbook at any given time.

7.1.6. Benefits in kind

Benefits in kind are remuneration in a form other than money that employees receive as part of their employment and that result in a personal financial benefit. Executive persons will usually receive the benefits in kind that are normal for comparable positions and where they are required for work purposes.

7.1.7. Severance schemes

The general rule is that there are no special arrangements for employees of the Group that regulate severance pay, pensions and other individual circumstances beyond what is normal for their position. Nevertheless, market conditions may mean that there is a need to enter into such agreements.

Severance agreements entered into with people other than the CEO must reflect the results achieved over time and be formulated in such a way that inadequate results are not rewarded.

7.1.8. Options

The Bank may have arrangements for allocating equity certificates, subscription rights, options or other forms of remuneration related to equity certificates or the price performance of the Bank's equity certificate.

7.2. Special rules for executive persons, employees with duties that are of significant importance for the Bank's risk exposure and employees who perform control tasks.

7.2.1. Guidelines for variable remuneration

- The relationship between fixed and variable remuneration for executive persons should be balanced. Their fixed salary should be high enough to avoid the Bank having to pay variable remuneration.
- For the CEO and executive management team, their variable remuneration must not amount to more than half of their fixed remuneration. As a general rule, this principle should also apply to other executive persons in the Bank.

- For managers, risk-takers and employees with control tasks, their variable remuneration must be determined based on function-specific objectives and not be based on the performance of the unit they supervise. The remuneration must not challenge their independence.

Other matters are described in the Financial Institutions Regulations.

7.2.2. Risk-adjusted profit

Variable remuneration must be based on a combination of an assessment of the person concerned, the department concerned and the Bank as a whole. When measuring performance, the Group's risk and the costs associated with the need for capital and liquidity must be taken into account.

The basis for determining variable remuneration must be the risk-adjusted profit. The process for determining remuneration must take into account the risk resulting from the Group's activities, including the cost of the capital and liquidity that the Group requires.

The Board of Directors' decision should make it clear that risk assessments have been conducted as part of the allocation process.

Before deferred remuneration is paid out to executive persons, an assessment must be made of whether the conditions and criteria for prudent distribution still exist. This must include assessing the risk-adjusted profit and whether the growth is within the adopted limits, whether there is a need for further issues, whether the capital adequacy is satisfactory and whether the disbursement could affect the dividend ratio.

7.3. Responsibilities for and roles in managing and controlling remuneration risk

7.3.1. The Board of Directors

The Board of Directors is responsible for:

- approving the remuneration policy and ensuring that the documentation on which decisions are based is preserved
- determining the framework for variable remuneration
- determining the salary and other remuneration of the CEO each year
- approving the "Annual Review and Practice Report" and "Executive Remuneration Report"
- presenting the "Executive Remuneration Report" to the Supervisory Board.

7.3.2. CEO

The CEO is responsible for:

- determining the annual salary and other remuneration of the other members of the executive management team based on an assessment by the Remuneration Committee.

7.3.3. The Remuneration Committee

The Remuneration Committee is responsible for:

- preparing all matters related to remuneration that will be considered by the Board of Directors in accordance with the "Instructions for the Board of Directors' Remuneration Committee".
- conducting an annual review of how the remuneration policy is practised and preparing a written report that is presented to the Board of Directors.
- prepared an "Executive Remuneration Report" in line with point 8.2.
- advising the CEO with respect to the remuneration of the executive management team.

7.3.4. The internal auditor

The internal auditor is responsible for:

- conducting an annual review of the report on how the remuneration policy is practised and making recommendations to the Board of Directors.

7.3.5. The external auditor

The external auditor is responsible for:

- reviewing the report on the remuneration executive persons received or became eligible for over the course of the previous financial year (Executive Remuneration Report) before the report is considered by the Supervisory Board.

7.3.6. The Supervisory Board

The Supervisory Board is responsible for:

- considering and approving the "Remuneration Policy in SpareBank 1 Sørøst-Norge" upon every material change and at least every fourth year, ref. section 6-16(a) of the Public Limited Liability Companies Act. (5).
- considering and approving the "Executive Remuneration Report"

8. Reporting

8.1. Annual Review and Practice Report

The Bank must review how the remuneration policy is practised at least once a year and prepare a written report that must be presented to the Board of Directors. The report must be reviewed by an independent control function (the internal auditor).

8.2. Executive Remuneration Report

The Board of Directors must prepare a report on the remuneration executive persons received or became eligible for over the course of the previous financial year. The report must cover the remuneration that former, current and future executive persons received or became eligible for over the course of a financial year, ref. section 6(2) of the Regulation on guidelines and report on remuneration of executive persons. The information must be individualised per executive person. The Executive Remuneration Report must be considered and approved by the Supervisory Board. The executive persons who must be included in the report are the executive management team, the Board of Directors and the Chair of the Supervisory Board. Other members of the Supervisory Board are also included in the report, although they are not individualised.

The Bank must publish the information on remuneration in line with the applicable legislation at any given time.

8.3. Exemptions from disclosure duty

The report must not contain the personal data mentioned in Article 9(1) of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27.04.2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

The Board of Directors must ensure that the report does not contain information that indicates the individual executive person's family situation.

Information that is subject to a statutory duty of confidentiality is not subject to the duty of disclosure and must not be made public. Information that cannot be disclosed without causing disproportionate harm to enterprise can also be exempted from disclosure if this is necessary.

9. Maintenance

The remuneration policy applies for 1 year at a time and is revised annually. Changes to the remuneration system must be discussed with employee representatives. The Remuneration Committee must prepare the Board of Directors' consideration of the Remuneration Policy in SpareBank 1 Sørøst-Norge.

10. Reference

Instructions for the Board of Directors' Remuneration Committee in SpareBank 1 Sørøst-Norge.
Policy for managing conflicts of interest in SpareBank 1 Sørøst-Norge.

Revision history

Date	Description	Document owner
05.10.2021	Considered by the executive management team	Marianne Thorsdal
06.10.2021	Briefed SAMU	Marianne Thorsdal
14.10.2021	Dealt with by the Board of Directors' Remuneration Committee	Marianne Thorsdal
14.10.2021	Approved by the Board of Directors	Marianne Thorsdal
09.02.2022	Dealt with by the Board of Directors' Remuneration Committee	Marianne Thorsdal
09.02.2022	Considered by the Board of Directors	Marianne Thorsdal
22.03.2022	Approved by the Supervisory Board	Marianne Thorsdal

Report on remuneration for executive persons for 2022 (Executive Remuneration Report).

Introduction

The report was prepared and produced based on the requirements of section 6-16b of the Public Limited Liability Companies Act and the Regulation on guidelines and report on remuneration of executive persons.

On 01.04.2022, SpareBank 1 Sørøst-Norge merged with SpareBank 1 Modum, where SpareBank 1 Sørøst-Norge was the taking over bank.

This report covers executive persons in the parent bank, who are defined as the executive management team, the Board of Directors and
the Supervisory Board.

The remuneration of executive persons from the former SpareBank 1 Modum has been included in the report from the merger date.
The executive management team was expanded by two people in 2022, from nine to 11 members, due to the merger and organisational changes.

SpareBank 1 Sørøst-Norge's remuneration policy was approved by the Supervisory Board on 22.03.2022. The revised policy will be presented to the Supervisory Board at the annual general meeting on 30.03.2023.
All the figures are stated in NOK thousands unless otherwise specified.

For more information, see the Bank's interim financial statements and Annual Report for 2022.

Total remuneration

Table – Remuneration for executive persons for 2022 financial year All figures in NOK thousands																						
Name of executive person, position	1						2				3		4		5		6				7	
	Fixed remuneration						Variable remuneration				Extraordinary objects						Proportion fixed and variable remuneration				Enterprise in same group or group of enterprises	
	Fixed salary		Fees		Benefits in kind		1-year variable		Multi-year variable				Pension costs		Total remuneration		Proportion fixed		Variable			
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022			2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
Per Halvorsen, CEO [1]	1 824	3 239			92	201		224					18 445	2 330	20 361	5 994	100%	96%	0%	4%	85	0
Lasse Olsen, Executive Vice President Retail Market	1 786	1 884			159	206	92	126	38	40			197	208	2 272	2 464	94%	93%	6%	7%		
Arent Kristian Anfinsen, Executive Vice President Corporate Market [1]	849	1 527			84	155		103					125	216	1 058	2 001	100%	95%	0%	5%		
Geir Årstein Hansen, Deputy CEO	1 750	1 912			180	212	359	254	63	47			944	591	3 296	3 016	87%	90%	13%	10%		
Marianne Sommerro Evensen, Executive Vice President Compliance, Privacy & Legal	1 321	1 398			143	180	112	92	63	48			361	333	1 998	2 051	91%	93%	9%	7%		
Roar Snippen, Executive Vice President Economy & Finance (CFO) [1]	957	1 676			85	158		112					121	311	1 163	2 257	100%	95%	0%	5%		
Johan Hjerkinn, Executive Vice President Strategy & Business Development	1 510	1 584			120	156	86	106	38	41			206	215	1 961	2 102	94%	93%	6%	7%		
Marianne Thorsdal, Executive Vice President HR & Organisational Development [1]	691	1 222			85	182		81					121	203	897	1 688	100%	95%	0%	5%		
Tonje Stormoen, Executive Vice President Business Support	1 272	1 347			163	206	82	90	38	34			220	229	1 775	1 906	93%	94%	7%	6%		
Kristian Kloster, Acting Executive Vice President Risk Management, from August 2022		500				58								71	0	629		100%		0%		
Egil Meland, Executive Vice President Subsidiaries, from April 2022		1 555				222								1 210	0	2 987		100%		0%		
Rune Fjeldstad, CEO, until June 2021 [2]	2 559				39		156		70				600		3 425		93%		7%			
Stian Thomassen, Director Corporate Market, until June 2021 [2]	1 594				93		89		38				141		1 954		94%		6%			
Finn Haugan, Chair of the Board			575	575	2										577	575	100%	100%	0%	0%		
Anne Berg Behring, Deputy Chair of the Board			229	320											229	320	100%	100%	0%	0%		
Heine Wang, board member			279	250											279	250	100%	100%	0%	0%		
Jan Erling Nilsen, board member			154	210											154	210	100%	100%	0%	0%		
Elisabeth Haug, board member			170	170											170	170	100%	100%	0%	0%		
John-Arne Haugerud, board member, from April 2022				128												128		100%		0%		
Lene M. Aa. Thorstensen, deputy member, until March 2022, board member from April 2022				128												128		100%		0%		
Hanne Myhre Gravdal, board member, employee representative			179	185											179	185	100%	100%	0%	0%		
Frede Christensen, board member, employee representative			99	170											99	170	100%	100%	0%	0%		
Anne Leversby, regularly attending deputy member (observer), from April 2022				91												91		100%		0%		
Gisle Dahn, board member, until June 2021 [2]			106												106		100%		0%			
Janne Sølvi Weseth, board member, until June 2021 [2]			85												85		100%		0%			
Geir A. Vestre, board member, employee representative, until June 2021 [2]			77												77		100%		0%			
Lars Ole Bjørnsrud, Chair of the Supervisory Board			92	80											92	80	100%	100%	0%	0%		
Other members of the Supervisory Board			435	356											435	356	100%	100%	0%	0%		
Total	16 113	17 844	2 480	2 662	1 245	1 936	977	1 188	345	210	0	0	21 482	5 918	42 643	29 759	97%	95%	3%	5%	85	0

Explanation table per executive person:

1. Pay, remuneration and benefits in kind for 2021 concern pay, etc. from SpareBank 1 Sørøst-Norge from 01.06.2021 to 31.12.2021. Pay from Sparebanken Telemark for the period 01.01.2021 to 31.05.2021 is not included in the overview above.
2. Executive persons and board members who left in 2021 are included in the overview to show the history.

Fixed remuneration, column 1:
Fixed salary: Agreed fixed salary earned and paid out in the individual reporting year, for 2021 and 2022, respectively.
Fees: Meeting fees for members of the Board of Directors and the Supervisory Board earned and paid out in each reporting year, for 2021 and 2022, respectively. Benefits in kind: Can be electronic communication, insurance schemes, owning a car based on an agreement, free car (company car), interest rate advantages and discounts on equity certificates that are earned and reported in the individual reporting years, 2021 and 2022, respectively.

Variable remuneration, column 2:
1-year variable 2021: Individual bonuses, earned in 2017 - 2020 -> paid out in 2021 and bonuses for employees of the former SpareBank 1 BV, earned in 2020 -> paid out in 2021.
1-year variable 2022: Bonuses for all employees, earned in 2021 -> paid out in 2022 The remuneration should have been reported in 2021, but given that the resolution to pay it out was presented after the deadline for reporting remuneration, it has been included in the report for 2022.
Multi-year variable 2021: Unpaid individual bonuses, earned in 2020 for executive persons of the former SpareBank 1 BV.
Multi-year variable 2022: Individual bonuses, earned in 2018-2020 for executive persons in the former SpareBank 1 BV -> paid out in 2022

No reporting in column 3 extraordinary objects.

Equity certificates

In 2022, every permanent employee in the Group was offered a chance to participate in an equity certificate savings scheme. The saved amount was used to buy SpareBank 1 Sørøst-Norge equity certificates at a discount of 30% per equity certificate.
The subscription period was from 09:00 on 12.05.2022 to 16:00 on 24.05.2022, 19.05.2022 for primary insiders. Subscription price NOK 58.50. The equity certificates were not subject to a lock-in period. The benefit is included in the amount stated in column 1 "Benefits in kind" on the form "Total remuneration".

Employees were offered the following three options:

1. Savings amount NOK 12 000 awarded equity certificates worth NOK 17 143, discount NOK 5 143
2. Savings amount NOK 24 000 awarded equity certificates worth NOK 34 286, discount NOK 10 286
3. Savings amount NOK 36 000 awarded equity certificates worth NOK 51 429, discount NOK 15 429

The Bank's ability to reclaim variable remuneration

The current guidelines allow the Bank to demand the repayment of variable remuneration that has been paid out. No variable remuneration was demanded back in the 2022 financial year.

Information on compliance with the remuneration policy's guidelines and how the performance criteria were applied

The CEO's remuneration package comprises a fixed salary, variable remuneration, benefits in kind and pension and insurance schemes. The CEO's fixed salary and variable remuneration are determined annually by the Board of Directors following an assessment by and recommendation from the Remuneration Committee. The remuneration of the other members of the executive management team is determined by the CEO based on an assessment by the Remuneration Committee. The assessments are based on the results achieved in defined target areas according to balanced scorecards, individual performance and wage growth in comparable positions. Fixed salary accounts for the majority of the remuneration and variable remuneration does not amount to more than half of the fixed remuneration.

The remuneration of the Board of Directors and the Supervisory Board is determined by the Supervisory Board based on the recommendations of the Nomination Committee and is not included in overviews showing annual changes in remuneration and the Bank's results.

As a group, the executive management team and executive persons must be comprised of people with a high level of expertise if the Bank's ambition of becoming a regional bank for South East Norway is to be achieved. It is essential that the Bank provides continuity and predictability for this group of employees and their terms and conditions must be competitive. When salary and other remuneration reflect the expertise required and level of problem solving necessary, we believe that this contributes to the Bank's long-term results.

The bonuses for all employees that were paid out in 2022 were earned in 2021 and are included in the year's Executive Remuneration Report since the resolution regarding payment was not passed until after the deadline for reporting for 2021. Individual bonuses that were paid out to executive persons in the former SpareBank 1 BV in 2022 were earned in the years 2018-2020.

SpareBank 1 BV and Sparebanken Telemark merged on 01.06.2021. At that time, the two banks each had their own board-approved scheme for performance-based rewards, and there was a need to find a common solution for managing the performance-based rewards for the merger year, 2021. The Remuneration Committee and the Board of Directors discussed the matter in several meetings.

An assessment of the prudence of the level of the performance-based reward payment for all employees and the individual performance-based reward payments earned in 2018-2020 for executive persons of the former SpareBank 1 BV was carried out in a board meeting on 18.01.2022 based on forecasts for 2021 and the results achieved in the period 2018-2021. After the final accounts for 2021 were available, the Board of Directors reconsidered the matter on 09.02.2022. Extract of the assessment regarding board agenda item 32/22: "The Group has delivered a better profit than forecast and has a high level of financial strength. The final accounts are in line with what the executive management team has previously briefed to the Board of Directors and confirm that the profit is better than forecast and a CET Tier 1 capital ratio of more than 18% after the cash dividend." Based on this, the Board of Directors passed the following resolution "The Board of Directors voted to give employees of the parent bank a 7% payment of salary as a performance-based reward for 2021. Furthermore, the year's proportion of previously allocated performance-based rewards for executive persons in SpareBank 1 BV can be paid out."

Exemptions and deviations from the remuneration policy and the procedure for implementation

There are no exemptions or deviations from the remuneration policy and the procedure for implementation.

Annual changes to remuneration and the Bank's profit

Table of over remuneration and change from previous years

Name	2017	2018	Change (NOK) 2017/2018	Change (%) 2017/2018	2019	Change (NOK) 2018/2019	Change (%) 2018/2019	2020	Change (NOK) 2019/2020	Change (%) 2019/2020	2021	Change (NOK) 2020/2021	Change (%) 2020/2021	2022	Change (NOK) 2021/2022	Change (%) 2021/2022
Rune Fjeldstad until June 2021 (1)	2 862	3 039	177	6%	3 108	69	2%	3 229	121	4%	2 755	-474	-15%	0	-2 755	-100%
Geir Årstein Hansen	1 726	1 829	103	6%	1 849	20	1%	1 900	51	3%	2 289	389	20%	2 425	136	6%
Marianne Sommerro Evensen	1 123	1 225	102	9%	1 296	71	6%	1 524	228	18%	1 575	51	3%	1 718	143	9%
Stian Thomassen until June 2021 (2)	1 714	1 808	94	5%	1 859	51	3%	1 903	44	2%	1 776	-127	-7%	0	-1 776	-100%
Lasse Olsen	1 709	1 832	123	7%	1 884	52	3%	1 947	63	3%	2 037	90	5%	2 256	219	11%
Johan Hjerkinn, from May 2017	824	1 479	655	79%	1 617	138	9%	1 689	72	4%	1 717	28	2%	1 887	170	10%
Tonje Stormoen	1 008	1 193	185	18%	1 316	123	10%	1 468	152	12%	1 518	50	3%	1 677	159	10%
Roar Snippen, from June 2021											1 042	1 042		1 946	904	87%
Marianne Thorsdal, from June 2021											776	776		1 485	709	91%
Arent K. Anfinsen, from June 2021											933	933		1 785	852	91%
Per Halvorsen, from June 2021											1 916	1 916		3 664	1 748	91%
Egil Meland, from April 2022														1 777	1 777	
Kristian Kloster, from August 2022														558	558	
	10 966	12 405	1 439	13%	12 929	524	4%	13 660	731	6%	18 334	4 674	34%	21 177	2 843	16%

(1) Former CEO – severance agreement effective from 01.06.2021.
(2) Former Director CM – severance agreement effective from 01.06.2021.

Average remuneration by FTEs			
FTEs	Total compensation	Average remuneration	Year
223	164 108	735	2017
220	145 846	663	2018
223	151 284	678	2019
228	154 997	680	2020
308	225 019	731	2021
415	335 211	807	2022

The table above shows average remuneration by FTEs, excluding executive persons for the period 2017-2022.
Average FTEs and remuneration take into account the fact that employees of the former Sparebanken Telemark are included in the overview from 01.06.2021, and the former SpareBank 1 Modum is included in the overview from 01.04.2022.

Profit for the year before other comprehensive income (NOK million)	
2017	509
2018	596
2019	539
2020	505
2021	869

The table above shows the Bank's profits for the period 2017-2021.

Information regarding the Supervisory Board's decision

"Report on remuneration for executive persons for 2021" was considered by the Supervisory Board on 22.03.2022. The chair of the Supervisory Board provided an account of the matter at the meeting, ref. also the supporting documents that were appended to the notice of the meeting.
The following unanimous decision was then adopted: "The Supervisory Board approved the submitted 'Report on remuneration for executive persons for 2021 (Executive Remuneration Report)'."

Report on the work on equality, diversity and inclusion 2022

Reporting in line with the activity and reporting duties

Part 1: Gender equality status

The Group has completed two mergers in the past few years. SpareBank 1 BV merged with Sparebanken Telemark in 2021 and became SpareBank 1 Sørøst-Norge. In 2021, SpareBank 1 Modum was merged into SpareBank 1 Sørøst-Norge. The 2020 column only shows figures from SpareBank 1 BV, while 2021 shows figures from SpareBank 1 Sørøst-Norge (former SpareBank 1 BV plus former Sparebanken Telemark). 2022 shows figures from all three merged banks. The consolidated figures show the combined figures for parent banks and subsidiaries.

Unless otherwise specified, the figures in the report are as at 31.12.2022. Sick leave is reported throughout the year. The symbol "-" indicates missing historical figures.

Gender balance in the organisation

Total employees	Group			Parent bank		
	2022	2021	2020	2022	2021	2020
Total number of employees[1]	649	552	354	448	385	240
Number of FTEs[1]	626.2	533.0	343.9	431.6	377.8	236.0
Proportion of women	57%	59%	57%	56%	55%	55%
Proportion of men	43%	41%	43%	44%	45%	45%

Managers	Group			Parent bank		
	2022	2021	2020	2022	2021	2020
Proportion of women in executive management team (level 2)	30%	38%	33%	30%	38%	33%
Proportion of women at management levels 3-4	42%	37%	35%	39%	31%	32%
Proportion of women in management total	41%	-	-	38%	-	-

The Board of Directors	Group			Parent bank		
	2022	2021	2020	2022	2021	2020
Proportion of women on the Board	23%	26%	40%	44%	43%	43%

1. The employees of Grenland Gruppen AS, which was acquired by SpareBank 1 Regnskapshuset AS in November 2022, are not included in the number of employees or FTEs.

As at 31.12.2022, the Group had 649 employees: 448 employees in the parent bank and 201 in subsidiaries. The total proportion of women in the Group is 57%, while the proportion of women among managers is 41%. The proportion of female managers is higher in the Group as a whole than in the parent bank. The proportion of female board members was 44% for the parent bank and 23% at a group level. Overall, women are underrepresented at management levels in SpareBank 1 Sørøst-Norge. Going forward, we will work to improve the gender balance at all management levels throughout the Group.

Organisation's age composition

Total employees	Group			Parent bank		
	2022	2021	2020	2022	2021	2020
Employees aged under 30	10%	9%	11%	8%	6%	11%
Employees aged 30-50	45%	42%	45%	43%	40%	41%
Employees aged over 50	45%	49%	44%	49%	54%	48%

Managers	Group			Parent bank		
	2022	2021	2020	2022	2021	2020
Proportion of managers – under 30	1%	-	-	0%	-	-
Proportion of managers – 30-50	45%	-	-	41%	-	-
Proportion of managers – over 50	54%	-	-	59%	-	-

Salary by gender and position category

Managers	Group			Parent bank		
	2022	2021	2020	2022	2021	2020
Average pay women	1 084 791	1 021 060	951 515	1 002 547	1 008 166	950 500
Average pay men	1 187 239	1 056 596	1 047 620	1 106 125	1 006 312	1 020 625
Women's pay as a % of men's pay	91%	97%	91%	91%	100%	93%

Other employees	Group			Parent bank		
	2022	2021	2020	2022	2021	2020
Average pay women	609 775	564 029	558 606	595 105	572 238	537 881
Average pay men	744 624	686 678	681 197	677 295	643 726	619 289
Women's pay as a % of men's pay	82%	82%	82%	88%	89%	87%

Women earn less than men in SpareBank 1 Sørøst-Norge. Meanwhile, the gender disparities in pay are somewhat smaller at the management level than at the staff level. We can see the same trends for the parent bank as for the Group as a whole. Systematically working for equal pay is one of the Group's goals for the period up to 2025.

Parental leave by gender

Parental leave	Group			Parent bank		
	2022	2021	2020	2022	2021	2020
Number of women who took parental leave	12	10	6	7	5	5
Number of men who took parental leave	8	4	2	3	2	1
Average number of weeks women	34	31	31	34	34	31
Average number of weeks men	10	15	14	14	20	14

Full-time – part-time by gender

Part-time	Group			Parent bank		
	2022	2021	2020	2022	2021	2020
Proportion that works part-time, women	5.5%	6.0%	-	4.7%	3.7%	-
Proportion that works part-time, men	1.1%	0%	-	1.5%	0%	-

Sick leave

Sick leave (over the year)	Group			Parent bank		
	2022	2021	2020	2022	2021	2020
Own sick leave	5.1%	4.3%	4.0%	5.4%	2.8%	2.7%

We saw an increase in sick leave from 2021 to 2022. The increase is clearest for the parent bank where sick leave increased from 2.8% to 5.4%.

Turnover and recruitment

Turnover	Group			Parent bank		
	2022	2021	2020	2022	2021	2020
Total	7.8%	6.8%	6.0%	7.9%	5%	4.6%

New hires	Group			Parent bank		
	2022	2021	2020	2022	2021	2020
Under 30	22	17	9	17	8	6
30-50 years	37	11	11	24	5	5
Over 50	5	1	1	0	0	0
Total	64	29	21	41	13	11

There is a clear increase in turnover in 2022, both for the parent bank and the Group as a whole. We hired a total of 64 new employees in the Group in 2022, of which 41 were hired in the parent bank. This is a marked increase from previous years.

Part 2: Our work on equality, diversity and inclusion

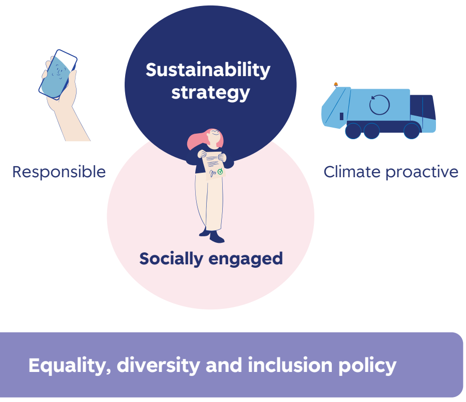
Framework and objectives

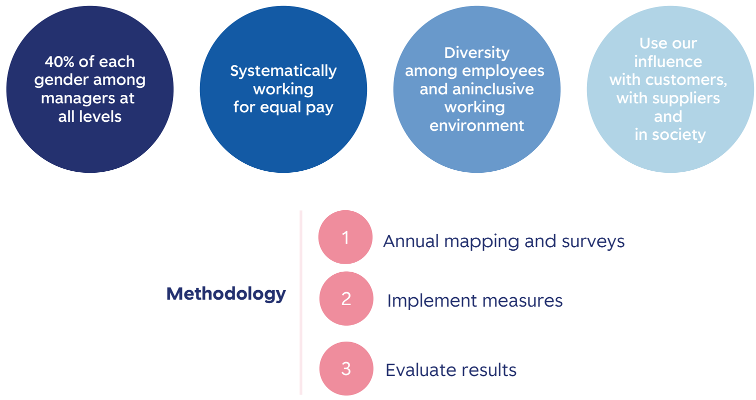
SpareBank 1 Sørøst-Norge has established a framework to ensure that we systematically work to promote equality, diversity and inclusion, and prevent discrimination. We have developed a dedicated equality, diversity and inclusion policy that describes our views and sets out the direction for our work in this area. The sustainability policy and Code of Conduct are also part of the basis for the framework. In addition to this, we have a specific personnel manual, an HSE manual and an established standard for whistleblowing.

The equality, diversity and inclusion policy is based on our overall corporate strategy where social sustainability forms part of the Group's focus area on sustainability. Equality, diversity and inclusion are an integral part of our corporate social responsibility and will provide us with a better basis for creating value for our customers and the local communities of which we are a part.

We have four overarching objectives for this area in the strategy period up to 2025:

- We will have 40% of each gender among managers at all levels
- We will systematically work for equal pay
- We will have a diverse workforce and an inclusive working environment
- We will use our influence in relation to customers, suppliers and society





How we work:

1. *Annual mapping and surveys*
   We conduct risk assessments with broad involvement throughout the organisation in order to identify, analyse and assess the risk of discrimination and barriers to equality, diversity and inclusion. We also survey gender distribution and pay differences at different position levels, and gender differences with respect to part-time work, parental leave and sick leave.

2. *Implement measures*
   Specific measures are arrived at based on findings from risk assessments and analyses. The measures are transferred to an action plan, which is intended to ensure implementation and follow-up. Overarching goals and important measures are anchored in the executive management team.

3. *Evaluate results*
   The results of the measures are evaluated on an ongoing basis, and also through annual risk assessments.

Description of measures implemented in 2022 or as part of day-to-day operations

Category	Measures	Description	Purpose	Related objectives
Recruitment	**Skills-based recruitment**	We have systemised skills-based recruitment. We define which skills are important for a role, and these skills are then key throughout the recruitment process, from job analysis and advertising to testing, interviews and selection.	Reduces the risk of unconscious bias and discrimination in recruitment	Diversity among employees and an inclusive working environment
Recruitment	**Makeover for job adverts**	HR has worked closely with the Marketing Department and recruiting managers to give job adverts a new look and content. The language used and specification of requirements will be even better suited to the role being advertised.	Appeals to applicants who would otherwise not have applied.	Diversity among employees and an inclusive working environment
Recruitment	**Pilot "Anonymous CVs"**	In 2022, we chose to run a pilot using anonymised CVs to see if this had any effect on the selection process. Unfortunately, the recruitment tool we use was not designed to automate the job of anonymisation. Therefore, this was done manually, which was very time-consuming, and we did not see the effect of anonymous CVs. The measure will not be continued until further notice.	Reduces the risk of unconscious bias and discrimination in the screening of candidates.	Diversity among employees and an inclusive working environment
Recruitment	**Assess candidates of both genders for executive positions**	Our recruitment strategy always requires candidates of both genders (if applicants) to be assessed for executive positions. The best qualified candidate is not necessarily the one with the most experience, but the one who in addition to qualifications can contribute diversity to the team. In some cases this will be women, while in others it will be the opposite.	Contribute to better gender balance among managers and a diverse team	40% of each gender among managers at all levels
Recruitment	**Requirements for suppliers within recruitment**	When selecting external recruitment agencies with whom we will collaborate when recruiting for executive positions, social sustainability and diversity factors have been introduced as part of the selection criteria.	Encourage our suppliers to move in a positive direction and ensure that recruitment processes contribute to diversity	Use our influence with customers, with suppliers and in society
Career and development	**Signed the Women in Finance Charter**	In December 2022, we signed the Women in Finance Charter in which we committed to helping to increase the proportion of women in leading positions in the financial services industry in Norway. As a result, we have set a goal of having 40% of each gender among managers at all levels, and responsibility for following up the work towards this goal has been assigned to the CEO.	Make ourselves accountable in our gender equality work and ensure external transparency	40% of each gender among managers at all levels
Career and development	**Participation Female Future**	One of our female managers participated in Female Future – the national management development programme for talented women organised by the Confederation of Norwegian Enterprise (NHO) in autumn 2022 and spring 2023. We believe this is an important arena for highlighting and systematically developing our female talents. We aim continue participating in the programme in the future.	Develop our talented women	40% of each gender among managers at all levels
Working environment and culture	**Branch evaluations**	As part of the merger process between SpareBank 1 Sørøst-Norge and SpareBank 1 Modum, we started a project in 2022 that will evaluate and adapt all of our branches to tomorrow's standards. One of the goals is to be an attractive workplace, and social sustainability and psychosociology in the workplace are both on the project's agenda. This work will be continued in 2023.	Ensure standardised design of the workplace and facilitate a good working environment	Diversity among employees and an inclusive working environment
Working environment and culture	**Pulse measurements job satisfaction**	Pending a new employee survey, we chose to send out multiple smaller pulse surveys to employees in 2022 focusing on the topic of job satisfaction. We saw the score increase from 7.3/10 to 7.6/10 during the year, which we believe is a good starting point for the further work on culture.	Measure employee engagement	Diversity among employees and an inclusive working environment
Facilitating work-life balance	**Research project motivation and work recovery**	Participation in a research project in collaboration with the University of South-Eastern Norway on the topic of occupational health, motivation and work recovery. The project introduced employees to different work recovery methods and the research is investigating the effects of work recovery on motivation, and whether some people enjoy better effects from work recovery than others.	Obtain a better basis for introducing measures that work well into the workplace that have an effect on work-life balance perceptions	Diversity among employees and an inclusive working environment
Facilitating work-life balance	**Working from home and flexibility schemes**	In 2022, we continued the flexible workplace arrangement and turn it into a formal work from home scheme with a written agreement that gives employees the opportunity to work from home for up to 2 days a week. We also offer flexible working hours solutions, shorter working hours in the summer, and reduced working hours for employees with children in the first year of kindergarten.	Offer employees flexibility to better facilitate their work-life balance	Diversity among employees and an inclusive working environment
Pay and working conditions	**Carried out pay analysis**	Extensive analysis work has been conducted where the entire area of rewards in the parent bank was mapped in order to identify potential biases. The analysis identified findings at an overarching level, departmental level and internally in the larger position categories, as well as in relation to various factors such as gender, age, education level and seniority.	Obtain better insights into the current situation in the area of rewards in order to be able to make better decisions about further measures in this area	Systematically working for equal pay

Action plan for 2023

Category	Measures	Description	Purpose	Related objectives
Recruitment	**Skills-based recruitment**	Further developing skills-based recruitment Introduce diversity assessments (of the team) for recruiting managers as part of the job analysis.	Make managers more aware of the value diversity can provide. Ensure that our recruiting processes make a positive contribution to diversity.	Diversity among employees and an inclusive working environment
Career and development	**Gender balance at management levels**	To ensure that we move towards the goal of having 40% of each gender among managers at all levels, responsibility is delegated to each individual business area by setting targets and following up on this goal.	Ensure positive development towards the objectives	40% of each gender among managers at all levels
Career and development	**Talent development**	Develop an internal programme for developing talented people that is particularly directed at talented women.	Systemise the work of promoting talented women.	40% of each gender among managers at all levels
Working environment and culture	**Diversity skills**	Develop and implement a mandatory e-learning module on diversity and inclusion for all employees and incorporate these topics as part of our management development and employeeship programmes. Invite external speakers.	Increase diversity competence and awareness of the importance of diversity and inclusion throughout the Group.	Diversity among employees and an inclusive working environment
Working environment and culture	**Pulse surveys in the organisation regarding diversity and inclusion**	Winningtemp will be introduced in 2023. This is a dynamic employee survey in which questions are sent out to employees every week. Specific questions on diversity and inclusion will be implemented. The pulse surveys will be followed up each month by managers.	Measure the perceptions of diversity and inclusion among all employees throughout the year.	Diversity among employees and an inclusive working environment
Pay and working conditions	**Consider having a pay equalisation pot**	We will assess whether a special pot should be established for equalising pay in 2023 (source:) pay analysis).	Helps to reduce differences in pay	Systematically working for equal pay
Pay and working conditions	**Equalisation of pay in local pay settlements**	Local pay settlements must be oriented such that managers can use pay as a genuine tool, not just to differentiate between and reward those who really deserve it, but also to equalise pay in their own team. There should be room for both of these things, and managers must have clear guidelines for determining priorities.	Helps to reduce differences in pay	Systematically working for equal pay

Leila Konjic, adviser in Drammen

SpareBank 1
SØRØST-NORGE