SpareBank 1 NORD-NORGE

Quarterly report

Financial statement Q4 2021

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Index

Group financial highlights and key figures

(Amounts in NOK million and in % of average assets)		31.12.21	%	31.12.20	%	31.12.19	%
From the profit and loss account							
Net interest income		**2 014**	**1,67 %**	2 068	1,79 %	2 097	1,79 %
Net fee- and other operating income		**1 499**	**1,25 %**	1 299	1,12 %	1 116	1,12 %
Net income from financial investments		**794**	**0,66 %**	693	0,60 %	911	0,60 %
Total income		**4 307**	**3,58 %**	4 060	3,51 %	4 124	3,51 %
Total costs		**1 748**	**1,45 %**	1 626	1,40 %	1 640	1,40 %
Result before losses		**2 559**	**2,13 %**	2 434	2,10 %	2 484	2,10 %
Losses		**- 235**	**-0,20 %**	332	0,29 %	11	0,29 %
Result before tax		**2 794**	**2,32 %**	2 102	1,82 %	2 473	1,82 %
Tax		**499**	**0,41 %**	360	0,31 %	409	0,31 %
Defecit non-current assets held for sale		**0**	**0,00 %**	0	0,00 %	2	0,00 %
Result after tax		**2 295**	**1,90 %**	1 742	1,51 %	2 062	1,51 %
Interest hybrid capital		**29**		33		37	
Result after tax ex. interest hybrid capital		**2 266**		1 709		2 025	
Profitability							
Return on equity capital	1	**15,1 %**		12,6 %		15,8 %	
Interest margin	2	**1,67 %**		1,79 %		1,92 %	
Cost/income	3	**40,6 %**		40,0 %		39,8 %	
Balance sheet figures and liquidity							
Total assets		**119 180**		117 298		111 524	
Average assets	4	**120 264**		115 736		108 989	
Liquidity Coverage Ratio (LCR)		**142**		142		156	
Solidity							
Common Equity Tier 1 Capital Ratio		**18,7 %**		17,5 %		17,2 %	
Tier 1 Capital ratio		**20,0 %**		18,9 %		18,8 %	
Total Capital Ratio		**21,6 %**		20,9 %		20,6 %	
Common Equity Tier 1 Capital		**13 097**		12 019		11 472	
Tier 1 Capital		**14 001**		12 991		12 496	
Own Funds		**15 109**		14 366		13 726	
Adjusted risk-weighted assets base		**70 059**		68 588		66 609	
Leverage Ratio		**8,3 %**		7,6 %		7,7 %	
Branches and full-time employees							
Branches		**15**		36		38	
Manyears		**831**		897		904	

1 The profit after tax in relation to average equity, calculated as a quarterly average of equity and at 01.01.
The Bank's hybrid 1 capital issued are classified as equity in the financial statements. However, when calculating the return on equity, hybrid tier 1 capital are decucted from equity, and result after tax are adjusted for interests on hybrid tier 1 capital.
2 Net total interests as a percentage of average total assets
3 Total costs as a percentage of total net income
4 Average assets are calculated as average assets each quarter and at 01.01.

Key figures ECC

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
1) NONG Quoted/market price (NOK)	**112,60**	74,60	78,50	62,80	62,25	52,25	36,70	39,90	35,50	24,70
2) Number of Equity Certificates (EC) issued (mill)	**100,40**	100,40	100,40	100,40	100,40	100,40	100,40	100,40	100,40	74,40
3) Quoted/market price EC issued (NOK mill)	**11.305**	7.490	7.881	6.305	6.250	5.246	3.685	4.006	3.564	1.837
4) Quoted/market price total equity (mill)	**24.385**	16.156	17.000	13.600	13.481	11.315	7.948	8.464	7.530	4.418
5) Allocated dividend per EC (NOK)	**7,00**	3,90	4,00	4,00	4,00	3,45	2,00	1,90	1,10	1,02
Paid-out dividend per EC (NOK)	**3,90**	4,00	4,00	4,00	3,45	2,00	1,90	1,10	1,02	1,25
6) Dividend yield	**6,2 %**	5,2 %	5,1 %	6,4 %	6,4 %	6,6 %	5,4 %	4,8 %	3,1 %	4,1 %
7) Total yearly return	**56,2 %**	0,1 %	31,4 %	7,3 %	25,7 %	47,8 %	-3,3 %	15,5 %	47,9 %	-10,2 %
Total equity capital Parent bank (NOK mill)	**14.741**	13.505	13.065	11.312	10.617	9.336	8.198	7.735	7.200	5.589
Total equity capital Group (NOK mill)	**16.653**	15.022	14.172	13.058	12.299	11.011	9.961	9.343	8.502	6.832
8) Equity capital per EC Group (NOK)	**73,30**	65,76	61,84	56,70	54,34	50,84	46,00	44,05	40,08	38,19
9) Result per EC Group, adjusted for interest hybrid capital (NOK)	**10,41**	7,89	9,39	7,02	6,61	5,54	5,10	4,64	4,14	4,01
10) Totalresult per EC Group, adjusted for interests hybrid capital (NOK)	**10,15**	7,89	9,26	6,80	6,95	5,79	4,11	5,17	4,13	3,36
11) P/E (Price/Earnings per EC Group) (NOK)	**10,82**	9,45	8,36	8,94	9,43	9,03	8,93	7,72	8,59	7,34
12) P/B (Price/Book Value per EC Group) (NOK)	**1,54**	1,13	1,27	1,11	1,15	1,03	0,80	0,91	0,89	0,65
13) Pay-out ratio Group	**66,9 %**	49,4 %	42,6 %	56,9 %	60,5 %	59,6 %	48,7 %	36,8 %	26,6 %	11,8 %
EC ratio overall as at 31.12.	**46,36 %**	46,36 %	46,36 %	46,36 %	46,36 %	46,36 %	46,36 %	47,33 %	47,33 %	41,59 %
EC ratio overall as at 01.01. used for allocaton of result	**46,36 %**	46,36 %	46,36 %	46,36 %	46,36 %	46,36 %	47,33 %	47,33 %	42,91 %	42,07 %

1) Quoted/market price ajusted for equity issues, fund issues, dividend issues and splits
2) Number of certificates issued
3) Market price * number of ECs
4) Market price * number of ECs/EC ratio overall
5) Allocated dividend
6) Allocated dividend/Market price EC as at 31.12
7) (Market price EC 31.12 - Market price EC 31.12 previous year + Paid dividend)/Market price EC 31.12 previous year
8) Equity excl. hybrid capital Group*EC ratio overall/Number of EC
9) Result after tax Consern*EC ratio overall/Number of EC
10) Total result after tax Consern*EC ratio overall/Number of EC
11) Market price/Result per EC Group adjusted for interests hybrid capital
12) Market price/Book value per EC Group
13) Dividend per EC/Result per EC Group

Quarterly Report for SNN – 4Q 2021

(Figures in brackets are for the same period/date in 2020, unless otherwise specified).

Key figures

NOK mill	4Q21	3Q21	Change	31.12.21	31.12.20	Change
Operating costs	**572**	395	177	**1 748**	1 626	122
Profit after tax	**715**	532	183	**2 295**	1 742	553
Return on equity *)	**18,0 %**	13,7 %	4,3 %	**15,1 %**	12,6 %	2,5 %
Earnings per equity certificate	**3,25**	2,42	0,83	**10,41**	7,89	2,52
Common Equity Tier 1 Capital ratio**)	**18,7 %**	18,6 %	0,1 %	**18,7 %**	17,5 %	1,2 %
Losses	**-112**	-47	-65	**-235**	332	-567
Lending growth***)	**-21,4 %**	5,6 %	-26,9 %	**-1,1 %**	4,4 %	-5,5 %
Growth in deposits***)	**-10,6 %**	-13,1 %	2,5 %	**4,1 %**	14,3 %	-10,2 %

**) The Bank's hybrid tier 1 securities issued are classified as equity in the financial statements. However, when calculating the return on equity, hybrid tier 1 securities NOK 780 million are decucted from equity, and profit after tax are adjusted for NOK 29 million interests on hybrid tier 1 securities at 4q 21.*

***) Calculated common tier 1 capital ratio including profit, excl. dividend.*

****) Annualized*

Macroeconomic trends

Global economy — spectre of inflation threatens

Despite high vaccination rates and less severe illness, Covid-19 continued to impact the economic growth of several of our key trading partners in 4Q 2021. It is now the much-discussed omicron variant that is responsible for strict infection control measures in many European countries. The delta variant has also weighed upon many emerging economies in the autumn. In spite of this, global enterprises are reporting above-trend growth. Global PMI indices (activity indices) for December indicate a growth rate of around 4 per cent going forward. As the worldwide vaccination process continues and the proportion of severely ill people continues to fall, more parts of the service sector will also resume normal activity and provide further contributions to growth. GDP growth of more than 5 per cent for 2021 is expected in both the US and the eurozone. The forecasts for 2022 vary to some extent, although sustained high growth is expected into 2022. For example, the International Monetary Fund (IMF) expects overall growth of 4.9 per cent in the coming year.

Persistent demand pressures in the form of high product consumption and increasing business investment, combined with supply-side challenges throughout the pandemic, have resulted in heavy price pressure on most industrial sector inputs around the world. Capacity challenges can also be observed on the supply side, especially in the labour market. Enterprises – in Europe and especially in the US – are struggling to recruit labour and implicitly meet the high demand. Overall, this resulted in steadily rising inflation for our trading partners throughout the autumn. Inflation expectations, both in the eurozone and in the US, have not been as high as today since the financial crisis at the end of the 2000s, and inflation has already resulted in increasing wage growth in several countries. Market expectations regarding interest rates, which are closely related to inflation expectations, also rose this autumn – at the same time as several central banks communicated a reversal of their highly expansive monetary policies practised during the pandemic. This has, among other things, resulted in uncertainty on global stock exchanges.

Norwegian economy

Overall activity in the Norwegian economy was, as for our trading partners, strong in 2021. After a few months with a fully reopened economy, increasing infection rates culminated in the reintroduction of invasive infection control measures at the end of the year. The national ban on serving alcohol and restrictions on the number of people allowed to gather at indoor events have had major consequences for already severely affected service sectors such as culture, entertainment, accommodation and food service. Despite the new measures, the overall level of activity is now higher than it was before the pandemic and total GDP growth in the mainland economy is expected to end at around 4.2 per cent for 2021 (PPR 4/21). A high level of activity combined with low unemployment were two of the main arguments for why Norges Bank (the Central Bank of Norway) ignored omicron and raised the interest rates for the second time of the autumn. Norges Bank is, like other central banks, clear that interest rates will be raised further in 2022. A third hike in rates in March 2022 has already been priced in.

Unemployment is at about the same level as it was before the pandemic and is expected to fall further when the activity in many service industries returns to normal levels. At the same time, we are seeing some of the same tendencies in the Norwegian economy that are being seen in several of our trading partners. A record number of jobs are being advertised and more than half of the enterprises in Norges Bank's regional network report capacity challenges, and especially problems with recruiting labour (Regional Network 4/21). International bottlenecks have also been an inflationary factor in the Norwegian economy. The consumer price index (total index) has grown by 5.3 per cent in the past 12 months, strongly driven by electricity prices, which rose sharply in the autumn. The central bank's preferred inflation target has been adjusted for fluctuations in both electricity and other energy prices (CPI-ATE) and ended at 1.6 per cent for the same period and thus slightly below the inflation target.

The Norwegian krone's exchange rate, measured using the I44 index, rose in 4Q 2021 in line with higher oil prices and greater economic activity, but fell back due the spread of the omicron virus at the end of the year. Historically, global uncertainty has resulted in a negative climate for the Norwegian krone.

Norwegian house prices have so far absorbed the interest rate rises from Norges Bank, although the growth in prices was slower at the end of the year. This can probably be ascribed to normal seasonal variations and, overall, the level of activity was high. On a nationwide basis, prices have risen by 5.2 per cent in the past 12 months. Mortgage rates for households have also risen from record low levels and are expected to rise further in line with Norges Bank's interest rate hikes. It would be natural to assume that this will affect the price growth going forward.

Northern Norwegian economy

The barometer of expectations for Northern Norway for 2021 (KBNN.NO) indicated that northern Norwegian business leaders were more optimistic about the level of economic activity than was the case at the start of the pandemic year 2020. Figures from the latest regional network indicate overall strong growth in both output and profitability throughout 2021 (Regional Network 4/21). This partly confirms the hypothesis that the northern Norwegian economy has fared well, relatively speaking, throughout the pandemic.

Employment has been higher, and unemployment lower than the national averages. The latest figures from the Norwegian Labour and Welfare Administration, NAV (as at December 2021), show that this remains the case. Unemployment in both Nordland and Troms and Finnmark is 1.7 per cent, which is well below the national average.

Demand for northern Norwegian commodities remained high throughout 2021. The fishing and aquaculture sector is becoming increasingly important for the overall economic activity in the north. A substantial proportion of Norwegian seafood originates from Northern Norway and, as per November, it accounted for 34 per cent of total Norwegian seafood exports. The region had also exported 35 per cent more than at the same time last year and, measured in terms of Norwegian kroner, 2021 was the region's best year ever for seafood exports.

One indicator that the northern Norwegian economy has fared well during the pandemic is the high level of activity in the housing market. Housing prices have risen considerably in the past 12 months. The rise in prices was greatest in Bodø/Tromsø and Bodø (including Fauske) saw the highest growth in the country with a rise in prices of 13.1 per cent in 2021. This was due to a number of factors and similar growth is not expected going forward. All else being equal, rising housing prices mean higher household debt, although figures from KBNN indicate that the total level of debt in the region has fallen since 2020. Most northern Norwegian households have healthy finances.

One of SpareBank 1 Nord-Norge's most important roles is to ensure that good projects receive funding. Our destiny is tied to that of the region and we, therefore, seek to use our expertise and capacity to help ensure that the region can implement measures and investments that improve value creation. We expect demand for northern Norwegian commodities to remain high in the coming period and for activity in tourism, transport and hotels to increase further, and are thus optimistic about the region's macroeconomic development for the coming quarter.

Loan portfolio status

The underlying level of losses in the portfolio remains low. This is attributable to the Group's systematic work on reducing risk in the loan portfolio in recent years, and the close monitoring of the loan portfolio during the Covid-19 pandemic. Furthermore, the Group's loan portfolio is characterised by mortgage loans and industries on which the pandemic has a limited impact. The Norwegian authorities have also established extensive financial support schemes. Nevertheless, there is some uncertainty about how the economy will develop going forward.

The Bank's loss assessments are conducted in line with the regulatory requirements of IFRS 9 (ECL). Consequently, the assessments take into account the uncertainty surrounding the economic development. See Note 2 in the quarterly report for further details.

Confirmed losses remain at a low level and are amounted to MNOK 60 for 4Q 2021. The scale of losses going forward is, among other factors, dependent on the consequences of the pandemic. See the section on 'Losses and non-performing loans' below, as well as Notes 7 and 8 in the quarterly report for further details.

The Bank assisted customers with liquidity and financing in 2020 and 2021 in order to get them through a difficult period. It is clear that many of the companies that were experiencing challenges last year are now in a much better situation. In our assessment of the situation, the tourism and transport industry still face the greatest risks. The government's measures still applies, and if travel patterns fail to normalise quickly when they are discontinued, many may experience difficulties. We are therefore paying extra attention to these industries and assume that the government will carefully consider when and how measures in the sector can be discontinued.

Please see Note 2 on important accounting estimates and discretionary judgements in the quarterly report, which provides information about the assessment conducted of the situation and provisions for expected credit losses made in 2021.

Sustainability

As one of the world's most northerly financial groups, SpareBank 1 Nord-Norge wants, to the best of our ability, to contribute to a sustainable development in the Arctic. This means that sustainability is a key part of SpareBank 1 Nord-Norge's business.

Sustainability is one of the guiding principles in our new business strategy, and the risks posed by climate change are incorporated into the Group's risk strategy and must be reported to the Board on a quarterly basis. In September 2020, SpareBank 1 Nord-Norge launched a new green framework. This framework is based on key sectors in the region and for SpareBank 1 Nord-Norge, and links our lending to potential green funding in the capital market. This framework will govern the Group's work in relation to climate risks and help us adapt to new regulatory requirements, while also helping the northern Norwegian industry in adjusting to the green shift. In August 2021, SpareBank 1 Nord-Norge launched a new green framework that links our green assets (green product framework) to green funding.

SpareBank 1 Nord-Norge's "green" portfolio:

NOK mill	31.12.21
Green housing	**6 438**
Green commercial buildings	**1 071**
Renewable energy	**1 300**
Clean transport	**300**
Sustainable management of living natural resources and land use	**3 707**
Total	**12 816**

SpareBank 1 Nord-Norge is a signatory to the UNEP FI (United Nations Environment Programme Financial Initiative) Principles for Responsible Banking and the UN Global Compact and publishes an annual report in relation to its sustainability work based on the GRI standard.

Financialperformance

NOK mill	**4Q21**	3Q21	Change	**31.12.21**	31.12.20	Change
Total income	**1 298**	1 011	287	**4 307**	4 060	247
Total costs	**572**	395	177	**1 748**	1 626	122
Losses	**-112**	- 47	-65	**- 235**	332	- 567
Tax	**123**	131	-8	**499**	360	139
Profit after tax	**715**	532	183	**2 295**	1 742	553

At the end of 4Q 2021, the income statement showed a profit after tax of MNOK 2,295 (MNOK 1,742). This represents a return on equity of 15.1 per cent (12.6 per cent). The Group's profitability target is a return on equity that is among the best for comparable financial services groups.

The profit for 2021 includes an aggregate net gain of MNOK 43 from the sale of part of the portfolio to SpareBank 1 Helgeland and extraordinary reversals on previously credit loss provisions of MNOK 163 due to compensation from a lawsuit, as well as extraordinary pension costs linked to the termination of the defined benefit pension plan. Excluding these extraordinary items, the Group's return on equity was 14.1 per cent.

Net interest income

Norges Bank kept its policy rate at zero from 07.05.20 until 24.09.21 when it raised it by 0.25 percentage points. Further rises were adopted on 16.12.21 to 0.50 per cent.

SpareBank 1 Nord-Norge has mirrored the development of the key policy rate and announced an increase in lending rates of 0.25 percentage points from 28.09.21, as well as a further 0.25 percentage points from 21.12.21. Deposit rates will remain unchanged for the time being.

Net interest income was MNOK 29 higher in 4Q 2021 than in the previous quarter.
At the end of 4Q 2021, net interest income amounted to MNOK 2,014 (MNOK 2,068). The reduction in net interest income compared with the same time last year was largely due to reduced deposit margins resulting from the low policy rate in the past year.

Net interest income represented 1.67 per cent (1.79 per cent) of average total assets.

Income from the loan portfolio transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt totalled MNOK 396 for 4Q 2021 (MNOK 343), and was booked as commission income. The positive growth in the last quarter compensated somewhat for a reduced deposit margin.

Compared with 3Q 2021, the changes in net interest income, including commission income from the transferred loan portfolio, but excluding fees for the deposit guarantee fund and emergency initiatives fund, were as follows in 4Q 2021:

Net interest income incl. comission transferred loans	Chance last quarter NOK mill
Effect of days	0
Margin effects	15
Effect volume	-19
Other effects	7
Total effects	3

Net fee, commission and other operating income

Net fee, commission and other operating income in 4Q 2021 was MNOK 53 higher than in 3Q 2021 and MNOK 71 higher than in the same period last year.

Net fee, commission and other operating income for the year to date is MNOK 200 higher than for last year.

In 4Q 2021, MNOK 100 in other operating income was recognised from the sale of a loan and deposit portfolio to SpareBank 1 Helgeland.

See Note 13 in the quarterly report for a more detailed specification of net fee, commission and other operating income.

Developments in market divisions

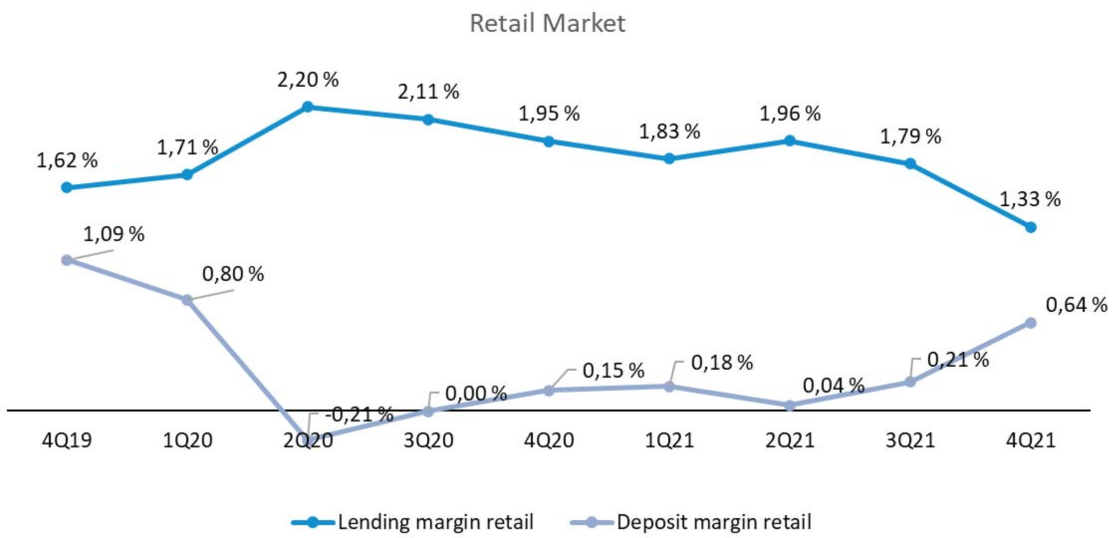
In 2020, the Group changed its internal monitoring and reporting structure from divisions based on geographical region to two market divisions, retail and corporate markets.

Retail market

Net interest income for 4Q 2021 amounted to MNOK 234 (MNOK 146), compared with MNOK 206 for the previous quarter. Net fee, commission and other operating income was MNOK 190 (MNOK 208), compared with MNOK 208 in the previous quarter. The income was higher than in the same period last year, partly as a result of increased commission income from SpareBank 1 Boligkreditt.

The Covid-19 pandemic has created financial challenges for some customers. The authorities cut the interest rates in order to reduce the economic burden on households. The effect for the banks was a sharp fall in the deposit margin, which is partly being reversed through the last two interest rate hikes during the autumn.

Margin development in the retail market versus average 3-month NIBOR:



Margin analyses are presented in a slightly different way since the reorganisation into two market divisions. The lending margin in the corporate market fell somewhat during 4Q because of the rising NIBOR at the end of the quarter. The competition within prices for well-collateralised mortgage loans remains significant, which is making it difficult to maintain the lending margin over time.

The lending margin in the last quarter measured against the average 3-month NIBOR fell by 0.46 percentage points due to the rising NIBOR. There have been no adjustments to customer interest rates during the period.

In recent years, the first quarter has proved to be a challenging quarter when it comes to realising significant growth in retail market lending, and this also proved true this year. On the other hand, the other quarters developed positively with lending growth in the last quarter (including intermediary loans, excluding the Helgeland portfolio) of 1.4 per cent. Annualised, this represents an annual growth of 5.6 per cent, while the actual growth over the past 12 months has been 6.7 per cent. The total lending volume as at 31.12.21 was MNOK 45,719.

NIBOR was relatively stable in 1Q 2021, fell slightly in 2Q 2021 and then rose again throughout the latter half of 2021. The margin therefore indreased slightly in the last part of the quarter. A continued low key policy rate presents challenges for the deposit margin going forward as well, although further future interest changes by Norges Bank could improve the situation.

The growth in deposits in the retail market (excluding the Helgeland portfolio) in 4Q isolated was 2.0 per cent. The growth in the past 12 months was 8.5 per cent.

Total operating costs in the division amounted to MNOK 203 in 4Q (MNOK 201), MNOK 19 higher than in the previous quarter. Operating costs for the year amounted to MNOK 756, compared with MNOK 741 last year. The increase is commented on in more detail in the section on operating costs.

Following the closure of 16 branches in 2020 and the sale of a customer portfolio and branches in Helgeland in 4Q 2021, there were 214 FTEs in the corporate market division in the Parent Bank as at 31.12.21, 43 fewer than as at 31.12.20.

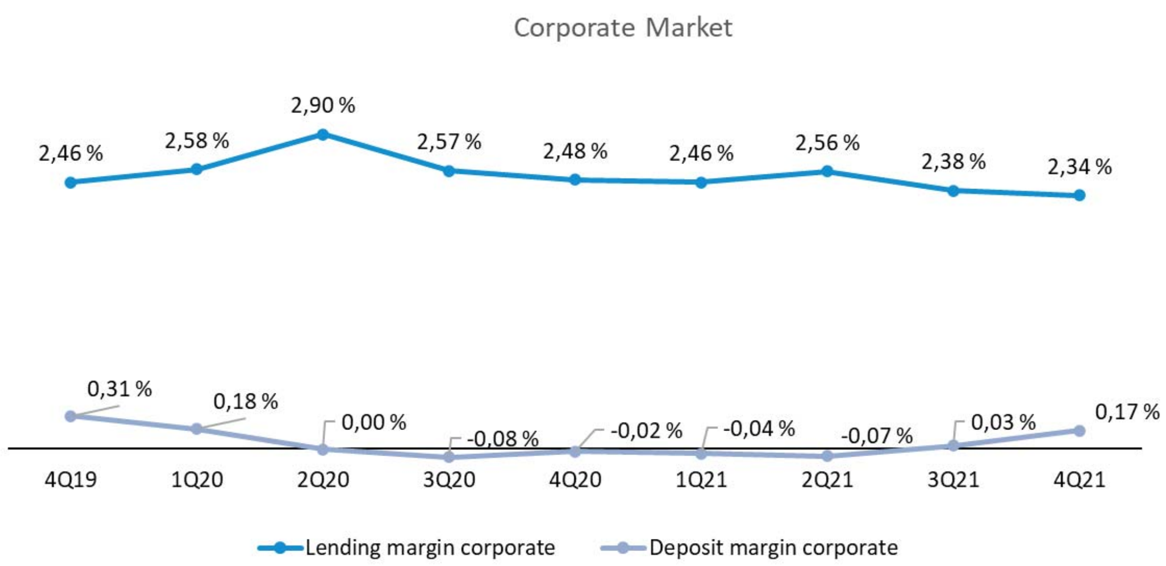
Recognised losses (retail market in the Parent Bank excluding the Helgeland portfolio) in 4Q 2021 amounted to MNOK 2 (MNOK 4) compared with MNOK -7 (reversals) in 3Q. In 2021, net losses of MNOK -3 (reversals) were booked compared with MNOK 10 in 2020.

Corporate market

Net interest income for 4Q 2021 amounted to MNOK 222 (MNOK 154), compared with MNOK 204 for the previous quarter.

Net fee, commission and other operating income was MNOK 43 (MNOK 34), MNOK 8 higher than in the previous quarter.

Margin development in the corporate market versus average 3-month NIBOR:



The Covid-19 pandemic has resulted in financial challenges for some companies in Northern Norway.

The lending margin measured against average 3-month NIBOR fell by 0.04 percentage points in the last quarter. The margin in the corporate market is directly linked to the development of the NIBOR rate.

Lending growth in the past quarter (excluding the Helgeland portfolio) was -0.2 per cent, which represents annualised annual growth of -0.8 per cent. Actual growth in the past 12 months was 10.3 per cent. The total lending volume as at 31.12.21 was MNOK 34,996.

The deposit margin in the corporate market measured against 3-month NIBOR was negative in the first two quarters of 2021. After rising NIBOR in the last two quarters, the margin is again slightly positive.

Seen in isolation, the growth in deposits in the last quarter was 0.7 per cent in the corporate market (excluding the Helgeland portfolio). The growth in the past 12 months amounted to 11.6 per cent, including the public sector market.

Total operating costs in the division amounted to MNOK 106 in 4Q (MNOK 44), MNOK 13 higher than in the previous quarter. Operating costs for the year amounted to MNOK 394 compared with MNOK 138 in 2020. The increase is commented on in more detail in the section on operating costs.

As at 31.12.21, the Parent Bank had 91 FTEs in the corporate market division, 12 fewer than at the end of 2020.

Recognised losses (corporate market excluding the Helgeland portfolio) for 4Q 2021 amounted to MNOK 46 (MNOK 52) compared with MNOK -30 (reversals) in the previous quarter. In 2021, net losses of MNOK -33 (reversals) were booked compared with MNOK 193 in 2020.

As stated in Note 2 in the quarterly report, adjustments have been made to the expected credit loss model, resulting in slightly reduced provisions relative to 31.12.20. This is in line with the more positive outlook regarding the development of the pandemic. Nonetheless, going forward, uncertainty remains concerning unemployment, the development of the northern Norwegian economy, and the Bank's borrowing costs in the capital market. The Bank is closely monitoring developments in these areas.

Financial Investments – income and events in the accounting period

Share results NOK mill	Sharehold	**4Q21**	3Q21	Change	**31.12.21**	31.12.20	Change
SpareBank 1 Gruppen	19,50 %	**173**	82	91	**471**	534	-63
SpareBenk 1 Forvaltning	14,14 %	**8**	8	0	**23**	0	23
SpareBank 1 Betaling	18,57 %	**-8**	0	-8	**-13**	-1	-12
SpareBank 1 Kreditt	18,37 %	**2**	10	-8	**12**	2	10
SpareBank 1 Boligkreditt	15,92 %	**-3**	9	-12	**13**	16	-3
SpareBank 1 Næringskreditt	3,20 %	**0**	0	0	**1**	5	-4
Other companies		**7**	-2	9	**4**	4	0
Sale of Group company		**10**	11	-1	**21**	-6	27
Total income associated companies		**189**	118	71	**532**	554	-22
Share dividend		**1**	1	0	**36**	44	-8
Net change value of equities		**182**	17	165	**241**	50	191
Net change value of bonds		**-38**	-3	-35	**-30**	-4	-26
Net change value of currency and derivatives		**9**	6	3	**9**	46	-37
Net change value loans at fair value		**2**	1	1	**6**	3	3
Net income from financial investments		**345**	140	205	**794**	693	101

SpareBank 1 Gruppen's booked profit after tax at the end of 4Q 2021 totalled MNOK 2,417 (MNOK 988) for the controlling interest's share. SpareBank 1 Nord-Norge's share amounted to MNOK 471 (MNOK 194). SpareBank 1 Nord-Norge's profit for 2020 included a merger gain of MNOK 340.

The profit in 4Q was mainly affected by a good result in Fremtind Forsikring. Despite the claims ratio rising in the last quarter, it still remains at a low level due to low travel activity and positive developments in car- and liability insurance.

The profit for 2021 was BNOK 3.2, BNOK 1.9 better than in 2020. BNOK 1.4 of the increase in the profit represents the controlling interest's share. Return on equity is 21.9 per cent. The improvement in the profit was due to the significantly improved insurance result and financial result in Fremtind Forsikring, BNOK 1.6. Changed property valuations and the dissolution of reserves in SpareBank 1 Forsikring also made a positive contribution of around BNOK 0.9.

The SpareBank 1 Forvaltning AS group was established in 01.05.21. At the same time, ODIN Forvaltning AS was demerged from SpareBank 1 Gruppen AS and merged with SpareBank 1 Forvaltning AS based on continuity. At the time of the transfer, SpareBank 1 Forvaltning AS had the same owners and ownership interests as SpareBank 1 Gruppen AS. The assets in SpareBank 1 Forvaltning AS were rebalanced on 27.09.21.

On 01.07.21, SpareBank 1 Forvaltning AS acquired SpareBank 1 Kapitalforvaltning AS and SpareBank 1 Verdipapirservice AS. On 15.09.21, an agreement was signed to acquire SpareBank 1 SR Forvaltning. In accounting terms, the transaction will not occur until the required permits are issued by the Financial Supervisory Authority of Norway, and no earlier than 01.12.21.

As at 30.06.21, SpareBank owned 1 Nord-Norge 19.5 per cent of the shares in SpareBank 1 Forvaltning AS. In 3Q, the Bank reduced its stake to 16.68 per cent with a recognised gain of MNOK 11. In 4Q, the Bank's stake was reassessed, and it was allocated a stake of 14.14 per cent.

Profit before tax at the end of 4Q in the SpareBank 1 Forvaltning AS group was MNOK 208. The profit from ODIN Forvaltning AS and SpareBank 1 Forvaltning AS was included as at 01.05.21, and the profit from SpareBank 1 Kapitalforvaltning AS and SpareBank 1 Verdipapirservice AS was included as at 01.07.21. The return on equity after tax as at 31.12.21 was calculated as 21.6 per cent. The combined total assets in the SpareBank 1 Forvaltning AS group as at 31.12.21 amounted to MNOK 1,172.

The profit contribution 'Other' consists of the profit contributions from the companies SpareBank 1 Utvikling DA, SpareBank 1 Bank og Regnskap AS (formerly SMB Lab AS), SpareBank 1 Mobilitet Holding AS, SpareBank 1 Kundepleie AS and SpareBank 1 Gjeldsinformasjon AS.

A realised gain of MNOK 10 was recognised in 4Q after the Bank sold a share of its stake in SpareBank 1 Boligkreditt to SpareBank 1 Helgeland.

The Group's equities portfolio

As at 31.12.21, the Group's equities portfolio amounted to MNOK 1,519 (MNOK 714). The portfolio saw a positive change in value of MNOK 182 in the last quarter, largely due to increases in the value of the shareholdings in SpareBank 1 Helgeland of MNOK 173 and in BN Bank ASA of MNOK 11, although the value of other shares fell by a total of MNOK 2.

On 15.03.21, by agreement, SpareBank 1 Nord-Norge sold 15 per cent of its stakes in the subsidiaries SpareBank 1 Regnskapshuset Nord-Norge AS and EiendomsMegler 1 Nord-Norge AS to SpareBank 1 Helgeland for a total gain of MNOK 50, which appeared in the Parent Bank's results for 1Q 2021. Furthermore, as agreed, on 17.10.21 the Bank sold 15 per cent of its stake in the subsidiary SpareBank 1 Finans Nord-Norge AS to SpareBank 1 Helgeland for a recognised gain of MNOK 98 in the Parent Bank's profit for 4Q.

Divestment in subsidiaries is only recognised in equity and does not result in corresponding gains in the consolidated accounts, since gains are calculated in relation to the equity in the subsidiary as it was recognised in the consolidated accounts.

Certificates, bonds, currency and derivatives

As at 31.12.21, the Group's holdings of certificates and bonds amounted to MNOK 19,150, compared with MNOK 18,079 at the same time last year.

Total net changes in value for 4Q 2021 in this bond portfolio represent a net unrealised loss of MNOK 37 (MNOK 40), consisting of a negative change in value for the portfolio (spread widening), a negative effect for coupon rates, as well as a negative change in value for foreign currency items in the period.

A summary of the Group's derivatives as at 31.12.21 can be seen in Note 10 in the quarterly report.

Subsidiaries

At the end 4Q 2021, the Group's subsidiaries had a combined profit before tax of MNOK 226 (MNOK 171), which has been fully consolidated in the consolidated financial statements.

The largest subsidiaries, which operate within the Group's core business, showed the following profit after tax:

NOK 1.000	**4Q21**	3Q21	Change	**31.12.21**	31.12.20	Change
SpareBank 1 Finans Nord-Norge AS	**159 277**	35 572	123 705	**275 707**	132 098	143 609
SpareBank 1 Regnskapshuset Nord-Norge AS	**-7 289**	6 159	-13 448	**18 843**	19 422	- 579
EiendomsMegler 1 Nord-Norge AS	**- 861**	4 436	-5 297	**27 056**	30 257	-3 201
Ohter subsidiares	**4 389**	265	4 124	**5 277**	-3 759	9 036
Total result after tax	**155 516**	46 432	109 084	**326 883**	178 018	148 865

As mentioned above, SpareBank 1 Nord-Norge sold 15 per cent of its stakes in SpareBank 1 Regnskapshuset Nord-Norge and EiendomsMegler 1 Nord-Norge in march 2021, as well as 15 per cent stake of its stake in SpareBank 1 Finans Nord-Norge in October 2021, to SpareBank 1 Helgeland.

SpareBank 1 Finans Nord-Norge's result for 4Q 2021 was significantly affected by the reversal of a previously written down loss on a commitment amounting to MNOK 163.

The company won a lawsuit that had been ongoing since 2019, and was awarded a compensation in a judgment handed down by Borgarting Court of Appeal on 24.06.21.

The individual subsidiaries' results are presented in Note 16 in the quarterly report.

Operating costs

MNOK 137 was recognised in extraordinary costs in 4Q 2021, MNOK 64 of which was linked to the sale of a customer portfolio to SpareBank 1 Helgeland, as well as MNOK 73 in extraordinary pension costs (settlement) due to termination of the Group's defined benefit pension plan on 31.12.21. Additionally, the Group's employees received a one-off payment of NOK 15,000 in 4Q, which amounted to around MNOK 15.

The Group's costs for 4Q 2021 amounted to MNOK 572 (MNOK 432), which is MNOK 177 higher than for the previous quarter, of which MNOK 152 of this was due to the above-mentioned extraordinary one-off costs. In addition, MNOK 13 in wealth tax was expensed in the fourth quarter. The real cost increase from the third quarter will then be MNOK 12.

The Group's costs for 2021 were MNOK 122 higher than for 2020. If account is taken of the aforementioned extraordinary costs in 2021, ordinary operating costs were in reality MNOK 27 lower than last year and thus well within the target of zero growth in costs.

A number of cost-cutting measures were approved and implemented in 2020. All of the measures were implemented in 2021 and the measures will thus have full effect from 2022. One key measure was the closure of 16 branches from 01.01.21. Another important measure was the sale of a customer portfolio in Helgeland to SpareBank 1 Helgeland, with the associated closure of a further four branches in Helgeland in 4Q 2021.

The Group's long-term target is a cost/income ratio of 40 per cent or lower, and this will continue in 2022. Despite a tight labor market, good growth and the need to invest in ICT, we expect a flat cost development for 2022 due to the positive effect of the profitability project.

As at 31.12.21, this ratio was 40.6 per cent (40.0 per cent) for the Group and 33.7 per cent (37.7 per cent) for the Parent Bank. The Group's cost/income ratio (excluding the Helgeland transaction and the termination of the defined benefit pension scheme) was 38.3 per cent.

The Group had 831 FTEs as at 31.12.21 (897). Compared with 31.12.20, this is 66 fewer FTEs (63 fewer in the Parent Bank). The Parent Bank had 502 FTEs as at 31.12.21 (565).

The costs are specified by main category compared with previous periods in Note 14 in the quarterly accounts.

Losses and non-performing loans

As announced in the stock exchange notice on 25.06.21, SpareBank 1 Finans Nord-Norge AS won its case against Kluge Advokatfirma AS in Borgarting Court of Appeal, and SpareBank 1 Finans Nord-Norge was awarded a compensation of MNOK 163. The verdict became legally binding in 4Q 2021 and was, in its entirety, recognised in the consolidated accounts as reversals on a previously recognised loss.

The Group's net losses on loans and guarantees to customers at the end of 4Q 2021 amounted to MNOK -112 (MNOK 73), with MNOK -2 (MNOK -4) from the retail market and MNOK -114 (MNOK 77) from the corporate market.

As at 31.12.21, net losses on loans and guarantees amounted to MNOK -235 (MNOK 332), with MNOK -17 (MNOK 9) in the retail market and MNOK -218 (MNOK 323) in the corporate market.

As at 31.12.21, total loss provisions on loans and guarantees amounted to MNOK 692 (MNOK 823), which was MNOK 18 lower than at the end of the previous quarter. Loss provisions for loans amounted to 0.75 per cent (0.91 per cent) of the Group's total gross lending, and 0.54 per cent (0.64 per cent) of gross lending to customers inclusive of intermediary loans.

As at 31.12.21, the Group's total loss provisions for loans and guarantees classified as Stage 1 and Stage 2 amounted to MNOK 492 (MNOK 656), MNOK 13 lower than at the end of the previous quarter.

As at 31.12.21, the loss provisions for loans and guarantees classified as Stage 3 amounted to MNOK 200 (MNOK 167). This equates to a loss provision ratio of 37 per cent (38 per cent) of non-performing and doubtful exposures. Overall, the provisions were MNOK 40 higher than at the end of the previous quarter, of which MNOK 33 in the Parent Bank and MNOK 7 in the subsidiary SpareBank 1 Finans Nord-Norge.

Please refer in particular to Note 2 in the quarterly report, which describes the Group's assessments concerning factors affecting the loss provisions as at 31.12.21. Please also see Notes 7 and 8 in the quarterly report. Note 7 provides an overview of total loss provisions as at 31.12.21, including off-balance sheet items.

In the opinion of the Board, the quality of the Group's loan portfolio is good, and the Group is performing high quality work in connection with non-performing and impaired exposures. There will still be a great focus on this work going forward.

Balance sheet performance

NOK mill	**31.12.21**	30.09.21	Change	31.12.20	Change
Retail lending[2)]	**84.917**	92.763	-33,8 %	88.712	-4,3 %
Corporate lending[2)]	**40.822**	40.067	7,5 %	38.410	6,3 %
Total lending customers incl. intermediary	**125.739**	132.831	-21,4 %	127.122	-1,1 %
Total lending customers excl. intermediar	**89.986**	94.541	-19,3 %	88.977	1,1 %
Deposits retail[2)]	**40.882**	42.899	-18,8 %	40.363	1,3 %
Deposits corporate [1)2)]	**35.267**	35.324	-0,6 %	32.795	7,5 %
Total deposits	**76.149**	78.223	-10,6 %	73.158	4,1 %
Deposits as % of lending excl. intermediar	**84,6 %**	82,7 %	1,9 %	82,2 %	2,4 %
Total assets	**119.180**	122.080	-2,4 %	117.298	1,6 %

[1)] *Incl. government market*

[2)] *Calculated change is annualized*

The table does not take into account the transaction to SpareBank 1 Helgeland

Lending
As at 31.12.21, loans totalling BNOK 35.4 (BNOK 37.7) had been transferred to SpareBank 1 Boligkreditt, and BNOK 0.3 (BNOK 0.4) to SpareBank 1 Næringskreditt. These intermediary loans do not appear as lending on the Bank's balance sheet. Nevertheless, the comments on the growth in lending also cover intermediary loans.

In 4Q 2021, the Group saw lending growth (not annualised) in the retail market of 8.5 per cent, and 1.9 per cent in the corporate market. As the table above shows, this results in annualised growth of -33.8 per cent and 7.5 per cent, respectively. Actual growth over the past 12 months was -4.3 per cent in the retail market and 6.3 per cent in the corporate market. None of these figures have been corrected for the portfolio transferred to SpareBank 1 Helgeland in 2021.

During 2021, corporate market exposures totalling MNOK 1,281 and, in October 2021, retail market exposures totalling MNOK 9,094 were sold to SpareBank 1 Helgeland. In the past 12 months, growth in the corporate market, excluding the Helgeland transaction, was 9.9 per cent and in the retail market it was 6.7 per cent. The corresponding calculation for 4Q in isolation, was 6.0 per cent in the corporate market (23.9 per cent annualised) and 1.4 per cent in the retail market (5.6 per cent annualised).

Competition remains strong, especially in the mortgage loan market, although the Group is competitive and is taking market shares. For 2022 as whole, the Group assumes a lending growth of 4-6 per cent in the retail market and 6-9 per cent in the corporate market. Given the long-term effects of the Covid-19 pandemic, there is greater uncertainty surrounding the growth estimates than normal.

The Bank has implemented measures in connection with the coronavirus situation in the form of granting customers installment deferrals and offering government guaranteed liquidity loans. As at 31.12.21, MNOK 360 had been paid out in government guaranteed liquidity loans, MNOK 5 less than at the end of the previous quarter.

The retail market accounted for 70 per cent of total lending as at 31.12.21 (70 per cent).

The Group's lending is specified in Note 6 in the quarterly report.

In the case of new loans, there is a particular emphasis on customers' ability to service the debt and satisfactory collateral in order to ensure that the credit risk is maintained at an acceptable level.

Liquidity
Customer deposits are the Group's most important source of funding. Note 19 in the quarterly report provides an overview of the Bank's deposits.

As at 31.12.21, the deposit coverage rate (excluding intermediary loans) was 84 per cent (82 per cent). The Bank's remaining funding, apart from equity and subordinated capital and deposits from customers, is mainly long-term funding from the capital markets. The Bank's access to liquidity and the key figures for liquidity are satisfactory. The Bank's strategic aim is to keep overall liquidity risk at a low level. As at 31.12.21, the liquidity coverage ratio (LCR) was 142 per cent (142 per cent). As at 31.12.21, the net stable funding ratio (NSFR) was 118 per cent (118 per cent).

Please refer also to Note 12 on liquidity risk in the quarterly report.

SNN Rating	31.12.21	Moody's
Senior preferred rating		Aa3
Senior non-perferred rating		A2

Financial strength and capital adequacy

CRR/CRD IV (Basel III) was fully implemented in Norway from 31.12.19, which included elimination of the 'Basel I floor' and implementation of the 'SME discount', etc. This reduced the risk exposure amount for Norwegian IRB institutions, including SpareBank 1 Nord-Norge.

As a consequence of these changes, the Norwegian authorities spent 2020 working on changes linked to other capital requirements for financial groups operating in Norway. The following changes were approved in December 2020:

- The systemic risk buffer requirement increased from 3 per cent to 4.5 per cent. The requirement applies from the end of 2020 for Norwegian AIRB institutions (including SpareBank 1 Nord-Norge) and from the end of 2022 for other institutions.
- Minimum requirements (floors) were introduced for average risk weights for mortgage loans and commercial property loans of 20 per cent and 35 per cent, respectively. The ratios have not been actualised for SpareBank 1 Nord-Norge at this point in time.

No other Nordic country has yet recognised the systemic risk buffer requirement. Sweden has recognised the risk weight floor requirements.

As a result of Covid-19, the countercyclical capital buffer requirement was reduced from 2.5 per cent to 1.0 per cent effective from 13.03.20. In 2021, the Ministry of Finance and Norges Bank twice decided to increase the countercyclical buffer, by a total of 1 percentage points. The requirement will first increase by 0.5 percentage points from 30.06.22 and thereafter by a further 0.5 percentage points from 31.12.2022. Norges Bank has also communicated that the buffer requirement will be increased to 2.5 per cent during 1H 2022 with effect from one year into the future.

The Group's Pillar 2 requirement from 2016 of 1.5 per cent still applies. A new Pillar 2 decision is expected to be in place at the end of 1Q 2022.

According to the rules for identifying systemically important financial institutions (SIFIs), SpareBank 1 Nord-Norge is not classed as a SIFI.

CRR2/CRD5 came into force in the EU on 28.06.21. However, the regulations have still not been incorporated into the EEA Agreement and, therefore, did not come into effect in Norway on the same date. In cooperation with the other EEA/EFTA states, Norway is working to ensure that such incorporation will take place as soon as possible. CRR2/CRD5 is expected to come into effect in Norway in 2Q 2022. Key changes from the current regulations include a higher SME discount and a new method for calculating counterparty risk (SA CCR).

Basel IV was supposed to be implemented in the EU from 2022 onwards, with transitional rules until 2027. The implementation date has now been postponed until 2025, with transitional rules until 2030.

	4Q21	3Q21	2Q21	1Q21	Q420
Minimum requirement CET1	**4,5 %**	4,5 %	4,5 %	4,5 %	4,5 %
Systemic risk buffer	**4,5 %**	4,5 %	4,5 %	4,5 %	4,5 %
Counter cyclical buffer	**1,0 %**	1,0 %	1,0 %	1,0 %	1,0 %
Capital conservation buffer	**2,5 %**	2,5 %	2,5 %	2,5 %	2,5 %
Pillar 2 requirement	**1,5 %**	1,5 %	1,5 %	1,5 %	1,5 %
Total regulatory minimum requirements	**14,0 %**	14,0 %	14,0 %	14,0 %	14,0 %
Internal capital buffer	**1,0 %**	1,0 %	1,0 %	1,0 %	1,0 %
Internal target Common Equity Tier 1 Capital ratio	**15,0 %**	15,0 %	15,0 %	15,0 %	15,0 %

Note that the actual systemic risk buffer is somewhat lower than 4.5 per cent due to differentiated systemic risk buffer rates (different buffer rates from country to country).

SpareBank 1 Nord-Norge aims to maintain its indisputable financial strength and satisfy the regulatory minimum requirements for capital adequacy at all times. The Group has a target Common Equity Tier 1 Capital ratio of 1 percentage point above the regulatory minimum requirement, which results in a target capital ratio of 15.0 per cent as at 31.12.21.

The Group uses proportional consolidation for its capital adequacy reporting for the stakes in SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS, SpareBank 1 Kreditt AS, and BN Bank AS.

	4Q21	3Q21	Change	4Q20	Change
Common Equity Tier 1 Capital Ratio	**18,7 %**	18,6 %	0,1 %	17,5 %	1,2 %
Tier 1 Capital Ratio	**20,0 %**	20,0 %	0,0 %	18,9 %	1,0 %
Capital Adequacy Ratio	**21,6 %**	21,7 %	-0,1 %	20,9 %	0,6 %
Leverage Ratio	**8,3 %**	7,8 %	0,4 %	7,6 %	0,7 %

The Group's Common Equity Tier 1 Capital (incl. share of the profit) has increased by MNOK 49, or 0.4 percentage points, since the previous quarter. This is primarily due to the profit from 4Q 2021.

The risk exposure amount decreased by around MNOK 181 in 4Q 2021. This essentially consists of a lower risk exposure amount for lending due to the sale of a portfolio to Sparebank1 Helgeland for BNOK 1.6. At the same time, the risk exposure amount for securities increased by around BNOK 2.1.

	Group 31.12.21	Group 31.12.20	Change	Bank 31.12.21	Bank 31.12.20	Change
Common Equity Tier 1 Capital Ratio	**18,7 %**	17,5 %	1,2 %	**20,9 %**	19,8 %	1,1 %
Tier 1 Capital Ratio	**21,6 %**	18,9 %	0,0 %	**22,1 %**	21,1 %	1,0 %
Capital Adequacy Ratio	**21,6 %**	20,9 %	-0,1 %	**23,6 %**	23,0 %	0,6 %
Leverage Ratio	**8,3 %**	7,6 %	0,4 %	**10,7 %**	10,5 %	0,2 %

Common Equity Tier 1 Capital increased by BNOK 1.1 or 9 per cent in 2021. The total risk exposure amount increased by BNOK 1.5. Proportionally, the Common Equity Tier 1 Capital ratio therefore increases by 1.2 percentage points.

Proposed profit allocation

The dividend calculation is based on the Group's profit after tax, adjusted for accrued interest on issued hybrid capital instruments. After this, the profit after tax is distributed between the equity certificate holders and the Bank's community-owned capital in accordance with the relative distribution of equity capital between the owner groups in the Parent Bank as at 01.01.21, 46.36 per cent and 53.64 per cent, respectively.

Based on this, the Board proposes the following allocation of the profit to the Bank's Supervisory Board for 2021:

NOK mill	31.12.21	31.12.20	Change
Parent Bank's profit after tax	**2.295**	1.742	553
Interests hybrid capital	**29**	32	- 3
Profit to allocate	**2.266**	1.710	556
Cash dividend per ECC (NOK)	**7,00**	3,90	1,50
Allocated to cash dividend	**703**	392	311
Allocated to dividend equalisation fund	**347**	401	- 54
Total to the equity certificate holders	**1.050**	793	257
Share of profit	***46,36 %***	*46,36 %*	*0,00 %*
Allocated to donations	**813**	453	360
Allocated to the Saving Banks Fund	**402**	464	- 62
Total to the Bank's community-owned capit	**1.215**	917	298
Share of profit	***53,64 %***	*53,64 %*	*0,00 %*
Total allocated	**2.265**	1.710	555
Withheld share of Group result	**33,1 %**	50,6 %	17,5 %
Withheld share of Parent Bank result	**30,1 %**	36,6 %	6,5 %
Payout ratio Group	**66,9 %**	49,4 %	-17,5 %
Payout ratio Parent Bank	**69,9 %**	63,4 %	-6,5 %

The allocation of the profit entails an equal payout ratio for the Bank's equity certificate holders and community-owned capital. The payout ratio amounts to a total 69.9 per cent (42.6 per cent) of the Group's profit. The provision is in line with the Group's dividend policy.

Of the total dividend of NOK 7 per equity certificate, NOK 5,20 should be regarded as an ordinary dividend in line with the Group's dividend policy. They remaining NOK 1,80 should be regarded as an extraordinary dividend payment. This must be seen in the context of the planned extraordinary dividend from the Fremtind merger of NOK 1.5 per equity certificate for 2019, which was not implemented due to the Covid-19 pandemic, as well as the somewhat reduced dividend for 2020, again due to the Covid-19 pandemic. In determining the proposed dividend, thoroughly assessments of the Group's financial strength, liquidity and financial performance were carried out, including stress tests showing the consequences of negative scenarios. These assessments indicate that the proposed dividend is prudent.

As at 31.12.21, capital adequacy, after the proposed dividend, is significantly higher than both the regulatory requirement and the internal target. This means that our loss-absorbing capacity is high. Nevertheless, please note that the Financial Supervisory Authority of Norway can, when considerations regarding the financial institution's financial strength indicates it is appropriate, instruct a bank not to distribute a dividend or to distribute less that what has been proposed by the Board of Directors or approved by the Supervisory Board.

The Bank will continue to emphasise providing a competitive dividend yield for the Bank's owners. Nonetheless, the future payout rate will have to take into account the Group's capital adequacy and opportunities for future profitable growth.

The Bank's equity certificates will be traded ex dividend as at 25.03.22.

The equity certificate holders' proportion of the equity (ownership fraction) has not changed and was calculated as 46.36 per cent as of 01.01.22.

The Bank's equity certificate holders

NOK mill	**4Q21**	3Q21	Change	4Q20	Change
Equity certificate capital	**1.807**	1.807	0	1.807	0
ECC Ownership fraction	**46,36 %**	46,36 %	0 %	46,36 %	0 %
Number of holders	**11.278**	11.032	246	9.786	1492
Proportion of northern Norwegi	**18 %**	19 %	-1 %	19 %	-1 %
Proportion of foreign holders	**30 %**	29 %	1 %	32 %	-2 %
Market price NOK	**112,60**	95,60	17,00	74,60	38,00
Market value	**24.385**	20.703	3.682	16.156	8.229
Earnings per equity certificate	**10,41**	7,16	3,25	7,89	2,52
Price/Earnings	**10,8**	10,0	0,8	9,5	1,4
Price/Book value	**1,5**	1,3	0,2	1,1	0,4

A summary of the Bank's 20 largest equity certificate holders is provided in Note 22 in the quarterly report.

Concluding remarks and outlook

The northern Norwegian economy has been good for more than a decade and is, to some extent, doing better than the national average. The northern Norwegian economy has also proved itself solid over the course of the pandemic.

This is despite the fact that tourism and transport were hit hard by the pandemic. The large and important northern Norwegian industries have, however, fared relatively well during the pandemic. We are seeing record figures for seafood exports, and the unemployment rates in Northern Norway is below the average for Norway.

The housing market has experienced good growth for a long time, where low interest rates and good northern Norwegian macros have made positive contributions. The interest rates have now been raised and the market expects more interest rate hikes over the next year. SpareBank1 Nord-Norge expects this to dampen the growth in house prices and that this, overall, will contribute to a more balanced development of the economy going forward. The Bank expects continued good economic growth in the region.

A number of steps were taken to strengthen the Bank's operations and reduce operating costs in the long-term during 2021. The number of branches has been halved, the defined benefit pension plan has been terminated and all future pension liabilities have been settled. The Helgeland transaction was completed successfully, and the Group's competitiveness has been significantly strengthened through divisionalisation and reorganisation.

The low interest rates were an earnings challenge during 2020 and 2021, while future interest rate changes will make a positive contribution. SpareBank 1 Nord-Norge is well-positioned and will, through increased customer focus, strengthen our market position and grow further in 2022.

The Group's future prospects are considered good.

Tromsø, 9 February 2022

The Board of SpareBank 1 Nord-Norge

Statement of income

Parent Bank						Group			
(Amounts in NOK million)									
31.12.20	4Q20	**4Q21**	**31.12.21**		Note	**31.12.21**	**4Q21**	4Q20	31.12.20
2 639	557	**600**	**2 251**	Interest income		**2 542**	**682**	631	2 927
864	134	**150**	**534**	Interest costs		**528**	**148**	133	859
1.775	423	**450**	**1.717**	Net interest income		**2.014**	**534**	498	2.068
	0	**0**							
939	269	**246**	**1 022**	Fee- and commission income	13	**1 267**	**301**	323	1 161
70	26	**18**	**68**	Fee- and commission costs	13	**96**	**30**	29	82
11	6	**105**	**123**	Other operating income	13	**328**	**148**	54	220
880	249	**333**	**1.077**	Net fee- and other operating income		**1.499**	**419**	348	1.299
	0	**0**							
44	29	**1**	**36**	Dividend		**36**	**1**	29	44
351	- 4	**101**	**757**	Income from investments		**532**	**189**	85	554
95	- 2	**151**	**221**	Net gain from investments in securities		**226**	**155**	- 2	95
490	23	**253**	**1.014**	Net income from financial investments		**794**	**345**	112	693
	0	**0**							
3.145	695	**1.036**	**3.808**	Total income		**4.307**	**1.298**	958	4.060
	0	**0**							
590	151	**202**	**632**	Personnel costs	14	**936**	**293**	228	869
391	93	**140**	**423**	Administration costs	14	**472**	**150**	111	461
94	22	**17**	**78**	Ordinary depreciation	14	**104**	**24**	27	109
111	45	**84**	**152**	Other operating costs	14, 23	**236**	**105**	66	187
1.186	311	**443**	**1.285**	Total costs		**1.748**	**572**	432	1.626
	0	**0**							
1.959	384	**593**	**2.523**	Result before losses		**2.559**	**726**	526	2.434
	0	**0**							
290	68	**41**	**- 70**	Losses	2,7,8	**- 235**	**- 112**	73	332
1.669	316	**552**	**2.593**	Result before tax		**2.794**	**838**	453	2.102
	0	**0**							
304	67	**73**	**395**	Tax		**499**	**123**	79	360
0	0	**0**	**0**	Defecit non-current assets held for sale		**0**	**0**	0	0
1.365	249	**479**	**2.198**	Result after tax		**2.295**	**715**	374	1.742
				Attributable to:					
				Controlling interests		**2 283**	**711**		
				Non-controlling interests		**12**	**4**		
				Result per Equity Certificate					
6,15	1,12	**2,31**	**10,15**	Result per Equity Certificate, adjusted for interests hybrid capital		**10,41**	**3,25**	1,69	7,89

Other comprehensive income

Parent Bank					Group			
(Amounts in NOK million)								
31.12.20	4Q20	**4Q21**	**31.12.21**		**31.12.21**	**4Q21**	4Q20	31.12.20
1.365	249	**479**	**2.198**	Result after tax	**2.295**	**715**	374	1.742
				Items that will not be reclassified to profit/loss				
0	0	**0**	**0**	Share of other comphrehensive income from investment in assosiated companies	**4**	**2**	6	17
2	2	**- 128**	**-98**	Actuarial gains (losses) on benefit-based pension schemes	**-101**	**- 131**	- 1	-1
0	0	**33**	**25**	Tax	**26**	**34**	0	0
2	2	**-95**	**-73**	Total	**-71**	**-95**	5	16
				Items that will be reclassified to profit/loss				
-27	- 27	**0**	**-15**	Net change in fair market value of financial assets available for sale	**-15**	**0**	- 27	-27
0	0	**0**	**0**	Share of other comphrehensive income from investment in assosiated companies	**18**	**30**	9	10
0	0	**0**	**0**	Tax	**0**	**0**	0	0
-27	-27	**0**	**-15**	Total	**3**	**30**	-18	-17
1.340	224	**384**	**2.110**	Total comprehensive income for the period	**2.227**	**650**	361	1.741
6,04	1,00	**1,87**	**9,74**	Total result per Equity Certificate, adjusted for interests hybrid capital	**10,15**	**2,96**	1,63	7,89

Statement of financial position

Parent Bank **Group**

(Amounts in NOK million)

31.12.20	**31.12.21**		Notes	**31.12.21**	31.12.20
		Assets			
360	**399**	Cash and balances with central banks		**399**	360
6 923	**7 491**	Net loans and advances to credit institutions	6,7	**1 365**	1 534
81 346	**81 558**	Net loans to customers	2,6,7,15	**89 343**	88 214
705	**1 504**	Shares	15	**1 519**	714
18 079	**19 150**	Certificates and bonds	15	**19 150**	18 079
1 777	**1 089**	Financial derivatives	10,15	**1 089**	1 777
1 413	**1 274**	Investments in Group Companies	16		
3 541	**3 446**	Investments in assosiated companies and joint		**4 837**	4 810
570	**460**	Property, plant and equipment	23	**859**	975
		Non current assets held for sale		**0**	0
		Goodwill and other intangible assets		**116**	113
551	**306**	Other assets	17	**503**	722
115 265	**116 677**	**Total assets**		**119 180**	117 298
		Liabilities			
1 274	**1 123**	Deposits from credit institutions		**1 092**	1 272
73 220	**76 208**	Deposits from customers	19	**76 149**	73 158
23 167	**17 527**	Debt securities in issue	20	**17 527**	23 167
1 356	**602**	Financial derivatives	10,15	**602**	1 356
1 335	**1 907**	Other liabilities	7,18,23	**2 470**	1 818
358	**9**	Deferred tax liabilities		**127**	455
1 050	**4 560**	Senior non-preferred and other subordinated debt	20	**4 560**	1 050
101 760	**101 936**	**Total liabilities**		**102 527**	102 276
		Equity			
1 807	**1 807**	Equity Certificate capital	21	**1 807**	1 807
843	**843**	Equity Certificate premium reserve		**843**	843
780	**780**	Hybrid capital		**780**	780
3 253	**3 845**	Dividend Equalisation Fund		**3 845**	3 253
6 254	**7 392**	The Savings Bank's Fund		**7 392**	6 254
573	**120**	Donations		**120**	573
15	**0**	Fair value reserve		**0**	15
- 20	**- 46**	Other equity capital		**1 669**	1 497
		Non-controlling interests		**197**	
13 505	**14 741**	**Total equity**		**16 653**	15 022
115 265	**116 677**	**Total liabilities and equity**		**119 180**	117 298

Changes in equity

(Amounts in NOK million)	PCC capital	Premium Fund	Hybrid capital	Dividend Equalisation Fund	Saving Bank's Fund	Donations Fund	Fair value reserve	Other equity	Period result	Total controlling interests	Non-controlling interests	Total equity
Group												
Equity at 01.01.20	1 807	843	780	3 035	5 990	585	42	1 090		14 172		14 172
Total comprehensive income for the period												
Period result				633	279	453		377		1 742		1 742
Other comprehensive income:												
Share of other comprehensive income from investment in assosiated companies								27		27		27
Net change in fair market value of financial assets available for sale							- 27			- 27		- 27
Actuarial gains (losses) on benefit-based pension schemes								- 1		- 1		- 1
Tax on other comprehensive income												
Total other comprehensive income							- 27	26		- 1		- 1
Total comprehensive income for the period				633	279	453	- 27	403		1 741		1 741
Transactions with owners												
Dividend paid				- 402						- 402		- 402
Other transactions								9		9		9
Changes in minority interests												
Approved distributed from Donations Fund						- 465				- 465		- 465
Total transactions with owners				- 415	- 15	- 465		4		- 891		- 891
Equity at 31.12.20	**1 807**	**843**	**780**	**3 253**	**6 254**	**573**	**15**	**1 497**		**15 022**		**15 022**
Equity at 01.01.21	1 807	843	780	3 253	6 254	573	15	1 497		15 022		15 022
Total comprehensive income for the period												
Period result				1 019	1 179			85		2 283	12	2 295
Other comprehensive income:												
Share of other comprehensive income from investment in assosiated companies								22		22		22
Net change in fair market value of financial assets available for sale							- 15			- 15		- 15
Actuarial gains (losses) on benefit-based pension schemes				- 20	- 23			- 58		- 101		- 101
Tax on other comprehensive income								26		26		26
Total other comprehensive income				- 20	- 23		- 15	- 10		- 68		- 68
Total comprehensive income for the period				999	1 156		- 15	75		2 215	12	2 227
Transactions with owners												
Changes in controlling interests								102		102	185	287
Dividend paid				- 392						- 392		- 392
Other transactions								- 9		- 9		- 9
Interests hybrid capital - last year				- 15	- 18			33				
Interests hybrid capital - this year								- 29		- 29		- 29
Approved distributed from Donations Fund						- 453				- 453		- 453
Total transactions with owners				- 407	- 18	- 453		97		- 781	185	- 596
Equity at 31.12.21	**1 807**	**843**	**780**	**3 845**	**7 392**	**120**		**1 669**		**16 456**	**197**	**16 653**

ECC ratio overall

Parent Bank

(Amounts in NOK million)	31.12.21	31.12.20	31.12.19	adjusted for IFRS 9 effects 31.12.18	01.01.18	31.12.17	31.12.16	31.12.15
Equity Certificate capital	1 807	1 807	1 807	1 807	1 807	1 807	1 807	1 807
Equity Certificate premium reserve	843	843	843	843	843	843	843	843
Dividend Equalisation Fund	3 142	2 861	2 483	1 798	1 567	1 579	1 310	960
Set aside dividend	703	392	552	402	402	402	347	201
Share Fund Fair Value Options and other equity	- 22	- 2	11	39	46	46	22	69
A. Equity attributable to Equity Certificate holders of the Bank	6 473	5 901	5 696	4 889	4 665	4 677	4 329	3 880
The Savings Bank's Fund	6 579	6 254	5 816	5 024	4 757	4 770	4 460	4 055
Allocated dividends to ownerless capital	813	453	639	465	465	465	400	60
Donations	120	120	120	120	120	120	120	120
Share Fund Fair Value Options and other equity	- 24	- 3	14	34	55	55	29	83
B. Total ownerless capital	7 488	6 824	6 589	5 643	5 397	5 410	5 009	4 318
Equity Certificate Ratio overall (A/(A+B))	46,36 %	46,36 %	46,36 %	46,36 %	46,36 %	46,36 %	46,36 %	47,33 %
Hybrid capital	780	780	780	780	530	530		
Total equity	14 741	13 505	13 065	11 312	10 592	10 617	9 338	8 198

Cash Flow Statement

Parent Bank 31.12.20	Parent Bank 31.12.21	Amounts in NOK million	Group 31.12.21	Group 31.12.20
1 669	**2 593**	Profit before tax	**2 794**	2 102
94	**78**	+ Ordinary depreciation	**104**	109
0	**4**	+ Write-downs, gains/losses fixed assets	**4**	0
290	**- 70**	+ Losses on loans and guarantees	**- 235**	332
304	**395**	- Tax/Result non-current assetes held for sale	**499**	360
1 749	**2 210**	**Provided from the year's operations**	**2 168**	2 183
807	**- 570**	Change in sundry liabilities: + increase/ - decrease	**- 454**	765
- 582	**933**	Change in various claims: - increase/ + decrease	**904**	- 749
-3 847	**- 710**	Change in gross lending to and claims on customers: - increase/ + decrease	**- 725**	-3 791
-2 166	**-1 870**	Change in short term-securities: - increase/ + decrease	**-1 876**	-2 165
5 146	**2 988**	Change in deposits from and debt owed to customers: + increase/ - decrease	**2 991**	5 128
710	**- 151**	Change in debt owed to credit institutions: + increase/ - decrease	**- 180**	709
1 817	**2 830**	**A. Net liquidity change from operations**	**2 828**	2 080
-191	**-29**	- Investment in fixed assets	**- 49**	- 68
0	**57**	+ Sale of fixed assets	**57**	0
-240	**-274**	Payments to group companies and assosiated companies	**- 274**	- 240
62	**508**	Payment from/Change in values of group companies and assosiated companies	**409**	- 313
- 369	**262**	**B. Liquidity change from investments**	**143**	- 621
- 33	**- 29**	Interest to hybrid capital owners	**- 29**	- 33
- 40	**- 49**	Payments to leases	**- 53**	- 51
- 867	**- 845**	- Dividend paid on Ecs/approved distributions	**- 845**	- 867
-6 699	**-4 640**	Decrease in borrowings through the issuance of securities	**-4 640**	-6 699
5 080	**0**	Increase in borrowings through the issuance of securities	**0**	5 080
0	**- 501**	Decrease in PCC/subordinated loan capital	**- 501**	0
0	**3 011**	Increase in PCC/subordinated loan capital	**3 011**	0
		Payment from non-controlling interests	**125**	
-2 559	**-3 053**	**C. Liquidity change from financing**	**-2 932**	-2 570
-1 111	**39**	A + B + C. Total change in liquidity	**39**	-1 111
1 471	**360**	+ Liquid funds at the start of the period	**360**	1 471
360	**399**	**= Liquid funds at the end of the period**	**399**	360

Liquid funds are defined as cash-in-hand and claims on central banks.

Reconcilitation of movements of liabilites to cash flows arising from financing activities

Amounts in NOK million	Debt securities	Subordinated debt	Senior non-preferred debt
Balance at 01.01.21	**22 166**	**1 000**	**1 050**
Changes from financing cash flows:			
Proceeds from issue		2 505	500
Redeemed	-1 935		
Due excl. redeemed	-2 627		- 500
Total changes from financing cash flows	**-4 562**	**2 505**	**0**
The effect of changes in foreign exchange rates	0		
Changes in fair value	- 49		
Changes in accrued interest	- 28	5	1
Balance at 31.12.21	**17 527**	**3 509**	**1 051**

Result from the Group's quarterly accounts

(Amounts in NOK million)	4Q21	3Q21	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20	4Q19
Interest income	**682**	621	623	616	631	636	738	922	925
Interest costs	**148**	116	121	143	133	133	223	370	347
Net interest income	**534**	505	502	473	498	503	515	552	578
Fee- and commission income	**301**	335	332	299	323	333	250	255	264
Fee- and commission costs	**30**	21	24	21	29	14	17	22	27
Other operating income	**148**	52	56	72	54	56	50	60	41
Net fee- and other operating income	**419**	366	364	350	348	375	283	293	278
Dividend	**1**	1	20	14	29	2	12	1	1
Income from investments	**189**	118	154	71	85	125	148	196	- 22
Net gain from investments in securities	**155**	21	26	24	- 2	65	103	- 71	5
Net income from financial investments	**345**	140	200	109	112	192	263	126	- 16
Total income	**1 298**	1 011	1 066	932	958	1 070	1 061	971	840
Personnel costs	**293**	217	210	216	228	217	209	215	225
Administration costs	**150**	109	110	103	111	119	110	121	190
Ordinary depreciation	**24**	24	27	29	27	27	27	28	32
Other operating costs	**105**	45	46	40	66	35	46	40	55
Total costs	**572**	395	393	388	432	398	392	404	502
Result before losses	**726**	616	673	544	526	672	669	567	338
Losses	**- 112**	- 47	- 23	- 53	73	58	82	119	- 2
Net gain from sale of financial fixed assets	**0**	0	0	0	0	0	0	0	0
Result before tax	**838**	663	696	597	453	614	587	448	340
Tax	**123**	131	121	124	79	117	100	64	91
Defecit non-current assets held for sale	**0**	0	0	0	0	0	0	0	0
Result after tax	**715**	532	575	473	374	497	487	384	249
Interest hybrid capital	**8**	7	7	7	7	7	9	10	7
Result after tax ex. interest hybrid capital	**707**	525	568	466	367	490	478	374	242
Profitability									
Return on equity capital	**18,0 %**	13,7 %	15,4 %	13,0 %	10,4 %	14,4 %	14,5 %	11,9 %	7,2 %
Interest margin	**1,77 %**	1,64 %	1,65 %	1,60 %	1,72 %	1,70 %	1,74 %	1,97 %	2,13 %
Cost/income	**44,1 %**	39,1 %	36,9 %	41,6 %	45,1 %	37,2 %	36,9 %	41,6 %	59,8 %
Balance sheet figures									
Loans and advances excl. commision loans	**91 351**	95 713	94 355	91 556	90 511	90 603	88 874	86 745	86 771
-of which loans and advances to financial institutitons	**1 365**	1 172	1 661	1 299	1 534	1 393	1 686	1 384	1 079
-of which loans and and advances to customers	**89 986**	94 541	92 694	90 257	88 977	89 210	87 188	85 361	85 692
Total lending incl. intermediary loans	**125 739**	132 831	131 001	128 493	127 122	126 522	124 498	122 764	121 733
Growth in loans and advances to cust. incl. commision loans past 12 months	**-1,1 %**	5,0 %	5,2 %	4,7 %	4,4 %	5,5 %	5,9 %	6,4 %	6,7 %
Deposits from customers	**76 149**	78 223	80 872	75 710	73 158	71 687	73 081	70 609	68 030
Growth in deposits from customers past 12 months	**4,1 %**	9,1 %	10,7 %	7,2 %	7,5 %	9,9 %	7,9 %	10,0 %	6,3 %
Deposits as a percentage of gross lending	**84,6 %**	82,7 %	87,2 %	83,9 %	82,2 %	80,4 %	83,8 %	82,7 %	79,4 %
Deposits as a percentage of gross lending including commission loans	**60,6 %**	58,9 %	61,7 %	58,9 %	57,5 %	56,7 %	58,7 %	57,5 %	55,9 %
Average assets	**120 264**	120 535	120 019	118 042	115 736	115 346	114 121	112 020	108 989
Total assets	**119 180**	122 080	123 975	118 785	117 298	119 021	118 322	117 884	111 524
Losses on loans and commitments in default									
Losses on loans to customers as a percentage of total lending incl. intermediary loans	**-0,18 %**	-0,09 %	-0,06 %	-0,04 %	0,26 %	0,20 %	0,16 %	0,10 %	0,01 %
Net comm. in default and at risk of loss as a per. of total lending incl. intermediary loans	**0,27 %**	0,17 %	0,25 %	0,23 %	0,16 %	0,23 %	0,22 %	0,22 %	0,16 %
Solidity									
Common Equity Tier 1 Capital Ratio	**18,7 %**	18,6 %	18,0 %	17,4 %	17,5 %	17,2 %	16,9 %	16,7 %	17,2 %
Tier 1 Capital ratio	**20,0 %**	20,0 %	19,4 %	18,7 %	18,9 %	18,6 %	18,4 %	18,2 %	18,8 %
Total Capital Ratio	**21,6 %**	21,7 %	21,2 %	20,6 %	20,9 %	20,5 %	20,2 %	20,0 %	20,6 %
Common Equity Tier 1 Capital	**13 097**	13 048	12 877	12 206	12 019	11 905	11 788	11 575	11 472
Tier 1 Capital	**14 001**	14 020	13 849	13 178	12 991	12 881	12 812	12 599	12 496
Own Funds	**15 109**	15 229	15 145	14 508	14 366	14 213	14 105	13 833	13 726
Adjusted risk-weighted assets base	**70 059**	70 240	71 528	70 359	68 588	69 233	69 699	69 214	66 609

1) The profit after tax in relation to average equity, calculated as a quarterly average of equity at 1 January and end quarterly equity. The Bank's hybrid tier 1 capital issued are classified as equity in the financial statements.
However, when calculating the return on equity, hybrid tier 1 capital is treated as a liability and the associated interest costs are adjusted for in the result.
2) Total costs as a percentage of total net income
3) Average assets are calculated as average assets each quarter and at 01.01. and 31.12.
4) Deposits from customers as a percentage of gross lending
5) Deposits from customers in percentage of total lendring incl. intermediary loans

Note 1 – Accounting policies

The Group's financial statements for 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU, including IAS 34 – Interim Financial Reporting. The quarterly accounts do not include all information required in full annual accounts and should be read in conjunction with the annual accounts for 2020.

There are no standards or interpretations that have not entered into force that are expected to have a significant impact on the Group's accounts.

The capital adequacy rules specify criteria for identifying commitments in default.
A commitment will be deemed to be in default if the claim is more than 90 days past and the amount is substantial (payment default), or it is likely that the borrower will not meet its obligations (unlikeliness to pay).
The criteria for a default were further clarified in the EBA's Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013 (EBA/GL/2016/07). The EBA's guidelines include rules concerning quarantine periods for when commitments in default can be declared no longer in default, specify a 90-day limit, and include rules regarding the criteria that must as a minimum be assessed for defining "unlikeliness to pay". The EBA's guidelines apply from 01.01.21.

The Ministry of Finance has set limits for what must be regarded as a substantial amount in assessing payment defaults (CRR/CRD IV Regulation, section 7). The amount limits must not exceed NOK 1,000 and NOK 2,000, respectively, for mass market commitments and other commitments, while the relative limit must not exceed 1 per cent of the total capitalized commitment for all commitments. The rules concerning the limits for "substantial" apply from 31.12.20.

The Financial Supervisory Authority of Norway has issued rules via a circular concerning the "quarantine period", i.e. how long a commitment will remain in default after it is first marked as being in default.
If the payment default is remedied and it is likely that the counterparty will meet its obligations, the commitment can be regarded as no longer in default after a quarantine period of 90 days. In the event of partial debt forgiveness or changes to the loan's terms and conditions, the quarantine period will be at least 12 months.

The circular also specifies that if one of the loans to the customer is marked as being in default, all loans to the customer must be deemed to be in default (default propagation). This also applies to associated counterparties. For mass market commitments, defaults can be assessed per loan, i.e. default propagation does not automatically apply. The Bank must assess whether default on a loan is significant for the customer to be able to fulfill its obligations with regard to other loans. The Financial Supervisory Authority of Norway believes that in the case of mass market commitments, a default should propagate between commitments in the same category. The Financial Supervisory Authority of Norway provides an example in which if a customer defaults on an unsecured loan, then all unsecured loans to that customer must be marked as being in default. Furthermore, all commitments should be deemed to be in default if the loan that constitutes a substantial part of the total exposure is in default.

SpareBank 1 NORD-NORGE

The Group has chosen to implement these new policies for statutory defaults as well as accounting defaults from 01.01.21, which results in an increased volume defined as in default in Stage 3, ref. Note 6.

Note 2 - Important accounting estimates and discretionary judgements

In preparing the consolidated financial statements the management makes estimates, discretionary judgements and assumptions that influence the application of the accounting policies. These could thus affect the stated amounts for assets, liabilities, income and costs. Note 3 in last year's annual financial statements provides a fuller explanation of the items subject to important estimates and judgements.

As also stated in Note 7, SpareBank 1 Nord-Norge uses a model for calculating expected credit losses based on IFRS 9. Expected credit loss is calculated on a monthly basis based on an objective and probability-weighted analysis of alternative outcomes, where account is also taken of the time value of the expected cash flows. The analysis is based on relevant information available at the time of reporting and builds on macroeconomic scenarios in order to take account of non-linear aspects of expected loss. The different scenarios are used to adjust relevant parameters for calculating expected loss and a probability-weighted average of expected credit loss according to the respective scenarios is recognised as a loss. Individual assessments of commitments subject to these are based on expected future cash flows.

The loss model was developed in cooperation with other SpareBank 1 banks and is reviewed annually by an external auditor. Attempts are made to adjust and improve factors that are brought up on an ongoing basis.

Assumptions:
Assumptions:
The Bank uses weighted scenarios to calculate expected credit loss. As mentioned in previous quarterly reports this year, the Bank has made adjustments to the methodology for determining factors and scenario weights for 2021.

Three different macroeconomic scenarios are used to project expected LGD and PD curves 5 years into the future. All three scenarios have been made further expectation-oriented, with scenario 1, the ‘base case’, (SC1) representing the most likely outcome. SC2, the ‘downside case’, and SC3, the ‘best case’, represent outcomes that are somewhat more negative and positive than SC1, respectively. The above adjustment to the methodology means that the sensitivity related to determining the scenario weights will be less than with the previous methodology (ref. sensitivity analysis below).

Main points of methodology

- The scenario weights are used to express the uncertainty surrounding the base case (SC1).

- At the moment, the model uses the same weights for the retail market and the corporate market, and divergent expectations are steered using the PD and LGD curves.
- Great uncertainty – smaller weight for SC1
- Little uncertainty – larger weight for SC1

	Perceived uncertainty to SC 1								
Weighting	Small			Medium			Large		
SC1	80-90%			60-80%			50-60%		
	Positive	Neutral	Negative	Positive	Neutral	Negative	Positive	Neutral	Negative
SC2	0-5%	5-10%	5-20%	0-10%	10-20%	20-40%	5-15%	20-25%	25-45%
SC3	5-20%	5-10%	0-5%	20-40%	10-20%	0-10%	25-45%	20-25%	5-15%

Both the determination of LGD and PD curves and weights of the scenarios are carried out by the Group's ECL Committee. The committee assesses the curves and weights based on a fixed structure based on assessments of factors such as global and national PMI, interest rates, national and regional unemployment, capacity utilisation, and developments in national and local property prices.

Weights for base/downside/upside scenarios:
As at 31.12.19, the Bank considered the macroeconomic outlook to be good, although there was
some uncertainty about the current interest rate peak, flattening growth in Northern Norway, and a stabilised housing market. The committee considered the situation to be a cyclical peak since there were several indications of flattening. Given this, the base case scenario was given the greatest weight (81 per cent), the downside scenario the second greatest (19 per cent), and the best case expansion scenario the least (0 per cent).

As at 31.03.20, based on the uncertainty associated with the coronavirus situation, adjustments were made to the weights between the two scenarios for the base case and downside case, where the weight of the base case was significantly reduced (to 70 per cent) with a corresponding increase in the downside scenario (to 30 per cent). The committee monitored developments very closely throughout the year, and even though the macro picture improved somewhat at the turn of the year, the Covid-19 situation was still creating uncertainty. The committee thus concluded that no adjustments would be made to the macroscenario weights as at 31.12.20.

According to IFRS 9, temporary adjustments can be made, so-called 'management overlays', when it is clear that existing or expected risk factors have not been assessed in the credit risk models. Such management overlays can occur in short-term situations when there is not enough time to incorporate relevant new information into existing models or to re-segment existing groups of loans. On 31.12.20, the Parent Bank carried out a MNOK 78 post model adjustment (PMA).

From and including 1Q 2021, the PMA was incorporated as part of the PD and LGD curves in the Group's ECL methodology, since generic levels (1-12) for PD/DR and LGD were introduced for both the retail market and the corporate market.

As at 30.09.21, there is still some uncertainty surrounding the effects of the Covid-19 pandemic, although there is less uncertainty in the macro picture and the base scenario has become more expectations-oriented. The scenario weights were, therefore, left unchanged at 75/10/15.

As at 31.12.21, a corresponding assessment of the macro picture was conducted, and the scenario weights were kept unchanged at 75/10/15.

- 4Q 2019: 81/19/0
- 4Q 2020: 70/30/0
- 1Q 2021: 60/15/25 (changed in line with new methodology)
- 2Q 2021: 70/10/20 (changed in line with new macro, etc.)
- 3Q 2021: 75/10/15 ((changed in line with new macro, etc.)
- **4Q 2021:** 75/10/15 (unchanged)

The Bank uses different factors for PD and LGD to estimate developments in the portfolio within the different scenarios. SpareBank 1 Nord-Norge has its own models that score customers based on PD. As mentioned above, PD and LGD are adjusted within both the retail market and the corporate market based on how the different scenarios are expected to affect these factors.

In-depth analyses of these are conducted every quarter for the entire loan portfolio in relation to the assumptions used at the end of the previous year. Particular attention has been paid to some exposed industries in our market area (including tourism, transport, fisheries and real estate). However, the analyses did not find that significant changes needed to be made to PD and LGD factors in the ECL model as at 31.12.21.

Industries and the development of individual customers will also be monitored closely using a so-called watchlist at a customer commitment level, as well as by flagging customers with forbearance (payment relief).
All commitments categorised as high-risk are on the watchlist.
As at 30.06.20, all tourism-related commitments of more than MNOK 10 were placed on a watchlist and manually transferred from Stage 1 to Stage 2. In 3Q and 4Q 2020, all tourism-related commitments of less than MNOK 10 were placed on a watchlist and manually transferred from Stage 1 to Stage 2. In addition, all customers granted government guaranteed liquidity loans have been transferred from Stage 1 to Stage 2. In total, these manual transfers amounted to MNOK 59 in increased loss provisions. The resale values of the security pledged for such commitments were assessed and adjusted downwards, which resulted in increased ECL provisions. As at 31.12.21, no changes have been made to these assessments.

As at 31.12.21, SpareBank 1 Nord-Norge has granted general interest-only instalment holidays for loans of up to 6 months both to retail customers and customers in the corporate market that have been affected by the coronavirus situation. Many of the interest-only instalment holidays granted in March and April last year have expired, while some have been extended. Interest-only instalment holidays due to Covid-19 and of up to 6 months duration are not automatically considered forbearance in the ECL calculation given that there are no other factors that indicate that the credit risk has significantly increased (SICR). Customers who require interest-only periods beyond 6 months are dealt with separately. If they are regarded as having financial problems, they are regarded as exposures with forbearance, with the corresponding migration from Stage 1 to Stage 2.

There was a 0.1 percentage point increase in the proportion of customers granted forbearance in 4Q 2021.

Sensitivity analysis

Below follows a sensitivity analysis for the Parent Bank, based on figures as at 31.12.21. By changing PD, LGD and scenario weights in isolation, the following change is seen in expected credit loss:

Segment	10% increase PD-factor	10% increase LGD-factor	20% increase PD-factor*)	Weighting of scenarios**)		
				SC1=100% SC2=0% SC3=0%	SC1=0% SC2=100% SC3=0%	SC1=0% SC2=0% SC3=100%
Retail market	5,5 %	6,2 %	19,5 %	-1,5 %	39,5 %	-19,0 %
Corporate market	6,8 %	7,4 %	15,5 %	-1,3 %	35,2 %	-16,8 %
Total	6,6 %	7,2 %	16,0 %	-1,3 %	35,8 %	-17,1 %

*) 20% increase PD-factor on all loans engagements. Step migration as a result of increased PD is taken into account in the sensitivity analysis.

**) Effect of going from the current weighting of 75%, 10% and 15% for scenario 1, 2 and 3.

Notes 3 – Changes to group structure

On October 17, the bank sold a 15 % share of subsidiary SpareBank 1 Finans Nord-Norge to SpareBank 1 Helgeland. Beyond this, there were no significant changes to the Group's structure in 4Q 2021.

Note 4 - Business Areas

Pursuant to IFRS 8, SpareBank 1 Nord-Norge has the following operating segments: retail market, corporate market, leasing and Ma rkets.
The segments correspond with the executive management team's internal reporting structure. In SpareBank 1 Nord-Norge, the executive management team is responsible for evaluating and following up the segments' results and is defined as the chief operating decision maker in the sense used in IFRS 8.

The recognition and measurement principles in the Bank's segment reporting are based on accounting policies that comply with IFRS, as set out in the consolidated financial statements. Any transactions between the segments are carried out at arm's length.

The item "unallocated" contains activities that cannot be allocated to the segments. The Bank operates in a limited geographic area and reporting geographical information provides little additional information. Nonetheless, important assets classes (loans) are distributed geographically in a separate note 11 in Annual report.

Group **31.12.21**

(Amounts in NOK million)

	Retail banking	Corporate banking	Markets	SpareBank 1 Regnskaps-huset Nord-Norge	Eiendoms-Megler 1 Nord-Norge	SpareBank 1 Finans Nord-Norge	Sparebank 1 Helgeland	Unspecified/ Eliminations	**Total**
Net interest income	842	812	12	0	2	294	86	-33	2.014
Net fee- and other operating income	769	145	38	212	244	12	168	-89	1.499
Net income from financial investments	0	13	27	0	0	0	0	753	794
Total costs	756	394	47	188	211	104	87	-39	1.748
Result before losses	855	576	31	24	35	202	167	670	2.559
Losses	-3	-33	0	0	0	-165	-36	1	-235
Result before tax	858	608	31	24	35	366	203	669	2.794
Total lending	45.719	34.996	0	0	0	7.888	27	2.722	91.351
Loss provision	-71	-479	0	0	0	-93	0	0	-643
Other assets	83	6.852	435	240	105	117	0	20.640	28.472
Total assets per business area	45.731	41.368	435	240	105	7.911	27	23.362	119.180
Deposits from customers	41.726	33.783	0	0	0	0	65	575	76.149
Other liabilities and equity capital	4.006	7.585	435	240	105	7.911	-38	22.787	43.031
Total equity and liabilities per business area	45.731	41.368	435	240	105	7.911	27	23.362	119.180

During 2021, SpareBank 1 Nord-Norge has sold its portfolio of local banks in Helgeland to SpareBank 1 Helgeland. Following the sale, SpareBank 1 Nord-Norge will own 19.99% of SpareBank 1 Helgeland. This stake will be incororated into the consolidated financial statement.

31.12.20

	Retail banking	Corporate banking	Markets	SpareBank 1 Regnskaps-huset Nord-Norge	Eiendoms-Megler 1 Nord-Norge	SpareBank 1 Finans Nord-Norge	Sparebank 1 Helgeland	Unspecified/ Eliminations	Total
Net interest income	624	654	8	0	1	291	95	394	2.068
Net fee- and other operating income	709	118	12	211	228	9	72	-62	1.299
Net income from financial investments	6	35	66	0	0	0	0	586	693
Total costs	741	138	42	186	191	90	45	194	1.626
Result before losses	597	669	45	25	39	211	123	725	2.434
Losses	10	193	0	0	0	34	9	86	332
Result before tax	587	476	45	25	39	176	115	640	2.102
Total lending	42.836	31.071	0	0	0	6.962	6.629	3.013	90.511
Loss provision	-80	-446	0	0	0	104	-51	-290	-763
Other assets	131	6.040	854	246	109	96	16	20.060	27.550
Total assets per business area	42.887	36.665	854	246	109	7.161	6.594	22.783	117.298
Deposits from customers	40.848	27.830	0	0	0	0	3.948	532	73.158
Other liabilities and equity capital	2.038	8.835	854	246	109	7.161	2.646	22.252	44.140
Total equity and liabilities per business area	42.887	36.665	854	246	109	7.161	6.594	22.783	117.298

Note 5 - Capital Adequacy

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

In January 2007, SpareBank 1 Nord-Norge was authorized to use IRB models to calculate capital requirements for credit risk. In February 2015, the Bank was also authorized to use the advanced IRB method for the corporate portfolio. The use of IRB places great demands on the Bank's organization, competence, risk models and risk management systems.

Regulatory capital requirements
As at 31.12.21, the regulatory minimum requirement for the Group's Common Equity Tier 1 capital ratio is 14.0 %. This includes the minimum requirement of 4.5 %, the total buffer requirement of 8.0 %, and the Pillar 2 requirement of 1.5 %. The actual buffer requirement is slightly lower than 8.0 % since the systemic risk buffer and countercyclical capital buffer are calculated using differentiated rates.

Capital target
SpareBank 1 Nord-Norge's goal is to maintain indisputable financial strength, in addition to always satisfy the regulatory minimum requirements for capital adequacy. The Group has a target Common Equity Tier 1 capital ratio of 1.0 percentage point above the regulatory minimum requirement. As at 31.12.21, this results in a target Common Equity Tier 1 capital ratio of 15.0 %.

Treatment of associated companies and joint ventures
The Group uses proportional consolidation for its capital adequacy reporting for the stakes in SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt, SpareBank 1 Kreditt and BN Bank. In accordance with the decision of the Ministry of Finance, the stake in SpareBank 1 Betaling is deducted in its entirety from CET1 capital. The stake in SpareBank 1 Gruppen is treated as a significant investment in a financial sector entity, where the amount greater than 10 % of CET1 capital is deducted from the CET1 capital, pursuant to the applicable capital adequacy regulations.

Parent Bank | **Group**

(Amounts in NOK million)

31.12.20	31.12.21		31.12.21	31.12.20
1 807	**1 807**	Equity certificates	**1 807**	1 807
843	**843**	Premium reserve	**843**	843
780	**780**	Hybrid capital	**780**	780
3 253	**3 845**	Equalisation reserve	**3 845**	3 253
6 254	**7 392**	Savings bank's reserve	**7 392**	6 254
573	**120**	Donations Fund	**120**	573
15	**0**	Fair value reserve	**0**	15
- 20	**- 46**	Other equity	**1 669**	1 497
0	**0**	Minority interests	**197**	0
13 505	**14 741**	**Total equity**	**16 653**	15 022
- 780	**- 780**	Hybrid capital	**- 780**	- 780
- 844	**-1 516**	Deduction for allocated dividends	**-1 516**	- 845
0	**0**	Minority interests not eligible as CET1 capital	**- 62**	0
0	**0**	Adjusted Tier 1 capital from consolidated financial institutions	**- 33**	- 29
0	**0**	Goodwill and other intangible assets	**- 138**	- 130
- 33	**- 33**	Adjustments to CET1 due to prudential filters	**- 36**	- 28
- 136	**- 26**	Deduction for defined benefit pension fund assets gross amounts	**- 34**	- 148
0	**0**	Deduction for significant investments in financial sector entities	**- 812**	- 900
- 157	**- 171**	Deduction for non-significant investments in financial sector entities	**- 145**	- 143
11 555	**12 214**	**Common Equity Tier 1 Capital**	**13 097**	12 019
780	**780**	Hybrid capital	**952**	972
0	**- 48**	Deduction for Tier 1 capital in other financial sector entities with a significant investment	**- 48**	0
12 335	**12 946**	**Tier 1 Capital**	**14 001**	12 991
1 050	**1 050**	Non-perpetual subordinated capital	**1 317**	1 359
179	**56**	Expected losses on IRB, net of writedowns	**18**	150
- 134	**- 227**	Deduction for subordinated capital in other financial institutions with a significant investment	**- 227**	- 134
1 095	**879**	**Tier 2 Capital**	**1 108**	1 375
13 430	**13 825**	**Own Funds**	**15 109**	14 366
		Risk exposure amount		
14 438	**14 441**	Specialised lending exposure	**15 138**	15 088
706	**553**	Other corporations exposure	**601**	739
5 376	**5.075**	SME exposure	**5 268**	5 539
14 570	**11 971**	Property retail mortage exposure	**18 546**	20 726
786	**640**	Other retail exposure	**658**	814
6 257	**8 288**	Equity investments	**0**	0
42 132	**40 967**	**Total credit risk IRB**	**40 212**	42 906
10 511	**11.163**	Credit risk standardised approach	**21 646**	17 877
80	**33**	Debt risk	**33**	80
5 559	**6.051**	Operational risk	**7 239**	6 657
229	**371**	Credit Value Adjustment	**929**	1 069
4 681	**4 687**	**Total risk exposure amount**	**70 059**	68 588
		Capital Adequacy Ratios		
19,7 %	**20,8 %**	Common Equity Tier 1 Capital Ratio	**18,7 %**	17,5 %
23,0 %	**23,6 %**	Total Capital Ratio	**21,6 %**	20,9 %
21,1 %	**22,1 %**	Tier 1 Capital	**20,0 %**	18,9 %
1,9 %	**1,5 %**	Tier 2 Capital	**1,6 %**	2,0 %
10,5 %	**10,7 %**	Leverage Ratio	**8,3 %**	7,6 %

Note 6 Loans

Loans at fair value
Mortgages to customers for sale, housing credit company
Mortgages to be sold to mortgage credit companies over the next 12 months are valued at the agreed value at which these loans are to be assigned.

Fixed-rate loans
Actual value is determined by the loans' actual cash flows discounted by a discounting factor based on the swap rate, with the addition of a margin requirement. The margin requirement includes credit markup, administrative markup, anticipated loss, and a liquidity premium. The bank considers on a continual basis changes in observable market rates that can affect the value of these loans. There is also a continuous assessment of possible differences between discount rates and observable market rates for similar loans. The Bank makes appropriate adjustments to the discount rate, if this difference becomes significant. No adjustments to the margin requirement have been made as at 31.12.21. Value changes on loans are included in full in the result of the line - net value changes on financial assets. The sensitivity to discounting as at 31.12.21 would impact the result by approximately MNOK -14,3 per +10 basis points of change in the discount rate.

Loans at amortised cost
For all loans at amortised cost there has been calculated expected losses and provisions according to IFRS 9. Please also see note 7.

Parent Bank			Group	
(Amounts in NOK million)				
31.12.20	**31.12.21**	Loans broken down by method of measurement	**31.12.21**	31.12.20
		Loans at fair value through profit and loss		
7 600	**5 629**	Loans to customers at fixed interest rates	**5 642**	7 614
3 917	**5 664**	Mortgages to customers for sale, housing credit company	**5 664**	3 917
11 517	**11 293**	**Total loans at fair value through profit and loss**	**11 306**	11 531
		Loans at amortised cost		
77 411	**78 306**	Other loans	**80 045**	78 980
77 411	**78 306**	**Total loans at amortised cost**	**80 045**	78 980
88 928	**89 599**	**Total gross loans**	**91 351**	90 511
		Commission loans		
37 735	**35 439**	Loans transrered to SpareBank1 Boligkreditt	**35 439**	37 735
410	**314**	Loans transfered to SpareBank1 Næringskreditt	**314**	410
38 145	**35 753**	Total intermediary loans	**35 753**	38 145
127 073	**125 352**	**Total gross loans included intermediary loans**	**127 105**	128 656
		Provision for credit losses - reduction in assets		
- 285	**- 156**	Provision for credit losses - stage 1	**- 184**	- 310
- 232	**- 234**	Provision for credit losses - stage 2	**- 269**	- 283
- 142	**- 159**	Provision for credit losses - stage 3	**- 190**	- 169
88 269	**89 050**	**Net loans**	**90 708**	89 748

Loans broken down by sector/industry

Total commitment is defined as the sum of net lending, guarantee exposure, unused credit and accrued interest. Expected losses are calculated in Stages 1, 2 and 3 only for financial assets at amortised cost. The Bank has both gross lending and financial liabilities measured at amortised cost, where expected losses are calculated according to IFRS 9.

In order to calculate the expected credit losses according to IFRS 9, the loans must first be categorized into one of three stages:
1. Not significantly higher credit risk than on granting.
2. Substantial increase in credit risk since granting, but no objective proof of losses.
3. Substantial increase in credit risk since granting, and objective proof of losses.

Parent Bank 31.12.21

(Amounts in NOK million)

Loans broken down by sector/industry	Total commitments to amortised cost	Ledning provision Stage 1	Lending provision Stage 2	Lending provision Stage 3	Lending at fair value	Net loans
Real estate	14.948	-76	-145	-80	39	14.685
Finanicial and insurance activities	9.637	-11	-3	-3	0	9.621
Fishing and aquaculture	7.983	-24	-5	-8	27	7.973
Manufacturing	1.397	-3	-8	-22	15	1.379
Agriculture and forestry	967	-1	-2	-2	36	999
Power and water supply and construction	2.814	-6	-8	-9	25	2.817
Government	102	0	0	0	0	102
Service industries	1.784	-7	-7	-8	88	1.851
Transportation	2.077	-5	-21	-2	55	2.104
Commodity trade, hotel and restaurant industry	1.614	-6	-14	-3	27	1.619
Corporate market	43.324	-139	-211	-137	314	43.151
Retail market	34.982	-18	-23	-22	10.979	45.899
Loans and advances to customers	78.306	-156	-234	-158	11.293	89.050

Financial commitments broken down by sector/industry	Financial commitments to amortised cost	Ledning provision classified as debt Stage 1	Lending provision classified as debt Stage 2	Lending provision classified as debt Stage 3	Total lending provision classified as debt
Real estate	966	-8	-17	0	-25
Finanicial and insurance activities	233	0	0	0	-1
Fishing and aquaculture	788	-1	0	0	-1
Manufacturing	597	-1	-1	-1	-3
Agriculture and forestry	85	0	0	0	0
Power and water supply and construction	634	-1	-2	0	-4
Government	327	0	0	0	0
Service industries	501	-1	-3	0	-4
Transportation	568	0	-1	0	-2
Commodity trade, hotel and restaurant industry	502	-1	-1	-4	-6
Corporate market	5.201	-14	-25	-6	-44
Retail market	1.567	0	0	0	0
Loans and advances to customers	6.768	-14	-25	-6	-45

Group 31.12.21

(Amounts in NOK million)

Loans broken down by sector/industry	Total commitments to amortised cost	Ledning provision Stage 1	Lending provision Stage 2	Lending provision Stage 3	Lending at fair value	Net loans
Real estate	15.025	-76	-146	-82	39	14.760
Finanicial and insurance activities	3.511	-11	-3	-3	0	3.494
Fishing and aquaculture	8.632	-30	-9	-8	27	8.612
Manufacturing	1.923	-6	-13	-27	15	1.894
Agriculture and forestry	1.092	-1	-3	-2	36	1.123
Power and water supply and construction	3.705	-9	-12	-12	25	3.698
Government	118	0	0	0	0	118
Service industries	2.455	-11	-8	-13	88	2.511
Transportation	2.967	-9	-29	-3	68	2.993
Commodity trade, hotel and restaurant industry	2.118	-8	-19	-4	27	2.114
Corporate market	41.547	-162	-240	-154	327	41.318
Retail market	38.498	-22	-28	-36	10.979	49.391
Loans and advances to customers	80.046	-184	-269	-190	11.306	90.708

Financial commitments broken down by sector/industry	Financial commitments to amortised cost	Ledning provision classified as debt Stage 1	Lending provision classified as debt Stage 2	Lending provision classified as debt Stage 3	Total lending provision classified as debt
Real estate	921	-8	-17	0	-25
Finanicial and insurance activities	86	0	0	0	-1
Fishing and aquaculture	860	-1	0	0	-1
Manufacturing	608	-1	-1	-1	-3
Agriculture and forestry	86	0	0	0	0
Power and water supply and construction	718	-1	-2	0	-4
Government	327	0	0	0	0
Service industries	752	-1	-3	0	-4
Transportation	696	0	-1	0	-2
Commodity trade, hotel and restaurant industry	701	-1	-1	-4	-6
Corporate market	5.754	-14	-25	-6	-44
Retail market	1.589	0	0	0	0
Loans and advances to customers	7.343	-14	-25	-6	-45

In order to calculate the expected credit losses according to IFRS 9, the loans must first be categorized into one of three stages

1. Not significantly higher credit risk than on granting.
2. Substantial increase in credit risk since granting, but no objective proof of losses.
3. Substantial increase in credit risk since granting, and objective proof of losses.

Total loan commitments broken down by stage of the credit risk assessment at 31.12.21

Morbank | **Konsern**

(Beløp i mill kroner)

Stage 1	Stage 2	Stage 3	Total		Total	Stage 3	Stage 2	Stage 1
77 236	8 449	375	**86 060**	Total loan commitments to amortised cost 01.01.21	**87 927**	373	8 449	79 104
				Changes in the period due to loans migrated between the stages				
1 401	-1 397	- 4	**0**	to (-from) stage 1	**0**	- 7	-1 773	1 780
-2 530	2.541	- 11	**0**	to (-from) stage 2	**0**	- 19	2 907	-2 888
- 88	- 220	308	**0**	to (-from) stage 3	**0**	422	- 302	- 120
-4 259	- 246	- 37	**-4 542**	Net increase/(decrease) balance existing loans	**-5 414**	- 75	- 400	-4 939
35 664	2 169	51	**37 884**	Originated or purchased during the period	**40 791**	71	2 394	38 327
-30 749	-3 392	- 186	**-34 327**	Loans that have been derecognised	**-35 915**	- 216	-3 074	-32 624
76 675	7 904	496	**85 075**	Total loan commitments to amortised cost	**87 389**	549	8 201	78 639
			11 293	Utlån til virkelig verdi over resultat	**11 306**			
76 675	7 904	496	**96 368**	Total loan commitments as at 31.12.21	**98 694**	549	8 201	78 639
-5 740	-1 000	- 28	**-6 768**	Off-balance sheet [1]	**-7 343**	- 28	-1 000	-6 315
70 935	6 904	468	**89 599**	Gross loans	**91 351**	520	7 200	72 325
- 156	- 234	- 159	**- 549**	Provision for credit losses - reduction in assets	**- 643**	- 190	- 269	- 184
70 779	**6 670**	**309**	**89 050**	**Net loans [2]**	**90 708**	**330**	**6 932**	**72 141**

1) Off balance consists of unused limits of loans and credits, entered into guarantee agreements and committed loans that have not been disbursed.
2) Net loans as assets in Balance sheet

Explanation of the table:

* The conditions for migrating between the stages and a specification of IFRS 9 are set out in note 7.
Customers who experience significant changes in credit risk will migrate between the stages.
* Net new measurement of losses: Account numbers of customers who are in the same category closing balance and opening balance and who experience an increase or a decrease in ECL.
* Newly issued or purchased financial assets: Account numbers of customers that are only found in the closing balance in the ECL model.
* Financial assets that have been derecognised: Account numbers of customers that are only found in the opening balance in the ECL model

Total loan commitments broken down by stage of the credit risk assessment at 31.12.20

Morbank | **Konsern**

(Beløp i mill kroner)

Stage 1	Stage 2	Stage 3	Total		Total	Stage 3	Stage 2	Stage 1
74 827	4 628	343	**79 798**	Total loan commitments to amortised cost 01.01.20	**81 397**	352	5 527	75 518
				Changes in the period due to loans migrated between the stages				
1 019	-1 010	- 9	**0**	to (-from) stage 1	**0**	- 11	-1 225	1 236
-3 819	3.829	- 10	**0**	to (-from) stage 2	**0**	- 23	4 489	-4 465
- 60	- 93	153	**0**	to (-from) stage 3	**0**	202	- 127	- 75
6 279	- 575	- 11	**5 693**	Net increase/(decrease) balance existing loans	**4 783**	- 31	- 754	5 568
36 198	1 985	35	**38 218**	Originated or purchased during the period	**40 756**	68	2 432	38 256
-37 208	- 315	- 126	**-37 649**	Loans that have been derecognised	**-39 010**	- 183	-1 893	-36 934
77 236	8 449	375	**86 060**	Total loan commitments to amortised cost	**87 927**	373	8 449	79 104
			11 517	Loans at fair value through profit and loss	**11 531**			
77 236	8 449	375	**97 577**	Total loan commitments as at 31.12.20	**99 458**	373	8 449	79 104
-7 121	-1 519	- 9	**-8 649**	Off-balance sheet [1]	**-8 947**	- 9	-1 504	-7 434
70 115	6 930	366	**88 928**	Gross loans	**90 511**	364	6 945	71 670
- 285	- 232	- 142	**- 659**	Provision for credit losses - reduction in assets	**- 762**	- 169	- 283	- 310
69 830	**6 698**	**224**	**88 269**	**Net loans [2]**	**89 749**	**195**	**6 662**	**71 360**

1) Off balance consists of unused limits of loans and credits, entered into guarantee agreements and committed loans that have not been disbursed.
2) Net loans as assets in Balance sheet

Note 7 - Loss provision

The general rule of IFRS 9 is that the loss provision should be calculated as expected credit losses (ECL) over the next 12 months, or as expected credit losses over the entire lifetime of the asset. In order to calculate the expected credit losses according to this, the asset must first be categorized into one of three stages:

1. Not significantly higher credit risk than on granting.
2. Substantial increase in credit risk since granting, but no objective proof of losses.
3. Substantial increase in credit risk since granting, and objective proof of losses.

The Bank conducts an annual review of its entire portfolio of corporate customers. Large and particularly risky commitments are reviewed on a quarterly basis. Loans to retail customers are reviewed when they are more than 55 days past due or when their payment history is particularly poor. Probability of default (PD) is calculated for each corporate customer based on their historical financial data and observations. The same is done for retail customers based on their tax returns and historical observations.

The Bank currently has nine risk categories for healthy commitments and two categories for commitments in default, based on the probability of default for each customer. These 11 classes are further divided into low, moderate, high and highest risk groups, as well as defaults and losses in relation to PD. The entire portfolio is scored on a monthly basis using automatic data acquisition based on objective data.

SpareBank 1 Nord-Norge uses a loss model developed in collaboration with the other banks in SpareBank 1-alliansen to calculate expected credit loss (ECL). The loss model is based on the Bank's credit models (IRB), including estimates for PD, (loss given default) LGD and (exposure at default) EAD. The model uses PD and other objective events to group the assets into the different stages, while LGD is used to calculated expected loss. While credit models are used for capital adequacy purposes, the model used for loss provisions is a 'point-in-time' model and unbiased at a point in time. In Stage 1, provisions for losses are for expected credit loss in the next 12 months. In Stages 2 and 3, provisions for losses are for expected credit loss over the asset's lifetime (lifetime PD).

A commitment is deemed to be in default if a demand is more than 90 days past due and the amount is for more than NOK 1,000. A commitment is deemed to be doubtful when objective proof exists showing that one or more loss incidents have occurred and that this is having an impact on the expected future cash flow which can be estimated in a reliable manner. A new definition of default for statutory defaults has also been implemented for accounting defaults from 01.01.21, ref. Note 1. This means that quarantine periods have been introduced for commitments in default, and that rules have been introduced regarding customers' "unlikeliness to pay" and propagation effects from subsidiaries.

The Group defines a significant increase in credit risk as the commitment's calculated PD having increased. Both absolute and relative changes in PD are used as criteria for moving a commitment into Stage 2. The most important factor for a significant change in credit risk is a quantitative change in PD on the balance sheet date compared with PD upon initial recognition. The threshold for a significant change in PD has been set at 150 per cent. PD must also be higher than 0.60 per cent.

Loss provisions consist of:

Stage 1: This is the default for all financial assets covered by the loss model. All assets whose credit risk has not increased significantly since initial recognition will be allocated a loss provision equal to 12 months' expected loss. This stage contains all financial assets that have not been moved to Stage 2 or Stage 3.

Stage 2: This stage contains all financial assets whose credit risk has increased significantly since initial recognition, but where there is no objective indication of default or loss. Here, expected credit loss is calculated over the lifetime of the loan (lifetime PD). Commitments where payments are more than 30 days past due will always be moved to Stage 2. A qualitative assessment is also made of whether the asset has experienced a significant change in credit risk if it is placed under special monitoring or more lenient payment terms are granted.

Stage 3: This stage contains all financial assets whose credit risk has increased significantly since being granted, but where there is objective evidence of default on the balance sheet date. The loss provision consists of the expected loss over the lifetime of the loan based on the increased credit risk due to non-performance. Such loss provisions are calculated as the difference between the loan's book value and the present value of the discounted cash flow based on the effective interest rate at the time of the initial loss provision. Subsequent changes in interest rates are taken into account for loan agreements subject to a variable interest rate.

An asset is moved from stage 2 to stage 1 when:

- The customer's risk has improved meaning that the increase in credit risk since granting is no longer significant.
- The customer is removed from "special monitoring".
- The commitment is restructured with terms and conditions that take account of the factors that caused the customer to be placed under "special mongering".

An asset is moved from stage 3 to stage 2 when:

- There is no longer objective evidence of default or loss, but the increase in credit risk since granting remains significant.

New rules for defining, calculating and reporting default will be introduced on 1 January 2021. Among other things, a waiting period is being introduced before defaulted commitments can be returned to non-defaulted status, as are conditions that must be considered with respect to whether or not a commitment can be defined as having indications of unlikeliness to pay.

An asset is moved from band 3 to band 1 when:

- There is no longer objective evidence of default or loss and the increase in credit risk since granting is no longer significant.

Here too, the above-mentioned new regulations must be taken into account in 2021.

Changes in lending loss provisions

(Amounts in NOK million)

Parent Bank				*Loans at amortised cost*	Group			
Stage 1	Stage 2	Stage 3	**Total**	**Changes in lending loss provisions**	**Total**	Stage 3	Stage 2	Stage 1
-327	-251	-142	**-720**	Loss provisions at 01.01.21	**-823**	-167	-302	-354
			-659	Of which presented as a reduction of the assets	**-762**			
			-61	Of which presented as other debt	**-61**			
				Changes in the period due to loans migrated between the stages:				
-33	33	0	**0**	to (-from) stage 1	**0**	0	43	-43
19	-20	1	**0**	to (-from) stage 2	**0**	1	-24	23
0	9	-9	**0**	to (-from) stage 3	**0**	-13	13	0
173	-40	-25	**108**	Net increase/decrease excisting loans	**116**	-29	-43	188
-62	-60	-4	**-126**	New issued or purchased loan	**-144**	-4	-65	-75
61	69	10	**140**	Loans that have been derecognised	**159**	12	83	64
-170	-259	-169	**-598**	**Total loss provisions at 31.12.21**	**-692**	-200	-294	-198
				Loss provisions allocated to markets				
-18	-23	-22	**-63**	Retail market	**-87**	-37	-28	-22
-152	-236	-147	**-535**	Corporate market	**-605**	-163	-266	-176
-170	-259	-169	**-598**	**Total loss provisions at 31.12.21**	**-692**	-200	-294	-198
			-549	Of which presented as a reduction of the assets	**-643**			
			-49	Of which presented as other debt	**-49**			

Explanation of the table:

* The changes during the period as a result of migration: transfer between the stages due to a significant change in credit risk.
* Net increase/decrease in balance: Changes in the expected credit loss, changes in model assumptions, effects of repayments, ascertainment and other changes that affect the balance.
* Newly issued or purchased financial assets: Account numbers of customers that are only found in the closing balance in the ECL model.
* Financial assets that have been derecognised: Account numbers of customers that are only found in the opening balance in the ECL model.
* Provisions for losses also include expected losses on assets not posted to the balance sheet, including guarantees and untapped credit limits, but not loan commitments.

Parent Bank				*Loans at amortised cost*	Group			
(Amounts in NOK million)								
Stage 1	Stage 2	Stage 3	**Total**	**Changes in lending loss provisions**	**Total**	Stage 3	Stage 2	Stage 1
-193	-126	-117	**-436**	Loss provisions at 01.01.20	**-520**	-152	-152	-216
			-398	Of which presented as a reduction of the assets	**-482**			
			-38	Of which presented as other debt	**-38**			
				Changes in the period due to loans migrated between the stages:				
-22	21	1	**0**	to (-from) stage 1	**0**	1	26	-27
25	-26	1	**0**	to (-from) stage 2	**0**	4	-34	30
1	2	-3	**0**	to (-from) stage 3	**0**	-4	3	1
-83	-103	-32	**-218**	Net increase/decrease excisting loans	**-223**	-26	-117	-80
-109	-53	-5	**-167**	New issued or purchased loan	**-198**	-6	-72	-120
54	34	13	**101**	Loans that have been derecognised	**118**	16	44	58
-327	-251	-142	**-720**	**Total loss provisions at 31.12.20**	**-823**	-167	-302	-354
				Loss provisions allocated to markets				
-26	-29	-15	**-70**	Retail market	**-94**	-27	-36	-31
-301	-222	-127	**-650**	Corporate market	**-729**	-140	-266	-323
-327	-251	-142	**-720**	**Total loss provisions at 31.12.20**	**-823**	-167	-302	-354
			-659	Of which presented as a reduction of the assets	**-762**			
			-61	Of which presented as other debt	**-61**			

Note 8 - Losses

Losses incorporated in the accounts

Parent Bank						Group			
(Amounts in NOK million)									
31.12.20	4Q20	**4Q21**	**31.12.21**			**31.12.21**	**4Q21**	4Q20	31.12.20
286	67	**20**	**- 119**	Period's change in lending provisions		**- 129**	29	57	306
14	3	**22**	**55**	Period's confirmed losses		**66**	24	19	37
- 10	- 2	**- 1**	**- 6**	Recoveries, previously confirmed losses	*	**- 172**	- 165	- 3	- 11
290	68	**41**	**- 70**	**Total losses**		**- 235**	- 112	73	332

* Reversal of a previously written down loss on an individual customer as a result of compensation from a lawsuit

Losses broken down by sector and industry

Parent Bank					Group			
(Amounts in NOK million)								
31.12.20	4Q20	**4Q21**	**31.12.21**		**31.12.21**	**4Q21**	4Q20	31.12.20
224	64	**43**	**- 32**	Real estate	**- 32**	43	64	224
4	- 1	**4**	**- 3**	Finanicial and insurance activities	**- 2**	5	- 1	4
25	0	**7**	**- 8**	Fishing and aquaculture	**- 6**	7	2	29
6	- 9	**7**	**- 4**	Manufacturing	**- 2**	12	- 7	12
- 1	0	**- 2**	**- 4**	Agriculture and forestry	**- 5**	- 2	0	0
- 4	1	**- 4**	**- 1**	Power and water supply and construction	**- 6**	- 3	2	- 1
- 1	1	**0**	**2**	Service industries	**3**	- 1	1	3
7	- 1	**- 12**	**8**	Transportation	**- 157**	- 175	0	14
20	6	**0**	**- 9**	Commodity trade, hotel and restaurant industry	**- 11**	0	9	31
280	61	**43**	**- 51**	Total corporate market	**- 218**	- 114	70	316
10	7	**- 2**	**- 19**	Total retail market	**- 17**	2	- 4	9
0	0	**0**	**0**	Other losses corporate market	**0**	0	7	7
290	68	**41**	**- 70**	**Total losses**	**- 235**	- 112	73	332

Note 9 - SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

SpareBank 1 Nord-Norge has agreements concerning the legal sale of loans with very good collateral and property mortgages to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. According to the administration contracts concluded with these two alliance companies, the Bank administers the loans and remains responsible for customer contact. The Bank receives remuneration in the form of commissions for the duties that arise from administering the loans. The Bank has assessed the accounting implications and concluded that the material risk and benefits of ownership associated with the sold loans has been transferred. This entails full derecognition. The remuneration received for the loans that have been transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS matches the book value and is assessed to match the loans fair value at the time of transfer.

SpareBank 1 Nord-Norge has, together with the other owners of SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, signed an agreement on the establishment of liquidity facilities for these companies. This entails an obligation on the part of the banks to buy bonds, limited to the combined value of the amount due in 12 months in these companies. In principle, each owner is liable for its share of the need or alternatively twice the primary responsibility under the same agreement. The bonds can be deposited in Norges Bank and thus result in no material increase in risk for the Bank.

As of 31.12.21 the obligation on a consolidated level amounts to NOK 79,3 million for SpareBank 1 Boligkreditt and NOK 0 million for SpareBank 1 Næringskreditt.

For more information about the accounting treatment of the agreements see note 2 and note 13 in the annual financial statements.

Note 10 - Financial derivatives

Parent Bank and Group
(Amounts in NOK million)

Interest rate swaps: Commitments to exchange one set of cash flow for another over an agreed period.

Foreign exchange derivatives: Agreements to buy or sell a fixed amount of currency at an agreed future date at a rate of exchange which has been agreed in advance.

Currency swaps: Agreements relating to the swapping of currency- and interest rate terms and conditions, periods and amounts having been agreed in advance.

Interest rate- and currency swap agreements: Agreements involving the swapping of currency- and interest rate terms and conditions, periods and amounts having been agreed in advance.

Options: Agreements where the seller gives the buyer a right, but not an obligation to either sell or buy a financial instrument or cu rrency at an agreed date or before, and at an agreed amount.

SpareBank 1 Nord-Norge enters into hedging contracts with respected Norwegian and foreign banks in order to reduce its own risk. Financial derivatives transactions are related to ordinary banking operations and are done in order to reduce the risk relating to the Bank's activity in the financial markets, and in order to cover and reduce risk relating to customer-related activities. Only hedges associated with the bank's funding activities are defined as fair value hedging pursuant to IFRS 9. Other hedging is defined as ordinary hedge accounting. The Bank does not utilise cash flow hedging.

Fair value hedging transactions	31.12.21	31.12.20
Net loss charged to the statement of comprehensive income in respect of hedging instruments in connection with actual value hedging	- 127	- 437
Total gain from hedging objects relating to the hedged risk	120	430
Total fair value hedging transactions	**- 6**	**- 7**

The Bank's main Board of Directors has determined limits for maximum risk for the Bank's interest rate positions. Routines have been established to ensure that positions are maintained within these limits.

(Amounts in NOK million)

Fair value through statement of comprehensive income		31.12.21			31.12.20	
		Fair value			Fair value	
Foreign currency instruments	**Contract**	**Assets**	**Liabilites**	Contract	Assets	Liabilites
Foreign exchange financial derivatives (forwards)	2 090	14	22	1 567	49	20
Currency swaps	12 985	151	70	16 220	246	299
Currency options						
Total non-standardised contracts	15 076	165	92	17 787	295	319
Standardised foreign currency contracts (futures)						
Total foreign currency instruments	15 076	165	92	17 787	295	319
Interest rate instruments						
Interest rate swaps (including cross currency)	36 530	686	445	36 507	1 021	991
Short,-term interest rate swaps (FRA)						
Other interest rate contracts	244	27	25	327	34	30
Total non-standardised contracts	36 774	713	470	36 834	1 055	1 021
Standardised interest rate contracts (futures)						
Total interest rate instruments	36 774	713	470	36 834	1 055	1 021
Hedging of funding loans						
Foreign currency instruments						
Foreign exchange financial derivatives (forwards)						
Currency swaps						
Total, non-standardised contracts						
Standardised foreign currency contracts (futures)						
Total foreign currency instruments						
Interest rate instruments						
Interest rate swaps (including cross currency)	14 496	212	41	14 900	428	16
Short-term interest rate swaps (FRA)						
Other interest rate contracts						
Total, non-standardised contracts	14 496	212	41	14 900	428	16
Standardised interest rate contracts (futures)						
Total interest rate instruments	14 496	212	41	14 900	428	16
Total interest rate instruments	51 270	924	511	51 734	1 482	1 037
Total foreign currency instruments	15 076	165	92	17 787	295	319
Total	66 346	1 089	602	69 521	1 777	1 356

Note 11 - Net accounting of financial derivates and related set-off agreements

Financial derivatives are presented as gross on the balance sheet. As a result of ISDA agreements that have been entered into with contracting parties with regard to financial derivatives transactions, set-off rights are obtained if the contracting party defaults on the cash flow.

At 31.12.21 the net figures were:

Category/counterpart *(Amounts in NOK million)*	Gross amount	Offset amount	Net amount	Net amount to be posted at bankruptcy or default	**Net credit exposure**
	A	B	C=A-B	D	**E=C-D**
Financial derivatives - assets	35 597	34 991	606	491	**115**
Financial derivatives - liabilities	13 740	13 618	122	121	**1**

Note 12 - Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations, and/or the risk of not being able to fund a desired growth in assets. SpareBank 1 Nord-Norge prepares an annual liquidity strategy that encompasses, for example, the bank's liquidity risk.

The Group's liquidity risk is revealed, except in the case of raising external financing, through the Bank's liquidity reserve/buffer, including sale of mortgage loans to SpareBank 1 Boligkreditt.

The Bank proactively manages the Group's liquidity risk on a daily basis. SpareBank 1 Nord-Norge must also comply with the regulatory minimum requirements for prudent liquidity management at all times.

The average remaining term to maturity for the Bank's debt securities in issue was 3.02 years as of 31.12.21.
The short-term liquidity risk measure, liquidity coverage ratio (LCR), was 142 % as of the end of the quarter.

Note 13 - Net fee-, commission- and other operating income

Parent bank | **Group**

(Amounts in mill NOK)

4Q20	4Q21	31.12.20	31.12.21		31.12.21	31.12.20	4Q21	4Q20
114	**87**	347	**401**	Provision commission loans	**401**	347	**87**	114
73	**63**	288	**239**	Payment facilities	**239**	288	**63**	73
46	**49**	180	**199**	Sales provision insurance products	**199**	180	**49**	46
9	**8**	33	**32**	Guarantee commissions	**32**	33	**9**	9
				Real estate broking	**130**	118	**29**	29
17	**15**	54	**64**	Portfolio commissions	**64**	54	**15**	17
4	**17**	14	**58**	Credit commision	**58**	14	**17**	4
6	**7**	23	**29**	Other commisions	**144**	127	**32**	31
269	**246**	939	**1 022**	Total commission income	**1 267**	1 161	**301**	323
26	**18**	70	**68**	Commission costs	**96**	82	**30**	29
243	**228**	869	**954**	Net fee- and commission income	**1 171**	1 079	**271**	294
				Accounting services	**212**	207	**47**	42
6	**105**	11	**123**	Other operating income	**116**	13	**101**	12
249	**333**	880	**1 077**	Net fee- and other operating income	**1 499**	1 299	**419**	348
37 %	**43 %**	33 %	**39 %**	Percent of net core earnings	**43 %**	39 %	**44 %**	41 %

Note 14 Expenses

Parent bank (Amounts in mill NOK)					Group			
31.12.20	4Q20	**4Q21**	**31.12.21**		**31.12.21**	**4Q21**	4Q20	31.12.20
443	115	**96**	**417**	Personel expenses	**677**	**171**	183	690
43	10	**71**	**100**	Pension costs 1)	**118**	**79**	12	54
104	26	**35**	**115**	Social costs	**141**	**43**	33	125
590	151	**202**	**632**	Total personnel costs	**936**	**293**	228	869
264	61	**70**	**271**	IT expenses	**293**	**76**	68	287
127	32	**70**	**152**	Administrative expenses	**179**	**74**	43	174
94	22	**17**	**78**	Ordinary depreciation	**104**	**24**	27	109
24	5	**4**	**20**	Operating costs properties	**22**	**6**	5	25
87	40	**80**	**132**	Other operating expenses	**214**	**99**	61	162
1 186	311	**443**	**1 285**	**Total costs**	**1 748**	**572**	432	1 626

1) Costs related to the defined benefit pension scheme has been terminated as per 31.12.2021. According to this it has been booked an extraordinary cost of NOK mill 72

Note 15 Classification of financial instruments stated at fair value

Financial instruments at fair value are classified at different levels:

Level 1 covers financial instruments that are valued using listed prices in active markets for identical assets and liabilities. This level includes listed equities, units, commercial paper and bonds that are traded in active markets.

Level 2 covers instruments valued using directly or indirectly observable prices, published by reputable third-party vendors such as Refinitiv and Bloomberg. Instruments categorized in level 2 are not exchange-traded, and traded in illiquid markets only

Level 3 covers instruments that are valued in manner other than on the basis of observable market data. This includes instruments in which credit margins constitute a material part of the basis for adjusting market value.

Group

(Amounts in NOK million)	Level 1	Level 2	Level 3	Total
Assets at 31.12.21				
Shares	844	68	607	**1 519**
Bonds	14 084	5 066		**19 150**
Financial derivatives		1 089		**1 089**
Loans to customers with fixed rate			5 642	**5 642**
Loans to customers for sale			5 664	**5 664**
Total assets	14 928	6 223	11 913	**33 064**
Liabilities at 31.12.21				
Financial derivatives		602		**602**
Total liabilities		602		**602**
Assets at 31.12.20				
Shares	152	12	549	714
Bonds	13 258	4 821		18 079
Financial derivatives		1 777		1 777
Loans to customers with fixed rate			7 614	7 614
Loans to customers for sale			3 917	3 917
Total assets	13 410	6 610	12 080	32 100
Liabilities at 31.12.20				
Financial derivatives		1 356		1 356
Total liabilities		1 356		1 356

Changes in instruments at fair value, level 3:	Financial assets		
(Amounts in NOK million)	Shares	Loans to customers with fixed rate	Loans to customers for sale
Carrying amount at 31.12.20	549	7 614	3 917
Net gains on financial instruments	58	132	
Additions/acquisitions		651	3 778
Sales			- 681
Matured		-2 754	-1 350
Carrying amount at 31.12.21	607	5 642	5 663

Note 16 - Subsidiaries

(Amounts in NOK thousand)		operations before tax		Equity	
	Share of Eq. %	**31.12.21**	31.12.20	**31.12.21**	31.12.20
SpareBank 1 Finans Nord-Norge AS	85	**366 451**	176 339	**1 239 352**	1 107 763
SpareBank 1 Nord-Norge Portefølje AS	100	**4 723**	-6 740	**8 091**	5 857
EiendomsMegler 1 Nord-Norge AS	85	**34 687**	38 791	**57 607**	61 811
SpareBank 1 Regnskapshuset Nord-Norge AS	85	**24 158**	24 900	**108 796**	109 377
Fredrik Langes Gate 20 AS	100	**2 042**	1 921	**347 955**	346 737
Total		**432 061**	235 211	**1 761 801**	1 631 545

The table shows 100 % shares.

Note 17 - Other assets

(Amounts in NOK million)

Parent bank			Group	
31.12.20	**31.12.21**		**31.12.21**	31.12.20
5	**0**	Repossessed assets	**0**	5
0	**3**	Accrued income	**79**	55
224	**79**	Overfunding of pension liabilities	**88**	239
73	**86**	Prepayments	**114**	91
249	**138**	Other assets 1)	**222**	332
551	**306**	**Total other assets**	**503**	722

1) Of which 75 NOK million is capital contribution to the SpareBank 1 Nord-Norge Pension Fund

Note 18 - Other liabilities

(Amounts in NOK million)

Parent bank				Group	
31.12.20	**31.12.21**			**31.12.21**	31.12.21
1 109	**1 700**		Other liabilities	**1 883**	1 254
165	**158**		Costs incurred	**538**	503
61	**49**		Provisioning against incurred liabilities and costs 1)	**49**	61
1 335	**1 907**		**Total other liabilities**	**2 470**	1 818
61	49	1)	Of which off balance loss provision	49	61
			Specification of other liabilities:		
393	343		Lease liabilites 2)	397	443
28	735		Accrued tax	827	56
23	22		Tax deductions	38	32
72	82		Creditors	97	86
251	350		Agreed payments from Donations Fund	350	251
42	44		Early retirement pension contract	44	42
300	124		Miscellaneous liabilities	130	344
1 109	1 700		Other liabilites	1 883	1 254

2) See note 23 regarding IFRS 16

Note 19 - Deposits broken down by sector and industry

(Amounts in NOK million)

Parent Bank			Group	
31.12.20	**31.12.21**		**31.12.21**	31.12.20
3 781	**3 852**	Real estate	**3 852**	3 781
2 392	**2 654**	Finanicial and insurance activities	**2 654**	2 392
2 917	**2 675**	Fishing and aquaculture	**2 675**	2 917
1 103	**1 565**	Manufacturing	**1 565**	1 103
518	**532**	Agriculture and forestry	**532**	518
2 627	**2 493**	Power and water supply and construction	**2 493**	2 627
6 850	**7 988**	Service industries	**7 929**	6 788
2 168	**2 108**	Transportation	**2 108**	2 168
2 795	**2 973**	Commodity trade, hotel and restaurant industry	**2 973**	2 795
25 151	**26 840**	**Public market**	**26 781**	25 089
40 363	**40 882**	Total retail market	**40 882**	40 363
7 706	**8 486**	Total government	**8 486**	7 706
73 220	**76 208**	**Total deposits**	**76 149**	73 158

Note 20 - Securities issued and subordinated loan capital and hybrid Tier 1 instruments classified as equity

Parent Bank and Group

(Amounts in NOK million)

Changes in securities issued	Statement of financial position 31.12.20	Issued	Matured or redeemed	Exchange rate movements	Fair value changes	Accrued interest	**Statement of financial position 31.12.21**
Certificates and other short-term borrowings							
Senior bonds	22 166		-4 560	- 2	- 49	- 28	17 527
Total debt securities issued	22.166		-4 560	- 2	- 49	- 28	**17.527**

	31.12.20						**31.12.21**
Subordinated loan capital	1 050	500	- 500			1	1 051
Senior non-preferred	1 000	2 505			- 1	6	3 510
Subordinated loan capital and other senior non-preferred	2 050	3.005	- 500		- 1	6	**4.560**

Tier 1 instruments classified as equity	31.12.20	**31.12.21**
Tier 1 instruments	780	**780**
Total Tier 1 instruments	780	**780**

Hybrid Tier 1 instruments

SpareBank 1 Nord-Norge has three outstanding perpetual hybrid tier 1 capital loans for NOK 350 million and NOK 180 million, and NOK 250 million respectively. One loan issued on 4 April 2017 for NOK 350 million is subject to interest of 3-month NIBOR + 330 bp. The second loan issued on 10 October 2017 for NOK 180 million is subject to interest of 3-month NIBOR + 315 bp. The third loan issued on 29 August 2018 for NOK 250 million is subject to interest of 3-month NIBOR + 330 bp. All loans are classified as equity and presented on the line tier 1 capital instruments under equity.

This means that the interest is not presented on the line for interest costs but is recognised directly against equity. The contract terms for both hybrid tier 1 capital loans mean that the

Note 21 - Equity Certificates (ECs)

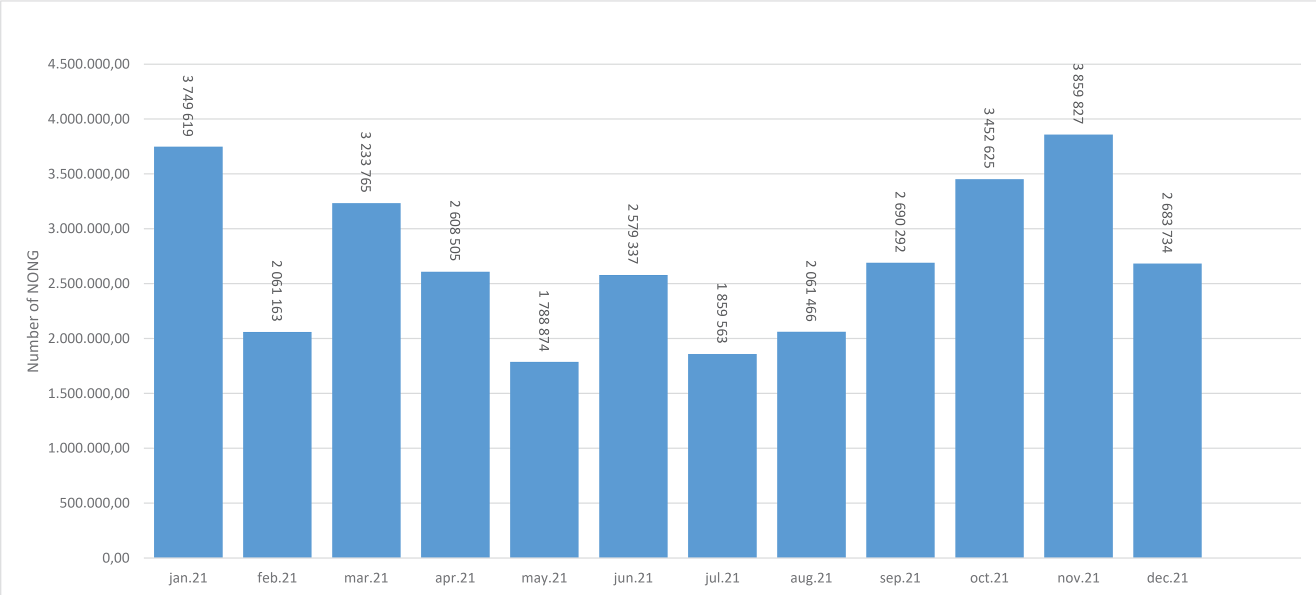
The 20 largest EC holders at **31.12.21**

EC Holders	Number of Ecs	Share of EC Capital
PARETO INVEST AS	3.883.932	3,87%
VPF EIKA EGENKAPITALBEVIS	3.037.151	3,03%
PARETO AKSJE NORGE VERDIPAPIRFOND	2.969.719	2,96%
GEVERAN TRADING CO LTD	2.790.356	2,78%
The Northern Trust Comp, London Br	2.285.845	2,28%
MP PENSJON PK	2.274.322	2,27%
Brown Brothers Harriman & Co.	1.993.595	1,99%
State Street Bank and Trust Comp	1.882.983	1,88%
FORSVARETS PERSONELLSERVICE	1.703.730	1,70%
SPAREBANKSTIFTELSEN SPAREBANK 1 NO	1.411.606	1,41%
Landkreditt Utbytte	1.350.000	1,34%
SPESIALFONDET BOREA UTBYTTE	1.330.868	1,33%
The Bank of New York Mellon SA/NV	1.302.335	1,30%
State Street Bank and Trust Comp	1.119.988	1,12%
J.P. MORGAN BANK LUXEMBOURG S.A.	1.062.352	1,06%
J.P. MORGAN BANK LUXEMBOURG S.A.	979.561	0,98%
The Bank of New York Mellon SA/NV	924.041	0,92%
Euroclear Bank S.A./N.V.	885.255	0,88%
CLEARSTREAM BANKING S.A.	780.859	0,78%
Morgan Stanley & Co. Int. Plc.	753.055	0,75%
Total	**34.721.553**	**34,58%**

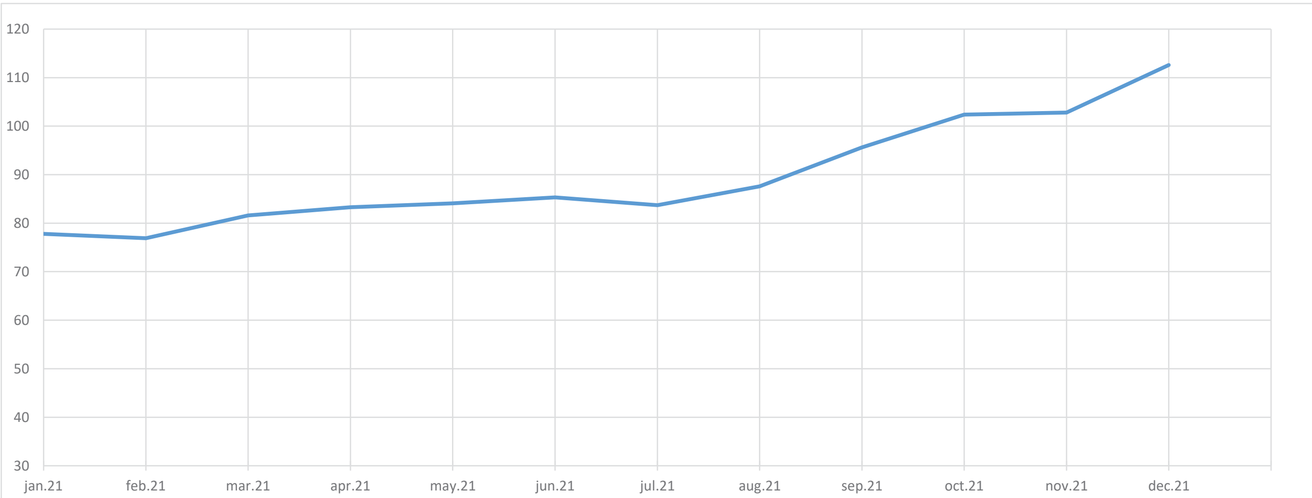
Dividend policy

The Bank's dividend policy states that the Bank aims to provide a competitive direct return for the Bank's owners. The target dividend rate is at minimum 50%. The future distribution rate will also take into account the group's capital coverage and future growth.

Trading statistics



Price trend NONG



Note 22 - Events occuring after the end of the quarter

No further information has come to light about important events that have occurred between the balance sheet date, and the Board's final consideration of the financial statements.

Note 23 - Leases

On a lease's start date, the Group recognises a liability to pay rent and an asset that represents the right to use the underlying asset during the term of the lease ('right-of-use asset'). The Group sets the lease liabilities and 'right-of-use assets' at the present value of the remaining rent payments, discounted with the aid of the Group's marginal loan rate. The discount rate used upon establishment is 2.09 per cent.

Interest costs on the lease liability are recognised as costs on an ongoing basis and the right-of-use asset is depreciated on a straight-line basis over the term of the lease.

The Group's leased assets mainly include branches and naturally associated premises. Many of the contracts include the right to an extension that can be exercised during the term of the contract. The Group assesses, upon entering into a contract and thereafter continually, whether the right to the extension will, with reasonable certainty, be exercised.

(Amounts in NOK million)

Parent bank			Group	
31.12.20	31.12.21	Right to use asset	31.12.21	31.12.20
264	**388**	Carrying amount 1 January	**435**	417
164	**21**	Additions	**26**	65
0	**-42**	-Derecognition	**-42**	0
2	**5**	Other changes	**6**	-3
430	**372**	Carrying amountat the end of the period	**426**	479
42	**36**	Depreciation in the period	**39**	44
388	**336**	**Carrying amount of right to use asset at the end of the period**	**387**	435

31.12.20	31.12.21	Lease liability	31.12.21	31.12.20
266	**393**	Carrying amount 1 January	**443**	422
163	**21**	Additions	**26**	64
-40	**-41**	Lease payments in the period	**-44**	-51
9	**8**	Interest	**9**	10
-5	**-38**	Other changes	**-37**	-2
393	**343**	**Lease liability at the end of the period**	**397**	443

31.12.19	31.12.21	Profit and loss	31.12.21	31.12.19
42	**36**	Depreciation	**39**	44
9	**8**	Interest	**9**	10
51	**44**	**Total lease expence**	**48**	54

31.12.20	31.12.21	Undiscounted lease liabilities and maturity of cash outflows	31.12.21	31.12.20
40	**39**	Less than 1 year (this year)	**43**	43
39	**33**	1-2 years	**41**	42
32	**32**	2-3 years	**38**	39
32	**30**	3-4 years	**35**	36
31	**30**	4-5 years	**35**	36
222	**180**	More than 5 years	**269**	312
396	**344**	**Total**	**462**	508

Alternative performance measures

SpareBank 1 Nord-Norge's alternative performance measures (APMs), provide relevant additional information to what is otherwise shown in the quarterly financial statements. These key figures are not defined through IFRS and cannot be directly compared with equivalent figures for other companies unless the same definition is used.

The alternative performance measures are not meant to replace any measurements/key figures under IFRS. The performance targets provide additional insight into the Group's operations and represent important targets in management's control of the Group's various business areas. Non-financial data or key figures governed by IFRS or other regulations, e.g. CRR/CRD, are not defined as APMs. The APMs are presented on a separate page in the quarterly accounts, and show comparable figures for the corresponding period last year.

Profitability	**Definition**	**Relevance**
Return on equity	Profit in relation to average equity. Calculated per the end of each quarter, along with opening and closing balances for the year. The return on equity for the period is reported on an annualised basis.	Return on equity is the Group's strategic target for profitability. The return on equity is a measure of profitability on the Group's performance factors.
Cost/income ratio	Total costs in relation to total income.	The cost/income ratio is a measure of the profitability of the Group's ongoing operations.
Interest margin	Net interest income in relation to average total assets. Average total assets are calculated as at the end of each quarter, along with opening and closing balances.	The interest margin shows the trend in the ratio between the sale price of products and lending costs from period to period. The interest margin measures the profitability of the Group's loan products.

Deposits

Deposit-to-loan ratio	Total deposits are divided by total lending excluding intermediary loans.	The ratio shows the proportion of the Group's total lending financed through customer deposits, and the need for financing from external lenders.
Deposit-to-loan ratio incl. intermediary loans	Total deposits are divided by total lending including intermediary loans.	The ratio shows how much of the Group's total lending including intermediary loans has been funded through customers' deposits.
Growth in deposits	Deposit growth is measured quarterly as the percentage change in the Bank's deposits in the last 12 months.	Measures both customer growth and changes in the financing situation.

Lending

Growth in lending (%)	Growth in lending excl. intermediary loans is measured quarterly as the percentage change in the Bank's customer loans in the last 12 months.	Shows the growth in the Bank's core area, customer lending. The calculation does not include liquidity portfolio/loans to credit institutions.
Growth in lending, incl. intermediary loans (%).	Growth in lending incl. intermediary loans is measured quarterly as the percentage change in the Bank's customer loans in the last 12 months.	Shows the growth in the Bank's core area, including intermediary loans.
Proportion of loans deducted	Measured as the percentage of loans deducted in relation to gross lending.	A not insignificant part of the bank's lending is transferred to SpareBank1 Boligkreditt or SpareBank1 Næringskreditt as intermediary loans and deducted from the balance. This key figure shows the percentage of loans in this category.
Proportion of loans deducted, retail market	Measured as the percentage of loans deducted in relation to gross lending to the retail market.	Deducted portion of the retail market. The bulk of deducted loans are in the retail market segment.

Losses and non-performing loans		
Loan losses (%)	Total posted losses year to date in relation to total lending volume incl. intermediary loans.	Measures the relative importance of losses set against the rest of the portfolio of loans. Relevant for estimating future expected losses and the Group's credit risk.
Commitments in default (%)	Percentage of overdue commitments (over 90 days) in relation to total lending volume incl. intermediary loans.	Measures the relative importance of non-performing loans set against the rest of the portfolio of loans. Relevant for estimating future expected defaults and the Group's credit risk.
Doubtful commitments (%)	Percentage of impaired commitments in relation to total lending volume incl. intermediary loans	Measures the relative importance of non-performing loans set against the rest of the portfolio of loans. Relevant for estimating future expected defaults and the Group's credit risk.
Net defaulted and doubtful commitments (%)	Defaulted and doubtful commitments are adjusted for individual loss write-downs and expressed as a proportion of gross lending incl. intermediary loans.	Defaulted and doubtful commitments are netted off against loss provisions in Stage 3.
Loss provision ratio	Ratio between total loss provisions and non-performing and impaired commitments.	Shows the percentage of losses and non-performing loans that have been raised in Stage 3 of loss provisions.

APM (Alternative Performance Measures) Group

(Amounts in NOK million)	**31.12.21**	31.12.20
Profit for the period	**2 295**	1 742
Deduct interest hybrid tier 1 capital	**29**	33
Profit for the period incl. interest hybrid tier 1 capital	**2 266**	1 709
Total Equity	**16 653**	15 022
Deducting hybrid Tier 1 capital	**780**	780
Equity excl. hybrid Tier 1 capital	**15 873**	14 242
Equity excl. hybrid tier 1 capital 01.01.	**14 242**	13 392
Equity excl. hybrid tier 1 capital 31.03.	**14 453**	12 911
Equity excl. hybrid tier 1 capital 30.06.	**15 034**	13 401
Equity excl. hybrid tier 1 capital 30.09.	**15 581**	13 884
Equity excl. hybrid tier 1 capital 31.12.	**15 873**	14 242
Average equity excl. hybrid tier 1 capital	**15 037**	13 566
Profit for the period, annualised incl. interest hybrid tier 1 capital	**2 266**	1 709
Average equity excl. hybrid tier 1 capital	**15 037**	13 566
Return on Equity	**15,1 %**	12,6 %
Total operating expenses	**1 748**	1 626
Total income	**4 307**	4 060
Cost-income ratio	**40,6 %**	40,0 %
Net interest income	**2 014**	2 068
Average total assets	**120 264**	115 736
Interest margin	**1,67 %**	1,79 %
Deposits from customers	**76 149**	73 158
Total lending incl. intermediary loans at the end of period	**125 739**	127 122
Deposits as a percentage of total lending incl. intermediary loans	**60,6 %**	57,5 %
Deposits from customers	**76 149**	73 158
Gross loans to customers	**89 986**	88 977
Deposits as a percentage of gross lending	**84,6 %**	82,2 %

APM (Alternative Performance Measures) Group (cont.)	**31.12.21**	31.12.20
Total lending incl. intermediary loans at the end of period	**125 739**	127 122
Total lending incl. intermediary loans at the end of same period last year	**127 122**	121 733
Lending growth last 12 months incl. intermediary loans	**-1 383**	5 389
Lending growth last 12 months incl. intermediary loans	**-1,1 %**	4,4 %
Total lending at the end of period	**89 986**	88 977
Total lending at the end of same period last year	**88 977**	85 692
Lending growth last 12 months	**1 009**	3 285
Lending growth last 12 months	**1,1 %**	3,8 %
Total intermediary loans at the end of the period	**35 753**	38 145
Total lending incl. intermediary loans at the end of period	**125 739**	127 122
Share of intermediatry loans	**28,4 %**	30,0 %
Intermediary loans SpareBank 1 Boligkreditt	**35 439**	37 735
Total retail lending end of period	**84 917**	88 712
Share of intermediary loans of total retail lending	**41,7 %**	42,5 %
Intermediary loans SpareBank 1 Næringskreditt	**314**	410
Total corporate lending end of period	**42 188**	39 943
Share of intermediary loans of total corporate lending	**0,7 %**	1,0 %
Deposits from customers end of period	**76 149**	73 158
Deposits from customers end of same period last year	**73 158**	68 030
Growth in deposits from customers past 12 months	**2 991**	5 128
Growth in deposits from customers past 12 months	**4,1 %**	7,5 %
Losses on loans and guarantees	**- 235**	332
Losses on loans and guarantees, annualised	**- 235**	332
Total lending incl. intermediary loans at the end of period	**127 105**	128 656
Losses on loans to customers as a percentage of total lending incl. intermediary loans	**-0,2 %**	0,3 %
Gross loans in stage 3	**545**	373
Loss provisions stage 3	**- 200**	- 167
Net commitments in default	**345**	206
Total lending incl. intermediary loans at the end of period	**127 105**	128 656
Net comm. in default and at risk of loss as a per. of total lending incl. intermediary loans	**0,3 %**	0,2 %
Non-performing commitments	**545**	373
Loss provisions stage 3	**- 200**	- 167
Loan loss provision ratio	**36,7 %**	44,8 %

Statement from the Board of Directors and Chief Executive Officer

Today the Board of Directors and the Chief Executive Officer have considered and adopted the financial quarterly report and the consolidated financial statements of SpareBank 1 Nord-Norge for the period from 1 October to 31 December 2021, and for the period 1 January to 31 December 2021.
We confirm to the best of our knowledge that the financial statements for the period from 1 January to 31 December 2021 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the group takes as a whole. We also confirm the quarterly financial report gives a true and fair view of important events during the accounting period and their influence on the financial statements, the most important elements of risk and uncertainty that the group faces in the next accounting period, and a description of related parties' material transactions.

Tromsø, 09.02.22
Styret og konsernsjef i SpareBank 1 Nord-Norge