SpareBank 1 NORD-NORGE

Annual Report 2021

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SpareBank 1 Nord-Norge

2021 – the new normal

As a financial institution it is reassuring to note that North Norway continues to do well in terms of the economy, just as we noted after 2020. The region has a diversified business base, and the public sector's presence is relatively larger than in the rest of the country. At the same time the region produces goods that are in demand across the world, in particular seafood. Moreover, the Norwegian currency stays low when there is crisis in the world. A low value of the krone is primarily a sign of infirmity but is at the same time an advantage for exporters. And North Norway exports a lot. Unemployment is thus virtually non-existent, and there is work available for everyone who wants it. Ironically enough, the greatest challenge is a shortage of people.

Hence the demographical challenge facing the region is no less a challenge than that posed by the pandemic now as previously. SpareBank 1 Nord-Norge has pointed this out on the Knowledge Bank website (kbnn.no), highlighting the fact in Konjunkturbarometeret ('business cycle barometer'), Forventingsbarometeret ('corporate expectations barometer'), in reports and in podcasts. Just as the pandemic has brought a 'new normal', demographic changes will likely do the same. We must take steps to secure continued value creation in the North. It is reassuring to note that new normals are something that the region tackles well.

North Norwegian business and industry have managed well through 2021. However, that is not to say that they have stayed clear of the pandemic. The travel and tourism industry, and services segments such as restaurants, hotels and cafes are among those that saw another demanding year. And if there was light at the end of the tunnel after a good summer, and a promising autumn – this was unequivocally turned off with the advent of omicron and new restrictions under government auspices. Thus we exited 2021 on a very uncertain note.
The construction industry continues to manage fairly well. This is down to generally high purchasing power, high employment and a low interest rate level. However, the industry is affected by input costs that are far higher than normal, and it is increasingly difficult to find sufficient labour. Falling order inflows make the future a little less predictable.

Retail trade is also managing well. Again driven by the fact that most people have less to spend their money on and are spending more time at home than prior to the pandemic.

After a 2020 in the grip of pandemic, we probably all thought that 2021 would bring us back to normality. That was not to be. Or was 2021 the year that defined the new normal? The fact is at any rate that we have adapted to an everyday life touched by pandemic. The wheels are still turning, even though work habits, travel habits and our attitude to infection control have changed. Perhaps permanently.

This is primarily because normal travel activity is still not possible. However, there are clear signs that the urge to travel has not been dimmed. Once society is free of the pandemic, people are expected to spend more time outside the home, and the new normal will thus not be synonymous with a permanent change in travel habits. Whether the same normal will bring an increased, lasting focus on shopping locally is likely, but still too early to say for certain.

SpareBank 1 Nord-Norge's financial results in 2021 are not significantly impacted by the pandemic. Losses are low, underlying operations are good, contributions from affiliated businesses are high and costs are well under control. Additionally, SpareBank 1 Finans Nord-Norge received in December confirmation of an award of compensatory damages worth 163 NOK million for poor-quality advice it received in connection with the acquisition of a helicopter in 2016.

Return on equity was accordingly 15.1 %, which once again places SpareBank 1 Nord-Norge in the top flight among comparable banks. A good performance also puts the bank in a position to pay dividends, including community dividend which contributes to further development of the region. In 2021 Samfunnsløftet (SpareBank 1 Nord-Norge's community dividend fund) focused on public health. This was both useful and necessary in a region under partial lockdown. Parts of the allocations were devoted to assisting the hardest hit trades and industries. A segment that received extra focus was travel and tourism. Through the project «En dag til» («A breathing space»), a number of actors received financial support to develop new, sustainable tourism products. These products have made the region even more attractive to visitors, whether from Norway or from abroad.

We take with us into 2022 all the experience gained in the anomalous year 2021. The new normal is working from home, being flexible and communicating and coordinating digitally. It also embraces the ability to tackle rapid, unforeseen changes. We will likely encounter new normals in 2022 as previously. In that case it will be even more important to deliver on SpareBank 1 Nord-Norge's ambition «to understand and achieve, better than anyone, what is important for people and businesses in North Norway». SpareBank 1 Nord-Norge stands on a solid foundation of capital, expertise and vigour. This is a good basis on which to continue to create value for our shareholders and to fulfil our vision – For North Norway.

From the CEO

Many people had counted on 2022 as the year when the pandemic would loosen its grip and the world would return to normal. Unfortunately that was not to be. The year was nonetheless a good one in terms of SpareBank 1 Nord-Norge's results and how North Norway as a region has managed. In our Group we have sought to maintain normal operations, and to work with our customers as well as we possibly could.

We said beforehand that 2021 would be the year of implementation, and that is how it turned out. After closing the doors of 16 small branches, we started the year with 19 bank offices. Over the course of the year a further four offices were closed in Helgeland as a consequence of SpareBank 1 Helgeland agreement. This led to a number of reactions in the media, but fewer than feared. Customer behaviour has undergone much change, also in 2021, and more and more customers are using our digital solutions and have less need than previously to visit their local branch in order to carry out simple transactions.

In the first quarter we launched our new customer relations management (CRM) system, named IVER. This solution helps to ensure that we, better than anyone, understand and achieve what is important for people and businesses in North Norway. Putting the customer in focus requires a system that enables the adviser to provide the best possible service at each and every point of contact with the customer. IVER helps us for example with structure and overview and to take relevant initiatives in relation to the customer. IVER is also being introduced in several of our sister banks in SpareBank 1 Alliance.

In parallel with the above, intense effort was devoted to a new distribution and customer service model. This was one of our three strategic initiatives in 2021, and a number of pilots were conducted to find out where and how we can service our customers in a better manner. The project gave rise to an entirely new method of customer segmentation, and also led to several parts of the Group being restructured to ensure an optimal service structure.

A further strategic initiative was the establishment of a governance system and processes. Shortly after the project, Virksomhetsstyringsavdelingen («corporate governance department») was established and we enter 2022 with a new system, redefined processes and objectives that dovetail across the Group. We expect substantial positive effects from this area in the period ahead.

The third strategic initiative was 'Samfunnsløftet 2.0'. Ever since Samfunnsløftet (SpareBank 1 Nord-Norge's community dividend fund) was launched in 2018 it has been embraced by internal and external parties alike. Our belief, however, was that the impact of the community dividend could be even greater. Samfunnsløftet 2.0 has given rise to new initiatives targeting North Norway's business and industry and personal customers alike. In addition we have laid the basis for a more long-term management of the community dividend. Our overall ambition is to contribute to the region's attractiveness, and we believe that is precisely what we are doing through Samfunnsløftet. Among substantial allocations made in 2021 mention can be made of 9 NOK million to a bicycle park in Harstad, 5.7 NOK million to a new sports centre at Setermoen and 15 NOK million to a new major airport in Helgeland. And precisely Helgeland was the focus of much attention in 2021. The project entailing the transfer of our portfolio to the new SpareBank 1 Helgeland was completed in October, thereby bringing to an end a unique project in SB1 Alliansen. We are now continuing our Helgeland venture through our stake

of some 20 % in SpareBank 1 Helgeland and through our subsidiaries EiendomsMegler 1, SpareBank 1 Regnskapshuset Nord-Norge and SpareBank 1 Finans Nord-Norge, which retain their presence in the region.

Sustainability also received much attention in 2021. Via the Knowledge Bank's website (kbnn.no) we drew attention to themes such as climate and the green transition. We established a green finance framework as a supplement to the green product framework we established in 2020. We also issued our first green bond and are thus in a sense green from one end to the other: we have green capital which is available for green lending – to corporate and personal customers alike.

As 2021 came to a close, the so-called helicopter affair was finally laid to rest. Legal action brought by SpareBank 1 Finans Nord-Norge found favour in the court, and the opposing party was ordered to pay compensatory damages which, including interest, amounted to more than 163 NOK million. At the end of last year our chairman, Karl Eirik Schjøtt-Pedersen, stepped down to become Norway's new Auditor General. We thereby lost a plainspoken and experienced chairman. In November board member Geir Bergvoll passed away after a period of illness, and at the start of the new year the employees' representative on the Board of Directors, Vivi Ann Pedersen, left the Board upon retirement. Several new members will thus be joining the Board in 2022. We enter 2022 with 15 strong finance centres and 900 members of staff with a wealth of experience in handling both the pandemic and changing customer behaviour. SpareBank 1 Nord-Norge has in addition a very strong foundation in terms of capital, expertise and reputation alike. We hold a unique position in a region with major potentials for further value creation.

Our focus ahead will be on continuing to build, stone upon stone, and on delivering sustainable financial services. Consolidating and developing our number 1 position in the region is, and will remain, our main priority. For North Norway.

Liv Bortne Ulriksen, CEO

Strategic compass

We shall, better than anyone, understand and achieve what is important for people and businesses in North Norway.

Central to the overall management of SpareBank 1 Nord-Norge is the Group's strategic compass. This enables us to make good decisions even though market conditions and customer expectations are continuously changing.

SpareBank 1 Nord-Norge's strategic compass is geared to the Group's business strategy. The compass ensures direction, it ensures focus and it keeps internal and external parameters in balance throughout. By basing our management on the strategic compass we create value for our customers, equity certificate holders, employees and for North Norway.

At the centre of the compass is the Group's vision: For North Norway. This stands unchanged and indicates both what we are and for whom we exist. The innermost circle also shows the Group's financial objectives: profitability, efficiency, financial strength and dividends. The table below shows the levels delivered in recent years.

	2017	2018	2019	2020	**2021**
Return on equity	12,9 %	12,9 %	15,9 %	12,6 %	**15,10 %**
Cost/income	41,2 %	43,1 %	39,8 %	40 %	**38,30 %**
CET1	14,9 %	43,1 %	17,2 %	17,5 %	**18,70 %**
Dividend per share	4 NOK	4 NOK	4 NOK	3,9 NOK	**7 NOK**

The compass's next level shows our three strategic objectives:
To be the first choice of people and businesses. We will achieve this by facilitating value creation for our customers.

To be a customer-oriented organisation. By delivering what customers expect, we create value for the Group, for our employees and for our shareholders.

To contribute to making North Norway an **attractive region.** By facilitating value creation in North Norway, and by developing the region, we are helping it to achieve its value creation potentials.

The compass rests on three strategic foundations which together embody our strategic principles: **sustainability, insight and quality.** These principles permeate our approach to fulfilling our vision.

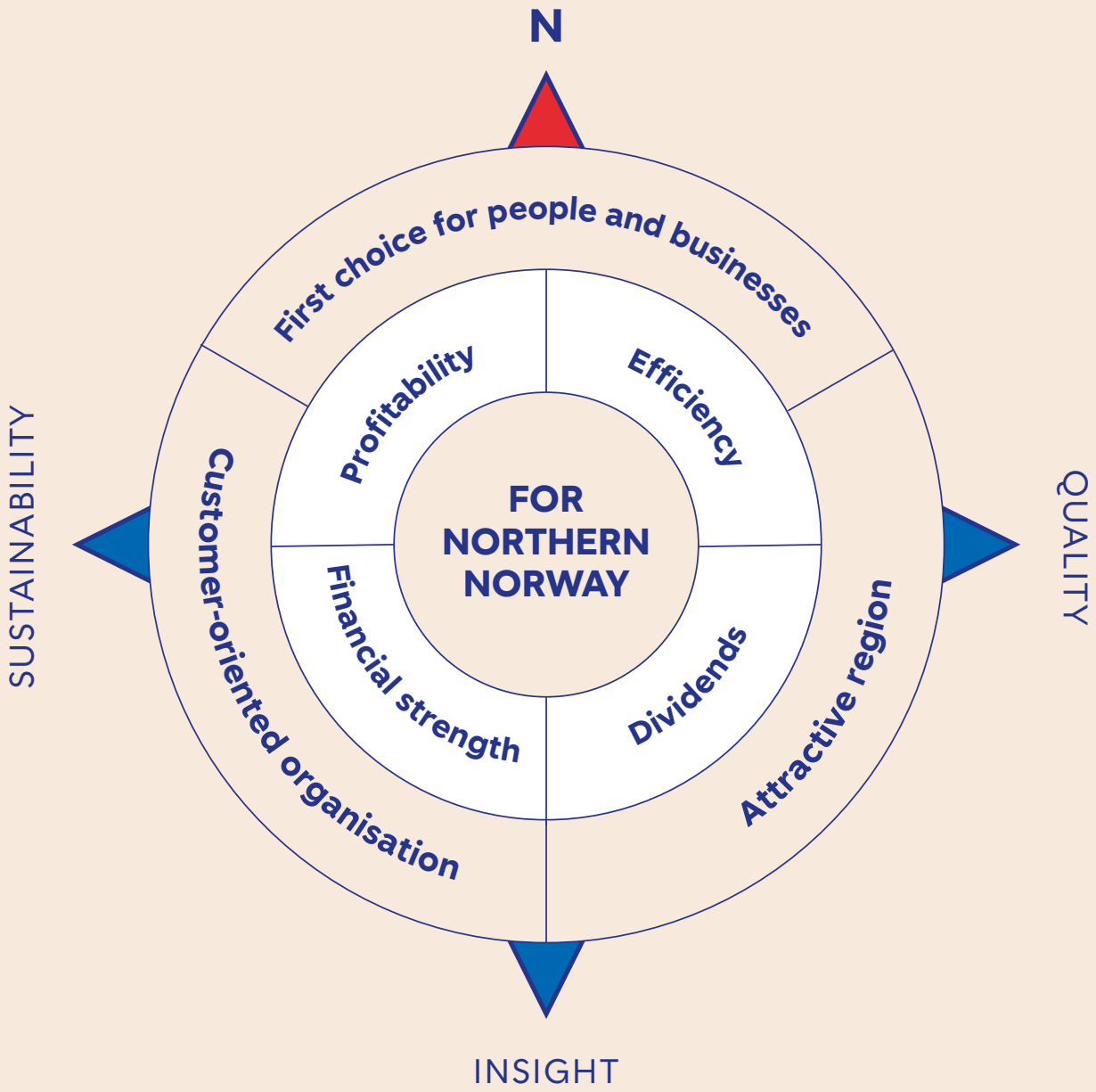
Sustainability: As the largest financial actor in the region, we aim to be a catalyst for a sustainable future in the North. Consideration for sustainability will pervade our entire operations.

Insight: We are insight-driven. This entails basing our decisions on insight and knowledge throughout. We do not surmise or conjecture, we do not make decisions exclusively based on a gut feeling.

Quality: Quality infuses all our actions. We do the right things in the right way, and we take pride in being a financial group that can be relied upon. We have good procedures, standards and policies – which we abide by.

In the North you find the Group's mission, often referred to as our **North Star**. This lends substance to our vision, and reads: We shall, better than anyone, understand and achieve what is important for people and businesses in North Norway. This mission is our lodestar.

See also the Report of the Board of Directors.


QUALITY
Attractive region
Dividends
Efficiency
First choice for people and businesses
FOR NORTHERN NORWAY
Profitability
Financial strength
Customer-oriented organisation
SUSTAINABILITY
N
INSIGHT

Annual report

FROM INCOME STATEMENT

(AMOUNTS I NOK MILLION)	NOTE	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Net interest income	19	**2 014**	**2 068**	2 097	1 896	1 770	1 644	1 512	1 426	1 285	1 166
Commission income and other income	20	**1 499**	1 299	1 116	1 057	992	924	933	966	931	656
Net return on financial investments	21	**794**	693	911	463	552	509	249	602	346	260
Total income		**4 307**	**4 060**	**4 124**	**3 416**	**3 314**	**3 077**	**2 694**	**2 994**	**2 562**	**2 082**
Personnel costs	22	**936**	869	834	748	708	689	850	704	638	581
Other operating expenses	23	**812**	757	806	726	658	631	611	624	571	539
Total operating expenses		**1 748**	**1 626**	**1 640**	**1 474**	**1 366**	**1 320**	**1 461**	**1 328**	**1 209**	**1 120**
Result before losses		**2 559**	**2 434**	**2 484**	**1 942**	**1 948**	**1 757**	**1 233**	**1 666**	**1 353**	**962**
Loss on loans, guarantees etc.	13	**- 235**	332	11	22	184	213	200	321	172	195
Result before tax		**2 794**	**2 102**	**2 473**	**1 920**	**1 764**	**1 544**	**1 033**	**1 345**	**1 181**	**767**
Tax charge	25	**499**	360	409	374	324	291	163	223	214	172
Result non-current assets held for sale				- 2	- 4			- 5	- 27		
Minority interests		**12**						- 7	- 1	1	
Net profit majority interests		**2 283**	**1 742**	**2 062**	**1 542**	**1 440**	**1 253**	**872**	**1 096**	**966**	**595**

FROM BALANCE SHEET

(AMOUNTS I NOK MILLION)		31.12.21	31.12.20	31.12.19	31.12.18	31.12.17	31.12.16	31.12.15	31.12.14	31.12.13	31.12.12
Cash and loans to and claims on credit institutions	10	**1 764**	**360**	1 471	3 786	3 431	2 721	2 398	4 405	2 047	2 142
CDs, bonds and other interest-bearing securities	28, 29	**21 758**	20 570	17 738	14 565	11 811	10 470	11 747	10 193	11 919	12 997
Loans and advances to customers	11	**90 035**	90 511	86 771	82 145	75 003	70 763	64 053	61 249	57 282	54 551
Individual write-downs for impaired value	13					- 216	- 154	- 169	- 171	- 244	- 303
Collective write-downs for impaired value	13					- 300	- 373	- 247	- 236	- 209	- 198
Provision for credit losses - stage 3	13	**- 198**	- 169	- 151	- 162						
Provision for credit losses - stage 2	13	**- 294**	- 283	- 142	- 157						
Provision for credit losses - stage 1	13	**- 200**	- 310	- 189	- 192						
Other assets	34	**6 315**	6 619	6 026	6 171	7 457	7 074	7 621	7 748	6 725	6 072
Total assets		**119 180**	**117 298**	**111 524**	**106 156**	**97 186**	**90 501**	**85 403**	**83 188**	**77 520**	**75 261**
Deposits from credit institutions	10	**1 092**	1 272	563	187	434	818	1 816	2 758	4 284	6 663
Deposits from customers	35	**76 149**	73 158	68 030	63 985	57 849	53 870	48 087	45 761	44 940	41 220
Debt securities in issue	36	**17 527**	23 167	24 786	25 135	23 552	21 165	21 470	21 116	16 336	16 534
Other liabilities	37	**3 199**	3 629	2 923	2 591	2 202	2 287	2 719	2 861	2 008	1 917
Subordinated loan capital	38	**4 560**	1 050	1 050	1 200	850	1 350	1 350	1 350	1 450	2 095
Hybrid capital	38	**780**	780	780	780	530					
Total equity	41	**15 873**	14 242	13 392	12 278	11 769	11 011	9 961	9 342	8 502	6 832
Total liabilities and equity		**119 180**	**117 298**	**111 524**	**106 156**	**97 186**	**90 501**	**85 403**	**83 188**	**77 520**	**75 261**

KEY FIGURES

(AMOUNTS I NOK MILLION)	NOTE	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Return on equity (1)	41	**15,1 %**	12,6 %	15,9 %	12,9 %	12,9 %	12,0 %	9,1 %	12,2 %	13,0 %	9,0 %
Cost/income group (2)	23	**40,6 %**	40,0 %	39,8 %	43,1 %	41,2 %	42,9 %	54,2 %	44,4 %	47,2 %	53,8 %
Cost/income parent bank (2)	23	**33,7 %**	37,7 %	28,8 %	38,8 %	36,9 %	35,4 %	52,4 %	46,4 %	44,0 %	51,8 %
Gross loans to customers incl comission loans (3)	11	**125 739**	127 122	121 734	114 117	105 485	96 287	88 403	84 980	80 581	75 914
Growth in loans incl comission loans last 12 months (3)	11	**-1,1 %**	4,4 %	6,7 %	8,2 %	9,6 %	8,9 %	4,0 %	5,5 %	6,1 %	11,6 %
Growth in loans last 12 months	11	**1,1 %**	3,8 %	6,0 %	7,8 %	6,0 %	10,5 %	4,6 %	6,9 %	5,0 %	5,6 %
Deposits from customers	35	**76 149**	73 158	68 030	63 985	57 849	53 870	48 087	45 761	44 940	43 588
Growth in deposits last 12 months	35	**4,1 %**	7,5 %	6,3 %	10,6 %	7,4 %	12,0 %	5,1 %	1,8 %	3,1 %	-1,3 %
Share of loans transferred to Sp 1 Boligkreditt of total loans to retail customers	12	**41,7 %**	42,5 %	41,3 %	39,8 %	40,0 %	36,7 %	38,2 %	39,7 %	40,8 %	41,1 %
Share of loans transferred to Sp 1 Boligkreditt of total loans to customers	12	**28,2 %**	29,3 %	29,6 %	29,1 %	28,9 %	26,5 %	27,5 %	27,9 %	28,5 %	28,1 %
Deposits as a percentage of gross lending incl comission loans (4)	35	**59,9 %**	57,6 %	55,9 %	56,1 %	54,8 %	55,9 %	54,4 %	53,8 %	55,8 %	54,3 %
Deposits as a percentage of gross lending (5)	35	**84,6 %**	82,2 %	79,4 %	79,1 %	77,1 %	76,1 %	75,1 %	74,7 %	78,5 %	75,6 %
Total assets		**119 180**	117 298	111 524	106 156	97 186	90 501	85 403	83 188	77 520	75 329
Average assets (6)		**120 264**	116 810	108 989	101 855	93 905	89 168	84 039	80 191	75 952	72 921
Branches		**15**	36	38	38	38	38	62	74	74	74
Number of man-years (Group)	22	**831**	897	904	841	784	774	830	927	922	881
Number of man-years (parent bank)	22	**502**	565	584	559	538	510	618	639	647	672
Number of man-years (subsidiares)	22	**329**	332	320	282	246	264	212	288	275	209
Net other operating income of total income	21	**34,8 %**	32,0 %	27,1 %	30,9 %	29,9 %	30,0 %	34,6 %	32,3 %	36,3 %	31,5 %
Common Equity Tier 1 Capital	5	**13 097**	12 019	11 472	10 334	9 992	9 155	8 367	7 752		
Common Equity Tier 1 Capital Ratio	5	**18,7 %**	17,5 %	17,2 %	14,5 %	14,9 %	15,0 %	13,9 %	12,5 %		
Tier 1 Capital	5	**14 001**	12 991	12 496	11 396	10 857	9 951	9 110	8 439	7 783	6 672
Tier 1 Capital Ratio	5	**20,0 %**	18,9 %	18,8 %	16,0 %	16,2 %	16,3 %	15,1 %	13,6 %	13,4 %	12,1 %
Own funds	5	**15 106**	14 366	13 726	12 904	12 141	11 229	10 358	9 680	8 069	7 270
Total Capital Ratio	5	**21,6 %**	20,9 %	20,6 %	18,1 %	18,1 %	18,4 %	17,2 %	15,6 %	13,9 %	13,2 %
Total risk exposure amount	5	**70 052**	68 588	66 609	71 167	67 223	61 120	60 328	61 925	57 989	55 098
Leverage Ratio	5	**8,3 %**	7,6 %	7,7 %	7,2 %	7,2 %	7,0 %	6,1 %	5,9 %		
Losses on loans to customers as a percentage of gross loans incl comission loans (3)	13	**-0,18 %**	0,26 %	0,01 %	0,02 %	0,17 %	0,22 %	0,22 %	0,19 %	0,21 %	0,26 %
Non-perf. commitm. as % of gross loans incl commission loans (3)	13	**0,43 %**	0,29 %	0,29 %	0,37 %	0,84 %	0,31 %	0,30 %	0,33 %	0,59 %	0,51 %
Other doubtfull commitm. as % of gross loans incl commission loans	13	**0,27 %**	0,16 %	0,16 %	0,23 %	0,65 %	0,37 %	0,39 %	0,41 %	0,75 %	0,89 %
Net commitments in default and at risk of loss as a percentage of gross loans incl commission loans (7)	13	**36,70 %**	44,80 %	43,20 %	38,40 %	23,76 %	30,08 %	32,82 %	32,82 %	28,41 %	30,64 %

1) The profit after tax in relation to average equity, calculated as a quarterly average of equity and as at 1 January and 31 December. The Bank's hybrid capital instruments are classified as equity in the financial statements. However, when calculating the return on equity, the hybrid capital is not included and the associated interest costs are adjusted for in the result

2) Total costs in relation to total net income

3) Intermediary loans include loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, which have been derecognised from the balance sheet

4) Customer deposits as a percentage of gross lending, inclusive of intermediary loans

5) Customer deposits as a percentage of gross lending

6) Average total assets is calculated as an average of the opening balance on 1 January, quarterly total assets, and the closing balance on 31 December

7) Stage 3 loss provisions in relation to total non-performing and impaired commitments

KEY FIGURES ECC NONG

Hybrid capital issued in SpareBank 1 Nord-Norge amounting to 780 NOK million is not covered by the definition of debt in the IFRS regulations and is therefore classified as equity. Based on this, 29 NOK million in accrued interest on the hybrid capital has not been recognised as a cost in the income statement but has been charged directly against equity. When calculating key figures for equity and the equity certificates, accrued interest on hybrid capital is thus deducted from the accounting result. At the same time, hybrid capital is deducted from the equity in the balance sheet. This ensures that the key figures relevant to the Bank's owners are calculated on the basis of the result and the equity that actually belong to the owners. Also see note 41.

	NOTE	**2021**	2020	2019	2018	2017	2016	2015	2014	2013	2012
NONG Quoted/market price 1)		**112,60**	74,60	78,50	62,80	62,25	52,25	36,70	39,90	35,50	24,70
Number of Equity Certificates (EC) issued 2)	41	**100 398**	100 398	100 398	100 398	100 398	100 398	100 398	100 398	100 398	74 398
Allocated dividend per EC 3)	42	**7,00**	3,90	4,00	4,00	4,00	3,45	2,00	1,90	1,10	1,02
Equity capital per EC Group 4)		**65,76**	65,76	61,84	56,70	54,34	50,84	46,00	44,05	40,08	38,19
Result per EC Group, adjusted for interest hybrid capital 5)	42	**10,24**	7,89	9,39	7,03	6,61	5,54	5,10	4,64	4,14	4,01
P/E (Price/Earnings per EC Group) 6)		**11,0**	9,5	8,4	8,9	9,4	9,0	8,9	7,7	8,6	7,3
P/B (Price/Book Value per EC Group) 7)		**1,5**	1,1	1,3	1,1	1,1	1,0	0,8	0,9	0,9	0,6
Pay-out ratio Group 8)	42	**66,90 %**	49,40 %	42,60 %	56,90 %	60,50 %	59,63 %	48,65 %	36,77 %	26,62 %	11,80 %
EC ratio overall as at 01.01. used for allocaton of result	41	**46,36 %**	46,36 %	46,36 %	46,36 %	46,36 %	46,36 %	46,36 %	47,33 %	47,33 %	42,07 %

1) Quoted/market price ajusted for equity issues, fund issues, dividend issues and splits

All key figures are adjusted with the same factor as the quoted/market price

2) Number of certificates issued

3) Allocated dividend

4) Equity excl. hybrid capital Group*EC ratio overall/Number of EC

5) Anualised result after tax Consern*EC ratio overall/Number of EC

6) Market price/Result per EC Group adjusted for interests hybrid capital

7) Market price/Book value per EC Group

8) Dividend per EC/Result per EC Group

Group Profit Analysis

FROM PROFIT AND LOSS ACCOUNT

(AMOUNTS I NOK MILLION)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Interest income	**2 542**	2 927	3 320	2 795	2 611	2 548	2 702	2 998	2 990	2 845
Interest costs	**528**	859	1 223	899	841	904	1 190	1 572	1 705	1 679
Net interest income	**2 014**	2 068	2 097	1 896	1 770	1 644	1 512	1 426	1 285	1 166
Dividend and other income from investments	**568**	598	827	380	438	440	407	469	330	227
Fees and commissions receivable	**1 267**	1 161	1 035	978	931	871	908	940	892	686
Fees and commissions payable	**96**	82	107	95	85	85	75	74	75	74
Net gain/loss on securities and foreign exchange	**226**	95	84	83	114	69	- 158	133	16	33
Other operating income	**328**	220	188	174	146	138	100	100	114	44
Net overall contribution	**4 307**	4 060	4 124	3 416	3 314	3 077	2 694	2 994	2 562	2 082
Wages, salaries an general administration costs	**1 408**	1 330	1 358	1 202	1 101	1 066	1 218	1 053	975	900
Depreciation etc. on fixed- and intangible assets	**95**	109	120	61	65	60	56	97	53	54
Other operating costs	**245**	187	162	211	200	194	187	178	181	166
Result before losses	**2 559**	2 434	2 484	1 942	1 948	1 757	1 233	1 666	1 353	962
Losses on loans and guarantees	**- 235**	332	11	22	184	213	200	321	172	195
Profit before tax	**2 794**	2 102	2 473	1 920	1 764	1 544	1 033	1 345	1 181	767
Tax	**499**	360	409	374	324	291	163	223	214	172
Result non-current assets held for sale		0	- 2	- 4			- 5	- 27		
Profit for the year	**2 295**	**1 742**	**2 062**	**1 542**	**1 440**	**1 253**	**865**	**1 095**	**967**	**595**
Minority interests	**12**						- 7	- 1	1	
Majority interests	**2 283**	1 742	2 062	1 542	1 440	1 253	872	1 096	966	595

FRA RESULTATREGNSKAPET

IN % OF AVERAGE ASSETS	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Interest income	**2,11 %**	2,53 %	3,05 %	2,74 %	2,78 %	2,86 %	3,22 %	3,74 %	3,94 %	3,90 %
Interest costs	**0,44 %**	0,74 %	1,12 %	0,88 %	0,90 %	1,01 %	1,42 %	1,96 %	2,24 %	2,30 %
Net interest income	**1,67 %**	1,79 %	1,92 %	1,86 %	1,88 %	1,84 %	1,80 %	1,78 %	1,69 %	1,60 %
Dividend and other income from investments	**0,47 %**	0,52 %	0,76 %	0,37 %	0,47 %	0,49 %	0,48 %	0,58 %	0,43 %	0,31 %
Fees and commissions receivable	**1,05 %**	1,00 %	0,95 %	0,96 %	0,99 %	0,98 %	1,08 %	1,17 %	1,17 %	0,94 %
Fees and commissions payable	**0,08 %**	0,07 %	0,10 %	0,09 %	0,09 %	0,10 %	0,09 %	0,09 %	0,10 %	0,10 %
Net gain/loss on securities and foreign exchange	**0,19 %**	0,08 %	0,08 %	0,08 %	0,12 %	0,08 %	-0,19 %	0,17 %	0,02 %	0,05 %
Other operating income	**0,27 %**	0,19 %	0,17 %	0,17 %	0,16 %	0,15 %	0,12 %	0,12 %	0,15 %	0,06 %
Net overall contribution	**3,58 %**	3,51 %	3,78 %	3,35 %	3,53 %	3,45 %	3,21 %	3,73 %	3,37 %	2,86 %
Wages, salaries an general administration costs	**1,17 %**	1,15 %	1,25 %	1,18 %	1,17 %	1,20 %	1,45 %	1,31 %	1,28 %	1,23 %
Depreciation etc. on fixed- and intangible assets	**0,08 %**	0,09 %	0,11 %	0,06 %	0,07 %	0,07 %	0,07 %	0,12 %	0,07 %	0,07 %
Other operating costs	**0,20 %**	0,16 %	0,15 %	0,21 %	0,21 %	0,22 %	0,22 %	0,22 %	0,24 %	0,23 %
Result before losses	**2,13 %**	2,10 %	2,28 %	1,91 %	2,07 %	1,97 %	1,47 %	2,08 %	1,78 %	1,32 %
Losses on loans and guarantees	**-0,20 %**	0,29 %	0,01 %	0,02 %	0,20 %	0,24 %	0,24 %	0,40 %	0,23 %	0,27 %
Profit before tax	**2,32 %**	1,82 %	2,27 %	1,89 %	1,88 %	1,73 %	1,23 %	1,68 %	1,55 %	1,05 %
Tax	**0,41 %**	**0,31 %**	0,38 %	0,37 %	0,35 %	0,33 %	0,19 %	0,28 %	0,28 %	0,24 %
Result non-current assets held for sale			0,00 %	0,00 %			-0,01 %	-0,03 %		
Profit for the year	**1,91 %**	1,51 %	**1,89 %**	**1,51 %**	**1,53 %**	**1,41 %**	**1,03 %**	**1,37 %**	**1,27 %**	**0,82 %**
Minority interests	**0,01 %**						-0,01 %	0,00 %	0,00 %	
Majority interests	**1,89 %**	1,51 %	1,89 %	1,51 %	1,53 %	1,41 %	1,04 %	1,37 %	1,27 %	0,82 %

Average total assets is calculated as the average of quarterly total assets as at 1 January and 31 December.
Calculated average total assets for 2021 was 120.264 NOK million.
Total assets correspond to the total of capitalised assets for the Group.

Annual Report of the Board of Directors 2021

KEY FIGURES GROUP 2021 (SAME PERIOD 2020)

- Result for the year: NOK 2,295 million (1,742 million)
- Return on equity: 15.1 % (12.6 %)
- Cost-income ratio: 40.7 % (40.0 %)
- Earnings per equity certificate: NOK 10.24 (NOK 7.89)
- Net income from financial assets: NOK 794 million (693 million).
- Growth in lending (RB and CB) in last 12 months: -1.1 % (4.4 %) including intermediary lending
- Growth in lending (RB and CB) in last 12 months exc. Helgeland: 7.7 %
- Growth in deposits (RB and CB) in last 12 months: 4.1 % (7.5 %)
- Deposit-to-loan ratio: 85 % (82 %)
- Common equity Tier 1 ratio: 18.7 % (17.5 %)
- Provision for dividends: NOK 7.00 (NOK 3.90)

2021 was another demanding year in the grip of the pandemic, and the operations of SpareBank 1 Nord-Norge were also affected. We continued in large measure to work from home, with a varying degree of government restrictions over the course of the year.

At the same time as more and more of the populace were being vaccinated, we experienced a gradual improvement in the macroeconomic situation in the shape of reduced unemployment and increased activity in the business sector. Although North Norway as a region has been less negatively impacted by the pandemic than other parts of the country, important sectors in the tourism, transport, culture, entertainment and nightlife industry have been heavily impacted. For SpareBank 1 Nord-Norge it has been an eventful and good year despite the pandemic.

2021 saw the completion of the final stage of the profitability project, including closure of the last branches whose closure was adopted in 2020. The bank now has a future-oriented and customer-oriented distribution geared to market needs, and in all our locations we have a broad-based presence that includes real estate agency and accounting services alongside the bank.

2021 was also the year we finalised the transactions involving SpareBank 1 Helgeland. More than NOK 10 billion of portfolio funds were transferred, and our four branches in Helgeland were duly merged with the branches of SpareBank 1 Helgeland. This was a demanding process which was carried through in a good manner without major negative customer reactions or other negative events of a significant nature.

Following negotiations with the employee representatives, the bank's defined benefit pension scheme was terminated towards the end of the year. This brought a substantial one-time cost for the bank but will be profitable over time. The bank now has no long-term pension commitments, while at the same time having a well-capitalised pension fund able to attend to our retirees.

In December the so-called 'helicopter affair' was finally settled when the Supreme Court rejected the appeal of our opposing party. The Group was duly awarded compensatory damages totalling 163 NOK million including interest.

STRATEGIC OBJECTIVES AND THEIR ATTAINMENT

The Group, in 2021 as previously, achieved its overarching profitability objective, i.e. to maintain banking operations in the top flight among comparable financial

services groups. When assessing the concrete ongoing target for return on equity, a comparison is drawn with other banks' profitability targets and actual profitability. Capital market expectations as to profitability are also assessed through banking analysts' forecasts. Based on the above, the ROE target for 2021 has remained 12 %. Given the uncertainty surrounding the long-term effects of the Covid-19 pandemic and intense price competition between banks, achieving a 12 % return on equity for 2022 will be demanding. However, the objective of an ROE on a par with the best among comparable financial groups stands firm, so time will tell if the figure for 2022 remains 12 %. The 12 % target is nonetheless retained for the long term.

The objective of a maximum long-term cost-income ratio of 40 % is secondary to the Group's strategic profitability objective. In the Board of Directors' assessment, developments in the financial services sector suggest that the Group should focus on strict cost control and continuous efficiency improvement by digitalising and simplifying processes. The cost target is considered ambitious but achievable. The cost-income ratio for 2021 was 40.7 % on paper, slightly higher than the target of 40 %, but, when corrected for one-time costs, our figure of 38.3 % is well within target. The rationale for maintaining a long-term cost-income ratio of 40 % is a desire for an efficiency target that lends itself to comparison with other players. In addition, a relative target also takes account of the income side, which is particularly important at a time when the business is undergoing significant restructuring.

The Group's overarching strategic objective is to be indisputably solid, with a common equity Tier 1 (CET1) ratio one percentage point above the regulatory minimum. As at 31.12.21 this entails a CET1 ratio target one % above the regulatory minimum, currently 15 %, while the actual CET1 ratio is calculated at 18.7 %. The result for 2021 is characterised as good, and the Group's financial position is excellent.

STRATEGIC OBJECTIVES	TARGETS	**2021**	2020	2019	2018	2017	2016	2015	2014	2013
Profitability										
Return on equity	Banking operations that are among the best for comparable financial groups, currently 12 % or higher.	**15,1 %** **14,1 %** [3]	12,6 % 10,1 % [1]	15,9 % 12,3 % [1] 12,8 % [2]	12,9 %	12,9 %	12,0 %	9,1 %	12,2 %	12,90 %
	Average for Norwegian banks			11,2 %	10,2 %	10,5 %	11,0 %	8,6 %	12,3 %	
Efficiency										
Costs	From 2017: Long-term objective: cost-income ratio 40 % or lower.	**40,6 %** **38,3 %** [3]	40,0 % 43,7 % [1]	39,8 % 44,8 % [1] 42,9 % [2]	43,1 %	41,2 %	42,9 %	54,2 %	44,4 %	47,2 %
Actual	Before 2017: Target for maximum cost growth [1]					0 %	0 %	1 %	2 %	2 %
	2017: Actual cost growth.					4,5 %	-2,5 %	1,4 %	9,8 %	7,6 %
Financial strength										
CET1 ratio	Indisputable financial strength. Core Tier 1 capital ratio one percentage point above regulatory minimum requirement. Currently 15.0 % or higher.	**18,70 %**	17,50 %	17,22 %	14,50 %	14,90 %	15,00 %	13,90 %	12,60 %	13,40 %
Dividends										
Payout ratio group	50 % or higher.									
	Before 2017: up to 50 %	**66,9 %**	49,4 %	42,6 %	56,9 %	60,5 %	60 %	49 %	37 %	28 %

1 *Exclusive profit merger*
2 *Excluding profit merger and restructuring costs*
3 *Exclusive gain sale Helgeland portfolio, compensation loss, termination YTP*

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STRATEGIC FOCAL AREAS

A focus on core business and on creating value for our owners and investors remains key to the Group's strategy. Changing customer behaviour, new expectations from society at large along with regulatory requirements, are in sum the factors that spur development of the SpareBank 1 Nord-Norge Group.

SpareBank 1 Nord-Norge has grown more digital as a consequence of the pandemic. Investments in the IT area have been substantial and will remain so. The Group has acquired a new director of a new unit: Innovation and Business Development. Their focus will be on process improvements with a view to developing new service and sales channels and to optimising existing ones. Artificial intelligence (AI) and machine learning are also key areas to be explored and further developed. Collaboration with SpareBank 1 Utvikling and the other alliance banks is ever more important; much of the development effort is generic, and pulling together is both a force in itself and an opportunity to optimise costs. A new, holistic governance system has now been established and is under implementation.

Through this system the emphasis will be on carrying through, evaluating and adjusting necessary measures, in conformance with our strategy and stated priorities. Much weight will also be given to internal coordination, and the earlier concept of 'group' has acquired new substance.

Sustainability is established as a new strategic initiative. Sustainability will pervade all that we do, and that focus will be considerably sharpened in the year ahead. At the same time we will devote more attention to the business potential inherent in sustainability. We believe all business activity must build on sustainability, and we believe the bank can make a difference and contribute to a more sustainable society. By focusing on sustainability we will also release further potential for growth and increased profitability for our business. The financial industry is given a key role on the path towards the green transition. SpareBank 1 Nord-Norge intends to take that role seriously. This is fully in keeping with our strategy of contributing to an attractive region.

SUBSIDIARIES

SpareBank 1 Nord-Norge's customers are offered a complete portfolio of services from the parent bank and the other companies that make up the Group.

NOK MILL
SpareBank 1 Finans Nord-Norge AS
SpareBank 1 Regnskapshuset Nord-Norge AS
EiendomsMegler 1 Nord-Norge AS
SpareBank 1 Nord-Norge Portefølje AS
Fredrik Langes gate 20 AS
Rødbanken Holding AS (not consolidated)
Sum

PARENT COMPANY

SpareBank 1 Nord-Norge is the parent company of the Group and is headquartered in the Rødbanken building in Tromsø. 56.3 % of the bank is owned by the North Norwegian community and 46.4 % by private investors, of whom 18 % are North Norwegian equity certificate holders. The bank's core business is the provision of finance to North Norwegian businesses and households. SpareBank 1 Nord-Norge thus sets the stage for value creation and growth in the region in keeping with our vision: For North Norway.

In 2021 more than NOK 10 billion in the portfolio was transferred to SpareBank 1 Helgeland. SpareBank 1 Nord-Norge concurrently bought into SpareBank 1 Helgeland with a stake of 19.99 %.

OWNER-SHIP	EQUITY	**RESULT 2021**	RESULT 2020	**DIVIDEND 2021**	DIVIDEND 2020	**ALLOCATED CAPITAL INTERNAL MODELS 2021**	**RETURN ON ALLOCATED CAPITAL 2021**	ALLOCATED CAPITAL INTERNAL MODELS 2020	RETURN ON ALLOCATED CAPITAL 2020
85 %	1 239	**276**	132	**133**	126	**940**	**29,3 %**	936	14,2 %
85 %	109	**19**	19	**20**		**54**	**34,9 %**	64	30,5 %
85 %	58	**27**	30	**31**	13	**25**	**107,3 %**	30	102,1 %
100 %	8	**4**	-5			**14**	**26,0 %**	10	-2,0 %
100 %	348	**1**	2			**NA**	**NA**	NA	NA
100 %						**NA**	**NA**	NA	NA
	1 762	**327**	178	**184**	139	**1 033**	**17,1 %**	1 040	17,1 %

SUBSIDIARIES

The main subsidiaries are briefly described below:

SPAREBANK 1 FINANS NORD-NORGE AS

This company is 85 % owned by SpareBank 1 Nord-Norge (SNN), and 15 % by SpareBank 1 Helgeland, following SNN's disinvestment in autumn 2021. The company has commercial responsibility for the product areas of leasing and secured loan financing, with North Norway as its primary market area. The parent company, SpareBank 1 Helgeland, and external retailers are important distribution channels for the company.

The company has a good earnings base and at year-end managed consumer loans, leasing and seller financing agreements totalling 7,911 NOK million (6,953 NOK million). The company's book equity was 1,239 NOK million (1,108 NOK million) as at 31.12.21.

In December judgment was delivered in a court case against the Kluge law firm in which the court found in favour of the bank and was awarded compensatory damages of 163 NOK million for deficient advice in connection with losses incurred on the lease of a helicopter.

Return on equity for 2021 is calculated at 29.2 % (14.0 %). Adjusted for the above-mentioned compensatory damages, return on equity in 2021 is 16.3 %.

The prospects for increased activity in the future and for satisfactory returns for the company are good.

The company is co-located with the bank in Bodø and Tromsø and employed 37.5 (37.5) FTEs as at 31.12.21.

EIENDOMSMEGLER 1 NORD-NORGE AS

EiendomsMegler 1 Nord-Norge AS is a member of a nationwide alliance with other real estate agencies owned by SpareBank 1 banks. The company is 85 % owned by SpareBank 1 Nord-Norge and 15 % by SpareBank 1 Helgeland following SNN's disinvestment in spring 2021. The company operates real estate agency services in 16 locations in North Norway.

Most branches are co-located with the bank. At the end of the year EiendomsMegler 1 Nord-Norge employed 97.5 (91.5) FTEs.

The company is the market leader in North Norway and has retained its position in most towns in the region in an expanding overall market. In recent years the company's market share has risen from 22 % in 2011 to 35.4 % in 2021. In 2021, 3,882 properties were sold through EiendomsMegler 1 Nord-Norge AS, compared with 3,717 the previous year. The company recorded a turnover of 195 NOK million, up 8 % from 2020. There was an ample supply of new assignments in 2021, 7 % higher than the previous year. This is a good point of departure for the year ahead.

Return on equity for 2021 is calculated at 54 % (54 %).

SPAREBANK 1 REGNSKAPSHUSET NORD-NORGE AS

SpareBank 1 Regnskapshuset was established in 2012. It is 85 % owned by SpareBank 1 Nord-Norge (SNN), and 15 % by SpareBank 1 Helgeland, following SNN's disinvestment in spring 2021. Regnskapshuset has completed a number of acquisitions and mergers since its founding in 2012, including the purchase of Lofotøy Regnskap in 2021.

As at 31.12.21, the company employed a total of 194 (204) FTEs and operated 15 branches in the region.

The focus on this sector is coordinated with a number of the alliance banks with similar activities. The collaboration covers areas such as brand, IT, expertise, work processes and quality.

The background to the focus on SpareBank 1 Regnskapshuset Nord-Norge AS is a desire to exploit synergies with the Group's other activities. This will promote additional sales across the Group, increase customer satisfaction and spur more efficient payment services. Examples include increased automation and integration of customers' billing systems, payment solutions and accounting.

SpareBank 1 Regnskapshuset acquired Tromsø Regnskap AS in 2020.

The company recorded an overall turnover of 212 NOK million in 2021, the same as in 2020.

Return on equity for 2021 is put at 22 % (20 %).

The company continues to change and evolve with rapid digitalisation requiring new measures and providing new opportunities in the period ahead. This includes the 'Bank+Accounts' venture under the auspices of SpareBank 1 Alliance.

FREDRIK LANGES GATE 20 AS

This company is engaged in leasing of real property (bank building) in Tromsø, and posted a result for the year of 2.7 NOK million compared with 1.1 NOK million in 2020.

The value of its assets is booked at 350 NOK million (347 NOK million), and equity capital amounted to 349 NOK million as at 31.12.21 (346 NOK million).

The company is wholly owned by the bank, is administered by the bank and has no employees.

SPAREBANK 1 NORD-NORGE PORTEFØLJE

As part of the Group's increased focus on its core activities, this company's former business is being restructured/wound up. SpareBank 1 Nord-Norge Portefølje has nonetheless been retained as a legal entity on legal and practical grounds. The company's mission is to "manage holdings owned by the SpareBank 1 Nord-Norge Group and business naturally connected thereto". Parts of the business include managing holdings that date from previous customer relationships with the bank.

SpareBank 1 Nord-Norge Portefølje's investments had a market value of 18 NOK million as at 31.12.21, breaking down to 15 NOK million in equity investments and 4 NOK million in subordinated loans, while the company's equity amounted to 9.2 NOK million (4.4 NOK million). The result for the year is 4.4 NOK million (-6.7 NOK million).

SpareBank 1 Nord-Norge Portefølje AS is administered by the bank and has no employees.

SPAREBANK 1 ALLIANCE

NOK MILL	OWNERSHIP	SHARE OF EQUITY	**SHARE OF RESULT 2021**	SHARE OF RESULT 2020	**DIVIDEND 2021**	DIVIDEND 2020
SpareBank 1 Gruppen AS	19,50 %	2 217	**471**	534	**366**	195
SpareBank 1 Boligkreditt AS	15,92 %	1 828	**12**	16	**17**	
SpareBank 1 Næringskreditt AS	3,20 %	63	**1**	5	**5**	5
SpareBank 1 Kreditt AS	18,37 %	199	**13**	2	**13**	18
SpareBank 1 Betaling AS	18,57 %	145	**-13**	-1		
SpareBank 1 Utvikling DA	18,00 %	134	**1**	2		
SpareBank1 Forvaltning AS	14,14 %	105	**23**	-4		
SpareBank 1 Bank og Regnskap AS	25,00 %	42	**-**	-		
SpareBank 1 Mobilitet Holding AS	30,66 %	82	**3**			
SpareBank 1 Gjeldsinformasjon AS	14,53 %	-	**-**			
SpareBank1 Kundepleie AS	26,67 %	22	1			
BN Bank ASA	9,99 %					
Total		**4 837**	**512**	**554**	**401**	**218**

The bank's participation in SpareBank 1 Alliance and its stake in SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA are an important aspect of the Group's strategy. This participation has been key to SpareBank 1 Nord-Norge's positive development and has contributed greatly to the bank's position as a financially sound and strong bank – for North Norway.

The SpareBank 1 banks run the alliance and develop the product companies through the jointly-owned SpareBank 1 Utvikling DA and the holding company SpareBank 1 Gruppen. SpareBank 1 Alliance's mission is to procure and deliver competitive financial products and services, and to achieve economies of scale in the form of lower costs and/or higher quality. This allows the alliance to offer private individuals and corporate clients expertise, a local footing, and simpler everyday banking. The alliance also aims to ensure the banks' value creation for the benefit of the region and their owners and investors.

The alliance banks have opted to assemble their holdings in Norway's financial sector infrastructure in SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA. This collective ownership allows the alliance banks to act as a major player both in Norwegian banking partnerships and in relation to foreign market players.

SpareBank 1 Nord-Norge owns 19.5 % of SpareBank 1 Gruppen AS and 18.00 % of SpareBank 1 Utvikling DA. The bank owns a proportionately larger stake than the other owner banks due to its size. This makes SpareBank 1 Alliance particularly important for the SpareBank 1 Nord-Norge Group, not least in light of the alliance companies' underlying assets, which are judged to be substantial.

ALLOCATED CAPITAL ACCORDING TO INTERNAL MODELS 2021	RETURN ON ALLOCATED CAPITAL 2021	ALLOCATED CAPITAL ACCORDING TO INTERNAL MODELS 2020	ARETURN ON ALLOCATED CAPITAL 2020
2 217	**21,2 %**	2 207	8,8 %
NA	**NA**	NA	NA
76	**1,9 %**	189	2,7 %
191	**6,5 %**	176	1,2 %
171	**-7,5 %**	157	-1,0
NA	**NA**	NA	NA
NA	**NA**	NA	NA
NA	**NA**		
NA	**NA**		
NA	**NA**		
NA	**NA**		
408	**8,5 %**	NA	NA
3 063	**13,2 %**	**2 729**	**14,5 %**

REVIEW OF THE ANNUAL ACCOUNTS

SpareBank 1 Nord-Norge's consolidated accounts are prepared in accordance with the International Financial Reporting Standards (IFRS), as approved by the EU, and Section 3-9 of the Norwegian Accounting Act. In accordance with the provisions of Section 4-5 of the Norwegian Accounting Act, the accounts for 2020 were prepared on the going concern assumption.

RESULTATUTVIKLING

NOK MILL	GROUP 2021	GROUP 2020	GROUP 2019	BANK 2021	BANK 2020	BANK 2019
Net interest income	**2 014**	2 068	2 097	**1 717**	1 775	1 813
Net commissions and other operating income	**1 499**	1 299	1 116	**1 077**	880	775
Net invome fraom financial investments	**794**	693	911	**1 014**	490	1 683
Operating costs	**1 748**	1 626	1 640	**1 285**	1 183	1 231
Losses	**-235**	332	11	**-70**	290	- 2
Result before tax	**2 794**	2 102	2 473	**2 593**	1 669	3 042
Tax	**499**	360	409	**395**	304	355
Defecit non-current assets held for sale			2			
Year result	**2 295**	**1 742**	**2 062**	**2 198**	**1 365**	**2 687**

The Group and parent bank enjoy good earnings, a good financial position, along with a satisfactory liquidity position and deposit-to-loan ratio.

NET INTEREST INCOME

The strong competition for loan customers, with interest conditions under pressure, continued in 2020. In addition, net interest income is affected by the bank's borrowing costs (funding costs in the money markets), and growth in lending and deposit volumes.

The Group's overall net interest income declined by of 54 NOK million from 2020 to 2021.

The bank's borrowing costs fell during the year to July (0.88 %) due to lower money market rates, only to rise back slightly in recent months. Borrowing costs in January averaged 1.07 % compared with 1.41 % at the end of the year. Norges Bank kept its base rate to zero up to 24.09.21 when it raised it by 0.25 percentage points, followed by a further hike to 0.50 % on 16.12.21.

The parent bank's lending margin measured against the money market rate (NIBOR) climbed in the first half of 2021 due to falling money market rates, only to fall back in the second half. As at 31.12.21 the lending margin (corporate market), which largely shadows changes in NIBOR, was 0.12 percentage point lower than on 31.12.20. The lending margin (retail market) on the other hand was 0.62 percentage point lower at the end of 2021 than in 2020. The deposit margin showed the opposite movement through the year – falling in the first half followed by a rise in the second half. It ended 2021 0.49 percentage point higher in the retail market, and 0.19 percentage point higher in the corporate market, than at the same point in the previous year.

The bank's borrowing costs are expected increase somewhat in 2022.

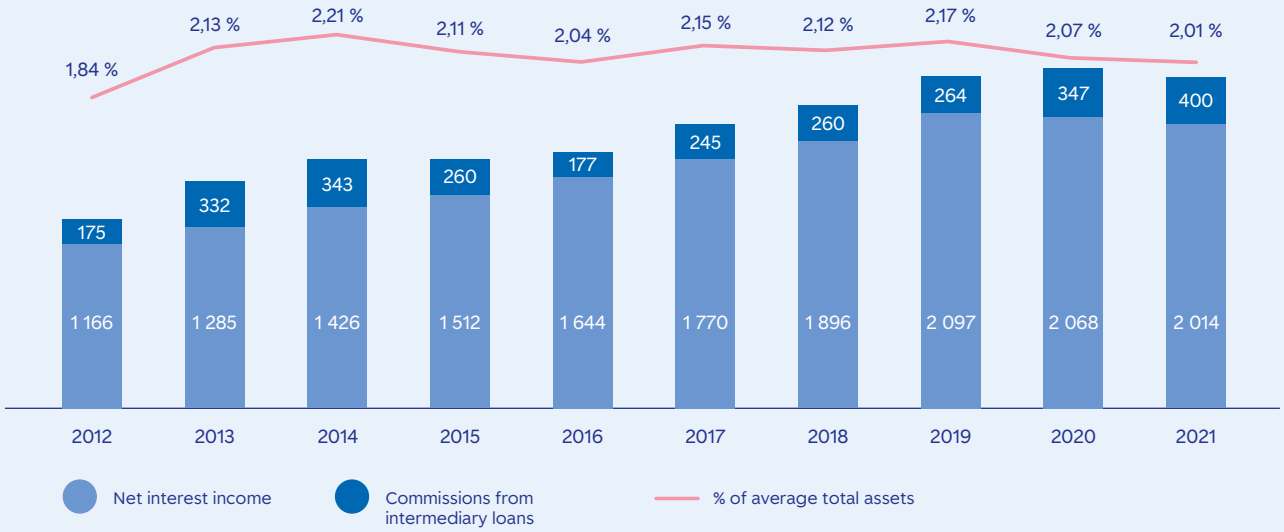
Growth in lending in 2021 was -4.3 % and 6.3 % in the retail and corporate market respectively. Over the course of 2021 a loan volume of 10.4 NOK billion (6.6 NOK billion of the bank's own loans and 3.8 NOK billion in Boligkreditt) was sold to SpareBank 1 Helgeland. Lending growth excluding the Helgeland transaction was 6.7 % (retail market) and 9.9 % (corporate market) respectively.

The growth is higher than in 2020 and, despite strong competition, above all in the market for residential loans, our lending growth is higher than the general growth in lending in the North Norwegian market. The growth calculation includes new loans granted by the bank and subsequently sold to the alliance's mortgage companies.

The growth in the corporate market is partly grounded in the strategic prioritisation of this segment, the fact that we are winning market shares, good market opportunities and a positive trend in the region's economy. Lending growth in 2021 is considered good and, in an overall perspective, this is an important factor behind the growth in net interest income.

Net interest income is also affected by loans transferred to the alliance's mortgage companies, SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. The income of 396 NOK million from the transferred portfolio is recognised under commission income. The corresponding figure for 2020 was 343 NOK million.

DEVELOPMENT IN NET INTEREST INCOME INCLUDING COMMISSIONS, AND IN RELATION TO AVERAGE ASSETS UNDER MANAGEMENT OVER THE LAST 10 YEARS:



NET COMMISSION AND OTHER INCOME

SpareBank 1 Nord-Norge aims to increase income by offering a broad range of products, also from areas with no credit risk such as saving, investment and insurance. The subsidiaries also contribute to increased income within object finance, real estate agency and accounting services.

In 2021, net commission and other incomes accounted for 35 % of total income from the Group's core activities. The corresponding figure for 2020 was 32 %.

Commission income from SpareBank 1 Boligkreditt and Næringskreditt increased by 83 NOK million in 2021, while net interest income, including commission income from the transferred loan portfolio, increased by 54 NOK million.

OTHER COMMISSION INCOME AND OTHER OPERATING INCOME IN 2021 WAS AS FOLLOWS:

NOK MILL	31.12.21	31.12.20	CHANGE
Provision commission loans	**401**	347	54
Sales provision insurance products	**199**	180	19
Payment facilities	**239**	288	-49
Real estate broking	**130**	118	12
Accounting services	**212**	207	5
Other operating income	**318**	159	159
Total	**1 499**	1 299	200

The Group has over time worked actively on a variety of measures aimed at improving earnings in this area. The increased income from accounting services was related to new business acquired in 2021.

The sum of 100 NOK million agreed for the customer portfolio sold to SpareBank 1 Helgeland is included under "Other incomes" in 2021.

NET INCOME FROM FINANCIAL INVESTMENTS

Profit shares from associates and joint ventures are recognised using the equity method. The Group's shares of the respective companies' profits are recognised in "Income from investments" in the income statement, with a corresponding adjustment of the value of the holding on the balance sheet in "Investment in associates and joint ventures".

NOK MILL	31.12.21	31.12.20
Total income associated companies	**532**	554
Share dividend	**36**	44
Net change value of equities	**241**	50
Net change value of bonds, currency and derivatives	**-21**	42
Net change value loans at fair value, included hedging	**6**	3
Net income from financial investments	**794**	693

THE GROUP'S NET INCOME FROM FINANCIAL INVESTMENTS IN ASSOCIATES AND JOINT VENTURES BREAKS DOWN AS FOLLOWS:

SHARE RESULTS NOK MILL	SHAREHOLD	31.12.21	31.12.20	CHANGE
SpareBank 1 Gruppen	19,50 %	**471**	534	-63
SpareBenk 1 Forvaltning	14,14 %	**23**	0	23
SpareBank 1 Betaling	18,57 %	**-13**	-1	-12
SpareBank 1 Kreditt	18,37 %	**12**	2	10
SpareBank 1 Boligkreditt	15,92 %	**13**	16	-3
SpareBank 1 Næringskreditt	3,20 %	**1**	5	-4
Other companies		**4**	4	0
Sale of Group company		**21**	-6	27
Total income associated companies		**532**	554	-22

The Group's profit for 2021 is heavily influenced by the share of the profit from SpareBank 1 Gruppen. SpareBank 1 Gruppen's insurance companies delivered excellent results for 2021 due to low travel activity and a low claims ratio in the past year. The profit for 2020 includes a gain of 340 NOK million from the insurance merger between SpareBank 1 Forsikring AS and DNB Forsikring AS, and the formation of Fremtind Livsforsikring AS.

The SpareBank 1 Forvaltning AS Group was established on 01.05.21. ODIN Forvaltning AS was hived off from SpareBank 1 Gruppen AS and into SpareBank 1 Forvaltning AS. The company acquired SpareBank 1 Kapitalforvaltning AS and SpareBank 1 Verdipapirservice AS on 01.07.21 and acquired SpareBank 1 SR Forvaltning in the fourth quarter of 2021. The alliance's savings products are accordingly now assembled in one and the same company.

SpareBank 1 Betaling's profit is heavily affected by the company's stake in Vipps AS. The latter company's deficit is incorporated in the accounts of SpareBank 1 Betaling.

SpareBank 1 Kreditt, which is the alliance's product company for credit cards and consumer loans, delivered significant profit growth in 2021 compared with previous years.

SpareBank 1 Boligkreditt' profit is about 30 NOK million lower in 2021 than in 2020. SNN's profit share is lower, although this is largely due to the sale of the customer portfolio in Helgeland, which accordingly also entailed a reduced stake.

SpareBank 1 Næringskreditt's profit is also lower in 2021 than in 2020, by a margin of about 15 NOK million.

The profit share item 'Other' consists of shares in the profits of SpareBank 1 Utvikling DA, SpareBank 1 Bank og Regnskap AS, SpareBank 1 Gjeldsinformasjon AS, SpareBank 1 Mobilitet Holding AS and SpareBank 1 Kundepleie.

The jointly-owned companies in SpareBank 1 Alliance report good earnings. In the Board of Directors' assessment, the underlying assets in these companies are also substantial. The mergers carried out render such underlying assets somewhat more visible.

NET CHANGE IN FINANCIAL ASSETS

SHARES

As at 31.12.21, the Group's share portfolio amounted to 1,519 NOK million (714 NOK million).

Over the year the portfolio mainly comprised shareholdings in Visa, BN Bank and Sp1 Markets, along with a portfolio of hybrid equity classified for accounting purposes as shares. In connection with the sale of the customer portfolio in Helgeland to SpareBank 1 Helgeland, the bank acquired a 19.99 % stake in SpareBank 1 Helgeland which for accounting purposes is classified as shares recognised at fair value.

The portfolio had a net positive profit contribution of 241 NOK million in 2021, of which 173 NOK million refers to Helgeland Sparebank, 47 NOK million to BN Bank and 8 NOK million to Visa.

As at 31.12.21 the overall value of shares related to Visa was 175 NOK million. The shares of BN Bank were worth 473 NOK million, and the equity certificates of SpareBank 1 Helgeland had a value of 702 NOK million at the end of the year.

CERTIFICATES, BONDS, DERIVATIVES AND CURRENCY

As at 31.12.21, the Group's holdings of certificates and bonds amounted to 19,150 NOK million (18,079 NOK million). After a sharp fall in credit premiums in the first quarter of 2021 bringing a positive change in portfolio value which persisted through the second and third quarter, credit premiums recovered in the fourth quarter with a negative profit impact. The end of the year saw a net negative change of 30 NOK million for the full year. The portfolio's associated derivatives and currency effects had a positive value impact of 9 NOK million over the year, bringing a net loss of 42 NOK million in 2021.

LOANS AT FAIR VALUE

The Group's portfolio of fixed-rate loans is classified and measured at fair value. The fixed-rate loan portfolio is hedged using interest rate swaps, which are also measured at fair value. The overall change in value in 2021 of the loan portfolio and associated interest rate hedges resulted in a positive profit contribution of 6 NOK million due to a reduction in the discount rate over the course of the year. At the end of the year this portfolio was worth 5,642 NOK million, a decline from 7,614 NOK million in 2020.

In addition to fixed-rate loans, residential mortgage loans selected and earmarked for transfer to the mortgage company SpareBank 1 Boligkreditt in the period ahead were also classified and measured at fair value.

Fair value is set at the value for which the loan is actually transferred. As at 31.12.21 this portfolio amounted to 5,664 NOK million.

DIVIDENDS RECEIVED FROM SUBSIDIARIES

Dividends received from subsidiaries are recognised in the parent bank's accounts using the cost method. An overview of results and dividends from the various subsidiaries is given in an earlier section in this report.

As indicated earlier in this report, the Group's subsidiaries delivered a combined profit of 327 NOK million after tax in 2021 (178 NOK million), which has been fully consolidated into the Group accounts.

OPERATING COSTS

NOK MILL	31.12.21	31.12.20	CHANGE
Wage cost	**677**	690	-13
Pension costs	**118**	54	64
Social costs	**141**	125	16
Administrative costs	**472**	461	11
Depreciation og fixed assets	**95**	109	-14
Operating costs properties	**22**	25	-3
Other operating costs	**223**	162	61
Total costs	**1 748**	**1 626**	**122**

Group costs in 2021 were 7.5 % higher than in 2020. Of the increase of 122 NOK million, 72 NOK million is attributable to an extraordinary pension cost related to the termination of the Group's defined-benefit pension scheme. In addition, an extraordinary sum of 64 NOK million related to the sale of SpareBank 1 Helgeland's customer portfolio and to closure of the bank's branches in Mosjøen, Sandnessjøen, Brønnøysund and Mo i Rana is expensed.

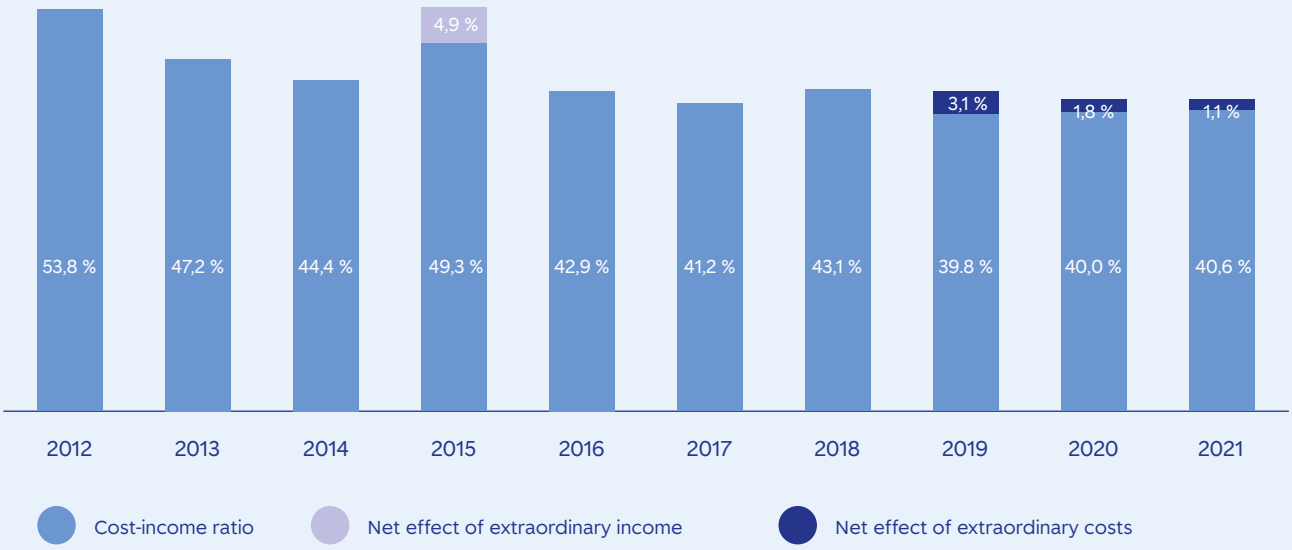
Excluding these extraordinary expenses, costs in 2021 were in fact 15 NOK million lower than in 2020, comprising 37 NOK million in lower expenses at the parent bank and 22 NOK million in higher expenses among the subsidiaries. The increase among the subsidiaries is attributable to acquisitions by SNN Regnskapshuset and high activity at EM1 Nord-Norge.

The objective of the profitability project which the Group has brought to completion was a maximum cost growth of 2 % in 2020 and of 0 % or lower in 2021. The Covid-19 pandemic caused some delays but all measures have now been carried through, giving the following effects:

YEAR	TOTAL COST	EXTRA-ORDINARY COST	ORDINARY COST	INCREASE FROM 2019	INCREASE FROM 2019 IN PERCENT
2019	1 640	33	1 607		
2020	1 626	77	1 549	-58	-3,6 %
2021	1 748	136	1 612	5	0,3 %

Wealth tax is not defined as a tax charge, but as an operating cost under IFRS. Wealth tax totalling 13 NOK million was expensed for 2021 in the year's fourth quarter (13 NOK million).

CHANGE IN COST-INCOME RATIO OVER THE LAST 10 YEARS



The Group's long-term goal for the cost-income ratio (C/I) is 40 % or lower. As at 31.12.21, this ratio was 40.6 % (40.0 %) for the Group and 33.7 % (37.7 %) for the parent bank. Adjusted for the above-mentioned extraordinary costs, the cost-income ratio for the Group is 38.3 %.

The Group's FTEs totalled 831 at the end of 2021 (904), 66 fewer than at the end of 2020.

LOSSES AND DEFAULTS ON LOANS

The Group's net losses on loans in 2021 amount to (minus) -235 NOK million (332 NOK million) which breaks down to -17 NOK million (9 NOK million) on the personal market and -216 NOK million (323 NOK million) on the corporate market.

As announced in its stock exchange notice of 25.06.21, SpareBank 1 Nord-Norge won its case in the Borgarting High Court against the law firm Kluge Advokatfirma AS. The court duly awarded compensatory damages of 112.9 NOK million plus late payment interest to SpareBank 1 Finans Nord-Norge. The judgment became final in the fourth quarter of 2021 whereupon 163 NOK million was taken to income in the Group accounts as an amount recovered on previously confirmed losses.

The Group's total loss provisions on loans and guarantees as at 31.12.21 were 692 NOK million, which is 131 NOK million lower than 12 months previously. Loan loss provisions measure 0.72 % (0.91 %) of the Group's total outstanding loans and 0.52 % (0.64 %) of gross outstanding loans to customers, incl. intermediary loans.

As at 31.12.21, total stage 3 loss provisions on loans and guarantees came to 200 NOK million (167 NOK million). This equates to a loss provision rate of 37 % (38 %) of non-performing and doubtful commitments.

Loss provisions at stage 1 and 2 on loans and guarantees totalled 492 NOK million (656 NOK million) as at 31.12.21.

Special reference is made to note 2 in the quarterly accounts which describes the Group's assessments relating to factors with a bearing on loss provisions as per 31.12.21. Reference is also made to notes 11 and 13 in the annual accounts. Note 13 provides an overview of total loss provisions as at 31.12.21, including off-balance sheet items.

Although the year 2021, like 2020, was affected by the Covid-19 pandemic and the associated economic consequences, the Board of Directors considers the overall quality of the Group's loan portfolio to be good. This is explained by the Group's systematic effort in recent years to lower the risk present in the loan portfolio and the fact that it monitored the loan portfolio throughout the pandemic. Moreover, the portfolio is characterised by residential mortgages and sectors little affected by the Covid-19 pandemic. In addition, the Norwegian government established comprehensive economic support arrangements. Uncertainty about economic developments ahead is lower than at the same point last year. Even so, the likely path of the economy ahead does give rise to some uncertainty, and future losses will depend among other things on the infection situation, government action and macroeconomic factors.

TAX

The Group's tax charge for 2021 is estimated at 499 NOK million (360 NOK million). The tax base was reduced by permanent differences between the accounting and tax treatment of certain balance sheet items, as well as the effects of the exemption method. As mentioned above, wealth tax is recognised as part of ordinary operating costs.

DISTRIBUTION OF PROFIT

The proposed distribution of profit for 2021 has its basis in the Group's post-tax profit, adjusted for accrued interest on issued hybrid equity. The net profit is thereafter distributed between equity certificate (EC) holders and the bank's community-owned capital in proportion to the relative distribution of total equity between these owner groupings at the parent bank as at 01.01.21, respectively 46.36 % and 53.64 %.

On the above basis the Board of Directors recommends to the Supervisory Board the following distribution of profit for 2021.

DISTRIBUTION OF THE PROFIT 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	3,10
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 capital	**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 distribution entails an identical payout ratio to the bank's equity certificate holders and the community-owned capital. The payout ratio constitutes in aggregate 69.9 % (63.4 %) of the parent bank's profit for the year and 66.9 % (63.5 %) of the Group's profit.

In the assessment of recommended dividend, thorough assessments have been made of the Group's capitalisation, liquidity and financial development, including stress tests showing the consequences of negative scenarios. These assessments indicate that the recommended dividend is prudent. As at 31.12.21, the capital adequacy ratio, after the recommended dividend payout, is significantly higher than regulatory requirements and internal targets alike. This implies substantial loss-absorbing capacity. However, it is pointed out that Finanstilsynet (Norway's financial supervisory authority) can, when called for in the interests of a financial institution's financial position, order that institution to refrain from distributing dividend or to distribute lower dividend than that recommended by the Board of Directors or approved by the Supervisory Board .

The bank will continue to attach importance to delivering a competitive direct return to the bank's owners. Future payout ratios must nonetheless take account of the bank's capital adequacy and the potentials for future profitable growth.

The Board of Directors recommend a dividend of 1,515.9 NOK million corresponding to 66.9 % of the Group's net profit, and NOK 7.00 per equity certificate. The dividend will be paid to those equity certificate holders that are registered as holders as of 24.03.22. The bank's equity certificate will be quoted ex dividend on 25.03.22. The EC holders' portion of the total equity is unchanged and is calculated at 46.36 % as at 01.01.22.

CASH FLOW ANALYSIS

The total cash flow from Group operations amounted to 2,168 NOK million (2,183 NOK million). Cash flow from the parent bank's business amounted to 2,828 NOK million (2,080 NOK million), while the Group's profit after tax amounted to NOK 2,295 million (1,742 NOK million). The difference is mainly due to lending growth, as well as increased certificate and bond holdings. Total investments in the Group in 2021 amounted to 143 NOK million in 2021 (-621 NOK million). The year's investments were largely directed to jointly controlled activities in the alliance.

The Group's liquidity holdings as at 31.12.21 amounted to 399 NOK million (360 NOK million). The Group's ability to self-finance investments is good.

See also the cash flow statement included in the annual accounts.

BALANCE SHEET PERFORMANCE

As at 31.12.21, loans totalling 35.4 NOK billion (37.7 NOK billion) had been sold to SpareBank 1 Boligkreditt, and 0.3 NOK billion (0.4 NOK billion) to SpareBank 1 Næringskreditt. These loans, termed intermediary loans, do not appear as lending on the bank's balance sheet.

NOK MILL	31.12.21	31.12.20	CHANGE
Retail lending	**88 712**	88 712	-4,3 %
Corporate lending	**38 410**	38 410	6,3 %
Total lending customers incl. intermediary loans	**127 122**	127 122	-1,1 %
Total lending customers excl. intermediary loans	**88 977**	88 977	1,1 %
Deposits retail	**40 363**	40 363	1,3 %
Deposits corporate	**32 795**	32 795	7,5 %
Total deposits	**73 158**	73 158	4,1 %
Deposits as % of lending excl. intermediary loans	**82,2 %**	82,2 %	2,4 %
Total assets	**117 298**	117 298	1,6 %

Over the course of 2021 most of the bank's customer portfolio in Helgeland was sold to SpareBank 1 Helgeland. This affects the above table with calculations of annual growth. Excluding the Helgeland portfolio, growth in lending and deposits is as follows:

PERCENT 12 MONTHS GROWTH	**2021**[1]	2020
Loan retail banking market	**6,7 %**	2,8 %
Loan corporate market	**9,9 %**	8,4 %
Total loan growth	**7,7 %**	4,4 %

1 *Exclusive Helgeland*

PERCENT 12 MONTHS GROWTH	**2021**[1]	2020
Deposits retail banking market	**8,5 %**	2,8 %
Deposits corporate market	**11,6 %**	8,4 %
Total deposit growth	**9,9 %**	4,4 %

1 *Exclusive Helgeland*

In the case of new loans, particular importance is attached to customers' debt-servicing ability and a satisfactory level of collateral to ensure that credit risk is kept to an acceptable level.

There is strong competition, especially in the mortgage market, but the Group is competitive and is taking market share.

Given the uncertainty surrounding the ending of the Covid-19 pandemic and the expectation of a higher interest rate level later in 2022, it is difficult to assess the likely path ahead. However, for 2022 as a whole, we assume and expect 4-6 % growth in lending to retail customers and 6-9 % growth in lending to corporates.

The bank initiated measures in response to the Covid-19 pandemic in the form of mortgage payment holidays and offers of government-guaranteed liquidity loans. As at the end of 2021, government-guaranteed liquidity loans worth 360 NOK million had been disbursed.

The personal market accounted for 70 % of overall lending as at 31.12.21 (70 %).

LIQUIDITY

The bank's most important funding source is customer deposits. At the end of 2021, the deposit-to-loan ratio (exc. intermediary loans) was satisfactory at 85 % (82 %). The bank's remaining funding, apart from own funds and customer deposits, is mainly long-term funding from the capital markets. The bank's liquidity supply, and its key figures for liquidity, are satisfactory.

The bank aims to keep liquidity risk at a low level. According to the LCR Regulation, undertakings are required at all times to maintain a liquidity coverage ratio (LCR) of at least 100 % for all currencies combined. That entails that institutions' holdings of liquid assets must at least match their net liquidity outflow in a situation of stress in money and capital markets for at least 30 days ahead. As at 31.12.21, the LCR was calculated at 142 % (142 %).

In addition, institutions are subject to a general requirement as regards stable, long-term funding (Net Stable Funding Ratio – NSFR). The Group's NSFR is calculated at 118 % (118 %) as at 31.12.21.

THE BANK HAD THE FOLLOWING RATINGS WITH THE RATING AGENCY AS OF 21.12.21:

SNN RATING 31.12.21	MOODY'S
Senior preferred rating	Aa3
Senior non-preferred rating	A2

FINANCIAL STRENGTH AND CAPITAL ADEQUACY

SpareBank 1 Nord-Norge's intends to maintain an indisputably solid financial position at all times and to be compliant with the regulatory minimum capital adequacy requirement. The Group's targeted common equity Tier 1 (CET1) ratio is one percentage point above the regulatory minimum requirement. This entailed a targeted CET1 ratio of 15.0 % at the end of 2021.

In January 2007, SpareBank 1 Nord-Norge was granted permission to use IRB models to calculate capital requirements for credit risk. In February 2015, the bank was also given permission to apply the advanced IRB method to the corporate portfolio. The use of IRB models places extensive demands on the bank's organisation, competence, risk models and risk management systems.

As from 31.12.19, CRR/CRD IV (Basel III) had been fully implemented in Norway, including the removal of the 'Basel I floor' and the implementation of the 'SME discount' etc. This reduced risk weighted assets for Norwegian IRB banks, including SpareBank 1 Nord-Norge. As a follow-up to this, Norwegian government authorities worked through 2020 on changes related to other capital charges for financial institutions operating in Norway.

The following changes were adopted in December 2020:

- The systemic risk buffer requirement increased from 3 to 4.5 %. The requirement applies to Norwegian AIRB institutions (incl. SpareBank 1 Nord-Norge) from the end of 2020, and to other institutions from the end of 2022 onwards.
- A temporary floor (minimum requirement) was introduced for average risk weights on residential mortgages and loans to commercial property of, respectively, 20 % and 35 %. This does not affect SpareBank 1 Nord-Norge at the present time.

So far, no other Nordic countries have recognised the systemic buffer requirement. Sweden has recognised the risk weight floor requirements.

The rules for identifying systemically important financial institutions (SIFIs) indicate that SpareBank 1 Nord-Norge is not to be regarded as a SIFI.

CRR2/CRD5 entered into force in the EU on 28.06.21. However, this body of rules has yet to be incorporated into the EEA Agreement, and thus did not enter into force in Norway on the same date. Norway, in conjunction with the other EEA/EFTA states, is seeking such incorporation at the earliest possible time. CRR2/CRD5 is expected to become effective in Norway in the second quarter of 2022. Key changes from the current rules relate for example to an increase in the 'SME discount' and a new method of calculating counterparty credit risk (SA CRR).

"Basel IV" was at the outset to be implemented in the EU from 2022 onwards, with transitional rules applying up to 2027. The timing of implementation is now postponed to 20025, with transitional rules applying up to 2030.

	4Q21	3Q21	2Q21	1Q21	4Q20
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 buffer is somewhat lower than 4.5 % due to a differentiated systemic buffer rate (differing buffer rates from country to country).

The Group applies proportional consolidation in its capital adequacy reporting of ownership interests in SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt, SpareBank 1 Kreditt and BN Bank AS.

CAPITAL RATIO AS AT 31.12.21

	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 %**	1,2 %	1,2 %	**20,9 %**	19,8 %	1,1 %
Tier 1 Capital Ratio	**20,0 %**	0,0 %	0,0 %	**22,1 %**	21,1 %	1,0 %
Capital Adequacy Ratio	**21,6 %**	-0,1 %	-0,1 %	**23,6 %**	23,0 %	0,6 %
Leverage Ratio	**8,3 %**	0,4 %	0,4 %	**10,7 %**	10,5 %	0,2 %

The Group's CET1 capital (incl. profit share) increased by 1,078 NOK million, or 9 %, in 2021. Total risk weighted assets rose about 1.5 NOK billion over the year. The CET1 ratio thus rose proportionally by 1.2 percentage points.

The bank's financial position is considered good in relation to current and forthcoming regulatory requirements and risk exposure, as well as the uncertainty related to the Covid-19 pandemic.

See the account of risk and capital management, and the regulatory framework.

EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the balance sheet date that are considered to have a material bearing on the Group's profit and/or financial position.

It is proposed to distribute a cash dividend of 703 NOK million from the profit for the year to EC holders of SpareBank 1 Nord-Norge and 813 NOK million as community dividend. This proposal had not been adopted as of the balance sheet date and the amounts mentioned are accordingly not recognised as a liability on the balance sheet but are still included in equity pending a final decision by the Supervisory Board in March 2022.

RISK AND CAPITAL MANAGEMENT

Risk and capital management at SpareBank 1 Nord-Norge is aimed at supporting the Group's strategic development and goal attainment. It shall also ensure financial stability and prudent asset management. This shall be achieved through:

- A healthy risk culture characterised by a high awareness of risk and capital management.
- A good understanding of what risks drive earnings.
- Pricing products, to the extent possible, in keeping with the underlying risk.
- Striving to achieve optimal allocation of capital within the adopted business strategy.
- Exploiting synergy and diversification effects.
- Ensuring that no single event will seriously impair the Group's financial position.

A comprehensive framework for risk and capital management has been established at SpareBank 1 Nord-Norge. This includes:

- Steering documents.
- Roles and responsibilities.
- Monitoring and reporting.
- Models for calculating risk and risk-adjusted capital needs.

The Group's risk strategy guides risk and capital management at SpareBank 1 Nord-Norge. The risk strategy and the business strategy together constitute the Group's supreme steering documents. All other steering documents are derived from these.

The Group's control and management model defines clear-cut responsibilities and roles. SpareBank 1 Nord-Norge invests a great deal of resources to establish, follow up and develop the Group's risk management systems and processes. The object is to manage all significant risks in line with best practices among comparable financial groups.

The Board of Directors reviews a summary of the Group's risk picture on a quarterly basis. This underlies the board's discussions and assessments of necessary measures. Central to this review is an assessment of the Group's financial strength, liquidity and funding, profitability and efficiency against the background of developments in underlying portfolios and risks.

The Group carries out a comprehensive risk and capital assessment process (ICAAP/ILAAP) each year. The ICAAP/ILAAP is initiated and approved by the Board of Directors. The process involves a comprehensive overall assessment of the Group's overall risk exposure, quality of governance and control, and short- and long-term capital and liquidity needs.

The risk and capital management framework is reviewed and approved by the Board of Directors on an annual basis.

The Group's overall risk level shall, in keeping with the risk strategy, be low to moderate.

INTERNAL CONTROL

Pursuant to regulatory requirements and best practice, the Group has established a control model with three lines of defence. This is to ensure adequate internal control.

The business lines and key departments form the first line of defence, and are intended to ensure sufficient quality and control when tasks are performed for the first time.

The risk management and compliance departments are independent of the first line and make up the Group's second line of defence. The risk management and compliance departments monitor and check that quality and compliance are adequate, and report periodically to the Board of Directors.

The internal audit function is the Group's third line of defence and performs independent assessments of the internal control function. The internal auditor reports to the Board of Directors on a regular basis, presenting independent assessments of the Group's risks and of whether the internal control function operates in an appropriate and satisfactory manner.

The Board of Directors reviews key quality and risk indicators every quarter and considers a summary report on the implementation of internal control in the Group ('management verification') each year. The management and control framework is evaluated and updated on an annual basis.

THE MOST IMPORTANT RISKS AREAS

SpareBank 1 Nord-Norge is exposed to various types of risk through its business operations. The most central risks are:

BUSINESS RISK

The risk of unexpected income and cost fluctuations resulting from the Group's operations, or changes in external conditions such as the market situation or government regulatory measures. The latter apply above all to falls in income due to increased competition, changes in regulatory conditions or other changes in business conditions, as well as changes to the costs picture that cannot be offset through other cost-cutting or income-increasing measures.

Business risk arises as a result of, and is related inter alia to:

- Business model.
- Market situation.
- Strategic ventures.
- Macroeconomic factors.
- Regulatory framework conditions.

The Group makes use of a broad range of quantitative and qualitative tools to identify and report business risk. Good strategic planning is the most important tool for reducing business risk. The Group's framework for coherent, overall corporate governance is an important element in the commercial management of its operations.

Business risk in the Group is considered low, and in line with the Group's risk strategy.

CREDIT RISK

The risk of loss due to customers or counterparties being unable or unwilling to meet their financial obligations under an agreement.

Credit risk arises as a result of, and is related primarily to:

- Financing/lending to retail customers
- Financing/lending to corporate clients

The Group has in addition credit risk related to investments in interest-bearing securities. This is further described below under 'Market risk'.

Risk in the Group's corporate market portfolio is moderate, while risk in the personal market portfolio is considered very low. Portfolio risk reflects the macroeconomic situation in the region prior to the Covid-19 pandemic, the Group's risk willingness, and established management and control measures. Risk and uncertainty in this area have increased as a result of the Covid-19 pandemic, but the consequences for North Norway and the Group's loan customers have so far been moderate. The Group has little direct exposure to oil-dependent sectors.

The risk strategy establishes limits and targets for the ongoing management of credit risk in the portfolio. The bank's lending regulations and authorisations are based on the probability of default (PD) and the 'two pairs of eyes' principle. The lending rules are reviewed and approved annually by the Board of Directors.

Credit risk in the Group is considered low to moderate, and in line with the Group's risk willingness in the risk strategy. See a further description of credit risk in the notes to the accounts.

LIQUIDITY AND FUNDING RISK

The risk of the Group being unable to fulfil its obligations as and when they fall due, and the risk of the Group being unable to meet its liquidity obligations without a substantial increase in the cost of doing so.

Liquidity and funding risk arises as a result of, and is related primarily to:

- Mismatched maturities of assets and liabilities.
- Dependence on the capital market.
- Regulatory changes.

Debt created by the issuance of securities and debt to credit institutions amounted to 17,527 NOK million as at 31.12.21, a reduction of 5,640 NOK million compared with 2020. The Group's deposit-to-loan ratio was 85 % as at 31.12.21 compared with 82 % in 2020. A good deposit-to-loan ratio and stable customer deposits are important for the bank's liquidity management.

The need for refinancing in the capital markets in 2022 is within a level considered normal for the Group and is not expected to result in liquidity-related challenges ahead.

The Group's funding strategy needs to take various considerations into account, including trade-offs between the lowest possible borrowing costs in the capital market and costs related to diversification of

the bank's funding in terms of maturity and funding sources. The Board of Directors reviews the Group's steering documents in this sphere on an annual basis.

Requirements as to prudent liquidity management are regulated by, among other things, regulatory and internal minimum requirements on the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). SpareBank 1 Nord-Norge's liquidity and funding conform to these requirements. Moreover, the Group has started the process of conforming to the MREL requirement set by Finanstilsynet. The Group's current MREL requirement applies as from 01.01.22. The Group's MREL requirement applies as from 01.01.22. The requirement as to issuance of senior non-preferred debt must be met by 01.01.24.

Liquidity and financing risk in the Group is considered low, and in line with the Group's risk strategy. See further details of liquidity and financing risk in the notes to the annual accounts.

MARKET RISK

The risk of changes in the value of assets/financial positions due to changes in market value. Typical factors affecting market risk are share prices, interest rates, risk premiums and exchange rates.

Market risk arises as a consequence of, and is primarily related to:

- Management (including holding) of liquidity reserves
- Changes in interest rate level that affect both assets and liabilities
- Changes in exchange rates that affect both assets and liabilities
- Changes in share prices that affect assets.
- Customer activity in fixed income and currency trading

The bank's securities portfolio is in all essentials linked to the regulatory, interest-bearing liquidity portfolio (LCR). The bank very rarely takes positions in securities and financial instruments with a view to resale or to benefit from price or interest rate variations in the short term.

Stress tests for market risk show that the bank and the Group have the ability to keep the level of risk exposure within adopted limits.

Market risk in the Group is considered low to moderate, and in line with the Group's risk strategy. See further details of market risk in the notes to the annual accounts.

OWNERSHIP RISK

The risk of the Group incurring negative profit from ownership interests in strategically owned companies or having to supply fresh capital to strategically owned companies.

Ownership risk arises as a consequence of, and is related to, the Group's ownership interests in strategically important companies, for example SpareBank 1 Gruppen.

Holdings in wholly and partly owned companies are substantial and important for the Group's overall goal attainment. However, these holdings can cause profit volatility and/or affect capital adequacy. The holding in SpareBank 1 Gruppen represents the largest risk driver in this area.

Ownership risk is considered low to moderate, and in line with the Group's risk strategy. See further details of ownership risk in the notes to the annual accounts.

OPERATIONAL RISK

The risk of people, processes, systems or external events reducing the Group's ability to fulfil its objectives. Operational risk is a function of process design, internal controls, employee behaviour, the institution's oversight of third parties, physical security along with crisis and continuity planning etc.

Operational risk arises as a consequence of, and is inter alia related to:

- A large number of processes related to the operation of the business.
- A large number of systems related to the operation of the business.
- A large number of employees related to the operation of the business.
- Regulatory requirements.

Managing operational risk is a key aspect of risk management in the Group. The Group has accordingly developed and established both a comprehensive framework and system support for monitoring, documenting and reporting on operational risk and potential improvements in this area. The risk management and compliance departments coordinate this work and report to the Group management team and the Board of Directors.

The Group pays particular attention to the most relevant threats at any given time, including IT crime/cyber risk, fraud and other types of threats to the Group and its customers. Incidents that have affected, or could affect, the Group's profitability, reputation or customers are followed up systematically. SpareBank 1 Nord-Norge also works closely with SpareBank 1 Alliance to ensure good, stable operations and a high level of security.

Because of the high pace of change and increased complexity, increased regulatory requirements and increased internal ambitions in this area, the capacity and expertise of both the first and second line of defence in this area have been upgraded in recent years. This was also the case in 2021.

Operational risk in the Group (moderate) is still considered to be somewhat higher than the Group's risk willingness (low) as defined in the risk strategy. This is due to the high pace of change, both internally and externally, along with an increased threat picture externally (cyber risk). A wide-ranging effort to reduce risk exposure in this area has been ongoing in recent years. Good progress has been made and key areas have been further developed.

COMPLIANCE RISK

The risk of the Group incurring public sanctions, economic loss, or reputational loss as a result of non-compliance with regulatory requirements or internal policies or guidelines.

Compliance risk arises as a result of and related to:

- Handling or personal data in the operation of the business (GDPR).
- Handling payment transactions in the operation of the business (AML).
- Regulatory requirements.

Management and control of compliance risk is closely tied up with management and control of operational risk. See further details above.

Compliance risk in the Group (moderate) is considered to be somewhat higher than the Group's risk willingness (low) as defined in the risk strategy. This is due to the high pace of change and increased complexity both internally and externally. A wide-ranging effort to reduce risk exposure in this area has been ongoing in recent years. Good progress has been made and key areas have been further developed.

INSURANCE RISK

Risk arising as a result of the Group's insurance activities, and the fluctuations this causes in Group profits.

Insurance risk arises as a result of, and is related to, the Group's ownership interest in SpareBank 1 Gruppen. The Group's insurance risk is thus inextricably linked to ownership risk (see description above).

PENSION RISK

Risk arising as a result of changes in variables affecting the Group's obligations related to future pension disbursements.

Pension risk arises as a result of, and is related to, the Group's defined benefit pension scheme. Inasmuch as the defined benefit scheme was terminated on 31.12.21, pension risk has in practice come to an end.

See also further details of pension risk in the notes to the accounts.

ESG RISK

Risk arising as a result of climatic, social and governance-related factors.

ESG risk is both a risk type in its own right and an underlying risk driver of other types of risk. These include in particular credit risk, market risk, liquidity and funding risk, insurance/owner risk, and operational risk (including reputational risk).

Climate risk arises as a result of the Group's core activities; see the description of other risk types above.

The Group's ESG risk is considered low to moderate, and in line with the Group's risk strategy. See also a detailed description of ESG risk in the notes to the annual accounts, and other risk types above.

SYSTEMIC RISK

The risk of financial instability disrupting the provision of financial services on a scale that may lead to substantial negative impacts on production and employment.

Systemic risk arises as a result of, and is related to, characteristics of the financial system in which the Group operates.

REGULATORY FRAMEWORK

Regulatory requirements are changing apace, and this is expected to continue ahead. The Group identifies, assesses and adapts to regulatory changes on an ongoing basis. This is done to ensure:

- Compliance with regulatory requirements.
- Proper management of business-related implications

The Group has established a system for close follow-up of regulatory changes through, inter alia:

- Establishment of a compliance committee.
- Establishment of joint cooperation in this area across the SpareBank 1 banks ('regulatory radar').
- Quarterly reporting to the Board of Directors ('risk report' and 'compliance report') on regulatory changes, including their content, timeline for implementation and implications, along with compliance.
- Annual reporting to the Board of Directors (ICAAP and annual compliance report) on regulatory changes, including their content, timeline for implementation and implications, along with compliance.

Key changes in 2021 and regulatory changes announced for the coming years can be briefly summarised as follows:

- **Capital/financial strength**
  - Countercyclical capital buffer: as a result of the Covid-19 pandemic the countercyclical capital buffer requirement was reduced from 2.5 % to 1 % with effect from 13.03.20. In 2021 this requirement was raised on two occasions by a total of 1 percentage point with effect from 30.06.22 and 31.12.22 respectively. Norges Bank has signalled a 2.5 % increase in the buffer requirement in the course of the first half of 2022 with effect one year ahead in time.
  - Pillar 2: The Group's Pillar2 requirement from 2016 of 1.5 % remains in force. A new Pillar 2 decision is expected towards the end of the first quarter of 2022.
  - MREL: In 2021 Finanstilsynet updated and fixed the minimum requirement for the sum of own funds and eligible debt (MREL) for SpareBank 1 Nord-Norge. The decision sets the implementation date for the Group's MREL requirement to 01.01.22. The requirement for issuance of senior non-preferred debt must be met by 01.01.24.
  - Dividend distribution: The Ministry of Finance confirmed in September 2021 that Norwegian banks can adhere to the ordinary limits for dividend distribution after 30.09.21.
  - CRR2/CRD5/BRRD2 (the 'bank package') is expected to be implemented in mid-2022. The package brings inter alia changes in the calculation of the limit for calculation of the largest exposure ('of Tier 1 capital'), and changes in the SMB discount.
  - Basel III: Completion of Basel III, including implementation of new standard approaches and IRB parameter floor etc., was previously expected in 2023. In 2021 the EU Commission proposed postponing implementation to 01.01.25.

- **Liquidity and funding**
  - NSFR: a minimum requirement of 100 % is expected to be implemented in mid-2022 as part of CRR2/CRD5/BRRD2 (the 'bank package').
  - Benchmark interest rate reform: Work on the benchmark interest rate reform and alternative benchmark rates is still ongoing. Updated status:
  - Libor wound up on 31.12.21 in the currencies GBP, EUR, CHF and JPY and for USD for the maturities 1 week and 2 months. The remainder of USD Libor maturities cease on 30.06.23.
  - The bank's products and other exposure to Libor that have ceased have been replaced with new benchmark interest rates.
  - Nibor approved as benchmark interest rate in Norwegian kroner and still used by the market, with Nowa designated as alternative benchmark rate and as recommended replacement rate in the event of lapse of Nibor.
  - In 2021 work proceeded on establishing an interest rate derivatives market with Nowa as the underlying rate. An important milestone in this work will be to set the stage for clearing of these derivatives. This is expected to be in place in 2022.

- **Credit**
  - Lending regulations: The mortgage lending regulations and consumer landing regulations were merged with effect from 01.01.21. The combined regulations apply up to and including 31.12.24. The regulations will be evaluated in autumn 2022.
  - Loan origination and monitoring: New EBA guidelines on loan origination and monitoring (EBA GL/2020/06) entered into force on

01.07.21. Finanstilsynet has confirmed to the EBA that Norway will abide by the guidelines as from that date.
  - New default definition (EBA GL/2016/07) became effective on 01.01.21.
  - IRB area: New EBA guidelines in the IRB area apply as from 2022. Against this background Finanstilsynet published in June 2021 a circular on IRB models. Finance Norway provided two rounds of comments on Finanstilsynet's draft IRB circular. On both occasions the industry, with a basis in the above-mentioned EBA guidelines and applicable EEA rules, made thoroughgoing objections to the circular. Against this background the Ministry of Finance in January 2022 sent a letter on the matter to Finanstilsynet in which it clears up the interpretation of Finanstilsynet's circular. The clarification is central to assessing the circular's status.

- **Other areas**
  - New Financial Contracts Act: Passed in parliament in 2020. Implementation was at the outset expected in 2021 but is now expected in 2022.
  - Outsourcing: Finanstilsynet published a new circular on outsourcing in 2020 which operationalises and clarifies existing provisions in this area. The circular was further updated in December 2021. Finanstilsynet also issued new regulations on the obligation to notify the outsourcing of business.
  - Internal governance: The EBA has updated existing guidelines on internal governance (EBA GL/2017/11). The new guidelines (EBA GL/2021/05) further increase the requirements on internal governance.

With regard to compliance with the anti-money laundering legislation, SpareBank 1 Nord-Norge has in recent years deployed substantial resources, including investments in systems support, to ensure compliance with current regulatory requirements.

All in all, the changes made in the regulatory area are considered comprehensive, but manageable. Changes in the regulatory framework are not expected to require the Group to make significant changes to its business model or strategy in the short or medium term.

ORGANISATION AND HR

Information about the bank's work on the organisational setup and HR, including information on equality and diversity along with health, environment and safety can be found in the chapter entitled "Corporate social responsibility". See also the HR report, available in the sustainability library on the bank's website (https://www.sparebank1.no/en/nord-norge/about-us/about-us/sustainability.html).

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Information about the bank's work on sustainability and corporate social responsibility can be found in the chapter entitled "Corporate social responsibility". See also the bank's own pages on sustainability and corporate social responsibility on the bank's website at www.snn.no.

MACROECONOMIC CONDITIONS

GLOBAL ECONOMY – SPECTRE OF INFLATION LOOMS

Despite high vaccination rates, and less serious illness, the Covid-19 virus continued to leave its mark on economic growth among several of our most important trading partners in the fourth quarter. Now it is the much-talked-about omicron variant that is prompting stringent infection protection measures in several European countries. Moreover, the delta variant burdened a number of emerging economies in the autumn. Despite this, global companies report growth above trend. Global PMI indices (activity indices) for December indicate a growth rate of about 4 % ahead. So long as the present vaccination rates continue worldwide, and the proportion of seriously ill patients continues to decline, several parts of the services sector will resume normal activity and provide a further contribution to growth. We expect GDP growth in excess of 5 % both in the US and the eurozone for 2021. While forecasts for 2022 vary somewhat, lasting high growth is expected into 2022. The IMF, for example, expects overall growth of 4.9 % for the coming year.

Prolonged demand pressures in the form of high goods consumption and rising business investment in combination with supply side challenges throughout the pandemic have put most input prices in the manufacturing sector under heavy pressure worldwide. In addition, capacity challenges are noted on the supply side, in particular in the labour market. Firms – both in Europe and, in particular, the US – are struggling to recruit labour and by implication to meet the high demand. In sum this produced a steady rise in inflation among our trading partners through the autumn. Inflationary expectations in the eurozone and the US alike have not been higher since the financial crisis at the end of the 2000s, and inflation has already translated into quickening wage growth in several countries. The market's interest rate expectations, which are closely linked to inflationary expectations, also rose in the autumn – at the same time as several central banks communicated a reversal of the highly expansionary monetary policy they pursued during the pandemic.

NORWEGIAN ECONOMY

Overall activity in the Norwegian economy, like that among our trading partners, was strong in 2021. Within months of full reopening, increased infection pressure culminated in the introduction of new far-reaching infection protection measures at the end of the year. A nationwide ban on the serving of alcohol, and limits on attendance at indoor gatherings or events, had major consequences for already hard-hit service segments such as culture, entertainment, lodging and food services. Despite new measures imposed, the overall level of activity is now higher than it was prior to the pandemic, and overall GDP growth for the mainland (non-oil) economy is expected to end at about 4 % for 2021 (Monetary Policy Report 4/21). High activity along with low unemployment were two of the main reasons why Norges Bank chose to see right through the omicron variant and increase the policy interest rate for the second time in the autumn. Norway's central bank, like a number of other central banks, is resolved to raise the policy rate further in 2022. A third policy rate hike is already being priced in by the bank in March 2022.

Unemployment is at about the same level as prior to the pandemic and is expected to fall further once activity in a number of service segments is back to a normal level. We are concurrently seeing some of the same tendencies in the Norwegian economy as among several of our trading partners. Job vacancies are at a record level, and more than half of the businesses in Norges Bank's regional network report capacity challenges, in particular problems in obtaining labour (Regional Network 4/21). International bottlenecks have also driven inflation in the Norwegian economy. The consumer price index (total index) shows 5.3 % growth in the last twelve months, driven by quickly rising electricity prices in the autumn. The central bank's preferred inflation measure is adjusted for fluctuations in electricity and other energy prices ('KPI-JAE') and ended at 1.6 % in the same period, i.e. slightly below the inflation target.

The krone exchange rate measured by the I44 index (import-weighted) rose in the fourth quarter in step with a higher oil price and higher economic activity, only to fall back in connection with the spread of the omicron variant by the end of the year. Historically, global uncertainty has implied a negative climate for the Norwegian currency. Should the uncertainty caused by the pandemic be reduced, and the oil price remains stable, the krone exchange rate could strengthen into 2022.

Norwegian house prices have so far absorbed Norges Bank's interest rate hikes, although price growth was more measured at the end of the year. True enough, the latter must be ascribed to normal seasonal variations, and activity levels overall were high. House prices rose on a national basis by 5 % in the last 12 months. Household mortgage interest rates also rose from record low levels and are expected to rise further in step with Norges Bank's policy rate hikes, and it is natural to assume that this will affect price growth in the period ahead.

NORTH NORWEGIAN ECONOMY

The expectations barometer for 2021 (KBNN.NO) reflected North Norwegian business leaders' higher expectations 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 production and profitability alike throughout 2021 (Regional Network 4/21). This partially confirms the hypothesis that the North Norwegian economy has in relative terms managed well through the years of pandemic.

Employment has been higher, and unemployment lower, than the average for the rest of the country. The latest figures from the Norwegian Labour and Welfare Administration (NAV) show that this is still the case. Unemployment both in Nordland and in Troms and Finnmark stands at 1.7 %, which is well below the average for the rest of the country. As elsewhere in the country, job vacancies are at record level – and about 40 % of North Norwegian businesses have recruitment problems (Regional Network 4/21).

Demand for North Norwegian commodities remained high through 2021. The fishery and aquaculture sector's importance for overall economic activity in the North is growing steadily. A significance portion of Norwegian seafood exports stems from North Norway, and as of November the region accounted for 34 % of Norway's overall seafood exports. Indeed the region exported 35 % more than at the same point last year, and, measured in Norwegian kroner, the stage is set for the region's best ever year for seafood exports.

The high activity in the housing market is evidence that the North Norwegian economy has managed well through the pandemic. House prices have risen markedly in the last twelve months. The price growth is highest in Bodø and Tromsø, with Bodø (incl. Fauske) reigning supreme with price growth as high as 13.1 % in 2021. We are not expecting this trend to continue in 2022. Rising house prices imply, all else equal, an increased debt burden for households. However, figures from KBNN indicate that the overall level of debt in the region has fallen since 2020. Most North Norwegian households are in a healthy financial position.

SpareBank 1 Nord-Norge expects continuing high demand for North Norwegian commodities in the period ahead, and that activity levels in the tourism, transport and hotel segment will show a further increase. It accordingly takes a positive view of the region's macroeconomy in the coming quarter.

SUMMARY AND FUTURE PROSPECTS

Financial objectives and ambitions remained unchanged in 2021, and are as follows:

- To deliver a return on equity on a par with the best of comparable financial groups
- A cost ratio below 40 %
- A CET1 ratio 1 % above the regulatory minimum
- A dividend payout ratio above 50 %

SpareBank 1 Nord-Norge delivered on all these objectives for 2021[1] . Our overall lending growth was almost 8 %, and the pace of growth into 2022 is good.

The omicron variant looks to be the way out of the Covid-19 pandemic. Despite high infection rates we are seeing substantial relaxation of the measures put in place both nationally and internationally, and we expect this to have a positive effect in our region as elsewhere. Culture/nightlife, tourism/transport and hotels/restaurants will in particular benefit greatly from a normalised everyday life.
The Group's market position and financial position are good. The Group has done well in carrying through considerable strategic measures over the last two years. In 2022 we can capitalise on the basis laid by taking forward a strong customer and cost focus in the best interests of our customers, owners and investors and the regional community. We aspire to enhance customer satisfaction, increase efficiency and gain new market shares. With that ambition in mind it is important to give prominence to the Group's locally-based approach to its customers and market areas.

The annual accounts for 2020 have been prepared based on the going concern assumption. The Group's long-term strategic plan and profit forecasts for the years immediately ahead underlie this assumption.

SpareBank 1 Nord-Norge's profit performance for 2020 is described as good, and the Group is in a healthy and good financial position. The international economic uncertainty remains, but there are grounds for cautious optimism as regards the further path of the Covid-19 pandemic.

The underlying buoyancy of the North Norwegian economy is good, and the bank sees good opportunities for continued growth for us and for the region. Being the region's most important and largest financial institution, we will play our part – for North Norway.

The Board of Directors would like to thank the Group's entire staff for their efforts and commitment in a demanding 2021. This is an important contribution to the development of SpareBank 1 Nord-Norge. The board would also like to thank the Group's customers and business connections for their contributions in 2021.

1 *Adjusted for the effect of the Helgeland transactions*

CORPORATE GOVERNANCE

The Group management team and Board of Directors conduct an annual review of the corporate governance policies and how they function in the Group. SpareBank 1 Nord-Norge issues a statement on the policies and practice of corporate governance in accordance with Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance of 14.10.21.

The following explains how section 3-3b second subsection of the Norwegian Accounting Act is complied with at Sparebank 1 Nord-Norge. The numbering shows the numbering of the subsection concerned.

1. Reference to the Code of Practice followed by SpareBank 1 Nord-Norge, information about where the Code of Practice is available, and a justification for any deviation from the Code of Practice.

SpareBank 1 Nord-Norge's corporate governance structure is based on regulatory requirements and government expectations. SpareBank 1 Nord-Norge complies with the Norwegian Code of Practice for Corporate Governance, issued by the Norwegian Corporate Governance Board (NUES).

2. Information about where the Code of Practice and regulations mentioned in no 1 are publicly available.

The Code of Practice for Corporate Governance is available at nues.no.

3. A justification for any deviation from the Code of Practice and rules as mentioned in no 1.

Any deviations from the Code of Practice receive comment under the following statement on compliance with the Code of Practice.

4. Description of the main elements of SpareBank 1 Nord-Norge's systems for internal control and risk management associated with the financial reporting process.

See point 10 of the Norwegian Code of Practice for Corporate Governance for a description of internal control and risk management associated with the financial reporting process.

5. Provisions of articles of association which in whole or in part expand or diverge from chapter 5 of the Public Limited Liability Companies Act. SpareBank 1 Nord-Norge abides by the Financial Institutions Act.

Reference is made to point 6 of the Code of Practice for an account of SpareBank 1 Nord-Norge's compliance.

6. The composition of governing bodies and a description of the main elements of applicable instructions and guidelines for the work of these bodies and any committees.

See points 6, 7, 8 and 9 of the Code of Practice.

7. Provisions of articles of association which regulate the appointment and replacement of board members.

See the report regarding point 8 of the Code of Practice.

8. Provisions of articles of association and authorisations which empower the Board of Directors to decide to repurchase or issue the bank's treasury equity certificates (ECs).

See point 3 of the Code of Practice.

9. Description of the institution's policy on equality and diversity with regard to for example age, gender and educational and occupational background for the composition of the Board of Directors, management and control bodies and their subcommittees, if any. The object of the policy, how it has been carried through and its effect in the reporting period shall be stated.

See our "Guidelines for our employees" which is publicly available in the sustainability library on our webpages. As to the Board of Directors and subcommittees, see point 8 of the Code of Practice.

POINT 1 OF THE CODE OF PRACTICE 1: STATEMENT ON CORPORATE GOVERNANCE AT SPAREBANK 1 NORD-NORGE

There are no significant divergences between the Code of Practice and compliance with the Code of Practice at SpareBank 1 Nord-Norge.

The Code of Practice applies to the extent appropriate to savings banks with equity certificates ECs. Any deviations are explained below.

Corporate governance at SpareBank 1 Nord-Norge is defined as the goals and overarching policies by which the bank is governed and controlled for the purpose of safeguarding the interests of equity certificate (EC) holders, depositors and other stakeholder groups in the bank. The bank's corporate governance policies are accordingly designed to ensure sound asset management, and to give added assurance that its stated goals and strategies will be realised and achieved.

The bank adheres to the Norwegian Code of Practice for Corporate Governance. nues.no
Based on the three main pillars – openness, predictability and transparency – the bank has defined the following main policies:

- A structure which ensures targeted and independent management and control
- Systems ensuring monitoring and accountability
- Effective risk management
- Full disclosure and effective communication to underpin the trust between EC holders, the Board of Directors and the Group management team.
- Non-discrimination between EC holders and a balanced relationship with other stakeholder groups
- Compliance with laws, rules, and ethical standards

Deviations from point 1 of the Code of Practice:
None

POINT 2 OF THE CODE OF PRACTICE: BUSINESS

SpareBank 1 Nord-Norge is an independent financial services group within the alliance SpareBank 1-alliansen.
The bank's stated purpose is:
"The object of the savings bank is to provide those services that are customary or natural for banks to perform under the legislation governing savings banks and the licences granted at any time."
The bank's corporate vision is: For North Norway.

Visit https://www.sparebank1.no/nb/nord-norge/om-oss/om-banken/visjon-og-forretningside.html for more information on the bank's vision, business concept and financial objectives.

The Board of Directors adopts clear objectives, strategies and risk profile for the business. This is to ensure that the bank creates value for its EC holders and investors in a sustainable manner. The Board of Directors takes economic, social and environmental matters into account (ESG).

The bank's corporate governance rules were last approved by the Board of Directors on 09.02.22. SpareBank 1 Nord-Norge's staff must be recognised for their high ethical standards. To this end they must display a conduct that is confidence inspiring, honest and trustworthy and in compliance with the norms, rules and laws by which society is governed. The bank has therefore produced an ethics handbook entitled 'SNN Code of Conduct – Ethical Guidelines'. This addresses topics such as conflicts of interest; relationships to customers, suppliers and competitors; securities trading; insider rules and relevant financial circumstance of the individual. This body of rules applies to all employees and elected officers on governing bodies. The undertaking's code of conduct is available on the company's website.

All employees and elected officers are required by law and internal policies to regard knowledge of the Group's or a customer's circumstances to which they become privy in their work as confidential. This duty of confidentiality applies not only in respect of third parties but also towards colleagues who have no need for the information in question in their work.

No staff member may, via computer systems or by any other means, actively seek information about other colleagues or customers that is not necessary for their work.

SpareBank 1 Nord-Norge has its own whistle-blowing procedure for employees who learn of circumstances that contravene applicable laws and regulations or of material breaches of internal rules. Employees who in accordance with internal proce-

dures report censurable circumstances shall not be subjected to any reprisals due to their reports. It is also possible to report anonymously, and to an external whistleblowing channel.

SpareBank 1 Nord-Norge's corporate social responsibility is an integral part of the business and covers economic, social, and environmental considerations. It also covers our social mission as a savings bank with a substantial responsibility for value creation and development of the region. It does so through our services as a financial group, our distribution of the community dividend and our wider social commitment. Corporate social responsibility is also expressed in the way in which we manage the resources at our disposal and in our dialogue with employees, EC holders, customers, suppliers, local communities and other stakeholders. The company has dedicated webpages for sustainability and corporate social responsibility. See also the following chapter entitled "Corporate social responsibility".

The Board of Directors evaluates objectives, strategies and risk profile at least once a year.

Deviations from point 2 of the Code of Practice:
None

POINT 3 OF THE CODE OF PRACTICE: EQUITY AND DIVIDENDS

The Board of Directors continuously assesses the Group's capital level and composition in light of its objectives, strategy and desired risk profile.

As at 31.12.21 the SpareBank 1 Nord-Norge Group's common equity Tier 1 (CET1) ratio was 18.7 %. The bank and the Group are viewed as financially very sound.

The bank's financial targets, including its financial strength target, are communicated via the bank's website, in periodic presentations of its accounts and in the bank's annual report (see also the previous point). The bank also conducts periodic reviews of the bank's risk exposure and need for capital. These are summarised in a yearly report (ICAAP) which is submitted to and approved by the bank's Board of Directors.

For further information on equity, see the chapter entitled 'Risk management and internal control'.

DIVIDENDS

The Board of Directors has formulated a dividend policy as the basis for the distribution of dividends proposed to the Supervisory Board . The dividend policy is published on the bank's website, in periodic presentations of the accounts and in the annual report.

Each year the Supervisory Board determines the share of post-tax profit to be distributed as dividends to EC holders and to the ownerless capital (grunnfondskapitalen) based on their respective shares of total equity. The share allocated to the ownerless capital is normally disbursed as community dividend.

See further information in the Board of Directors' management report.

PURCHASE OF TREASURY ECS

To permit flexibility when selling ECs to employees and elected officers, the Supervisory Board has previously authorised the Board of Directors to buy back or issue treasury ECs. To this end, the Board of Directors was on 25.03.21 granted authorisation by the Supervisory Board to purchase and establish a security interest in the bank's treasury ECs within the bounds set by regulatory requirements.

The total volume of ECs held by bank, and/or in which it has a consensual security interest, may not exceed 5 % of the bank's EC holders' capital. The lowest price payable per EC is NOK 12.50 and the highest is NOK 100.

The ECs are to be purchased on the securities market via the Oslo Stock Exchange. Disposal shall take place in the same market, or as placements with employees and elected officers in accordance with regulatory requirements. Granting of a security interest is done by agreement with the customer in conjunction with the credit process, and any realisation of the security interest shall take place on the securities market via the Oslo Stock Exchange. The authorisation is valid until 25.05.21.

DEFICITS

Any deficit is to be covered by proportionate transfers from the ownerless capital, including the donations fund, and EC holders' capital that exceeds the stipulated EC holders' capital, including the dividend equalisation fund. Deficits that are not so covered are to be covered by proportional transfers from the premium reserve and compensation reserve, thereafter by reduction of the stipulated EC holders' capital.

INCREASE OF CAPITAL

Board authorisations for increases of capital are granted on the basis of concrete, defined purposes. As at 31.12.21, the Board of Directors has granted no authorisations to increase the capital of SpareBank 1 Nord-Norge. No stock issues were implemented in 2021. No subordinated loans were taken out in 2021 to increase the Group's own funds (capital adequacy).

Deviations from point 3 of the Code of Practice:
None

POINT 4 OF THE CODE OF PRACTICE: EQUAL TREATMENT OF SHAREHOLDERS

The bank shall, through ongoing dialogue, ensure EC holders and other stakeholder groups the opportunity to express their views on the bank's strategic and business-related development. The bank shall have a profile that ensures credibility and predictability in the equity capital market.

Through the articles of association and in the work of the Board of Directors and Group management team, emphasis is given to equal treatment of all EC holders and equal opportunity for them to exercise influence. All ECs confer an equal voting right. The bank is compliant with the provisions of the Financial Institutions Act regulating holdings and voting rights insofar as these provisions apply to EC-based savings banks.

In the event of an increase of EC holders' capital, existing EC holders have pre-emptive rights, unless special circumstances call for deviation from this rule. Any such deviation will be explained. SpareBank 1 Nord-Norge has for several years carried out sales of ECs and/or private placings with the employees involving discounts and lock-in periods. Such transactions are designed to strengthen the employees' ownership of their place of work, their interest in the bank's profitability and future, and the bank's capital instrument.

In 2021, employees were invited to purchase ECs via contracts to save NOK 500, NOK 1,000, NOK 1,500 or NOK 2,000 per month, to be deducted from their pay. Each quarter, ECs are purchased for the amount saved. Every second EC purchased by the employee via the savings scheme qualifies for one further EC free of charge from SpareBank 1 Nord-Norge.

The "bonus ECs" are awarded two years after the employee initiates saving and are contingent on the employee retaining ownership of the originally saved ECs and remaining an employee of the Group. Board members are also entitled to participate in the savings programme.

A total of 528 employees availed themselves of the offer in 2021. The average amount saved was about NOK 1,635 per month.

Deviations from point 4 of the Code of Practice:
None

POINT 5 OF THE CODE OF PRACTICE: SHARES AND NEGOTIABILITY

The bank's equity certificate is quoted on the Oslo Stock Exchange and is freely transferable. The articles of association contain no restrictions on transferability.

Deviations from point 5 of the Code of Practice:
None

POINT 6 OF THE CODE OF PRACTICE: GENERAL MEETINGS

GENERAL MEETING (SUPERVISORY BOARD)

The bank is a savings bank and its management structure and the composition of its management bodies differ from those of a private limited company; see chapter 8 of the Financial Institutions Act on general meetings, governing and control bodies, etc. SpareBank 1 Nord-Norge accordingly has a general meeting ("Supervisory Board ").

The bank's supreme body, the Supervisory Board , comprises EC holders, depositors, employees and representatives of the public authorities.

The elected members shall collectively reflect Sparebanken's customer structure and other stakeholder groups, and its societal functions. The Supervisory Board shall see to it that the bank operates in line with its mission and in conformity with law, its articles of association and the decisions of the Supervisory Board .

The Supervisory Board has the following main tasks:

- Overseeing the board's management of the company
- Approving the annual financial statements and management report
- Electing members of the bank's Board of Directors and nomination committee
- Appointing the bank's responsible auditor and fixing the auditor's remuneration
- Distributing the amount which, according to section 10-17 of the Financial Institutions Act, may be donated to non-profit causes
- Raising subordinated loan capital

The bank shall ensure that all members of the Supervisory Board receive at least 21 days' notice in writing of Supervisory Board meetings and access to agenda documents, including the nomination committee's recommendation. The documents shall be available on the bank's website at least 21 days in advance of such meetings. The Supervisory Board cannot make decisions on any matters other than those stated in the notice of the meeting.

The Supervisory Board consists of 40 members and 20 substitute members with the following representation:

- EC holders: 16 members and 6 substitute members
- Depositors: 10 members and 5 substitute members
- Employees: 10 members and 5 substitute members
- Troms and Finnmark county council: 2 members and 2 substitute members
- Nordland county council: 2 members and 2 substitute members

The Supervisory Board normally meets once a year.

The Supervisory Board has substitute members. EC holders can accordingly not attend by proxy.

Deviations from the point 6 of the Code of Practice:
The Supervisory Board consists of 40 members, with the EC holders accounting for 16 out of 40 votes. The reason for this deviation from the Code is that SpareBank 1 Nord-Norge abides by the provisions of the Financial Institutions Act with respect to the composition of corporate bodies of savings banks.

POINT 7 OF THE CODE OF PRACTICE: NOMINATION COMMITTEE

NOMINATION COMMITTEE FOR THE SUPERVISORY BOARD

The nomination committee comprises five members and five substitute members, with representatives from all four groups represented on the Supervisory Board . The nomination committee is appointed by the Supervisory Board to prepare the election of members to the Supervisory Board , the Board of Directors and the nomination committee itself, excluding the employee representatives. The nomination committee is also tasked with reviewing and proposing any changes in the fee structure for the company's elected officers.

Guidelines for the nomination committee are established by the bank's Supervisory Board.

The nomination committee comprises 5 members and 5 substitute members with the following composition:

- 2 members and 2 substitute members from those elected by the equity certificate holders
- 1 member and 1 substitute member from those elected by the depositors
- 1 member and 1 substitute member from those elected by the employees
- 1 member and 1 substitute member from those elected by the county councils

When preparing the various elections, the committee attaches importance to experience, expertise, gender, industry and geography.

DEPOSITORS' ELECTION

The Supervisory Board 's nomination committee shall prepare the depositors' election of members and substitute members to the Supervisory Board. The actual election is done electronically by the depositors.

COUNTY COUNCIL MEMBERS' ELECTION

Representatives from the county councils are appointed by the county councils themselves.

EC HOLDERS' ELECTION

An annual election meeting is held for the EC holders at which representatives to the Supervisory Board are elected and the company's financial situation is presented. The EC holders are summoned to the election meeting at least 14 days before the meeting is held. Notice of the meeting includes the nomination committee's recommendations for representatives to the Supervisory Board and other relevant supporting documents.

The voting rights attached to ECs are held by the person provably registered with the Norwegian central securities depository (VPS).

The chair of the nomination committee, or whoever he/she authorises, presents the recommendations to the election meeting, including an account of the nomination committee's work. All those entitled to vote may submit proposals to the election meeting. Separate elections shall be held for members and substitute members. The order in which the substitute members are elected shall be determined at the election.

Votes shall be cast in writing unless all attendees at the meeting agree on a different method. The person(s) who receives the most votes shall be elected. In the case of a tied vote, lots shall be drawn.

NOMINATION COMMITTEE FOR THE EMPLOYEES' ELECTION

Pursuant to the Financial Institutions Act, the election shall be organised by a nomination committee containing representatives appointed by the Board of Directors. The nomination committee must comprise at least 3 members and both the employees and management must be represented.

Deviations from point 7 of the Code of Practice:
All members of the nomination committee for the Supervisory Board are elected from the groups represented on the Supervisory Board. This is conformant with the Financial Institutions Act's rules regulating savings banks.

POINT 8 OF THE CODE OF PRACTICE: BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

Reference is made to point 6 for information on the General Meeting/Supervisory Board .

In 2021 the Board of Directors comprised 9 regularly attending members, 7 of whom were elected by the Supervisory Board and 2 were elected by the employees. 5 of the Board of Directors' 9 members were women, 4 of whom were elected by the Supervisory Board and 1 by the employees. The 9 members are elected for a term of 2 years. An insurance policy has been taken out for the board members and the Group CEO to cover any liability arising on their part towards the bank and third parties. The policy covers the insureds' liability for any economic loss, including personal liability for the bank's debts, that is the subject of a claim brought against the insured person in the insured period as the result of an alleged tortious act or omission.

The CEO is not a member of the Board of Directors. None of the board members elected by the Supervisory Board have any employee or contractor relationship with the Group beyond their positions as elected officers.

The board members' independence has been assessed by the nomination committee and they are deemed to be independent. However, the employee-elected board members are not subject to such assessment.

The chair and deputy chair are elected by the Supervisory Board at separate elections for a term of 2 years.

The composition of the Board of Directors follows from the articles of association. The nomination committee shall ensure that the composition of the Board of Directors is such that the qualifications of its members fulfil the provisions of the Financial Institutions Act on suitability and also fulfil the ESMA/EBA recommendations.

The instructions for the nomination committee require the following:

- Competence – importance shall be given both to formal training and experience
- Industry – a variety of industries shall be represented
- Geography – Sparebanken's entire market area should be represented
- Gender – the provisions of the Public Limited Liability Companies Act concerning representation of both genders apply to the Board of Directors. For other elected officers, including within each of the various groupings in the Supervisory Board , a gender distribution that is as equal as possible should be striven for.
- Impartiality – obvious conflicts of interest should

be avoided. Board members cannot hold board positions in other financial institutions; see the Financial Institutions Act Section 9-1.

- Length of service – the need for continuity must be weighed against the need for renewal and independence; see the recommendation in the Code of Practice

The Board of Directors has 12 fixed meetings per year, and the members' participation in board meetings is described in the annual report. Their holdings of ECs of SpareBank 1 Nord-Norge are disclosed in the notes to the accounts, under the presentation of the Board of Directors in the annual report and on the bank's website. Each board member's background is also described in the annual report and on the bank's website, snn.no.

Deviations from point 8 of the Code of Practice:
None

POINT 9 OF THE CODE OF PRACTICE: THE WORK OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS' FUNCTION

The Board of Directors manages the bank's operations in accordance with regulatory requirements, the articles of association and other guidelines issued by the Supervisory Board . The Board of Directors is responsible for ensuring that the resources disposed over by the bank are managed in a prudent and appropriate manner. The board also has an obligation to ensure that all accounting and asset management are subject to satisfactory controls.

In addition, the board has the following main responsibilities:

- To appoint the CEO
- To establish instructions for the day-to-day management of the bank
- To determine the bank's strategy, budget and market-related and organisational goals

The Board of Directors appoints and dismisses the manager of the internal audit function.

The Board of Directors normally holds twelve meetings a year. In 2021, the board met 16 times.

SIGNIFICANT INTERESTS

The instructions to the Board of Directors provide that a board member may not participate in the consideration of or decision in matters of significance for him or her or for any related party.

Board members shall disclose, unsolicited, any interest the individual senior employee or a related party may have in the decision in a matter under consideration by the Board of Directors. This applies regardless of whether it can be regarded as a vested interest that disqualifies them under the previous point.

Unless the board member him/herself opts to withdraw from the consideration of the matter, the board shall determine whether not the person concerned shall withdraw. In such an assessment, weight shall be given to any and all forms of personal, financial or other interests of the member and to the need for public trust in the Board of Directors' decisions and the bank's activities. The Board of Directors' assessment of the question of disqualification shall be recorded in the minutes.

The instructions to the Board of Directors state how the board and the Group management team shall deal with agreements with related parties and include provisions requiring an independent valuation to be obtained. No such agreements with related parties exist at present.

Board members are defined as primary insiders and must abide by the bank's rules governing acquisition of equity ECs of the bank and banks in SpareBank 1 Alliance.

In the consideration of commitments involving companies in which a board member holds a position or has an interest, the member concerned shall declare himself/herself disqualified and withdraw from the meeting. Board members and senior employees shall also inform the Board of Directors if they, directly or indirectly, have a significant interest in an agreement entered into by the bank.

EVALUATION OF THE BOARD OF DIRECTORS

Each year the Board of Directors conducts a self-evaluation of its work with regard to competence, working methods, administrative procedures, meeting structure and prioritising of tasks. The evaluation is submitted to the nomination committee as a tool in the recruitment of new board members.

REMUNERATION COMMITTEE

Members:
Chairman of the board and 3 board members, one of whom represents the employees. In 2021 the committee consisted of 2 men and 2 women.

The remuneration committee is identical for all companies in the Group that are covered by the Financial Institutions Regulations.

The Board of Directors has established the remuneration committee's mandate. The committee meets as and when the committee itself considers it necessary, but at least once a year.

Mandate:

- To prepare and present matters to the Board of Directors concerning the remuneration arrangements, including:
  - Remuneration policy
  - Report on the implementation of remuneration arrangements
  - Statement on the determination of salaries and other remuneration of senior employees that is presented to the Supervisory Board
  - Establishment of a variable remuneration framework €) The remuneration committee considers, and makes a recommendation on, the variable remuneration of senior personnel covered by the Financial Institutions Regulations
  - Control function
  - Group CEO's remuneration

AUDIT COMMITTEE

The audit committee is a preparatory and advisory working committee to the Board of Directors tasked with carrying out in-depth assessments of selected areas.

Members:
The audit committee shall comprise 3 members of the Board of Directors. They shall be independent pursuant to the definition in the Code of Practice for Corporate Governance.

- The audit committee may not consist of members of any other board committee, with the following exceptions/clarifications:
- The members of the audit committee may be members of the risk committee.
- The members of the audit committee may be members of the appointments committee and other ad hoc committees.
- The chair of the audit committee may not also chair the risk committee or the appointments committee.

The audit committee must at all times have the necessary competence to discharge its tasks. At least one member of the audit committee must have relevant accounting and auditing skills and experience.

The audit committee meets as often as the committee itself deems necessary, but at least four times a year.

In 2021 the committee comprised 2 women and 1 man.

Mandate:
The audit committee shall oversee that the Group has an independent and effective external auditor and satisfactory financial reporting in conformity with regulatory requirements. This shall include reviewing the following areas, processes and documents (and all matters naturally pertaining thereto):

- Annually
  - Annual report, including relevant attachments
  - External auditor's audit plan
  - External auditor's summary report following the carrying out of the statutory audit, including the audit report
  - External auditor's declaration of independence
  - Consider, and submit to the Board of Directors a recommendation on, the external auditor's remuneration
  - Sustainability report (where the scope of the reporting is further expanded).
- Quarterly
  - Quarterly report, including relevant attachments (loss report etc.).
- Ongoing (general)
  - Review and discuss points where the auditor disagrees with the management and/or where substantial uncertainty has been drawn attention to by the auditor and/or other matters which the auditor wishes to discuss.
  - Correspondence with the Financial Supervisory Authority relating to areas covered by the audit committee.
  - Assess other matters as determined by the Board of Directors and/or the audit committee itself, or which the external auditor wishes to discuss, including letters to the Group management (Management Letters).

• Ongoing (under the identically worded Financial Institutions Act Section 8-19 and Auditors Act Section 6-43) [1]

- Inform the Board of Directors of the outcome of the statutory audit and explain how the audit contributed to integrity in the financial reporting, and the audit committee's role in that process.
- Prepare the Board of Directors' follow-up of the financial reporting process and offer recommendations or proposals to assure its integrity.
- Insofar as the undertaking's financial reporting is concerned, monitor the systems for internal control, risk management and the undertaking's internal audit without thereby impinging on the audit committee's independent role.
- Maintain ongoing contact with the institution's elected auditor regarding the auditing of the annual financial statements, including in particular monitoring the conduct of the audit in light of matters to which the Financial Supervisory Authority has drawn attention under Article 26(6) of the Audit Regulation; see Section 12-1 of the Auditors Act.
- Evaluate and monitor the auditor's independence under Chapter 8 of the Auditors Act and Article 6 of the Audit Regulation, in particular that non-audit services are delivered in conformity with Article 5 of the Audit Regulation; see Section 12-1 of the Auditors Act. See also separate authorisation to the administration related to "purchase of non-audit services from the external auditor".
- Be responsible for preparing the institution's appointment of the auditor and make its recommendation in conformity with Article 16 of the Audit Regulation, cf. Section 12-1 of the Auditors Act.

RISK COMMITTEE

The risk committee is a preparatory and advisory working committee to the Board of Directors tasked with carrying out in-depth assessments of selected areas.

Members:
The risk committee shall comprise 3 members from the Board of Directors. They shall be independent pursuant to the definition in the Code of Practice for Corporate Governance.

The risk committee may not consist of members of any other board committee, with the following exceptions/clarifications:

- The members of the risk committee may be members of the audit committee.
- The members of the risk committee may be members of the appointments committee and other ad hoc committees.
- The chair of the risk committee may not also chair the audit committee or the appointments committee.

The risk committee must at any and all times have the competence needed to discharge the risk committee's tasks. When appointing the committee members, importance shall be attached to the members' possession, individually or collectively, of sufficient competence, experience and expertise in risk and capital management.

The risk committee meets as often as the committee itself finds necessary, but at least four times a year.

In 2021 the committee consisted of 2 women and 1 man.

Mandate:
The committee shall oversee that risk and capital management in the Group supports the Group's strategic development and goal attainment and ensures financial stability and prudent asset management. This shall include addressing the following areas, processes and documents (and all matters naturally pertaining thereto):

- Annual
  - Self-assessment of risk and capital needs (ICAAP)
  - Validation of the IRB system
  - Risk strategy
  - Capital strategy
  - Recovery plan
  - Pillar 3 report
  - Steering documents in the credit area
  - Liquidity strategy
  - Market risk strategy
  - Other relevant steering documents in the various risk areas
  - Manager verification
  - Risk analysis, money laundering
  - Annual report, compliance
  - Annual plan for the internal audit function
  - Incitements in the remuneration policy and remuneration practice (from a risk perspective).

1 *The audit committee itself considers which activities it must carry out in order to meet the regulatory requirements referred to, including whether defined activities on an annual, quarterly and ongoing basis are sufficient to meet those requirements.*

- Quarterly/tertiary
  - Risk report from Risk Management
  - Status reports from the internal audit function
- Ongoing
  - New strategic priorities
  - Correspondence with the Financial Supervisory Authority relating to areas covered by the Risk Committee.
  - Changes to the IRB system (model changes etc.)
  - Significant new products, processes and systems, outsourcing arrangements etc.
  - Risk pricing
  - Ensuring that the IRB system is well integrated into the organisation and that it satisfactorily calculates risk levels and capital needs
  - Ensuring that the bank has adequate systems for internal control, risk management, compliance and the internal audit, and that they that function satisfactorily
  - Assessing other matters as determined by the Board of Directors and/or the Risk Committee itself, or that the internal auditor wishes to discuss.
- Periodically
  - Assessing and making recommendations to the Board of Directors concerning the election of the internal auditor.
  - Instructions to the internal audit function
  - Instructions to the chief risk officer (CRO)
  - Instructions to the head of Compliance

REPORTING

The Board of Directors receives periodic reports on the following:

- Financial performance
- Market developments
- Management, personnel and organisational development
- Changes in the risk picture and risk exposure of the bank, including the status with respect to risk limits and targets adopted by the board, and the status with respect to recovery indicators etc.
- Compliance

In addition to the above, there are periodic presentations of the bank's scorecard containing financial, organisational, market-related and quality-related targets.

Central business lines and other related areas are reviewed at least once a year, with evaluation and determination of limits and guidelines.

INTERNAL AUDIT

The internal audit function is a tool employed by the Board of Directors and the administration to ensure that the risk management process is targeted, efficient and functions as intended. EY delivers internal audit services to the Group. The internal audit covers the Group's entire business. This also includes material activities that are outsourced, as well as subsidiaries that are subject to the regulations on risk management and internal control or that engage in activity considered to be of material significance for the Group. The internal audit's main task is to confirm that the established internal controls function as intended, and to ensure that established risk management measures are adequate in relation to the bank's risk profile.

The internal audit function reports every four months to the Board of Directors, which adopts annual plans and budgets for the internal audit. Reports and recommendations issued by the audit function concerning improvements to the bank's risk management are reviewed and implemented on a continuous basis.

An audit plan is prepared and is discussed with the Group management team, considered by the risk committee and approved by the Board of Directors. The internal audit's risk assessments determine which areas are to be reviewed.

Separate audit reports are prepared, containing results and recommended improvements. These are presented to the responsible manager and the Group management team. A summary of the reports is submitted on a four-monthly basis to the risk committee and the Board of Directors. Any consultancy work is carried out in keeping with the standards and recommendations applying to internal auditors (IIA/NIRF).

RISK MANAGEMENT FUNCTION

This function is independent of the business lines and has overarching responsibility for overall and coherent risk management and internal controls, including responsibility for the Group's risk models and the further development of effective risk management systems etc.

A job description for the head of this function (CRO) is in place. This is revised and adopted by the Board of Directors annually.

COMPLIANCE FUNCTION

The compliance function is independent of the business lines and is responsible for overseeing compliance with regulatory requirements and internal policies in the Group.

The head of the compliance function is responsible for:

- Overseeing that the Group has in place policies and procedures to identify compliance risk.
- Overseeing that preventive measures and procedures are implemented to curtail risk.
- Considering on a regular basis whether the policies, procedures and measures are sufficiently effective, and assessing the effectiveness of measures put in place to remedy non-compliance with the body of rules.
- Coordination and contact with the Financial Supervisory Authority and other relevant authorities regarding matters of compliance.
- Ongoing monitoring of regulatory developments and assessing how regulatory changes affect the business and seeing to it that requisite steps are taken to assure compliance when new requirements are given effect.
- Ensuring that internal rules are reviewed and updated on a regular basis. If there is a need for adjustments of internal policies, the compliance department shall support each document owner in their work of preparing written recommendations for changes.
- Ensuring that internal policies are made available to the Board of Directors and the employees.
- To advise in the preparation of training material.
- Informing the risk management department about compliance risks and how they are handled.
- Heading the compliance committee.
- Quarterly reporting to the Group CEO and the Board of Directors.

The compliance function in the investment firm is attended to by the Group's compliance department.

A job description exists for the head of compliance. It includes the investment firm's responsibility for compliance.

Deviations from point 9 of the Code of Practice:
None.

POINT 10 OF THE CODE OF PRACTICE: RISK MANAGEMENT AND INTERNAL CONTROL

Risk and capital management at SpareBank 1 Nord-Norge is aimed at supporting the Group's strategic development and goal attainment. It shall also ensure financial stability and prudent asset management. This shall be achieved through:

- A healthy risk culture characterised by a high awareness of risk and capital management.
- A good understanding of what risks drive earnings.
- Pricing products, to the extent possible, in keeping with the underlying risk.
- Striving to achieve optimal allocation of capital within the adopted business strategy.
- Exploiting synergy and diversification effects.
- Ensuring that no single event will seriously impair the Group's financial position.

SpareBank 1 Nord-Norge shall at all times operate its business in conformity with regulatory requirements and internal policies.

RISK STRATEGY

Purpose
The risk strategy is normative for the risk management and internal control effort at SpareBank 1 Nord-Norge. It defines the risk that the Group is willing to accept in order to attain the Group's business-related goals as they are defined in the business strategy, and how risk is to be managed and followed up.

The purpose of the risk strategy is summarised in the table below.

THEME	DESCRIPTION OF PURPOSE
Overview	To provide an overall and balanced view of the Group's risks
Risk capacity	Specify the Group's risk capacity
Risk willingness	Define the risk the Group is willing to accept in order to attain the Group's business-related goals as they are defined in the business strategy
Management and control	Define how risk is to be managed and followed up
Roles and responsibilities	Define roles and responsibilities

Determination
The following concepts are used to determine the Group's risk strategy:

CONCEPT	DEFINITION/DESCRIPTION
Risk capacity	The total risk exposure the Group can withstand before entering a recovery situation requiring it to: • Initiate significant corrective and/or containing measures. • Implement an undesired change of business model.
Risk willingness	• Maximum desired risk exposure from a profitability and loss perspective. • Risk willingness is lower than risk capacity • Risk willingness can apply both to aggregate risk exposure and individual risks.

Scope
The risk strategy covers the Group, including the parent bank, subsidiaries, associates and joint ventures, where appropriate and relevant.

Follow-up
The risk strategy is monitored continuously. Requirements and guides related to follow-up are further defined in the risk strategy and associated underlying documents, including:

- Roles and responsibilities.
- Action in the event of negative developments related to risk limits and targets.
- Managing breaches of risk limits.
- Reporting.

RISK WILLINGNESS

The Group's risk willingness is defined from both a qualitative and quantitative vantage point. Risk willingness is further defined for both a normal scenario and a stress scenario, where the latter represents lower risk willingness (quantitative) in particular as regards credit risk. The scenario by which the Group is to be managed at any time is decided by the Board of Directors. At the start of 2020 the Group's management approach was based on risk willingness for a normal scenario. In view of the Covid-19 pandemic, the Group decided in the first half of 2020 to take a basis in risk willingness for a stress scenario. This stance was retained through 2020 and 2021. The Group's qualitative risk willingness is shown in the following table.

#	RISK AREA	RISK WILLINGNESS, NORMAL SCENARIO	RISK WILLINGNESS, STRESS SCENARIO
1	Business risk (incl. strategic risk)	Low	Low
2	Credit risk	Moderate	Low
3	Market risk	Low to moderate1[1]	Low to moderate
4	Liquidity and funding risk	Low	Low
5	Owner risk (including insurance risk)	Low to moderate	Low to moderate
6	Operational risk (incl. related risks)	Low	Low
7	Compliance risk	Low	Low
8	Pension risk	Low	Low
9	ESG risk	Low to moderate	Low to moderate
10	Systemic risk	Externally given	Externally given
	OVERALL RISK WILLINGNESS	**LOW TO MODERATE**	**LOW TO MODERATE**

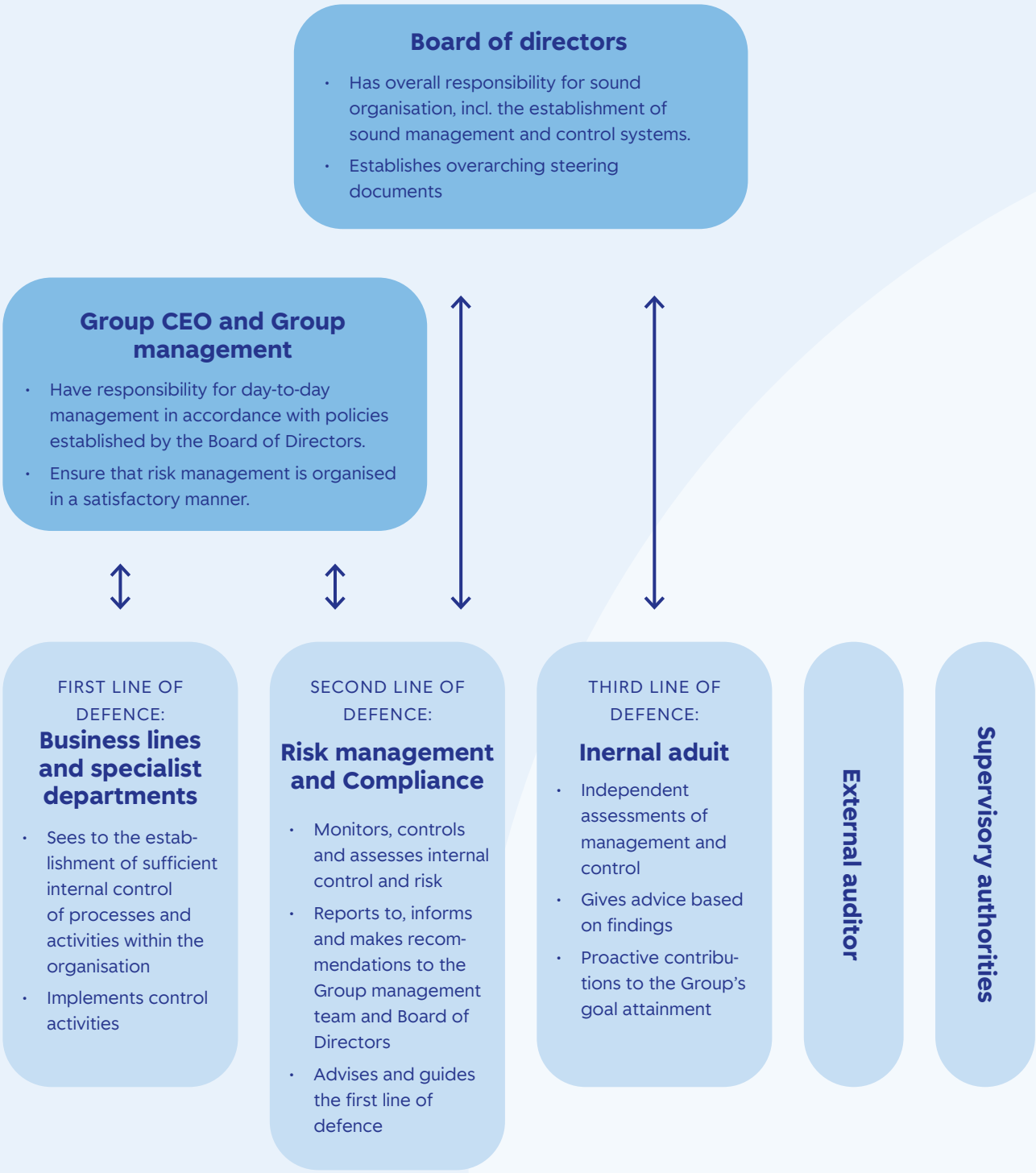
1 *Risk willingness raised from 'low to moderate' in 2021 as a result of acquisition of ECs of SpareBank 1 Helgeland.*

The overall risk willingness is low to moderate, unchanged from the previous year. The qualitatively defined risk willingness is operationalised through quantitatively defined risk limits and targets within each of the defined risk areas. This provides further direction for underlying steering documents.

ORGANISATION, IMPLEMENTATION AND FOLLOW-UP

SpareBank 1 Nord-Norge has for several years, both under its own auspices and through collaboration within SpareBank 1 Alliance, devoted substantial resources to developing effective processes to identify, measure and manage risk.

The Group's organisational set-up aims to underpin, and conform to, regulatory requirements and internal ambitions related to risk management and internal control. A model incorporating three lines of defence has been developed. This is further illustrated and described below.



The **Board of Directors** of SpareBank 1 Nord-Norge is responsible for adopting a prudent risk profile, yield targets, overall risk and capital management frameworks, including the IRB system, and risk models in general. The board is also responsible for adopting risk frameworks and authorisations as well as the ICAAP (Internal Capital Adequacy Assessment Process) with the associated assessment of prudent solvency and liquidity seen in relation to the Group's risk profile and regulatory requirements.

The board shall ensure that the framework is sufficiently communicated and implemented throughout the Group. The board shall also ensure that the framework is followed up with sufficient authority and resources.

The board's tasks are formalised in a separate annual plan which is revised each year. This ensures that the board can devote sufficient time and focus to key tasks.

The **risk committee**, one of the board's working committees, is responsible for the initial consideration of matters related to risk management, capital management and internal control et al. prior to final board consideration and approval. This includes the ICAAP, IRB validation, risk strategy and risk reports.

The **Group CEO** is responsible for overall risk management. The CEO is accordingly responsible for the implementation of effective risk management systems in the Group and for the monitoring of risk exposure. The Group CEO is also responsible for delegating authorisations and reporting to the board.

Managers of business lines and specialist departments, as well as employees, are responsible for day-to-day risk management within their areas of responsibility. The managers shall at all times ensure that risk management and risk exposure comply with the limits and general management principles that are determined by the Board of Directors or Group CEO.

Risk management is organised independently of the business lines and reports directly to the Group CEO. The executive director of credit and risk management (CRO) can also report directly to the board if called for in extraordinary situations. The department is responsible for further development and management of the framework for risk management, capital management and internal control, including risk models and risk management systems. The department is also responsible for the further development and management of the risk management, capital management and internal control framework, including risk models and risk management systems. The department is further responsible for the ongoing monitoring and reporting of the Group's risk exposure to the board.

Compliance is an independent function which identifies, assesses, advises on, monitors and reports on the company's compliance risk. The compliance function at SpareBank 1 Nord-Norge covers all business lines, specialist departments and subsidiaries in matters of compliance with regulatory requirements and internal policies. The department is independent and collaborates with other specialists/departments where necessary. This applies particularly to risk management, the legal department and the internal audit, as well as to compliance officers at subsidiaries etc.

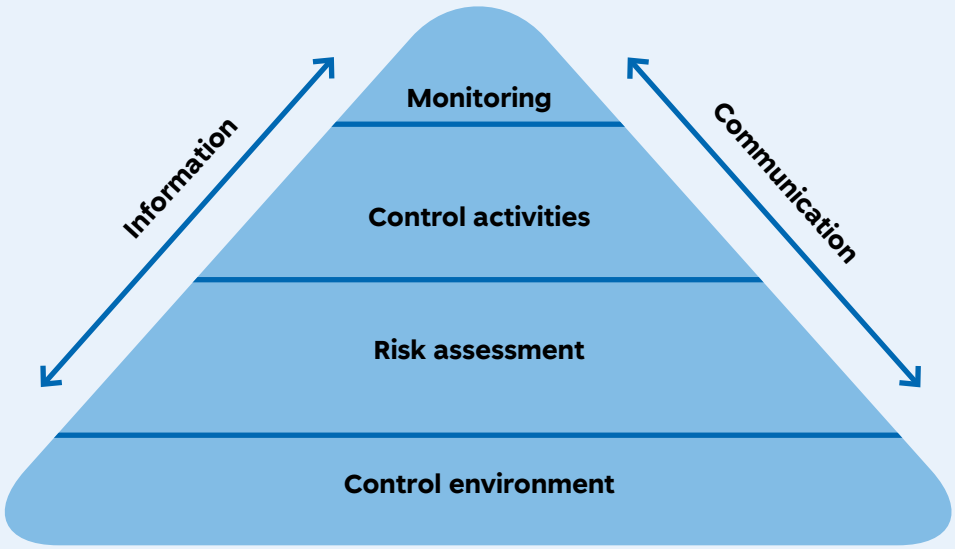
Credit is the Group's central department in the credit area, responsible for the preparation and maintenance of goals, strategies, policies and procedures, operational management, and monitoring of the Group's credit operations and credit risk management. The department has a stand-alone role in relation to the business lines and local banks.

The **credit committees** are responsible for making independent recommendations to authorisation holders. In their recommendations, the credit committees make an assessment of loan and credit applications in accordance with the current credit policy, appropriation rules and credit management procedures. The credit committees put special emphasis on detecting risks associated with each application, and make an individual, independent assessment of credit risk in each case.

The **asset-liability committee for risk and capital management (RIKAP)** handles the overall follow-up of the Group's balance sheet, risk profile, funding, liquidity and financial soundness and ensures that the Group complies with regulatory requirements in this area. RIKAP also handles the ICAAP, IRB validation, credit models, risk strategy, capital plan and stress tests. The asset-liability committee has a broad-based composition, drawing senior employees from the business lines and the departments responsible for risk and capital management.

The **compliance committee identifies and assesses** new and changed regulatory requirements that apply to the business. This includes assessing the requirements' impact on the business and ensuring that necessary adjustments are implemented. The committee also considers changes in the risk picture, including breaches of regulatory requirements and internal policies, as well as identified flaws in internal controls related to compliance, and sees to it that any measures required are taken.

Internal audit ensures that the risk management process is targeted, effective and functions as intended. The internal audit function reports to the board. The internal audit's reports and recommendations for improvements shall be acted on by the organisation. The Group's internal audit function is provided by EY.



INTERNAL CONTROL AND MANAGER VERIFICATION

The internal control is based on the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission), which has five levels:

1. **Control environment:** includes the people in the institution, their individual qualities and integrity, ethical values, attitudes and competence, as well as how the business is organised. Management philosophy, leadership style and mode of operation are also part of the control environment.
2. **Risk assessment:** assessment of internal and external factors that affect goal attainment.
3. **Control activities:** policies and procedures to ensure that risks are minimised and managed effectively.
4. **Information and communication:** processes that ensure that relevant information is identified and communicated in a timely manner.
5. **Monitoring:** processes to ensure that internal control is appropriately defined and implemented, and that it is effective and adaptable.

The five levels are intended to assist the Group in attaining its strategic goals through sound risk and business management. The COSO framework has been established in keeping with the Group's other risk and capital management principles, where continuous improvement, operational efficiency, reliable financial reporting and compliance with laws and regulations are important aspects.

Directors, bank managers, specialist managers and departmental heads report upwards in the organisation on how risk management within their areas of responsibility has been implemented in relation to approved frameworks and risk exposure. This gives the CEO and the board a basis for overseeing that risk management is handled properly. Manager verification (internal control reporting) is carried out once a year. This work is coordinated by Risk Management. The purpose of the annual manager verification is to:

- Summarise the implementation of internal control and risk management.
- Map the Group's strengths and weaknesses in the area of internal control and risk management so that necessary improvement measures can be implemented.

- Lay the groundwork for active involvement in and understanding of internal control and risk management among managers at every level in the Group.

The reporting is actively utilised in a manager development process designed to promote increased understanding of the importance of good risk management and quality.

The information technology (IT) area uses the Control Objectives for Information and Related Technology (COBIT) framework as its basis for internal control and risk management. The COBIT framework is designed to ensure holistic management and control in three key areas:

- Internal and regulatory requirements and controls
- Technical issues and challenges
- IT risk.

Business goals and strategic objectives are connected to IT goals in these areas. Good management is ensured through ongoing calculations and follow-up of goals and performances, and through the accountability of process owners within the business lines and the IT area. The framework unites acknowledged IT standards and best practices with other overall and strategic objectives.

INTERNAL CONTROL – FINANCIAL REPORTING

The Group complies with applicable regulatory requirements and contributes to ensuring relevant, reliable, timely and identical information to the bank's EC holders and the securities market as a whole. This also applies in relation to the Group's contact with investors outside the Supervisory Board. The finance unit is headed by the chief financial officer (CFO) and organised independently of the business lines. The finance unit is responsible for financial reporting at both parent bank and group level. The function sets guidelines for monthly, quarterly and annual reporting from all business lines and most of the subsidiaries based on internal and external requirements. The CFO continuously assesses the business lines' financial results and goal attainment and ensures that all the units perform in line with the Group's overall financial objectives. The CFO reports directly to the Group CEO.

The Group's administration and finance department prepares financial reports for the SpareBank 1 Nord-Norge Group. The department ensures that the reporting is compliant with applicable legislation and accounting standards and the Board of Directors' guidelines.

The administration and finance department has established processes that ensure that financial reporting is quality assured and that any errors and deficiencies are immediately followed up and rectified. Control measures have been established for all financial reporting. This is to ensure correct, valid and complete reporting. The measures include reasonableness and probability controls at each location within the business lines and on an aggregated level. In addition, detailed reconciliation checks are carried out on a daily and monthly basis. The Group has established good measurement systems for all business lines in the Group, where the most important target figures for each area are followed up. Each business line is responsible for such monthly financial reporting and follow-up and works closely with administration and finance on developing and improving measurement systems. The design and effectiveness of established control activities are regularly evaluated.

The external auditor conducts a full annual audit of the Group's annual financial statements.

ETHICS AND WHISTLEBLOWING

A code of conduct has been drawn up for the Group and its employees. The core values and ethical values are well communicated and known throughout the organisation. Clear guidelines have been established for internal communication should an employee learn of circumstances that are in breach of external or internal provisions or other circumstances that could harm the Group's reputation or financial situation.

A whistleblower can also report anonymously, and an external reporting channel has also been established.

Deviations from point 10 of the Code of Practice:
None.

POINT 11 OF THE CODE OF PRACTICE: REMUNERATION OF THE BOARD OF DIRECTORS

The members of the Board of Directors receive a fixed annual remuneration. Remuneration is not performance related. The board chair is remunerated separately and board members who participate in board committees receive payment accordingly. None of the board members elected by the Supervisory Board normally perform work for the bank beyond their directorships.
Ad hoc committees may be established and are remunerated on a separate basis. The Supervisory Board has set an hourly rate for such work which is utilised for example in connection with the appointment of the CEO.

Some board members have enrolled in the Group's savings scheme. The scheme is identical to the 2020 version and involves agreements to save NOK 500, NOK 1,000, NOK 1,500 or NOK 2,000 per month. Every second EC purchased via the savings scheme qualifies for one further EC free of charge from SpareBank 1 Nord-Norge. The "bonus ECs" are awarded two years after the employee initiates saving and are contingent on the employee retaining ownership of the originally saved ECs.

Deviations from point 11 of the Code of Practice:
Equity certificate savings scheme.

POINT 12 OF THE CODE OF PRACTICE: REMUNERATION OF EXECUTIVE PERSONNEL

A policy on salary and other remuneration to senior personnel has been adopted that is clear and comprehensible and contributes to the bank's business strategy, long-term interests and economic resilience. The policy is in the public domain and can be found in the sustainability library (https://www.sparebank1.no/nb/nord-norge/om-oss/baerekraft/barekraftsbibliotek.html).

The Group has established a remuneration policy that conforms to the Group's overall goals, risk tolerance and long-term interests. It is intended to help promote, and provide incentives for, good management and control of the Group's risk, discourage excessive or undesired risk taking, avoid conflicts of interest and ensure compliance with applicable laws and regulations. The policy is approved by the Board of Directors and presented to the Supervisory Board .

The Group's remuneration policy includes special rules for senior personnel, other employees and elected officers with tasks of material significance for the Group's risk exposure. The same applies to employees and elected officers with control tasks; see requirements of the Regulations on remuneration arrangements in financial institutions, investment firms and management companies for securities funds.

1. ıe Board of Directors has established a remuner-
ion committee as a preparatory body for matters
lating to the assessment and fixing of the Group
EO's remuneration. The committee shall also make
commendations to the Board of Directors on
2. olicy for the remuneration of senior personnel
iroup management team). The remuneration
ommittee's mandate is set by the Board of Direc-
rs. The policy is submitted to the Supervisory
oard . The Board of Directors' statement on mana-
erial pay constitutes a separate case document to
e Supervisory Board . Matters previously disclosed
the Board of Directors' statement on managerial
3. ay and in the notes are now disclosed in "Report
ı salary and remuneration of senior personnel".

4. ee also the account of the Board of Directors'
muneration committee under point 9

ıe following principles are applied when determin-
g any variable remuneration to senior personnel:
There should be an appropriate balance

5. between fixed and variable remuneration. The fixed component of the employee's remuneration should be sufficiently high to allow the institution the possibility of paying no variable component at all.

   For employees covered by the Financial Institutions Regulations, variable remuneration may not total more than 100 % of the fixed remuneration.

6. The Supervisory Board of the bank, and the Annual General Meeting at subsidiaries, may decide that the limit can be increased to 200 % if the requirements for consideration by the company's governing bodies etc. are met.

   Any variable remuneration shall not constitute more than 50 % of the fixed salary for the Group CEO and Group management team of the bank.

7. The basis for variable remuneration related the department's results shall be a period of at least two years. Variable remuneration may however be earned annually, based on assessments of financial and non-financial performance over at least two years.

8. The determination of variable remuneration shall be based on an assessment of the person's performance, as well as the results of the business unit and the Group as a whole. When

9. measuring risk, all risks arising from the operations of the financial institution must be taken into account, including the cost of capital and liquidity needed by the institution.

   At least half of the variable remuneration shall be

10. paid in the form of ECs of SpareBank 1 Nord-Norge. The right of disposal over such ECs shall be accrued pro rata over a period of

11. 3 years from the time the variable remuneration was determined. During this period, the ECs may not be freely disposed by the employee. The period shall take account of the institution's underlying business cycle and the risk present in the institution. Such part of the variable remuneration will be reduced if either the institution's performance or subsequent results call for this to be done.

12. Overall variable remuneration must not limit the Group's ability to strengthen its own funds.
13. Any individual, variable bonus scheme shall be reduced on a krone-to-krone basis by the amount of any profit share (Group or company bonus).
14. Variable remuneration is not paid in the form of ownership interests in associates (internal companies), or in any other way which might entail circumvention of the undertaking's remuneration policy.
15. Senior personnel may not have agreements or insurance that protect against the non-payment of performance-related remuneration.
16. Remuneration of employees with control responsibilities shall be independent of the results of the business line that they control.

The Group CEO, or whomever he designates, is responsible for submitting each year a presentation to the remuneration committee in connection with the granting of variable remuneration to senior personnel. The remuneration committee submits the matter to the Board of Directors.

Deviations from point 12 of the Code of Practice:
None

POINT 13 OF THE CODE OF PRACTICE: INFORMATION AND COMMUNICATIONS

Information and effective communication underpin the relationship of trust between EC holders, the Board of Directors and the Group management team and ensure that the bank's stakeholder groups have the opportunity at any time to assess and relate to the bank. The bank's information policy therefore attaches importance to an active dialogue with the bank's various stakeholder groups, in which the focus is on openness, predictability and access.

The bank also emphasises the importance of correct, relevant and timely information on the bank's development and performance in terms of inspiring the confidence of the investor market. Information is communicated to the market through the bank's quarterly investor presentations, website, stock exchange notices and press releases. Regular presentations are also arranged for the bank's international partners, lenders, investors and other stakeholder groups.
The open information practices conform to the non-disclosure rules in force at any and all times.

SpareBank 1 Nord-Norge's financial calendar is published on the bank's website.

Deviations from point 13 of the Code of Practice:
None

POINT 14 OF THE CODE OF PRACTICE: TAKEOVERS

Any party intending to make an acquisition that will entail becoming the owner of a qualifying holding in a savings bank must send advance notice thereof to the Financial Supervisory Authority of Norway; see Section 6-1 of the Financial Institutions Act. The same applies to acquisitions entailing that a qualifying holding will increase to or exceed 20, 30 or 50 %, respectively, of the capital or votes of a financial institution, or that the holding will enable a determining influence in the financial institution as mentioned in Section 1-3 of the Public Limited Liability Companies Act.

An overview of the 20 largest EC holders in SpareBank 1 Nord-Norge can be found in the notes to the accounts and on the bank's website.

Deviations from point 14 of the Code of Practice:
Statutory limit on equity holdings.

POINT 15 OF THE CODE OF PRACTICE: AUDITOR

The external auditor is appointed by the Supervisory Board based on the recommendation of the audit committee. The bank's auditor is identical to the auditor of all the subsidiaries.

The external auditor presents an annual plan to the audit committee containing the main features of the execution of the audit engagement.

The auditor participates in board meetings at which the annual accounts are discussed and in the audit committee's meetings where the accounts are discussed. In addition, the Group's internal control function is reviewed, including identification of weaknesses and recommendations for improvements. The Board of Directors holds at least one meeting with the auditor a year without the Group CEO or others from the Group management team being present.

The external auditor presents a report on these matters to the bank's Supervisory Board .
Guidelines have been established for the Group management team's right to use the auditor for non-audit services.

The Supervisory Board sets the auditor's fees.

Deviations from point 15 of the Code of Practice:
None.

CORPORATE SOCIAL RESPONSIBILITY

Below follows an account of the bank's work on organisation and HR, including information about equality and diversity along with health, environment and safety. These matters are covered more fully in a separate HR report which as available in the sustainability library on the bank's home page (https://www.sparebank1.no/nb/nord-norge/om-oss/baerekraft/barekraftsbibliotek.html)

There also follows an account of the bank's work on sustainability and corporate social responsibility. SpareBank 1 Nord-Norge publishes a separate report on sustainable and corporate social responsibility which is structured in line with the GRI standard (Global Reporting Initiative). This report is also available in the sustainability library on the bank's website ((https://www.sparebank1.no/nb/nord-norge/om-oss/baerekraft/barekraftsbibliotek.html). The website provides further information about the Group's objectives and work in the field of sustainability and corporate social responsibility.

ORGANISATIONAL SETUP AND HR

SpareBank 1 Nord-Norge aims to have the right number of qualified employees in the right place, framed by the Group's business and risk strategy. Around 900 committed, skilled employees have played their part in enabling the Group to deliver on its strategic and financial targets in 2021, a year which in many respects has required much adaptability and patience. A simple explanation for the Group's success in this respect is evident from the results of the annual employee survey. On a scale from 0 to 100 (fully disagree – fully agree), the employees score an average of 85 on the proposition "I am strongly committed to my work and responsibilities".

SpareBank 1 Nord-Norge is an attractive place of work in the region. In 2021, Universum's survey of Norway's most attractive employers again ranked SpareBank 1 in fourth place among economics students, indicating the brand's attractiveness. 2020 was a year out of the ordinary. 2021 shows several similarities. Local and national restrictions impacted our staff's working day, not least our contact with customers. The experience of working from home was mapped by the project 'fremtidens arbeidsformer' (working methods of the future), which drew a response from as much as 82 % of the Group. This enables the Group's hybrid office solution to be accommodated to the employee perspective, the regulations on working from home and the needs of the employer.

The transfer of business between SpareBank 1 Nord-Norge and Helgeland Sparebank was completed in October 2021. This was a lengthy process which demanded much of all those involved on both sides in terms of work environment, employment law and technically. The transfer entailed the closure of the Sandnessjøen, Mosjøen, Brønnøysund and Mo i Rana branches. SpareBank 1 Nord-Norge maintains a presence at these branches through its subsidiaries EiendomsMegler 1 Nord-Norge and SpareBank 1 Regnskapshuset Nord-Norge.

In 2021 SpareBank 1 Nord-Norge brought to completion a sizeable project on employee benefits with a focus on pension and insurance arrangements. The greatest changes resulting from the project were the termination of the defined benefit pension scheme as from 31.12.21 and a strengthening of the defined contribution pension scheme.

GENDER EQUALITY AND DIVERSITY

Diversity at all levels of the organisation increases innovativeness and strengthens competitive power. Through a systematic approach to gender balance in recruitment, staffing and remuneration, the Group management contributed to greater diversity in 2021.

In 2020 it was gratifying to note that women accounted for more than 40 % of the Group's Board of Directors and the boards of subsidiaries. In 2021 the Group can also point to a women's share of managerial positions (positions with personnel responsibilities) in excess of 40 %.

The top management currently comprises 3 women and 6 men. The gender balance across the entire workforce is 52 % women and 48 % men.
No generalised, gender-specific pay differences were brought to light in 2021, but we still note that men often occupy most of the weightier posts, resulting in a skewed distribution of pay between the genders. The Group signed the Women in Finance Charter in 2021 to further strengthen efforts in this area.

HEALTH, SAFETY AND THE ENVIRONMENT

The Group has reported a very low rate of sickness absence (self-declared and doctor-certified) in recent years. For 2021 we see sickness absence rising from 3.51 % to 4.71 %: an increase of 1,837 days. While this increase is fairly appreciable, the Group is well below the national average of 6.58 % (Statistics Norway, Q3 2021).

Cooperation between the employer, safety service and employee union representatives was good in 2021. Defibrillation training, competence upgrading for the AKAN committee/contacts (focusing on drug and alcohol abuse and other dependency problems), and a new procedure for digital safety inspections, are good examples of this. The Group's employee survey has for several years running enjoyed much support. In 2021 the Group can point to a participation rate of 91 %. Despite a more digital working day, the survey shows good results for commitment and work environment. However, the survey also shows that work volumes, time pressures, deadlines and high performance requirements produce stress in a number of employees in the Group.

The greatest challenges in finding competent and relevant manpower to fill the Group's positions are faced in the finance centres (apart from Tromsø and Bodø) and in filling specific professional and specialist positions, as well as some management positions at larger locations in the region.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Sustainability and ESG (environmental, social and governance) issues are high on the agenda across the world. Climate risk is a threat to future financial stability, and the financial market has a crucial role to play in the green transition. As one of the world's northernmost financial services groups, SpareBank 1 Nord-Norge is particularly concerned with matters that affect Arctic areas. In 2021, sustainability and ESG received high priority at SpareBank 1 Nord-Norge and among our customers, investors, employees and the regional community. Sustainability is accordingly one of the guiding principles of the new business strategy, while ESG risk is a part of the Group's risk strategy and subject to quarterly reporting to the Board of Directors.
SpareBank 1 Nord-Norge aspires to contribute to a greener securities market. The Group's key instruments to this end are green lending and funding along with the investments made in connection with liquidity management. Developing a green product framework was accordingly an important priority in the past year. At the end of 2021 the ESG-classified portion of the Group's portfolio amounted to 12.7 NOK billion, distributed across green residential mortgages, loans to commercial property, renewable energy, electric cars, fisheries and aquaculture. This enabled the Group to issue its first green bond in the year behind us. The bond, of CHF 130 NOK million, has a maturity of 6 years.

ESG risk is defined as risk arising as a result of factors related to climate, corporate social responsibility and corporate governance. This is an emerging risk, bringing increased expectations and requirements from supervisory authorities and consumers. In addition to being a risk type in its own right, ESG risk is an underlying driver of other risk types (in particular credit risk, market risk, operational risk and compliance risk). This area accordingly forms part of the Group's risk strategy and measures climate risk, social risk and governance-related factors alike. No breaches of the Group's sustainability policy were recorded in 2021.

SpareBank 1 Nord-Norge aims for a 40 % reduction of its own greenhouse gas emissions in the period 2016-2026. For 2021 the outcome was a reduction of 24 % in greenhouse gas emissions compared with the previous year. This substantial reduction is primarily down to reduced travel activity and increased
working from home resulting from restrictions related to the Covid-19 pandemic.

SpareBank 1 SMN aspires to make a positive contribution to all UN sustainable development goals (SDGs), with a special focus on SDG 8 on decent work and economic growth; SDG 13 on climate action; and SDG 14 on life under water. Through 'Samfunnsløftet' (SpareBank 1 Nord-Norge's community dividend fund) the Group has contributed 175 NOK million to initiatives throughout the region that are working to achieve one or more of the UN's sustainable development goals. A breakdown of number of projects per SDG is available in the Group's report on sustainability and corporate social responsibility.

SpareBank 1 Nord-Norge bases its sustainability effort on internationally recognised standards. In 2021 it worked further on implementing the principles for responsible banking under the United Nations Environment Programme Finance Initiative (UNEP FI), on reports to the UN Global

Compact as well as following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

The EU's sustainable investment taxonomy received much attention in the past year. SpareBank 1 SMN closely follows developments here and other regulatory changes in the ESG area and will include this in steering documents where relevant to do so.

SpareBank 1 Nord-Norge publishes a separate report on sustainability and corporate social responsibility which is structured in line with the GRI standard (Global Reporting Initiative). This report can be read on the Group's website, which also provides further information about the Group's objectives and work in the field of sustainability and corporate social responsibility.

Tromsø, 23.02.22

The Board of Directors of SpareBank 1 Nord-Norge

Kjersti Terese Stormo
(nestleder)

Trude Slettli

Kim Daniel Arthur

Kathrine Tveiterås

Lisbeth Berg-Hansen

Cecilie Bjølgerud Wirkola
(ansattevalgt)

Kjetil Berntsen
(ansattevalgt)

Liv Bortne Ulriksen
(konsernsjef)

Annual Accounts 2021

ANNUAL REPORT - INCOME STATEMENT

PARENT BANK				GROUP	
2020	2021	AMOUNTS IN NOK MILLION	NOTES	2021	2020
2,639	**2,251**	Interest income	19	**2,542**	2,927
864	**534**	Interest costs	19	**528**	859
1,775	**1,717**	**Net interest income**		**2,014**	2,068
939	**1,022**	Fee- and commission income	20	**1,267**	1,161
70	**68**	Fee- and commission costs	20	**96**	82
11	**123**	Other operating income	20	**328**	220
880	**1,077**	**Net fee- commission and other operating income**		**1,499**	1,299
44	**36**	Dividend	21	**36**	44
351	**757**	Income from investments	21	**532**	554
95	**221**	Gain/losses and net value changes from investments in securities	21	**226**	95
490	**1,014**	**Net income from investments**		**794**	693
3,145	**3,808**	**Total income**		**4,307**	4,060
590	**632**	Personnel costs	22, 23, 24	**936**	869
596	**653**	Other operating costs	23, 31, 32	**812**	757
1,186	**1,285**	**Total costs**		**1,748**	1,626
1,959	**2,523**	**Result before losses**		**2,559**	2,434
290	**- 70**	Losses	13	**- 235**	332
1,669	**2,593**	**Result before tax**		**2,794**	2,102
304	**395**	Tax	25	**499**	360
		Result non-current assets held for sale		**2,283**	
1,365	**2,198**	**Result for the year**		**2,295**	1,742
		Result for the year allocated:			
		Controlling owner's share		**2,283**	
		Non-controlling owner's share		**12**	
		Result per Equity Certificates			
6,22	**10,15**	**Result per EC, adjusted for interests hybrid capital 1)**		**10,24**	7,89
		Other comprehensive income, IAS 1			
1,365	**2,198**	Result for the period		**2,295**	1,742
		Items that will not be reclassified to profit/loss			
		Share of other comprehensive income from investment in joint-ventures		**4**	17
2	**-98**	Actuarial gains (losses) on benefit-based pension schemes		**-101**	-1
	- 25	Tax		**- 26**	
2	**- 73**	**Total**		**- 71**	16
		Items that will be reclassified to profit/loss			
-27	**-15**	Net change in fair value of financial assets available for sale		**-15**	-27
		Share of other comprehensive income from investment in joint-ventures		**18**	10
		Tax			
- 27	**- 15**	**Total**		**3**	- 17
1,340	**2,110**	**Total comprehensive income for the period**		**2,227**	1,741
		Totalresult per Equity Certificate			
6,10	**9,74**	Result per EC, adjusted for interests hybrid capital 1)		**10,15**	7,89

1) Result, adjusted for interests hybrid capital, multiplied by ECs' share of result, divided by number of ECs.

ANNUAL REPORT - BALANCE SHEET

PARENT BANK				GROUP	
31.12.20	31.12.21	AMOUNTS IN NOK MILLION	NOTES	31.12.21	31.12.20
		Assets			
360	**399**	Cash and balances with Central Banks		**399**	360
6,923	**7,491**	Loans and advances to credit institutions	10	**1,365**	1,534
81,346	**81,558**	Net loans and advances to customers	11, 13, 14	**89,343**	88,214
705	**1,504**	Shares	21, 29	**1,519**	714
18,079	**19,150**	Bonds and certificates	21, 28	**19,150**	18,079
1,777	**1,089**	Financial derivatives	16, 21	**1,089**	1,777
1,413	**1,274**	Investment in Group companies	30		
3,541	**3,446**	Investment in associated companies and joint ventures	30	**4,837**	4,810
570	**460**	Property, plant and equipment	31	**859**	975
		Intangible assets	33	**116**	113
551	**306**	Other assets	34	**503**	722
115,265	**116,677**	**Total assets**		**119,180**	117,298
		Liabilities			
1,274	**1,123**	Liabilities to credit institutions	10	**1,092**	1,272
73,220	**76,208**	Deposits from customers	35	**76,149**	73,158
23,167	**17,527**	Debt securities in issue	36	**17,527**	23,167
1,356	**602**	Financial derivatives	16	**602**	1,356
1,335	**1,907**	Other liabilities	24, 25, 37	**2,470**	1,818
358	**9**	Deferred tax liabilities	25	**127**	455
1,050	**4,560**	Subordinated loan capital and debt	38	**4,560**	1,050
101,760	**101,936**	**Total liabilities**		**102,527**	102,276
		Equity			
1,807	**1,807**	Equity Certificates	41	**1,807**	1,807
843	**843**	Premium Fund		**843**	843
780	**780**	Hybrid capital	38	**780**	780
3,253	**3,845**	Dividend Equalisation Fund		**3,845**	3,253
6,254	**7,392**	Saving Bank's Fund		**7,392**	6,254
573	**120**	Donations		**120**	573
15	**0**	Fund for unrealised gains		**0**	15
- 20	**- 46**	Other equity		**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

Tromsø, 23.02.22

The Board of Directors of SpareBank 1 Nord-Norge

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(konsernsjef)

ANNUAL REPORT - CHANGES IN EQUITY

PARENT BANK

AMOUNTS IN NOK MILLION	EC CAPITAL	PREMIUM FUND	HYBRID CAPITAL	DIVIDEND EQUALI-SATION FUND	SAVING BANK'S FUND	FAIR VALUE RESERVE	DONATIONS FUND	OTHER EQUITY	TOTAL EQUITY
Equity at 01.01.20	**1,807**	**843**	**780**	**3,035**	**5,990**	**42**	**585**	**- 17**	**13,065**
Total comprehensive income for the period									
Period result				633	279		453		1,365
Other comprehensive income:									
Net change in fair value of financial assets available for sale						- 27			- 27
Actuarial gains (losses) on benefit-based pension schemes								2	2
Tax on other comprehensive income									
Total other comprehensive income						- 27		2	- 25
Total comprehensive income for the period				633	279	- 27	453	2	1,340
Transactions with owners									
Dividend paid 2019/other distribution				- 402			- 465		- 867
Interest hybrid capital - last year				- 13	- 15			28	
Interest hybrid capital - this year								- 33	- 33
Other equity transactions									
Total transactions with owners				**- 415**	**- 15**		**- 465**	**- 5**	**- 900**
Equity at 31.12.20	**1,807**	**843**	**780**	**3,253**	**6,254**	**15**	**573**	**- 20**	**13,505**
Total period result									
Period result				1,019	1,179				2,198
Other comprehensive income:									
Net change in fair value of financial assets available for sale				- 20	- 23	- 15			- 58
Actuarial gains (losses) on benefit-based pension schemes								- 55	- 55
Tax on other comprehensive income								- 25	- 25
Total other comprehensive income				- 20	- 23	- 15		- 30	- 88
Total comprehensive income for the period				999	1,156	- 15		- 30	2,110
Transactions with owners									
Equity issue									
Dividend paid 2020/other distribution				- 392			- 453		- 845
Interest hybrid capital - last year				- 15	- 18			33	
Interest hybrid capital - this year								- 29	- 29
Other equity transactions									
Total transactions with owners				**- 407**	**- 18**		**- 453**	**4**	**- 874**
Equity at 31.12.21	**1,807**	**843**	**780**	**3,845**	**7,392**		**120**	**- 46**	**14,741**

GROUP

AMOUNTS IN NOK MILLION	EC CAPITAL	PREMIUM FUND	HYBRID CAPITAL	DIVIDEND EQUALISA-TION FUND	SAVING BANK'S FUND	FAIR VALUE RESERVE	DONATIONS FUND	OTHER EQUITY	TOTAL CON-TROLLING INTERESTS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
Equity at 01.01.20	**1,807**	**843**	**780**	**3,035**	**5,990**	**42**	**585**	**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 value of financial assets available for sale						- 27			- 27		- 27
Actuaroal gains (losses) on bene-fit-based pension schemes								- 1	- 1		- 1
Total other comprehensive income						- 27		26	- 1		- 1
Total comprehensive income for the period				633	279	- 27	453	403	1,741		1,741
Transactions with owners											
Dividend paid 2019/other distri-bution				- 402			- 465		- 867		- 867
Interest hybrid capital - last year				- 13	- 15			28	0		0
Interest hybrid capital - this year								- 33	- 33		- 33
Other equity transactions from group companies and assosiated companies								9	9		9
Total transactions with owners				- 415	- 15		- 465	4	- 891		- 891
Equity at 31.12.20	**1,807**	**843**	**780**	**3,253**	**6,254**	**15**	**573**	**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 value of financial assets available for sale						- 15			- 15		- 15
Actuaroal gains (losses) on bene-fit-based pension schemes				- 20	- 23			- 58	- 101		- 101
Tax on other comprehensive income								- 26	- 26		- 26
Total other comprehensive income				- 20	- 23	- 15	0	- 10	- 68		- 68
Total comprehensive income for the period				999	1,156	- 15	0	75	2,215	12	2,227
Transactions with owners											
Changes in controlling interests								102	102	185	287
Dividend paid 2020/other distribution				- 392			- 453		- 845		- 845
Interest hybrid capital - last year				- 15	- 18			33	0		0
Interest hybrid capital - this year								- 29	- 29		- 29
Other equity transactions from group companies and assosiated companies								- 9	- 9		- 9
Total transactions with owners				- 407	- 18		- 453	97	- 781	185	- 596
Equity at 31.12.21	**1,807**	**843**	**780**	**3,845**	**7,392**	**0**	**120**	**1,669**	**16,456**	**197**	**16,653**

ANNUAL REPORT - CASH FLOW STATEMENT

PARENT BANK			GROUP	
31.12.20	31.12.21	AMOUNTS IN NOK MILLION	31.12.21	31.12.20
1,669	**2,593**	Profit before tax	**2,794**	2,102
94	**78**	+ Ordinary depreciation	**104**	109
	4	+ Write-downs, gains/losses fixed assets	**4**	
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
	57	Sale of fixed assets	**57**	
- 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/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
	- 501	Decrease in PCC/subordinated loan capital	**- 501**	
	3,011	Increase in PCC/subordinated loan capital	**3,011**	
		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**	
The effect of changes in foreign exchange rates			
Changes in fair value	- 49	- 1	
Changes in accrued interest	- 28	5	1
Balance at 31.12.21	**17,527**	**3,509**	**1,051**

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NOTE 1 GENERAL INFORMATION

DESCRIPTION OF THE BUSINESS

SpareBank 1 Nord-Norge is an independent Norwegian financial services group within the SpareBank 1-alliance with Equity Certificates registered on Oslo Stock Exchange.

We know Northern Norway and are a leading provider of comprehensive, modern financial solutions to customers with a basis in the Northern Norway market.

At the end of the year, the Group had 15 financial centers in Northern Norway.

BUSINESS ADDRESS

The SpareBank 1 Nord-Norge Group's head office is located in Tromsø, and its business address is Storgata 65, 9008 Tromsø.

DATE OF ADOPTION OF THE GROUP ACCOUNTS

The 2021 preliminary annual accounts were adopted by the Parent Bank's Board on 09.02.22.
The 2021 final annual accounts were adopted by the Parent Bank's Board on 23.02.22.
The 2021 final annual accounts were adopted by the Parent Bank's Supervisory Board on 24.03.22.

Dividends will be paid out 12.04.22.
See also note 43 for more information.

REVISOR

The Group's auditor is state authorized public accountant Stig-Tore Richardsen at KPMG.

NOTE 2 ACCOUNTING PRINCIPLES

1. Basis for preparation of the annual accounts
2. Changes in accounting principles
3. Presentation currency
4. Consolidation
5. Subsidiaries
6. Associated companies
7. Joint ventures
8. Operations held for sale
9. Classification and valuation of financial assets and liabilities
10. Recognition, derecognition and measurement of financial assets and liabilities
11. Loans and losses on loans
12. Impairment losses on loans
13. Defaulted and doubtful commitments
14. Intangible assets
15. Property, plant and equipment
16. Repossessed assets
17. Liabilities
18. Contingent liabilities
19. Subordinated loans and hybrid tier 1 capital
20. Interest income and expenses
21. Commission income and expenses
22. Realised losses
23. Foreign currency transactions and holdings
24. Taxes
25. Pensions
26. Segment reporting
27. Events after the date of the balance sheet

1. BASIS FOR PREPARATION OF THE ANNUAL ACCOUNTS

The 2021 group and parent bank accounts for SpareBank 1 Nord-Norge have been prepared in accordance with EU-approved IFRS (International Financial Reporting Standards), IAS (International Accounting Standards) and the associated interpretations that can be applied as of 31.12.21. If nothing distinctly is defined precisely the same accounting principles are used in the Group and parent bank accounts. The financial statements are based on the historic cost principle, with the exception of financial assets available for sale and financial assets and liabilities (including derivatives) measured at fair value through profit and loss.

The accounting policies that are applied are consistent with the policies applied in the previous accounting period, with the exception of the IFRS amendments that have been implemented in the Group in the current accounting period. Below is a list of the relevant IFRS amendments that came into effect for the 2021 financial statements and the effects that they have had on the Group's annual financial statements.

The proposed annual financial statements were adopted by the Main Board of Directors and the bank's CEO at the time indicated by the dated and signed balance sheet. The annual financial statements will be considered by the Supervisory Board on 24.03.22 for final approval.

2. CHANGES IN ACCOUNTING PRINCIPLES

New standards and interpretations that have not yet been adopted in 2020, the IASB issued a draft of a new standard for insurance contracts IFRS 17 Insurance Contracts, which will replace the current IFRS 4 Insurance Contracts. In 2021, there were further minor additions, and will take effect on 01.01.23. IFRS 17 sets out principles for recognition, measurement, presentation and disclosure of insurance contracts. The purpose of the new standard is a more uniform practice in accounting for insurance contracts. Implementation of the standard may have an impact on the value of the bank's investment in SpareBank 1 Gruppen AS.

SpareBank 1 Gruppen AS has a project to map the consequences of the new IFRS 17. As of 31.12.21, the project has not fully quantified the accounting consequences of the new standards, but is otherwise a route for implementation as of 01.01.23. Based on the assessments that have been made so far, other IFRSs and interpretation statements published prior to the adoption of the proposed annual financial statements, and which it was not mandatory to apply as at 31.12.21, do not have a material effect on the reported figures.

3. PRESENTATION CURRENCY

The presentation currency is Norwegian kroner (NOK), which is also the bank's functional currency. All amounts are presented in NOK million unless otherwise stated.

4. CONSOLIDATION

The consolidated accounts comprise the bank and all its subsidiaries that are not planned to be sold in the near future, which are therefore to be classified as held for sale in accordance with IFRS 5. Subsidiaries are defined as companies in which the bank has a controlling interest, i.e. the power to govern the company's financial and operational policies for the purpose of gaining benefits from the company's activities. Subsidiaries are consolidated from the date the bank gains a controlling interest, and they will be eliminated from the consolidation on the date when such control is relinquished.

5. SUBSIDIARIES

As at 31.12.21 the following subsidiaries are consolidated:
SpareBank 1 Finans Nord-Norge AS (85 %)
SpareBank 1 Nord-Norge Portefølje AS (100 %)
EiendomsMegler 1 Nord-Norge AS (85 %)
SpareBank 1 Regnskapshuset Nord-Norge AS (85 %)
Fredrik Langes gate 20 AS (100 %)

On achieving a controlling interest in a company (business combinations), all identifiable assets and liabilities will be recognised at fair value in accordance with IFRS 3. Any positive differences between the cost of acquisition and fair value of identifiable assets and liabilities are recognised as goodwill, whereas any negative differences are recognised as income. The accounting of goodwill after the initial recognition is commented on under the section on intangible assets.

In the parent bank's balance sheet, equity stakes in group companies are recognised at cost price in accordance with IFRS. Only the annual dividends received and any write-down on the value of the shares are stated in the parent bank's profit and

loss account. In the IFRS-based group accounts, the equity method of accounting is applied, which entails that profit/loss attributable to joint ventures and associated companies is included in the group's profit and loss account by the equity stake, and they are taken into account in the book value of the assets in the balance sheet. Profit/loss attributable to subsidiaries are consolidated into the accounts. This means that the book value of subsidiaries in the parent bank's balance sheet represents historical cost. Intra-group transactions, open accounts and unrealised profit between group companies have been eliminated.

The book values are tested for impairment.

6. ASSOCIATED COMPANIES

IAS 28 regulates the accounting treatment of investments in associated companies. The fundamental condition for the provision to apply is that the "owner company" has significant influence over the company in which it is invested in. "Significant influence" is the power to participate in establishing the principles for making financial and operational decisions in the company in which it is invested in, but not having control over these principles.
If a company directly or indirectly controls 20 % or more of the voting rights in a company in which it is invested in, it is assumed that the company has a significant influence, unless it can clearly be demonstrated that this is not the case. Conversely, if a company directly or indirectly controls less than 20 % of the voting rights in a company in which it is invested in, it is assumed that the company does not have a significant influence, unless it can clearly be demonstrated that the company has such an influence.
The extent to which significant influence exists on the part of a company can usually be demonstrated in one or more of the following ways:

- Representation on the board or equivalent governing bodies.
- Participation in processes for establishing principles including participation in decisions concerning dividends or other distributions.
- Significant transactions between the company and the company in which it is invested in.
- Mutual exchange of senior personnel; or
- Delivery of important technical information.

Associated companies are included in the consolidated financial statements in line with the equity method of accounting. The investment is initially recognised at acquisition cost in the balance sheet and subsequently adjusted for changes in the Bank's share of the net assets of the associated company. The Bank's share of the associated company's profit/loss is incorporated in the consolidated financial statements, whereas the equity stake is recognised according to the cost method in the parent bank's financial statements, in the same manner as for subsidiaries.
An agreement exists between the companies in SpareBank 1-alliance that regulates these matters.

As at 31.12.21 the following associated companies are applied with equity method of accounting:

SpareBank 1 Boligkreditt AS (15,92%)
SpareBank 1 Næringskreditt AS (3,20%)
SpareBank 1 Kreditt AS (18,37%)
SpareBank 1 Betaling AS (18,57%)
SpareBank 1 Bank og Regnskap AS (25%)
SpareBank 1 Gjeldsinformasjon AS (14,53%)
SpareBank 1 Mobilitet Holding AS (30,66%)
SpareBank 1 Forvaltning AS (16,68%)
SpareBank 1 Kundepleie AS (33,33%)

7. JOINT VENTURES

IFRS 11 regulates joint arrangements and classifies them into two types – joint operations and joint ventures.
A joint arrangement has the following characteristics:

a. the parties are bound by a contractual arrangement; and
b. the contractual arrangement gives two or more of these parties joint control of the arrangement.

"Joint control" is the contractually agreed sharing of control of a joint arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A company that is a party in a joint arrangement must assess whether the contractual agreement collectively gives all parties, or a group of the parties, control of the joint arrangement. All the parties, or a group of the parties, control the joint arrangement collectively when they must act together to manage the activities that, to a significant degree, affect the return from the arrangement, i.e. the "relevant activities".

After concluding that all the parties, or a group of

the parties, control the joint arrangement collectively, joint control only exists when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

In a joint arrangement, no individual party has sole control of the arrangement. A party with joint control of a collectively controlled arrangement can prevent any of the other parties, or a group of the parties, controlling the arrangement.

A joint arrangement exists in cases where two or more parties have joint control over the arrangement/activities. As a general rule, the parties must be bound by a contractual agreement that gives two or more of these parties control over the collectively controlled arrangement. In the case of joint ventures, contracts can be supplemented or replaced by the company's/entity's articles of association, etc. as a basis for ensuring two or more parties have control. Parties with joint control of the activities must be able to prevent any other party or group of parties controlling the activities.

As stated above, it is sufficient that those parties that have a contractual agreement regarding joint control have joint control over the relevant activities. Accordingly, the other owners will not be able to prevent decisions agreed by the parties with joint control.

Joint operations – the participants have rights to the assets, and obligations for the liabilities, relating to the collectively controlled arrangement/activities. Joint ventures – condition: a separate legal entity is required for a joint venture to exist.

Assessments of whether a joint operation or a joint venture exists must largely be based on a discretionary judgement. The assessment must take account of, among other things, the contractual conditions between the participants/parties. Rights to assets and liability for the activities' liabilities guide the classification, ref. above. In the case of joint operations, the parties have rights to the assets and are liable for the liabilities of the joint arrangement. In the case of joint ventures, the parties have rights to the net assets of the joint arrangement.

Joint ventures are recognised in the consolidated financial statements in line with the equity method of accounting. The cost method is used in the Parent Bank's financial statements.

An agreement exists between the companies in SpareBank 1 Alliance that regulates these matters. As at 31.12.20 the following joint ventures are applied with equity method of accounting:
SpareBank 1 Gruppen AS (19,5%)
SpareBank 1 Banksamarbeidet DA (18,0%),

8. FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets that the Bank's board has decided to sell will be treated in line with IFRS 5 if it is highly likely that the assets will be sold within 12 months. These types of asset are mainly assets that were acquired in connection with a bad loan, as well as investments in subsidiaries held for sale. Fixed assets and groups of fixed assets and liabilities classified as held for sale must be measured at the lowest value of previously recognised value less sales costs. The result from such activities and associated assets and liabilities are presented on a separate line as held for sale.

9. CLASSIFICATION AND VALUATION OF FINANCIAL ASSETS AND LIABILITIES

The Group's balance sheet items are classified based on whether they are financial assets and liabilities or other items.

Financial assets
Pursuant to IFRS 9, financial assets must be classified into one of three measurement categories:

- fair value with changes through profit or loss
- fair value with changes through other comprehensive income (OCI)
- amortised cost

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

Financial assets that are debt instruments
Debt instruments with contractual cash flows that are only payments of interest and principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows and sales must be measured at amortised cost. Most of the Group's lending is classified in this category. Instruments with contractual cash flows that are only payments of interest and principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows and sales must be measured at fair value with changes

through profit or loss. The Group's mortgages that will be sold to SpareBank 1 Boligkreditt are included in this category.

Instruments that generally must be measured at amortised cost or at fair value with changes through OCI can be designated to be measured at fair with changes through profit or loss if this eliminates or significantly reduces an "accounting mismatch". The Group's fixed-rate loans are included in this category.

Instruments with contractual cash flows that are only payments of interest and principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows and sales, shall be measured at fair value with changes through OCI, with interest income, currency translation effects, and any impairments presented in the ordinary income statement. Changes recognised through OCI must be reclassified to profit or loss when the assets are sold or otherwise disposed of. The Group had no such items as at 31.12.21.

Other debt instruments must be measured at fair value with changes through profit or loss. This applies to instruments with cash flows that are not only payments of normal interest and principal, and instruments that are held in a business model in which the main purpose is not the receipt of contractual cash flows. The Group's portfolio of certificates and bonds are included in this category.
Derivatives and investments in equity instruments
All derivatives in the Group must be measured at fair value with changes through profit or loss, however derivatives that are designated hedge instruments must be recognised in line with hedge accounting policies.

Investments in equity instruments must be recognised on the balance sheet at fair value. As a general rule, value changes must be recognised in the ordinary income statement, but an equity instrument that is not held for trading purposes and that is not a conditional consideration following a business transfer may be designated as measured at fair value with changes through OCI.

Financial liabilities
Under IFRS 9, financial liabilities, where the purpose is to collect contractual cash flows, are classified at amortised cost. The option in IAS 39 to use fair value for measuring financial liabilities has been continued in IFRS 9.

The Group's debt and customer deposits are classified at amortised cost.

Hedging
The Group utilises derivatives for operational hedging purposes in order to minimise interest risk from fixed-rate instruments. The Bank assesses and documents the effectiveness of hedging, both at the time of initial classification and on an ongoing basis. In the event of a fair value hedge, the change in value of the hedged risk is recognised and changes from the opening balance are recognised in the income statement. The Bank does not utilise cash flow hedging.

The Group uses fair value hedging as a hedge accounting policy for fixed-rate borrowing.

Fair value hedging is:
"A hedge of the exposure to changes in the fair value of a recognised asset or liability, or a binding commitment that has not been recognised, or an identified proportion of such an asset, liability or binding commitment that is attributable to a particular risk, and that may affect the result."

Hedge accounting calculates the offsetting effects on the result associated with changes in the fair value of the hedging instrument and hedge object. IFRS 9 simplifies the requirements for hedging accounting compared with IAS 39. The requirement for hedge effectiveness of 80-125 % has been eliminated and replaced with a more qualitative requirement, including the fact that there should be a financial connection between the hedging instrument and hedged item, and that the credit risk should not dominate the value changes of the hedging instrument. Hedging documentation is still required.

Other balance sheet asset and liability items
All other asset and liability items on the balance sheet, that are not financial, are covered by other IFRS rules, not IFRS 9, and are measured at amortised cost.

10. RECOGNITION, DERECOGNITION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would have been obtained upon the sale of an asset, or paid for the transfer of a liability, in a well-ordered transaction between market players at the time of measurement.

A financial asset's or a financial liability's amortised cost is the amount that the financial asset or the financial liability is measured at upon initial recognition, minus repayments of the principal, plus or minus cumulative amortisation using an effective interest rate method of any difference between the initial amount and the amount due, and minus any reduction (direct or through the use of an appropriation account) for falls in value or exposure to loss.

An effective interest rate method is used to calculate amortised cost for a financial asset or a financial liability (or a group of financial assets or financial liabilities) and for allocating interest income or interest costs over a relevant period. The "effective interest rate" is the interest rate that exactly discounts estimated future cash receipts or payments over the financial instrument's expected lifetime, or over a shorter period if this is appropriate, to the net capitalised value of the financial assets or the financial liability. When calculating the effective interest rate, an institution must estimate cash flows and take into account all of the contractual terms and conditions associated with the financial instrument (e.g. early repayment, purchase options and similar options), but should not take account of future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other additional payments or discounts. It is assumed that the cash flows and expected lifetime of a group of similar financial instruments can be estimated reliably. However, in those rare cases where it is not possible to estimate the cash flows or expected life of a financial instrument (or a group of financial instruments) reliably, the institution must use the contractual cash flows throughout the period of maturity agreed for the financial instrument (or the group of financial instruments).

Derecognition is the elimination of a previously recognised financial asset or financial liability from an institution's balance sheet. Financial assets are derecognised upon expiration of the contractual rights to the cash flows from the financial asset or when the rights to the cash flows from the asset have been transferred in such a manner that the risk and return associated with ownership has to all intents and purposes been transferred.
Financial liabilities are derecognised when the contractual conditions have been met, been cancelled or expired.

The bank 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. There is some residual involvement associated with sold loans with the possible, limited settlement of losses against commissions. The mortgage companies can sell on loans purchased from the bank, but the bank's right to administer the customers and receive commissions continues. If the bank is unable to serve the customers, the right to serve them and receive commissions lapses. The bank also has the option to buy back loans, subject to certain conditions. The bank has, therefore, neither retained nor transferred the most material risks or returns associated with sold loans. The bank recognises the amount associated with the residual involvement as an asset or liability. Reference is also made to note 12.

When it repurchases its own bonds, the repurchased bonds are derecognised and the difference between the payment for and book value of the repurchased bond is recognised.

CLASSIFICATION OF BALANCE SHEET ITEMS - AS AT DESEMBER 2021

	CLASS	CURRENT IFRS/IAS	FINANCIAL ASSETS OR LIABILITIES	CLASSIFI-CATION 2021	FAIR VALUE HIERAR-CHY	APPLIED IN THE ANNUAL REPORT NOTE	BALANCE PARENT BANK 31.12.21	BALANCE GROUP 31.12.21
	Financial assets							
B	Cash	IFRS 9	Yes	FVPL	1	Cash flow statement	88	88
B	Deposits with central banks	IFRS 9	Yes	FVPL	1	Cash flow statement	311	311
A	Lending to financial institutions	IFRS 9	Yes	AC		10	7 492	1 365
A	Write-downs lending to financial institutions	IFRS 9	Yes	AC		10,13	-	-
A	Property mortgages for retail customers	IFRS 9	Yes	AC		11,27	4 495	4 495
A	Property mortgages for retail customers available for sale for SpareBank 1 Boligkreditt (webclient)	IFRS 9	Yes	AC		11,27	24 823	24 823
B	Property mortgages for retail customers prepared for sale to SpareBank 1 Boligkreditt (webclient)	IFRS 9	Yes	FVPL	3	11,26,12	5 664	5 664
C	Fixed rate loans	IFRS 9, IFRS 13	Yes	FVO	3	11,26	5 629	5 642
A	Other loans for retail customers	IFRS 9	Yes	AC		11,27	5 562	9 452
A	Corporate market loans	IFRS 9	Yes	AC		11,27	35 934	39 910
A	Loan loss provisions	IFRS 9		AC		13	-549	-643
B	Shares, trading	IFRS 9, IFRS 13	Yes	FVPL	1	21, 29	843	843
D	Shares, available for sale with value changes through OCI	IFRS 9	Yes	FVOCI	3	21,29	-	-
B	Shares, non trading	IFRS 9, IFRS 13	Yes	FVPL	2,3	21,29	5 228	5 444
B	Shares, non trading Hybrid Tier 1 Capital	IFRS 9, IFRS 13		FVPL	2,3	21,29	153	69
B	Liquidity portfolios	IFRS 9, IFRS 13	Yes	FVPL	1,2	21,29	19 150	19 150
B	Derivatives - interest rate-/ currency hedging, bonds	IAS 39	Yes	FVPL	2	16,21,26	123	123
B	Derivatives - interest rate-/currency hedging, fixed rate loans	IAS 39	Yes	FVPL	2	16,21,26	38	38
B	Derivatives - interest rate-/currency hedging, customers	IAS 39	Yes	FVPL	3	16,21,27	377	377
B	Derivatives - interest rate-/currency hedging, funding	IAS 39	Yes	FVPL	2	16,21,26	524	524
B	Derivatives - commodity hedging	IAS 39	Yes	FVPL	2	16,21,26	27	27
	Total financial assets						**115 912**	**117 702**
	Financial liabilities							
A	Liabilities to financial institutions	IFRS 9	Yes	AC		10	1 123	1 092
A	Deposits from customers, variable rate	IFRS 9	Yes	AC		35, 19	75 124	75 065
A	Deposits from customers, fixed rate	IFRS 9	Yes	AC		35, 19	1 084	1 084
A	Debt securities in issue, variable rate	IFRS 9	Yes	AC		36, 19	8 629	8 629
A	Debt securities in issue, fixed rate	IFRS 9	Yes	AC		36, 19	8 898	8 898
A	Loss provisions, guarantees, credit limits, committed loans	IFRS 9	Yes	AC		13	49	49
B	Derivatives - interest rate-/ currency hedging, bonds	IAS 39	Yes	FVPL	2	16,21,26	122	122
B	Derivatives - interest rate-/ currency hedging, fixed rate loans	IAS 39	Yes	FVPL	2	16,21,26	65	65
B	Derivatives - interest rate-/ currency hedging, customers	IAS 39	Yes	FVPL	2	16,21,26	340	340
B	Derivatives - interest rate-/ currency hedging, funding	IAS 39	Yes	FVPL	2	16,21,26	50	50
B	Derivatives - commodity hedging	IAS 39	Yes	FVPL	2	16,21,26	25	25
A	Subordinated loan capital	IFRS 9	Yes	AC		38,27	4 560	4 560
	Total financial liabilities						**100 069**	**99 979**

A	AC - Amortisized Cost	Held for receiving contractual cash flows	Reports according to fair value but invests with an investment horizon that matches the liabilities that will fall due. Repayment of the nominal value or selling immediately prior to due date is used to settle the debt. Never sells before this.
B	FVPL - Fair Value Profit and Loss	Held for sale	Invests independent of liabilities, the main goal is to achieve the greatest possible total return in the form of a coupon and changes in value. Makes sales in the portfolio when one needs liquidity to settle liabilities.
C	FVO - Fair Value Option	Held for sale	Invests independent of liabilities, the main goal is to achieve the greatest possible total return in the form of a coupon and changes in value. Makes sales in the portfolio when one needs liquidity to settle liabilities.
D	FVOCI - Fair Value Other Comprehensive Income	Held for receiving contractual cash flows and sales.	Same as A but sells instruments when one believes others can provide a better return up to the due date. Matches average duration in the portfolio with duration of liabilities.

11. LOANS AND LOSSES ON LOANS

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recognised at fair value, plus direct marginal transaction costs, upon initial recognition, and at amortised cost using the effective interest rate method in subsequent periods. When calculating the effective interest, the cash flows are estimated and all the contractual terms relating to the financial instrument are taken into account. In the periods after the initial measurement, the loan is assessed at amortised cost using the effective interest rate method. Upon initial recognition, fixed rate loans are designated as being measured at fair value with value changes through profit and loss. Fair value is determined by actual cash flows from customers being discounted in accordance with the Group's own set required rate of return in relation to the actual term to maturity of the loan. Credit risk is also taken into account in the required rate of return. Gains and losses that are attributable to changes in fair value are recognised as changes in value in the income statement. Earned interest and any premium/discount is recognised as interest. The interest rate risk in fixed rate loans is managed via interest rate swaps, which are booked at fair value.

12. IMPAIRMENT LOSSES ON LOANS

According to IFRS 9, provisions for losses must be recognised based on expected credit losses (ECL). The general model for impairments of financial assets in IFRS 9 applies to financial assets measured at amortised cost and that had not experienced an observable loss upon initial capitalisation. Loan pledges, financial guarantee contracts that are not measured at fair value through profit or loss, and lease agreement claims are also included.

The measurement of impairments for expected losses in the general model depends on whether or not the credit risk has increased significantly since initial capitalisation. Upon initial capitalisation and when the credit risk has not increased significantly after initial capitalisation, provisions must be made for 12 months' expected losses. 12 months' expected losses are the loss that is expected to occur over the lifetime of the instrument, but which can be linked to events that occurred in the first 12 months. If credit risk has increased substantially after initial recognition, provisions must be made for the expected loss over the entire lifetime. The expected credit loss is calculated based on the present value of all cash flows over the remaining lifetime, i.e. the difference between the contractual cash flows according to the contract and the cash flow that the Bank expects to receive, discounted by an effective interest rate on the instrument.

In addition to the general model, there are separate principles for issued, including renegotiated loans that are treated as new, and purchased loans where there is an accrued credit loss upon initial capitalisation. For these, an effective interest rate will be calculated that takes into account the expected credit loss, and in the event of changes in expected cash flows the change will be discounted by the originally set effective interest rate and recognised through profit or loss. Thus, for these assets there is no need to monitor the extent to which there has been a significant increase in credit risk after initial capitalisation since the expected loss over the entire lifetime will be taken into account anyway.

13. DEFAULTED AND DOUBTFUL COMMITMENTS

A commitment is deemed to be in default if it has been due for more than 90 days and the amount is over NOK 1,000. On 01.01.21, new rules will be introduced for defaults. These include the introduction of a waiting period for commitments that have been in default and also having to assess the likelihood of a customer repaying its loan: 'unlikely to pay'. 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.

14. INTANGIBLE ASSETS

Intangible assets consist of goodwill. Intangible assets are recognised in the balance sheet when the criteria have been satisfied. Goodwill arises as a positive difference between the cost of acquisition of a company and the fair value of identifiable assets and liabilities, with reference to the section on consolidation principles. Goodwill is not amortised; it is subjected to an annual impairment test aimed at identifying possible impairments in value in accordance with IAS 36. When the carrying amount of an asset or a cash flow generating unit exceeds its recoverable amount, the asset or unit will be written down. Write-downs are recognised through profit and loss. Write-downs of goodwill cannot be reversed.

15. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, with the exception of investment property and owner-occupied property are recognised at the cost of acquisition and depreciated on a straight-line basis over their estimated useful life. When determining a plan of depreciation, the separate assets are split up into components with different useful lives to the extent that this is regarded as necessary, taking into account estimated residual value. Property, plant and equipment, which individually are regarded as insignificant, for example PCs and other office equipment, are not assessed individually for residual value, useful life or impairment, but are considered as groups. According to IAS 16, these properties are deemed to have an estimated acquisition cost that corresponds to the value-adjusted amount at the time of such value adjustment. Property, plant and equipment that are depreciated are subject to a write-down test in accordance with IAS 36 whenever indicated by the circumstances.

16. REPOSSESSED ASSETS

In connection with the legal recovery of claims under outstanding loans and guarantees, the bank will repossess assets that have been pledged as security for such commitments in some cases. At the time of acquisition, the assets are valued at their assumed realisation value. Repossessed assets that are to be sold are classified in the balance sheet as current assets or as fixed assets held for sale and are recognised in accordance with IAS 2 or IFRS 5. Any losses/gains on the sale or reassessment of the value of such assets are recognised as additions to or deductions from losses on loans.

17. LIABILITIES

Funding is initially recorded at its original cost, which is the fair value of the proceeds received after deducting transaction costs. Variable rate loans are thereafter measured at amortised cost, and any discount/premium is accrued over the term of the loan. Fixed rate loans are included in hedge accounting and discounted according to the current interest rate curve. No fair value option is applied to the Group's liabilities.

Deposits from customers are stated at amortised cost.

18. CONTINGENT LIABILITIES

The Group issues financial guarantees as part of its ordinary business. Latent liabilities are specified in note 37. Loans are assessed for impairment as part of assessing loan losses and on the same basis, and are reported with these, ref. note 11. Provisions are made for other contingent liabilities if it is more probable than not that the liability will materialise, and the financial consequences can be reliably calculated.

19. SUBORDINATED LOANS AND HYBRID CAPITAL

Subordinated loans have priority after all other liabilities, are classified as subordinated loan capital on the balance sheet and are stated at amortised cost. Hybrid tier 1 capital is a bond with a specified interest rate, but the Group is under no obligation to pay interest for a period in which no dividend is paid, and an investor has no subsequent claim to the unpaid interest. Hybrid tier 1 capital is classified as subordinated equity on the balance sheet and is stated at amortised cost.

20. INTEREST INCOME AND EXPENSES

Interest income and expenses related to assets and liabilities that are valued at amortised cost are recognised in the profit and loss account in accordance with the effective interest rate method. All fees related to interest-bearing loans and borrowings are included in the calculation of an effective interest rate and are amortised over the expected life of the financial instrument. The market interest rate on debt instruments assessed at fair value is classified as interest income or interest expenses, whereas the effect of interest
rate fluctuations is classified as income from financial investments.

21. COMMISSION INCOME AND EXPENSES

Commission income and expenses are generally accrued in accordance with the delivery of a service. Fees related to interest-bearing instruments are not recognised as commissions;
they are included in the calculation of the effective interest rate and recognised accordingly. Advisory fees are accrued in accordance with the agreement, typically at the time the service is delivered. The same applies to day-to-day administrative services. Fees and charges related to the sale or brokerage of financial instruments, property or other investment objects that do not generate balance sheet items in the bank's accounts, are recognised in the profit and loss account when the transaction is finalised.

22. REALISED LOSSES

When it is highly probable that losses are final, they are classified as realised losses. Realised losses that are covered by previous individual loan loss provisions are booked against those provisions. Realised losses without cover by way of loan loss provisions and over or under coverage in relation to previous loan loss provisions are recognised through profit or loss.

23. FOREIGN CURRENCY TRANSACTIONS AND HOLDINGS

Transactions in foreign currencies are converted into Norwegian kroner using exchange rates prevailing at the time of the transaction. Gains and losses related to completed transactions or to the conversion of holdings of cash or cash equivalents at the balance sheet date are included in the profit and loss account, unless they are adjusted directly against equity in accordance with the principles of hedging. Gains and losses on non-monetary items are included in the income statement in the same way as the corresponding balance sheet item.

24. TAXES

Taxes recognised in the profit and loss account comprise tax payable for the period and deferred taxes. Tax payable for the period is calculated tax on the current year's taxable profit. Wealth tax is calculated and recognised as other operating expenses in the profit and loss account. Deferred taxes are accounted for by means of the liability method in accordance with IAS 12. Deferred tax liabilities or assets are recognised in respect of all temporary differences, which arise as a difference between the carrying amount and taxable value of assets and liabilities at the balance sheet date. However, no liabilities or assets are calculated for deferred taxes on goodwill that do not give a tax deduction or items that are recognised for the first time and do not affect the financial or taxable profit. Deferred tax assets are calculated with respect to accumulated tax losses carried forward at the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that the taxable profit will be available and unused tax losses can be utilised. See note 25.

25. PENSIONS

SpareBank 1 Nord-Norge is required pursuant to the Mandatory Company Pension Act to provide an occupational pension schemes for its employees. The Group has a defined contribution scheme and a closed defined benefit scheme. The defined benefit pension scheme is administered by a separate pension fund, SpareBank 1 Nord-Norge Pensjonskasse. The defined benefit pension scheme is terminated 31.12.21. On 01.07.06 the group established a defined contribution pension scheme. All new staff are enrolled in this scheme. Pensions are accounted for in accordance with international accounting standards for the calculation and accounting of pensions (IAS 19). See note 24.

26. SEGMENT REPORTING

Ordinary banking operations, involving private and business customers, represent the bank's primary reporting format, with leasing and markets as the bank's secondary reporting format. See also note 4.

27. EVENTS AFTER THE DATE OF THE BALANCE SHEET

The annual accounts are deemed to be approved for publication when the Board has approved the accounts. The Supervisory Board and regulatory authorities may refuse to approve the published annual accounts after this, but they cannot change the accounts.

Events occurring up to the time when the financial statements are approved for publication involving issues that were already known on the date of the balance sheet will form part of the information basis for determining estimates and will thereby be fully reflected in the annual accounts. Events that were not known on the balance sheet date will be reported if they are significant. The Covid-19 pandemic is such an event. Such circumstances are mentioned in note 43. The annual accounts have been prepared on the basis that the group will continue as a going concern. This assumption was valid in accordance with the Boards opinion at the time the financial statements were approved for publication. The Boards dividend proposal is stated in the annual report. Proposed dividends and distributions for charitable purposes are classified as equity until final approval has been granted.

NOTE 3 CRITICAL ESTIMATES AND ASSESSMENTS REGARDING THE USE OF ACCOUNTING PRINCIPLES

LOSSES ON LOANS AND GUARANTEES

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.

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 three 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.

For details, see note 13 – Losses.

FAIR VALUE OF EQUITY CAPITAL INSTRUMENTS

Financial assets assessed at fair value through the profit and loss account will normally be traded in active markets and the fair value can thus be determined with reasonable certainty. For financial assets classified as available for sale this is not necessarily the case. Correspondingly, the market values for assets and liabilities that are carried at amortised and appear in notes may be estimates based on discounted future cash flows, multiplier analysis or other calculation methods. Such methods could be subject to significant uncertainty. With the exception of a few shares, the Norwegian stock market is considered to have poor liquidity. Share prices will in most circumstances be the last known transaction price. In some cases where the liquidity is poor and there is a great deal of unexplained fluctuations in the share price, the share price might be determined based on the weighted average over a specified time period, usually December.

In cases where there are no representative transactions, other valuation methods have been used in accordance with the valuation hierarchy in IFRS 9.

FAIR VALUE OF FINANCIAL DERIVATIVES

The fair value of financial derivatives is usually determined by using valuation methods where the price of the underlying object, for example interest or foreign exchange rates, is obtained from the market. In the case of share options, volatility will either be observable implicit volatility or calculated volatility based on historical share price movements for the underlying object. If the bank's risk position is approximately neutral, middle rates will be used. A neutral risk position means for example that the interest rate risk within a repricing interval is approximately zero. In the opposite case, relevant purchase and sale prices will be used to assess the net position.

In the case of a counterparty whose credit rating is weaker than that of the Bank, the price will reflect an underlying credit risk. To the extent that market prices are obtained from transactions with a lower credit risk, this will be taken into account by amortising the original price difference measured against such transactions with a lower credit risk over the maturity period.

INTANGIBLE ASSETS

Intangible assets are subject to an impairment test which is mainly based on the discounting of expected future cash flows. There will always be considerable uncertainty related to estimated cash flows, and in some cases there will also be uncertainty with regard to the methods for allocating cash flows to various assets.

ACQUISITIONS

Acquisitions of other companies are recognised in the accounts using the acquisition method, ref. IFRS 3. In the acquisition method, an acquisition analysis is carried out with full purchase price allocation, where the purchase price is allocated to identifiable assets and liabilities in the acquired company. A positive difference between the fair value of the purchase sum paid and the fair value of the identifiable assets and liabilities is recognised as goodwill. Any badwill can, subject to certain criteria, be recognised as income in the income statement in the acquisition year. The acquisition analysis can be regarded as preliminary or final.

Acquisition analyses contain both concrete calculations and the exercising of best judgement. Estimated items are always associated with some uncertainty, but they are, to the extent possible, supported by calculations of expected cash flows, comparable transactions, etc.

Please also see notes 33 and 39.

NOTE 4 BUSINESS AREAS

Pursuant to IFRS 8, SpareBank 1 Nord-Norge has the following operating segments: retail market, corporate market, leasing and Markets.

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 8 in the annual report.

During 2021, SpareBank 1 Nord-Norge has sold its portfolio of local banks in Helgeland to SpareBank 1 Helgeland. After the sale, SpareBank 1 Nord-Norge owns 19.99 % of SpareBank 1 Helgeland. This stake will be incorporated into the consolidated financial statements.

GROUP 31.12.21

AMOUNTS IN NOK MILLION	RETAIL MARKET	CORPO-RATE MARKET	MARKETS	SPARBANK 1 REGNSKAPS-HUSET NORD-NORGE	EIENDOMS-MEGLER 1 NORD-NORGE	SPAREBANK 1 FINANS NORD-NORGE	SPARE-BANK 1 HELGELAND	UNSPECI-FIED/ ELIMINA-TIONS	TOTAL
Net interest income	842	812	12		2	294	86	- 33	2,015
Net fee- and other operating income	769	145	38	212	244	12	168	- 89	1,499
Net income from financial investments		12	27					753	792
Total costs	756	394	47	188	211	104	87	- 39	1,748
Result before losses	**855**	**575**	**30**	**24**	**35**	**202**	**167**	**670**	**2,558**
Losses	- 3	- 33				- 165	- 36	1	- 236
Result before tax	**858**	**608**	**30**	**24**	**35**	**367**	**203**	**669**	**2,794**
Total lending	45,719	34,996				7,888	27	2,722	91,352
Loss provision	- 71	- 479				- 93			- 643
Other assets	83	6,852	435	240	105	116		20,640	28,471
Total assets per business area	**45,731**	**41,369**	**435**	**240**	**105**	**7,911**	**27**	**23,362**	**119,180**
Deposits from customers	41,726	33,783					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	**45,732**	**41,368**	**435**	**240**	**105**	**7,911**	**27**	**23,362**	**119,180**

GROUP 31.12.20

AMOUNTS IN NOK MILLION	RETAIL MARKET	CORPO-RATE MARKET	MARKETS	SPARBANK 1 REGNSKAPS-HUSET NORD-NORGE	EIENDOMS-MEGLER 1 NORD-NORGE	SPAREBANK 1 FINANS NORD-NORGE	SPARE-BANK 1 HELGELAND	UNSPECI-FIED/ ELIMINA-TIONS	TOTAL
Net interest income	624	654	8		1	291	95	394	2,068
Net fee- and other operating income	709	118	12	211	228	9	72	- 62	1,298
Net income from financial investments	6	35	66					586	693
Total costs	742	138	41	186	191	90	44	194	1,626
Result before losses	597	669	45	25	39	211	123	724	2,433
Losses	10	193				34	9	86	332
Result before tax	587	476	45	25	39	176	115	639	2,102
Total lending	42,836	31,071				6,962	6,629	3,013	90,511
Loss provision	- 80	- 446				104	- 51	- 290	- 763
Other assets	131	6,040	854	246	109	96	16	20,060	27,551
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					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	42,886	36,665	854	246	109	7,161	6,594	22,784	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 authorised to use IRB models to calculate capital requirements for credit risk. In February 2015, the Bank was also authorised to use the advanced IRB method for the corporate portfolio. The use of IRB places great demands on the Bank's organisation, competence, risk models and risk management systems.

REGULATORY CAPITAL REQUIREMENTS

As at 31.12.21, the regulatory minimum requirement for the Group's core 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 and satisfy the regulatory minimum requirements for capital adequacy at all times. The Group has a target for its core Tier 1 capital ratio of 1.0 percentage point above the regulatory minimum requirement, which currently results in a target core 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.

NOTE 5 CAPITAL ADEQUACY

PARENT BANK			GROUP	
31.12.20	31.12.21	AMOUNTS IN NOK MILLION	31.12.21	31.12.20
1,807	**1,807**	Equity Certificate capital	**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 Saving Bank's Fund	**7,392**	6,254
573	**120**	Donations	**120**	573
15		Fair Value Reserve		15
- 20	**- 46**	Other equtiy capital	**1,675**	1,497
		Minority interests	**191**	
13,505	**14,741**	**Total book equity**	**16,653**	15,022
- 780	**- 780**	Hybrid capital	**- 780**	- 780
- 844	**-1,516**	Allocated dividends	**-1,516**	- 845
		Minority interests not eligible as CET1 capital	**- 62**	
		Adjusted Tier 1 capital from consolidated financial institutions	**- 33**	- 29
		Goodwill and other intangible assets	**- 138**	- 130
- 33	**- 33**	Adjustments to CET 1 due to prudential filters	**- 36**	- 28
- 136	**- 26**	Defined benefit pension fund assets gross amount	**- 34**	- 148
		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 Tier 1 bonds	**952**	972
	- 48	Deduction for subordinated capital in other financial institutions with a significant investment	**- 48**	
12,335	**12,946**	**Tier 1 Capital**	**14,001**	12,991
1,050	**1,050**	Subordinated loans eligible as T2 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		
4,773	**4,561**	Corporates - SME	**4,583**	4,782
14,438	**14,441**	Corporates - Specialised Lending	**15,138**	15,088
706	**553**	Corporates - Other	**601**	739
15,102	**12,434**	Retail - Secured by real estate	**19,181**	21,411
857	**690**	Retail - Other	**709**	885
6,257	**8,288**	Equity IRB		
42,132	**40,967**	**Credit risk IRB**	**40,212**	42,906

NOTE 5 CAPITAL ADEQUACY

PARENT BANK			GROUP	
31.12.20	31.12.21	AMOUNTS IN NOK MILLION	31.12.21	31.12.20
		Central governments or central banks	**3**	30
27	**486**	Regional governments or local authorities	**626**	573
406	**1**	Public sector entities	**2**	34
2,445	**2,087**	Institutions	**1,241**	1,960
935	**2,378**	Corporates	**5,358**	3,562
217	**191**	Retail	**4,354**	3,857
280	**307**	Secured by mortgages on immovable property	**661**	716
	3	Exposures in default	**195**	108
1,055	**1,169**	Covered bonds	**1,362**	1,487
3,840	**3,613**	Equity	**6,217**	3,574
1,306	**929**	Other items	**1,627**	1,977
10,511	**11,163**	**Credit risk standardised approach**	**21,646**	17,877
52,643	**52,130**	**Total credit risk**	**61,858**	60,782
80	**33**	Gjeldsrisiko	**33**	80
5,559	**6,051**	Operasjonell risiko	**7,239**	6,657
229	**371**	CVA-tillegg (Credit Value Adjustment)	**929**	1,069
58,511	**58,585**	**Sum risikovektet beregningsgrunnlag**	**70,059**	68,588
		Debt risk		
2,633	**2,636**	Operational risk	**3,153**	3,086
3,511	**3,515**	Credit Value Adjustment	**4,204**	4,115
4,681	**4,687**	Total risk exposure amount	**5,605**	5,487
		Capital Requirements (CRD IV)		
2,633	**2,636**	Minimum requirement Common Equity Tier 1 Capital (4,5 %)	**3,153**	3,086
585	**586**	Minimum requirement Tier 1 Capital (6,0 %)	**701**	686
1,463	**1,465**	Minimum requirement Own Funds (8,0 %)	**1,751**	1,715
4,681	**4,687**	**Sum bufferkrav (8,0 %)**	**5,605**	5,487
878	**879**	Pilar II requirement (1,5 %)	**1,051**	1,029
8,191	**8,202**	**Total regulatory requirement for Common Equity Tier 1 Capital (14,0 %)**	**9,808**	9,602
3,364	**4,012**	**Available Common Equity Tier 1 Capital**	**3,289**	2,417
		Capital Adequacy Ratios		
19,7 %	**20,8 %**	Common Equity Tier 1 Capital Ratio	**18,7 %**	17,5 %
21,1 %	**23,6 %**	Total Capital Ratio	**21,6 %**	18,9 %
23,0 %	**22,1 %**	Tier 1 Capital	**20,0 %**	20,9 %
1,9 %	**1,5 %**	Tier 2 Capital	**1,6 %**	2,0 %
10,5 %	**10,7 %**	Leverage Ratio	**8,3 %**	7,6 %

NOTE 6 FINANCIAL RISK MANAGEMENT

RISK EXPOSURE: DEFINITION AND ORIGIN

SpareBank 1 Nord-Norge is exposed to various types of risk through its activities. The most important risks are:

Business risk: The risk of unexpected income and cost fluctuations as a result of the Group's operations or changes to external conditions such as the market situation or government regulations. The latter especially applies to falls in income due to increased competition, changes in framework conditions or other changes in business conditions, as well as changes to the costs picture that one cannot compensate for through other cost cutting or income increasing measures.
Business risks arise as a result of, and are related to, among other things, (not exhaustive):

- The business model.
- The market situation.
- Strategic ventures.
- The macroeconomic situation.
- The regulatory framework conditions.

Credit risk: The risk of losses due to customers or counterparties being unable or unwilling to meet their financial obligations in accordance with an agreement.

Credit risks arise as a result of and are primarily related to:

- Financing/loans in the retail market.
- Financing/loans in the business market.

The Group is also exposed to credit risk from investments in interest-bearing securities. This is described in more detail under "Market risk" below.

Liquidity and financing risk: The risk of the Group being unable to fulfil its obligations when they fall due, as well as the risk of the Group being unable to meet its liquidity obligations without the cost of this increasing significantly.

Liquidity and financing risks arise as a result of and are primarily related to:

- Different periods of maturity and due dates for assets and liabilities
- Dependence on the capital market.
- Regulatory changes.

Market risk: The risk of changes in the value of assets/financial positions due to changes in market value, including changes in the prices of share prices, interest rates, risk spread and exchange rates.

Market risks arise as a result of and are primarily related to:

- The management (including also holdings) of liquidity reserves.
- Changes in interest rates that affect both assets and liabilities.
- Changes in exchange rates that affect both assets and liabilities.
- Changes in shares prices that affect assets.
- Customer business within interest rate and currency trading.

Ownership risk: The risk of the Group suffering a loss from ownership interests in strategically owned companies, or the Group having to supply new capital to strategically owned companies.

Ownership risks arise as a result of, and are related to, the ownership of strategically important companies, for example SpareBank 1 Gruppen.

Operational risk (including compliance risk, reputational risk, behavioural risk, technology risk, third-party risk, human capital risk, etc.): The risk of people, processes, systems or external events hindering the Group's ability to meet its objectives. Operational risk is an extensive area of risk and includes, among other things: compliance risk, cyber/IT risk, reputational risk, behavioural risk, third-party risk, human capital risk, etc.

Operational risk arises as a result of, and are related to, among other things, (not exhaustive):

- Processes and systems.
- Technology risk (cyber and IT).
- Regulatory requirements.

Insurance risk: The risk arising from insurance activities in the Group and the fluctuations these cause in the Group's result.

Insurance risks arise due to the ownership interest in SpareBank 1 Gruppen.

Pension risk: The risk that arises due to changes in variables that affect the Group's liabilities associated with future pension payments.

Pension risks arise as a result of the Group's defined benefit pension schemes.

Systemic risk: The risk that financial instability will disrupt the provision of financial services to such an extent that it could result in significant negative effects for production and employment.
Systemic risks arise as a result of the characteristics of the financial system in which the Group operates.

Excessive debt accumulation: The risk that the proportion of outside financing on the Group's balance sheet becomes too high in relation to the Group's equity.

The risk of excessive debt accumulation can occur as a result of the Group's credit models estimating risk weightings too low in relation to the actual risks in the credit engagements.

Climate risk (including sustainability): The risk of events that affect society due to changes in the climate and climate policy. Climate risk has three components:

- Physical risk: Costs related to physical damage resulting from climate change.
- Transition risk: Financial risk linked to the transition to a low-emissions society.
- Liability risk: Claims for damages linked to decisions, or a failure to make decisions, that in some manner or other can be linked to climate policy or climate change.

Climate risk is therefore an underlying risk driver for other risk types. This includes credit risk, market risk, liquidity and financing risk, insurance risk/ownership risk, as well as operational and reputational risk. Climate risk arises as a result of the Group's core activities, ref. description of other risk types above.

MANAGEMENT AND CONTROL OF THE GROUP'S RISK EXPOSURE

Risk and capital management at SpareBank 1 Nord-Norge

SpareBank 1 Nord-Norge's risk and capital management should support the Group's strategic development and achievement of targets, and at the same time ensure financial stability and proper asset management. This should be achieved through:

- A healthy risk culture characterised by a high awareness of risk and capital management.
- A good understanding of what risks drive earnings.
- Pricing products, as far as possible, in line with the underlying risk.
- Striving to achieve the optimal allocation of capital within the adopted business strategy.
- Exploiting synergy and diversification effects.
- Preventing individual events causing serious damage to the Group's financial position.

Management and control framework

A framework has been established for managing and controlling the Group's risk exposure. This covers both individual risks and overall risk exposure, and comprises:

- Governing documents.
- Organisation and the division of responsibilities.
- System support and measurement methods.
- Monitoring and reporting.
- Models for calculating risk and risk-adjusted capital requirements.

Risk strategy

The Group's risk strategy defines the risk the Group is willing to assume in order to achieve its strategic objectives, as well as how the risk will be managed and monitored. This includes:

- Monitoring and assessing the Group's risk exposure.
- Calculating the Group's risk capacity.
- Defining the Group's risk willingness.
- Defining how risk should be managed and monitored.
- Defining roles and responsibilities.

It is a fundamental principle that the Group's level of risk must be within the limits for the Group's risk capacity and willingness. The Group must never breach the levels set for risk willingness when these are defined as risk limits. The risk strategy defines the direction for underlying strategies, policies, routines and guidelines in each area of risk.

A more detailed description is provided below of the management and monitoring within those areas of risk that have the largest explicit effect on the accounts as at 31.12.21.

Credit risk
Credit risk is managed via the Group's frameworks for granting credit, commitment monitoring and portfolio management. These include risk limits, targets, industry-specific policy requirements, authority structures, credit models, continuous measurement, monitoring and reporting. The Group particularly focuses on concentration risk and the quality of the loan portfolio, which includes monitoring this both when credit is granted and during ongoing portfolio management. The established management and monitoring must support the Group's risk willingness in the area (low to moderate).

SpareBank 1 Nord-Norge has, in partnership with SpareBank 1 Alliance, developed its own credit models that are used for:

- Calculating capital requirements for credit risk (IRB/AIRB)
- Granting credit.
- Monitoring commitments.
- Portfolio management.
- Calculating expected credit loss (ECL).

The models are based on three main components:

1. **Probability of default (PD):** Customers are classified in risk classes according to the likelihood of the customers defaulting on their commitments during a 12-month period. The probability of default is calculated based on historical data series for key financial figures, as well as non-financial criteria such as behaviour and age. In order to classify customers according to the probability of default, nine risk classes (A–I) are used. In addition, the Group has two risk classes (J and K) for customers with commitments in default and/or commitments that have been written down.
2. **Expected exposure at default (EAD):** A calculated magnitude that indicates the expected exposure to the customer in the event of default.
3. **Loss given default (LGD):** A calculated magnitude that indicates how much the Group could potentially lose if the customer defaults on their commitments. The assessment takes into consideration the realisation value of the assets that the customers have pledged as security, and the costs incurred by the Group in connection with recovering commitments in default. These figures are estimated based on the Bank's own experience over time. Seven different classes (1-7) are used for classification in relation to security coverage.

The credit models are verified (validated) and continuously being improved. Quantitative and qualitative validation processes are conducted every year. In the quantitative validation process, an assessment is made of whether the model's estimates and assumptions are functioning as intended. In the qualitative validation process, an assessment is made of whether the IRB system is well-integrated throughout the organisation and is being used as an important component in the Group's risk management and decision-making.

For further information, please see the related notes and the Group's Pillar 3 report.

Liquidity and financing risk
Liquidity and financing risks are managed using the Group's framework for this area. This includes risk limits, targets, continuous measurement, monitoring and reporting. The Group particularly focuses on predictability and stability in relation to liquidity and financing. The established management and monitoring must support the Group's risk willingness in the area (low).

Customer deposits are the most important source of funding for the Group. As at 31.12.21, the deposit coverage rate (excl. commission loans) was 85%. Other funding consists of borrowing in the form of covered bonds through SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, senior unsecured bonds, subordinated loans and hybrid Tier 1 instruments.

SpareBank 1 Nord-Norge has a conscious and active relationship with Norwegian and foreign actors in the capital markets (investor relations), including owners, potential investors, analysts and others with an interest in the Group. SpareBank 1 Nord-Norge strives for a funding structure that is well-diversified within given limits with respect to the market, product and due dates.

The proportion of funding in foreign currency has increased in recent years. The Group has good capacity for funding in Norwegian kroner, but periodically low liquidity in the Norwegian market means that the Group finds being active in other markets for issuing securities reduces risk. The Bank has ratings from Moody's and Fitch in order to secure good access to these capital markets. The Bank's long-term rating with Moody's is Aa3 stable. The Bank also has a joint EMTN loan programme with SpareBank 1 Østlandet and SpareBank 1 SMN for borrowing in foreign currency.

The liquidity coverage ratio (LCR) is one of the liquidity area's most important management parameters. The LCR requirement means that the Group must at all times have liquidity reserves of at least 100 %; in other words, that the holding of liquid assets must be at least equal to the net liquidity outflow in a given stress period of 30 calendar days. The regulatory minimum requirement for total LCR is 100 %. As at 31.12.21, the Group's total LCR was 142 %.

The net stable funding ratio (NSFR) key figure is used to assess the extent to which the Group has adequate long-term funding. NSFR is defined as available stable funding relative to required stable funding. No regulatory minimum requirement has been introduced for NSFR in Norway, but the Financial Supervisory Authority of Norway expects Norwegian banks to have an NSFR of at least 100 %. As at 31.12.21, the Group's total NSFR was 118 %. For further information, please see related notes and the Group's Pillar 3 report.

Market risk

Market risks are managed using the Group's framework for this area. This includes risk limits, continuous measurement, monitoring and reporting. The Group takes a conservative approach to risk exposure in this area. This means the Group seldom takes positions in securities and financial instruments with a view to resale or benefiting from price or interest rate variations in the short term. The Group's general rule is that it should limit market risk through the active use of hedging instruments. Uncovered risks should only occur within specially allotted limits. The established management and monitoring must support the Group's risk willingness in the area (low to moderate [1]).

Interest rate risk is the risk of loss as a result of interest rate fluctuations. Interest rate risk is measured by simulating how various distortions to the interest rate curve affect the Group's positions. The Group's interest rate risk is generally short and regarded as low.

The credit spread risk is defined as the risk of loss due to an expansion of credit spreads for interest-bearing papers in which the Group has invested. The Group is primarily exposed to credit spread risk through the administration of the liquidity portfolio, which consists of low-risk bonds and certificates. The potential loss associated with credit spread risk is calculated using methodology described in the Financial Supervisory Authority of Norway's circular 12/2016.

Currency risk is the risk of loss due to changes in exchange rates. The framework for exchange rate risk is expressed by limits for the total net currency position and maximum positions in individual currencies. The potential loss associated with currency risk is calculated using methodology described in the Financial Supervisory Authority of Norway's circular 12/2016.

Equity risk is the risk of loss due to changes in the value of equity positions in which the Group has invested. The potential loss associated with equity risk is calculated using methodology described in the Financial Supervisory Authority of Norway's circular 12/2016. The Group's equity exposure has been gradually reduced in recent years due to the cultivation of its core activities.

For further information, please see notes 14-16 and the Group's Pillar 3 report.

Ownership risk

Ownership risk is managed by active board participation in a number of part-owned companies. SpareBank 1 Nord-Norge is primarily exposed to ownership risk through ownership interests in SpareBank 1 Gruppen AS (19.5%), SpareBank 1 Boligkreditt AS (15.92%), SpareBank 1 Næringskreditt AS (3.2%), Sparebank 1 Utvikling (18.00%), SpareBank 1 Kreditt (18.37%), SpareBank 1 Betaling AS (18.57%) and SpareBank 1 Markets (12.2%) and SpareBank 1 Forvaltning AS (14.14%).

The established management and monitoring must support the Group's risk willingness in the area (low to moderate).

The potential loss associated with ownership risk is calculated using various approaches, some of which are based on methodology for ownership risk and equity risk described in the Financial Supervisory Authority of Norway's circular 12/2016.

For further information, please see the related notes and the Group's Pillar 3 report.

1 *The risk willingness has changed from "low" to "low to moderate" in 2021 as a result of acquiring equity certificates in SpareBank 1 Helgeland.*

Climate risk

Climate risk is managed using the Group's framework for this area. The issues to be considered include:

- Governing documents explicitly related to sustainability and corporate social responsibility.
- The governing documents for risks areas in which climate risk is an underlying risk driver. This includes credit risk, market risk, liquidity and financing risk, insurance risk/ownership risk, as well as operational and reputational risk.
- Established roles and responsibilities, including the sustainability manager and the project «Green number 1».
- Establishment of 'green curriculum' for employees

The established management and monitoring must support the Group's risk willingness in the area (low to moderate).

For further information, please see the Board of Directors' Report.

NOTE 7 CREDIT RISK EXPOSURE FOR EACH INTERNAL RISK RATING

SpareBank 1 Nord-Norge use the compagny's own risk classification system for monitoring credit risk in the portfolio. The classification into risk classes is based on probability of default for each individual commitment. In addition, the estimated value of collateralised assets pledged as security is used when placing customers into different groups according to risk. The allocation is done by linking the collateral assets to the individual loans in question. Each customer is then devided into risk groups according to probability of default and security class, as is shown in the tables below. The classification matrix comprises 77 risk classes in relation to probability of default and security coverage. The exposures are grouped according to total commitments. Total commitments include gross loans, guarantees, unutilised credit and accrued interest.

PARENT BANK AMOUNTS IN NOK MILLION	**AVERAGE UNSECURED EXPOSURE (%) 2021**	AVERAGE UNSECURED EXPOSURE (%) 2020	**TOTAL AMOUNT 2021**	TOTAL AMOUNT 2020
Very low risk	**0,24 %**	0,25 %	**41,970**	34,456
Low risk	**0,85 %**	0,99 %	**27,899**	36,426
Medium risk	**1,34 %**	1,30 %	**21,025**	22,013
High risk	**0,04 %**	0,03 %	**2,816**	2,440
Very high risk	**0,05 %**	0,10 %	**2,144**	1,849
In default and written down	**0,01 %**	0,01 %	**514**	394
Total	**2,54 %**	2,69 %	**96,368**	97,577

GROUP AMOUNTS IN NOK MILLION	**AVERAGE UNSECURED EXPOSURE (%) 2021**	AVERAGE UNSECURED EXPOSURE (%) 2020	**TOTAL AMOUNT 2021**	TOTAL AMOUNT 2020
Very low risk	**0,24 %**	0,25 %	**42,627**	39,476
Low risk	**0,83 %**	0,97 %	**28,482**	32,507
Medium risk	**1,31 %**	1,28 %	**21,104**	21,954
High risk	**0,04 %**	0,03 %	**3,242**	2,873
Very high risk	**0,05 %**	0,09 %	**2,673**	2,256
In default and written down	**0,01 %**	0,01 %	**567**	392
Total	**2,48 %**	2,64 %	**98,694**	99,458

NOTE 8 MAXIMUM CREDIT EXPOSURE

The following table includes balance sheet items and items outside the balance sheet with credit risk, and the assessed value of the associated collateral. Market values are used where these are available. Within real estate, models estimate the value of collateral based on market parameters for similar properties.

PARENT BANK 31.12.21

AMOUNTS IN NOK MILLION	SUM	COLLATERAL IN REAL ESTATE *)	OTHER COLLATERAL **)
Maximum on balance credit exposure			
Cash and balances with central banks	399		
Loans and advances to credit institutions	7,491		
Loans and advances to customers	82,108	65,563	10,067
Certificates and bonds	19,150		10,105
Financial derivatives	1,089		838
Maximum on balance credit exposure	**110,237**	**65,563**	**21,010**
Maximum off balance credit exposure			
Contingent liabilities	1,357	13	
Unutilised credits	5,411	1,489	
Loan approvals	4,607	839	
Maximum off balance credit exposure	**11,375**	**2,340**	
Maximum credit exposure	**121,612**	**67,903**	**21,010**

*) The collateral pledged for real estate commitments is assessed at market value, limited to the size of the commitment for the individual counterparty. This is done to express the effective value of the available collateral.

**) Other collateral includes, among other things, cash, movable property, ships, and received guarantees. For covered bonds, the cover pool consists of loans to customers of the company that issued the bond.

GROUP 31.12.21

AMOUNTS IN NOK MILLION	SUM	COLLATERAL IN REAL ESTATE *)	OTHER COLLATERAL **)
Maximum on balance credit exposure			
Cash and balances with central banks	399		
Loans and advances to credit institutions	1,365		
Loans and advances to customers	89,986	65,563	14,844
Certificates and bonds	19,150		10,105
Financial derivatives	1,089		838
Maximum on balance credit exposure	**111,989**	**65,563**	**25,787**
Maximum off balance credit exposure			
Contingent liabilities	1,357	13	
Unutilised credits	5,895	1,489	
Loan approvals	4,697	839	
Maximum off balance credit exposure	**11,949**	**2,340**	**0**
Maximum credit exposure	**123,938**	**67,903**	**25,787**

*) The collateral pledged for real estate commitments is assessed at market value, limited to the size of the commitment for the individual counterparty. This is done to express the effective value of the available collateral.

**) Other collateral includes, among other things, cash, movable property, ships, and received guarantees. For covered bonds, the cover pool consists of loans to customers of the company that issued the bond. In the Group, the adjusted realisation value of the lease objects is included in the subsidiary Sparebank 1 Finans Nord-Norge.

BANKING ACTIVITIES BY GEOGRAPHY 31.12.21 (BALANCE)

AMOUNTS IN NOK MILLION	PARENT BANK	GROUP
Troms and Finnmark, including Svalbard	50,138	48,147
Nordland	28,849	31,795
Other regions in Norway	10,047	10,844
International	566	566
Total	**89,599**	**91,351**

CAPITAL MARKET ACTIVITY BY GEOGRAPHY 31.12.21 (BALANCE)

AMOUNTS IN NOK MILLION	PARENT BANK	GROUP
Norway	12,543	12,543
Europe	6,765	6,765
USA	560	560
Others	371	371
Total	**20,239**	**20,239**
Total credit exposure by geography	**109,838**	**111,590**

The following table stratifies credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The valuation of the collateral excludes any adjustments for abtaining and selling the collateral. The value of the collateral for residential mortgage mortgage loans is based on the collateral value at origination updated based on the change in house price indices. This tabel is only provided at the parent bank.

LTV RATIO (NOK MILLION)

LTV INTERVALLER	2021	2020
< 50 %	**7,837**	7,424
50 % - 70 %	**15,682**	14,171
70 % - 90 %	**20,319**	23,671
90 % - 100 %	**876**	1,298
> 100 %	**1,277**	1,400
Total gross lending (retail market)	**45,991**	47,964

PARENT BANK 31.12.20

AMOUNTS IN NOK MILLION	SUM	COLLATERAL IN REAL ESTATE *)	OTHER COLLATERAL **)
Maximum on balance credit exposure			
Cash and balances with central banks	360		
Loans and advances to credit institutions	6,923		
Loans and advances to customers	82,005	66,090	8,794
Certificates and bonds	18,079		10,550
Financial derivatives	1,777		1,089
Maximum on balance credit exposure	109,144	66,090	20,433
Maximum off balance credit exposure			
Contingent liabilities	1,770		
Unutilised credits	6,879	1,674	
Loan approvals	2,558	497	
Maximum off balance credit exposure	11,207	2,171	
Maximum credit exposure	120,351	68,261	20,433

*) The collateral pledged for real estate commitments is assessed at market value, limited to the size of the commitment for the individual counterparty. This is done to express the effective value of the available collateral.

**) Other collateral includes, among other things, cash, movable property, ships, and received guarantees. For covered bonds, the cover pool consists of loans to customers of the company that issued the bond.

GROUP 31.12.20

AMOUNTS IN NOK MILLION	SUM	COLLATERAL IN REAL ESTATE *)	OTHER COLLATERAL **)
Maximum on balance credit exposure			
Cash and balances with central banks	360		
Loans and advances to credit institutions	1,534		
Loans and advances to customers	88,977	68,623	15,184
Certificates and bonds	18,079		10,550
Financial derivatives	1,777		1,089
Maximum on balance credit exposure	110,727	68,623	26,823
Maximum off balance credit exposure			
Contingent liabilities	1,770		
Unutilised credits	7,177	1,674	
Loan approvals	2,640	497	
Maximum off balance credit exposure	11,587	2,171	0
Maximum credit exposure	122,314	70,794	26,823

*) The collateral pledged for real estate commitments is assessed at market value, limited to the size of the commitment for the individual counterparty. This is done to express the effective value of the available collateral.

**) Other collateral includes, among other things, cash, movable property, ships, and received guarantees. For covered bonds, the cover pool consists of loans to customers of the company that issued the bond. In the Group, the adjusted realisation value of the lease objects is included in the subsidiary SpareBank 1 Finans Nord-Norge.

BANKING ACTIVITIES BY GEOGRAPHY 31.12.20 (BALANCE)

AMOUNTS IN NOK MILLION	PARENT BANK	GROUP
Troms and Finnmark, including Svalbard	46,195	44,018
Nordland	32,342	35,200
Other regions in Norway	10,098	10,997
International	653	656
Total	89,288	90,871

CAPITAL MARKET ACTIVITY BY GEOGRAPHY 31.12.20 (BALANCE)

AMOUNTS IN NOK MILLION	PARENT BANK	GROUP
Norway	12,594	12,594
Europe/Asia	6,888	6,888
USA	374	374
Total	19,856	19,856
Total credit exposure by geography 31.12.20 (balance)	109,144	110,727

NOTE 9 CREDIT QUALITY BY CLASS OF FINANCIAL ASSETS

SpareBank 1 Nord-Norge uses its own classification system for monitoring credit risk in the portfolio. The exposures are grouped by risk category and business area. For further information regarding risk management see note 6 .

PARENT BANK 2021

AMOUNTS IN NOK MILLION	VERY LOW RISK	LOW RISK	MEDIUM RISK	HIGH RISK	VERY HIGH RISK	IN DEFAULT OR INDIVIDUALLY WRITTEN DOWN	TOTAL
Loans and advances to financial institutions	1,365	6,127					**7,491**
Loans and advances to customers							
Retail market	25,492	14,719	5,102	257	275	147	**45,991**
Corporate market	11,032	7,902	12,938	2,285	1,496	362	**36,014**
Public sector		102					**102**
Total gross loans	**37,888**	**28,850**	**18,040**	**2,542**	**1,771**	**509**	**89,599**
Financial investments							
Listed government bonds	1,216						**1,216**
Listed other bonds	16,420			7			**16,426**
Unlisted other bonds	1,276		226	5			**1,508**
Total	**18,911**		**226**	**12**			**19,150**
Total	**56,799**	**28,850**	**18,266**	**2,553**	**1,771**	**509**	**108,749**
Share	52 %	27 %	17 %	2 %	2 %	0 %	**100 %**

PARENT BANK 2020

AMOUNTS IN NOK MILLION	VERY LOW RISK	LOW RISK	MEDIUM RISK	HIGH RISK	VERY HIGH RISK	IN DEFAULT OR INDIVIDUALLY WRITTEN DOWN	TOTAL
Loans and advances to financial institutions	1,534	5,389					6,923
Loans and advances to customers							
Retail market	23,397	17,884	5,697	311	360	171	47,820
Corporate market	7,167	10,713	13,430	1,458	1,164	212	34,144
Public sector		41					41
Total gross loans	32,098	34,027	19,127	1,769	1,524	383	88,928
Financial investments							
Listed government bonds	503						503
Listed other bonds	16,525			34			16,559
Unlisted other bonds	874		110	32			1,016
Total	17,903		110	66			18,079
Total	50,001	34,027	19,237	1,835	1,524	383	107,007
Share	47 %	32 %	18 %	2 %	1 %	0 %	100 %

NOTE 9 CREDIT QUALITY BY CLASS OF FINANCIAL ASSETS

GROUP 2021

AMOUNTS IN NOK MILLION	VERY LOW RISK	LOW RISK	MEDIUM RISK	HIGH RISK	VERY HIGH RISK	IN DEFAULT OR INDIVIDUALLY WRITTEN DOWN	TOTAL
Loans and advances to financial institutions	1,365						**1,365**
Loans and advances to customers							
Retail market	26,868	15,834	5,897	362	356	191	**49,507**
Corporate market	11,157	8,604	14,436	3,206	2,532	441	**40,377**
Public sector	0	102	0	0	-	-	**102**
Total gross loans	**39,390**	**24,541**	**20,332**	**3,568**	**2,887**	**633**	**91,351**
Financial investments							
Listed government bonds	1,216						**1,216**
Listed other bonds	16,420			7			**16,426**
Unlisted other bonds	1,276		226	5			**1,508**
Total	**18,911**		**226**	**12**			**19,150**
Total	**58,302**	**24,541**	**20,559**	**3,580**	**2,887**	**633**	**110,501**
Share	53 %	22 %	19 %	3 %	3 %	1 %	**100 %**

GROUP 2020

AMOUNTS IN NOK MILLION	VERY LOW RISK	LOW RISK	MEDIUM RISK	HIGH RISK	VERY HIGH RISK	IN DEFAULT OR INDIVIDUALLY WRITTEN DOWN	TOTAL
Loans and advances to financial institutions	1,534						**1,534**
Loans and advances to customers							
Retail market	25,514	18,462	5,921	349	401	203	**50,850**
Corporate market	2,349	17,322	14,749	1,853	1,561	252	**38,086**
Public sector		41					**41**
Total gross loans	29,397	35,825	20,670	2,202	1,962	455	**90,511**
Financial investments							
Listed government bonds	503						**503**
Listed other bonds	16,525			34			**16,559**
Unlisted other bonds	874		110	32			**1,016**
Total	17,903		110	66			**18,079**
Total	47,300	35,825	20,780	2,268	1,962	455	**108,590**
Share	44 %	33 %	19 %	2 %	2 %	0 %	**100 %**

NOTE 10 FINANCIAL INSTITUTIONS - LOANS AND ADVANCES

Loans to financial institutions are measured at amortised cost . Amortised cost involves valuation based on the originally agreed cash flows, adjusted for expected loss.

PARENT BANK					GROUP			
31.12.20	AVERAGE INTEREST RATE % *	31.12.21	AVERAGE INTEREST RATE % *	AMOUNTS IN NOK MILLION	31.12.21	AVERAGE INTEREST RATE % *	31.12.20	AVERAGE INTEREST RATE % *
				Loans and advances to financial institutions				
723	0,30 %	**484**	**0,30 %**	Loans and advances without agreed maturity or notice of withdrawal	**484**	**0,30 %**	723	0,30 %
6,200	1,54 %	**7,007**	**1,03 %**	Loans and advances with agreed maturity or notice of withdrawal	**881**	**1,03 %**	811	1,54 %
6,923	1,58 %	**7,491**	**1,05 %**	**Total**	**1,365**	**1,05 %**	1,534	1,58 %
				Broken down by the most important foreign currencies				
6,898		**7,256**		NOK	**1,130**		1,509	
0		**2**		GBP	**2**		0	
9		**28**		EUR	**28**		9	
2		**68**		USD	**68**		2	
0		**0**		SEK	**0**		0	
14		**137**		Other foreign currencies	**137**		14	
6,923		**7,491**		**Total**	**1,365**		1,534	
				Deposits from credit institutions				
377	1,74 %	**544**	**0,73 %**	Loans and deposits from financial institutions without agreed maturity or notice of withdrawal	**514**	**0,73 %**	377	1,74 %
897	0,11 %	**579**	**0,05 %**	Loans and deposits from credit institutions with agreed maturity or notice of withdrawal	**578**	**0,05 %**	895	0,11 %
1,274	0,55 %	**1,123**	**0,33 %**	**Total**	**1,092**	**0,33 %**	1,272	0,55 %
				Broken down by the most important foreign currencies				
901		**589**		NOK	**558**		899	
19		**12**		USD	**12**		19	
323		**386**		EUR	**386**		323	
31		**136**		Other foreign currencies	**136**		31	
1,274		**1,123**		**Total**	**1,092**		1,272	

* Average interest rate/(yield) is calculated as the sum of interest expense divided by average volume

				Collateral				
689		**491**		The balance sheet value of loans and advances to finacial institutions pledged as collateral for derivatives trading	**491**		689	
363		**121**		The balance sheet value of loans and advances to finacial institutions received as collateral for derivatives trading	**121**		363	

NOTE 11 LOANS

SpareBank 1 Nord-Norge divides its loans into two separate classes for accounting purposes; Loans at amortized cost and loans at fair value. Loans to customers and credit institutions are classified at amortized cost, however, with the following exceptions:

MORTGAGES FOR SALE TO HOUSING CREDIT COMPANIES

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

Fair value is determined by the loans' actual cash flow discounted by a discounting factor based on the swap rate, with the addition of a margin requirement. The margin requirement includes a credit markup, an 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 have been made to the discount rates as of 31.12.21. The sensitivity against discounting as of 31.12.21 would cause an effect to the result of approx. -14,3 NOK million per basis point increase in the discount rate.

LOANS AT AMORTISED COST

For all loans at amortised cost, expected losses are calculated according to IFRS 9.
For further information, see note 13.

LOANS BROKEN DOWN BY METHOD OF MEASUREMENT

PARENT BANK			GROUP	
31.12.20	31.12.21	AMOUNTS IN NOK MILLION	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 Sparebank 1 Boligkreditt	**35,439**	37,735
410	**314**	Loans transfered to Sparebank 1 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

PARENT BANK			GROUP	
31.12.20	31.12.21	AMOUNTS IN NOK MILLION	31.12.21	31.12.20
		Loans broken down by different types		
		Financial leasing 1)	**3,699**	3,388
4,485	**3,317**	Overdraft- and working capital facilities	**3,305**	4,494
2,354	**3,387**	Building loans	**3,387**	2,354
82,089	**82,895**	Repayment loans	**80,960**	80,275
88,928	**89,599**	**Gross loans to and advances to customers**	**91,351**	90,511
		Of which, subordinated loan capital accounted for:		
235	**327**	Subordinated loan capital in financial institutions	**226**	134
		Loans to employees		
1,255	**1,153**	Loans to employees	**1,153**	1,255

1) Loans and advances to customers relating to financial leasing	31.12.21	31.12.20
Maturities of less than 1 year	**218**	243
Maturities of more than 1 year but not more than 5 years	**1,842**	2,009
Maturities of more than 5 years	**1,898**	1,363
Total	**3,958**	3,615
Income received, not yet earned, relating to financial leasing	**- 258**	- 226
Net investments relating to financial leasing	**3,699**	3,388
Net investments in financial leasing may be analysed in the following way:		
Maturities of less than 1 year	**204**	228
Maturities of more than 1 year but not more than 5 years	**1,722**	1,883
Maturities of more than 5 years	**1,774**	1,278
Total	**3,699**	3,388

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. See note 13 for further details.

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

1. Not significantly higher credit risk than on granting and initial recognition on the balance sheet.
2. Significant increase in credit risk since granting, but not marked for default.
3. Significant increase in credit risk since granting, and marked for default or marked for loss.

PARENT BANK 31.12.21

LOANS BROKEN DOWN BY SECTOR/INDUSTRY AMOUNTS IN NOK MILLION	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 AMOUNTS IN NOK MILLION	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**	**-45**
Retail market	**1,567**	**0**	**0**	**0**	**0**
Loans and advances to customers	**6,768**	**-14**	**-25**	**-6**	**-45**

GROUP 31.12.21

LOANS BROKEN DOWN BY SECTOR/INDUSTRY AMOUNTS IN NOK MILLION	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 AMOUNTS IN NOK MILLION	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**	**-45**
Retail market	**1,589**	**0**	**0**	**0**	**0**
Loans and advances to customers	**7,343**	**-14**	**-25**	**-6**	**-45**

PARENT BANK 31.12.20

LOANS BY INDUSTRY SEGMENT AMOUNTS IN NOK MILLION	GROSS CARRYING AMOUNT	ACCUMULATED IMPAIRMENT STAGE 1	ACCUMULATED IMPAIRMENT STAGE 2	ACCUMULATED IMPAIRMENT STAGE 3	LOANS AT FAIR VALUE	NET LOANS
Real estate	14,285	-183	-114	-42	41	13,987
Finanicial and insurance activities	8,551	-15	-4	0	0	8,532
Fishing and aquaculture	6,834	-24	-16	-1	25	6,818
Manufacturing	1,519	-6	-23	-28	11	1,473
Agriculture and forestry	1,223	-1	-2	-12	38	1,246
Power and water supply and construction	2,460	-7	-5	-10	32	2,470
Government	42	0	0	0	0	42
Service industries	1,710	-9	-7	-5	77	1,766
Transportation	2,200	-5	-12	-4	52	2,231
Commodity trade, hotel and restaurant industry	1,843	-9	-21	-9	21	1,825
Total industry	40,667	-259	-203	-111	297	40,390
Retail market	36,744	-26	-29	-31	11,220	47,878
Loans to customers	77,411	-285	-232	-142	11,517	88,269

FINANCIAL COMMITMENTS BY INDUSTRY SEGMENT AMOUNTS IN NOK MILLION	FINANCIAL LIABILITIES AT AMORTISED COST	LOSS PROVISIONS CLASSIFIED AS LIABILITIES STAGE 1	LOSS PROVISIONS CLASSIFIED AS LIABILITIES STAGE 2	LOSS PROVISIONS CLASSIFIED AS LIABILITIES STAGE 3	TOTAL LOSS PROVISIONS CLASSIFIED AS LIABILITIES
Real estate	1,573	-29	-6	0	-35
Finanicial and insurance activities	354	-1	0	0	-1
Fishing and aquaculture	1,209	-6	0	0	-6
Manufacturing	623	-1	-3	0	-4
Agriculture and forestry	99	0	0	0	0
Power and water supply and construction	834	-2	-4	0	-6
Government	419	0	0	0	0
Service industries	465	-1	-2	0	-3
Transportation	796	-1	-1	0	-2
Commodity trade, hotel and restaurant industry	535	-2	-2	0	-4
Total industry	6,907	-43	-18	0	-61
Retail market	1,742	0	0	0	0
Loans to customers	8,649	-43	-18	0	-61

GROUP 31.12.20

BRUTTO UTLÅN SEKTOR OG NÆRINGSFORDELT AMOUNTS IN NOK MILLION	GROSS CARRYING AMOUNT	ACCUMULATED IMPAIRMENT STAGE 1	ACCUMULATED IMPAIRMENT STAGE 2	ACCUMULATED IMPAIRMENT STAGE 3	LOANS AT FAIR VALUE	NET LOANS
Real estate	14,384	-184	-114	-42	41	14,084
Finanicial and insurance activities	3,162	-15	-4	0	0	3,143
Fishing and aquaculture	7,417	-30	-19	-1	25	7,392
Manufacturing	1,964	-9	-32	-28	11	1,906
Agriculture and forestry	1,344	-2	-3	-13	38	1,364
Power and water supply and construction	3,324	-10	-14	-15	32	3,317
Government	59	0	0	0	0	59
Service industries	2,201	-11	-9	-10	77	2,248
Transportation	3,084	-8	-24	-5	67	3,114
Commodity trade, hotel and restaurant industry	2,283	-12	-28	-12	21	2,252
Total industry	39,222	-280	-247	-127	312	38,880
Retail market	39,758	-31	-36	-43	11,220	50,868
Loans to customers	78,979	-310	-283	-169	11,531	89,748

FINANCIAL COMMITMENTS BY INDUSTRY SEGMENT AMOUNTS IN NOK MILLION	FINANCIAL LIABILITIES AT AMORTISED COST	LOSS PROVISIONS CLASSIFIED AS LIABILITIES STAGE 1	LOSS PROVISIONS CLASSIFIED AS LIABILITIES STAGE 2	LOSS PROVISIONS CLASSIFIED AS LIABILITIES STAGE 3	TOTAL LOSS PROVISIONS CLASSIFIED AS LIABILITIES
Real estate	1,538	-29	-6	0	-35
Finanicial and insurance activities	65	-1	0	0	-1
Fishing and aquaculture	1,261	-6	0	0	-6
Manufacturing	713	-1	-3	0	-4
Agriculture and forestry	101	0	0	0	0
Power and water supply and construction	834	-2	-4	0	-6
Government	467	0	0	0	0
Service industries	575	-1	-2	0	-3
Transportation	914	-1	-1	0	-2
Commodity trade, hotel and restaurant industry	722	-2	-2	0	-4
Total industry	7,189	-43	-18	0	-61
Retail market	1,757	0	0	0	0
Loans to customers	8,947	-43	-18	0	-61

TOTAL LOAN COMMITMENTS BROKEN DOWN BY STAGE OF THE CREDIT RISK ASSESSMENT AT 31.12.21

PARENT BANK					GROUP			
STAGE 1	STAGE 2	STAGE 3	TOTAL	AMOUNTS IN NOK MILLION	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
-30,745	-3,392	- 190	**-34,327**	Loans that have been derecognised	**-35,915**	- 220	-3,671	-32,023
76,679	7,904	492	**85,075**	Total loan commitments to amortised cost	**87,389**	545	7,604	79,240
			11,293	Utlån til virkelig verdi over resultat	**11,306**			
76,679	7,904	492	**96,368**	Total loan commitments as at 31.12.21	**98,694**	545	7,604	79,240
-5,740	-1,000	- 28	**-6,768**	Off-balance sheet 1)	**-7,343**	- 28	-1,000	-6,315
70,939	6,904	464	**89,599**	Gross loans	**91,349**	516	6,603	72,926
- 156	- 234	- 159	**- 549**	Provision for credit losses - reduction in assets	**- 643**	- 190	- 269	- 184
70,783	6,670	305	**89,050**	Net loans 2)	**90,708**	326	6,335	72,742

1) Off balance consists of unused limits of loans and credits, and entered into guarantee agreements. Committed loans are not included.

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 13. 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 in ECL.
- Net new measurement of losses: Account numbers of customers who are in the same category closing balance and opening balance and who experience 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

PARENT BANK					GROUP			
STAGE 1	STAGE 2	STAGE 3	TOTAL	AMOUNTS IN NOK MILLION	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	1,913	55	839	1,019
-3,819	3,829	- 10	0	to (-from) stage 2	413	9	4,223	-3,819
- 60	- 93	153	0	to (-from) stage 3	109,094	11,670	97,484	- 60
6,279	- 575	- 11	5,693	Net increase/(decrease) balance existing loans	5,694	- 11	- 574	6,279
36,198	1,985	35	38,218	Originated or purchased during the period	38,218	35	1,985	36,198
-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

For footnote and remarks regarding the table, please see the 2021 table on the previous page.

The following tables provide information on the volume of credit exposure according to the ECL model viewed in the context of the risk category.

PARENT BANK

RISK GROUP 31.12.21 AMOUNTS IN NOK MILLION	STAGE 1	STAGE 2	STAGE 3	LOANS AT FAIR VALUE	TOTAL
Very low risk	34,399	410	0	7,161	**41,970**
Low risk	24,135	746	0	3,018	**27,899**
Medium risk	15,594	4,412	0	1,019	**21,025**
High risk	2,052	726	0	38	**2,816**
Very high risk	495	1,610	0	39	**2,144**
Commitments in default	0	0	496	18	**514**
Total commitments	**76,675**	**7,904**	**496**	**11,293**	**96,368**
Share commitments	80 %	8 %	1 %	12 %	100 %

GROUP

RISK GROUP 31.12.21 AMOUNTS IN NOK MILLION	STAGE 1	STAGE 2	STAGE 3	LOANS AT FAIR VALUE	TOTAL
Very low risk	35,054	412	0	7,161	**42,627**
Low risk	24,679	784	0	3,018	**28,482**
Medium risk	15,828	4,245	0	1,032	**21,104**
High risk	2,297	908	0	38	**3,242**
Very high risk	781	1,852	0	39	**2,673**
Commitments in default	0	0	549	18	**567**
Total commitments	**78,639**	**8,201**	**549**	**11,306**	**98,694**
Share commitments	80 %	8 %	1 %	11 %	100 %

PARENT BANK

RISK GROUP 31.12.20 AMOUNTS IN NOK MILLION	STAGE 1	STAGE 2	STAGE 3	LOANS AT FAIR VALUE	TOTAL
Very low risk	32,192	477	0	1,788	34,456
Low risk	26,407	1,436	0	8,583	36,426
Medium risk	16,029	4,965	0	1,019	22,013
High risk	1,714	681	0	45	2,440
Very high risk	894	890	0	64	1,849
Commitments in default	0	0	375	19	394
Total commitments	77,236	8,449	375	11,517	97,577
Share commitments	79 %	9 %	0 %	12 %	100 %

GROUP

RISK GROUP 31.12.20 AMOUNTS IN NOK MILLION	STAGE 1	STAGE 2	STAGE 3	LOANS AT FAIR VALUE	TOTAL
Very low risk	37,204	484	0	1,788	39,476
Low risk	22,350	1,574	0	8,583	32,507
Medium risk	16,596	4,325	0	1,033	21,954
High risk	1,890	939	0	45	2,873
Very high risk	1,065	1,127	0	64	2,256
Commitments in default	0	0	373	19	392
Total commitments	79,104	8,449	373	11,531	99,458
Share commitments	80 %	8 %	0 %	12 %	100 %

NOTE 12 TRANSFERS OF FINANCIAL ASSETS

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.

In 2018, the Bank has changed how it recognises the parts of the loan portfolio that are eligible for sale to the mortgage companies. Based on the Group's funding plan for the next 12 months, the loans that are expected to be sold to the mortgage companies are flagged. These loans are recognised at fair value through profit or loss. The Bank recognises all of the rights and obligations generated or retained upon transfer separately, as assets or liabilities.

If the mortgage companies experience a loss on transferred loans, they have some entitlement to offset these against commissions from all banks that have transferred loans.
A residual involvement associated with the sold loans therefore exists with a possible limited settlement of losses against commissions. However, the nature of this right to offset is not regarded as meaning that it changes the conclusion that the majority of the risk and benefits associated with ownership have been transferred. The Bank's maximum exposure to losses is represented by the highest amount that could be claimed covered under the agreements.

The mortgage companies can resell the loans bought from the Bank, while the Bank's right to manage customers and receive commissions remains attached. Should the Bank be unable to serve customers, the right to serve and commissions may lapse. Furthermore, the Bank has an option to buy back loans under certain conditions.

SPAREBANK 1 BOLIGKREDITT

SpareBank 1 Boligkreditt AS is owned by the savings banks that make up the SpareBank 1 Alliance, and is collocated with SpareBank 1 Næringskreditt in Stavanger. The Bank owned a 15.92% stake as at 31.12.21 (18.14 % as at 31.12.20).
The purpose of the mortgage company is to ensure alliance banks have access to stable and long-term financing for mortgage loans at competitive prices. SpareBank 1 Boligkreditt's bonds are rated Aaa by Moody's. SpareBank 1 Boligkreditt AS acquires loans with collateral in housing and issues covered bonds in accordance with the regulations established for this.

Home mortgages worth a net 2,3 NOK billion were sold to SpareBank 1 Boligkreditt in 2021. A total of 35.4 NOK billion had been derecognized in home mortgages sold to SpareBank 1 Boligkreditt AS at the end of the financial year.

SPAREBANK 1 NÆRINGSKREDITT

SpareBank 1 Næringskreditt was established in 2009 and has a licence from the Financial Supervisory Authority of Norway to operate as a mortgage company. The Bank owned an 3.20% stake as at 31.12.21 (8.60 % as at 31.12.20). The loans transferred to SpareBank 1 Næringskreditt AS are very well secured and have a very small probability of default.

The bonds issued by SpareBank 1 Næringskreditt has an Aaa rating from Moody's. The company is owned by the savings banks that make up the SpareBank 1 Alliance and shares premises with SpareBank 1 Boligkreditt in Stavanger. The purpose of the mortgage company is to ensure alliance banks have access to stable and long-term financing for commercial property at competitive prices. SpareBank 1 Næringskreditt acquires loans backed by commercial property and issues covered bonds in line with the regulations for this. Loans have been transferred to the company as part of the Bank's funding strategy. Loans transferred to SpareBank 1 Næringskreditt are backed by collateral in commercial property within 60 % of its valuation.

Loans worth a net 0.31 NOK billion had been derecognized to SpareBank 1 Næringskreditt AS at the end of the financial year.

LIQUIDITY FACILITY

SpareBank 1 Nord-Norge has, together with the other owners of SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt AS, concluded agreements that establish liquidity facilities for these two companies. This means that the banks have committed to purchase covered bonds in the event that the companies are unable to refinance its activities in the market. Bond purchases are contingent on the company's cover pool not having stopped payments such that it is actually in a position to issue such bonds. Therefore, there is no credit guarantee that can be invoked if the company or its cover pool become insolvent.

Purchases are limited to the total value of the amount due in the company for the next 12 months at any given time. Previous purchases under this agreement are deducted from future purchase obligations. In principle, each owner is liable for its share of the need, or alternatively twice their primary liability under the same agreement. The bonds can be deposited in Norges Bank and thus result in no material increase in risk for the Bank. In line with their internal policies, the companies retain liquidity for the amount due in the next 6 months. This is deducted when valuing the banks' liabilities. Therefore, it would only be after the companies no longer had adequate funding to cover the amount due in the next 12 months that the Bank would report any commitment here in relation to the capital adequacy ratio or major commitments.

Overall, this liability, as at 31.12.21, amounted to 79.3 NOK million for SpareBank 1 Boligkreditt AS and nothing for SpareBank 1 Næringskreditt AS.

NOTE 13 LOSSES

The Group has made provisions for expected credit loss (ECL) on all financial assets (loan commitments) that are not classified as fair value through profit or loss.

The measurement of the provisions for expected credit loss depends on whether the credit risk has increased significantly since initial recognition on the balance sheet, without a requirement for objective evidence of a loss event, as there was under the previous regulations, IAS 39.

On initial recognition on the balance sheet and when the credit risk has not increased significantly since initial recognition, provisions are made for the 12-month expected credit loss as a result of expected default. The 12-month expected credit loss is the loss that is expected to occur over the lifetime of the loan, but which can be linked to events occurring in the first 12 months.

If the credit risk has increased significantly since initial recognition, provisions are made for the expected credit loss over the entire lifetime of the loan.

The expected credit loss is calculated based on the present value of all cash flows over the remaining lifetime, i.e. the difference between the contractual cash flows according to the contract and the cash flow that the Group expects to receive, discounted by an effective interest rate on the instrument. The expected cash flows include cash flows from the sale of collateral or other credit enhancements that are incorporated in the contractual terms.
Each month, the Group assesses the change in the risk of default during the expected lifetime of the commitment and compares the risk of default/probability of default (PD) in the commitment at the time of reporting with the PD in the commitment at the date of initial recognition. Consideration is also given to reasonable and documentable information that is available and which indicates a significant increase in the credit risk since initial recognition.
In the calculation of expected credit loss, all commitments are classified in one of three stages, as follows:

1. Not significantly higher credit risk than on granting and initial recognition on the balance sheet.
2. Significant increase in credit risk since granting, but not marked for default.
3. Significant increase in credit risk since granting, and marked for default or marked for loss.

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 on initial recognition on the balance sheet.

The threshold for a significant change in PD has been set at 150 %. PD must also be higher than 0.60 %.

The Group uses a loss model developed in collabo-

ration with the other banks in SpareBank 1 Alliance to calculate expected credit loss (ECL).
The ECL model is based on the bank's internal credit risk rating model (IRB – Internal Ratings Based), including estimates for probability of default (PD), the size of the commitment at default (EAD – exposure at default) and the size of the loss given default (LGD).

Unlike the credit models used for capital adequacy purposes, the ECL model is a 'point-in-time' model and unbiased at a given point in time.

IFRS 9 (Chapter 5.5.17–18) requires ECL to be a probability-weighted amount that is determined by evaluating a range of possible outcomes. The ECL model of SpareBank 1 Alliance calculates the outcomes of three different scenarios and these calculations are based on a quarterly analysis of the macro situation of the Group and the Group's customers, based on local, national and international factors.

The scenarios are: scenario 1 (SC1) neutral economy (base case), scenario 2 (SC2) recession (downturn case/worst case), and scenario 3 (SC3) strong economic expansion (best case). These are weighted against each other and provide the basis for further ECL calculations.

The properties of these scenarios are as follows:

- **Scenario 1:** Should be our best estimate of the expected development of PD and LGD for the next 5 years.
- **Scenario 2:** Should reflect the PD and LGD curves if the development of the portfolio is more negative than is expected in SC 1.
- **Scenario 3:** Should reflect the PD and LGD curves if the development of the portfolio is more positive than is expected in SC 1.

The table below shows an example theoretical approach to scenario weighting.

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%

Briefly summarised, the table can be interpreted as follows:

- Small degree of uncertainty: SC 1 should have a high weighting
- If the Group initially believes that development is more likely to be better than worse, then SC 3 is weighted higher than SC 2 (and vice versa)
- Large degree of uncertainty: SC 1 has a lower weighting but constitutes at least 50 % of the total weighting of all scenarios (Reasoning: If the probability of SC 1 is set lower than 50 %, it cannot be said that SC 1 is unbiased)

The weighting of the macro scenarios during 2021 has been: (base case/downturn case/best case):
Q1,2021: 60/15/20
Q2,2021: 70/10/20
Q3,2021: 75/10/15
Q4,2021: 75/10/15 (unchanged)

Based on assessments the Group makes of national and local macro development, the Group determines the level of PD and LGD factors using a scale of 1–12, based on the expectations over the next 12 months and the next 5 years in each scenario. Level 1 is 'strong economic expansion', level 5 'neutral economy', level 9 'recession' and level 12 is 'banking crisis'. The level on the scale may differ between RM and CM if it is considered probable that one segment is more/less exposed than the other. As at 31.12.21, the levels for the three different scenarios are set at: SC1 – Level 7, SC 2 – Level 9 and SC3 – Level 6.

The bank conducts an annual review of the key elements of its portfolio of corporate customers. Large and particularly risky commitments are reviewed on a quarterly basis. Loans to retail customers are reviewed when they are in default for more than 55 days, if they have a particularly poor payment history or if there is considered to be an elevated credit risk based on other known information. Probability of default is calculated for each corporate customer based on their historical financial data and observations. The same is done for retail customers, although this is based on their tax returns and historical observations.

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 commitment has experienced a significant change in credit risk if it is placed under special monitoring or more lenient payment terms are granted.

A mass market commitment is considered in default and marked for default if a claim is more than 90 days past due and the amount exceeds NOK 1,000 and overdrafts account for more than 1 % of the exposure on the account. For companies, claims must be more than 90 days past due, the amount in excess of NOK 2,000 and overdrafts account for more than 1 % of the exposure on the balance sheet. A commitment is also considered in default if events occur that result in UTP (unlikeliness to pay), such as bankruptcy, significant relief as a result of financial problems or the sale of a commitment at a discount. In addition, a commitment is deemed to be doubtful when there is documentable information that one or more loss events have occurred and that this has an impact on the expected future cash flow which can be estimated in a reliable manner.

If the contractual cash flows from a commitment have been renegotiated or amended, the Group assesses whether there has been a significant increase in credit risk by comparing

a. the risk of default at the time of reporting (based on the amended contractual terms) and
b. the risk of default on initial recognition (based on the original, unchanged contractual terms).

The bank has nine risk classes for healthy commitments (A–H) and two classes for commitments in default (J–K), based on the probability of default for each customer. These 11 classes are aggregated 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 capture based on objective data.

A commitment 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 into account the factors that caused the customer to be placed under 'special monitoring'.

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

- There is no longer a default, but the increase in credit risk since granting remains significant. New rules for defining, calculating and reporting default were introduced on 01.01.21. These include a waiting period before previously defaulted commitments can be returned to non-defaulted status, as well as criteria that must be considered when determining whether a commitment can be defined as having indications of unlikeliness to pay.

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

- There is no longer a risk of default or loss and the increase in credit risk since granting is no longer significant. The new definition of default must also be taken into account here.

LOSSES INCORPORATED IN THE ACCOUNTS

PARENT BANK			GROUP	
31.12.20	**31.12.21**	AMOUNTS IN NOK MILLION	**31.12.21**	31.12.20
286	**- 119**	Period's change in lending loss provisions	**- 129**	306
14	**55**	Period's confirmed losses	**66**	37
- 10	**- 6**	Recoveries, previously confirmed losses	**- 172**	- 11
290	**- 70**	**Losses on loans to customers**	**- 235**	**332**

LOSSES BROKEN DOWN BY SECTOR AND INDUSTRY

PARENT BANK			GROUP	
31.12.20	31.12.21	AMOUNTS IN NOK MILLION	31.12.21	31.12.20
224	**- 32**	Real estate	**- 32**	224
4	**- 3**	Finanicial and insurance activities	**- 2**	4
25	**- 8**	Fishing and aquaculture	**- 6**	29
6	**- 4**	Manufacturing	**- 2**	12
- 1	**- 4**	Agriculture and forestry	**- 5**	0
- 4	**- 1**	Power and water supply and construction	**- 6**	- 1
- 1	**2**	Service industries	**3**	3
7	**8**	Transportation	**- 157**	14
20	**- 9**	Commodity trade, hotel and restaurant industry	**- 11**	31
280	**- 51**	Total loss public market	**- 218**	316
10	**- 19**	Total loss retail market	**- 17**	9
0	**0**	Other losses public market	**0**	7
290	**- 70**	**Losses on loans to customers**	**- 235**	332

CHANGES IN LENDING LOSS PROVISIONS

PARENT BANK				CHANGES IN LENDING LOSS PROVISIONS ON LOANS TO AMORTISED COST	GROUP			
STAGE 1	STAGE 2	STAGE 3	TOTAL	AMOUNTS IN NOK MILLION	TOTAL	STAGE 1	STAGE 2	STAGE 3
-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	84	64
-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**			
				Loss provisions segmented in markets				
-18	-23	-22	**-63**	Retail	**-87**	-37	-28	-22
-152	-236	-147	**-535**	Corporate	**-605**	-163	-266	-176
			-598	**Total loss provisions at 31.12.21**	**-692**			

CHANGES IN LENDING LOSS PROVISIONS

PARENT BANK				CHANGES IN LENDING LOSS PROVISIONS ON LOANS TO AMORTISED COST	GROUP			
STAGE 1	STAGE 2	STAGE 3	TOTAL	AMOUNTS IN NOK MILLION	TOTAL	STAGE 1	STAGE 2	STAGE 3
-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 segmented in markets				
-26	-29	-31	-86	Retail	-110	-43	-36	-31
-301	-222	-111	-634	Corporate	-713	-124	-266	-323
			-598	Total loss provisions at 31.12.20	-692			
			-659	Of which presented as a reduction of the assets	-762			
			-61	Of which presented as other debt	-61			

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.

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:

				WEIGHTING OF SCENARIOS **)		
SEGMENT	10% INCREASE PD-FAKTOR	10% INCREASE LGD-FAKTOR	20% INCREASE PD-FAKTOR*)	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 og 3.

SpareBank 1 Nord-Norge has its own models that score customers based on probability of default. The sum of risk class (PD) and security class (security coverage) defines which risk category the commitments are placed in. The following table provides information about which risk category loss provisions are scored in. For further infomation, see note 6.

PARENT BANK 31.12.21

CREDIT RISK - LOSS PROVISIONS BROKEN DOWN BY RISK CATEGORY	12 MONTH ECL	ECL LIFETIME - NO OBJECTIV PROOF OF LOSSES	ECL LIFETIME - OBJECTIV PROOF OF LOSSES	**PROVISION FOR CREDIT LOSSES 31.12.2021**
	STAGE 1	STAGE 2	STAGE 3	**TOTAL**
Very low risk	15	1		**16**
Low risk	20	3		**23**
Medium risk	74	72		**146**
High risk	39	29		**68**
Very high risk	22	154		**176**
Commitments in default			169	**169**
Total	**170**	**259**	**169**	**598**
Share	28 %	43 %	28 %	**100 %**

GROUP 31.12.21

CREDIT RISK - LOSS PROVISIONS BROKEN DOWN BY RISK CATEGORY	12 MONTH ECL	ECL LIFETIME - NO OBJECTIV PROOF OF LOSSES	ECL LIFETIME - OBJECTIV PROOF OF LOSSES	**PROVISION FOR CREDIT LOSSES 31.12.2021**
	STAGE 1	STAGE 2	STAGE 3	**TOTAL**
Very low risk	17	1		**18**
Low risk	23	3		**26**
Medium risk	85	83		**168**
High risk	46	34		**80**
Very high risk	27	173		**200**
Commitments in default			200	**200**
Total	**198**	**294**	**200**	**692**
Share	29 %	42 %	29 %	**100 %**

PARENT BANK 31.12.20

CREDIT RISK - LOSS PROVISIONS BROKEN DOWN BY RISK CATEGORY	12 MONTH ECL	ECL LIFETIME - NO OBJECTIV PROOF OF LOSSES	ECL LIFETIME - OBJECTIV PROOF OF LOSSES	**PROVISION FOR CREDIT LOSSES 31.12.2021**
	STAGE 1	STAGE 2	STAGE 3	**TOTAL**
Very low risk	17	1		**18**
Low risk	46	8		**54**
Medium risk	138	93		**231**
High risk	60	34		**94**
Very high risk	66	115		**181**
Commitments in default			142	**142**
Total	327	251	142	**720**
Share	45 %	35 %	20 %	**100 %**

GROUP 31.12.20

CREDIT RISK - LOSS PROVISIONS BROKEN DOWN BY RISK CATEGORY	12 MONTH ECL	ECL LIFETIME - NO OBJECTIV PROOF OF LOSSES	ECL LIFETIME - OBJECTIV PROOF OF LOSSES	PROVISION FOR CREDIT LOSSES 31.12.2021
	STAGE 1	STAGE 2	STAGE 3	TOTAL
Very low risk	18	1		19
Low risk	59	12		71
Medium risk	151	114		265
High risk	61	41		102
Very high risk	65	134		199
Commitments in default			167	167
Total	354	302	167	823
Share	43 %	37 %	20 %	100 %

NOTE 14 MARKED RISK RELATED TO INTEREST RATE RISK

The value of the Group's interest-bearing financial instruments is affected by changes in market interest rates. The calculations set out in the table below assume that all market interest rates in all currencies within the respective maturity intervals have changed by 2 percentage points in the disfavour of the Group's positions. The calculations are thus an estimate of the Group's maximum financial loss due to changes in market interest rates.

The calculations are based on the Group's positions and market interest rates as at 31.12.21, and all interest rate sensitive financial instruments have been included in the calculations.

The parent company and the group numbers are equal.

GROUP 31.12.21

AMOUNTS IN NOK MILLION	UP TO 1 MONTH	FROM 1 MONTH TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL
NOK	-2	-18	2	-10	-3	-31
EUR	0	3	0	0	-1	2
USD	0	0	0	0	0	0
CHF	1	0	0	-8	8	1
Other currencies	0	0	0	0	0	0
Total	**-1**	**-15**	**2**	**-18**	**4**	**-28**

GROUP 31.12.20

AMOUNTS IN NOK MILLION	UP TO 1 MONTH	FROM 1 MONTH TO 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 YEAR TO 5 YEARS	OVER 5 YEARS	TOTAL
NOK	-14	-19	4	-11	-6	-46
EUR	0	0	0	0	0	0
USD	0	0	0	0	0	0
CHF	0	0	0	0	0	0
Other currencies	0	0	0	0	0	0
Total	-14	-19	4	-11	-6	-46

NOTE 15 MARKET RISK RELATING TO FOREIGN EXCHANGE RISK

Currency risk is the risk of the Group incurring losses due to changes in exchange rates. The risk arises from the Group having differences between assets and liabilities in the individual currency. The Board has decided that the Group's total net currency position, measured pursuant to the CRR/CRD IV regulations, must amount to less than 2 % of the Group's primary capital. For detailed information about the Group's management and control of currency risk, see the Pillar 3 report.

The table states the Group's net currency exposure as at 31.12.21. The parent bank and group numbers are equal.

GROUP

AMOUNTS IN NOK MILLION	2021	2020
USD	**143**	139
EUR	**-3**	1
CHF	**-2**	0
SEK	**0**	0
Other	**1**	1
Total	**139**	141

NOTE 16 FINANCIAL DERIVATIVES

SpareBank 1 Nord-Norge concludes hedging transactions with recognised Norwegian and foreign banks to reduce its risk. Derivative transactions are linked to ordinary banking operations and are carried out to reduce the risk associated with the bank's borrowing (funding) in the financial markets, and to reveal and reduce risk related to customer-oriented activities. Only hedges associated with the bank's funding activities are defined as fair value hedging pursuant to IAS 39. Other hedging is defined as ordinary hedge accounting. The Bank does not utilise cash flow hedging.

The bank's Board has set limits for the maximum risk for the bank's interest rate positions. Routines have been established that ensure the stipulated limits are adhered to.

Currency- and interest rate contracts consist of:

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 and at an agreed rate.

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

PARENT BANK OG GROUP

AMOUNTS IN NOK MILLION	31.12.21	31.12.20
Net losses recognised related to hedging instruments for fair value hedging	**-127**	-437
Total gains on hedged items related to the hedged risk	**120**	430
Total, fair value hedges	**-7**	-7

FOREIGN CURRENCY- AND INTEREST RATE INSTRUMENTS BY FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT

	2021			2020		
	CONTRACT/ NOTIONAL AMOUNT	FAIR VALUE		CONTRACT/ NOTIONAL AMOUNT	FAIR VALUE	
AMOUNTS IN NOK MILLION		ASSETS	LIABILITES		ASSETS	LIABILITES
Foreign currency instruments						
Foreign exchange financial derivatives (forwards)	**2,090**	**14**	**22**	1,567	49	20
Currency swaps	**12,985**	**151**	**70**	16,220	246	299
Total foreign currency instruments	**15,075**	**165**	**92**	17,787	295	319
Interest rate instruments						
Interest rate swaps (including cross currency)	**36,530**	**686**	**445**	36,507	1,021	991
Other interest rate contracts	**244**	**27**	**25**	327	34	30
Total non-standardized 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
Securing of funding						
Interest rate instruments						
Interest rate swaps (including cross currency)	**14,496**	**212**	**40**	14,900	428	16
Total interest rate instruments	**14,496**	**212**	**40**	14,900	428	16
Total foreign currency- and interest rate instruments						
Total, interest rate instruments	**51,270**	**924**	**510**	51,734	1,483	1,037
Total currency swaps and forwards	**15,075**	**165**	**92**	17,787	295	319
Total	**66,245**	**1,089**	**602**	69,521	1,778	1,356

NOTE 17 REMAINING CONTRACT-RELATED PERIODS FOR LIABILITIES

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. See note 12 for more information.

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 3.0 years as of 31.12.21. The short-term liquidity risk measurement, liquidity coverage ratio (LCR), was 142 % as of the end of the year.

The table below shows receipts and payments, including future interest payments, at various points in time.

PARENT BANK 2021

AMOUNTS IN NOK MILLION	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1 - 5 YEAR	OVER 5 YEARS	**TOTAL**	**BOOKED VALUE**
Liabilities to credit institutions	544	579				**1,123**	**1,123**
Debt securities in issue	70,750		5,458			**76,208**	**76,208**
Liabilities relating to deferred tax		1,334	4,163	10,592	2,039	**18,128**	**17,527**
Derivatives	602					**602**	**602**
Contract-related outgoing cash flows		1,442	2,271	4,663	1,011	**9,387**	
Contract-related incoming cash flows		- 1,451	- 2,404	- 4,847	- 1,109	**- 9,812**	
Other liabilities	1,867					**1,867**	**1,907**
Subordinated loan capital and senior non-preferred		14	47	1,242	3,637	**4,940**	**4,560**
Total liabilities	**73,763**	**1,918**	**9,535**	**11,650**	**5,577**	**102,443**	**101,927**

PARENT BANK 2020

AMOUNTS IN NOK MILLION	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1 - 5 YEAR	OVER 5 YEARS	TOTAL	BOOKED VALUE
Liabilities to credit institutions	377	897				1,274	1,274
Debt securities in issue	69,002	1,781	2,437			73,220	73,220
Liabilities relating to deferred tax		320	2,915	16,702	5,413	25,350	23,167
Derivatives	1,356					1,356	1,356
Contract-related outgoing cash flows		180	383	3,061	731	4,355	
Contract-related incoming cash flows		- 204	- 331	- 3,304	- 859	- 4,698	
Other liabilities	1,335					1,335	1,335
Subordinated loan capital and senior non-preferred		5	15	80	1,095	1,195	1,050
Total liabilities	72,070	2,979	5,419	16,539	6,380	103,387	101,402

NOTE 17 REMAINING CONTRACT-RELATED PERIODS FOR LIABILITIES

GROUP 2021

AMOUNTS IN NOK MILLION	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1 - 5 YEAR	OVER 5 YEARS	**TOTAL**	**BOOKED VALUE**
Liabilities to credit institutions	514	578				**1,092**	**1,092**
Debt securities in issue	70,691		5,458			**76,149**	**76,149**
Liabilities relating to deferred tax		1,334	4,163	10,592	2,039	**18,128**	**17,527**
Derivatives	602					**602**	**602**
Contract-related outgoing cash flows		1,442	2,271	4,663	1,011	**9,387**	
Contract-related incoming cash flows		- 1,451	- 2,404	- 4,847	- 1,109	**- 9,812**	
Other liabilities	2,548					**2,548**	**2,470**
Subordinated loan capital and senior non-preferred		14	47	1,242	3,637	**4,940**	**4,560**
Total liabilities	**74,355**	**1,917**	**9,535**	**11,650**	**5,577**	**103,034**	**102,400**

GROUP 2020

AMOUNTS IN NOK MILLION	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1 - 5 YEAR	OVER 5 YEARS	TOTAL	BOOKED VALUE
Liabilities to credit institutions	377	895				1,272	1,272
Debt securities in issue	68,940	1,781	2,437			73,158	73,158
Liabilities relating to deferred tax		320	2,915	16,702	5,413	25,350	23,167
Derivatives	1,356					1,356	1,356
Contract-related outgoing cash flows		180	383	3,061	731	4,355	
Contract-related incoming cash flows		- 204	- 331	- 3,304	- 859	- 4,698	
Other liabilities	1,818					1,818	1,818
Subordinated loan capital and senior non-preferred		5	15	80	1,095	1,195	1,050
Total liabilities	72,491	2,977	5,419	16,539	6,380	103,806	101,821

NOTE 18 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table shows whether assets and liabililties have maturity dates within one year after the balance sheet date.

PARENT BANK 31.12.21

AMOUNTS IN NOK MILLION	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1 - 5 YEAR	OVER 5 YEARS	TOTAL
Assets						
Cash and balances with central banks	399					**399**
Loans and advances to credit institutions	484	6,906		101		**7,491**
Loans and advances to customers	10,533	243	629	9,375	61,327	**82,107**
Provision for credit losses - stage 3					- 159	**- 159**
Provision for credit losses - stage 2					- 234	**- 234**
Provision for credit losses - stage 1					- 156	**- 156**
Shares	1,436				68	**1,504**
Bonds and certificates - fair value		1,390	1,571	12,514	3,674	**19,150**
Financial derivatives	1,089					**1,089**
Investments in Group companies					1,274	**1,274**
Investment in associated companies and joint ventures					3,446	**3,446**
Property, plant and equipment					460	**460**
Other assets	4	62	86		154	**306**
Total assets	**13,944**	**8,601**	**2,287**	**21,990**	**69,855**	**116,677**
Liabilities						
Liabilities to credit institutions	544	579				**1,123**
Deposits from customers	70,750		5,458			**76,208**
Debt securities in issue		1,288	4,044	10,297	1,898	**17,527**
Financial derivatives	602					**602**
Other liabilities	1,907					**1,907**
Deferred tax					9	**9**
Subordinated loan capital				1,000	3,560	**4,560**
Total liabilities	**73,803**	**1,867**	**9,502**	**11,297**	**5,467**	**101,936**

PARENT BANK 31.12.20

AMOUNTS IN NOK MILLION	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1 - 5 YEAR	OVER 5 YEARS	TOTAL
Assets						
Cash and balances with central banks	360					360
Loans and advances to credit institutions	723	6,099		101		6,923
Loans and advances to customers	5,222	464	1,777	9,801	64,742	82,005
Provision for credit losses - stage 3					- 142	- 142
Provision for credit losses - stage 2					- 232	- 232
Provision for credit losses - stage 1					- 284	- 284
Shares	576			43	86	705
Bonds and certificates - fair value		852	739	13,793	2,695	18,079
Financial derivatives	1,777					1,777
Investments in Group companies					1,413	1,413
Investment in associated companies and joint ventures					3,541	3,541
Property, plant and equipment					570	570
Other assets	16	174	62		299	551
Total assets	8,674	7,589	2,578	23,738	72,687	115,265
Liabilities						
Liabilities to credit institutions	377	897				1,274
Deposits from customers	69,002	1,781	2,437			73,220
Debt securities in issue		865	2,591	17,149	2,562	23,167
Financial derivatives	1,356					1,356
Other liabilities	1,335					1,335
Deferred tax					358	358
Subordinated loan capital					1,050	1,050
Total liabilities	72,070	3,543	5,028	17,149	3,970	101,760

GROUP 31.12.21

AMOUNTS IN NOK MILLION	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1 - 5 YEAR	OVER 5 YEARS	TOTAL
Assets						
Cash and balances with central banks	399					**399**
Loans and advances to credit institutions	484	881				**1,365**
Individual write-downs on loans and advances to credit institutions	10,533	243	629	9,375	69,206	**89,986**
Provision for credit losses - stage 3					- 190	**- 190**
Provision for credit losses - stage 2					- 269	**- 269**
Provision for credit losses - stage 1					- 184	**- 184**
Shares	1,451				68	**1,519**
Bonds and certificates		1,390	1,571	12,514	3,674	**19,150**
Financial derivatives	1,089					**1,089**
Investment in Group companies						
Investment in associated companies and joint ventures					4,837	**4,837**
Property, plant and equipment					859	**859**
Non-current assets held for sale						**0**
Intangible assets	116					**116**
Other assets	4	225	111		163	**503**
Total assets	**14,076**	**2,739**	**2,312**	**21,889**	**78,164**	**119,180**
Liability						
Liabilities to credit institutions	513	579				**1,092**
Deposits from customers	70,691		5,458			**76,149**
Debt securities in issue		1,288	4,044	10,297	1,898	**17,527**
Financial derivatives	602					**602**
Other liabilities	2,470					**2,470**
Deferred tax					127	**127**
Subordinated loan capital				1,000	3,560	**4,560**
Total liabilities	**74,276**	**1,867**	**9,502**	**11,297**	**5,585**	**102,527**

NOTE 18 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

GROUP 31.12.20

AMOUNTS IN NOK MILLION	ON DEMAND	UNDER 3 MONTHS	3-12 MONTHS	1 - 5 YEAR	OVER 5 YEARS	TOTAL
Assets						
Cash and balances with central banks	360					360
Loans and advances to credit institutions	723	811				1,534
Individual write-downs on loans and advances to credit institutions	5,222	464	1,777	9,801	153,902	88,977
Provision for credit losses - stage 3					- 169	- 169
Provision for credit losses - stage 2					- 283	- 283
Provision for credit losses - stage 1					- 310	- 310
Shares	585			43	86	714
Bonds and certificates		852	739	13,793	2,695	18,079
Financial derivatives	1,777					1,777
Investment in Group companies						
Investment in associated companies and joint ventures					4,810	4,810
Property, plant and equipment					975	975
Non-current assets held for sale						0
Intangible assets	113					113
Other assets	6	311	91		314	722
Total assets	8,786	2,438	2,607	23,637	162,020	117,298
Liability						
Liabilities to credit institutions	377	895				1,272
Deposits from customers	124,633	1,781	2,437			73,158
Debt securities in issue		865	2,591	17,149	2,562	23,167
Financial derivatives	1,356					1,356
Other liabilities	1,818					1,818
Deferred tax					455	455
Subordinated loan capital					1,050	1,050
Total liabilities	128,184	3,541	5,028	17,149	4,067	102,276

NOTE 19 NET INTEREST INCOME

PARENT BANK			GROUP	
2020	2021	AMOUNTS IN NOK MILLION	2021	2020
		Interest income on financial assets at fair value		
325	**354**	Interest and similar income from loans to and claims on customers	**354**	325
235	**140**	Interest and similar income from certificates, bonds and other interest-bearing securities	**138**	232
560	**494**	Total interest income at fair value	**492**	557
		Interest income on financial assets at amortized cost		
79	**57**	Interest and similar income from loans to and claims on credit institutions	**3**	5
2,000	**1,700**	Interest and similar income from loans to and claims on customers	**2,047**	2,364
		Other interest and similar income		1
2,079	**1,757**	Total interest income at amortized cost	**2,050**	2,369
2,639	**2,251**	**Total interest income**	**2,542**	2,926
		Interest expenses on financial liabilities at amortized cost		
74	**40**	Interest and similar costs on liabilities to credit institutions	**40**	74
416	**235**	Interest and similar costs relating to deposits from and liabilities to customers	**229**	411
302	**192**	Interest and similar costs related to the issuance of securities	**192**	302
25	**18**	Interest and similar costs on subordinated loan capital	**18**	25
47	**49**	Guarantee fund levy	**49**	47
		Other interest and similar costs		2
864	**534**	Total interest costs at amortized cost	**528**	861
864	**534**	**Total interest expenses**	**528**	861
1,775	**1,717**	**Net interest income**	**2,014**	2,065

NOTE 20 NET FEE-, COMMISSION- AND OTHER OPERATING INCOME

PARENT BANK			GROUP	
2020	2021	AMOUNTS IN NOK MILLION	2021	2020
		Fees and commissions receivable		
288	**239**	Payment facilities	**239**	288
180	**199**	Insurance products	**199**	180
33	**32**	Guarantee commissions	**32**	33
		Real estate broking	**130**	118
54	**64**	Portefolio commissions	**64**	54
14	**58**	Credit commissions	**58**	14
24	**29**	Other commissions	**144**	127
593	**621**	**Commissions ex. comission loans**	**866**	814
347	**401**	Comission from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	**401**	347
940	**1,022**	**Total commision loans income**	**1,267**	1,161
-71	**-68**	**Commission costs**	**-96**	-82
		Accounting services	**212**	207
11	**123**	Other income	**116**	13
11	**123**	**Total other income**	**328**	220
880	**1,077**	**Total commission- and other income**	**1,499**	1,299

NOTE 21 GAINS FROM OTHER FINANCIAL INVESMTENTS

Financial instruments in the table below are recognised at fair value with changes in fair value through profit-and-loss, in accordance with IFRS 9.

PARENT BANK			GROUP	
2020	2021	AMOUNTS IN NOK MILLION	2021	2020
44	**36**	**Dividends from equity capital instruments**	**36**	44
139	**336**	Income from Group companies	**0**	0
212	**421**	Income from joint ventures	**532**	554
351	**757**	**Total income from group companies and joint ventures**	**532**	554
32	**-141**	Gains/losses from certificates and bonds	**-141**	32
32	**-141**	**Total income from certificates and bonds**	**-141**	32
8	**2**	Gains/losses from hedged bonds and financial derivatives	**2**	8
3	**6**	Gains/losses from fixed rate loans to customers and hedge derivatives	**6**	3
-42	**91**	Gains/losses from other financial derivatives	**91**	-42
-31	**99**	**Total income from financial derivatives**	**99**	-31
50	**236**	Gains/losses from shares	**241**	50
50	**236**	**Total income from shares**	**241**	50
44	**27**	**Total income from currency trading**	**27**	44
95	**221**	Net gains/losses from financial assets	**226**	95
490	**1,014**	**Income from financial investments**	**794**	693

NOTE 22 PERSONNEL COSTS, BENEFITS, LOANS AND EQUITY CERTIFICATES – EXECUTIVE PERSONNEL AND BOARD MEMBERS

Information on benefits for the executive personnel and board members for 2021 is in accordance with The Norwegian Accounting Standards, paragraph §7-31 b and §7-32 given in a separate report on remuration of the executives personnel. The report includes an overview of loans to the individual executive personnel and board members (including their close relatives) as of 31.12.21, as well as an overview of the number of equity certificates as of 31.12.21. The report is published on our webside www.snn.no

PERSONNEL COST, NUMBER OF EMPLOYEES AND MAN-YEARS

PARENT BANK			GROUP	
2020	**2021**	AMOUNTS IN NOK MILLION	**2021**	2020
443	**417**	Wages and salaries	**677**	690
43	**100**	Pension cost	**118**	54
104	**115**	Social cost	**141**	125
590	**632**	**Total Personnel cost**	**936**	869
565	**502**	Number of man-years as at 31.12.	**831**	897
595	**526**	Number of employees as at 31.12.	**871**	941
604	**561**	Average number of employees	**906**	944

The Group does not have share value based compensation.

TOTAL REMUNERATION OF THE EXECUTIVE PERSONNEL AND BOARD MEMBERS IS AS FOLLOWS

AMOUNTS IN NOK MILLION	**2021**	2020
Short-term benefits		
Wages and salaries	**29,634**	21,162
Yearly bonus	**890**	
Employee benefits	**1,257**	
Board fees in the Group and Alliance companies	**1,025**	
Board fees in SpareBank 1 Nord-Norge	**2,526**	2,600
Other benefits to board members	**386**	495
Long-term benefits		
Pension	**2,935**	3,300
Other benefits		
Loan to the executive personnel incl. close relatives *Executive personnel have employee terms on their loans*	**35,462**	35,915
Loan to the board members, incl. close relatives *Terms and conditions, collateral and other security are the same as for ordinary customers, with the exeption of employees' elected representatives for whom terms and conditions are the same as for other employees.*	**14,521**	12,768
Other:		
Number of Equity certificates owned by the executive personnel incl. close relatives	**300,572**	413,365
Number of Equity certificates owned by the board members incl. close relatives	**41,761**	57,556

BENEFITS TO EMPLOYEES

AMOUNTS IN NOK THOUSAND	**2021**	2020
Total loans to employees (incl. executive personnel)	**1,153**	1,255
The aggregate value of interest rate subsidies relating to loans to employee	**19**	14

NOTE 23 OPERATING COSTS

PARENT BANK			GROUP	
2020	2021	AMOUNTS IN NOK MILLION	2021	2020
590	**632**	Personnel expenses 1)	**936**	869
264	**271**	IT-expenses	**293**	287
127	**152**	Administrative expenses 2)	**179**	174
94	**78**	Ordinary depreciation	**104**	109
24	**20**	Operating costs properties	**22**	25
87	**132**	Other operating expenses	**214**	162
1,186	**1,285**	**Total operating costs**	**1,748**	1,626

1) For further information see note 22 regarding personnel expences

EXTERNAL AUDITOR'S FEES INCL VAT

PARENT BANK			GROUP	
2020	2021	AMOUNTS IN NOK THOUSAND	2021	2020
1,547	**2,061**	Statutory auditing	**3,015**	2,546
191	**0**	Other certification services	**272**	191
0	**0**	Tax advisory services	**0**	0
499	**502**	Other non-audit services	**502**	638
2,237	**2,563**	**Total remuneration for external auditor**	**3,789**	3,375

2) As a result of a profitability project there was in 2019 decided a number of cost-cutting initiatives. In this regard 70 NOK million were provisioned per 31.12.19.

NOTE 24 PENSIONS

SpareBank 1 Nord-Norge has two pension schemes for its employees in 2021.

A defined contribution pension scheme for retirement and disability pensions taken out with SpareBank 1 Forsikring AS.

The 2021 saving rates for defined contribution pensions are:

- Salary equivalent to 0 to 7.1 G: 7%
- Salary equivalent to 7.1 to 12 G: 15%
- As at 01.01.2022, this rate increased from 15% to 20%.

Defined benefit pension scheme (YTP) for retirement and disability pensions that was closed in 2006. This is covered by SpareBank 1 Nord-Norge's pension fund. A full pension requires a qualifying period of 30 years and provides entitlement to a retirement pension of the difference between 70 % of salary and the calculated benefits from the National Insurance Scheme. This scheme was terminated on 31.12.21. Members of this scheme were enrolled into the defined contribution pension scheme on 01.01.22.

As a result of the termination of the YTP scheme, the group accounts for 2021 show an increased cost (settlement) in the amount of 73 NOK million. Additionally, estimate variances in relation to this scheme have been recognised, with 94 NOK million remove from equity as at 31.12.21.

The termination of this scheme means that the Group no longer has any future pension obligations to its employees in relation to the defined benefit pension scheme.

The schemes satisfy the requirements of the Enterprise Pensions Act and the Defined-Contribution Pensions Act.

The Group also has liabilities associated with salary above twelve times the National Insurance Scheme's basic amount (G).

The Group has agreements in place pertaining to early retirement for its executive employees. At the end of 2021, one employee was covered by this early retirement scheme (two employees in 2020). Early retirement is funded through operations.

Most of the companies in the Group are members of the private sector tariff-based pension scheme, AFP. The private AFP scheme provides a lifelong supplement to the ordinary pension. The private AFP scheme will be funded through an annual premium that is set as a percentage of salary between 1G and 7.1G. The premium for 2021 was set at 2.5 % (2.5 % in 2020).

CALCULATION OF DEFINED BENEFIT PENSION LIABILITIES PURSUANT TO IAS 19

Estimates are used when valuing pension assets and measuring accrued liabilities. These estimates are corrected every year in accordance with the statement of the pension assets' transfer value and actuarial calculations of the size of the liabilities. The value of the pension fund's liabilities, pension insurance in other insurance companies and the uninsured liabilities are included in the calculations below. All estimate deviations are recorded in the statement covering other operating income and costs under comprehensive income items, so-called OCI (Other Comprehensive Income).

According to IAS 19, the net interest cost for the period is now calculated by applying the discount rate for the liabilities at the beginning of the period to the net liabilities. Therefore, net interest costs consist of the interest on liabilities and the return on assets, both calculated using the discount rate. Changes in net pension liabilities due to premium payments and pension payments are taken into account. The difference between the actual return on pension assets and the recorded return is recognised over OCI directly in equity.

Actuarial calculations have been made using the changed mortality tariff, K2013BE (best estimate).

PARENT BANK			GROUP	
31.12.20	**31.12.21**	AMOUNTS IN NOK MILLION	**31.12.21**	31.12.20
		Net pension liabilities in the balance sheet		
749	**0**	Present value of future pension liabilities	**0**	772
973	**79**	Estimated value of pension resources	**89**	1,012
-224	**-79**	**Net pension liabilities in guaranteed schemes**	**-89**	-240
		Social security liabilities		
-224	**-79**	**Net pension liabilities in the balance sheet**	**-89**	-240
4,3 %	**8,0 %**	Deviation between anticipated and actual return on pension funds in %	**8,0 %**	4,3 %
2020	**2021**	**Pension costs for the year**	**2021**	2020
5	**5**	Pensionable amounts accrued during the year	**5**	5
16	**11**	Interest costs of pension liabilities	**11**	17
-21	**-14**	Expected rate of return on assets in the scheme	**-14**	-22
0	**2**	**Net pension costs relating to defined benefit plans excel social security contributions**	**2**	0
3	**-9**	Employer's social security contributions - subject to accrual accounting	**-9**	3
	72	Settlement	**73**	
3	**65**	**Net pension cost relating to defined benefit plans incl social security combinations**	**66**	3
40	**35**	Other pension costs	**52**	51
43	**100**	**Total pension costs incl social security contributions**	**118**	54
5,8 %	**10,0 %**	The actual rate of return on pension assets	**10,0 %**	5,8 %
31.12.20	**31.12.21**	**Change in net pension liabilities in the balance sheet**	**31.12.21**	31.12.20
-199	**-224**	Net pension liabilities in the balance sheet as at 01.01	**-240**	-215
		Recognised against equity as at 01.01		
-11	**97**	Adjusted equity balance sheet as 31.12	**99**	-10
3	**2**	Net pension cost relating defined benefit plans	**2**	3
		Charged to the Profit and Loss Account		
-18	**-14**	Benefits paid	**-14**	-18
	60	Settlement	**64**	
-224	**-79**	**Net pension liabilities in the balance sheet as at 31.12.**	**-89**	-240
42	**44**	Other pension liabilities (early retirement pension contract)	**44**	42
-182	**-35**	**Total pension liabilities in the balance sheet as at 31.12.**	**-45**	-198
		Actuarial assumptions		
1,50 %	**1,90 %**	Discount rate	**1,90 %**	1,50 %
1,50 %	**1,90 %**	Expected rate of return on scheme's assets	**1,90 %**	1,50 %
0,50 %	**0,50 %**	Future wage- and salary developments	**0,50 %**	0,50 %
1,75 %	**2,50 %**	Adjustment of basic amount (G)	**2,50 %**	1,75 %
0,50 %	**2,00 %**	Increase in current pensions	**2,00 %**	0,50 %
90,00 %	**90,00 %**	Staff's average estimated propensity to opt for SRPS at the age of 62	**90,00 %**	90,00 %
110	**0**	Number of active members covered by the defined benefit pension scheme	**0**	113
587	**697**	Number of pensioners covered by the defined benefit scheme	**707**	584

NOTE 25 TAX

PARENT BANK			GROUP	
2020	2021	AMOUNTS IN NOK MILLION	2021	2020
		Major components of income tax		
12	**565**	Current tax costs	**648**	67
295	**-194**	Change in deferred tax	**-165**	296
-1	**25**	Recognised directly to equity	**18**	-1
-2	**-1**	Shortfall/surplus in respect of accrual for taxation in the previous year/ corrections	**-2**	-2
304	**395**	**Income tax for the period**	**499**	360
		Change in net deferred tax		
295	**-194**	Change in deferred tax recognised in the income statement	**-165**	296
- 1	**25**	Recognised directly to equity	**18**	- 1
294	**- 169**	**Total change in net deferred tax**	**-147**	295

31.12.20	31.12.21	AMOUNTS IN NOK MILLION	31.12.21	31.12.20
		Temporary differences and deferred tax		
- 73	**- 96**	Tangible fixed assets	**369**	386
224	**79**	Pension liabilities/-fond	**92**	238
1,281	**51**	Other temporary differences	**80**	1,226
		Loss carried forward	**-33**	-29
1,432	**34**	**Total temporary differences**	**508**	1,821
- 358	**- 9**	**Deferred tax in balance sheet**	**-127**	-455

2020	2021	AMOUNTS IN NOK MILLION	2021	2020
		Change in temporary differences		
- 12	**- 23**	Tangible fixed assets	**- 17**	36
25	**- 145**	Pension liabilities	**- 146**	76
1,165	**-1,230**	Other temporary differences	**-1,141**	1,091
	722	Correction from previous year	**722**	
		Loss carried forward	**- 4**	- 21
1,178	**- 676**	**Total temporary differences**	**- 586**	1,182
		Reconciliation of tax charge for the period recognised against profit and loss to profit before tax		
417	**648**	25 % of profit before tax	**699**	526
-112	**-277**	Non-taxable profit and loss items (permanent differences)	**-216**	-164
- 1	**24**	Shortfall/surplus from previous year/Recognised directly to equity	**16**	-2
304	**395**	**Taxation charge for the period**	**499**	360
18,2 %	**15,2 %**	**Effective tax rate (income tax for the period expressed as a percentage of profit before tax)**	**17,8 %**	17,1 %

NOTE 26 FINANCIAL INSTRUMENTS AT FAIR VALUE

The table below contains financial assets and liabilities that are classified as held for sale or which it has been decided to measure at fair value through profit and loss upon initial recognition.

Fair value is the amount an asset can be sold for, or a liability can be settled for, in a transaction between two independent parties.

The value is set using different methods within three levels.

Level 1: Financial instruments that are valued using listed prices in active markets for identical assets or liabilities. The category includes listed shares or fund units, government bonds and certificates traded in active markets. The price used is the price on the balance sheet date. The market is deemed active if it is possible to obtain external, observable prices, exchange rates, or interest rates, and these prices are actual and frequent market transactions.

Level 2: Financial instruments that are valued using information that is not listed prices, but where prices are directly or indirectly observable for assets and liabilities, including listed prices in inactive markets for identical assets and liabilities. The category includes bonds and interbank derivatives such as interest rate swaps, currency swaps and forward contracts listed on Reuters or Bloomberg, basis swaps between the currencies NOK, EUR, USD and GBP, and interest rate and currency derivatives with customers with insignificant credit spreads.

The value is based on recently observable market data in the form of a transaction in the instrument between informed, willing and independent parties. Alternatively, that the instrument was traded in an active market that is substantially like the relevant instrument.

Level 3: Financial instruments that are valued in manner other than on the basis of observable market data and in which credit margins constitute a material part of the basis for adjusting market value. Instruments in this category are valued using methods that are based on estimated cash flows, assessments of assets and liabilities in companies, models in which material parameters are not based on observable market data, or any industry standards.

When valuation techniques are used, the value is adjusted for credit and liquidity risk. The price of the risk for equivalent instruments is used as the basis for making the assessment.

From and including 2013, the Bank has used a model that conforms to IFRS 13 concerning the measurement of fair value, where an 'exit price' assessment is used. The valuation model takes account of credit premiums and changes in credit risk.

INSTRUMENTS AT THE DIFFERENT LEVELS

Loans to customers at fixed interest rates (level 3)
The loans consist of fixed-rate loans in NOK. The loans are measured based on discounted cash flows, where the discount rate is calculated by a margin in excess of the interest rate curve. The margin is based on observable market prices.

Loans to customers for sale (level 3)
The category includes loans that will be transferred to SpareBank 1 Boligkreditt and these are measured at the agreed amount that is transferred to SpareBank 1 Boligkreditt.

Equities incl. equity instruments (level 2)
Level 2 equities include hybrid Tier 1 instruments that are held for sale to customers. Hybrid Tier 1 instruments are measured based on observable interest rate curves and credit margins, as well as indicative prices in the market.

Equities (level 3)
Equities in level 3 include stakes in companies where the Bank owns a minor stake, and which do not have observable market prices. In level 3, fair value is therefore determined on the basis of the book value of the equity.

Bonds (level 2)
The category mainly includes bonds in the Bank's liquidity portfolio that are considered less liquid (level 2 assets in calculations of the liquidity coverage ratio (LCR)). The bonds are measured based on observable interest rate curves and credit margins, as well as indicative prices in the market.

Financial derivatives (level 2)
The category includes interest rate derivatives, currency swaps, currency futures and commodity derivatives. Interest rate derivatives are measured based on relevant interest rate curves. Currency derivatives are measured based on the last available exchange rates. Commodity derivatives are measured based on observable market prices for underlying commodities.

PARENT BANK

AMOUNTS IN NOK MILLION	VALUATION BASED ON LISTED PRICES IN AN ACTIVE MARKET	VALUATION BASED ON OBSERVABLE MARKET DATA	VALUATION BASED ON FACTORS OTHER THAN OBSERVABLE MARKET DATA	
	LEVEL 1	LEVEL 2	LEVEL 3	**TOTAL**
Assets 31.12.21				
Shares	844	68	592	**1,504**
Bonds	14,084	5,066		**19,150**
Financial derivatives		1,089		**1,089**
Loans to customers with fixed rate			5,629	**5,629**
Loans to customers for sale			5,664	**5,664**
Total assets	**14,928**	**6,223**	**11,885**	**33,036**
Liabilities 31.12.21				
Derivatives at fair value		602		**602**
Total liabilities		**602**		**602**
Assets 31.12.20				
Shares	152	12	540	**705**
Bonds	13,258	4,821		**18,079**
Financial derivatives		1,777		**1,777**
Loans to customers with fixed rate			7,600	**7,600**
Loans to customers for sale			3,917	**3,917**
Total assets	13,410	6,610	12,057	**32,077**
Liabilites 31.12.20				
Derivatives at fair value		1,356		**1,356**
Total liabilities		1,356		**1,356**

Changes in value for financial instruments in level 3 parentbank:

ASSETS	FIXED-RATE LOANS	SHARES	MORTGAGES TO CUSTOMERS FOR SALE	BONDS
Booked value as of 01.01.	7,600	540	3,917	
Net gains	132	52		
Acquisitions	651		3,778	
Disposals			- 681	
Overdue loans	-2,754		-1,350	
Bookved value as of 31.12.	**5,629**	**592**	**5,664**	

GROUP

AMOUNTS IN NOK MILLION	VALUATION BASED ON LISTED PRICES IN AN ACTIVE MARKET	VALUATION BASED ON OBSERVABLE MARKET DATA	VALUATION BASED ON FACTORS OTHER THAN OBSERVABLE MARKET DATA	
	LEVEL 1	LEVEL 2	LEVEL 3	**TOTAL**
Assets 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 31.12.21				
Derivatives at fair value		602		**602**
Total liabilities		**602**		**602**
Assets 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**
Liabilites 31.12.20				
Derivatives at fair value		1,356		**1,356**
Total liabilities		1,356		**1,356**

Changes in value for financial instruments in level 3 group:

ASSETS	FIXED-RATE LOANS	SHARES	MORTGAGES TO CUSTOMERS FOR SALE	BONDS
Booked value as of 01.01.	7,614	549	3,917	
Net gains	132	58		
Acquisitions	651		3,778	
Disposals			- 681	
Overdue loans	-2,755		-1,350	
Booked value as of 31.12.	**5,642**	**607**	**5,664**	

SENSITIVITY ANALYSIS, LEVEL 3

GROUP	BOOKED VALUE AT 31.12.21	EFFECT OF ALTERNATIVE ASSUMPTIONS
Fixed-rate loans at fair value	5,642	- 14
Loans held for sale to mortgage company	5,664	
Shares at fair value	607	

The sensitivity analysis above is based on an alternative assumption where the discount rate increases by 10 basis points for fixed-rate loans to customers.

Equities at level 3 are represented by BN Bank with 428 NOK million and 121 NOK million of other equity investments and unlisted equities. Valuations are determined on the basis of the book value of the equity. The Group does not have complete information about all elements of the valuation and therefore has no basis for establishing alternative values for alternative assumptions.

NOTE 27 FAIR VALUE FINANCIAL INSTRUMENTS AT AMORTISED COST

FINANCIAL INSTRUMENTS AT AMORTISED COST

As stated in note 2, the default classification for financial assets and liabilities in the Bank and the Group is "at amortised cost". The Group seeks to minimise income statement volatility by applying the same measurement policy to both assets and liabilities. Amortised cost entails measurement based on the originally agreed cash flows, adjusted for any loss in value. The calculations are made on the basis of the individual instrument's characteristics and values on the balance sheet date. Amortised cost will not always result in values that are consistent with the market's assessments of the same financial instruments. This may be due to factors such as differing perceptions of market conditions, risk factors and required rates of return. The table below provides an overview of estimated fair values for items that are stated in the financial statements at amortised cost. As statet in note 26, fair value is determined according to varous methods within three levels.

PARENT BANK 31.12.21

AMOUNTS IN NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE	BOOK VALUE
Assets					
Total loans and advances to credit institutions			7,492	7,492	7,492
Net loans and advances to customers			70,311	70,311	70,259
Shares					
Total financial assets			**77,803**	**77,803**	**77,751**
Liabilities					
Liabilities to credit institutions			1,123	1,123	1,123
Deposits from customers			76,209	76,209	76,209
Debt securities in issue		17,578		17,578	17,527
Subordinated loan capital		4,560		4,560	4,560
Total financial liabilities		**22,138**	**77,332**	**99,470**	**99,419**

GROUP 31.12.21

AMOUNTS IN NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE	BOOK VALUE
Assets					
Total loans and advances to credit institutions			1,365	1,365	1,365
Net loans and advances to customers			78,083	78,083	78,037
Shares					
Total financial assets			**79,448**	**79,448**	**79,402**
Liabilities					
Liabilities to credit institutions			1,092	1,092	1,092
Deposits from customers			76,149	76,149	76,149
Debt securities in issue		17,578		17,578	17,527
Subordinated loan capital		4,560		4,560	4,560
Total financial liabilities		**22,138**	**77,241**	**99,379**	**99,328**

PARENT BANK 31.12.20

AMOUNTS IN NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE	BOOK VALUE
Assets					
Total loans and advances to credit institutions			6,923	6,923	6,923
Net loans and advances to customers			69,876	69,876	69,829
Shares					
Total financial assets			76,799	76,799	76,752
Liabilities					
Liabilities to credit institutions			1,274	1,274	1,274
Deposits from customers			73,220	73,220	73,220
Debt securities in issue		24,749		24,749	23,167
Subordinated loan capital		1,050		1,050	1,050
Total financial liabilities		25,799	74,494	100,293	98,711

GROUP 31.12.20

AMOUNTS IN NOK MILLION	LEVEL 1	LEVEL 2	LEVEL 3	FAIR VALUE	BOOK VALUE
Assets					
Total loans and advances to credit institutions			1,534	1,534	1,534
Net loans and advances to customers			76,730	76,730	76,683
Shares					
Total financial assets			78,264	78,264	78,217
Liabilities					
Liabilities to credit institutions			1,272	1,272	1,272
Deposits from customers			73,158	73,158	73,158
Debt securities in issue		24,749		24,749	23,167
Subordinated loan capital		1,050		1,050	1,050
Total financial liabilities		25,799	74,430	100,229	98,647

NOTE 28 CERTIFICATES AND BONDS

Bonds and certificates are measured at fair value with changes through profit-and-loss in accordance with IFRS 9.

CERTIFICATES, BONDS AND OTHER INTEREST-BEARING SECURITIES BROKEN DOWN BY ISSUER SECTOR

PARENT BANK			GROUP	
31.12.20	**31.12.21**	AMOUNTS IN NOK MILLION	**31.12.21**	31.12.20
		Governments		
4,334	**5,608**	- nominal value	**5,608**	4,334
4,468	**5,679**	- fair value/booked value	**5,679**	4,468
		Other public issuer		
2,847	**3,104**	- nominal value	**3,104**	2,847
2,884	**3,127**	- fair value/booked value	**3,127**	2,884
		Financial institutions		
10,584	**10,236**	- nominal value	**10,236**	10,584
10,660	**10,332**	- fair value/booked value	**10,332**	10,660
		Non-financial institutions		
66	**12**	- nominal value	**12**	66
66	**12**	- fair value/bookd value	**12**	66
18,079	**19,150**	**Total certificates and bonds held for trading**	**19,150**	18,079

NOTE 29 SHARES

As is evident from note 2, SpareBank 1 Nord-Norge's trading portfolio will be stated at fair value using market prices as of the balance date. Other equities at fair value are valued using valuation methods based on observable market data and estimated cash flows. These equities are valued at fair value with changes in fair value recognized in profit and loss as they arise (FVPL), or at fair value through other comprehensive income (FVOCI).

PARENT BANK			GROUP	
31.12.20	31.12.21	AMOUNTS IN NOK MILLION	31.12.21	31.12.20
		Fair value through profit and loss (FVPL):		
152	**844**	Trading assets	**844**	152
514	**592**	Shares designated as fair value	**607**	523
12	**68**	Hybrid Tier 1 Capital classified as equity positions	**68**	12
		Fair value through other comprehensive income (FVOCI):		
26		Shares designated as fair value		26
705	**1,504**	**Total shares and equities**	**1,519**	714

BREAKDOWN OF SHARES AS AT 31.12.21

SHARES HELD FOR TRADING

AMOUNTS IN NOK THOUSANDS	NUMBER OF SHARES/ UNITS	OUR EQUITY STAKE %	COST	MARKET VALUE	BOOKED VALUE
Aksjer					
SpareBank 1 Helgeland	5,397 325	19,99 %	528,398	701,652	**701,652**
VISA INC. C-AKSJER	16,784	<0,05%	7,187	127,875	**127,875**
Visa Pref Stock C (forv Visa Norge Holding1 AS)	1,175	<0,05%	17,000	13,960	**13,960**
Total listed shares			552,585	843,487	**843,487**
Total shares held for trading			552,585	843,487	**843,487**

AMOUNTS IN NOK THOUSANDS	NUMBER OF SHARES/ UNITS	OUR EQUITY STAKE %	COST	MARKET VALUE	BOOKED VALUE
Shares at fair value (FVPL)					
Sparebankmateriell AS	2,312	7,3 %	225	3,539	**3,539**
S.W.I.F.T	14		79	845	**845**
SpareBank 1 Markets AS	386,516	12,2 %	110,148	85,807	**85,807**
BN Bank	1,410 221	9,9 %	88,801	472,741	**472,741**
VN Norge AS	28,778 208		40,000	29,356	**29,356**
Other equity investments			0	25	**25**
Total shares at fair value (FVPL)			239,253	592,313	**592,313**

HYBRID CAPITAL CLASSIFIED TO FAIR VALUE

AMOUNTS IN NOK THOUSANDS	NUMBER OF SHARES/ UNITS	OUR EQUITY STAKE %	COST	MARKET VALUE	BOOKED VALUE
Hybrid capital SNN Markets			19,944	19,867	**19,867**
Hybrid capital SNN Treasury			48,750	48,370	**48,370**
Sum hybrid capital				68,237	**68,237**
Parent bank's total shares and equity investments			791,838	1,504 037	**1,504 037**

STAKES OWNED BY SPAREBANK 1 NORD-NORGE PORTEFØLJE AS AS OF 31.12.21

AMOUNTS IN NOK THOUSANDS	NUMBER OF SHARES/ UNITS	OUR EQUITY STAKE %	COST	MARKET VALUE	BOOKED VALUE
Shares valued at fair value:					
Lytix Biopharma	151,820		5,914	2,088	**2,088**
NorInnova Technology Transfer AS	613	3,7 %	2,900	2,756	**2,756**
Viking Venture III LP	37,025	0,9 %	1,822	9,759	**9,759**
Total shares owned by SNN Portefølje			10,636	14,602	**14,602**

The company also owns more shares which has been written down to kr 0,-. Se the companys own annual report for further information.

Shares owned by Eiendomsmegler 1 Nord-Norge AS and SNN Regnskap-shuset			682	282	**282**
Total shares and equity investments			803,156	1,518 921	**1,518 921**

NOTE 30 INVESTMENTS IN GROUP COMPANIES, ASSOCIATED COMPANIES AND JOINT VENTURES

INVESTMENTS IN GROUP COMPANIES PARENT BANK:

AMOUNTS IN NOK MILLION	31.12.21	31.12.20
Equity stakes in financial institutions	**799**	924
Equity stakes in other Group companies	**475**	489
Total investments in Group companies	**1,274**	1,413
Off which hybrid capital in financial institutions	**84**	84

SHARES AND EQUITY STAKES INCLUDED IN THE GROUP ACCOUNTS AND SHOWN IN THE PARENT BANK'S ACCOUNTS ACCORDING TO THE COST METHOD OF ACCOUNTING

AMOUNTS IN NOK THOUSAND	SHARE CAPITAL	NUMBER OF SHARES	COST	SHARE OF EQUITY AND VOTING CAPITAL	BOOKED VALUE
Company Name					
SpareBank 1 Finans Nord-Norge AS, Tromsø					
SpareBank 1 Nord-Norge Portefølje AS, Tromsø	1,000	1,000	25,000	100 %	**25,000**
EiendomsMegler 1 Nord-Norge AS, Tromsø	21,100	17,935	23,800	85 %	**25,212**
Fredrik Langesg 20 AS, Tromsø	920	242	370,392	100 %	**370,392**
SpareBank 1 Regnskapshuset Nord-Norge AS, Tromsø	10,200	1,275	54,069	85 %	**54,068**
Investment (shares) shown in the Parent Bank`s accounts					**1,189 156**
Hybrid capital SpareBank 1 Finans Nord-Norge AS			84,000		**84,000**
Total investment shown in the Parent Bank`s accounts					**1,273 156**

Shares in subsidiaries are not quoted on the stock exchange.

INVESTMENTS IN JOINT VENTURES AND ASSOCIATED COMPANIES

AMOUNTS IN NOK MILLION	31.12.21	31.12.20
Equity stakes in financial institutions	**1,929**	2,298
Equity stakes in other joint ventures	**1,517**	1,243
Total investments in joint ventures	**3,446**	3,541

SHARES AND EQUITY STAKES IN JOINT VENTURES AND ASSOSIATED COMPANIES, INCLUDED IN THE PARENT BANK'S ACCOUNTS ACCORDING TO THE COST METHOD OF ACCOUNTING

COMPANY NAMES	CLASSIFICATION	SHARE OF EQUITY AND VOTING CAPITAL	REGISTERED OFFICE
SpareBank 1 Gruppen AS	Joint venture	19,50 %	Oslo
SpareBank 1 Utvikling DA	Joint venture	18,00 %	Oslo
SpareBank 1 Betaling AS	Associated company	18,57 %	Oslo
SpareBank 1 Boligkreditt AS	Associated company	15,92 %	Stavanger
SpareBank 1 Næringskreditt AS	Associated company	3,20 %	Stavanger
SpareBank 1 Kreditt AS	Associated company	18,37 %	Trondheim
SpareBank 1 Bank og Regnskap AS	Associated company	25,00 %	Trondheim
SpareBank 1 Mobilitet Holding AS	Associated company	30,66 %	Hamar
SpareBank 1 Gjeldsinformasjon AS	Associated company	14,53 %	Oslo
SpareBank 1 Forvaltning AS	Associated company	14,14 %	Oslo
SpareBank 1 Kundepleie AS	Associated company	26,67 %	Trondheim

Intra-group balances relating to the Bank and the abovementioned companies: Reference is made to note 40.

GROUP 2021

INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

AMOUNTS IN NOK MILLION	TOTAL	SPAREBANK 1 GRUPPEN AS 19,5%	SPAREBANK 1 UTVIKLING DA 18,00 %	SPAREBANK 1 KREDITT AS 18,37 %	SPAREBANK 1 BOLIGKREDITT AS 15,92 %	SPAREBANK 1 NÆRINGS-KREDITT AS 3,2 %	OTHER
As at 1 January	4,810	2,207	23	179	2,074	175	152
Acquisition/sale	- 98	- 84	110	13	- 251	- 109	223
Share of profit - IFRS	592	471	81	12	12	1	15
Share of result booked as administrative costs	- 80		- 80				
Items incorporated directly in equity capital	14	- 11		8	10		7
Paid-out dividend	- 401	- 366		- 13	- 17	- 5	
As at 31 December	**4,837**	**2,217**	**134**	**199**	**1,828**	**62**	**397**

Included in «Other «: SpareBank 1 Bank og Regnskap AS, SpareBank 1 Betaling AS, SpareBank 1 Gjeldsinformasjon AS and SpareBank 1 Mobilitet AS, SpareBank 1 Forvaltning AS og SpareBank 1 Kundepleie AS.

GROUP 2020

AMOUNTS IN NOK MILLION	TOTAL	SPAREBANK 1 GRUPPEN AS 19,5%	SPAREBANK 1 UTVIKLING DA 18,00 %	SPAREBANK 1 KREDITT AS 18,37 %	SPAREBANK 1 BOLIGKREDITT AS 15,92 %	SPAREBANK 1 NÆRINGS-KREDITT AS 3,2 %	OTHER
As at 1 January	4,257	1,649	21	182	2,066	175	164
Acquisition/sale	185	195		2	- 7		- 5
Share of profit - IFRS	632	534	80	2	16	5	-5
Share of result booked as administrative costs	- 78		- 78				
Items incorporated directly in equity capital	32	24		- 7	17		-2
Paid-out dividend	- 218	- 195			- 18	- 5	
As at 31 December	4,810	2,207	23	179	2,074	175	152

Included in «Other «: SpareBank 1 Bank og Regnskap AS, SpareBank 1 Betaling AS, SpareBank 1 Gjeldsinformasjon AS and SpareBank 1 Mobilitet AS.

THE GROUP'S EQUITY STAKES IN ASSOCIATED COMPANIES AND JOINT VENTURES:

NAME	ASSETS	LIABILITIES	INCOME	PROFIT/ LOSS	OWNERSHIP SHARE
2021					
SpareBank 1 Gruppen AS (Group)	24,222	21,270	7,493	471	19,50 %
SpareBank 1 Betaling AS	144	1	0	- 13	18,57 %
SpareBank 1 Utvikling DA	180	41	289	1	18,00 %
SpareBank 1 Boligkreditt AS	41,112	39,135	25	12	15,92 %
SpareBank 1 Næringskreditt AS	367	301	2	1	3,20 %
SpareBank 1 Kreditt AS	1,076	887	80	12	18,37 %
SpareBank 1 Bank og Regnskap AS	42	0	0	0	25,00 %
SpareBank 1 Mobilitet Holding AS	81	0	0	- 6	30,66 %
SpareBank 1 Gjeldsinformasjon AS	1	0	0	0	14,53 %
SpareBank 1 Forvaltning AS	166	59	72	23	14,14 %
SpareBank 1 Kundepleie AS	25	3	6	2	26,67 %
Total	**67,416**	**61,695**	**7,968**	**502**	

2020					
SpareBank 1 Gruppen AS (Group)	21,150	18,309	4,790	194	19,50 %
SpareBank 1 Betaling AS	143	1	0	- 2	18,57 %
SpareBank 1 Utvikling DA	192	164	278	2	17,74 %
SpareBank 1 Boligkreditt AS	49,211	46,968	50	16	18,14 %
SpareBank 1 Næringskreditt AS	1,032	852	9	5	8,60 %
SpareBank 1 Kreditt AS	985	817	74	2	16,89 %
SpareBank 1 Bank og Regnskap AS	14	13	0	0	20,00 %
SpareBank 1 Mobilitet AS	6	2	0	- 2	33,33 %
SpareBank 1 Gjeldsinformasjon AS	1	0	0	0	14,44 %
Total	72,734	67,126	5,201	216	

NOTE 31 PROPERTY, PLANT AND EQUIPMENT

PARENT BANK				GROUP		
BUILDINGS AND OTHER PROPERTY	MACHINERY, FIXTURES, FITTINGS AND VEHICLES	TOTAL	AMOUNTS IN NOK MILLION	TOTAL	BUILDINGS AND OTHER PROPERTY	MACHINERY, FIXTURES, FITTINGS AND VEHICLES
49	560	**607**	Cost of acquisition or adjusted value as at 01.01.21 1)	**1,045**	362	668
0	29	**29**	Additions	**40**	2	38
15	77	**91**	Disposals	**92**	15	77
34	513	**545**	Cost of acquisition or adjusted value as at 31.12.21	**993**	349	629
9	415	**425**	Accumulated depreciation and write-downs as at 01.01.21	**505**	19	483
5	38	**43**	Current period's depreciation	**63**	12	54
0	-3	**-3**	Current period's impairment	**- 3**	0	-3
4	41	**45**	Reversed accumulated depreciation related to disposals	**45**	4	41
11	410	**420**	Accumulated depreciation and impairment in value as at 31.12.21	**520**	27	494
		336	Right to use asset 2)	**387**		
		460	**Book value as at 31.12.21**	**859**	**323**	**136**
44	558	**602**	Cost of acquisition or adjusted value as at 01.01.20	**1,035**	387	648
4	28	**32**	Additions	**83**	50	33
	27	**27**	Disposals	**73**	46	27
48	559	**607**	Cost of acquisition or adjusted value as at 31.12.20	**1,045**	391	654
4	390	**393**	Accumulated depreciation and write-downs as at 01.01.20	**453**	10	443
5	47	**52**	Current period's depreciation	**72**	14	58
		0	Current period's impairment	**0**	0	0
	20	**20**	Reversed accumulated depreciation related to disposals	**20**	0	20
9	417	**425**	Accumulated depreciation and impairment in value as at 31.12.20	**505**	24	481
		388	Right to use asset	**435**	435	
		570	**Book value as at 31.12.20**	**975**	**802**	**173**
1-5 %	10-33 %		Depreciation rates	1-5 %	10-33 %	
0 %			Dwelling units, building plots and sites, works of art	0 %		

1) Because of a system correction the opening balance have been adjusted on Group level
2) Further information regarding leases is found in note 32

Provision of collateralised assets as security
The Bank has not provided collateral security or accepted any rights of use limitations regarding fixed tangible assets.

The gross value of fully depreciated assets still in use
The gross value of fixed tangible assets which are fully depreciated and still in use was 294 NOK million as at 31.12.21 (240 million as at 31.12.20).

Liabilities related to property, plant and equipment
The Group has no liabilities in regards to acquiring fixed assets as of 31.12.21. See note 37 concerning other liabilities for further information.

Investment property group
The Bank has no assets defined as investment properties as at 31.12.21.

NOTE 32 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 %.

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.

The terms of leases vary from 2 to 14 years.

PARENT BANK			GROUP	
31.12.20	31.12.21	AMOUNTS IN NOK MILLION	31.12.21	31.12.20
		Right to use asset		
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 amount at 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
		Lease liability		
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
		Profit and loss		
42	**36**	Depreciation	**39**	44
9	**8**	Interest	**9**	10
51	**44**	**Total lease expence**	**48**	54
		Undiscounted lease liabilities and maturity of cash outflows		
40	**39**	Less than 1 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

NOTE 33 INTANGIBLE ASSETS

	GROUP	
AMOUNTS IN NOK MILLION	**31.12.21**	31.12.20
Goodwill	**114**	109
Other intangible assets	**2**	4
Total intangible assets	**116**	113

Goodwill is primarily attributable to the acquisition of SpareBank 1 Regnskapshuset Nord-Norge AS and acquisition/merger with subordinate accounting firms.

Goodwill and licence items are assessed for impairment each year, and the values are written down if there is a basis for this.

Please see note 3 for a more detailed description.

NOTE 34 OTHER ASSETS

PARENT BANK			GROUP	
31.12.20	**31.12.21**	AMOUNTS IN NOK MILLION	**31.12.21**	31.12.20
75	**75**	Capital contribution to the SpareBank 1 Nord-Norge Pension Fund	**75**	75
224	**79**	Pension assets	**88**	239
135	**29**	Other debtors	**52**	135
62	**86**	Prepaid expenses	**111**	91
10	**0**	Dividends receivable from subsidiaries		
6	**4**	Internal accounts	**4**	6
		Client account – property brokerage	**2**	86
39	**33**	Other assets	**171**	90
551	**306**	**Total other assets**	**503**	722
5	**0**	Hereof acquired assets listed for sale 1)	**0**	6

1) The acquired assets listed for sale include three properties that were sold in 2021.

NOTE 35 DEPOSITS FROM CUSTOMERS

SpareBank 1 Nord-Norge classifies deposits from customers to amortised cost.
For more information please see note 19 regarding intrest cost for deposits.

PARENT BANK					GROUP			
31.12.20		31.12.21		AMOUNTS IN NOK MILLION	31.12.21		31.12.20	
PRO-PORTION	DEPOSITS	PRO-PORTION	DEPOSITS		PRO-PORTION	DEPOSITS	PRO-PORTION	DEPOSITS
91 %	66,779	**93 %**	**70,750**	Deposits from and liabilities to customers, without agreed maturity	**93 %**	**70,691**	91 %	66,717
9 %	6,441	**7 %**	**5,458**	Deposits from and liabilities to customers, with agreed maturity	**7 %**	**5,458**	9 %	6,441
100 %	73,220	**100 %**	**76,208**	**Total deposits**	**100 %**	**76,149**	100 %	73,158
	0,62 %		**0,34 %**	Average interest rate 1)		**0,34 %**		0,62 %
				Deposits broken down by sector and industry				
5 %	3,781	**5 %**	**3,852**	Real estate	**5 %**	**3,852**	5 %	3,781
3 %	2,392	**3 %**	**2,654**	Finanicial and insurance activities	**3 %**	**2,654**	3 %	2,392
4 %	2,917	**4 %**	**2,675**	Fishing and aquaculture	**4 %**	**2,675**	4 %	2,917
2 %	1,103	**2 %**	**1,565**	Manufacturing	**2 %**	**1,565**	2 %	1,103
1 %	518	**1 %**	**532**	Agriculture and forestry	**1 %**	**532**	1 %	518
4 %	2,627	**3 %**	**2,493**	Power and water supply and construction	**3 %**	**2,493**	4 %	2,627
9 %	6,850	**10 %**	**7,988**	Service industries	**10 %**	**7,929**	9 %	6,788
3 %	2,168	**3 %**	**2,108**	Transportation	**3 %**	**2,108**	3 %	2,168
4 %	2,795	**4 %**	**2,973**	Commodity trade, hotel and restaurant industry	**4 %**	**2,973**	4 %	2,795
34 %	25,151	**35 %**	**26,840**	Total public market	**35 %**	**26,781**	34 %	25,089
55 %	40,363	**54 %**	**40,882**	Total retail market	**54 %**	**40,882**	55 %	40,363
11 %	7,706	**11 %**	**8,486**	Total government	**11 %**	**8,486**	11 %	7,706
100 %	73,220	**100 %**	**76,208**	**Total gross lending to customers**	**100 %**	**76,149**	100 %	73,158
				Deposits broken down by geographical area				
56 %	40,998	**59 %**	**44,682**	Troms og Finnmark, incl. Svalbard	**59 %**	**44,623**	56 %	40,936
37 %	27,045	**34 %**	**26,012**	Nordland	**34 %**	**26,012**	37 %	27,045
5 %	3,897	**6 %**	**4,641**	Other regions	**6 %**	**4,641**	5 %	3,897
2 %	1,280	**1 %**	**873**	International	**1 %**	**873**	2 %	1,280
100 %	73,220	**100 %**	**76,208**	**Total deposits broken down by geographical areas**	**100 %**	**76,149**	100 %	73,158

1) Average interest rate is calculated as annual total interest / average volume.

NOTE 36 DEBT SECURITIES IN ISSUE

As is evident from note 2, SpareBank 1 Nord-Norge has financial debt securities in issue with floating or fixed interest rate. Variable rate funding is recorded at amortised cost. Funding with fixed interest rate is also recorded at amortised cost, but with fair value hedging. Fixed rate funding is hedged through interest rate swaps. The recorded value is reported in accordance with the fair value of the interest rate hedge. The fair value of the interest rate hedge does not include credit risk. The group applies the rules for IAS 39 when assessing interest rate hedges.

Senior non-preferred is a new class of debt issued to be in compliance with MREL. It ranks above subordinated capital, but below existing senior debt in terms of priority.

PARENT BANK			GROUP	
31.12.20	**31.12.21**	AMOUNTS IN NOK MILLION	**31.12.21**	31.12.20
13,842	**8,898**	Fixed-rate bonds	**8,898**	13,842
9,325	**8,629**	Floating-rate bonds	**8,629**	9,325
23,167	**17,527**	**Total debt securities in issue**	**17,527**	23,167
1,20 %	**0,97 %**	Average interest rate for bond debt 1)	**0,97 %**	1,20 %
		Bond debt broken down by maturities		
3,456		2021		3,456
5,600	**5,141**	2022	**5,141**	5,600
4,590	**4,590**	2023	**4,590**	4,590
3,246	**3,246**	2024	**3,246**	3,246
3,491	**3,491**	2025	**3,491**	3,491
1,647	**932**	2026 or later	**932**	1,647
1,137	**127**	Market value change of fixed-rate bonds	**127**	1,137
		Own bonds		
23,167	**17,527**	**Bond debt and other long-term borrowings**	**17,527**	23,167
		Broken down by the most important foreign currencies		
14,618	**9,398**	NOK	**9,398**	14,618
2,576	**3,777**	CHF	**3,777**	2,576
		USD		
5,973	**4,352**	EUR	**4,352**	5,973
23,167	**17,527**	**Total liabilities broken down by major currencies**	**17,527**	23,167

1) Average interest is calculated on the basis of actual interest cost for the year, including any interest rate- and currency swaps, as a percentage of the average securities portfolio.

CHANGES IN SECURITIES ISSUED

PARENT BANK OG GROUP	STATEMENT OF FINANCIAL POSITION	ISSUED	MATURED/ REDEEMED	EXCHANGE-RATE MOVEMENTS	OTHER ADJUST-MENTS	STATEMENT OF FINANCIAL POSITION
AMOUNTS IN NOK MILLION	31.12.20	2021	2021	2021	2021	31.12.21
Certificates and other short-term borrowings						
Senior bonds	23,167		-4,560	-2	-77	17,527
Sum	**23,167**	**0**	**-4,560**	**-2**	**-77**	**17,527**

NOTE 37 OTHER LIABILITIES

PARENT BANK			GROUP	
31.12.20	31.12.21	AMOUNTS IN NOK MILLION	31.12.21	31.12.20
1,107	**1,700**	Other liabilities	**1,883**	1,254
167	**158**	Incurred costs / prepaid income	**538**	503
61	**49**	Provision for incurred costs / obligations 1)	**49**	61
1,335	**1,907**	**Total other liabilities**	**2,470**	1,818
		Other liabilities:		
392	**343**	Lease liability under IFRS 16 (see note 32)	**397**	443
28	**735**	Accrued tax	**827**	80
23	**22**	Tax deductions	**38**	35
110	**82**	Creditors	**97**	125
251	**350**	Agreed payments from Donations Fund	**350**	252
42	**44**	Early retirement pension contract	**44**	42
261	**124**	Miscellaneous liabilities	**130**	276
1,107	**1,700**	**Total other liabilities**	**1,883**	1,253
		Incurred costs / prepaid income:		
75	**80**	Incurred costs / prepaid income 2)	**68**	151
		Accrued income financial leases	**380**	248
92	**78**	Incurred personnel costs	**90**	104
167	**158**	**Total incurred costs / prepaid income**	**538**	503
		Provision of accrued expenses / obligations		
61	**49**	Off balance sheet loss provisions under IFRS 9 1)	**49**	61
61	**49**	**Total provision of accrued expenses / obligations**	**49**	61

1) Impairment of unused framework loans and guarantees is classified as debt according to IFRS 9. See also note 13.
2) Including provisions for restructuring costs.

Ongoing lawsuits:

As at 31.12.21, the Group has been sued in any law cases, but the Bank is not involved in legal disputes that entail a litigation risk of significance to the Bank's operations.

NOTE 38 SUBORDINATED LOAN CAPITAL AND DEBT

The maturity and interest rates for subordinated loan capital are shown in the table below. All of the amounts are measured at amortised cost. Interest is recognised as interest costs.

MATURITY STRUCTURE

PARENT BANK			GROUP	
31.12.20	31.12.21	AMOUNTS IN NOK MILLION	31.12.21	31.12.20
		Subordinated capital with definite maturity		
500		2027 3m NIBOR + 1,54 % (Call option 2022)		500
350	**350**	2028 3m NIBOR + 1,40 % (Call option 2023)	**350**	350
200	**200**	2029 3m NIBOR + 1,40 % (Call option 2024)	**200**	200
	500	2023 3m NIBOR + 0,90 % (Call option 2027)	**500**	
1,050	**1,050**	**Total subordinated capital with definite maturity**	**1,050**	1,050
2,39 %	**1,66 %**	Average interest subordinated capital	**1,66 %**	2,39 %

Non-preferred debt

Senior non-preferred debt is for SNNs intents and purposes a new debt class, issued to fulfill MREL requirements, (Minimum Required Eligible Liabilities). The requirement calculation is maintained by the Norwegian FCA, Finanstilsynet. A cornerstone of the MREL regulation is that certain debt classes can be converted to equity in a bail-in situation, to be able to better manage a potential crisis situation without the use of public funds.

In the capital structure hierarchy senior non-preferred ranks above subordinated capital but below senior bonds.

PARENT BANK			GROUP	
31.12.20	31.12.21	AMOUNTS IN NOK MILLION	31.12.21	31.12.20
	3,510	Senior non-preferred debt	**3,510**	
	1,05 %	Average interest non-preferred debt	**1,05 %**	
1,050	**4,560**	**Sum subordinated capital and non-preferred debt**	**4,560**	1,050

NOTE 39 BUSINESS ACQUISITIONS/MERGERS

Acquisitions/merger of accounting office

During 2021, SpareBank 1 Regnskapshuset Nord-Norge AS acquired 100 % of the shares in Lofotøy Regnskap AS. The company provides accounting services.

During 2021, the company was merged into SpareBank 1 Regnskapshuset Nord-Norge AS. The merger took place with accounting and tax continuity and accounting and tax effect from 01.01.21.

Acquisition analyses have been prepared in line with IFRS 3, where identifiable assets and liabilities are stated at fair value at the time of acquisition. The difference between the Group's acquisition cost and the book value of the net assets is allocated as goodwill.

FAIR VALUE RECOGNIZED AT ACQUISITION

AMOUNTS IN NOK MILLION	
Total assets	1
Total liabileties	1
Net identifiable assets and liabilities	**0**
Goodwill at aquisition	4
Aquisition cost	**4**

NOTE 40 RELATED PARTIES

PARENT BANK	SUBSIDIARIES	JOINT VENTURES/ ASSOCIATED COMPANIES
SpareBank 1 Nord-Norge	SpareBank 1 Finans Nord-Norge AS	SpareBank 1 Gruppen AS
	EiendomsMegler 1 Nord-Norge AS	SpareBank 1 Boligkreditt AS
	SpareBank 1 Nord-Norge Porteføljе AS	SpareBank 1 Utvikling DA
	SpareBank 1 Regnskapshuset Nord-Norge AS	SpareBank 1 Næringskreditt AS
	Fredrik Langes gate 20 AS	SpareBank 1 Betaling AS
	Rødbanken Holding AS 1)	SpareBank 1 Kreditt AS
		SpareBank 1 Bank og Regnskap AS
		SpareBank 1 Gjeldsinformasjon AS
		SpareBank 1 Mobilitet Holding AS
		SpareBank 1 Forvaltning AS
		SpareBank 1 Kundepleie AS

Share of equity is specified in note 30.
1) Ideal organisations are not consolidated in the group accounts.

TRANSACTIONS WITH SUBSIDIARIES

AMOUNTS IN NOK MILLION	2021	2020
Income items - Parent Bank:		
Interest and similar income from loans and claims from subsidiaries	**53**	72
Deposit interest income from subsidiaries	**5**	5
Share dividend	**333**	139
Accrued commissions from lien loans	**10**	12
Other fees and commisions	**1**	2
Refunded operating costs (adm services, IT ect)	**13**	16
Refunded rental cost (posted in the balance sheet, under IFRS 16)	**16**	16
Balance sheet items - Parent Bank:		
Loans	**6,038**	5,302
Subordinated loan capital	**101**	101
Hybrid Tier 1 Capital bonds	**84**	84
Deposits	**536**	1,006
Other receivables	**0**	0

As at 31.12.21, lien-based loans and leasing arranged for SpareBank 1 Finans Nord-Norge AS totalled 7,083 NOK million.

TRANSACTIONS WITH JOINT VENTURES/ASSOCIATED COMPANIES

AMOUNTS IN NOK MILLION	2021	2020
Income items - Parent Bank:		
Interest and similar income recieved from loans and claims from joint ventures	**47**	45
Deposit interest income from joint ventures	**0**	0
Share dividends	**420**	217
Balance sheet items - Parent Bank:		
Loans and advances to joint ventures	**1,074**	1,086
Deposits from and liabilities to joint ventures	**140**	70
Bonds	**45**	45
Guarantees	**4**	4

Being a participant in the SpareBank 1-alliance, several transactions between the Parent Bank and joint ventures are carried out. All transactions entered into are completed on commercial terms as a part of ordinary business and at market prices.

THE MOST IMPORTANT TRANSACTIONS ARE AS FOLLOWS:

AMOUNTS IN NOK MILLION	2021	2020
a) Purchase of management- and information technology, and development services from SpareBank 1 Utvikling DA	**145**	149
b) Commisions from sale of insurance- and savings products with an insurance element for SpareBank 1 Gruppen AS	**199**	182
c) Loans sold to SpareBank 1 Boligkreditt AS (as at 31.12)	**35,439**	37,735
Accrued commission from SpareBank 1 Boligkreditt AS	**397**	343
Receivables SpareBank 1 Boligkreditt AS (as at 31.12)	**0**	0
d) Loans sold to SpareBank 1 Næringskreditt AS (as at 31.12)	**314**	410
Accrued commission from SpareBank 1 Næringskreditt AS	**4**	4

NOTE 41 EQUITY CERTIFICATES (EC) AND OWNERSHIP STRUCTURE

According to the statutes §2-2 the Bank's EC-capital amounts to NOK 1,807 164,288 made up of 100,398 016 certificates, each of a nominal value of NOK 18. The voting rights associated with an equity certificate are held by the person who is registered as owner in the Norwegian Central Securities Depository (VPS).

The Supervisory Board can decide to issued equity certificates that are negotiable and entitle the holder to dividend under the Act of 10.06.88 No. 40 relating to financial services and financial institutions (Financial Institutions Act).
Equity certificate holders must be registered with the Norwegian Central Securities Depository (VPS).

As of 31.12.21, the Bank had 11,278 EC-holders (9,786 at 31.12.20).

CHANGE IN THE BANK'S EC-CAPITAL AND TOTAL CERTIFICATES:

YEAR	CHANGE	CHANGE IN EC CAPITAL	TOTAL EC CAPITAL	TOTAL NUMBER OF CERTIFICATES
2000	Issue earmarked for staff	10,453 101	659,701 800	6,597 018
2001			659,701 800	6,597 018
2002			659,701 800	6,597 018
2003			659,701 800	6,597 018
2004			659,701 800	6,597 018
2005	Bonus issue	131,940 500	791,642 200	7,916 422
2005	EC split		791,642 200	15,832 844
2006			791,642 200	15,832 844
2007	Dividend issue	49,055 400	840,697 600	16,813 952
2008	Dividend issue	54,906 050	895,603 650	17,912 073
2009			895,603 650	17,912 073
2010			895,603 650	17,912 073
2011	EC split and issues	759,621 025	1,655 224,675	66,208 987
2012			1,655 224,675	66,208 987
2013	Rigths issue and private placement for employees	750,029 552	1,807 164,288	100,398 016
2014			1,807 164,288	100,398 016
2015			1,807 164,288	100,398 016
2016			1,807 164,288	100,398 016
2017			1,807 164,288	100,398 016
2018			1,807 164,288	100,398 016
2019			1,807 164,288	100,398 016
2020			1,807 164,288	100,398 016
2021			1,807 164,288	100,398 016

THE 20 LARGEST EC-HOLDERS

EQUITY CERTIFICATE HOLDERS	NUMBER OF ECS	SHARE	CHANGE IN NUMBER OF ECS
	31.12.2021	31.12.2021	2021
PARETO INVEST AS	3,883 932	3,87 %	466,999
VPF EIKA EGENKAPITALBEVIS	3,037 151	3,03 %	528,925
PARETO AKSJE NORGE VERDIPAPIRFOND	2,969 719	2,96 %	-339,512
GEVERAN TRADING CO LTD	2,790 356	2,78 %	0
The Northern Trust Company, London Br.	2,285 845	2,28 %	-528,762
MP Pensjon PK	2,274 322	2,27 %	-170,000
Borwn Brothers Harriman & Co.	1,993 595	1,99 %	-202,891
State Street Bank and Trust Comp	1,882 983	1,88 %	-1,055 275
Forsvarets Personellservice	1,703 730	1,70 %	81,900
Sparebankstiftelsen SpareBank 1 Nord-Norge	1,411 606	1,41 %	0
Landkreditt Utbytte	1,350 000	1,34 %	100,000
Spesialfondet Borea Utbytte	1,330 868	1,33 %	0
The Bank of New York Mellon SA/NV	1,302 335	1,30 %	0
State Street Bank and Trust Comp	1,119 988	1,12 %	-18,803
J.P. Morgan Bank Luxembourg S.A.	1,062 352	1,06 %	-101,648
J.P. Morgan Bank Luxembourg S.A.	979,561	0,98 %	0
The Bank of New York Mellon SA/NV	924,041	0,92 %	133,792
Euroclear Bank S.A./N.V.	885,255	0,88 %	-125,106
CLEARSTREAM BANKING S.A.	780,859	0,78 %	30,981
Morgan Stanley & Co. Int. Plc.	753,055	0,75 %	-15,433
20 largest EC-holders	34,721 553	34,58 %	-1,214 833
Other EC-holders	65,676 463	65,42 %	
ECs issued	100,398 016	100,00 %	

EC RATIO

The result for the accounting year is divided between the EC-holders and the Bank according to the EC-ratio fixed as at 01.01, adjusted for any issues during the accounting year. Excluding set aside for dividends payment and donations as at 31.12.

AMOUNTS IN NOK MILLION	01.01.21	01.01.20
Parent Bank		
Equity Certificates	**1,807**	1,807
Premium Fund	**843**	843
Dividend Equalisation Fund, excluding fund for unrealised gains	**3,142**	2,861
Other equity	**- 21**	- 2
A. Equity attributable to EC holders of the Bank	**5,771**	5,509
Saving Bank's Fund, excluding fund for unrealised gains	**6,579**	6,254
Donations	**120**	120
Other equity	**- 25**	- 3
B. Total Saving Bank`s Fund	**6,674**	6,371
Total equity, excluding hybrid capital	**12,445**	11,880
EC ratio (A/ (A+B))	**46,36 %**	46,36 %
Reconciliation Balance Sheet		
Total equity, excluding hybrid capital	**12,445**	11,880
Hybrid capital	**780**	780
Set aside for dividens payment	**703**	392
Set aside for donations	**813**	453
Total equity, Parent Bank	**14,741**	13,505

RESULT PER EC

2020	2021		2021	2020
1,365	**2,198**	Result for the year	**2,295**	1,742
- 33	**- 29**	*Net interests hybrid capital	**- 29**	- 33
1,332	**2,169**	Adjusted resultat for the year	**2,266**	1,709
618	**1,006**	EC-holders share of result for the year (46,36 %)	**1,051**	792
6,22	**10,02**	Result per EC	**10,41**	7,89
1,340	**2,110**	Total comprehensive income	**2,227**	1,741
- 33	**- 29**	*Net interests hybrid capital	**- 29**	- 33
1,307	**2,081**	Adjusted total comprehensive income	**2,198**	1,708
606	**965**	EC-holders share of result for the year (46,36 %)	**1,019**	792
6,10	**9,61**	Total comprehensive income per EC	**10,15**	7,89

* Interest on tier 1 capital instruments that are classified as equity was recognised directly against equity in the amount of 33 (28) NOK million, reduced by a tax effect of 0 (7) NOK million.

NOTE 42 PROFIT DISTRIBUTION

AMOUNTS IN NOK MILLION	2021	2020
Result for the year (group)	**2,295**	1,742
Result from subsidiaries	**-322**	-174
Dividends from subsidiaries	**336**	143
Result from associated companies/joint ventures	**-532**	-554
Dividends/gains from associated companies/joint ventures	**420**	208
Result for the year (parent bank)	**2,197**	1,365
Interest hybrid capital	**-29**	-33
Result for the year distributable (parent bank)	**2,168**	1,332
Distribution		
Cash dividend to EC holders	**703**	392
Dividend Equalization Fund	**302**	226
Donations	**813**	453
Saving Bank`s Fund	**350**	261
Result for the year distributed	**2,168**	1,332
To EC holders (amount)	**1,005**	618
To EC holders (%)	**46,36 %**	46,36 %
To community owned capital (amount)	**1,163**	714
To community owned capital (%)	**53,64 %**	53,64 %
Payout rate for the result for the Parent Bank ex interest hybrid capital	**69,9 %**	63,4 %
Payout rate for the result for the Group ex interest hybrid capital	**66,9 %**	49,4 %
Dividend per equity certificate	**7,00**	3,90

Dividends will be distibuted to registered equity certificate holders as at 24.03.22.

The Bank`s equity certificates will be traded ex dividend as of 25.03.22.

Dividends will be paid out on 12.04.22.

(EC = Equity Certificates)

Perpetual hybrid Tier 1

Three tier 1 capital instruments issued by the Bank are not covered by the IFRS regulations' definition of debt and are therefore classified as equity. Based on this, accrued interest on the hybrid tier 1 capital has not been recognised as a cost in the income statement but has been charged directly against equity. When calculating key figures for equity and the equity certificates, accrued interest on hybrid tier 1 capital is thus deducted from the accounting result.

At the same time, hybrid tier 1 capital is deducted from the equity on the balance sheet. This ensures that the key figures relevant to the Bank's owners are calculated on the basis of the result and the equity that actually belong to the owners.

The contract terms and conditions for hybrid Tier 1 instruments mean that they are included in the Bank's Tier 1 capital for capital adequacy purposes, see note 5.

PARENT BANK AND GROUP

AMOUNTS IN NOK MILLION	31.12.21	31.12.20
Perpetual hybrid Tier 1		
2099 3m NIBOR + 3,30 % (Call option 2022)	**350**	350
2099 3m NIBOR + 3,15 % (Call option 2022)	**180**	180
2099 3m NIBOR + 3,30 % (Call option 2023)	**250**	250
Total perpetual hybrid Tier 1	**780**	780
Average interest perpetual hybrid Tier 1	**3,73 %**	3,26 %

NOTE 43 EVENTS OCCURRING AFTER THE END OF THE YEAR

The proposed distribution of a cash dividend from the profit of the year is 703 NOK million to the equity capital certificate holders in SpareBank 1 Nord-Norge and 813 NOK million as donations to community-owned capital. This proposal has not been declared as at the date of the balance sheet, and has therefore not been recognised as a liability on the balance sheet. It is still included in the equity.

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 report and the consolidated financial statements of SpareBank 1 Nord-Norge for the period from 01.01.21 to 31.12.21. We confirm to the best of our knowledge that the financial statements for the period from 01.01.21 to 31.12.21 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 annual 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, 23.02.22

The Board of Directors of SpareBank 1 Nord-Norge

Kjersti Stormo
(nestleder)

Trude Slettli

Kim Daniel Arthur

Kathrine Tveiterås

Lisbeth Berg-Hansen

Cecilie Bjølgerud Wirkola
(ansattevalgt)

Kjetil Berntsen
(ansattevalgt)

Liv Bortne Ulriksen
(konsernsjef)

ALTERNATIVE PERFORMANCE MEASURES

SpareBank 1 Nord-Norge's alternative performance measures (APMs), provide relevant additional information to what is otherwise shown in the 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 with 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.
Cost/income ratio	Total costs in relation to total income.	The cost/income ratio is a measure of the profitability and efficiency 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- and deposits 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 SpareBank 1 Boligkreditt or SpareBank 1 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**	116,810
Interest margin	**1,67 %**	1,77 %
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 %

AMOUNTS IN NOK MILLION	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	**-0,18 %**	0,26 %
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 %

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To the Supervisory Board of SpareBank 1 Nord-Norge

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

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

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

In our opinion:

- the financial statements comply with applicable statutory requirements,

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

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

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

Basis for Opinion

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

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

We have been the auditor of the Company for 25 years from the election by the Supervisory Board from the accounting year of 1996, with a renewed election by the Supervisory Board in 2008.

Key Audit Matters

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

1. Expected credit loss allowance on loans and advances in the corporate market

Reference is made to Note 3 Critical estimates and assessments regarding the use of accounting principles, Note 7 Credit exposure for each internal risk rating, Note 8 Maximum credit exposure, Note 9 Credit quality per class of financial assets, Note 11 Loans and advances to customers, Note 13 Losses on loans and guarantees and section losses and defaults on loans, and section credit risk described in “The most important risk areas”, in the Board's annual report.

The key audit matter	*How the matter was addressed in our audit*
Expected credit loss allowance on loans and advances that are not impaired amounts to MNOK 492 for the Group, of which MNOK 442 relates to expected credit losses in the corporate market. Expected credit loss allowance on credit impaired loans and advances amounts to MNOK 200 for the Group, of which MNOK 163 relates to expected credit losses in the corporate market. IFRS 9 requires the Group to calculate expected credit loss (ECL) over the next 12 months for loans and advances that have no significant increase in credit risk (stage 1), and lifetime ECL for loans and advances that have significant increase in credit risk (stage 2). The Group uses models for calculating ECL in stage 1 and 2. The model-based calculations are complex and process a high volume of data. Further, there are management judgement involved with determination of estimate parameters, including: • definition of significant increase in credit risk (SICR), • probability of default (PD), • loss given default (LGD), • exposure at default (EAD), • determination and weighting of the different expected future macroeconomic scenarios SpareBank 1 Nord-Norge has developed internal rating based models (IRB) for calculation of PD, LGD and EAD. Further, the Group has developed their own model for calculation of expected credit losses based on these IRB-models. Impaired loans and advances, where credit risk has increased significantly and where there is objective evidence of default, are subject to individual assessments to estimate lifetime ECL (stage 3). To calculate the ECL, management is	We have formed an understanding of the Group’s definitions, methods and internal control for recognition and measurement of expected credit loss allowance for the corporate market. We involved our specialist to assess the Group’s methods and policies for internal validation of the IRB-models, as well as to evaluate the internal validation’s results to assess possible deviations and consequences for our audit. We have obtained assurance reports with reasonable assurance (ISAE 3000) from an independent auditor who has considered: • whether PD, LGD and EAD included in the model are correctly calculated, • whether the data used in the calculations is correct, and • whether the model calculates ECL in accordance with the requirements of IFRS 9. We have evaluated the independent auditor's competence and objectivity, as well as evaluated the reports to assess possible deviations and consequences for our audit. We have performed additional procedures over the data used in the ECL model. We have assessed the Group’s definition of SICR by comparison against information available for similar banks. For other relevant assumptions made by management, we have performed sensitivity tests and evaluated the Group’s future economic scenarios against historical loss levels and external macro-economic reports. For a selection of loans and advances in stage 3, we have reperformed the calculation of expected credit loss, and assessed the projected cash flows against historical financial

required to make estimates and assumptions, including: • timely identification of impaired loans and advances, • the expected future cash flows including the value of underlying collateral. Based on the size of gross lending, inherent credit risk, the complexity of the models' calculations and the degree of management judgement when preparing the estimates, we consider the expected credit loss allowance in the corporate market to be a key audit matter.	results, budgets and external valuations of collaterals where applicable. In order to challenge management whether there should have been other loans and advances under individual loss assessment, we have, based on various criteria, tested a selection of high-risk loans and advances. We have assessed whether the disclosures related to IFRS 9 and ECL are sufficient and in accordance with IFRS 7.

2. IT systems and application controls

Reference is made to Note 6 section on operational risk and section on operational risk described in "The most important risk areas" in the Board's annual report.

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

	to ensure that any findings are appropriately followed up. We have used our IT audit specialist in the work to understand the control environment, test controls and examine the reports.

Other Information

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

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

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and

obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name 549300SXM92LQ05OJQ76-2021-12-31-en have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

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

Management's Responsibilities

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

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

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

Tromsø, 25 February 2022
KPMG AS

Stig-Tore Richardsen
State Authorised Public Accountant

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

Design: Riktig Spor (KJ112)

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