



Q2 2022

Interim financial
statements



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Main figures

NOK 441 million

Profit after tax

8.1%

Return on equity

19.3%

Common Equity Tier 1 capital ratio

Main figures

Group	30.06.2022		30.06.2021		31.12.2021	
	m NOK	% ¹⁾	m NOK	% ¹⁾	m NOK	% ¹⁾
Summary of the results						
Net interest income	684	1.69	343	1.50	920	1.53
Net commission and other income	438	1.08	290	1.26	716	1.19
Net income from financial assets	36	0.09	249	1.09	360	0.60
Total net income	1,158	2.86	882	3.85	1,995	3.31
Total operating expenses	605	1.49	352	1.53	886	1.47
Operating profit before losses/profit before losses and tax	553	1.36	530	2.31	1,109	1.84
Losses on loans and guarantees	4	0.01	113	0.49	79	0.13
Profit before tax	549	1.36	417	1.82	1,030	1.71
Tax expense	109	0.27	42	0.18	161	0.27
Profit after tax	441	1.09	375	1.64	869	1.44
Total other comprehensive income recognised as equity	-	-	1	-	(13)	(0.02)
Total comprehensive income	440	1.09	376	1.64	855	1.42

¹⁾ Calculated as a % of average total assets



Key figures

Group (amounts in NOK millions)	30.06.2022	30.06.2022 with pro forma figures for 2021	30.06.2021	30.06.2021 with pro forma figures for 2020	31.12.2021	31.12.2021 with pro forma figures for 2020
Profitability						
Return on equity, profit before other comprehensive income ¹⁾	8.1%		10.3%		11.4%	
Return on equity, comprehensive income ¹⁾	8.1%		10.3%		11.2%	
Cost-income ratio ¹⁾	52.2%		39.9%		44.4%	
Cost-income ratio excl. financial investments ¹⁾	53.9%		55.6%		54.2%	
Statement of financial position figures						
Gross lending to customers	74,087		61,051		62,771	
Gross lending to customers incl. SpareBank 1 Boligkreditt/Næringskreditt ¹⁾	105,255		86,174		88,105	
Deposits from customers	57,157		46,872		46,212	
Deposit coverage ¹⁾	77.1%		76.8%		73.6%	
Liquidity coverage ratio (LCR), liquidity reserve	152%		173%		175%	
Lending growth incl. SpareBank 1 Boligkreditt/Næringskreditt in the past 12 months ¹⁾		5.1%		6.6%		6.4%
Deposit growth in the past 12 months ¹⁾		4.3%		6.7%		7.4%
Total assets	89,863		73,765		74,911	
Total assets, incl. SpareBank 1 Boligkreditt/Næringskreditt ¹⁾	121,032		98,888		100,245	
Losses						
Loss rate on lending ¹⁾	0.01%		0.24%		0.17%	
Loans in Stage 3 as % of gross lending ¹⁾	0.53%		0.46%		0.54%	
Loss (incl. SpareBank 1 Boligkreditt/Næringskreditt)						
Loss rate on lending (incl. SpareBank 1 Boligkreditt/Næringskreditt) ¹⁾	0.00%		0.17%		0.12%	
Loans in group 3 as % of gross lending (incl. SpareBank 1 Boligkreditt/Næringskreditt) ¹⁾	0.37%		0.33%		0.38%	
Financial strength in terms of proportional consolidation						
Capital adequacy ratio	22.2%		20.8%		21.0%	
Tier 1 capital ratio	20.4%		19.0%		19.3%	
Common Equity Tier 1 capital ratio	19.3%		18.0%		18.3%	
Net primary capital	12,462		10,076		10,124	
Tier 1 capital	11,409		9,231		9,293	
Common Equity Tier 1 capital	10,837		8,752		8,817	
Basis for calculation	56,014		48,538		48,269	
Leverage ratio, proportional consolidation	8.5%		8.3%		8.4%	
Offices and staffing						
Number of bank branches	21		17		17	
Number of brokerage offices	19		16		16	
Number of accounting offices	5		5		5	
Number of FTEs, parent bank (avg. YTD)	401		260		320	
Number of FTEs, group (avg. YTD)	571		381		463	
Number of FTEs, parent bank (at end of period)	436		384		378	
Number of FTEs, Group (at end of period)	626		540		533	

Group (amounts in NOK millions)	30.06.2022	30.06.2021	31.12.2021
Equity certificates			
Equity certificate fractions	60.7%	60.3%	60.3%
Market price (NOK)	52.20	50.00	65.40
Market value (NOK millions)	7,313	5,934	7,762
Book equity per equity certificate (parent bank, NOK)	53.08	45.89	47.71
Book equity per equity certificate (Group, NOK) ¹⁾	54.47	46.98	49.32
Earnings per equity certificate (parent bank, NOK) ¹⁾	2.02	3.41	4.94
Earnings per equity certificate (Group, NOK) ¹⁾	2.00	3.05	5.37
Dividend per equity certificate (NOK)	-	-	2.50
Price/earnings per equity certificate (parent bank)	12.79	7.27	13.25
Price/earnings per equity certificate (Group) ¹⁾	12.92	8.13	12.18
Price/book equity (parent bank)	0.98	1.09	1.37
Price/book equity (Group) ¹⁾	0.96	1.06	1.33

¹⁾ Alternative performance measures are defined in a separate appendix to the interim report

Corporate strategy

SpareBank 1 Sørøst-Norge and SpareBank 1 Modum merged on 01.04.2022. SpareBank 1 Sørøst-Norge was the takeover bank. The Group further strengthened its position as a powerful regional bank in Southeast Norway.

Brand and identity

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

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

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

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

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

Vision and values

Vision

Together we create value

Our values

Present, power and movement

Market area

SpareBank 1 Sørøst-Norge's geographical market area includes Vestfold og Telemark County, as well as the former Buskerud County with centres of gravity around Kongsberg, Drammen and Modum.

SpareBank 1 Sørøst-Norge's registered business address is in Sandefjord, and it has local branches offering advice in Kongsberg, Vikersund, Åmot, Hokksund, Nedre Eiker, Drammen, Lier, Holmestrand, Horten, Tønsberg, Færder, Sandefjord, Larvik, Bamble, Porsgrunn, Skien, Ulefoss, Lunde, Bø and Notodden.



Corporate Strategy 2022-2025

Four overarching ambitions

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

Seven strategic focus areas

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

Resource management

Within the priority areas described in the strategy, our resources must be employed to yield the best return on capital for the benefit of our equity certificate holders, customers, employees and region.



Corporate social responsibility and sustainability

SpareBank 1 Sørøst-Norge presented an updated sustainability strategy in its annual report for 2021. The Group will be *responsible* by preventing and detecting financial crime, be *climate proactive* and help customers be the same and be *socially engaged*. A newly established sustainability committee will coordinate the work on sustainability since sustainability is now integrated into the work of all departments, not just the Sustainability Department. The strategy will be adjusted following the merger with SpareBank 1 Modum.

The annual report documents the progress made in all three strategic areas and was well received by stakeholders. For the first time, the Group reported on the physical climate risk in the loan portfolio and greenhouse gas emissions related to the mortgage portfolio (emissions from the commercial loan portfolio have been included since 2020). The Bank has recently stress tested its exposure to income from emission-intensive industries, as well as in relation to transition risk and physical climate risk in the loan portfolio. A special access client is now used for climate risk when assessing new commercial loans.

Preliminary figures show that 83 % of the loan portfolio is deemed eligible in relation to the EU taxonomy and 11 % is deemed eligible and aligned (see annual report, p. 169). The Group has also implemented measures to comply with the Transparency Act in operations, supply chains and in relation to partners (see the section on sustainability in the annual report). All corporate customers have been informed of what the Act means for them.

SpareBank 1 Sørøst-Norge has launched the 'Business Barometer Southeast' ('Konjunktur Sørøst'), a live business cycle barometer (www.konjunktursorost.no) with local data, articles and analyses for 11 locations across the market area. In spring 2022, the Bank also launched an annual survey of local companies' expectations regarding economic growth, as well as a sustainability barometer for the region, and presented these in cooperation with local business associations. Further development of the Business Barometer Southeast started during the quarter with the aim offering more graphs of local statistics and a survey of people's expectations regarding economic growth, as well as housing, migration and work for 2022. In addition to this, the Business Barometer Southeast will launch local pages for Øvre Eiker and Modum in the third quarter.

SpareBank 1 Sørøst-Norge's goal is to get employees engaged in the Group's sustainability work. 'Agenda: Sustainability' was conducted in May. All employees in the Group received a 2-week professional refresher course on the Group's sustainability work. The Group's employees helped to save more than 23 tonnes of CO₂e through a climate competition.

The Group intends to boost skills within sustainability. The goal of the skills boost is to ensure that all employees feel confident with regard to sustainability within their professional field and within their day-to-day work. The Sustainability Department is developing specially tailored courses for each department and bringing in external expertise. Work started in June, when the first department in the Group completed a physical full-day course. The UN's environment programme describes the Group's training programme as a model for other banks that want to comply with the UN Principles for Responsible Banking.

About SpareBank 1 Sørøst-Norge

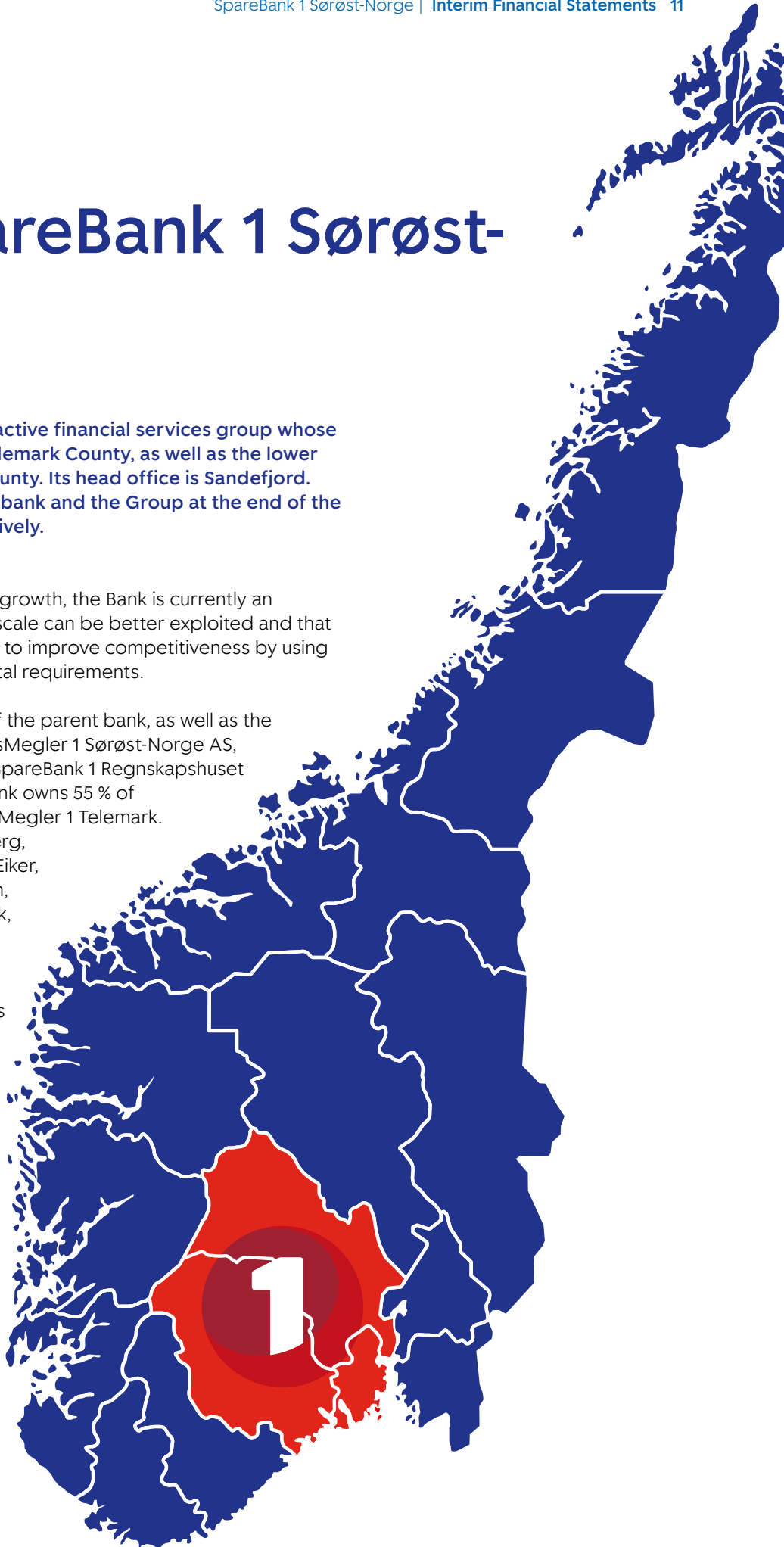
SpareBank 1 Sørøst-Norge is a proactive financial services group whose market area covers Vestfold og Telemark County, as well as the lower portion of the former Buskerud County. Its head office is Sandefjord. The numbers of FTEs in the parent bank and the Group at the end of the quarter were 436 and 626, respectively.

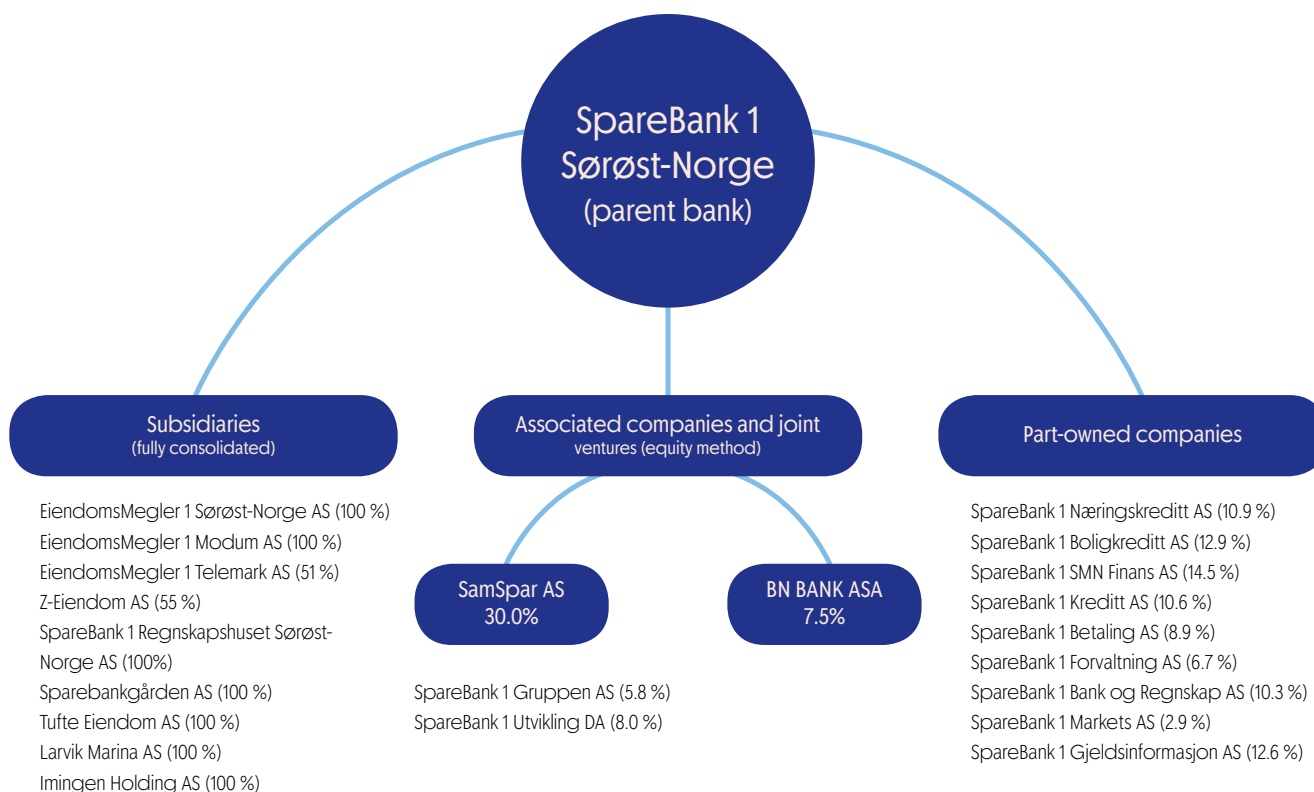
As a result of structural and organic growth, the Bank is currently an attractive size where economies of scale can be better exploited and that provides opportunities that allow us to improve competitiveness by using our own models for calculating capital requirements.

The Group's main activity consists of the parent bank, as well as the wholly owned subsidiaries EiendomsMegler 1 Sørøst-Norge AS, EiendomsMegler 1 Modum AS and SpareBank 1 Regnskapshuset Sørøst-Norge AS. In addition, the Bank owns 55 % of Z-Eiendom AS and 51 % of EiendomsMegler 1 Telemark.

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

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





Important financial events in the quarter

On 03.03.2022, the Financial Supervisory Authority of Norway gave the Bank the necessary permissions to execute the merger with SpareBank 1 Modum in line with the decision taken by the banks' supervisory boards on 16.12.2021. The legal merger was completed on 01.04.2022. The plan is to complete the technical merger in the period 07.10 to 09.10.2022.

Activity in the Norwegian economy is higher and there is little available capacity. As a result, inflation is rising and is clearly above Norges Bank's inflation target of 2%. Both employment rates and inflation have risen faster than forecast. The weakened NOK exchange rate has also resulted in higher imported inflation. As a result of this and the prospect of more persistent high inflation, Norges Bank again raised its policy rate in the second quarter. Given the increased policy rate and increased borrowing costs, the Bank raised its lending rates for the retail and corporate markets. Interest rates for deposits accounts have also been increased. Based on Norges Bank's decision at its interest rate meeting on 24.03.2022, the Bank raised its rates for residential mortgages by up to 0.25 percentage points with effect from 31.03.2022 for new residential mortgages, and from 11.05.2022 for existing mortgages. Norges Bank changed its interest curve significantly in the second quarter and raised its policy rate at its interest rate meeting on 23.06.2022 by 0.5 percentage points. The Bank decided to increase its mortgage rates by up to 0.50 percentage points. Lending rates were also increased in the corporate market. The new interest rates will apply from 29.06.2022 for new mortgages and from 10.08.2022 for existing mortgages.

The Bank focuses strongly on the composition of funding and primary capital, and there was a lot of activity in the second quarter. Optimisation of the composition of primary capital reflects the various regulatory requirements for capital requirements with the aim of minimising average capital costs.

On 15.06.2022, the Bank issued a new NOK 100 million perpetual hybrid Tier 1 security with a floating interest rate and which can be redeemed at the earliest on 23.06.2027. At the same time, the Bank bought back NOK 34 million in outstanding hybrid Tier 1 securities. The outstanding amount after the buy-back amounts to NOK 66 million.

On 06.04.2022, the Bank issued a new NOK 350 million subordinated bond with a floating interest rate. The bond can be redeemed at the earliest on 12.04.2027. At the same time, the Bank bought back NOK 195 million in two subordinated bonds. In light of this, the Bank took the opportunity to exercise a call on subordinated bond 2017/2027, with a nominal value of NOK 45 million.

As part of the escalation of the previously communicated MREL requirement, the Bank expanded a SNP bond by NOK 300 million to a total of NOK 800 million on 21.04.2022. At about the same time, the Bank issued a new SNP bond for NOK 500 million with a maturity date of 03.05.2028.

In light of the merger between SpareBank 1 Sørøst-Norge and SpareBank 1 Modum, and the fact that other shareholders and participants in Samarbeidende Sparebanker AS and Samarbeidende Sparebanker Utvikling DA did not exercise their pre-emptive rights within 6 weeks of the legal merger, the Bank has increased its ownership interest in Samarbeidende Sparebanker AS and Samarbeidende Sparebanker Utvikling DA. Following this, SpareBank 1 Sørøst-Norge currently owns 30.0 % of Samarbeidende Sparebanker AS and 44.2 % Samarbeidende Sparebanker Utvikling DA, which corresponds to indirect ownership interests of 5.8 % in SpareBank 1 Gruppen AS and 8.0% in SpareBank 1 Utvikling DA.

As part of the Bank's employee savings programme, the Bank bought back 175,000 equity certificates at a price of NOK 58.50 per equity certificate on 31.05.2022. The price was set via a reversed book building process. A total of 320,542 equity certificates were subscribed to by employees in connection with the savings programme. The equity certificates were resold to the employees at a price of NOK 58.50 per equity certificate on 14.06.2022. Following this, the Bank owns 43,284 treasury equity certificates, which represents 0.03% of outstanding equity certificates and voting rights in the Bank.



Interim report from the Board of Directors for Q2

The SpareBank 1 Sørøst-Norge Group

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

The interim financial statements have been prepared in accordance with IAS 34 Interim reporting.

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

Figures from the transferring banks were included in the official accounts with effect from 01.06.2021 (Sparebanken Telemark) and 01.04.2022 (SpareBank 1 Modum). Pro forma financial statements have been prepared for 2021 and the first quarter of 2022 to improve comparability¹⁾. Please refer to the separate pro forma income statement and statement of financial position in Notes 24 and 25.

Highlights from the pro forma financial performance and statement of financial position performance as at 30.06.2022 are shown below, with the pro forma figures as at 30.06.2021 in brackets.

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

Highlights (pro forma) for the period 01.01 to 30.06.

- Ordinary profit after tax of NOK 466 million (NOK 591 million)
- Net interest income of NOK 730 million (NOK 612 million)
- Net income from financial assets NOK 46 (316) million
 - Profit contributions from SpareBank 1 Gruppen and BN Bank ASA of NOK 10 million (NOK 65 million) and NOK 21 million (NOK 18 million), respectively
 - Of which negative goodwill due to the merger NOK 0 (151) million
- Higher operating expenses were mainly due to one-off merger-related costs of NOK 85 million (NOK 41 million)
- Losses on loans and guarantees of NOK 4 million (NOK 123 million)
- Return on equity of 7.9 % (11.0 %)
- Lending and deposit growth in the past 12 months of 5.1 % (6.6 %) and 4.3 % (6.7 %), respectively

The following details some of the highlights and figures that refer to the official accounting and consolidated figures. Figures in brackets relate to the corresponding period last year for the takeover bank.

Highlights (official) for the period 01.01 to 30.06

- Ordinary profit after tax of NOK 441 million (NOK 375 million)
- Net interest income of NOK 684 million (NOK 343 million)
- Losses on loans and guarantees of NOK 4 million (NOK 113 million)
- Profit contributions from SpareBank 1 Gruppen and BN Bank ASA of NOK 9 million (NOK 36 million) and NOK 21 million (NOK 13 million), respectively
- Return on equity of 8.1 % (10.3 %)
- Common Equity Tier 1 capital ratio, proportional consolidation, 19.3 % (18.0 %)

Main features (official) for Q2

- Ordinary profit after tax of NOK 271 million (NOK 244 million)
- Net interest income of NOK 377 million (NOK 194 million)
- Losses on loans and guarantees of NOK 15 million (NOK 111 million)
- Profit contributions from SpareBank 1 Gruppen and BN Bank ASA in the second quarter of NOK 5 million (NOK 26 million) and NOK 10 million (NOK 7 million), respectively
- Return on equity of 9.4 % (13.2 %)

Financial performance

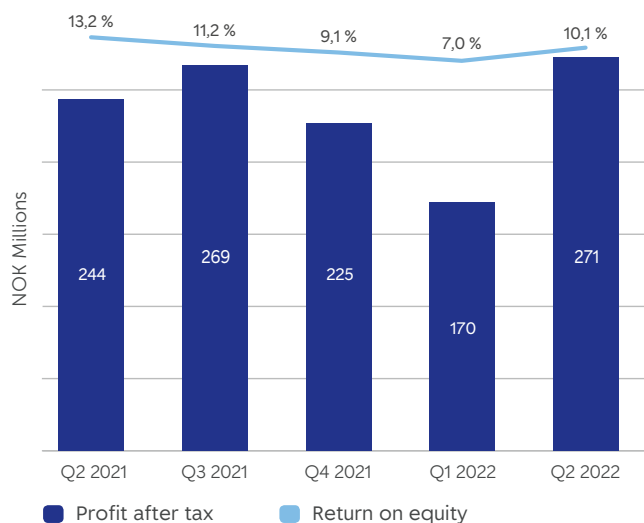
Cumulative figures as at 30.06 unless explicitly stated otherwise.

Profit

The SpareBank 1 Sørøst-Norge Group posted a profit from ordinary operations before losses of NOK 553 million (NOK 530 million). Profit after tax was NOK 441 million (NOK 375 million), which represents 1.09 % (1.64 %) of average total assets. The Group's annualised return on equity was 8.1 % (10.3 %).

Earnings per equity certificate (weighted average as at 30.06) in the parent bank were NOK 2.02 (3.41) and in the Group NOK 2.00 (3.05).

Quarterly performance of profit after tax and return on equity:

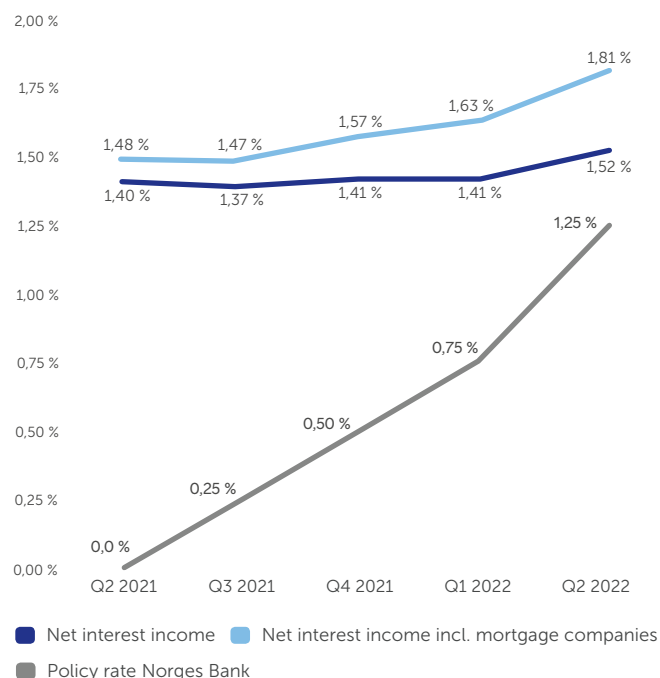


Net interest income

Net interest income amounted to NOK 684 million (NOK 343 million). Net interest income annualised as a percentage of average total assets was 1.69 % (1.50 %).

In March 2022, Norges Bank decided to raise its policy rate by 0.25 percentage points to 0.75%. As a result of increases in market interest rates, the Bank chose to raise lending and deposit rates from 31.03.2022 for new customers and from 11.05.2022 for existing retail customers and 22.04.2022 for corporate customers. In June 2022, Norges Bank decided to raise its policy rate by 0.50 percentage points to 1.25 %. As a result of further increases in market interest rates, the Bank chose to raise lending and deposit rates by up to 0.50 percentage points from 29.06.2022 for new customers and from 10.08.2022 for existing retail customers and 13.07.2022 for corporate customers.

Quarterly change in net interest income:



At the end of the quarter, the Bank had transferred mortgages worth NOK 29,724 million (NOK 23,498 million) to SpareBank 1 Boligkreditt AS, and NOK 1,444 million (NOK 1,625 million) to SpareBank 1 Næringskreditt AS. Earnings from these loan portfolios are shown under net commission income and amounted to NOK 97 million (80 million).

Net commission and other income:

Net commission and other income totalled NOK 438 million (NOK 290 million).

Net commission income

Net commission income amounted to NOK 283 million (NOK 184 million). The commissions from SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS accounted for NOK 97 million (NOK 80 million) of this.

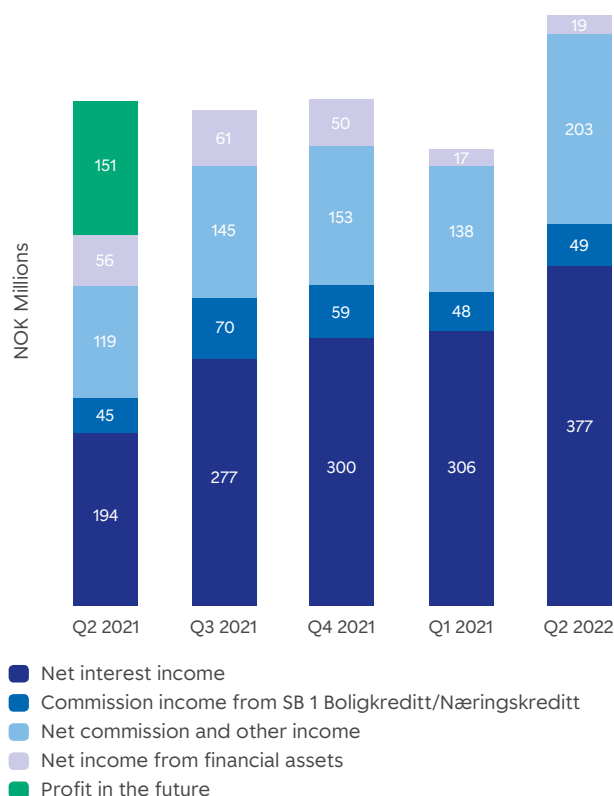
Other operating income

Other operating income amounted to NOK 155 million (NOK 106 million).

Net income from financial assets

Net income from financial assets amounted to NOK 36 million (NOK 249 million). As at 30.06, the main items consist of NOK 44 million (NOK 33 million) in dividends received, NOK 30 million (NOK 50 million) in net profit from ownership interests, and net result from other financial investments of NOK -38 million (NOK 166 million). The latter item included NOK 151 million of recognised negative goodwill in last year's figures related to the merger with Sparebanken Telemark.

Quarterly change in income (NOK millions):



The net result from ownership interests includes the results from SpareBank 1 Gruppen AS and BN Bank ASA of NOK 9 million (NOK 36 million) and NOK 21 million (NOK 13 million), respectively. The indirect stake in SpareBank 1 Gruppen AS and direct stake in BN Bank ASA were increased from 3.0 % and 5.0 % to 4.4 % and 7.5 %, respectively, in connection with the merger on 01.06.2021. In connection with the merger on 01.04.2022, the indirect ownership interest in SpareBank 1 Gruppen AS was further increased from 4.4 % to 5.8 %.

Income from ownership interests, SpareBank 1 Gruppen

SpareBank 1 Gruppen posted a first half-year profit that was considerably weaker than the profit for the same period last year. The profit before tax amounted to NOK 307 million, which is NOK 1,693 million weaker than in 2021. The reduction in profit was due to a weak equity market, falls in the value of the fixed income portfolio in the insurance companies, falls in the values of properties, and a significant increase in claims rates compared with last year. The result after tax was NOK 237 million (NOK 1,549 million), of which NOK 149 million (NOK 1,102 million) constitutes the controlling interest's share of the profit after tax.

SpareBank 1 Sørøst-Norge's share of SpareBank 1 Gruppen's profit amounted to NOK 8.7 million for the first half of 2022.

Income from ownership interests, BN Bank ASA

BN Bank ASA posted a profit for the first half-year 2022 of NOK 281 million (NOK 239 million). SpareBank 1 Sørøst-Norge owns 7.5 % of BN Bank ASA. SpareBank 1 Sørøst-Norge's share of BN Bank's profit amounted to NOK 21.0 million.

Operating expenses

Total operating expenses were NOK 605 million (NOK 352 million). Operating expenses as a percentage of total operating income for the Group came to 52.2 % (39.9 %). The corresponding cost-income ratio for the parent bank was 46.8 % (32.0 %).

Merger-related one-time costs (NOK millions)	As at 30.06.2022	As at 30.06.2021	As at 30.06.2022	As at 30.06.2021
	Official	Official	Pro forma	Pro forma
Personnel expenses	37	-	41	-
Other operating expenses	41	20	43	41
Total	77	20	85	41

Personnel expenses

Personnel expenses amounted to NOK 322 million (NOK 202 million). Of which, merger-related one-off costs amounted to approximately NOK 37 million (NOK 0 million), which relates in its entirety to provisions for accepted restructuring packages.

The number of FTEs at the end of the quarter was 626 (540), of which the parent bank employs 436 (384). The increase is related to the merger with SpareBank 1 Modum with effect from 01.04.2022.

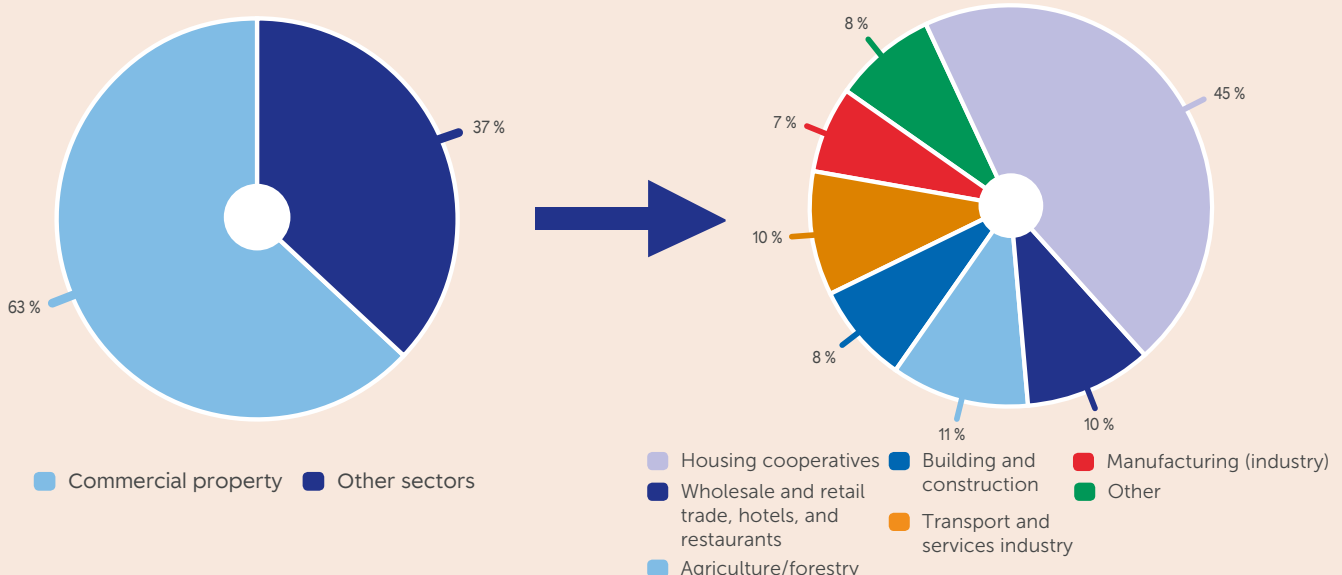
Other operating expenses

Other operating expenses were NOK 283 million (NOK 150 million). Of which one-off costs amounted to NOK 41 million (NOK 20 million), mainly related to transaction costs and the technical merger.

Losses and impairment provisions

Losses charged as costs amounted to NOK 4 million (NOK 113 million). No changes were made to scenario

CM – volume in commercial property and other industries:

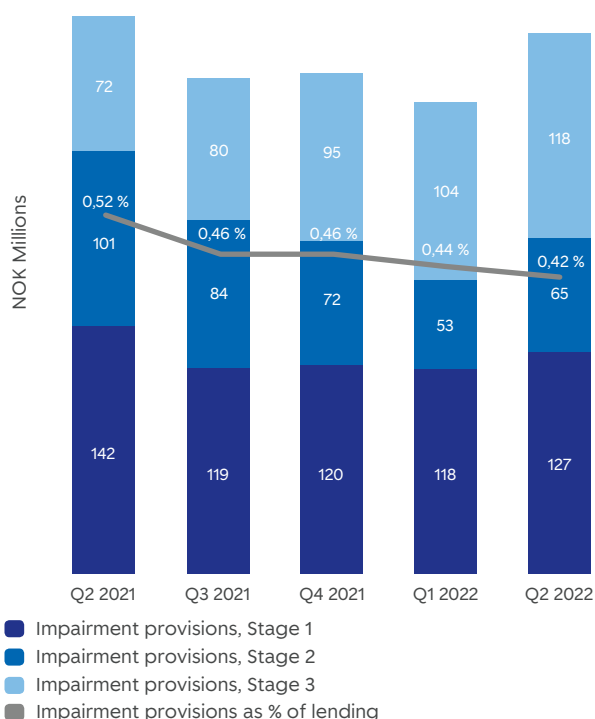


weights this quarter. The weighting used is 80/15/5 (likelihood of normal/worst/best scenario, respectively). Loss provisions for loans and guarantees amounted to NOK 285 million (NOK 291 million), which is equivalent to 0.41 % (0.50 %) of gross lending on the statement of financial position.

Mortgages for retail customers account for around 78 % (77 %) of the Bank's total lending.

In addition to expanded individual loss assessments, the Bank assessed the model's scenario weighting in this quarter as well. Society reopened during the first quarter and the risk of losses related to the pandemic therefore decreased. At the same time, the uncertainty surrounding the security situation increased and there has been persistent turmoil in financial and commodity markets (with the construction industry being particularly exposed). Based on this, the scenario weights for both the retail market and the corporate market have been kept unchanged at 80/15/5 (likelihood of normal/worst/best scenario, respectively) at the end of the second quarter. Please see the more detailed comments in Notes 2 and 7.

Quarterly change in impairment provisions:



Statement of financial position performance

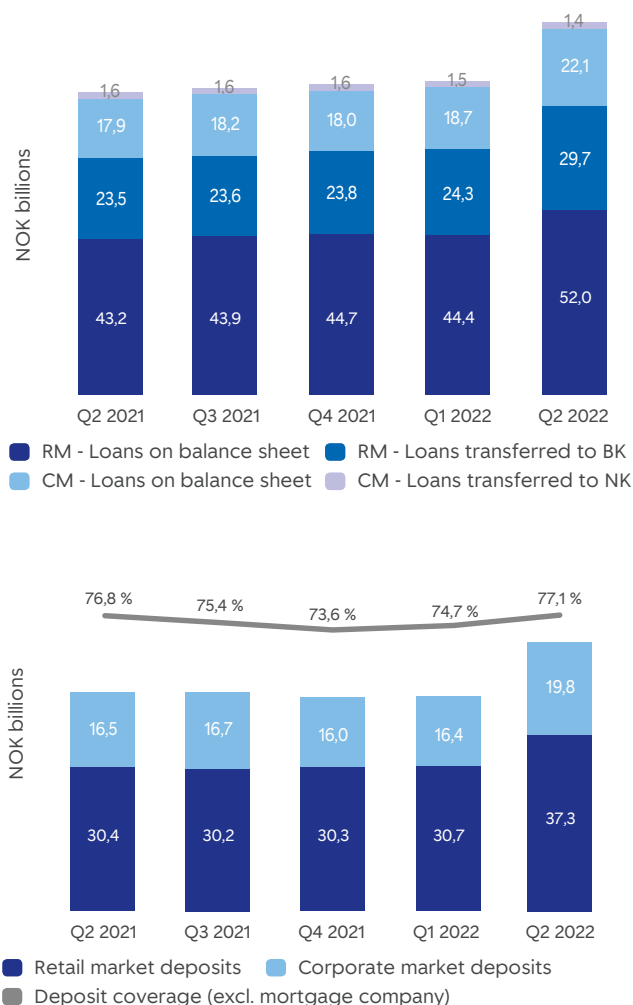
The Group's total assets amounted to NOK 89,828 million (NOK 73,765 million). The Group's business capital (total assets including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS) amounted to NOK 120,996 million (98,888 million).

Lending and deposit performance

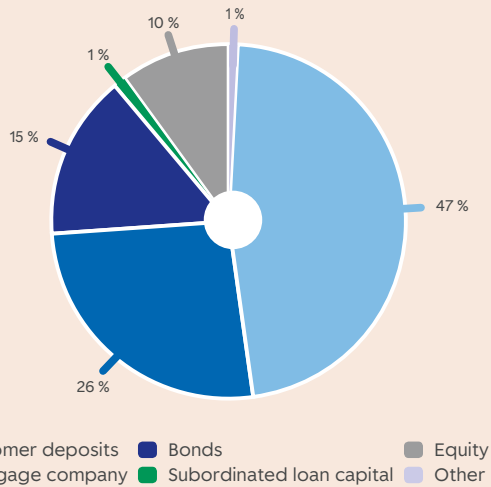
Gross lending (including the volume transferred to SpareBank 1 Boligkreditt AS/SpareBank 1 Næringskreditt AS) amounted to NOK 105,255 million. The past 12 months have seen lending growth of 5.1 % (pro forma). Some NOK 3,440 million, equivalent to 4.4 % of the growth came in the retail market and NOK 1,648 million, equivalent to 7.5 %, in the corporate market. The retail market's share of lending (including SpareBank 1 Boligkreditt AS) at the end of the quarter was 78 % (78 %).

At the end of the quarter, the Group had a deposit volume of NOK 57,157 million with deposit growth of 4.3 % (pro forma) in the past 12 months. Some NOK 2,169 million, equivalent to 6.2 % of the growth came in the retail market and NOK 193 million, equivalent to 1.0 %, in the corporate market. The Group had a deposit coverage ratio of 77.1 %, compared with 76.8 % at the same time last year. Including the volume transferred to SpareBank 1 Boligkreditt AS/SpareBank 1 Næringskreditt AS, the deposit coverage ratio amounted to 54.3 % (54.4 %). The retail market's share of deposits at the end of the quarter was 65 % (65 %).

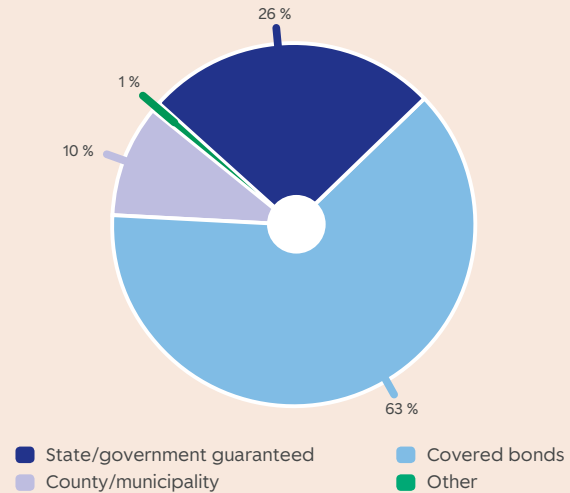
Quarterly change in loans and deposits:



Funding sources



Liquidity portfolio



Liquidity

The Bank's liquidity situation at the end of the quarter was very good. The Bank's liquidity portfolio was valued at NOK 8.7 billion and its LCR at 152 % (173 %) as at the end of the quarter. The Bank aims to keep its liquidity risk low. In a normal market, SpareBank 1 Sørøst-Norge's goal is to be able to maintain ordinary operations for a minimum of 12 months without access to new external financing. As at 30.06.2021, the Bank was well above this target.

At the end of the quarter, mortgages totalling NOK 29.7 billion had been transferred to SpareBank 1 Boligkreditt AS. As at 30.06, the Bank had a portfolio of loans approved for transfer to SpareBank 1 Boligkreditt AS worth NOK 28.0 billion.

In addition, the Bank had transferred loans to SpareBank 1 Næringskreditt AS worth NOK 1.4 million as at 30.06.

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

The Financial Supervisory Authority of Norway has decided that SpareBank 1 Sørøst-Norge must have a risk-weighted MREL (total own funds and eligible liabilities) requirement of 26.1 % of the adjusted basis for calculation at any given time. Given that the own funds that are used to meet risk-weighted MREL cannot at the same time be used to cover the combined buffer requirement (6.5 %), the actual requirement for MREL capital is 32.6 %, which must be met in its entirety by the end of 2023 with gradual escalation in 2022 and 2023.

The requirement of 32.6 % was calculated based on the applicable capital requirements as at the end of the first quarter of 2022 and does not take into account an increased countercyclical buffer and systemic risk buffer as at 31.12.2022 and 31.12.2023. The systemic risk buffer increased by 1.5 percentage points as at 31.12.2022. The countercyclical buffer increased by 1.0 percentage point in 2022 and a further 0.5 percentage points in 2023. Nor does the requirement take into account the increased Pillar 2 requirement from 2.3 % to 2.5 % that was set for the Bank in connection with approval of the merger with SpareBank 1 Modum.

Taking into account the approved increases in capital requirements, the actual need for MREL capital (effective MREL %) will increase from 32.6 % to 37.5 % at the end of 2023, and the minimum requirement for subordination increase in the same period to 30.5%. The Bank's minimum subordination requirement at the end of 2021 was 20 %. The minimum subordination requirement will be phased in linearly in 2022 and 2023. Linear phasing in entails a requirement for subordination of 25.3 % by the end of 2022.

At the end of the quarter, the Bank had issued NOK 3.0 billion in SNP bonds.

Equity Capital adequacy

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

The Ministry of Finance has decided to increase the countercyclical buffer by a total of 1.0 percentage points in 2022 (0.5 percentage points on 30.06.2022 and 0.5 percentage points on 31.12.2022) and a further

0.5 percentage points on 31.03.2023, such that the total countercyclical buffer will amount to 2.5 % at the end of the first quarter of 2023. In addition, the systemic risk buffer will be increased by 1.5 percentage points to a total of 4.5 % as at 31.12.2022. In connection with the approval of the merger with SpareBank 1 Modum in March, the Financial Supervisory Authority of Norway set a new Pillar 2 requirement of 2.5 %. This requirement will apply until the Financial Supervisory Authority of Norway sets a new Pillar 2 requirement. The Board of Directors is going to start work on a new internal capital adequacy assessment process (ICAAP). The assessment must be submitted to the Financial Supervisory Authority of Norway by no later than 12 months after the merger has been completed. The Group's target Common Equity Tier 1 Capital ratio has been revised upwards to a minimum of 17.0 % in light of the increased capital requirements.

At the end of the quarter, the Common Equity Tier 1 capital ratio was 19.3 % (18.0 %). The leverage ratio was 8.5 % (8.3 %) at the end of the quarter. The regulatory requirement for the leverage ratio is 5.0 %.

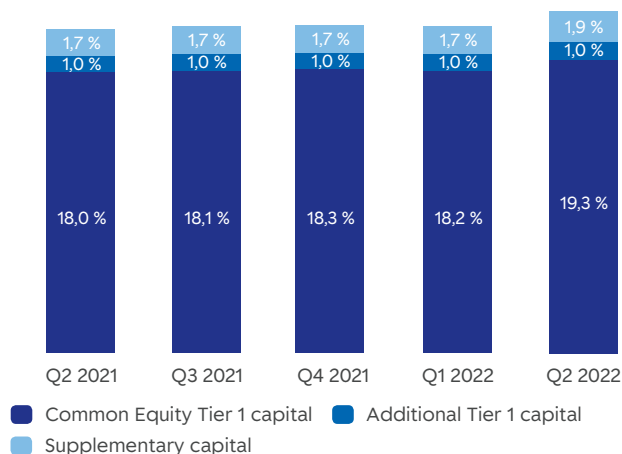
The EU's banking package entered into force in Norway 01.06.2022. This entails, among other things, lower weights for loans to SMEs. This has, in isolation, increased the Common Equity Tier 1 capital by approximately 0.6 percentage points.

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

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

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

Quarterly change in capital adequacy (proportional consolidation):



Transactions with close associates

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

Merger – synergies

On 01.04.2022, SpareBank 1 Sørøst-Norge merged with SpareBank 1 Modum. A merger with SpareBank 1 Modum will strengthen the Bank's position in the Drammen region, while supporting the Bank's ambition to become an AIRB bank. Thanks to a number of mergers in recent years, the Bank has good experience and expertise in implementing mergers in the savings bank sector. The Board wishes to play an active role in the future structural changes that are expected in the savings bank sector.

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

The transaction costs related to the merger between SpareBank 1 BV and Sparebanken Telemark were recognised in 2021. In the first half-year 2022, total costs of NOK 41 million were recognised in relation to the technical merger of the three former banks (October 2022) and transaction costs related to the merger with Modum.

The remaining merger costs are estimated at around NOK 30 million and concern technical IT conversion of the three former banks (Telemark, BV and Modum).

Future outlook

The Norwegian economy continued to develop positively in the second quarter, with high levels of economic activity. Unemployment has continued to fall and was at a very low level. Unemployment in our market area,

measured as the proportion of fully unemployed people registered with NAV, fell in the quarter was 1.9 % at the end of June. A shortage of available resources combined with higher commodity prices has led to rising inflation and, in light of this, a rise in the key policy rate in the second quarter as well, with indications of further rises in 2022 and 2023.

The growth in household credit was marginally lower than the growth in credit in the first quarter. In the Bank's market area, housing prices rose by around 3 % in the second quarter according to Eiendomsverdi. In the past 12 months prices have grown by about 8-9 %. The growth in prices in the second quarter was affected by little new construction, with short sales times and short unsold periods for unsold homes. However, as a result of high price growth and rising interest rates, there is some uncertainty surrounding future developments with respect to house prices.

Although the Norwegian economy currently is doing well, some uncertainty exists in relation to future economic growth due to high inflation and high wage growth. Norges Bank's regional surveys show that the business sector in our region is still optimistic about the future, although it is being affected by the high inflation and shortage of available resources. Even though companies expect strong growth in retail prices, they expect higher costs to reduce profitability and investment plans.

The credit quality of the Bank's loan portfolio is stable, and no increased defaults or losses have been observed in the Bank's loan portfolio. The Bank has no credit exposure to Russia or Ukraine.

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

A general rise in market rates is expected to improve the Group's interest rate margin and earnings. Higher interest rates may lead to lower credit growth and greater competition, especially for mortgages. This may result in pressure on lending margins. The Group's target for its return on equity is 11 % in the period up to 2024. The aim is to achieve the goal through profitable growth, efficient operations and good cost control, including efficient capital utilisation, where the ambition to eventually apply for AIRB approval is an important strategic initiative. The Bank has started work on mapping the regulatory requirements and expectations for AIRB approval. The Board aims to submit an application to the Financial Supervisory Authority of Norway in the first half of 2024. The regulatory requirements for the systemic risk buffer and countercyclical buffer will increase by 2.0 % at the end of 2022. At the end of 2022, the Group's Common Equity Tier 1 capital ratio was 17.0 %, including a Pillar 2 requirement of 2.5 % as a result of the merger with SpareBank 1 Modum. The actual Common Equity Tier 1 capital ratio, proportionally consolidated, at the end of the second quarter was 19.2 %, including the SME discount which has an effect of 0.6 %.

As far as results are concerned, 2022 will be affected by a somewhat higher level of costs resulting from restructuring and other merger-related costs. The Group's target return on equity of 11 % remains unchanged, but will in the short term be affected by structural costs. The dividend policy remains in place, which means around 50 % of the owner capital's share of the annual profit should be paid out as cash dividends.

The increased regulatory requirements for both capital and compliance combined with a challenging macroeconomic picture may be important drivers of structural changes in the savings banking sector. The Board wishes to play an active role in the future structural changes that are expected in the savings bank sector.

Sandefjord, 10.08.2022

The Board of Directors of SpareBank 1 Sørøst-Norge

Finn Haugan
Chair of the Board

Anne Berg Behring
Deputy Chair

Elisabeth Haug

Heine Wang

Jan Erling Nilsen

Lene Marie Aas Thorstensen

John Arne Haugerud

Hanne Myhre Gravdal
Employee representative

Frede Christensen
Employee representative

Per Halvorsen
CEO

Interim financial statements

Income Statement IFRS

Parent bank					Group						
31.12. 2021	Q2 2021	Q2 2022	30.06. 2021	30.06. 2022	(Amounts in NOK millions)	Note	30.06. 2022	30.06. 2021	Q2 2022	Q2 2021	31.12. 2021
96	20	61	39	102	Interest income - assets measured at fair value		102	39	61	20	96
1,158	242	513	428	919	Interest income - assets measured at amortised cost		918	428	513	242	1,157
334	68	197	124	338	Interest expenses		337	124	197	68	333
920	194	377	344	683	Net interest income	13	684	343	377	194	920
513	109	160	194	300	Commission income		300	194	160	109	513
30	6	9	10	17	Commission expenses		17	10	9	6	30
7	1	5	2	7	Other operating income		155	106	100	62	233
489	104	156	186	290	Net commission and other income	14	438	290	251	164	716
33	22	32	33	44	Dividends		44	33	32	22	33
108	106	56	107	57	Net result from ownership interests		30	50	16	34	153
170	150	-28	166	-38	Net result from other financial investments ¹⁾		-38	166	-28	150	174
311	279	60	306	63	Net income from financial assets	15	36	249	19	206	360
1,721	577	593	835	1,036	Total net income		1,158	882	648	565	1,995
365	66	106	131	243	Personnel expenses		322	202	152	105	529
326	85	123	137	243	Other operating expenses		283	150	147	92	357
691	151	229	268	485	Total operating expenses		605	352	299	198	886
1,030	426	364	567	551	Profit before losses and tax		553	530	349	368	1,109
79	111	15	113	4	Losses on loans and guarantees	6, 7	4	113	15	111	79
951	315	349	454	547	Profit before tax		549	417	334	256	1,030
154	10	58	37	102	Tax expense		109	42	63	13	161
796	306	291	417	445	Profit before other comprehensive income		441	375	271	244	869
-	-	-	-	-	Controlling interest's share of profit		439	373	269	242	865
-	-	-	-	-	Non-controlling interest's share of profit		2	2	2	2	4
OCI											
<i>Entries that can be reclassified through profit or loss</i>											
1	2	(2)	1	(2)	Change in value of loans classified at fair value		(2)	1	(2)	2	1
-	-	-	-	-	Share of OCI from associated companies and joint ventures		1	-	2	-	1
<i>Entries that cannot be reclassified through profit or loss</i>											
(14)	-	-	-	-	Estimation difference, IAS 19 Pensions		-	-	-	-	(15)
(13)	2	(2)	1	(2)	Period's OCI		-	1	-	1	(13)
783	307	290	418	443	Total comprehensive income		440	376	271	245	855
-	-	-	-	-	Controlling interest's share of total comprehensive income		438	374	269	244	852
-	-	-	-	-	Non-controlling interest's share of total comprehensive income		2	2	2	2	4
4.94	2.24	1.24	3.41	2.02	Earnings and diluted result per equity certificate before other comprehensive income		2.00	3.05	1.15	1.77	5.37

1) Of which, recognised negative goodwill related to the merger with Sparebanken Telemark amounted to NOK 151 million in the second quarter of 2021.

Statement of financial position

Parent bank					Group		
31.12.2021	30.06.2021	30.06.2022	(Amounts in NOK millions)	Note	30.06.2022	30.06.2021	31.12.2021
114	112	121	Cash and receivables from central banks		121	112	114
2,153	2,610	1,990	Loans to and receivables from credit institutions		1,990	2,612	2,153
62,571	60,846	73,861	Net lending to customers	5, 7, 8, 9	73,834	60,804	62,542
6,146	6,277	8,593	Certificates, bonds and other securities at fair value		8,593	6,277	6,146
2,203	2,294	2,599	Shareholdings and other equity interests		2,599	2,294	2,203
69	76	117	Ownership interests in Group companies		-	-	-
862	858	1,136	Interests in joint ventures and associated companies		1,390	1,044	1,141
239	238	313	Tangible assets		353	273	277
		360	Goodwill		426	34	34
23	7	23	Deferred tax assets		25	6	23
193	196	396	Other assets	17	533	311	279
74,573	73,512	89,509	Total assets		89,863	73,765	74,911
150	150	150	Deposits from and liabilities to credit institutions		150	150	150
46,264	46,907	57,210	Deposits from customers	18	57,157	46,872	46,212
16,913	15,715	18,257	Liabilities from the issuance of securities	19	18,257	15,715	16,913
212	73	113	Tax payable		121	81	220
609	602	1,049	Other liabilities and commitments	21	1,131	660	664
651	651	828	Subordinated loan capital	20	828	651	651
64,801	64,098	77,607	Total liabilities		77,644	64,128	64,811
1,778	1,778	2,101	Equity certificate capital		2,101	1,778	1,778
2,777	2,777	3,779	Share premium fund		3,779	2,777	2,777
811	645	812	Dividend equalisation fund		812	645	811
3,532	3,423	4,327	Sparebankens Fond		4,327	3,423	3,532
26	23	24	Fund for unrealised gains		24	23	26
350	350	416	Hybrid capital		416	350	350
-	412	437	Other equity		747	627	318
202	7	7	Allocated to gifts		7	7	202
297	-	-	Allocated to dividends		-	-	297
-	-	-	Non-controlling interest's share		8	8	10
9,773	9,414	11,902	Total equity		12,220	9,637	10,100
74,573	73,512	89,509	Liabilities and equity		89,863	73,765	74,911

Consolidated results from the quarterly financial statements

Group

(Amounts in NOK millions)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Interest income	574	446	413	373	262	205	210	215
Interest expenses	197	140	113	96	68	56	53	55
Net interest income	377	306	300	277	194	149	157	161
Commission income	160	140	158	161	109	85	94	91
Commission expenses	9	8	10	10	6	4	5	6
Other operating income	100	55	64	63	62	44	34	47
Net commission and other income	251	187	212	214	164	125	123	133
Dividends	32	12	1	-	22	10	9	-
Net result from ownership interests	16	14	48	54	34	17	18	23
Net result from other financial investments	(28)	(10)	-	7	150	16	(6)	4
Net income from financial assets	19	17	50	61	206	42	22	27
Total net income	648	510	561	553	565	317	302	320
Personnel expenses	152	169	177	150	105	97	107	81
Other operating expenses	147	136	108	99	92	58	62	55
Total operating expenses	299	306	285	249	198	154	170	136
Profit before losses and tax	349	204	276	303	368	162	133	184
Losses on loans and guarantees	15	(11)	2	(35)	111	2	(3)	(11)
Profit before tax	334	215	274	339	256	160	135	194
Tax expense	63	46	49	70	13	29	28	41
Profit before other comprehensive income	271	170	225	269	244	131	108	153

Parent bank

Earnings per equity certificate (quarter in isolation)	1.15	0.84	0.87	1.03	2.24	0.91	0.84	1.01
Diluted earnings per equity certificate (quarter in isolation)	1.15	0.84	0.87	1.03	2.24	0.91	0.84	1.01

Change in equity as at Q2 2022

Group											
(Amounts in NOK millions)	Owner- ship interest ¹	Share premium fund	Risk equali- sation fund	Allocated to dividends	Spare- bankens Fond	Allocated to gifts	Fund for unrealised gains	Hybrid capital	Other equity	Non- controlling interest's share	Total equity
Equity as at 31.12.2021	1,778	2,777	811	297	3,532	202	26	350	318	10	10,100
Equity added from the merger with SpareBank 1 Modum	321	998	-	-	795	-	-	-	-	-	2,113
Interest expenses on subordinated bonds reclassified as equity	-	-	-	-	-	-	-	-	(8)	-	(8)
Gifts paid out	-	-	-	-	-	(196)	-	-	-	-	(196)
Dividends from 2021, paid in 2022	-	-	-	(297)	-	-	-	-	-	(4)	(300)
Change in carrying amount of joint ventures and associated companies	-	-	-	-	-	-	-	-	(3)	-	(3)
Hybrid Tier 1 securities issued	-	-	-	-	-	-	-	66	-	-	66
Employee equity certificate savings scheme	2	4	-	-	-	-	-	-	-	-	6
Profit before other comprehensive income	-	-	-	-	-	-	-	-	439	2	441
<i>Entries that can be reclassified through profit or loss</i>											
Change in value of loans classified at fair value	-	-	-	-	-	-	(2)	-	-	-	(2)
Share of OCI from associated companies and joint ventures	-	-	-	-	-	-	-	-	1	-	1
Equity as at 30.06.2022	2,101	3,779	812	-	4,327	7	24	416	747	8	12,220

¹NOK 0.6 million was deducted from equity certificate capital as at 30.06.2022 for the treasury holding
NOK 2.8 million was deducted from equity certificate capital as at 31.12.2021 for the treasury holding

Group											
(Amounts in NOK millions)	Owner- ship interest ¹	Share premium fund	Risk equali- sation fund	Allocated to dividends	Spare- bankens Fond	Allocated to gifts	Fund for unrealised gains	Hybrid capital	Other equity	Non- controlling interest's share	Total equity
Equity as at 31.12.2020	947	1,026	645	120	2,261	7	22	250	258	2	5,537
Equity added from the merger with Sparebanken Telemark, as well as bond issue SpareBank 1 BV.	831	1,751	-	-	1,162	-	-	100	-	5	3,849
Interest expenses on subordinated bonds reclassified as equity	-	-	-	-	-	-	-	-	(5)	-	(5)
Dividends from 2020, paid in 2021	-	-	-	(120)	-	-	-	-	-	(1)	(121)
Change in carrying amount of joint ventures and associated companies	-	-	-	-	-	-	-	-	1	-	1
Profit before other comprehensive income	-	-	-	-	-	-	-	-	373	2	375
<i>Entries that can be reclassified through profit or loss</i>											
Change in value of loans classified at fair value	-	-	-	-	-	-	1	-	-	-	1
Equity as at 30.06.2021	1,778	2,777	645	-	3,423	7	23	350	627	8	9,637

¹ NOK 2.8 million was deducted from equity certificate capital as at 30.06.2021 for the treasury holding

Parent bank

(Amounts in NOK millions)	Owner- ship interest ¹	Share premium fund	Risk equali- sation fund	Allocated to dividends	Spare- bankens Fond	Allocated to gifts	Fund for unrealised gains	Hybrid capital	Other equity	Total equity
Equity as at 31.12.2021	1,778	2,777	811	297	3,532	202	26	350	-	9,773
Equity added from the merger with SpareBank 1 Modum	321	998	-	-	795	-	-	-	-	2,113
Interest expenses on subordinated bonds reclassified as equity	-	-	-	-	-	-	-	-	(8)	(8)
Gifts paid out	-	-	-	-	-	(196)	-	-	-	(196)
Dividends from 2021, paid in 2022	-	-	-	(297)	-	-	-	-	-	(296)
Hybrid Tier 1 securities issued	-	-	-	-	-	-	-	66	-	66
Employee equity certificate savings scheme	2	4	-	-	-	-	-	-	-	6
Profit before other comprehensive income	-	-	-	-	-	-	-	-	445	445
<i>Entries that can be reclassified through profit or loss</i>										
Change in value of loans classified at fair value	-	-	-	-	-	-	(2)	-	-	(2)
Equity as at 30.06.2022	2,101	3,779	812	-	4,327	7	24	416	437	11,902

¹⁾ NOK 0.6 million was deducted from equity certificate capital as at 30.06.2022 for the treasury holding
NOK 2.8 million was deducted from equity certificate capital as at 31.12.2021 for the treasury holding

Parent bank

(Amounts in NOK millions)	Owner- ship interest ¹	Share premium fund	Risk equali- sation fund	Allocated to dividends	Spare- bankens Fond	Allocated to gifts	Fund for unrealised gains	Hybrid capital	Other equity	Total equity
Equity as at 31.12.2020	947	1,026	645	120	2,261	7	22	250	-	5,277
Equity added from the merger with Sparebanken Telemark, as well as bond issue SpareBank 1 BV.	831	1,751	-	-	1,162	-	-	100	-	3,844
Interest expenses on subordinated bonds reclassified as equity	-	-	-	-	-	-	-	-	(5)	(5)
Dividends from 2020, paid in 2021	-	-	-	(120)	-	-	-	-	-	-
Profit before other comprehensive income	-	-	-	-	-	-	-	-	417	417
<i>Entries that can be reclassified through profit or loss</i>										
Change in value of loans classified at fair value	-	-	-	-	-	-	1	-	-	1
Equity as at 30.06.2021	1,778	2,777	645	-	3,423	7	23	350	412	9,414

¹⁾ NOK 2.8 million was deducted from equity certificate capital as at 30.06.2021 for the treasury holding

Cash flow statement

Parent bank				Group		
31.12.2021	30.06.2021	30.06.2022	(Amounts in NOK millions)	30.06.2022	30.06.2021	31.12.2021
			Cash flow from operating activities			
951	454	547	Period's profit before tax	520	417	1,030
-	-	-	Net profit from joint ventures	30	(101)	(153)
(151)	(151)	-	Negative goodwill through profit or loss	-	(151)	(151)
-	-	3	Loss/gain from fixed assets	3	6	6
31	12	20	Depreciation and impairments	17	15	36
79	113	4	Impairment of loans	4	113	79
(117)	(81)	(258)	Tax payable	(268)	(87)	(123)
(3,944)	(2,250)	(1,414)	Change in lending and other assets	(1,417)	(2,260)	(3,959)
1,646	2,289	2,447	Change in deposits from customers	2,462	2,341	1,642
59	16	(150)	Change in loans to and receivables from credit institutions	(150)	16	59
(293)	(423)	(1,857)	Change in certificates and bonds	(1,857)	(423)	(293)
(19)	27	(21)	Change in other receivables	(58)	(15)	(46)
20	(13)	(155)	Change in other current liabilities	(152)	(42)	(16)
(1,738)	(5)	(835)	Net cash flow from operating activities	(866)	(171)	(1,888)
			Cash flow from investing activities			
1,186	1,186	625	Liquidity added through merger ¹⁾	625	1,186	1,186
(22)	(2)	(39)	Investments in property, plant and equipment	(36)	(6)	(29)
-	-	4	Sales of property, plant and equipment	4	22	23
(177)	(133)	(54)	Investments in shares, equity certificates and units	(28)	14	(81)
223	80	33	Sales of shares, equity certificates and units	33	80	223
1,209	1,131	569	Net cash flow from investing activities	598	1,296	1,322
			Cash flow from financing activities			
4,450	1,850	3,548	Increase in financial borrowing	3,548	1,850	4,450
(2,817)	(1,460)	(3,256)	Repayment of financial borrowing	(3,256)	(1,460)	(2,817)
150	-	506	Borrowing subordinated loans/additional Tier 1 capital	506	-	150
-	-	(355)	Repayment, subordinated loans	(355)	-	-
(150)	-	7	Buy-back of own equity certificates for saving programme	7	-	(150)
(124)	(121)	(490)	Dividends/endowments paid	(487)	(121)	(125)
1,509	269	(39)	Net cash flow from financing activities	(37)	269	1,508
980	1,395	(306)	Total change in cash and cash equivalents in the year	(306)	1,395	942
832	832	1,812	Cash and cash equivalents OB	1,812	832	870
1,812	2,226	1,506	Cash balance at end of the period	1,506	2,226	1,812
980	1,395	(306)	Net change in cash and cash equivalents in the year	(306)	1,395	942
			Cash and cash equivalents, specified			
114	112	121	Cash and receivables from central banks	121	112	114
1,698	2,115	1,385	Cash and current receivables from credit institutions	1,385	2,115	1,698
1,812	2,226	1,506	Cash and cash equivalents	1,506	2,226	1,812

¹⁾Liquidity from SpareBank 1 Telemark upon the merger on 01.06.2021
Liquidity from SpareBank 1 Modum upon the merger on 01.04.2021

Cash flow from interest received, interest payments and dividends received

31.12.2021	30.06.2021	30.06.2022	(Amounts in NOK millions)	30.06.2022	30.06.2021	31.12.2021
1,192	444	944	Interest received on loans to customers	943	443	1,191
(151)	(56)	(150)	Interest paid on deposits from customers	(149)	(57)	(150)
10	4	13	Interest received on loans to and receivables from credit institutions	13	4	10
(1)	-	(1)	Interest paid on loans to and receivables from credit institutions	(1)	-	(1)
57	23	65	Interest received on certificates and bonds	65	23	57
(154)	(57)	(169)	Interest paid on certificates and bonds	(169)	(57)	(154)
129	128	101	Dividends from investments	44	31	33
1,083	486	802	Net cash flow from interest received, interest payments and dividends received	746	388	988



Notes to the financial statements

Note 1 – Accounting policies

The interim report for SpareBank 1 Sørøst-Norge covers the period 01.01-30.06.2022. The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and in line with the same accounting policies and calculation methods applied in the annual financial statements for 2021.

For a detailed description of the accounting policies that have been applied, please see Note 2 in the Bank's official annual financial statements for 2021.

Note 2 – Critical accounting estimates and discretionary valuations

In preparing the consolidated accounts, the management makes estimates and discretionary assessments, as well as assumptions that affect the impact of applying the accounting policies.

This will therefore affect the reported amounts for assets, liabilities, income and expenses.

In the financial statements for 2021, Note 3 'Critical estimates and assessments regarding the use of accounting policies', gives more details of significant estimates and assumptions.

The IFRS 9 loss model is based on multiple input factors from the portfolios, where the events have incurred as of the statement of financial position date but where there is some natural delay before updated information is entered into the model. Because of this delay factor, the Bank has conducted detailed, quarterly reviews of the corporate market portfolio in order to identify and

make loss provisions for individual exposures. PD/LGD levels have not been recalibrated in the model as at 30.06.2022.

In addition to expanded individual loss assessments, the Bank conducted a subjective assessment of the model's scenario weights in this quarter as at 30.06.2022. Society reopened during the first quarter and the risk of losses related to the pandemic therefore decreased. At the same time, the uncertainty surrounding the security situation increased and there has been persistent turmoil in financial and commodity markets (with the construction industry being particularly exposed). Based on this, the scenario weights for both the retail market and the corporate market have been kept unchanged at 80/15/5 (likelihood of normal/worst/best scenario, respectively) at the end of the second quarter. Please see the more detailed comments in Note 6 and the Board of Directors' Interim Report.

Note 3 – Merger of SpareBank 1 Sørøst-Norge and SpareBank 1 Modum on 01.04.2022

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

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

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

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

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

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

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

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

Remuneration	Quantity	Price (NOK)	Remuneration (NOK millions)
Ownership interest capital – permanent	2,963,998	53.54	159
Ownership interest – Sparebankstiftelsen SpareBank 1 Modum	18,444,646	53.54	988
Total remuneration	21,408,644	-	1,146

Amounts in NOK millions

Fair value of identifiable assets and liabilities	PARENT BANK Modum			GROUP Modum		
	31.03.2022	Added/ less value	Fair value as at 01.04.2022	31.03.2022	Added/ less value	Fair value as at 01.04.2022
Cash and receivables from central banks	11	-	11	11	-	11
Loans to and receivables from credit institutions	613	-	613	613	-	613
Gross lending to and receivables from customers	9,754	(18)	9,736	9,776	(18)	9,758
Impairment provisions	(31)	24	(7)	(31)	24	(7)
<i>Net lending to and receivables from customers</i>	<i>9,723</i>	<i>6</i>	<i>9,729</i>	<i>9,745</i>	<i>6</i>	<i>9,751</i>
Interest-bearing securities	589	-	589	589	-	589
Financial derivatives	13	-	13	13	-	13
Shares, equity certificates and units	372	-	372	372	-	372
Interests in group companies	48	-	48	-	-	-
Ownership interests in joint ventures and associated companies	82	192	274	166	108	274
Tangible assets	51	11	62	68	11	79
Goodwill	9	-	9	48	-	48
Deferred tax assets	4	(4)	-	4	(4)	-
Other assets	26	-	26	26	-	26
Total assets	11,541	205	11,746	11,656	121	11,776
Deposits from customers	8,499	-	8,499	8,485	-	8,485
Liabilities from the issuance of securities	1,306	-	1,306	1,306	-	1,306
Financial derivatives	1	-	1	1	-	1
Subordinated loan capital	90	-	90	90	-	90
Other liabilities and commitments	88	-	88	123	-	123
Total liabilities	9,984	-	9,984	10,005	-	10,005
Net equity for distribution to equity certificate holders and community capital	1,557	205	1,762	1,650	121	1,771

The calculated equity based on a closing price as at 31.03.2022 of NOK 61.6 and an exchange ratio of 15 Modum/85 SOON.

Calculated goodwill	2,113	2,113
	-351	-342

Amounts in NOK millions

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

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

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

Amounts in NOK millions

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

Note 4 – Capital adequacy

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

The Ministry of Finance has decided to increase the countercyclical buffer by a total of 1.0 percentage points in 2022 (0.5 percentage points on 30.06.2022 and 0.5 percentage points on 31.12.2022) and a further 0.5 percentage points on 31.03.2023, such that the total countercyclical buffer will amount to 2.5 % at the end of the first quarter of 2023. In addition, the systemic risk buffer will be increased by 1.5 percentage points to a total of 4.5 % on 31.12.2022. In connection with the approval of the merger with SpareBank 1 Modum in March, the Financial Supervisory Authority of Norway set a new Pillar 2 requirement of 2.5 %. This requirement will apply until the Financial Supervisory Authority of Norway sets a new Pillar 2 requirement. The Board of Directors is going to start work on a new internal capital adequacy assessment process (ICAAP). The assessment must be submitted to the Financial Supervisory Authority of Norway by no later than 12 months after the merger has been completed. The Group's target Common Equity Tier 1 Capital ratio has been revised upwards to a minimum of 17.0 % in light of the increased capital requirements.

At the end of the quarter, the Common Equity Tier 1 capital ratio was 19.3 % (18.0 %). The leverage ratio was 8.5 % (8.3 %) at the end of the quarter. The regulatory requirement for the leverage ratio is 5.0 %.

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

Extended consolidation for owner companies in the Samarbeidende Sparebanker grouping

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

The following companies are included in proportional consolidation:

SpareBank 1 Boligkreditt AS (12.9 %)
 SpareBank 1 Næringskreditt AS (10.9 %)
 SpareBank 1 Kreditt AS (10.6 %)
 SpareBank 1 SMN Finans AS (14.6 %)
 BN Bank ASA (7.5 %)

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

Proportional consolidation

(Amounts in NOK millions)	30.06.2022	30.06.2021	31.12.2021
Primary capital			
Common Equity Tier 1 capital	10,837	8,752	8,817
Tier 1 capital	11,409	9,231	9,293
Primary capital	12,462	10,076	10,124
Basis for calculation	56,014	48,538	48,269
Capital adequacy			
Common Equity Tier 1 capital ratio	19.3%	18.0%	18.3%
Tier 1 capital ratio	20.4%	19.0%	19.3%
Capital adequacy	22.2%	20.8%	21.0%
Leverage ratio	8.5%	8.3%	8.4%

Parent bank

	30.06.2022	30.06.2021	31.12.2021
Primary capital			
Equity certificate capital	2,101	1,778	1,778
Share premium fund	3,779	2,777	2,777
Dividend equalisation fund	812	645	637
Sparebankens Fond	4,327	3,423	3,417
Fund for unrealised gains/losses	24	23	22
Endowment fund	7	7	7
Allocated dividend classified as equity			
Other equity (IAS pensions and interest paid on hybrid capital)	(8)	(5)	(11)
Profit for the period	445	417	796
Total capitalised equity (excluding hybrid capital)	11,486	9,064	9,423
Value adjustments on shares and bonds measured at fair value (AVA)	(13)	(10)	(11)
Deduction for goodwill	(360)		
Deduction for non-material interests in the financial sector	-	(82)	(122)
Deduction for material interests in the financial sector	(1,051)	(867)	(749)
Dividends allocated for distribution, classified as equity	-	-	(297)
Dividends/gifts to community capital, classified as equity	-	-	(196)
Profit for the period	(445)	(417)	-
Interim profit included in Tier 1 capital	223	208	-
Total Common Equity Tier 1 capital	9,839	7,896	8,048
Hybrid capital	416	350	350
Total Tier 1 capital	10,255	8,246	8,398
Supplementary capital in excess of Tier 1 capital			
Time-limited primary capital	825	650	650
Deduction for non-material interests in the financial sector	-	-	-
Net primary capital	11,080	8,896	9,047

Risk-weighted basis for calculation			
Assets not included in the trading portfolio	42,385	36,347	36,532
Operational risk	3,569	3,105	3,066
CVA surcharge (counterparty risk on derivatives)	56	79	74
Total basis for calculation	46,010	39,532	39,672
Common Equity Tier 1 capital	21.4%	20.0%	20.3%
Tier 1 capital	22.3%	20.9%	21.2%
Capital adequacy	24.1%	22.5%	22.8%
Leverage ratio	11.2%	10.8%	11.0%
Buffer requirements			
Capital conservation buffer (2.50%)	1,150	988	992
Countercyclical buffer (1.0%)	690	395	397
Systemic risk buffer (3.00%)	1,380	1,186	1,190
Total buffer requirement for Common Equity Tier 1 capital	3,221	2,570	2,579
Minimum requirement for Common Equity Tier 1 capital (4.50%)	2,070	1,779	1,785
Available Common Equity Tier 1 capital in excess of minimum requirement	4,548	3,548	3,684

Specification of risk-weighted credit risk	30.06.2022	30.06.2021	31.12.2021
Governments and central banks	53	52	27
Local and regional authorities	121	92	63
Publicly owned companies	10	10	10
Institutions	343	572	159
Companies	4,566	4,210	4,280
Mass market	5,710	4,950	4,600
Mortgaged against residential and holiday property	18,222	15,650	16,456
Mortgaged against commercial property	6,439	5,643	5,589
Exposures past due	417	273	326
High-risk exposures	2,377	1,726	1,646
Covered bonds	748	468	497
Receivables from institutions and companies with short-term ratings	173	204	340
Shares in mutual funds	68	57	48
Equity items	2,659	2,134	2,135
Other exposures	478	305	356
Total credit risk	42,385	36,347	36,532

Note 5 – Segment information

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

customers, which include the parent bank and subsidiaries related to real estate and accounting services. 'Not allocated' mainly includes group eliminations and subsidiaries that manage properties.

The reporting of segments is divided into the following areas: Retail market (RM) and corporate market (CM)

Group 30.06.2022

(Amounts in NOK millions)	RM	CM	Not allocated	Total
Profit				
Net interest income	403	280	1	684
Net commission and other income	365	116	(7)	474
Operating expenses	444	167	(7)	605
Profit before losses	323	229	1	553
Losses on loans and guarantees	6	(2)	-	4
Profit before tax	318	231	1	549

(Amounts in NOK millions)	RM	CM	Not allocated	Total
Statement of financial position				
Net lending to customers	52,292	21,569	(27)	73,834
Other assets	-	-	15,993	15,993
Total assets per segment	52,292	21,569	15,967	89,828
Deposits from and liabilities to customers	38,316	18,894	(53)	57,157
Other equity and liabilities	-	-	32,671	32,671
Total equity and liabilities per segment	38,316	18,894	32,618	89,828

Group 30.06.2021

(Amounts in NOK millions)	RM	CM	Not allocated	Total
Profit				
Net interest income	210	133	-	343
Net commission and other income	405	136	(2)	538
Operating expenses	250	105	(3)	352
Profit before losses	365	164	1	530
Losses on loans and guarantees	15	98	-	113
Profit before tax	350	66	0.8	417

(Amounts in NOK millions)	RM	CM	Not allocated	Total
Statement of financial position				
Net lending to customers	43,716	17,131	(42)	60,804
Other assets	-	-	12,961	12,961
Total assets per segment	43,716	17,131	12,919	73,765
Deposits from and liabilities to customers	31,387	15,521	(36)	46,872
Other equity and liabilities	-	-	26,894	26,894
Total equity and liabilities per segment	31,387	15,521	26,858	73,765

Group 31.12.2021

(Amounts in NOK millions)	RM	CM	Not allocated	Total
Profit				
Net interest income	550	370	-	920
Net commission and other income	838	254	(17)	1,075
Operating expenses	653	242	(8)	886
Profit before losses	735	382	(8)	1,109
Losses on loans and guarantees	8	71	-	79
Profit before tax	728	311	(9)	1,030

(Amounts in NOK millions)	RM	CM	Not allocated	Total
Statement of financial position				
Net lending to customers	44,609	17,963	(29)	62,542
Other assets	-	-	12,370	12,370
Total assets per segment	44,609	17,963	12,340	74,911
Deposits from and liabilities to customers	31,098	15,166	(52)	46,212
Other equity and liabilities	-	-	28,699	28,699
Total equity and liabilities per segment	31,098	15,166	28,647	74,911

Note 6 – Losses on loans and guarantees

Parent bank				Group		
31.12.2021	30.06.2021	30.06.2022	(Amounts in NOK millions)	30.06.2022	30.06.2021	31.12.2021
-	-	10	Effects of merger with SpareBank 1 Modum ¹⁾	10	-	-
89	89	-	Effects of merger with Sparebanken Telemark ²⁾	-	89	89
(21)	-	(4)	Change in impairment provisions in the period, Stage 1	(4)	-	(21)
(15)	13	(14)	Change in impairment provisions in the period, Stage 2	(14)	13	(15)
9	(5)	8	Change in impairment provisions in the period, Stage 3	8	3	17
17	14	-	Losses for the period with previous write-downs	-	6	9
8	4	5	Losses for the period without previous impairments	5	4	8
(3)	(1)	-	Previously recognised impairments at start of period	-	(1)	(3)
(5)	(2)	(1)	Other corrections/amortisation of impairments	(1)	(2)	(5)
79	113	4	Losses on loans and guarantees in the period	4	113	79

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

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

Note 7 – Impairment provisions for loans and guarantees

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

(Amounts in NOK millions)

	Group			
Impairment provisions for loans and guarantees	Stage 1	Stage 2	Stage 3	Total
31.12.2021	120	72	95	287
Recognised through profit or loss in connection with the recognition of loans in Stage 1 upon the merger	10	-	-	10
Recognised gross on the statement of financial position in connection with the recognition of loans in Stage 2 upon the merger	-	7	-	7
Impairment provisions transferred to Stage 1	18	(17)	-	-
Impairment provisions transferred to Stage 2	(4)	6	(1)	-
Impairment provisions transferred to Stage 3	-	(4)	5	-
New financial assets issued or purchased	21	7	1	30
Increase in existing loans	15	22	29	66
Reduction in existing loans	(32)	(13)	2	(43)
Financial assets that have been deducted	(20)	(14)	(7)	(41)
Changes due to recognised impairments (recognised losses)	-	-	(6)	(6)
30.06.2022	127	65	118	310
- reversal of impairment provisions related to fair value through OCI	(25)	-	-	(25)
Capitalised impairment provisions as at 30.06.2022	102	65	118	285
Of which, impairment provisions for capitalised loans	78	62	113	253
Of which, impairment provisions for unused credits and guarantees	24	3	5	32
Of which: impairment provisions, retail market - amortised cost	8	37	45	90
Of which: impairment provisions, corporate market - amortised cost	94	28	73	195

(Amounts in NOK millions)

	Group			
Impairment provisions for loans and guarantees	Stage 1	Stage 2	Stage 3	Total
31.12.2020	52	50	69	172
Recognised through profit or loss in connection with the recognition of loans in Stage 1 upon the merger	89	-	-	89
Recognised gross on the statement of financial position in connection with the recognition of loans in Stage 2 upon the merger	-	38	-	38
Impairment provisions transferred to Stage 1	9	(9)	-	-
Impairment provisions transferred to Stage 2	(8)	8	(1)	-
Impairment provisions transferred to Stage 3	-	(1)	2	-
New financial assets issued or purchased	30	2	3	35
Increase existing loans	-	30	21	51
Reduction existing loans	(17)	(6)	(12)	(36)
Financial assets that have been deducted	(14)	(11)	(4)	(28)
Changes due to recognised impairments (recognised losses)	-	-	(6)	(6)
30.06.2021	142	101	72	315
- reversal of impairment provisions related to fair value through OCI	(24)	-	-	(24)
Capitalised impairment provisions as at 30.06.2021	118	101	72	291
Of which, impairment provisions for capitalised loans	88	91	68	248
Of which, impairment provisions for unused credits and guarantees	29	10	4	44
Of which: impairment provisions, retail market - amortised cost	6	36	23	65
Of which: impairment provisions, corporate market - amortised cost	111	65	50	226

(Amounts in NOK millions)

Group

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

Sensitivity analysis – loss model

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

At the same time, the loss model is based on multiple input factors from the portfolios, where the events have occurred as of the statement of financial position date but where there is some natural delay before updated information is entered into the model. Because of this delay factor, the Bank has conducted an expanded review of our CM portfolio in order to identify and make provisions for individual commitments and industries that we believe will experience specific problems making it through the crisis. PD/LGD levels have not been recalibrated in the model as at 30.06.2022.

In addition to expanded individual loss assessments, the Bank changed the model's scenario weighting based on an assessment. The scenario weighting has remained unchanged from 31.12.2021.

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

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

Scenario weights used as at 30.06.2022

(Amounts in NOK millions)	Weight RM/CM	RM	CM	Total
Scenario 1 (expected case)	80%/80%	63	155	217
Scenario 2 (downside case)	15%/15%	50	82	132
Scenario 3 (upside case)	5%/5%	3	7	10
Total estimated IFRS 9 provisions		115	244	359
Adjusted for amortisation effects		-	-	(49)
- reversal of impairment provisions related to fair value through OCI		(25)	-	(25)
Capitalised impairment provisions for the parent bank as at 30.06.2022		90	244	285

IFRS 9 impairment provisions in the event of a change in weight:

(Amounts in NOK millions)	Weight RM/CM	RM	CM	Total
Scenario 1 (expected case)	100%/100%	34	48	82
Scenario 2 (downside case)	100%/100%	139	201	340
Scenario 3 (upside case)	100%/100%	23	26	49

Scenario weighting used during the year	30.06.2022 Weight RM/CM	30.06.2021 Weight RM/CM	31.12.2021 Weight RM/CM
Scenario 1 (Normal case)	80%/80%	80%/80%	80%/80%
Scenario 2 (worst case)	15%/15%	15%/20%	15%/15%
Scenario 3 (upside case)	5%/5%	5%/0%	5%/5%

Note 8 – Loans to customers by Stages 1, 2 and 3

We only show the Group since the parent bank and Group are almost identical

(Amounts in NOK millions)	Group			
Loans to customers by Stages 1, 2 and 3	Stage 1	Stage 2	Stage 3	Total
31.12.2021	55,671	3,950	335	59,957
Effect of merger with SpareBank 1 Modum	8,509	528	49	9,086
Loans transferred to Stage 1	1,228	(1,224)	(4)	-
Loans transferred to Stage 2	(1,220)	1,237	(17)	-
Loans transferred to Stage 3	(32)	(64)	96	-
New financial assets issued or purchased	13,659	326	13	13,997
Increase in existing loans	2,547	140	10	2,697
Reduction in existing loans	(3,605)	(299)	(36)	(3,939)
Financial assets that have been deducted	(10,685)	(708)	(47)	(11,440)
Changes due to recognised impairments (recognised losses)	-	-	-	-
Changes due to receipts for previous impairments (recognised)	-	-	(5)	(5)
30.06.2022	66,072	3,887	394	70,353
Impairment provisions as % of gross lending	0.15%	1.68%	29.89%	0.41%
Of which corporate market	20,030	1,183	211	21,425
Of which retail market	46,042	2,704	183	48,929

(Amounts in NOK millions)

	Group			
Loans to customers by Stages 1, 2 and 3	Stage 1	Stage 2	Stage 3	Total
31.12.2020	28,478	2,246	198	30,922
Effects of merger with Sparebanken Telemark	23,696	1,061	102	24,859
Loans transferred to Stage 1	518	(514)	(4)	-
Loans transferred to Stage 2	(1,013)	1,023	(9)	-
Loans transferred to Stage 3	(18)	(32)	50	-
New financial assets issued or purchased	11,277	100	15	11,391
Increase in existing loans	379	111	2	492
Reduction existing loans	(1,275)	(80)	(19)	(1,374)
Financial assets that have been deducted	(7,668)	(431)	(28)	(8,127)
Changes due to recognised impairments (recognised losses)	-	-	(19)	(19)
Changes due to receipts for previous impairments (recognised)	-	-	(6)	(6)
30.06.2021	54,374	3,483	282	58,139
Impairment provisions as % of gross lending	0.22%	2.90%	25.59%	0.50%
Of which corporate market	14,948	1,682	126	16,756
Of which retail market	39,425	1,801	157	41,383

(Amounts in NOK millions)

	Group			
Loans to customers by Stages 1, 2 and 3	Stage 1	Stage 2	Stage 3	Total
31.12.2020	28,478	2,246	198	30,922
Effects of merger with Sparebanken Telemark	23,696	1,061	102	24,859
Loans transferred to Stage 1	955	(932)	(23)	-
Loans transferred to Stage 2	(1,926)	1,933	(8)	-
Loans transferred to Stage 3	(132)	(62)	194	-
New financial assets issued or purchased	26,696	883	18	27,596
Increase in existing loans	819	121	7	948
Reduction in existing loans	(3,213)	(204)	(31)	(3,448)
Financial assets that have been deducted	(19,734)	(1,095)	(104)	(20,933)
Changes due to recognised impairments (recognised losses)	-	(1)	(7)	(8)
Changes due to receipts for previous impairments (recognised)	-	-	(9)	(9)
31.12.2021	55,638	3,950	339	59,927
Impairment provisions as % of gross lending	0.17%	1.83%	28.15%	0.44%
Of which corporate market	15,995	1,638	209	17,843
Of which retail market	39,643	2,312	130	42,085

Note 9 – Loan to customers by sector and industry

Parent bank				Group		
31.12.2021	30.06.2021	30.06.2022	(Amounts in NOK millions)	30.06.2022	30.06.2021	31.12.2021
44,736	43,176	51,961	Employees, etc.	51,961	43,176	44,736
11,201	11,520	14,173	Property management/business services, etc.	14,146	11,477	11,172
2,853	2,259	3,205	Property management housing cooperatives	3,205	2,259	2,853
768	771	888	Wholesale and retail trade/hotels and restaurants	888	771	768
590	568	988	Agriculture/forestry	988	568	590
571	574	709	Building and construction	709	574	571
714	843	875	Transport and service Industries	875	843	714
759	745	628	Production (manufacturing)	628	745	759
10	1	-	Public administration	-	1	10
598	638	687	Abroad and others	687	638	598
62,801	61,094	74,113	Gross lending	74,087	61,051	62,771
19,814	19,658	30,237	- Of which, measured at amortised cost	30,210	19,615	19,784
40,143	38,523	40,143	- Of which, measured at fair value through OCI	40,143	38,523	40,143
2,844	2,912	3,734	- Of which, measured at fair value through profit or loss	3,734	2,912	2,844
(229)	(248)	(253)	- Impairment provisions for loans	(253)	(247)	(229)
62,571	60,846	73,861	Net lending	73,834	60,804	62,542
62,801	61,094	74,113	Gross lending	74,087	61,051	62,771
23,769	23,498	29,724	Gross lending transferred to SB1 Boligkreditt	29,724	23,498	23,769
1,565	1,625	1,444	Gross lending transferred to SB1 Næringskreditt	1,444	1,625	1,565
88,135	86,217	105,282	Gross lending including SB1 Boligkreditt and Næringskreditt	105,255	86,174	88,105

Note 10 – Transfer of financial assets

SpareBank 1 Sørøst-Norge and other owners have agreed to establish a liquidity facility for SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. This means that the banks commit to buy bonds issued by the company up to a total value of 12 months' term to maturity. Each owner is principally liable for its share of the requirement, and secondarily for twice the primary liability under the same agreement.

The bonds can be deposited with Norges Bank, so carry no significant added risk for SpareBank 1 Sørøst-Norge. The Bank has signed an agreement for the legal sale of loans with high security and collateral in real estate to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. For more information on the accounting treatment of the agreements, see Note 2 and Note 10 to the annual financial statements for 2021.

Note 11 – Financial derivatives

General description

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

Fair value hedging

The Bank has hedged fixed rate borrowing with a capitalised value of NOK 5,600 million. The borrowing is hedged 1:1 through external contracts where the term to maturity and fixed rate of the hedged item and hedging transaction match. The Bank prepares quarterly documentation of the effectiveness of the hedging instrument in relation to the hedged item. A total of eight transactions involving borrowing were hedged as at 31.03.2022. All interest rate swap agreements are based on observable market prices. Both the hedging instruments and hedged items experienced substantial changes in value during the first quarter of 2022. This was due to a rise in the yield curve in the first quarter. The Bank does not hedge cash flows.

Fair value hedging	30.06.2022	30.06.2021	31.12.2021
Net recognition of hedging instruments	256	60	135
Net recognition of hedged items	(256)	(59)	(134)
Total fair value hedging	(0.4)	1.0	0.1
Accumulated hedging adjustments for hedged items	(296)	36	(40)

Group (Amounts in NOK millions)	30.06.2022			30.06.2021			31.12.2021		
	Contract- total	Fair value		Contract- total	Fair value		Contract- total	Fair value	
Assets		Liabilities	Assets		Liabilities	Assets		Liabilities	
Interest rate instruments									
Interest rate swap agreements – hedging of customer-related assets at fair value through profit or loss	3,692	128	-	2,782	9	46	2,882	18	15
Interest rate swap agreements – hedging of fixed income securities	355	3	-	330	14	22	355	14	20
Interest rate swap agreements – hedging of fair value of fixed rate borrowing	5,800	31	247	3,950	98	-	5,600	66	28
Total interest rate instruments	9,847	161	247	7,062	121	68	8,837	98	64

Note 12 – Liquidity risk

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

The Bank's liquidity risk is covered by the Bank's liquidity reserve/buffer. The main objective of SpareBank 1 Sørøst-Norge is to maintain the viability of the Bank in a normal situation, without external funding, for 12 months. The Bank should also be able to survive

a minimum of 6 months in a 'highly stressed' situation where there is no access to funding from the capital markets. The Bank exercises daily governance according to the above goals. A contingency plan for dealing with liquidity crises has also been established.

The remaining time to maturity for the Bank's bond debt was 3.1 (3.1) years at the end of the quarter.

The liquidity coverage ratio (LCR) was 152% (173%) at the end of the quarter and the average LCR has been 165% (183%) in 2022.

Note 13 – Net interest income

Parent bank				Group		
31.12.2021	30.06.2021	30.06.2022	(Amounts in NOK millions)	30.06.2022	30.06.2021	31.12.2021
			Interest income			
10	4	13	Interest rates on loans to credit institutions at amortised cost	13	4	10
432	148	355	Interest on loans to customers at amortised cost	354	148	431
715	276	551	Interest on loans to customers at fair value through OCI	551	276	715
1,158	428	919	Total interest income - assets measured at amortised cost	918	428	1,157
39	16	36	Interest on loans to customers at fixed rates	36	16	39
57	23	65	Interest on securities at fair value	65	23	57
96	39	102	Total interest income - assets measured at fair value	102	39	96
1,254	467	1,021	Total interest income	1,020	467	1,253
			Interest expenses			
1	-	1	Interest and similar expenses for liabilities to credit institutions	1	-	1
151	56	150	Interest and similar expenses for deposits from and liabilities to customers	149	56	150
143	52	159	Interest and similar expenses for issued securities	159	52	143
11	4	10	Interest and similar expenses for subordinated loan capital	10	4	11
29	11	17	Other interest expenses and similar expenses	17	11	29
334	124	338	Total interest expenses	337	124	333
920	344	683	Net interest income	684	343	920

Note 14 – Net commission income and other income

Parent bank				Group		
31.12.2021	30.06.2021	30.06.2022	(Amounts in NOK millions)	30.06.2022	30.06.2021	31.12.2021
			Commission income			
9	3	6	Guarantee commission	6	3	9
1	-	1	Interbank commission	1	-	1
10	4	7	Credit brokerage	7	4	10
33	13	20	Securities trading and management	20	13	33
151	55	98	Payment services	98	55	151
90	34	65	Insurance services	65	34	90
11	5	6	Other commission income	6	5	11
209	80	97	Commission from Boligkreditt and Næringskreditt	97	80	209
513	194	300	Total commission income	300	194	513
			Commission expenses			
1	-	1	Interbank fees	1	-	1
19	6	10	Payment services	10	6	19
10	4	6	Other commission expenses	6	4	10
30	10	17	Total commission expenses	17	10	30
483	184	283	Net commission income	283	184	483
			Other operating income			
3	-	2	Operating income from real estate	2	-	3
-	-	3	Profit from the sale of fixed assets	3	1	1
5	2	3	Other operating income	3	2	4
-	-	-	Operating income from estate agency business	117	76	176
-	-	-	Operating income from accounting firms	31	27	50
7	2	7	Total other operating income	155	106	233
489	186	290	Net commission and other income	438	290	716

Note 15 – Net result from other financial investments

Parent bank				Group		
31.12.2021	30.06.2021	30.06.2022	(Amounts in NOK millions)	30.06.2022	30.06.2021	31.12.2021
27	21	33	Net change in value of stocks, shares, etc. measured at fair value	33	21	30
(31)	(5)	(66)	Net change in value of bonds/certificates measured at fair value	(66)	(5)	(31)
12	(4)	(12)	Net change in value of financial derivatives measured at fair value	(12)	(4)	12
12	4	7	Exchange rate gains/losses on currency	7	4	12
151	151	-	Negative goodwill recognised through profit or loss upon the merger with Sparebanken Telemark	-	151	151
170	166	(38)	Net result from other financial investments	(38)	166	174

Note 16 – Measuring fair value of financial instruments

Financial instruments at fair value are classified at different levels.

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

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

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

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

- The fair value of fixed interest rate loans to customers is calculated as the fair value of the agreed cash flows discounted with an observable yield curve with the addition of a calculated margin premium.
- Equity investments are valued at fair value under the following conditions:
 1. Price at the time of the last capital increase or last sale between independent parties, adjusted for changes in market conditions since the capital increase/sale.
 2. Fair value based on expected future cash flows for the investment.
- On the remaining financial instruments, fair value is determined on the basis of value estimates obtained from external parties.
- This category includes other equity instruments, loans at fair value through OCI and the Bank's own fixed rate loans.
- The fair value of mortgages is understood to be:
 - Loans in loss category 1 - the nominal value of the loan (not equal to amortised cost). Loan in loss category 2, and 3 - the loan's nominal value decreases by the expected losses (= amortised cost). Loans in loss category 3K - the loan's nominal value decreases by individual impairment provisions (= amortised cost).

The Group's assets and liabilities measured at fair value as at 30.06.2022

Assets (Amounts in NOK millions)	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
- Fixed-rate loans	-	-	3,734	3,734
- Mortgages at fair value through OCI	-	-	46,352	46,352
- Interest-bearing securities	247	8,345	-	8,593
- Shares, units and equity certificates	216	-	2,384	2,599
- Financial derivatives	-	161	-	161
Total assets	463	8,507	52,469	61,439
Liabilities				
Financial liabilities at fair value				
- Securities issued	-	5,599	-	5,599
- Financial derivatives	-	247	-	247
Total liabilities	-	5,845	-	5,845

The Group's assets and liabilities measured at fair value as at 30.06.2021

Assets (Amounts in NOK millions)	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
- Fixed-rate loans	-	-	2,912	2,912
- Mortgages at fair value through OCI	-	-	38,523	38,523
- Interest-bearing securities	205	6,072	-	6,277
- Shares, units and equity certificates	202	-	2,092	2,294
- Financial derivatives	-	129	-	129
Total assets	407	6,201	43,527	50,135
Liabilities				
Financial liabilities at fair value				
- Securities issued	-	4,014	-	4,014
- Financial derivatives	-	110	-	110
Total liabilities	-	4,124	-	4,124

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

Assets (Amounts in NOK millions)	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
- Fixed-rate loans	-	-	2,844	2,844
- Mortgages at fair value through OCI	-	-	40,143	40,143
- Interest-bearing securities	252	5,894	-	6,146
- Shares, units and equity certificates	199	-	2,004	2,203
- Financial derivatives	-	98	-	98
Total assets	451	5,992	44,991	51,434
Liabilities				
Financial liabilities at fair value				
- Securities issued	-	5,597	-	5,597
- Financial derivatives	-	64	-	64
Total liabilities	-	5,661	-	5,661

Changes in instruments classified as Level 3 as at 30.06.2022

(Amounts in NOK millions)	Fixed-rate loans	Shares at fair value through profit or loss	Lending at fair value through OCI
Opening balance 01.01.2022	2,844	2,004	40,143
Supply from merger with SpareBank 1 Modum	651	353	6,506
Additions	730	27	11,688
Disposals	(491)	(33)	(11,986)
Net gain/loss on financial instruments	-	33	-
Closing balance 30.06.2022	3,734	2,384	46,352

Changes in instruments classified as Level 3 as at 30.06.2021

(Amounts in NOK millions)	Fixed-rate loans	Shares at fair value through profit or loss	Lending at fair value through OCI
Opening balance 01.01.2021	1,664	1,158	22,700
Supply from merger with Sparebanken Telemark	1,444	866	14,852
Additions	142	91	8,684
Disposals	(338)	(24)	(7,713)
Net gain/loss on financial instruments	-	1	-
Closing balance 30.06.2021	2,912	2,092	38,523

Changes in instruments classified as Level 3 as at 31.12.2021

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

Note 17 – Other assets

Parent bank			(Amounts in NOK millions)	Group		
31.12.2021	30.06.2021	30.06.2022		30.06.2022	30.06.2021	31.12.2021
42	35	66	Prepaid, unaccrued costs, and accrued income not yet received	204	142	125
50	31	69	Other assets	68	40	53
101	129	261	Derivatives and other financial instruments at fair value	261	129	101
193	196	396	Total other assets	533	311	279

Note 18 – Deposits from customers by sector and industry

Parent bank			(Amounts in NOK millions)	Group		
31.12.2021	30.06.2021	30.06.2022		30.06.2022	30.06.2021	31.12.2021
30,255	30,397	37,348	Employees, etc.	37,348	30,397	30,255
6,149	5,969	6,978	Property management/business services, etc.	6,925	5,933	6,098
296	229	293	Property management housing cooperatives	293	229	296
1,611	1,764	1,811	Wholesale and retail trade/hotels and restaurants	1,811	1,764	1,611
421	370	578	Agriculture/forestry	578	370	421
1,232	1,071	1,330	Building and construction	1,330	1,071	1,232
2,725	2,733	3,828	Transport and service Industries	3,828	2,733	2,725
658	644	832	Production (manufacturing)	832	644	658
1,684	2,513	2,781	Public administration	2,781	2,513	1,684
1,234	1,218	1,430	Abroad and others	1,430	1,218	1,234
46,264	46,907	57,210	Total deposits	57,157	46,872	46,212

Note 19 – Securities issued

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

Only figures for the Group are shown as the parent bank's figures are identical.

Group (amounts in NOK millions)	30.06.2022	30.06.2021	31.12.2021
Loans from credit institutions, nominal value	150	150	150
Bond debt, senior unsecured, nominal value	15,439	14,350	15,293
Bond debt, SNP, nominal value	3,000	1,250	1,550
Value adjustments and accrued interest	(182)	115	70
Total interest-bearing securities	18,407	15,865	17,063

Change in financial borrowing

Group (amounts in NOK millions)	30.06.2022	Merger 01.04.2022 portfolio SpareBank 1 Modum	Issued	Due/ redeemed	31.12.2021
Loans from credit institutions, nominal value	150	-	-	-	150
Bond debt, senior unsecured, nominal value	15,439	598	1,500	(1,952)	15,293
Bond debt, SNP, nominal value	3,000	-	1,450	-	1,550
Value adjustments and accrued interest	(182)	-	-	(252)	70
Total interest-bearing securities	18,407	598	2,950	(2,204)	17,063

Group (amounts in NOK millions)	30.06.2021	Merger 01.06.2021 portfolio Sparebanken Telemark	Issued	Due/ redeemed	31.12.2020
Loans from financial institutions, nominal value	150	150	-	(200)	200
Bond debt, senior unsecured, nominal value	14,350	7,216	600	(1,260)	7,794
Bond debt, SNP, nominal value	1,250	-	1,250	-	-
Value adjustments and accrued interest	115	-	-	(0.4)	115
Total interest-bearing securities	15,865	7,366	1,850	(1,460)	8,109

Note 20 – Subordinated loan capital

Only figures for the Group are shown as the parent bank's figures are identical.

Time-limited subordinated bonds loans

Group (amounts in NOK millions)	30.06.2022	30.06.2021	31.12.2021
Subordinated loan capital	825	650	650
Value adjustments and accrued interest	3	1	1
Total subordinated loan capital	828	651	651

Change in subordinated loan capital

Group (amounts in NOK millions)	30.06.2022	Merger 01.04.2022 portfolio SpareBank 1 Modum	Issued	Due/ redeemed	31.12.2021
Subordinated loan capital	825	90	350	(265)	650
Value adjustments and accrued interest	3	-	-	1	1
Total subordinated loan capital	828	90	350	(264)	651

Group (amounts in NOK millions)	30.06.2021	Merger 01.06.2021 portfolio Sparebanken Telemark	Issued	Due/ redeemed	31.12.2020
Subordinated loan capital	650	250	-	-	400
Value adjustments and accrued interest	1	-	-	-	1
Total subordinated loan capital	651	250	-	-	401

Note 21 – Other liabilities

Parent bank			(Amounts in NOK millions)	Group		
31.12.2021	30.06.2021	30.06.2022		30.06.2022	30.06.2021	31.12.2021
101	47	132	Accrued expenses and received unearned income	167	69	128
34	44	32	Provisions for guarantees	32	44	34
83	78	92	IFRS 16 liabilities related to leases	84	66	78
139	112	154	Pension liabilities	155	112	140
145	213	379	Other liabilities	431	260	177
107	110	261	Derivatives and other financial instruments at fair value	261	110	107
609	602	1,049	Total other liabilities	1,131	660	664

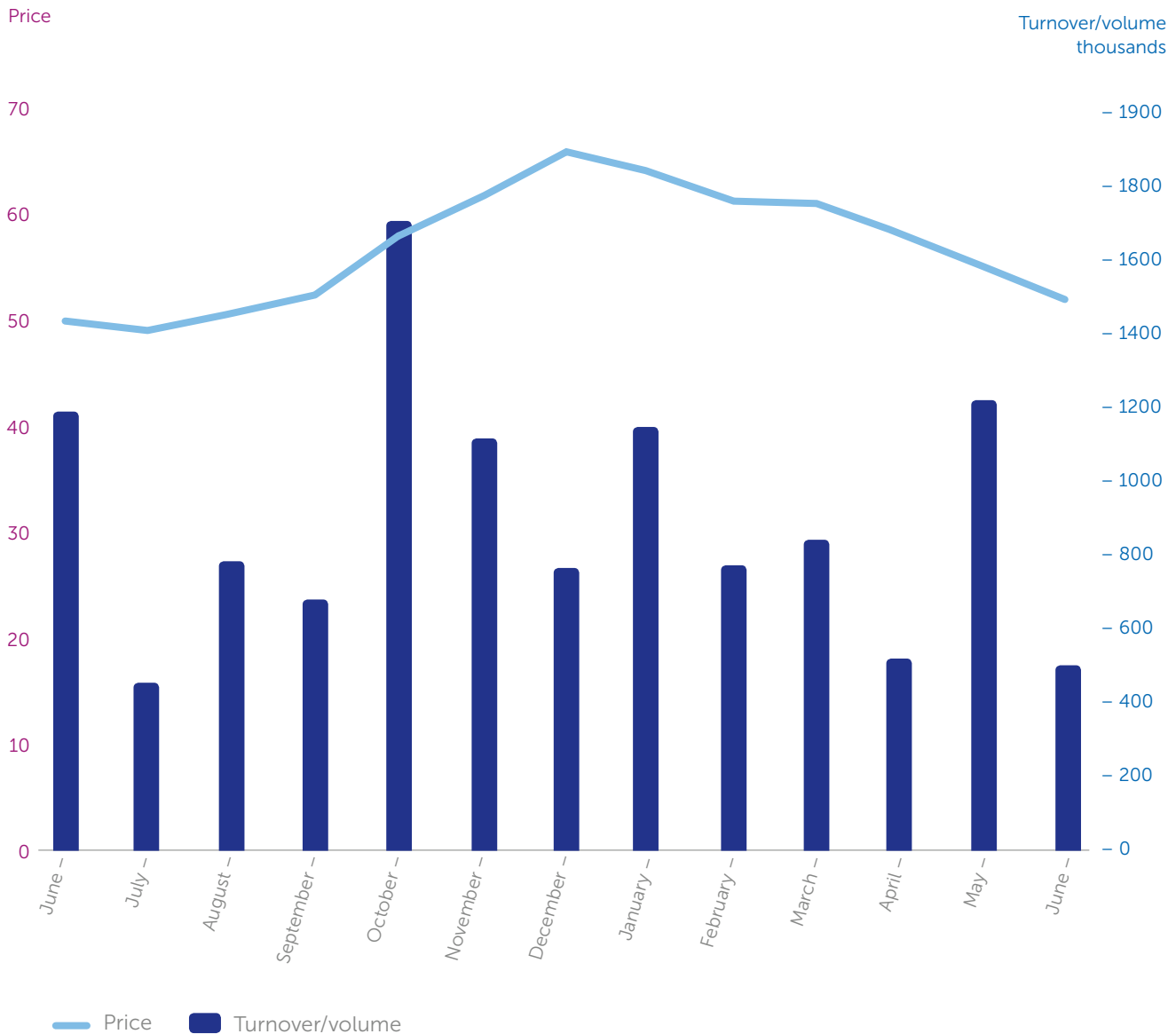
Note 22 – Equity certificate holders and distribution of equity certificates

There were 6,112 equity certificate holders as at 30.06.2022.

20 largest equity certificate holders

	Quantity	% of total number of equity certificates
SpareBank 1 Stiftelsen BV	24,141,356	17.2%
Sparebankstiftelsen Telemark	18,910,174	13.5%
Sparbankstiftelsen SpareBank 1 Modum	18,444,646	13.2%
Sparebankstiftelsen Nøtterøy-Tønsberg	10,925,503	7.8%
Sparebankstiftelsen Telemark-Holla og Lunde	10,273,723	7.3%
VPF Eika Egenkapitalbevis	4,157,979	3.0%
Varig forsikring Midt-Krødsherad brannkasse	2,963,998	2.1%
Spesialfondet Borea utbytte	2,825,905	2.0%
Pareto Invest AS	1,771,308	1.3%
Landkreditt Utbytte	1,100,000	0.8%
Kommunal Landspensjonskasse Gjensidige	1,024,879	0.7%
Catilina Invest AS	912,032	0.7%
Wenaasgruppen AS	907,432	0.6%
Melesio Invest AS	886,937	0.6%
Sanden Equity AS	707,494	0.5%
Aars AS	684,737	0.5%
Foretakskonsulenter AS	621,230	0.4%
Skogen Investering AS	605,000	0.4%
Babord AS	421,266	0.3%
Hausta Investor AS	420,000	0.3%
Total 20 largest owners	102,705,599	73.3%
SpareBank 1 Sørøst-Norge (own equity certificates)	43,284	0.03%
Other owners	37,349,678	26.7%
Issued equity certificates	140,098,561	100.0%

Change in price June 2021 – June 2022



Dividend policy

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

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

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

In order to maintain stable ownership fractions over time, as a general rule, dividend funds amounting to around 50 % of the primary capital's share of the profit will be transferred to SpareBank 1 Stiftelsen BV, Sparebankstiftelsen Telemark-Grenland and SpareBank 1 Stiftelsen SpareBank 1 Modum.

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

Note 23 – Equity certificates and ownership fractions

Earnings per equity certificate

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

Diluted earnings per equity certificate

In the calculation of diluted earnings per equity certificate, the weighted average number of issued ordinary equity certificates in circulation is adjusted for the effect of converting potential equity certificates which could lead to dilution. The Bank has no potential equity certificates that could cause dilution as at 30.06.2022. Diluted earnings per equity certificate is therefore equal to earnings per equity certificate.

Parent bank

Equity certificate fraction Amounts in NOK millions	30.06.2022
Equity certificate capital	2,101
Share premium fund	3,779
Dividend equalisation fund, excl. other equity	812
Total equity certificate holders' capital	6,692
Sparebankens Fond, excl. other equity	4,327
Gift fund	7
Total community-owned capital	4,333
Equity excl. dividends, gifts, hybrid capital and other equity	11,025
Equity certificate fraction	60.7%
Community capital	39.3%

Parent bank (amounts in NOK millions)	30.06.2022
Based on profit divided between equity certificate holders and community capital	437
Number of equity certificates issued	131
Earnings per equity certificate (NOK)	2.02
Market price (NOK)	52.20
Nominal Value (NOK)	15.00
Adjusted profit	
Profit	445
- corrected for interest on hybrid Tier 1 securities recognised directly against equity	(8)
Adjusted profit	437

Note 24 – Consolidated results from the quarterly financial statements (pro forma)¹⁾

The pro forma results for 2021 and 2020 represent the results for all three banks (former SpareBank 1 BV, Sparebanken Telemark and SpareBank 1 Modum), consolidated as if the merger had occurred with accounting effect from 01.01.

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

Group

(Amounts in NOK millions)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Interest income	574	514	476	429	427	420	427	433
Interest expenses	197	161	132	115	116	119	114	116
Net interest income	377	353	344	314	311	301	314	316
Commission income	160	161	182	186	172	167	185	176
Commission expenses	9	10	12	11	10	10	11	12
Other operating income	100	67	90	79	93	71	75	81
Net commission and other income	251	218	259	254	255	228	248	245
Dividends	32	14	1	-	27	18	18	-
Net result from ownership interests	16	15	61	60	67	30	34	43
Net result from other financial investments	(28)	(2)	4	14	139	36	(7)	11
Net income from financial assets	19	27	65	74	233	83	45	54
Total net income	648	598	669	642	799	612	607	615
Personnel expenses	152	201	212	180	158	170	187	147
Other operating expenses	147	163	140	118	159	118	134	112
Total operating expenses	299	364	352	298	317	288	321	259
Profit before losses and tax	349	235	316	344	482	324	286	356
Losses on loans and guarantees	15	(11)	(2)	(33)	112	12	(12)	2
Profit before tax	334	246	318	377	370	312	299	354
Tax expense	63	51	57	78	35	57	62	73
Profit before other comprehensive income	271	195	261	300	335	256	237	281

1) Alternative performance measures are defined in a separate appendix to the quarterly report

Note 25 – Consolidated statement of financial position figures from the quarterly financial statements (pro forma)

Group	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
(Amounts in NOK millions)								
Profitability								
Return on equity ¹⁾	9.4%	6.9%	9.0%	10.6%	12.3%	9.7%	9.1%	11.0%
Net interest income, excl. interest on subordinated bonds ¹⁾	1.69%	1.63%	1.56%	1.44%	1.48%	1.48%	1.54%	1.55%
Cost-income ratio ¹⁾	46.2%	60.8%	52.7%	46.4%	39.7%	47.0%	52.9%	42.2%
Statement of financial position figures								
Gross lending to customers incl. transfers to mortgage companies ¹⁾	105,255	103,614	102,608	101,677	100,167	98,163	96,455	95,480
Gross lending to customers on the balance sheet	74,087	72,814	72,306	71,701	70,087	68,124	66,696	66,528
Loans transferred to mortgage credit institutions	31,168	30,800	30,302	29,976	30,080	30,040	29,759	28,952
Lending growth in the past 12 months ¹⁾	5.1%	5.6%	6.4%	6.5%	6.6%	6.8%	7.8%	8.8%
Deposits from customers	57,157	55,590	54,566	55,120	54,795	51,215	50,823	51,007
Deposit coverage on the balance sheet ¹⁾	77.1%	76.3%	75.5%	76.9%	78.2%	75.2%	76.2%	76.7%
Deposit coverage, incl. mortgage companies ¹⁾	54.3%	53.7%	53.2%	54.2%	54.7%	52.2%	52.7%	53.4%
Deposit growth in the past 12 months ¹⁾	4.3%	8.5%	7.4%	8.1%	6.7%	7.0%	8.2%	8.1%
Total assets	89,863	87,394	86,487	86,140	85,179	81,921	81,008	80,179
Total assets, incl. mortgage companies ¹⁾	121,032	118,194	116,789	116,116	115,259	111,961	110,767	109,131
Equity, excl. hybrid capital	11,804	11,058	11,447	11,205	10,917	10,683	10,421	10,183
Staffing								
Number of FTEs	626.0	632.9	637.2	643.1	633.5	633.5	623.9	613.9
of which parent bank	435.6	445.9	448.6	456.9	464.4	462.7	457.7	456.4

1) Alternative performance measures are defined in a separate appendix to the quarterly report

Note 26 – Events after the statement of financial position date

No events with a material bearing on the financial statements have occurred since the statement of financial position date.

Declaration from the Board of Directors and the CEO

We declare that, to the best of our knowledge and belief, the interim financial statements for the period 1 January to 30 June 2022 have been prepared in accordance with IAS 34 Interim Reporting, and that the information in the financial statements provides a true picture of the Bank's and the Group's assets, liabilities, financial position and results as a whole.

We also declare that, to the best of our knowledge and belief, the interim report provides an accurate summary of key events in the accounting period and their influence on preliminary annual financial statements, the major risk and uncertainty factors facing the business in the coming accounting period, and significant transactions with close associates.

Sandefjord, 10.08.2022

The Board of Directors of SpareBank 1 Sørøst-Norge

Finn Haugan
Chair of the Board

Anne Berg Behring
Deputy Chair

Elisabeth Haug

Heine Wang

Jan Erling Nilsen

Lene Marie Aas Thorstensen

John Arne Haugerud

Hanne Myhre Gravdal
Employee representative

Frede Christensen
Employee representative

Per Halvorsen
CEO

Statements concerning future events

The report contains statements about future circumstances that reflect the executive management team's current view of certain future events and potential financial performance.

Although SpareBank 1 Sørøst-Norge believes that the expectations expressed in such statements about the future are reasonable, there can be no guarantee that the expectations will prove to have been correct. Results could therefore vary greatly from those assumed in the statements regarding future circumstances.

Important factors that can cause such differences for SpareBank 1 Sørøst-Norge include, but are not limited to:

- (i) macroeconomic developments,
- (ii) changes in the market, and
- (iii) changes in interest rates.

This report does not mean that SpareBank 1 Sørøst-Norge undertakes to revise these statements on future matters beyond that which is required by applicable law or applicable stock exchange rules if and when circumstances arise that will cause changes compared with the situation on the date when the statements were made.



Audit statement



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Enterprise 935 174 627 MVA

To the Board of Directors of SpareBank 1 Sørøst-Norge

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying consolidated interim balance sheet of SpareBank 1 Sørøst-Norge as of 30 June 2022, the income statement, the statement of changes in equity and the cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of the entity as at 30 June 2022, and its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Oslo, 10 August 2022
KPMG AS

Anders Sjöström
State Authorised Public Accountant

Offices in:

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

Statsautoriserede revisorer - medlemmer av Den norske Revisorforening

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

