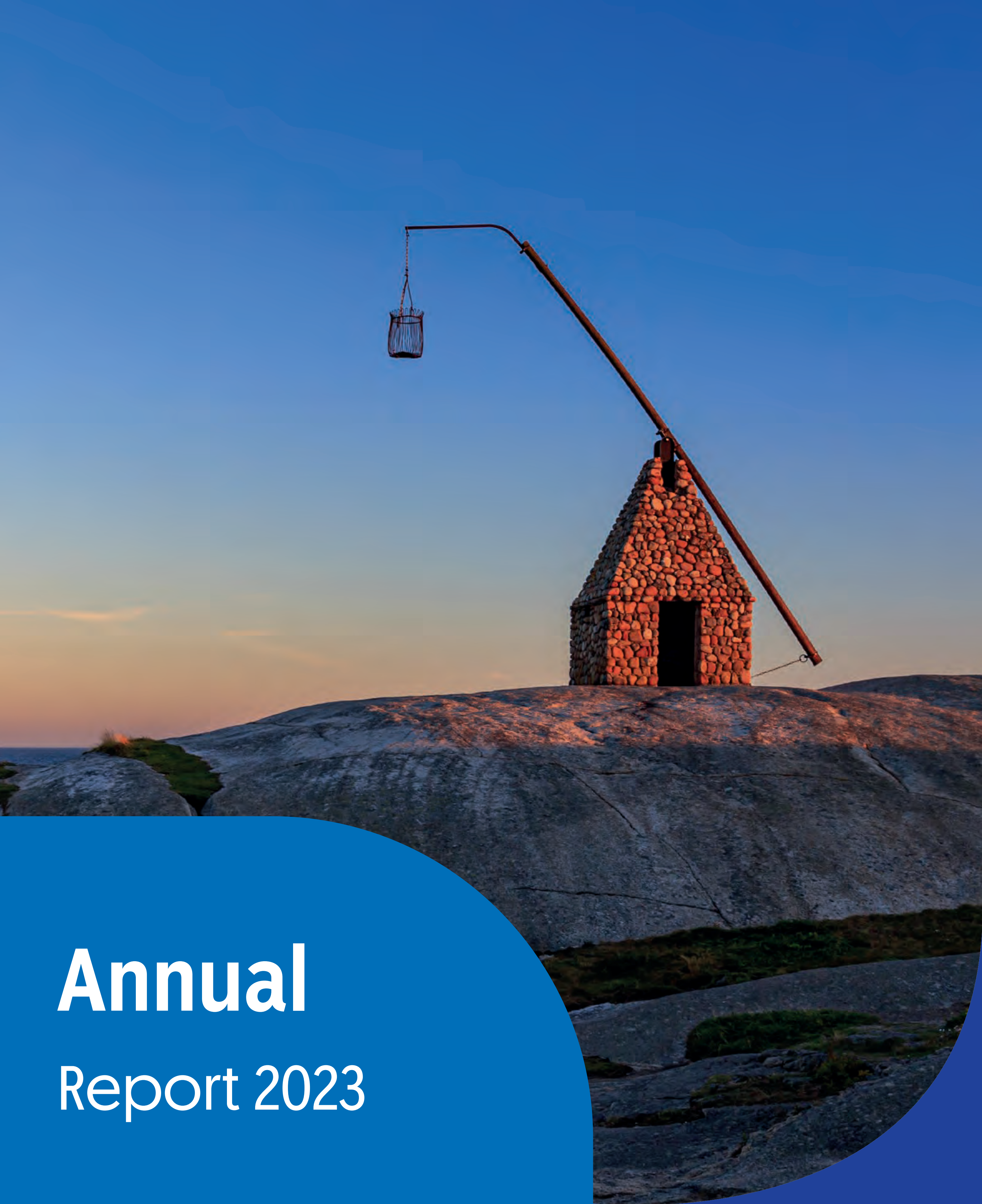


Annual
Report 2023

SpareBank 1 SØRØST-NORGE

Contents

Foreword from the CEO

2023: good results and great value creation for local communities

2023 was an eventful year for SpareBank 1 Sørøst-Norge. We again played an active role in the ongoing structural changes. At the same time, high inflation and a total of seven interest rate hikes over the course of the year contributed to significantly tighter finances for many of our customers. As a relationship bank, we are committed to being there for our customers with personalised advice, at the same time as we make their lives easier with simple, efficient services.

We are very pleased with the Group's development in 2023, with a profit for the year of NOK 1.3 billion and good momentum at the start of 2024. The results were driven by good growth in net interest income, low cost growth and very low losses. The quality of the Bank's loan portfolio is good, with a large proportion of loans to retail customers with collateral in their homes.

The region has a robust, diverse business sector and relatively high population growth. Lower housing prices in our market area, compared with Oslo, combined with good infrastructure and more working from home have resulted in not just great interest in relocating to our market area but many people doing so. Despite these demanding times, people and businesses in the region fared relatively well in what was a tight financial year.

The Group enjoys a strong strategic position in a market with good growth opportunities.

The Group takes a systematic approach to collaboration between its banking, real estate and accounting units, which is also expected to provide further positive profit contributions in 2024 as well.

We again played an active role in the ongoing structural changes, and on 26.10.2023, the Board of Directors announced a plan to merge with SpareBank 1 SR-Bank ASA to form SpareBank 1 Sør-Norge ASA. SpareBank 1 Sør-Norge will be Norway's largest savings bank, as well as a strong competitor for Norwegian and Nordic commercial banks. The merger with SpareBank 1 SR-Bank will further strengthen the Group's competitiveness in both the retail market and the corporate market, and will provide us with the muscle to make an even greater contribution to our local communities and to more companies establishing themselves in the region.

We are satisfied with the merger's exchange ratio, which reflects the Group's capital situation and strategic value. It is also clear that the merger plan and exchange ratio have been received very positively in the financial market.

The legal merger is scheduled for 01.10.2024, assuming that the necessary approvals are received from the authorities.

Our employees are our most important asset. Motivated and satisfied employees are essential for creating a competitive organisation. In today's labour market, the competition for talent is strong and job satisfaction is viewed as more valuable than ever. Therefore, it is important to be seen as an attractive employer in order to recruit the right skills. Opportunities for career development top the list of what people want when choosing an employer. We therefore take a conscious approach to facilitating opportunities for employee development. To achieve our goals, acquiring new expertise and developing new forms of cooperation are crucial for SpareBank 1 Sørøst-Norge.

For us, the cornerstones of an attractive workplace are job satisfaction, learning and development, building a corporate culture, collaboration across the organisation, flexible workdays and a focus on sustainability.

As a financial institution, we play an important role in the economy and society as a whole. Incorporating sustainability as a competence area for employees in the Group is therefore very important. We have a comprehensive training programme that is tailored to the individual disciplines in the Group. It is designed to provide the right tools and an understanding of how we can help customers, companies and the Group act sustainably and properly satisfy new requirements.

Our focus must always be on the customer. In the Group's strategy, we have chosen to emphasise customer orientation, visibility and attractiveness in the regions, as well as growth and profitability.

As a group, we are constantly working to tailor the Group's activities to customers' expectations, new technology and a competitive picture that is always changing. Changed framework conditions can also create new business opportunities. Our values, "Present", "Power" and "Movement", speak of a group that is continuously evolving, while maintaining our closeness to our customers as a relationship bank.

Greater expertise and resources are required, especially within digitalisation, compliance and risk management. At the same time, our customers want good advice, a local presence and competitive terms and conditions. Economies of scale are an important value driver for meeting these challenges and at the same time achieving good profitability.

During the past year, the Group refined its "Konjunktur Sørøst" business cycle barometer (konjunktursorost.no), a tool that provides data, insights and knowledge about business and social development in our market areas. Businesses, customers and our own employees all understand the great value provided by the business barometer.

Being able to give back to our local communities is very satisfying . Previous mergers have resulted in the establishment of five strong local savings bank foundations in the region, which, based on their local roots, are tasked with safeguarding the traditions of the former savings banks. Together with the Bank, the foundations provide grants and marketing activities in our respective market areas.

We are very pleased to be able to share a significant portion of the profit for 2023 with owners and local communities.

Finally, I would like to thank all of the Group's employees for their efforts in 2023 and the results we have produced together. I am proud of the willingness to change that has been demonstrated in another demanding year and how the organisation has welcomed yet another merger decision.

Per Halvorsen
CEO

Together we create value

Our mission is to contribute to sustainable development in Norwegian communities

Our shared mission
What we want to be known for

The personal regional bank that provides value for local businesses, people and communities

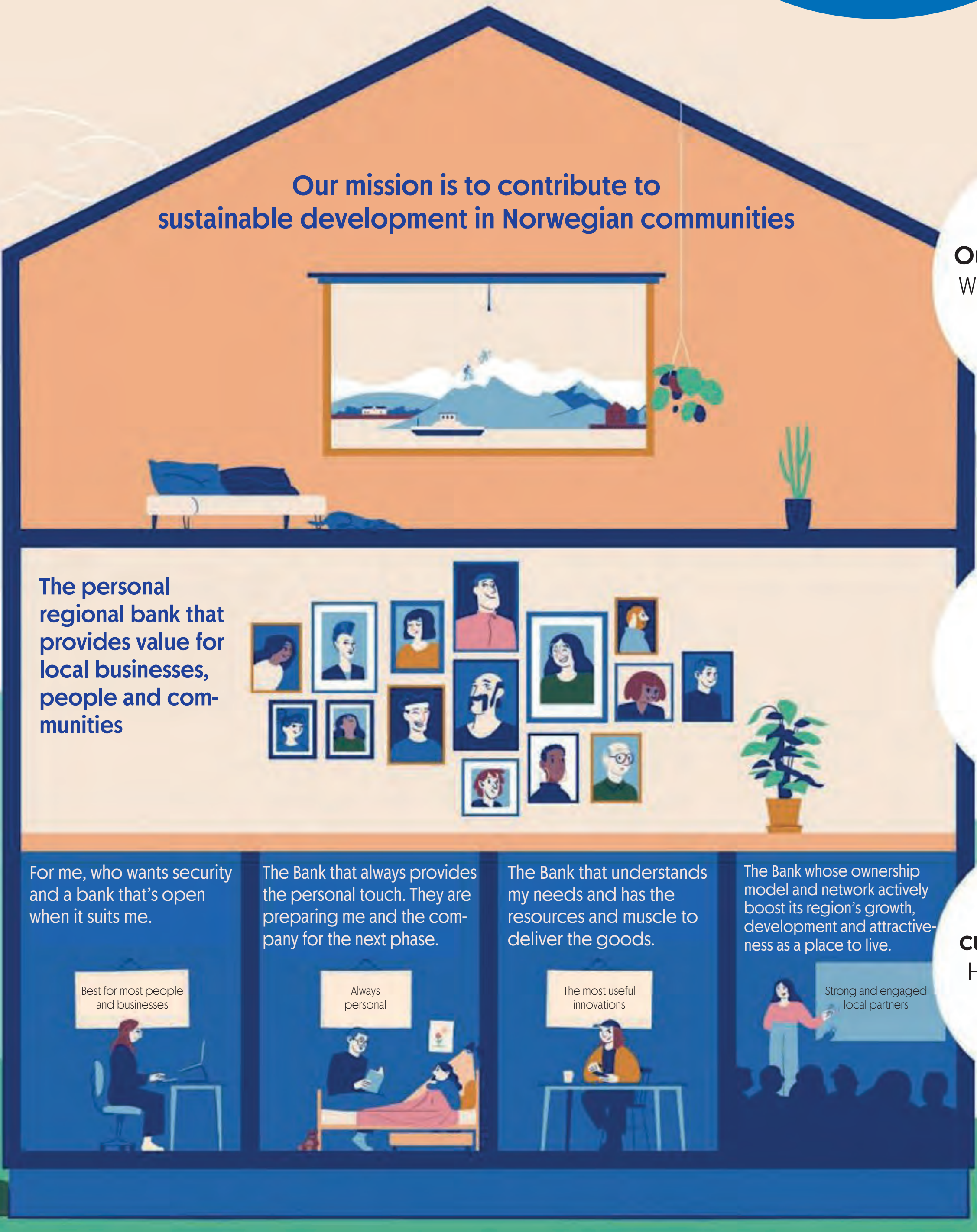
SpareBank 1 Sørøst-Norge's distinctiveness
How we differ from each other

For me, who wants security and a bank that's open when it suits me.

The Bank that always provides the personal touch. They are preparing me and the company for the next phase.

The Bank that understands my needs and has the resources and muscle to deliver the goods.

The Bank whose ownership model and network actively boost its region's growth, development and attractiveness as a place to live.



Our common customer promises
How we differ from other banks

Corporate strategy

Brand name

As far as SpareBank 1 Sørøst-Norge is concerned, brand building is about clarifying who we want to be and ensuring that we stand out from the crowd of competitors. A strong brand is created by being relevant, distinct and consistent across customer points of contact with the Bank. Brand building is one of several ways of creating lasting competitive advantages and helps attract new customers, partners and expertise.

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

As a relationship bank we should be seen as the personal regional bank that provides value for local businesses, people and communities. We also want to be known for our four customer
promises:

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

The SpareBank 1 Alliance uses NeedScope's strategy framework to understand the banking market and measure brand strength relative to its competitors. In the overall competitive picture, SpareBank 1 banks are seen as safe, local and helpful banks that follow-up their customers well. The positive development from 2018 has been significant, and SpareBank 1 is now among the 5% clearest brands worldwide, according to Kantar. It is important for SpareBank 1 Sørøst-Norge to leverage the strong position of the overarching brand, SpareBank 1, while building positive associations with our brand name, Sørøst-Norge.

Vision and values

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

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

Together we create development and growth over time.

Our vision and values provide an important platform from which to successfully achieve our goals.

Our values, "Present", "Power" and "Movement", speak of a group that is continuously evolving, while maintaining our closeness to our customers.
The power provided by a strong corporate culture should make a difference; this power is created by the people who work here.

Present

We are available to our surroundings and to each other.

We are present where people live and work – physically and digitally. For your future dreams and for today.

Power

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

This power helps customers, employees, owners and communities develop.

Movement

Movement produces development, skills and motivation
– it makes dreams come true.

Movement facilitates change and growth, and ensures we can follow through well.

We are moving forward in order to develop and
learn through our experiences.

Corporate Strategy 2025

Corporate Strategy 2025 sets out SpareBank 1 Sørøst-Norge's strategic direction for the strategy period and provides guidance on the goals and measures set by the organisation at all levels via a balanced scorecard. The strategy is divided up into a common corporate part that applies to everyone, including subsidiaries, and more specific goals and measures for succeeding in the retail and corporate market.

The methodology mirrors our strategy framework, which includes the following four main milestones:

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

Four overarching objectives

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

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

In the revised strategy from autumn 2023, the Group has chosen to emphasise customer orientation, visibility and attractiveness in the regions, as well as growth and profitability.

Seven strategic focus areas

The Group has defined and prioritised seven strategic focus areas. Various strategic initiatives and measures have been identified within these seven priority areas to help us achieve the Group goals.

Group goals 2025

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

Customer satisfaction
> 66

Common Equity Tier 1 capital
17.0%

Sustainability exposure
NOK 25 billion

Return on equity

>11%

Cost-income ratio

< 40%

Attractive workplace

> 75

Other operating income:

NOK 950 million

A look back at 2023

Q1

January
The legal merger between EiendomsMegler 1 Modum AS and EiendomsMegler 1 Sørøst-Norge AS is completed on 01.01.2023. The aim is to merge our real estate agency businesses into a large and powerful entity in Southeast Norway.

The focus on expertise in sustainability remains, and a large-scale training programme for all employees of the Bank is continued. The programme is tailored to the various disciplines, with the goal of ensuring that all employees should feel confident about what sustainability entails in their working life.

February
A comprehensive process concerning "Employer branding", company culture and identity starts. The goals are for the Group to be seen as attractive in the future and to attract relevant labour, as well as to reinforce our brand and strengthen our reputation.

March
We post a good profit for the year despite significant merger costs in the past year. The consolidated profit (pro forma) for 2022 was in excess of NOK 1 billion after tax. The Group is very strong financially with a good margin in relation to the regulatory requirements, and distributes almost the entire profit for the year as dividends.

Norwegian consumers again name SpareBank 1 as the brand viewed as the most sustainable in the banking category in the Norwegian banking and financial services industry in Norway's largest brand study, the *Sustainable Brand Index*.

Iver Myrsveen Lundbekk and Ludvig Skogvold Goplen

Q2

April

A new joint project between the Bank and real estate agencies commences. It is designed to help us consolidate our position as the local and personal adviser for our retail customers. Joint workshops that result in new skills and the creation of a common culture are key terms. These are designed to make it easier for customers to use both the Bank and real estate agency at the same time.

May

The savings scheme for employees is continued and presented. It remains very popular. 371 employees buy 305 224 equity certificates for a total of NOK 10.9 million.

We continue to put ourselves on the map via the "Konjunktur Sørøst" business cycle barometer, and our surveys of expectations are welcomed by the local business community. The spring survey shows that corporate expectations have plunged from the year before, although they are weakly optimistic about next year. Local results show big differences in expectations among the areas of our region.

June

We launch the Talent Programme 2023 as part of our efforts to attract, retain and develop capable employees. Opportunities for career development top the list when it comes to what makes somewhere an attractive place to work.

Jørgen Berg Andersen meeting colleagues

Q3

July

More than NOK 1.3 million is raised via “Sommerspleis” in just a single month. Making it easier for people to raise funds to help people struggling financially produces great results.

August

In addition to Bokmål and English options, our customers can now choose Nynorsk as their language in the mobile bank. Language is an important part of our local identity, and Vestfold og Telemark are some of the counties that have declared Nynorsk to be an official language form.

September

The legal merger between EiendomsMegler 1 Sørøst-Norge AS and Z-Eiendom AS is completed, and the journey towards a large, powerful real estate agency continues. It will make us even more competitive in the market. The ambition to create a forward-thinking, clear and preferred real estate agency in our market area continues.

SpareBank 1 Forsikring AS is named Pension Company of the Year. The company stood out on Søderberg & Partners Inspiration Day. It was also named the life insurance company that has seen the biggest improvement in sustainability, and therefore won the Climber of the Year award as well.

Q4

October

The boards of SpareBank 1 SR-Bank ASA and SpareBank 1 Sørøst-Norge approve a plan to merge and form SpareBank 1 Sør-Norge ASA. The new group will be Norway's largest savings bank, with approximately 2 300 employees spread across 65 branches in Southern Norway. It will have total assets of around NOK 500 billion and about NOK 375 billion in total lending to people and businesses.

An important new collaboration with the University of South-Eastern Norway is established, and a historic agreement will be signed that will provide value for our local communities for a long time to come. The foundations join forces and provide NOK 24 million for research on exclusion and value creation at the University of South-Eastern Norway.

Moody's Investors Service (Moody's) changes its rating outlook from "stable" to "positive" for SpareBank 1 Sørøst-Norge's deposits and senior unsecured debt. The change to, and confirmation of, the positive rating outlook is due to the announced merger with SpareBank 1 SR-Bank ASA.

November

"Starting AS" is launched. It is the result of a collaboration between SpareBank 1 and the Brønnøysund Register Centre. The three previous time-consuming and difficult processes involved in starting a limited liability company have now been transformed into a single, fast and user-friendly process via SpareBank 1's digital channels.

December

On 05.12.2023, the merger of SpareBank 1 Sørøst-Norge and SpareBank 1 SR-Bank ASA was approved by the Supervisory Council of SpareBank 1 Sørøst-Norge and by the general meeting of SpareBank 1 SR-Bank ASA.

SpareBank 1 Regnskapshuset Sørøst-Norge merges with Regnskapsførerne i Grenland and Skagerak Regnskap. We move closer to achieving our goal of having a good impact on, and working closely with, the corporate market in Telemark.

A letter of intent to merge Fremtind Forsikring and Eika Forsikring is signed. The merged company will be called Fremtind Forsikring.

Siw Lislelid

About the Group SpareBank 1 Sørøst-Norge

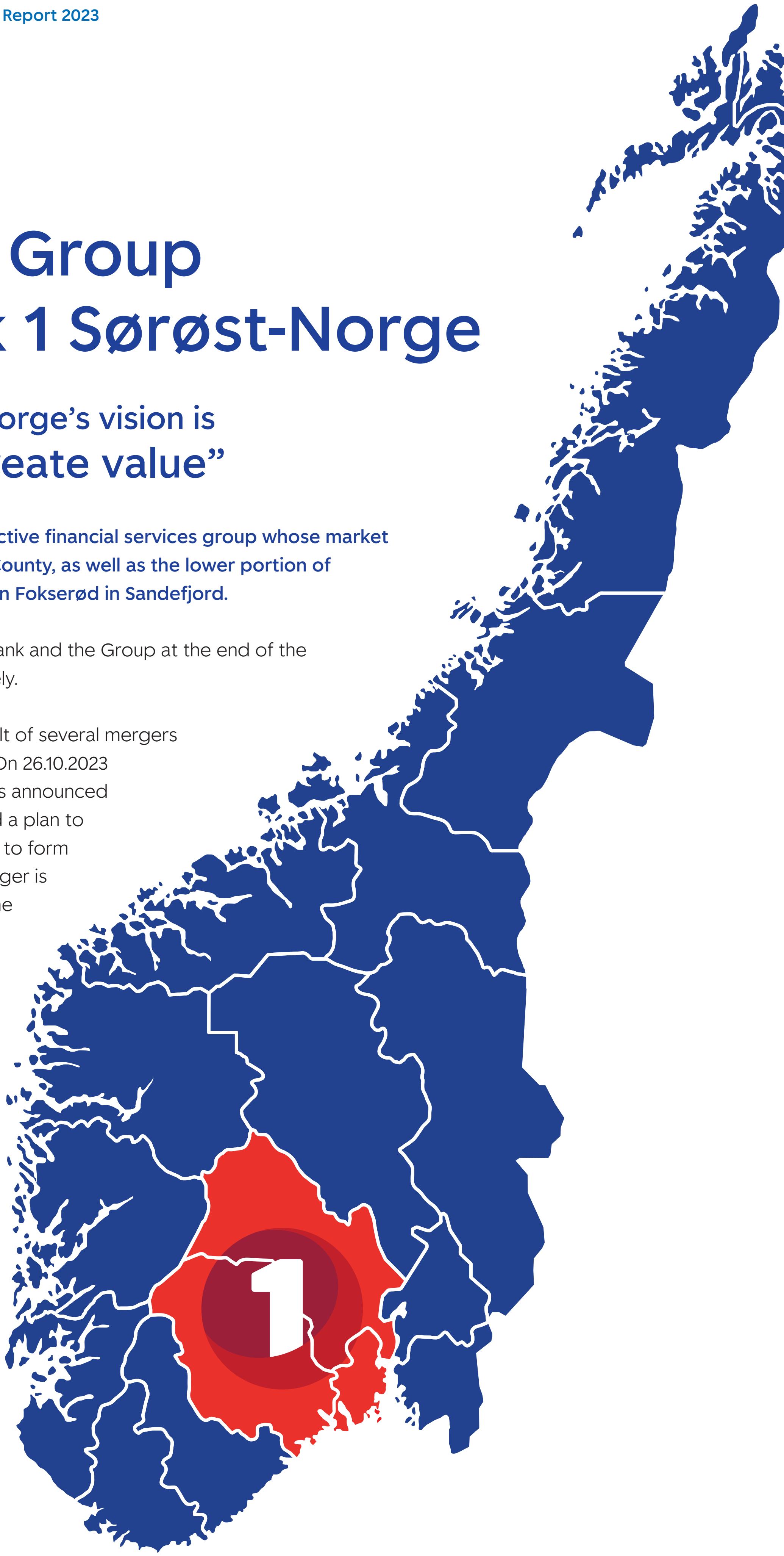
SpareBank 1 Sørøst-Norge's vision is "Together we create value"

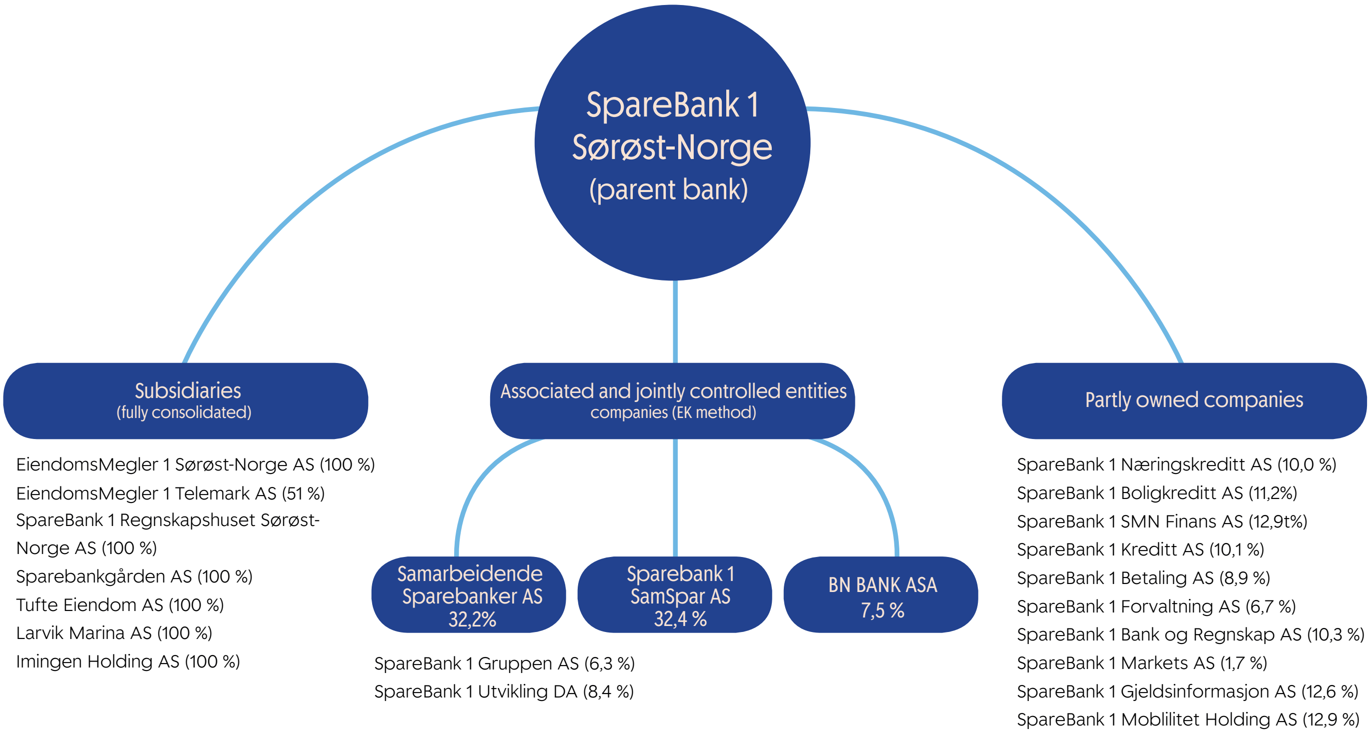
SpareBank 1 Sørøst-Norge is a proactive financial services group whose market area covers Vestfold og Telemark County, as well as the lower portion of Buskerud County. Its head office is in Fokserød in Sandefjord.

The numbers of FTEs in the parent bank and the Group at the end of the year were 436.1 and 644.0, respectively.

SpareBank 1 Sørøst-Norge is the result of several mergers of local savings banks in the region. On 26.10.2023 and 05.12.2023, the Board of Directors announced and the Supervisory Board approved a plan to merge with SpareBank 1 SR-Bank ASA to form SpareBank 1 Sør-Norge ASA. The merger is scheduled for 01.10.2024, assuming the authorities approve it.

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





The region has a diverse business sector. SpareBank 1 Sørøst-Norge has a total of 18 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.

Main figures

NOK 1 310 million

Profit after tax

10.2%

Return on equity

19.4%

Common Equity Tier 1 capital ratio

Main figures for the past 5 years

Consolidated figures	2023	2022	2021	2020	2019
Income Statement (NOK millions)					
Net interest income	2 039	1 573	920	649	657
Other operating income	949	1 050	1 075	611	599
Operating expenses	1 334	1 272	886	599	588
Profit before losses	1 654	1 351	1 109	661	667
Losses on loans and guarantees	-57	40	79	31	2
Profit for the year before other comprehensive income	1 310	1 041	869	505	539
Statement of Financial Position (NOK millions)					
Gross lending	72 862	72 852	62 771	32 586	31 410
Gross lending incl. transfers to SpareBank 1 Boligkreditt/Næringskreditt [1]	105 204	105 141	88 105	45 999	44 292
Impairment provisions on loans	237	306	229	143	145
Deposits from customers	55 184	55 216	46 212	25 864	24 443
Total assets	90 003	89 547	74 911	40 455	38 822
Average total assets	89 775	82 229	60 257	39 737	38 109
Average equity (excl. hybrid capital)	12 562	11 087	7 518	5 115	4 771
Key figures (%)					
Net interest income	2.27	1.91	1.53	1.63	1.72
Operating expenses	1.49	1.55	1.47	1.51	1.54
Profit for the year before other comprehensive income	1.46	1.27	1.44	1.27	1.41
Cost-income ratio [1]	44.6	48.5	44.4	47.6	46.9
Loss rate on lending [1]	(0.08)	0.06	0.17	0.10	0.01
Loans in Stage 3 as % of gross lending [1]	0.98	0.90	0.61	0.61	0.82
Deposit coverage [1]	75.7	75.8	73.6	79.4	77.8
Total rate of return	1.46	1.27	1.44	1.27	1.41
Return on equity [1]	10.2	9.2	11.4	9.9	11.3
Capital adequacy ratio	21.8	22.1	21.0	22.0	22.1
Tier 1 capital ratio	20.2	20.4	19.3	20.0	20.0
Common Equity Tier 1 capital	19.4	19.5	18.3	18.8	18.5
Growth in deposits [1,2]	-0.1	19.5	78.7	5.8	10.4
Growth in gross lending, including transfers SpareBank 1 Boligkreditt/Næringskreditt [1,2]	0.1	19.3	91.5	3.9	5.8
Price of equity certificate as at 31.12 (NOK)	64.0	55.0	65.4	41.3	39.6
Market capitalisation (NOK millions)	8 966	7 411	7 762	2 606	2 499
Posted equity per equity certificate (NOK) (Group) [1]	55.00	53.80	46.96	45.62	43.71
Earnings per equity certificate (NOK) (parent bank) [1,3]	6.05	4.27	4.94	3.62	4.43
Earnings per equity certificate (NOK) (Group) [1,3]	5.47	4.27	5.37	4.34	4.63
Dividend per equity certificate (NOK)	3.88	4.10	2.50	1.90	2.42
Price/earnings per equity certificate annualised (Group) [1]	11.70x	12.87x	12.18x	9.52x	8.56x
Price/book equity (Group)	1.16x	1.03x	1,33x	0.91x	0.91x

1) Alternative performance measures are defined in a separate appendix to the Annual Report
2) Pro forma growth in 2022 was 1.2% for deposits and 2.5% for gross lending
Pro forma growth in 2021 was 7.4% for deposits and 6.4% for gross lending
3) Earnings per weighted equity certificate (weighted average in 01.01-31.12)

Board of Directors' Report

Report for 2023

Planned implementation of the merger with SpareBank 1 SR-Bank ASA

On 26.10.2023, the Board of Directors announced a plan to merge with SpareBank 1 SR-Bank ASA to form SpareBank 1 Sør-Norge ASA. On 05.12.2023, the merger plan was unanimously approved at a meeting of the Supervisory Board of SpareBank 1 Sørøst-Norge.

SpareBank 1 Sør-Norge ASA will become Norway's largest savings bank and the country's second largest bank, as well as a strong competitor for Norwegian and Nordic commercial banks.

Both SpareBank 1 Sørøst-Norge and SpareBank 1 SR-Bank ASA are the results of numerous mergers over many years. SpareBank 1 Sørøst-Norge has been particularly active in recent years with the mergers with SpareBank 1 BV and Sparebanken Telemark in 2021 and SpareBank 1 Modum in 2022. The mergers were driven by a desire to approach the opportunities and challenges facing the banking industry in a proactive manner by implementing structural measures during good times that would ensure future competitiveness. The merger with SpareBank 1 SR-Bank ASA will enable faster access to IRB methodology, while surplus capital will be put to work at a higher rate of profitability. This will strengthen the Group's competitiveness.

The Board of Directors is satisfied with the exchange ratio for the merger, which reflects the Group's capital situation and strategic value. SpareBank 1 SR-Bank ASA will pay the equivalent of 0.481702 shares per equity certificate in SpareBank 1 Sørøst-Norge and a cash payment of NOK 4.33235 per equity certificate in SpareBank 1 Sørøst-Norge, in total NOK 1 billion. The total remuneration corresponds to a distribution of equity of 68.88% to SpareBank 1 SR-Bank and 31.12% to SpareBank 1 Sørøst-Norge. The merger plan and exchange ratio have been received positively by the financial markets.

The merger with SpareBank 1 SR-Bank entails conversion to an ASA Bank. This means that the three savings bank foundations that have not received final settlement for their primary capital will have their entire capital converted into shares in SpareBank 1 Sør-Norge ASA. The agreement thus ensures that the capital will remain where it was created and benefit local communities. The new financial services group will have seven strong local savings bank foundations as owners, and these will strengthen the Group's local profile and market position.

Given that SpareBank 1 SR-Bank ASA and SpareBank 1 Sørøst-Norge do not have overlapping locations, the Group's branch networks will complement each other and strengthen the new bank's overall presence, from Bergen to Oslo. Through this presence, SpareBank 1 Sørøst-Norge ASA will use its strength and lifting capacity to create further growth and development in the business sectors and local communities. By also becoming Norway's largest savings bank, the new group will provide the region with a strong player that can offer larger companies a partner with expertise, product breadth and financial lifting capacity. Thanks to new bank's size and strength, it will be even better able to attract the best expertise by offering attractive and skilled jobs throughout Southern Norway. The merger plan has been well received by employees, owners and customers.

Due to capacity constraints on the part of external partners, suppliers and internally, the Board of Directors believes that it is appropriate to give the process more time. The parties are therefore now working to complete the legal merger on 01.10.2024. This is contingent on the Group having received the necessary approvals from the authorities by that time.

Board of Directors' Report 2023

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

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 bank were included in the official accounts with effect from 01.04.2022 (SpareBank 1 Modum). Pro forma financial statements have been prepared for 2022 to improve comparability.[1]) Please refer to the separate pro forma income statement and statement of financial position in Note 41.

Highlights from the financial performance and statement of financial position performance as at 31.12.2023 are shown below, with the pro forma figures as at 31.12.2022 in brackets.

Highlights (pro forma) for the period 01.01 to 31.12

- Ordinary profit after tax NOK 1 310 (1 066) million
- Net interest income NOK 2 039 (1 620) million
- Net income from financial assets NOK 100 (177) million
  - Profit contributions from SpareBank 1 Gruppen AS and BN Bank ASA of NOK -11 (53) million and NOK 55 (43) million, respectively
- Losses on loans and guarantees of NOK -57 (40) million
- Return on equity 10.2% (8.8%), adjusted for one-time effects 10.4% (9.6%)

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

- Lending and deposit growth in the past 12 months of 0.1% (2.5%) and -0.1% (1.2%), respectively

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

Highlights for the period 01.01 to 31.12

- Ordinary profit after tax NOK 1 310 (1 041) million
- The Board is proposing a cash dividend for equity certificate holders of NOK 3.88 (4.10[2]) per equity certificate, totalling NOK 544 (574) million, and gift funds for community capital amounting to NOK 352 (372) million.
- Net interest income NOK 2 039 (1 573) million
- Net income from financial assets NOK 100 (167) million
  - Profit contributions from SpareBank 1 Gruppen AS and BN Bank ASA of NOK -11 (51) million and NOK 55 (43) million, respectively
- Losses on loans and guarantees of NOK -57 (40) million
- Return on equity 10.2% (9.2%), adjusted for one-time effects 10.4% (10.0%)
- The Group's target for the Common Equity Tier 1 capital ratio is 19.4% (19.5%)

Financial performance

Profit

The SpareBank 1 Sørøst-Norge Group posted a profit from ordinary operations before losses of NOK 1 654 (1 351) million. Profit after tax was NOK 1 310 (1 041) million, which represents 1.46% (1.27%) of average total assets. The Group's return on equity was 10.2% (9.2%).

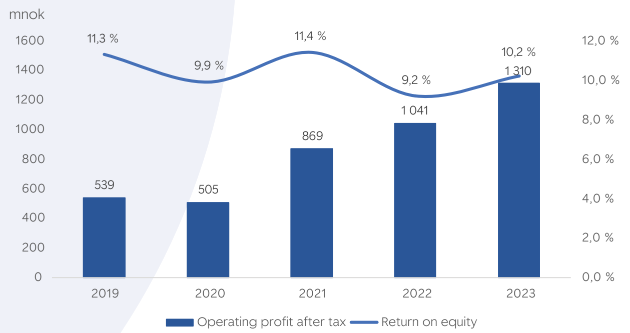
Earnings per equity certificate (weighted average in 2022) in the parent bank were NOK 6.05 (4.27) and in the Group NOK 5.47 (4.27).

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

Net interest income

Net interest income amounted to NOK 2 039 (1 573) million. Net interest income as a percentage of average total assets was 2.27% (1.91%), which represents a solid improvement in net interest income compared with 2022. The increase was due to higher lending volumes resulting from the merger with SpareBank 1 Modum and a stronger interest margin. The development of net interest income was influenced by rising interest rates, which have resulted in higher deposit margins. The Bank adjusted its lending and deposit rates six times in the year due to Norges Bank's successive increases in its policy rate. The last approved interest rate change in December, effective from March 2024, will keep net interest income strong at the beginning of 2024.

Results and returns

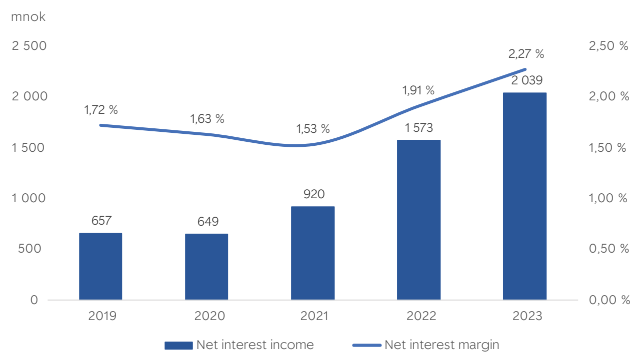


At the end of the year, the Bank had transferred mortgages worth NOK 30 892 (30 802) million to SpareBank 1 Boligkreditt AS, and loans worth NOK 1 449 (1 487) million to SpareBank 1 Næringskreditt AS. Earnings from these loan portfolios are shown under net commission income and amounted to NOK 125 (166) million. The decrease was due to higher market interest rates during 2023 and some delay in when interest rate changes take effect.

Net commission and other income:

Net commission and other income totalled NOK 848 (883) million.

Net interest income



Net commission income

Net commission income amounted to NOK 523 (579) million. The commissions from SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS amounted to a total of NOK 125 (166) million.

Other operating income

Other operating income amounted to NOK 325 (304) million.

Real estate

EiendomsMegler 1 Sørøst-Norge AS and Eiendoms-Megler 1 Telemark AS are leading real estate agencies in Vestfold, Buskerud and Telemark with stable market shares of 26% and 25%, respectively. 2023 was characterised by uncertainty in the housing market, particularly in relation to price developments and interest rates. The second-hand housing market is largely driven by people's need to move home, and therefore the number of homes sold has remained relatively good, while sales of projected and new homes have completely stagnated. The difference in prices for new and second-hand homes was historically high throughout 2023.

Despite the demanding macro situation in 2023, the companies delivered a positive overall profit before tax of NOK 9 million for 2023. The reduction from NOK 27 million for 2022 was due to fewer sales assignments for holiday and new homes, as well as a reduction in sales commissions due to the longer time it took to sell.

The outlook for 2024 is optimistic, and it is expected to be a relatively normal year. Real Estate Norway expects house prices to rise by 4% in 2024. Real wage growth and expected interest rate reductions will contribute to higher prices.

Accounting firm

SpareBank 1 Regnskapshuset Sørøst-Norge is an important link between the banking and accounting services. Its main task is to help companies large and small develop their businesses. The company provides a wide range of accounting and financial consulting services. The collaboration between the Bank and the accounting firm results in synergies through better customer experiences and is making a positive contribution to growth in the corporate market in Vestfold, Buskerud and Telemark.

In 2023, SpareBank 1 Regnskapshuset Sørøst-Norge posted a profit before tax of NOK 4 million, up from NOK -0.4 million in 2022. The increase was mainly due to increased turnover as a result of the acquisition of Grenland Gruppen AS in December 2022. Following the acquisition and the new accounting firm's increase in capacity, many new corporate customers are expected to establish links with the Bank.

Net income from financial assets

Net income from financial assets amounted to NOK 100 (167) million. As at 31.12.2023, the main items consist of NOK 38 (77) million in dividends received, NOK 44 (94) million in net profit from ownership interests, and net profit from other financial investments of NOK 18 (-5) million.

The net result from ownership interests includes the results from SpareBank 1 Gruppen AS and BN Bank ASA of NOK -11 (51) million and NOK 55 (43) million, respectively. The indirect ownership interest in SpareBank 1 Gruppen AS is 6.3% and the direct ownership interest in BN Bank ASA is 7.5%.

Income from ownership interests, SpareBank 1 Gruppen AS

SpareBank 1 Gruppen AS has implemented IFRS 17 and IFRS 9 in 2023. Comparable figures for the Group for 2022 have not been restated in line with IFRS 17 and IFRS 9. If IFRS 17 and IFRS 9 had been applied in 2022, SpareBank 1 Sørøst-Norge's share of SpareBank 1 Gruppen AS's profit would have been NOK 61 million in 2022, compared with the official accounting figure which was NOK 51 million in 2022. SpareBank 1 Sørøst-Norge' share of the result for 2023 amounted to NOK -11 million, which is significantly lower than that for 2022.

SpareBank 1 Gruppen AS achieved a profit before tax of NOK 213 (1 796) million, which was significantly lower than last year. The controlling interest's share of the result after tax amounted to NOK -173 (1 036) million. SpareBank 1 Gruppen AS has conducted a valuation of the joint venture Kredinor AS. The updated value entails a write-down of the stake and has a negative profit effect on SpareBank 1 Gruppen AS's parent and consolidated profit of NOK 769 million in the fourth quarter of 2023. The write-down of the stake together with increased claims rates resulting from the major damage seen in Halden (natural disaster) and torrential rain in Eastern Norway (Storm Hans) contributed to the weakening of the result in 2023.

The Fremtind Forsikring AS group posted a profit before tax of NOK 1 160 (1 570) million. The result of insurance services in the Group was NOK 849 million, which represents a reduction of NOK 1 016 million compared with 2022, which was mainly due to increased claims costs. The claims rate increased in 2023 as a result of a major claim in Halden (natural disaster), Storm Hans, torrential rain in Eastern Norway and changes in claims reserves, as well as a higher claims frequency and average claims for the main products. At the same time, the company continues to grow. Net income from investments was NOK 994 (-506) million, which is NOK 1 500 million higher than for last year. The return on the equity portfolio was 20.7% (-16.4%).

SpareBank 1 Forsikring AS's profit before tax amounted to NOK 278 (-30) million. Its profit after tax was NOK 208 (-21) million. A better financial return on the company portfolio has resulted in an improvement in 2023.

SpareBank 1 Sørøst-Norge's share of SpareBank 1 Gruppen AS's profit amounted to NOK -11 (51) million in 2023.

Income from ownership interests, BN Bank ASA

BN Bank ASA posted a profit for 2023 of NOK 764 (595) million. SpareBank 1 Sørøst-Norge owns 7.5% of BN Bank ASA. SpareBank 1 Sørøst-Norge's share of BN Bank ASA's profit amounted to NOK 55 (43) million.

Operating expenses

Total operating expenses amounted to NOK 1 334 (1 272) million. Operating expenses as a percentage of total operating income for the Group came to 44.6% (48.5%). The corresponding cost-income ratio for the parent bank was 36.8% (43.0%).

Personnel expenses

Personnel expenses amounted to NOK 767 (716) million. The one-off cost in 2023 from the transition from defined benefit pensions to defined. contribution pensions for 65 employees amounted to NOK 12 million. Merger-related one-off costs amounted to approximately NOK 39 million in 2022, mainly linked to provisions for restructuring packages in 2022. The number of FTEs at the end of 2023 was 644 (652), of which the parent bank employed 436 (432). The increase in personnel expenses was directly linked to the increase in total FTEs due to the merger with SpareBank 1 Modum with effect from 01.04.2022 and the acquisition of a new accounting firm in Telemark with effect from 2023, as well as general wage growth.

Other operating expenses

Other operating expenses were NOK 567 (556) million. Merger-related on-off costs amounted to NOK 13 (68) million in 2023. Operating expenses increased due in part to the merger with SpareBank 1 Modum, higher consultancy and alliance expenses related to technological development and compliance, as well as increased activity in the accounting firm and general inflation.

Losses and impairment provisions

Losses charged as costs amounted to NOK -57 (40) million. The changes in IFRS 9 provisions were mainly due to adjustment of the safety margins related to the LGD calculations in the IFRS 9 model and changes in scenario weights for the corporate market portfolio in the last quarter. In connection with the upgrading of the loss model in the second quarter, a safety margin linked to LGD estimates of 20% was established. Model validation confirmed that LGD has consistently been overestimated. As a result, the safety margin for LGD was reversed in the fourth quarter. The reversal amounted to a total of NOK 27 million. Furthermore, the scenario weights for the retail and corporate market portfolios were harmonised as the macro scenarios used are common to the customer portfolios. In light of the uncertainty associated with macroeconomic developments, a decision was made to use scenario weighting of 80/15/5. Harmonisation of the scenario weights entailed income recognition of NOK 8 million. In addition, there was a decrease in Stage 3, mainly due to both the redemption of exposures and confirmation of losses. Net confirmed losses amounted to NOK 6 million.

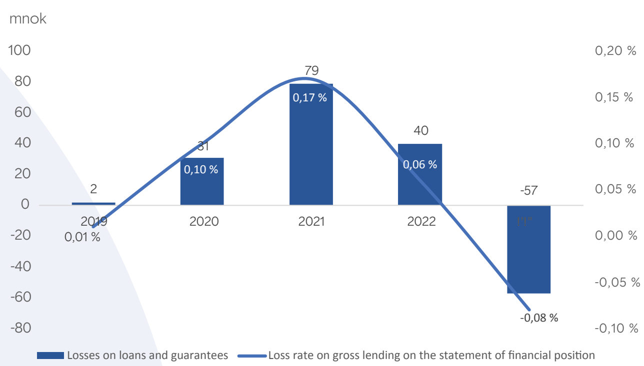
Loss provisions for loans and guarantees amounted to NOK 256 (325) million, which is equivalent to 0.35% (0.45%) of gross lending on the statement of financial position. The Bank's credit risk is affected by macroeconomic conditions. Inflation, rising interest rates and an uncertain outlook for growth continue to impact the economy. The Bank continuously assesses how the situation is affecting its customers and the provisions required in line with IFRS 9.

The credit risk measured by the Bank's credit models was stable for both the corporate and retail markets. Individual impairment provisions in the retail market were stable, while individual impairment provisions were reduced in the corporate market, mainly as a result of the repayment of exposures.

In addition to individual loss assessments, the Bank has chosen to move real estate projects and building and construction from Stage 1 to Stage 2 since these industries face major challenges as a result of a historic decline in investments in housing in 2023 and the outlook for the next few years. The Bank also assessed the IFRS 9 model's scenario weighting. The scenario weights were changed for the corporate market portfolio and unchanged for the retail market portfolio in the last quarter. As at 31.12.2023, the Bank believes that expected adverse effects have largely been included in the expected scenario. Therefore, the weighting of the downside scenario was reduced to 15%, with a corresponding upward adjustment of the expected scenario to 80%.

The weighting still includes an increase in the downside scenario and reflects the uncertainty about with future economic developments. For more information, see Note 3 and Note 11.

Losses and losses as a percentage of gross lending on the statement of financial position



The losses on loans to the corporate market amounted to NOK -35 (31) million, while for the retail market the losses were NOK -22 (8) million.

Total impairment provisions for loans and guarantees amounted to NOK 272 (353) million, which was equivalent to 0.37% (0.48%) of gross lending on the statement of financial position. Problem loans (Stage 3) account for NOK 132 (160) million equivalent to 0.18% (0.22%) of gross lending on the statement of financial position.

Statement of financial position performance

The Group's total assets amounted to NOK 90 003 (89 547) million. The Group's business capital (total assets including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS) amounted to NOK 122 345 (121 837) million.

Lending and deposit performance

Gross lending (including the volume transferred to SpareBank 1 Boligkreditt AS/SpareBank 1 Næringskreditt AS) amounted to NOK 105 204 million. The past 12 months have seen lending growth of 0.1%. NOK 172 million (0.2%) of the growth came in the retail market and NOK -110 million (-0.5%) in the corporate market. The retail market's share of lending (including SpareBank 1 Boligkreditt) at the end of the year was 78% (78%).

At the end of the year, the Group had a deposit volume of NOK 55 184 million with negative deposit growth of -0.1% in the past 12 months. NOK 885 million (2.4%) of the growth came in the retail market and NOK -917 million (-4.8%) in the corporate market.

The Group had a deposit coverage ratio of 75.7%, compared with 75.8% last year. Including the volume transferred to SpareBank 1 Boligkreditt AS/SpareBank 1 Næringskreditt AS, the deposit coverage ratio amounted to 52.5% (52.5%). Deposits covered by the deposit guarantee scheme amounted to 73% at the end of the year.

The retail market's share of deposits was 67% (66%).

Liquidity

The Bank's liquidity situation is good. The Bank's liquidity portfolio was valued at NOK 9 783 (8 430) million and its LCR at 202% (263%).

The Bank aims to keep its liquidity risk low. In a normal market, SpareBank 1 Sørøst-Norge's goal is to be able to maintain ordinary operations for a minimum of 12 months without access to new external financing. The Bank was well above this target at the end of 2023.

At the end of the year, mortgages totalling NOK 30 892 (30 802) had been transferred to SpareBank 1 Boligkreditt AS. The total portfolio of loans ready for transfer to SpareBank 1 Boligkreditt AS amounted to NOK 28 814 (27 423) million. In addition, the Bank has transferred loans to SpareBank 1 Næringskreditt AS worth NOK 1 449 (1 487) million.

Total outstanding funding including hybrid capital is NOK 20 910 (20 773) million. The Group has a target of average maturity for the funding on its own statement of financial position of at least 3.0 years. At the end of the year, the average term to maturity was 3.0 (3.1) years.

The Financial Supervisory Authority of Norway updated its MREL requirement for the Bank in December 2022, where it was decided that SpareBank 1 Sørøst-Norge must have a risk-weighted MREL (total own funds and eligible liabilities) requirement of 26.5%. Given that the own funds that are used to meet risk-weighted MREL cannot at the same time be used to cover the combined buffer requirement (7.5%), the actual requirement for MREL capital is 34.0%. The requirement of 34.0% was calculated based on the applicable capital requirements as at the end 2022 and does not take into account an increased countercyclical buffer from 31.03.2023 and increased systemic risk buffer from 31.12.2023. Taking into account the increase in capital requirements in 2023, the actual need for MREL capital (effective MREL %) has increased from 34.0% to 37.5%, and the minimum requirement for subordination has increased to 30.5%.

As at the end of the year, the Bank had a risk-weighted MREL of 45% [3], which is well above the requirement of 37.5%. At the end of the year, the Bank had issued NOK 4 750 (3 500) million in SNP bonds.

[3] Excluding eligible ordinary senior debt as at 31.12.2023

Equity

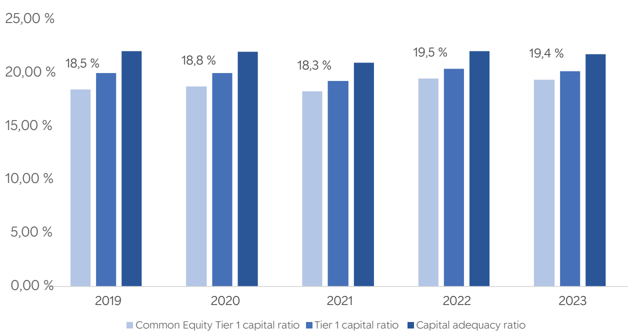
Capital adequacy

In capital adequacy calculations, SpareBank 1 Sørøst-Norge uses the standard method for calculating credit risk and the basic method for operational risk. The Bank reports its capital adequacy on a consolidated basis. The Bank proportionally consolidates its ownership interests in SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS, SpareBank 1 Kreditt AS, SpareBank 1 Finans Midt-Norge AS and BN Bank ASA.

The systemic risk buffer requirement increased from 3.0% to 4.5% as at 31.12.2023. In connection with the approval of the merger with SpareBank 1 Modum in March 2022, 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. On 20.12.2023, the Ministry of Finance issued new Regulations concerning changes to fulfilment of the Pillar 2 requirement. The Pillar 2 requirement no longer has to be met by 100% Common Equity Tier 1 capital, it now needs to be met by a minimum of 56.25% Common Equity Tier 1 capital and 75% Tier 1 capital. The regulatory requirement for the Common Equity Tier 1 capital ratio at the end of 2023 was 15.4% excluding the management buffer. The Group's target for the Common Equity Tier 1 capital ratio is 17.0%.

At the end of 2023, the Common Equity Tier 1 capital ratio was 19.4% (19.5%) and the leverage ratio was 8.5% (8.5%). The regulatory requirement for the leverage ratio is 3.0%.

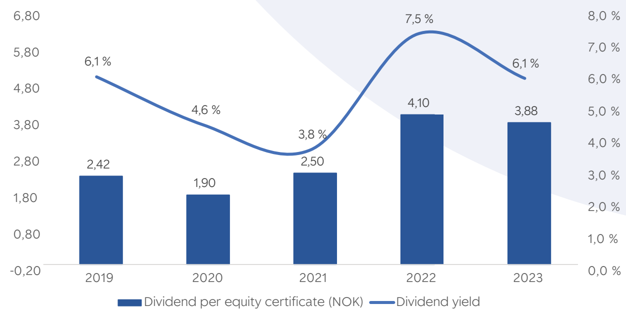
Tier 1 capital and capital adequacy



Equity certificates

As at 31.12.2023, the Bank had equity certificate capital of NOK 2 101 million consisting of 140 098 561 equity certificates, each with a nominal value of NOK 15.00. The equity certificate's closing price on the Oslo Børs at the end of the year was NOK 65.00 (NOK 55.00). The Bank has a market making agreement with SpareBank 1 Markets AS, which entails, for example, that the company must provide prices for a limited number of equity certificates for at least 85% of the Oslo Børs's opening hours. As at 31.12.2023, the Group had 5 776 (5 961) equity certificate holders.

Dividends per equity certificate and dividend yield



Allocation of the annual result

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

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

Dividends

In the Group's dividend policy, the Board of Directors has adopted a dividend distribution rate of a minimum 50%. The Board of Directors is proposing a cash dividend of NOK 3.88 per equity certificate for 2023, which amounts to a total of NOK 544 million and reflects the exchange ratio in the merger plan with SpareBank 1 SR-Bank ASA, as well as dividends/gift funds for the community capital totalling NOK 352 million. The distribution rate for the parent bank's profit is about 64% for 2023. The Financial Supervisory Authority of Norway has been informed of the proposed level of the cash dividend for equity certificate holders and gift funds for community capital, based on section 10-6(3) of the Financial Institutions Act.

The Board of Directors proposes that the parent bank's profit at the disposal of SpareBank 1 Sørøst-Norge, amounting to NOK 1 443 078 492, be used as follows:

(Figures in NOK thousands)	
Coverage of interest paid to additional Tier 1 capital investors	26 346
Transferred to fund for unrealised gains	20 543
Transferred to Sparebankens Fond	303 953
Transferred to the dividend equalisation fund	196 761
Dividend for payment in 2024	
NOK 3.88 per equity certificate	543 582
Gift funds for community capital	351 893
Total	1 443 078

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

In accordance with the Financial Institutions Act, section 10-17, SpareBank 1 Sørøst-Norge has calculated the corrected profit for the year in the parent bank's financial statements as NOK 1 396 (947) million.

Transactions with close associates

The Group has not carried out any transactions with close associates that had a significant impact on the company's financial position or results during the reporting period.

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

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

Corporate governance

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

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

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

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

Risk and capital management

SpareBank 1 Sørøst-Norge's risk and capital management is designed to support the Group's strategic development and goal attainment. At the same time, it must ensure financial stability and sound asset management. A comprehensive framework for risk and capital management has been established in SpareBank 1 Sørøst-Norge. The Group works systematically to develop risk management systems and processes in line with leading practice.

SpareBank 1 Sørøst-Norge's core business is to achieve value creation by assuming deliberate and acceptable risk. SpareBank 1 Sørøst-Norge's mission is, by taking a risk-based approach, to generate financial and strategic added value by:

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

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

The capital management must ensure:

- an effective funding and capital allocation in relation to the Group's strategic goals and adopted business strategy
- a competitive return on equity
- a satisfactory capital adequacy based on the chosen risk profile and the current requirements from the authorities and market players
- competitive terms and a long-term good access to borrowing in the capital markets
- growth opportunities in the Group's defined market area are leveraged

An annual capital plan is drawn up to ensure long-term and effective capital management. These forecasts take into account the expected development in the next few years, as well as a situation with a serious economic decline over several years. An important tool for analysing a situation with a serious economic decline, is the use of stress tests. There will be stress tests of individual factors and scenario analyses in which the Group is exposed to various negative macroeconomic events over several years.

SpareBank 1 Sørøst-Norge has also drawn up crisis and contingency plans to ensure that it is as prepared as possible to deal with crises should they nevertheless occur.

The main areas of risk

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

Risk related to corporate social responsibility and sustainability

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

Credit risk

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

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

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

The overall quality of the corporate market portfolio is considered to be good. Despite the previous years' pandemic and last year's higher costs, the risk measured in the Bank's corporate market loan portfolio remains stable. Defaults remain at a low level.

Financing commercial property is still the Bank's largest segment in its financing of corporate customers. Increased financial costs, higher energy costs and stricter requirements concerning sustainable commercial buildings are having an impact on developments in the sector. The Bank monitors risk trends closely. ESG assessments conducted using the Bank's model are a key parameter in credit cases. Yield levels for commercial property increased in the past year and have affected the loan-to-value ratio in the portfolio. The Bank's exposure to property development projects decreased over the course of the year due to the completion of major construction projects and a simultaneous reduction in new projects.

The quality of the retail market portfolio is very good. 2023 was characterised by moderate growth and a stable risk profile. Most of the portfolio is secured by collateral in real estate, and borrowing is generally low compared with secured assets. This indicates a limited loss potential as long as these values are not significantly reduced.

The Board considers SpareBank 1 Sørøst-Norge's overall credit risk to be within the Bank's adopted risk limits. The Group's credit risk is considered to be moderate to low.

Market risk

The management of market risk is based on conservative limits for positions in the interest rate market, as well as investments in shares and bonds. The limits are reviewed and approved by the Board of Directors annually.

At the end of 2023, the Group's holdings of liquid assets in the form of certificates and bonds amounted to NOK 9.8 (8.4) billion. The risk associated with the liquidity portfolio is quantified using calculations that correspond to the Financial Supervisory Authority of Norway's guidelines for market risk.

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

Liquidity risk

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

At the end of 2023, SpareBank 1 Sørøst-Norge had very good liquidity and expects to enjoy continued good access to long-term financing at competitive prices. At the end of 2023, the Group's LCR was 202% (263%). The Group seeks to achieve an even maturity structure on loans and emphasises good relationships with investors and banks. The liquidity buffer was NOK 19 billion at the end of 2023 and would cover normal operations for 18 months with closed markets. The Bank's liability from debt financing falling due in the next 12 months amounts to NOK 1.7 billion. In addition to the liquidity buffer, the Bank has NOK 29 billion in mortgages ready for covered bond financing.

In the last year, the Group has continued a high percentage of long-term financing. The Group's net stable funding ratio (NSFR) at the end of 2023 was 127% (129%).

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

Targeted malicious attacks against the financial services industry's IT systems have increased both internationally and in Norway. Cyber risk/cybercrime poses a significant risk to the industry and in the last few years collaborations have been entered into both within the financial services industry and across different industries to find good solutions to managing the risk. At the same time, increased digitalisation and the associated increased pace of change in the industry are changing its exposure to operational risk. The risk of cyber-attacks and hacking is one of the Group's top priority risks.

As a key part of quality assurance efforts in recent years, the Group has strengthened its processes for combating and handling money laundering and terrorist financing. Other risk areas have also been improved, including handling personal data, monitoring outsourcing agreements and approving new products, processes and services. Sustainability risk has been further integrated into the work on operational risk.

Owner risk
Owner risk is the risk that SpareBank 1 Sørøst-Norge might incur negative results from interests in strategically owned companies and/or has to supply new equity to these companies. SpareBank 1 Sørøst-Norge is primarily exposed to owner risk through indirect interests in SpareBank 1 Gruppen AS (6.3%), as well as direct interests in BN Bank ASA (7.5%), SpareBank 1 Boligkreditt AS (11.2%), SpareBank 1 Næringskreditt AS (10.0%), SpareBank 1 Kreditt AS (10.1%), SpareBank 1 Finans Midt-Norge AS (12.9%), SpareBank 1 Betaling AS (8.9%), SpareBank 1 Markets AS (1.7%), SpareBank 1 Forvaltning AS (6.7%), SpareBank 1 Bank og Regnskap AS (10.3%) SpareBank 1 Mobilitet Holding 2 AS (12.9%) and SpareBank 1 Gjeldsinformasjon AS (12.6%).

Compliance
SpareBank1 Sørøst-Norge's goal is to have good processes for ensuring compliance with applicable laws and regulations. The Board of Directors approves the Group's compliance policy and this describes the main principles for methods, responsibility and organisation.

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

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

The compliance function advises the organisation on new and current regulations and helps conduct gap analysis and risk assessment processes. This work provides the basis for control plans and recommendations for measures that promote a healthy risk culture and ensure compliance with regulations.

Observations from control activities are reported to the Board of Directors and executive management team semi-annually.

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

In 2023, the main focus was on ensuring compliance with the Anti-Money Laundering Act (AML), General Data Protection Regulation (GDPR), MiFID II, sustainability, ICT Regulation and outsourcing, as well as the Insurance Distribution Directive (IDD). During the year, Compliance developed a framework for implementing and following up new regulations. This is designed to ensure that changes due to new regulations are distributed to relevant personnel and that assessments of regulatory updates are documented. Compliance also assisted with implementation of the IDD regulations, including by ensuring the proper organisation and follow-up of the organisation, and by putting in place governing documents. There was also a focus on projects related to the implementation of EBA/GL/2022/01 Guidelines on Improving Resolvability, as well as the year's suitability assessments/the Board's self-assessment process in line with EBA/GL/2021/06 and the Financial Supervisory Authority of Norway's Circular 3/2023.

Corporate social responsibility, sustainability and other matters

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

Organisation and HR

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

Please refer to the chapters "Own workforce" and "Sustainability", as well as Note 21 for further information on skills, the working environment, equal opportunities and pay.

Directors' and officers' liability insurance

SpareBank 1 Sørøst-Norge has taken out directors' and officers' liability insurance for the Board of Directors and executive persons in SpareBank 1 Sørøst-Norge, including subsidiaries (greater than a 50% stake). The insurance covers the insured's legal liability for asset loss resulting from an alleged act or omission that results in liability. The insurance has been taken out with insurers with solid financial strength (rating).

Future prospects

Higher prices and costs have resulted in less economic activity, especially in building and construction in the region, and particularly with respect to flats, holiday homes and commercial buildings. The retail market has also been impacted by the economic situation. In the Group's accounts, this is reflected by lower lending growth and less activity in the real estate companies. Credit growth slowed throughout 2023 and is also expected to be weak in 2024. Lending growth picked up somewhat in the fourth quarter, although it is being affected by strong competition.

Norges Bank's Regional Network Report shows that the businesses in the survey expect lower activity in the first half of 2024, although there is considerable variation between industries. In general, the outlooks for the retail trade and building and construction are weak, while the levels of activity in the oil and supply industries are high. Export-oriented industries within power, climate measures and the defence industry also report good activity. The picture for Region South is mixed, although overall the region scores relatively well in the survey. The Bank's survey of expectations, the "Business Barometer Southeast", confirms the results from the Regional Network. In general, companies expect lower turnover and profitability, albeit with variations between both industries and regions in the Group's market area.

The debt-to-income ratio is high in parts of the Norwegian household segment. Inflation is higher than Norges Bank's long-term inflation target. If inflation and wages growth do not slow down, the policy rate and lending rates may rise further.

Our analyses based on figures from Statistics Norway show that households in our region have a significantly lower ratio between income and house prices than in, for example, Oslo, and their demand for goods and services is thus sensitive in the event of falling house prices. Smaller fluctuations in the demand for goods and services help reduce the risk of a serious downturn for business in the region. A high proportion of public sector jobs in the region also has a mitigating effect.

Sparebanken Sogn og Fjordane's acquisition of SamSpar AS means that the Group will be selling down its stake in the SamSpar companies. A preliminary estimate shows the Group's gain is estimated to be in the region of NOK 50-55 million for the parent bank. The transaction is expected to be completed in 2024.

Outlook for the Group

Net interest income strengthened throughout 2023 as a result of the many interest rate changes in 2023. The last approved interest rate change in December, which will be effective from March 2024, will help keep net interest income strong at the start of 2024. Pressure on deposit rates could result in slightly weaker net interest income than was seen in 2023. The main scenario is that money market rates are expected to stabilise at current levels in 2024, and in general, a higher nominal interest rate level and satisfactory net interest income will contribute positively to the return on equity going forward. The Group takes a systematic approach to collaboration between banking, real estate and accounting units, which is also expected to provide positive profit contributions in 2024.

The Board of Directors is of the opinion that the quality of the lending portfolio is good with low losses and a high proportion of lending to retail customers. The Group is financially very strong with a good margin in relation to capital requirements, a high liquidity buffer, low market risk, good profitability and cost efficiency. The region has a strong, diverse business sector and good population growth. The Group has a strong market position, local presence and competitive terms and conditions.

The Board of Directors' assessment is that the Group enjoys a strong strategic position in a market with good growth opportunities. The Board of Directors' believes that 2024 will also be a good year for SpareBank 1 Sørøst-Norge.

Thank you

The Board of Directors would like to thank the Group's employees and elected officers for their excellent efforts and positive cooperation in 2023.

The interaction between residents, businesses and the Bank is important for the development of the Group's market area. In this context, the Board of Directors would like to thank the Group's customers, owners and other partners for their excellent support of the SpareBank 1 Sørøst-Norge Group in 2023. The Bank will focus on continuing this good cooperation in 2024.

Sandefjord, 20.03.2024

Finn Haugan
Chair of the Board

John-Arne Haugerud
Deputy Chair

Lene Svenne

Heine Wang

Jan Erling Nilsen

Lene Marie Aas Thorstensen

Maria Tho

Hanne Myhre Gravdal
Employee representative

Frede Christensen
Employee representative

Annual financial statements

Income Statement IFRS

Parent bank				Group	
2022	2023	(Amounts in NOK millions)	Note	2023	2022
287	522	Interest income - assets measured at fair value	18	522	287
2 297	3 869	Interest income - assets measured at amortised cost	18	3 864	2 296
1 012	2 351	Interest expenses	18	2 347	1 010
1 572	**2 039**	**Net interest income**	18	**2 039**	**1 573**
618	584	Commission income	19	584	618
39	60	Commission expenses	19	60	39
16	15	Other operating income	19	325	304
595	**538**	**Net commission and other income**	19	**848**	**883**
77	38	Dividends	20	38	77
116	188	Net result from ownership interests	20	44	94
-5	18	Net result from other financial investments	20	18	-5
188	**245**	**Net income from financial assets**	20	**100**	**167**
2 355	**2 822**	**Total net income**		**2 987**	**2 623**
501	525	Personnel expenses	21,23	767	716
512	515	Other operating expenses	22	567	556
1 013	**1 040**	**Total operating expenses**		**1 334**	**1 272**
1 343	**1 782**	**Profit before losses and tax**		**1 654**	**1 351**
40	-57	Losses on loans and guarantees	11	-57	40
1 303	**1 839**	**Profit before tax**		**1 711**	**1 311**
263	396	Tax expense	24	400	270
1 040	**1 443**	**Profit before other comprehensive income**		**1 310**	**1 041**
		Controlling interest's share of profit		1 309	1 038
		Non-controlling interest's share of profit		1	3
4.27	**6.05**	**Earnings per equity certificate before other comprehensive income**	39	**5.47**	**4.27**

OCI

Parent bank				Group	
2022	2023	(Amounts in NOK millions)	Note	2023	2022
1 040	**1 443**	**Profit before other comprehensive income**		**1 310**	**1 041**
		Items reversed through profit or loss			
3	-9	Change in value of loans classified at fair value		-9	3
		Share of OCI from associated companies and joint ventures		2	-1
		Items not reversed through profit or loss			
35	0	Estimation difference, IAS 19 Pensions	23	0	35
38	**-10**	**Total other comprehensive income recognised as equity**		**-8**	**37**
1 078	**1 434**	**Total comprehensive income**		**1 303**	**1 078**
		Controlling interest's share of profit		1 302	1 075
		Non-controlling interest's share of profit		1	3

Statement of financial position

Parent bank				Group	
31.12.2022	31.12.2023	(amounts in NOK millions)	Note	31.12.2023	31.12.2022
108	105	Cash and receivables from central banks		105	108
2 499	1 688	Loans to and receivables from credit institutions without agreed maturity	7	1 688	2 499
673	761	Loans to and receivables from credit institutions with agreed maturity	7	761	673
72 572	72 646	Net lending to customers	4, 8, 9, 11, 14	72 625	72 546
8 430	9 783	Interest-bearing securities	26	9 783	8 430
2 617	2 448	Shares and other equity interests	27	2 448	2 617
153	160	Investments in group companies	28	0	0
1 191	1 341	Investments in joint ventures associated companies	28	1 411	1 452
282	234	Tangible assets	29, 31	275	326
357	357	Goodwill	30	465	458
38	59	Deferred tax assets	24	60	39
283	267	Other assets	16, 31, 32	382	399
89 202	**89 850**	**Total assets**		**90 003**	**89 547**
19	16	Deposits from and liabilities to credit institutions	7	16	19
55 284	55 243	Deposits from customers and liabilities to customers	33	55 184	55 216
19 570	19 766	Debt securities issued	34	19 766	19 570
308	431	Tax payable	24	435	319
816	726	Other liabilities and commitments	16, 23, 31, 35	802	900
749	751	Subordinated loan capital	37	751	749
76 745	**76 934**	**Total liabilities**		**76 954**	**76 773**
2 101	2 100	Equity certificate capital	39,40	2 100	2 101
3 779	3 779	Share premium fund		3 779	3 779
1 413	1 681	Dividend equalisation fund		1 681	1 413
4 716	4 889	Sparebankens Fond		4 889	4 716
91	112	Fund for unrealised gains		112	91
350	350	Hybrid capital		350	350
7	7	Gift fund		7	7
		Other equity		127	310
		Non-controlling interest's share		6	7
12 457	**12 916**	**Total equity**		**13 050**	**12 774**
89 202	**89 850**	**Liabilities and equity**		**90 003**	**89 547**

Change in equity

Group

(amounts in NOK millions)	Equity certificate capital [1]	Share premium fund	Risk equalisation fund	Sparebankens-fond	Gift fund	Fund for unrealised gains	Hybrid capital	Other equity	Minority's share	Total equity
Equity as at 31.12.2022	**2 101**	**3 779**	**1 413**	**4 716**	**7**	**91**	**350**	**310**	**7**	**12 775**
Interest expenses on additional Tier 1 capital			-16	-10						-26
Dividends/gifts from 2022, paid in 2023			-574	-372					-2	-948
Equity certificate savings scheme for employees		-1								-1
Other changes in equity[2]								-51	0	-51
Profit before other comprehensive income			**863**	**559**		**21**		**-134**	**1**	**1 310**
Entries that can be reclassified through profit or loss:										
Change in value of loans classified at fair value			-5	-4						-9
Share of OCI from associated companies and joint ventures								2		2
Entries that can be reclassified through profit or loss:										
Estimation difference, IAS 19 Pensions			0	0						0
Equity as at 31.12.2023	**2 101**	**3 779**	**1 681**	**4 889**	**7**	**112**	**350**	**127**	**6**	**13 051**

1) NOK 1.9 (0.6) million was deducted from equity certificate capital for treasury equity certificates
2) Of which the implementation effect of IFRS 17 and IFRS 9 on the opening balance as at 01.01.2023 in joint ventures amounted to NOK 61 million

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

1) NOK 0.6 (2.8) million was deducted from equity certificate capital for treasury equity certificates

Parent bank

(amounts in NOK millions)	Equity certificate capital [1]	Share premium fund	Risk equ-alisation fund	Spare-bankens-fond	Gift fund	Fund for unrealised gains	Hybrid capital	Other equity	Total equity
Equity as at 31.12.2022	**2 101**	**3 779**	**1 413**	**4 716**	**7**	**91**	**350**	**0**	**12 457**
Interest expenses on additional Tier 1 capital			-16	-10					-26
Dividends/gifts from 2022, paid in 2023			-574	-372					-946
Equity certificate savings scheme for employees		-1							-1
Profit before other comprehensive income			**863**	**559**		**21**			**1 443**
Entries that can be reclassified through profit or loss:									
Change in value of loans classified at fair value			-5	-4					-9
Share of OCI from associated companies and joint ventures									
Entries that can be reclassified through profit or loss:									
Estimation difference, IAS 19 Pensions			0	0					0
Equity as at 31.12.2023	**2 101**	**3 779**	**1 681**	**4 889**	**7**	**112**	**350**	**0**	**12 918**

1) NOK 1.9 (0.6) million was deducted from equity certificate capital for treasury equity certificates

(amounts in NOK millions)	Equity certificate capital [1]	Share premium fund	Risk equ-alisation fund	Spare-bankens-fond	Gift fund	Fund for unrealised gains	Hybrid capital	Other equity	Total equity
Equity as at 31.12.2021	**1 778**	**2 777**	**1 108**	**3 727**	**7**	**26**	**350**	**0**	**9 773**
Equity added from the merger with SpareBank 1 Modum	321	998	0	795					2 113
Interest expenses on additional Tier 1 capital			-11	-7					-19
Dividends/gifts from 2021, paid in 2022			-297	-196					-492
Equity certificate savings scheme for employees	2	4							6
Other changes in equity			3	2		-8			-3
Profit before other comprehensive income			**586**	**380**		**74**			**1 040**
Entries that can be reclassified through profit or loss:									
Change in value of loans classified at fair value			2	1					3
Share of OCI from associated companies and joint ventures									
Entries that can be reclassified through profit or loss:									
Estimation difference, IAS 19 Pensions			21	14					35
Equity as at 31.12.2022	**2 101**	**3 779**	**1 413**	**4 716**	**7**	**91**	**350**	**0**	**12 457**

1) NOK 0.6 (2.8) million was deducted from equity certificate capital for treasury equity certificates

Cash flow statement

Parent bank			Group	
31.12.2022	**31.12.2023**	(Amounts in NOK millions)	**31.12.2023**	**31.12.2022**
		Cash flow from operating activities		
1 303	1 839	Period's profit before tax	1 711	1 311
		Net result from joint ventures and associated companies	-44	-158
-6	-3	Loss/gain from fixed assets	-3	-6
50	50	Depreciation and impairments	54	54
40	-57	Impairment of loans	-57	40
-258	-307	Tax payable	-312	-267
-139	-64	Change in lending and other assets	-69	-143
521	-40	Change in deposits from customers	-33	505
-150	-88	Change in loans to and receivables from credit institutions	-88	-150
-1 694	-1 353	Change in certificates and bonds	-1 353	-1 694
-21	-24	Change in other receivables	-21	-24
-252	23	Change in other current liabilities	14	-262
-607	**-24**	**Net cash flow from operating activities**	**-200**	**-794**
		Cash flow from investing activities		
625	0	Cash and cash equivalents added through merger 1)	0	642
-37	-13	Investments in property, plant and equipment	-14	-39
15	14	Sales of property, plant and equipment	14	15
-231	-246	Investments in shares, equity certificates and units	-69	-114
130	264	Sales of shares, equity certificates and units	264	130
502	**18**	**Net cash flow from investing activities**	**195**	**635**
		Cash flow from financing activities		
6 168	3 530	Increase in financial borrowing	3 530	6 223
-4 787	-3 393	Repayment of financial borrowing	-3 393	-4 785
416	200	Borrowing subordinated loans/additional Tier 1 capital	200	416
-411	-200	Repayment, subordinated loans / additional Tier 1 capital	-200	-411
6	6	Buy-back of own equity certificates for saving programme	6	6
-492	-951	Dividends/gifts paid	-951	-496
901	**-808**	**Net cash flow from financing activities**	**-808**	**954**
796	**-814**	**Total change in cash and cash equivalents in year**	**-814**	**796**
1 812	2 607	Cash and cash equivalents OB	2 607	1 812
2 607	1 794	Cash and cash equivalents at end of period	1 794	2 607
796	**-814**	**Net change in cash and cash equivalents in year**	**-814**	**796**
		Cash and cash equivalents, specified		
108	105	Cash holdings and receivables from central banks	105	108
2 499	1 688	Loans to and receivables from credit institutions without agreed maturity	1 688	2 499
2 607	**1 794**	**Cash and cash equivalents**	**1 794**	**2 607**

1) Cash and cash equivalents from SpareBank 1 Modum supplied upon the merger on 01.04.2022.

Additional specifications

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

Parent bank			Group	
31.12.2022	**31.12.2023**	(Amounts in NOK millions)	**31.12.2023**	**31.12.2022**
2 356	3 825	Interest received on loans to customers	3 821	2 354
-494	-1 331	Interest paid on deposits from customers	-1 327	-492
39	123	Interest received on loans to and receivables from credit institutions	123	39
-1	-1	Interest paid on loans to and receivables from credit institutions	-1	-1
189	442	Interest received on certificates and bonds	442	189
-482	-984	Interest paid on certificates and bonds	-984	-482
193	227	Dividends from investments	38	77
1 800	**2 302**	**Net cash flow from interest received, interest payments and dividends received**	**2 113**	**1 685**

Notes to the financial statements

STATEMENT OF FINANCIAL POSITION

OTHER INFORMATION

Note 1 – General information

Brief description of the business and structure

The SpareBank 1 Sørøst-Norge Group provides a full range of financial products and services for the retail and corporate markets within the areas of:

- Financing
- Savings and investment
- Insurance
- Payment services
- Real estate
- Accounting and financial advice services

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

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

For the complete corporate structure of subsidiaries, joint ventures and associated companies, see Note 28.

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

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

The annual financial statements for 2023 were approved by the Board on 20.03.2024 and by the Supervisory Board on 18.04.2024.

Currency

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

Note 2 – Accounting policies

The basis for the preparation of the annual financial statements

The parent bank and consolidated financial statements for 2023 for SpareBank 1 Sørøst-Norge have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU and adopted in Norway via the Accounting Act.

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

New and revised standards adopted in 2023

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts replaces IFRS 4 Insurance Contracts and specifies principles for the recognition, measurement, presentation and disclosure of insurance contracts.

The purpose of the new standard is to eliminate disparate practices in the accounting treatment of insurance contracts and the main features of the new model are as follows:

- An estimate of the present value of future cash flows for a group of insurance contracts. Future cash flows include future premium payments and payments of insurance settlements, claims and other payments to policyholders. The estimate shall take into account an explicit adjustment for risk and the estimates must be based on conditions on the statement of financial position date.
- A contractual service margin equal to the day one gain in the estimate of the present value of future cash flows from a group of insurance contracts. This corresponds to the profit element of the insurance contracts, which must be recognised over the period during which the service is provided, i.e. over the insurance policies' coverage periods.
- Certain changes in the net present value estimate of future cash flows are adjusted against the contract service margin and are, thereby, included in the result for the remaining period covered by the contracts in question.
- The effect of a change in the discount rate must, as a choice of accounting policy, be presented either in via the income statement or other comprehensive income (OCI).

IFRS 17 must generally be applied retrospectively, although modified retrospective application or application based on fair value at the time of the transition is permitted if retrospective application is impracticable.

The effect on equity in the Group as a result of the associated company SpareBank 1 Gruppen AS implementing this standard on 01.01.2022 was NOK 70 million in reduced equity. SpareBank 1 Gruppen AS's result for 2022 restated in line with to IFRS 17/IFRS 9 has been adjusted by NOK 10 million, such that the effect on equity on 01.01.2023 is NOK 61 million.

Comparative figures have not been restated.

Implementation effect of IFRS 17 in 2022:

(amounts in NOK millions)

Consolidated equity as at 31.12.2022 before implementation	12 775
Implementation of IFRS 17/IFRS 9 01.01.2022	-70
Adjusted result for 2022 after implementation IFRS 17/ IFRS 9	10
Implementation effect on equity 01.01.2023	-61
Change in equity, Group 01.01.2023	12 714

Otherwise, there were no other IFRS or IFRIC interpretations that have not entered into force that are expected to have a material impact on the financial statements.

Reporting currency

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

Consolidation policies

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

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

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

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

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

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

Business combinations

The acquisition method is used when business is acquired. The remuneration is measured at fair value. Direct acquisition expenses are recognised as they are incurred, with the exception of emission and borrowing expenses. Acquired assets and liabilities are assessed at fair value on the date of acquisition. If the remuneration exceeds the value of identified assets and liabilities, the difference is recognised as goodwill. If the acquisition cost is less than the value of identified assets and liabilities, the difference is recognised through profit or loss on the date of the transaction. In the case of incremental acquisitions of subsidiaries, the Group will measure previous stakes in the company at fair value immediately prior to the transition of control, and any gains or losses are recognised through profit or loss. Conditional remuneration is assessed at fair value regardless of the likelihood of the remuneration being paid. Adjustments of conditional remuneration in subsequent periods are recognised in line with relevant standards.

Segment reporting

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

Events after the statement of financial position date

The financial statements are regarded as approved for publication once the Board of Directors has considered them. The Supervisory Board and regulatory authorities will then be able to refuse to approve the financial statements, but not change them.

Events occurring up to the time the financial statements are deemed approved for publication, and which concern circumstances that existed on the statement of financial position date, will be included in the information used to determine accounting estimates and are thus fully reflected in the financial statements. Events concerning circumstances that occurred after the statement of financial position date, will be disclosed if they are material.

Cash and cash equivalents

Cash consists of cash in Norwegian kroner (NOK) and foreign currencies, as well as receivables from the central bank. Liquidity holdings in the cash flow statement include net lending and receivables in relation to credit institutions without periods of notice.

Financial instruments

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

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

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

Debt instruments

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

Debt instruments with contractual cash flows that are only payments of interest and the principal on given dates and that are held in a business model, both in order to receive contractual cash flows and for sale, are measured at fair value with changes in value through other comprehensive income (OCI), with interest income and any write-downs presented in the ordinary result. Changes in value recognised over other comprehensive income (OCI) are to be reclassified as ordinary profit from the sale or disposal of the assets.

Other debt instruments shall be measured at fair value with changes in value through profit or loss. This applies to the debt instruments with cash flows that are not just payments of normal interest and principal, and debt instruments that are held in a business model where the objective is not primarily receipt of contractual cash flows.

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

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

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

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

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

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

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

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

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

5. Interest-bearing securities

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

Derivatives

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

1. Hedge accounting

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

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

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

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

Equity Instruments

Investments in equity instruments are measured and classified at fair value with value change through the income statement.

1. Shares, equity certificates and units

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

Financial liabilities

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

1. Deposits

Deposits from customers are measured at amortised cost.

2. Long-term borrowing (debt securities issued and deposits from financial institutions)

Loans are initially recognised at borrowing cost. This is the fair value of the consideration received less transaction expenses.

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

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

Impairment provisions on gross lending and guarantees

The Bank's impairment provisions are recognised based on expected credit losses (ECL).

The general model for impairment provisions for financial assets in IFRS 9 applies to financial assets that are measured at amortised cost or at fair value with changes in value through other comprehensive income (OCI), and which are not credit-impaired upon initial recognition. Loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss are also included.

The measurement of provisions for expected credit losses in the general model depends on whether the credit risk has increased materially since initial capitalisation. Upon initial capitalisation, and when credit risk has not increased significantly since initial capitalisation, a provision must be made for the 12-month expected credit loss. The 12-month expected credit loss is the loss expected to occur over the lifetime of the instrument but that can be linked to events that will occur in the next 12 months. If credit risk has increased significantly since initial recognition, a provision should be made for expected credit losses throughout the service life.

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

Cash and receivables from central banks, as well as loans to and receivables from credit institutions, are excluded from loss assessments due to their low credit risk.

The Bank uses three macroeconomic scenarios to take account of non-linear aspects of expected credit losses. The different scenarios are used to adjust relevant parameters for calculating expected credit losses and a probability-weighted average of expected credit losses in line with respective scenarios is recognised as credit losses. The three scenarios are the normal scenario (S1), worst scenario (S2) and best scenario (S3).

Impairment model

The expected credit loss estimate is calculated on a monthly basis, and is based on data in the data warehouse, which has the history of account and customer data for the entire credit portfolio, loans, credit and guarantees. The expected credit loss estimates are calculated based on the 12-month and lifetime probability of the customer's default (probability of default – PD), the loan's loss in the event of default (loss given default - LGD) and the loan's exposure at default (exposure at default – EAD).

The Bank retains a history of observed probability of default (PD) and observed loss given default (LGD). This provides a basis for producing estimates of future values for PD and LGD.

The Bank considers macroeconomic factors such as unemployment, GDP growth, interest rates, house prices and economic forecasts in order to be able to provide future-oriented information. Expected term to maturity of loans is also included in the estimates for future-oriented information. Monthly reports are produced for validation and stress testing, which include the history of observed PD and LGD. These are validated at least annually. ECL calculations are made using the same models calibrated for this purpose. The stress tests include different scenarios for the main macroeconomic aggregates and how these can affect the estimates of PD, LGD, EAD, ECL (expected credit loss) and RWA (risk-weighted assets) in both regulatory and financial credit models. The base scenario from the stress tests was based on the benchmark scenario from the monetary policy report from Norges Bank. For further details on the scenario weights and sensitivity, see Note 11 – Losses on loans and guarantees.

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

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

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

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

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

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

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

Recognition and derecognition of financial assets and liabilities
Financial assets and liabilities are recognised on the trade date, i.e. the date that the Bank becomes party to the instruments' contractual terms and conditions.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the rights to the cash flows from the asset are transferred in such a way that the risks and returns related to the ownership are for the most part transferred.

Financial liabilities are derecognised once the contractual conditions have been met, cancelled or have expired.

Modified assets and liabilities
If modifications or changes are made to the terms of an existing financial asset or liability, the instrument is treated as a new financial asset if the renegotiated terms

are significantly different from the previous terms. If the terms are substantially different, the old financial asset or liability is derecognised, and a new financial asset or liability is recognised. In general a loan is considered to be a new financial asset if new loan documentation is issued, at the same time as a new credit process is carried out with determination of new loan terms.

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

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

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

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

The Bank does not have classified assets according to IAS 40 (investment property).

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

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

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

An asset is regarded as being recognised at higher than its recoverable amount if its capitalised value exceeds the amount that could be recovered by using or selling the asset. In these circumstances, the asset is deemed to have fallen in value and must be written down to the recoverable amount. See Note 30 – Goodwill for a description of impairment testing.

The following relevant factors are considered when assessing whether indications of a fall in value exist:
- A decrease in the market value of the asset
- Changes in the long-term return requirement that could affect the discount rate used to calculate the asset's value in use
- Plans to restructure or liquidate the asset
- Asset is generating less income than expected

Calculations of value in use are based on historical performance and management approved forecasts. A future cash flow equal to the discounted value of future dividends is estimated based on forecasts for the cash flow generating units. This method assumes that all available surplus capital is paid out as dividends each year. These are then discounted using a discount rate that reflects the implicit average return requirement for the Bank's issued equity certificates.

Impairment assessments are based on an explicit forecast period of 5 years and a normalisation period of 5 years. The normalisation period is only included to ensure the cash flow reaches a normalised growth level before a terminal value is calculated. Terminal values are calculated using the Gordon Growth Formula. During the normalisation period, growth equals the long-term growth assumption and all other assumptions are the same as those made in the last year of the explicit forecast period. This is a common method used for calculating the present value of cash flows.

Pensions

Defined benefit schemes

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

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

The Bank's collective defined benefit scheme was discontinued as at 31.12.2023.

Defined contribution schemes

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

Please see Note 23 for a more detailed description of and changes to the Bank's pension schemes.

Unsecured liabilities

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

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

Subordinated loans and hybrid Tier 1 securities

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

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

Dividends and gifts

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

Income recognition

Interest income and costs

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

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

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

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

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

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

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

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

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

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

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

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

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

Mergim Shala

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

In preparing the parent company and consolidated accounts, the management makes estimates and discretionary assessments, as well as assumptions, that affect the impact of applying the accounting policies and the information in notes. This will therefore affect the reported amounts for assets, liabilities, income and expenses, and note disclosures. Estimates and discretionary assessments are evaluated on an ongoing basis and based on historical experience and expectations concerning future events that are considered likely on the statement of financial position date. Actual results will differ from the estimated magnitudes. The items discussed below are some of the items where the greatest degree of discretion is exercised.

Losses on loans and guarantees

The Bank's financial statements must provide a true and fair picture, including with respect to the Bank's impairment provisions. Impairment provisions reflect expected credit loss (ECL) as described in the policy note above. When assessing expected credit loss, account is taken of the relevant circumstances that we were familiar with on the reporting date for the financial statements and expectations concerning future economic developments.

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

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

In addition to individual loss assessments, discretionary assessments of migration between stages and scenario weights are also made.

An upgraded model for calculating loss costs on engagements without individual impairment was adopted in the second quarter of 2023. The Group's loss model provides proposed key assumptions for calculating expected credit loss (ECL) using regression analysis and simulation. Future default levels (PDs) are predicted based on expected developments in money market rates and unemployment. The future loss level (LGD) is simulated based on security values and price development expectations for various security objects. Norges Bank's Monetary Policy Report has been chosen as the main source for the explanatory variables interest rates, unemployment and property price developments. The change has a limited effect on loss calculations. The scenarios used and their weights have been updated. The Group follows the same policies for migration between the stages as before. In addition, a discretionary assessment of migration has been conducted. At the end of the fourth quarter of 2023, a decision was made to move the property development project and building and construction segments from Stage 1 to Stage 2 since these industries face major challenges as a result of a historic decline in investments in housing in 2023, and the outlook for the next few years is weak.

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

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

Climate-related risk stress test model

SpareBank 1 banks developed the first version of a common climate-related risk stress test model in 2023. The model analyses how climate events affect risk development and potential losses in the credit portfolio. The project was a collaboration between the banks in which our joint development environment for credit models was responsible for implementation.

The climate-related risk stress test model was developed using the same technical solution that was used for our models for IFRS 9 loss estimates and the stress test model for credit loss in ICAAP. Assumptions about the macro development of key climate indicators have been incorporated through recognised climate scenarios from the Network for Greening the Financial System (NGFS), up to 30 years ahead. The Alliance's ESG scoring model for corporate customers has been integrated into the stress test model. Key information is obtained from this such as inherent industry risk and ESG scores in order to, for example, differentiate between exposure to transition risk and physical climate-related risk.

The model will continue to be refined in 2024. This development work will be based on user experience and external expectations. We expect, for example, the EBA to publish new guidelines for stress testing ESG/climate-related risk soon. Some development work and clarifications are still required with respect to how the expectations of climate-related credit loss should be included in the impairment provisions/IFRS 9 model. So far, no need for specific climate-related impairments has been identified. At this time, the results are mainly used for stress testing.

Please see Note 2 for a more detailed description of the principles/new loss model in accordance with IFRS 11.

Goodwill

The Group conducts tests to assess any potential loss of goodwill every year or when there are indications of a fall in value, ref. IAS 36. The assessment is based on the Group's utility value. Recoverable amounts from cash flow generating units are determined by calculating discounted future cash flows. Cash flows are based on historical earnings and expectations concerning future conditions and include assumptions and estimates for uncertain conditions. The outcome of the impairment tests depends on estimates for return requirements. Return requirements are established on a discretionary basis based on the information available on the statement of financial position date.

In the case of an impairment test of goodwill related to the merger between SpareBank 1 Sørøst-Norge and SpareBank 1 Modum, the lowest level for the cash generating entity segments is the personal market and corporate market. Goodwill is distributed proportionately between the segments based on their proportion of activity capital (loans and deposits). A net cash flow is estimated based on earnings in the Bank's loan portfolio. Impairment assessments are based on an explicit forecast period of 5 years and a normalisation period of 5 years. The normalisation period is only included to ensure the cash flow reaches a normalised growth level before a terminal value is calculated. Terminal values are calculated using the Gordon Growth Formula. During the normalisation period, growth equals the long-term growth assumption and all other assumptions are the same as those made in the last year of the explicit forecast period. Calculations show that the value of discounted future cash flows exceeds by a good margin the goodwill on the statement of financial position.

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

Acquisitions

Acquisitions of another company must be recognised using the acquisition method, ref. IFRS 3. The acquisition method requires the complete allocation of value added where the purchase sum is allocated to the acquired company's identified assets and liabilities. Value added in excess of that allocated to identified assets and liabilities is recognised as goodwill. Any badwill must, after careful assessment, be recognised in the income statement in the acquisition year. The analyses contain both specific calculations and the use of best judgment to arrive at the most fair value possible for acquired companies on the date of acquisition. There is always some uncertainty in relation to discretionary items, although these are supported by calculations concerning expected cash flows, comparable transactions in earlier periods, etc.

Fair value of shares, equity certificates and units

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

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

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

Fair value derivatives

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

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

Liquidity portfolio

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

Variable rate loans secured by mortgages in residential property

Loans to and receivables from customers with a variable interest rate secured by mortgages in residential property are measured and classified at fair value with changes in value through other comprehensive income, (OCI). This is because the business model's purpose is considered to be to receive contractual cash flows and sales of loans (transfer of mortgages to SpareBank 1 Boligkreditt AS).

The fair value of such mortgages is understood to be:

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

Classification of additional Tier 1 capital

SpareBank 1 Sørøst-Norge has issued additional Tier 1 capital with terms and conditions that satisfy CRD IV's requirements for Tier 1 capital and that counts as such. This has been classified as equity in the financial statements since 2017 as it does not satisfy IAS 32's definition of a financial liability. The bonds are perpetual and SpareBank 1 Sørøst-Norge has the right not to pay interest to investors. Interest is not presented as an interest expense in the income statement but as a reduction in equity.

Note 4 – Segment Information

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

The reporting of segments is divided into the following areas: retail market customers (RM) and corporate market customers (CM), which include the parent bank and real estate and accounting services subsidiaries. "Not allocated" mainly includes subsidiaries that manage properties and group eliminations.

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

Group 31.12.2023

(Amounts in NOK millions)	RM	CM	Not allocated	Total
Profit				
Net interest income	1 163	876	-1	2 039
Net commission and other income	688	273	-12	949
Operating expenses	940	405	-12	1 333
Profit before losses	**911**	**744**	**-1**	**1 654**
Losses on loans and guarantees	-22	-35		-57
Profit before tax	**932**	**780**	**-1**	**1 711**
Statement of financial position				
Net lending to customers	52 600	20 046	-21	72 625
Other assets			17 378	17 378
Total assets per segment	**52 600**	**20 046**	**17 357**	**90 003**
Deposits from and liabilities to customers	37 695	17 548	-59	55 184
Other equity and liabilities			34 819	34 819
Total equity and debt per segment	**37 695**	**17 548**	**34 760**	**90 003**

Group 31.12.2022

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

Note 5 – Capital adequacy

In capital adequacy calculations, SpareBank 1 Sørøst-Norge uses the standard method for calculating credit risk and the basic method for operational risk. The Bank reports its capital adequacy on a consolidated basis. The Bank proportionally consolidates its ownership interests in SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS, SpareBank 1 Kreditt AS, SpareBank 1 Finans Midt-Norge and BN Bank ASA.

The systemic risk buffer requirement increased from 3.0% to 4.5% as at 31.12.2023. In connection with the approval of the merger with SpareBank 1 Modum in March 2022, 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. On 20.12.2023, the Ministry of Finance issued a new Regulations concerning changes to fulfilment of the Pillar 2 requirement. SpareBank 1 Sørøst-Norge can use new rules for the composition of Pillar 2, and not 100% Common Equity Tier 1 capital as before. The regulatory requirement for the Common Equity Tier 1 capital ratio at the end of 2023 pursuant to new Regulations was 15.4% excluding the management buffer. The Group's target for the Common Equity Tier 1 capital ratio is 17.0%.

At the end of 2023, the Common Equity Tier 1 capital ratio was 19.4% (19.5%) and the leverage ratio was 8.5% (8.5%). The regulatory requirement for Tier 1 capital is 3.0%. Both targets were met by a good margin by the end of 2023.

Parent bank			Group	
31.12.2022	31.12.2023	(Amounts in NOK millions)	31.12.2023	31.12.2022
12 107	**12 566**	**Total capitalised equity (excluding hybrid capital)**	**12 700**	**12 424**
-946	-896	Capitalised equity not included in Tier 1 capital	-739	-946
		Minority interests that cannot be included in Common Equity Tier 1 capital	-6	-7
-15	-16	Value adjustments on shares and bonds measured at fair value (AVA)	-24	-22
		Other intangible assets	-5	-9
		Positive values of adjusted expected loss	-77	-67
-357	-357	Deduction for goodwill	-465	-458
-174	-176	Deduction for non-material interests in the financial sector	-176	-174
-886	-767	Deduction for material interests in the financial sector	0	0
9 729	**10 356**	**Total Common Equity Tier 1 capital**	**11 207**	**10 939**
350	350	Hybrid capital	350	350
		Hybrid capital issued by companies included on the consolidated accounts that can be included	130	156
10 079	**10 706**	**Total Tier 1 capital**	**11 687**	**11 439**
		Supplementary capital in excess of Tier 1 capital		
745	745	Time-limited primary capital	745	745
		Primary capital issued by companies included on the consolidated accounts that can be included	216	222
10 824	**11 451**	**Net primary capital**	**12 648**	**12 399**
		Risk-weighted basis for calculation		
41 126	41 639	Assets not included in the trading portfolio	52 271	51 272
3 782	4 196	Operational risk	4 956	4 327
56	49	CVA surcharge (counterparty risk on derivatives)	688	497
44 964	**45 884**	**Total basis for calculation**	**57 916**	**56 096**
21.6%	22.6%	Common Equity Tier 1 capital ratio	19.4%	19.5%
22.4%	23.3%	Tier 1 capital ratio	20.2%	20.4%
24.1%	25.0%	Capital adequacy	21.8%	22.1%
11.0%	11.5%	Leverage ratio	8.5%	8.5%

Parent bank			Group	
31.12.2022	31.12.2023	(Amounts in NOK millions)	31.12.2023	31.12.2022
		Buffer requirements		
1 124	1 147	Capital conservation buffer (2.5%)	1 448	1 402
899	1 147	Countercyclical buffer (2.5%/1.0%)	1 448	1 122
1 349	2 065	Systemic risk buffer 4.5% (3.0%)	2 606	1 683
3 372	**4 359**	**Total buffer requirement for Common Equity Tier 1 capital**	**5 502**	**4 207**
2 023	2 065	Minimum requirement for Common Equity Tier 1 capital (4.5%)	2 606	2 524
4 333	3 932	Available Common Equity Tier 1 capital in excess of minimum requirement	3 099	4 208

Parent bank			Group	
31.12.2022	31.12.2023	**Specification of risk-weighted credit risk** (amounts in NOK millions)	31.12.2023	31.12.2022
60	60	Governments and central banks	70	60
241	492	Local and regional authorities	637	313
10	10	Publicly owned companies	12	11
195	214	Institutions	728	521
4 015	4 097	Companies	5 810	5 269
5 760	5 924	Mass market	14 826	7 325
24 068	23 707	Mortgaged against residential and holiday property	24 153	31 430
592	708	Exposures past due	762	646
1 898	2 105	High-risk exposures	2 105	1 898
452	499	Covered bonds	801	762
513	338	Receivables from institutions and companies with short-term ratings	338	513
69	46	Shares in securities funds	46	69
2 757	2 989	Equity items	1 475	1 682
497	450	Other exposures	507	774
41 126	**41 639**	**Total credit risk**	**52 271**	**51 272**

Note 6 – Financial risk management

Risk exposure

SpareBank1 Sørøst-Norge is exposed to various types of risk through its activities.

The most significant risks are summarised below:

Strategic risk is the risk of missing opportunities to increase earnings or incurring losses due to erroneous strategic decisions.

Sustainability risk is a collective term for factors related to the climate, the environment, social conditions and corporate governance that may result in the Group incurring government sanctions, fines, financial losses, other criminal sanctions or reputational impairment. These could result from non-compliance with regulatory requirements or market expectations related to the Group's impact, although they could also result from an external impact. The term sustainability risk therefore also includes climate and nature-related risks. Sustainability risk is not a separate type of risk, rather it is included as an integral element of other risks to which the Group is exposed.

Business risk is the risk of unexpected fluctuations in income and expenses as a result of changes in external circumstances such as the market situation or government regulations.

Credit risk is the risk of incurring losses due to customers being unable or unwilling to fulfil their obligations.

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

Liquidity risk the risk that the Group is unable to refinance its debt or is unable to finance increases in assets.

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

Owner risk is the risk that SpareBank 1 Sørøst-Norge will suffer a negative result from stakes in strategically owned companies, or that SpareBank 1 Sørøst-Norge will need to supply new equity to strategically owned companies, whether due to a desire for growth or to secure continued operation as a result of negative results. Owner risk is assessed for companies in which SpareBank 1 Sørøst-Norge has a significant ownership interest and/or significant influence. Ownership risk is also calculated for companies that the Group defines as strategic stakes.

Insurance risk is the risk that arises in connection with the ownership of SpareBank 1 Gruppen, including the indirect ownership of Fremtind and SpareBank 1 Forsikring.

Systemic risk is the risk that any systemic crisis could have significant adverse effects on financial stability and banks' solvency. There is both the risk that a bank could be affected by the ripple effects of systemic risk and the risk that a bank could help increase systemic risk.

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

Operational risk is the risk of incurring financial losses or earnings due to inadequate or failed internal processes, system error, human error. poor competence or external events.

Reputational risk is the risk of a decrease in earnings and capital access due to diminished confidence and reputation in the market, i.e. with customers, investors in the loan capital and equity markets, other counterparties and the authorities. Reputational risk is not a separate type of risk, rather it is included as an integral element of other risks to which the Group is exposed.

Management and control of the Group's risk exposure

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

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

This will be achieved by:
- having a strong risk culture characterised by high awareness of risk management and the Group's core values.
- having a good understanding of the risks that are drivers for earnings, expenses and losses.
- to the greatest possible extent price services and products in line with the underlying risk.
- having adequate financial strength in relation to long-term strategic goals, initiatives and the chosen

risk profile, while aiming for optimal capital allocation in the different business areas.
- leveraging synergy and diversification effects.
- avoiding unexpected individual incidents being able to seriously damage the Group's financial position

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

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

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

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

The risk types that affect financial reporting to the greatest extent are described below in more detail. For a further description of the risk situation and risk management, please refer to chapter 3.3., the discussion in the Board of Directors' report, the Pillar 3 report and the report on corporate governance policies and practices. The reports are available on the Bank's website under investor relations (IR) https://www.sb1sorost.no.

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

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

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

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

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

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

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

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

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

For more information, please see Notes 8-15.

Liquidity risk

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

The Group's lending is primarily financed by customer deposits and long-term securitised debt.

Liquidity reserves consist of cash, securities lodged as securities in Norges Bank, non-utilised committed credit facilities, housing loans that have been prepared for sale to SpareBank 1 Boligkreditt and listed securities. The sale of well secured home loans to SpareBank 1 Boligkreditt contributes to calming funding requirements and thus the Group's liquidity risk. Crisis management and recovery plans have been established. These include contingency plans for managing liquidity and solvency crises.

The finance department is responsible for day-to-day liquidity management, while the risk management department monitors and reports to the Board of Directors the utilisation of limits in accordance with the liquidity strategy.

For more information, please see Note 17.

Market risk

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

Share risk is the risk of loss arising from changes in the market prices of equity instruments.

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

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

Foreign exchange risk is the risk of incurring losses due to changes in foreign exchange rates. The exposure to currency risk is limited to the cash holdings held by the Bank at all times to serve customers' demand for cash in foreign currencies. The Bank does not have the status of a currency bank and has entered into a cooperation with SpareBank 1 SMN in the area of currency.

For more information, please see Notes 15 and 16.

Sustainability risk

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

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

Please see the discussion in the introductory part of the Annual Report and appendix 3 of the sustainability report for a more detailed description.

Operational risk

Operational risk is managed based on the operational risk policy as well as the risk strategy. Both are adopted annually by the Board of Directors. Qualitative and quantitative risk have been defined for various types of risk within operational risk. Target figures are continuously monitored and reported quarterly. SpareBank 1 Sørøst-Norge considers organisational culture and risk culture to be some of the most important factors within operational risk management. Ongoing organisational surveys are conducted that measure satisfaction in the organisation. An annual risk culture survey is also conducted.

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

Compliance risk

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

SpareBank1 Sørøst-Norge constantly strives to establish and have good processes for ensuring compliance with applicable laws and regulations. Focus areas are monitoring compliance with regulatory requirements and ensuring that the Group has the best adaptation to future changes in the regulations.

SpareBank 1 Sørøst-Norge's compliance function is organisationally independent of the business units. The department bears overall responsibility for the framework, monitoring and reporting within the compliance area.

Note 7 – Loans to and receivables from credit institutions

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

Group (Amounts in NOK millions)	**31.12.2023**	**31.12.2022**
Loans to and receivables from credit institutions		
Lending and receivables without agreed maturity or notice period	1 688	2 499
Lending and receivables with agreed maturity or notice period	761	673
Total loans to and receivables from credit institutions	**2 449**	**3 172**
Liabilities to credit institutions		
Loans to and deposits from credit institutions with agreed maturity or notice period	16	19
Total receivables from and liabilities to credit institutions	**16**	**19**

Note 8 – Other loans to and receivables from customers

The Bank's credit portfolio to customers is distributed between the BM and PM segments.

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

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

For more details about impairments in line with IFRS 9, please see Notes 2 and 3.

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

Gross lending to and receivables from customers

Gross lending to and receivables from customers (amounts in NOK millions)	31.12.2023				31.12.2022			
Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Lowest risk	33 573	304	0	33 877	37 228	154	0	37 382
Low risk	19 510	441	0	19 951	17 045	291	0	17 336
Moderate risk	10 893	3 844	0	14 738	12 001	2 182	33	14 216
High risk	723	1 058	0	1 781	1 099	521	0	1 620
Very high risk	605	1 194	6	1 805	618	1 035	60	1 713
Default and impaired	0	0	710	710	0	0	584	584
Gross lending to and receivables from customers	**65 305**	**6 841**	**716**	**72 862**	**67 991**	**4 184**	**677**	**72 852**

Gross lending to and receivables from customers at amortised cost and at fair value through OCI (amounts in NOK millions)	31.12.2023				31.12.2022			
Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Lowest risk	31 354	304	0	31 658	34 717	133	0	34 850
Low risk	18 580	441	0	19 021	16 336	267	0	16 603
Moderate risk	10 577	3 844	0	14 421	11 776	2 132	33	13 941
High risk	710	1 058	0	1 768	1 085	508	0	1 593
Very high risk	574	1 194	6	1 773	617	1 012	60	1 688
Default and impaired	0	0	702	702	0	0	566	566
Total gross lending to and receivables from customers at amortised cost and at fair value through OCI	**61 795**	**6 841**	**707**	**69 343**	**64 530**	**4 052**	**659**	**69 241**

Guarantees
(amounts in NOK millions)

	31.12.2023				31.12.2022			
Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Lowest risk	186	3		189	405	6		411
Low risk	133	30		163	63	5		68
Moderate risk	179	149		328	304	15	2	322
High risk	36	86		123	21	18		39
Very high risk	18	36		55	16	30		46
Default and impaired			18	18			25	25
Total guarantees	**553**	**304**	**18**	**875**	**808**	**75**	**27**	**910**

Unused credit facilities
(amounts in NOK millions)

	31.12.2023				31.12.2022			
Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Lowest risk	3 349	23		3 373	3 294	4		3 297
Low risk	285	41		326	383	14		397
Moderate risk	481	487		968	498	108		606
High risk	95	47		141	118	21		139
Very high risk	17	24		41	76	45		121
Default and impaired			18	18			13	13
Total unused credit facilities	**4 227**	**622**	**18**	**4 868**	**4 370**	**191**	**13**	**4 573**

Loan commitments
(amounts in NOK millions)

	31.12.2023				31.12.2022			
Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Lowest risk	1 385	78		1 464	2 096			2 096
Low risk	373	9		382	572			572
Moderate risk	297	105		402	349			349
High risk	9			9	52			52
Very high risk	2			2				0
Default and impaired						5		5
Total approvals	**2 067**	**192**	**0**	**2 259**	**3 069**	**5**	**0**	**3 074**

Parent bank					Group			
31.12.2022		31.12.2023		(Amounts in NOK millions)	31.12.2023		31.12.2022	
Gross share	Len-ding	Gross share	Len-ding	**Loans by geographic area**	Len-ding	Gross share	Len-ding	Gross share
58.2%	42 388	58.1%	42 368	Vestfold og Telemark	42 347	58.1%	42 362	58.1%
31,0 %	22 582	31.1%	22 675	Viken	22 675	31.1%	22 582	31,0 %
10.7%	7 787	10.6%	7 720	Rest of Norway	7 720	10.6%	7 787	10.7%
0.2%	120	0.2%	120	Abroad	120	0.2%	120	0.2%
100.0%	**72 878**	**100.0%**	**72 883**	**Total gross lending by geographical area**	**72 862**	**100.0%**	**72 852**	**100.0%**

Parent bank					Group			
31.12.2022		31.12.2023		**Gross lending by sector and industry**	31.12.2023		31.12.2022	
70.5%	51 349	72.1%	52 565	Employees, etc.	52 544	72.1%	51 349	70.5%
18.1%	13 202	15.2%	11 061	Property management/business services, etc.	11 061	15.2%	13 176	18.1%
4.6%	3 343	5.3%	3 855	Property management housing cooperatives	3 855	5.3%	3 343	4.6%
1.4%	1 003	1.2%	902	Wholesale and retail trade/hotels and restaurants	902	1.2%	1 003	1.4%
1.4%	993	1.4%	1 014	Agriculture/forestry	1 014	1.4%	993	1.4%
1.2%	881	1.2%	857	Building and construction	857	1.2%	881	1.2%
1.6%	1 132	2.0%	1 484	Transport and service Industries	1 484	2.0%	1 132	1.6%
0.8%	565	0.6%	447	Production (manufacturing)	447	0.6%	565	0.8%
0.0%	0	0.9%	673	Public administration	673	0.9%	0	0.0%
0.6%	409	0.0%	25	Other	25	0.0%	409	0.6%
100.0%	**72 878**	**100.0%**	**72 883**	**Total gross lending by sector and industry**	**72 862**	**100.0%**	**72 852**	**100%**
	20 144		20 140	- Of which, measured at amortised cost	20 119		20 119	
	49 122		49 226	- Of which, measured at fair value through OCI	49 226		49 122	
	3 611		3 517	– Of which, measured at fair value through profit or loss	3 517		3 611	
	-306		-237	Impairment provisions on loans	-237		-306	
	72 572		**72 646**	**Net lending**	**72 625**		**72 546**	
	72 878		**72 883**	**Gross lending**	**72 862**		**72 852**	
	30 802		30 892	Gross lending transferred to SB1 Boligkreditt	30 892		30 802	
	1 487		1 449	Gross lending transferred to SB1 Næringskreditt	1 449		1 487	
	105 167		**105 225**	**Gross lending including SB1 Boligkreditt and Næringskreditt**	**105 204**		**105 141**	

Loans with forbearance

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

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

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

Gross lending with forbearance:

Group (amounts in NOK millions)	31.12.2023		
	Stage 2	Stage 3	Total
Gross lending with forbearance without individual impairment	566	21	587
Gross lending with forbearance with individual impairment		228	228
Total gross lending with forbearance	**566**	**249**	**815**

	31.12.2022		
	Stage 2	Stage 3	Total
Gross lending with forbearance without individual impairment	465	27	493
Gross lending with forbearance with individual impairment		276	276
Total gross lending with forbearance	**465**	**303**	**768**

Note 9 – Transfer of financial assets

SpareBank 1 Boligkreditt AS

SpareBank 1 Boligkreditt AS is owned by the savings banks that are part of the SpareBank 1 Alliance and shares premises with SpareBank 1 Næringskreditt AS in Stavanger. The Bank owned a 11.2% stake as at 31.12.2023. The purpose of the mortgage credit institution is to ensure banks in the Alliance have access to stable, long-term financing for mortgages at competitive prices. SpareBank 1 Boligkreditt's bonds are rated Aaa by Moody's and AAA by Fitch. SpareBank 1 Boligkreditt acquires loans secured by mortgages in residential property and issues covered bonds in line with the regulations established for these in 2007. As part of the Alliance, the Bank can transfer loans to the company, and as part of the Bank's financing strategy, loans have been transferred to the company. Loans transferred to SpareBank 1 Boligkreditt AS are secured by mortgages in residential property up to 75% of appraised value. Transferred loans are legally owned by SpareBank 1 Boligkreditt AS and the Bank has, besides the right to perform management and the right to take over fully or partially written down loans (at the written down values), no right to the use of the loans. As at 31.12.2023, the book value of transferred loans amounted to NOK 30 892 million. The Bank is in charge of the management of the transferred loans and receives a commission based on the net value of the return on the loans the Bank has transferred and the expenses to the company.

Payments received for loans that have been transferred to SpareBank 1 Boligkreditt AS are equivalent to the nominal value of the transferred loan and are measured at almost equal to the loans' fair value at the end of 2023 and 2022. Loans transferred to SpareBank 1 Boligkreditt AS are very well secured and have a very small probability of loss.

The Bank has also entered into a shareholder agreement with the shareholders of SpareBank 1 Boligkreditt AS. This means, among other things, that the Bank must contribute to SpareBank 1 Boligkreditt AS having a Common Equity Tier 1 capital ratio that matches the requirements set by the authorities (including the requirements for buffer capital and Pillar 2 calculations) and, if necessary, supply Tier 1 capital if it falls to a lower level. SpareBank 1 Boligkreditt AS has internal guidelines regarding the Tier 1 capital ratio that exceed the authorities' requirements, as well as a management buffer of 0.8%. Based on a concrete assessment, the Bank has chosen not to hold capital for this liability because the risk of the Bank being forced to contribute is regarded as very small. In connection with this, a number of alternative approaches may also be relevant should such a situation occur.

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

SpareBank 1 Næringskreditt AS

SpareBank 1 Næringskreditt was established in 2009 and has a licence from the Financial Supervisory Authority of Norway to operate as a mortgage credit institution. The Bank owned a 10.0% stake as at 31.12.2023. SpareBank 1 Næringskreditt's liabilities have an Aaa rating from Moody's. The institution is owned by the savings banks that are part of the SpareBank 1 Alliance and shares premises with SpareBank 1 Boligkreditt in Stavanger. The purpose of the mortgage credit institution is to ensure banks in the Alliance have access to stable, long-term financing for commercial property at competitive prices. SpareBank 1 Næringskreditt acquires loans secured by collateral in commercial property and issues covered bonds in line with the regulations established for these in 2007. As part of the Bank's financing strategy, loans have been transferred to the company. Loans transferred to SpareBank 1 Næringskreditt AS are secured by mortgages in commercial property up to 60% of appraised value. Transferred loans are legally owned by SpareBank 1 Næringskreditt AS and the Bank has, besides the right to perform management and the right to take over fully or partially written down loans (at the written down values), no right to the use of the loans. As at 31.12.2023, the book value of transferred loans amounted to NOK 1 449 million. The Bank is in charge of the management of the transferred loans and receives a commission based on the net value of the return on the loans the Bank has transferred and the expenses to the company.

Payments2 received for loans that have been transferred to SpareBank 1 Næringskreditt AS are equivalent to the nominal value of the transferred loan and are measured at almost equal to the loans' fair value at the end of 2023 and 2022. Loans transferred to SpareBank 1 Næringskreditt AS are very well secured and have a very small probability of loss.

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

Note 10 – Age distribution of loans past due

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

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

Group	**31.12.2023**			
(amounts in NOK millions)	**Fewer than 30 days**	**31-90 days**	**More than 91 days**	**Total**
Loans to and receivables from customers				
Retail market	0	9	138	148
Corporate market	1	3	27	31
Total	**1**	**12**	**166**	**179**

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

Note 11 – Losses on loans and guarantees

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

Losses on loans and guarantees	Group	
(Amounts in NOK millions)	31.12.2023	31.12.2022
Effect of merger with SpareBank 1 Modum [1)]	0	10
Changes in IFRS 9 provisions	-50	21
Effect of changed scenario weights	-8	15
Confirmed losses (net)	6	2
Receipts on previously recognised impairments	-4	-6
Other corrections/amortisation of impairments	0	-3
Total loss cost on loans and guarantees	**-57**	**40**

Loss cost by sector and industry	Group	
(Amounts in NOK millions)	31.12.2023	31.12.2022
Effect of merger with SpareBank 1 Modum [1)]	0	10
Employees, etc.	-22	6
Property management/business services, etc.	-34	12
Property management housing cooperatives	3	0
Wholesale and retail trade/hotels and restaurants	-10	13
Agriculture/forestry	-3	3
Building and construction	15	-8
Transport and service Industries	-4	6
Production (manufacturing)	-3	-1
Public administration	0	0
Other	-1	0
Total losses on loans and guarantees	**-57**	**40**

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).

Capitalised impairment provisions

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

Group (Amounts in NOK millions)	31.12.2023 Stage 1	Stage 2	Stage 3	Total	31.12.2022 Stage 1	Stage 2	Stage 3	Total
Opening balance	**109**	**85**	**160**	**353**	**120**	**72**	**95**	**287**
Recognised through profit or loss in connection with the recognition of loans in Stage 1 upon the merger	0	0	0	0	10	0	0	10
Recognised gross on the statement of financial position in connection with the recognition of loans in Stage 2 upon the merger	0	0	0	0	0	7	0	7
Impairment provisions transferred to Stage 1	15	-14	-1	0	19	-19	0	0
Impairment provisions transferred to Stage 2	-13	14	-1	0	-11	13	-2	0
Impairment provisions transferred to Stage 3	-1	-5	6	0	0	-2	2	0
New financial assets issued or purchased	7	14	1	23	33	11	18	62
Increase in existing loans	17	46	64	127	16	41	52	109
Reduction in existing loans	-63	-32	-30	-125	-41	-15	9	-48
Financial assets that have been deducted	-18	-21	-23	-63	-36	-24	-14	-74
Changes due to recognised impairments (recognised losses)	0	0	-43	-43	0	0	0	0
Closing balance	**54**	**86**	**132**	**272**	**109**	**85**	**160**	**353**
- reversal of impairment provisions related to fair value through OCI [1]	-16			-16	-28			-28
Capitalised impairment provisions as at 31.12	**38**	**86**	**132**	**256**	**81**	**85**	**160**	**325**
Of which, impairment provisions for capitalised loans	31	78	128	237	69	81	156	306
Of which, impairment provisions for unused credits and guarantees	7	8	4	19	12	4	4	20
Of which: impairment provisions, corporate market - amortised cost	32	61	91	183	68	40	129	237
Of which: impairment provisions, retail market - amortised cost	6	25	41	73	13	45	31	89

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

Sensitivity analysis – loss model

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

At the same time, the loss model is based on a number of input factors from the portfolios where events have occurred as at the statement of financial position date. Because reviews the corporate market portfolio in order to identify and make impairment provisions for individual exposures.

In addition to individual loss assessments, the Bank changed the model's scenario weight based on an assessment. As at 31.12.2023, the Bank believes that expected adverse effects have largely been included in the expected scenario. Therefore, the weighting of the downside scenario was reduced to 15%, with a corresponding upward adjustment of the expected scenario to 80% for the corporate market portfolio.

Consequently, the expected credit loss (ECL) as at 31.12.2023 was calculated using a combination of 80% for the expected scenario, 15% for the downside scenario and 5% for the upside scenario (80/15/5) for both the corporate market portfolio and the retail market portfolio.

The table below shows the ECL calculated using the scenario weights and the ECL calculated for the three scenarios, in isolation. The calculations are broken down into the main segments retail market and corporate market.

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

Scenario weights used as at 31.12.2023

Group (amounts in NOK millions)	**Weight CM/ RM**	**CM**	**RM**	**Total**
Scenario 1 (normal case)	80%/80%	67	144	211
Scenario 2 (worst case)	15%/15%	24	51	75
Scenario 3 (best case)	5%/5%	3	6	10
Total estimated IFRS 9 provisions		**94**	**202**	**295**
Reversal of impairment provisions related to fair value through OCI and other adjustments for amortisation effects		-21	-19	-40
Capitalised impairment provisions as at 31.12.2023		**73**	**183**	**256**

IFRS 9 impairment provisions in the event of a change in weight as at 31.12.2023

Group (amounts in NOK millions)	**Weight CM/ RM**	**RM**	**CM**	**Total**
Scenario 1 (normal case)	100%/100%	86	180	266
Scenario 2 (worst case)	100%/100%	158	339	497
Scenario 3 (best case)	100%/100%	68	128	196

Scenario weights used

	31.12.2023		**31.12.2022**	
	CM	**RM**	**CM**	**RM**
Scenario 1 (normal case)	80%	80%	80%	75%
Scenario 2 (worst case)	15%	15%	15%	20%
Scenario 3 (best case)	5%	5%	5%	5%

Quality in the loan portfolio (ECL)

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

Gross lending to and receivables from customers

Group (amounts in NOK millions)	Stage 1	Stage 2	Stage 3	Total
Opening balance 2023 [1)]	**64 530**	**4 052**	**659**	**69 241**
Transferred to Stage 1	925	-903	-22	0
Transferred to Stage 2	-3 306	3 318	-12	0
Transferred to Stage 3	-94	-150	244	0
New financial assets issued or purchased	12 109	1 245	17	13 371
Increase in existing loans	13 867	1 159	115	15 141
Reduction in existing loans	-13 405	-839	-132	-14 376
Financial assets that have been deducted	-12 803	-1 039	-137	-13 979
Changes due to recognised impairments (recognised losses)	-5	0	-49	-54
Changes due to reversals of previous impairments (recognised)	1	0	2	3
Closing balance 2023 [1)]	**61 820**	**6 841**	**684**	**69 345**
Provision ratio	*0.1%*	*1.3%*	*19.3%*	*0.4%*
Of which lending to the corporate market	17 005	3 977	430	21 412
Of which lending to the retail market	44 815	2 864	254	47 933

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

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

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

Note 12 – Credit risk exposure for each internal risk rating

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

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

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

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

	31.12.2023		31.12.2022	
Group (amounts in NOK millions)	**Average unsecured exposure in %**	**Gross lending**	**Average unsecured exposure in %**	**Gross lending**
Lowest risk	0.0%	33 877	0.0%	37 382
Low risk	0.2%	19 951	0.3%	17 336
Moderate risk	2.8%	14 738	3.1%	14 216
High risk	8.1%	1 781	6.3%	1 620
Highest risk	14.3%	1 805	12.5%	1 713
In default and impaired	7.8%	710	14.1%	584
Total	**1.1%**	**72 862**	**1.2%**	**72 852**

Note 13 – The maximum credit risk exposure, not taking into account collateral security

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

Parent bank		Gross exposure		Group	
31.12.2022	**31.12.2023**	(amounts in NOK millions)	**Note**	**31.12.2023**	**31.12.2022**
		Assets			
108	105	Cash and receivables from central banks		105	108
3 104	2 449	Loans to and receivables from credit institutions	7	2 449	3 104
72 572	72 646	Net lending to and receivables from customers	8	72 625	72 546
12 390	13 732	Interest-bearing securities	26	13 641	12 498
259	180	Financial derivatives	16	180	259
768	737	Other assets	29, 30, 31, 32	1 002	1 031
89 202	**89 850**	**Total assets**		**90 003**	**89 547**
		Liabilities			
		Contingent liabilities	8.36		
141	145	- Payment guarantees		145	141
311	303	- Contractual guarantees		303	311
377	356	- Loan guarantees		356	377
83	71	- Other guarantee liabilities		71	83
4 520	4 868	Unutilised credit facilities	8, 35	4 868	4 518
3 074	2 259	Loan commitments	8	2 259	3 074
8 505	**8 002**	**Total financial guarantees**		**8 002**	**8 503**
90 113	**90 725**	**Total credit risk exposure, excluding unused credit facilities and lending commitments**		**90 878**	**90 458**

Credit risk exposure relating to loans, by country

Parent bank		Credit exposure, gross lending incl. unused credit facilities		Group	
31.12.2022	**31.12.2023**	(amounts in NOK millions)	**Note**	**31.12.2023**	**31.12.2022**
77 278	77 631	Norway		77 610	77 249
120	120	Abroad		120	120
77 398	**77 751**	**Total**		**77 730**	**77 369**

With regard to credit exposure, only the loan item is divided by geographical area, ref. Note 8.

Collateral per security class

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

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

Group (amounts in NOK millions)	**Percentage-wise average per class**	**31.12.2023**	**31.12.2022**
Collateral class 1	120%	11 898	12 295
Collateral class 2	110%	17 339	19 009
Collateral class 3	90%	17 533	19 689
Collateral class 4	70%	17 575	14 738
Collateral class 5	50%	2 927	2 737
Collateral class 6	30%	330	334
Collateral class 7	10%	89	94
Total collateral from risk classification		**67 691**	**68 897**

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Note 14 – Credit quality per class of financial assets

The credit quality of financial assets is handled by the SpareBank 1 Alliance using its internal guidelines for credit ratings. The table below shows the credit quality per class of assets for the loan-related assets on the statement of financial position, based on the Bank's own credit rating system.

The table below shows the credit quality per class of assets for the loan-related assets on the statement of financial position, based on the Bank's own credit rating system.

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

Group		31.12.2023 Neither fallen due nor written down						
(amounts in NOK millions)	Notes	Lowest risk	Low risk	Moderate risk	High risk	Highest risk	Fallen due or individually written down	Total
Loans to and receivables from credit institutions	7	2 449						2 449
Loans to and receivables from customers								
Retail market	8	27 388	16 161	7 034	626	954	268	52 431
Corporate market	8	6 490	3 790	7 704	1 154	851	442	20 431
Total gross lending		**36 327**	**19 951**	**14 738**	**1 781**	**1 805**	**710**	**75 312**
Financial investments								
Listed government bonds	26	48						48
Other listed bonds	26	2 351	4 723					7 074
Unlisted bonds	26			2 606				2 606
Total financial investments		**2 399**	**4 723**	**2 606**				**9 727**
Accrued interest		55						55
Total financial investments		**2 454**	**4 723**	**2 606**				**9 783**
Total		**38 781**	**24 674**	**17 344**	**1 781**	**1 805**	**710**	**85 094**

Group		31.12.2022						
		Neither fallen due nor written down						
(amounts in NOK millions)	Notes	Lowest risk	Low risk	Moderate risk	High risk	Highest risk	Fallen due or individually written down	Total
Loans to and receivables from credit institutions	7	3 172						3 172
Loans to and receivables from customers								
Retail market	8	30 552	13 908	6 469	372	636	194	52 131
Corporate market	8	6 830	3 428	7 748	1 248	1 077	390	20 721
Total gross lending		**40 555**	**17 336**	**14 216**	**1 620**	**1 713**	**584**	**76 024**
Financial investments								
Listed government bonds	26	247						247
Other listed bonds	26	1 211	4 502					5 712
Unlisted bonds	26			2 436				2 436
Total financial investments		**1 458**	**4 502**	**2 436**				**8 395**
Accrued interest		34						34
Total financial investments		**1 492**	**4 502**	**2 436**				**8 430**
Total		**42 046**	**21 838**	**16 652**	**1 620**	**1 713**	**584**	**84 454**

Note 15 – Market risk related to interest rate risk

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

Interest rate risk arises due to interest-bearing assets and liabilities having different remaining fixed rate periods. The Bank's Board of Directors has approved limits for the total interest rate risk with respect to parallel shifts in the yield curve and fluctuations in the yield curve (yield curve risk). Interest rate risk is steered towards the desired level of risk by using fixed rate periods for investments and borrowing, as well as by using interest rate derivatives. The base risk is the change in value for the Group's assets and liabilities that occurs when the entire yield curve shifts in parallel. This risk is shown in the table below and is calculated as the effect on the instruments' fair value of a change in interest rates where the entire yield curve is assumed to shift in parallel by 1 percentage point. The impact on profit is shown in the table. A plus sign shows income while minus sign shows an expense. As at 31.12.2023, the Bank would have earned income of NOK 16 (5) million in the event of a 1-percentage point increase in the market interest rate. (The effect of an equivalent reduction in interest rates would be symmetrical).

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

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

Group (Amounts in NOK millions)

Interest rate risk, 1-percentage point increase	**2023**	**2022**
Certificates and bonds	-21	-19
Fixed rate loans to customers	-100	-114
Fixed rate deposits for customers	9	5
Bonds	217	228
Derivatives	-88	-95
Yield curve risk, effect on profit before tax	**16**	**5**

Group (Amounts in NOK millions)

Sensitivity of net interest expense	**2023**	**2022**
Increase in basis points		
+25	4	1
+50	8	2
+100	16	5
+200	32	9

Method used for sensitivity analysis

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

Group (Amounts in NOK millions)

Yield curve risk	**2023**	**2022**
0-3 months	8	7
3-12 months	9	4
1-3 years	-2	2
3-5 years	2	2
5-10 years	0	-10
Yield curve risk, effect on profit before tax	**16**	**5**

Note 16 – 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 7 200 million. The borrowing is hedged 1:1 through external contracts where the term to maturity and fixed rate of the hedged item and hedging transaction match. The Bank prepares quarterly documentation of the effectiveness of the hedging instrument in relation to the hedged item. A total of 11 transactions involving borrowing were hedged as at 31.12.2023.

All interest rate swap agreements are based on observable market prices. The Bank does not hedge cash flows.

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

Fair value hedging

Group (Amounts in NOK millions)	**31.12.2023**	**31.12.2022**
Net loss recognised through profit or loss related to hedging instruments at fair value hedging	-213	224
Total gain on the hedging item related to the hedged risk	208	-222
Total fair value hedging recognised through profit or loss	**-5**	**2**
Accumulated hedging adjustments for hedged items	-220	-262

Interest rate instruments	**31.12.2023**			**31.12.2022**		
Group		**Fair value**			**Fair value**	
(amounts in NOK millions)	**Contract sum**	**Assets**	**Liabilities**	**Contract sum**	**Assets**	**Liabilities**
Interest rate swap agreements – hedging of customer-related assets at fair value through profit or loss	3 495	116	10	3 560	121	1
Interest rate swap agreements – hedging of fixed income securities	249	3	0	455	16	15
Interest rate swap agreements – hedging of fair value of fixed rate borrowing	7 200	61	224	6 800	54	250
Total interest rate instruments	**10 944**	**180**	**234**	**10 815**	**191**	**267**

Note 17 – Maturity analysis of assets and liabilities/liquidity risk

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

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

Maturity analysis of assets and liabilities

As at 31.12.2023, the remaining term to maturity of the Bank's long-term
funding was 3.0 (3.1) years.

The liquidity coverage ratio (LCR) was 202% (263%) at the end of the year and the average LCR was 236% (175%) in 2023.

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

Group

31.12.2023 (amounts in NOK millions)	Notes	On request/ without maturity	Under 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets							
Cash and receivables from central banks		105					105
Loans to and receivables from credit institutions	7		1 688	761			2 449
Loans to and receivables from customers	8		8 895	1 382	5 954	56 631	72 862
– Impairments in Stages 1 and 2	8			0	-109		-109
– Impairments in Stage 3	8			-128			-128
Interest-bearing securities	26		861	448	8 451	23	9 783
Financial derivatives	16		21		114	45	180
Shareholdings and other equity interests	27	2 448					2 448
Interests in joint ventures and associated companies	28	1 411					1 411
Intangible assets	30	465					465
Tangible assets	29	275					275
Deferred tax assets	24	60					60
Other assets	31, 32		202				202
Total assets		**4 764**	**11 668**	**2 463**	**14 409**	**56 699**	**90 003**
Liabilities							
Deposits from credit institutions	7		16				16
Deposits from customers	33	42 401	11 582	1 195	5		55 184
Debt securities issued	34		757	851	15 931	2 227	19 766
Financial derivatives	16				231	3	234
Subordinated loan capital	37			195	556		751
Tax payable	24			435			435
Other liabilities and commitments	35		459			108	568
Total liabilities		**42 401**	**12 815**	**2 676**	**16 723**	**2 339**	**76 954**

Group

31.12.2022 (amounts in NOK millions)	**Notes**	**On request/ without maturity**	**Under 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets							
Cash and receivables from central banks		108					108
Loans to and receivables from credit institutions	7		2 499	605			3 104
Loans to and receivables from customers	8		7 032	697	6 414	58 708	72 852
– Impairments in Stages 1 and 2	8				-150		-150
– Impairments in Stage 3	8			-156			-156
Interest-bearing securities	26		228	456	7 745		8 430
Financial derivatives	16		33		95	64	191
Shareholdings and other equity interests	27	2 617					2 617
Interests in joint ventures and associated companies	28	1 452					1 452
Intangible assets	30	458					458
Tangible assets	29	326					326
Deferred tax assets	24	39					39
Other assets	31, 32		276				276
Total assets		**5 000**	**10 068**	**1 603**	**14 104**	**58 772**	**89 547**

Liabilities							
Deposits from credit institutions	7		19				19
Deposits from customers	33	44 445	10 175	596			55 216
Debt securities issued	34		75	993	16 568	1 934	19 570
Financial derivatives	16			33	219	15	267
Subordinated loan capital	37			829	-80		749
Tax payable	24			319			319
Other liabilities and commitments	35		530			103	633
Total liabilities		**44 445**	**10 800**	**2 769**	**16 708**	**2 051**	**76 773**

Liquidity risk

The table below shows the Bank's expected future cash flows related to liabilities. The table is based on nominal values, as well as interest rates as at 31.12.2023.

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

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

Group

31.12.2023 (amounts in NOK millions)	**Notes**	**On request/**	**Under 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Deposits from and liabilities to credit institutions	7		16				16
Deposits from and liabilities to customers	33	42 401	11 582	1 195	5		55 184
Debt securities issued	34		954	1 563	17 977	2 304	22 798
Subordinated loan capital	37		12	35	866		913
Derivatives linked to commitments	16		16	36	106	19	177
Loan commitments	8		2 259				2 259
Total		**42 401**	**14 839**	**2 830**	**18 954**	**2 323**	**81 347**

Group

31.12.2022 (amounts in NOK millions)	**Notes**	**On request/**	**Under 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Deposits from and liabilities to credit institutions	7		19				19
Deposits from and liabilities to customers	33	44 445	10 175	596			55 216
Debt securities issued	34		226	1 543	10 212	10 080	22 061
Subordinated loan capital	37		14	388	314		716
Derivatives linked to commitments	16		16	31	97	17	161
Loan commitments	8		3 074				3 074
Total		**44 445**	**13 525**	**2 558**	**10 623**	**10 096**	**81 248**

Note 18 – Net interest income

Parent bank			Group	
2022	2023	(amounts in NOK millions)	2023	2022
		Interest income		
39	123	Interest and similar income from loans to and receivables from credit institutions	123	39
2 356	3 825	Interest and similar income from loans to and receivables from customers	3 821	2 354
189	442	Interest and similar income from interest-bearing securities	442	189
2 584	**4 390**	**Total interest income**	**4 386**	**2 583**
		Interest expenses		
1	1	Interest and similar expenses for liabilities to credit institutions	1	1
494	1 331	Interest and similar expenses for deposits from and liabilities to customers	1 327	492
457	943	Interest and similar expenses for issued securities	943	457
25	41	Interest and similar expenses for subordinated loan capital	41	25
35	36	Other interest expenses and similar expenses	36	35
1 012	**2 351**	**Total interest expenses**	**2 347**	**1 010**
1 572	**2 039**	**Net interest income**	**2 039**	**1 573**

2022	2023	Average interest rates and average interest-bearing assets and liabilities	2023	2022
		Assets		
70 524	72 027	Average interest-bearing balance, lending to customers	72 004	70 497
3.34%	5.31%	Average interest rate, lending to customers	5.31%	3.34%
7 915	9 858	Average interest-bearing balance, securities placements	9 858	7 915
2.39%	4.48%	Average interest rate, securities placement	4.48%	2.39%
		Liabilities		
53 393	55 739	Average interest-bearing balance, deposits	55 676	53 334
0.92%	2.38%	Average interest rate, deposits	2.38%	0.92%
18 424	19 658	Average interest-bearing balance, borrowed securities	19 658	18 424
2.48%	4.86%	Average interest rate, borrowed securities	4.86%	2.48%

Note 19 – Net commission and other income

Parent bank			Group	
2022	2023	(amounts in NOK millions)	2023	2022
		Commission income		
12	11	Guarantee commission	11	12
1	1	Interbank commission	1	1
19	19	Credit brokerage	19	19
34	30	Securities trading and management	30	34
223	235	Payment services	235	223
144	144	Insurance services	144	144
18	20	Other commission income	20	18
166	125	Commission from Boligkreditt and Næringskreditt	125	166
618	**584**	**Total commission income**	**584**	**618**
		Commission expenses		
1	2	Interbank fees	2	1
23	36	Payment services	36	23
14	22	Other commission expenses	22	14
39	**60**	**Total commission expenses**	**60**	**39**
579	**523**	**Total net commission income**	**523**	**579**
		Other operating income		
4	5	Operating income from real estate	5	4
6	3	Profit from the sale of fixed assets	3	6
6	7	Other operating income	11	6
		Operating income from estate agency business	220	233
		Operating income from accounting firms	87	55
16	**15**	**Total other operating income**	**325**	**304**
595	**538**	**Total net commission and other operating income**	**848**	**883**

Note 20 – Net income from financial assets

Parent bank			Group	
2022	**2023**	(amounts in NOK millions)	**2023**	**2022**
77	**38**	**Total dividend from shares**	**38**	**77**
4	11	Dividends from subsidiaries	0	0
111	177	Income from interests in joint ventures	44	94
116	**188**	**Total net income from ownership interests**	**44**	**94**
		Net income from other financial investments:		
-77	-13	Net result from bonds and certificates	-13	-77
-77	**-13**	**Total income from bonds and certificates**	**-13**	**-77**
-2	5	Net revaluation of covered bonds and derivatives	5	-2
-14	-20	Net revaluation of secured fixed interest rate loans and derivatives	-20	-14
6	2	Net revaluation of other financial derivatives	2	6
-10	**-14**	**Total income from financial derivatives**	**-14**	**-10**
12	22	Realised instruments measured at fair value	22	12
53	7	Change in value of instruments measured at fair value	7	53
65	**29**	**Total income from shares**	**29**	**65**
17	16	Net profit on transactions	16	17
17	**16**	**Total net income from foreign exchange trading**	**16**	**17**
188	**245**	**Net income from financial assets**	**100**	**167**

Note 21 – Personnel expenses and compensation for executive persons and elected officers

Please refer to appendices 5.1.0 and 5.1.1 in the Annual Report for the documents "Remuneration policy in SpareBank 1 Sørøst-Norge" and "Executive Remuneration Report".

The documents provide general and detailed information about remuneration in the parent bank and for executive persons in the Group.

Parent bank		Personnel expenses		Group	
2022	**2023**	(Amounts in NOK millions)	**Note**	**2023**	**2022**
354	351	Salary		543	528
45	58	Pension expenses	23	72	57
102	115	Social security expenses		151	131
501	**525**	**Total personnel expenses**		**767**	**716**
		Employees			
426	423	Average number of FTEs		637	609
432	436	Number of FTEs at 31.12		644	652
449	455	Number of employees at 31.12		671	676

Loans and guarantees for employees and employee representatives:	2023	2022
Loans to employees of the parent bank	1 210	1 195
Loans to employees in subsidiaries	564	478

Loans to employees of the parent bank, permanent employees only. Retirees are not included and amounted to NOK 259 (197) million.

Note 22 – Other operating expenses

Parent bank				Group	
2022	2023	(Amounts in NOK millions)	Note	2023	2022
187	204	IT expenses		222	202
47	50	Market expenses		58	53
47	50	Ordinary depreciation	29	54	51
3	0	Write-down of goodwill	30	0	3
10	16	Wealth tax		16	10
36	39	Building/operating expenses		53	40
68	13	Merger expenses		13	68
113	142	Other operating expenses		151	130
512	**515**	**Total other operating expenses**		**567**	**556**

Parent bank		Auditor's remuneration	Group	
2022	2023	(amounts in NOK thousands)	2023	2022
1 040	1 544	Ordinary auditing	2 590	1 851
227	1 081	Other certification services	1 151	246
227	134	Tax advice	165	232
850	845	Other services in addition to auditing	1 011	1 059
2 344	**3 604**	**Total compensation for external auditor ex. VAT**	**4 916**	**3 388**
55	*0*	*Of which to others than the main external auditor*	*0*	*292*

Note 23 – Pensions

General description of the company's pension liabilities

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

SpareBank 1 BV's collective defined benefit schemes were discontinued in 2018 and replaced by the defined contribution pension scheme. A compensation scheme was established on the basis of a historical qualifying period within the discontinued defined-benefit schemes. The compensation scheme only applies to active employees and accrues until the age of 67, or until the employment relationship is terminated for other reasons than: illness, transition to work assessment allowance, or permanent disability. 79 employees were part of this scheme as at 31.12.2023

A closed collective defined benefit scheme for employees of the former Sparebanken Telemark was discontinued as at 31.12.2023. The scheme covered 160 people of whom 55 are active and 105 are retirees. Termination expenses for liquidation amounting to NOK 13 million as at 31.12.2023 have been recognised as expenses. A compensation scheme has been established on the basis of a historical qualifying period within the discontinued defined-benefit schemes. The compensation scheme only applies to active employees and accrues until the age of 67, or until the employment relationship is terminated for other reasons than: illness, transition to work assessment allowance, or permanent disability. 59 employees were part of this scheme as at 01.01.2024

A new contractual early retirement scheme (AFP) was established in 2010 as a replacement for the old one. The scheme is treated in the accounts as a defined contribution pension scheme, where the premium payments are recognised on an ongoing basis, and no provisions are made in the financial statements.
In addition, the Bank has pension obligations in relation to 12 people as at 31.12.2023, which are financed directly through operations.

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

As at 31.12.2023, the parent bank had a common defined contribution pension scheme. The scheme which covers a total of 392 employees, is charged to operations and is compensated with:

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

As at 31.12.2023, the subsidiaries have defined contribution pensions, charged to operations, which cover 217 employees. These schemes vary in remuneration from 5.8% to 7.0% (between 0 and 7.1 G) and 8.0% to 22.0% (between 7.1 and 12 G).

Actuarial assumptions:

	Parent bank/Group	
	2023	**2022**
Economic assumptions		
Discount rate (covered bonds)	3.70%	3.20%
Expected return on assets	3.70%	3.20%
Expected future wage development	3.75%	3.75%
Expected adjustment of G	3.50%	3.50%
Expected pension adjustment	0.00-3.50%	0.00-3.50%
Employer contributions	14.10%	14.10%
Financial activities tax (parent bank)	5.00%	5.00%
Demographic assumptions		
Voluntary retirement under 50 years	0.00%	0.00%
Voluntary retirement over 50 years	0.00%	0.00%
Disability table used	IR02/IR03	IR02/IR03
Mortality table used	K2013 BE/FNH2013	K2013 BE/FNH2013

Parent bank			Group	
2022	**2023**	**Members**	**2023**	**2022**
279	252	Number of people in the pension scheme	258	285
164	139	of which active	140	166
115	113	of which pensioners/not active	118	119

Specification of pension liabilities and pension expenses

Parent bank		**Net pension liabilities on the statement of financial position**	Group	
2022	**2023**	(amounts in NOK millions)	**2023**	**2022**
271	32	Present value of pension liabilities in fund-based schemes	41	280
94	96	Present value of other defined benefit schemes	96	94
-333	-44	Fair value of pension assets	-52	-341
70	25	Accrued employer contributions/financial activities tax	25	70
102	**108**	**Net pension liabilities on the statement of financial position 31.12**	**109**	**103**
		Accrued pension expenses		
16	16	Defined benefit pensions earned during the period	16	16
2	2	Net interest expenses, pension liabilities	2	2
0	13	Effect of changes to/winding up of scheme	13	0
2	3	Accrued employer contributions	3	3
20	**33**	**Net defined benefit pension expenses taken to profit/loss**	**33**	**20**
		Movement in net pension liabilities on the statement of financial position		
139	102	Net pension liabilities on the statement of financial position 01.01	103	140
13		Net pension liability transferred upon merger (01.04.2022)		13
20	33	Net defined benefit pension expenses taken to profit/loss	33	20
-25	-27	Amount paid to defined benefit schemes/paid for through operations	-27	-25
-47	1	The year's actuarial gains/losses recognised in other operating income and expenses	1	-47
102	**108**	**Net pension liabilities on the statement of financial position 31.12**	**109**	**103**
		Movement in gross pension liability on the statement of financial position (before e.c./financial tax)		
368	367	Gross pension liabilities on the statement of financial position 01.01	375	377
11		Gross pension liability transferred upon merger (01.04.2022)		11
11	11	Pensions earned in the year	11	11
5	11	Interest on pension liabilities	11	6
0	-214	Effect of changes to/winding up of scheme	-214	0
-9	-9	Pensions paid (incl. paid over operations)	-9	-9
-21	-35	Actuarial loss/(gain)	-35	-21
367	**131**	**Gross pension liability on the statement of financial position 31.12 (before e.c./financial tax)**	**139**	**375**
		Movement in fair value of pension assets on the statement of financial position		
251	281	Fair value of pension assets on the statement of financial position, 01.01	289	259
17	18	Paid to fund-based schemes	18	17
2	7	Net interest income from funds	7	2
	-225	Effect of changes to/winding up of scheme	-225	
-7	-7	Paid pensions	-7	-7
18	-35	Actuarial (loss)/gain	-36	19
281	**40**	**Fair value of pension assets on the statement of financial position, 31.12**	**47**	**289**

20	**Expected payment to defined benefit schemes in 2023 (before employer's contribution/financial activities tax)**	**21**

Note 24 – Tax

Parent bank			Group	
2022	2023	(amounts in NOK millions)	2023	2022
1 303	1 839	Profit before tax	1 711	1 311
-254	-253	+/-permanent differences [1]	-253	-250
109	74	+/- change in temporary differences	78	109
1 158	**1 661**	**Tax basis/taxable income**	**1 535**	**1 170**
289	415	Tax payable 25% (22%)	418	301
6	0	Tax payable on the statement of financial position from Modum	0	6
12	16	Wealth tax and withholding tax	16	12
308	**431**	**Tax payable on the statement of financial position, incl. wealth tax and withholding tax**	**435**	**319**
-27	-19	+/-change in deferred tax	-18	-32
1	0	Too much (-)/little tax set aside in previous years	0	1
263	**396**	**Tax expenses for the year, excl. wealth and withholding tax**	**400**	**270**
20.2%	21.5%	Effective tax rate	23.4%	20.6%

		Temporary differences and capitalised deferred tax/tax asset [1]		
2022	2023	(amounts in NOK millions)	2023	2022
4	-8	Tangible assets	-13	-3
15	18	Gain and loss account	18	15
-93	-109	Loans at fair value/outstanding receivables	-109	-93
62	15	Securities incl. derivatives	15	62
-138	-153	Net pension liabilities	-153	-139
-150	**-237**	**Total temporary differences**	**-243**	**-159**
25%	25%	Tax rate	25%/22%	25%/22%
-38	**-59**	**Deferred tax assets**	**-60**	**-39**

		Reconciliation of tax for the period taken to profit/loss and profit before tax		
2022	2023	(amounts in NOK millions)	2023	2022
326	460	25% of profit before tax	463	331
-64	-63	Permanent differences	-62	-63
1	0	Too much (-)/little tax set aside in previous years	0	1
263	**396**	**Tax on ordinary profit/loss**	**400**	**270**

		Tax expenses on comprehensive income		
2022	2023	(amounts in NOK millions)	2023	2022
263	396	Total tax expenses taken to profit/loss	400	270
-12	3	Tax on items recognised directly against equity	3	-12
252	**399**	**Total tax expenses on comprehensive income**	**403**	**258**

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

In line with the IFRS regulations, wealth tax is classified as a charge and not as a tax expense. Wealth tax amounting to NOK 16.0 (12.2) million was recognised in 2023 (2022) and was classified as other operating expenses.

Parent bank		Reconciliation of change in temporary differences	Group	
2022	2023	(amounts in NOK millions)	2023	2022
-94	-150	Temporary differences as at 01.01	-153	-93
-16	0	Temporary differences, SpareBank 1 Modum, as at 01.01.2022	0	-17
17	0	Added value, merger 01.04.2022	0	17
51	-13	+/- change in temporary differences recognised directly against equity	-13	43
-109	-74	+/- change in temporary differences recognised through profit or loss	-77	-109
-150	**-237**	**Temporary differences as at 31.12**	**-243**	**-159**

Note 25 – Financial instruments at fair value

The tables below show the classification of financial instruments in:

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

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

Group 31.12.2023 (amounts in NOK millions)	Notes	Category 1	Category 2	Category 3	Category 4	Total
Assets						
Cash and receivables from central banks					105	105
Loans to and receivables from credit institutions	7				761	761
Net lending to and receivables from customers	8	49 226	3 517		19 882	72 625
Interest-bearing securities	26	9 783				9 783
Financial derivatives	16			180		180
Shares, equity certificates and units	27	2 448				2 448
Total assets		**61 457**	**3 517**	**180**	**20 749**	**85 902**
Liabilities						
Deposits from and liabilities to credit institutions	7				16	16
Deposits from and liabilities to customers	33				55 184	55 184
Debt securities issued	34	6 515			13 251	19 766
Financial derivatives	16			234		234
Subordinated loan capital	37				751	751
Total liabilities		**6 515**	**0**	**234**	**69 202**	**75 951**

Group
31.12.2022

(amounts in NOK millions)	Notes	Category 1	Category 2	Category 3	Category 4	Total
Assets						
Cash and receivables from central banks					108	108
Loans to and receivables from credit institutions	7				673	673
Net lending to and receivables from customers	8	49 121	3 611		19 814	72 546
Interest-bearing securities	26	8 430				8 430
Financial derivatives	16			191		191
Shares, equity certificates and units	27	2 617				2 617
Total assets		**60 167**	**3 611**	**191**	**20 526**	**84 496**
Liabilities						
Deposits from and liabilities to credit institutions	7				19	19
Deposits from and liabilities to customers	33				55 216	55 216
Debt securities issued	34	6 583			12 987	19 570
Financial derivatives	16			267		267
Subordinated loan capital	37				749	749
Total liabilities		**6 583**	**0**	**267**	**68 952**	**75 802**

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 securities funds, treasury bills, government bonds and certificates that are traded in active markets.

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 issued measured at fair value, and derivatives.

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

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

The Group's assets and liabilities measured at fair value as at 31.12.2023

Assets (amounts in NOK millions)	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
- Fixed-rate loans			3 517	3 517
- Loans at fair value through OCI			49 226	49 226
- Bonds and certificates	49	9 734		9 783
- Equity Instruments	78		2 370	2 448
- Derivatives		180		180
Total assets	**126**	**9 914**	**55 113**	**65 153**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
- Securities issued at fair value		6 515		6 515
- Derivatives		234		234
Total liabilities		**6 749**		**6 749**

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

Assets (amounts in NOK millions)	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
- Fixed-rate loans			3 611	3 611
- Loans at fair value through OCI			49 122	49 122
- Bonds and certificates	250	8 180		8 430
- Equity Instruments	219		2 397	2 617
- Derivatives		191		191
Total assets	**469**	**8 371**	**55 130**	**63 970**

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

Changes in instruments classified as Level 3 as at 31.12.2023

Group (amounts in NOK millions)	Fixed-rate loans	Return instruments	Loans at fair value through OCI
Opening balance 01.01.2023	**3 611**	**2 397**	**49 122**
Additions	406	88	22 091
Disposals	-500	-132	-21 987
Net gain/loss on financial instruments		17	
Closing balance 31.12.2023	**3 517**	**2 370**	**49 226**

Changes in instruments classified as Level 3 as at 31.12.2022

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

Note 26 – Interest-bearing securities

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

Interest-bearing securities by issuer

Group	31.12.2023		31.12.2022	
(amounts in NOK millions)	Nominal value	Fair value	Nominal value	Fair value
State	50	49	250	250
Other public issuer	3 695	3 741	2 289	2 327
Financial institutions	5 885	5 973	5 757	5 832
Non-financial institutions	20	20	20	20
Total interest-bearing securities	**9 650**	**9 783**	**8 316**	**8 430**

Interest-bearing securities by maturity

Group 31.12.2023 (amounts in NOK millions)	Less than 3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Total
State			49			49
Other public issuer	759	341	1 539	1 102		3 741
Financial institutions	82	106	2 864	2 898	23	5 973
Non-financial institutions	20					20
Total interest-bearing securities at fair value	**861**	**448**	**4 451**	**4 000**	**23**	**9 783**

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

Changes in value of interest-bearing securities

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

Group (amounts in NOK millions)	Cat. 1	Cat. 2	Cat. 3	Total
Carrying amount 31.12.2022	**250**	**8 180**	**0**	**8 430**
Additions	0	7 481		7 481
Disposals	-200	-5 936		-6 136
Change in value through profit or loss	-1	10		8
Carrying amount 31.12.2023	**49**	**9 734**	**0**	**9 783**

Group (amounts in NOK millions)	Cat. 1	Cat. 2	Cat. 3	Total
Carrying amount 31.12.2021	**255**	**5 891**	**0**	**6 146**
Additions, merger	0	589		589
Additions	0	3 984		3 984
Disposals	0	-2 250		-2 250
Change in value through profit or loss	-5	-34		-40
Carrying amount 31.12.2022	**250**	**8 180**	**0**	**8 430**

Note 27 – Shares and other equity interests

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

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

Group (Amounts in NOK millions)	31.12.2023	31.12.2022
- listed	51	195
- unlisted	2 397	2 422
Total shares, equity certificates and units	**2 448**	**2 617**

Specification of significant ownership interests as at 31.12.2023

Group						
Company name	**Organisation number**	**Number of shares**	**Ownership interest in %**	**Cost price**	**Market value**	**Carrying amount**
SpareBank 1 Boligkreditt AS	988 738 387	8 715 070	11.2%	1 309	1 307	1 307
SpareBank 1 Næringskreditt AS	894 111 232	1 629 282	10.0%	206	204	204
SpareBank 1 Finans Midt-Norge AS	938 521 549	15 480	12.9%	182	196	196
SpareBank 1 Kreditt AS	975 966 453	511 733	10.1%	172	190	190
SpareBank 1 Betaling AS	919 116 749	2 777 169	8.9%	122	176	176
SpareBank 1 Forvaltning AS	925 239 690	307 855	6.7%	106	117	117
SpareBank 1 Markets AS	992 999 101	92 437	1.7%	23	37	37
Other SB1 shares and equity certificates				79	89	89
Other shareholdings				118	133	133
Total shares, equity certificates and units				**2 318**	**2 448**	**2 448**

Specification of significant ownership interests as at 31.12.2022

Group						
Company name	**Organisation number**	**Number of shares**	**Ownership interest in %**	**Cost price**	**Market value**	**Carrying amount**
SpareBank 1 Boligkreditt AS	988 738 387	9 496 225	12.2%	1 426	1 424	1 424
SpareBank 1 Næringskreditt AS	894 111 232	1 684 924	10.4%	213	211	211
SpareBank 1 Finans Midt-Norge AS	938 521 549	15 225	14.5%	179	179	179
SpareBank 1 Betaling AS	919 116 749	2 446 000	8.9%	133	174	174
SpareBank 1 Kreditt AS	975 966 453	423 851	10.6%	139	151	151
SpareBank 1 Forvaltning AS	925 239 690	246 176	6.7%	87	93	93
SpareBank 1 Markets AS	992 999 101	92 437	2.9%	23	31	31
Other SB1 shares and equity certificates				84	105	105
Other shareholdings				238	248	248
Total shares, equity certificates and units				**2 521**	**2 617**	**2 617**

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

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

Group (amounts in NOK millions)	Cat. 1	Cat. 2	Cat. 3	Total
Carrying amount 31.12.2022	**219**	**0**	**2 397**	**2 617**
Additions/disposals	-15		-154	-169
Change in value through profit or loss	-12		13	1
Carrying amount 31.12.2023	**192**	**0**	**2 255**	**2 448**

Group (amounts in NOK millions)	Cat. 1	Cat. 2	Cat. 3	Total
Carrying amount 01.01.2023	**199**	**0**	**2 004**	**2 203**
Supply from merger with SpareBank 1 Modum	22		352	374
Additions/disposals	4		-19	-15
Change in value through profit or loss	-5		60	54
Carrying amount 31.12.2022	**219**	**0**	**2 397**	**2 617**

Note 28 – Investments in group companies, joint ventures and associated companies

Subsidiaries

Company name (amounts in NOK millions)	Organisation number	Acquisition date	Business office	Ownership interest	Voting share	Cost price	Carrying amount
EiendomsMegler 1 Sørøst-Norge AS [1]	982 832 632	Jan. 2000	Nøtterøy	100%	100%	75	85
EiendomsMegler 1 Telemark AS	971 225 793	Jun. 2021	Skien	51%	51%	1	1
SpareBank 1 Regnskapshuset Sørøst-Norge AS	998 867 770	Sept. 2012	Drammen	100%	100%	51	41
Imingen Holding AS	990 507 007	Nov. 2006	Kongsberg	100%	100%	1	2
Larvik Marina AS	989 866 990	Jan. 2017	Nøtterøy	100%	100%	0	0
Tufte Eiendom AS	986 844 058	Jun. 2021	Porsgrunn	100%	100%	9	9
Sparebankgården AS	989 974 777	Jun. 2021	Porsgrunn	100%	100%	22	22
Total shares in subsidiaries						**159**	**160**

1) EiendomsMegler 1 Sørøst-Norge AS and Z - Eiendom AS merged in 2022 with accounting effect from 01.09.2023.

Changes in shareholdings in subsidiaries

(amounts in NOK millions)	Carrying amount
Carrying amount 01.01.2023	153
Issue SpareBank 1 Regnskapshuset Sørøst-Norge	7
Carrying amount 31.12.2023	**160**

Associated companies and joint ventures

Company name	Classification	Organisation no.	Business office	Ownership interest	Voting share	Number of shares
Samarbeidende Sparebanker AS [2]	Joint ventures	977 061 164	Oslo	32.2%	12.5%	299 679
SpareBank 1 SamSpar AS [2]	Joint ventures	992 258 381	Oslo	32.4%	12.5%	287 663
BN Bank ASA [3]	Associated companies	914 864 445	Trondheim	7.5%	7.5%	1 053 610

Parent bank

(amounts in NOK millions)	SamSpar AS	SpareBank 1 SamSpar AS	BN Bank ASA	Carrying amount
Carrying amount 01.01.2023	**919**	**55**	**217**	**1 191**
Acquisition of shares from SpareBank 1 Søre Sunnmøre (SB1 SMN)	74	6		80
Emissions	70			70
Carrying amount 31.12.2023	**1 064**	**61**	**217**	**1 341**

Group

(amounts in NOK millions)	SamSpar AS	SpareBank 1 SamSpar AS	BN Bank ASA	Carrying amount
Carrying amount 01.01.2023	**1 054**	**8**	**390**	**1 452**
Implementation effects of IFRS 17 and IFRS 9 in SamSpar	-60			-60
Acquisition of shares from SpareBank 1 Søre Sunnmøre (SB1 SMN)	74	6		80
Emissions	70			70
Dividends paid 2023	-162		-15	-177
Profit contribution 2023	-11	1	55	44
Value change/OCI	2			2
Carrying amount 31.12.2023	**967**	**14**	**429**	**1 411**

[2] Samarbeidende Sparebanker AS (SamSpar) and SpareBank 1 SamSpar AS are jointly owned by eight participating savings banks. Please also refer to section 3 of the Annual Report for a more detailed description of the Alliance cooperation. The Bank is represented on the board and has considerable influence in the company.

[3] The Bank is represented on the board and has a significant influence in BN Bank ASA.

Note 29 – Property, plant and equipment

Parent bank						Group				
Facilities under constru-ction	Righ-t-of-use asset IFRS 16	Buildings and ot-her real estate	Machinery, fixtures and fittings and vehicles	Total	(amounts in NOK millions)	Total	Machinery, fixtures and fittings and vehicles	Buildings and ot-her real estate	Right-of-use asset IFRS 16	Facilities under constru-ction
1	163	264	112	539	Acquisition cost or adjusted value as at 31.12.2022	625	138	321	165	1
4	4		6	13	Additions	20	6	0	10	4
0		-13	-21	-35	Disposals	-42	-28	-13	0	-1
4	**167**	**250**	**97**	**518**	**Acquisition cost or adjusted value as at 31.12.2023**	**603**	**116**	**308**	**175**	**4**
0	-83	-115	-60	-258	Accumulated depreciation and impairment 31.12.2022	-299	-82	-135	-82	0
0	-26	-13	-11	-50	Depreciation for the year	-54	-13	-15	-27	0
0	0	3	21	24	Depreciation related to discontinued assets	25	22	3	0	0
0	**-109**	**-125**	**-50**	**-284**	**Accumulated depreciation and impairment 31.12.2023**	**-329**	**-73**	**-147**	**-109**	**0**
4	**57**	**125**	**47**	**234**	**Carrying amount as at 31.12.2023**	**275**	**44**	**161**	**66**	**4**

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

[1] Adjusted for effects after the merger between Sparebanken Telemark and SpareBank 1 Modum

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

Gross value of fully depreciated assets: The gross value of fixed assets that are fully depreciated, is calculated to be obsolete. Obsolete fixed assets are valued as no longer being in use.

Restatements: The Bank has not carried out ongoing revaluations of fixed assets.

Note 30 – Goodwill

Parent bank			Group	
2022	**2023**	(amounts in NOK millions)	**2023**	**2022**
		Goodwill		
0	360	Corrected acquisition cost as at 01.01	480	46
360	0	Additions	0	427
360	**360**	**Acquisition cost as at 31.12**	**480**	**473**
0	3	Cumulative impairments 01.01	15	12
3	0	Impairments for the year	0	3
3	**3**	**Cumulative impairments 31.12**	**15**	**15**
357	**357**	**Capitalised goodwill as at 31.12**	**465**	**458**

Parent bank		The carrying amount consists of:	Group	
2022	**2023**	(amounts in NOK millions)	**2023**	**2022**
351	351	Merger between SpareBank 1 Sørøst-Norge and SpareBank 1 Modum	342	342
6	6	Acquisition of Varig Forsikring Midt-Buskerud AS (added via the merger with SpareBank 1 Modum)	6	6
		Acquisition of real estate business	56	56
		Acquisition of accounting firm business	61	54
357	**357**	**Carrying amount 31.12**	**465**	**458**
2022	**2023**	**Impairments for the year**	**2023**	**2022**
3	**0**	**Total impairments for the year**	**0**	**3**

Goodwill arises as the difference between the fair value of the remuneration when acquiring business and the fair value of identifiable assets and liabilities, ref. the discussion under consolidation policies. Goodwill is not amortised, although it is subject to an annual impairment test with a view to identifying any fall in value, in accordance with IAS 36. When assessing falls in value, the assessment takes place at the lowest level at which it is possible to identify cash flows. The item is valued annually and written down if, after a specific assessment, there is a basis for doing so.

An impairment assessment was conducted of the goodwill that arose in connection with the merger with SpareBank 1 Modum in the cash flow generating entities retail market and corporate market as at 31.12.2023 in line with the requirements of IAS 36. Calculations show that the value of discounted future cash flows exceeds by a good margin the goodwill on the statement of financial position.

Assumptions in the impairment assessment model: return on equity (before tax) of 10% and long-term growth factor set at 2% for all cash generating units. For a detailed description of the methods and assumptions used when calculating recoverable amounts for goodwill, see Note 2 Accounting policies. Other goodwill in the Group is calculated based on average earnings in the market area and discounted by a risk-free interest rate + risk premium (12%).

Impairments in 2022 concerned Varig Forsikring Midt-Buskerud AS.

Note 31 – IFRS 16 Leases

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

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

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

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

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

Parent bank		Statement of financial position	Group	
31.12.2022	**31.12.2023**	(Amounts in NOK millions)	**31.12.2023**	**31.12.2022**
81	58	Lease liabilities	67	83
80	57	Right-of-use asset	66	83

		Income statement		
2022	**2023**	(amounts in NOK millions)	**2023**	**2022**
25	26	Depreciation	27	26
-27	-27	Payments of rent	-28	-28
2	1	Interest	1	1
0	**0**	**Total**	**0**	**0**

Note 32 – Other assets

Parent bank				Group	
31.12.2022	**31.12.2023**	(amounts in NOK millions)	**Note**	**31.12.2023**	**31.12.2022**
7	12	Accounts receivable		126	114
10	9	Accrued, not received income		10	18
33	40	Other prepaid expenses		40	33
42	26	Provisions and internal accounts		26	42
191	180	Financial derivatives	16	180	191
283	**267**	**Total other assets**		**382**	**399**

Note 33 – Deposits from customers

Parent bank					Group			
31.12.2022		31.12.2023		Deposits from customers	31.12.2023		31.12.2022	
Share	Amount	Share	Amount	(amounts in NOK millions)	Amount	Share	Amount	Share
81.8%	45 232	80.2%	44 329	Deposits from customers with no agreed term to maturity	44 270	80.2%	55 216	100.0%
18.2%	10 051	19.8%	10 914	Deposits from customers with agreed term to maturity	10 914	19.8%	-	0.0%
100.0%	**55 284**	**100.0%**	**55 243**	**Total deposits from customers**	**55 184**	**100.0%**	**55 216**	**100.0%**

31.12.2022		31.12.2023			31.12.2023		31.12.2022	
Share	Amount	Share	Amount	Deposits by geographical areas	Amount	Share	Amount	Share
62.0%	34 295	61.7%	34 111	Vestfold og Telemark	34 052	61.7%	34 253	62.0%
29.6%	16 371	30.6%	16 915	Viken	16 915	30.7%	16 351	29.6%
7.5%	4 126	6.8%	3 735	Rest of Norway	3 735	6.8%	4 121	7.5%
0.9%	493	0.9%	483	Abroad	483	0.9%	492	0.9%
100.0%	**55 284**	**100.0%**	**55 243**	**Total deposits distributed by geographic areas**	**55 184**	**100.0%**	**55 216**	**100.0%**

Parent bank		Deposits by sector and industry	Group	
31.12.2022	31.12.2023	(Amounts in NOK millions)	31.12.2023	31.12.2022
36 228	37 113	Employees, etc.	37 113	36 228
5 896	5 858	Property management/business services, etc.	5 799	5 829
310	260	Property management housing cooperatives	260	310
1 754	1 605	Wholesale and retail trade/hotels and restaurants	1 605	1 754
802	585	Agriculture/forestry	585	802
1 744	1 628	Building and construction	1 628	1 744
4 184	4 656	Transport and service Industries	4 656	4 184
984	889	Production (manufacturing)	889	984
2 500	2 346	Public administration	2 346	2 500
882	304	Other	304	882
55 284	**55 243**	**Total deposits by sector and industry**	**55 184**	**55 216**

Note 34 – Debt 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..

Figures have not been prepared for the parent bank, since they are almost identical to the Group's figures.
All bond loans are issued in Norwegian kroner (NOK).

Group	31.12.2023		31.12.2022	
(amounts in NOK millions)	Nominal value	Book value	Nominal value	Book value
Bond debt	15 065	15 065	16 178	16 178
Bond debt, SNP	4 750	4 750	3 500	3 500
Value adjustments and accrued interest	0	-49	0	-108
Total interest-bearing securities	**19 815**	**19 766**	**19 678**	**19 570**
Average interest rate, financial borrowing	4.86%		2.47%	

Financial borrowing by maturity date (amounts in NOK millions)	31.12.2023	31.12.2022
2023		1 068
2024	1 593	3 700
2025	4 372	4 590
2026	4 400	4 150
2027	4 250	4 250
2028	3,000	1 520
2029 and later	2 200	400
Total financial borrowing, nominal value	**19 815**	**19 678**

Change in financial borrowing

Group (Amounts in NOK millions)	31.12.2023	Issued	Due/ redeemed	Change in no.	31.12.2022
Bond debt	15 065	2 280	-3 393		16 178
Bond debt, SNP	4 750	1 250			3 500
Value adjustments and accrued interest	-49			59	-108
Total interest-bearing securities	**19 766**	**3 530**	**-3 393**	**59**	**19 570**

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

1) Merger 01.04.2022 portfolio SpareBank 1 Modum

Note 35 – Other liabilities and commitments

Parent bank				Group	
31.12.2022	**31.12.2023**	(amounts in NOK millions)	**Note**	**31.12.2023**	**31.12.2022**
		Other liabilities and commitments			
103	108	Pension liabilities	23	109	104
20	19	Provisions for losses on guarantees	8	19	20
42	54	Accounts payable		66	55
81	58	IFRS 16 liabilities related to leases	31	67	81
181	149	Other liabilities		170	218
68	44	Other expenses incurred		51	76
36	38	Holiday pay		57	55
19	22	Employer's National Insurance contributions and financial activities tax		28	25
267	234	Financial derivatives	16	234	267
816	**726**	**Total other liabilities and commitments**		**802**	**900**
		Off-statement of financial position liabilities			
4 520	4 868	Unutilised credit facilities	13	4 868	4 518
911	875	Guarantees	36	875	911
5 431	**5 743**	**Total off-statement of financial position liabilities**		**5 743**	**5 429**
		Assets pledged as security			
387	6 507	Securities pledged in Norges Bank		6 507	387
387	**6 507**	**Total assets pledged as security**		**6 507**	**387**

Note 36 – Guarantees

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

Group

(Amounts in NOK millions)	31.12.2023	31.12.2022
Guarantee liabilities by type of guarantee		
Loan guarantees	356	377
Payment guarantees	145	141
Contractual guarantees	303	311
Other guarantee liabilities	71	83
Total guarantee liabilities	**875**	**911**
Guarantee liabilities by sector and industry		
Employees, etc.	41	55
Agriculture/forestry	8	10
Production (manufacturing)	85	87
Building and construction	195	172
Wholesale and retail trade/hotels and restaurants	111	218
Property management/business services, etc.	274	246
Transport and service Industries	145	106
Public administration	17	16
Other	0	0
Total guarantee liabilities by sector and industry	**875**	**911**
Guarantee liabilities by geographic area		
Vestfold og Telemark	589	555
Viken	241	321
Rest of Norway	45	25
Abroad	1	11
Total guarantee liabilities by geographic area	**875**	**911**

Note 37 – Subordinated loan capital

Figures have not been prepared for the parent bank, since they are almost identical to the Group's figures. All subordinated bond loans are issued in Norwegian kroner (NOK).

Time-limited subordinated bond loans – conditions

Group (amounts in NOK millions)	**Starting year**	**First call date**	**31.12.2023**	**31.12.2022**
3-month Nibor + 1.40% p.a	2018	2023		150
3-month Nibor + 1.44% p.a	2018	2023		50
3-month Nibor + 2.15% p.a	2021	2026	45	45
3-month Nibor + 0.95% p.a	2021	2026	150	150
3-month Nibor + 1.35% p.a	2022	2027	350	350
3-month Nibor + 2.35% p.a	2023	2028	200	0
Accrued interest			6	4
Total subordinated loan capital			**751**	**749**

Average interest rate, subordinated loan capital	**5.81%**	**3.19%**

Change in subordinated loan capital

Group (Amounts in NOK millions)	**31.12.2023**		**Issued**	**Due/ redeemed**	**31.12.2022**
Time-limited subordinated loan capital, nominal value	745		200	-200	745
Accrued interest	6		0	2	4
Total subordinated loan capital	**751**		**200**	**-198**	**749**

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

1) Merger 01.04.2022 portfolio SpareBank 1 Modum

Note 38 – Close associates

Loans to subsidiaries, joint ventures and associated companies are provided on ordinary customer terms and conditions. Loans to other close associates also comply with the Bank's other customer terms and conditions.

All figures are for the parent bank.

Parent bank	Subsidiaries, joint ventures and associated companies	
Loans (amounts in NOK millions)	**2023**	**2022**
Outstanding loans as at 01.01	28	29
Additions via merger 01.04	0	2
Net lending in the period	-8	-3
Outstanding loans as at 31.12.	**20**	**28**
Interest income	2	2
Impairment of loans recognised in profit and loss	0	0

Deposits (amounts in NOK millions)	**2023**	**2022**
Deposits as at 01.01.	78	91
Additions via merger 01.04	0	15
Net deposits in the period	19	-28
Deposits as at 31.12.	**98**	**78**
Interest expenses	0	0

Note 39 – Earnings per equity certificate and calculation of the equity certificate fraction

Earnings per equity certificate are calculated by dividing the proportion of the annual 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.

Earnings per equity certificate

Parent bank		
(amounts in NOK millions)	**31.12.2023**	**31.12.2022**
Adjusted profit for the year		
Profit for the year in accordance with the annual financial statements	1 443	1 040
- corrected for interest on additional Tier 1 capital recognised directly against equity	-26	-19
- corrected for income/expenses recognised through profit or loss – transferred to/from FUG	-21	-74
Adjusted profit for the year	1 396	947
Equity certificate holders' share (60.7%) of corrected result	**847**	**575**
Profit/loss for the year allocated to the company's equity certificate holders	847	575
Number of equity certificates issued (weighted average 01.01-31.12)	140 098 561	134 642 474
Earnings per equity certificate	**6.05**	**4.27**
Nominal Value (NOK)	15.00	15.00

Calculation of equity certificate fraction

Parent bank		
Equity certificate fraction (amounts in NOK millions)	**31.12.2023**	**31.12.2022**
Equity certificate capital	2 101	2 101
Share premium fund	3 779	3 569
Dividend equalisation fund	295	1 049
Allocated but not approved dividend	544	574
Total equity certificate holders' capital	**6 719**	**7 293**
Sparebankens Fond	3 992	4 344
Allocated but not approved dividend/gifts for community capital	352	372
Gift fund	7	7
Total community-owned capital	**4 350**	**4 723**
Equity, excl. dividends, gifts, hybrid capital and other equity	11 069	12 016
Equity certificate fraction	**60.7%**	**60.7%**
Community capital ratio	**39.3%**	**39.3%**

Proposed dividends and gifts

	31.12.2023	31.12.2022
Proposed dividend (NOK millions)	544	574
Proposed dividend per equity certificate (NOK)	3.88	4.10
Proposed dividends/gifts for community capital (NOK millions)	352	372

Dividend policy

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

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

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

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

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

Note 40 – Equity certificate holders and distribution of equity certificates

The Bank's equity certificate capital (capital paid in via equity certificates) amounts to NOK 2 101 478 415 divided into 140 098 561 equity certificates, each with a nominal value of NOK 15.00.

SpareBank 1 Sørøst-Norge owned 127 430 equity certificates at the end of the year.

The ownership ratio was 60.7%.

Equity certificate holders are represented by nine out of 24 members (voting) on the Supervisory Board.

Equity certificate holders

There were 5 776 (5 961) equity certificate holders at the end of 2023 (2022). The 20 largest owners were:

	Quantity	% of total number of equity certificates
SPAREBANK 1 STIFTELSEN BV	24 141 356	17.2%
SPAREBANKSTIFTELSEN TELEMARK	18 910 174	13.5%
SPAREBANKSTIFTELSEN SPAREBANK 1 MODUM	18 444 646	13.2%
SPAREBANKSTIFTELSEN NØTTERØY-TØNSBERG	10 925 503	7.8%
SPAREBANKSTIFTELSEN NOME	10 273 723	7.3%
SPESIALFONDET BOREA UTBYTTE	3 870 435	2.8%
VPF EIKA EGENKAPITALBEVIS	3 595 308	2.6%
PARETO INVEST NORGE AS	2 871 322	2.0%
BRANNKASSESTIFTELSEN MIDT-BUSKERUD	2 659 369	1.9%
KOMMUNAL LANDSPENSJONSKASSE GJENSIDIGE	1 608 606	1.1%
WENAASGRUPPEN AS	1 087 931	0.8%
CATILINA INVEST AS	954 559	0.7%
MELESIO INVEST AS	952 259	0.7%
LANDKREDITT UTBYTTE	903 455	0.6%
SANDEN EQUITY AS	707 494	0.5%
FORETAKSKONSULENTER AS	621 230	0.4%
SKOGEN INVESTERING AS	605 000	0.4%
HAUSTA INVESTOR AS	440 000	0.3%
TROVÅG AS	418 792	0.3%
JAG HOLDING AS	417 367	0.3%
Total 20 largest equity certificate holders	**104 408 529**	**74.5%**
SpareBank 1 Sørøst-Norge (own equity certificates)	127 430	0.1%
Other owners	35 562 602	25.4%
Total number of equity certificates (par value NOK 15)	**140 098 561**	**100.0%**

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

The executive management team

Name	Title	Number of equity certificates as at 31.12.2023
Per Halvorsen	CEO	18 578
Geir A. Hansen	Deputy CEO	11 355
Roar Snippen	CFO (IR)	24 054
Marianne Sommerro Evensen	Executive Vice President Compliance, Privacy and Legal	9 465
Marianne Thorsdal	Executive Vice President HR and Organisational Development	10 718
Johan Hjerkinn	Executive Vice President Strategy and Business Development	4 372
Tonje Stormoen	Executive Vice President Business Support	11 511
Kristian Kloster	Executive Vice President Risk Management	3 910
Egil Meland	Executive Vice President Subsidiaries	1 305
Lars A. Hovland	Executive Vice President Corporate Market	1 012
Lasse Olsen	Executive Vice President Retail Market	19 254

The Board of Directors

Name	Title	Number of equity certificates as at 31.12.2023
Finn Haugan	Chair of the Board	50 000
John-Arne Haugerud	Deputy Chair	13 420
Maria Tho	Board member	0
Lene Svenne	Board member	850
Heine Wang (Wang Invest AS)	Board member	27 000
Jan Erling Nilsen	Board member	2 986
Lene Marie Aas Thorstensen	Board member	0
Frede Christensen	Board member, employee representative	13 622
Hanne Myhre Gravdal	Board member, employee representative	8 762

The Supervisory Board

Name	Title	Number of equity certificates as at 31.12.2023
Lars Ole Bjørnsrud	Chair	0
Øystein Beyer	Deputy Chair	6 570
Ingebjørg Tollnes	Depositor-elected	4 083
Helge Standeren	Depositor-elected	0
Tom Mellow	Depositor-elected	0
Kristin Storhaug	Depositor-elected	0
Ellen Mette Oredalen	Depositor-elected	0
Knut Åge Andersen	Depositor-elected	313
Pål Stenbro	Depositor-elected	0
Gisle Dahn	EC holder-elected	3 200
Bjørn Engaas	EC holder-elected	14 797
Reidun Sundal	EC holder-elected	15 094
Iver A. Juel	EC holder-elected	339 187
Thor Strand	EC holder-elected	0
Hallgeir Skogen	EC holder-elected	107 061
Gro Aakre	EC holder-elected	8 482
Morten Wexels	EC holder-elected	2 986
Egil Stokken	EC holder-elected	340
Gjermund Rønning	EC holder-elected	0
Yngve Leren (Leren AS)	EC holder-elected	5 000
Halvor Aarnes	Employee-elected	41 525
Anne Rundtom Jørgensen	Employee-elected	15 677
Tina Kvilhaug	Employee-elected	168
Stein Erik Amlie	Employee-elected	7 465
Arnt Olav Svensli	Employee-elected	3 712
Bente Mehlum Svendsen	Employee-elected	4 761
Ingeborg Skaalen Berg	Employee-elected	1 012

Note 41 – Pro forma income statement, statement of financial position and key figures

The pro forma results for 2022 represent the income statements, statements of financial position and key figures for both banks (SpareBank 1 Sørøst-Norge 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.

Combined results (pro forma) [1]

Group		
(amounts in NOK millions)	**2023**	**2022**
Interest income	4 386	2 650
Interest expenses	2 347	1 031
Net interest income	**2 039**	**1 620**
Commission income	584	639
Commission expenses	60	40
Other operating income	325	316
Net commission and other income	**848**	**915**
Dividends	38	79
Net result from ownership interests	44	96
Net result from other financial investments	18	2
Net income from financial assets	**100**	**177**
Total net income	**2 987**	**2 711**
Personnel expenses	767	747
Other operating expenses	567	583
Total operating expenses	**1 334**	**1 330**
Profit before losses and tax	**1 654**	**1 381**
Losses on loans and guarantees	-57	40
Profit before tax	**1 711**	**1 341**
Tax expense	400	275
Profit before other comprehensive income	**1 310**	**1 067**

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

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

Group	31.12.2023	31.12.2022
Profitability (%)		
Return on equity	10.2%	8.8%
Net interest income	2.27%	1.84%
Cost-income ratio	44.6%	49.1%
Statement of financial position figures (NOK millions)		
Gross lending to customers, incl. transfers to mortgage credit institutions	105 204	105 141
Gross lending to customers on the statement of financial position	72 862	72 852
Loans transferred to mortgage credit institutions	32 342	32 289
Lending growth in the past 12 months	0.1%	2.5%
Deposits from customers	55 184	55 216
Deposit coverage on the statement of financial position	75.7%	75.8%
Deposit coverage ratio, incl. mortgage credit institutions	52.5%	52.5%
Deposit growth in the past 12 months	-0.1%	1.2%
Total assets	90 003	89 547
Total assets, incl. mortgage credit institutions	122 345	121 837
Equity, excl. hybrid capital	12 700	12 424
Staffing		
Number of FTEs	644,0	651.8
of which parent bank	*436.1*	*431.6*

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

Note 42 – Events after the statement of financial position date

No events have occurred after the statement of financial position date that are of material significance for the financial statements as presented.

Declaration from the Board of Directors and the CEO

We confirm that the annual accounts for the period 01.01.2023 to 31.12.2023, to the best of our knowledge, have been prepared in accordance with International Financial Reporting Standards (IFRS) and that the information in the financial statements gives a true and fair view of the parent bank's and the Group's assets, liabilities, financial position and results as a whole and that information in the Annual Report provides a true and fair view of the financial performance and position of the parent bank and the Group, along with a description of the most important risk and uncertainty factors faced by the Group.

Sandefjord, 20 mars 2024

Finn Haugan
Chair of the Board

John-Arne Haugerud
Deputy Chair

Lene Svenne

Heine Wang

Jan Erling Nilsen

Lene Marie Aas Thorstensen

Maria Tho

Hanne Myhre Gravdal
Employee representative

Frede Christensen
Employee representative

Alternative performance measures (APMs)

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

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

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

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

Auditor's report

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To the Board of Representatives of SpareBank 1 Sørøst-Norge

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company SpareBank 1 Sørøst-Norge (the Company), which comprise the balance sheet as at 31 December 2023, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of SpareBank 1 Sørøst-Norge and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2023, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,

- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and

- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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

Basis for Opinion

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

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

We have been the auditor of the Company for 15 years from the election by the general meeting of the shareholders on 20 March 2009 for the accounting year 2009 with a renewed election on the 20 March 2014.

Key Audit Matters

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

1. Expected credit loss on loans and guarantees

Reference is made to note 2 Accounting policies, note 3 Critical accounting estimates and assessments regarding the use of accounting policies, note 8 Loans and receivables from customers, note 11 Losses on loans and guarantees and the Board of Directors' annual report, paragraph Losses and impairment provisions.

The Key Audit Matter	*How the matter was addressed in our audit*
Expected credit loss on loans and guarantees that are not credit-impaired for the corporate marked and the personal marked amounts to MNOK 124 for the Company and the Group as of 31 December 2023. Expected credit losses on loans and guarantees that are credit-impaired for the corporate marked amounts to MNOK 91 for the Company and the Group as of 31 December 2023. IFRS 9 requires that the Group recognise expected credit loss equal to 12-month expected credit losses for loans and guarantees that doesn't have a significant increase in credit risk (stage 1), and lifetime expected credit loss for loans and guarantees that has a significant increase in credit risk (stage 2). The Group apply models for calculating expected credit loss for stage 1 and 2. The models are complex and includes large amounts of data. At the same time, management exercise judgement, particularly related to the following parameters; • Probability of default (PD) • Loss given default (LGD) • Exposure at default (EAD) • Definition of significant increase in credit risk • Weighing of different forward-looking macroeconomic scenarios. For loans and guarantees where there is significant increase in credit risk and where the engagement is credit-impaired (stage 3), the Group calculates the lifetime expected credit loss based on an individual assessment. Determining the expected credit loss entails a high degree of management judgment. Key factors in management's assessments are:	We gained an understanding of the Groups definitions, methods and control procedures for measuring and recognition of expected credit loss. We have obtained an assurance report with reasonable assurance (ISAE 3000) from an independent auditor which has evaluated: • whether PD, LGD and EAD included in the model are calculated correctly • whether data input used in the model is correct, and • whether the model calculating expected credit losses are in accordance with the requirements in IFRS 9. We have assessed the independent auditor's competence and objectivity. We have, with assistance from our specialist, evaluated the reports results in order to assess possible deviations and consequences for our audit. We have further conducted our own procedures in order to test the completeness and accuracy of data input in the model calculated expected credit loss. In order to challenge management's judgements and parameters that have been used in the calculation of the expected credit loss for stage 1 and 2, we have; • Assessed the applied definition of significant increase in credit risk and weighing of different scenarios. • Assessed model-calculated expected credit losses against comparable banks For a selection of credit-impaired loans and guarantees, we have challenged management's judgment by assessing the size of cash flows

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

2. IT-systems and application controls

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

Other Information

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

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

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

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion
As part of the audit of the financial statements of SpareBank 1 Sørøst-Norge we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name 5967007LIEEXZX4VQO21-2023-12-31-nb have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

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

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

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

Oslo, 20 March 2024
KPMG AS

Anders Sjöström
State Authorised Public Accountant

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

Presentation of the executive management team

Per Halvorsen (1962) – CEO

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

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

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

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

Number of equity certificates in SpareBank 1 Sørøst-Norge: 18 578

Geir Årstein Hansen (1959) – Deputy CEO

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

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

Up to 29.02.2024, he was the Deputy CEO and has extensive experience of board work in the Group and is a deputy board member of Samarbeidende Sparebanker AS, Samarbeidende Sparebanker Utvikling DA and SpareBank 1 Samspar AS.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 11 355

Roar Snippen (1963) – CFO

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

He graduated as an economist from the University of Oslo and as an auditor from the University of South-Eastern Norway and has also completed the Solstrand Programme. He worked for Storebrand from 1998 to 2006 as its director with responsibility for strategic risk management and investment strategy.

In 2006, he became the CEO of Holla og Lunde Sparebank and, following its merger in 2012 with Sparebanken Telemark, he became the executive vice president of economy and finance (CFO).

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

Number of equity certificates in SpareBank 1 Sørøst-Norge: 24 054

Marianne Sommerro Evensen (1970)
– Executive Vice President Compliance, Privacy and Legal

Marianne Sommerro Evensen is a state authorised public accountant from the Norwegian School of Economics in Bergen (NHH).

She has worked for the Bank since 2003, and has held several managerial positions and as sector adviser for the corporate market, project management, risk, compliance and group management.

Previously, she had 10 years of experience in auditing and consulting.

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

Number of equity certificates in SpareBank 1 Sørøst-Norge: 9 465

Kristian Kloster (1978) – Executive Vice President Risk Management

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

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

He currently holds no board positions.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 3 910

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

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

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

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

Number of equity certificates in SpareBank 1 Sørøst-Norge: 4 372

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

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

She was appointed the director of HR and organisation in Sparebanken Telemark in 2012 in connection with the merger with Holla og Lunde Sparebank. Her core areas are management, corporate culture, communication and competence.

Marianne Thorsdal has extensive experience from the public and private sectors, including the Southern Norway Regional Health Authority, Telemark University College and IKEA Norway. She has board experience from various companies in the tourism and technology industries. She has been a permanently attending representative from the management in several companies, including from Telemark University College and IKEA Norway. Currently holds no board positions.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 10 718

Tonje Stormoen (1965) – Executive Vice President Business Support

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

She has held several previous management positions, including various executive positions at Intrum Justitia AS. She joined SpareBank 1 Nøtterøy-Tønsberg in 2007 as a head of department and held other positions as head of business development and marketing director. She became the Director of Business Support at SpareBank 1 BV in 2017.

She has board experience from various companies in estate agency, finance, media and debt recovery.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 11 511

Egil Meland (1960) – Executive Vice President Subsidiaries

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

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

Prior to the merger of Sandsvær Sparebank and SpareBank 1 Vestfold in 2008, he was the CEO of Sandsvær Sparebank. He was the Deputy CEO of SpareBank 1 BV in the period 2008-2012.

He started his career in what is today Sparebanken Øst. He left his position of Director Retail Market at Sparebanken Øst in 2002. In addition to extensive banking experience, he also has extensive board experience within the Group, companies in the SpareBank 1 Alliance and SpareBank 1 Gruppen AS.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 1 305

Lasse Olsen (1975) – Executive Vice President Retail Market

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

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

He has worked in the Bank since 2008 and has held various management positions in the retail market division. He became the Director Retail Market in SpareBank 1 BV on 01.11.2015.

He is currently a board member of EiendomsMegler 1 Sørøst-Norge AS and SpareBank 1 Finans Midt-Norge AS.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 19 254

Lars Arnecke Hovland (1984) – Executive Vice President Corporate Market

Lars Arnecke Hovland holds a bachelor's degree in finance from BI Norwegian Business School and Ritsumeikan Asia Pacific University, as well as a master's degree in business management from the University of Technology, Sydney.

He was part of the management group and head of customer-facing operations in SpareBank 1 Modum from 2016 until the merger with SpareBank 1 Sørøst-Norge in 2022. Since then, he has held the role of Regional Bank Manager Corporate Market in Buskerud and has been the acting Executive Vice President Corporate Market since April 2023.

He has also gained experience from a number of roles in banking since 2007, including being responsible for channel interaction in cooperating savings banks' joint services (SpareBank 1 SamSpar AS).

He has experience as a board member at the former EiendomsMegler 1 Modum and Drammen Works.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 1 012

Presentation of the Board of Directors

Finn Haugan (1953) – Chair of the Board

Finn Haugan lives in Trondheim and has a master's degree in business and economics from BI Norwegian Business School. He was the CEO of SpareBank 1 SMN between 1991 and 2019.

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

He has held a number of board positions in the financial services industry, including the role of chair of the boards of Fremtind Forsikring AS, SpareBank 1 Gruppen AS, BN Bank ASA, the Norwegian Banks' Guarantee Fund, Finance Norway and the Norwegian Savings Banks Association.

Today he is the chair of the boards of Sinkaberg-Hansen AS, Norbit ASA, Borg Forvaltning AS, SOLON Eiendom AS, SOLON Eiendom Holding AS, Folkeinvest AS and Elekt AS, as well as the deputy chair of the board of LL Holding, and a board member of Okea ASA and Kolstad Handball.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 50 000

John-Arne Haugerud (1956) – Deputy Chair

John-Arne Haugerud lives in Vikersund.

He has extensive experience as a manager and senior manager within IT and finance, including 15 years in the executive management team of Evry ASA (now TietoEvry), 6 years as the CEO of Verdipapirsentralen AS and as a member of the executive management team of OsloBørs VPS ASA.

He has been the CEO of Kraftia Energi AS for the past 6 years but has now switched to the role of chair of the board. He has broad experience of board work.

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

Number of equity certificates in SpareBank 1 Sørøst-Norge: 13 420

Maria Tho (1981) – Board member

Maria Tho is the CFO of InflowControl AS and has more than 15 years of experience in senior finance and strategy positions in multinational and national enterprises.

Her previous roles include both assistant bank manager and CFO at Larvikbanken and CFO at Net Trans Services AS. She has also worked as a state authorised public accountant at EY.

Tho holds a master's degree in accounting and auditing from BI Norwegian Business School from 2008 and a bachelor's degree in auditing from Oslo University College from 2003.

No equity certificates in SpareBank 1 Sørøst-Norge

Heine Wang (1963) – Board member

Heine Wang lives on Nøtterøy and is a lawyer. He has held various board positions, including as former president of NHO. Today, he is the chair of the board of directors of Sandefjord Lufthavn Torp AS, Cares AS, Arnadal Anlegg and sits on the boards of Varro Vekstpartner og Kapitalpartner AS.

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

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

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

Lene Marie Aas Thorstensen (1977) – Board member

Lene Marie Aas Thorstensen lives in Skien and graduated as a lawyer from the University of Oslo.

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

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

No equity certificates in SpareBank 1 Sørøst-Norge

Jan Erling Nilsen (1979) – Board member

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

He became a board member of Sparebanken Telemark in 2017.

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

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

Lene Svenne (1962) – Board member

Lene Svenne has broad management experience from listed companies and the Norwegian Armed Forces, with particular experience in corporate governance, compliance/regulatory compliance, sustainability, risk management, internal control and auditing. She also has board experience from insurance companies, organisations and associations.

She is Group Vice President Governance of Kongsberg Gruppen ASA and has held several other management positions in the same company. Her previous positions include serving as a divisional director of the internal audit function of the Norwegian Armed Forces and working as a state authorised public accountant at Deloitte.

She graduated as a state authorised public accountant from the Norwegian School of Economics (NHH) in Bergen and also holds a Master of Management from BI Norwegian Business School in Oslo.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 850

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

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

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

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

She joined the board of SpareBank 1 BV in 2011 and has remained a board member after the merger between Sparebanken Telemark and SpareBank 1 Sørøst-Norge.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 8 762

Frede Christensen (1961) – Board member (employee representative)

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

He has more than 41 years of wide-ranging banking experience, and headed the investment firm of Sparebanken Telemark/SpareBank 1 Sørøst-Norge from 2007 to 2022.

He has also headed the process team for placements in the SpareBank 1 Alliance and in Samarbeidende SpareBanker (SpareBank 1 SamSpar AS).

Today he works as a capital adviser and is a deputy employee representative in the Bank.

Number of equity certificates in SpareBank 1 Sørøst-Norge: 13 622

Governing bodies

The Supervisory Board

Depositor-elected representatives:
Lars Ole Bjørnsrud, Chair
Øystein Beyer, Deputy Chair
Ingebjørg Tollnes
Helge Standeren
Tom Mellow
Kristin Storhaug
Ellen Mette Oredalen
Knut Åge Andersen
Pål Stenbro

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

Equity certificate holders' representatives:

Gisle Dahn
Bjørn Engås
Reidun Sundal
Iver A. Juel
Thor Strand
Hallgeir Skogen
Gro Aakre
Morten Wexels
Egil Stokken
Gjermund Rønning
Yngve Leren

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

Employee-elected representatives:

Ingeborg Skaalen Berg
Bente Melum Svendsen
Tina Kvilhaug
Anne Rundtom Jørgensen
Stein Erik Amilie
Halvor Aarnes
Arnt Olav Svensli

Tom Sørensen, deputy member
Sjur Mogstad, deputy member

The Nomination Committee

Jan Terje Olsen, Chair
Svein Aaser
Tom Mellow
Gisle Dahn
Helge Standeren
Anne Rundtom Jørgensen
Hilde Søraas Grønhovd

The Board of Directors

Finn Haugan, Chair
John-Arne Haugerud, Deputy Chair
Heine Wang
Lene Marie Aas Thorstensen
Jan Erling Nilsen
Maria Tho
Lene Svenne
Hanne Myhre Gravdal, employee representative
Frede Christensen, employee representative
Anne Leversby permanently attending deputy employee representative until 01.04.2024

Ragnhild Ask Connell, deputy member
Jarle Peder Helgason, deputy member
Hege Miriam Østby Thorkildsen, deputy employee representative
Geir A. Vestre, deputy member employee representative

The Audit Committee

Jan Erling Nilsen, Chair
Finn Haugan
Heine Wang

Risk Committee

Finn Haugan, Chair
Maria Tho
Heine Wang

The Remuneration Committee

Finn Haugan, Chair
John-Arne Haugerud
Hanne Myhre Gravdal

The Board of Directors' activities in 2023

Board of Directors – key issues in 2023	Prepared by the Board's REMC, AC and RC subcommittees	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
		Q1			Q2			Q3			Q4		
Decision to merge with SpareBank 1 SR-Bank ASA											Board decision, 26.10. 2023		Decision by Supervisory Board, 05.12. 2023
Corporate strategy up to 2025				The main strategic directions of travel for the period up to 2025 were adopted in the autumn of 2021. They are revised on an annual basis. The following seven strategic focus areas have been emphasised for 2024: top-line growth, customer orientation, sustainability, attractive workplace, data and insights, quality, and regional bank.						Strategy adopted			
Forecasts and liquidity and capital requirement calculations - ICAAP/ILAAP/MREL, contingency and recovery plans	RC												
Code of Conduct, polices for corporate governance, sustainability, risk and capital management, incl. contingency plans (determination of risk appetite)	RC, REMC											Considered and approved policy documents applicable for 2024	
Fixed agenda items: agenda, minutes, impartiality, CEO's briefing and operational reporting													
Sustainability, risk, compliance and incident reporting	RC		Q4			Q1			Q2			Q3	
Goal monitoring via balanced scorecard			Q4			Q1			Q2			Q3	
Interim financial statements and reporting	RC, REMC		Q4			Q1			Q2			Q3	
Annual Financial Statements and Annual Report 2022 - including sustainability reporting													
Plan and reporting from external auditor			Q4	Plan and Annual Report		Q1			Q2			Q3	
Plan and reporting from internal auditor			Plan – Annual Report						Half-Year Report				
Annual report governance and control (management reporting on internal control)	RC												
Remuneration: Reporting on remuneration and establishment of executive remuneration policy	REMC											For 2024	
The Board of Director's annual plan, the Board's guidelines and instructions for subcommittees												For 2024	
Election of the Board's subcommittees													
The Board's and the sub-committees' annual self-assessments and suitability assessments – including dialogue with the nomination committee and input on the Board's training plan													

REMC – Remuneration Committee AC – Audit Committee RC – Risk Committee

Overview of board meetings in 2022

	Number of meetings
The Board of Directors	18
Board's subcommittees:	
The Remuneration Committee	5
The Audit Committee	7
The Risk Committee	8

EXTERNAL AUDITOR

KPMG AS
State-authorised Accountant Anders Sjöström

INTERNAL AUDIT FUNCTION

Ernst & Young AS
State authorised accountant Kjetil Kristensen

Corporate governance

In accordance with section 3-3b of the Norwegian Accounting Act, the Bank has prepared a separate report that deals with the policies and practice related to corporate governance. The report is referred to in a separate paragraph in the Annual Report, while the full report is published on the Bank's website:

www.sparebank1.no/nb/sorost/om-oss/investor/virksomhetsstyring.html

Risk management and internal control

SpareBank 1 Sørøst-Norge's risk and capital management must support the Group's strategic development and goal attainment, while also helping to ensure sustainable development, financial stability and prudent asset management.

This must be ensured by establishing:

- A clear corporate culture characterised by ethical conduct and a good awareness of sustainability and integrated risk management.
- An understanding of profitability from a sustainability and risk perspective that ensures good capital utilisation within the approved business strategy.
- A good culture of risk analysis and continuous improvement that ensures that no unexpected single events do serious damage to the Group's financial position.
- Structures that ensure that the organisation operates in compliance with statutory and regulatory requirements at all times.

Risk strategy and overarching risk policy

Scope

The strategy and policy covers the Group, which includes the parent bank and subsidiaries, as well as associated companies and joint ventures where applicable and relevant.

Purpose and definition of risk appetite and risk capacity

SpareBank 1 Sørøst-Norge's risk management and control work is guided by strategies and policies. It defines the risk the Group is willing to take to achieve its strategic goals, as well as how the risk should be managed and followed up. The purpose is summarised in the table below.

TOPIC	DESCRIPTION OF PURPOSE AND DEFINITION OF RISK APPETITE AND RISK CAPACITY
Overview	Provide a comprehensive overview of the Group's risks.
Risk capacity	This is the total maximum risk exposure SpareBank 1 Sørøst-Norge can tolerate before the Group is in breach of minimum regulatory requirements.
Risk appetite	This is the maximum desired risk exposure from an earnings and losses perspective given the defined risk capacity. Sustainability and maintaining confidence in the Group and its reputation are also key. Risk appetite is assessed with respect to the aggregated level of total risk exposure, exposure to individual risks and conducted stress tests.
Management and control	Defines how risks should be managed and followed up.
Roles and responsibilities	Defines roles and responsibilities.

Monitoring
Risk limits and target figures are followed up via ongoing status reporting in relation to internal threshold levels. This includes:

- Defining lines of responsibility for the various risk areas and associated risk limits and targets.
- A requirement to report nonconformance.
- A requirement to assess and implement remedial measures.

Risk appetite
The Group's risk appetite is defined from both a qualitative and a quantitative standpoint.

A general overview of the Group's qualitative risk appetite is presented in the table below.

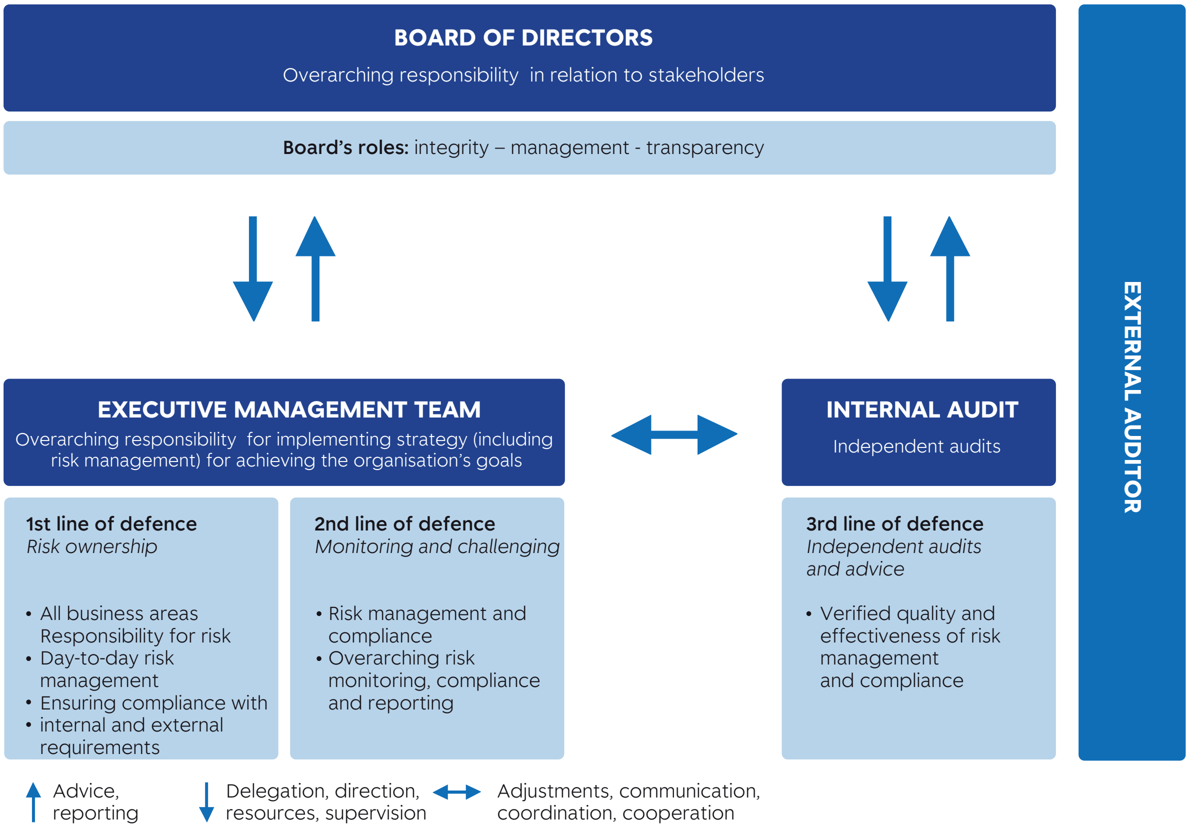
#	RISK AREA	RISK APPETITE	REASONS
1	**Sustainability risk**	Low to moderate	The Group has developed a sustainability strategy that clearly signals that the Group wants to be a driving force in the area of sustainability. The Group has committed to complying with: • Global Reporting Initiative (GRI) • TCFD -Task Force on Climate-related Financial Disclosures • OECD Due Diligence Guidance • Eco-Lighthouse • Partnership for Carbon Accounting Financials (PCAF) • Taskforce on Nature-related Financial Disclosures (TNFD) • Women in Finance Charter Initiatives supported by SpareBank 1 Sørøst-Norge: • UN Global Compact • Principles for Responsible Banking • UN Sustainable Development Goals Specification of targets and risk appetite/limits within the area of sustainability is included in the risk strategy and underlying policy documents for the various areas of risk.
2	**Business risk Profitability**	Low	The profitability must be adequate to help the Group maintain a level of financial strength that supports the Group's long-term goals and at the same time provides the owners with a reasonable return on their invested capital.
3	**Credit risk**	Low to moderate	The Group must grant credit and manage the credit portfolio within acceptable risk levels that indicate that the majority of the retail and corporate market portfolio must have low to moderate risk based on the probability of default and loss risk. The Group must have a good credit culture and management focus on managing credit risk through monitoring, measuring and ensuring compliance with established credit processes and the defined risk appetite.
	Concentration risk		The credit portfolio must be satisfactorily diversified in relation to the risk of concentration within sectors, industries, geographic areas and the size of individual customer exposures.
4	**Market risk**	Low	In its activities, the Group must prioritise risk taking linked to the development of local communities by contributing to the delivery of credit products in the retail and corporate markets and given this the risk associated with financial risk taking must therefore be low. The Group must seek to have securities with a good rating and negotiability. The share, currency, interest rate and counterparty risk must be low and must be distributed across different issuers and counterparties in order to reduce the loss potential due to any defaults.

#	RISK AREA	RISK APPETITE	REASONS
5	Liquidity and funding risk	Low	The Group has a low risk profile for liquidity risk where no single events should be able to seriously harm the Bank's financial position. To ensure this, these limits are set such that there is an adequate buffer in relation to the regulatory minimum levels and that they result in an adequate survival period in a stress situation.
	Financial strength and capital allocation		The Group must be seen to be properly capitalised in relation to risk levels, regulatory requirements and the market's expectations regarding financial strength. In a situation involving an economic setback, the Group must have the financial strength to withstand operating with deficits/significantly weaker results over a 3-year period.
	Systemic risk		The Group must have sufficient buffers to ensure that it can provide financial services in the Group's region in case unforeseen events occur that challenge financial stability. This is so that it can help reduce any negative impacts on production and employment.
	Rating		The Group must have a rating on a par with comparable savings banks in Norway.
6	Owner risk	Low	It is a key condition for goal attainment that the Group is part of the SpareBank 1 Alliance, SpareBank 1 Banksamarbeidet DA and SamSpar. When assessing strategic ownership interests, there is also an emphasis on assessing expected returns in relation to the capital tied up.
7	Operational risk	Low	The Group should have a low risk profile for operational risk, quantified and monitored in relation to predefined incident categories. All Group employees must, both internally and externally, act ethically and strive to conduct themselves in a manner that will not adversely affect the Group's reputation. Learning is one of the Group's highlighted values. The Group should be known for its high level of competence and precise deliveries that ensure good customer experiences and that losses resulting from operational errors are kept at a low level. Processes that ensure good risk analyses, continuous improvement work and good internal control monitoring should be on a par with the practices of the largest savings banks in Norway.
8	Insurance risk	Low to moderate	As an owner of insurance activities: Insurance risk arises due to, and associated with, ownership of SpareBank 1 Gruppen AS and through this indirect ownership of Fremtind Forsikring AS. Internal insurance risk in the Group: The largest identified risk drivers for the Group are handled through a process where, among other things, the probability of the risks occurring, and the potential consequences should they occur are assessed. Consequences are calculated as a financial amount. The figures for probability and consequence that are input for each risk provide the basis for calculating expected and unexpected credit losses (standard deviation). For each risk, an assessment is made of the insurance cover for the various risks. In addition, an assessment is made of the confidence in the implemented risk-reducing control measures. Overall, the internal control measures and insurance cover result in a risk-reducing financial consequence that should be low.
9	Total risk appetite	Low to moderate	Overall, the Group should be exposed to low to moderate risk based on the overarching risk appetite.

The overall to risk appetite is low to moderate and unchanged from previous years. The qualitatively defined risk appetite is operationalised through quantitatively defined risk limits and targets within each of the defined areas of risk. This in turn sets the direction for the underlying governing documents.

Organisation, implementation and monitoring

SpareBank 1 Sørøst-Norge has for many years, both under its own auspices and through its collaboration in the SpareBank 1 Alliance, put considerable resources into developing effective processes for identifying, measuring and managing risk. The Group's organisation must support, and be in line with, the regulatory requirements and internal ambitions surrounding risk management and internal control. A model has been established that involves three lines of defence. This is illustrated in more detail and described in the model below.



* Prepared based on IIA's model of defence lines.

The Board of Directors of SpareBank 1 Sørøst-Norge is responsible for approving a prudent risk appetite, financial strength and return targets, overall frameworks for sustainability, compliance, risk and capital management, including the IRB system, and risk models in general.

The Board of Directors is also responsible for approving risk limits and authorisations, the internal capital adequacy assessment process (ICAAP), the internal liquidity adequacy assessment process (ILAAP) and the minimum requirement for own funds and eligible liabilities (MREL) process, as well as the associated assessments of prudent financial strength, financing and liquidity in relation to the Group's risk exposure and contingency plans, which includes compliance with regulatory requirements.

The Board must ensure that the framework is adequately communicated and implemented throughout the Group. The Board must also ensure that the framework is followed up with adequate authority and resources.

The Board's duties are formalised in a specific plan that is updated annually. This must ensure that the Board prioritises and carries out assigned key duties in a satisfactory manner.

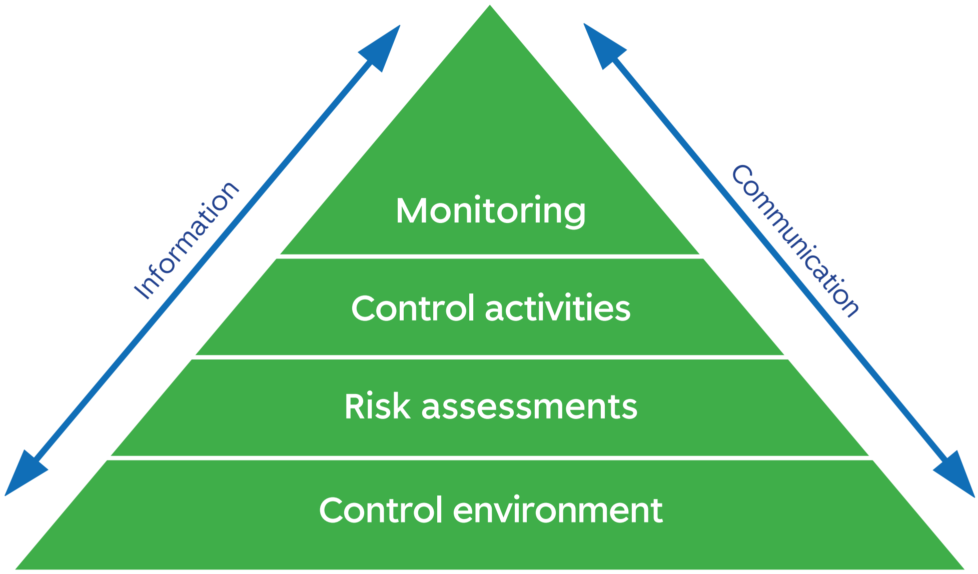
The Risk Committee, as one of the Board's working committees, is responsible for the initial treatment of the topic in relation to sustainability, compliance, risk management, capital management and internal control, etc. before final consideration and approval by the Board. This entails, among other things, processes linked to ICAAP, ILAAP, MREL and the validation of credit models, risk appetite and risk reporting.

The CEO is responsible for establishing good structures for addressing sustainability, compliance, risk and capital management. This means that the CEO is responsible for ensuring that effective risk management systems are implemented in the Group and that risk exposure is monitored. The CEO is responsible for delegating authorisations and reporting to the Board.

Internal control and management confirmation

The Group's internal control is based on the Committee of Sponsoring Organisations of the Treadway Commissions (COSO) framework, which contains five components:

1. **Control environment:** Includes the people in the organisation, including their individual qualities and integrity, ethical values, attitudes and skills, as well as how the organisation is organised. The control environment also includes management philosophy, management style and form of operation.
2. **Risk assessment:** Assessment of internal and external factors that affect goal attainment.
3. **Control activities:** Guidelines and procedures that are intended to ensure that risks are reduced and managed efficiently.
4. **Monitoring:** Processes for ensuring that internal control is appropriately defined and performed, and that it is effective and adaptable.
5. **Information and communication:** Processes that ensure that relevant information is identified and communicated on time. This is included in all of the four other points.



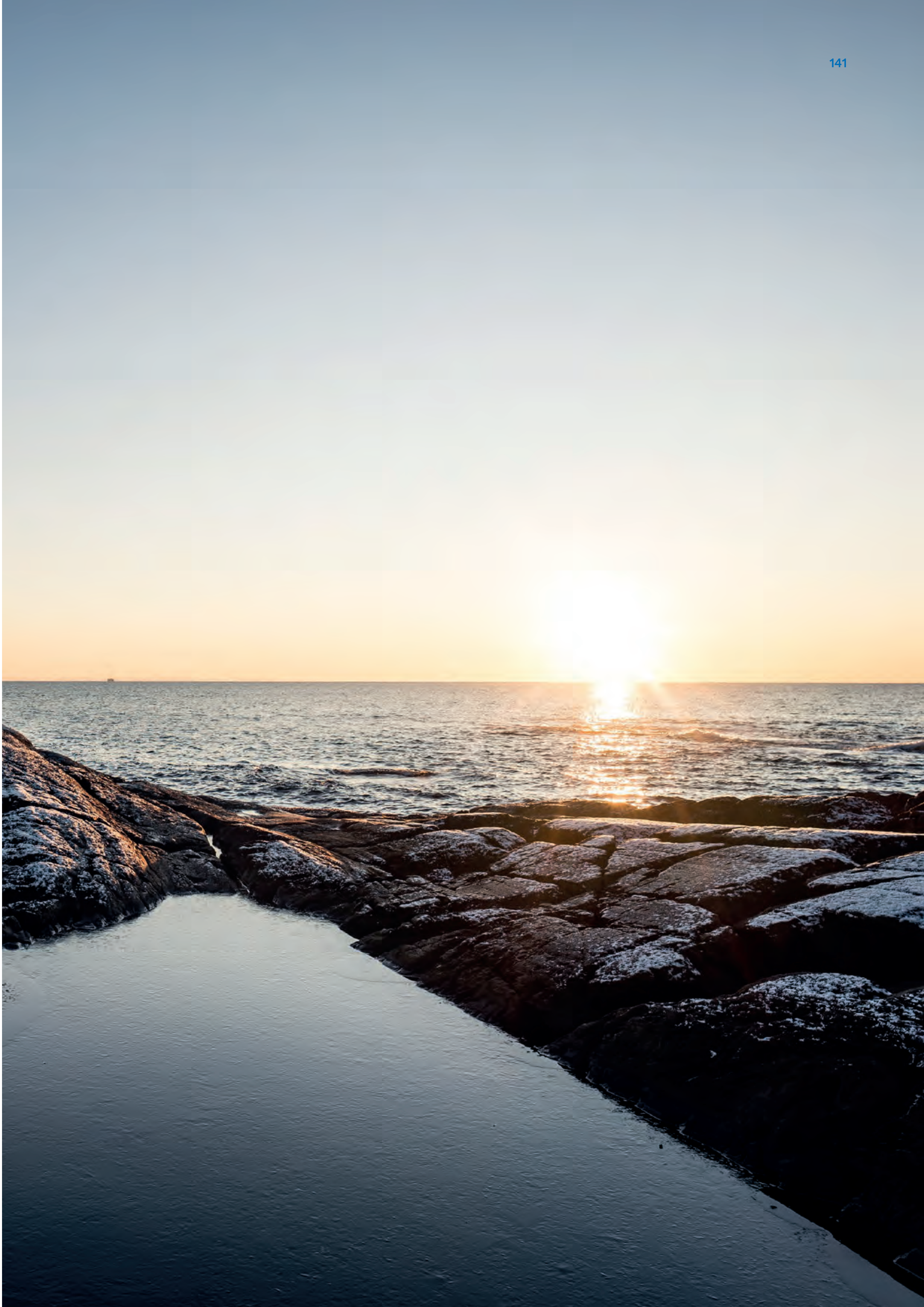
The five areas are intended to help the Group achieve its strategic goals through good risk management and corporate governance. The COSO framework has been established in line with the Group's general principles for sustainability and risk and capital management, in which continuous improvement, efficient operations, reliable financial reporting and compliance with laws and regulations are important factors. Executive vice presidents, heads of business units and control, specialist and support environments produce reports every year that set out how the risk management and internal control within their areas of responsibility is performed (management confirmation). The main purpose of the annual management confirmation process is:

- To provide the Board of Directors and executive management team with a summary of the performance of the risk management and internal control.
- To map the Group's strengths and weaknesses within risk management and internal control so that the necessary improvement measures can be implemented.
- To facilitate active engagement and understanding with respect to risk management and internal control among managers at all levels of the Group.

The reporting must be used actively in a management development process that increases the understanding of the importance of good risk management and quality. The Control Objectives for Information and Related Technology (COBIT) framework is used as a basis for risk management and internal control for the area of information technology (IT). The COBIT framework ensures comprehensive management and control within three key areas:

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

The framework unifies recognised IT standards and best practice with other general and strategic goals.



Equity certificate

SpareBank 1 Sørøst-Norge has two types of owners: holders of its listed equity certificates (the equity certificate capital) and the community-owned capital (the primary capital). At the end of the year, equity certificates accounted for 60.7% (the equity certificate fraction) of the Bank's equity, while 39.3% was community-owned.

The equity certificate capital of SpareBank 1 Sørøst-Norge amounted to NOK 2 101 million at the end of the year divided into 140 098 561 equity certificates, each with a nominal value of NOK 15.00. The Bank's equity certificate is listed on Oslo Børs, and the number of owners as at 31.12.2023 was 5 776 (5 961). Of the Bank's owners, 99.2% (99.1%) are Norwegian owners, of which about 59% (59%) are the five savings bank foundations.

Note 40 provides an overview of the equity certificates owned by the Bank's executive persons and employee representatives. The table below contains information about the 20 largest owners, as well as the change in their holdings over the past year.

Equity certificates in SpareBank 1 Sørøst-Norge

The legal provisions for equity certificates establish limits that are largely consistent with those that apply to shares in commercial banks.

Acts and regulations

The equity certificates issued by the Bank are regulated by the Financial Institutions Act, chapter 10. Listed equity certificates are not included in any of the Norwegian equ-

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%
SPAREBANKSTIFTELSEN SPAREBANK 1 MODUM	18 444 646	13.2%
SPAREBANKSTIFTELSEN NØTTERØY-TØNSBERG	10 925 503	7.8%
SPAREBANKSTIFTELSEN NOME	10 273 723	7.3%
SPESIALFONDET BOREA UTBYTTE	3 870 435	2.8%
VPF EIKA EGENKAPITALBEVIS	3 595 308	2.6%
PARETO INVEST NORGE AS	2 871 322	2.0%
BRANNKASSESTIFTELSEN MIDT-BUSKERUD	2 659 369	1.9%
KOMMUNAL LANDSPENSJONSKASSE GJENSIDIGE	1 608 606	1.1%
WENAASGRUPPEN AS	1 087 931	0.8%
CATILINA INVEST AS	954 559	0.7%
MELESIO INVEST AS	952 259	0.7%
LANDKREDITT UTBYTTE	903 455	0.6%
SANDEN EQUITY AS	707 494	0.5%
FORETAKSKONSULENTER AS	621 230	0.4%
SKOGEN INVESTERING AS	605 000	0.4%
HAUSTA INVESTOR AS	440 000	0.3%
TROVÅG AS	418 792	0.3%
JAG HOLDING AS	417 367	0.3%
Total 20 largest equity certificate holders	**104 408 529**	**74.5%**
SpareBank 1 Sørøst-Norge (own equity certificates)	127 430	0.1%
Other owners	35 562 602	25.4%
Total number of equity certificates (par value NOK 15)	**140 098 561**	**100.0%**

Equity certificates held by executive personnel, the Board of Directors and Supervisory Board members ity indices, although they are included in a separate index for equity certificates (OSEEX Equity Certificate Index).

Annual dividends for the equity certificates may be distributed from the annual profit in accordance with the parent bank's financial statements for the last financial year. The amount of the dividend is proposed by the Bank's Board of Directors and is approved by the Supervisory Board. The dividend cannot be set higher than a level that is consistent with good, prudent business practice with respect to losses that might have occurred after the end of the financial year or that must be expected to occur.

The current tax regulations mean that the dividend payment will be taxed. The basis for the taxation is the dividend in percentage less a fixed percentage, the so-called dividend tax exemption.

Equity certificates as an equity instrument

An equity certificate is an equity instrument that savings banks use to raise equity capital. It has many similarities to shares. The differences primarily concern ownership of the equity and influence in governing bodies. The return on equity certificates is divided into two components, an annual cash dividend and price appreciation of the equity certificate. Equity certificate capital is secured in the event of any losses in the Bank in that it has priority over Sparebankens Fond.

Owner and dividend policy

Equity certificate holders elect nine (37.5%) of the 24 members of the Bank's Supervisory Board. Please also see the Bank's corporate governance principles.

SpareBank 1 Sørøst-Norge aims to achieve results that deliver a good return on the Bank's equity. This will ensure its owners a competitive, stable, long-term return in terms of dividends and higher prices for its equity certificates. Please also see the Bank's dividend policy, which is discussed in the Bank's corporate governance principles.

The annual profit will be distributed between the equity capital and primary capital in line with their proportion of the Bank's equity. SpareBank 1 Sørøst-Norge assumes that a minimum of 50% of the owner capital's share of the annual profit will be paid out as cash dividends. In order to maintain stable ownership fractions over time, as a general rule, dividend funds amounting to a minimum of 50% of the primary capital's share of the profit for the year will be transferred to SpareBank 1 Stiftelsen BV, Sparebankstiftelsen Telemark-Grenland and Sparebankstiftelsen SpareBank 1 Modum.

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

In 2023, profit after tax per equity certificate for the Group amounted to NOK 5.47 (4.27) of the parent bank's profit after tax. Based on the Bank's dividend policy, the Board of Directors is proposing payment of a dividend of NOK 3.88 (4.10[1]) per equity certificate for 2023, which totals NOK 544 (507) million.

Financial calendar for 2024

- Ex-dividend date: 18.04.2024
- Q1 25.04.2024
- Q2 08.08.2024
- Q3 31.10.2024

Dividend in past 5 years

Year	Dividend (NOK)	Price 31.12 (NOK)	Direct return
2019	2.42	39.60	6.1%
2020	1.90	41.30	4.6%
2021	2.50	65.40	3.8%
2022	2.60	55.00	4.7%
2023	3.88	64.00	6.1%

Information for the market

Clear, easily understood and timely information supports the relationship of trust between the owners, the Board of Directors and management, and ensures that the Bank's stakeholders can both assess and deal with the Bank at all times. Therefore, the Bank's guidelines for investor communications emphasise the importance of extensive engagement with the Bank's various stakeholders, where the focus is on openness, predictability and transparency. The Bank also attaches great importance to ensuring it provides correct, relevant and up-to-date information about the Bank's performance and earnings in order to gain the trust of the investor market. Information for the market is provided through quarterly interim reports and investor presentations. All interim reports and presentations are available from the Bank's website.

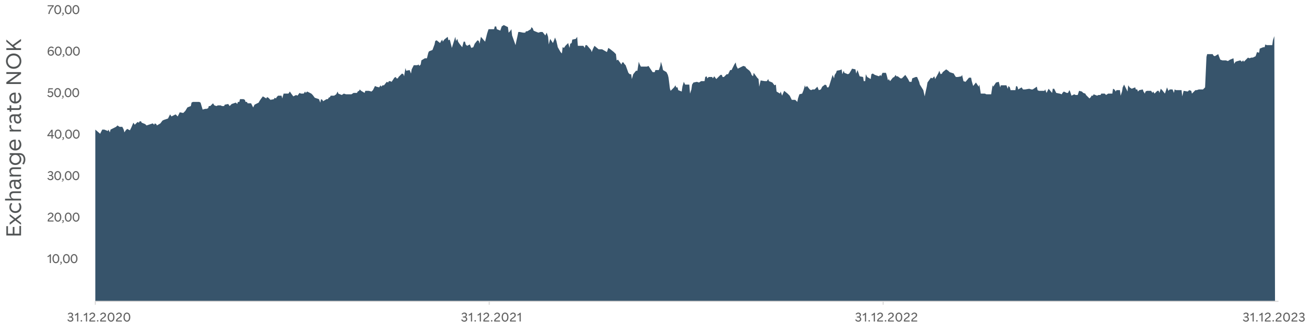
Stock exchange listing

The Bank's equity certificates are freely negotiable securities and are listed on the Oslo Børs. The equity certificates are registered with the Norwegian Central Securities Depository (VPS). The equity certificate's ticker code is SOON.

Further details about the equity certificate are provided in Notes 39 and 40.

[1] Of which NOK 1.50 in additional dividend was paid in August 2023

Price development: 2021 to 2023



Bastian Talleivsen
Bakken Olsen

Business description

SpareBank 1 Sørøst-Norge is a regional financial services group for Southeast Norway that offers a wide range of services within banking/finance, insurance, accounting and real estate brokerage. The goal is to be the preferred bank of the people and small and medium-sized enterprises in our market area.

Wars and geopolitical turmoil combined with inflation and interest rate hikes impacted the everyday lives of customers in 2023. It is especially important to talk to customers and provide good advice in challenging times. We provide unique benefits for customers by offering them personalised advice and great user experiences.

The Group has 18 branches in Vestfold, Telemark and the lower part of Buskerud. It is an attractive market area with positive net migration, a diversified business sector and a large public sector. The framework conditions for doing business are therefore good, and thanks to more than 180 years of good savings banking traditions, the Group is well positioned in the region.

2023 was marked by major changes in the competitive landscape for banking and financial services. Size is an important factor when you face increased competition for retail and corporate customers. It is pleasing to see that more banks are opting to merge in order to strengthen their position. At the same time, the competition is so strong that some banks have chosen to close their operations in Norway. SpareBank 1 Sørøst-Norge has been very active in this landscape in recent years, and in the fourth quarter a new merger with SpareBank 1 SR-bank ASA was announced. Several of the companies in SpareBank 1 Gruppen AS also took structural steps to strengthen their position.

The corporate strategy for up to 2025 was revised during the course of the year and the emphasis on customer orientation, regional presence and profitable growth was increased. The Group retains strong market positions within both the retail and corporate markets. At the same time, it has produced improved results that benefit customers, employees, owners and society. Together we create value for those who live in our market area.

Retail market

SpareBank 1 Sørøst-Norge will continue to be the relationship bank that meets customers in their preferred channel, either digitally or in person in one of our 18 branches. Over the past year, the Group has adjusted its staffing in order to meet customers in the channels they use. The customer service centre and day-to-day banking advisers have been merged into a new joint department, Customer Service, which ensures a professional focus on the day-to-day use of the bank and whose staffing structure is based on the customer's preferred choice of channel at any given time.

The quality elements on which customers score us highly include response times and advisory meeting experiences. We introduced digital meeting booking in the fourth quarter to reinforce the good customer experience and make us more accessible. This gives customers the freedom to choose their preferred time, adviser and channel.

The competition for customers is fierce. In addition to competitive mortgage rates, we believe in meeting customers in person. Feedback from customers confirms that they think we are easy to get in touch with. Having local roots is a strong element of our strategy.

The retail market underwent a generational shift on the adviser side in 2023. Over the course of the year, RM attracted 37 talented local advisers, both young and experienced. They underwent a new onboarding process involving a joint training and integration programme of which we are rightly proud. Several of these advisers have already been authorised, and the rest will be authorised by the end of the first half of 2024.

Customers appreciate our good digital services. SpareBank 1 has Norway's best and most user-friendly digital bank, and we are available to customers every day until midnight via the customer service centre.

The Group believes helping to ensure that each customer has secure and healthy personal finances is an important task. We are proud to be able to say that a large proportion of our customers have a buffer account, and up to 25% of our mortgage customers regularly save via funds. We are also seeing that an ever-growing proportion of women and younger customers are good fund savers.

The market's interest in sustainability is growing rapidly, and sustainability forms an integral part of the Group's activities. The volume of green mortgages increased by 108% in 2023. In the fourth quarter, we also established the *Green deposits* product with variable interest that ensures the customer supports a sustainable future.

Read more about sustainability in the section "Responsible lending".

Corporate market

Corporate market operates in Telemark, Vestfold and Buskerud. Corporate customers are organised into Large Corporates, Corporate Regions and SME Direct. Large Corporates was established in the third quarter as part of an ongoing effort to strengthen customer orientation via a new operating concept, which was launched in the fourth quarter. This is expected to have a good effect in 2024.

In 2023, we revised our strategy for the corporate market, where the main focus was on rapid response and availability. We also want to prioritise the right customers, strengthen our position and brand, and turn the spotlight on growth and interaction with our owned subsidiaries and the retail market.

In addition, there was a strong focus on adapting to new credit policy and credit standards in 2023. Credit quality improved further and credit work was streamlined. It was also important to spread the risk over more sectors, and through this successfully expand our breadth of sales and achieve our goals.

Customers are served by advisers with good local knowledge and who can advise businesses on start-up, operation and growth. We currently have around 100 employees in corporate market. Corporate market gained approximately 1 000 new customers in 2023, and the Bank is in a position to go on the offence in 2024.

We also focused on, for example, "combating money laundering". A dedicated unit was set up with special responsibility for reviewing received customer declarations and establishing new customer relationships. In addition, we always focus on obtaining updated customer statements from our customers.

A major effort was made to integrate sustainability into the activities. Sustainability is now a topic in most meetings with customers. We have assessed the physical climate-related risk of collateral for all new loan exposures in excess of NOK 5 million. Green deposits were introduced to ensure that a company's deposits only contribute to supporting a greener future.

For more information, see the section "Responsible lending" in the chapter "Sustainability" in the Annual Report.

The end of 2023 was marked by a generally negative trend in the macro picture in Norway: higher interest rates, high electricity prices and a weak Norwegian kroner exchange rate. We have yet to see this result in significant levels of adverse customer behaviour, although some sectors are expected to experience challenges during the course of 2024. Like most savings banks in our region, we are relatively heavily involved in commercial property, although we maintain good control of the risk in the portfolio. The Bank's risk in the loan portfolio is moderate to low and it has a low loan-to-value ratio within the commercial property portfolio. Otherwise, we have little exposure to the sectors that we think are the most vulnerable in bad times, like the retail and wholesale trade and restaurant industry.

In 2024, corporate market will concentrate on profitable growth and wide-ranging sales to new and existing customers. Corporate market will maintain its focus on quality in the customer portfolio, as well as on quality in our internal work. At the same time, we keep a close eye on social developments. We believe our region will do well, despite the tougher times.

Number of active retail customers in 2022

158.302

Number of new retail customers

2.417

Number of customers with securities

32.750

Number of active corporate customers in 2022

14.219

Number of new corporate customers

994

Business Development

SpareBank 1 Sørøst-Norge is constantly working to adapt the Group's activities to match the customers' expectations, new technology and a competitive picture that is constantly changing. Changed framework conditions can also create new business opportunities.

Change fit

It is important that the Group is able to rapidly develop and adapt to ever-changing conditions. We call it change fit Therefore, we are committed to facilitating learning and development in order to retain and develop our capable employees. Our values, *"Power" and "Movement"*, indicate our desired direction of travel. Establishing flexible teams that focus on enhancing the customer experience within selected services was a success in 2023.

Together we create value

The SpareBank 1 banks collaborate on service development through SpareBank 1 Utvikling DA. This contributes to economies of scale that benefit both customers and owners. The SpareBank 1 Alliance is a pioneer in easy-to-use digital services that make the everyday lives of customers simpler and better. The focus areas for 2023 included financing, customer orientation, data and a new technology platform. One good example of this is the "Starte AS" service, which was launched in the fourth quarter. New services are also constantly being offered via our jointly owned companies such as SpareBank 1 Kreditt AS, SpareBank 1 Forvaltning AS and Fremtind Forsikring AS.

Norway's most personal digital bank

Norwegian bank customers demand good digital banks, and the digital bank is increasingly becoming a driver of customer relationships. Surveys show that customer satisfaction with our digital bank is very high. In 2023, the digital bank was further enhanced in terms of personalisation. One goal was to reduce the number of unnecessary service requests to call centres. In addition, a steadily increasing number of customers want to access competent advice and advisers via the digital bank. The line between the digital and physical is therefore being erased. "Useful innovative services" is one of our four customer promises.

SpareBank 1 Regnskap

The Group has been an active driving force behind, and participant in, efforts to strengthen our position in the competitive market for simple accounting systems for SMEs. By offering everything in one place, we are simplifying the everyday lives of our corporate customers. In 2023, the goal was to increase SpareBank 1 Regnskap's sales to existing customers and automatically introduce this for new SME customers.

Data and insights

One important strategic priority area is the work on becoming more data and insight-driven. This is about making data more easily, widely and quickly available for use in decisions in customer engagement. Corporate governance is automated and digitalised using the Microsoft Power BI tool.

Good insights into customers are also crucial for success. Insights into customer needs have been included in our segmentation models and new operating concept. Work on successfully achieving data-driven customer engagement continues at pace in collaboration with other SpareBank 1 banks and SpareBank 1 Utvikling DA. The "Upgraded market platform" project and use of behavioural data were two key focus areas for 2023.

Sustainability

During the year, the Group refined *its "Konjunktur Sørøst" business cycle barometer* (konjunktursorost.no), a tool that provides data, insights and knowledge about business and social development in our market areas. The feedback from customers, trade organisations and employees on "Konjunktur Sørøst" is good.

For more information, see the section "Local corporate social responsibility and business development" in the chapter "Sustainability" in the Annual Report.

Data and technology are critical factors in complying with regulatory requirements, understanding business needs and succeeding with the green transition. In 2023, the SpareBank 1 Alliance developed a common vision and roadmap for ESG data and technology.

The Group completed its sustainability training programme for its employees in 2023. The experts in the UN Environmental Programme have recognised our upskilling programme as a "leading example". The course packages were sold to other banks in the SpareBank 1 Alliance in 2023.

Also see the chapter "Own workforce".

Artificial intelligence

It is predicted that generative artificial intelligence will play an important role in the productivity of banks and financial services going forward. Traditional machine learning has for several years been used for credit risk, advanced analyses, anti-money laundering and prediction models. In 2023, SpareBank 1 Sørøst-Norge focused on building expertise and understanding opportunities, while ensuring the proper deployment of new technology. The Group is working with the other SpareBank 1 banks on a joint strategy for artificial intelligence. In the fourth quarter of 2023, the Group, as the first bank in the Alliance to do so, deployed Microsoft's M365 Copilot service.


SpareBank 1
SØRØST-NORGE

The SpareBank 1 Alliance

SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA

The SpareBank 1 Alliance is a collaboration between 12 banks. The Alliance is designed to give the banks the strength and power to operate forward-thinking banking locally.

12 regional and local SpareBank 1 banks are partners in the Alliance

SpareBank 1 SR-BANK
SpareBank 1 SMN
SpareBank 1 NORD-NORGE
SpareBank 1 ØSTLANDET
SpareBank 1 GUDBRANDSDAL
SpareBank 1 HALLINGDAL VALDRES
SpareBank 1 NORDMØRE
SpareBank 1 RINGERIKE HADELAND
SpareBank 1 LOM OG SKJÅK
SpareBank 1 SØRØST-NORGE
SpareBank 1 ØSTFOLD•AKERSHUS
SpareBank 1 HELGELAND

The eight local SamSpar banks

The SpareBank 1 Alliance

The SpareBank 1 Alliance was established in 1996 in the wake of the banking crisis in the early 1990s. Overall, it is Norway's second largest financial services grouping in terms of total assets. The SpareBank 1 Alliance currently consists of 12 independent savings banks that all provide a full range of financial products and services to private individuals, companies and organisations in their local markets around Norway.

The purpose of the SpareBank 1 Alliance is to secure the independence of each bank, regional roots, profitability and financial strength by sharing development expenses, achieving economies of scale and building up vital expertise. Today, the SpareBank 1 Alliance has around 8 900 employees in total, of whom around 1 850 work in SpareBank 1 Gruppen AS, SpareBank 1 Utvikling DA and their subsidiaries.

SpareBank 1 Sørøst-Norge's participation in the Alliance is addressed through its stakes in Samarbeidende Sparebanker AS (SamSpar AS) and Samarbeidende Sparebanker Utvikling DA (SamSpar Utvikling DA). The Bank's holdings in these two companies at the end of the year were 32.2% and 46.7%, respectively.

Ownership and company structure in the SpareBank 1 Alliance

SpareBank 1 SR-BANK | SpareBank 1 SMN | SpareBank 1 NORD-NORGE | SpareBank 1 ØSTLANDET | SpareBank 1 SAMSPAR

SpareBank 1 Utvikling DA

SUBSIDIARIES:

EiendomsMegler 1 Norge AS (100%)
(Joint company for the EiendomsMegler 1 companies.)

SpareBank 1 Kundesenter AS (100%)
(Joint call centres inside and outside bank opening hours.)

SpareBank 1 Gruppen AS

SUBSIDIARIES:

SpareBank 1 Forsikring AS (100%)
(Pensions + property management, commercial)

SpareBank 1 Factoring AS (100%)
(Factoring services)

Spleis AS (100%)
(Crowdfunding)

Fremtind Forsikring AS (65%)
(non-life insurance) Majority owner – DNB owns 35%
- Fremtind Liv AS (personal risk products)
- Fremtind Service AS (AutoPass)

COMPANIES WITH OWNERSHIP INTERESTS:

LOfavør AS (49%)
(Member benefits for LO unions – LO owns 51%)

Kredinor AS (50%)
(Debt collection business – Kredinorstiftelsen owns 50%)

10 partly owned companies Alliance:

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

COMPANIES THAT ONLY MANAGE OWNERSHIP INTERESTS:

SpareBank 1 Betaling AS (Vipps)
SpareBank 1 Mobilitet Holding AS (Fleks)
SpareBank 1 Debt Information AS
(Norwegian debt information)

Organisation of the cooperation

Cooperation in the Alliance is organised through the two jointly owned companies SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA and their subsidiaries, and through a number of other companies directly owned by the 12 banks. It is the companies within SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA that provide the foundation for the cooperation, the companies that are referred to as the Alliance Cooperation.

SpareBank 1 Gruppen AS

SpareBank 1 Gruppen AS is the parent company of four subsidiaries, all of which develop and deliver products to the banks in the Alliance, which in turn offer these to customers in their local markets. SpareBank 1 Gruppen AS owns 100% of the shares in SpareBank 1 Forsikring AS, SpareBank 1 Factoring AS and SpareBank 1 Spleis AS. In addition, SpareBank 1 Gruppen AS owns 65% of the shares in Fremtind Forsikring AS, 50% of the shares in Kredinor AS and 49% of the shares in LO Favør AS.

SpareBank 1 Utvikling DA

SpareBank 1 Utvikling DA provides solutions for all of the banks and product companies in the Alliance. The company contributes to activities that provide the banks with economies of scale and competence advantages. The company also owns and manages the Alliance's intellectual property rights under a common brand: "SpareBank 1". SpareBank 1 Utvikling has a number of strong specialist environments: IT, marketing, business support, payments, savings, financing, organisation and communications. The company numbers nearly 750 colleagues, with employees and consultants.

BN Bank ASA

BN Bank ASA is a nationwide commercial bank with no branches. Its head office is in Trondheim, and it has a regional office in Oslo. BN Bank ASA is owned by a group of SpareBank 1 banks. SpareBank 1 Sørøst-Norge owns a 7.5% stake.

SpareBank 1 Boligkreditt AS

The Bank sells mortgages to SpareBank 1 Boligkreditt AS, which in turn issues covered bonds to investors with collateral in the transferred mortgages. SpareBank 1 Boligkreditt AS is SpareBank 1's joint mortgage credit institution. It is owned by all of the regional SpareBank 1 banks, except SpareBank 1 SR-Bank ASA, and the SamSpar banks. SpareBank 1 Sørøst-Norge's ownership interest in SpareBank 1 Boligkreditt AS at the end of the year was 11.2%. The transferred volume at the end of the year amounted to NOK 30 892 million.

SpareBank 1 Næringskreditt AS

The Bank sells corporate loans to SpareBank 1 Næringskreditt AS, which in turn issues bonds to investors with collateral in the transferred corporate loans. SpareBank 1 Sørøst-Norge's ownership interest in SpareBank 1 Næringskreditt AS at the end of the year was 10.0%. The transferred volume at the end of the year amounted to NOK 1 449 million.

SpareBank 1 Forvaltning AS

SpareBank 1 Forvaltning AS offers products and services designed to streamline and simplify saving for its customers. The SpareBank 1 Forvaltning Group was established in 2021. The company consists of the subsidiaries ODIN, SpareBank 1 Kapitalforvaltning AS and SpareBank 1 Verdipapirservice AS. SpareBank 1 Forvaltning AS is owned by SpareBank 1 banks and the Norwegian Confederation of Trade Unions (LO).

SpareBank 1 Kreditt AS
SpareBank 1 Kreditt is a credit company owned by the banks of SpareBank 1. SpareBank 1 Kreditt offers unsecured financing in the retail market. These are products that meet customer needs for new credit or refinancing of consumer debt. SpareBank 1 Sørøst-Norge owns 10.1%.

SpareBank 1 Markets AS
SpareBank 1 Markets is an investment firm with a full range of products. Its aim is to be a leading Norwegian capital market environment that, in cooperation with its owner banks, can offer a full range of capital market services. Advice and arranging external and equity financing for customers are important service areas. It also carries out customer and own account trading in shares and equity derivatives, interest rate and foreign currency instruments, as well as bonds. SpareBank 1 Sørøst-Norge's stake in the company at the end of 2023 was 1.7%.

SpareBank 1 Betaling AS
The SpareBank 1 banks jointly own SpareBank 1 Betaling AS, in which SpareBank 1 Sørøst-Norge owns an 8.9% stake. SpareBank 1 Betaling AS owns 23.7% of the shares in Vipps AS.

For more information about the accounts of the various companies, please refer to the interim reports available from the companies' websites.

The savings bank foundations

SpareBank 1 Sørøst-Norge's clearly expressed ambition is to be an attractive regional bank for Southeast Norway with a strong local presence in line with the traditions of savings banks. A good, close partnership with the savings bank foundations is important in order to underscore this. The savings bank foundations play important roles in their communities and contribute to local value creation throughout our market area. The foundations are also an important source of equity for the Bank should the Group need capital in the future.

SpareBank 1 Sørøst-Norge wants to play an active role in the future structural changes expected in the savings banking sector, which is also demonstrated by the ongoing merger between SpareBank 1 SR-Bank ASA and SpareBank 1 Sørøst-Norge.

In connection with the mergers between savings banks, the Group has focused on establishing local savings bank foundations as an important means of keeping capital in the region where it was built up. Two savings bank foundations were established in connection with the merger between Sparebanken Telemark and Holla and Lunde Sparebank in 2012: Sparebankstiftelsen Telemark-Holla and Lunde and Sparebankstiftelsen Telemark-Grenland. Similarly, SpareBank 1 Stiftelsen BV and Sparebankstiftelsen Nøtterøy-Tønsberg were established in 2017 as a result of the merger between SpareBank 1 BV and SpareBank 1 Nøtterøy-Tønsberg. A strong new savings bank foundation was established in connection with the merger with SpareBank 1 Modum in 2022: Sparebankstiftelsen SpareBank 1 Modum.

Once SpareBank 1 Sør-Norge ASA has been established, the Bank will have seven local foundations as owners. One of the jobs of these foundations is to ensure that the capital the original banks have built up over almost 200 years remains in the areas where it was created. The savings bank foundations ensure that the traditions of the savings banks are appropriately preserved, and they are also, not least, long-term stable owners of the Bank.

Each year, the foundations distribute considerable sums as gifts to local organisations, sports teams, cultural institutions and others, with an emphasis on gifts that benefit children and young people in their respective local areas. The foundations do not stipulate any requirements or expectations for gift recipients concerning quid pro quos in relation to the gifts.

In 2023 (2022), the five savings bank foundations in Southeast Norway distributed gifts for good causes totalling NOK 187 (100) million. For more information about the foundations' disbursements, see the section "Local corporate social responsibility and business development" in the chapter "Sustainability". The Group's dividend policy ensures that significant funds are transferred to the savings bank foundations. The savings bank foundations worked well with the Group in 2023. This provides SpareBank 1 Sørøst-Norge with an excellent basis for raising its profile as a strong important local bank for growth and activity in our local communities.

The savings bank foundations' websites and social media channels are regularly updated with relevant news. The Bank also shares news and good stories about the gifts on its website and in social media channels.

Own workforce

Every employee of SpareBank 1 Sørøst-Norge is valuable, and we believe motivated and satisfied employees are our most important resource when it comes to making the Group competitive. The people who work for us give us the power to develop, and as we move forward together this creates motivation, a sense of proficiency and security.

Attractive place to work

We remained committed to our ambition to be an attractive workplace for our now close to 670 employees throughout 2023. For us, the cornerstones of an attractive workplace are job satisfaction, building a corporate culture, learning and development, collaboration across business areas, flexible workdays and a focus on sustainability.

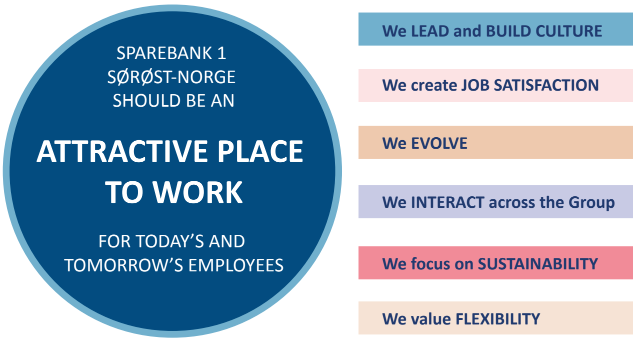


Figure 1: The cornerstones of an attractive workplace

Employer branding is becoming increasingly important in today's competitive market where attracting and retaining talented people are both challenging. How we communicate exactly what it is that makes us an attractive employer to work for is an area that we have been systematically developing since 2022. In 2023, we took a deep dive to develop an identity and corporate culture that the employees of today and tomorrow would find clear and attractive. The work involved a wide range of participants, and we gained insights from both internal and external sources via questionnaires and interviews. It has resulted in a clear message that will help consolidate our position as an attractive employer.

We introduced Winningtemp in 2023. This is a dynamic employee survey system where questions are sent out to employees every week. Internal status surveys are followed up by managers in departmental monthly status meetings. Since the introduction of these surveys, we have seen a sustained positive general trend, particularly when it comes to "job satisfaction". We score well above Winningtemp's national index. The fact that our employees enjoy their work and look forward to coming to work confirms that we are viewed as an attractive employer.

Experiencing psychological safety is a prerequisite for an inclusive corporate culture in which employees can come to work and be their authentic selves. Psychological safety helps improve interactions and increases the likelihood of achieving strategic goals. This has therefore been a key term in management and employee training throughout 2022 and 2023. We carried out an employeeship programme in 2023. This particularly explored how each of us can be good cultural bearers and contribute to creating psychological safety in the workplace. The themes covered in the employeeship programme fit well with the management development programme we carried out for all managers in 2022. This looked at how our managers can contribute to more satisfied employees and better performance by creating psychological safety in their own team.

Recruitment featured strongly in the year. We both welcomed many new employees and many others took on new roles internally. The general feeling that internal development opportunities abound was reflected by a high degree of mobility within the organisation, which is positive. A good start is important, both for a new employee and for someone taking on a new role in a new team, and will affect the sense of inclusion, commitment and performance over time. Therefore, we have allocated resources to develop further and refine the processes and tools used in connection with new employees, those switching roles and those who choose to leave our employment.

Interactions across business areas are also one of the cornerstones of being an attractive employer. In connection with this, we tested a new form of collaboration in 2023. Flexible teams helped to break down silos, and we gained valuable experience working across business areas on solving specific customer interface challenges quickly with short decision-making paths. The goal is for flexible teams to become a well-established form of working, with ever more employees learning about this way of working as they become involved. This form of working is a good example of continuous learning and improvement in practice.

We believe flexibility is an important element of being an attractive workplace. Flexible arrangements promote a better work-life balance and have become a hygiene factor for both today's and tomorrow's employees. Better facilitation also increases the ability of employees to stay in work longer, and employees can perform their share of care duties in the home while having more responsibilities at work. Therefore, we have a written agreement for working from home, which enables employees to work from home for up to 2 days a week. We also have a flexible working hours system, shorter working hours in the summer and reduced working hours arrangements for employees with children in their first year of kindergarten. Flexibility as far as place of work is concerned is addressed in the recruitment process through the place of work always being "by agreement" for individual positions.

Skills, development and learning

Strategic skills management

Professional and personal development is highlighted as being one of the most important factors in being perceived as an attractive employer, especially among younger people. We work systematically based on a defined framework in order to ensure that our training is successful. By taking a strategic approach to skills development, we ensure that we have the expertise necessary to meet current and future needs. In 2023, we further refined our competence strategy and clarified the areas of expertise that will help us achieve our strategic objectives for the period up to 2025.

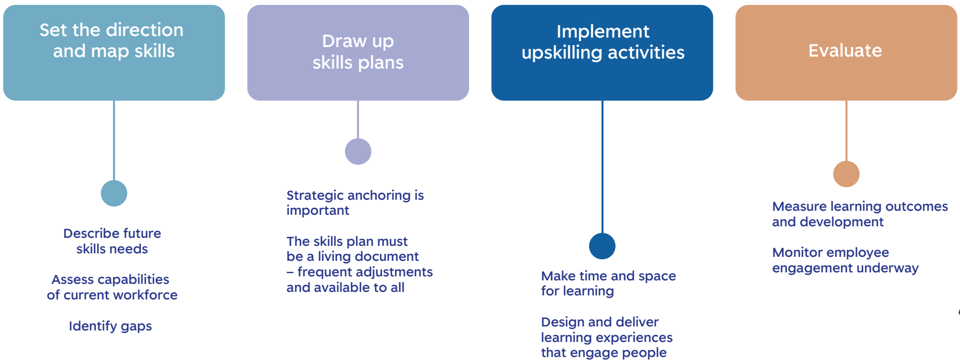


Figure 2: Framework for strategic skills management

Responsibility for own learning

In order to keep pace with the continuous changes going on around us in society, customer needs and digitalisation, we focus on ensuring that each of us takes responsibility for our own learning and actively seeks knowledge ourselves. We are also committed to utilising the methods that provide the best possible learning outcomes. That is why we always want the training courses we develop to closely reflect our working lives. The most valuable learning is acquired by performing tasks – learning by doing.

Industry requirements for advice

SpareBank 1 Sørøst-Norge is a member of the Financial Industry Authorisation Schemes (FinAut), which means that our advisers are authorised within their professional area. FinAut's industry requirements set guidelines for training requirements for our advice, both via the authorisation course itself and through annual refreshers. Our systematic approach to authorisations documents the fact that our advisers have updated and valid competence in their own professional area.

Figure 3: The FinAut schemes in which we participate

Metrics and targets	100% of employees subject to FinAut's authorisation requirements must have completed mandatory refreshers		
Metric	Completion rate in %		
Goal attainment	2023	2022	2021
	✓ 100%	✓ 100%	✓ 100%

Selected learning path 2023: Sustainability

SpareBank 1 Sørøst-Norge is well underway with a major sustainability upskilling programme, which will run throughout the strategy period up to 2025. The sustainability strategy specifies that "all employees must feel confident with regard to sustainability within their day-to-day work." Risk assessments clearly show that our employees believe they need more expertise in sustainability in order to reduce risk in their area and leverage opportunities, or help customers do the same.

We completed the basic coursework in 2022 and 2023. This consisted of lectures from external experts, discussions and cases. Each area received tailored training in the form of full-day in-person seminars in order to learn more about what sustainability entails for them in their role. The area of sustainability is developing so quickly that additional training teaching more skills will be provided several times during the strategy period up to 2025 in the form of webinars, digital cases and collaboration across business areas. Employees will gain valuable learning by working on actual sustainability-related cases. The programme developed by SpareBank 1 Sørøst-Norge has been recognised by the working group in the UN Principles for Responsible Banking as a leading example among 300 banks in the world.

Figure 4: The sustainability strategy's goals

We focused heavily on social sustainability in 2023. We carried out Agenda Sustainability, a full week of shared activities and learning for all employees, which was designed to help create a common understanding of, and pride in, our work on sustainability. Topics in 2023 included financial and digital inclusion, exclusion, as well as diversity and inclusion in the workplace, from the angle of how employees can help make a difference. To increase our diversity expertise further, we also developed diversity and inclusion e-learning modules that have been rolled out to all employees in the Group.

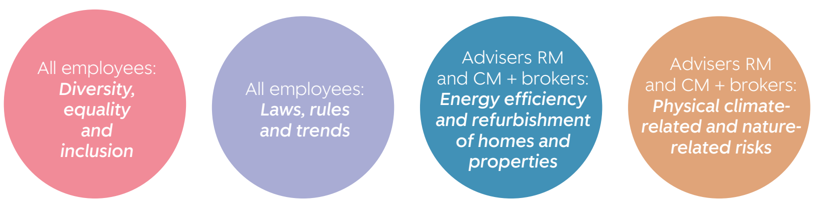


Figure 5: Prioritised focus areas during the strategy period

Metrics and targets	90% of employees in the main target group must have undergone sustainability upskilling programme in 2022 and 2023
Metric	Participation rate in %
Goal attainment	✓ 87%

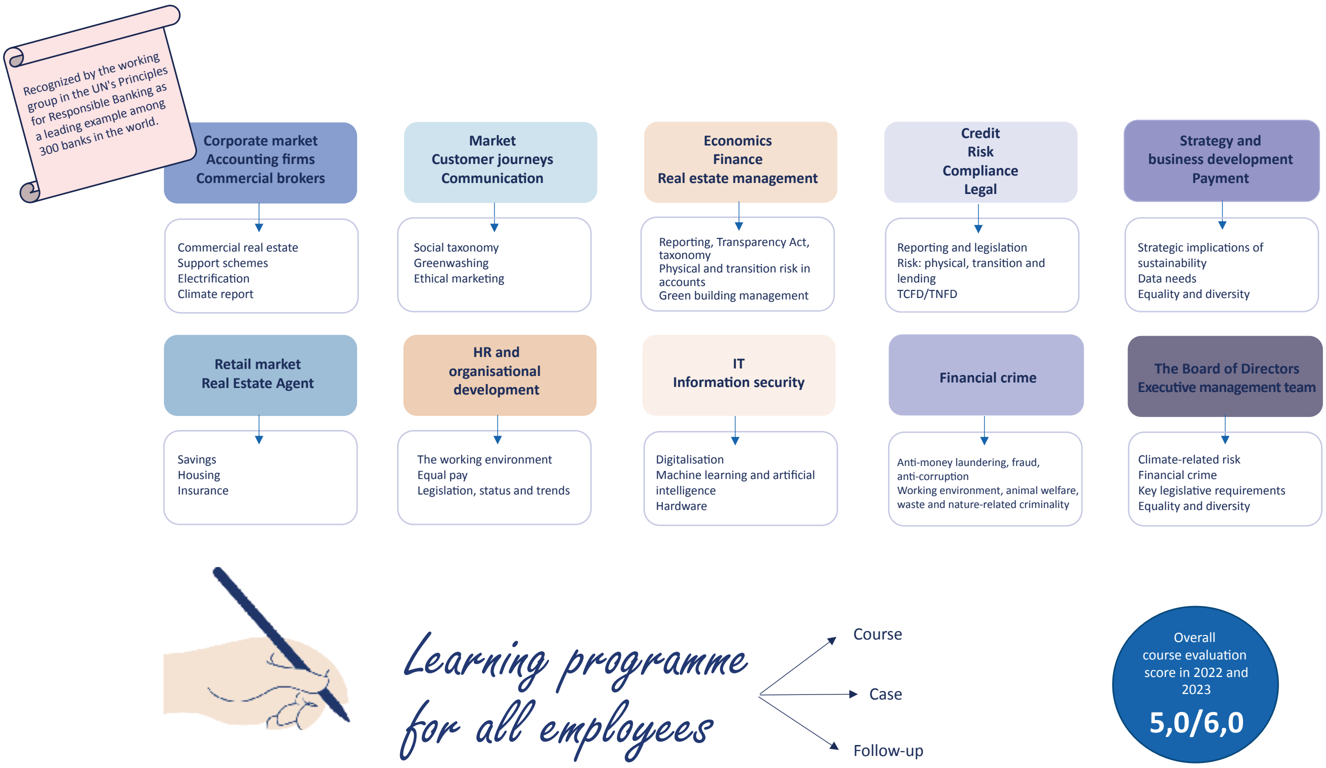
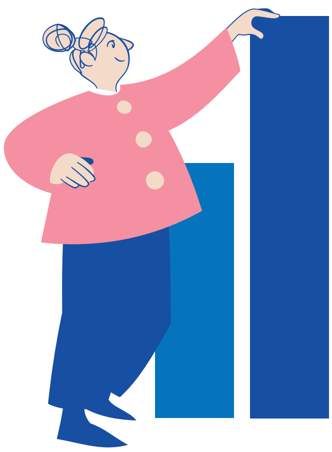


Figure 6: Sustainability upskilling programme 2022-2023

Selected learning path 2023: Consultative value-added sales

In 2023, we implemented a development programme for real estate agents and advisers in the retail market to further strengthen our sales culture and achieve even better synergies across business areas. The employees attended in-person workshops where they had an opportunity to get to know each other better across business areas, and they put what they learned into practice in their everyday work between the workshops. Managers also attended their own workshops, which enabled them to closely follow up on the goals and training.



Motivation
Inner and external motivation, sense of mastery, self-management and patterns of value.

Social skills
Adaptation to customers, ability to explain to customers, empathy, communication and respect.

Efficiency and activity
Priority, efficiency and proactivity.

Sales methods
Needs, consultative value-added sales, communication of values, daring to challenge and present solutions.

Learning strategies and willingness to change
Daring to take risks, understanding that change is safe, curiosity.

Figure 7: Development programme for consultative value-added sales

Diversity, equality and inclusion

Together we create value. Our vision guides everything we do. We value employee diversity and believe it provides us with better conditions for creating value for our customers and the local communities of which we are a part. For us, diversity is about more than just ethnic background, gender, age, sexual orientation and disability. Diversity is the sum of different personalities with different backgrounds, experience, culture, abilities, perspectives and interests. Diverse teams create innovation and development, enabling us to better understand our customers' needs and provide great customer experiences.

It is important to us that our employees respect the idea of gender equality and equal opportunities and actively contribute to an inclusive work environment. We emphasise that everyone should be able to be themselves, feel a sense of belonging and have a place in a community, and believe that this creates psychological safety and forms the core of an inclusive working environment. In SpareBank 1 Sørøst-Norge we take a proactive approach to promoting gender equality and preventing discrimination. For more information about our systematic work and reporting in line with our duty to report on activities and disclosures see the appendix "Report on diversity, equality and inclusion work".

Being socially engaged is one of the cornerstones of our sustainability strategy. To sum up, we therefore view the work on diversity, equality and inclusion as an integral part of our corporate social responsibility and an opportunity to have a positive impact beyond our own business.

Figure 7: Overarching goals for the period up to 2025

What did we do in 2023?

In 2022, we laid the foundation for our work on diversity, equality and inclusion, and we established an internal framework to ensure we work systematically. Read more about this in the appendix "Report on diversity, equality and inclusion work". In 2022, we also developed a policy that describes our views on diversity, equality and inclusion and sets the direction for our work in this area. In 2024, the policy will be revised and we want to establish more measurable KPIs we can use in our management. In this work, there will be a particular focus on how we can influence customers, suppliers and partners. In 2023, we worked strategically and systematically on the area of diversity, equality and inclusion via an action plan.

To ensure positive movement towards our goal of having 40% of each gender among managers at all levels, the responsibility for follow-up in 2023 was delegated to each individual business area. In 2023, we also systemised efforts to promote talented women. To ensure that women have good access to development opportunities, we developed and initiated a talent programme, with 65% female participation. In the long run, this will be an important measure in getting more women into management roles.

Figure 8: Systematic work on diversity, equality and inclusion

Women earn less than men in SpareBank 1 Sørøst-Norge. This was discovered by thoroughly mapping the entire area of pay in 2022, and further analyses in 2023. Based on this, we put closing pay gaps on the agenda in 2023. In the local wage settlement, managers were made aware of the pay gaps in their department by sending them an overview that clarified the pay differences in the department, both before and after the year's settlement. In addition, 1% of this year's wage settlement was allocated to a specific equalisation pot, which was designed to help equalise differences in comparable job groups. 75% of the equalisation pot went to women. While these are important measures, we also found that closing such pay gaps through wage settlements alone is challenging. We need to work along several different axes at the same time, and the talent programme is an example of this. Work on establishing more measures will be further prioritised in 2024.

In 2022, we revised our recruitment strategy to include a competency-based approach in everything from job analyses to advertising, testing and structured interviews. By preventing recruitment based on gut feelings and chemistry, we reduce the risk of unconscious bias in recruitment processes. We believe language and external communication play an important role in attracting a diversity of people, and there was a continuous focus on adjusting language use and the required qualifications in job adverts in 2023. By working closely with our managers, we raise awareness of diversity and the value this can add to our teams. In 2023, we introduced diversity assessments of the recruiting manager's team as part of job analyses in recruitment processes. The diversity assessment must ensure that we are aware of what is required to complement the team, in terms of both skills and experience, but also in terms of gender, age, ethnicity, background, personality and perspectives.
As previously described, one of our goals is to improve the diversity skills of our employees and managers. We have developed our own e-learning modules for diversity and inclusion for all employees in collaboration with the SpareBank 1 Alliance. As part of diversity and inclusion awareness, a programme has been created for managers that builds further on these e-learning modules. The plan will be implemented at the start of 2024 and involves putting knowledge into practice by having good conversations and discussions in our own departments concerning the topic.

In order to further increase awareness, allow for dialogue and embed diversity efforts into the organisation, we also planned, approved and established a diversity forum with participants across the Group in 2023. This forum will be an arena for good discussions and will formally start up in the first quarter of 2024.

Health, safety and the environment (HSE)

The Group takes a systematic approach to HSE, primarily via a Cooperation Committee, which includes the Working Environment Committee, which focuses on the HSE work in operations. SAMU/AMU meetings were conducted in line with the schedule.

The main focus was on preventive measures aimed at ensuring the sick leave rate remains at the lowest possible level. The Group's overall sick leave rate for 2023 was 4.9%. It also represents a decrease from 2022, when the sick leave rate was 5.1%. We actively work on follow-up and facilitation with those on long-term sick leave. As part of this work, we conducted webinars on the topic of monitoring sick leave for managers with personnel responsibilities in collaboration with the occupational health service. The Group's collaboration with the occupational health service focuses on preventive work, a good working environment, well-being and health-promoting workplaces, including ergonomics and facilitation of the office workplace for the individual employee. We also offer employees treatment insurance, which is designed to ensure quick access to treatment in the private healthcare system. In addition, psychological first aid provides access to psychological help within 24 hours if employees are exposed to a sudden and unforeseen event. We also believe that physical activity is an important preventive measure for physical and mental health, and therefore provide support for exercise. Physiotherapy and chiropractors are also covered by this support scheme. Two work-related incidents were registered in 2023. The incidents did not result in permanent injury.

Employee remuneration

SpareBank 1 Sørøst-Norge's remuneration policy, which was adopted by the Supervisory Board on 30.03.2023, applies to all remuneration paid in 2023.

Following the mergers between SpareBank 1 BV, Sparebanken Telemark and SpareBank 1 Modum, much has been done to gain insights into the area of pay. This provided knowledge of internal differences between the former banks and insights in relation to comparable banks externally. Updated insights provide a good basis for further developing the area of remuneration as a strategic tool. In connection with the 2023 wage settlement, a specific pot was set aside to equalise differences with regard to equal pay for equal work and equal pay between women and men. Good insights into the area of remuneration showed that this was necessary.

The successful equity certificates saving scheme that was implemented in 2022 was continued in 2023.

The Executive Remuneration Report and the remuneration policy in SpareBank 1 Sørøst-Norge are appended to the Annual Report.

Sustainability in SpareBank 1 Sørøst-Norge

Contents

Sustainability in SpareBank 1 Sørøst-Norge

SpareBank 1 Sørøst-Norge has been an important local supporter for more 160 years and has helped to ensure the survival of local communities. Given our proximity to customers and good local knowledge, the Bank wants to contribute to value creation and sustainable development in our market area, which covers Vestfold, Telemark and the lower part of Buskerud. SpareBank 1 Sørøst-Norge's ambition is to "significantly amplify our positive, and reduce our negative, impacts on the environment, social conditions and governance (ESG)" in accordance with the UN Principles for Responsible Banking (PRB).

METRICS AND TARGETS

PRB 5.1-3

SpareBank 1 Sørøst-Norge has made sustainability one of its seven priority strategy areas [1]. The sustainability strategy, which applies to the entire Group, has three cornerstones: responsible, socially engaged and climate proactive. Six goals have been set for the work on the strategy:

SIX OVERARCHING SUSTAINABILITY GOALS FOR THE STRATEGY PERIOD

Description of the Group's goal for 2025			Goal 2025	Status 2023	UN Sustainable Development Goals
1	**Upskilling programme**	• Employees of SpareBank 1 Sørøst-Norge must be confident that they know enough about sustainability to do their job • The Group has developed an upskilling plan for the period up to 2025 to tackle future needs	90 % completion of course	87 % participation	
2	**Sustainability exposure**	• The Group will increase the volume of green exposures • "Green" includes both sustainability and compliance • Same goals for RM and CM, and strategic credit goals for property	25 billion NOK	16,6 billion NOK**	
3	**Climate proactive**	• The Group will cut greenhouse gas emissions per unit of value creation from operations and the loan portfolio by 7% per year from the level in 2019	7 % YoY reduction	25,7 % reduction in operations and lending since 2019	
4	**Diversity and equality**	• We will systematically work for equal pay, ensure diversity among employees and an inclusive working environment and we will use our influence in relation to customers, suppliers and society in general	40 % of each gender among managers in 2025**	42 % women managers	
5	**Socially engaged**	• The "Konjunktur Sørøst" business cycle barometer will be the leading source of knowledge, data and analyses on business development in the market area and the biggest challenges business faces in the future	Leading source	Launched "Konjunktur Sørøst" website	
6	**Value creation**	• We will position ourselves for value creation within sustainability. Customers lack relevant value propositions. We will leverage this opportunity through business development. This will stand out and provide new sources of income for the Group.	NOK 3 million per year	NOK 1.72 million	

*Includes volumes of mortgage credit institutions and exposures not currently included in formal Taxonomy reporting.
**On the CEO's scorecard.

[1] This section is relevant for the following standards under the EU Sustainability Directive: GOV-1, GOV-2, GOV-3, SBM-1 and MDR-T.

Our customers want value propositions within sustainability. Therefore, when we revised our sustainability strategy in 2023 we added a new goal: value creation within sustainability. The purpose is to help customers with the transition, provide the Group with new sources of income and strengthen our position as a partner and sparring partner for sustainability.

The majority of the Bank's loan portfolio consists of mortgages. Increasing our green exposure to this customer group is an important component of our sustainability strategy and goals. However, the portfolio of corporate loans, with its large real estate proportion (rental, projects, as well as construction) is the most carbon intensive. Therefore, targeted efforts to cut emissions and increase our sustainable exposure within corporate loans are an important element of the Group's climate proactive approach.

OUR GREEN PRODUCTS

SpareBank 1 Sørøst-Norge offers a number of products with a green profile to make it easier for our retail and corporate customers to make good choices. In 2023, we launched green deposits, which allow households and businesses to determine whether their deposits should exclusively contribute to a greener future.

Retail
Green mortgages
Green loans for energy measures
Electric car loans and insurance
Green deposits
Saving in securities funds that focus on sustainability

Corporate
Green deposits
Green object financing

DIVISION OF RESPONSIBILITIES AND SUSTAINABILITY WORK

All departments' scorecards include performance indicators for the above sustainability goals, at both the manager and employee levels, and therefore impact remuneration. The Board of Directors and executive management team follow up the efforts to achieve our sustainability goals by reviewing and approving the scorecards on a quarterly basis. Here, as well as in the Board's annual report on sustainability, new trends in the area of sustainability, impacts and opportunities, and due diligence are highlighted. Sustainability risk is also included in the risk reporting to the executive management team and the Board. For more information see the chapter "Risk management and internal control" and the appendix "Climate and nature-related risks".

In their own annual workshops, subsidiaries and individual departments in the Group work to identify sustainability impacts, risks and opportunities, and determine the improvement measures they will follow up throughout the year. As a result of this work, the Group revises its sustainability strategy annually. This has to be approved by the Board and the executive management team.

A sustainability committee coordinates efforts within sustainability and the implementation of planned measures. 16 different departments are represented, including the head of compliance, heads of credit for the retail and corporate markets, head of financial crime, as well as managers in the subsidiaries EiendomsMegler 1 Sørøst-Norge and SpareBank 1 Regnskapshuset Sørøst-Norge. The committee is headed by the sustainability manager and met 10 times in 2023.

Sustainability is becoming an increasingly important element of every employee's working life. That is why we are continuing the sustainability upskilling programme in the period up to 2025, such that all employees stay up to date on sustainability topics relevant to their work. This sustainability report is a collaboration between various departments, which are responsible for the content in their professional areas. See our sustainability policy and sustainability strategy on our website for more information on our sustainability work and why we have chosen to focus on five of the UN Sustainable Development Goals. All relevant documents are published in our sustainability library on the Bank's website.

HOW WE REPORT ON SUSTAINABILITY

17 SAMARBEID FOR Å NÅ MÅLENE

PRB 1.2

In order to provide direction for our sustainability work, we have signed the following Norwegian and global initiatives that support
the Paris Agreement and global sustainability goals, and/or report in line with their guidelines:

UN Global Compact · UNEP Finance Initiative – Principles for Responsible Banking · GRI · Kvinner i Finans Charter · Grønnvaskingsplakaten

The following initiatives also provide guidance for our reporting and efforts to help mitigate climate change and preserve nature:

Science Based Targets – Driving ambitious corporate climate action · TCFD – Task Force on Climate-Related Financial Disclosures · TNFD

As an Eco-Lighthouse certified organisation, we report our own emissions in the appendix "Energy and Carbon Accounting Report 2023" and calculate funded greenhouse gas emissions using the method of the Partnership for Carbon Accounting Financials (PCAF):

Miljøfyrtårn® · PCAF Partnership for Carbon Accounting Financials

SpareBank 1 Sørøst-Norge has selected five of the UN Sustainable Development Goals where we have significant potential to have an impact:

8 ANSTENDIG ARBEID OG ØKONOMISK VEKST · 9 INDUSTRI, INNOVASJON OG INFRASTRUKTUR · 11 BÆREKRAFTIGE BYER OG LOKALSAMFUNN · 16 FRED, RETTFERDIGHET OG VELFUNGERENDE INSTITUSJONER – **Reinforce** positive impacts

9 INDUSTRI, INNOVASJON OG INFRASTRUKTUR · 13 STOPPE KLIMAENDRINGENE · 16 FRED, RETTFERDIGHET OG VELFUNGERENDE INSTITUSJONER – **Mitigate** negative impacts

References
The Sustainability Report refers to the specific principles we follow and how they are rooted in the sustainability strategy:

the *Global Reporting Initiative* (GRI), *UN Principles for Responsible Banking* (PRB), UN Global Compact (UN GC), Eco-Lighthouse, EU Taxonomy, UN Sustainable Development Goals and Principal Adverse Impacts (PAI) under the Sustainable Finance Disclosure Regulation (SFDR).

The Bank will have to report in line with the EU Corporate Sustainability Reporting Directive (CSRD) from the 2024 reporting year onwards. As a means of preparing for this, we will refer to European Sustainability Reporting Standards (ESRS). If we refer to an ESRS in a chapter, this means that it answers one or more of the documentation requirements, although not necessarily all of them.

Other guidelines for the report
The Bank is also obliged to comply with a swathe of legislation, where the following are particularly important for the work on sustainability:

the Accounting Act, section 3-3(a)-(c), the Transparency Act, the Climate Act, the Sustainable Finance Act (the EU Disclosure Directive and EU Taxonomy) and the Equality and Anti-Discrimination Act.

We report on a consolidated basis, which includes subsidiaries. The most recent annual reports were marked by the mergers between SpareBank 1 BV (acquiring bank) and Sparebanken Telemark in 2021 and SpareBank 1 Sørøst-Norge (acquiring bank) and SpareBank 1 Modum in 2022. Historical figures are not restated in connection with mergers in order to ensure reporting consistency.
We have not withheld any information due to intellectual property rights, although some business development initiatives currently being negotiated will be presented in later reporting.

Framework for our sustainability work[1]

Relationship between the UN Sustainable Development Goals (SDGs) and targets and SpareBank 1 Sørøst-Norge's own goals and targets in our sustainability strategy

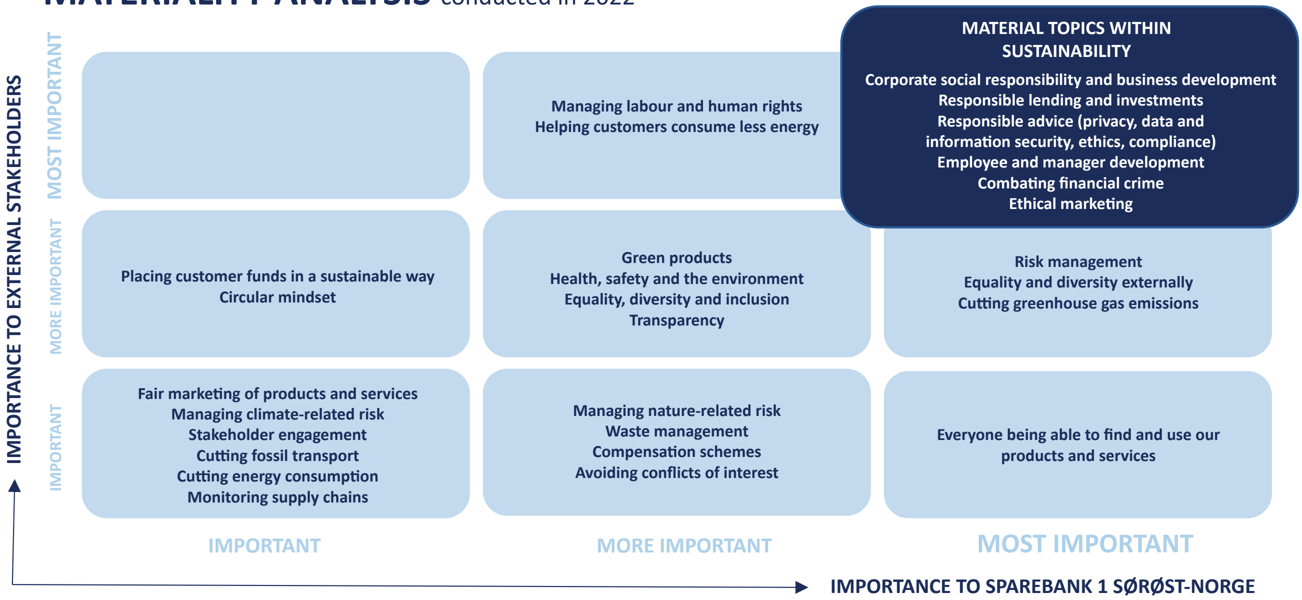
SUSTAINABILITY STRATEGY SPAREBANK 1 SØRØST-NORGE

Metrics and targets	Target	UN Sustainable Development Goals (SDGs)
RESPONSIBLE Combating financial crime and ensuring cybersecurity	**1.1** Prevent and detect money laundering and terrorist financing	16: 16.4, 16.5
	1.2 Prevent fraud against customers	
	1.3 Comply with sanctions regulations	
	1.5 Maintain IT Security	
	1.6 Protect privacy	
	1.7 Be proactive and advise customers	
	1.8 Fulfil our corporate social responsibility (share knowledge)	
SOCIALLY ENGAGED Take account of social and environmental considerations in our operations	**2.1** Upskilling programme: Maintain knowledge and apply it in practice	8: 8.3, 8.5; 11: 11.a; 9: 9.3, 9.4; 13: 13.a, 13.3
	2.2 Focus on corporate social responsibility with the foundations	
	2.3 Social sustainability: Diversity, equality and inclusion	
	2.4 "Konjunktur Sørøst" business cycle barometer Sørøst: Share knowledge for local business development	
	2.5 Be the saving customer's sparring partner for sustainability	
	2.6 Create value throughout the value chain for sustainable buildings	
	2.7 Help SME customers succeed: grants, tenders, entrepreneurial ventures, social sustainability	
CLIMATE PROACTIVE Reduce your own emissions, and help customers do the same	**3.1** Take action for sustainable operations and reduce your environmental footprint	11: 11.b; 9: 9.1; 13: 13.1, 13.a
	3.2 Agenda Sustainability: Involve employees in sustainability measures	
	3.3 Help customers avoid climate and nature-related risks and saving energy	
	3.4 Take a position in financing renewables	
	3.5 Be the customer's sparring partner for the transition: carbon accounting, sustainability reporting, electrification, circular economy	

[1] This chapter is relevant for the following standards under the EU Sustainability Directive: BP-1, GOV-4, SBM-2, SBM-3, S4-2, MDR-M and MDR-T.

SpareBank 1 Sørøst-Norge's **material topics for sustainability** in 2023

MATERIALITY ANALYSIS conducted in 2022



Areas in which SpareBank 1 Sørøst-Norge has the greatest chance of reinforcing **positive** and reducing **adverse impacts.**

Impact analysis updated in 2022

POSITIVE IMPACT	ADVERSE IMPACT
Resources and services that are accessible, achievable and of good quality	Resources and services that are accessible, achievable and of good quality
Jobs	Circularity
Species diversity and ecosystems	Climatic stability

Our material topics within sustainability

Good engagement with employees and other stakeholders provides direction for SpareBank 1 Sørøst-Norge's sustainability work. Based on our materiality analysis, impact analysis and internal risk assessments within the area of sustainability, we will focus on the following topics:

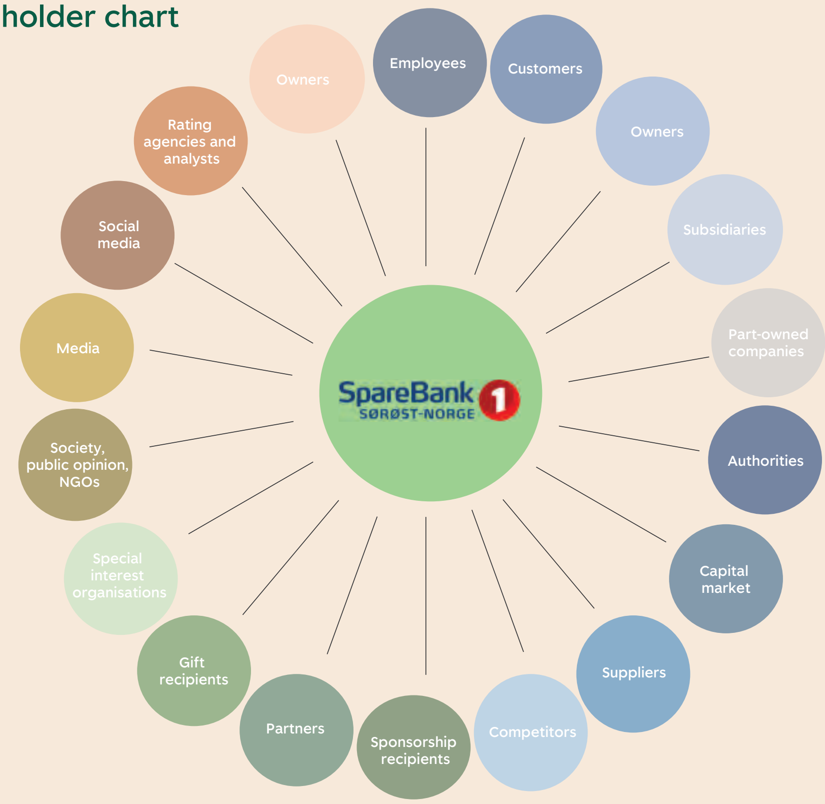
- RESPONSIBLE LENDING
- RESPONSIBLE ADVICE
- COMBATING FINANCIAL CRIME
- LOCAL CORPORATE SOCIAL RESPONSIBILITY AND BUSINESS DEVELOPMENT
- ETHICAL MARKETING
- SAVINGS AND INVESTMENT
- OWN WORKFORCE

PRB 4.1

Stakeholder engagement

During the year, the engagement with stakeholders indicated which sustainability issues the Bank should focus on. Read more about our stakeholder engagement in the appendix "Stakeholder engagement".

Stakeholder chart



Materiality analysis

SpareBank 1 Sørøst-Norge updated its materiality analysis in 2022. Together with the UN Global Compact, we entered into a collaboration with the University of Oslo. Students on the newly created "Sustainability Laboratory" programme carried out the materiality analysis for us.

Comprehensive stakeholder engagement consisting of in-depth interviews and surveys enabled us to map the topics that our external and internal stakeholders think impact us the most, as well as the topics where we have the greatest impact. The sustainability committee, executive management team and Board of Directors were also involved in the process and informed of the results. The EU Corporate Sustainability Reporting Directive (CSRD) stresses the importance of double materiality. This entails the Group reporting on both the impact the Group's activities have on society and stakeholders and the impact sustainability topics have on the Group's operations and long-term value creation. The materiality analysis indicated areas in which the Group can amplify its positive impacts and risk areas where the Group should reduce its negative impacts. Overall, the material topics in the analyses were:

- Corporate social responsibility and business development
- Responsible lending and investment activities
- Responsible advice (ethics and anti-corruption, privacy, data and information security and compliance)
- Employee and manager development
- Combating financial crime

PRB 2.1 Impact analysis

As part of the work on following up the UN Principles for Responsible Banking, the Group's updated its impact analysis in 2022. The analysis tool developed by the United Nations Environment Programme Finance Initiative (UNEP FI) was used. The Bank only operates in Norway (Vestfold, Telemark and the lower part of Buskerud), and the analysis covered the Bank's largest business areas: retail market (approximately 75%) and corporate market (approximately 25%).

The analysis shows that the Group has the greatest positive impact in the following areas:

- Resources and services that are available, attainable and of good quality (financial services and housing)
- Jobs
- Biodiversity and ecosystems (habitats, species, soil, air and water)

**The analysis shows that the Group has the greatest adverse
impact in the following areas:**

- Resources and services that are available, attainable and of good quality (financial services and housing)
- Circularity (waste and resource intensity)
- Climate stability

Responsible lending

The Bank's core business is to lend money to retail and corporate customers. Responsible lending is a key element of the Bank's social mission. It is important for the Bank to be a driving force for sustainable development among our customers.

The Bank's role in the Group's plan for achieving net zero emissions by 2050 via a 7% annual reduction in carbon intensity is a clear commitment to make loans available for refurbishments in both the retail market and the corporate market, with more favourable terms for refurbishments and less attractive terms for energy inefficient buildings with no clear plan for refurbishment. This is also our approach to being the customer's sparring partner for the transition to a circular economy.

Retail market

The focus in the retail market (RM) is on SDG 8 (Decent Work and Economic Growth) and SDG 13 (Climate Action). Our impact analyses for the retail market show that we have the greatest chance of having positive impacts and the greatest risk of having adverse impacts within:

Retail market

POSITIVE IMPACT	ADVERSE IMPACT
Resources and services that are accessible, achievable and of good quality	Resources and services that are accessible, achievable and of good quality
	Equality and justice
	Circularity
	Climatic stability

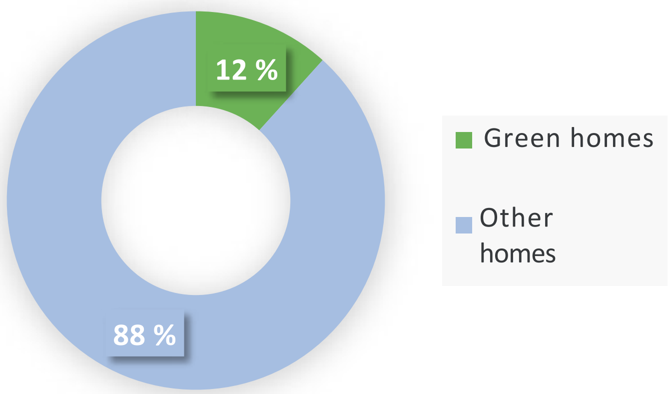
Green mortgages: Focus on refurbishment and circularity

We offer green mortgages with more favourable interest rates for new build and existing homes with energy ratings of A or B, as well as for homes that start with a lower rating but are upgraded to at least two energy ratings better (an approximately 30% reduction in energy consumption).

At the end of 2023, the total lending volume for green mortgages was NOK 3.4 billion, double the NOK 1.7 billion total in 2022. The proportion of homes eligible under the green bond framework accounted for 11.9% of our lending volume in 2023.[1]

[1] Both the total lending volume for green mortgages and the proportion of homes that qualify under our green bond framework include volumes in SpareBank 1 Boligkreditt.

Proportion of green homes that are eligible under the green bond framework*



* Homes with potentially high climate-related risk are not excluded. Holiday homes are included. Only includes homes that are collateral in the retail market, not those in the corporate market. Does not include homes under construction, plots of land or agricultural real estate.

Products and services with a social profile

We take advantage of the opportunity to have a positive impact on housing conditions and work by offering products and services with a social profile that provide financial benefits for customers: We ensure that we take care of all of our customers facing various financial challenges. Helping loan customers whose debt servicing capacity has decreased by following them up closely is especially important during difficult financial times.

For the younger customers, we have, for example, "Mortgages for young people", a discounted product designed to help young homebuyers get on the property ladder. The Bank also offers the following mortgage products as part of its partnership agreement with LO:

- LOfavør mortgages for young people
- LOfavør first mortgages are our most affordably priced loans for first-time buyers of any age
- LOfavør advances against the wage guarantee fund are loans charged at mortgage rates for customers whose employer is going to declare bankruptcy and aimed at tiding them over while waiting for a payout from the wage guarantee fund
- LOfavør conflict loans are loans charged at mortgage rates for customers who end up in prolonged labour disputes in connection collective bargaining agreements.

Via SpareBank 1 Kreditt AS:

- LOfavør deposit loans for young people are an offer for young customers who want to enter the rental market
- LOfavør refinancing loans that enable customers to refinance consumer debt and gather all their loans into one loan to provide them with a better overview.

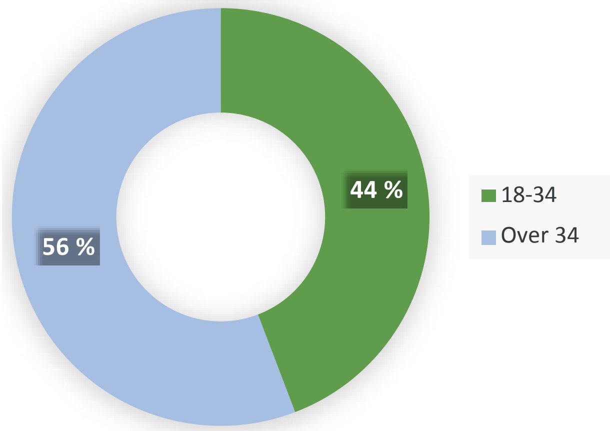
Corporate market

Lending to businesses is one of the Group's core activities and the area in which we have the greatest opportunity to have an impact on sustainable development and transition. Our risk assessment and impact analysis indicate that we have the greatest opportunity to have positive impacts and the greatest risk of having adverse impacts in the industries to which we lend the most money: rental properties, property development projects and building and construction. In the climate and environment area, this applies to all three industries. Meanwhile, our main potential adverse impact within social sustainability relates to human and labour rights on building sites and within the supply chain (for more details, see the appendix "Human rights and decent working conditions"). This is also an important risk in other industries such as operating companies, transport and agriculture, all of which include many SMEs.

LO customers are also offered financial advice and very good interest rates on ordinary mortgages. The same applies to object financing (including discounted car loans, with special benefits for young people and electric car loans) via SpareBank 1 Finans Midt-Norge AS.

The Lending Regulation allows banks to operate with a flexibility quota with regards to the number of customers who do not fulfil some requirements of the Regulation (debt servicing capacity, debt-equity ratio and loan-to-value ratio). Young first-time buyers are often given priority within the scope of this quota. In 2023, 44% of the quota (NOK 848 million) was used for young people (aged 18-34). This is a reduction from 55% in 2022, although still well above our goal, which is for young people to have a higher share of the flexibility quota than the proportion of the loan volume would indicate.

Fleksibilitetskvote aldersfordeling



263
customers assessed in the ESG module

Two areas that stood out in our impact analysis for the corporate market, partly in light of this, were climate stability and thriving SMEs (for more about the latter, see "Local social responsibility and business development" below). For these areas, the impact analysis shows that we have the greatest potential to have a positive impact and the greatest risk of having an adverse impact within:

Corporate market: Climatic stability

POSITIVE IMPACT	ADVERSE IMPACT
Natural disasters	Energy
Species diversity and ecosystems	Other vulnerable groups
Resource intensity	Socioeconomic convergence

Corporate market: Thriving SMEs

POSITIVE IMPACT	ADVERSE IMPACT
Jobs	Resource intensity
Sector diversity	Waste
Socioeconomic convergence	

What did we do in 2023?

We must be safe, competent sparring partners for customers in the green transition by investing in financing renewables and carbon accounting, and helping customers with the challenges associated with electrification, the circular economy and saving energy. We must help customers avoid climate and nature-related risks and advise customers on social sustainability.

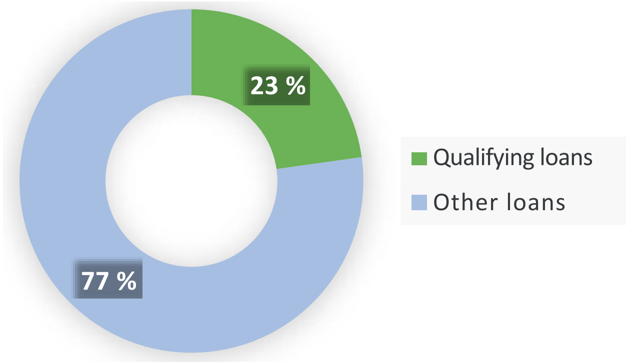
Retail market

- The Group increased the volume of loans that qualify under the green bond framework from NOK 9.6 billion at the end of 2022 to NOK 9.8 billion at the end of 2023.
- We stipulate clearer requirements for physical climate-related risk and energy ratings for larger exposures or for high loan-to-value ratios, and have updated the construction year and available energy rating for a large proportion of the homes in which we have collateral.
- We have a procedure for monitoring housing under construction or refurbishment using construction loans (more than 20% of the building's market value). This involves an appraiser monitoring invoices and progress.
- In 2023, customers in the retail market participated in further sustainability upskilling in line with the training goals for 2025.

Corporate market

- The Group increased the volume of loans that qualify under the green bond framework from NOK 3.9 billion at the end of 2022 to NOK 5.2 billion at the end of November 2023.
- We are more restrictive when it comes to granting new loans for energy-inefficient properties.
- SpareBank 1 has developed a specific module for assessing sustainability in relation to corporate loans. SpareBank 1 Sørøst-Norge played an important role in this work. The module includes general questions on the environment/climate, social conditions and corporate governance, as well as specific questions for the industries in which the Bank has the greatest exposure. The questions and industry scoring distinguish between high-risk and low-risk loans, and the highest risk loans are followed up.
- We updated construction year and available energy rating data for a large proportion of the property portfolio.
- Our portfolio stress testing was updated in line with the common methods used in the SpareBank 1 Alliance.
- Our advisers in the corporate market received training in relation to zero-emission solutions and carbon accounting. Regnskapshuset now offers carbon accounting as a specific product.

Proportion of corporate loans that qualify under the green bond framework*



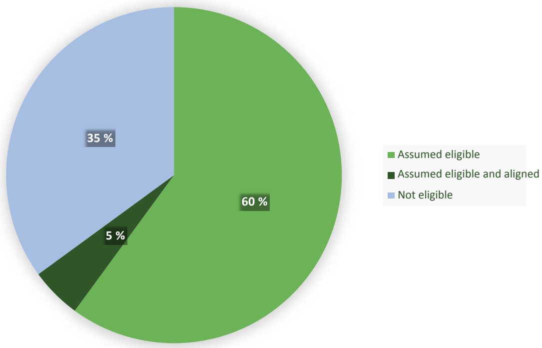
* Figures are as at 30.11.2023. Include commercial buildings, homes that are collateral items in the corporate market (including for sole proprietorships), renewable energy and other qualifying loans. Buildings exposed to high climate-related risk are not excluded. Does not include homes under construction, commercial properties under construction, plots of land or agricultural real estate.

Green framework

SpareBank 1 Sørøst-Norge had at the end of 2023 issued green bonds totalling NOK 4.55 billion since 2021, of which NOK 1.65 billion was issued in 2023. The framework complies with the ICMA Green Bond Principles, has been assessed in light of EU Taxonomy, and the ambition is to comply with the EU Green Bond Standard.

EU Taxonomy

Proportions of our balance sheet* assumed to be eligible and aligned in relation to the EU Taxonomy environmental objectives 1 (climate change mitigation) and 2 (climate change adaptation).



*Not the same as the statement of financial position in the annual financial statements. Includes the following exposures in both the numerator and the denominator: financial and non-financial institutions with reporting obligations, including: green bonds; loans for households; and financing for local authorities, including green bonds. Included in denominator only: Institutions without reporting obligations, derivatives, interbank loans, cash-related assets and other assets (e.g. goodwill, goods, etc.). States, local/regional authorities, central banks and other excluded assets are not included in either the numerator or the denominator.

The EU uses the EU Taxonomy to define which economic activities are deemed sustainable in order to guide investors and businesses in the direction of net zero emissions by 2050 and to achieve of a number of environmental and social goals. Taking account of the EU Taxonomy played an important role in shaping the Bank's sustainability and credit strategy. The Act on Sustainability-related Disclosures in the Financial Services Sector, which entered into force on 01.01.2023, requires the Bank to report on the degree to which our activities are sustainable according to the EU Taxonomy. The proportion of the Bank's total exposure that satisfies the Taxonomy requirements could over time affect how much reserve capital we will have to set aside for the loans we provide, thereby affecting our profitability. Even if our customers are too small to have a duty to report under the Taxonomy, they will face documentation requirements from us, investors, major customers and when they apply for government grants. See our mapping of what is eligible and aligned in relation to the EU Taxonomy in the appendix "EU Taxonomy".

The way forward
Increase our green exposure to achieve the goal of a 7% annual reduction in the loan portfolio's carbon intensity, align ourselves with the EU Taxonomy's requirements and reduce our sustainability risk:

Retail market
- Digitalisation of physical climate-related risk management using data from Eiendomsverdi AS
- Developing green loans with a sustainability profile together with partners
- Activities directed at existing customers designed to provide information about energy ratings and profitable energy-related and climate-related measures, and upskilling for advisers in connection with this
- LOfavør green mortgages and LOfavør green loans for energy measures (eco-loans) will be launched in February 2024

Corporate market
- Upskilling within the circular economy and BREEAM-In-Use
- Continue work on obtaining energy certificates and construction years for commercial properties in which we have collateral
- Sustainability assessments for existing loans that have not undergone such an assessment
- Map any additional activities the Bank has in those industries covered by all six environmental goals in the EU Taxonomy that are in line with the Taxonomy criteria

Risks and opportunities
Retail market
A large proportion of the homes the Bank has financed through mortgages are older than 2012. Some of them have been refurbished and may thus have technical standards similar to new homes. However, the potential for contributing to more energy-efficient homes and increased green exposure for the Bank through talking to customers about refurbishment is significant. This is also a key factor in mitigating our adverse impact within circularity: refurbishing a building instead of demolishing it avoids waste from both the demolition process and the new construction. Higher electricity prices have made these conversations more common than before, even though the transition has been slowed down by higher costs and interest rates. There were also more conversations about climate change mitigation in the wake of the extreme weather event Storm Hans, which impacted parts of our market area. These conversations require an adviser's time and expertise. We follow them up through the upskilling programme.

Insurance is another area where there are challenges and opportunities in the retail market. Storm Hans showed how extreme weather events may become more common in our market area. Insurance will therefore be a prerequisite for being able to handle the major damage that homeowners, and us as a lender, may incur. New insurance solutions can also support the transition to a circular economy by repairing rather than replacing insured items that can still be used. Fremtind Forsikring AS, our non-life insurance company, is now focusing on reuse and repair in cases involving damage: a damaged car can now only be scrapped if the damage amounts to 80% of the value of the car, compared with 60% before.

The balance between environmental and social responsibility will be a demanding one going forward and can require innovative solutions. In general, it is likely that our younger customers or those on low incomes will own older and less energy-efficient homes. The EU Energy Performance of Buildings Directive will require a 16% reduction in energy consumption by 2030 and up to a 22% reduction by 2035, as well as solar panels on new homes by 2030. If Norway decides to implement the directive, many homeowners will have to carry out upgrades. In order to ensure that the lending risk is not too high for both customers and banks, this transition will be dependent on homeowners receiving grants from the authorities. In order to achieve the Taxonomy and climate goals, it will be preferable to finance energy-efficient homes and climate adaptation measures. However, such solutions are only affordable for our better off customers. In order to reduce this social sustainability risk, we have introduced green loans for energy measures that make it easier to make smaller investments today that save energy and costs over time. In addition to this, upgrades equal to two energy ratings now qualify for green refurbishment loans, and not just upgrades to energy rating C as the requirement was before.

Corporate market
The Bank's exposure to transition risk is relatively low.

This is partly due to its very low exposure to the most carbon-intensive industries (see the appendix “Greenhouse gas emissions in the loan portfolio”). Some of our commercial property customers may meet stricter customer requirements for environmentally certified, energy efficient and flexible buildings, for example as a result of the recently introduced requirement that environmental and climate criteria be weighted 30% in public tenders. Norwegian implementation of the EU Energy Performance of Buildings Directive may be demanding for commercial properties as well. Solar will be gradually phased in for commercial buildings from 2027 onwards. The commercial buildings that waste the most energy (16%) will have to be refurbished by 2030, and the least energy efficient (26%) will have to be refurbished by 2033. The sector may not receive as much public support as homeowners in such a process. The information in an energy certificate will probably be needed in order for a home or commercial building to satisfy the sustainability criteria under the EU Taxonomy. The fact that many owners of residential and commercial buildings do not have such a certificate, even though they are compulsory, and the failure of the authorities to enforce the regulations, are common challenges for all Norwegian banks.

It could become harder to locate plots in vulnerable natural areas due to the EU Taxonomy requirements faced by developers and Norway’s compliance with the Nature Agreement. Some customers also have objects in locations that entail a high physical climate-related risk. This also applies to agricultural customers. Agriculture also leaves a high carbon footprint. Going forward, this will become a more important consideration, at the same time as agriculture provides us with food security and carbon sequestration in forests.

Climate change related events and transition risks (e.g. high prices for energy, gas and emission quotas; shutdowns of European manufacturing due to such costs; or requirements for climate-friendly materials) can delay property development projects and make them more expensive. Industrial and wholesale and retail sale customers may experience similar difficulties. Another risk for our corporate customers is new regulatory and customer requirements for zero-emission solutions, for example, related to the new tender requirements mentioned above. The fact that technological options (electric, biofuel and hydrogen) are often expensive and technologically immature is a challenge. This can especially impact our customers within transport, construction and agriculture. However, these exposures are largely handled via object financing and leasing carried out by SpareBank 1 Finans Midt-Norge AS, in which SpareBank 1 Sørøst-Norge owns a 12.9% stake.

Good engagement and advice that balances the risks, costs and possibilities provided by potential solutions (e.g. refurbishment and climate adaptation of buildings, own production of renewable energy and zero emission vehicles and machinery) will become increasingly important. We are committed to providing our smaller customers with good information about the changes. The “Konjunktur Sørøst” business cycle barometer shows that small businesses are less likely to view sustainability as a financial risk than the big businesses and municipalities to whom they sell their products and services. However, small businesses have less expertise about upcoming sustainability regulations than their customers, who have started to stipulate requirements for them. They often also have less financial flexibility with respect to handling a larger transition.

For more information about climate and nature-related risks see the appendix “Climate and nature-related risks”. See the description of collateral with potential physical climate-related risk in the appendix “Physical climate-related risk in the loan portfolio”.

Our credit policy and sustainability policy state that we will not provide loans to:
- Energy inefficient commercial buildings, unless they have a clear plan for upgrading
- Companies that wilfully or negligently:

- Have a particularly high risk of committing, or are involved in specific suspected cases of, serious environmental harm or that lack the financial capacity to implement and comply with environmental requirements
- Have as their main activity, helping to increase or streamline the extraction of fossil fuels, or transport and store fossil fuels (with the exception of loans that contribute to transition at existing customers involved in such activities)
- Are involved in the extraction, or generation of energy based on, fossil fuels, thermal coal, oil sands or nuclear power, or hydropower production that does not satisfy the principles of the World Commission on Dams
- Perform lobbying aimed at weakening a necessary transition to a low-emission society in line with Norway's goals in the Climate Change Act and the world's goals in the Paris Agreement
- Use timber from entities engaged in illegal logging, the sale of illegally felled timber or deforestation, or destroy tropical rainforest or clear remove primary forest or protected forest (High Conservation Value Forests)
- Trade in animal and plant species in violation of international rules for trading in endangered animals and plants, or that threatens populations of red-listed species
- Have operations in areas already experiencing water shortages or where such operations would have conflicted with the needs of local communities

- Export weapons, or components exclusively intended for use in weapons, to areas experiencing systematic and gross violations of human rights, widespread corruption, or civil war
- Are involved in the development, testing, production, storage, or transport of controversial weapons, or components exclusively intended for such weapons, including cluster munitions, autonomous weapons, antipersonnel mines, nuclear weapons, chemical weapons and biological weapons
- Have a particularly high risk of, or specific suspected cases of, corruption, money laundering or terrorist financing, including customers who have not satisfied our documentation requirements concerning actual beneficial owners and the origin of funds.
- Are involved in cryptocurrency mining/production
- Produce tobacco or components explicitly intended for similar products

- Have a particularly high risk of committing, or are involved in specific suspected cases of, serious and systematic violations of human and labour rights
- Produce pornographic materials

STRATEGIC ANCHORING:

GUIDELINES
- Sustainability policy and sustainability strategy
- Credit risk and credit strategy policy

RESPONSIBLE DEPARTMENT
- CM
- RM
- Sustainability

GOALS IN THE SUSTAINABILITY STRATEGY
2.1 Upskilling programme: maintain knowledge and apply it in practice
2.5 Be the saving customer's sparring partner for sustainability
2.6 Create value throughout the value chain for sustainable buildings
2.7 Help SME customers succeed: grants, tenders, entrepreneurial ventures, social sustainability
3.3 Help customers avoid climate and nature-related risks and saving energy
3.4 Take a position in financing renewables
3.5 Be the customer's sparring partner for the transition: carbon accounting, sustainability reporting, electrification, circular economy

MEASURES
- Increase our green exposure to achieve the goal of a 7% annual reduction in the loan portfolio's carbon intensity and reduce our sustainability risk
- Actively seek to reduce sustainability and climate-related risk in our loan portfolio

TRAINING AND EDUCATION
- Upskilling programme: social sustainability and electrification

ESRS
MDR-A, MDR-P, E1-2-4, E2-2, E3-1, E4-2, E5-2, S4-4

GRI 201-2, FS7, FS8, FS10, FS11. 404-2,3

PRB 1.1, 2.2-4, 3.1-2, 6.1

UN GC 1, 2 , 4-9

SDG 8.3, 9.2, 9.3, 9.4, 11a), 16.4

ECO-LIGHTHOUSE 2066-70, 2072

EU TAXONOMY section 3, section 10-17

Responsible advice

Providing advice is SpareBank 1 Sørøst-Norge's core activity, and we must treat customers and partners in a responsible, trustworthy and ethical manner. The confidence in us of customers, investors and other stakeholders in society is important for us as a bank, and our advice should underpin the Bank's strategy and our corporate social responsibility.

What did we do in 2023?

Customer privacy

SpareBank 1 Sørøst-Norge processes huge amounts of personal data as part of its day-to-day operations. This data includes personal data about both customers and our employees.

Therefore, the overarching objectives of all the data protection work in SpareBank 1 Sørøst-Norge are to ensure that, by taking a systematic and risk-based approach, we:

- Safeguard the privacy of data subjects and protect the reputation of SpareBank 1 Sørøst-Norge and the SpareBank 1 Alliance by processing personal data properly
- Support the business operations by ensuring that the Bank maintains control over its processing of personal data at all times
- Ensure compliance with the Personal Data Act and the EU's General Data Protection Regulation (GDPR), other data protection legislation and relevant industry standards

This will increase the confidence in us of customers, employees, partners, owners and supervisory authorities, and could create new business opportunities.

In 2023, we:

- Conducted privacy training for the Bank's Board of Directors and selected groups of employee.
- Improved the Bank's overview of processing, which describes how the Bank processes personal data.
- Contributed to assessments of the privacy implications associated with the implementation of new products and services.

6

Number of privacy nonconformances reported to the Norwegian Data Protection Authority

0

Number of orders or sanctions imposed by the Data Protection Authority

Ethics and good business conduct

The Group's activities are dependent on the confidence of our customers, the public authorities and society as a whole. The Group's employees must act as expected, have high ethical standards and respect the Group's tradition as a savings bank with local roots. A specific policy has been prepared for the Group concerning ethics, having the right attitudes and good business conduct (hereinafter referred to as the Code of Conduct). This is available on the Bank's website. It is approved by the Board and revised on an annual basis. Ethics is included as part of the training plan for all employees.

Our managers are role models and must, through their words and actions, promote compliance with the policy. Managers are expected to inform new employees about our Code of Conduct, ensure ethics is on the agenda and facilitate good business conduct in their own unit. Our employees must provide responsible, professional advice and are expected to be conscious of ethics and integrity at all times, act in a trustworthy, honest and fair manner, and comply with the guidelines set out in the Code of Conduct.

Any actions that could be perceived as bribery, corruption or attempts to improperly influence matters are not acceptable. All employees must avoid impartiality issues or conflicts of interest, and decisions and behaviour must underpin the Bank's strategy and our corporate social responsibility.

The Group has no incentive schemes that go against good business conduct. The parent bank has no bonus schemes, although profit sharing with all employees is permissible. Our membership of Finance Norway means that we comply with the financial services industry's ethics decree. This obliges us to avoid incentive schemes that encourage short-term thinking. The ethics decree also obliges us to take all of our stakeholders into consideration, spread knowledge about personal finances to customers, conduct transparent and responsible business operations, contribute to healthy competition and follow up any violations of industry standards. Important business conduct topics are regularly addressed by the Board and executive management team, as well as at lower levels of management.

The Group has both internal and external whistleblowing channels via which people can anonymously report matters of concern, problems and wrongdoing (also within sustainability), including potentially unethical or illegal conduct that could contribute to harming the Group's reputation or financial situation. A secure online whistleblowing solution is operated by a third party provider in order to maintain the anonymity of whistleblowers. If the whistleblower wishes to remain anonymous with respect to the employer, the report is also followed up by this third party. The report is then forwarded to the internal whistleblowing group, which assesses whether the report entails wrongdoing pursuant to the Working Environment Act. Whistleblowers will receive feedback on the outcome of the case via the third party. Detailed information about whistleblowing and the Group's whistleblowing channels is provided on the intranet and is readily available to all employees. No learning or training was provided in relation to these channels in 2023, although this is planned for 2024. No reports were received in 2023.

The Code of Conduct obliges all employees of the Group to comply with applicable competition laws. The Group is also interested in ensuring that the work with other players in the SpareBank 1 Alliance should not hinder free market competition. A policy has therefore been drawn up to deal with competition legislation in such cases. This applies to direct cooperation with other SpareBank 1 banks; the joint ownership of companies (directly via SpareBank 1 Utvikling DA, SpareBank 1 Gruppen AS or SpareBank 1 SamSpar AS); and cooperation on purchasing and product and service development (via both SpareBank 1 Utvikling DA and SpareBank 1 SamSpar AS).

In 2023, we:

- Ensured that all employees are familiar with the Code of Conduct.
  - o Upon appointment, all new hires must read and sign the Code of Conduct.

Data and information security

0

Number of known cases of corruption

SpareBank 1 Sørøst-Norge maintains a constant focus on securing our data and systems such that customers and employees can safely use our services. We take a risk-based approach to the topic and conduct vulnerability analyses and threat and risk assessments. These assessments provide the basis for improvements and security measures.

The greatest threats the Bank has identified include:

- Data breaches involving the theft of information. Data breaches involve gaining access to all or parts of an IT system without permission by, for example, exploiting software vulnerabilities or misusing usernames and passwords.
- Supply chain attacks: A single supplier is attacked first and this is followed by customers or other suppliers up or down the chain being attacked next.
- Distributed Denial of Service (DDoS) attacks, where

an attacker attempts to prevent legitimate users accessing a service or information, such as emails or websites, by attacking a web resource.

SpareBank 1 Sørøst-Norge maintains a constant focus on technical measures. At the same time, we are also working to strengthen our security culture and expertise in this area in order to better equip ourselves to combat digital attacks.

In 2023, we:

- Conducted safety and risk assessments when new products and services were implemented.
- Implemented an information security training programme for all employees.
- Updated our contingency plans.

Compliance and transparency

Compliance with legislation and policies and transparency are prerequisites for maintaining SpareBank 1 Sørøst-Norge's integrity and the confidence of customers, partners and society. We must always be able to explain our decisions and actions, and on what these decisions and documentation are based. We also encourage our customers and partners to practice transparency and comply with legislation and procedures.

In 2023, we:

- Conducted internal control in relation to sustainability factors, including checks in relation to investment advice and assessments of customer sustainability preferences, checks in relation to the quality of sustainability assessments for loans in the corporate market – in light of the credit strategy and sustainability policy – as well as checks in relation to sustainability legislation (Disclosure Directive and Taxonomy Regulation) and the Transparency Act.
- Held regular quarterly meetings between the compliance and sustainability departments in order to monitor regulatory developments in the area of sustainability.
- Completed the first part of the sustainability upskilling programme for the entire organisation and started the second phase, which is about applying these skills in our day-to-day work.
- In partnership with BI Norwegian Business School, we developed a course on sustainability for real estate agents and admin staff in real estate agencies firms, approved by the Financial Supervisory Authority of Norway, which our real estate agents have taken.
- Carried out Agenda Sustainability, the Group's annual sustainability week in which employees were introduced to topics such as: the psychology of prejudice; the link between mental and financial difficulties; the industry standard for financial inclusion; exclusion; and the Bank's work on diversity, equality and inclusion.
- Offered the Maintenance Calendar service, a service for homeowners that provides advice and tips on maintaining their home. Maintenance is damage prevention in practice and helps to both ensure that resources already in use are used well and reduce waste. The service is an open solution on the website.

Diversity, equality and inclusion

SpareBank 1 Sørøst-Norge must take a proactive approach to diversity, equality and inclusion in both its own operations and in relation to customers and partners. Read more about our work in our own organisation in "Own workforce". External perspectives are as important as internal ones. As a significant financial actor, SpareBank 1 Sørøst-Norge has a major impact, and we want to use this power to encourage our customers, suppliers and partners to move in a positive direction.

We will stipulate requirements for diversity, equality and inclusion for the largest stakeholders with whom we work, and promote equality among our customers through the products and services we provide. The Bank wants to have a workforce that reflects and advises the community of which it is a part, regardless of cultural background, ethnicity, religion and gender. We have zero tolerance for discrimination, both at work and in relation to customers, partners and society as a whole.

The Bank also offers customers legal assistance, in collaboration with Legalis. In particular, assistance with drawing up cohabitant contracts is important for securing both parties in the relationship from a financial perspective.

In 2023, we:

- Revised the questions in the ESG module to provide us with a better understanding of how our corporate customers safeguard human and labour rights in their own operations and in relation to suppliers.
- Decided to create a diversity forum that involves our corporate side, such that we can better leverage our impact on customers, suppliers and partners.

The way forward

- The Diversity Forum will be started up, and will, for example, establish goals and action plans for the continued work on diversity, equality and inclusion, internally and externally.
- Selected environments, including customer service in the retail market, will undergo an upskilling programme on digital and financial inclusion, with a particular emphasis on how we can help senior citizens become au fait with the digital bank.
- Training and raising awareness about whistleblowing channels

Risks and opportunities

Responsible advice that builds trust is essential for SpareBank 1 Sørøst-Norge. Customer and employee personal data must be properly processed in both day-to-day operations and business development. The financial services industry is constantly exposed to new methods of corruption. Increased and closer cooperation with the SpareBank 1 Alliance, participants in the value chain and others in the financial services industry will improve our competence and reduce the risk associated with new corruption methods.

Treating all customers equally can generally be a challenge for banking and finance. For example, companies founded by women obtain financing less often, some groups lack BankID or Vipps and thus experience digital exclusion, the physical bank premises may not be very accessible or the Bank's employees may not adequately mirror the diversity of customers. We have a far greater physical presence in our local communities than most other banks, and if we can excel at equal treatment in other areas as well, we may become attractive to a number of these groups. In relation to our corporate customers, we can also turn the spotlight on reducing exclusion. This supports local business development and can help create jobs.

STRATEGIC ANCHORING:

GUIDELINES
- Policy for preventing and managing internal irregularities
- Code of Conduct
- Conflict of interest management policy
- Remuneration policy
- Privacy policy
- Corporate governance policy
- Policy for suitability assessments
- Compliance policy
- Whistleblowing Standard
- Sustainability policy

RESPONSIBLE DEPARTMENT
- Compliance
- HR

GOALS IN THE SUSTAINABILITY STRATEGY

1.3 Comply with sanctions regulations
1.5 Maintain IT Security
1.6 Protecting privacy
1.7 Be proactive and advise customers
1.8 Fulfil our corporate social responsibility (share knowledge)
2.1 Upskilling programme: maintain knowledge and apply it in practice
2.3 Social sustainability: Diversity, equality and inclusion

MEASURES
- Sustainability and climate-related risk assessments
- Quarterly internal sustainability checks
- Spotlight on social sustainability in customer relationships
- Competence and suitability assessments for the Board

TRAINING AND EDUCATION
- All employees: nano learning modules about information security
- The Board of Directors and selected employees: privacy training
- All advisers authorised via the Financial Industry Authorisation Schemes (FinAut) complete annual refreshers in their specialist areas, as well as in ethics and good practice
- All employees who sell insurance complete 15 hours of continued education every year
- All employees in Risk & Compliance must feel confident that they know enough about sustainability requirements, policies, legislation, risks
- Advisers: courses on social sustainability in customer relationships

GRI 205-2,3 and 418-1 404-2,3

PRB 5.1, 5.2

UN GC 2, 10

SDG 16.5

ESRS GOV-3, S4-1, S4-3, S4-4, G1-1, G1-3, G1-4

Combating financial crime

Our sustainability strategy makes combating financial crime a major part of our efforts to operate responsibly. We want to assume responsibilities beyond what is required by law. We have the expertise, resources, opportunity to have positive impacts, and need to mitigate risk within fraud, money laundering and terrorist financing.

Financial crime is a societal problem that impacts both individuals and business. Crimes that target the financial services sector are becoming ever more complex and impact levels trust in society. Therefore, the Group's efforts to prevent and detect crime are becoming more important.

The financial services industry performs a key function in society and constitutes an important part of Norway's critical infrastructure. The machinery of society would seize up without functioning payment systems. The Group is conscious of its social responsibility and is constantly working to prevent and minimise opportunities to exploit our services for criminal purposes. This work is linked to SDG 16, target 16.4 regarding reducing illicit financial and arms flows and combating all forms of organised crime.

The Bank's financial crime department has two main areas of responsibility: 1) anti-money laundering, terrorist financing and sanctions efforts and 2) customer security.

Combating money laundering and terrorist financing and complying with sanctions

Money laundering is a prerequisite when it comes to criminals being able to exploit the proceeds of most types of crime, from illegal arms trafficking and drugs to people smuggling and terrorism. Therefore, putting an end to money laundering will help to create a safer society and trust in the financial system.

Customer security: combating fraud and scams

Fraud and scams can target the public sector as well as the private sector. In the public sector, they often involve the misuse of trust-based support schemes, including public social security and subsidy schemes. In addition to these come tax evasion. Fraud committed against the private sector can be divided into fraud targeted at private individuals and fraud targeted at commercial actors/companies. This is a widespread type of crime that can have serious consequences for those affected. Many cases show the proceeds from fraud are used to finance other types of crime like money laundering.

What did we do in 2023?

- More information work both with customers and internally within the Group:
  - Customer talks on financial crime
  - Internal training (6-8 digital courses for all employees, as well as webinars on various topics)
  - Drew up a training programme for new employees
- Closer collaboration with the SpareBank 1 Alliance and interdisciplinary collaboration in the Bank:
  - Established regular meetings with SpareBank 1 Utvikling to share experiences and cooperate on transaction monitoring.
  - Created dedicated specific roles for the retail market and corporate market, respectively, in order to strengthen the cooperation with these departments.
  - Established groups in the retail and corporate markets with particular expertise in combating financial crime.
- Further reinforced the work on combating financial crime by increasing staffing from 9 to 11 FTEs.
- Improved application processing tools and data collection to improve the source data for statistics:
  - Ensured the quality and efficiency of analysis work
  - Established and revised standards and work instructions to ensure that the cases the Bank's employees report to the financial crime department are of good quality.
  - A process has been established in which a robot takes actions, including suspending accounts, in cases where customers are subject to possible fraud or attempted fraud.
  - A digital complaints channel has been established for reporting fraud involving account transactions via the online/mobile bank.

Figures for money laundering and terrorist financing

Figures as at 31.12.2023:

Number of flags		Number of completed actions		Number of suspicious transactions submitted	
2022	**2023**	**2022**	**2023**	**2022**	**2023**
Approx. 21 000	15 973	1 291	2 264	325	275

The work has become more accurate over the last year: while every 16th flagged transaction resulted in a completed customer action in 2022, every 7th flagged transaction in 2023 resulted in a customer action. We are constantly working on analysing our transaction monitoring in order to increase accuracy.

Customer security figures

The number of fraud cases increased significantly in 2023. At this time, it is impossible to identify exact figures for fraud as fraud victims are often scammed via multiple channels. A fraud case can thus consist of complaints regarding VISA, credit cards, online banking and Vipps. Fraud linked to credit card and Vipps transaction complaints are processed internally by these companies and not by SpareBank 1 Sørøst-Norge. Nevertheless, based on the collected data we have estimated the following figures for account and card transactions for 2023:

Estimated figures for fraud cases: account transactions

Category	2022	2023
Number of fraud cases processed, account transactions	197	236
*Potential loss, for example pure card fraud	9 487 000	12 865 478
**Saved	6 220 000	4 648 105
Losses borne by the customer	2 833 000	5 952 875
Losses borne by the Bank	434 000	1 840 393

* The potential loss is the sum of transactions that were transferred out of the Bank in connection with fraud, including cards and Vipps.
** Saved is the money that the Bank has got back from receiving businesses in connection with fraud, or that we have managed to prevent being withdrawn from the customer's account.

Estimated figures for fraud cases: card transactions

Category	2022	2023*
Number of fraud cases processed, card	723	1 188
Total loss card fraud	5 449 530	6 626 008
Losses borne by the Bank	1 877 000	2 992 928
Losses borne by the customer	1 805 615	832 903
Losses borne by the card companies	1 767 914	2 800 176

* Figures 01.1-28.11.2023. Figures for 29.11-31.12.23 are not included in these statistics because Nets took over the Bank's processing of these cases from the relevant date.

The way forward

- SpareBank 1 Sørøst-Norge will continue to improve procedures and compliance by: More information work and training internally in the form of professional updates, in-person meetings at local bank branches at least annually, themed talks on Teams and a focus week with talks and activities for the entire Group.
- A greater focus on customer care and follow-up, especially in fraud cases where our customers are a fraud victim. This is how we take care of the customer, prevent further incidents and fulfil our social responsibility.
- Information work for the market and our customers: Talks, for example for pensioner associations, sports clubs, minority communities and educational arenas, but also when the customer contacts the Bank.
- Increasing the staffing of the financial crime department by a further 2-3 FTEs in spring 2024. The staffing of both the operational team and professional resources will be increased.
- Increased use of automated processes for collecting updated information from the Bank's customers.
- Additional improvements to IT systems to ensure more efficient work processes.
- Including questions in relevant procedures about compliance with minimum social standards in line with the EU Taxonomy

Risks and opportunities

The risks associated with not combating financial crime are failing to meet statutory requirements and weakening the Bank's reputation among customers and the rest of society. SpareBank 1 Sørøst-Norge's efforts to combat financial crime contribute to financial stability, reduce the risk of money laundering and terrorist financing, and protect companies and individuals from fraud and scams.

Artificial intelligence (AI)

Artificial intelligence (AI) constitutes a risk in that it enables criminals to contact many people quickly and use more sophisticated and convincing methods for, for example, fraud. For example, AI can clone websites in seconds and customise them based on the original in order to give the user the impression that they are genuine.

On the other hand, AI provides the Bank with great opportunities to streamline its monitoring work. It can identify suspicious transactions and patterns.

Unrest around the world

Greater political instability and conflicts such as the war in Ukraine can create a favourable environment for illegal financial activities, including money laundering. On the other hand, international cooperation can be strengthened to tackle cross-border money laundering in light of global unrest.

STRATEGIC ANCHORING:

GUIDELINES
- Policy on measures for combating money laundering and terrorist financing

RESPONSIBLE DEPARTMENT
- Financial crime

GOALS IN THE SUSTAINABILITY STRATEGY
1.1 Prevent and detect money laundering and terrorist financing
1.2 Prevent fraud against customers
1.3 Comply with sanctions regulations
1.4 Combat cyber threats
1.5 Maintain IT Security
1.7 Be proactive and advise customers
1.8 Fulfil our corporate social responsibility (share knowledge)
2.1 Upskilling programme: maintain knowledge and apply it in practice

GENERAL MEASURES
- Greater focus on using digital tools
- Close cooperation with the SpareBank 1 Alliance
- Raising awareness in-house and externally: talks, training, etc.

GRI SB1SON-1, 205-1,2,3, 404-2,3
PRB 5.1
UN GC 2, 10
SDG 16.4
SFDR PAI 11
ESRS G1-3, G1-4, S4-4
EU TAXONOMY section 3(c), section 18

TRAINING AND EDUCATION
- Role-based e-learning cases throughout the year for all employees involving, for example, corruption, conflicts of interest, sanctions, trends and sustainability
- Department discussions based on cases

Local corporate social responsibility and business development

As a central regional bank in Southeast Norway, SpareBank 1 Sørøst-Norge plays a key role in strengthening the local business community and society as a whole. With our deep understanding of local needs and our expertise in advice, we create valuable and long-lasting customer relationships.

Local engagement

Sports and culture are important for our local communities. That is why we contribute funds and cheer on everyday heroes, both big and small, who are pursuing their dreams. We are present where you live and support everything from festivals, handball and football cups to clubs and associations that help make everyday life a little better for everyone in our local communities.

Our savings bank foundations (see page 149), which are among our largest owners, reinvest a large proportion of the Bank's profits back into society. This supports local teams, associations and initiatives that promote good childhood environments and development. The foundations support local projects that create value over time that benefit and are useful for many.

Value creation in local businesses

Our "Business Promise" is about strengthening and developing small and medium-sized enterprises (SMEs) in Southeast Norway. With the goal of being the leading SME bank, we focus on supporting businesses that are critical to the region's economy. SMEs account for a large part of the labour market in our area, and by supporting these businesses, we are helping to reduce unemployment and promote job creation.

PRB 2.1

In line with the Principles for Responsible Banking, we are committed to actively contributing to the growth and success of local SMEs. Our efforts are not only important for the economy, they also create a stronger and more inclusive society.

Therefore, to strengthen SMEs, we had the following goals in 2023, and will have the same goal of annual improvements from 2023 to 2024:

- Increase the number of applications for government grants that are approved for our corporate customers by 5% in 2023 compared with 2022, when the Bank's customers had 117 such applications approved.[1] Data from the government support schemes was not available for 2023 in time to be included in the Annual Report.
- Increase the use of the "Konjunktur Sørøst" business cycle barometer (websites visits and participation in events) by 10% in 2023 compared with 2022.

	2022	2023	% change
Use of "Konjunktur Sørøst" business cycle barometer	Approx. 8 647	Approx. 6 868	-21%*

[1] The government support schemes included are ENOVA, Innovation Norway, SkatteFUNN, the Research Council of Norway and the Regional Research Fund (Vestfold og Telemark and Viken).

Volume and proportion of corporate loans for micro-SMEs

	Number of customers	Lending (NOK billions)	% of total corporate loans
2022	11 352	17.8	77,4
2023	11 494	16.5	71.9

*0-10 employees and max. EUR 2 million (NOK 21 907 million based on exchange rate as at 31.12.2022, NOK 22 481 million based on exchange rate as at 31.12.2023) balance for lending/credit. The decrease in lending to SMEs may be related to the generally more demanding market situation in 2023.

What did we do in 2023?

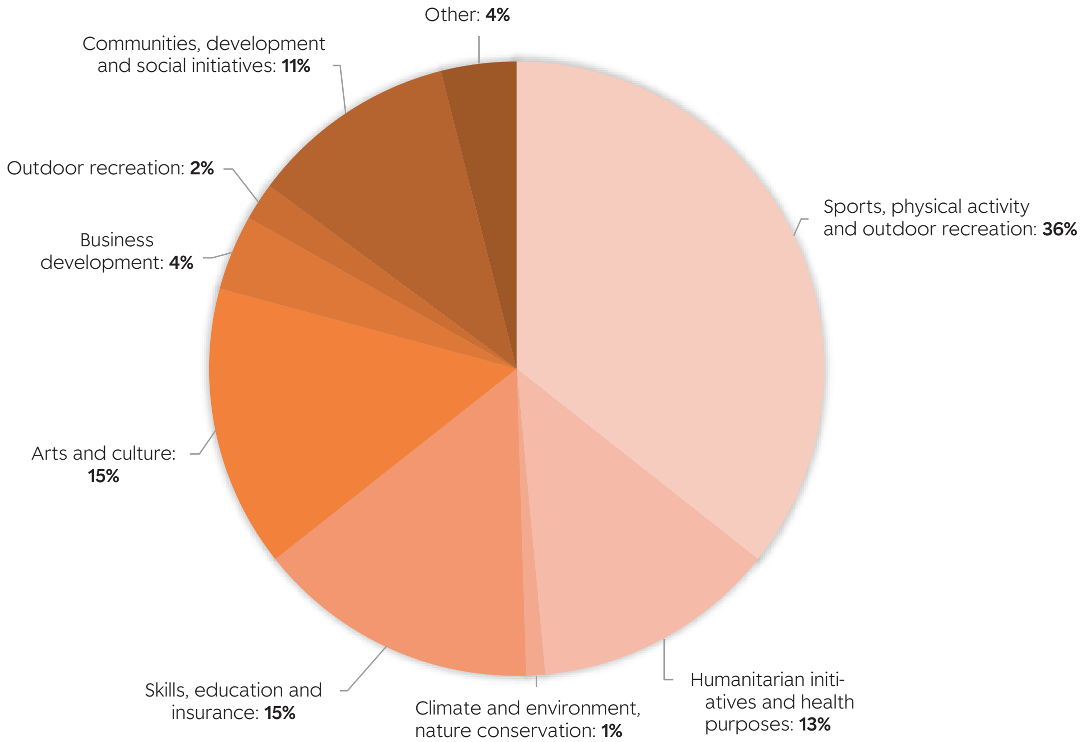
In 2023, the Group supported local business development and local corporate social responsibility by:

- Carrying out the ZURF programme and looking at more opportunities for growth and synergies for local business development as a result of the programme
- Actively contributing to the development of a skills offer for SMEs in collaboration with the UN Global Compact and Eco-Lighthouse
- Contributing to courses and propeller hunting for local youth companies in collaboration with Young Entrepreneurship
- Actively offering our expertise to start-ups via local agreements with entrepreneurial environments
- Surveying the expectations of businesses and households regarding finances, investments and various sustainability topics. The expectations surveys, the most thorough of their kind in Southeast Norway, were conducted by "Konjunktur Sørøst" (the Group's business cycle barometer for Southeast Norway) in

both the spring and autumn of 2023, and show local results for 17 different locations in Southeast Norway. We communicated the results in collaboration with all of the local trade associations in the market area.
- Coordinating the commitment to working with the University of South-Eastern Norway within sustainable regional development and upskilling
- Adopting a purchasing policy and marketing guidelines, both with their own points on taking additional account of local suppliers

In 2023, the savings bank foundations distributed NOK 187.4 million:

- **69,1 mnok** SpareBank 1 Stiftelsen BV
- **17,7 mnok** Sparebankstiftelsen Nome
- **43,3 mnok** Sparebankstiftelsen Telemark
- **17,3 mnok** Sparebankstiftelsen Nøtterøy-Tønsberg
- **40,0 mnok** Sparebankstiftelsen SpareBank 1 Modum



The way forward

- Continuing and expanding collaboration agreements with programmes and business centres that contribute to sustainable and future-oriented development in our region
- Contributing courses for lower and upper secondary schools on finances and career choices in collaboration with Young Entrepreneurship
- Contributing courses and upskilling in the areas of finance and corporate governance in the local communities of which we are a part
- Collaborating with other stakeholders in the region (e.g. the University of South-Eastern Norway) in order to improve skills within environmental and social sustainability
- Presenting the sustainability barometer for Southeast Norway as part of SpareBank 1's new national sustainability barometer

Risks and opportunities

The Group is based in one of the fastest growing regions in Norway. This gives us a number of opportunities to strongly boost local living standards and business development. The savings bank foundations have a lot of capital; this facilitates a number of good projects and activities. Closer cooperation with the University of South-Eastern Norway will continue to be a natural approach. Initiatives designed to avoid or reduce exclusion are a potential area for increased collaboration with the foundations and the University of South-Eastern Norway, since more people in Southeast Norway are not in work or education than in the rest of the country.

SpareBank 1 Sørøst-Norge wants to be the personal regional bank that provides value for local businesses, people and communities. The local dimension will be strengthened. The work on supporting local entrepreneurs is very important.

STRATEGIC ANCHORING:

GUIDELINES
- Sustainability policy
- Code of Conduct

RESPONSIBLE DEPARTMENT
- Market
- CM
- Sustainability

GOALS IN THE SUSTAINABILITY STRATEGY
1.8 Fulfil our corporate social responsibility (share knowledge)
2.1 Upskilling programme: maintain knowledge and apply it in practice
2.2 Focus on corporate social responsibility with the foundations
2.4 "Konjunktur Sørøst" business cycle barometer Sørøst: Share knowledge for local business development
2.7 Help SME customers succeed: grants, tenders, entrepreneurial ventures, social sustainability

GENERAL MEASURES
- The business cycle barometer, "Konjunktur Sørøst"
- Expectations surveys of people and businesses in 17 locations across Southeast Norway
- Advising SMEs on support schemes

GRI 404-2,3

UN GC 7-9

SDG 8.3, 8.5, 9.2, 9.4, 11 a), 13 a)

ESRS S3-4, S3-5

TRAINING AND EDUCATION
- Information sharing on business and social development via the "Konjunktur Sørøst" business cycle barometer in various talks, etc.
- "Konjunktur Sørøst" as part of the training for new hires

Ethical marketing

In SpareBank 1 Sørøst-Norge, we focus on ensuring products and services are easy to understand. All marketing must be ethical and responsible so that customers can easily update themselves and make the right decisions.

We comply with the Grønnvaskingsplakaten (anti-greenwashing decree) and do not market products as sustainable if they are not. We also follow up our partners with regard to the environment, social conditions and responsible operations in line with the Group's sustainability policy. No breaches of the regulations and guidelines for product and service information and labelling, communication and marketing were reported in 2023.

What did we do in 2023?
- Staff in the marketing department took a course on greenwashing, the Transparency Act and the link between brand building and sustainability in February 2023
- Signed an agreement to be an activity partner for Odds Ballklubb Kvinner women's football team via the "Equal Opportunities" project
- Held a "Swap Weekend" at three different locations in our region
- As part of the "Ski Bank" scheme, we distributed 60 pairs of free skis to organisations in our area
- Green/sustainable products and services were included in our digital marketing activities
- Shared relevant content from our "Konjunktur Sørøst" business cycle barometer for Southeast Norway in the Group's channels
- New marketing guidelines cover diversity in imagery and sponsorship, privacy, greenwashing, artificial intelligence and other areas

The way forward
- Ensuring good gender balance in the work on sponsorships and sponsorship activities
- Establishing an activity plan for 2024 together with Odds Ballklubb Kvinner women's football team and the "Equal Opportunities" project
- Holding a "Swap Weekend" in more locations in the region
- Initiatives for our mortgage customers in relation to energy ratings, energy measures and green mortgages

- Continuing to share relevant content from the "Konjunktur Sørøst" business cycle barometer for Southeast Norway in the Group's channels
- Integrating green/sustainable products and services into campaigns
- Updating ourselves on sustainability claims and consumer protections in the green transition

Risks and opportunities

The market expects our marketing to be responsible in order to maintain trust and our good reputation. The authorities are increasingly focusing on greenwashing, and the risk of getting a fine may increase with new directives concerning environmental claims and consumer protections in the green transition. The risk is probably greatest in situations where the Bank has more information than the customer. We will also ensure that what we say matches what we do within social sustainability. At the same time, marketing work can function as the Bank's listening posts in relation to customers, contribute to product and service development in the area of sustainability and help customers who want to take responsibility for the environment and social conditions.

STRATEGIC ANCHORING:

GUIDELINES
- Sustainability policy
- Code of Conduct
- Marketing Guidelines

RESPONSIBLE DEPARTMENT
- Market
- Sustainability

GOALS IN THE SUSTAINABILITY STRATEGY
1.8 Fulfil our corporate social responsibility (share knowledge)
2.1 Upskilling programme: Maintain knowledge and apply it in practice

TRAINING AND EDUCATION
- Awareness of the topic, including via risk workshops
- Upskilling programme for sustainability in marketing and upcoming rules on greenwashing and environmental claims

MEASURES
- Integration of sustainability into marketing campaigns and brand building work
- Sponsorship strategy takes sustainability into account
- Integration of green/sustainable loan products into campaigns/activities
- Signing an agreement to be an activity partner via the "Equal Opportunities" project

GRI 203-1 and 417-1,2,3

UN GC 2

SDG 8.3, 9.4, 13.3, 16.5

ESRS S4-4

Sustainability in savings and investments

Our customers invest significant amounts in the securities funds we distribute. This, therefore, gives us an opportunity to encourage the funds to place greater emphasis on the environment, social conditions and governance (ESG) in their investments.

SpareBank 1 Sørøst-Norge complies with the SpareBank 1 Alliance's guidelines for the responsible distribution of securities funds. The Bank requires managers to sign a distribution agreement and document that they stipulate sustainability requirements for the investments they make. SpareBank 1 wants to make it easier for customers to choose securities funds suitable for them, both with regard to returns and other conditions relevant to society and customers. We will therefore clearly flag the funds that do, and do not, comply with our guidelines.

What did we do in 2023?

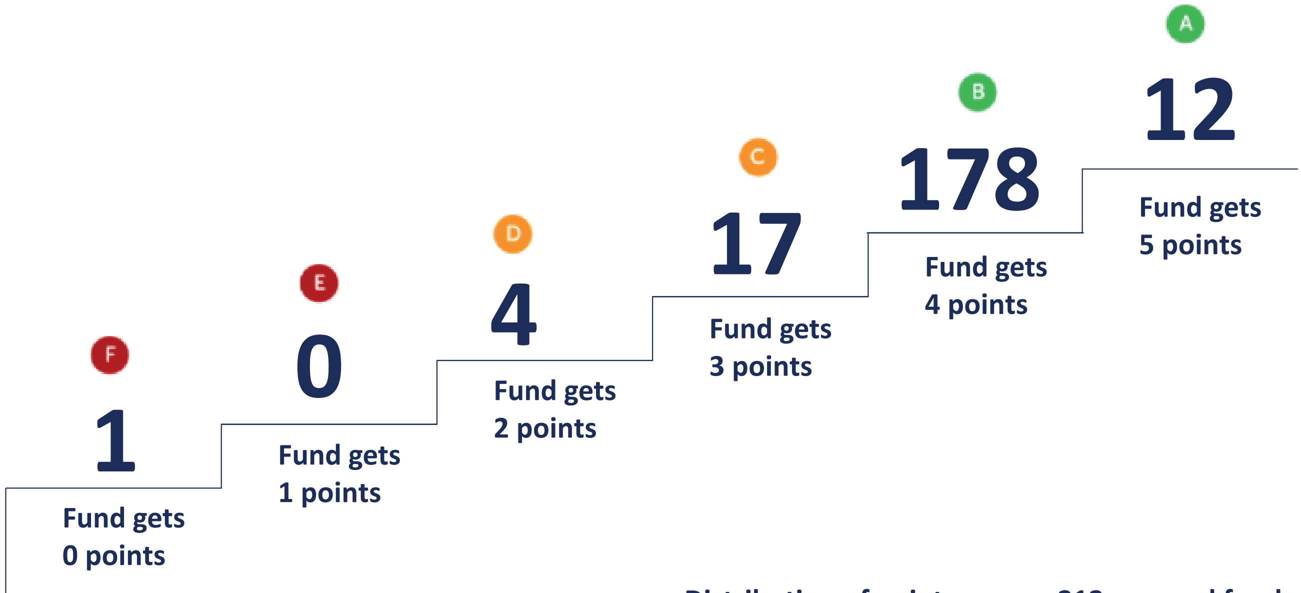
- The Bank adopted a tool launched by SpareBank 1 Utvikling DA for investment advisers. It includes questions designed to clarify customers' sustainability preferences in light of the Disclosure Directive, EU Taxonomy and MiFID II.
- SpareBank 1 Sørøst-Norge revised investment advice procedures such that we inform customers of the sustainability risk in investments and the investment risk in sustainability investments before the customer invests
- Updated SpareBank 1's sustainability guidelines for distributing securities funds.
- Over the course of the year, green deposit products were also launched for customers in both the corporate market and the retail market.

The conflicts around the world have increased the focus on how the funds we distribute invest. In 2022, the funds stopped all trading of securities, and excluded companies, with exposure to Russia. In 2023, the Norwegian Union of Municipal and General Employees (NUMGE) and Norwegian People's Aid investigated whether Norwegian banks, including the SpareBank 1 banks, are invested in companies linked to Israel's activities in the West Bank and Gaza. We are taking the findings of the campaign seriously and have followed up with customers who have contacted us. SpareBank 1 expects the trustees of funds we distribute not to invest in companies that contribute to, or are responsible for, serious violations of individual rights in war or conflict situations. We regularly check the funds' investments against companies blacklisted by Norges Bank Investment Management and/or the UN Global Compact. The latter relies on assessments conducted by the UN Human Rights Council, which regularly monitors and blacklists companies linked to concrete human rights violations. If a fund is invested in a blacklisted company, the fund manager must either exclude the investment or encourage the firm to eliminate the harm or risk within a reasonable period of time.
Our guidelines for the responsible distribution of securities funds define what we *encourage* the managers of the securities funds we distribute to do within sustainability; what we *expect* of them; and what we *require* of them. If a fund manager breaches our requirements and, after a conversation with us, does not change their practices, we stop distributing the relevant securities fund.

We expect fund managers to be active owners and to exclude companies and sectors in order to ensure the more sustainable development of the individual company, but also for the sake of society and the environment. This can also be important when it comes to the funds being able to provide good returns for our customers. Managers of the funds we distribute have to sign the UN Principles for Responsible Investment and report how they comply with them.

SpareBank 1 launched ESG labelling of funds in 2020. The labelling indicates how companies have documented their work on sustainability through responsible ownership, socially beneficial investments or exclusion. In order to map a fund's ESG factors, all fund managers must respond to a questionnaire that covers three criteria: negative screening, positive screening and active ownership. The funds are then assigned a grade on a scale from A to F based on their score. Spot checks are also carried out to ensure that funds have been assigned the correct grade. The labelling scheme is being updated, see below. Therefore we did not collect new ESG information from the managers for 2023. As the scheme functioned as at 31.12.2023, funds graded A, B or C meet our minimum sustainability requirements and can be included as one of our recommended funds if they meet other criteria.

The table below shows the distribution of the grades in the labelling scheme for 2023. The nature of the funds that were distributed in 2022 remains unchanged. Over the course of the year, we expanded our offering of funds that focus on sustainability (Article 9 funds) due to customer demand. Some 11 new securities funds were included in 2023: four received a grade A and seven a grade B.



Distribution of points among 212 mapped funds

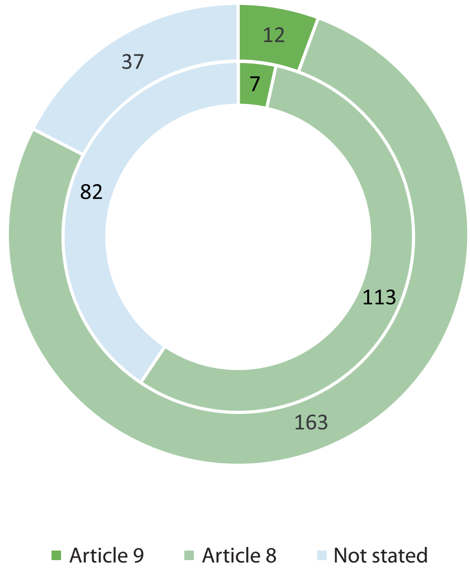
The vast majority of funds score a grade B. We regard these as funds that have a good approach to environmental and social conditions with active portfolio managers.

- Only one of the fund managers (who manages 5 funds) states that they do not vote at general meetings.
- All managers state that they have signed the UN Principles for Responsible Investments and report on their compliance.

Fund labelling is based on an analysis of all 212 securities funds the SpareBank 1 Alliance distributes. The table below shows the number of funds that satisfy the various criteria in the survey:

Screening	2022 202 fund in total	2023 212 fund in total
NEGATIVE SCREENING, the fund does not invest in companies that:	**2022**	**2023**
Invest in controversial weapons	201	**211**
Invest in weapons or military equipment for restrictive countries	199	**209**
Receive a significant share of their income from thermal coal or that base significant parts of their activities on thermal coal	193	**203**
Contribute to serious environmental damage	199	**209**
At an aggregated company level, produce unacceptable levels of greenhouse gases	185	**195**
Are involved in serious breaches of human rights	199	**209**
Are involved in serious violations of individual rights in war and conflicts	196	**206**
Are involved in serious corruption	194	**204**
Invest in tobacco production	187	**197**
POSITIVE SCREENING	**2022**	**2023**
Funds that carry out the positive selection of companies based on socially useful non-financial factors	9	**13**
ACTIVE OWNERSHIP	**2022**	**2023**
Funds that, as part of their ownership, communicate with companies about ESG	199	**209**
Funds that, as part of their ownership, communicate with companies about ESG and vote in general meetings	197	**207**
Funds that publicly disclose how their active ownership is exercised	199	**209**

Both the labelling scheme and the guidelines for funds recommended and distributed by SpareBank 1 were revised in 2023 in light of the requirements of the Sustainable Finance Disclosure Regulation (SFDR) and the Sustainable Finance Act (see the section on "Responsible lending" for more information). In our follow-up of fund managers, we examined whether and how they categorised their funds in accordance with the EU's SFDR. In 2023, a total of 163 securities funds were categorised as Article 8 (promotes environmental and social factors), compared with 113 in 2022, and 12 as Article 9 (has sustainable investments as its purpose), up from seven securities funds in 2022. Only Article 9 funds can score the top grade in our labelling scheme. The fund must also meet all of SpareBank 1's expectations.

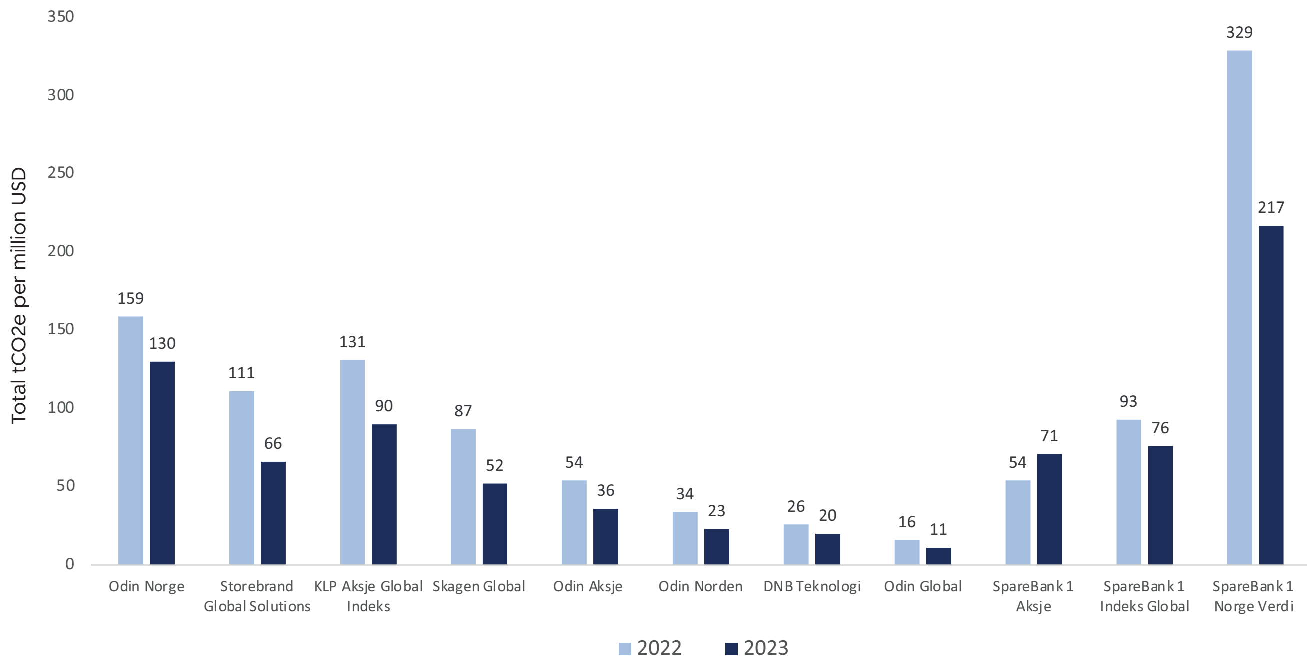


The figure shows the number of Article 9 and Article 8 funds in 2022 (inner circle) and 2023 (outer circle).

A significant proportion of the investment funds distributed by the Bank are from ODIN, which is owned by SpareBank 1. All of ODIN's equity funds are Article 8 funds (ODIN Aksje consists of multiple ODIN funds, all of which are either Article 8 or Article 9 funds), except for the Article 9 funds ODIN Bærekraft and ODIN Sustainable Corporate Bond. SpareBank 1 funds are Article 8 funds.

SpareBank 1 has commenced a dialogue about the funds' carbon intensity with the fund managers. We have a significant footprint and the opportunity to have a positive impact within the areas of the climate, waste and the reuse of resources through the fund assets we manage on behalf of our customers. Carbon intensity is one possible general indicator of the impact we are having.

CARBON INTENSITY OF A SELECTION OF OUR FUNDS



Source: Morningstar Direct, figures updated October/November 2023

The funds' carbon intensity (emissions per USD 1 under management) varies significantly. It must be analysed in light of the sectors in which the managers invest and how they monitor their portfolio companies' sustainability. ODIN Norge and SpareBank 1 Norge Verdi are, for example, more exposed to oil and gas than the other funds in the overview, and therefore have a higher carbon intensity. However, if these two funds influence the companies to accelerate their green transition, the sustainability effect may still be greater than that in other funds. Their carbon intensity decreased over the past year. The same applies to all other selected funds, except for SpareBank 1 Aksje. This is a fund-in-fund, where the holding has been expanded to mitigate portfolio and manager risk. This slightly increased exposure to fossil fuels.

The way forward

- The revised labelling scheme will be phased in during the first half of 2024. The scoring methodology will rely less on information obtained from the manager and more on the classification of the funds under the Disclosure Directive, as well as more objective ESG information from a provider of ESG data.
- Providing customers with clearer information about the funds' exposure to fossil energy (funds with a good sustainability grade may also have such exposure if their purpose is to ensure the green transition).
- Determining the status per gender of savings volume and fund holdings, and assessing market measures based on performance.

Risks and opportunities

Demand for funds with a clear sustainability profile is increasing, and this gives our advisers an opportunity to encourage sustainable investments through balanced customer advice. Conventional funds may have sustainability risks, although at the same time investing in dedicated "sustainability funds" can be risky because they have a limited investment universe.

One risk associated with such investments is a lack of information and good data that can be used as a basis for classifying something as sustainable. It is difficult for both us as a distributor and our customers to know which activities and investments can be regarded as sustainable. It is important for us to avoid greenwashing in the information we provide about securities funds that focus on sustainability. This is also a topic in which consumer authorities are very interested. The EU is introducing a directive on sustainability claims and consumer protections in the green transition, and, therefore, misleading information about sustainability in securities funds may in time result in both reputational damage and fines.

Retail customers' savings may be unevenly distributed. This could represent an opportunity to improve our position within savings and investments. Savings and investment volumes will partly be a function of pay levels, although approximately 48% of our customers with securities fund holdings are women, while 52% of savings agreements were entered into by women.

STRATEGIC ANCHORING:

GUIDELINES
- Guidelines for sustainable distribution and recommending of securities funds

RESPONSIBLE DEPARTMENT
- Savings and investment

GOALS IN THE SUSTAINABILITY STRATEGY
2.1 Upskilling programme: maintain knowledge and apply it in practice
2.5 Be the saving customer's sparring partner for sustainability

GENERAL MEASURES
- Launched tool for investment advisers in light of the Disclosure Directive, EU Taxonomy and MiFID II

GRI FS10 and FS11 404-2,3

UN GC 1-2, 4-8

SDG 8.3, 9.4, 13 a), 16.4

SFDR section 3(2), section 6(2)

ECO-LIGHTHOUSE 2065, 2069, 2070, 2071, 2072

TRAINING AND EDUCATION
- Investment advisers received training on a new advice tool that includes a sustainability module
- MiFID procedures, including sustainability, were reviewed with grassroots advisers
- Authorised savings advisers took courses on sustainability preferences in investment advice and new competence requirements in sustainability

ESRS
SBM-1, E1-2, E1-3, E2-1, E3-1, E4-1 S2-1

Appendix 1 – EU Taxonomy

According to the EU Taxonomy, a sustainable activity significantly contributes to achieving one of the six environmental objectives (climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems) without this harming other environmental objectives. The activity must also satisfy minimum social standards and the sector's minimum criteria. Here we show the proportion of our balance sheet that is assumed to be eligible and/or aligned under two of the EU Taxonomy's climate objectives.

Methods

The Bank mapped activities that are assumed to be eligible and aligned, respectively, under the delegated acts for the climate objectives in the EU Classification Regulation (EU Taxonomy). The analysis was based on:

- financial instruments in which the bank has exposure
- which of the sectors covered we have exposure in via these financial instruments
- to which economic activities in the sectors with exposure does the Bank have exposure
- which customers the Bank has in these sectors and whether they are subject to a disclosure duty under the Taxonomy Regulation
- whether the activity in question:
    - meets current industry criteria
    - does significant harm to other environmental objectives
    - meets social minimum standards

The analysis covered loans for the retail and corporate markets, as well as the Bank's liquidity investments. Detailed assessments of industry criteria are only conducted for loans for households, commercial property and renewable energy, not for other corporate loans or for liquidity investments. This is an ongoing project. More activities will be qualified both under the climate objectives and under the other four environmental objectives. Some activities are likely to be disqualified based on more accurate information about the criteria.

Because Norwegian legislation is strict when it comes to most environmental areas, the need to reduce the volume because of harm to other environmental targets is probably limited. The risk of a downward adjustment because activities breach social minimum standards is also considered limited: The Bank conducts a sustainability assessment of both the customer and the relevant loan and has additional procedures for screening customers in relation to the risk of financial crime.

SpareBank 1 Sørøst-Norge reports on the Taxonomy in line with CRD IV Consolidated, not IFRS. We consolidated our share of the balance sheets of BN Bank ASA, SpareBank 1 Finans Midt-Norge AS, SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS and SpareBank 1 Kreditt AS in the same way as the subsidiaries in which we own stakes of more than 50%. Therefore, the balance sheet below will not match the statement of financial position in the annual financial statements. In our 2022 reporting, Taxonomy-relevant activities in these institutions were included as ownership interests under "Financial institutions".

For 2023, KPIs for CAPEX and turnover are aligned under the Taxonomy as our reporting below, because we do not have financial or non-financial counterparties that have Taxonomy reported.

WHAT DID WE DO IN 2023?

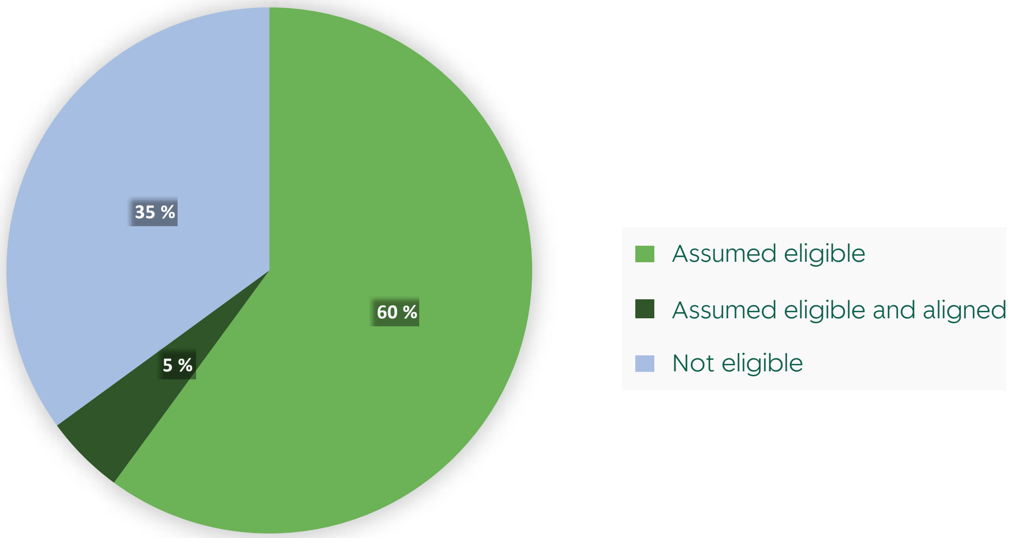
- **Linked climate-related risk and Taxonomy data for the mortgage portfolio** such that mortgage objects with significant climate-related risk (see the appendix "Physical climate-related risk in the loan portfolio" for details) are excluded from the estimate of Taxonomy-aligned activities.

- **Mapped Taxonomy exposure in relation to several ownership interests** (BN Bank ASA is now included; data from companies such as SpareBank 1 Kreditt AS and Fremtind for 2023 was not available by the deadline for the Annual Report, although it might be included in our formal Taxonomy reporting).

- **Followed up credit strategy targets** for energy ratings and climate-related risk in the retail and corporate markets. New and existing homes that qualify under the Taxonomy are offered better loan terms, as are commercial buildings that are being refurbished.

- **Monitored EU policy development**, including in relation to the criteria for the remaining four environmental objectives. What we know so far about what activities may be defined as harmful under the EU Taxonomy suggests that the Bank has very limited exposure to such activities, and that these are largely excluded via our credit policy.

Proportion of our balance sheet* assumed to be eligible and aligned in relation to the EU Taxonomy's environmental objectives 1) (climate change mitigation) and 2) (climate change adaptation)



*Not the same as the statement of financial position in the annual financial statements (see explanation above). Includes the following exposures in both the numerator and the denominator: Financial and non-financial institutions with reporting obligations under the Non-Financial Reporting Directive (NFRD), including: green bonds; loans for households; and financing for local authorities, including green bonds. Included in denominator only: Institutions without reporting obligations under the NFRD, derivatives, interbank loans, cash-related assets and other assets (e.g. goodwill, goods, etc.). States, local/regional authorities, central banks and other excluded assets are not included in either the numerator or the denominator.

Green asset ratio (GAR)

	Total gross capitalised value (NOK billions)	Assumed eligible (NOK billions)	Assumed aligned (NOK billions)
Activities included in numerator and denominator	**86.800**	76.958	6.472
Financial institutions with reporting obligations under the NFRD, as well as green bonds	707	707	-
Non-financial institutions with reporting obligations under the NFRD	-	-	-
Households	85.566	75.725	6.472
Financing for local authorities	526	526	-
Activities included in denominator only	**41.871**	-	-
Institutions without reporting obligations under the NFRD	35.519	-	-
Others*	6.352	-	-
Total assets included in numerator and/or denominator	**128.671**	76.958	6.472
Activities not included in numerator or denominator	**4.357**	-	-
States, municipalities/counties and supranational issuers	4.240	-	-
Central banks	117	-	-
Trade portfolio	-	-	-
Total balance	**133.028**	-	-
1) Assumed eligible (%) 2) Estimated green proportion		**1) 60%**	**2) 5%**

No activities are currently eligible under the climate change adaptation objective. Homes with significant physical climate-related risk and that have not taken known measures are excluded from "Assumed aligned". See the appendix "Physical climate-related risk in the loan portfolio" for details. The totals are not precise due to rounding. * Derivatives, interbank loans, cash-related assets, counterparties outside the EU and other assets (e.g. goodwill, goods, etc.).

EXPLANATION

Financial institutions with reporting obligations and green bonds

As far as we are aware, none of our financial counterparties have reported in line with the EU Non-Financial Reporting Directive (NFRD) for 2023 as per today.

According to the guidance on delegated acts for reporting, green bonds must be included under “Financial institutions”. This also applies to bonds where it is not clear that they comply with the EU Green Bond Standard (EU GBS), which is intended to ensure adaptation to Taxonomy criteria. It has not been established that green bonds in which the Bank has made liquidity investments (NOK 1.2 billion as at 31.12.2023) comply with EU GBS. The total is therefore included under "Assumed eligible", not "Assumed aligned". The issuers of the bonds will typically be obliged to report for 2023.

Covered bonds (instruments issued by a bank or mortgage credit institution) that are issued by states or supranational actors, or that are state-guaranteed, are listed under activities not included in the numerator or the denominator.

Non-financial institutions with reporting obligations

As far as we are aware, none of our loan customers in the corporate market have reporting obligations under the NFRD.

Households

This category includes the following:

- Total lending on own book to the retail market
- Loan transferred to SpareBank 1 Boligkreditt AS
- The Bank’s consolidated share of BN Bank ASA’s mortgages
- The Bank’s consolidated share of SpareBank 1 Finans Midt-Norge AS’s posted balance for electric cars as at 31.12.2023

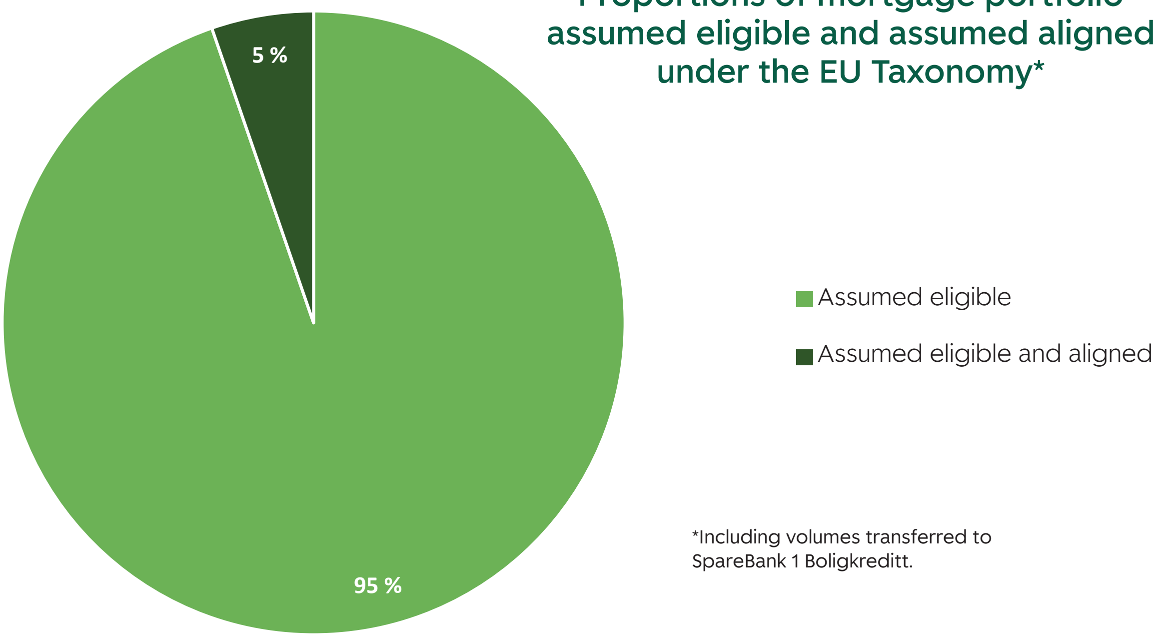
Mortgages are assumed to be eligible in their entirety under the Taxonomy. The volume assumed to be Taxonomy-aligned is made up of homes that: i) meet NVE's proposed threshold value for the 15% most energy efficient buildings and were built before 31.12.2020 (including as a result of refurbishment); or ii) were built in 2021 or later and satisfy the Taxonomy's technical criteria [2]. Climate-adapted homes that simultaneously meet NVE’s proposed threshold value for the 30% most energy-efficient buildings will also qualify.

The proportion of homes assumed to be Taxonomy-aligned is significantly lower than in our 2022 reporting. There are two main reasons for this:

- Objects that lack an energy certificate and whose calculated delivered energy is thereby excluded.
- Objects that, according to SpareBank 1’s common definition, have significant physical climate-related risk and are thereby excluded.

SpareBank 1 Finans-Midt Norge AS’s financing for electric cars, vehicles and machines is considered eligible under the Taxonomy. However, the volumes are not considered Taxonomy-aligned since it is unclear whether practices in Norway satisfy one of the industry-specific Taxonomy criteria.

Proportions of mortgage portfolio assumed eligible and assumed aligned under the EU Taxonomy*

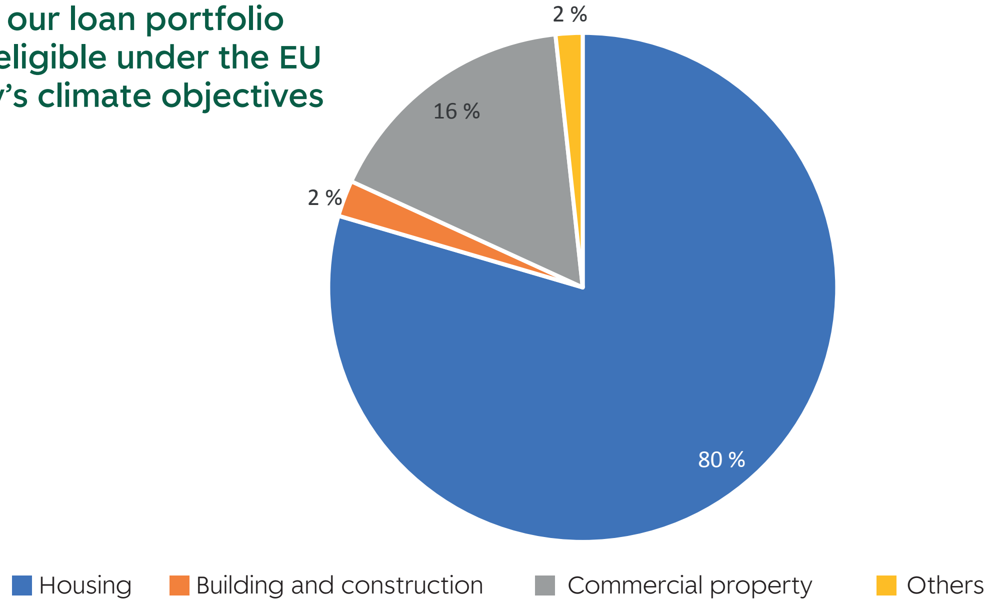


*Including volumes transferred to SpareBank 1 Boligkreditt.

[1] https://ec.europa.eu/finance/docs/law/231221-draft-commission-notice-eu-taxonomy-reporting-financials_en.pdf
[2] https://www.regjeringen.no/contentassets/60e8f8ec02e246079f4af4d9578d78c2/veiledning-om-beregning-av-primarenergibehov-og-nesten-nullenergibygg.pdf

Institutions without reporting obligations
Total gross capitalised value for non-financial institutions without reporting obligations under the NFRD includes: 1) liquidity portfolio (excluding green bonds, and where the counterparty is a state or municipality), shares and ownership interests; 2) the Bank's corporate loans; and 3) the consolidated share of SpareBank 1 Næringskreditt AS's loan volume and SpareBank 1 Finans Midt-Norges AS's financing volume for companies' vehicles and machines, respectively.
In the guidance [3] on delegated acts for Taxonomy reporting, the European Commission encourages banks to voluntarily report on Taxonomy-relevant activities excluded from the Taxonomy KPIs. An overview of the Bank's lending registered with a NACE code that is covered by climate objective 1 or 2, based on the EU Taxonomy Compass, is provided below.

Volume in our loan portfolio assumed eligible under the EU Taxonomy's climate objectives



* Others include: Other services: wastewater and waste disposal activities; electricity, gas, steam and hot water supply; professional, scientific and technical services; financing and insurance activities; business services; health and social services; cultural activities, information and communication; agriculture, forestry and fishing; manufacturing; transport and storage; entertainment and leisure activities; teaching; and water supply. Does not include consolidated volumes.

For commercial property and renewable energy, an assessment was made of whether they are aligned based on the Taxonomy criteria. As at 30.11.2023, the loan volume assumed aligned under the Taxonomy's two climate objectives amounted to NOK 5.1 billion. The majority of the objects assumed eligible here are commercial properties. Commercial properties i) built before 2012 with an energy rating of A or B, ii) built 2012-2020, or iii) built 2021 and after with an energy rating of A are included. Commercial properties where the mortgage object is exposed to significant physical climate-related risk are not excluded. It is also likely that inadequate data on the calculated delivered energy of objects will limit the qualifying volume (ref. mortgage analysis above).

Other assets excluded from the denominator in the green asset ratio
The following activities are included in denominator only, in addition to institutions without reporting obligations under the NFRD: derivatives, interbank loans, cash-related assets and other assets (e.g. goodwill, goods, etc.). States, central banks and other excluded assets are not included in either the numerator or the denominator. The Bank has no trading portfolio.

THE WAY FORWARD

- Quality assure assumptions concerning limited significant harm and limited challenges in relation to minimum social standards, and implement procedures for minimum social standards
- Map eligible and aligned loans for the Taxonomy's final four environmental objectives.
- Exploiting the potential under the Taxonomy for transition activities in property/real estate, building and construction, transport and manufacturing. Few new buildings in our market area currently meet the requirements stipulated by the EU Taxonomy. Therefore, developing a portfolio of new buildings that are eligible under the EU Taxonomy will be challenging. Financing the refurbishment of existing buildings is thus important.
- Further mapping relevant exposures in the liquidity portfolio, as well as in part-owned and associated companies, will likely yield more activities assumed to be eligible and aligned.

[3] https://ec.europa.eu/finance/docs/law/231221-draft-commission-notice-eu-taxonomy-reporting-financials_en.pdf

Appendix 2 – PAI reporting

Principal Adverse Impacts (PAI) is a reporting standard for investors under the Sustainable Finance Disclosure Regulation (SFDR). The aim of the reporting is to collect data about companies' main adverse impacts. The information below is intended for investors seeking information about the SpareBank 1 Sørøst-Norge Group. It has been reported to the best of our ability given our current access to data. It refers to sections of the Annual Report, website or reports where one can find more information. The reporting covers the entire Group.

Category		Disclosure	Unit	2022	2023	Change in no.	Additional information and references
Emissions	1	*Greenhouse gas emissions*	Scope 1 greenhouse gas emissions (tCO2e)	26	24	-9%	See Annual Report, appendix "Greenhouse gas emissions in own operations"
			Scope 2 greenhouse gas emissions (tCO2e)	105	114	9%	See Annual Report, appendix "Greenhouse gas emissions in own operations"
			Scope 3 greenhouse gas emissions (tCO2e)	275 329	55 650	*	Includes scope 3 emissions from operations (categories 5 and 6; see the Annual Report, appendix "Greenhouse gas emissions in own operations") and the loan portfolio (appendix "Climate gas emissions in the loan portfolio"). *The reduction is mainly attributable to significant changes in the methodology and source data used for the loan portfolio in the retail market, see the appendix "Climate gas emissions in the loan portfolio".
			Total greenhouse gas emissions (tCO2e)	275 461	55 788	*	Includes emissions from operations (scope 1-3, as well as estimated emissions from the portfolio of residential and corporate loans.* Reasons for reduction: See "Scope 3 greenhouse gas emissions" above.
	2	*Carbon footprint*	Total assets (NOK millions)	121 837	122 345	0%	Includes loans transferred to mortgage credit institutions.
			Carbon footprint tCO2e per NOK million in total assets	2.3	0.5	*	*Reasons for reduction: See "Scope 3 greenhouse gas emissions" above.
	3	*Carbon intensity*	Total income (NOK millions)	2 535	2 888	14%	Includes net interest income, commission income and other income, although not financial income. See the Annual Report and the appendix "Greenhouse gas emissions in the loan portfolio" for a detailed explanation.
		Carbon intensity	tCO2e per million NOK of income	109	19	*	See the Annual Report and the appendix "Greenhouse gas emissions in the loan portfolio". *Reasons for reduction: See "Scope 3 greenhouse gas emissions" above. NB! The denominator is income, not lending. If lending is used, the intensity is significantly lower. For the carbon intensity of the most important securities funds we distribute, see the chapter "Sustainability" in the Annual Report, section "Sustainability in savings and investments".
	4	*Fossil fuels*	Fossil fuel activities	No	No	No	The Group is not involved in the production of fossil-based power, energy or fuels, and it does not lend to new customers in this sector either. If a securities fund invests in companies that receive a significant share of their income from thermal coal, base significant parts of their activities on thermal coal, contribute to serious environmental damage or, on an aggregated company level, cause unacceptable levels of greenhouse gas emissions, the fund will receive a lower sustainability score and risk not being one of the funds recommended by the Bank. See the sustainability policy, page 19. Annual Report, chapter "Sustainability", sections "Responsible lending" and "Sustainability in savings and investments".
	5	*Non-renewable energy consumption and production*	Proportion of non-renewable energy consumption and production as a percentage of total energy sources	0	0	0%	Production: see previous point. Consumption: Almost 100% of the electricity physically delivered in Norway came from renewable sources in 2022 (1.6% from thermal power, of which about 40% was from renewables). Approximately 23% of the Group's energy consumption involves Norwegian district heating, of which approximately 97% is from non-fossil sources. The Group also purchases guarantees of origin for its energy consumption.
	6	*Energy consumption intensity*	GWh per NOK million	0.00178	0.00158	-12%	Energy consumption (4.5531 GWh in 2023)/total income (see above)
Biodiversity	7	*Adverse impacts on biodiversity*	Locations or operations in or near sensitive biodiversity areas and that have an adverse impact on these areas	0	0	0%	The Group has no operations in or near sensitive biodiversity areas. Loans are not given to companies that i) have a particularly high risk of committing, or are involved in specific suspected cases of, serious environmental harm or that lack the financial capacity to carry out required environmental measures and to comply with environmental requirements; ii) use timber from entities engaged in illegal logging, the sale of illegally felled timber or deforestation, or destroy tropical rainforest or clear remove primary forest or protected forest (High Conservation Value Forests); or iii) trade in animal and plant species in breach of international rules for trading in endangered animals and plants, or that threaten populations of red-listed species. If a securities fund invests in companies that contribute to serious environmental harm, the fund will receive a lower sustainability score and risk not being one of the funds recommended by the Bank. See the sustainability policy, pages 17 and 19. Annual Report, chapter "Sustainability", sections "Responsible lending" and "Sustainability in savings and investments".

Category		Disclosure	Unit	2022	2023	Change in no.	Additional information and references
Water	**8**	*Emissions to water*	Tonnes of emissions to water	0	0	0%	The Group has no direct emissions to water and does not lend to companies that are engaged in hydropower generation that do not satisfy the principles of the World Commission on Dams or that operate in areas already experiencing water shortages, or where such activities would conflict with the needs of the local community. If a securities fund invests in companies that contribute to serious environmental harm or unacceptable levels of greenhouse gas emissions, the fund will receive a lower sustainability score and risk not being one of the funds recommended by the Bank. See the sustainability policy, pages 14 and 17. Annual Report, chapter "Sustainability", sections "Responsible lending" and "Sustainability in savings and investments".
Waste	**9**	*Hazardous and radioactive waste*	Tonnes of hazardous and radioactive waste	0	0	0%	The Group does not generate hazardous or radioactive waste, and does not lend to companies with a particularly high risk of causing, or that are specifically suspected of causing, severe environmental damage. If a securities fund invests in companies that contribute to serious environmental harm, the fund will receive a lower sustainability score and risk not being one of the funds recommended by the Bank. See the sustainability policy, pages 9, 15 and 19. Annual Report, chapter "Sustainability", sections "Responsible lending" and "Sustainability in savings and investments".
Social and labour rights	**10**	*Breaches of the principles of the UN Global Compact (UN GC) and the OECD Guidelines for Multinational Enterprises*	Involved in breaches of the UN GC principles or the OECD Guidelines for Multinational Enterprises.	0	0	0%	The Group is a member of the UN GC through SpareBank 1 Gruppen AS and is not aware of any breaches of the principles of the UN GC or the OECD Guidelines for Multinational Enterprises. https://unglobalcompact.org/what-is-gc/participants/137431
	11	*Inadequate processes and tools for complying with the principles of the UN GC and the OECD Guidelines for Multinational Enterprises*	Inadequate policies for monitoring compliance with the UN GC Principles or OECD Guidelines for Multinational Enterprises or complaint/ complaint processing mechanisms to address violations of the UN GC or OECD Guidelines for Multinational Enterprises	0	0	0%	See our sustainability policy, page 8. Links to policies that are available externally: https://www.sparebank1.no/nb/sorost/om-oss/barekraft/retningslinjer-og-rammeverk.html. Membership UN GC: https://unglobalcompact.org/what-is-gc/participants/137431. The Group has internal and external whistleblowing channels. The following guidelines ensure that we monitor compliance with the UN GC and the OECD Guidelines for Multinational Enterprises: · Sustainability policy · Code of Conduct · Conflict of interest management policy · Policy for preventing and managing internal irregularities · Policy for suitability assessments · Remuneration policy · Privacy policy · Corporate governance policy · Whistleblowing Standard · Anti-greenwashing decree · Eco-Lighthouse certification · Guidelines for responsible distribution of securities funds · Guidelines for corporate social responsibility and sustainability in the liquidity portfolio · Diversity and equality policy · Policy for preventing and managing internal irregularities · Credit risk policy for RM and CM, respectively · Purchasing policy · Marketing Guidelines
	12	*Unadjusted pay differences between the genders*	Average unadjusted pay gap between the genders (women's pay as a percentage of men's)	82% (co-workers), 91% (managers)	84% (co-workers), 84% (managers)	2 percentage points (co-workers), -7 percentage points (managers)	Annual Report, chapter "Own workforce" and the appendix "Report on diversity, equality and inclusion work".
	13	*The Board's gender diversity*	The ratio between male and female board members is expressed as a percentage of all board members.	23%	38%	15 percentage points	The Board of the parent bank: https://www.sparebank1.no/nb/sorost/om-oss/om-banken/ledelse/styret.html. See the subsidiaries' annual reports.
	14	*Exposure to controversial weapons*	Involvement in the production or sale of controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons).	0	0	0%	The Group is not involved in the production or sale of controversial weapons, nor does it lend to companies that are. If a securities fund invests in companies that produce or sell controversial weapons, the Bank will cease new sales of the fund. See our sustainability policy, page 14. Annual Report, chapter "Sustainability", sections "Responsible lending" and "Sustainability in savings and investments".

Appendix 3 – Climate and nature-related risks

The reporting complies with the International Sustainability Standards Board's standards for reporting climate-related information[1] (formerly the Taskforce on Climate-related Financial Disclosures (TCFD)) and the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD).

Corporate governance

Climate and nature-related risks are covered by the Bank's strategy, policies and governance. The Board therefore makes decisions related to climate and nature that may affect the Bank, its stakeholders and society in general.

In 2023, the Board learned more about the Bank's risks and opportunities in relation to the climate and nature. Two board meetings (annual status reporting and sustainability policy review) focused on the topics. Climate and nature-related risks are also reported on as part of the quarterly risk reporting to the executive management team and the Board of Directors. The insights gained by the Board on dependencies, impacts, opportunities and risks help shape the Group's future strategy and business model.

In 2023, the Board implemented the following to protect the climate and nature:
- Approved a revised sustainability strategy for 2023-2025, in which one important topic is helping customers manage climate and nature-related risks.
- Approved a revised sustainability policy with clearer references to TNFD, as well as clearer requirements for nature-related risks and agricultural emissions.

The Board has overall responsibility for strategy, policy, risk appetite and reporting on sustainability, including for the areas of the climate and nature. The CEO must ensure that this is done. The head of sustainability has operational and professional responsibility for identifying and reporting on dependencies, impacts, risks and opportunities to the Board. See our sustainability policy for a more detailed explanation.

The Board includes representatives who, respectively, have been responsible for sustainability in a listed company; head a renewable energy producer; and have extensive board experience in relation to oil production and manufacturing. The board members therefore represent a relevant diversity of perspectives on climate and nature issues.

STAKEHOLDER ENGAGEMENT

The engagement with stakeholders helps shape the Group's climate and nature strategy. In 2022, external stakeholders ranked nature-related risk management as less important to the Group than internal stakeholders. Although the topic was not assigned the highest score, it scored higher than managing physical climate-related risk. In the impact analysis conducted in the same year, biodiversity and ecosystems were among the three areas where the Group has the greatest opportunity to have a positive impact. Climate stability and circularity were among the three areas where the Bank had the most significant adverse impacts. Please refer to the chapter "Our material topics within sustainability" and the appendix "Stakeholder engagement" for information on how stakeholders impact our work on climate and nature.

The Bank has the greatest potential for having positive impacts and limiting adverse impacts through its engagement with loan customers looking to buy homes or commercial properties, as well as with the managers of the securities funds we distribute.' For more information on our approach to these topics see the section "Risk management" below, as well as the sections in the Annual Report "Responsible lending" and "Sustainability in savings and investments".

Nature-related risk is also about people and local communities. Please see our sustainability policy and the appendix to the Annual Report "Human rights and decent working conditions" for further information on: our human rights commitments; how human rights are included in our strategies, policies, guidelines and governance; and how the Group handles and reports material human rights violations in its value chain.

Strategy

Sustainability is one of the Group's seven priority areas. Our sustainability strategy has three main pillars: responsible, socially engaged and climate proactive. The latter covers both opportunities and risks related to the climate and nature.

The Group's strategy work identified impacts, risks, opportunities and dependencies related to the climate and nature in the short, medium and long term (see figure below), which shape the Bank's strategy and business development. The strategy must also adapt to developments elsewhere in the industry and the international community. In line with the Roadmap for Green Competitiveness in the Financial Sector and the Paris Agreement, we measure carbon-related credit exposure, include climate as part of the credit process, stipulate climate requirements for loans for residential and commercial properties and regularly issue green bonds.

[1] International Financial Reporting Standards (IFRS) S1 "General Requirements for Disclosure of Sustainability-related Financial Information" and IFRS S2 "Climate-related Disclosures"

We have invested heavily in training, which is key to understanding both the impact we have and how we are impacted, as well as the financial risks, opportunities and dependencies we and our customers have. The sustainability strategy therefore includes a commitment to upskilling within: dependence on nature; exposure to physical climate and nature-related risks; transition risk related to regulatory, technical and market changes; and climate-related and nature-related opportunities. This applies in particular to retail and corporate advisers in the first-line and risk management, compliance and the sustainability department in the second-line, as well as all other departments, the Board and the executive management team.

Our corporate loan portfolio has no direct exposure to fossil energy production, and also very limited exposure to other sectors that are large contributors to climate change. However, the climate and nature footprint of agriculture, as well as the potential for having positive impacts through carbon storage, have been important elements of the discussions surrounding our agricultural strategy in the corporate market.

Climate proactive

- Measures for **sustainable operations**
- **Involve the employees** in sustainability measures

- Help mortgage customers **avoid climate risk** and **save energy**
- Financing solar panels

- **Become the customer's transition adviser:** financing renewables, carbon accounting, electrification, circular economy, saving energy
- Help customers avoid climate and nature-related risk

The Group's risk management has identified the following risks and opportunities related to the climate and nature. The circles in the table refer to relevant scenarios and the boxes refer to numbered measurements and calculations below.

SHORT TERM (0-1 YEARS)	Metrics and targets
Transition risk and opportunities for green financing due to climate change, which the Ukraine war is accelerating: higher carbon tax; higher electricity prices; customer demand for zero emissions; stricter government requirements for tenders; and transition to zero-emission technology in industries that collectively account for an important proportion of the loan portfolio: construction; transport; fuel sales; operating companies; and agriculture.	2, 3, 5, 11
Poor data quality and data sharing, as well as inadequate tools for customer engagement make it difficult to leverage opportunities and manage sustainability in a result-oriented manner: Little enforcement of the Energy Rating Regulation and many customers lack an energy certificate. The potential for sharing data between insurance and loans about the refurbishment status and physical climate-related risk of mortgaged objects is not being properly exploited.	1
Increased reputational risk due to interventions in nature related to investments, for example by securities funds that the Bank distributes or recommends, or loans for projects approved by municipalities to protect jobs and tax revenues.	6
A lack of capacity in the sustainability team can stop relevant departments receiving the necessary expertise and the Group considering or seizing climate-related or nature-related opportunities.	1
The loss of natural services within energy and food in Norway and Europe has increased costs for Norwegian loan customers and businesses. This situation may continue for some time and reduce growth in both the retail and corporate markets.	6
MEDIUM TERM (1-5 YEARS)	Metrics and targets
Statutory requirements to refurbish energy-inefficient buildings and homes, as well as for solar panels on commercial buildings and new homes: If customers lack the financial capacity, willingness and/or competence to make the required upgrades, this will increase the risk of default and reduce the value of the collateral for the Bank. It is unclear when the requirements will be adopted in Norway, and loans can be repriced since refinancing is quite common.	1, 2, 13, 14
Understanding climate and nature-related risks may make us an attractive partner for customers. Conversely, poor expertise may result in incorrect advice, the financing of projects rejected by other banks due to high credit or reputational risk, a lower green proportion than competing banks or losing business opportunities to competitors.	1

MEDIUM TERM (1-5 YEARS) (cont.)	Metrics and targets
Nature-related transition risk and opportunities: municipalities may require the protection of new areas and/or land use neutrality. Loan customers risk early-phase projects in forestry and agricultural areas being rejected or delayed. On the other hand, the properties of borrowers involved in rental properties, or of tho se who have already obtained the necessary permits for their projects, may increase in value.	4
Technology risk: loans to customers whose ability to pay depends on the success of new climate or environmental technologies, such as zero emission machines.	2, 11
Reputational risk related to divergence between our conduct in the area of the climate and nature and the requirements stipulated for customers, for example, if the Group's property development projects do not comply with sustainability principles.	7, 10, 12
Risk of higher losses, lower growth and reputational loss within insurance: Reinsurers pricing in increased risk in relation to stormwater, quick clay, avalanches and landslides. This will increase premiums; it will be more expensive to insure some buildings and homes, and growth may be lower. Conflicts may arise if municipalities have permitted construction in locations where the climate-related risk is too high.	6, 9
Exposure to agriculture can create opportunities for, for example, carbon sequestration in forests, but also give rise to risks such as high greenhouse gas emissions per loaned Norwegian kroner, the unvaried use of natural landscapes and increased physical climate-related risks such as droughts and wildfires.	8, 11
LONG TERM (5+ YEARS)	**Metrics and targets**
New statutory requirements along with closures of companies that do not meet them may lead to protests in the event of rapid changes to the climate and nature. The Bank may face reputational risk in light of its history as a local savings bank if customers fail to meet climate-related and nature-related requirements we impose within lending and insurance.	1, 10, 11
Transition risk in relation to renting or selling energy-inefficient commercial and residential buildings: if they do not meet statutory requirements for refurbishment or solar panels, or office premises become illegal to rent out due to poor energy certificates, their value may drop sharply.	13, 14
Reputational risk linked to financing and brokering holiday home projects in vulnerable areas if our customers do not comply with municipal requirements or the local population perceives local natural assets to be under threat.	6
Transition risk: claims for damages or the removal of buildings if damaged or protected nature must be restored.	2, 6
Inadequate power grid capacity can slow or stop growth, as well as climate transitioning based on electrification, in new and existing industries.	2, 11
Opportunity: adaptation of accounting and real estate services to climate-related and nature-related requirements by leveraging own capacity to take a long-term perspective regarding financial and organisational factors if inadequate statutory requirements result in low demand.	4
The EU Due Diligence Directive may make the Bank liable for climate and nature-related risks associated with lending and investments. The Bank may also risk lawsuits in the event of a loss of nature or lack of climate adaptation.	2, 6
Damage to nature in the Group's market area may prevent further development, for example, discharges of sewage, major interventions in nature, improper planting or local flora being exposed to pests and diseases due to changes in local ecosystems.	6, 10, 11
Increased credit risk linked to physical climate-related risk if homes or commercial properties the Bank has financed are located in places with an elevated risk of stormwater, storm surges, quick clay, avalanches or landslides, and situations or events that occur are not covered by the borrower's insurance.	5, 6
Climate incidents, loss of natural services, or associated conflicts increase the risk associated with corporate loans for customers whose goods and services become unavailable or expensive. On the other hand, this could also make new insurance products attractive.	9
Physical climate-related risk for the Bank's own branches in areas with high flood risk.	7, 10
Extreme weather events may increase maintenance costs for rental properties the Bank has financed, and increase both uncertainty and costs in property development projects.	9

The Group sees opportunities in various areas related to the climate and nature. The Bank's green framework has its own category, sustainable production and technology, which is intended to identify opportunities that may qualify under the EU Taxonomy's environmental objectives not related to the climate. We have started to explore business opportunities with new partners that can help customers with the climate transition. The Bank's loan portfolio includes start-up companies engaged in cutting greenhouse gas emissions, climate adaptation and reducing marine plastic pollution. A greater focus on the climate and nature among customers may also present opportunities to offer climate and nature-friendly funds.

The SpareBank 1 Alliance finalised the first version of its joint approach to stress testing climate and nature-related risks in October 2023. The stress test has been integrated into the banks' existing IFRS 9 loss model (International Financial Reporting Standards). The stress test model and the work on this are summarised in the annual financial statements, see Note 3 "Critical estimates" and "Losses on loans and guarantees". Assumptions regarding the macro development of key climate indicators have been incorporated, including data from the Network for Greening the Financial System (NGFS) on unemployment, interest rates, price developments, etc., with a time horizon of 30 years. Preliminary results indicate a slight increase in expected losses based on the three scenarios.

Collaboration between the SpareBank 1 banks on further developing the scenario analyses will continue in 2024, in particular to incorporate further sustainability data from credit assessments as well as improved methodology. Further details about the methodology and results from the scenario analyses will be presented in ICAAP, the Group's internal capital assessment process. Other qualitative scenarios are being developed on an ongoing basis. The Group will meet the risks identified for various actors in different scenarios with measures, and will monitor the risks, opportunities and implementation of the measures via the goals and calculations referred to in the figure above and explained in the chapter on goals below.

Three different scenarios covering how the Group is impacted by and impacts the climate and nature: divergent net zero, delayed transition and current policies

	The Group	Corporate market	Retail market
Divergent net zero Net zero is achieved in 2050: strict measures and a rapid transition away from fossil energy is expensive (1.4°C in 2100)	The Group's **upskilling programme** is rapidly ramped up to improve the employees' understanding of new climate-related and nature-related opportunities and risks throughout the value chain. These include **capital requirements**, fierce **competition** for eligible customers from both niche actors and other banks, and income from **advice**.	Corporate customers quickly notice the **higher costs** due to statutory requirements (emissions, circularity and refurbishment) and **rapid, risky technology development**; low cost competitors, as well as **changed customer preferences** and greater requirements in tender competitions. The Bank has to quickly dedicate resources to help customers transition throughout the value chain, until **carbon-neutral and nature-neutral operations** become the norm.	The customers we insure and provide mortgages to have to **quickly reduce their energy consumption and produce energy themselves**. Green loans and insurance are growing, but initially with lower margins. **The role as a local savings bank is facing challenges:** owning a home becomes expensive; those who cannot afford to improve their home do not get loans, and protest.
Delayed transition No changes until 2030: political measures are then rapidly tightened to achieve the goals (1.7°C in 2100)	**Reaching agreement to invest in hiring, skills, operational improvements and business development** related to the climate and nature is demanding at first if the need is unclear in the short term. The Group can **leverage** its capacity to take a **long-term** perspective regarding financial and organisational factors to **adapt accounting and real estate services** despite inadequate statutory requirements initially resulting in low demand.	Few regulatory changes mean customers **initially** have **little appetite and ability to invest** in the climate and nature, but then they abruptly need **advice** to cope with a **wave of statutory requirements**. This is only partially coordinated with government support schemes and occurs at the same time as strong, **risky technology efforts and mining** designed to secure minerals for Europe. Statutory requirements and sharp rises in costs within a short space of time result in (worthless or illegal) **stranded assets**.	After a period in which mortgage customers have **few incentives to save and produce energy**, they are **then required to do so very quickly**. Despite support schemes, many people struggle to manage this on time and need advice. **Stranded assets:** homes financed by the Bank may fall rapidly in value; they have high energy and emissions costs and/or it will cost to meet statutory requirements.
Current policies No new policy instruments are adopted, technology development takes time (2.9°C in 2100)	The Group experiences **normal operations in the short term**, with **few new investments in employees, skills, operations and development** related to the climate and nature. **Extreme weather events, social unrest and strains on infrastructure** (e.g. data centres) make normal operations **more difficult and expensive**. The Group needs to contribute more frequently to **crisis preparedness**, and signal **security** to customers, current employees and future employees.	High degree of **stability in lending and insurance in the first few years. Thereafter**, customers need, **more often and for steadily longer periods**, to insure against critical goods/services (e.g. materials) **becoming unavailable or rapidly rising in price** due to climate events, losses of natural services or associated conflicts. Customers, and the Bank, may face **climate-related and nature-related lawsuits**.	High degree of **stability in lending and insurance in the first few years. Thereafter,** it gradually becomes more**demanding to grant mortgages and insure homes in climate-exposed areas.** Holiday homes in former winter sports locations may fall in value. The Group needs to price and assess risk in new ways.

PRIORITY AREAS

SpareBank 1 Sørøst-Norge's market area contains many important but vulnerable ecosystems. To prevent significant harm to flora and fauna in these areas, all loan applications for more than NOK 10 million for property development projects are checked by our advisers using the Naturbase mapping solution to determine whether loans can be granted for projects in or near protected areas or other vulnerable nature. Similarly, loans are checked for significant physical climate-related risk using the Norkart mapping solution.

As far as geographical concentration risk is concerned, we will define priority areas for both climate and nature-related risks and map what the Bank has provided in terms of loans in these areas.

In 2023, we implemented the following climate and nature-related measures, internally and in relation to our customers:

- **Continued the upskilling programme** for our advisers to help customers with the transition. This includes physical climate-related risk and energy efficiency now being assessed for mortgages above a given amount and loan-to-value ratio.
- **Launched carbon accounting for corporate customers.**
- **Launched green deposits for corporate and retail customers so customers can choose what their savings are used for.**
- **Started work on our own property portfolio.** Reducing land and energy use is an important principle. New and totally refurbished premises must satisfy the requirements of the EU Taxonomy if possible.

Risk management

The Group identifies, assesses and manages its impacts, risks and opportunities in relation to the climate and nature. The results help shape our strategy.

The Bank's strategy relies on international, national and local authorities, and new challenges are constantly emerging. Monitoring market changes and engagement with impacted customers allows us to include relevant topics in our risk management.

RISK MANAGEMENT AT AN OVERARCHING LEVEL AND OPERATIONAL RISK

The Group does not view climate and nature-related risks as isolated risks. Traditional types of risk, like market, credit and operational risk, are viewed from a sustainability perspective. We use established governance structures to follow up sustainability in existing measurement, monitoring and risk assessment processes. Risk indicators have been developed that cover sustainability factors, and KPIs for sustainability are embedded in the retail and corporate markets (see "Goals and calculations" below).

We identify, assess and manage climate and nature-related risks at various levels and using various methods in both the first, second and third lines of defence:

- At an overarching level through the Bank's internal capital adequacy assessment process (ICAAP), liquidity requirements, risk strategy, defined risk appetite in the area of the climate and nature, other governing documents, etc.
- At a detailed level through assessments conducted as part of granting credit, investment decisions, product development, etc.

Ongoing monitoring and quarterly reporting from the administration to the Board of Directors and executive management team.

- Through the green bond framework, which is third-party reviewed by Cicero Shades of Green based on the EU Taxonomy, which will help to highlight how much of the loan portfolio is green as defined by the international requirements for green bonds.
- Reporting on criteria and selected objectives from the Eco-Lighthouse environmental management system in the Annual Report.
- Upskilling programme related to the impact of climate and nature-related risks and opportunities on the Group's operations, strategy and financial planning.
- Annual sustainability risk workshops for all departments, on which the sustainability and risk environments work together. High and moderate risk areas are followed up and integrated into the sustainability department's action plan and the Bank's risk management system.
- Internal audits include selected sustainability topics

The sustainability department is responsible for determining, from a technical perspective, whether, and to what extent, a given climate-related or nature-related risk is significant. Responsibility for incorporating such materiality considerations into the risk management and assigning the correct priority in light of other risks lies with the Executive Vice President Risk Management in collaboration with the head of sustainability.

The Bank considers transition risk related to the climate and nature, particularly that associated with regulatory requirements for customers and the Bank, more important than physical risks and dependencies in the short term. Transition risk will become more important in the Bank's overarching risk picture going forward, albeit from a low starting point. Important exposures for the Bank in the area of climate and nature-related risks are our lending to the retail and corporate markets, our liquidity portfolio, and the securities funds we invest in on behalf of our customers. The Group is also becoming increasingly dependent on data centres, which in turn rely on (clean) energy and water resources for cooling. Important governing documents in the process for identifying climate and nature-related risks are therefore the risk strategy and appendices, as well as the sustainability policy, credit risk policy, operational risk policy, market risk policy, liquidity risk policy, and savings and investments policy.

Also see Note 6 in the annual financial statements and the section on risk appetite in the chapter “Risk management and internal control”.

IN THE LOAN PORTFOLIO

Climate-related risks and impacts associated with lending to important industries are managed via the credit strategy and credit policies for the retail and corporate markets. The same processes have begun for nature-related risk. Corporate loans for property development projects and construction loans for retail customers have a large nature-related footprint, both because they can be sited in pristine nature and because the construction processes and materials rely on natural resources.

The head of credit for the corporate market discusses relevant loan applications with the sustainability department in specific meetings before the main credit committee (HKU) makes its decision. Risk management is represented in HKU and is included in complex and large loan applications.

Sustainability risk, including climate and nature-related risks, must be assessed for all corporate loans. If an exposure exceeds NOK 5 million (NOK 10 million for rental properties and property development projects) a specific sustainability module is used. This requires answers to general questions for all industries about climate and nature-related risks, as well as mandatory industry-specific questions for important industries such as rental properties, property development projects and agriculture. Poor results can contribute to a loan application being rejected. The Bank actively participated in the design of both the module, which was developed by the SpareBank 1 Alliance’s competence centre for credit models, and the questions asked customers in key industries. The module will enable climate and nature-related risks to be integrated into credit risk analyses once the source data and basis for analysis becomes sufficient.

The questions the module asks owners of rental properties cover energy ratings, environmental certification and refurbishment status. Property development projects are asked questions about, for example: adaptation to the circular economy; location in relation to vulnerable biodiversity; material use in relation to deforestation; environmental standards; energy ratings; distance to transport hubs; energy use; greenhouse gas emissions from materials; and fossil-free/emission-free building sites and transport. For agricultural loans, the questions include ones about risks associated with future regulations, especially in relation to the climate, and about forestry plans and forest protection. Machine contractors and transport companies must answer questions about emissions standards, biofuels in relation to deforestation, and zero-emission status and strategy.

The Bank has obtained data on estimated physical climate-related risk for all collateral (see the Annual Report, appendix “Physical climate-related risk in the loan portfolio”) and a map client that enables individual objects to be assessed when granting loans. The mapping solution also enables climate-related risk to be analysed in light of geographical concentration, and the covariation of climate-related risk factors across objects to be assessed. Customer advisers carry out the risk analyses for individual applications. They are familiar with the customer’s situation, and the analyses increase the adviser’s understanding of the physical climate-related risk.

The data will be further incorporated into the climate and environment stress testing process. We will also further specify the Group’s transition plan by setting a number of industry goals for financed emissions; monitoring sustainability KPIs for large, non-property-related corporate loans as well; linking physical climate and nature-related risks to lending volumes and geographic concentration; and eventually linking climate and nature-related risks to risk classification, probability of default and valuations of collateral.

AT A CUSTOMER LEVEL

Engagement with corporate and retail customers on the risks and opportunities associated with the climate and nature has begun. Going forward, it will be natural to ask the biggest loan customers about their climate and nature-related transition plans. Sustainability is now included as a topic in many meetings with corporate customers, although in 2023 the Bank also had specific meetings with approximately 20 corporate customers that looked at sustainability-related risks and opportunities.

Pursuant to the sustainability policy, which has been adopted by both the Bank and its subsidiaries, potential and existing customers must be assessed in relation to climate and nature-related risks and may be excluded if they are involved in activities involving such challenges. See the Annual Report’s section “Responsible lending” for information about the activities and industries we do not lend to due to such risks. In insurance cases, physical climate-related risk down to a neighbourhood level is an important and integral component of the pricing structure.

PRODUCTS AND SERVICES

The Bank has a standard for new and changed products, solutions and processes. The procedures require product owners to answer specific control questions related to sustainability and climate and nature-related risks before new products, processes and services are launched. This applies to both products developed in-house and products the Bank receives from SpareBank 1 Utvikling DA.

All investment funds distributed by the Bank are ESG labelled. Funds that do not meet SpareBank 1’s expectations due to high climate or nature-related risks will receive a low score (for more details, see the Annual Report’s section “Sustainability in savings and investments”). The Bank’s head of sustainability assists SpareBank 1’s savings and investments committee with guidelines and the labelling scheme for securities funds.

In 2023, the Group identified and assessed potential climate and nature-related risks in the following ways:

- **Assessed climate and nature-related risks in corporate loans** and proposed measures in relevant loan cases.
- **Introduced a mapping solution to assess physical climate-related risk** for selected loans in the retail market. Advisers were trained on the tool.
- **Defined our risk appetite for nature-related risk,** currently only qualitatively. It will be quantified and time limits, associated thresholds and tipping points will be established when data is available.
- **Initiated Eco-Lighthouse recertification** in line with the industry rules for banking and finance.
- **Included climate and nature-related risks and opportunities in annual risk workshops** to illuminate their relative importance in light of other risks and opportunities.
- **Monitored climate and nature-related regulatory developments in Norway and internationally** that may result in transition risk for the Group or its customers. These include regulations and directives on sustainability reporting; initiatives for revising plans in Norwegian municipalities in light of the Nature Agreement; the EU Energy Performance of Buildings Directive; revision of the Energy Rating Regulation; the EU Deforestation Directive; changes to public procurement; EU legislation on the restoration of nature and on critical materials; regional and national debate surrounding grid capacity; the debate surrounding the allocation of responsibility for climate adaptation between customers, municipalities and insurance companies; and ongoing climate and nature-related lawsuits.

GOALS AND CALCULATIONS

Clear goals and methods are required to assess our impact on the climate and nature, as well as dependencies and physical risk. This supports our risk management, shows whether we are following our strategy and helps embed the work in relevant departments.

The table distinguishes between common goals (beige) and goals specific to nature (green) and the climate (blue):

	GOALS AND CALCULATIONS FOR THE GROUP'S CLIMATE AND NATURE-RELATED IMPACTS, RISKS AND OPPORTUNITIES		Metrics and targets	Status 2023
1	Upskilling programme	• By 2025, employees must be trained on the climate and nature-related risks and opportunities relevant to their work.	90% completion of course	87% participation
2	Sustainability exposure	• Volume of loans granted in the retail and corporate markets that qualify under the Bank's green bond framework, as well as qualifying loans in mortgage credit institutions and BN-Bank; proportion of SpareBank 1 Finans Midt-Norge's financing of zero-emission vehicles, as well as the Bank's liquidity investments in green bonds.	NOK 25 billion*	NOK 16.6 billion**
3	Green bonds	• Proportion of the liquidity portfolio invested in green bonds. The goal was set for 2023 and is a secondary goal of the goal concerning sustainability exposure.	10% (NOK 1 billion) 2023, 15% 2024	13.8% (NOK 1.2 billion)
4	Value creation	• Income from products and services initiated or provided by the Bank's sustainability department. Currently does not include interest income from green loans.	NOK 3 million per year	NOK 1.72 million
5	Excluded industries and activities	• Some industries and activities are excluded from getting loans due to very high climate or nature-related risks.	See the chapter "Responsible lending"	See the chapter "Responsible lending"

	GOALS AND CALCULATIONS FOR THE GROUP'S CLIMATE AND NATURE-RELATED IMPACTS, RISKS AND OPPORTUNITIES		Metrics and targets	Status 2023
6	Nature-related risk	• Limit exposure to nature-related risk within credit risk as far as practicably possible, as defined in Naturbase and the ESG model. From 2024 onwards, exposures in or near sensitive areas will be included.	No loans for excluded industries or in/ near sensitive areas	No loans are granted to excluded industries
7	Floor space	• Floor space per person in internal property portfolio in order to reduce energy consumption per square metre.	35 m^2 per employee by end of 2025	47 m^2
8	Carbon storage	• Increase net annual carbon uptake and storage in forests we fund (tCO2e).	Undefined target, new calculation method 2023	Net uptake: 20 653 Storage: 270 136
9	Climate-related risk	• Collateral in the retail and corporate market portfolios with indications of exposure to significant climate-related risk.	Strategic credit target without time horizon	CM: 0.9% RM: 4.3%
10	Climate pro-active	• Reducing carbon intensity from the Group's operations and loan portfolio by 7% per year from the level in 2019. For carbon accounting (scope 1-3): See the Annual Report, appendix "Greenhouse gas emissions in own operations". For scope 3 (financed emissions): See the Annual Report and the appendix "Greenhouse gas emissions in the loan portfolio".	7% year-on-year reduction	-25.7% in operations and lending since 2019
11	Carbon intensity of lending	• Carbon intensity and emissions per industry in the corporate market portfolio and emissions per collateral object in the mortgage portfolio (using the approach of the Partnership for Carbon Accounting Financials (PCAF)).	Management tools in credit policy and risk management for achieving carbon intensity goals	Mortgages: 0.12 Sectors: See the appendix "Greenhouse gas emissions in the loan portfolio"
12	Carbon intensity in securities funds	• We collect data on total scope 1 and 2 emissions and carbon intensity of securities funds distributed by the Bank.	Management tools in savings and investments policy and risk management	See the chapter "Sustainability in savings and investments".
13	Energy ratings	• Proportions of the loan portfolio in the retail and corporate markets with energy rating A/B, energy rating F/G, and no data on construction year and energy rating, respectively.	Strategic credit target without time horizon	RM/CM: A+B 13.1%/27.7% F+G: 22.5%/12.7% No data: 18.1%/13.8%.
14	Green mort-gages	• The volume of green mortgages in the portfolio will be increased.	Increase of NOK 1 billion in 2024	NOK 3.41 billion

*Includes volumes of mortgage credit institutions and exposures not currently included in formal Taxonomy reporting.
**On the CEO's scorecard.

In addition, quantitative and qualitative risk appetites have been defined for a number of operational risks associated with climate-related risk. These have been incorporated into the appendix to the risk strategy. See relevant chapters and appendices in the Annual Report for more detailed information on the work on achieving our climate and nature-related goals.

We have not calculated emissions at our suppliers. The materiality and impact analyses indicate that this is not a very material topic for us, and a very high proportion of supplier relationships, including the largest, are managed centrally by SpareBank 1 Utvikling DA.

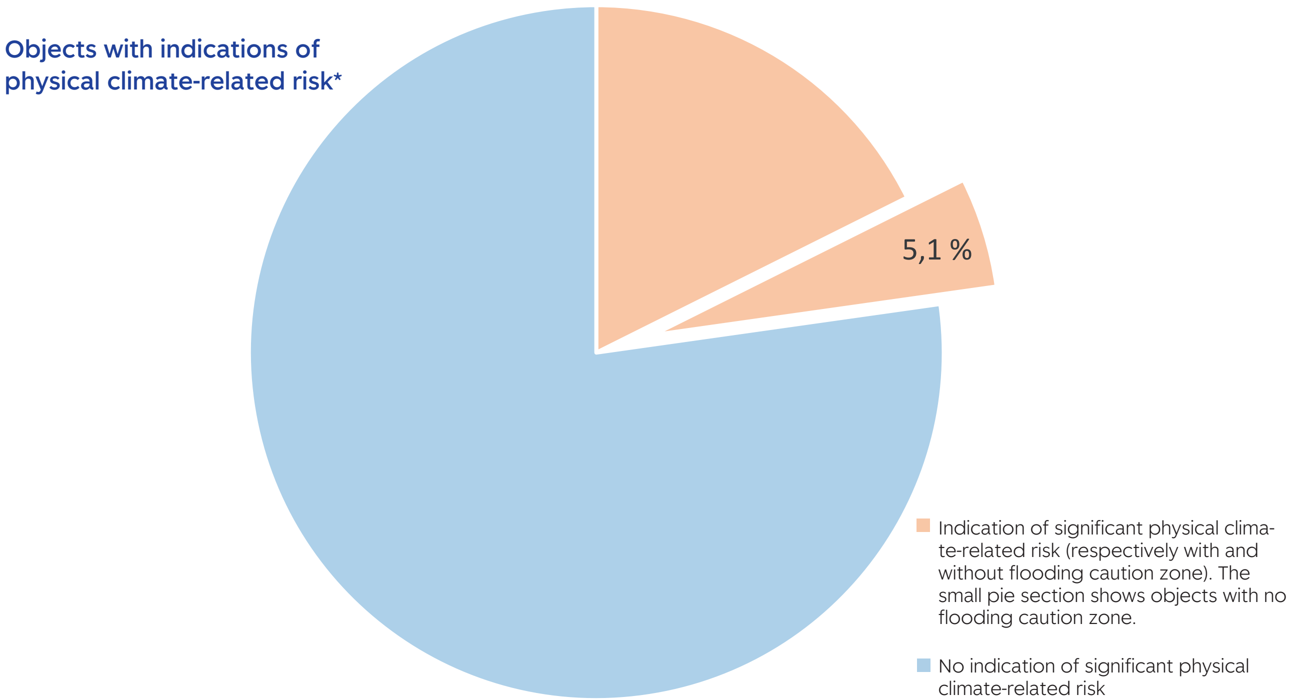
We will further specify goals and calculations in the future, both climate-related and nature-related. The data captured for both loans and securities funds is limited. We will consider measuring developed land, and/or the proportion of lending for construction projects in or near forestry, agricultural or conservation areas.

Appendix 4 – Physical climate-related risk in the loan portfolio

We must actively seek to reduce sustainability and climate-related risk in our loan portfolio. We have therefore obtained data on physical climate-related risk (flooding, storm surges, quick clay, landslides, rockfalls, avalanches) for all collateral and started the mapping work.

Overall, our market area has relatively low physical climate-related risk in an international context. Nevertheless, it is still important for the Bank to identify significant physical climate-related risk in order to help our loan customers reduce their, and thereby our, risk.

The Bank has analysed all collateral in the retail and corporate markets based on risk and vulnerability data from the Norwegian Water Resources and Energy Directorate (NVE). The data was provided collated by Norkart. Our advisers use a map client based on the same data and assess the physical climate-related risk for all loan exposures in excess of a given amount and/or loan-to-value ratio. The figure below shows objects with indications of significant physical climate-related risk in our loan portfolio (this should not be confused with actual risk, see the explanation below the figure).



* The objects may have significant physical climate-related risk. We will analyse objects in hazard zones to map the actual risk, although we will not include objects only covered by caution zones since such areas are model estimates that do not take into account local conditions.

As at 31.12.2023, approximately 5.1% of the collateral in the Bank's portfolio had indications of significant physical climate-related risk (without being located in a flooding caution zone). They score on one of the climate-related risk/risk combinations considered significant: [1]

- Exposed to 10 or 20-year floods
- Within both avalanche and rockfall zones
- High risk of quick clay
- Exposed to 20-year storm surges
- Exposed to landslide events

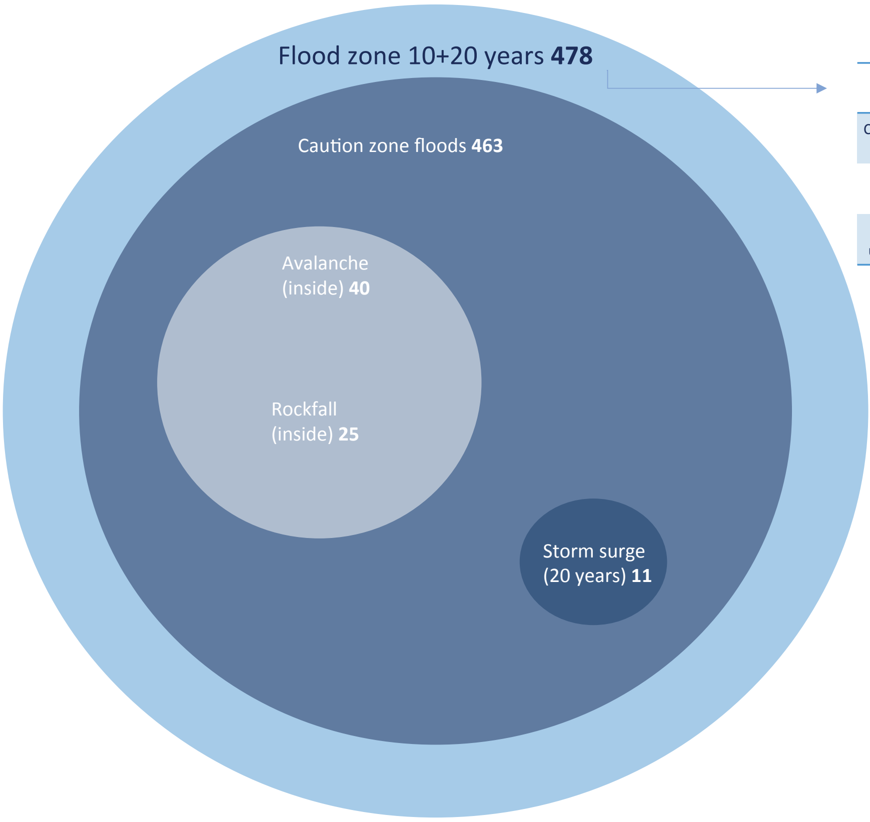
These have been screened for overlap between risk events.
Significant physical climate-related risk can also arise in ways that it is currently difficult to collect documentary data for because they are largely transitory in nature. The most obvious examples are extreme droughts and strong winds.

[1] The categorisation differs slightly from that used to indicate significant harm in relation to physical climate-related risk in Taxonomy reporting and green proportion reporting, see "Using the results" below.

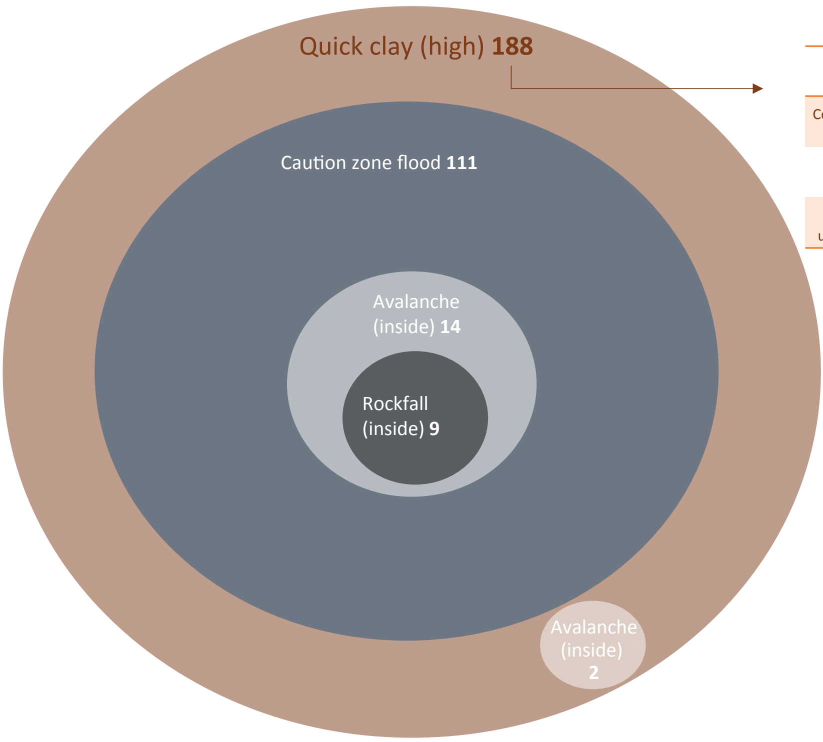
DESCRIBE THE NATURE-RELATED DEPENDENCIES, IMPACTS, RISKS AND OPPORTUNITIES THE GROUP HAS IDENTIFIED OVER THE SHORT, MEDIUM AND LONG TERM

The circles only indicate relative sizes within each figure. The sizes of the circles cannot be compared between figures:

Flood zone 10 + 20 years

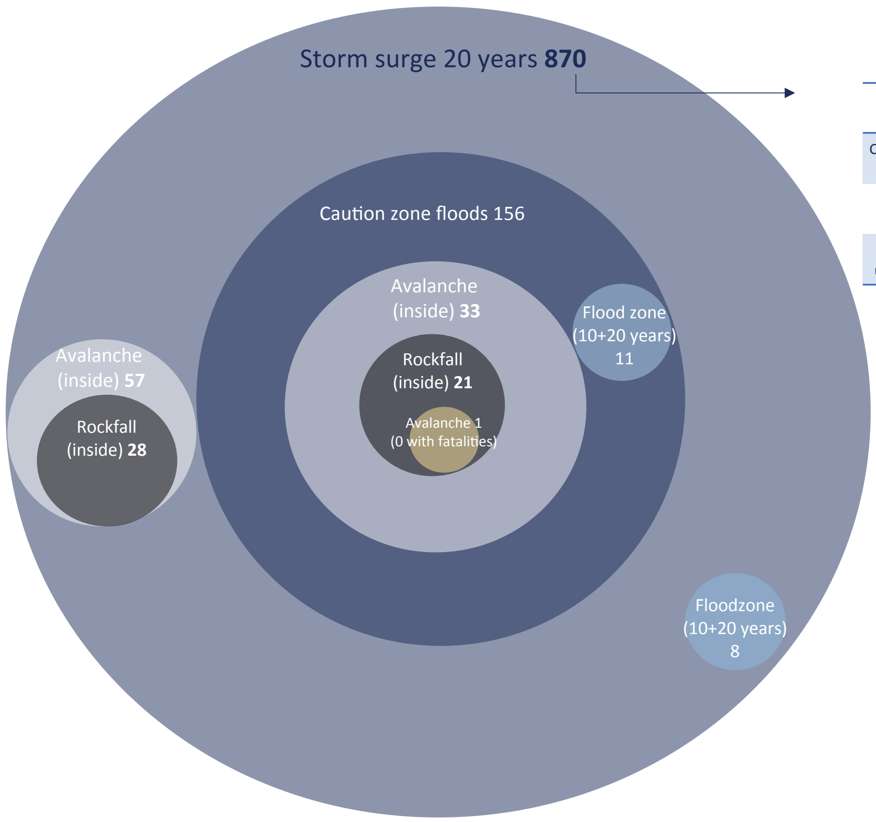


	Homes and holiday homes	Industry	Agriculture /fishing	Other/ unknown
Companies	13	22	0	29
Private	182	5	45	83
Other/ unknown	65	11	0	23



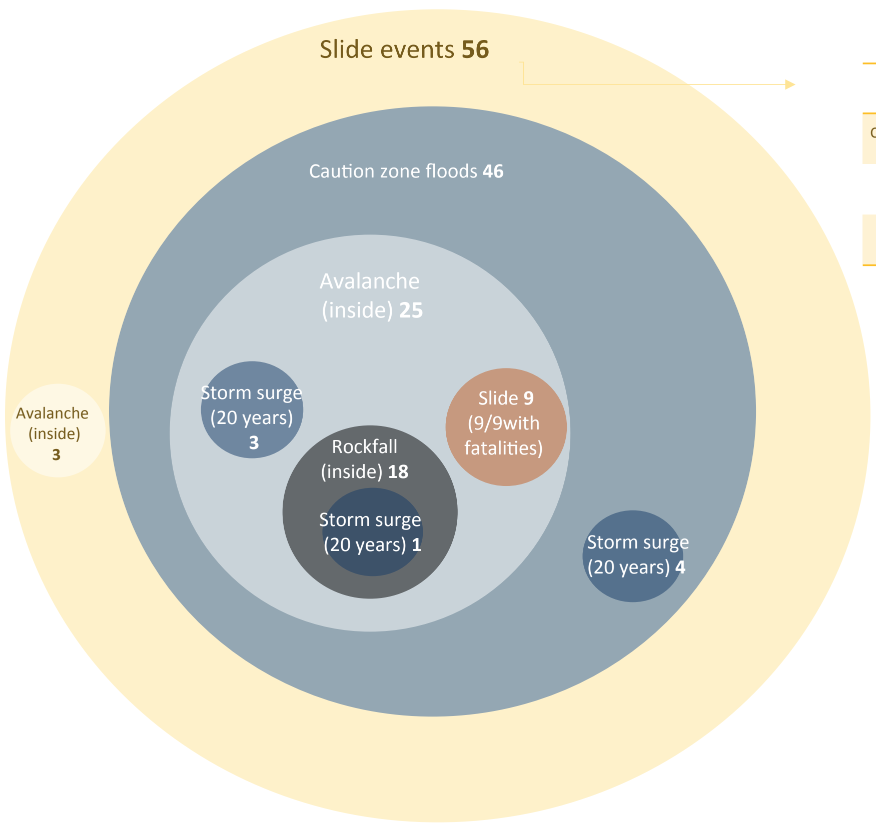
	Homes and holiday homes	Industry	Agriculture /fishing	Other/ unknown
Companies	4	1	0	1
Private	88	0	27	51
Other/ unknown	16	0	0	0

Storm surge 20 years



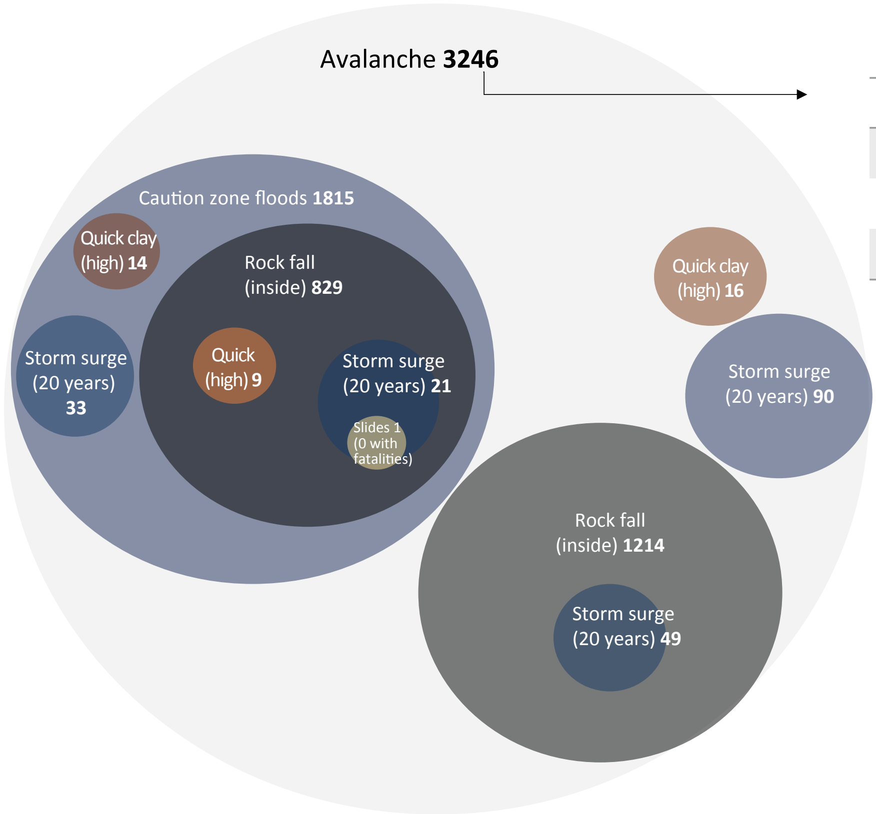
	Homes and holiday homes	Industry	Agriculture /fishing	Other/ unknown
Companies	14	12	1	49
Private	452	2	61	139
Other/ unknown	120	3	0	17

Slide events



	Homes and holiday homes	Industry	Agriculture /fishing	Other/ unknown
Companies	0	0	0	2
Private	11	0	27	14
Other/ unknown	2	0	0	0

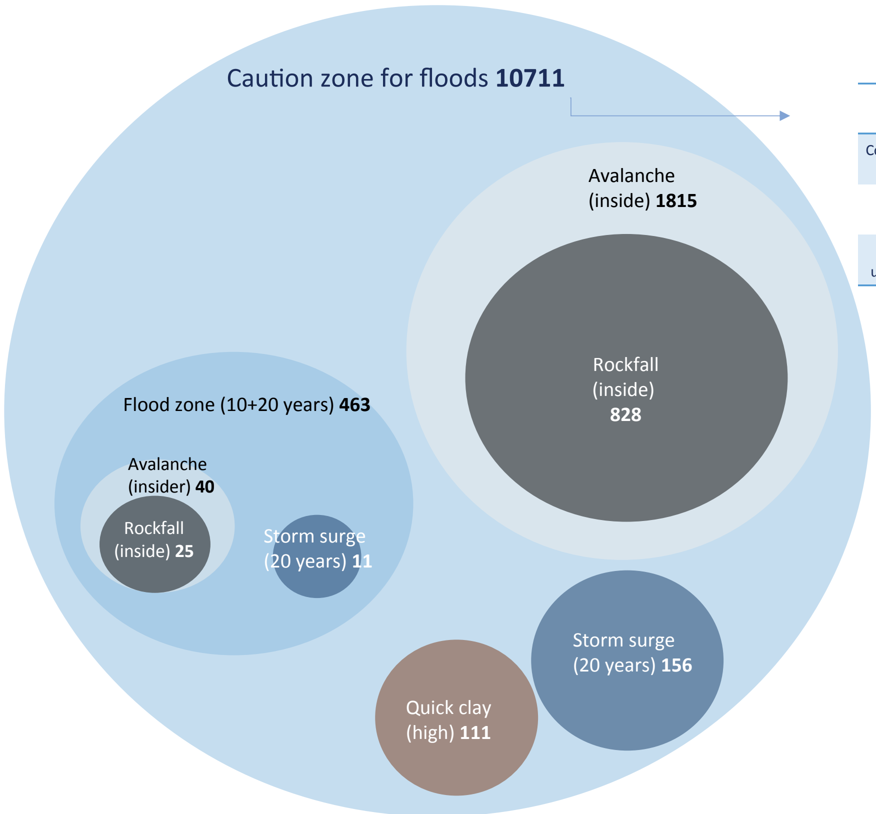
Avalanche*



	Homes and holiday homes	Industry	Agriculture /fishing	Other/ unknown
Companies	44	19	1	38
Private	1156	5	873	1036
Other/ unknown	64	2	0	8

*All objects in the rockfall zone are included

Caution Zone for floods

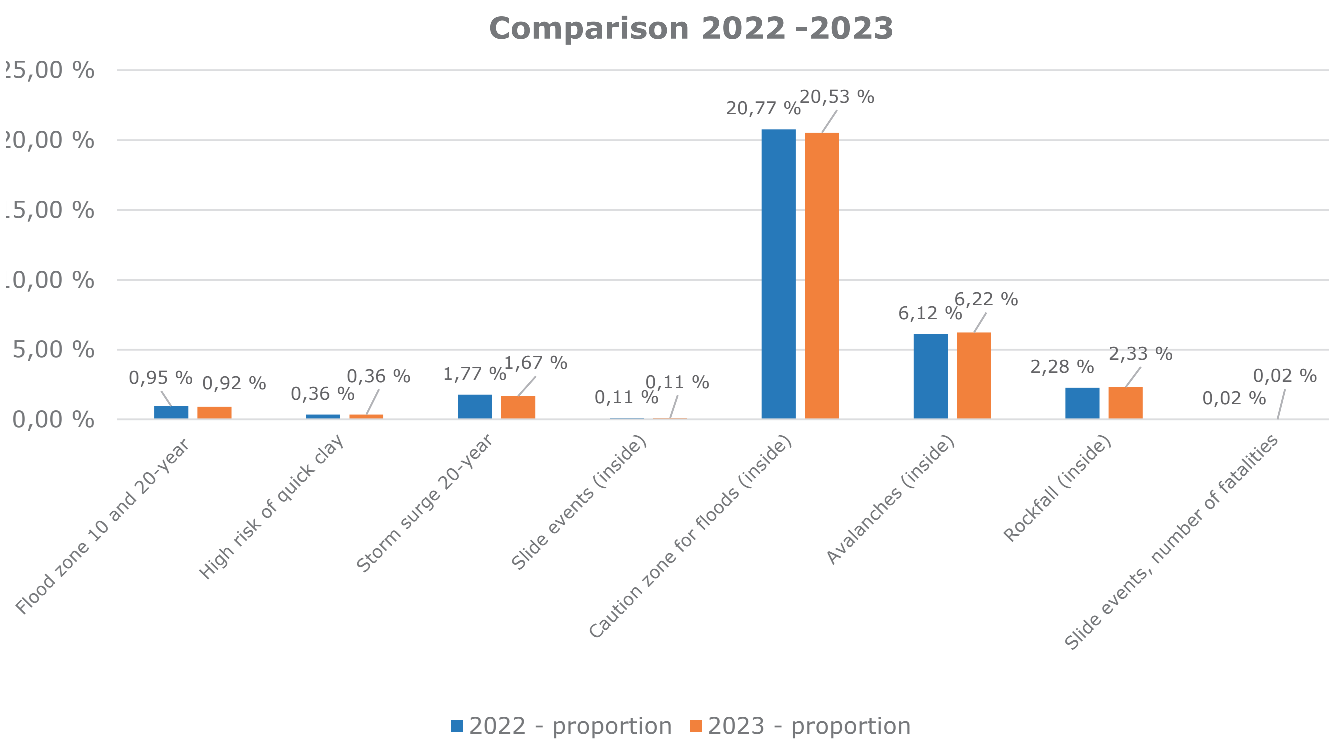


	Homes and holiday homes	Industry	Agriculture /fishing	Other/ unknown
Companies	268	248	17	298
Private	4419	33	1696	2448
Other/ unknown	1005	46	0	233

Compared with last year

The Bank has continued to use the same methodology that it used in 2022. In the graph below, we compare the figures for 2023 with the figures for 2022.

The proportion of objects with indications of significant physical climate-related risk, but that were not located in a flooding caution zone, remained relatively unchanged at approximately 5.1%. The number of objects located in a flooding caution area decreased slightly in 2023 compared with 2022, while the proportion remained relatively unchanged. In addition, the proportion of objects that both have indications of significant physical climate-related risk and are located in a flooding caution zone decreased from 23.1% to 22.8%. This is partly due to the total number of objects having decreased somewhat since 2022. The number of objects located in an avalanche caution zone decreased slightly, but represent a slightly higher proportion of the total.



Furthermore, we looked at the ownership of the object and categorised it as either retail or corporate market (RM and CM), respectively. The former includes objects categorised as private, while the latter includes objects categorised as companies and unknown, respectively. A large majority of agricultural and fishing properties are categorised as private. It must be assumed that business activities are carried out on a proportion of these properties. The proportions of objects with indications of significant physical climate-related risk, but that were not located in a flooding caution zone, were 4.28% for RM and 0.85% for CM in 2023. In 2022, the status was 4.20% for RM and 0.99% for CM.

Clarification

Buildings located in a caution zone or risk area are not automatically exposed to the indicated risk, and the risk is not necessarily as high as indicated. Building owners may have implemented measures (such as drainage), the building may be located on a part of the plot that is not exposed to risk, or there may be other local topographical factors that prevent the building from being exposed. The data sources used also contain a mixture of hazard data and caution data, to some extent. The latter of these covers very many low-risk areas (see below for details).

To the extent that a collateral object is exposed to real physical climate-related risk, this will only be a direct risk for the Bank in situations or incidents that the borrower's insurance does not cover.

Conversely, buildings that are outside risk zones may also be exposed for reasons not captured by the map data. For example, a building in an urban area may experience problems with stormwater in the event of torrential rain if natural streams and green areas that used to drain away the water have been covered over with asphalt, or a bridge or a culvert can cause higher water levels downstream.

Methods

As a first attempt at indicating what constitutes significant physical climate-related risk, some assessments have been made of which caution and hazard zones should be included in the analysis.

Objects inside 10 and 20-year flood zones, as well as 20-year storm surge zones, are included. This time horizon is within the terms to maturity of many loans. It is also appropriate to include objects in the 50, 100 and 200-year flood zones, see below. This would increase the total number of objects within flood zones by 56, 101 and 616, respectively; almost to all of these objects are also included in a flooding caution zone.

Less hazard, consequence and risk data are available for quick clay. So far, we have focused on hazard data because these indicate the likelihood of events. Consequence and thus also risk data are more secondary in nature since our focus is on collateral and not on other consequences covered by the analysis. Most quick clay hazard zones are defined on the basis of a very small number of test bores. Quick clay slides are a risk in areas that used to be covered by water, where there are uncompacted sediments and a sufficient incline. While the areas above the marine boundary (the highest level the ocean reached after the last ice age) are often sparsely populated/unpopulated, most densely populated parts of our market area were once covered by water and uncompacted materials. Many of these areas have not been surveyed in detail. About 18% of our collateral is in areas that have not been surveyed.

Caution zones for avalanches, rockfalls and floods, respectively, are included in the analysis, although they are so general (see below) that they are of limited interest when assessing risk. However, when assessed in the context of other parameters (ref. the figures above), they can highlight objects that are located in multiple different hazard and caution zones. They must therefore be assumed to be at greater risk overall. This applies, for example, to data on avalanche incidents and fatalities from such incidents, which are based on data on more than 50 000 such incidents and are reported by many different entities in society.

Caution zones are indicated automatically based on a rough terrain model (25 x 25m; 10 x 10m for floods, more detailed for landslides and floods) based on the characteristics of the terrain (e.g. incline of the slope in the case of avalanches, and incline/geology for rockfalls). It will not always capture the peculiarities at a specific address and does not take into account local climate and vegetation conditions. No fieldwork has been carried out to delimit the zones based on local factors (e.g. forest, topography, implemented safety measures, etc.). This is why the areas included in caution zones will be too large. For example, avalanche caution zones include areas without enough precipitation in the form of snow for there to be any real danger of an avalanche there, and the way flooding caution zones are modelled heavily overestimates the rise in water levels in steep rivers.
The data for avalanches contains data from the "Snøskred aktsomhetsområde", "Snø- og steinsprang aktsomhetsområde" and "Skredfaresone" datasets. "Skredfaresone" includes all types of landslides and avalanches, except for slush slides.

Using the results

The data that provide the basis for the analysis are only suitable for providing an overall overview of climate-related risk, and are not precise enough to indicate the particular risk to an individual collateral object. We will survey this risk for the 5% of objects with indications of significant physical climate-related risk through a combination of field visits, customer interaction and more advanced and precise mapping tools. We have started the work on looking at objects that face multiple material risks, including risks outside the area of sustainability and based on the term to maturity of the relevant loan.

The caution zone maps from the Norwegian Water Resources and Energy Directorate (NVE) used in the analysis (for flooding, avalanches and rockfalls) have clear weaknesses that need to be borne in mind when interpreting the results. They are national overview maps that show which areas may be exposed to risk. The maps are not meant to be used for assessing a specific address, instead they indicate where risk should be investigated further. Therefore, the fact that a collateral object lies outside such a caution zone does not in itself confirm that the object does not have a high risk. Nor can they be used as a basis for calculating the probability of events occurring.

The SpareBank 1 Alliance (including SpareBank 1 Sørøst-Norge) has decided to use data deliveries from Eiendomsverdi AS as a basis for its Pillar 3 and Taxonomy reporting (see the information on green proportions in the section "Responsible lending", as well as the Annual Report's appendix on the EU Taxonomy). Here, physical climate-related risk is divided into two different categories, several parameters are included, and a more conservative approach to the definition of significant physical climate-related risk has been chosen than SpareBank 1 Sørøst-Norge's existing approach based on Norkart data (differences are commented on in italics):

- Chronic climate-related risk
  - Exposed to *moderate flood tide* or 20-year storm surge
- Acute climate-related risk: Exposed to one or more of the following:
  - *Moderate or* high degree of quick clay risk
  - Exposed to landslide events
  - Within both avalanche and rockfall zones
  - Exposed to *200-year flood (current approach: 10 or 20-year flood)*

It would be natural to use the same source data for all physical climate-related risk reporting for 2024 given that the reporting on significant physical climate-related risk in the loan portfolio follows the same approach as that used in Taxonomy reporting. Therefore, the proportion of objects reported as being exposed to significant physical climate-related risk is likely to increase somewhat.

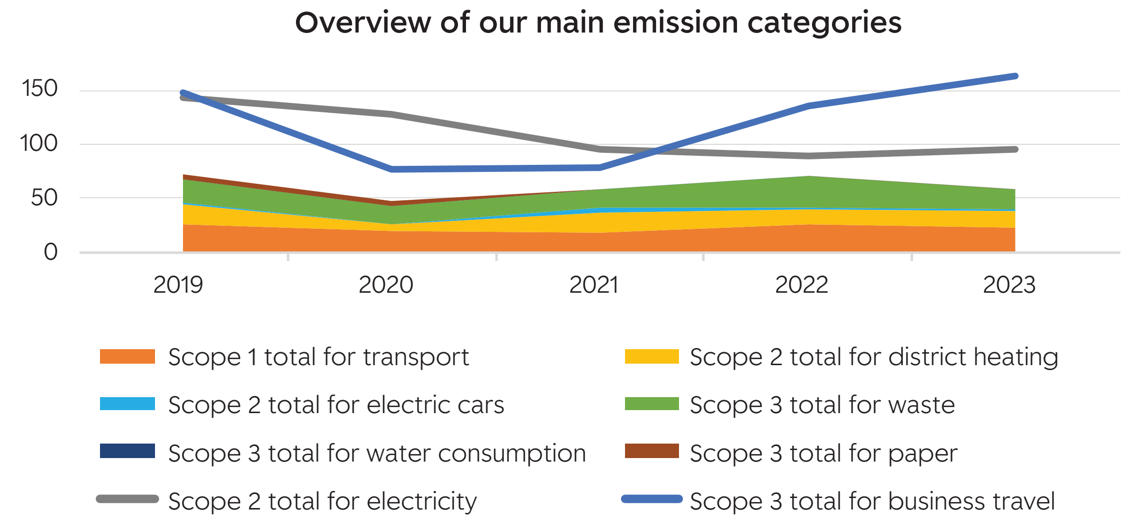
Appendix 5 – Greenhouse gas emissions in own operations

Energy and Carbon Accounting Report 2023

SpareBank 1 Sørøst-Norge is actively working to reduce its greenhouse gas emissions from operations in line with our target of a 7% annual cut in emissions per NOK 1 earned (carbon intensity). Our total greenhouse gas emissions from operations amounted to 321.2 tCO2e in 2023. The carbon intensity of our operations was cut by 5.4% between 2022 and 2023, and has been cut by 9.9% between 2019 and 2023.

The Bank depends on input factors that, for the time being, do not have zero emissions. We offset the remaining emissions from operations, as well as any difference between the cuts achieved in the loan portfolio and the target for that year, by purchasing carbon credits [1] and guarantees of origin. [2]

The majority of the emissions related to the Group's operations were from our loan and investment portfolios. However, it is important for us to also cut our own emissions if we are to be a credible sparring partner when we are trying to help our loan customers reduce their emissions. See the overview of our main emission categories 2019-2023:



The increase in emissions is attributable to the upwards adjustment of the emissions factors for a couple of areas in which the levels of activity were high.

[1] **Carbon credits**
The Group purchased carbon credits to offset our 2022 emissions and will do the same in 2024 for 2023 emissions. Carbon credits represent measurable, verifiable cuts in emissions from certified climate action projects. These projects reduce, remove or avoid greenhouse gas emissions. They can also have other positive effects, such as supporting local communities, protecting ecosystems, restoring forests or reducing dependence on fossil fuels. We purchased carbon credits from a 120 MW solar project in Gujarat, India, sold by Juniper Green Sigma Private Ltd. The project complies with a strict set of criteria in order to be verified by independent third parties and has been reviewed by an expert panel of the Gold Standard carbon credit standard, which approved credits from the project. Once we have purchased the carbon credits, they are permanently withdrawn such that they cannot be reused.

In line with our action plan, we explored the possibility of offsetting our remaining emissions by contributing to projects in our market area. The dialogue with the Norwegian environmental authorities indicated that the Group cannot use cuts in emissions from such projects to offset its own emissions. Claiming such reductions would involve double counting because the emissions are covered by Norway's commitments to the UN. Besides, the contribution from our offsetting would be so modest that it would not stimulate new activity. Because of the way the EU's allowance trading system works, voluntary offsetting of EU allowances by actors without ETS obligations would not entail any real cuts in emissions either. Therefore, purchasing high quality carbon credits is viewed as having a better climate impact in the short term.

[2] **Guarantees of origin**
Guarantees of origin is a labelling scheme for electricity in Europe. It has two purposes. Firstly, it shows the electricity customer that a quantity of power has been produced from a specific energy source. Secondly, guarantees of origin contribute to increased production of renewable power because power producers that sell guarantees of origin receive income from the production of renewable power. All of our branches were connected to electricity with a guarantee of origin in 2023.

What did we do in 2023?

- The Group has determined the terms of reference, schedule up to 2025, priorities and budget for a property development project in our portfolio of owned and leased properties. Sustainability is one of the cornerstones of the project. The project stipulates that energy consumption, waste and transport linked to our buildings are the main sources of emissions from the Group's operations. Important property-related decisions (refurbishments, purchases, sales, leases, etc.) must take account of the Group's goal of cutting the carbon intensity of our operations by 7% a year. This entails the following:
  - Reducing floor space
  - Refurbishing, not demolishing. When carrying out a full refurbishment, efforts must be made to meet the requirements of the EU Taxonomy, including reducing energy consumption by at least 30%.
  - Source separating waste during refurbishment
  - Avoiding unnecessary transport
  - Facilitating climate-friendly commuting
  - Requiring fossil-free building sites
  - Assessing own energy production (e.g. solar)
  - New premises must satisfy the requirements of the EU Taxonomy insofar as this is possible.
  - Extending the service life of premises by ensuring that important real estate decisions are based on a time horizon of 10+ years, life cycle costs and taking into account major changes in usage patterns.
- A number of decisions were made in 2023 that complied with the above principles:
  - Two larger premises will be completely refurbished
  - Another larger branch is being moved to a smaller space in a refurbished building that will reuse important emission-intensive components, and where the use of solar panels is being considered.
  - A decision has also been made to reduce the floor space of a number of other branches.
- We hand in our used IT equipment to Foxway, which sells/passes it on, thereby contributing to circular IT solutions. In 2023, we handed in 1 587 devices, where 866 were resold and the rest were reused or recovered.
  - We organised a collection event during the week of "Agenda Sustainability" where employees handed in used IT equipment. Some 681 devices were collected.
- We have started mapping and monitoring the amount and use of data where possible in various data centres to obtain an overview of emissions.
- We have reduced the overlap between suppliers, and therefore unnecessary emissions from data deliveries, software or services, as well as improved security and streamlined operations
- We have moved more IT use to the cloud and from other countries to Norway. This may result in increased emissions from cloud storage, although at the same time it will reduce the footprint linked to our physical server capacity and backup servers (mainly in TietoEvry and SpareBank 1 Utvikling) and shorten response times.
  - It will not be possible to move all cloud services to Norway, in part because not all services are offered in all regions.
- We have optimised resource use in relation to payment services by reducing the use of paper for communications.

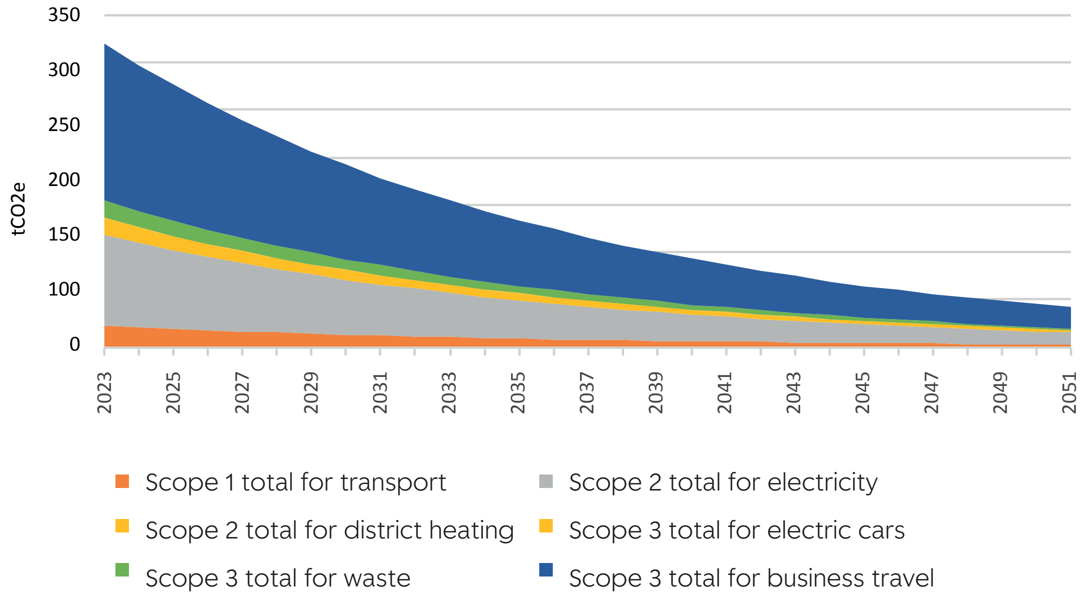
The way forward

We will continue to work on cutting emissions in our internal operations:

- The property development project will continue to focus on the following areas of relevance for the Group's climate goals for ongoing refurbishment projects:
  - Reducing the number of square metres the Group uses per employee where m^2 per employee is particularly high through streamlining and, where applicable, vacating premises.
  - Reducing energy consumption (by at least 30% where appropriate).
  - Ensuring that refurbishments help increase the service life of premises (material use, design, etc.) or relocating to more contemporary premises.
- Revising our travel policy in light of the climate goals and a more hybrid working day (digital meetings, flexible workplace, etc.)
- Completing Eco-lighthouse certification of the former Sparebanken Telemark's branches.
  - The branches of the former SpareBank 1 BV and SpareBank 1 Modum are Eco-Lighthouse certified in line with the new banking and finance criteria. The head office in Fokserød was re-certified in 2023, and this will be completed for the remaining branches in early 2024.
- Procuring value chain carbon accounting and commencing preparations for including the results in corporate governance.
- Following up data centre providers and requesting emissions data (as well as making use of their services, such as MS Sustainability Manager).
- Considering increasing the standard lifetime of bank and credit cards.

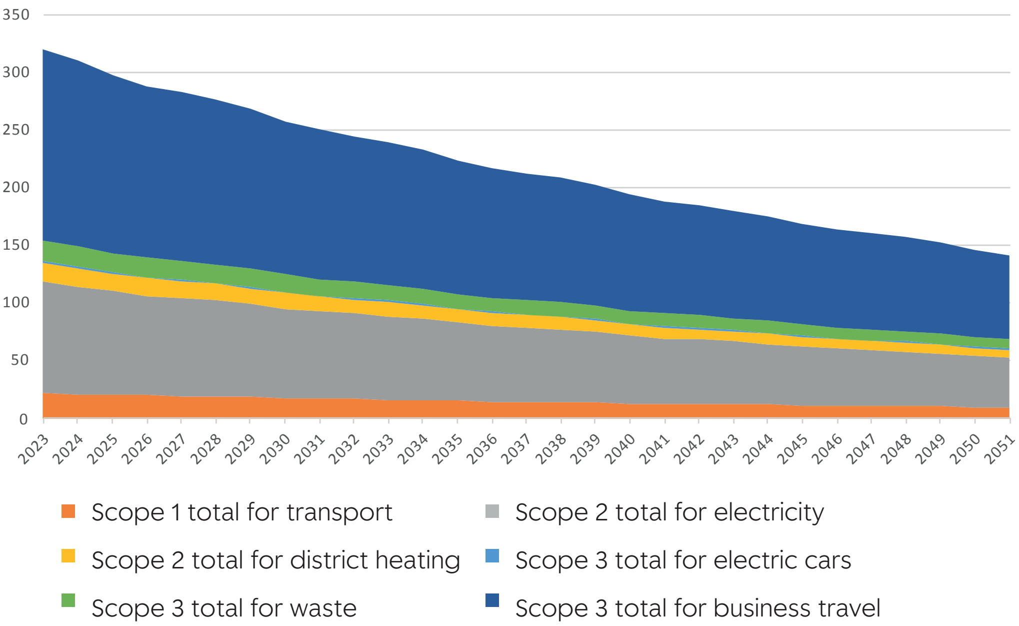
The Group's goal of a 7% per year reduction in carbon intensity up to 2050 given stable income and income growth:

Emissions projections in light of the annual target of a 7% reduction in carbon intensity and given stable income



Based on the tCO2e in our main emissions categories and stable income (no income growth) and an annual reduction in emissions of 7%, emissions from our operations will decrease sharply over the period up to 2050.

Emissions projections in light of the annual target of a 7% reduction in carbon intensity and given income growth



Based on the tCO2e in our main emissions categories and income growth (estimated at 3-5% per annum) and an annual reduction in emissions of 7%, emissions from our operations will decrease over the period up to 2050.

Energy and Carbon Accounting Report 2023

CEMAsys helps SpareBank 1 Sørøst-Norge produce its Energy and Carbon Accounting Report. This overview of the organisation's greenhouse gas emissions is an important tool for identifying concrete measures that can reduce energy consumption and emissions, measuring key figures and evaluating them over time.

The report covers scope 1 and 2, plus scope 3 category 5 (waste) and category 6 (business travel), for all of the activities in SpareBank 1 Sørøst-Norge, the Group and the branches. The information used in climate accounts is obtained from both external and internal sources and is converted into tonnes of CO2 equivalents (tCO2e). The analysis is based on the international Greenhouse Gas Protocol Initiative (GHG Protocol) standard, the most commonly used method worldwide for measuring an organisation's greenhouse gas emissions.

Annual key figures and climate indicators

Name	Unit	2021	2022	2023	% change from previous year
Scope 1 + 2 emissions (tCO2e)		137.9	131.2	137.8	5.0 %
Total emissions (scope 1+2+3) (tCO2e)		232.4	297.6	321.2	7.9 %
Total energy consumption (scope 1+2 (MWh)		4,602.7	4,689.6	4,724.6	0.7 %
kgCO2e (scope 1+2+3) per FTE		424.9	458.5	498.7	8.8 %
Total tCO2e per turnover (scope 1+2+3)		-	0.1	0.1	-5.2 %
Total tCO2e kWh per turnover		-	1,787.9	1,581.7	-11.5 %
Total tCO2e MWh per turnover		-	1.8	1.6	-11.5 %
FTEs	Total FTEs	547.0	649.0	644.0	-0.8 %
Turnover(NOKmillions)	MNOK	-	2,623.0	2,888.0	10 %

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Reporting year, energy and GHG emissions

Emissions source	Explanation	Consumption	Unit	Energy (MWh)	Emissions tCO_2e	Emissions proportion
Transport total				88.1	22.1	6.9 %
Petrol		7,921.0	liter	73.0	18.6	5.8 %
Diesel (NO)		1,549.0	liter	15.1	3.5	1.1 %
Stationary combustion, total				83.4	1.5	0.5 %
Biodiesel (100%), ME, stationary		9,062.0	liter	83.4	1.5	0.5 %
Scope 1 total				171.5	23.6	7.4 %
Electricity, total				3,448.4	98	30.1 %
Electricity, Nordic mix		3,448,371.0	kWh	3,448.4	96.6	30.1 %
Electric cars, total				49.6	1.4	0.4 %
Electric cars, Nordic mix		260,809.0	km	49.6	1.4	0.4 %
District heating, total				1,055.1	16.2	5.1 %
District heating, Nordic mix		1,055,128.0	kWh	1,055.1	16.2	5.1 %
Scope 2 total				4,553.1	114.2	35.6 %
Waste, total				-	18.5	5.8 %
Paper waste for recycling, mixed cardboard		12,010.0	kg	-	0.3	0.1 %
Paper waste for recycling, office paper		4,453.0	kg	-	0.1	-
Mixed household waste		32,567.0	kg	-	17.9	5.6 %
Glass waste for recycling		2,238.0	kg	-	-	-
Electronic waste for recycling		594.0	kg	-	-	-
Plastic waste for recycling		2,140.0	kg	-	-	-
Food waste for biogas		13,405.0	kg	-	0.1	-
Business travel, total				-	164.8	51.3 %
Mileageallowance		721,836.0	km	-	120.3	37.4 %
Mileage allowance, electric cars		391,427.0	km	-	2.1	0.6 %
Air travel, domestic, incl. RF		260.0	flyreiser	-	32.8	10.2 %
Air travel, continental, incl. RF		47.0	flyreiser	-	9.7	3.0 %
Scope 3 total				-	183.3	57.1 %
Total				4,724.5	321.2	-
KJ				17,008,351,164.0		

Reporting year, market-based GHG emissions

Category	Unit	2023
Electricity total (Scope 2) with market-based electricity calculations	tCO_2e	-
scope 2 total with market-based electricity calculations	tCO_2e	17.6
Scope 1+2+3 with market-based electricity calculations	tCO_2e	224.6

In 2023, SpareBank 1 Sørøst-Norge had total greenhouse gas emissions of 321.2 tonnes of CO2 equivalents (tCO2e), representing an increase of 7.6% or 23.6 tCO2e, compared with emissions of 297.6 tCO2e in 2022.

Scope 1:
Transport: actual consumption of fossil fuel by the institution's vehicles (owned, rented, and leased) resulted in emissions of 22.1 tCO2e in 2023. This corresponds to a reduction of 3.1 tCO2e, an overall reduction of 12.2% compared with 2022. It is important to note that the diesel emissions factor has been increased by 9.2% compared with 2022, while the actual consumption of diesel and petrol decreased.

Stationary combustion: consumption due to stationary combustion in 2023 resulted in total emissions of 1.5 tCO2e. Since 2022, such emissions have increased by 60%, which can be attributed to the increased use of biofuels. The low emissions are due precisely to the use of biofuel oil.

Scope 2:
Electricity: measured electricity consumption in leased premises/buildings was calculated using a location-based emissions factor based on the Nordic mix. The Nordic mix takes into account the Swedish, Norwegian, Danish and Finnish emissions factor, based on data from the International Energy Agency (IEA). In 2023, the IEA updated the emissions factor and increased it from 26 gCO2e per kWh in 2022 to 28 gCO2e per kWh in 2023, an increase of 7.6%. Emissions from electricity amounted to 96.6 tCO2e, which accounted for 30.1% of SpareBank 1 Sørøst-Norge's total emissions. It is worth noting that despite a reduction of 3 729 kWh in total consumption, emissions from electricity increased by 6.8 tCO2e from 2022 due to changes to the emissions factor.

** The emissions for market-based electricity amounted to 0 tCO2e in 2023 because guarantees of origin were purchased for the electricity consumption in all of SpareBank 1 Sørøst-Norge locations.

District heating: emissions from district heating in 2023 amounted to 16.2 tCO2e, an increase of 13.5% from 2022. The increase is due to a slight increase in consumption. The use of district heating accounts for 5.1% of SpareBank 1 Sørøst-Norge's total emissions.

Electric cars: emissions from electric cars amounted to 1.4 tCO2e in 2023, which accounts for 0.4% of SpareBank 1 Sørøst-Norge's total emissions. This represents a 40% increase from 2022.

Scope 3:
Waste: this category includes total emissions from the waste generated at all of SpareBank1 Sørøst-Norge's branches and its head office. Emissions from waste are calculated up to the stage where waste is defined as a new resource. For recovered fractions, this means transport to the recovery point. For waste incineration, this includes both transport and incineration. Total emissions from waste in 2023 amounted to 18.5 tCO2e, a decrease of 40.3% from 2022.

* Some waste categories are shown with zero emissions because they release emissions of less than 0.1 tCO2e. The emissions are still included in total emissions but the calculation does not appear in the table because it is very low.

Business trips

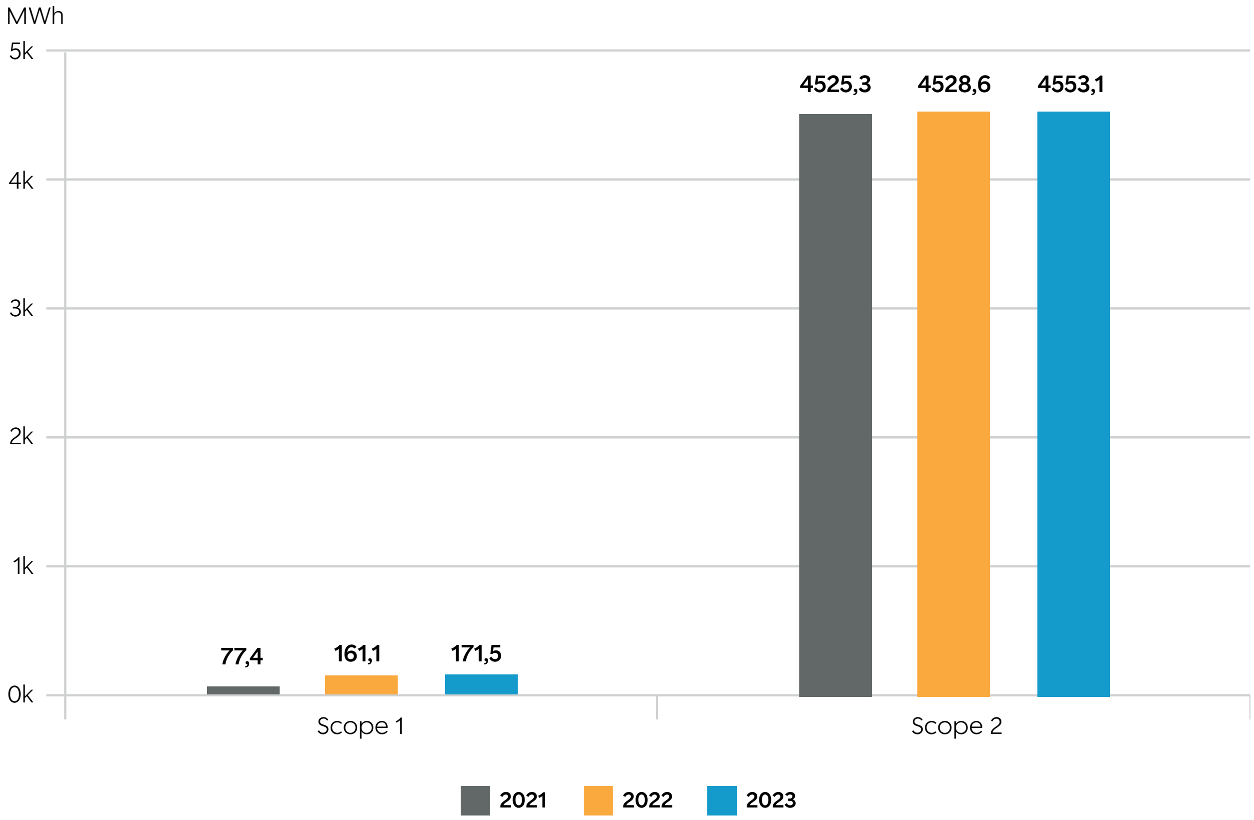
Air travel: total emissions from air travel in 2023 amounted to 42.5 tCO2e, an increase of 21.5 tCO2e compared with 2022. The increase was due to increases in both domestic and continental travel, as well as emissions factors for domestic and continental travel also increasing by 10.9% and 21.1% respectively.

Mileage allowance: in 2023, total emissions from petrol and diesel cars amounted to 120.3 tCO2e and from electric cars to 2.1 tCO2e, an increase of 7% compared with 2022. The increase can be explained by the normal increase in business travel following the abnormal years of the Covid 19 pandemic, and the establishment of a new head office resulting in longer commuting distances for some employees. Changes were also made to emissions factors, with an increase of 8.2% for electric cars and a reduction of 2.4% for diesel and petrol cars.

Annual greenhouse gas emissions

Emissions source	Explanation	2021	2022	2023	% change from previous year
Transport total		18.2	25.2	22.1	-12.3 %
Petrol		15.9	22.1	18.6	-16.1 %
Diesel (NO)		2.3	3.0	3.5	16.0 %
Stationary combustion, total		-	0.9	1.5	66.7 %
Biodiesel (100%), ME, stationary		-	0.9	1.5	66.7 %
Scope 1 total		18.2	26.1	23.6	-9.6 %
Electricity, total		96.2	89.8	96.6	7.6 %
Electricity, Nordic mix		96.2	89.8	96.6	7.6 %
Electric cars, total		5.0	1.0	1.4	40 %
Electric cars, Nordic mix		5.0	1.0	1.4	40 %
District heating, total		18.4	14.3	16.2	13.3 %
District heating, Nordic mix		18.4	14.3	16.2	13.3 %
Scope 2 total		119.6	105.1	114.2	8.7 %
Waste, total		16.3	31.0	18.5	-40.3 %
Paper waste for recycling, mixed cardboard		0.4	0.6	-	-100.0 %
Paper waste for recycling	mixed cardboard	-	-	0.3	100.0 %
Paper waste for recycling	office paper	-	-	0.1	100.0 %
Mixed household waste		-	29.9	17.9	-40 %
Mixed household waste	Incl. 420 kg insulation. 5200kg of residual waste are from therefurbishmentproject	15.5	-	-	-
Wood waste for recycling	Furbishment project	0.1	-	-	-
Glass waste for recycling		-	0.1	-	-44.1 %
Organic waste for recycling		0.1	0.2	-	-100.0 %
Electronic waste for recycling		-	0.2	-	-94.0 %
Plastic waste for recycling		-	-	-	8.0 %
Food waste for biogas		-	-	0.1	100.0 %
Plasterboard waste for recycling	Refurbishment project	0.2	-	-	-
Business travel, total		78.2	135.4	164.8	21.7 %
Air travel, domestic, incl. RF		8.1	18.3	32.8	79.0 %
Mileageallowance		69.7	112.8	120.3	6.6 %
Mileage allowance, electric cars		0.4	1.5	2.1	35.2 %
Air travel, continental, incl. RF		-	2.7	9.7	255.7 %
Scope 3 total		94.6	166.4	183.3	10.2 %
Total		232.4	297.6	321.2	7.9 %
% change		-	28.0 %	7.9 %	

Annual energy consumption (MWh) scope 1 and 2



Annual market-based emissions

Category	Unit	2021	2022	2023
Electricity total (scope 2) with market-based electricity	tCO_2e	-	99.3	-
Scope 2 total with market-based electricity calculations	tCO_2e	23.4	114.7	17.6
Scope 1+2+3 total with market-based electricity	tCO_2e	136.2	307.2	224.6
% change		-	125.5 %	-26.9 %

Read our full Energy and Carbon Accounting Report and information about methods on our website.

Appendix 6 – Greenhouse gas emissions in the loan portfolio

Norway and the world face vast challenges due to climate change. The objective of the Paris Agreement, which was signed by nearly all UN member states, is to limit global temperature rises to "well below" 2°C compared with pre-industrial times. The most important contribution the Bank can make is to help loan customers cut their emissions.

Therefore, the Bank's goal is to reduce the carbon intensity (tCO2e per million NOK of income) associated with our loan portfolio by 7% per year, in line with a net zero emissions goal by 2050 (see the section "Responsible lending"). If we do not achieve this target, we will purchase high-quality climate quotas each year to compensate for the difference or, if appropriate, invest a similar amount locally to reduce GHG emissions.

CARBON INTENSITY AND EMISSION PROJECTIONS

Our carbon intensity is calculated as the total emissions in our loan portfolio divided by the sum of net interest income, commission income and other operating income (including from subsidiaries). Financial income (dividends plus net profit from stakes in part-owned companies, and changes in the value of investments) is not included. These sources of income vary a lot from year to year, independent of our actual operations. The emissions associated with these sources of financial income are not included either.

It is important to clarify that our carbon intensity would have appeared significantly lower had we instead used tCO2e of emissions divided by NOK millions in lending (ref. sections on the corporate market (CM) and retail market (RM) below, since our lending volume is considerably larger than our income.

Estimated carbon intensity:
19.3
tCO2e

Estimated total carbon footprint of the Bank's loan portfolio:
55 484
tCO2e

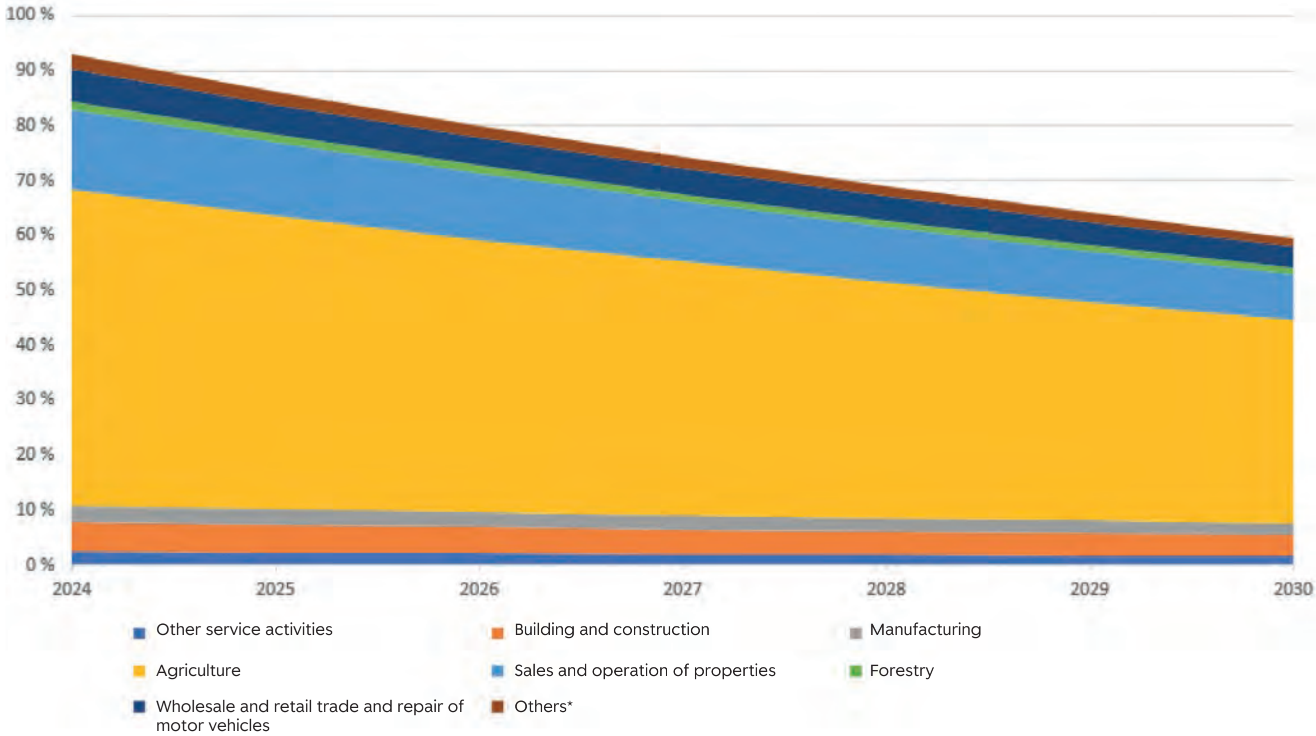
	2019*	2023*	% change
Operating emissions, scope 1-3 (tCO2e)	255	321	26%
Emissions from the loan portfolio RM (tCO2e)	5 697	6.398	12%
Emissions from the loan portfolio CM (tCO2e)	47 701	49 086	3%
TOTAL emissions (tCO2e)	53 653	55 805	4%
Net interest income (NOK millions)	1 243	2 039	64%
Net commission and other income (NOK millions)	823	848	3%
TOTAL income (NOK millions)	2 066	2 887	40%
Carbon intensity (tCO2e per million NOK of income)	26.0	19.3	-26%

* Pro forma accounting

The 2019 emissions for RM and CM were estimated based on the lending of RM and CM in SpareBank 1 BV, Sparebanken Telemark and SpareBank 1 Modum, respectively, in 2019. For CM, the 2019 emissions were estimated based on the actual portfolio in 2019 and by using the same emissions factor as for 2023[1]. For RM, the 2019 emissions were estimated by assuming the same relative distribution and loan-to-value ratio as in 2023.

The figure below estimates the total greenhouse gas emissions from our loan portfolio up to and including 2030. Even though it is estimated that every sector will reduce its emissions, it is assumed that the sectors' pace of change will vary greatly. This is due to both the estimated costs of reduction and barriers in important sectors, as well as the fact that the Bank weights sectors differently from a strategic perspective. The weights are linked to both the need to reduce emissions and to the general growth strategy.

[1] For agriculture and commercial property, the 2019 emissions were estimated by assuming the same relative distribution and loan-to-value ratio as in 2023, combined with the actual lending volume in 2019.



* Sales and management of real estate also includes the mortgage portfolio
** Other = electricity, gas, steam and hot water supply; financing and insurance activities; fishing and hunting; information and communication; hotels, restaurants and food service activities; public administration; mining and extraction; and transport and storage.

PCAF

In autumn 2022, the Bank became a member of the Partnership for Carbon Accounting Financials (PCAF). PCAF is a global partnership of financial institutions that work together on a harmonised approach to assessing and disclosing the greenhouse gas emissions associated with their loans and investments. Membership provides the Bank with access to standards for measuring and disclosing emissions in its loan portfolio, discussion groups and relevant forums, as well as detailed databases of emissions factors for calculating emissions. In 2023, PCAF published completely new standards with emissions factors.

Estimated emissions are calculated using the PCAF methodology and include for the corporate market scope 1, direct emissions, and scope 2, indirect emissions linked to electricity, steam, heating and cooling. From 2023, PCAF is also encouraging members to present other indirect emissions related to upstream and downstream activities, scope 3, for selected industries. In 2023, Finance Norway presented its "Guidelines for calculating financed emissions".[2]. These build on PCAF but are not a replacement; they are designed to provide concrete and practical guidance on the use of PCAF in Norway.

The quality of estimated emissions is ranked using the PCAF data quality scale of 1-5, where 1 is the best. The ranking is a product of accuracy and the type of source data. In the Bank's calculations, emissions from all limited companies, excluding agriculture and commercial property, are generally calculated using data quality 4, where turnover is multiplied by the loan-to-value ratio and emissions factor (adjusted to take account of country, industry and data quality 4). Emissions in sole proprietorships and for the self-employed, excluding agriculture and commercial property, are mainly calculated using data quality 5. Here, the loan to the customer is multiplied by an emissions factor (adjusted to take account of country, industry and data quality 5).

CORPORATE MARKET

Estimated emissions for the Bank's corporate loan portfolio in 2023 amounted to 49 086 tCO2e. The estimated emissions for 2023 cannot be directly compared with last year's calculation for 2022, as PCAF published completely new standards with emissions factors in 2023.

For agriculture, emissions are calculated based on physical activity, data quality 3, in line with the industry-specific recommendation in Finance Norway's guidelines. Here, the number of animals per type and number of thousand square metres per type of land use for each agricultural customer is multiplied by the loan-to-value ratio and emissions factors. The source

[2] "Guidelines for calculating financed emissions" (finansnorge.no)

The estimated carbon footprint for the Bank's corporate loan portfolio

49 086
tCO2e

Industry	Lending in NOK millions parent bank	Estimated emissions Scope 1 and 2 tCO2e	Data quality	Carbon intensity (tCO2e of emissions per million NOK in lending)	Estimated emissions Scope 3 tCO2e
Other service activities	1 976	1 475	4.6	1.2	414
Mining and extraction	19	410	4.0	21.6	479
Building and construction	2 006	3 084	4.5	1.5	21 792
Electricity, gas, steam and hot water supply	42	21	4.0	0.5	-
Financing and insurance activities	656	159	4.1	0.2	-
Fishing and hunting	25	83	4.7	3.3	-
Manufacturing	408	1 852	4.2	4.5	10 819
Information and communication	181	231	4.6	1.3	-
Agriculture	571	34 270	3.0	60.1	-
Sales and operation of properties	13 894	2 470	3.4	0.2	-
Accommodation and food service activities	126	142	4.5	1.1	-
Forestry	146	908	4.8	6.2	-
Transport and storage	169	464	4.4	2.7	2 327
Wholesale and retail trade and repair of motor vehicles	760	3 516	4.3	4.6	-
Public administration	0	0	5.0	0.6	-
Total	**20 198**	**49 086**	**4.3**	**2.4**	**35 831**

* In the case of the lending volume for agricultural customers, an estimated amount for that part of the lending that was for housing has been deducted from the table. It is assumed that the housing was worth NOK 3 million and that the loans were for 60% of the market value (loan-to-value ratio).

data is obtained from the Norwegian Agriculture Agency's public database for the production and relief worker support scheme for agricultural enterprises in 2022.

For commercial property, the 2023 emissions were calculated based on PCAF's new emissions database for Norwegian commercial property. All commercial properties are assigned an emissions factor per megawatt hour (MWh) of power consumption from the emissions database based on floor space, building type and energy rating. This consumption is then multiplied by a location-based power mix – tCO2eper MWh[3] – and a financing ratio. The overall data quality of calculated emissions in commercial property is 3.4, which is an improvement from data quality 4 in 2022. Agricultural emissions were calculated using emissions factors from 2022 adjusted for Norway.
For carbon uptake and storage linked to the loan portfolio in the corporate market, see the appendix "Greenhouse gas uptake and storage in forests".

RETAIL MARKET

Estimated CO2 emissions for the mortgage portfolio amounted to 6 398 tCO2e. The lending volume of NOK 51 438 million on own book in the parent bank has a carbon intensity of 0.12. Estimated emissions for 2023 were significantly lower than the previous year's but cannot be compared directly for four reasons: i) the calculation now takes account of the financing ratio; ii) loans transferred to a mortgage credit institution are now excluded; iii) we no longer have to rely on simplified assumptions for the source data base per collateral is significantly more complete (loan balance, building type, m^2, energy rating etc.); and iv) estimated emissions in the retail market are from 2023 and based on PCAF's new emissions database for properties in the retail market. The methodology uses a Norwegian power mix (0.019 tCO2 per MWh), while our 2022 calculation used a European power mix (0.111 tCO2 per MWh).

The estimated carbon footprint for the Bank's mortgage portfolio:

6 398
tCO2e

All properties are assigned an emissions factor per MWh of power consumption from the emissions database based on floor space, building type and energy rating. This consumption is then multiplied by a location-based power mix – tCO2eper MWh[4] – and a financing ratio. The overall data quality of calculated emissions in the retail market was 3.54.

THE WAY FORWARD

Continuing to refine the methodology and emissions factors. Updating calculated historical emissions figures to make comparable figures relevant. Improving the quality of the data used for the Bank's future calculations.

- Continuing to implement the new standards issued by PCAF. Further adapting the PCAF methodology to Norwegian conditions.
- Following the recommendations from Finance Norway.
- Asking the largest producers of emissions in the corporate market for more precise emissions data.

[3] "Hvor kommer strømmen fra?" ["Where does the electricity come from?"] – NVE

Appendix 7 – Greenhouse gas uptake and storage in forests

In Norway, forests and land use absorb greenhouse gases equal to almost half of total emissions, and are also a significant carbon pool.

Under agreements with the EU, Norway is obliged to ensure that the total emissions from land use must not exceed total carbon uptake in the period up to 2030. Analyses from the Norwegian Institute for Bioeconomy Research (NIBIO) indicate that the net emissions are significant. We do not know whether this trend is true for our loan customers' forest land, but we must assume that our portfolio reflects the national average. We have no agreements with our loan customers that prevent deforestation. The following estimates of storage and annual carbon uptake in our loan portfolio can (and therefore will) not be used as an argument against reducing the Bank's or loan portfolio's emissions. On the contrary, they are intended to ensure that we contribute to reducing Norway's net emissions. Forest land data and factors for calculating uptake and storage have been significantly improved and corrected since last year.

CARBON UPTAKE IN FORESTS

Estimates of carbon uptake for the Bank's portfolio of loans for forests link all of the loans to agricultural and forestry customers registered with forest land in NIBIO's farm map database. It is assumed that the forest in the portfolio is representative of Norway's total forest land in terms of productivity class and carbon uptake. Calculations of the carbon uptake of forest in the Bank's loan portfolio are based on a factor of 0.2959 tCO2e per 1 000 m^2, which is taken from Finance Norway's "Guidelines for calculating financed emissions".

The Bank's portfolio includes a total of 232.929 km^2 of forest. The following shows the calculated carbon uptake in the Bank's portfolio, both in total and adjusted for financing ratio.

Forest (km^2)	Total carbon uptake (tonnes)	Total carbon uptake, adjusted for financing ratio (tonnes)
232.929	68 294	20 653

CARBON STORAGE IN FORESTS

According to figures from carbon accounting for forests prepared by NIBIO,[2] carbon estimates for living biomass in forests in Norway in 2015 amounted to 468.3 million tonnes. It is estimated that the total forested area in Norway is 121 000 km^2.[3] This results in estimated storage in forests per 1 000 m^2 of 3.87 tCO2e. The table below shows the calculated carbon storage that our loans for forests represent. It is assumed that the forest in the portfolio is representative of Norway's total forest land in terms of productivity class and carbon uptake.

Forest (km^2)	Total carbon storage in forests (tonnes)	Total carbon storage in forests, adjusted for financing ratio (tonnes)
232.929	901 493	270 136

[1] "Guidelines for calculating financed emissions" (finansnorge.no), page 48, table 18.

[2] https://www.skogbruk.nibio.no/klimagassregnskapet-for-norske-skoger, table 2.

[3] "Skog, fjell og vidde dominerer" ["Forests, mountains and mountain plateaus dominate"], Statistics Norway, https://www.ssb.no/natur-og-miljo/artikler-og-publikasjoner/skog-fjell-og-vidde-dominerer

Appendix 8 – Human Rights and decent working conditions

Report on due diligence in 2023

SpareBank 1 Sørøst-Norge has a responsibility to safeguard human and labour rights in its own operations, in all of our supply chains and in relation to our business partners.

SpareBank 1 Sørøst-Norge is a regional financial services group with branches in Buskerud, and Vestfold og Telemark. We offer banking, accounting, real estate agency, commercial estate agency, asset management, insurance and financing services. The work on complying with the Transparency Act is anchored in the Group's sustainability policy. This was revised in 2023 in order to clarify the Group's responsibility for its impacts on human and labour rights, as well as what we expect of our corporate customers in this area. Sustainability is a strategic priority area for the Group. The sustainability strategy emphasises: sustainable operations; a commitment to diversity and equality; advice for companies in relation to social sustainability; and other things. Our work on taking into consideration human and labour rights is also reflected in the Group's diversity, equality and inclusion policy and the Code of Conduct. The Bank's sponsorship strategy takes account of the Transparency Act. The same is true for the purchasing policy and sustainability standards within purchasing ("Requirements for suppliers and business partners on sustainability and business conduct").

We have developed a procedure for the Group's and subsidiaries' processing of access requests under the Transparency Act, and established a transparency committee responsible for responding to such enquiries. The transparency committee consists of representatives of sustainability, communications, compliance, legal and subsidiaries. It is has been assigned professional responsibility, including from the subsidiaries, for various types of enquiries. We did not receive any access requests in 2023.

Both the parent bank and subsidiaries have internal and external whistleblowing channels via which people can anonymously report matters of concern, problems and wrongdoing, including potentially unethical or illegal conduct that could contribute to harming the Group's reputation or financial situation. The whistleblowing channel is described in a specific standard for reporting unacceptable situations. No reports were received in 2023.

Pursuant to the Transparency Act, information on how the Group handles human and labour rights challenges in its operations, with respect to business partners and in the supply chain must be publicly available to everyone. The act states that organisations must conduct due diligence in line with the OECD Guidelines for Multinational Enterprises, and the OECD Due Diligence Guidance for banks emphasises their responsibilities for customer due diligence.

This report is included in the Group's Annual Report 2023, and therefore requires board approval. It will be treated as a separate board matter and communicated to the Board as part of annual sustainability reporting. The report also covers and is approved by the boards of the Group's subsidiaries subject to the Transparency Act:

- EiendomsMegler 1 Sørøst-Norge AS, which with its 15 branches in Buskerud and Vestfold offers real estate services when buying or selling homes, holiday homes, projects and new builds.
- SpareBank 1 Regnskapshuset Sørøst-Norge AS, which with its seven branches in Buskerud and Vestfold og Telemark offers accounting services and advice.

Unless otherwise specified, the report covers the entire group, including each individual subsidiary. Read more about the Group's organisation, our sustainability work and relevant policies in the Annual Report, chapters "About the Group" and "Sustainability", and also see our website.

RISK AREAS AND FINDINGS

SpareBank 1 Sørøst-Norge conducts annual sustainability risk assessments for all departments. The table below summarises the risks that impact human and labour rights in our own operations, supply chains and business partners, and whether actual findings were made within the risk areas in 2023. Please see the measures per risk area and expected residual risk after the measures have been implemented.

Only risks scored as "moderate" or "high" before measures are considered significant, and thus relevant to include in the report. Unless otherwise stated, the table shows the potential risk of significant adverse impact, not actual adverse impact.

Department	Risk area	Actual findings 2023	Risk score before measures*	Measures	Residual risk after measures**
Purchasing	Purchases from suppliers in industries with known risks in the areas of human and labour rights, e.g. hotels, restaurants and food service activities, building and construction, and transport.	No findings. See the section "Purchasing".	High risk	Adopted a purchasing policy that takes into account risk industries (e.g. office furniture) that require follow-up and threshold criteria for following up local purchases. Enter into a dialogue with, and follow up, suppliers who are flagged.	Moderate risk
Corporate market	Customers not complying with our sustainability policy (e.g. poor working conditions on building sites and/or in transport).	No findings. Please see the section "Customers".	Moderate risk	Advisers follow routines based on the sustainability policy and credit policy. Building inspectors assessing working conditions on building sites in property development projects. Assessing loans for, for example, property development projects and transport using an ESG module with industry-specific questions on social conditions. Participation in diversity forums.	Moderate risk
Retail market	Risk of excluding customers who are refugees, under guardianship, non-digital, are unable to attend in person, do not have access to BankID, etc.	No customer complaints were received alleging discrimination. Any complaints concerning discrimination are dealt with in line with the Bank's standards for handling complaints. Please see the section "Customers".	High risk	Advisers follow routines based on the sustainability policy and credit policy. Training in this topic started in 2022 and will continue up to 2025. Participation in diversity forums.	Moderate risk
HR & Organisational Development	Experiencing discrimination or inequality	No reports. The score on questions relevant to discrimination was 7.8/8.1 in Winningtemp in 2023, the trend was positive. See the section "Own operations".	High risk	Adopted the diversity, equality and inclusion policy. The topic was put on the training agenda and included in weekly surveys in order to raise awareness, take measurements and implement measures. Established a diversity forum.	Moderate risk
Eiendoms-Megler 1	Risk of discrimination in, for example, bidding rounds or viewings, and risk of lack of equality in the workplace. Suppliers in industries with known human and labour rights risks.	No reports. See the chapter "Subsidiaries".	High risk	Approved the sustainability policy, purchasing policy, diversity, equality and inclusion policy and Code of Conduct in 2023. Will assess suppliers who, for example, use subcontractors in high-risk countries. Completed a specific sustainability course in June 2023, which raises awareness of these challenges. Participation in diversity forums.	Moderate risk
Accounting firm	Risk of customers breaching the sustainability policy and suppliers in industries with known human and labour rights risks. Risk of experiencing discrimination or inequality.	No findings or reports. See the chapter "Subsidiaries".	High risk	Approved the sustainability policy, purchasing policy, diversity, equality and inclusion policy and Code of Conduct in 2023. Will assess customers in the most vulnerable industries in relation to the sustainability policy. Participation in diversity forums.	Moderate risk
Market	Distributing sponsorship funds to a sports team or other voluntary group that is in breach of the sustainability policy (e.g. discrimination against women's sports)	No findings. See the chapter "Sponsorships".	High risk	Adopted a sponsorship strategy that takes account of sustainability when assessing possible sponsorship and referring to the sustainability policy. Collaboration with "Like Muligheter", the campaign for equal opportunities in sports. Participation in diversity forums.	Moderate risk
Funds	The funds we distribute might invest in companies responsible for serious human and labour rights violations.	No findings. See the section "Distribution of securities funds".	Moderate risk	Stop new sales of funds that invest in controversial weapons. Funds that do not have a policy against investing in companies involved in serious violations of human and labour rights, or the Geneva Conventions, receive a poorer sustainability score and may be dropped from the list of recommended funds.	Moderate risk

* The risk score is from before the measures have been developed and worked on. The placement of risks in the risk matrix determines whether measures have to be established:

- If risks end up in the green area (low risk score) no action is normally required. They are unlikely to occur, and if they do, their consequences will not be particularly serious with respect to achieving goals.
- If risks end up in the yellow area (moderate risk score) they may require action. This is particularly true for risks assessed as having serious or very serious consequences but low probability.
- If risks end up in the red area (high risk score) action must be taken. In some cases, high risk may be acceptable, for example when an organisation has no ability to influence the risk, or the costs of managing the risk are considered too high in relation to utility.

** Residual risk is the (estimated) risk exposure (probability/consequence) that remains after taking into account the effect of additional (potential) risk mitigation measures.

WHAT DID WE DO IN 2023?

OWN OPERATIONS

Our sustainability policy, purchasing policy, diversity, equality and inclusion policy and Code of Conduct state that we must not contribute to violations of human rights or labour rights. These policies are also reflected in our personnel and management manual. The following happened in 2023:

- A purchasing policy was adopted for SpareBank 1 Sørøst-Norge, with criteria (including sustainability) and tender thresholds for local purchases.
- Established a diversity forum with representatives from across large parts of the Group to raise further awareness of the topic internally and, in particular, externally in relation to customers, suppliers and partners.
- There were no reports of discrimination. There are probably a number of unrecorded incidents, both incidents that have not been reported and incidents that we are aware of that should have been reported. That is why we are assessing our whistleblowing procedures.
  - We put the whistleblowing channel on our intranet start page so employees can find it more easily.
- We regularly map and assess the parent bank's working environment via weekly surveys (Winningtemp) and employee performance and career development reviews in order to involve and safeguard employees.
  - Three questions address equality, fair treatment and the experience of discrimination.
- Given our activity and reporting duties, we conduct annual analyses and risk assessments in the area of gender equality and discrimination. Annual reporting ensures that the implementation and results of measures are monitored. The survey also serves as an arena for communication with affected employees.
- A working environment committee that includes safety representatives and elected representatives deals with ongoing challenges in this area.
- The Board of Directors and executive management team completed half-day courses on social sustainability.
- Artificial intelligence upskilling programme for selected departments, as well as reviews of the sustainability policy, risks covered and dilemmas in relation to human and employee rights.
- Agenda Sustainability was arranged for all of the Group's employees. This is a week of skills refreshers within social sustainability topics: responsible advice, privacy, diversity, equality, and discrimination. Many employees expressed great satisfaction that their employer is taking these topics seriously.
- We helped develop a mandatory diversity e-learning course for the SpareBank 1 Alliance.

We comply with discrimination legislation and the requirement in the Working Environment Act for a "thoroughly sound working environment". If policies and guidelines are breached, we have procedures for handling reported concerns and whistleblowing. No reports were received in 2023.

SUBSIDIARIES

SpareBank 1 Sørøst-Norge's subsidiaries EiendomsMegler 1 Sørøst-Norge AS and SpareBank 1 Regnskapshuset AS are large companies. Therefore, they are directly subject to the statutory provisions of the Transparency Act, and not just because they are part of the Group.

- The companies have approved updated sustainability policies, codes of conduct and diversity, equality and inclusion policies.
- The companies also follow established procedures for the Transparency Act, and have their own specialists on the transparency committee.
- The companies set requirements for suppliers in accordance with the purchasing policy and have checked whether they have local suppliers that require following up in relation to the policy's threshold criteria. No local suppliers were flagged in 2023.

For more information about our work on, and measures for, preventing discrimination and safeguarding human and labour rights in our own operations, see the chapter "Own workforce" and the appendix "Report on diversity, equality and inclusion work" in SpareBank 1 Sørøst-Norge's Annual Report.

CUSTOMERS

Our sustainability and credit risk policies contain guidelines on the industries and activities for which we cannot provide financing. A number of the requirements are designed to prevent breaches of human and labour rights (see the section "Responsible lending" in SpareBank 1 Sørøst-Norge)'s Annual Report. Our surveys and assessments show that, based on our operations, we have a risk of contributing to breaches of human or labour rights through the activities for which we provide financing (ref. section 4(b) of the Transparency Act). Large companies [1] and listed companies are subject to the Transparency Act. They must assess the risk of breaches of human and labour rights in their own operations, their supply chains and at partners, and they can require their subcontractors to comply with it. Therefore, if our customers fail to comply with the Act, irrespective of whether they are subject to it or involved due to being a supplier, this can constitute a credit risk for us. We therefore implemented the following measures:

- Building inspectors must check social sustainability conditions in property development projects with exposure in excess of a certain amount.
- Strengthened the work on anti-money laundering and on following up customers subject to enhanced checks as part of this (including when setting up customer accounts) and the credit process (read more about combating financial crime in the chapter "Sustainability").
- The following questions have now been included in

[1] Companies that meet two of the following three conditions: sales revenue of NOK 70 million, statement of financial position total of NOK 35 million and an average of 50 FTEs in the financial year.

the module for assessing the sustainability of corporate loans in SpareBank 1.
  - To what extent does the company comply with its activity and reporting duties within diversity and equality (applies to businesses with more than 50 employees)?
  - The Transparency Act is directly or indirectly relevant for most businesses. To what extent is the customer aware of social risk (such as social dumping, breaches of the Working Environment Act and work-related crime) in their own industry?
  - If the company is obliged to report under the Transparency Act: has the company conducted due diligence and implemented measures to manage the risk of breaches of human and labour rights in its own operations and in the supply chain?

The module/questions must be used in all loan approval processes (granting, renewal and change applications) for exposures in excess of a given amount. Industry-specific questions on social conditions have also been developed. For example, within property development:
  - According to the Norwegian Labour Inspection Authority, social risks in the building and construction industry are high. Does the customer have relevant policies and/or systematically work to avoid this and have they been incorporated into relevant documents (such as contracts with subcontractors)?

Module assessments are valid for a specified period to ensure implementation and results are monitored regularly, and for communication with affected customers.

We also have a responsibility to avoid unintended adverse impacts for retail customers. We are working on this by:
- Protecting customer privacy
- Striving for equality for all customer groups: avoiding discriminatory practices, particularly in relation to customers who are refugees, under guardianship, non-digital, unable to attend in person, do not have access to BankID, etc.
  - The Group did not receive any customer complaints claiming discrimination in 2023. Any complaints concerning discrimination are dealt with in line with the Bank's standards for handling complaints. This means that the complaint is dealt with responsibly and in line with the procedural rules that, for example, state who will be involved and at what point (procedure and responsibility). The standard complies with the Financial Supervisory Authority of Norway's Circular 4/2019 – Guidelines for handling complaints in banking, finance, insurance and securities business.
- Integrating the work on anti-money laundering and combating financial crime into risk management for retail customers.

Read more about this in the chapter "Sustainability", sections "Responsible lending" and "Responsible advice", in SpareBank 1 Sørøst-Norge's Annual Report.

DISTRIBUTION OF SECURITIES FUNDS

Our customers invest significant amounts in the securities funds we distribute. SpareBank 1 Sørøst-Norge complies with the SpareBank 1 Alliance's guidelines for the responsible distribution of securities funds. These signal that we expect the fund managers with whom we have a distribution agreement not to invest in companies that:
- are involved in serious breaches of human rights, labour rights or the Geneva Conventions
- contribute to, or are responsible for, serious violations of individuals' rights in war or conflict situations
- sell arms to states involved in armed conflicts that use weapons in ways that constitute serious and systematic breaches of international law

The Bank requires managers to sign a distribution agreement and document that they stipulate sustainability requirements for the investments they make. Fund managers have to sign the UN Principles for Responsible Investment and report how they comply with them. All securities funds distributed by SpareBank 1 are surveyed and assessed every year, including in relation to human and labour rights.

The survey results in the following measures: SpareBank1 assigns funds a sustainability label based on the extent to which they comply with the above policies' requirements and expectations. New sales of funds that do not comply with our requirements are stopped. This has happened to some funds (not in 2023). Funds that do not score on all requirements and expectations, receive a poorer score. Funds with poor sustainability scores are not recommended to customers.

Conducting this process annually, and backing it up with additional spot checks, ensures the implementation and results are monitored, and communication with affected funds. Pursuant to the Sustainable Finance Act, securities funds must classify themselves as either Article 6 (no specific sustainability goals or factors), Article 8 (promotes environmental and social factors), or Article 9 (has sustainable investments as its purpose). This includes human and labour rights.

The individual fund managers are responsible for ensuring that SpareBank 1's customers have the correct sustainability information about the relevant fund at all times. If breaches of human rights or labour rights are identified in a company invested in by one of the funds we offer to customers, we will use our position to encourage the fund provider to take the steps necessary in relation to the relevant company, including remediation or damages where this is required.

For more information on how we evaluate and follow up our fund managers, see the section "Sustainability in savings and investments".

SPONSORSHIPS

The recipients we sponsor provide a quid pro quo by helping to strengthen our brand. Therefore, they must be viewed as business partners of the Group. The Group's sponsorship strategy provides guidelines for such partnerships and specific sustainability criteria that is used to map and assess sponsorship opportunities.

For more information on how we work with sponsorships, see the chapter "Local social responsibility and business development" in the Annual Report.

PURCHASING

SpareBank 1 Sørøst-Norge expects its suppliers and business partners to take a conscious approach to sustainability risk in their operations and supply chains, and to actively and systematically strive to mitigate adverse impacts on the climate, environment, social conditions and business conduct.

Most of SpareBank 1 Sørøst-Norge's purchases are made via SpareBank 1 Utvikling DA. This generally also applies to our subsidiaries. SpareBank 1 Utvikling DA's agreements with suppliers of goods and services partly consist of its own agreements and partly of Alliance agreements used by the banks/companies. The Alliance's purchasing department signs supplier agreements on behalf of the Alliance and follows up the sustainability risk associated with these. Therefore, the policies and accountability associated with human rights and labour rights are anchored in SpareBank 1 Utvikling's purchasing strategy (drawn up by the Alliance's purchasing department), standard appendices regarding sustainability/policies regarding sustainability in purchasing, the action plan for sustainable purchases in the SpareBank 1 Alliance and the Bank's own purchasing policy.
The Alliance's purchasing department works to raise awareness, and improve skills and compliance, in relation to sustainability in purchasing. It particularly works on this with the sustainability and purchasing environments at the banks and product companies.
The Alliance's purchasing department worked on four areas during the year, where SpareBank 1 Sørøst-Norge actively contributed to the last two:

- Internal guidelines for sustainable purchasing.
- Summary of the Transparency Act – how to get started easily.
- Revising the standard sustainability contract appendix, which now includes, for example, a requirement to comply with the Transparency Act, an expectation that suppliers will keep carbon accounts and references to a plan for transitioning to net zero in their activities. The appendix is used when new contracts are entered into.
- Preparations designed to help the banks report on supply chain sustainability and outsourcing for 2024 in line with the EU's Corporate Sustainability Reporting Directive (CSRD).

ALLIANCE PURCHASES

The Alliance's supplier follow-up within sustainable purchases has been based on the OECD Due Diligence Guidance since 2019. In 2022, the Alliance's purchasing department prioritised 12 suppliers, based on an earlier risk-based survey of 249 existing suppliers. These were followed up in relation to compliance with the Transparency Act.

Below is an excerpt from the SpareBank 1 Alliance's due diligence up to 2022:

Due diligence report 2022

Actual and potential adverse impacts on human rights and decent working conditions are identified and assessed as follows:	The following measures were taken to stop, prevent or mitigate adverse impacts:	How SpareBank 1 Utvikling monitors the implementation and results of measures:	How SpareBank 1 Utvikling DA has communicated to affected stakeholders and licensees how adverse impacts are managed:	How SpareBank 1 Utvikling DA ensures, or collaborates on, restoration and damages where these are required:
In-depth surveys of 12 selected suppliers in high risk industries: office furniture, IT hardware, IT services and consulting and staffing agencies. Selected based on the risk of adverse impacts, opportunities for mitigating risks, turnover volume and proximity to the Alliance's core activities.	Selected suppliers' failure to follow up on due diligence in line with the OECD guidelines was followed up with deadlines for making improvements.	Deadlines for correcting deficiencies, follow-up meetings, etc. where correction was not satisfactory.	Input on the banks' annual reports and in quarterly meetings with the Alliance (Alliance purchasing committee) where achieved improvements are reported.	Most suppliers had policies, etc. in place. The six out of 12 who had not started their due diligence work in line with the Transparency Act did so after feedback from the Alliance's purchasing department. All suppliers now have documented policies, etc. and have reported on their due diligence.

The follow-up of the reports from the 12 suppliers showed that they focused most on the general description of the enterprise's structure, area of operations, guidelines, etc. There was less information about actual adverse impacts and significant risks of adverse impacts that the companies have identified through their due diligence.

SpareBank 1 Utvikling DA followed up two major suppliers of IT hardware and IT services in 2023. Both were informed that SpareBank 1 Utvikling DA believed that their report did not provide enough information about actual adverse impacts and significant risks of adverse impacts, ref. sections 5(b) and 5(c) of the Transparency Act. They were asked for further feedback on these. The IT hardware supplier was also asked to report on investigations at one of its electronic component subcontractors in China.

The IT hardware supplier has provided more specific information on actual findings in 2022 at six subcontractors in Asia who had "nonconformance related to indications of modern slavery in the areas of recruitment, travel, medical treatment and accommodation costs." There was "a case of a passport and a month's wages being withheld and a case of forced overtime."

The supplier writes that in cooperation with the Responsible Business Alliance (RBA), it has demanded that the subcontractors stop these illegal practices and follow up with on-site audits, and about USD 0.8 million was repaid to 200 employees in 2022.

At the subcontractor in China there were "nonconformance in relation to overtime work, housing support and national insurance taxes." The IT hardware supplier writes that this "indicates systemic errors in control processes and is being followed up."

The IT service provider had not made the report readily available on its website as required by the Transparency Act but instead refers to sections in its annual report. SpareBank 1 Utvikling did not consider this adequate.

In response to this, the supplier stated that "it is relevant to see the report together with other content in our sustainability report, where several other areas also overlap with our work on fundamental human rights and decent working conditions. Reference is made here to, among others, chapters on "responsible sourcing", "employee experience", "diversity and inclusion" and "cybersecurity and privacy"."

SpareBank 1 Utvikling DA did not think that this could wholly or partly replace the report, which must be made readily available on the supplier's website, and that it is unclear which specific parts of the supplier's annual report constitute the report and relevant additional information, respectively. Meanwhile, SpareBank 1 Utvikling DA considers the supplier's general sustainability work to be very good.

SpareBank 1 Utvikling DA has shared its correspondence with the two suppliers at the Bank's request. It appears that SpareBank 1 Utvikling DA has requested more documentation on actual adverse impacts and significant risks of adverse impacts from the latter supplier. The Bank has also asked how the Alliance's purchasing department follows up suppliers, and whether the findings make it relevant to carry out similar investigations into other suppliers in the same category as well. SpareBank 1 Utvikling DA has responded that supplier categories/suppliers at a high risk of needing closer follow-up will be selected in August/September 2024 after the suppliers have published their due diligence reports.

OTHER PURCHASES

The Group developed its own purchasing policy in 2023 and requires suppliers to have a sustainability policy and translate this into action. Climate, environmental, social and business conduct considerations were further integrated into both purchasing and outsourcing in 2023.

We stipulated criteria regarding amounts, identified high risk industries among our suppliers, and prioritised suppliers based on a review of amounts per supplier.

In taking a risk-based approach, some criteria were stipulated that will trigger a need for follow-up:

1. The supplier does not have an agreement with the SpareBank 1 Alliance, and therefore is not dealt with by the Alliance's purchasing department.
2. Large total amount (last financial year) and expectations of significant volumes going forward as well. Threshold of NOK 1 million including VAT.
3. Large one-off amount or tender, in excess of NOK 500 000 including VAT, and agreements that are very likely to be long-lasting and total more than NOK 1 million including VAT over time.
4. Risk industries:
   - Office furniture
   - IT systems
   - IT hardware
   - Consulting and staffing agencies
   - Hotels, restaurants and food service activities
   - Building and construction
   - Transport
   - Sports teams

Further investigations will be carried out if a supplier meets criteria 1 and 4, and either criterion 2 or 3. In 2022, we surveyed 924 suppliers in relation to follow-up based on the criteria above and selected 26 suppliers for further due diligence. The assessment was carried out by asking suppliers the following questions:

1. Please enter a link to your latest due diligence report or attach the document to your email reply.
2. Has the company identified actual breaches of

human rights or adverse impacts on human rights resulting from your own or your suppliers' operations?
3. What measures has the company taken to mitigate the risks of breaching human rights or adverse impacts?
4. Has the company identified actual breaches of, or adverse impacts on, decent working conditions for your own employees, employees in your supply chain or employees of business partners?
5. What measures has the company taken to mitigate the risks of breaching decent working conditions for your own employees, employees in your supply chain or employees of business partners?

Results:
- 15 out of 26 suppliers answered all of the questions – no negative findings.
- Eight out of 26 suppliers answered that they are not subject to the Transparency Act, ref. section 3.
- Three out of 26 suppliers have not submitted responses. These will be followed up further.

If we learn of breaches of human or labour rights at one of our suppliers, we will work with the supplier in question to ensure that the supplier stops the activity causing the breach and provides those who have suffered with remediation and damages where required.

SpareBank 1 SamSpar AS (Samspar), where SpareBank 1 Sørøst-Norge is the largest owner, is obliged to report under the Transparency Act. Therefore, in 2023, the company established procedures to embed work on the Transparency Act; a supplier declaration; a questionnaire (sent to seven suppliers and two business partners that met Samspar's threshold criteria); and a procedure for processing requests for information. SpareBank 1 Utvikling DA has assessed three of the companies that met the threshold values for due diligence for the Bank, and has not reported any negative findings.

THE WAY FORWARD

We will strive to safeguard human rights and decent working conditions even better through constant work, engagement with stakeholders and following up suppliers, customers and partners. Going forward, we expect the work on human rights and decent working conditions in the value chain to become increasingly important to our stakeholders and partners as well. To ensure progress, we will work on the following in 2024:

OWN OPERATIONS

- Further focusing on whistleblowing channels. For example, by producing a poster for managers that they can use in departmental meetings to ensure employees understand what, where and how they can report.
- Subsidiaries will introduce Winningtemp (regular working environment surveys) in 2024.
- A diversity forum will establish further KPIs for diversity, equality and inclusion, internally and externally for our customers, suppliers and other partners.
- In the upcoming merger between SpareBank 1 Sørøst-Norge and SpareBank 1 SR-Bank ASA, HR will ensure that human rights and decent working conditions are safeguarded.

PURCHASING

- All new local suppliers will be assessed with respect to sustainability in terms of eligibility requirements, contract requirements and award criteria
- Subsidiaries must assess whether local suppliers require further follow-up.
  - For example, if photographers used by EiendomsMegler 1 send images to high-risk countries for editing.

ALLIANCE PURCHASES

- SpareBank 1 Sørøst-Norge will follow up on the Alliance purchasing department's handling of suppliers in high-risk industries, particularly within IT. A full due diligence report on Alliance purchases in 2023 will be available by 30.06.2024.
- SpareBank 1 Utvikling DA will survey whether our suppliers and business partners are aligning their activities such that they are compatible with global net zero emissions in line with the Paris Agreement.

We will also enter into a dialogue with part-owned companies subject to the Transparency Act to ensure compliance and appropriate timely reporting.

Based on annual risk assessments, measures will be established that will be implemented and followed up further in 2024 and in relation to the strategy period (see the table at the top of the appendix).

For more information about the way forward, see the chapter "Sustainability" in the Annual Report.

BOARD OF DIRECTORS DECLARATION

The Board of Directors confirms that, to the best of our knowledge, this report provides a true and fair picture of significant actual and potential adverse impacts on human rights and decent working conditions associated with the parent bank and the Group. This applies to the impacts the parent bank and the Group have caused, contributed to or that are linked to its activities, products or services through supply chains or business partners. Furthermore, the Board confirms that the measures designed to address these impacts are appropriate.

Sandefjord, 20.03.2024
The Board of Directors of SpareBank 1 Sørøst-Norge

Finn Haugan Chair of the Board	John-Arne Haugerud Deputy Chair	Lene Svenne
Heine Wang	Jan Erling Nilsen	Lene Marie Aas Thorstensen
Maria Tho	Hanne Myhre Gravdal Employee representative	Frede Christensen Employee representative

Appendix 9 – Stakeholder engagement

Good stakeholder engagement can help us reinforce our positive impacts and mitigate our adverse impacts on people, the environment and society.

This overview shows an excerpt from our stakeholder engagement in 2023. Our most material stakeholder engagement is marked in green. These stakeholder groups have the greatest impact on our sustainability work, while we also have a great impact on their sustainability work.

WHO AND WHERE?	WHAT?
CUSTOMERS • Customer and market surveys • Customer meetings • Sustainability assessments (due diligence) for corporate lending • “Konjunktur Sørøst” business cycle barometer • Lectures, webinars, seminars and social media	• How the Group and activities are perceived by our customers, customer’s needs and wishes in relation to products and services. • Information for customers about the potential merger with SpareBank 1 SR-Bank ASA. • Customer satisfaction in the retail market (from 77 in 2021 to 75 in 2022) and in the corporate market (from 69 in 2021 to 71 in 2022). No surveys were conducted in 2023. • Surveys of the Bank’s position among retail and corporate customers showed that it is stable. • Good digital solutions, responsible advice, local presence • Semi-annual future expectations surveys of businesses and households in 17 locations in Southeast Norway. • There was an increasing focus in 2023 on the mental health impact on customers from higher prices, interest rates etc. • Meetings with corporate customers on the implications of the EU Taxonomy.
EMPLOYEES • Training, courses and nano learning modules • Agenda Sustainability • New employee gatherings • Employee performance and career development reviews • Organisational surveys • Cooperation with trade unions • Departmental sustainability meetings • Sustainability risk workshops with various departments • Courses on sustainability topics associated with different departments • Sustainability committee • Internal knowledge sharing platforms (team channels, etc)	• Sustainability impacts the work of every employee. Involvement, anchoring and sharing knowledge are crucial for achieving the Bank’s goals and maintaining good engagement with customers on sustainability topics. • Need for ongoing upskilling in relation to sustainability • Good common culture after the establishment of SpareBank 1 Sørøst-Norge • Diversity, equality and inclusion among employees • Obtain employee perspectives on sustainability risks and opportunities • How higher prices, interest rates, etc. are impacting the employees’ engagement with customers • Eco-Lighthouse certification of remaining locations in the Group
OWNERS AND INVESTORS • Information meetings, investor presentations and themed presentations • Stock exchange announcements and quarterly reports • Website	• Sustainability is increasingly becoming a topic when we meet owners and investors. For example, the impact sustainability is having on financial performance, credit quality, strategic direction, returns on equity certificates, dividends and scoring and rating results • Sharing sustainability information about the Bank via Euronext’s My ESG Profile
FOUNDATIONS • Meetings • Email engagement	• New opportunities due to the merger, need to understand differences and similarities in the foundations’ working methods • Collaboration with the University of South-Eastern Norway on inclusion and business development • Collaboration on solutions for distributing gifts to grassroots entities • Co-financing of local offices for UN Global Compact Norway (UNGCN: see below) • Partnership with the Telemark Research Institute on further developing the business barometer for Southeast Norway
AUTHORITIES • Ministry of Finance, • Financial Supervisory Authority of Norway • Norwegian Data Protection Authority • Consumer Authority • Innovation Norway • Occupational health service • Ministry of Climate and Environment • Enova • Norwegian Water Resources and Energy Directorate (NVE)	• Operations • Questions and reporting regarding privacy and money laundering • Growth guarantee scheme • Sick leave, health promotion work • New support schemes and the Bank’s hope that the authorities will be more proactive in following up the energy rating scheme • Local supervision • Interpretation of the Transparency Act and upcoming statutory requirements regarding greenwashing and sustainability claims

WHO AND WHERE?	WHAT?
TOMORROW'S EMPLOYEES • Universities • Media • Social media	• Visibility at career days • Possibility of work experience places • Talks for school classes • Comments on student papers • Job adverts
SUBSIDIARIES • Meetings • Email engagement	• Transparency Act (SpareBank 1 Regnskapshuset Sørøst-Norge (R1), EiendomsMegler 1 (EM1) Sørøst-Norge, EiendomsMegler (EM1) 1 Telemark) • Equality and Anti-Discrimination Act (R1, EM1) • Sustainability strategy (R1)
SPONSORSHIPS AND GIFT RECIPIENTS • Meetings • Lectures	• Relationship between sponsorship contracts and the Group's sustainability policy • Link between gifts and SDGs • Talks on financial crime
SUPPLIERS • Meetings • Email engagement • Via forum in the alliance	• Engagement surrounding tenders • Follow-up of sustainability guidelines • Due diligence (see the appendix "Human rights and decent working conditions – due diligence report 2023") • Recycling IT hardware • Consumption-based carbon accounting
SPAREBANK 1 UTVIKLING, SPAREBANK 1 GRUPPEN AND SISTER BANKS IN THE SPARE-BANK 1 ALLIANCE, AS WELL AS ASSOCIATED AND PARTLY OWNED COMPANIES • Meetings in various forums, e.g. the Sustainability Forum	• Updating ESG assessments for corporate loans • Use of/need for data for risk analyses, reporting (incl. CSRD) and customer engagement • EU Taxonomy for sustainable activities • Sustainability upskilling programme • Diversity, equality and inclusion • National sustainability barometer • Established technical committee for sustainability in SamSpar • Opportunities for increased collaboration (Fremtind, SpareBank 1 Finans Midt-Norge) • Risk assessment related to sustainability within insurance (Fremtind) • Disclosure Directive (ODIN, SpareBank 1 Forvaltning) • Property data, including on energy efficiency and climate-related risk (Eiendomsverdi AS) • Input for materiality analyses
CAPITAL MARKET • SpareBank 1 Alliance's savings and invest-ments committee	• ESG issues linked to some companies and funds. • Updating ESG policies and sustainability labelling methodology for securities funds
AUDITOR AND INTERNAL AUDIT	• Annual Report attestation, sustainability report and reporting in line with the Principles for Responsible Banking • Internal audit including relevant sustainability topics
RATING AGENCIES AND ANALYSTS • Meetings • Email engagement • Assessments	• Briefing on the Group's sustainability strategy, focusing on the implications for credit quality. • Meeting with Moodys, engagement linked to ESG rating
COMPETITORS • Various forums with other banks within are-as of common interest to the industry (via, for example, Finance Norway)	• Framework conditions for the banking industry • EU Taxonomy • Transparency Act • Training needs within sustainability • Dialogue with NVE and Enova about the energy rating scheme • Nature-related risk
SPECIAL INTEREST ORGANISATIONS • Written and verbal communication with NGOs, e.g.: Norwegian Green Building Alliance, Zero, UNGCN, Rainforest Foundation Norway, UNEP FI, Finance Sector Union of Norway, LO Finans and Future in Our Hands	• BREEAM and the EU Taxonomy • UNGCN: Joint event at Arendal Week, discussions about opening local branches in Kongsberg and Grenland • Possible collaboration on sustainability surveys, people/business expectations and assessments of whether municipalities in the market area are business friendly
ACADEMIA • University of South-Eastern Norway, Uni-versity of Oslo and BI Norwegian Business School • Meetings and dialogue via email • Career days	• Guest lectures • Our approach to sustainability and experiences from sustainability work • How a company should work with sustainability • Input on the University of South-Eastern Norway's strategy, collaboration opportunities and professional development within innovation and sustainability, and key research topics in the long term; students on work experience; presence at career days • Collaboration with the University of Oslo and UNGC via participation in the "Sustainabi-lity Laboratory" • Collaboration with BI Norwegian Business School on sustainability courses for real estate agents • Contributions to the Group's upskilling work

WHO AND WHERE?	WHAT?
MEDIA • Articles • Interviews • Homepage • Local "Konjunktur Sørøst" business cycle barometer, website: www.konjunktursorost.no	• Launch of new local results from business and household expectations surveys, spring and autumn • Local articles on global and national issues on the website for our business barometer
SOCIETY IN GENERAL • Local trade organisations and business networks • Various conferences • Entrepreneurial environments in the market area • Miscellaneous meeting arenas with sports teams and associations	• Joint events for local launch of the "Konjunktur Sørøst" business cycle barometer • The connection between sustainability and local business development • Opportunities for cooperation on the Business Barometer for our market area • Collaborative opportunities with start-up environments, as well as entrepreneurs with concepts relevant to the Bank • Improving young people's understanding of personal finances by, for example, visiting schools. • Lecture on what requirements banks will stipulate for sustainability going forward • The Bank as local supporter, contributor and source of inspiration, e.g. related to events such as Raw Air (Vikersund), Kongsberg Agenda and Industry Week
SILENT STAKEHOLDERS • Special interest organisations and scientific literature related to nature, wildlife, ecosystems, the climate, and future generations	• Based on scientific literature and interaction with special interest organisations, we have tried to take account of stakeholders who cannot speak up for their interests themselves

Appendix 10 – GRI Index

SpareBank 1 Sørøst-Norge reports in line with the Global Reporting Initiative (GRI), the leading standard for reporting on sustainability. The GRI standard consists of principles, guidance and result indicators that companies can use to measure and report on financial, environmental and social conditions (see www.globalreporting.org for more information). Where relevant, the Group's GRI reporting is linked to its compliance with the UN Principles for Responsible Banking (PRB), the Group's compliance with the ten principles of the UN Global Compact (GC), and the UN Sustainable Development Goals (SDG) the Group is specifically focusing on.

General disclosures

GRI disclosure	Description	Principles for Responsible Banking (PRB)	UN Global Compact	UN SDG	SpareBank 1 Sørøst-Norge's reporting for 2023
The organisation and its reporting practices					
2-1	Organisational details	PRB 1.1			Name: SpareBank 1 Sørøst-Norge. Head office: Fokserødveien 12, 3241 Sandefjord. The Bank only operates in Norway. Annual report, chapters "SpareBank 1 Sørøst-Norge", "Corporate strategy", "Group goals 2025" and "About the Group".
2-2	Entities included in the organisation's sustainability reporting				Annual Report, Note 1: "General information" and Note 29: "Interests in group companies, associated companies and joint ventures"
2-3	Reporting period, frequency and contact point				2023, annually. Contact person: jorund.buen@sb1sorost.no
2-4	Restatements of information				Figures for financed emissions in 2019 and 2022 have been recalculated in line with the PCAF approach to ensure comparability with the 2023 figures.
2-5	External assurance				KPMG has verified the sustainability reporting in line with the UN Principles on Responsible Banking, not the full report.
Activities and workers					
2-6	Activities, value chain and other business relationships	PRB 1.1			Annual Report SpareBank 1 Sørøst-Norge, chapters "Corporate strategy" and "Main figures". Chapter "Annual financial statements 2023". Chapter "Sustainability", appendix "Human rights and decent working conditions". No material changes from the year before.
2-7	Employees				Annual Report, chapter "Own workforce"
2-8	Workers who are not employees				As at 31.12.2023, the parent bank had 16 temporary workers hired from staffing agencies
Governance					
2-9	Governance structure and composition	PRB 5.1			Annual Report, chapter "Business description" and "Corporate governance".
2-10	Nomination and selection of the highest governance body				Annual Report, chapters "Business description" and "Corporate governance": https://www.sparebank1.no/nb/sorost/om-oss/investor/virksomhetsstyring.html
2-11	Chair of the highest governance body				Annual Report, chapters "Business description", "Presentation of the Board of Directors" and "Corporate governance"
2-12	Role of the highest governance body in overseeing the management of impacts	PRB 5.2			Annual Report, chapters "Governing bodies", "Corporate governance" and "Sustainability", and the appendix "Climate and nature-related risks". See our sustainability policy.
2-13	Delegation of responsibility for managing impacts	PRB 5.1			
2-14	Role of the highest governance body in sustainability reporting				

Management (cont.)					
2-15	Conflicts of interest	PRB 1.1			Discussed in each board meeting + remuneration policy. Impartiality/conflicts of interest were assessed in relation to positions/roles for three board members in 2022 – no nonconformance was identified.
2-16	Communication of critical concerns				We have procedures for whistleblowing, a Code of Conduct and a whistleblowing standard. Deviations: none.
2-17	Collective knowledge of the highest governance body	PRB 5.1			Annual Report, chapter "Presentation of the Board of Directors".
2-18	Evaluation of the performance of the highest governance body				Evaluated annually, presented to the Nomination Committee. Annual Report, chapter "Corporate governance"
2-19	Remuneration policies				Annual Report, chapter "Corporate governance"
2-20	Process to determine remuneration				Is decided by the Supervisory Board (general meeting). Annual Report, chapter "Corporate governance"
2-21	Annual total compensation ratio				Annual Report, chapter "Corporate governance"
Strategy, policies and practices					
2-22	Statement on sustainable development strategy	PRB 1.2			Annual Report, chapters "SpareBank 1 Sørøst-Norge" and "Foreword from the CEO" by Per Halvorsen.
2-23	Policy commitments	PRB 5.2	GC 7 and 10	SDG 8 and 16	Annual Report, chapters "The business", sections "Corporate governance" and "Risk management and internal control". See our sustainability policy.
2-24	Embedding policy commitments				Annual Report, chapter "Sustainability", sections "Local social responsibility and business development" and "Sustainability in savings and investments", and the appendices "Climate and nature-related risks", "Human rights and decent working conditions" and "Stakeholder engagement". See our sustainability policy.
2-25	Processes to remediate negative impacts	PRB 5.1			Annual Report, chapter "Sustainability"
2-26	Mechanisms for seeking advice and raising concerns				We have procedures for whistleblowing. Annual Report, chapter "Sustainability", section "Responsible advice
2-27	Compliance with laws and regulations		GC 7 and 8	SDG 13.3 and 16.6	Annual Report, chapter "Risk management and internal control"
2-28	Membership associations			SDG 17	Finance Norway. Annual Report, chapter "Sustainability", appendix "Stakeholder engagement"
Stakeholder engagement					
2-29	Approach to stakeholder engagement	PRB 4.1		SDG 17	Annual Report, chapter "Sustainability", appendix "Stakeholder engagement"
2-30	Collective bargaining agreements	PRB 4.1	GC 3	SDG 8	100% of employees of the bank, with the exception of the executive management team, are covered by collective bargaining agreements
GRI 3					
3-1	Process to determine material topics	PRB 5.1			Annual Report, chapter "Sustainability", section Our framework, Our material topics"
3-2	List of material topics				
3-3	Management of material topics				

Specific disclosures					
Economics					
Management Approach					
3-3	Management of material topics	PRB 5.1			Annual Report, chapters “Corporate strategy”, “Corporate governance”, “Sustainability”, sections “Framework” and “Local corporate social responsibility and business development”, and the appendix “Climate and nature-related risks”
Economic Performance					
201-1	Direct economic value generated and distributed			SDG 8.5 and 9.4	Annual Report, chapters “Main figures” and “Annual financial statements 2023”, section “Income statement”
201-2	Financial implications and other risks and opportunities due to climate change	PRB 5.1	GC 7, 8 and 10	SDG 11.b and 13.3	Annual Report, chapter "Sustainability”, section responsible lending” and the appendices “Climate and nature-related risks” and “Physical climate-related risk in our loan portfolio” Reports and risks and opportunities as drivers behind innovation and product adaptation, as well as methods used to manage risks and opportunities but not financial calculations.
201-3	Defined benefit plan obligations and other retirement plans				Not material for the Bank.
201-4	Financial assistance received from government				Not material for the Bank.
Indirect Economic Impacts					
203-1	Infrastructure investments and services supported			SDG 8.3	Annual Report, chapter “Sustainability”, section “Local corporate social responsibility and business development” Investments are reported on under other services (disbursements from the foundations, sponsorships, etc.), not investments in infrastructure.
203-2	Significant indirect economic impacts				Not material for the Bank. See our material topics in the chapter “Sustainability”.
Financial crime and anti-corruption					
3-3	Management of material topics	PRB 5.1			Annual Report, chapter “Sustainability”, sections “Combating financial crime” and “Responsible advice”
Anti-corruption					
205-1	Operations assessed for risks related to corruption		GC 10	SDG 16.5	Annual Report, chapter “Sustainability”, sections “Combating financial crime” and “Responsible advice” Not broken down by business partners and regional affiliation.
205-2	Communication and training about anti-corruption policies and procedures				
205-3	Confirmed incidents of corruption and actions taken				
Financial crime					
SB1SON-1	Combating money laundering and terrorist financing	PRB 5.1		SDG 16.4	Annual Report, chapter “Sustainability”, section “Combating financial crime”

Environment					
Emissions and compliance with environmental regulations					
3-3	Management of material topics	PRB 5.1			Annual Report, the chapter "Sustainability" and the appendices "Greenhouse gas emissions in own operations (Energy and Carbon Accounting Report)" and "Greenhouse gas emissions in the loan portfolio"
Emissions					
305-1	Direct (scope 1) GHG emissions		GC 7, 8 and 9	SDG 12.2, 12.6, 12.8, 13.3, 15.a and b	Annual Report, the chapter "Sustainability" and the appendices "Energy and Carbon Accounting Report", "Greenhouse gas emissions in the loan portfolio" and "PAI reporting".
305-2	Energy indirect (scope 2) GHG emissions				
305-3	Other indirect (scope 3) GHG emissions				
305-4	GHG emissions intensity				
305-5	Reduction of GHG emissions				
305-6	Emissions of ozone-depleting substances (ODS)				Not material. See our material topics in the chapter "Sustainability: Our material topics"
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions				
Follow-up of suppliers – the environment					
3-3	Management of material topics	PRB 5.1			Annual Report, chapter "Sustainability", section "Sustainability in savings and investments", appendix "Human rights and decent working conditions".
Follow-up of suppliers					
308-1	New suppliers that were screened using environmental criteria		GC 7, 8 and 9	SDG 13.3	Annual Report, chapter "Sustainability", section "Sustainability in savings and investments", appendix "Human rights and decent working conditions".
308-2	Negative environmental impacts in the supply chain and actions taken				
Society					
Employees					
3-3	Management of material topics	PRB 5.1			Annual Report, chapters "Own workforce" and "Sustainability: Our material topics"
Employment					
401-1	New employee hires and employee turnover		GC 1 and 6	SGD 8.5, 8.8 and 16b	Annual Report, chapter "Own workforce", appendix "Report on diversity, equality and inclusion work".
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees				All permanent employees with a 20% position or more have the same rights and employee benefits. Temporary employees are only covered with the pension scheme and occupational injury insurance.
401-3	Parental leave				Annual Report, chapter "Own workforce", appendix "Report on diversity, equality and inclusion work".

Training and education					
404-1	Average hours of training per year per employee			SDG 4.4, 4.7 and 8.5	On average, approximately 27 hours were spent on courses per parent bank employee (includes all completed courses in the learning portal, as well as hours spent on strategic upskilling programmes).
404-2	Programmes for upgrading employee skills and transition assistance programmes			SDG 4.4, 4.7 and 8.5	We offer support for studying via further and continuing education. Based on the study programme's relevance to the individual's job and the Group's future skills needs, the company pay all of the expenses associated with the study programme. The development of formal qualifications in the Group is addressed through, among other things, membership of several industry-related authorisation schemes. We have our own management development programme for all the managers in the Group. No programmes for transitioning to retirement.
404-3	Percentage of employees receiving regular performance and career development reviews			SDG 4.4, 4.7 and 8.5	Performance and career development reviews conducted for 89% of all of the parent bank's employees in 2023. The figure was a bit low due to merger work, reorganisation and changes of manager during the same period as the employee performance and career development reviews were conducted.
Diversity and equal opportunity					
405-1	Gender composition of governance bodies and executive management team		GC 6	SDG 8.5 and 16b	Annual Report, chapter "Own workforce: diversity, equality and inclusion", appendix "Report on diversity, equality and inclusion work".
405-2	Ratio of basic salary and compensation of women to men				
Non-discrimination					
406-1	Incidents of discrimination and corrective actions taken		GC 1, 2 and 6	SDG 8.8 and 16.b	No known cases of discrimination. See Annual Report, appendix "Human rights and decent working conditions"
Follow-up of suppliers – social conditions					
3-3	Management of material topics	PRB 5.1			Annual Report, appendix "Human rights and decent working conditions"
Supplier social assessment					
414-1	New suppliers that were screened using social criteria		GC 1-6	SDG 12.6 and 16.6	Annual Report, chapter "Sustainability", section "Sustainability in savings and investments", appendix "Human rights and decent working conditions".
414-2	Negative social impacts in the supply chain and actions taken				
Marketing and privacy					
3-3	Management of material topics	PRB 5.1			Annual Report, chapter "Sustainability", sections "Responsible advice" and "Ethical marketing"
Marketing and Labelling					
417-1	Requirements for product and service information and labelling		GC 2	SDG 9.4, 12.6, 12.8, 13.3 and 16.5	Annual Report, chapter "Sustainability", section "Ethical marketing"
417-2	Incidents of non-compliance concerning product and service information and labelling				
417-3	Incidents of non-compliance concerning marketing communications				

Customer privacy					
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data				Annual Report, chapter "Sustainability", section "Responsible advice"
Product responsibility and active ownership					
3-3	Management of material topics	PRB 5.1			Annual Report, chapter "Sustainability", section "Responsible lending"
Product liability					
FS7	Monetary value of products and services designed to deliver a specific social benefit		GC 1	SDG 8.10, 9.4 and 12.6	Annual Report, chapter "Sustainability", section "Responsible lending"
FS8	Monetary value of products and services designed to deliver a specific environmental benefit		GC 8 and 9	SDG 9.4, 12.2, 12.6, 12.8, 13.3, 15a and b	
Active ownership					
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues.		GC 8	SDG 8.10, 11.a, 12.6, 12.8, 13.3	Annual Report, chapter "Sustainability", section "Responsible lending"
FS11	Percentage of assets subject to positive and negative environmental or social screening		GC 1,2, 4-6 and 7		Annual Report, chapter "Sustainability", section "Sustainability in savings and investments".

Remuneration policy SpareBank 1 Sørøst-Norge

Contents

1. Purpose

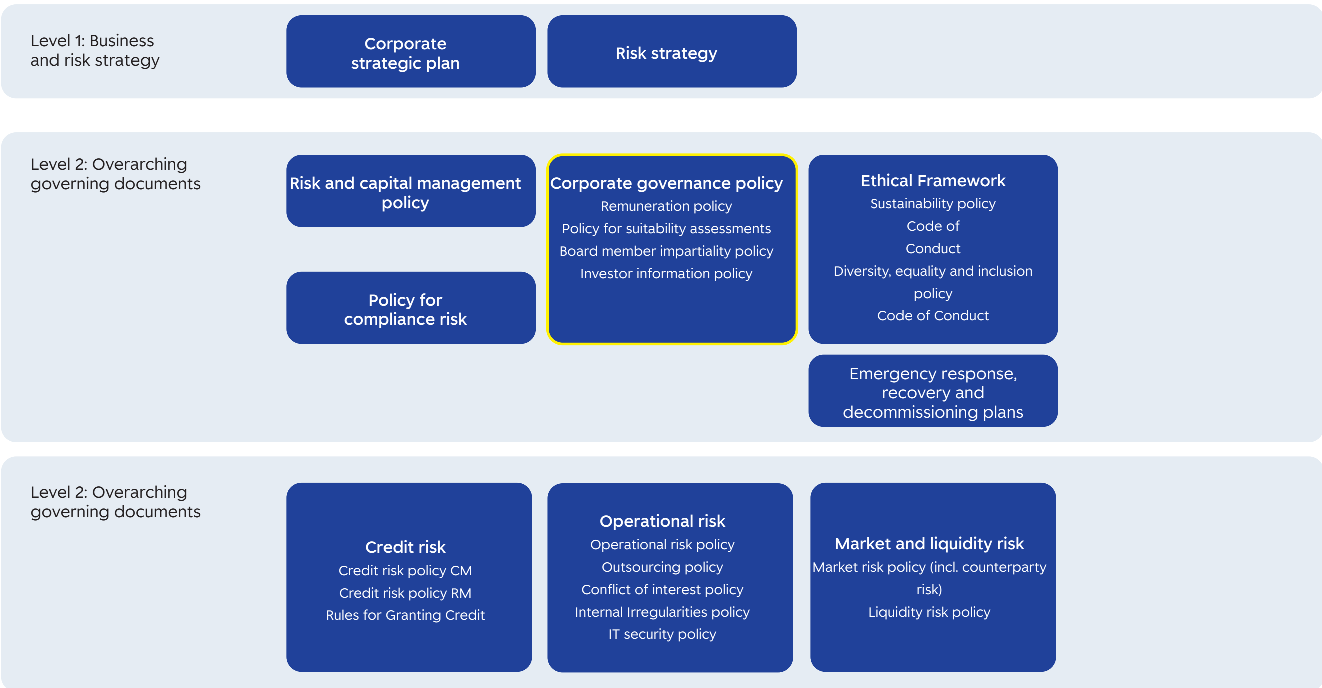
SpareBank 1 Sørøst-Norge's (parent bank) remuneration policy must help maintain the Bank's competitiveness, attract and retain relevant expertise, promote and provide incentives for good management and control of the Bank's risk, counter excessive risk-taking and contribute to avoiding conflicts of interest.

All rewards in SpareBank 1 Sørøst-Norge must contribute to achieving goals and promoting the desired culture and conduct in line with the Bank's values.

The Board of Directors must establish, and ensure that the Bank has and practices, guidelines and frameworks for the remuneration system at all times. The remuneration system must be in line with the Bank's strategy, overarching objectives, financial capacity, risk tolerance and long-term interests.

2. Framework – management and control of remuneration in SpareBank 1 Sørøst-Norge

2.1. General governing documents



3. Overarching policies and regulatory requirements

SpareBank 1 Sørøst-Norge's remuneration policy is generally based on the following legal authorities/laws, which provide important guidance and principles upon which good remuneration management must be based:

- Financial Institutions Act
- Financial Institutions Regulations
- Public Limited Liability Companies Act
- Regulation on guidelines and report on remuneration of executive persons
- The Financial Supervisory Authority of Norway's circular 2/2020 dated 19.05.2020
- Capital Requirements Regulation and national adaptations of CRR/CRD IV
- Financial Supervisory Authority of Norway's Module for Internal Corporate Governance from 15.12.2021
- EBA: Final report on: Guidelines on sound remuneration policies
- EBA/GL/2021/04
- Insurance Mediation Act
- Commission Delegated Regulation (EU) No 527/2014
- Commission Delegated Regulation (EU) No 2021/923

4. Remuneration Committee

Pursuant to section 15-3 of the Financial Institutions Regulations, SpareBank 1 Sørøst-Norge must have its own remuneration committee. The remuneration committee must be constituted in such a way as to enable it to exercise competent and independent judgment on remuneration policies and practices and on the incentives with regard to the management of risk, capital and liquidity that such policies entail.

The remuneration committee must prepare all decisions regarding remuneration which are to be taken by the Board of Directors. The remuneration committee must take into account the long-term interests of equity certificate holders, investors and other stakeholders, and the interests of the public in the preparation of the case.

The chair and members of the remuneration committee must be members of the Board who are not involved in the day-to-day management and include at least one employee representative.

Please refer to the "Instructions for the Board of Directors' Remuneration Committee".

5. Definition

Remuneration encompasses all of the benefits a person receives by virtue of their position in the Bank.

This includes wages and other benefits in the form of:
- base salary
- benefits in kind
- bonuses
- allocations of equity certificates, subscription rights, options and other forms of remuneration related to equity certificates or the price performance of SpareBank 1 Sørøst-Norge's equity certificate
- pension schemes
- early retirement schemes
- severance schemes
- all forms of variable elements of remuneration, or special benefits that are additional to base salary

6. Who is covered?

The remuneration policy covers all employees of SpareBank 1 Sørøst-Norge's parent bank. Pursuant to section 15-1(1) of the Financial Institutions Regulations, the remuneration scheme must have special rules for employees who have a material impact on the institution's risk profile. This policy does not include specific rules for the aforementioned group since the only variable remuneration SpareBank 1 Sørøst-Norge has is possible profit sharing with employees of the parent bank.

Executive persons in SpareBank 1 Sørøst-Norge are defined as:
- The executive management team

SpareBank 1 Sørøst-Norge has adopted an overarching principle that the executive management team, as the heads of the individual business areas, should perform the management and control of the risk in their own operations as part of their leadership.

Other discretionary criteria for identifying executive persons must comply with the applicable criteria established by the Financial Supervisory Authority of Norway at any given time. For SpareBank 1 Sørøst-Norge these are defined as:

For SpareBank 1 Sørøst-Norge these are defined as:
- The executive management team
- The Board of Directors
- The Chair of the Supervisory Board

Employees who have a material impact on the Bank's risk profile:
- Executive persons (the executive management team)
- Regional managers in RM and CM
- Heads of the credit areas in RM and CM
- CFO
- Head of compliance
- Head of credit and operational risk
- Head of market and liquidity risk

A person is considered a risk-taker if in the previous financial year they were awarded overall remuneration equal to or higher than a member of the executive management team and the employer works in a key business unit and the nature of the work has a material impact on the business unit's risk profile, ref. section 15-2 of the Financial Institutions Regulations.

7. Risk capacity and risk appetite – governance model, responsibilities and roles

The Bank must maintain a low risk profile in relation to remuneration where no individual incidents (payments or awards) can do serious harm to the Bank's financial position.

7.1. SpareBank 1 Sørøst-Norge – an attractive employer

The Bank should be an attractive employer with a competitive remuneration policy. The Bank's remuneration system should motivate fulfilment of the Group's vision, values and strategy.

The remuneration system should contribute to motivation, efforts, results and the sustainable development of the Bank. They should provide room for individual remuneration and must contribute to attracting, developing and retaining skilled employees with relevant expertise, and otherwise comply with good corporate governance principles.

Remuneration formation in the Bank should be balanced in relation to profitability, earnings, socioeconomic considerations, the work performed and the position's other responsibilities and authorities, as well as the qualifications required, the level of problem-solving and market considerations.

7.1.1. Equal pay

Remuneration must be determined in the same way for all genders. The principle of equal pay means that employees must receive the same pay for the same work or work of equal value, regardless of gender.

All employees of the Bank must understand the composition of their total remuneration. A simple, clear and understandable remuneration profile is an aid in the competition for skills and labour.

7.1.2. Fixed salary

The remuneration system's guidelines state that an employee's fixed salary should make up for the majority of their remuneration. Furthermore, an employee's fixed salary is based on the following factors:
– An assessment of the position – job requirements (complexity, responsibilities and authorities)
– Proficiency assessment – education, real qualifications, results, behaviour
– A market assessment – supply, demand, benchmark

Employees should not receive board fees for offices they take on within the Group; any board fees from outside the Group must be clarified with the CEO. This rule does not apply to employee representatives on the Bank's Board of Directors.

7.1.3. Variable remuneration

Any variable remuneration must reflect sustainable and risk-adjusted performances, as well as performances beyond what is required to fulfil the agreed duties and responsibilities.

Employees must not be rewarded, or their performance assessed, in a manner that impairs the ability to safeguard the best interests of the customer. Fixed salary should make up for the majority of the employees' remuneration. Employees must not have financial incentives or follow sales targets that do not take into account the customer's needs and receive no remuneration based on results related to the sale of one individual product rather than another.

No individual performance-based reward schemes, guaranteed variable remuneration and/or sign-on bonuses may be introduced.

Any profit sharing with all employees must not amount to more than one and a half month's salary per year. If an equal amount will be allocated to all employees, the monthly salary of the employee with the lowest pay must be used as a basis for this calculation. Annual variable allowance may not exceed EUR 20 000.

7.1.4. Deductions and withholding scheme

Variable remuneration, including deferred remuneration, must in the event of a weak or negative result be significantly reduced in terms of current remuneration and reductions in payments of previously earned amounts. Repayment of up to 100% of the total variable remuneration may be demanded in cases where employees have participated in or been responsible for conduct that has resulted in a significant loss for SpareBank 1 Sørøst-Norge or where the employee has acted in a manner that in line with the current Code of Conduct provides grounds for fair dismissal.

7.1.5. Pension scheme

The Bank's employees earn pension rights in line with the Bank's current pension scheme at any given time.

7.1.6. Collective benefits

All employees are to receive the collective benefits described in SpareBank 1 Sørøst-Norge's personnel handbook at any given time.

7.1.7. Benefits in kind

Benefits in kind are remuneration in a form other than money that employees receive as part of their employment and that result in a personal financial benefit. Executive persons will usually receive the benefits in kind that are normal for comparable positions and where they are required for work purposes.

7.1.8. Severance schemes

The general rule is that there are no special arrangements for employees of the Group that regulate severance pay, pensions and other individual circumstances beyond what is normal for their position. Nevertheless, market conditions may mean that there is a need to enter into such agreements.

Severance agreements that are entered into must reflect the results achieved over time and be formulated in such a way that inadequate results are not rewarded.

7.1.9. Options

The Bank may have arrangements for saving and allocating equity certificates, subscription rights, options or other forms of remuneration related to equity certificates or the price performance of the Bank's equity certificate.

7.2. Responsibilities for and roles in managing and controlling remuneration risk

7.2.1. The Board of Directors

The Board of Directors is responsible for:

- approving the remuneration policy and ensuring that the documentation on which decisions are based is preserved
- determining the framework for variable remuneration
- determining the salary and other remuneration of the CEO each year
- approving the Annual Review and Practice Report and Executive Remuneration Report
- presenting the Executive Remuneration Report to the Supervisory Board.
- presenting the remuneration policy in SpareBank 1 Sørøst-Norge in the event of any significant changes and at least every 4 years to the Supervisory Board.

7.2.2. CEO

The CEO is responsible for:

- determining the annual salary and other remuneration of the other members of the executive management team based on an assessment by the Remuneration Committee.

7.2.3. The Remuneration Committee

The Remuneration Committee is responsible for:

- preparing all matters related to remuneration that will be considered by the Board of Directors in accordance with the Instructions for the Board of Directors' Remuneration Committee.
- conducting an annual review of how the remuneration policy is practised and preparing a written report that is presented to the Board of Directors.
- preparing an Executive Remuneration Report in line with point 8.2.
- advising the CEO with respect to the remuneration of the executive management team.

7.2.4. The internal auditor

The internal auditor is responsible for:

- conducting an annual review of the report on how the remuneration policy is practised and making recommendations to the Board of Directors.

7.2.5. The external auditor

The external auditor is responsible for:

- reviewing the report on the remuneration executive persons received or became eligible for over the course of the previous financial year (Executive Remuneration Report) before the report is considered by the Supervisory Board.

7.2.6. The Supervisory Board

The Supervisory Board is responsible for:

- considering and approving the remuneration policy in SpareBank 1 Sørøst-Norge upon every material change and at least every fourth year, ref. section 6-16b of the Public Limited Liability Companies Act. (5).
- considering and approving the "Executive Remuneration Report"

8. Reporting – disclosure

8.1. Annual Review and Practice Report

The Bank must review how the remuneration policy is practised at least once a year and prepare a written report that must be presented to the Board of Directors. The report must be reviewed by an independent control function (the internal auditor).

8.2. Executive Remuneration Report

The Board of Directors must prepare a report on the remuneration executive persons received or became eligible for over the course of the previous financial year. The report must cover the remuneration that former, current and future executive persons received or became eligible for over the course of a financial year, ref. section 6(2) of the Regulation on guidelines and report on remuneration of executive persons. The information must be individualised per executive person. The Executive Remuneration Report must be considered and approved by the Supervisory Board. The executive persons who must be included in the report are the executive management team, the Board of Directors and the Chair of the Supervisory Board. Other members of the Supervisory Board are also included in the report, although they are not individualised.

8.3. Disclosure

Information on remuneration must be disclosed in line with the applicable legislation at any given time.

8.4. Exemptions from the disclosure duty

Informa's report must not contain the personal data mentioned in Article 9(1) of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27.04.2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation). 1.

The Board of Directors must ensure that the report does not contain information that indicates the individual executive person's family situation.

Information that is subject to a statutory duty of confidentiality is not subject to the duty of disclosure and must not be made public. Information that cannot be disclosed without causing disproportionate harm to enterprise can also be exempted from disclosure if this is necessary.

9. Maintenance

The remuneration policy applies for 1 year at a time and is revised annually. Changes to the remuneration system must be discussed with employee representatives. The remuneration committee must prepare the Board of Directors' consideration of the remuneration policy in SpareBank 1 Sørøst-Norge.

10. Reference

Instructions for the Board of Directors' Remuneration Committee in SpareBank 1 Sørøst-Norge.
Policy for managing conflicts of interest in SpareBank 1 Sørøst-Norge.
Code of Conduct.

Executive Remuneration Report 2023 (report on remuneration for executive persons)

Introduction

The purpose of the report is to provide an overview of salary and other remuneration paid to leading persons in SpareBank 1 Sørøst-Norge (parent bank) in the last financial year. The report was prepared and produced based on the requirements of section 6-16(b) of the Public Limited Liability Companies Act and the Regulation on guidelines and report on remuneration of executive persons. Executive persons in the parent bank are defined as the executive management team, the Board of Directors and the Supervisory Board.

All amounts in the report are stated in whole NOK thousands unless otherwise specified.

For more information, see the Bank's interim financial statements and Annual Report for 2023.

Changes in the executive management team

The executive management team consists of 11 members as of 31.12.2023.

The Executive Vice President Corporate Market stepped down from his position and a new acting Executive Vice President Corporate Market was appointed in May 2023. The acting Executive Vice President Risk Management was permanently appointed to the position from August 2023.

Changes to the Board of Directors

The Board consists of nine permanent members. The Deputy Chair resigned from the Board at the election in March 2023. One board member was elected Deputy Chair and two new board members were elected. The employee deputy member of the Board is a permanent meeting observer.

Remuneration for the Board and the Supervisory Board

Remuneration for members of the Board of Directors and the Supervisory Board is determined by the Supervisory Board based on recommendations from the nomination committee. The members of the Board of Directors and the Chair of the Supervisory Board receive fixed remuneration (honoraria). Deputy members of the Board of Directors and other members of the Supervisory Board receive remuneration per meeting. Travel expenses in connection with their positions are covered. Participation in the remuneration committee, audit committee and risk committee is remunerated. The Board of Directors and the Supervisory Board are not included in overviews showing annual changes to remuneration.

Total remuneration

Table – Remuneration of executive persons for the financial year 2022 All amounts in NOK thousands																				
Name of executive person, position	1						2				3		4		5		6			
	Fixed remuneration						Variable remuneration				Extraordinary items						Proportion of fixed and variable remuneration			
	Fixed salary		Fees		Benefits in kind		1–year variable:		Multi-year variable:				Pension expenses		Total remuneration		Proportion fixed		Variable	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022			2023	2022	2023	2022	2023	2022	2023	2022
Per Halvorsen, CEO	3 545	3 239			253	201	179	224					2 339	2 330	6 317	5 994	97%	96%	3%	4%
Lasse Olsen, Executive Vice President Retail Market	1 998	1 884			251	206	110	126	25	40			221	208	2 606	2 464	95%	93%	5%	7%
Arent Kristian Anfinsen, Executive Vice President Corporate Market, until 31.05.2023	652	1 527			79	155	93	103					92	216	916	2 001	90%	95%	10%	5%
Lars Hovland, Executive Vice President Corporate Market, from 01.05.2023	887				137								128		1 152		100%		0%	
Geir Årstein Hansen – Deputy Managing Director	2 028	1 912			182	212	111	254	33	47			1 016	591	3 370	3 016	96%	90%	4%	10%
Marianne Sommerro Evensen, Executive Vice President Compliance, Privacy and Legal	1 510	1 398			199	180	86	92	33	48			450	333	2 278	2 051	95%	93%	5%	7%
Roar Snippen, CFO	1 786	1 676			185	158	100	112					437	311	2 507	2 257	96%	95%	4%	5%
Johan Hjerkinn, Executive Vice President Strategy and Business Development	1 684	1 584			180	156	95	106	25	41			228	215	2 213	2 102	95%	93%	5%	7%
Marianne Thorsdal, Executive Vice President HR and Organisational Development	1 348	1 222			171	182	78	81					216	203	1 812	1 688	96%	95%	4%	5%
Tonje Stormoen, Executive Vice President Business Support	1 464	1 347			159	206	83	90	22	34			241	229	1 969	1 906	95%	94%	5%	6%
Kristian Kloster, Acting (from 01.08.2022) Executive Vice President Risk Management, from 01.08.2023	1 304	500			165	58	75						190	71	1 733	629	96%	100%	4%	0%
Egil Meland, Executive Vice President Subsidiaries, from 01.04.2022	2 161	1 555			324	222	118						1 401	1 210	4 004	2 987	97%	100%	3%	0%
Finn Haugan, Chair of the Board			606	575											606	575	100%	100%	0%	0%
Anne Berg Behring, Deputy Chair of the Board, until 31.03.2023			83	320											83	320	100%	100%	0%	0%
Heine Wang, board member			274	250											274	250	100%	100%	0%	0%
Jan Erling Nilsen, board member			232	210											232	210	100%	100%	0%	0%
Elisabeth Haug, board member until 31.03.2023			48	170											48	170	100%	100%	0%	0%
John-Arne Haugerud, board member, from 01.04.2022, Deputy Chair from 01.04.2023			262	128											262	128	100%	100%	0%	0%
Lene M. Aa. Thorstensen, deputy member until 31.03.2022, board member from 01.04.2023. 22			190	128											190	128	100%	100%	0%	0%
Maria Tho, board member from 01.04.2023			178												178		100%		0%	
Lene Svenne, board member from 01.04.2023			143												143		100%		0%	
Hanne Myhre Gravdal, board member - employee representative			206	185											206	185	100%	100%	0%	0%
Frede Christensen, board member, employee representative			190	170											190	170	100%	100%	0%	0%
Anne Leversby, permanently attending deputy member (observer), from 01.04.2022			128	91											128	91	100%	100%	0%	0%
Lars Ole Bjørnsrud, Chair of the Supervisory Board			84	80											84	80	100%	100%	0%	0%
Other members of the Supervisory Board			314	356											314	356	100%	100%	0%	0%
Total	20 367	17 844	2 936	2 662	2 284	1 936	1 128	1 188	139	210	0	0	6 960	5 918	33 814	29 757	96%	95%	4%	5%

Explanation of table:
Fixed remuneration, column 1:
Fixed salary: Agreed fixed salary earned and paid out in the individual reporting year.
Fees: Meeting fees for members of the Board of Directors and the Supervisory Board earned and paid out in each reporting year.
Benefits in kind: Can be electronic communication, insurance schemes, car retention by agreement, free car (company car), mileage allowance beyond the tax-free rate, interest benefit and discounts on equity certificates that are earned and reported in the individual reporting years.

Variable remuneration, column 2:
1-year variable 2023: Profit sharing for all employees, earned in 2022 -> paid out in 2023. The remuneration should have been reported in 2022. However, given that the decision to make the payment was made after the reporting deadline, the compensation has been included in the report for 2023.
1–year variable 2022: Profit sharing for all employees, earned in 2021 -> paid out in 2022. The remuneration should have been reported in 2021. However, given that the decision to make the payment was made after the reporting deadline, the compensation has been included in the report for 2022.

no reporting in column 3 extraordinary objects.

Multi-year variable 2023: Individual bonus, earned in 2019-2020 for executive persons in former BV -> paid out in 2023.
Multi-year variable 2022: Individual bonus, earned in 2018-2020 for executive persons in former BV -> paid out in 2022.

No reporting for extraordinary objects, column 3.
No reporting on remuneration from institutions in the same group.

Equity certificates

In order to motivate employees to become co-owners of the Bank, focus on and participate in the value creation, and to build a common culture that focuses on a sense of community and ownership, all permanent employees of the Group were offered the chance to participate in a savings scheme based on equity certificates in 2022. The savings scheme was continued in 2023. The amount saved was used to buy equity certificates in SpareBank 1 Sørøst-Norge at a discount of 30% per certificate. The subscription period was 09:00 on 10.05.2023 to 16:00 on 23.05.2023 for primary insiders. The subscription price used was the closing price on 08.06.2023, NOK 50.80. No lock-in period applies to the equity certificates. The benefit is included in the amount stated in column 1 “Benefits in kind” on the form “Total remuneration”.

Employees were offered four options:
1. Amount saved NOK 6 000, allocated equity certificates worth NOK 8 571 – discount of NOK 2 571
1. Amount saved NOK 12 000, allocated equity certificates worth NOK 17 143 – discount of NOK 5 143
2. Amount saved NOK 24 000, allocated equity certificates worth NOK 34 286 – discount of NOK 10 286
3. Amount saved NOK 36 000, allocated equity certificates worth NOK 51 429 – discount of NOK 15 429

The Bank’s ability to reclaim variable remuneration

Variable remuneration, including deferred remuneration, must in the event of a weak or negative result be significantly reduced in terms of current remuneration and reductions in payments of previously earned amounts. Repayment of up to 100% of the total variable remuneration may be demanded in cases where employees have participated in or been responsible for conduct that has resulted in a significant loss for SpareBank 1 Sørøst-Norge or where the employee has acted in a manner that in line with the current Code of Conduct provides grounds for fair dismissal. No variable remuneration was demanded back in the 2023 financial year.

Information on compliance with the remuneration policy's guidelines and how the performance criteria were applied

The current remuneration policy in SpareBank 1 Sørøst-Norge was adopted by the Supervisory Board on 30.03.2023. All rewards in SpareBank 1 Sørøst-Norge must contribute to achieving goals and promoting the desired culture and conduct in line with the Bank's values. The remuneration system must be in line with the Bank's strategy, overarching objectives, financial capacity, risk tolerance and long-term interests.

The CEO's remuneration package comprises a fixed salary, variable remuneration, benefits in kind and pension and insurance schemes. The CEO's fixed salary and variable remuneration are determined annually by the Board of Directors following an assessment by and recommendation from the Remuneration Committee. The remuneration of the other members of the executive management team is determined by the CEO based on an assessment by the Remuneration Committee. Such assessments are based on an assessment of the position: job requirements (complexity, responsibility and authority), and assessment of proficiency: education, real competence, results and conduct. As well as, a market assessment: supply, demand and benchmark Fixed salary constitutes the majority of the remuneration. The only variable remuneration SpareBank 1 Sørøst-Norge offers is possible profit sharing with all employees of the parent bank

In 2023, profit sharing was paid to all employees as a reward for their efforts, which were reflected in the good results and implementation of a resource demanding technical merger in 2022. The amounts are included in the Executive Remuneration Report for the year. Deferred individual bonuses paid to executive persons of the former SpareBank 1 BV in 2023 were earned between 2019 and 2020. Profit sharing for all employees for 2022 was assessed by the CEO in cooperation with the Board and approved following consideration by the remuneration committee.

An assessment of the prudence associated with the level of profit sharing for all employees and payment of deferred individual performance-based rewards, earned in 2019-2020, for executive persons from the former SpareBank 1 BV was carried out at the board meeting on 19.01.2023 based on forecasts for 2022 and the results achieved in the period 2019-2022. Once the final accounts for 2022 were available, the Board considered the matter at a meeting on 08.02.2023. Excerpt from the assessment in the stipulated board case 31/23: "The assessment of the prudence was carried out at the board meeting on 19.01.2023 based on forecasts for 2022. The Group has delivered a good profit and has a high level of financial strength. The final accounts are in line with what the executive management team has previously briefed the Board of Directors on, with a Common Equity Tier 1 capital ratio of more than 19% after cash dividends."

The Board then approved the following resolution: "The Board approved profit sharing for 2022 for permanent employees (the parent bank) with a payment of NOK 15 000 + 5% of fixed salary based on the pro rata position percentage. It is also assumed that this year's share of previously allocated performance-based rewards for executive persons of the former SpareBank 1 BV will be paid out."

Exemptions and deviations from the remuneration policy and the procedure for implementation

In the opinion of the Board, the remuneration for executive persons for the financial year 2023 is in line with the current remuneration policy in SpareBank 1 Sørøst-Norge.

The practise of the remuneration policy for executive persons is deemed to support the Bank's strategy, overarching goals, financial carrying capacity, risk tolerance and long-term interests.

Annual changes to remuneration and the Bank's profit

Table of over remuneration and change from previous years

Name	2018	2019	Change (NOK) 2018/ 2019	Change (%) 2018/ 2019	2020	Change (NOK) 2019/ 2020	Change (%) 2019/ 2020	2021	Change (NOK) 2020/ 2021	Change (%) 2020/ 2021	2022	Change (NOK) 2021/ 2022	Change (%) 2021/ 2022	2023	Change (NOK) 2022/ 2023	Change (%) 2022/ 2023
Rune Fjeldstad, to June 2021 (1)	3 039	3 108	69	2%	3 229	121	4%	2 755	-474	-15%	0	-2 755	-100%	0	0	
Geir Årstein Hansen	1 829	1 849	20	1%	1 900	51	3%	2 289	389	20%	2 425	136	6%	2 354	-71	-3%
Marianne Sommero Evensen	1 225	1 296	71	6%	1 524	228	18%	1 575	51	3%	1 718	143	9%	1 828	110	6%
Stian Thomassen, to June 2021 (2)	1 808	1 859	51	3%	1 903	44	2%	1 776	-127	-7%	0	-1 776	-100%	0	0	
Lasse Olsen	1 832	1 884	52	3%	1 947	63	3%	2 037	90	5%	2 256	219	11%	2 385	129	6%
Johan Hjerkinn	1 479	1 617	138	9%	1 689	72	4%	1 717	28	2%	1 887	170	10%	1 985	98	5%
Tonje Stormoen	1 193	1 316	123	10%	1 468	152	12%	1 518	50	3%	1 677	159	10%	1 728	51	3%
Roar Snippen, from June 2021								1 042	1 042		1 946	904	87%	2 070	125	6%
Marianne Thorsdal, from June 2021								776	776		1 485	709	91%	1 595	110	7%
Arent K. Anfinsen, from June 2021 to June 2023								933	933		1 785	852	91%	824	-961	-54 %
Per Halvorsen, from June 2021								1 916	1 916		3 664	1 748	91%	3 977	313	9%
Egil Meland, from April 2022											1 777	1 777		2 603	826	46%
Kristian Kloster, from August 2022											558	558		1 543	986	177%
Lars Hovland, from May 2023														1 024	1 024	
	12 405	12 929	524	4%	13 660	731	6%	18 334	4 674	34%	21 177	2 843	16%	23 918	2 739	13%

The table shows total remuneration without pension expenses.
The following are included in the overview in order to show the history:
(1) Former CEO – final agreement effective from 01.06.2021.
(2) Former Director CM – severance agreement effective from 01.06.2021.

Average remuneration by FTEs			
FTEs	Total compensation (NOK thousands)	Average remuneration (NOK thousands)	Year
220	145 846	663	2018
223	151 284	678	2019
228	154 997	680	2020
308	225 019	731	2021
415	335 211	807	2022
412	327 524	796	2023

The table above shows average remuneration without pension expenses by the number of FTEs, excluding executive persons for the period 2018-2023.

Average FTEs and remuneration take into account the fact that employees of the former Sparebanken Telemark are included in the overview from 01.06.2021, and the former SpareBank 1 Modum was included in the overview from 01.04.2022.

Profit for the year before other comprehensive income	
Year	m NOK
2018	596
2019	539
2020	505
2021	869
2022	1 041

The table above shows the Bank's profits for the period 2018-2022.

Information regarding the Supervisory Board's decision

The Executive Remuneration Report 2022 was considered by the Supervisory Board in an ordinary meeting on 30.03.2023. The Chair of the Supervisory Board gave an account of the matter at the meeting, ref. the supporting documents attached to the notice of the meeting. An advisory vote was then held with unanimous approval on the Executive Remuneration Report and the following was adopted: "The Supervisory Board approved the report on remuneration for executive persons for 2022 (Executive Remuneration Report)."

Board of Directors declaration

The Board has today considered and approved the report on remuneration to leading persons 2023 (Executive Remuneration Report) for SpareBank 1 Sørøst-Norge. The Executive Remuneration Report has been prepared in accordance with Section 6-16(b) of the Public Limited Liability Companies Act and the Regulation on guidelines and report on remuneration of executive persons.

The Executive Remuneration Report will be presented to the Supervisory Board of SpareBank 1 Sørøst-Norge at an ordinary meeting in April 2024 for final approval.

Sandefjord, 20.03.2024
The Board of Directors of SpareBank 1 Sørøst-Norge

Finn Haugan
Chair of the Board

John-Arne Haugerud
Deputy Chair

Lene Svenne
Lene Svenne

Jan Erling Nilsen

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Report on diversity, equality and inclusion work in 2023

Reporting in line with the activity and reporting duties (ARP)

Part 1: Gender equality status

The Group has completed a number of mergers in the past few years. SpareBank 1 BV merged with SpareBank 1 Telemark in 2021 and became SpareBank 1 Sørøst-Norge. In 2022, SpareBank 1 Modum was merged into SpareBank 1 Sørøst-Norge. The 2021 column shows figures from SpareBank 1 Sørøst-Norge (formerly SpareBank 1 BV and formerly SpareBank 1 Telemark). 2022 and 2023 show figures from all three merged companies. The Group shows aggregated figures from the parent bank and subsidiaries together.

Unless otherwise specified, the figures in the report are as at 31.12.2023. Sick leave and staff turnover are reported throughout the year. The symbol "-" indicates missing historical figures.

Gender balance in the organisation

Employees total	Group			Parent bank		
	2023	2022	2021	2023	2022	2021
Total employees [1]	671	649	552	455	448	385
Number of FTEs[1]	644	626.2	533.0	436	431.6	377.8
Proportion of women	58%	57%	59%	56%	56%	55%
Proportion of men	42%	43%	41%	44%	44%	45%

Managers	Group			Parent bank		
	2023	2022	2021	2023	2022	2021
Proportion of women in the executive management team (level 2)	30%	30%	38%	30%	30%	38%
Proportion of women management levels 3-4	44%	42%	37%	40%	39%	31%
Proportion of female managers in total	42%	41%	-	38%	38%	-

The Board of Directors	Group			Parent bank		
	2023	2022	2021	2023	2022	2021
Proportion of women on the Board	38%	23%	26%	44%	44%	43%

1. As at 31.12.2023, the Group had 671 employees – divided into 455 employees in the parent bank and 216 in subsidiaries. The proportion of women in the Group is 58%, while the proportion of women among managers is 42%. The proportion of women among managers is somewhat lower in the parent bank than in the Group as a whole. The proportion of women on the board of the parent bank is 44%, while at the Group level it is 38%. Overall, women are underrepresented at management levels in SpareBank 1 Sørøst-Norge. Going forward, we will continue to work towards improving the gender balance at all levels of management throughout the Group.

Organisation's age composition

Employees total	Group			Parent bank		
	2023	2022	2021	2023	2022	2021
Employees aged under 30	12%	10%	9%	12%	8%	6%
Employees aged 30-50	45%	45%	42%	44%	43%	40%
Employees aged over 50	43%	45%	49%	44%	49%	54%

Managers	Group			Parent bank		
	2023	2022	2021	2023	2022	2021
Proportion of managers under 30	4%	1%	-	2%	0%	-
Proportion of managers aged 30-50	49%	45%	-	49%	41%	-
Proportion of manager over 50	47%	54%	-	49%	59%	-

Pay by gender and position category

Managers	Group			Parent bank		
	2023	2022	2021	2023	2022	2021
Average pay women	1 017 278	1 084 791	1 021 060	1 092 909	1 002 547	1 008 166
Average pay men	1 215 524	1 187 239	1 056 596	1 178 867	1 106 125	1 006 312
Women's pay as a % of men's pay	84%	91%	97%	93%	91%	100%

Other employees	Group			Parent bank		
	2023	2022	2021	2023	2022	2021
Average pay women	643 658	609 775	564 029	633 211	595 105	572 238
Average pay men	770 141	744 624	686 678	705 949	677 295	643 726
Women's pay as a % of men's pay	84%	82%	82%	90%	88%	89%

Women earn less than men in SpareBank 1 Sørøst-Norge. Gender differences in wages are smaller in the parent bank than at the Group level. Systematically working for equal pay is one of the Group's goals for the period up to 2025.

Parental leave by gender

Parental leave	Group			Parent bank		
	2023	2022	2021	2023	2022	2021
Number of women who took parental leave	17	12	10	11	7	5
Number of men who took parental leave	6	8	4	4	3	2
Average number of weeks, women	37	34	31	34	34	34
Average number of weeks, men	16	10	15	12	14	20

Full-time – part-time by gender

Part-time	Group			Parent bank		
	2023	2022	2021	2023	2022	2021
Proportion that works part-time, women	7.2%	5.5%	6.0%	5.1%	4.7%	3.7%
Proportion that works part-time, men	1.1%	1.1%	0%	1.5%	1.5%	0%

Sick leave

Sick leave (over the year)	Group			Parent bank		
	2023	2022	2021	2023	2022	2021
Own sick leave	4.9%	5.1%	4.3%	4.9%	5.4%	2.8%

Sick leave decreased from 2022 to 2023 and is now below the target level of 5.0%.

Turnover and recruitment

Turnover	Group			Parent bank		
	2023	2022	2021	2023	2022	2021
Total	5.2%	7.8%	6.8%	4.1%	7.9%	5%

New hires (age)	Group			Parent bank		
	2023	2022	2021	2023	2022	2021
Under 30	32	22	17	27	17	8
30-50	32	37	11	31	24	5
Over 50	7	5	1	2	0	0
Total	71	64	29	60	41	13

There was a reduction in staff turnover in 2023, both for the parent bank and the Group in total. We hired a total of 71 new employees in the Group in 2023, 60 of whom were hired in the parent bank. This is a significant increase from previous years.

Part 2: Our work on diversity, equality and inclusion

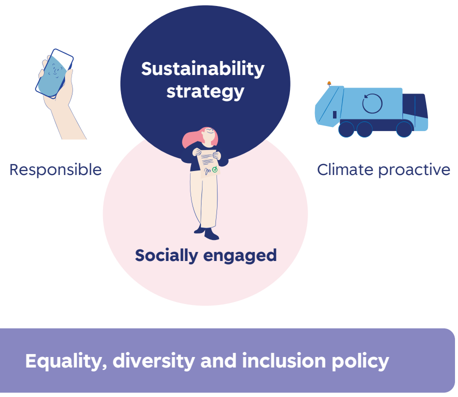
Frameworks and objectives

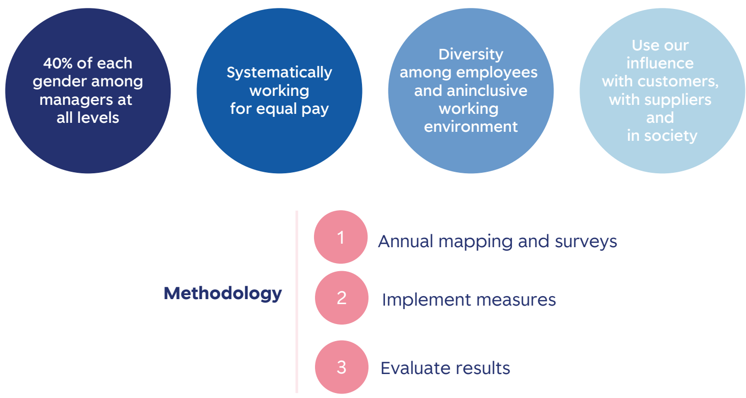
SpareBank 1 Sørøst-Norge has established a framework to ensure that we work systematically to promote gender equality, diversity and inclusion and prevent discrimination. We have developed a specific diversity, equality and inclusion policy that describes our views and sets out the direction for our work in this area. The sustainability policy and Code of Conduct are also part of the basis for the framework. In addition to this, we have a specific personnel manual, an HSE manual and an established standard for whistleblowing.

The diversity, equality and inclusion policy is based on our overall corporate strategy where social sustainability is an element of the Group's priority area regarding sustainability. Diversity, equality and inclusion are an integral part of our corporate social responsibility and will provide us with a better basis for creating value for our customers and the local communities of which we are a part.

We have four overarching objectives for this area in the strategy period up to 2025:

- We will have 40% of each gender among managers at all levels
- We will systematically work for equal pay
- We will have a diverse workforce and an inclusive working environment
- We will use our influence in relation to customers, suppliers and society





How we work

1. *Annual mapping and surveys*
   We conduct risk assessments with broad involvement throughout the organisation in order to identify, analyse and assess the risk of discrimination and barriers to equality, diversity and inclusion. We also survey gender distribution and pay differences at different position levels, and gender differences with respect to part-time work, parental leave and sick leave.

2. *Implement measures*
   Specific measures are arrived at based on findings from risk assessments and analyses. The measures are transferred to an action plan, which is intended to ensure implementation and follow-up. Overarching goals and important measures are anchored in the executive management team.

3. *Evaluate results*
   The results of the measures are evaluated on an ongoing basis, and also through annual risk assessments.

Description of measures implemented in 2023

Category	Measures	Description	Purpose	Related objectives
Recruitment	**Diversity in the recruitment team**	A specific standard stipulates that diversity must be a criterion when putting together a recruitment team for an individual recruitment process.	Preventing us hiring people who are just like us	Diversity among employees and aninclusive working environment
Recruitment	**Diversity assessments as part of recruitment processes**	We have introduced diversity assessments as an integral component of recruitment processes. The recruiting manager must conduct a diversity assessment of their department as part of the job analysis when advertising positions.	Raising awareness among managers of the value diversity can provide. Ensuring our recruitment processes make a positive contribution to diversity	Diversity among employees and aninclusive working environment
Recruitment	**Analysis of applicant pool**	We have analysed applicant pools, who is called in for interviews and final candidates in order to better understand how much diversity we have attracted and how much diversity we have actually recruited.	Gaining better insights into how much diversity we have recruited	Diversity among employees and aninclusive working environment
Career and development	**Gender balance at management levels**	To ensure that we are moving towards our goal of having 40% of each gender among managers at all levels, the responsibility for follow-up was delegated to each individual business area.	Ensuring positive development towards the objectives	40% of each gender among managers at all levels
Career and development	**Talent development**	We have launched a talent programme. Some 65% of the participants in the talent programme are women, and it is a targeted measure to ensure that women have good development opportunities in Southeast Norway. Such measures are important for getting more women into management roles.	Systematising efforts to promote talented women	40% of each gender among managers at all levels
Career and development	**Participation in Female Future**	One of our female managers participated in Female Future, NHO's national management development programme for talented women, in autumn 2022 and spring 2023. We believe that this is an important arena for boosting and systematically enabling talented women to develop. Going forward, the ambition is to increase participation in the programme.	Enable talented women to develop	40% of each gender among managers at all levels
Working environment and culture	**Diversity and inclusion surveys**	We introduced Winningtemp in 2023. This is a dynamic employee survey system where questions are sent out to employees every week. The survey includes a specific module that covers diversity and inclusion. Internal status surveys are followed up by managers on a monthly basis in departmental status meetings.	Measuring all employees' experience of diversity and inclusion throughout the year	Diversity among employees and aninclusive working environment
Working environment and culture	**Diversity skills**	We have developed and implemented a mandatory diversity and inclusion module (e-learning) for all employees. We have implemented an employeeship programme. This focuses on psychological safety and other issues. We also carried out Agenda Sustainability, a week of shared activities and learning for all employees, where this year's theme was social sustainability. The week included topics such as diversity and inclusion in the workplace, exclusion, and digital and financial inclusion.	Enhance diversity skills and awareness of the importance of diversity and inclusion across the Group	Diversity among employees and aninclusive working environment
Working environment and culture	**Diversity Forum**	In 2023, we planned, decided and established a diversity forum with participants across the Group. This forum will be an arena for good discussions and will formally start up in 2024.	Raise awareness, facilitate dialogue and embed the work on diversity in the organisation.	Diversity among employees and aninclusive working environment
Pay and working conditions	**Local wage settlements – raising awareness of pay differences**	In the local pay settlement in 2023, managers were sent an overview showing pay differences in their own team, both before and after the year's allocation. Although this year's local pay settlement did not help significantly reduce pay gaps, this was an important part of raising the awareness of managers.	Helping to reduce pay differences	Systematically working for equal pay
Pay and working conditions	**Pay equalisation pot**	1% of this year's wage settlement was allocated to a specific equalisation pot, which was designed to help equalise differences in comparable job groups. 75% of the equalisation pot went to women.	Helping to reduce pay differences	Systematically working for equal pay
Pay and working conditions	**Sick leave webinar for managers**	We conducted webinars on the topic of monitoring sick leave for managers with personnel responsibilities in collaboration with the occupational health service.	Better equipping managers to follow up sick leave	Diversity among employees and aninclusive working environment

Provisional Action Plan for 2024

Category	Measures	Description	Purpose	Related objectives
Systems and governance	**Revise policies – external influence**	Our diversity, equality and inclusion policy will be revised in 2024, and more measurable KPIs we can use in our management will be established. There will be a particular focus on how we can influence customers, suppliers and partners.	To take a more results-oriented approach regarding the external perspective	Use our influence with customers, with suppliers and in society
Career and development	**Talent development**	The talent development programme will be continued in 2024.	Systematising efforts to promote talented women	40% of each gender among managers at all levels
Working environment and culture	**Diversity skills**	As part of raising awareness of diversity and inclusion, a programme has been created for managers that builds on the e-learning modules for biodiversity and inclusion implemented in 2023. This is about putting knowledge into practice by having good conversations and discussions in our own departments concerning the topic.	Enhance diversity skills and awareness of the importance of diversity and inclusion across the Group	Diversity among employees and aninclusive working environment
Working environment and culture	**Diversity Forum**	The Diversity Forum will formally start up in 2024 and meetings will be held quarterly.	Raise awareness, facilitate dialogue and embed the work on diversity in the organisation.	Diversity among employees and aninclusive working environment

SpareBank 1
SØRØST-NORGE