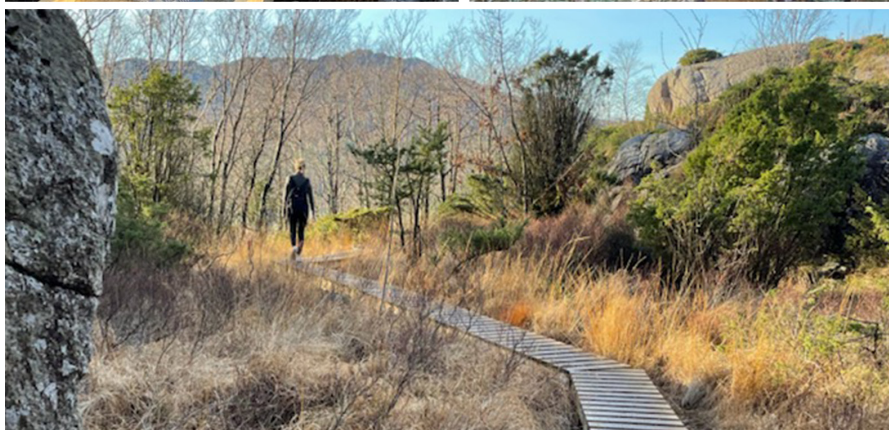




SPAREBANKEN SØR

Q4 2022

(This translation from Norwegian has been prepared for information purposes only.)



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Key figures Group

Income statement (NOK million)	Q4 2022	Q4 2021	31.12.2022	31.12.2021
Net interest income	683	506	2 368	1 939
Net commission income	115	124	417	419
Net income from financial instruments	46	- 26	- 82	0
Income from associated companies	46	66	125	174
Other operating income	1	10	5	17
Total net income	892	682	2 834	2 549
Total operating expenses before losses	311	268	1 145	1 018
Operating profit before losses	581	414	1 690	1 531
Losses on loans, guarantees and unused credit	15	2	74	- 18
Profit before taxes	566	412	1 615	1 549
Tax expenses	98	83	332	323
Profit for the period	468	328	1 283	1 226
Key figures. income statement				
Return on equity after tax (adjusted for hybrid capital)	12.8 %	9.4 %	8.7 %	9.0 %
Costs as % of income	34.8 %	39.3 %	40.4 %	39.9 %
Costs as % of income, excl. net income from financial instruments	36.7 %	37.9 %	39.3 %	40.0 %
Net interest income as % of average assets	1.76 %	1.39 %	1.58 %	1.35 %
Key figures. balance sheet				
Total assets	157 435	144 182	157 435	144 182
Average total assets	154 000	142 200	150 000	143 100
Net loans to customers			123 852	116 653
Growth in loans as % last 12 mths.			6.2 %	4.5 %
Customer deposits			65 596	63 146
Growth in loans as % last 12 mths.			3.9 %	5.5 %
Deposits as % of net loans			53.0 %	54.1 %
Equity (incl. hybrid capital)			15 779	14 941
Losses on loans as % of net loans, annualised			0.05 %	-0.02 %
Other key figures				
Liquidity reserve (LCR) Group			177 %	140 %
Liquidity reserve (LCR) Group- Euro			387 %	604 %
Liquidity reserve (LCR) Parent Bank			169 %	127 %
Common equity tier 1 capital ratio			17.1 %	16.4 %
Tier 1 capital ratio			18.5 %	18.1 %
Total capital ratio			20.7 %	20.3 %
Total common equity tier 1 capital ratio			13 653	13 004
Tier 1 capital ratio			14 784	14 376
Net subordinated capital			16 518	16 074
Leverage ratio			9.1 %	9.4 %
Number of branches			35	35
Number of FTEs in banking operations			485	464
Key figures. equity certificates				
Equity certificate ratio, weighted average over the period			40.0 %	15.7 %
Number of equity certificates issued			41 703 057	15 663 944
Profit/diluted earnings per equity certificate (Parent bank)	3.8	2.4	12.6	11.8
Profit/diluted earnings per equity certificate (Group)	4.5	3.2	11.9	12.2
Proposed dividend last year per equity certificate			6.0	8.0
Paid out dividend last year per equity certificate			8.0	14.0
Book equity per equity certificate			141.0	136.4
Price/book equity per equity certificate			0.9	1.1
Listed price on Oslo Stock Exchange at end of period			129.5	146.0

Board of Director's report

General

Sparebanken Sør is an independent financial institution that engages in banking, securities trading and real estate brokerage activities in Agder, Rogaland, Vestfold and Telemark.

Real estate agency activities are conducted through the subsidiary Sørmeglere. General and personal insurance products are supplied through Frende, an insurance company partly owned by the Bank. The Bank is also a part owner of Norne Securities, a security trading company, and Brage Finans, a provider of leasing products and vendor's lien.

Highlights in Q4 2022

- Strong quarterly result, return on equity of 12.8 percent
- Very good growth in net interest income
- Good profit contributions from associated companies and positive net income from financial instruments
- Low cost-income ratio of 34.8 percent
- Low losses on loans and non-performing loans
- Common equity tier 1 (CET1) ratio of 17.1 percent and a leverage ratio of 9.1 percent

Highlights 2022

- Very good growth in net interest income
- Negative net financial income as a result of market turmoil
- Cost-income ratio of 40.4 percent
- Low losses and defaults in an uncertain macro picture
- 12-month lending growth of 6.2 percent
- 12-month deposit growth of 3.9 percent
- Return on equity after tax of 8.7 percent
- Profit per equity certificate NOK 11.9
- The ownership ratio up from 15 to 40 percent through the conversion of primary capital
- The board will propose to distribute a dividend of NOK 6 per equity certificates, and NOK 226 million in customer dividends

Financial framework conditions

The year began with the dramatically world changing as a result of Russia's war of aggression against Ukraine. The war brought a significantly increased uncertainty in the financial market, additionally affecting the market for various raw materials and contributing to a significant increase in prices.

Despite the uncertainty caused by the war, the activity in the Norwegian economy has been high in 2022. High price growth and increased interest rates have dampened households' purchasing power, but a tight labor market and high employment have helped to keep the activity up.

The key policy rate at the end of 2022 was 2.75 percent. As of January 2023 the Norwegian Central Bank, Norges Bank, chose to keep the key policy rate unchanged, but stated that they will most likely raise the interest rate in March. As Norges Bank assessed the outlook, there will be a need to increase the interest rate, in order to bring down inflation towards the target of 2 percent. At a key policy rate of 3 percent, they expect inflation will approach this target.

The yields, in both the money and bond markets, rose significantly in 2022, but with a slow fall in the fourth quarter. This is mainly due to more uncertainty resulting from the situation in Ukraine.

At the end of December 2022, the annual growth in the general public's gross domestic debt, C2, was at 5.5 percent. The growth in credit to households and businesses was 4.2 percent and 8.0 percent respectively. Fund management for municipal authorities grew by 5.7 percent.

In March 2022, the requirement for a countercyclical capital buffer was decided to be increased to 2.5 percent with effect from 31 March 2023. In September, it was decided to maintain this requirement. The purpose of the countercyclical capital buffer is to strengthen the banks financial situation and to prevent a more restrictive lending practices by the banks from reinforcing the economic downturn. The buffer requirement had previously been raised to 1.5 percent from 30 June 2022, and further up to 2 percent from 31 December 2022.

The Ministry of Finance decided on 16 December 2022 to maintain the systemic buffer requirement of 4.5 percent, but it was given a postponement for standard banks until the end of 2023. This means that Sparebanken Sør's systemic risk buffer requirement is 3.0 percent as of 31 December 2022 and will increase to 4.5 percent at the end of 2023.

Sustainability (ESG)

Sparebanken Sør has a long tradition as a responsible social actor. Sustainability is embedded and integrated in the Bank's overarching strategy. Sparebanken Sør aims to integrate sustainability in all its operations and in all its business areas and contribute to solutions to the sustainability challenges that society is confronting. This means that the Bank support the Paris Agreement and other relevant global and national initiatives, and contributes in various ways to ensure regional development and our collective social responsibility as a responsible bank.

In 2018, Sparebanken Sør was the first Norwegian bank to be certified in the area of gender equality and diversity. The bank was recertified in November 2021. In January 2019, Sparebanken Sør was one of the first banks in Norway to establish a green framework for issuing green bonds. The Group issued its first green bonds in November the same year. Frameworks for green, social and sustainable products were established in the summer of 2021. The bank updated its bond framework in 2022 to ensure that financing under the framework is channelled to sustainable activities in accordance with the EU taxonomy.

The Bank offers green mortgages, and ESG risk is integrated in the Bank's credit processes. By offering sustainable products, digital services, advice and specification of requirements for customers, the Bank contributes positively to social development through reduced greenhouse gas emissions. The bank is rated by renowned Sustainalytics, and in December 2022 received an updated score of 9.7 (negligible risk), an improvement from 11.7 (low risk) from 2021. This positions Sparebanken Sør as the seventh best regional bank of the Norwegian banks rated by Sustainalytics.

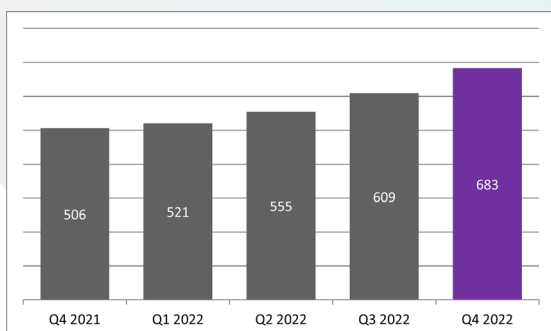
Earnings

Profit before tax amounted to NOK 566 million in Q4 2022, compared with NOK 412 million in the same period in 2021. Return on equity after tax amounted to 12.8 percent in Q4 2022, compared with 9.4 percent in the same period in 2021.

Profit before tax for 2022 amounted to NOK 1 615 million, compared with NOK 1 549 million in the same period in 2021. Return on equity after tax amounted to 8.7 percent compared with 9.0 percent in the same period in 2021.

Net interest income

Quarterly net interest income (NOK million)



Net interest income totalled NOK 683 million in Q4 2022, compared with NOK 506 million in Q4 2021, an increase of NOK 177 million.

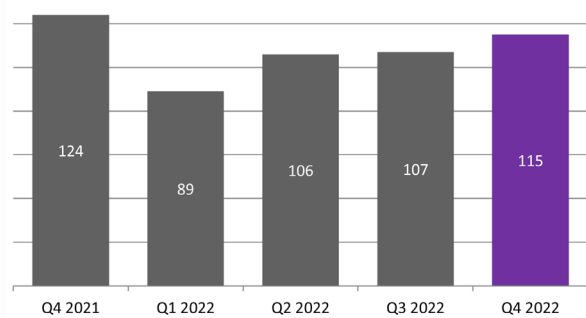
Net interest income increased by NOK 74 million in Q4 2022 compared to Q3 2022, mainly due to changes in the bank's interest rates following Norges Bank's decision to raise the key policy rate. The changes have collectively improved interest rate margins in the fourth quarter, for both the retail and corporate markets.

In the quarter, the bank has had the effect of three interest rate changes. First two interest rate changes of 0.50 percentage points, followed by an interest rate change of 0.25 percentage points. These had effects on loan to retail customers from 5 October, 9 November and 21 December and for deposits from retail customers from 5 October, 9 November and 21 December.

Additionally, Norges Bank increased the key policy rate further by 0.25 percentage points in December, to 2.75 percent. In this connection, the bank decided to adjust the interest rates on mortgages and deposits by up to 0.25 percentage points. For retail customers, the interest rate change will have effect from 1 February 2023 for existing loans and deposits.

Commission income

Quarterly net commission income (NOK million)



Net commission income totalled NOK 115 million in Q4 2022, compared with NOK 124 million in Q4 2021.

Gross commission income in Q4 2022 totalled NOK 139 million, compared with NOK 144 million in Q4 2021.

Commission income	Q4 2022	Q4 2021	Change	31.12.2022	31.12.2021	Change
Payment services	58	52	6	209	175	34
Real estate brokerage	35	41	-6	157	180	-24
Mutual fund	9	9	0	33	32	1
Insurance	27	20	7	64	45	20
Credit procurement and leasing	2	11	-9	6	15	-8
Other commission income	8	12	-4	32	37	-5
Total	139	144	-5	501	484	17

There has been a positive development in commission income from both payment services and insurance (Frende) over the past year. The investments made in insurance, including the acquisition of Sørlandet Forsikringscenter, has had a positive impact on commission income from insurance.

Income from the real estate agency (Sørmegleren) has fallen as a result of lower activity than in the corresponding period in 2021. Income from credit mediation and leasing (Brage) has fallen as a result of less bonus commission in 2022.

Financial instruments

Net income from financial instruments totalled NOK 46 million in Q4 2022, compared with NOK -26 million in Q4 2021. The positive profit contribution is mainly due to profits in the bank's liquidity portfolio as a result of lower credit spreads and decreased lending margins, which caused accounting profits on the bank's fixed-rate lending. At the reporting date, the liquidity portfolio was valued at NOK 22.9 billion, and comprised of high liquid covered bonds and certificates issued by the state and municipalities.

Net income from financial instruments	Q4 2022	Q4 2021	Change	31.12.2022	31.12.2021	Change
Bonds and certificates	41	-42	83	-89	-70	-19
Shares incl. dividends	8	-2	10	21	18	4
Fixed rate loans	17	12	5	-48	23	-71
Securities issued - hedge accounting	-33	-1	-32	-12	9	-22
Repurchase of issued bonds	-	-	-	-4	-15	11
Payment services (agio)	9	8	1	32	28	4
Other financial instruments	4	-1	5	19	8	11
Total	46	-26	72	-82	0	-82

The accounting effects linked to hedge accounting are mainly caused by changes in the value of basis swaps. Basis swaps are used to hedge fixed-rate debt issued in Euro. The value of basis swaps fluctuates due to market changes, and the fluctuations are recognised in the income statement continuously. These are hedging instruments, and assuming the underlying bonds are held to maturity, the change in market value over the term of the instruments is zero.

Income from associated companies

Sparebanken Sør has significant shareholdings in Frende Holding AS and Brage Finans AS. This is to offer relevant, integrated and sound solutions to our customers as part of the bank's strategic focus. It has also been important for diversifying the Group's sources of income.

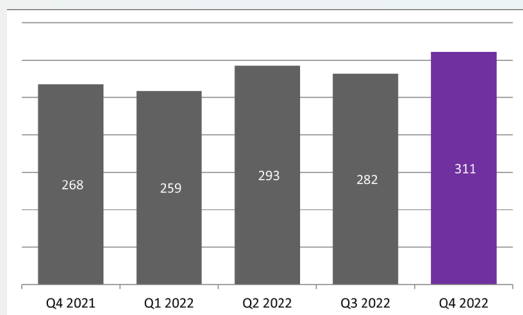
Associated companies		Q4 2022	Q4 2021	Change	31.12.2022	31.12.2021	Change
Frende Holding - 19.9 %	Share of profit	29	33	-4	59	110	-51
	Amort.	-6	-5	0	-22	-22	0
	Realisation	0	0	0	25		25
Brage Finans - 24.9 %	Share of profit	20	11	10	60	46	14
Balder Betaling - 23.0 %	Share of profit	2	29	-26	3	40	-37
Total		46	66	-20	125	174	-49

The share of profits from Frende in Q4 amounted to NOK 29 million, slightly lower compared with the same time period previous year. The profit share from Brage amounted to NOK 20 million, an increase of NOK 10 million from the same period in 2021. This is due to better profitability in Brage, as well as the fact that the bank has increased its ownership share in Brage from 20.8 percent to 24.9 percent in Q4.

In connection with the stepwise acquisition of shares in Frende Holding AS, excess values were identified, which are being amortised over the expected economic lifetime. The Group amortised surplus values of NOK 6 million in Q4 and NOK 22 million in 2022.

Operating expenses

Quarterly operating expenses (NOK million)



Operating expenses totalled NOK 311 million in the fourth quarter of 2022, an increase of NOK 43 million compared to the same quarter in 2021 and NOK 29 million from previous quarter. The increase is mainly due to increased bonus provisions, which were NOK 18 million higher than the same period last year, and NOK 14 million higher than Q3.

Operating expenses	Q4 2022	Q4 2021	Change	31.12.2022	31.12.2021	Change
Wages and fees	137	119	18	489	441	49
Payroll tax	21	18	3	75	67	8
Financial tax	6	5	2	21	19	3
Pension costs	15	15	-0	43	55	-11
Other personnel costs	12	11	1	30	26	4
Total personnel costs	191	168	23	659	606	53
Depreciation, amortization and impairment of non-current assets	11	12	-1	43	44	-1
Marketing	9	12	-3	45	39	6
IT costs	57	53	4	212	178	34
Operating cost - real estate	9	12	-3	33	31	3
External fees	14	13	1	50	37	14
Wealth tax	3	-10	13	13	7	6
Other operating expenses	18	9	9	90	76	13
Total other operating expenses	109	88	21	443	368	75
Total Operating expenses	311	268	43	1145	1018	127

Personnel costs are increasing for both the parent bank and the Group. The Group have strengthened its capability in analysis, risk management (IRB) and compliance, and has also reinforced its insurance sales organisation.

The investments in IT and a new data platform are intended to reduce operating costs in the future. A year-on-year cost in 2022 amounted to 12.4 percent, and 8.6 percent if one corrects for an increased bonus provision and correction in wealth tax in 2021 (NOK 13 million lower as a result of a correction in the tax rate). The bank's bonus scheme is linked to the profitability in banking. The bonus for 2023 is linked to the bank's financial target figures for return on equity.

The bank's ambition is to have a cost growth in 2023 at the same level as general wage and price growth.

Cost-income ratio amounted to 34.8 percent (39.3 percent) in Q4 2022. Cost-income ratio, excl. financial instruments, accounted for 36.7 percent (37.9 percent).

Losses and non-performing loans

Losses on loans amounted to NOK 15 million in Q4 2022, compared to losses on loans of NOK 2 million in Q4 2021.

Losses on loans were due to a result of increased model-based loss provisions, and there has been no individual events that have resulted in larger individual loss provisions or ascertained losses.

Through 2022, there has been marked changes in macroeconomic conditions which involve negative changes in framework conditions for both corporate customers and the retail sector. This applies to both increases in electricity and energy prices, strong inflation growth, combined with higher lending rates. As a result of the war between Russia and Ukraine, several factors are affected, both with regard to availability and price. In the second quarter of 2022, the bank carried out an assessment of potential negative effects at larger corporate customers, at present, there have been revealed no major problems related to cost gaps or supply problems in large projects the bank has financed.

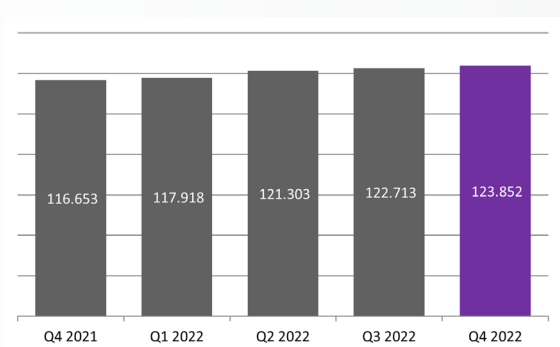
Although there is a negative impact from several macroeconomic factors, employment has remained at a high level, and it is still a relatively tight labor market. As a result of both interest rate increases and cost increases, there is greater uncertainty regarding house price development and development in commercial property prices.

The Group's impairment losses were calculated to be NOK 434 million by the end of Q4 2022, which is equivalent to 0.35 percent of gross loans. The corresponding figures for 2021 were NOK 424 million and 0.36 percent of gross loans.

Non-performing loans were NOK 666 million, down from NOK 783 million in the same period last year. Non-performing loans represented 0.54 percent of gross loans.

Loans

Loans in NOK million



Over the past 12 months net loans increased by NOK 7.2 billion to a total of NOK 123.9 billion, representing a growth of 6.2 percent. Growth in lending in Q4 2022 was NOK 1.1 billion, representing a growth of 3.7 percent.

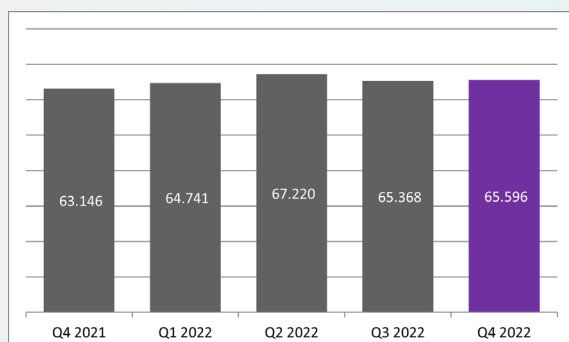
Over the past 12 months, gross loans to retail customers increased by NOK 3.2 billion to NOK 80.7 billion, a growth of 4.1 percent. Annualised growth in lending in Q4 was 2.6 percent. The bank has a goal of increasing market share within the retail market and has a stated goal of achieving growth in loans corresponding to the growth in credit in the region, plus 1 percentage point.

Gross loans to corporate customers increased by NOK 3.8 billion to NOK 43.2 billion over the last 12 months, representing a growth of 9.8 percent. Annualised lending growth in Q4 was 5.1 percent. Growth within the corporate market will fluctuate throughout the year.

Loans to retail customers accounted for 65 percent (66 percent) of total loans at the end of Q4 2022.

Deposits

Deposits in NOK million



Over the past 12 months, customer deposits increased by NOK 2.5 billion to NOK 65.6 billion, a growth of 3.9 percent. Deposit growth in the fourth quarter of 2022 amounted to NOK 0.2 billion, which corresponds to an annualised growth of 1.4 percent.

Deposits from retail customers increased by NOK 1.0 billion to NOK 32.2 billion in the past twelve months, a growth of 3.1 percent.

Deposits from corporate customers increased by NOK 1.4 billion to NOK 33.4 billion in the past twelve months, a growth of 4.5 percent.

Deposits in percent of net loans were 53.0 percent at the end of Q4 2022, down from 54.1 percent at the same time in 2021.

Wholesale funding and liquidity portfolio

The Group has a good liquidity situation. The liquidity buffers are adequate, and the maturity structure of the funding is well adapted to the needs of the business. New long-term funding is established through the issuance of covered bonds, senior debt and senior non-preferred. The Group has also arranged for long-term funding in the international market through established EMTN programs.

At the end of Q4 2022, wholesale funding amounted to NOK 62.8 billion, of which 85 percent consisted of covered bonds. Long-term funding (over 1 year maturity) had an average maturity of 3.7 years at the end of the quarter.

The war in Ukraine resulted in a difficult market situation in 2022. Despite this, the Group issued a covered bond (CB) with a nominal value of EUR 500 million, issued Tier 2 bonds with a nominal value of NOK 200 million and 1.0 billion in senior debt on good terms in the fourth quarter.

The Group's portfolio of interest-bearing securities totalled NOK 22.9 billion as of 31 December 2022. The Group's liquidity reserve (LCR) amounted to 177 percent as of 31 December 2022 (169 percent in the Parent bank).

Rating

Sparebanken Sør has an A1 rating with a "Positive Outlook" rated by Moody's. The rating outlook for the bank has been changed from "Stable" to "Positive" in September. Covered bonds issued by Sparebanken Sør Boligkreditt AS have an Aaa rating from Moody's.

Subordinated capital and capital adequacy

At the end of Q4 2022, net subordinated capital totalled NOK 16.5 billion. Total tier 1 capital totalled NOK 14.8 billion and common tier 1 capital totalled NOK 13.7 billion. On the same date, the (total) capital ratio for the Sparebanken Sør Group was 20.7 percent, the tier 1 capital ratio was 18.5 percent and the common equity tier 1 (CET1) capital ratio was 17.1 percent. The calculations are based on the standard method in the Basel II regulations. Brage Finans AS is proportionally consolidated in accordance with the rules on cooperative groups.

The parent bank had a (total) capital ratio of 22.8 percent, a tier 1 capital ratio of 20.3 percent and a CET1 capital ratio of 18.6 percent at the end of Q4 2022.

The Group met the capital requirements of, respectively, 13.7 percent for CET1, 15.2 percent for tier 1 capital and 17.2 percent for total capital by a solid margin. Based on the new pillar 2 decision from Finanstilsynet (FSA), the Group's internal target for 2023 is a CET1 capital ratio of 16.7 percent.

On 26 April 2022, Sparebanken Sør received Pillar 2 of Finanstilsynet's decision, in connection with the completed SREP (Supervisory Review and Evaluation Process and Pillar 2). Finanstilsynet set the capital requirement under Pillar 2 at 1.7 percent of the calculation basis. This is a reduction of 0.3 percentage points from the current Pillar 2 supplement. In addition, Finanstilsynet considers that the bank should have a capital requirement margin of 1.0 percent in the form of common equity tier 1 capital over the total requirement for common equity tier 1 capital. The Pillar 2 requirement and the capital requirement margin set by the Authority came into force on 30 April 2022. It is expected that the bank will get a new SREP during 2023. In connection with Finanstilsynet's proposal for changes to the legal framework for determining pillar 2 requirements has been submitted for consultation, the Ministry of Finance has also asked for views on a transitional rule which ensures that capital composition requirements for pillar 2 requirements shall apply from 31 December 2023 at the latest. Introduction of the transitional rule will in that case mean that the pillar 2 requirement must no longer be covered by 100 percent Tier 1 capital by 31.12.2023 at the latest.

In March 2022, the requirement for countercyclical capital buffer was decided to be increased to 2.5 percent with effect from 31 March 2023. In the last interest rate meeting at Norges Bank on 18 January 2023, it was decided to maintain this requirement. The purpose of the countercyclical capital buffer is to make the banks more solid and to prevent the banks' credit practices from reinforcing a setback in the economy.

The Norwegian Ministry of Finance has amended the statutory regulations to put into effect the EU's Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD) IV with effect from 31. December 2019. The systemic risk buffer requirement will be increased from 3.0 to 4.5 percent. The Ministry of Finance decided on 16 December 2022 to postpone the requirement by one year for banks that report according to the standard method, for Sparebanken Sør the requirement applies with effect from 31.12.2023.

Changes in the EU banking regulations (the "banking package") were implemented in Norway from 1 June 2022. This affected, among other things, Part 2 of the SME discount and the introduction of an infrastructure discount. The implementation increased the CET1 ratio in Q2 2022 by 1.0 percentage points.

An important part of the Group's key objectives is to keep the CET1 capital ratio at the same level as that of comparable banks. Sparebanken Sør is the only major regional bank that uses the standard method to calculate capital adequacy, and the Bank currently has a higher leverage ratio than the other regional banks. Sparebanken Sør also aims to have a quality of risk management on par with comparable banks. The Bank has started a process to develop the Bank's risk management framework and modelling in a way that will make it possible to apply to the FSA for approval of an internal rating-based (IRB) approach to calculate capital requirements. This work is a high priority at the bank, and the bank's ambition to send an application for IRB-F approval by the end of 2023 goes as planned.

The bank considers that an IRB process with subsequent IRB approval in any case contains key elements that are important for the bank's future development. In regards to the capital effects of IRB-F, it is expected that these will be on par with the estimated effects of the new standard method coming in Basel IV.

The introduction of the revised Basel III framework ("Basel IV") was due to have been implemented in the EU from 2022 with transition rules up until 2027, but this has been postponed. The Commission has drafted a proposal for the implementation of the last part of the Basel III framework in EU law, and the goal is for the revised regulations (CRR3/CRD6 and BRRD3) to enter into force in the EU from 1 January 2025 at the earliest. The implementation date in Norway will therefore depend on how quickly the new legislative acts can be incorporated into the EEA Agreement, but this will not occur until 1 January 2025 at the earliest. A critical element in the new Basel IV regulations will be the introduction of a new and more risk-sensitive standard method for credit risk which will be beneficial for the Group. Basel IV also indicates that there may be some changes in the IRB regulations.

Given the composition of the Group's loan portfolio, it is expected that the new standard regulations for credit risk will result in a very positive effect for the Group. Based on current information on the regulations and the customers' loan portfolios, it is estimated that this may have a positive effect on CET1 capital ratio of approx. 3.5 percentage points. This corresponds to the estimated effect of implementing IRB-F.

The Group's Leverage Ratio stood at 9.1 percent at the end of Q4 2022, compared with 9.4 percent at the end of Q4 2021. The Bank's capital adequacy is highly satisfactory.

The Bank Resolution and Recovery Directive (BRRD) has introduced a minimum requirement for the sum of subordinated capital and convertible debt (MREL). This entails a new requirement for convertible/non-preferred debt ("Tier 3"), which also applies to Sparebanken Sør. The requirements are determined by FSA on the basis of capital requirements and the current adjusted calculation basis in force at any given time. Based on capital requirements and adjusted calculation basis as of 31 December 2022, the effective MREL requirement is set at 32.4 percent and amounted to NOK 20.5 billion

The authorities have introduced a ceiling provision for the share of subordinated debt, and the requirement must be met by 1 January 2024. From 1. January 2022, the Bank must meet a minimum adjustment requirement of 20.0 percent of the adjusted calculation basis. This requirement is considered the starting level for the linear phasing of the claim for subordination. By the end of Q4 2022, the Bank had issued a total of NOK 4.5 billion of senior non-preferred (Tier 3).

The bank's equity certificates

As of 31 December 2022, the Bank had issued 41 703 057 equity certificates.

Profit (consolidated) per equity certificate amounted to NOK 4.5 per certificate in Q4 and the comprehensive income amounted NOK 11.9 per certificate for the whole of 2022.

The average ownership ratio was 40.0 percent and the ownership fraction will then be kept stable at 40 percent in the future. Hybrid capital, which is classified as equity, is excluded when calculating the ownership ratio.

Dividend policy

Through solid, stable and profitable operations, Sparebanken Sør will ensure that its equity certificate holders achieve a competitive return in the form of dividends and increase in the value of their equity certificates.

Profit will be distributed between equity certificate capital (equity certificate owners) and primary capital based on their share of the equity.

The target is to distribute around 50 percent of the Group's profit after tax as dividends. The target was changed in the 4th quarter of 2022 and was previously 40-50 percent. Dividends are distributed through cash dividends to the owners of equity certificates, customer dividends to the bank's customers and gifts in the regions where the primary capital is built up. When determining the dividends, potential for profitable growth, expected profit development in a normalised market situation, external framework conditions, future need for Common Equity Tier 1 and bank's strategic plans will be taken into consideration.

In a meeting on 31 March 2022, the bank's Board of Trustees decided to raise the ownership ratio from 15 to 40 percent by converting primary capital. Finanstilsynet approved the conversion on 10 June 2022 and the new equity certificates were registered in Foretaksregisteret (Brønnøysund Business Register) on 14 June 2022. A total of 26 039 113 new equity certificates were issued, which will be entitled to dividends for the entire 2022 financial year. One important element going forward will be equal allocation of dividends, and to facilitate this, the ownership ratio will be maintained at 40 percent.

The board will propose to the bank's Board of Trustees to distribute a dividend for 2022 of NOK 6.0 per equity certificate, which amounts to approximately 50 percent of the Group's result per equity certificate. The stock exchange price on 31 December 2022 was NOK 129.5, and measured against this, the proposed dividend gives a direct return of 4.6 percent. In addition, it will be proposed to set aside NOK 226 million for customer dividends and NOK 149 million for the gift fund.

Subsidiaries and partner businesses

The bank's wholly owned subsidiary **Sparebanken Sør Boligkreditt AS** is licensed to issue covered bonds which are used as an instrument in the Bank's long-term funding strategy. As of 31. December 2022, the Bank had transferred NOK 56.6 billion to Sparebanken Sør Boligkreditt AS, equivalent to 68 percent of all loans to the retail market.

The Bank's own real estate business, **Sørmegleren**, is the absolute leader in its field in Southern Norway. Sørmegleren is continuing to grow, and had employed 110 staff in 18 locations at the end of Q4 2022. In 2022, the company had a profit before tax of NOK 9.1 million, compared to NOK 34.5 million in the same period in 2021. There has been a fall in the real estate market in 2022, compared to a very strong market in 2021. This has also been reflected in the company's results shown through a fall in income. Sørmegleren has maintained its market shares through 2022 and is very well positioned as the region's leading real estate agent.

At 1 July 2021, the Bank acquired a 78 percent shareholding in **Sørlandet Forsikringscenter AS**. The Bank has an option to acquire the residual shares in the company. The acquisition increases the Bank's insurance portfolio to NOK 110 million and will provide the Group with a stronger insurance sales organisation. The Group aims to double its insurance income by 2025 and the strategic acquisition will ensure that the ambition is achieved.

Frende Holding AS (19.9 percent shareholding) is the parent company of Frende Skadeforsikring AS and Frende Livsforsikring AS, which provides general insurance and life insurance to retail and corporate customers.

Frende Holding AS had a profit before tax in Q4 2022 of NOK 186 million, down from NOK 197 million in the same period in the

previous year. Profit before tax for 2022 was NOK 433 million down from NOK 667 million in the same period in 2021. Overall, in 2022 the insurance's technical result in Skade has been very good, while the insurance's technical result in Livselskapet was significantly weaker than previously.

Net financial result in Q4 was at NOK 38 million, down from NOK 103 million in the corresponding period in 2021. Net financial items for 2022 came in at negative NOK -133 million, down from NOK 315 million (positive) in the corresponding period 2021.

Frende Skadeforsikring recorded a profit before tax of NOK 244 million in Q4 2022, up from NOK 184 million in Q4 2021. The profit before tax in 2022 amounted to NOK 513 million, compared with NOK 580 million in the corresponding period 2021.

The company's written premiums totalled NOK 2 384 million (NOK 2 231 million), distributed among 166 000 customers. At the reporting date, the market share stood at 3.3 percent. The loss ratio so far this year was 55.2 percent (65.9 percent), while the company's combined ratio was 77.3 percent (83.5 percent).

Frende Livsforsikring posted a profit before tax of minus NOK -52 million in the fourth quarter, compared with NOK 18 million (positive) in the fourth quarter of 2021. The profit before tax after Q3 2022 was negative by NOK -4.0 million, compared to a profit of NOK 87.2 million (positive) in the corresponding period of 2021. The risk result has been better than in the same quarter of 2021, but weaker than in previous years, especially within the disability products. The portfolio premium at the end of the quarter was NOK 616 million, up from NOK 560 million at the same time in 2021.

Brage Finans AS (24.9 percent shareholding) is a financing company owned by 23 independent banks. The company was established in 2010 and operates from its head office in Bergen. The company also has sales offices in the Norwegian cities of Kristiansand, Porsgrunn, Sandefjord, Stavanger, Haugesund, Ålesund and Trondheim. The company offers leasing and loans secured by the purchased objects in the corporate and retail markets. Distribution of the products is provided mainly through owner banks and retailers, in addition to the company's own organisation.

Brage Finans has reported yet another good quarter with positive growth in profits and return on equity. There has been high activity in all of Brage's market areas despite troubled times, increased interest rates and a high level of costs in society in general.

Profit before tax in Q4 2022 amounted to NOK 99.7 million, up from NOK 71.9 million in the corresponding period in 2021. The profit resulted in a return on equity of 12.3 percent for the quarter, compared with 11.4 percent for Q4 2021.

Profit before tax in 2022 amounted to NOK 356.3 million, up from NOK 286.3 million in 2021. The profit resulted in a return on equity of 12.0 percent, up from 11.4 percent in 2021.

On 31.12.2022, Brage Finans had a gross lending portfolio of NOK 20.5 billion. This represents an increase of NOK 3.4 billion compared with the same time last year and a lending growth of 20 percent. At the end of the reporting period, recognised impairment losses totalled NOK 131.0 million, which corresponds to 0.64 percent of the gross lending portfolio.

Norne Securities AS (14.8 percent shareholding) is an investment company owned by savings banks that offers investment services to the corporate and retail market.

Posted revenue in 2022 was NOK 155 million, compared to NOK 111 million in 2021. Furthermore, Norne delivered the best annual result since the establishment of the company in 2008, with NOK 31 million (NOK 13 million). Both main areas of business; Online and Investment banking, have shown good profitability in 2022. Online includes both share and fund trading. Within Investment Banking, the main focus was on banking, finance and property sectors that contributed to the good result in 2022.

The fourth quarter is normally characterized by good transaction activity, which was also the case in 2022. Despite the fact that the macro situation has been, and still is, marked by great uncertainty. Within Investment Banking, several projects have been completed during the period. Among other things, Norne was a facilitator when the solar power company Energeia AS and Bien Sparebank ASA went public in December. Other projects aimed at the strategically important savings bank sector were also completed during the period, as well as two property projects. Customer activity towards retail customers within share and fund trading has been slightly lower in the fourth quarter as compared to earlier quarters this year. The observable trend was that customer activity in the market for savings and investment has decreased after the «peak years» in 2020 and 2021. To customers in the retail market, Norne develops its services in cooperation with the banks as distribution partners. Within the fund area, Norne offers, among other things, a fund platform that is used by 25 banks. This solution provides significant economies of scale for the banks.

At the start for 2023, the macro situation is still characterized by uncertainty with high inflation, the war in Ukraine and turbulence in the capital markets. The long-term consequences are uncertain, but the company is very well-positioned for further growth and have a high level of ambition. The year 2022 has been a very good year overall.

Balder Betaling AS (23.0 percent shareholding) is owned by Sparebanken Sør together with nineteen other savings banks. The company has a shareholding of 10.49 percent in Vipps AS and has a goal of developing Vipps together with other owners. Sparebanken Sør thus has an indirect shareholding in Vipps AS of 2.41 percent.

Outlook

Activity in the Norwegian economy has been high through 2022 and unemployment has been very low. High price growth and increased interest rates have weakened households' purchasing power. The latest interest rate changes have not had an effect until towards the end of 2022 and many companies expect a fall in activity going forward. Norges Bank expects a key interest rate of around 3 percent in 2023, and that this is sufficient to bring inflation down towards the target of 2 percent. The ongoing war in Ukraine has led to significantly increased uncertainty in the financial markets. Among other things, this has resulted in significantly higher credit risk premiums for the bank's financing.

There is more uncertainty than normal regarding what the consequences will be for the bank's customers, and how both private individuals and firms will respond to a higher cost level. Despite this, the board considers that the bank is well equipped for further growth. The bank has good earnings, is solid with good margins for current capital requirements and is well equipped to withstand any more challenging developments in the Norwegian economy.

Sparebanken Sør has guidelines adopted by the Board of Directors that ensure that any refinancing in the bond market is normally undertaken well in advance of the final date of maturity. This has contributed to the Bank's solid financing situation. The Bank has a low-risk lending portfolio, and high loss-absorbing capacity through a high equity capital ratio. Bank operations are highly cost effective, with good underlying operations.

Residential property prices in the bank's main markets have shown a positive, though moderate, development over several years. Statistics for the fourth quarter of 2022 indicate slightly weaker growth in residential property prices in the bank's market area, following strong growth in the previous 12 months.

The Group has a common Tier 1 capital ratio requirement of 13.2 percent, including Pillar 2 addition of 1.7 percent. The Ministry of Finance has adopted regulations that put into force the EU's capital requirements regulations CRR/CRD IV as of 31 December 2019. One consequence of this was that the systemic risk buffer requirement was increased from 3 to 4.5 percent. The Group applies the standard method and will meet the increased systemic risk buffer requirement effective 31 December 2023. The Group has an internal objective of a common equity tier 1 capital ratio of 16.7 percent by the end of 2023, which takes the forthcoming increase in the system buffer requirement into account. At the end of the fourth quarter of 2022, the common equity tier 1 capital ratio was 17.1 percent, well above the regulatory requirement and the requirement that enters into force on 31 December 2023.

The Group has a long-term ambition for lending growth in excess of credit growth. The Group has a target on return on equity of 10 percent within 2023 and 11 percent within 2025.

In line with the strategy adopted, the Bank will pay great attention to expenses and long-term value creation. The Bank's investments in technology will continue to contribute to cost-effective operations and make it possible to improve the efficiency of the branch structure. This, together with good-quality credit management, will contribute to continued profitable growth and development for Sparebanken Sør.

Events after the reporting period

There have been no significant events after December 31 2022, that affect the quarterly accounts.

Kristiansand, 9. February 2023

Knut Ruhaven Sæthre
Chairman

Mette Ramfjord Harv
Deputy Chairman

Merete Steinvåg Østby

Erik Edvard Tønnesen

Trond Randøy

Eli Giske

Jan Erling Tobiassen
Employee representative

Gunnhild Tveiten Golid
Employee representative

Geir Bergskaug
CEO

Income statement

PARENT BANK				NOK million		GROUP			
31.12.	31.12.	Q4	Q4			Q4	Q4	31.12.	31.12.
2021	2022	2021	2022		Notes	2022	2021	2022	2021
1 206	2 090	332	762	Interest income at amortised cost	4	1 375	673	3 999	2 494
682	977	177	283	Interest income at fair value through profit and loss	4	208	88	581	326
511	1 146	140	458	Interest expenses	4	900	255	2 212	881
1 378	1 921	369	587	Net interest income	4	683	506	2 368	1 939
400	448	127	130	Commission income		139	144	501	484
70	99	24	27	Commission expenses		24	19	84	66
329	349	103	103	Net commission income		115	124	417	419
325	351	0	11	Dividend		11	0	13	7
25	- 61	-16	57	Net income from other financial instruments		35	-26	- 95	- 7
350	290	-16	68	Net income from financial instruments		46	-26	- 82	0
174	125	66	46	Income from associated companies		46	66	125	174
19	8	13	2	Other operating income		1	10	5	17
193	133	79	48	Total other income		48	77	131	191
2 249	2 692	535	806	Total net income		892	682	2 834	2 549
475	523	132	156	Wages and other personnel expenses		191	168	659	606
44	41	13	10	Depreciation, amortization and impairment of non-current assets		11	12	43	44
348	419	85	104	Other operating expenses		109	88	443	368
866	983	230	270	Total operation expenses before losses		311	268	1 145	1 018
1 383	1 709	305	537	Operating profit before losses		581	414	1 690	1 531
- 20	57	2	6	Losses on loans, guarantees and undrawn credit	5	15	2	74	-18
1 403	1 652	304	531	Profit before taxes	2	566	412	1 615	1 549
214	299	58	133	Tax expenses		98	83	332	323
1 189	1 353	246	398	Profit for the period		468	328	1 283	1 226
	0		0	Minority interests		0		1	3
1 189	1 353	246	398	Majority interests		468	328	1 283	1 223
46	42	9	- 1	Attributable to additional Tier 1 capital holders		-1	9	42	46
1 143	1 311	237	399	Attributable to ECC-holders and to the primary capital		469	320	1 241	1 177
1 189	1 353	246	398	Profit for the period		468	328	1 283	1 223
11.8	12.6	2.4	3.8	Profit/diluted earnings per equity certificate (in whole NOK)		4.5	3.2	11.9	12.2

Other comprehensive income

PARENT BANK				Mill. kroner		GROUP			
31.12.	31.12.	Q4	Q4			Q4	Q4	31.12.	31.12.
2021	2022	2021	2022		Notes	2022	2021	2022	2021
1 189	1 353	246	398	Profit for the period		468	328	1 283	1 226
				Change in value, basis swaps		-156	44	99	14
	1		- 1	Change in the value of residential mortgages					
	0		0	Tax effect		39	-11	-22	-3
0	1	0	- 1	Total other comprehensive income		-117	33	77	11
1 189	1 354	246	396	Comprehensive income for the period		351	362	1 360	1 237
				Minority interests		0	0	1	3
1 189	1 354	246	396	Majority interests		351	362	1 360	1 234
11.8	12.6	2.4	3.8	Comprehensive income/diluted earnings per equity certificate		3.4	3.6	12.6	12.3

Balance sheet

PARENT BANK			NOK million	GROUP		
31.12.*	31.12.*	31.12.			31.12.	31.12.
2020	2021	2022	ASSETS	Notes	2022	2021
1 148	437	590	Cash and receivables from central banks	11	590	437
10 936	5 644	10 211	Loans to credit institutions	11	6 198	1 789
62 724	67 028	67 332	Net loans to customers	2,6,7,8,10,11	123 852	116 653
18 329	17 743	16 393	Bonds and certificates	11	22 851	22 062
166	193	230	Shares	11	230	193
907	367	947	Financial derivatives	11,12	1 440	1 104
2 111	2 116	2 813	Shareholding in group companies			
1 134	1 201	1 437	Shareholding in associated companies		1 437	1 201
41	54	70	Intangible assets		80	64
430	431	433	Property, plant and equipment		458	463
96	115	150	Other assets		298	218
98 022	95 328	100 607	TOTAL ASSETS	2,11	157 435	144 182
LIABILITIES AND EQUITY CAPITAL						
6 765	2 660	3 584	Liabilities to credit institutions	11	3 507	2 627
59 883	63 185	65 587	Deposits from customers	2,9,11	65 596	63 146
14 149	10 013	9 477	Liabilities related to issue of securities	11,13	62 758	56 605
687	322	778	Financial derivatives	11,12	2 599	844
272	204	315	Payable taxes		358	310
705	604	1 103	Other liabilities	15	490	395
38	135	129	Provisions for commitments		129	135
29	41	32	Deferred tax		64	28
2 002	3 499	4 491	Senior non-preferred	11	4 491	3 499
1 653	1 654	1 662	Subordinated loan capital	11,13	1 662	1 654
86 185	82 315	87 159	Total liabilities		141 655	129 242
1 694	1 692	4 945	Equity certificate capital	14	5 196	1 877
1 075	1 335	1 085	Hybrid capital		1 085	1 335
9 068	9 986	7 417	Other equity	15	9 499	11 729
11 837	13 013	13 448	Total equity	3,14	15 779	14 941
98 022	95 328	100 607	TOTAL LIABILITIES AND EQUITY	2,11	157 435	144 182

* Reclassification in 2022 according to a changed accounting principle. See note 1 and note 15.

Kristiansand, 9. February 2023

Knut Ruhaven Sæthre
Chairman

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Deputy Chairman

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Eli Giske

Jan Erling Tobiassen
Employee representative

Gunnhild Tveiten Golid
Employee representative

Geir Bergskaug
CEO

Cash flow statement

PARENT BANK		NOK million	GROUP	
31.12.	31.12.		31.12.	31.12.
2021	2022		2022	2021
1 911	2 965	Interest received	4 450	2 841
-543	-1 167	Interest paid	-2 082	-894
683	709	Other payments received	409	439
-782	-916	Operating expenditure	-1 058	-946
12	9	Loan recoveries	9	12
-245	-217	Tax paid for the period	-324	-346
-30	-61	Gift expenditure	-61	-30
	-5.5	Fraud cases paid	-5	
3 315	2 379	Change in customer deposits	2 426	3 325
-4 421	-476	Change in loans to customers	-7 341	-5 190
-2 104	422	Change in deposits from credit institutions	378	-1 798
-2 204	3 641	Net cash flow from operating activities	-3 199	-2 586
37 851	23 737	Payments received, securities	23 128	33 658
-37 295	-22 401	Payments made, securities	-23 909	-34 207
31	3	Payments received, sale of property, plant and equipment	12	31
-75	-64	Payments made, purchase of property, plant and equipment	-63	-76
201	136	Payments received, investments in subsidiaries and associates	127	201
-88	-938	Payments made, investments in subsidiaries and associates	-238	-88
205	-56	Change in other assets	-101	-324
830	417	Net cash flow from investing activities	-1 045	-805
5 292	-4 568	Change in loans to credit institutions	-4 409	671
-2 003	500	Change in deposits from credit institutions	500	-2 003
	4 250	Payments received, bond debt	17 127	15 755
-3 701	-4 351	Payments made, bond debt	-9 046	-13 460
-265	-181	Payments made, dividends and interest on hybrid capital	-181	-265
1 500	1 000	Issue of senior non-preferred	1 000	1 500
	200	Issue of subordinated loan capital	200	
	-200	Deduction of subordinated loan capital	-200	
-420	-245	Change in other liabilities	-271	222
450	200	Issue of hybrid capital	200	450
-190	-450	Deduction of hybrid capital	-450	-190
	-585	Change in financial derivative assets *	-1 928	
	532	Change in financial derivative debt*	1 861	
	-7	Payments of rental obligations *	-7	
664	-3 906	Net cash flow from financing activities	4 396	2 680
-711	152	Net change in liquid assets	152	-711
1 148	437	Cash and cash equivalents as at 1 Jan	437	1 148
437	590	Cash and cash equivalents at end of period	590	437

* Items reclassified in 2022. Included in the items change in other assets and change in other liabilities for the financial year 2021. Comparative figures have not been restated.

Statement of change in equity

GROUP	Equity	Premium	Dividend	Hybrid	Primary	Gift	Other	Minority	
NOK million	certificates	Fund	equalization-fund	capital	capital	fund	equity	interests	TOTAL
Balance 31.12.2020	783	451	459	1 075	9 069	80	1 831	4	13 752
Dividend distributed for 2020							- 219		- 219
Profit YtD			186	46	858	100	31	3	1 223
Interest paid, hybrid capital				- 46					- 46
Issuance of hybrid capital				450					450
Buyback of hybrid capital				- 190					- 190
Trading of own equity certificates	- 2		0		- 1				- 3
Other comprehensive income							10		10
Allocated gift fund						- 39			- 39
Other changes							2		2
Balance 31.12.2021	782	451	644	1 335	9 925	141	1 656	7	14 941
Dividend distributed for 2021			- 125						-125
Profit YtD			524	56	411	375	- 84	1	1 283
Interest paid, hybrid capital				- 56					-56
Calculated tax on interest hybridcapital **				200					200
Issuance of hybrid capital				- 450					-450
Buyback of hybrid capital							13		13
Conversion of primary capital basic fund to equity certificates	1 302	1 617			- 2 919				0
Trading of own equity certificates	0		0		0				0
Other comprehensive income ***							77		77
Allocated gift fund						- 101			-101
Other changes			0				0	- 3	-3
Balance 31.12.2022	2 084	2 068	1 043	1 085	7 417	415	1 663	4	15 779
PARENT BANK									
Balance 31.12.2020*	783	451	459	1 075	9 068		0		11 837
Profit YtD			61	46	858				965
Interest paid, hybrid capital				-46					- 46
Issuance of hybrid capital				450					450
Buyback of hybrid capital				- 190					- 190
Trading of own equity certificates	-2		- 1		- 1				- 4
Other comprehensive income					0				0
Other changes						1			1
Balance 31.12.2021*	781	451	519	1 335	9 926	0	0	0	13 013
Profit Ytd			525	56	773		0		1 353
Allocated dividend and gifts			- 250		- 375				- 625
Interest paid, hybrid capital				- 56					- 56
Issuance of hybrid capital				200					200
Buyback of hybrid capital				- 450					- 450
Calculated tax on interest hybridcapital **						13			13
Conversion of primary capital basic fund to equity certificates	1 302	1 617			- 2 919				0
Trading of own equity certificates	0		0		0				0
Other comprehensive income						1			1
Other changes						- 1			- 1
Balance 31.12.2022*	2 084	2 068	793	1 085	7 417	0	0	0	13 448

*Reclassification in 2022 according to a changed accounting principle. See note 1 and note 15.

** Calculated tax on interest on hybrid capital is from 2022 entered against EK. Comparative figures have not been restated.

*** Basic adjustments to interest and currency swaps were NOK -13.0 million as of 1.1.2022 and NOK 63.7 million as of 31.12.2022. The adjustment is included as part of other equity.

1. ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Standards for Financial Reporting (IFRS), including IAS 34. Unless otherwise specified, the accounting policies applied are the same as those applied in the annual financial statements for 2021. There are no new standards applicable for 2022 that have had a material impact on the financial statements.

A tax rate of 25 percent has been used when preparing the quarterly accounts for the parent bank. For other subsidiaries, a 22 percent tax rate is applied. In the 4th quarter of 2022, NOK 33.8 million was recognized as income as a result of a changed tax rate in Sparebanken Sør Boligkreditt AS, for the period 2019-2021.

Change in the Parent bank as of 1.1.2022

Sparebanken Sør Parent bank has previously been prepared in accordance with IFRS and regulations on annual accounts for banks, mortgage companies and financial institutions § 1-4, 2nd paragraph a). From January 1st 2022, the Parent bank accounts (company accounts) have been prepared in accordance with the regulations on annual accounts for banks, mortgage companies and financial institutions § 1-4, 2nd paragraph b). This means that the same principles are used as for IFRS, with the exception of proposed dividends and gifts for distribution that are accounted for in the year that is the basis for the distribution.

Effects in the Parent bank's accounts in connection with the transition to a new principle for accounting for proposed dividends and gifts for distribution are stated in note 15. Comparative figures have been restated.

Discretionary assessments, estimates and assumptions

With the preparation of the financial statements, the management makes discretionary assessments, estimates and assumptions that effects the accounting policies and financial records. Please refer to the annual financial statements for 2021 (Note 2 – Discretionary assessments, estimates and assumptions) for further details.

The financial item losses on loans and undrawn credit, are subject to a significant degree of discretionary assessments. This item was in 2020 and 2021 particularly challenging to quantify, due to the ongoing pandemic. In 2022, there are again major turmoil and fluctuations in the financial market. Many macro parameters pointed upwards from the last six months of 2021 and the first six months of 2022. At the end of the 4th quarter 2022, there is a significant increase in pessimism in the market with increased commodity prices, an increasing key policy rate, an expected future fall in the property market and an expected future increase in unemployment. Models used to calculate future credit losses contains forward-looking macro data, and in events of major changes to the economy, the current models and parameters must be changed accordingly.

Macro parameters and measures that have been used as input in the loss model is presented in note 5.

2. SEGMENT REPORTING

	BANKING BUSINESS			31.12.2022		
Report per segment			Undistrib.	Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmeqleren	Total
Net interest and commission income	1 088	1 018	262	2 368	0	2 368
Net other operating income	203	84	19	306	160	466
Operating expenses	432	116	446	994	151	1 145
Profit before losses per segment	859	987	-165	1 681	9	1 690
Losses on loans and guarantees	25	50	0	74		74
Profit before tax per segment	834	936	-165	1 606	9	1 615
Gross loans to customers	83 344	41 085	-193	124 236		124 236
Impairment losses	-74	-310	1	-384		-384
Net loans to customers	83 269	40 775	-193	123 852		123 852
Other assets			33 495	33 495	88	33 583
Total assets per segment	83 269	40 775	33 302	157 347	88	157 435
Deposits from customers	33 890	27 298	4 407	65 596		65 596
Other liabilities	49 380	13 477	13 116	75 972	88	76 060
Total liabilities per segment	83 269	40 775	17 523	141 567	88	141 655
Equity			15 779	15 779		15 779
Total liabilities and equity per segment	83 269	40 775	33 302	157 347	88	157 435

BANKING BUSINESS

31.12.2021

Report per segment				Total banking		
Income statement (NOK million)	RM	CM	Undistrib. and elimin.	business	Sørmegleren	Total
Net interest and commission income	1 138	829	-28	1 939	0	1 939
Net other operating income	203	89	136	428	182	610
Operating expenses	414	107	350	871	148	1 018
Profit before losses per segment	928	811	-242	1 496	35	1 531
Losses on loans and guarantees	14	-31	-1	-18		-18
Profit before tax per segment	914	842	-241	1 514	35	1 549
Gross loans to customers	79 740	37 278	30	117 049		117 049
Impairment losses	-54	-342	-1	-397		-397
Net loans to customers	79 686	36 936	30	116 653		116 653
Other assets			27 411	27 411	119	27 530
Total assets per segment	79 686	36 936	27 442	144 064	119	144 182
Deposits from customers	32 910	26 680	3 556	63 146		63 146
Other liabilities	46 776	10 256	8 945	65 977	119	66 096
Total liabilities per segment	79 686	36 936	12 501	129 123	119	129 242
Equity			14 941	14 941		14 941
Total liabilities and equity per segment	79 686	36 936	27 442	144 064	119	144 182

3. SUBORDINATED CAPITAL AND CAPITAL ADEQUACY

MINIMUM CAPITAL REQUIREMENTS

PARENT BANK		NOK million		GROUP	
31.12. 2021	31.12. 2022			31.12. 2022	31.12. 2021
Minimum capital requirements					
4.50 %	4.50 %	Minimum Tier 1 capital requirements		4.50 %	4.50 %
2.50 %	2.50 %	Conservation buffer		2.50 %	2.50 %
3.00 %	3.00 %	Systemic risk buffer		3.00 %	3.00 %
1.00 %	2.00 %	Counter-cyclical buffer		2.00 %	1.00 %
2.00 %	1.70 %	Pilar 2 requirements		1.70 %	2.00 %
13.00 %	13.70 %	CET1 requirements. incl. Pilar 2		13.70 %	13.00 %
14.50 %	15.20 %	Tier1 Capital requirements. incl. Pilar 2		15.20 %	14.50 %
16.50 %	17.20 %	Total capital requirements. incl. Pilar 2		17.20 %	16.50 %
8 438	8 838	CET1 requirements. incl. Pilar 2		10 941	10 308
9 412	9 805	Tier1 Capital requirements. incl. Pilar 2		12 139	11 498
10 710	11 095	Total capital requirements. incl. Pilar 2		13 736	13 084
2 978	3 160	Above CET1 requirements. incl. Pilar 2		2 712	2 696
3 340	3 278	Above Tier1 Capital requirements. incl. Pilar 2		2 645	2 878
3 692	3 638	Above total capital requirements. incl. Pilar 2		2 781	2 991

PARENT BANK		NOK million	GROUP	
31.12. 2021*	31.12. 2022		31.12. 2022	31.12. 2021
13 013	13 448	Total equity	15 779	14 941
		Tier 1 capital		
-1 335	-1 085	Equity not eligible as common equity tier 1 capital	-1 131	-1 371
-271	0	Share of profit not eligible as common equity tier 1 capital	- 665	-271
-54	- 70	Deductions for intangible assets and deferred tax assets	- 81	-61
-43	- 38	Deductions for additional value adjustments	- 27	-29
106	- 256	Other deductions	- 223	-204
11 416	11 998	Total common equity tier 1 capital	13 653	13 004
		Other tier 1 capital		
1 335	1 085	Hybrid capital	1 131	1 371
12 752	13 083	Total tier 1 capital	14 784	14 375
		Additional capital supplementary to tier 1 capital		
1 650	1 650	Subordinated loan capital	1 734	1 699
1 650	1 650	Total additional capital	1 734	1 699
14 402	14 733	Net subordinated capital	16 518	16 074
		Minimum requirement for subordinated capital Basel II calculated according to standard method		
22	17	Engagements with local and regional authorities	18	22
981	1 014	Engagements with institutions	337	388
3 137	4 505	Engagements with enterprises	6 456	4 688
5 259	6 110	Engagements with mass market	9 149	8 045
37 798	33 544	Engagements secured in property	53 502	55 290
522	408	Engagements which have fallen due	610	632
1 823	1 360	Engagements which are high risk	1 360	1 823
5 934	6 650	Engagements in covered bonds	1 365	1 381
4 899	6 022	Engagements in collective investment funds	1 582	1 680
650	507	Engagements other	539	700
61 022	60 138	Capital requirements for credit and counterparty risk	74 919	74 649
0	0	Capital requirements for position, currency and product risk	0	0
3 878	4 364	Capital requirements for operational risk	4 937	4 638
8	5	CVA addition	5	8
64 908	64 507	Risk-weighted balance (calculation basis)	79 862	79 295
17.6 %	18.6 %	Common equity tier 1 capital ratio, %	17.1 %	16.4 %
19.7 %	20.3 %	Tier 1 capital ratio, %	18.5 %	18.1 %
22.2 %	22.8 %	Total capital ratio, %	20.7 %	20.3 %
8.8 %	8.4 %	Leverage ratio	9.1 %	9.4 %

* Reclassification according to a changed accounting principle in 2022. See note 1 and note 15.

4. INTEREST INCOME AND INTEREST EXPENSES

Interest income					GROUP			
31.12. 2021	31.12. 2022	Q4 2021	Q4 2022	NOK million	Q4 2022	Q4 2021	31.12. 2022	31.12. 2021
<i>Interest income from financial instruments at amortised cost</i>								
62	139	16	53	Interest on receivables from credit institutions	27	3	53	6
1 144	1 951	316	709	Interest on loans given to customers	1 348	670	3 945	2 488
1 206	2 090	332	762	Total interest from financial instruments at amortised cost	1 375	673	3 999	2 494
<i>Interest income from financial instruments at fair value</i>								
156	132	38	32	Interest on loans given to customers (fixed rate loans)	32	38	132	156
139	343	38	125	Interest on certificates and bonds	176	50	449	169
295	476	75	157	Total interest from financial instruments at fair value via profit or loss	208	88	581	326
<i>Interest income from financial instruments at fair value via OCI</i>								
387	501	102	126	Interest on loans given to customers (mortgages)	0	0	0	0
387	501	102	126	Total interest from financial instruments at fair value via OCI	0	0	0	0
1 888	3 067	509	1 045	Total interest income	1 583	761	4 580	2 820
Interest expenses					GROUP			
31.12. 2021	31.12. 2022	Q4 2021	Q4 2022	NOK million	Q4 2022	Q4 2021	31.12. 2022	31.12. 2021
<i>Interest expenses from financial instruments at amortised cost</i>								
20	70	6	30	Interest on liabilities to credit institutions	30	6	68	19
246	643	67	270	Interest on customer deposits	269	68	642	247
119	229	31	83	Interest on issued securities	524	143	1 288	483
31	53	8	19	Interest on subordinated loans	19	8	53	31
42	104	15	44	Interest on senior non-preferred loans	44	15	104	42
52	48	13	12	Fees to the Norwegian Banks Guarantee Fund and other interest expenses	14	15	57	60
511	1 146	140	458	Interest expenses from financial instruments at amortised cost	900	255	2 212	881
511	1 146	140	458	Total interest expenses	900	255	2 212	881

5. LOSSES ON LOANS, GUARANTEES AND UNDRAWN CREDITS

Provisions for loss allowances and loss expenses for the period are calculated according to the accounting standard IFRS 9 and are based on expected credit loss (ECL) using the 3-stage model described in Note 7 of the 2021 financial statements.

As a result of covid-19 pandemic, the macro situation changed significantly in 2020, which improved at the end of the year and in 2021. In 2022, the macro figure has again become more uncertain with the war in Ukraine, high inflation and increasing interest rates. The Group's loss provision in Q4 2022 is based on new assumptions.

Model-based losses on loans are based on the Bank's IFRS 9 model. Among others, this model includes variables in a macro model. The macro model looks at the current PD level, and shows the expected development.

The following macro variables have been used when calculating impairment losses, as of December 31 2022:

	2022	2023	2024	2025	2026
Housing price %	4.9	-4.3	2.1	3.7	3.7
Housing price region %	4.9	-4.3	2.1	3.7	3.7
Unemployment %	3.3	3.7	3.7	4.1	4.1
Oil prices, USD	101.6	76.5	74.6	72.7	72.7
Policy rate	1.3	3	2.9	2.5	2.5
Import-weighted exchange rate	110	110.5	108.3	107.4	107.4
USD	10.0	10.0	9.8	9.7	9.7
CPI	5.8	4.8	2.8	2.6	2.6
Other collateral	0	0	0	0	0

The determination of macro variables is mainly based on figures from the Monetary Policy Report from Norges Bank and figures from Statistics Norway. Sparebanken Sør has to a large extent collateralized mortgages on real estate and the determination of these parameters for housing prices (including real estate) are considered to be the parameters that have the most significant effect on LGD (loss given default).

Sensitivity analyses related to the parameters that the Group considers to be most significant in today's situation, are reproduced in the table below.

GROUP					31.12.2022
Loan loss provisions	10 percent reduction	20 percent reduction	30 percent reduction	1 percent increase in	
NOK million	in collateral	in collateral	in collateral	unemployment	
Loan loss provisions, CM	58	127	207		79
Loan loss provisions, RM	21	47	78		14
Total	80	174	285		93

PARENT BANK					31.12.2022
Loan loss provisions	10 percent reduction	20 percent reduction	30 percent reduction	1 percent increase in	
NOK million	in collateral	in collateral	in collateral	unemployment	
Loan loss provisions, CM	58	125	204		79
Loan loss provisions, RM	9	19	32		7
Total	66	145	236		86

The bank's loss expenses are presented in the table below.

PARENT BANK				NOK million	GROUP			
31.12. 2021	31.12. 2022	Q4 2021	Q4 2022	Loss expense on loans during the period	Q4 2022	Q4 2021	31.12. 2022	31.12. 2021
-12	15	8	1	Period's change in write-downs stage 1	5	8	22	-13
-16	57	-7	9	+Period's change in write-downs stage 2	13	-5	64	-15
5	-19	3	-1	+Period's change in write-downs stage 3	-1	2	-15	6
12	5	2	2	+ Period's confirmed loss	2	2	6	12
2	0	-1	0	+ Recognised as interest income	0	-1	0	2
12	9	5	4	- Period's recoveries relating to previous losses	4	5	9	12
0	1	0	-1	+ Change in write-downs and guarantees	-1	0	1	0
0	7	0	0	+ Losses from fraud cases	0	0	7	0
-20	57	2	6	Loss expenses during the period	15	2	74	-18

GROUP

	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
NOK million				
Provisions for loan losses as at 01.01.2022	88	135	202	424
Transfers				
Transferred to stage 1	64	-36	-27	0
Transferred to stage 2	-8	13	-5	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	49	92	17	158
Losses on deducted loans *	-23	-43	-64	-130
Losses on older loans and other changes	-60	39	3	-18
Provisions for loan losses as at 31.12.2022	110	199	126	434
Provisions for loan losses	94	175	116	385
Provisions for guarantees and undrawn credits	15	24	10	49
Total provision for losses as at 31.12.2022	110	199	126	434

*Losses on deducted loans relate to losses on loans redeemed.

The tables also include impairment losses on off-balance items (unused credit and guarantees). These are presented as other liabilities in the balance sheet.

PARENT BANK

	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
NOK million				
Provisions for loan losses as at 01.01.2022	83	129	199	411
Transfers				
Transferred to stage 1	62	-34	-27	0
Transferred to stage 2	-7	12	-5	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	43	88	16	147
Losses on deducted loans *	-22	-41	-63	-126
Losses on older loans and other changes	-61	34	0	-27
Provisions for loan losses as at 31.12.2022	98	186	122	406
Provisions for loan losses	83	163	112	357
Provisions for losses on guarantees and undrawn credits	15	24	10	49
Total provision for losses as at 31.12.2022	98	186	122	406

*Losses on deducted loans relate to losses on loans redeemed or transferred between the Bank and Sparebanken Sør Boligkreditt AS.

The tables also include impairment losses on off-balance items (unused credit and guarantees). These are presented as other liabilities in the balance sheet.

GROUP	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
NOK million				
Provisions for loan losses as at 01.01.2021	101	149	217	468
Transfers				
Transferred to stage 1	43	-30	-13	0
Transferred to stage 2	-7	9	-2	0
Transferred to stage 3	-1	-2	3	0
Losses on new loans	38	37	2	77
Losses on deducted loans	-19	-41	-7	-68
Losses on older loans and other changes	-68	13	1	-53
Provisions for loan losses as at 31.12.2021	88	135	202	424
Provisions for loan losses	74	123	199	397
Provisions for guarantees and undrawn credits	13	11	3	27
Total provision for losses as at 31.12.2021	88	135	202	424

*Losses on deducted loans relate to losses on loans redeemed.

The tables also include impairment losses on off-balance items (unused credit and guarantees). These are presented as other liabilities in the balance sheet.

PARENT BANK	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
NOK million				
Provisions for loan losses as at 01.01.2021	94	145	217	456
Transfers				
Transferred to stage 1	42	-29	-13	0
Transferred to stage 2	-7	9	-2	0
Transferred to stage 3	-1	-2	3	0
Losses on new loans	36	36	2	74
Losses on deducted loans *	-17	-40	-7	-65
Losses on older loans and other changes	-65	11	-2	-55
Provisions for loan losses as at 31.12.2021	83	129	199	411
Provisions for loan losses	69	118	197	384
Provisions for losses on guarantees and undrawn credits	13	11	3	27
Total provision for losses as at 31.12.2021	83	129	199	411

* Losses on deducted loans relate to losses on loans redeemed.

The tables also include impairment losses on off-balance items (unused credit and guarantees). These are presented as other liabilities in the balance sheet.

6. NON-PERFORMING LOANS

All commitments in Stage 3 are defined as being in default. A new definition of default was implemented on 1 January 2021. Under the new definition, payment default is based on a minimum amount of NOK 1 000 for retail customers and NOK 2 000 for corporate customers. However, a new relative limit of 1 percent of the customer's commitment has also been introduced. Both conditions must be met before a default can be said to exist.

In addition to direct payment default, default will also exist in the event of other objective causes or qualitative assessments and loss indications. Default will also exist in the following situations:

Forbearance: This may be defined as a combination of financial difficulties and concessions on the part of the bank, where the bank has granted terms that would not have been granted to a healthy customer.

Unlikeliness to pay: This may relate to breaches of covenant or other information about the customer whose impact on the probability of default must be evaluated.

New contagion and quarantine rules have also been introduced, which means that if a joint loan is defaulted, co-borrowers will be tainted, and there will be a quarantine period of 3 to 12 months from the date on which the default is cleared until the customer is declared healthy.

PARENT BANK		NOK million	GROUP	
31.12. 2021	31.12. 2022		31.12. 2022	31.12. 2021
691	493	Total non-performing loans (step 3)	666	783
199	122	Impairment losses in stage 3	126	202
492	371	Net non-performing loans	541	581
28.8 %	24.7 %	Provisioning non-performing loans	18.9 %	25.8 %
1.03 %	0.73 %	Total non-performing loans in % of gross loans	0.54 %	0.67 %

7. IMPAIRMENT LOSSES BY SECTOR, INDUSTRY AND STAGE

Impairment losses by sector and industry

PARENT BANK				NOK million	GROUP			
Stage 1	Stage 2	Stage 3	Total impairment losses as of 31.12.2022		Total impairment losses as of 31.12.2022	Stage 3	Stage 2	Stage 1
8	14	27	50	Retail customers	81	31	32	17
0	0	0	0	Public administration	0	0	0	0
3	3	3	8	Primary Industry	8	3	3	3
2	3	5	9	Manufacturing industry	10	5	3	2
23	48	16	88	Real estate development	87	16	47	24
4	7	18	29	Building and construction industry	29	18	7	4
45	80	26	151	Property management	149	26	77	46
0	1	1	2	Transport	2	1	1	0
3	10	8	22	Retail trade	22	8	10	3
1	1	2	3	Hotel and restaurants	3	2	1	1
2	2	0	4	Housing cooperatives	4	0	2	2
2	6	8	15	Financial/commercial services	15	8	6	2
5	11	8	25	Social services	25	9	11	6
98	186	122	406	Total impairment losses on loans, guarantees and undrawn credit	434	126	199	110
83	163	112	357	Impairment losses on lending	385	116	175	94
15	24	10	49	Impairment losses on unused credits and guarantees	49	10	24	15
98	186	122	406	Total impairment losses	434	126	199	110

Industries are presented based on official industrial codes and are grouped as the Group reports these internally.

8. MIGRATION OF GROSS LOANS

PARENT BANK				31.12.2022		GROUP			
				NOK MILLION					
Stage 1*	Stage 2	Stage 3	Total	GROSS LOANS		Total	Stage 3	Stage 2	Stage 1*
57 884	8 860	668	67 413	Gross loans as at 01.01	117 049	762	11 047	105 240	
2 467	-2 292	-175	-0	Transferred to stage 1	-	-195	-2 961	3 156	
-2 867	2 888	-21	0	Transferred to stage 2	-0	-38	4 386	-4 348	
-80	-58	138	-	Transferred to stage 3	-	267	-110	-158	
548	-156	-22	370	Net change on present loans	-1 646	-30	-260	-1 356	
19 098	4 265	129	23 492	New loans	45 011	168	4 965	39 878	
-19 383	-3 705	-276	-23 363	Derecognised loans	-35 955	-298	-4 341	-31 316	
-223			-223	Change in value during the period	-223			-223	
57 445	9 802	442	67 689	Gross loans as at 31.12	124 237	637	12 726	110 874	
			47 602	Of which loan at amortised cost	119 701				
			15 551	Of which loan at fair value through OCI					
			4 535	Of which loan at fair value	4 535				
83	163	112	357	Impairment losses on lending	385	116	175	94	
0.14 %	1.66 %	25.33 %	0.53 %	Impairments in % of gross loans	0.31 %	18.24 %	1.37 %	0.08 %	
67 593	10 682	493	78 768	Commitments	140 391	666	13 672	126 054	
15	24	10	418	Impairment losses on commitments	434	126	199	110	
0.02 %	0.22 %	2.02 %	0.53 %	Impairments in % of commitments	0.31 %	18.93 %	1.45 %	0.09 %	

PARENT BANK				31.12.2021		GROUP			
				NOK MILLION					
Stage 1*	Stage 2	Stage 3	Total	GROSS LOANS		Total	Stage 3	Stage 2	Stage 1*
53 704	8 503	936	63 143	Gross loans as at 01.01	112 006	977	9 697	101 332	
1 905	-1 850	-55	-0	Transferred to stage 1	-0	-67	-2 311	2 378	
-2 486	2 503	-17	0	Transferred to stage 2	-0	-15	3 574	-3 559	
-116	-106	221	-	Transferred to stage 3	-	286	-127	-160	
-6 988	-64	-103	-7 156	Net change on present loans	-9 250	-109	-136	-9 005	
26 065	3 009	-119	28 956	New loans	43 806	-112	3 302	40 615	
-14 684	-2 511	-194	-17 389	Derecognised loans	-29 373	-199	-2 953	-26 220	
-141			-141	Change in value during the period	-141			-141	
57 259	9 484	668	67 412	Gross loans as at 31.12	117 049	762	11 047	105 240	
			43 129	Of which loan at amortised cost	112 046				
			19 280	Of which loan at fair value through OCI					
			5 003	Of which loan at fair value	5 003				
69	118	197	384	Impairment losses on lending	397	199	123	74	
0.12 %	1.24 %	29.45 %	0.57 %	Impairments in % of gross loans	0.34 %	26.14 %	1.12 %	0.07 %	
67 894	10 429	691	79 014	Commitments	133 009	783	12 055	120 171	
83	129	199	411	Impairment losses on commitments	421	202	135	88	
0.12 %	1.24 %	28.85 %	0.52 %	Impairments in % of commitments	0.32 %	25.76 %	1.12 %	0.07 %	

* Loans at fair value have previously been reported on a separate row in note 8 in the quarterly accounts for 2021. These loans are included in the annual report as part of step 1.

This is because these loans are valued on an ongoing basis at fair value and are not included in the model calculations in accordance with IFRS 9.

PARENT BANK

31.12.2021				NOK MILLION		31.12.2022			
Stage 1	Stage 2	Stage 3	Total	GROSS LOAN ASSESSED AT AMORTISED COST		Total	Stage 3	Stage 2	Stage 1
34 001	6 013	817	40 832	Gross loans assessed at amortised cost 01.01		43 129	627	6 438	36 064
1 377	-1 337	-40	0	Transferred to stage 1		0	-171	-2 012	2 183
-1 875	1 883	-8	0	Transferred to stage 2		0	-18	2 426	-2 408
-113	-101	215	0	Transferred to stage 3		0	116	-44	-72
-6 553	-29	-96	-6 677	Net change on present loans		850	-23	-125	998
14 982	1 364	-122	16 225	New loans		13 577	112	2 939	10 526
-5 755	-1 355	-140	-7 250	Derecognised loans		-9 954	-267	-2 034	-7 653
36 064	6 438	627	43 129	Gross loan assessed at amortised cost 31.12		47 602	376	7 588	39 638

PARENT BANK

31.12.2021				NOK MILLION		31.12.2022			
Stage 1	Stage 2	Stage 3	Total	GROSS LOAN THROUGH OTHER COMPREHENSIVE INCOME		Total	Stage 3	Stage 2	Stage 1
14 758	1 864	112	16 735	Gross loan through other comprehensive income 01.01		19 280	41	2 422	16 817
321	-308	-14	-0	Transferred to stage 1		0	-4	-280	284
-407	412	-5	-0	Transferred to stage 2		0	-3	462	-459
-2	-4	7	0	Transferred to stage 3		0	22	-14	-8
-145	-5	-8	-158	Net change on present loans		-247	-0	-31	-216
10 425	1 528	3	11 956	New loans		9 209	16	1 326	7 867
-8 135	-1 065	-54	-9 253	Derecognised loans		-12 691	-9	-1 671	-11 011
16 817	2 422	41	19 280	Gross loan through other comprehensive income 31.12		15 551	65	2 213	13 273

9. CUSTOMER DEPOSITS BY SECTOR AND INDUSTRY

PARENT BANK		NOK million	GROUP	
31.12.2021	31.12.2022		31.12.2022	31.12.2021
31 173	32 149	Retail customers	32 156	31 177
9 158	10 732	Public administration	10 734	9 159
832	933	Primary industry	933	832
1 917	1 870	Manufacturing industry	1 870	1 917
850	761	Real estate development	756	802
1 586	1 723	Building and construction industry	1 724	1 587
3 240	3 488	Property management	3 489	3 240
718	746	Transport	746	718
1 397	1 567	Retail trade	1 567	1 398
262	286	Hotel and restaurant	286	262
168	171	Housing cooperatives	171	168
5 185	4 358	Financial/commercial services	4 359	5 186
6 691	6 773	Social services	6 774	6 692
8	31	Accrued interests	31	8
63 185	65 587	Total deposits from customers	65 596	63 146

The breakdown is based on official industry codes and corresponds to the Groups internal reporting.

10. LOANS TO CUSTOMERS BY SECTOR AND INDUSTRY

PARENT BANK		NOK million	GROUP	
31.12.2021	31.12.2022		31.12.2022	31.12.2021
29 357	25 851	Retail customers	80 709	77 549
430	256	Public administration	257	431
1 381	1 509	Primary industry	1 640	1 497
764	867	Manufacturing industry	940	840
3 666	4 655	Real estate development	4 624	3 632
1 433	1 716	Building and construction industry	2 043	1 726
19 579	21 823	Property management	21 890	19 648
500	404	Transport	494	594
1 401	1 673	Retail trade	1 817	1 519
400	379	Hotel and restaurant	411	430
1 494	1 628	Housing cooperatives	1 632	1 496
929	949	Financial/commercial services	1 285	1 198
5 950	5 733	Social services	6 163	6 322
128	245	Accrued interests	332	167
67 412	67 689	Total gross loans	124 236	117 049
384	357	Impairment losses on lending	385	397
67 028	67 332	Total net loans	123 852	116 653

*Impairment losses on lending relate only to loans to customers and do not include impairment losses on unused credit and guarantees. Impairment losses in this note are not comparable to other figures relating to losses.

The breakdown is based on official industry codes and corresponds to the Group's internal reporting.

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

Classification of financial instruments

Financial instruments are classified at different levels.

Level 1:

Includes financial assets and liabilities measured using unadjusted observable market values. This includes listed shares, derivatives traded via active marketplaces and other securities with quoted market values.

Level 2:

Instruments measured using techniques in which all assumptions (all inputs) are based on directly or indirectly observable market data. Such values may be obtained from external market players or reconciled against external market players offering these types of services.

Level 3:

Instruments measured using techniques in which at least one essential assumption cannot be supported by observable market values. This category includes investments in unlisted companies and fixed-rate loans where no required market information is available.

For a more detailed description, see Note 22 Fair value of financial instruments in the 2021 Annual Financial Statements.

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.12.2022	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
				Assets recognized at amortised cost				
590		590		Cash and receivables from central banks	590		590	
10 211		10 211		Loans to credit institutions	6 198		6 198	
47 251			47 251	Net loans to customers (floating interest rate)	119 316			119 316
				Assets recognized at fair value				
4 535			4 535	Net loans to customers (fixed interest rate)	4 535			4 535
15 545			15 545	Net loans to customers (mortgages)				
16 393		16 393		Bonds and certificates	22 851		22 851	
230	33		197	Shares	230	33		197
947		947		Financial derivatives	1 440		1 440	
95 703	33	28 141	67 529	Total financial assets	155 161	33	31 079	124 049
				Liabilities recognized at amortised cost				
3 584		3 584		Liabilities to credit institutions	3 507		3 507	
65 587			65 587	Deposits from customers	65 596			65 596
9 477		9 414		Liabilities from issue of securities	62 758		62 509	
4 491		4 401		Senior non-preferred	4 491		4 401	
1 662		1 639		Subordinated loan capital	1 662		1 639	
				Liabilities recognized at fair value				
778		778		Financial derivatives	2 599		2 599	
85 579	0	19 816	65 587	Total financial liabilities	140 613	0	74 655	65 596

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.12.2021	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortised cost								
437		437		Cash and receivables from central banks	437		437	
5 644		5 644		Loans to credit institutions	1 789		1 789	
42 750			42 750	Net loans to customers (floating interest rate)	111 650			111 650
Assets recognized at fair value								
5 003			5 003	Net loans to customers (fixed interest rate)	5 003			5 003
19 275			19 275	Net loans to customers (mortgages)				
17 743		17 743		Bonds and certificates	22 062		22 062	
193	9		184	Shares	193	9		184
367		367		Financial derivatives	1 104		1 104	
91 412	9	24 191	67 212	Total financial assets	142 238	9	25 392	116 836
Liabilities recognized at amortised cost								
2 660		2 660		Liabilities to credit institutions	2 627		2 627	
63 185			63 185	Deposits from customers	63 146			63 146
10 013		10 029		Liabilities from issue of securities	56 605		56 710	
3 499		3 512		Senior non-preferred	3 499		3 512	
1 654		1 669		Subordinated loan capital	1 654		1 669	
Liabilities recognized at fair value								
322		322		Financial derivatives	844		844	
81 331	-	18 191	63 185	Total financial liabilities	128 373	-	65 361	63 146

Movement level 3

GROUP

NOK million	Net loans to customers	Of which credit risk	Shares
Recognized value as at 01.01.2021	5 575	25	160
Acquisitions Q1-Q4	817		19
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 141	24	6
Disposals Q1-Q4	-1 248		- 1
Reclassified as associated company			
Recognized value as at 31.12.2021	5 003	50	184
Acquisitions Q1-Q4	744		13
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 223	- 47	- 1
Disposals Q1-Q4	- 989		- 0
Reclassified as associated company			
Recognized value as at 31.12.2022	4 535	3	197

PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares
Recognized value as at 01.01.2021	22 304	25	160
Acquisitions Q1-Q4	3 797		19
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-141	24	6
Disposals Q1-Q4	-1 681		-1
Reclassified as associated company			
Recognized value as at 31.12.2021	24 278	50	184
Acquisitions Q1-Q4	744		13
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-223	-47	-1
Disposals Q1-Q4	-4 719		-0
Reclassified as associated company			
Recognized value as at 31.12.2022	20 081	3	197

Sensitivity analysis

Changes in value as a result of a change in credit spread of 10 basis points.

GROUP / PARENT BANK

NOK million	31.12.2022	31.12.2021
Loans to customers	19	20
- of which loans to corporate market (CM)	1	1
- of which loans to retail market (RM)	18	19

12. FINANCIAL DERIVATIVES, COLLATERAL RECEIVED AND OFFSETTING

Sparebanken Sør and Sparebanken Sør Boligkreditt AS have agreements that regulate counterparty risk and netting of derivatives.

ISDA agreements have been concluded with financial counterparties where a supplementary agreement has been signed with regard to collateral (CSA). Through the agreements, the Group has the right to offset balances if certain events occur. The amounts are not offset in the balance sheet due to the fact that the transactions are normally a gross settlement. Sparebanken Sør (parent bank) has also entered into an agreement on clearing derivatives where the counterparty risk is transferred to a central counterparty (clearing house) that calculates the need of collateral. The assets and liabilities are presented in the table below.

GROUP							31.12.2022
NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net			
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount	
Derivatives - assets	1 440	0	1 440	718	624	98	
Derivatives - liabilities	-2 599	0	-2 599	- 718	0	-1 882	
Net	-1 159	0	-1 159	0	624	-1 783	

GROUP							31.12.2021
NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net			
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount	
Derivatives - assets	1 104	0	1 104	548	-228	784	
Derivatives - liabilities	-844	0	-844	- 548	80	-376	
Net	260	0	260	0	- 148	408	

PARENT BANK							31.12.2022
NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net			
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount	
Derivatives - assets	947	0	947	225	624	98	
Derivatives - liabilities	-778	0	-778	- 225	0	-553	
Net	169	0	169	0	624	-455	

PARENT BANK							31.12.2021
NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net			
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount	
Derivatives - assets	367	0	367	195	-5	176	
Derivatives - liabilities	-322	0	-322	-195	80	-207	
Net	45	0	45	0	76	-31	

* Netting agreements are not offset in the balance sheet because the transactions are normally not settled on a net basis.

13. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

Debt securities - Group

NOK million	31.12.2022	31.12.2021
Bonds, nominal value	65 287	56 227
Value adjustments	-2 736	242
Accrued interest	207	136
Debt incurred due to issuance of securities	62 758	56 605

Change in debt securities - Group

NOK million	31.12.2021	Issued	Matured/ Redeemed	Other changes during the period	31.12.2022
Bonds, nominal value	56 227	17 127	-9 046	980	65 287
Value adjustments	242			-2 978	-2 736
Accrued interest	136			70	207
Debt incurred due to issuance of securities	56 605	17 127	-9 046	-1 928	62 758

Debt securities - Parent bank

NOK Million	31.12.2022	31.12.2021
Bonds, nominal value	9 550	9 950
Value adjustments	-132	11
Accrued interest	59	52
Debt incurred due to issuance of securities	9 477	10 013

Change in debt securities - Parent bank

NOK million	31.12.2021	Issued	Matured/ Redeemed	Other changes during the period	31.12.2022
Bonds, nominal value	9 950	4 250	-4 351	-299	9 550
Value adjustments	11			-143	-132
Accrued interest	52			8	59
Debt incurred due to issuance of securities	10 013	4 250	-4 351	-434	9 477

Change in subordinated capital - Parent bank and Group

NOK million	31.12.2021	Issued	Matured/ Redeemed	Other changes during the period	31.12.2022
Subordinated loans	1 650	-200	200		1 650
Value adjustments				3	3
Accrued interest	4			6	9
Total subordinated loan capital	1 654	-200	200	9	1 662

Change in non-preferred senior debt - Parent bank and Group

NOK million	31.12.2021	Issued	Matured/ Redeemed	Other changes during the period	31.12.2022
Non-preferred senior debt	3 500	1 000	0	0	4 500
Value adjustments	-7			-24	-31
Accrued interest	5			16	22
Total non-preferred senior debt	3 499	1 000	0	-8	4 491

14. EQUITY CERTIFICATE HOLDERS

The 20 largest equity certificate holders as of 31.12.2022 were as follows:

NAME	Number of EC	Share of EC-CAP. %	NAME	Number of EC	Share of EC-CAP. %
1. Sparebankstiftelsen Sparebanken Sør	34 027 792	81.60	11. Ottersland AS	100 000	0.24
2. Eika utbytte VPF c/o Eika kapitalforv.	719 960	1.73	12. DNB Luxembourg S.A.	100 000	0.24
3. Pareto Invest Norge AS	317 309	0.76	13. MP Pensjon PK	85 523	0.21
4. Drangslund Kapital AS	302 107	0.72	14. Lombard Int Assurance S.A.	82 800	0.20
5. Glastad Capital AS	200 000	0.48	15. Geir Bergskaug	76 203	0.18
6. Wenaasgruppen AS	186 000	0.45	16. Gunnar Hillestad	74 600	0.18
7. Hamjern Invest AS	180 099	0.43	17. Alf Albert	73 044	0.18
8. Gumpen Bileiendom AS	174 209	0.42	18. Apriori Holding AS	72 575	0.17
9. KLP Gjensidige Forsikring	163 300	0.39	19. K.T. Brøvig Invest AS	72 000	0.17
10. Allumgården AS	151 092	0.36	20. Varodd AS	70 520	0.17
Total - 10 largest certificate holders	36 421 868	87.34	Total - 20 largest certificate holders	37 229 133	89.27

As of 1 January 2022, the ownership ratio was 15.7 percent. Hybrid capital, classified as equity, has been excluded when calculating the ownership ratio. As of 31 December 2022, the ownership ratio was 40.0 percent.

The equity certificate capital amounted to NOK 2 085 152 850 distributed over 41 703 057 equity certificates, each with a nominal value of NOK 50. At the reporting date, Sparebanken Sør owned 27 548 of its own equity certificates.

15. EFFECTS OF THE TRANSITION TO "REGULATORY IFRS" IN PARENT BANK

Changes in the accounting principle for the Parent bank have led to a reclassification of liabilities related to proposed dividends and gift funds as discussed in note 1. The effect of reclassification for previous periods is shown in the table below.

The change in principle has not resulted in a change in items in the income statement, other comprehensive income, or cash flow.

Effects of the transition to "regulatory IFRS" - Parent bank

NOK million	Reported 31.12.2020	Reclassification	Adjusted 31.12.2020	Reported 31.12.2021	Reclassification	Adjusted 31.12.2021
TOTAL ASSETS	98 022		98 022	95 328		95 328
Total liabilities	85 886	299	86 185	82 050	266	82 315
Total equity	12 136	-299	11 837	13 278	-266	13 013
TOTAL LIABILITIES AND EQUITY	98 022		98 022	95 328		95 328

Risk and capital management

The Group's risk management procedures ensure that the Group's risk exposure is known at all times and are instrumental in helping the Group to achieve its strategic objectives and comply with legal and regulatory requirements. Governing targets are established for the Group's overall risk level and each specific risk area, and systems are in place to calculate, manage and control risk. The aim of capital management is to ensure that the Group has an acceptable tier 1 capital ratio, is financially stable and achieves a satisfactory return commensurate with its risk profile. The Group's total capital ratio and risk exposure are monitored through periodic reports.

Credit risk

Credit risk is defined as the risk of loss due to customers or counterparties failing to meet their obligations. One of the key risk factors relating to Sparebanken Sør's operations is credit risk. Future changes in the Bank's losses will also be impacted by general economic trends. This makes the granting of credit and associated processes one of the most important areas for the Bank's risk management.

Credit risk is managed through the Group's strategy and policy documents, credit routines, credit processes, scoring models and authority mandates.

Market risk

Market risk generally arises from the Group's unhedged transactions in the interest rate, currency and equity markets. Such risk can be divided into interest rate risk, currency risk, share risk and spread risk, and relates to changes in results caused by fluctuations in interest rates, market prices and/or exchange rates. The Board of Directors establishes guidelines and limits for managing market risk.

Liquidity risk

Liquidity risk relates to Sparebanken Sør's ability to finance its lending growth and fulfil its loan obligations subject to market conditions. Liquidity risk also includes a risk of the financial markets that the Group wishes to use ceasing to function. The Board of Directors establishes guidelines and limits for the management of liquidity risk.

Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failing internal processes, procedures or systems, human error or malpractice, or external events. Examples of operational risk include undesirable actions and events such as IT systems failure, money laundering, corruption, embezzlement, insider dealing, fraud, robbery, threats against employees, breaches of authority and breaches of established routines, etc.

Business risk

Business risk is defined as the risk of unexpected fluctuations in revenue based on factors other than credit risk, liquidity risk, market risk and operational risk. This risk could, for example, derive from regulatory amendments or financial or monetary policy measures, including changes in fiscal and currency legislation, which could have a negative impact on the business.

All risks at Sparebanken Sør must be subject to active and satisfactory management, based on objectives and limits for risk exposure and risk tolerance established by the Board of Directors.

Quarterly trend in results

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Profit (NOK million)					
Net interest income	683	609	555	521	506
Net commission income	115	107	106	89	124
Net income from financial instruments	46	-69	-33	-26	-26
Income from associated companies	46	28	24	27	66
Other operating income	1	1	1	1	11
Total net income	892	677	654	612	682
Total operating expenses before losses	311	282	293	259	268
Operating profit before losses	581	395	361	352	414
Losses on loans, guarantees and undrawn credits	15	51	11	-2	2
Profit before taxes	566	344	351	355	412
Tax expenses	98	77	77	79	83
Profit for the period	468	267	273	276	328
Profit as % of average assets					
Net interest income	1.76 %	1.60 %	1.48 %	1.44 %	1.39 %
Net commission income	0.30 %	0.28 %	0.28 %	0.24 %	0.34 %
Net income from financial instruments	0.12 %	-0.18 %	-0.09 %	-0.07 %	-0.07 %
Income from associated companies	0.12 %	0.07 %	0.06 %	0.07 %	0.18 %
Other operating income	0.00 %	0.00 %	0.00 %	0.00 %	0.03 %
Total net income	2.30 %	1.78 %	1.75 %	1.69 %	1.88 %
Total operating expenses before losses	0.80 %	0.74 %	0.78 %	0.72 %	0.74 %
Operating profit before losses	1.50 %	1.04 %	0.97 %	0.97 %	1.14 %
Losses on loans, guarantees and undrawn credit	0.04 %	0.13 %	0.03 %	-0.01 %	0.01 %
Profit before taxes	1.46 %	0.91 %	0.94 %	0.98 %	1.13 %
Tax expenses	0.25 %	0.20 %	0.21 %	0.22 %	0.23 %
Profit for the period	1.20 %	0.70 %	0.73 %	0.76 %	0.90 %
Key figures, income statement					
Return on equity after tax (adjusted for hybrid capital)	12.8 %	7.1 %	7.2 %	7.8 %	9.4 %
Costs as % of income	34.8 %	41.6 %	44.8 %	42.4 %	39.3 %
Costs as % of income, excl. net income from financial instruments	36.7 %	37.8 %	42.7 %	40.6 %	37.9 %
Key figures, balance sheet					
Total assets	157 435	150 879	151 803	148 072	144 182
Average total assets	154 000	151 000	150 000	147 000	144 200
Net loans to customers	123 852	122 713	121 303	117 918	116 653
Growth in loans as %, last 12 mths.	6.2 %	5.3 %	5.4 %	4.5 %	4.5 %
Customer deposits	65 596	65 368	67 220	64 741	63 146
Growth in deposits as %, last 12 mths.	3.9 %	0.3 %	1.8 %	6.4 %	5.5 %
Deposits as % of net loans	53.0 %	53.3 %	55.4 %	54.9 %	54.1 %
Equity (incl. hybrid capital)	15 779	15 486	15 165	15 163	14 941
Losses on loans as % of net loans, annualised	0.05 %	0.17 %	0.04 %	-0.01 %	0.01 %
Other key figures					
Liquidity reserves (LCR), Group	177 %	148 %	160 %	156 %	140 %
Liquidity reserves (LCR), Group- EUR	387 %	2 597 %	805 %	2628 %	604 %
Liquidity reserves (LCR), Parent Bank	169 %	130 %	152 %	138 %	127 %
Common equity tier 1 capital ratio	17.1 %	17.5 %	17.4 %	16.7 %	16.4 %
Tier 1 capital ratio	18.5 %	18.9 %	18.9 %	18.4 %	18.1 %
Total capital ratio	20.7 %	21.1 %	21.2 %	20.5 %	20.3 %
Common equity tier 1 capital	13,653	13,569	13,388	13,252	13,004
Tier 1 capital	14,784	14,692	14,525	14,633	14,376
Net subordinated capital	16,518	16,412	16,245	16,346	16,074
Leverage ratio	9.1 %	9.2 %	9.0 %	9.3 %	9.4 %
Number of branches	35	35	35	35	35
Number of FTEs in banking operations	485	482	474	471	464
Key figures, equity certificates					
Equity certificate ratio	40.0 %	40.0 %	40.0 %	15.5 %	15.7 %
Number of equity certificates issued	41 703 057	41 703 057	41 703 057	15 663 944	15 663 944
Profit per equity certificate (Parent Bank)	3.8	1.9	2.0	5.0	2.4
Profit per equity certificate (Group)	4.5	2.5	2.4	2.6	3.2
Dividend last year per equity certificate (Parent Bank)	141.0	138.6	135.2	132.7	136.4
Dividend paid last period per equity certificate	0.92	0.86	1.00	1.18	1.07
Book equity per equity certificate	129.5	119.0	134.5	157.0	146.0

Key figures Group 2017-2022

	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Income statement (NOK million)						
Net interest income	2 368	1 939	1 914	1 926	1 729	1 679
Net commission income	417	419	347	344	318	312
Net income from financial instruments	-81.6	0	40	24	2	88
Other operating income	5	191	143	74	23	18
Total net income	2 834	2 549	2 444	2 368	2 072	2 097
Total operating expenses before losses	1 145	1 018	958	918	884	811
Operating profit before losses	1 690	1 531	1 486	1 450	1 188	1 286
Losses on loans and guarantees	74	- 18	83	-17	-36	20
Profit before taxes	1 615	1 549	1 403	1 467	1 224	1 266
Tax expenses	332	323	307	342	285	282
Profit for the period	1 283	1 226	1 096	1 125	939	984
Profit as a percentage of average assets						
Net interest income	1.58 %	1.35 %	1.36 %	1.53 %	1.46 %	1.53 %
Net commission income	0.28 %	0.29 %	0.25 %	0.27 %	0.27 %	0.28 %
Net income from financial instruments	-0.05 %	0.00 %	0.03 %	0.02 %	0.00 %	0.08 %
Other operating income	0.00 %	0.13 %	0.10 %	0.06 %	0.02 %	0.02 %
Total net income	1.89 %	1.78 %	1.74 %	1.88 %	1.75 %	1.92 %
Total operating expenses before losses	0.76 %	0.71 %	0.68 %	0.73 %	0.75 %	0.74 %
Operating profit before losses	1.13 %	1.07 %	1.06 %	1.15 %	1.00 %	1.17 %
Losses on loans and guarantees	0.05 %	-0.01 %	0.06 %	-0.01 %	-0.03 %	0.02 %
Profit before taxes	1.08 %	1.08 %	1.00 %	1.17 %	1.03 %	1.16 %
Tax expenses	0.22 %	0.23 %	0.22 %	0.27 %	0.24 %	0.26 %
Profit for the period	0.86 %	0.86 %	0.78 %	0.89 %	0.79 %	0.90 %
Key figures, income statement						
Return on equity after tax (adjusted for hybrid capital)	8.7 %	9.0 %	8.4 %	9.5 %	8.5 %	9.7 %
Costs as % of income	40.4 %	39.9 %	39.2 %	38.8 %	42.7 %	38.7 %
Costs as % of income, excl. net income from financial instruments	39.3 %	40.0 %	39.9 %	39.2 %	42.7 %	40.4 %
Key figures, balance sheet						
Total assets	157 435	144 182	142 126	129 499	121 125	114 310
Average total assets	150 000	143 100	140 400	125 900	118 600	109 500
Net loans to customers	123 852	116 653	111 577	106 334	102 942	97 518
Grows in loans as %, last 12 mths.	6.2 %	4.5 %	4.9 %	3.3 %	5.6 %	7.2 %
Customer deposits	65 596	63 146	59 833	57 949	56 537	55 580
Growth in deposits as %, last 12 mths.	3.9 %	5.5 %	3.3 %	2.5 %	1.7 %	7.8 %
Deposits as % of net loans	53.0 %	54.1 %	53.6 %	54.5 %	54.9 %	57.0 %
Equity (incl. hybrid capital)	15 779	14 941	13 752	13 081	11 845	11 108
Losses on loans as % of net loans, annualised	0.05 %	-0.02 %	0.07 %	-0.01 %	-0.03 %	0.02 %
Gross non-performing loans (over 90 days) as % of gross lending	IA	IA	0.29 %	0.27 %	0.21 %	0.28 %
Other key figures						
Liquidity reserves (LCR), Group	177 %	140 %	173 %	148 %	159 %	139 %
Liquidity reserves (LCR), Group- EUR	387 %	604 %	107 %	1 168 %	4 727 %	3 105 %
Liquidity reserves (LCR), Parent Bank	169 %	127 %	154 %	140 %	180 %	134 %
Common equity tier 1 capital ratio	17.1 %	16.4 %	15.7 %	15.7 %	14.8 %	14.9 %
Tier 1 capital ratio	18.5 %	18.1 %	17.1 %	17.6 %	16.6 %	16.7 %
Total capital ratio	20.7 %	20.3 %	19.1 %	20.3 %	18.7 %	18.9 %
Common equity tier 1 capital	13 653	13 004	12 204	11 356	10 517	9 890
Tier 1 capital	14 784	14 376	13 315	12 767	11 591	10 965
Net total primary capital	16 518	16 074	14 864	14 686	13 096	12 347
Leverage ratio	9.1 %	9.4 %	8.9 %	9.3 %	9.1 %	9.2 %
Number of branches	35	35	35	34	34	34
Number of FTEs in banking operations	485	464	442	429	434	432
Key figures, equity certificates						
Equity certificate ratio before profit distribution	40.0 %	15.7 %	17.3 %	17.2 %	17.9 %	18.7 %
Number of equity certificates issued	41 703 057	15 663 944	15 663 944	15 663 944	15 663 944	15 663 944
Profit per equity certificate (Parent Bank)	12.6	11.8	10.5	9.3	7.7	8.9
Profit per equity certificate (Group)	11.9	12.2	11.3	11.7	10.1	11.2
Dividend last year per equity certificate (Parent Bank)	6.0	8.0	14.0	0.0	6.0	6.0
Book equity per equity certificate	141.0	136.4	140.0	128.5	123.2	120.0
Price/book value per equity certificate	0.92	1.07	0.82	0.86	0.79	0.87
Listed price on Oslo Stock Exchange at end of period	129.5	146.0	114.5	110.0	96.9	104.0

	Q4	Q3	Q2	Q1	Q4	31.12.	31.12.
NOK million	2022	2022	2022	2022	2021	2022	2021
Return on equity adjusted for hybrid capital							
Profit after tax	468	267	273	276	328	1 283	1 223
Interest on hybrid capital	-13	-11	-21	-12	-9	-56	-46
Tax on hybrid capital	14					14	
Profit after tax. incl. Interest on hybrid capital	469	257	252	264	320	1 227	1 177
Opening balance. equity	15 486	15 165	15 163	14 941	14 394	14 941	13 752
Opening balance. hybrid capital	-1 085	-1 085	-1 335	-1 335	-1 085	-1 335	-1 075
Opening balance. equity excl. hybrid capital	14 401	14 080	13 828	13 606	13 309	13 606	12 677
Closing balance. equity	15 779	15 486	15 165	15 163	14 941	15 779	14 941
Closing balance. hybrid capital	-1 085	-1 085	-1 085	-1 335	-1 335	-1 085	-1 335
Closing balance. equity excl. hybrid capital	14 694	14 401	14 080	13 827	13 606	14 694	13 606
Average equity	15 632	15 325	15 164	15 052	14 668	15 360	14 347
Average equity excl. Hybrid capital	14 547	14 240	13 954	13 717	13 458	14 150	13 142
Return on equity	11.9 %	6.9 %	7.2 %	7.4 %	8.9 %	8.3 %	8.5 %
Return on equity. excl. hybrid capital	12.8 %	7.1 %	7.2 %	7.8 %	9.4 %	8.7 %	9.0 %
Net interest income. incl. interest on hybrid capital							
Net interest income. incl. interest on hybrid capital	683	609	555	521	506	2 368	1 939
Interest on hybrid capital	1	-11	-21	-12	-9	-42	-46
Net interest income. incl. interest on hybrid capital	684	598	535	509	498	2 326	1 892
Average total assets	154 000	151 000	150 000	147 000	144 200	149 042	143 100
As percentage of total assets	1.76 %	1.57 %	1.43 %	1.40 %	1.37 %	1.56 %	1.32 %
Profit from ordinary operations (adjusted earnings)							
Net interest income. incl. Interest on hybrid capital	674	598	535	509	498	2 326	1 892
Net commission income	115	107	106	89	124	417	419
Share of profit from associated companies	46	28	24	27	66	125	174
Other operating income	1	1	1	1	0	5	7
Operating expenses	311	282	278	267	281	1 145	1 031
Profit from ordinary operations (adjusted earnings). before tax	526	453	388	359	408	1 729	1 461
Losses on loans. guarantees and undrawn credits	15	51	11	-2	2	74	-18
Profit excl. finance and adjusted for non-recurring items	511	402	378	362	406	1 655	1 479
Tax (25 %) adjusted for tax. share of profit associated companies	114	93	88	84	85	375	326
Ordinary operations /adjusted earnings after losses and tax	397	309	289	278	321	1 280	1 153
Average equity. excl. hybrid capital	14 547	14 240	13 954	13 717	13 458	14 150	13 142
Return on equity. profit excl. finance and adjusted for non-recurring items	10.8 %	8.6 %	8.3 %	8.2 %	9.5 %	9.0 %	8.8 %
Average interest rates/margins							
Average lending rate RM (return)	3.79 %	2.86 %	2.52 %	2.35 %	2.12 %		
Average lending rate CM (return)	5.42 %	4.35 %	3.69 %	3.42 %	3.06 %		
Average deposit rate RM	1.10 %	0.58 %	0.41 %	0.34 %	0.28 %		
Average deposit rate CM	2.25 %	1.53 %	0.91 %	0.74 %	0.55 %		
Average 3-month NIBOR	3.31 %	2.39 %	1.36 %	1.20 %	0.79 %		
Lending margin RM (lending rate - 3-month NIBOR)	0.48 %	0.47 %	1.16 %	1.15 %	1.33 %		
Lending margin CM (lending rate - 3-month NIBOR)	2.12 %	1.97 %	2.33 %	2.22 %	2.27 %		
Deposit margin RM (3-month NIBOR - deposit rate)	2.21 %	1.81 %	0.95 %	0.86 %	0.51 %		
Deposit margin CM (3-month NIBOR - deposit rate)	1.06 %	0.86 %	0.45 %	0.46 %	0.24 %		
Interest-rate margin (lending rate - deposit rate)							
Interest-rate margin RM	2.69 %	2.28 %	2.10 %	2.00 %	1.84 %		
Interest-rate margin CM	3.18 %	2.83 %	2.78 %	2.68 %	2.51 %		

The Board of Directors' report and accounting presentations refer to certain adjusted figures, which are not defined by IFRS (Alternative Performance Measures – APM). For definitions of Sparebanken Sør's APM, please refer to next section.

Sparebanken Sør's alternative performance measures (APMs) provide useful information which supplements the financial statements. These measures are not defined under IFRS and may not be directly comparable with other companies' adjusted measures. The APMs are not intended to replace or overshadow any IFRS measures of performance, but have been included to provide a better picture of Sparebanken Sør's underlying operations.

Key financial ratios regulated by IFRS or other legislation are not considered APMs. The same is true of non-financial information. Sparebanken Sør's APMs are presented in the key figures for the Group, in the calculations and in the Board of Directors' report. APMs are shown with comparable figures for earlier periods. All APMs referred to below have been applied consistently over time.

Sparebanken Sør's APMs and definitions

Measure	Definition
Return on equity (ROE)	ROE provides relevant information on Sparebanken Sør's profitability by measuring the ability to generate profits from the shareholders' investments. ROE is one of the Group's most important financial APMs and is calculated as: Profit after tax for the period (adjusted for interest on hybrid capital) divided by average equity (adjusted for hybrid capital).
Book equity per equity certificate (including dividend)	This key figure provides information on the value of book equity per equity certificate. This enables the reader to assess the reasonableness of the market price of the equity certificate. Book equity per equity certificate is calculated as the equity certificate holders' share of the equity (excluding hybrid capital) at the end of the period divided by the total number of outstanding certificates.
Profit / diluted earnings per equity certificate	This key figure provides information on the profit/diluted earnings per equity certificate in the period. Profit per equity certificate is calculated by multiplying profit after tax by the equity certificate ratio, divided by the number of equity certificates issued. Diluted earnings per equity certificate is calculated by multiplying majority interests by the equity certificate ratio, divided by the number of equity certificates issued.
Growth in loans as %, last 12 months	Growth in lending over the last 12 months is a performance measure that provides information on the level of activity and growth in the bank's lending business. The bank uses Sparebanken Sør Boligkreditt (SSBK) as a source of funding, and this key figure includes loans transferred to SSBK since this better reflects the relevant comparable level of growth. Lending growth is calculated as gross loans incl. loans transferred to SSBK at period-end minus gross loans incl. loans transferred to SSBK as at the same date in the previous year, divided by gross loans incl. loans transferred to SSBK as at the same date.
Growth in deposits as %, last 12 months	Growth in deposits over the last 12 months provides information on the level of activity and growth in the bank's financing of lending activities that is not established in the financial market. Deposit growth is calculated as total deposits at period-end minus total deposits at the same date in the previous year, divided by total deposits at the same date in the previous year.
Cost/income ratio (Expenses as % of income)	This ratio is included to provide information on the correlation between income and expenses and is considered to be one of Sparebanken Sør's most important performance measures. It is calculated as total operating expenses divided by total income.
Price/book equity per equity certificate	This measure is used to compare the company's current market price to its book value. It is frequently used to compare banks and is calculated as Sparebanken Sør's closing equity certificate price at the end of the period divided by the book value per equity certificate.
Losses on loans as % of net loans (annualised)	This key figure indicates losses on loans as a percentage of net loans. It is calculated as losses on loans (including losses on loans transferred to SSBK) divided by net loans (including loans transferred to SSBK) at period-end. Where information is disclosed on loan-loss ratios for periods shorter than one year, the ratios are annualised.
Gross non-performing loans (over 90 days) as % of gross loans	This ratio provides relevant information on the bank's credit exposure. It is calculated as total non-performing exposure (over 90 days) divided by total loans, including loans transferred to SSBK, at period-end.
Lending margin (CM and RM)	Measures the group's average margin on loans, calculated as average lending rate in the period less average 3-month NIBOR for the period. The average lending rate is calculated as interest income from loans to customers divided by average loans to customers in the period.
Deposit margin (CM and RM)	Measures the group's average margin on deposits, calculated as the average 3-month NIBOR in the period less average deposit rate in the period. The average deposit rate is calculated as interest expense on customer deposits divided by average deposits from customers in the period.
Average lending rate	See Lending margin (CM and RM) above.
Average deposit rate	See Deposit margin (CM and RM) above.

Declaration in accordance with sections § 5-6 of the Norwegian Securities Trading Act

The Board of Directors and CEO of Sparebaken Sør hereby confirm that the bank and the group's financial statements for 4th quarter of 2022 have been prepared in accordance with applicable accounting standards, and that the information provided in the financial statements provides a true and fair view of the company's assets, liabilities, financial position and overall results.

In addition, we confirm that the half-year report provides a true and fair view of the company's development, results and financial position, as well as a description of the most significant risk and uncertainty factors facing the company.

Kristiansand, 31. December 2022/9. February 2023

Knut Ruhaven Sæthre
Chairman

Mette Ramfjord Harv
Deputy Chairman

Merete Steinvåg Østby

Erik Edvard Tønnesen

Trond Randøy

Eli Giske

Jan Erling Tobiassen
Employee representative

Gunnhild Tveiten Golid
Employee representative

Geir Bergskaug
CEO