

# Q1 2023

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SPAREBANKEN SØR

# Contents

Key figures Group	3
Board of Director's report	4
Income statement	15
Statement of comprehensive income	15
Balance sheet	16
Cash flow statement	17
Statement of changes in equity	18
Notes	19
Risk and capital management	36
Quarterly trend in results	37
Key figures Group 2017-2022	38
Calculations	39
Alternative performance measures – APM	40

# Key figures Group

<b>Income statement (NOK million)</b>	<b>Q1 2023</b>	<b>Q1 2022</b>	<b>31.12.2022</b>
Net interest income	712	521	2 368
Net commission income	86	89	417
Net income from financial instruments	-4	- 26	- 82
Income from associated companies	34	27	125
Other operating income	1	1	5
<b>Total net income</b>	<b>828</b>	<b>612</b>	<b>2 834</b>
Total operating expenses before losses	304	259	1 145
<b>Operating profit before losses</b>	<b>525</b>	<b>352</b>	<b>1 690</b>
Losses on loans, guarantees and unused credit	-5	- 2	74
<b>Profit before taxes</b>	<b>529</b>	<b>355</b>	<b>1 615</b>
Tax expenses	67	79	332
<b>Profit for the period</b>	<b>462</b>	<b>276</b>	<b>1 283</b>
<b>Key figures. income statement</b>			
Return on equity after tax (adjusted for hybrid capital)	12.5 %	7.8 %	8.7 %
Costs as % of income	36.7 %	42.4 %	40.4 %
Costs as % of income, excl. net income from financial instruments	36.5 %	40.6 %	39.3 %
Net interest income as % of average assets	1.85 %	1.44 %	1.58 %
<b>Key figures. balance sheet</b>			
Total assets	154 406	148 072	157 435
Average total assets	156 100	147 000	150 000
Net loans to customers	124 558	117 918	123 852
Growth in loans as % last 12 mths.	5.6 %	4.5 %	6.2 %
Customer deposits	66 857	64 741	65 596
Growth in loans as % last 12 mths.	3.3 %	6.4 %	3.9 %
Deposits as % of net loans	53.7 %	54.9 %	53.0 %
Equity (incl. hybrid capital)	15 857	15 163	15 779
Losses on loans as % of net loans, annualised	-0.01 %	-0.01 %	0.05 %
<b>Other key figures</b>			
Liquidity reserve (LCR) Group	145 %	156 %	177 %
Liquidity reserve (LCR) Group- Euro	210 %	2 628 %	387 %
Liquidity reserve (LCR) Parent Bank	134 %	138 %	169 %
Common equity tier 1 capital ratio	17.1 %	16.7 %	17.1 %
Tier 1 capital ratio	18.7 %	18.4 %	18.5 %
Total capital ratio	21.1 %	20.5 %	20.7 %
Total common equity tier 1 capital ratio	13 888	13 252	13 653
Tier 1 capital ratio	15 144	14 633	14 784
Net subordinated capital	17 097	16 346	16 518
Leverage ratio	9.2 %	9.3 %	9.1 %
Number of branches	31	35	35
Number of FTEs in banking operations	491	471	485
<b>Key figures. equity certificates</b>			
Equity certificate ratio, weighted average over the period	40.0 %	15.5 %	40.0 %
Number of equity certificates issued	41 703 057	15 663 944	41 703 057
Profit/diluted earnings per equity certificate (Parent bank)	3.5	5.0	12.6
Profit/diluted earnings per equity certificate (Group)	4.3	2.6	11.9
Proposed dividend last year per equity certificate	6.0	8.0	6.0
Paid out dividend last year per equity certificate			8.0
Book equity per equity certificate	139.2	132.7	141.0
Price/book equity per equity certificate	0.9	1.2	0.9
Listed price on Oslo Stock Exchange at end of period	128.0	157.0	129.5

## 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 Q1 2023

- Very good growth in net interest income
- Good profit contributions from associated companies
- Low cost-income ratio of 36.7 percent
- Net entry on losses on loans and low losses on non-performing loans
- 12-month lending growth of 5.6 percent
- 12-month deposit growth of 3.3 percent
- Solid return on equity after tax of 12.5 percent
- Profit per equity certificate NOK 4.3
- Common equity tier 1 (CET1) ratio of 17.1 percent and a leverage ratio of 9.2 percent

### Financial framework conditions

There is still high activity in the Norwegian economy. High price growth and increased interest rates have reduced households' purchasing power, but a tight labour market and high employment have contributed to keeping the activity up. Wage growth seems to increase. This will, if the NOK exchange rate is still weak, contribute to further price growth.

The year started with market turmoil internationally, among other things as a result of bank bankruptcies. The war in Ukraine continues to contribute to uncertainty about future developments, as do the political tensions between the US and China.

In March 2023, the key policy rate was raised from 2.75 to 3.00 percent. In April the key policy rate was further raised to 3.25 percent. As the Norwegian Central Bank, Norges Bank, assessed the outlook, there will be a need to raise interest rates somewhat to bring inflation down towards the target of 2 percent. The forecasts for the key policy rate indicate a further increase in June.

Premiums in the bond markets increased significantly through 2022, which was mainly due to increased uncertainty, among the factors of the situation in Ukraine. Bank bankruptcies abroad have contributed to increased uncertainty and somewhat increased credit premiums at home and abroad in Q1 2023.

At the end of March 2023, the annual growth in the general public's gross domestic debt, C2, was at 5.2 percent. The growth in credit to households and businesses was 4.1 percent and 7.2 percent respectively.

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. 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 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 March 2023 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.



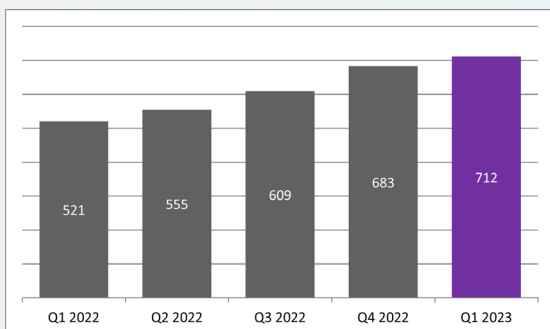
The Bank offers green mortgages, and ESG risk is integrated in the Bank's credit processes. By offering sustainable products, digital services, consultancy and specification of requirements for customers, the Bank contributes positively to social development through reduced greenhouse gas emissions. The Bank is rated by renowned Sustainalytics, and received in December 2022 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 529 million in Q1 2023, compared with NOK 355 million in the same period in 2022. Return on equity after tax amounted to 12.5 percent in Q1 2023, compared with 7.8 percent in the same period in 2022.

## Net interest income

### Quarterly net interest income (NOK million)



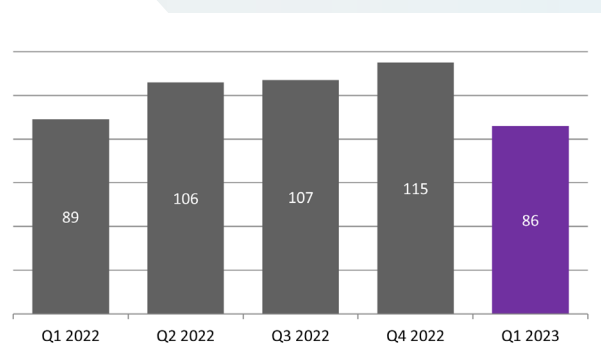
Net interest income totalled NOK 712 million in Q1 2023, compared with NOK 521 million in Q1 2022, an increase of NOK 191 million.

Net interest income increased by NOK 29 million in Q1 2023 compared to Q4 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 Q1, for both the retail and corporate markets.

Norges Bank increased the key policy rate 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. Additionally, Norges Bank increased the key policy rate further by 0.25 percentage in March 2023, to 3.00 percent. Also in this connection, the bank decided to adjust the interest rates on mortgages and deposits by up to 0.25 percentage points. The interest rate changes will have full effect from 10 May 2023 and, as a result of the interest rate change, the bank expects continued positive growth in net interest income in the next quarter.

## Commission income

### Quarterly net commission income (NOK million)



Net commission income totalled NOK 86 million in Q1 2023, compared with NOK 89 million in Q1 2022.

Gross commission income in Q1 2023 totalled NOK 110 million, compared with NOK 108 million in Q1 2022.

<b>Commission income</b>	<b>Q1 2023</b>	<b>Q1 2022</b>	<b>Change</b>
Payment services	45	42	2
Real estate brokerage	34	36	-2
Mutual fund	9	8	0
Insurance	13	12	1
Credit procurement and leasing	2	2	0
Other commission income	8	7	1
<b>Total</b>	<b>110</b>	<b>108</b>	<b>2</b>

There has been a positive development in commission income from both payment services and insurance (Frende) over the past years. Income from the real estate agency (Sørmeqleren) has fallen as a result of lower activity so far in 2023.

### Financial instruments

Net income from financial instruments totalled NOK -4 million in Q1 2023, compared with NOK -26 million in Q1 2022. The negative profit contribution is mainly due to losses in the bank's liquidity portfolio as a result of increased credit spreads. 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.

<b>Net income from financial instruments</b>	<b>Q1 2023</b>	<b>Q1 2022</b>	<b>Change</b>
Bonds and certificates	-38	-33	-5
Shares incl. dividends	-0	3	-3
Fixed rate loans	-0	-9	9
Securities issued - hedge accounting	25	-1	26
Repurchase of issued bonds	-0	-	-0
Payment services (agio)	8	7	1
Other financial instruments	2	8	-6
<b>Total</b>	<b>-4</b>	<b>-26</b>	<b>22</b>

The accounting effects of the 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.

<b>Associated companies</b>		<b>Q1 2023</b>	<b>Q1 2022</b>	<b>Change</b>
Frende Holding - 19.9 %	Share of profit	10.5	-4.9	15.4
	Amort.	-5.5	-5.4	-0.1
	Realisation	0.0	24.9	-24.9
Brage Finans - 24.9 %	Share of profit	17.8	12.2	5.6
Balder Betaling - 23.0 %	Share of profit	11.4	0.2	11.2
<b>Total</b>		<b>34.2</b>	<b>27.0</b>	<b>7.2</b>

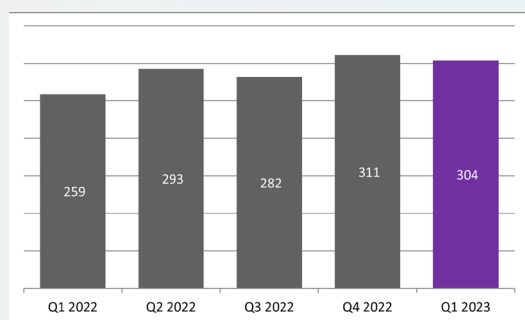
The share of profits from Frende in Q1 increased compared to the same period in 2022, mainly due to that the results in Frende were significantly affected by market turmoil throughout the spring of 2022. In connection with the stepwise acquisition of shares in Frende Holding AS, excess values were identified, which are being amortised over the expected economic lifetime as shown in the table above.

The profit share from Brage shows a very positive growth. 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.

A value adjustment of the shares in Vipps Q1 2023 resulted in a positive effect on the shares in Balder Betaling AS.

## Operating expenses

### Quarterly operating expenses (NOK million)



Operating expenses totalled NOK 304 million in Q1 2023, an increase of NOK 45 million compared to the same quarter in 2022. The bank has had a reduction in operating expenses compared to Q4 2022.

Operating expenses	Q1 2023	Q1 2022	Change
Wages and fees	133	114	19
Payroll tax	20	17	3
Financial tax	6	5	1
Pension costs	12	4	8
Other personnel costs	6	6	-0
<b>Total personnel costs</b>	<b>176</b>	<b>146</b>	<b>30</b>
<b>Depreciation, amortization and impairment of non-current assets</b>	<b>10</b>	<b>11</b>	<b>-1</b>
Marketing	11	12	-1
IT costs*	65	48	17
Operating cost - real estate	8	9	-1
External fees*	3	8	-5
Wealth tax	7	2	5
Other operating expenses	24	24	0
<b>Total other operating expenses</b>	<b>117</b>	<b>103</b>	<b>14</b>
<b>Total Operating expenses</b>	<b>304</b>	<b>259</b>	<b>45</b>

\* In 2023, the Group changed its practice of accounting fees for IT consultants, which are now presented as IT costs, versus previous external fees.

Personnel costs have increased 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. As a result of a positive development in profitability in the banking business, NOK 12 million more has been set aside for variable remuneration compared to the same period in 2022.

Other operating costs have increased mainly as a result of increased IT costs. The investments in IT and a new data platform are intended to reduce operating costs in the future.

Cost-income ratio amounted to 36.7 percent (42.4 percent) in Q1 2023. Cost-income ratio, excl. financial instruments, accounted for 36.5 percent (40.6 percent).

## Losses and non-performing loans

Net entry on losses on loans amounted to NOK 5 million in Q1 2023, compared to Net entry on losses on loans of NOK 2 million in Q1 2022.

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

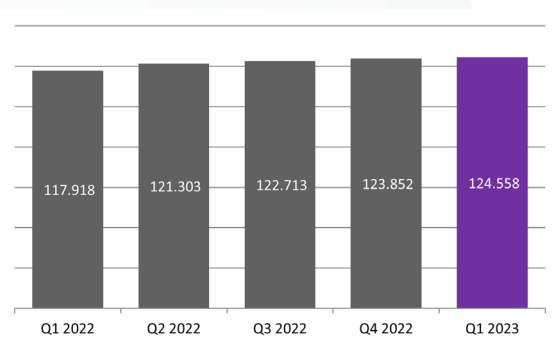
The past year, there has been marked changes in macroeconomic conditions which involve negative changes in framework conditions for both corporate customers and the retail sector. This applies to both increases in electricity and energy prices, strong inflation growth, combined with higher lending rates. In Q1, there has been a fall in sales of new residential property, generally, there has been a reduction in activity related to new building projects. At present, there have been revealed no major difficulties related to cost gaps or supply issues in large projects the bank has financed.

The Group's impairment losses were calculated to be NOK 429 million by the end of Q1 2023, which is equivalent to 0.34 percent of gross loans. The corresponding figures for Q1 2022 were NOK 412 million and 0.35 percent of gross loans.

Non-performing loans were NOK 714 million, down from NOK 791 million in the same period last year. Non-performing loans represented 0.57 percent of gross loans (0.68 percent).

## Loans

### Loans in NOK million



Over the past 12 months net loans increased by NOK 6.6 billion to a total of NOK 124.6 billion, representing a growth of 5.6 percent. Growth in lending in Q1 2023 was NOK 0.7 billion, representing a growth of 2.3 percent.

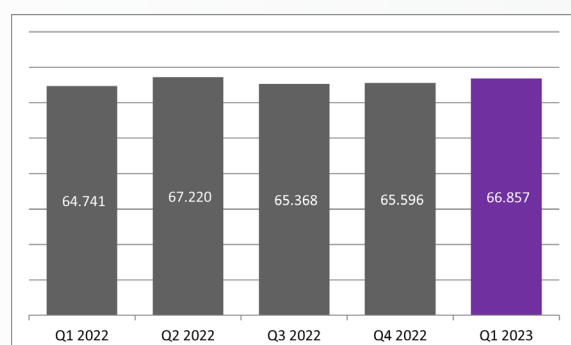
Over the past 12 months, gross loans to retail customers increased by NOK 2.8 billion to NOK 80.9 billion, a growth of 3.6 percent. Annualised growth in lending in Q1 was 1.1 percent. The bank has a goal of increasing market share within the retail market and has a stated goal of achieving growth in loans corresponding to the growth in credit in the region, plus 1 percentage point.

Gross loans to corporate customers increased by NOK 4.0 billion to NOK 44.0 billion over the last 12 months, representing a growth of 10.0 percent. Annualised lending growth in Q1 was 7.6 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 Q1 2023.

## Deposits

### Deposits in NOK million



Over the past 12 months, customer deposits increased by NOK 2.1 billion to NOK 66.9 billion, a growth of 3.3 percent. Deposit growth in Q1 2023 amounted to NOK 1.3 billion, which corresponds to an annualised growth of 7.6 percent.

Deposits from retail customers increased by NOK 0.3 billion to NOK 32.1 billion in the past twelve months, a growth of 1.1 percent. Deposits from corporate customers increased by NOK 1.6 billion to NOK 34.5 billion in the past twelve months, a growth of 4.7 percent.

Deposits in percent of net loans were 53.7 percent at the end of Q1 2023, down from 54.9 percent at the same time in 2022.



## 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 Q1 2023, wholesale funding amounted to NOK 59.2 billion, of which 84 percent consisted of covered bonds. Long-term funding (over 1 year maturity) had an average maturity of 3.5 years at the end of the quarter.

The start of 2023 has been demanding due to international turmoil. Despite this, in Q1 2023, the Group issued subordinated bonds (Tier 2) of NOK 400 million and fund bonds (Additional Tier-1) of NOK 125 million on good terms. In connection with subordinated bond loan issuance, the Group also bought back 181.5 million in subordinated bonds with a call in June 2023.

The Group's portfolio of interest-bearing securities totalled NOK 22.9 billion as of 31 March 2023. The Group's liquidity reserve (LCR) amounted to 145 percent as of 31 March 2023 (134 percent in the Parent bank). The group has a high percentage of long-term funding and the NSFR (Net Stable Funding Ratio) amounted to 125,3 percent (122,6 percent in parent bank) for the group at the end of the quarter, confirming a good liquidity situation.

## 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 2022.

Covered bonds issued by Sparebanken Sør Boligkreditt AS have an Aaa rating from Moody's.

## Subordinated capital and capital adequacy

At the end of Q1 2023, net subordinated capital totalled NOK 17.1 billion. Total tier 1 capital totalled NOK 15.1 billion and common tier 1 capital totalled NOK 13.9 billion. On the same date, the (total) capital ratio for the Sparebanken Sør Group was 21.1 percent, the tier 1 capital ratio was 18.7 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 23.4 percent, a tier 1 capital ratio of 20.5 percent and a CET1 capital ratio of 18.6 percent at the end of Q1 2023.

The Group met the capital requirements of, respectively, 14.2 percent for CET1, 15.7 percent for tier 1 capital and 17.7 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.

Finanstilsynet set the capital requirement under Pillar 2 at 1.7 percent of the calculation basis. 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. A potential 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.

On 31 March 2023 the requirement for countercyclical capital buffer amounted to 2.5 %. In the last interest rate meeting at Norges Bank on 22. March 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. 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 regard to the capital effects of IRB-F, it is expected to give a positive effect on CET1 capital ratio of approx. 3.5 percentage points.

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 9.2 percent at the end of Q1 2023, compared with 9.3 percent at the end of Q1 2022. 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. Furthermore, as of 1. January 2022, a requirement for the ceiling provisions had to be of linear phasing based on capital requirements and adjusted calculation basis as of 31 December 2022, convertible debt (MREL) ceiling is 23.5 percent and the amount was 14.8 billion NOK. By the end of Q1 2023, 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 March 2023, the Bank had issued 41 703 057 equity certificates.

Profit (consolidated) per equity certificate amounted to NOK 4.3 per certificate in Q1 compared to NOK 2.6 per certificate in the in same period last year.

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 ownership fraction will then be kept stable at 40% going forward.

The target is to distribute around 50 percent of the Group's profit after tax as dividends. 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.

## 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. March 2023, the Bank had transferred NOK 50.5 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 employees in 18 locations at the end of Q1 2023. In Q1 2023, the company had a loss of NOK 6.0 million, compared to NOK 2.7 million (loss) in the same period in 2022. Sørmegleren has maintained its market shares through Q1 2023 and is very well positioned as the region's leading real estate agent. The decline in earnings is mainly due to extraordinary costs in Q1.

The Bank has 78 percent shareholding in **Sørlandet Forsikringscenter AS**. The Bank has an option to acquire the residual shares in the company. The acquisition of Sørlandet Forsikringscenter AS increases the Bank's insurance portfolio and has provided the Group with a stronger insurance sales organisation.

**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 Q1 2023 of NOK 45.5 million, up from NOK 17.2 million (loss) in the same period in the previous year. The insurance's technical result in Frende Skadeforsikring AS has been acceptable taken in to account the time of year, with a moderate major damage development. Especially the frequency of damage to cars has been increasing. The technical result in Frende Livsforsikring AS was affected by a relatively high number of new cases on disability cover. This contributes to a demanding start to 2023. The financial result in Q1 2023 was at NOK 94 million, up from NOK 72.8 million in the corresponding period in 2022.

Frende Skadeforsikring recorded a profit before tax of NOK 44.5 million in Q1 2023, up from NOK 11 million in Q1 2022. The profit before tax in 2022 amounted to NOK 513.5 million, compared with NOK 396.7 million in the corresponding period 2021.

The company's written premiums totalled NOK 2 432 million (NOK 2 296 million), distributed among 167 500 customers. At the reporting date, the market share stood at 3.3 percent. The loss ratio so far this year was 84.1 percent (69.5 percent), while the company's combined ratio was 103.4 percent (88.7 percent).

Frende Livsforsikring posted a profit before tax Q1 2023 of NOK 8.3 million in, compared to NOK 23.0 (loss) million in the first quarter of 2022. The risk result has been weaker than expected, especially within the disability products. The portfolio premium at the end of the quarter was NOK 668 million, up from NOK 617 million at the same time in 2022.

**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 the turmoil, increased interest rates and a high level of costs in society in general.

Profit before tax in Q1 2023 amounted to NOK 98.6 million, up from NOK 81.6 million in the corresponding period in 2022. The profit resulted in a return on equity of 11.0 percent for the quarter, same level as Q1 2022.

On 31 March 2023, Brage Finans had a gross lending portfolio of NOK 21.2 billion. This represents an increase of NOK 3.4 billion compared with the same time last year and a lending growth of 19 percent. At the end of the reporting period, recognised impairment losses totalled NOK 127.8 million, which corresponds to 0.60 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.

In Q1 2023, Norne had a profit before tax of NOK 0.3 million, compared to NOK 17.4 million in the same quarter in 2022.

Despite the fact that the macro situation has been, and still are marked by great uncertainty, some Investment Banking projects has been postponed in Q1 2023. At the same time new exiting projects has been initiated during the same period and are expected to be completed during the year. Customer activity towards retail customers within share and fund trading has been on a good level, although it is lower than 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 22 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.

**Balder Betaling AS** (23.0 percent shareholding) is owned by Sparebanken Sør together with 20 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 in 2023 and unemployment has been very low. High price growth and increased interest rates have weakened households' purchasing power. The interest rates have increased and are expected to increase further, many companies expect a fall in activity going forward. Norges Bank expects the key policy rate to increase in 2023 to bring inflation down towards the target of 2 percent. There is a significant uncertainty in the capital market due to the geopolitical situation and recent bank collapses, which 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. The growth of wages is expected to be approximately 5.2 % and can contribute to that the increasing price level will still be high in the future. Despite this, the board considers the Bank 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 first quarter of 2023 indicate a strong growth in residential property prices in the bank's market area.

The Group has a common Tier 1 capital ratio requirement of 14.2 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 first quarter of 2023, the common equity tier 1 capital ratio was

17.2 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 March 31 2023, that affect the quarterly accounts.

**Kristiansand, 4. May 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.	Q1	Q1			Q1	Q1	31.12.	
2022	2022	2023		Notes	2023	2022	2022	
2 090	372	954	Interest income at amortised cost	4	1 509	751	3 999	
977	203	194	Interest income at fair value through profit and loss	4	245	103	581	
1 146	179	556	Interest expenses	4	1 042	333	2 212	
<b>1 921</b>	<b>395</b>	<b>593</b>	<b>Net interest income</b>	<b>4</b>	<b>712</b>	<b>521</b>	<b>2 368</b>	
448	97	103	Commission income		110	108	501	
99	19	29	Commission expenses		24	19	84	
<b>349</b>	<b>77</b>	<b>74</b>	<b>Net commission income</b>		<b>86</b>	<b>89</b>	<b>417</b>	
351	314	0	Dividend		0	0	13	
- 61	-22	- 25	Net income from other financial instruments		- 4	-26	- 95	
<b>290</b>	<b>292</b>	<b>- 25</b>	<b>Net income from financial instruments</b>		<b>- 4</b>	<b>-26</b>	<b>- 82</b>	
125	27	34	Income from associated companies		34	27	125	
8	2	2	Other operating income		1	1	5	
<b>133</b>	<b>29</b>	<b>36</b>	<b>Total other income</b>		<b>36</b>	<b>28</b>	<b>131</b>	
<b>2 692</b>	<b>793</b>	<b>678</b>	<b>Total net income</b>		<b>828</b>	<b>612</b>	<b>2 834</b>	
523	111	141	Wages and other personnel expenses		176	146	659	
41	11	10	Depreciation, amortization and impairment of non-current assets		10	11	43	
419	99	109	Other operating expenses		117	103	443	
<b>983</b>	<b>220</b>	<b>259</b>	<b>Total operation expenses before losses</b>		<b>304</b>	<b>259</b>	<b>1 145</b>	
<b>1 709</b>	<b>572</b>	<b>419</b>	<b>Operating profit before losses</b>		<b>525</b>	<b>352</b>	<b>1 690</b>	
57	0	- 3	Losses on loans, guarantees and undrawn credit	5	- 5	-2	74	
<b>1 652</b>	<b>572</b>	<b>422</b>	<b>Profit before taxes</b>	<b>2</b>	<b>529</b>	<b>355</b>	<b>1 615</b>	
299	56	42	Tax expenses		67	79	332	
<b>1 353</b>	<b>516</b>	<b>380</b>	<b>Profit for the period</b>		<b>462</b>	<b>276</b>	<b>1 283</b>	
0	0	0	Minority interests		0	0	1	
<b>1 353</b>	<b>516</b>	<b>380</b>	<b>Majority interests</b>		<b>462</b>	<b>276</b>	<b>1 283</b>	
42	12	12	Attributable to additional Tier 1 capital holders		12	12	42	
1 311	505	368	Attributable to ECC-holders and to the primary capital		450	264	1 241	
<b>1 353</b>	<b>516</b>	<b>380</b>	<b>Profit for the period</b>		<b>462</b>	<b>276</b>	<b>1 283</b>	
12.6	5.0	3.5	Profit/diluted earnings per equity certificate (in whole NOK)		4.3	2.6	11.9	

# Statement of comprehensive income

PARENT BANK			NOK million			GROUP		
31.12.	Q1	Q1			Q1	Q1	31.12.	
2022	2022	2023		Notes	2023	2022	2022	
<b>1 353</b>	<b>516</b>	<b>380</b>	<b>Profit for the period</b>		<b>462</b>	<b>276</b>	<b>1 283</b>	
			Change in value, basis swaps		-3		99	
1		-1	Change in the value of residential mortgages			115		
0		0	Tax effect		1	-29	-22	
<b>1</b>		<b>- 1</b>	<b>Total other comprehensive income</b>		<b>- 3</b>	<b>86</b>	<b>77</b>	
<b>1 354</b>	<b>516</b>	<b>379</b>	<b>Comprehensive income for the period</b>		<b>460</b>	<b>362</b>	<b>1 360</b>	
			Minority interests		0	0	1	
<b>1 354</b>	<b>516</b>	<b>379</b>	<b>Majority interests</b>		<b>460</b>	<b>362</b>	<b>1 360</b>	
12.6	5.0	3.5	Comprehensive income/diluted earnings per equity certificate		4.3	3.5	12.6	

## Balance sheet

PARENT BANK			NOK million		GROUP		
31.12.	Q1	Q1			Q1	Q1	31.12.
2022	2022	2023	ASSETS	Notes	2023	2022	2022
590	620	471	Cash and receivables from central banks	11	471	620	590
10 211	8 431	6 096	Loans to credit institutions	11	2 173	5 328	6 198
67 332	67 467	70 782	Net loans to customers	2,6,7,8,10,11	124 558	117 918	123 852
16 393	16 997	19 023	Bonds and certificates	11	22 862	21 245	22 851
230	201	232	Shares	11	232	201	230
947	711	887	Financial derivatives	11,12	1 777	856	1 440
2 813	2 816	2 816	Shareholding in group companies				
1 437	1 176	1 472	Shareholding in associated companies		1 472	1 176	1 437
70	56	77	Intangible assets		86	67	80
433	425	439	Property, plant and equipment		467	456	458
150	87	145	Other assets		307	206	298
<b>100 607</b>	<b>98 988</b>	<b>102 439</b>	<b>TOTAL ASSETS</b>	<b>2,11</b>	<b>154 406</b>	<b>148 072</b>	<b>157 435</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>							
3 584	3 045	3 369	Liabilities to credit institutions	11	3 243	2 551	3 507
65 587	64 758	66 852	Deposits from customers	2,9,11	66 857	64 741	65 596
9 477	10 884	9 499	Liabilities related to issue of securities	11,13	59 159	56 895	62 758
778	499	776	Financial derivatives	11,12	1 341	2 424	2 599
315	66	85	Payable taxes		101	71	358
1 103	912	1 392	Other liabilities		1 286	882	490
129	125	131	Provisions for commitments		131	125	129
32	40	11	Deferred tax		46	80	64
4 491	3 487	4 500	Senior non-preferred	11	4 500	3 487	4 491
1 662	1 654	1 885	Subordinated loan capital	11,13	1 885	1 654	1 662
<b>87 159</b>	<b>85 470</b>	<b>88 500</b>	<b>Total liabilities</b>		<b>138 549</b>	<b>132 909</b>	<b>141 655</b>
4 945	1 752	4 945	Equity certificate capital	14	4 945	1 752	5 196
1 085	1 335	1 210	Hybrid capital		1 210	1 335	1 085
7 417	10 431	7 784	Other equity		9 701	12 076	9 499
<b>13 448</b>	<b>13 518</b>	<b>13 940</b>	<b>Total equity</b>	<b>3,14</b>	<b>15 857</b>	<b>15 163</b>	<b>15 779</b>
<b>100 607</b>	<b>98 988</b>	<b>102 439</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,11</b>	<b>154 406</b>	<b>148 072</b>	<b>157 435</b>

## Kristiansand, 4. May 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

# Cash flow statement

PARENT BANK			NOK million	GROUP		
31.12.	Q1	Q1		Q1	Q1	31.12
2022	2022	2023		2023	2022	2022
2 965	593	1 071	Interest received	1 688	918	4 450
- 1 167	- 172	- 260	Interest paid	- 787	- 348	- 2 082
709	421	89	Other payments received	98	114	409
- 916	- 209	- 300	Operating expenditure	- 307	- 244	- 1 058
9	2	2	Loan recoveries	3	2	9
- 217	- 219	- 296	Tax paid for the period	- 345	- 322	- 324
- 61	- 12	- 40	Gift expenditure	- 40	- 12	- 61
- 5		- 3	Fraud cases paid	- 3		- 5
- 23			Change in other assets *	0		- 68
2 379	1 520	1 005	Change in customer deposits	1 001	1 541	2 426
- 476	- 558	- 3 409	Change in loans to customers	- 663	- 1 378	- 7 341
422	885	536	Change in deposits from credit institutions	486	424	378
<b>3 618</b>	<b>2 251</b>	<b>- 1 603</b>	<b>Net cash flow from operating activities</b>	<b>1 131</b>	<b>695</b>	<b>- 3 267</b>
23 737	5 963	9 867	Payments received, securities	9 867	7 743	23 128
- 22 401	- 5 261	- 12 503	Payments made, securities	- 9 896	- 6 973	- 23 909
3	1	0	Payments received, sale of property, plant and equipment	0	1	12
- 64	- 7	- 24	Payments made, purchase of property, plant and equipment	- 25	- 8	- 63
136	52	0	Payments received, investments in subsidiaries and associates	0	52	127
- 938	- 700	- 2	Payments made, investments in subsidiaries and associates	0		- 238
- 33	- 341	28	Change in other assets *	21	- 1 861	- 33
- 4 568	- 2 787	4 116	Change in loans to credit institutions	4 025	- 3 538	- 4 409
<b>- 4 128</b>	<b>- 3 081</b>	<b>1 482</b>	<b>Net cash flow from investing activities</b>	<b>3 992</b>	<b>- 4 584</b>	<b>- 5 385</b>
500	- 500	- 750	Change in deposits from credit institutions	- 750	- 500	500
4 250	2 000	0	Payments received, bond debt	0	3 500	17 127
- 4 351	- 1 050	0	Payments made, bond debt	- 5 220	- 1 050	- 9 046
- 181	- 12	- 16	Payments made, dividends and interest on hybrid capital	- 16	- 12	- 181
1 000		0	Issue of senior non-preferred	0		1 000
200		400	Issue of subordinated loan capital	400		200
- 200		- 182	Deduction of subordinated loan capital	- 182		- 200
- 245	575	352	Change in other liabilities	323	2 134	- 271
200		0	Issue of hybrid capital	0		200
- 585		85	Change in financial derivative assets *	1 336		- 1 928
532		- 9	Change in financial derivative debt *	- 1 255		1 861
- 450		125	Buyback of hybrid capital	125		- 450
- 7		- 3	Payments of rental obligations *	- 3		- 7
<b>662</b>	<b>1 013</b>	<b>2</b>	<b>Net cash flow from financing activities</b>	<b>- 5 241</b>	<b>4 072</b>	<b>8 805</b>
<b>152</b>	<b>183</b>	<b>- 119</b>	<b>Net change in liquid assets</b>	<b>- 118</b>	<b>183</b>	<b>152</b>
437	437	590	Cash and cash equivalents as at 1 Jan	590	437	437
<b>590</b>	<b>620</b>	<b>471</b>	<b>Cash and cash equivalents at end of period</b>	<b>471</b>	<b>620</b>	<b>590</b>

\* 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
<b>Balance 31.12.2021</b>	<b>782</b>	<b>451</b>	<b>520</b>	<b>1 335</b>	<b>9 925</b>	<b>141</b>	<b>1 781</b>	<b>7</b>	<b>14 941</b>
Dividend distributed for 2021							-125		-125
Profit Q1 2022				12			264		276
Interest paid, hybrid capital				-12					-12
Other comprehensive income							86		86
Allocated gift fund						-2			-2
Other changes			0						0
<b>Balance 31.03.2022</b>	<b>782</b>	<b>451</b>	<b>519</b>	<b>1 335</b>	<b>9 925</b>	<b>138</b>	<b>2 006</b>	<b>7</b>	<b>15 163</b>
Profit 01.04-31.12.2022			524	44	411	375	-348	1	1 007
Interest paid, hybrid capital				-44					-44
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 ECC	1 302	1 617			-2 919				0
Trading of own equity certificates	0		0		0				0
Other comprehensive income **							-9		-9
Allocated gift fund						-98			-98
Other changes			0				0	-3	-3
<b>Balance 31.12.2022</b>	<b>2 084</b>	<b>2 068</b>	<b>1 043</b>	<b>1 085</b>	<b>7 417</b>	<b>415</b>	<b>1 663</b>	<b>4</b>	<b>15 779</b>
Dividend distributed for 2022			-250						-250
Profit Q1 2023				16			447		462
Interest paid, hybrid capital				-16					-16
Calculated tax on interest hybridcapital *							4		4
Issuance of hybrid capital				125					125
Other comprehensive income **							-3		-3
Allocated gift fund						-246			-246
Other changes							2	-1	1
<b>Balance 31.03.2023</b>	<b>2 084</b>	<b>2 068</b>	<b>793</b>	<b>1 210</b>	<b>7 417</b>	<b>169</b>	<b>2 112</b>	<b>3</b>	<b>15 857</b>
PARENT BANK									
<b>Balance 31.12.2021*</b>	<b>782</b>	<b>451</b>	<b>519</b>	<b>1 335</b>	<b>9 925</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13 013</b>
Profit Q1 2022				12			505		516
Interest paid, hybrid capital				-12					-12
Other comprehensive income						1			1
<b>Balance 31.03.2022</b>	<b>782</b>	<b>451</b>	<b>519</b>	<b>1 335</b>	<b>9 926</b>	<b>505</b>	<b>0</b>	<b>0</b>	<b>13 518</b>
Profit 01.04.-31.12.2022			525	44	773	-505			837
Interest paid, hybrid capital				-44					-44
Allocated dividend and gifts			-250		-375				-625
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 ECC	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
<b>Balance 31.12.2022*</b>	<b>2 084</b>	<b>2 068</b>	<b>793</b>	<b>1 085</b>	<b>7 417</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13 448</b>
Profit Q1 2023				16			364		380
Interest paid, hybrid capital				-16					-16
Calculated tax on interest hybridcapital *							4		4
Issuance of hybrid capital				125					125
Other comprehensive income						-1			-1
<b>Balance 31.03.2023</b>	<b>2 084</b>	<b>2 068</b>	<b>793</b>	<b>1 210</b>	<b>7 416</b>	<b>0</b>	<b>368</b>	<b>0</b>	<b>13 940</b>

\* 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 63.7 million as of 1.1.2023 and NOK 61.0 million as of 31.03.2023. 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 2023 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.

### 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 2022 (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 2023, there are again major turmoil and fluctuations in the financial market. Many macro parameters pointed upward from the last six months of 2021 and 2022. At the end of the Q1 2023, there still is a pessimism in the market with increased raw material 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 economic changes, 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			31.03.2023		
Report per segment			Undistrib.	Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmegleren	Total
Net interest and commission income	338	296	78	712	0	712
Net other operating income	39	21	21	82	35	117
Operating expenses	125	40	97	263	41	304
<b>Profit before losses per segment</b>	<b>252</b>	<b>278</b>	<b>1</b>	<b>530</b>	<b>-6</b>	<b>525</b>
Losses on loans and guarantees	14	-20	1	-5		-5
<b>Profit before tax per segment</b>	<b>237</b>	<b>298</b>	<b>0</b>	<b>535</b>	<b>-6</b>	<b>529</b>
Gross loans to customers	83 537	41 574	-875	124 236		124 236
Impairment losses	-74	-310	706	322		322
Net loans to customers	83 462	41 265	-169	124 558		124 558
Other assets			29 753	29 753	95	29 848
<b>Total assets per segment</b>	<b>83 462</b>	<b>41 265</b>	<b>29 584</b>	<b>154 311</b>	<b>95</b>	<b>154 406</b>
Deposits from customers	33 989	27 218	5 649	66 857		66 857
Other liabilities	49 473	14 046	8 077	71 597	95	71 692
<b>Total liabilities per segment</b>	<b>83 462</b>	<b>41 265</b>	<b>13 727</b>	<b>138 454</b>	<b>95</b>	<b>138 549</b>
Equity			15 857	15 857		15 857
<b>Total liabilities and equity per segment</b>	<b>83 462</b>	<b>41 265</b>	<b>29 584</b>	<b>154 311</b>	<b>95</b>	<b>154 406</b>

## BANKING BUSINESS

31.03.2022

Report per segment	Undistrib.			Total banking		Total
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmeqleren	
Net interest and commission income	269	223	29	521	0	521
Net other operating income	49	20	-14	55	36	91
Operating expenses	114	29	78	221	39	259
<b>Profit before losses per segment</b>	<b>204</b>	<b>214</b>	<b>-63</b>	<b>355</b>	<b>-3</b>	<b>352</b>
Losses on loans and guarantees	-3	2	-1	-2		-2
<b>Profit before tax per segment</b>	<b>207</b>	<b>212</b>	<b>-62</b>	<b>357</b>	<b>-3</b>	<b>355</b>
Gross loans to customers	80 390	38 031	-121	118 300		118 300
Impairment losses	-48	-334	-1	-383		-383
Net loans to customers	80 342	37 697	-121	117 918		117 918
Other assets			30 040	30 040	115	30 155
<b>Total assets per segment</b>	<b>80 342</b>	<b>37 697</b>	<b>29 919</b>	<b>147 957</b>	<b>115</b>	<b>148 072</b>
Deposits from customers	33 443	27 408	3 890	64 741		64 741
Other liabilities	46 899	10 288	10 866	68 053	115	68 168
<b>Total liabilities per segment</b>	<b>80 342</b>	<b>37 697</b>	<b>14 756</b>	<b>132 794</b>	<b>115</b>	<b>132 909</b>
Equity			15 163	15 163		15 163
<b>Total liabilities and equity per segment</b>	<b>80 342</b>	<b>37 697</b>	<b>29 919</b>	<b>147 957</b>	<b>115</b>	<b>148 072</b>

## 3. SUBORDINATED CAPITAL AND CAPITAL ADEQUACY

## MINIMUM CAPITAL REQUIREMENTS

PARENT BANK			NOK million		GROUP		
31.12. 2022	31.03. 2022	31.03. 2023			31.03. 2022	31.12. 2022	
<b>Minimum capital requirements</b>							
4.50 %	4.50 %	4.50 %	Minimum Tier 1 capital requirements		4.50 %	4.50 %	
2.50 %	2.50 %	2.50 %	Conservation buffer		2.50 %	2.50 %	
3.00 %	3.00 %	3.00 %	Systemic risk buffer		3.00 %	3.00 %	
2.00 %	1.00 %	2.50 %	Counter-cyclical buffer		2.50 %	2.00 %	
1.70 %	2.00 %	1.70 %	Pilar 2 requirements		1.70 %	2.00 %	
13.70 %	13.00 %	14.20 %	CET1 requirements. incl. Pilar 2		14.20 %	13.00 %	
15.20 %	14.50 %	15.70 %	Tier1 Capital requirements. incl. Pilar 2		15.70 %	14.50 %	
17.20 %	16.50 %	17.70 %	Total capital requirements. incl. Pilar 2		17.70 %	16.50 %	
8 838	8 541	9 267	CET1 requirements. incl. Pilar 2	11 520	10 346	10 941	
9 805	9 527	10 246	Tier1 Capital requirements. incl. Pilar 2	12 737	11 540	12 139	
11 095	10 841	11 551	Total capital requirements. incl. Pilar 2	14 360	13 132	13 736	
3 160	3 245	2 897	Above CET1 requirements. incl. Pilar 2	2 368	2 905	2 712	
3 277	3 594	3 128	Above Tier1 Capital requirements. incl. Pilar 2	2 407	3 093	2 645	
3 637	3 930	3 691	Above total capital requirements. incl. Pilar 2	2 737	3 214	2 781	

PARENT BANK			NOK million	GROUP		
31.12. 2022	31.03. 2022	31.03. 2023		31.03. 2023	31.03. 2022	31.12. 2022
<b>13 448</b>	<b>13 518</b>	<b>13 940</b>	<b>Total equity</b>	15 857	<b>15 163</b>	<b>15 779</b>
			<b>Tier 1 capital</b>			
-1 085	-1 335	-1 210	Equity not eligible as common equity tier 1 capital	-1 256	-1 382	-1 131
0	-139	-234	Share of profit not eligible as common equity tier 1 capital	-422	-139	-665
-70	-56	-77	Deductions for intangible assets and deferred tax assets	-87	-64	-81
-38	-42	-44	Deductions for additional value adjustments	-31	-30	-27
-256	-159	-212	Other deductions	-173	-297	-223
<b>11 998</b>	<b>11 786</b>	<b>12 164</b>	<b>Total common equity tier 1 capital</b>	13 888	<b>13 252</b>	<b>13 653</b>
			<b>Other tier 1 capital</b>			
1 085	1 335	1 210	Hybrid capital	1 256	1 382	1 131
<b>13 083</b>	<b>13 121</b>	<b>13 374</b>	<b>Total tier 1 capital</b>	15 144	<b>14 633</b>	<b>14 784</b>
			<b>Additional capital supplementary to tier 1 capital</b>			
1 650	1 650	1 869	Subordinated loan capital	1 952	1 712	1 734
<b>1 650</b>	<b>1 650</b>	<b>1 869</b>	<b>Total additional capital</b>	1 952	<b>1 712</b>	<b>1 734</b>
<b>14 733</b>	<b>14 771</b>	15 242	<b>Net subordinated capital</b>	17 097	<b>16 346</b>	<b>16 518</b>
			<b>Minimum requirement for subordinated capital Basel II calculated according to standard method</b>			
17	39	19	Engagements with local and regional authorities	20	40	18
1 014	872	1 128	Engagements with institutions	517	314	337
4 505	3 292	4 737	Engagements with enterprises	6 721	4 858	6 456
6 110	5 193	6 474	Engagements with mass market	9 529	7 951	9 149
33 544	38 266	34 473	Engagements secured in property	53 518	55 998	53 502
408	419	460	Engagements which have fallen due	692	579	610
1 360	1 613	1 404	Engagements which are high risk	1 404	1 613	1 360
6 650	5 981	6 582	Engagements in covered bonds	1 624	1 384	1 365
6 022	5 542	5 095	Engagements in collective investment funds	1 587	1 593	1 582
507	599	515	Engagements other	571	614	539
<b>60 138</b>	<b>61 816</b>	60 888	<b>Capital requirements for credit and counterparty risk</b>	76 185	<b>74 943</b>	<b>74 919</b>
0	0	0	Capital requirements for position, currency and product risk	0	0	0
4 364	3 878	4 364	Capital requirements for operational risk	4 937	4 638	4 937
5	7	8	CVA addition	8	7	5
<b>64 507</b>	<b>65 701</b>	65 259	<b>Risk-weighted balance (calculation basis)</b>	81 130	<b>79 588</b>	<b>79 862</b>
18.6 %	17.9 %	18.6 %	Common equity tier 1 capital ratio, %	<b>17.1 %</b>	16.7 %	17.1 %
20.3 %	20.0 %	<b>20.5 %</b>	Tier 1 capital ratio, %	<b>18.7 %</b>	18.4 %	18.5 %
22.8 %	22.5 %	<b>23.4 %</b>	Total capital ratio, %	<b>21.1 %</b>	20.5 %	20.7 %
8.4 %	8.8 %	<b>8.4 %</b>	Leverage ratio	<b>9.2 %</b>	9.3 %	9.1 %

#### 4. INTEREST INCOME AND INTEREST EXPENSES

PARENT BANK			Interest income	GROUP			
31.12. 2022	Q1 2022	Q1 2023		NOK million	Q1 2023	Q1 2022	31.12. 2022
			<i>Interest income from financial instruments at amortised cost</i>				
139	20	75	Interest on receivables from credit institutions	36	6	53	
1 951	351	691	Interest on loans given to customers	1 473	745	3 945	
<b>2 090</b>	<b>372</b>	<b>766</b>	<b>Total interest from financial instruments at amortised cost</b>	<b>1 509</b>	<b>751</b>	<b>3 999</b>	
			<i>Interest income from financial instruments at fair value through OCI</i>				
501	113	188	Interest on loans given to customers (mortgages)	0	0	0	
<b>501</b>	<b>113</b>	<b>188</b>	<b>Total interest from financial instruments at fair value through OCI</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>2 591</b>	<b>484</b>	<b>954</b>	<b>Total interest income effective interest method</b>	<b>1 509</b>	<b>751</b>	<b>3 999</b>	
			<i>Interest income from financial instruments at fair value</i>				
132	34	32	Interest on loans given to customers (fixed rate loans)	32	34	132	
343	56	163	Interest on certificates and bonds	214	69	449	
<b>476</b>	<b>90</b>	<b>194</b>	<b>Total interest from financial instruments at fair value through profit or loss</b>	<b>245</b>	<b>103</b>	<b>581</b>	
<b>476</b>	<b>90</b>	<b>194</b>	<b>Total other interest income</b>	<b>245</b>	<b>103</b>	<b>581</b>	
<b>3 067</b>	<b>574</b>	<b>1 149</b>	<b>Total interest income</b>	<b>1 754</b>	<b>854</b>	<b>4 580</b>	

PARENT BANK			Interest expenses	GROUP			
31.12. 2022	Q1 2022	Q1 2023		NOK million	Q1 2023	Q1 2022	31.12. 2022
			<i>Interest expenses from financial instruments at amortised cost</i>				
70	9	32	Interest on liabilities to credit institutions	32	8	68	
643	88	346	Interest on customer deposits	346	88	642	
229	42	96	Interest on issued securities	580	195	1 288	
53	10	20	Interest on subordinated loans	20	10	53	
104	18	47	Interest on senior non-preferred loans	47	18	104	
48	13	14	Fees to the Norwegian Banks Guarantee Fund and other interest expenses	17	15	57	
<b>1 146</b>	<b>179</b>	<b>556</b>	<b>Interest expenses from financial instruments at amortised cost</b>	<b>1 042</b>	<b>333</b>	<b>2 212</b>	
<b>1 146</b>	<b>179</b>	<b>556</b>	<b>Total interest expenses</b>	<b>1 042</b>	<b>333</b>	<b>2 212</b>	

#### 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 2022 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 was again more uncertain with the war in Ukraine, high inflation and increasing interest rates. The Group's loss provision in Q1 2023 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 March 31 2023:

	2023	2024	2025	2026	2027
Housing price %	-2,9	0	4,1	5,4	5,4
Housing price region %	-2,9	0,0	4,1	5,4	5,4
Unemployment %	3,6	3,8	4,0	4,0	4,0
Oil prices, USD	75,8	71,4	69,4	68	68
Policy rate	3,3	3,5	3,2	2,7	2,7
Import-weighted exchange rate	117,4	114,3	112,3	112,0	112,0
USD	10,1	9,9	9,7	9,7	9,7
CPI	4,9	3,3	2,6	2,1	2,1
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					31.03.2023
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	208		106
Loan loss provisions, RM	21	46	77		6
<b>Total</b>	<b>79</b>	<b>174</b>	<b>285</b>		<b>111</b>

PARENT BANK					31.03.2023
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	57	126	206		105
Loan loss provisions, RM	9	20	33		3
<b>Total</b>	<b>67</b>	<b>146</b>	<b>239</b>		<b>109</b>

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

PARENT BANK			NOK million	GROUP		
31.12. 2022	Q1 2022	Q1 2023		Q1 2023	Q1 2022	31.12. 2022
15	1	13	<b>Loss expense on loans during the period</b>	11	-1	22
57	-5	-20	Period's change in write-downs stage 1	-21	-6	64
-19	4	4	+Period's change in write-downs stage 2	6	4	-15
5	1	0	+Period's change in write-downs stage 3	0	1	6
0	0	0	+ Period's confirmed loss	0	0	0
9	2	3	+ Recognised as interest income	3	2	9
1	1	0	- Period's recoveries relating to previous losses	0	1	1
7	0	2	+ Change in write-downs and guarantees	2	0	7
<b>57</b>	<b>0</b>	<b>-3</b>	<b>Loss expenses during the period</b>	<b>-5</b>	<b>-2</b>	<b>74</b>
			+ Losses from fraud cases			



## GROUP

	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2023</b>	<b>110</b>	<b>199</b>	<b>126</b>	<b>434</b>
<b>Transfers</b>				
Transferred to stage 1	29	-25	-4	0
Transferred to stage 2	-3	7	-3	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	15	14	1	29
Losses on deducted loans *	-6	-15	-1	-22
Losses on older loans and other changes	-26	2	13	-11
<b>Provisions for loan losses as at 31.03.2023</b>	<b>118</b>	<b>180</b>	<b>131</b>	<b>429</b>
Provisions for loan losses	101	163	121	384
Provisions for guarantees and undrawn credits	17	17	11	45
<b>Total provision for losses as at 31.03.2023</b>	<b>118</b>	<b>180</b>	<b>131</b>	<b>429</b>

\*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
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2023</b>	<b>98</b>	<b>186</b>	<b>122</b>	<b>406</b>
<b>Transfers</b>				
Transferred to stage 1	26	-22	-4	0
Transferred to stage 2	-3	6	-3	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	14	14	1	29
Losses on deducted loans *	-5	-14	-1	-20
Losses on older loans and other changes	-22	-1	12	-11
<b>Provisions for loan losses as at 31.03.2023</b>	<b>108</b>	<b>169</b>	<b>127</b>	<b>403</b>
Provisions for loan losses	91	151	116	358
Provisions for losses on guarantees and undrawn credits	17	17	11	45
<b>Total provision for losses as at 31.03.2023</b>	<b>108</b>	<b>169</b>	<b>127</b>	<b>403</b>

\*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
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2022</b>	<b>88</b>	<b>135</b>	<b>202</b>	<b>424</b>
<b>Transfers</b>				
Transferred to stage 1	17	-12	-5	0
Transferred to stage 2	-3	4	0	0
Transferred to stage 3	0	-4	4	0
Losses on new loans	12	10	1	23
Losses on deducted loans	-7	-13	-14	-34
Losses on older loans and other changes	-20	9	10	-1
<b>Provisions for loan losses as at 31.03.2022</b>	<b>87</b>	<b>129</b>	<b>197</b>	<b>412</b>
Provisions for loan losses	75	114	194	383
Provisions for guarantees and undrawn credits	12	15	2	29
<b>Total provision for losses as at 31.03.2022</b>	<b>87</b>	<b>129</b>	<b>197</b>	<b>412</b>

\*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
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2022</b>	<b>83</b>	<b>129</b>	<b>199</b>	<b>411</b>
<b>Transfers</b>				
Transferred to stage 1	15	-11	-4	0
Transferred to stage 2	-3	3	0	0
Transferred to stage 3	0	-4	4	0
Losses on new loans	11	10	1	22
Losses on deducted loans *	-6	-13	-14	-33
Losses on older loans and other changes	-17	8	9	0
<b>Provisions for loan losses as at 31.03.2022</b>	<b>83</b>	<b>124</b>	<b>194</b>	<b>401</b>
Provisions for loan losses	71	109	191	372
Provisions for losses on guarantees and undrawn credits	12	15	2	29
<b>Total provision for losses as at 31.03.2022</b>	<b>83</b>	<b>124</b>	<b>194</b>	<b>401</b>

\* 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.

**Unlikelihood 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. 2022	31.03. 2022	31.03. 2023		31.03. 2023	31.03. 2022	31.12. 2022
493	654	518	<b>Total non-performing loans (step 3)</b>	714	791	666
122	194	127	Impairment losses in stage 3	131	197	126
<b>371</b>	<b>461</b>	<b>392</b>	<b>Net non-performing loans</b>	<b>583</b>	<b>595</b>	<b>541</b>
24.7 %	29.6 %	24,5 %	Provisioning non-performing loans	18,4 %	24.9 %	18.9 %
0.73 %	0.97 %	0,73 %	Total non-performing loans in % of gross loans	0,57 %	0.68 %	0.54 %

## 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 31.03.2023		Total impairment losses as of 31.03.2023	Stage 3	Stage 2	Stage 1
6	17	26	49	Retail customers	74	33	29	16
0	1	0	1	Public administration	1	0	0	0
2	1	3	7	Primary Industry	7	3	2	2
2	4	9	15	Manufacturing industry	15	5	3	2
28	45	13	86	Real estate development	86	17	42	28
4	7	19	30	Building and construction industry	30	19	6	4
50	64	33	147	Property management	147	27	70	50
0	1	2	3	Transport	3	1	1	0
4	9	8	21	Retail trade	21	8	9	4
1	1	2	3	Hotel and restaurants	3	2	1	1
2	3	0	5	Housing cooperatives	5	0	1	2
2	8	7	17	Financial/commercial services	18	8	5	2
6	8	6	19	Social services	20	9	10	6
<b>108</b>	<b>169</b>	<b>127</b>	<b>403</b>	<b>Total impairment losses on loans, guarantees and undrawn credit</b>	<b>429</b>	<b>131</b>	<b>180</b>	<b>118</b>
91	151	116	358	Impairment losses on lending	384	121	163	101
17	17	11	45	Impairment losses on unused credits and guarantees	45	11	17	17
<b>108</b>	<b>169</b>	<b>127</b>	<b>403</b>	<b>Total impairment losses</b>	<b>429</b>	<b>131</b>	<b>180</b>	<b>118</b>

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

## 8. MIGRATION OF GROSS LOANS

PARENT BANK				31.03.2023		GROUP			
NOK MILLION									
Stage 1*	Stage 2	Stage 3	Total	GROSS LOANS		Total	Stage 3	Stage 2	Stage 1*
57 445	9 802	442	67 689	<b>Gross loans as at 01.01</b>		124 237	637	12 726	110 874
1 332	-1 306	-26	-0	Transferred to stage 1		0	-51	-2 088	2 140
-1 404	1 443	-39	0	Transferred to stage 2		0	-51	2 739	-2 688
-63	-33	96	-	Transferred to stage 3		0	168	-61	-106
705	-8	-4	694	Net change on present loans		-90	-6	-29	-55
7 741	944	7	8 692	New loans		10 462	5	949	9 508
-4 892	-1 052	-6	-5 950	Derecognised loans		-9 684	-14	-1 326	-8 343
17				Change in value during the period		17	0	0	17
<b>60 880</b>	<b>9 789</b>	<b>471</b>	<b>71 141</b>	<b>Gross loans as at 31.03</b>		<b>124 942</b>	<b>688</b>	<b>12 908</b>	<b>111 346</b>
			48 025	Of which loan at amortised cost		120 503			
			18 676	Of which loan at fair value through OCI					
			4 439	Of which loan at fair value		4 439			
91	151	116	358	Impairment losses on lending		384	121	163	101
0,15 %	1,55 %	24,55 %	0,50 %	Impairments in % of gross loans		0,31 %	17,52 %	1,26 %	0,09 %
<b>70 600</b>	<b>10 576</b>	<b>518</b>	<b>81 694</b>	<b>Commitments</b>		<b>141 757</b>	<b>714</b>	<b>13 755</b>	<b>127 287</b>
108	169	127	403	Impairment losses on commitments		429	131	180	118
0,15 %	1,59 %	24,42 %	0,49 %	Impairments in % of commitments		0,30 %	18,42 %	1,31 %	0,09 %

PARENT BANK				31.03.2022		GROUP			
NOK MILLION									
Stage 1*	Stage 2	Stage 3	Total	GROSS LOANS		Total	Stage 3	Stage 2	Stage 1*
57 884	8 860	668	67 412	<b>Gross loans as at 01.01</b>		117 049	762	11 047	105 240
1 293	-1 252	-40	0	Transferred to stage 1		0	-55	-1 895	1 950
-1 603	1 614	-11	0	Transferred to stage 2		0	-15	2 600	-2 585
-16	-37	53	-0	Transferred to stage 3		-0	121	-70	-51
420	161	-96	485	Net change on present loans		-306	-59	129	-376
8 417	780	-245	8 952	New loans		14 327	102	803	13 423
-7 627	-1 513	268	-8 873	Derecognised loans		-12 632	-124	-1 718	-10 791
-138			-138	Change in value during the period		-138	0	0	-138
<b>58 628</b>	<b>8 612</b>	<b>597</b>	<b>67 838</b>	<b>Gross loans as at 31.03</b>		<b>118 300</b>	<b>732</b>	<b>10 897</b>	<b>106 671</b>
			44 100	Of which loan at amortised cost		113 394			
			18 833	Of which loan at fair value through OCI					
			4 906	Of which loan at fair value		4 906			
71	109	191	372	Impairment losses on lending		383	194	114	75
0,12 %	1,27 %	31,97 %	0,55 %	Impairments in % of gross loans		0,32 %	26,50 %	1,05 %	0,07 %
<b>69 683</b>	<b>9 766</b>	<b>654</b>	<b>80 105</b>	<b>Commitments</b>		<b>135 201</b>	<b>791</b>	<b>12 109</b>	<b>122 301</b>
83	124	194	401	Impairment losses on commitments		412	197	129	87
0,12 %	1,27 %	29,64 %	0,50 %	Impairments in % of commitments		0,30 %	24,91 %	1,07 %	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

31.03.2022				NOK MILLION		31.03.2023			
Stage 1	Stage 2	Stage 3	Total	GROSS LOAN ASSESSED AT AMORTISED COST		Total	Stage 3	Stage 2	Stage 1
<b>36 064</b>	<b>6 438</b>	<b>627</b>	<b>43 129</b>	<b>Gross loans assessed at amortised cost 01.01</b>		<b>47 602</b>	<b>376</b>	<b>7 588</b>	<b>39 637</b>
764	- 724	- 40	0	Transferred to stage 1		0	- 14	- 893	908
-1 028	1 035	- 6	0	Transferred to stage 2		0	- 34	827	- 793
- 11	- 26	37	0	Transferred to stage 3		0	82	- 22	- 60
154	154	- 12	296	Net change on present loans		533	- 2	- 21	556
3 560	262	96	3 918	New loans		2 924	0	254	2 670
-2 322	- 809	- 113	-3 245	Derecognised loans		-3 034	- 3	- 669	-2 362
<b>37 181</b>	<b>6 330</b>	<b>589</b>	<b>44 099</b>	<b>Gross loan assessed at amortised cost 31.03</b>		<b>48 025</b>	<b>405</b>	<b>7 063</b>	<b>40 557</b>

## PARENT BANK

31.03.2022				NOK MILLION		31.03.2023			
Stage 1	Stage 2	Stage 3	Total	GROSS LOAN THROUGH OTHER COMPREHENSIVE INCOME		Total	Stage 3	Stage 2	Stage 1
<b>16 817</b>	<b>2 422</b>	<b>41</b>	<b>19 280</b>	<b>Gross loan through other comprehensive income 01.01</b>		<b>15 551</b>	<b>65</b>	<b>2 213</b>	<b>13 273</b>
529	- 529	0	0	Transferred to stage 1		0	- 12	- 413	424
- 575	579	- 5	0	Transferred to stage 2		0	- 5	616	- 611
- 6	- 10	16	0	Transferred to stage 3		0	14	- 11	- 3
183	7	- 1	189	Net change on present loans		318	- 2	13	307
4 857	518	3	5 378	New loans		5 648	5	690	4 953
-5 305	- 704	- 5	-6 014	Derecognised loans		-2 841	- 2	- 383	-2 455
<b>16 499</b>	<b>2 283</b>	<b>50</b>	<b>18 832</b>	<b>Gross loan through other comprehensive income 31.03</b>		<b>18 676</b>	<b>63</b>	<b>2 726</b>	<b>15 888</b>



## 9. CUSTOMER DEPOSITS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.2022	31.03.2022	31.03.2023		31.03.2023	31.03.2022	31.12.2022
32 149	31 733	32 049	Retail customers	32 073	31 737	32 156
10 732	9 668	11 451	Public administration	11 459	9 669	10 734
933	964	1 063	Primary industry	1 063	964	933
1 870	2 337	2 019	Manufacturing industry	2 021	2 337	1 870
761	846	699	Real estate development	700	821	756
1 723	1 589	1 639	Building and construction industry	1 640	1 590	1 724
3 488	3 497	3 756	Property management	3 714	3 498	3 489
746	623	641	Transport	642	623	746
1 567	1 252	1 497	Retail trade	1 498	1 252	1 567
286	265	273	Hotel and restaurant	273	265	286
171	171	168	Housing cooperatives	168	171	171
4 358	5 079	4 511	Financial/commercial services	4 514	5 080	4 359
6 773	6 673	6 796	Social services	6 801	6 674	6 774
31	61	291	Accrued interests	291	61	31
<b>65 587</b>	<b>64 758</b>	<b>66 852</b>	<b>Total deposits from customers</b>	<b>66 857</b>	<b>64 741</b>	<b>65 596</b>

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		
31.12.2022	31.03.2022	31.03.2023		31.03.2023	31.03.2022	31.12.2022
25 851	29 087	28 598	Retail customers	80 930	78 088	80 709
256	426	269	Public administration	269	427	257
1 509	1 369	1 482	Primary industry	1 606	1 483	1 640
867	796	906	Manufacturing industry	972	864	940
4 655	3 756	4 880	Real estate development	4 881	3 720	4 624
1 716	1 590	1 779	Building and construction industry	2 099	1 892	2 043
21 823	20 056	22 237	Property management	22 213	20 118	21 890
404	488	409	Transport	495	579	494
1 673	1 525	1 466	Retail trade	1 603	1 654	1 817
379	397	382	Hotel and restaurant	410	426	411
1 628	1 450	1 731	Housing cooperatives	1 731	1 452	1 632
949	792	1 095	Financial/commercial services	1 386	1 064	1 285
5 733	5 957	5 906	Social services	6 347	6 342	6 163
245	149	0	Accrued interests*	0	192	332
<b>67 689</b>	<b>67 838</b>	<b>71 141</b>	<b>Total gross loans</b>	<b>124 942</b>	<b>118 300</b>	<b>124 236</b>
357	372	358	Impairment losses on lending**	384	383	385
<b>67 332</b>	<b>67 467</b>	<b>70 782</b>	<b>Total net loans</b>	<b>124 558</b>	<b>117 918</b>	<b>123 852</b>

\*Accrued interests is now included in the numbers for loans to customers. Historical figures have not been restated.

\*\*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.



PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.03.2022	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
<b>Assets recognized at amortised cost</b>								
620		620		Cash and receivables from central banks	620		620	
8 431		8 431		Loans to credit institutions	5 328		5 328	
43 734			43 734	Net loans to customers (floating interest rate)	113 011			113 011
<b>Assets recognized at fair value</b>								
4 906			4 906	Net loans to customers (fixed interest rate)	4 906			4 906
18 827			18 827	Net loans to customers (mortgages)				
16 997		16 997		Bonds and certificates	21 245		21 245	
201	9		192	Shares	201	9		192
711		711		Financial derivatives	856		856	
<b>94 427</b>	<b>9</b>	<b>26 760</b>	<b>67 659</b>	<b>Total financial assets</b>	<b>146 167</b>	<b>9</b>	<b>28 049</b>	<b>118 109</b>
<b>Liabilities recognized at amortised cost</b>								
3 045		3 045		Liabilities to credit institutions	2 551		2 551	
64 758			64 758	Deposits from customers	64 741			64 741
10 884		10 830		Liabilities from issue of securities	56 895		56 869	
3 487		3 467		Senior non-preferred	3 487		3 467	
1 654		1 655		Subordinated loan capital	1 654		1 655	
<b>Liabilities recognized at fair value</b>								
499		499		Financial derivatives	2 424		2 424	
<b>84 326</b>	<b>0</b>	<b>19 495</b>	<b>64 758</b>	<b>Total financial liabilities</b>	<b>131 751</b>	<b>0</b>	<b>66 965</b>	<b>64 741</b>

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
<b>Assets recognized at amortised cost</b>								
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
<b>Assets recognized at fair value</b>								
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	
<b>95 703</b>	<b>33</b>	<b>28 141</b>	<b>67 529</b>	<b>Total financial assets</b>	<b>155 161</b>	<b>33</b>	<b>31 079</b>	<b>124 049</b>
<b>Liabilities recognized at amortised cost</b>								
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		9 473		Liabilities from issue of securities	62 758		62 719	
4 491		4 423		Senior non-preferred	4 491		4 423	
1 662		1 648		Subordinated loan capital	1 662		1 648	
<b>Liabilities recognized at fair value</b>								
778		778		Financial derivatives	2 599		2 599	
<b>85 579</b>	<b>0</b>	<b>19 906</b>	<b>65 587</b>	<b>Total financial liabilities</b>	<b>140 613</b>	<b>0</b>	<b>74 897</b>	<b>65 596</b>

### Movement level 3

#### GROUP

NOK million	Net loans to customers	Of which credit risk	Shares
<b>Recognized value as at 01.01.2022</b>	<b>5 003</b>	<b>50</b>	<b>184</b>
Acquisitions Q1	- 344		7
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 138	- 3	0
Disposals Q1	386		0
<b>Recognized value as at 31.03.2022</b>	<b>4 906</b>	<b>46</b>	<b>192</b>
Acquisitions Q2-Q4	400		6
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 85	- 44	- 1
Disposals Q2-Q4	- 687		0
<b>Recognized value as at 31.12.2022</b>	<b>4 535</b>	<b>3</b>	<b>197</b>
Acquisitions Q1	121		
Of which, transferred from level 1 or 2			
Change in value recognized during the period	17	- 1	3
Disposals Q1	- 234		
<b>Recognized value as at 31.03.2023</b>	<b>4 439</b>	<b>2</b>	<b>200</b>

#### PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares
<b>Recognized value as at 01.01.2022</b>	<b>24 278</b>	<b>50</b>	<b>184</b>
Acquisitions Q1	- 344		7
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 139	- 3	0
Disposals Q1	- 62		0
<b>Recognized value as at 31.03.2022</b>	<b>23 733</b>	<b>46</b>	<b>192</b>
Acquisitions Q2-Q4	400		6
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 94	- 44	- 1
Disposals Q2-Q4	-3 958		0
<b>Recognized value as at 31.12.2022</b>	<b>20 081</b>	<b>3</b>	<b>197</b>
Acquisitions Q1	3 240		
Of which, transferred from level 1 or 2			
Change in value recognized during the period	17	- 1	3
Disposals Q1	- 235		
<b>Recognized value as at 31.03.2023</b>	<b>23 103</b>	<b>2</b>	<b>200</b>

### Sensitivity analysis

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

#### GROUP / PARENT BANK

NOK million	31.03.2023	31.03.2022	31.12.2022
Loans to customers	18	20	19
- of which loans to corporate market (CM)	1	1	1
- of which loans to retail market (RM)	17	19	18

## 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							31.03.2023
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	1 777	0	1 777	588	958	231	
Derivatives - liabilities	-1 341	0	-1 341	- 588	0	- 752	
<b>Net</b>	<b>437</b>	<b>0</b>	<b>437</b>	<b>0</b>	<b>958</b>	<b>- 521</b>	

GROUP							31.03.2022
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	856	0	856	180	- 674	1 350	
Derivatives - liabilities	-2 424	0	-2 424	- 180	6	-2 250	
<b>Net</b>	<b>-1 568</b>	<b>0</b>	<b>-1 568</b>	<b>0</b>	<b>- 668</b>	<b>- 900</b>	

PARENT BANK							31.03.2023
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	887	0	887	277	482	129	
Derivatives - liabilities	- 776	0	- 776	- 277	0	- 499	
<b>Net</b>	<b>112</b>	<b>0</b>	<b>112</b>	<b>0</b>	<b>482</b>	<b>- 370</b>	

PARENT BANK							31.03.2022
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	711	0	711	95	- 616	1 232	
Derivatives - liabilities	- 499	0	- 499	- 95	6	- 410	
<b>Net</b>	<b>213</b>	<b>0</b>	<b>213</b>	<b>0</b>	<b>- 610</b>	<b>822</b>	

\* 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	31.03.2023	31.03.2022	31.12.2022
Bonds, nominal value	61 670	57 627	65 287
Value adjustments	-2 714	-841	-2 736
Accrued interest	203	110	207
<b>Debt incurred due to issuance of securities</b>	<b>59 159</b>	<b>56 895</b>	<b>62 758</b>

#### Change in debt securities - Group

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	31.03.2023
Bonds, nominal value	65 287	0	-5 220	1 603	61 670
Value adjustments	-2 736			22	-2 714
Accrued interest	207			- 4	203
<b>Debt incurred due to issuance of securities</b>	<b>62 758</b>	<b>0</b>	<b>-5 220</b>	<b>1 621</b>	<b>59 159</b>

#### Debt securities - Parent bank

NOK Million	31.03.2023	31.03.2022	31.12.2022
Bonds, nominal value	9 550	10 900	9 550
Value adjustments	- 125	-95	-132
Accrued interest	74	78	59
<b>Debt incurred due to issuance of securities</b>	<b>9 499</b>	<b>10 884</b>	<b>9 477</b>

#### Change in debt securities - Parent bank

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	31.03.2023
Bonds, nominal value	9 550	0	0	0	9 550
Value adjustments	- 132			7	- 125
Accrued interest	59			15	74
<b>Debt incurred due to issuance of securities</b>	<b>9 477</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>9 499</b>

#### Change in subordinated capital - Parent bank and Group

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	31.03.2023
Subordinated loans	1 650	400	- 182		1 869
Value adjustments	3			0	3
Accrued interest	9			5	14
<b>Total subordinated loan capital</b>	<b>1 662</b>	<b>400</b>	<b>- 182</b>	<b>5</b>	<b>1 885</b>

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

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	31.03.2023
Non-preferred senior debt	4 500	0	0	0	4 500
Value adjustments	- 31			3	- 29
Accrued interest	22			6	28
<b>Total non-preferred senior debt</b>	<b>4 491</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>4 500</b>

## 14. EQUITY CERTIFICATE HOLDERS

The 20 largest equity certificate holders as of 31.03.2023 were as follows:

	<b>Number of</b>	<b>Share of</b>		<b>Number of</b>	<b>Share of</b>
<b>NAME</b>	<b>EC</b>	<b>EC-CAP. %</b>	<b>NAME</b>	<b>EC</b>	<b>EC-CAP. %</b>
1. Sparebankstiftelsen Sparebanken Sør	34 027 792	81.60	11. Ottersland AS	100 000	0.24
2. EIKA utbytte VPF c/o Eika kapitalforv.	726 960	1.74	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. Geir Bergskaug	83 203	0.20
5. Glastad Capital AS	200 000	0.48	15. Lombard Int Assurance S.A.	82 800	0.20
6. Wenaasgruppen AS	186 000	0.45	16. Gunnar Hillestad	74 600	0.18
7. Hamjern Invest AS	180 099	0.43	17. Apriori Holding AS	72 575	0.17
8. Gumpen Bileiendom AS	174 209	0.42	18. K.T. Brøvig Invest AS	72 000	0.17
9. KLP Gjensidige Forsikring	163 300	0.39	19. Varodd AS	70 520	0.17
10. Allumgården AS	151 092	0.36	20. Birkenes Sparebank	66 000	0.16
<b>Total - 10 largest certificate holders</b>	<b>36 428 868</b>	<b>87.35</b>	<b>Total - 20 largest certificate holders</b>	<b>37 236 089</b>	<b>89.29</b>

As of 1 January 2023, the ownership ratio was 40.0 percent. Hybrid capital, classified as equity, has been excluded when calculating the ownership ratio. As of 31 March 2023, 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.

## 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

	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
<b>Profit (NOK million)</b>					
Net interest income	712	683	609	555	521
Net commission income	86	115	107	106	89
Net income from financial instruments	-4	46	-69	-33	-26
Income from associated companies	34	46	28	24	27
Other operating income	1	1	1	1	1
<b>Total net income</b>	<b>828</b>	<b>892</b>	<b>677</b>	<b>654</b>	<b>612</b>
Total operating expenses before losses	304	311	282	293	259
<b>Operating profit before losses</b>	<b>525</b>	<b>581</b>	<b>395</b>	<b>361</b>	<b>352</b>
Losses on loans, guarantees and undrawn credits	-5	15	51	11	-2
<b>Profit before taxes</b>	<b>529</b>	<b>566</b>	<b>344</b>	<b>351</b>	<b>355</b>
Tax expenses	67	98	77	77	79
<b>Profit for the period</b>	<b>462</b>	<b>468</b>	<b>267</b>	<b>273</b>	<b>276</b>
<b>Profit as % of average assets</b>					
Net interest income	1.85 %	1.76 %	1.60 %	1.48 %	1.44 %
Net commission income	0.22 %	0.30 %	0.28 %	0.28 %	0.24 %
Net income from financial instruments	-0.01 %	0.12 %	-0.18 %	-0.09 %	-0.07 %
Income from associated companies	0.09 %	0.12 %	0.07 %	0.06 %	0.07 %
Other operating income	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
<b>Total net income</b>	<b>2.15 %</b>	<b>2.30 %</b>	<b>1.78 %</b>	<b>1.75 %</b>	<b>1.69 %</b>
Total operating expenses before losses	0.79 %	0.80 %	0.74 %	0.78 %	0.72 %
<b>Operating profit before losses</b>	<b>1.36 %</b>	<b>1.50 %</b>	<b>1.04 %</b>	<b>0.97 %</b>	<b>0.97 %</b>
Losses on loans, guarantees and undrawn credit	-0.01 %	0.04 %	0.13 %	0.03 %	-0.01 %
<b>Profit before taxes</b>	<b>1.37 %</b>	<b>1.46 %</b>	<b>0.91 %</b>	<b>0.94 %</b>	<b>0.98 %</b>
Tax expenses	0.17 %	0.25 %	0.20 %	0.21 %	0.22 %
<b>Profit for the period</b>	<b>1.20 %</b>	<b>1.20 %</b>	<b>0.70 %</b>	<b>0.73 %</b>	<b>0.76 %</b>
<b>Key figures, income statement</b>					
Return on equity after tax (adjusted for hybrid capital)	12.5 %	12.8 %	7.1 %	7.2 %	7.8 %
Costs as % of income	36.7 %	34.8 %	41.6 %	44.8 %	42.4 %
Costs as % of income, excl. net income from financial instruments	36.5 %	36.7 %	37.8 %	42.7 %	40.6 %
<b>Key figures, balance sheet</b>					
Total assets	154 406	157 435	150 879	151 803	148 072
Average total assets	156 100	154 000	151 000	150 000	147 000
Net loans to customers	124 558	123 852	122 713	121 303	117 918
Growth in loans as %, last 12 mths.	5.6 %	6.2 %	5.3 %	5.4 %	4.5 %
Customer deposits	66 857	65 596	65 368	67 220	64 741
Growth in deposits as %, last 12 mths.	3.3 %	3.9 %	0.3 %	1.8 %	6.4 %
Deposits as % of net loans	53.7 %	53.0 %	53.3 %	55.4 %	54.9 %
Equity (incl. hybrid capital)	15 857	15 779	15 486	15 165	15 163
Losses on loans as % of net loans, annualised	-0.01%	0.05 %	0.17 %	0.04 %	-0.01 %
<b>Other key figures</b>					
Liquidity reserves (LCR), Group	145 %	177 %	148 %	160 %	156 %
Liquidity reserves (LCR), Group- EUR	210 %	387 %	2 597 %	805 %	2628 %
Liquidity reserves (LCR), Parent Bank	134 %	169 %	130 %	152 %	138 %
Common equity tier 1 capital ratio	17.1 %	17.1 %	17.5 %	17.4 %	16.7 %
Tier 1 capital ratio	18.7 %	18.5 %	18.9 %	18.9 %	18.4 %
Total capital ratio	21.1 %	20.7 %	21.1 %	21.2 %	20.5 %
Common equity tier 1 capital	13 888	13 653	13 569	13 388	13 252
Tier 1 capital	15 144	14 784	14 692	14 525	14 633
Net subordinated capital	17 097	16 518	16 412	16 245	16 346
Leverage ratio	9.2 %	9.1 %	9.2 %	9.0 %	9.3 %
Number of branches	31	35	35	35	35
Number of FTEs in banking operations	491	485	482	474	471
<b>Key figures, equity certificates</b>					
Equity certificate ratio	40.0 %	40.0 %	40.0 %	40.0 %	15.5 %
Number of equity certificates issued	41 703 057	41 703 057	41 703 057	41 703 057	15 663 944
Profit per equity certificate (Parent Bank)	3.5	3.8	1.9	2.0	5.0
Profit per equity certificate (Group)	4.3	4.5	2.5	2.4	2.6
Dividend last year per equity certificate (Parent Bank)	139.2	141.0	138.6	135.2	132.7
Dividend paid last period per equity certificate	0.92	0.92	0.86	1.00	1.18
Book equity per equity certificate	128.0	129.5	119.0	134.5	157.0

## Key figures Group 2017-2022

	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
<b>Income statement (NOK million)</b>						
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	-82	0	40	24	2	88
Other operating income	131	191	143	74	23	18
<b>Total net income</b>	<b>2 834</b>	<b>2 549</b>	<b>2 444</b>	<b>2 368</b>	<b>2 072</b>	<b>2 097</b>
Total operating expenses before losses	1 145	1 018	958	918	884	811
<b>Operating profit before losses</b>	<b>1 690</b>	<b>1 531</b>	<b>1 486</b>	<b>1 450</b>	<b>1 188</b>	<b>1 286</b>
Losses on loans and guarantees	74	- 18	83	-17	-36	20
<b>Profit before taxes</b>	<b>1 615</b>	<b>1 549</b>	<b>1 403</b>	<b>1 467</b>	<b>1 224</b>	<b>1 266</b>
Tax expenses	332	323	307	342	285	282
<b>Profit for the period</b>	<b>1 283</b>	<b>1 226</b>	<b>1 096</b>	<b>1 125</b>	<b>939</b>	<b>984</b>
<b>Profit as a percentage of average assets</b>						
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 %
<b>Total net income</b>	<b>1.89 %</b>	<b>1.78 %</b>	<b>1.74 %</b>	<b>1.88 %</b>	<b>1.75 %</b>	<b>1.92 %</b>
Total operating expenses before losses	0.76 %	0.71 %	0.68 %	0.73 %	0.75 %	0.74 %
<b>Operating profit before losses</b>	<b>1.13 %</b>	<b>1.07 %</b>	<b>1.06 %</b>	<b>1.15 %</b>	<b>1.00 %</b>	<b>1.17 %</b>
Losses on loans and guarantees	0.05 %	-0.01 %	0.06 %	-0.01 %	-0.03 %	0.02 %
<b>Profit before taxes</b>	<b>1.08 %</b>	<b>1.08 %</b>	<b>1.00 %</b>	<b>1.17 %</b>	<b>1.03 %</b>	<b>1.16 %</b>
Tax expenses	0.22 %	0.23 %	0.22 %	0.27 %	0.24 %	0.26 %
<b>Profit for the period</b>	<b>0.86 %</b>	<b>0.86 %</b>	<b>0.78 %</b>	<b>0.89 %</b>	<b>0.79 %</b>	<b>0.90 %</b>
<b>Key figures, income statement</b>						
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 %
<b>Key figures, balance sheet</b>						
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	0.54 %	0.67 %	0.90 %	0.79 %	0.66 %	0.28 %
<b>Other key figures</b>						
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	31	35	35	34	34	34
Number of FTEs in banking operations	485	464	442	429	434	432
<b>Key figures, equity certificates</b>						
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



	Q1	Q4	Q3	Q2	Q1	Q4	31.12.
NOK million	2023	2022	2022	2022	2022	2021	2022
<b>Return on equity adjusted for hybrid capital</b>							
Profit after tax	462	468	267	273	276	328	1.283
Interest on hybrid capital	-16	-13	-11	-21	-12	-9	-56
Tax on hybrid capital	4	14					14
<b>Profit after tax. incl. Interest on hybrid capital</b>	<b>450</b>	<b>469</b>	<b>257</b>	<b>252</b>	<b>264</b>	<b>320</b>	<b>1.227</b>
Opening balance. equity	15 779	15 486	15 165	15 163	14 941	14 394	14 941
Opening balance. hybrid capital	-1 085	-1 085	-1 085	-1 335	-1 335	-1 085	-1 335
<b>Opening balance. equity excl. hybrid capital</b>	<b>14 694</b>	<b>14 401</b>	<b>14 080</b>	<b>13 828</b>	<b>13 606</b>	<b>13 309</b>	<b>13 606</b>
Closing balance. equity	15 857	15 779	15 486	15 165	15 163	14 941	15 779
Closing balance. hybrid capital	-1 210	-1 085	-1 085	-1 085	-1 335	-1 335	-1 085
<b>Closing balance. equity excl. hybrid capital</b>	<b>14 647</b>	<b>14 694</b>	<b>14 401</b>	<b>14 080</b>	<b>13 827</b>	<b>13 606</b>	<b>14 694</b>
Average equity	15 818	15 632	15 325	15 164	15 052	14 668	15 360
<b>Average equity excl. Hybrid capital</b>	<b>14 670</b>	<b>14 547</b>	<b>14 240</b>	<b>13 954</b>	<b>13 717</b>	<b>13 458</b>	<b>14 150</b>
Return on equity	11.9 %	11.9 %	6.9 %	7.2 %	7.4 %	8.9 %	8.3 %
<b>Return on equity. excl. hybrid capital</b>	<b>12.5 %</b>	<b>12.8 %</b>	<b>7.1 %</b>	<b>7.2 %</b>	<b>7.8 %</b>	<b>9.4 %</b>	<b>8.7 %</b>
<b>Net interest income. incl. interest on hybrid capital</b>							
Net interest income. incl. interest on hybrid capital	712	683	609	555	521	506	2.368
Interest on hybrid capital	-12	1	-11	-21	-12	-9	-42
<b>Net interest income. incl. interest on hybrid capital</b>	<b>700</b>	<b>684</b>	<b>598</b>	<b>535</b>	<b>509</b>	<b>498</b>	<b>2.326</b>
Average total assets	156 100	154 000	151 000	150 000	147 000	144 200	149 042
<b>As percentage of total assets</b>	<b>1.82 %</b>	<b>1.76 %</b>	<b>1.57 %</b>	<b>1.43 %</b>	<b>1.40 %</b>	<b>1.37 %</b>	<b>1.56 %</b>
<b>Profit from ordinary operations (adjusted earnings)</b>							
Net interest income. incl. Interest on hybrid capital	700	674	598	535	509	498	2 326
Net commission income	86	115	107	106	89	124	417
Share of profit from associated companies	34	46	28	24	27	66	125
Other operating income	1	1	1	1	1	0	5
Operating expenses	304	311	282	278	267	281	1 145
<b>Profit from ordinary operations (adjusted earnings). before tax</b>	<b>517</b>	<b>526</b>	<b>453</b>	<b>388</b>	<b>359</b>	<b>408</b>	<b>1 729</b>
Losses on loans. guarantees and undrawn credits	- 5	15	51	11	- 2	2	74
<b>Profit excl. finance and adjusted for non-recurring items</b>	<b>522</b>	<b>511</b>	<b>402</b>	<b>378</b>	<b>362</b>	<b>406</b>	<b>1 655</b>
Tax (25 %) adjusted for tax. share of profit associated companies	102	114	93	88	84	85	375
<b>Ordinary operations /adjusted earnings after losses and tax</b>	<b>419</b>	<b>397</b>	<b>309</b>	<b>289</b>	<b>278</b>	<b>321</b>	<b>1 280</b>
Average equity. excl. hybrid capital	14 670	14 547	14 240	13 954	13 717	13 458	14 150
<b>Return on equity. profit excl. finance and adjusted for non-recurring items</b>	<b>11.6 %</b>	<b>10.8 %</b>	<b>8.6 %</b>	<b>8.3 %</b>	<b>8.2 %</b>	<b>9.5 %</b>	<b>9.0 %</b>
<b>Average interest rates/margins</b>							
Average lending rate RM (return)	4.33 %	3.79 %	2.86 %	2.52 %	2.35 %	2.12 %	
Average lending rate CM (return)	5.81 %	5.42 %	4.35 %	3.69 %	3.42 %	3.06 %	
Average deposit rate RM	1.60 %	1.10 %	0.58 %	0.41 %	0.34 %	0.28 %	
Average deposit rate CM	2.47 %	2.25 %	1.53 %	0.91 %	0.74 %	0.55 %	
Average 3-month NIBOR	3.33 %	3.31 %	2.39 %	1.36 %	1.20 %	0.79 %	
Lending margin RM (lending rate - 3-month NIBOR)	1.00 %	0.48 %	0.47 %	1.16 %	1.15 %	1.33 %	
Lending margin CM (lending rate - 3-month NIBOR)	2.47 %	2.12 %	1.97 %	2.33 %	2.22 %	2.27 %	
Deposit margin RM (3-month NIBOR - deposit rate)	1.73 %	2.21 %	1.81 %	0.95 %	0.86 %	0.51 %	
Deposit margin CM (3-month NIBOR - deposit rate)	0.86 %	1.06 %	0.86 %	0.45 %	0.46 %	0.24 %	
<b>interest-rate margin (lending rate – deposit rate)</b>							
Interest-rate margin RM	2.74 %	2.69 %	2.28 %	2.10 %	2.00 %	1.84 %	
Interest-rate margin CM	3.35 %	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.