



SPAREBANKEN SØR

**Q4** 2021



# Contents

Key figures Group	3
Board of Director's report	4
Income statement	14
Balance sheet	15
Cash flow statement	16
Statement of changes in equity	17
Notes	18
Risk and capital management	34
Quarterly trend in results	35
Key figures Group 2016-2021	36
Calculations	37
Alternative performance measures - APM	38

# Key figures Group

<b>Income statement (NOK million)</b>	<b>Q4 2021</b>	<b>Q4 2020</b>	<b>31.12.2021</b>	<b>31.12.2020</b>
Net interest income	506	467	1 939	1 914
Net commission income	124	97	419	347
Net income from financial instruments	- 26	37	0	40
Other operating income	77	59	191	143
<b>Total net income</b>	<b>682</b>	<b>659</b>	<b>2 549</b>	<b>2 444</b>
Total operating expenses before losses	268	260	1 018	958
<b>Operating profit before losses</b>	<b>414</b>	<b>399</b>	<b>1 531</b>	<b>1 486</b>
Losses on loans, guarantees and unused credit	2	- 30	- 18	83
<b>Profit before taxes</b>	<b>412</b>	<b>430</b>	<b>1 549</b>	<b>1 403</b>
Tax expenses	83	90	323	307
<b>Profit for the period</b>	<b>328</b>	<b>339</b>	<b>1 226</b>	<b>1 096</b>
<b>Profit as a percentage of average assets</b>				
Net interest income	1.39 %	1.29 %	1.35 %	1.36 %
Net commission income	0.34 %	0.27 %	0.29 %	0.25 %
Net income from financial instruments	-0.07 %	0.10 %	0.00 %	0.03 %
Other operating income	0.21 %	0.16 %	0.13 %	0.10 %
<b>Total net income</b>	<b>1.88 %</b>	<b>1.83 %</b>	<b>1.78 %</b>	<b>1.74 %</b>
Total operating expenses before losses	0.74 %	0.72 %	0.71 %	0.68 %
<b>Operating profit before losses</b>	<b>1.14 %</b>	<b>1.11 %</b>	<b>1.07 %</b>	<b>1.06 %</b>
Losses on loans, guarantees and unused credit	0.01 %	-0.08 %	-0.01 %	0.06 %
<b>Profit before taxes</b>	<b>1.13 %</b>	<b>1.19 %</b>	<b>1.08 %</b>	<b>1.00 %</b>
Tax expenses	0.23 %	0.25 %	0.23 %	0.22 %
<b>Profit for the period</b>	<b>0.90 %</b>	<b>0.94 %</b>	<b>0.86 %</b>	<b>0.78 %</b>
<b>Key figures, income statement</b>				
Return on equity after tax (adjusted for hybrid capital)	9.4 %	10.4 %	9.0 %	8.4 %
Costs as % of income	39.3 %	39.4 %	39.9 %	39.2 %
Costs as % of income, excl. net income from financial instruments	37.9 %	41.7 %	40.0 %	39.9 %
<b>Key figures, balance sheet</b>				
Total assets	144 182	142 126	144 182	142 126
Average total assets	143 000	143 700	143 100	140 400
Net loans to customers			116 653	111 577
Growth in loans as % last 12 mths.			4.5 %	4.9 %
Customer deposits			63 146	59 833
Growth in deposits as % last 12 mths.			5.5 %	3.3 %
Deposits as % of net loans			54.1 %	53.6 %
Equity (incl. hybrid capital)			14 941	13 752
Losses on loans as % of net loans, annualised			-0.02 %	0.07 %
<b>Other key figures</b>				
Liquidity reserve (LCR) Group			140 %	173 %
Liquidity reserve (LCR) Group - Euro			604 %	107 %
Liquidity reserve (LCR) Parent Bank			127 %	154 %
Common equity tier 1 capital ratio			16.4 %	15.7 %
Tier 1 capital ratio			18.1 %	17.1 %
Total capital ratio			20.3 %	19.1 %
Total common equity tier 1 capital ratio			13 004	12 204
Tier 1 capital ratio			14 376	13 315
Net subordinated capital			16 074	14 864
Leverage ratio			9.4 %	8.9 %
<b>Key figures, equity certificates</b>				
Equity certificate ratio, weighted average over the period			15.7 %	17.3 %
Number of equity certificates issued			15 663 944	15 663 944
Profit/diluted earnings per equity certificate (Parent bank)	2.4	2.5	11.5	10.5
Profit/diluted earnings per equity certificate (Group)	3.2	3.6	12.2	11.3
Proposed dividend last year per equity certificate			8.0	14.0
Paid out dividend last year per equity certificate			14.0	
Book equity per equity certificate			136.4	140.0
Price/book value per equity certificate			1.07	0.82
Listed price on Oslo Stock Exchange at end of period			146.0	114.5

# 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 Sørmeqleren. General insurance and personal insurance products are supplied through Frende, an insurance company partly owned by the Bank. The Bank is also a part owner of Norne Securities, a security trading company, and Brage Finans, a provider of leasing products and vendor`s lien.

## Highlights in Q4 2021

- Good results from ordinary operations
- Efficient operations and low costs
- Good results from Frende, Brage and Sørmeqleren
- Continued very low losses on loans
- Return on equity after tax of 9.4 percent
- Common equity tier 1 (CET1) ratio of 16.4 percent and Leverage Ratio of 9.4 percent

## Highlights in 2021

- Good results from ordinary operations
- Efficient operations and low costs
- Good results from Frende, Brage and Sørmeqleren
- Net entry on losses on loans
- 12-month lending growth of 4.5 percent
- 12-month deposit growth of 5.5 percent
- Return on equity after tax of 9.0 percent
- The Board of Directors will propose a dividend distribution of NOK 8.0 per equity certificate

## Financial framework conditions

The year was dominated by the Covid-19 pandemic and measures resulting from this. The reopening of society in September resulted in a marked upturn in the Norwegian economy. As a result of rising infection rates at the end of 2021, the Norwegian government decided to introduce stricter national infection control measures. The measures have been eased in the beginning of 2022, resulting in expectations that the economic upturn will continue through the spring.

The policy rate was raised in December 2021 from 0.25 percent to 0.50 percent. Based on Norges Bank's assessment of the outlook and risk picture, the policy rate will most likely be set even higher in March 2022. The forecast for the policy rate means that the interest rate will gradually increase in the coming years.

The yields, in both the money and bond markets, have been relatively stable in the last few quarters and stabilised at a low level in 2021. This applies both domestically and abroad.

The annual growth in the general public's domestic gross debt, C2, was 5.0 percent at the end of December 2021. The growth in credit to households and businesses was 5.0 percent and 4.9 percent, respectively. Fund management for municipal authorities grew by 6.3 percent.

The requirement for countercyclical capital buffer was reduced from 2.5 percent to 1.0 percent in March 2020, in order to counteract any reinforcement of a decline in the economy by more stringent lending practices at the banks in connection with the Covid-19 pandemic. The Norwegian Ministry of Finance decided in the second quarter of 2021, on the advice of Norges Bank, to raise the countercyclical capital buffer requirement for banks from 1.0 to 1.5 percent with effect from 30 June 2022. In December, Norges Bank (which took over the decision-making authority for setting the countercyclical capital buffer in September) decided to increase the buffer requirement from 1.5 percent to 2.0 percent with effect from 31 December 2022. According to Norges Bank's assessment of the economic trend and the prospects for losses and lending capacity in the banks, the buffer requirement will be increased to 2.5 percent in the course of the first six months of 2022, with effect one year into the future.

## 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 its operations in all 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.**

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 the first green bonds in November the same year. Frameworks for green, social and sustainable products were established in the summer of 2021. The Bank offers green mortgages, and ESG risk is integrated in the Bank's credit processes. By offering sustainable products, digital services, advice and specification of requirements for customers of customers, the Bank contributes positively to social development through reduced greenhouse gas emissions. The bank worked on its first official ESG rating throughout the summer of 2021 and was rated in the third quarter by Sustainalytics as "low risk" with a score of 11.7. This positions Sparebanken Sør as the best of the Norwegian banks rated by Sustainalytics.

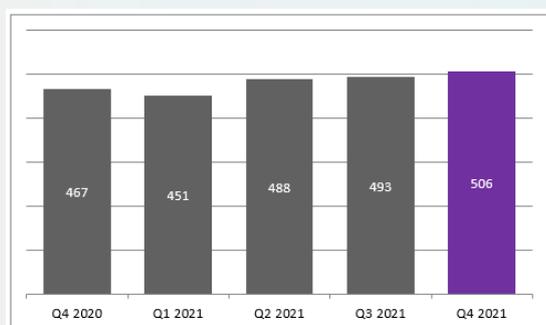
## Earnings

**Profit before tax amounted to NOK 412 million in Q4 of 2021, compared with NOK 430 million in the same period in 2020. Return on equity after tax amounted to 9.4 percent in the Q4 2021, compared with 10.4 percent in the same period in 2020.**

Sparebanken Sør made a profit before tax of NOK 1 549 million in 2021, compared with NOK 1 403 million in 2020. This represents an increase of as much as NOK 146 million. Return on equity after tax amounted to 9.0 percent in 2021, compared with 8.4 percent in 2020.

## Net interest income

Quarterly net interest income (NOK million)



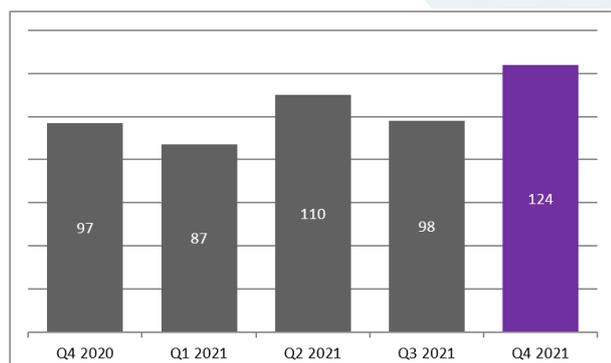
Net interest income totalled NOK 506 million in Q4 2021, compared with NOK 467 million in Q4 2020, an increase of NOK 39 million.

Net interest income increased in Q4 2021. The main reason for the increase is related to interest rate changes the Bank implemented after Norges Bank increased the policy rate, from 0 to 0.25 percent, at the end of September 2021. In combination the changes have resulted in improvement in the interest rate margin, for both the retail and corporate markets, in Q4

Norges Bank increased the policy rate by another 0.25 percentage points in December to 0.50 percent. As a result of this, 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 2 February for existing loans and from 22 February for deposits. For corporate customers, an interest rate increase has been announced of up to 0.35 percentage points.

## Commission income

Quarterly net commission income (NOK million)



Net commission income totalled NOK 124 million in Q4 2021, compared with NOK 97 million in Q4 2020.

Gross commission income in Q4 2021 totalled NOK 144 million, compared with NOK 117 million in Q4 2020.

<b>Commission income</b>	<b>Q4 2021</b>	<b>Q4 2020</b>	<b>Change</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>
Payment services	52	46	6	175	164	11
Real estate brokerage	41	40	1	180	148	32
Mutual fund	9	7	1	32	23	9
Insurance	20	9	11	45	31	13
Credit procurement and leasing	11	4	7	15	7	8
Other commission income	12	11	1	37	36	1
<b>Total</b>	<b>144</b>	<b>117</b>	<b>26</b>	<b>484</b>	<b>409</b>	<b>75</b>

The Bank's real estate agent, Sørmeglere, has had a substantial increase in turnover in 2021.

The focus on insurance, including the purchase of Sørlandet Forsikringscenter, has contributed to increased commission income from insurance.

The Bank's customers are saving more in funds than previously, which has resulted in substantially increased income from mutual funds.

## Financial instruments

Net income from financial instruments totalled minus NOK 26 million in Q4 2021, compared with NOK 37 million in Q4 2020.

<b>Net income from financial instruments</b>	<b>Q4 2021</b>	<b>Q4 2020</b>	<b>Change</b>	<b>2021</b>	<b>2020</b>	<b>Change</b>
Bonds and certificates	-42	-7	-35	-70	-45	-25
Shares incl. dividends	-2	-4	2	18	8	10
Fixed rate loans	12	34	-22	23	25	-2
Securities issued - hedge accounting	-1	5	-6	9	40	-31
Repurchase of issued bonds	-	-	-	-15	-12	-3
Payment services (agio)	8	5	3	28	20	8
Other financial instruments	-1	4	-5	8	5	3
<b>Total</b>	<b>-26</b>	<b>37</b>	<b>-63</b>	<b>0</b>	<b>40</b>	<b>-40</b>

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

## Income from associated companies

Sparebanken Sør has increased its shareholdings in Frende Holding AS and Brage Finans AS in recent years. This has been done as a part of the strategic focus on better being able to offer relevant, integrated and sound solutions to our customers. It has also been important for diversifying the Group's sources of income.

The share of the profits from associated companies amounted to NOK 66.4 million in Q4 2021 and 174.4 million YTD.

Sparebanken Sør's share of the profit in Brage Finans AS totalled to NOK 10.6 million in Q4 2021 and NOK 46.3 million YTD.

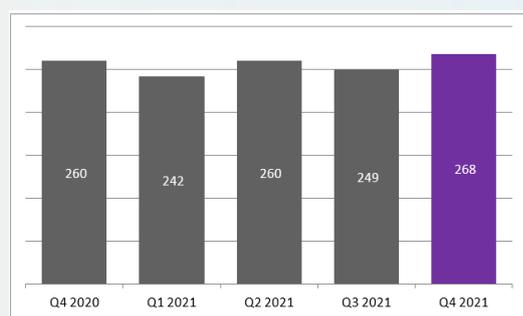
Sparebanken Sør's share of the profit in Frende Holding AS totalled to NOK 3.5 million in Q4 2021 and NOK 109.9 million YTD.

Excess value was identified in connection with the stepwise acquisition of shares in Frende Holding AS. This will depreciate over the relevant assets' expected economic lifetime. The group has amortised the surplus values by NOK 5.4 million in Q4 and NOK 20.9 million YTD.

The fair value of shares in Vipps was adjusted in Q4 2021, which resulted in a positive effect on the shares in Balder Betaling AS. The value adjustment amounted to NOK 28.7 million. A value adjustment was also carried out in Q1 of NOK 11.1 million, so that the combined contribution to profits from Balder Betaling AS amounted to NOK 39.8 million in 2021.

## Operating expenses

### Quarterly operating expenses (NOK million)



Operating expenses amounted to NOK 268 million in Q4 2021, an increase of NOK 8 million compared with Q4 2020.

Expenses in the banking business amounted to NOK 230 million in Q4 2021, up from NOK 222 million in Q4 2020. Operating expenses in the banking business in 2021 amounted to NOK 871 million, compared with NOK 835 million in 2020. The increase amounts to 4.3 percent and is due to strategic recruitment initiatives and investments in systems. In connection with preparation of the 2021 financial statements, the wealth tax was adjusted, resulting in a reversal of NOK 13 million in Q4. Wealth tax is recorded as an operating expense and not a tax expense.

There was a high level of activity in the estate agency business throughout 2021. Despite incurring slightly higher expenses than in the corresponding period in 2020, Sørmeglereen has returned good results with high levels of commission income.

Cost-income ratio in the Group was 39.3 percent (39.4 percent) in Q4 2021. Cost-income ratio in the banking business were 36.0 percent (36.4 percent).

## Losses and non-performing loans

Net losses on loans amounted to NOK 2 million in Q4 2021, compared to a net recover on losses of NOK 30 million in Q4 2021.

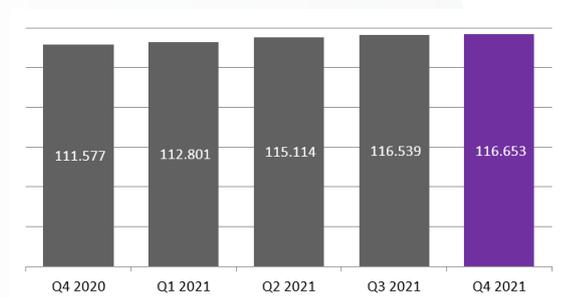
The Covid-19 crisis has affected many industries, and the government authorities have implemented a series of measures to mitigate the effects of the pandemic on the Norwegian economy. The bank has a low level of exposure to industries that have been impacted particularly hard during the pandemic. Although the coronapandemic has negatively impacted some of the Bank's customers, and some underlying uncertainty remains, this has had little effect on the Bank's losses on loans.

The Group's impairment losses were calculated to NOK 424 million by the end of Q4 2021, which is equivalent to 0.36 percent of gross loans. The corresponding figures for 2020 were NOK 468 million and 0.42 percent of gross loans.

Non-performing loans were NOK 783 million, which represented 0.67 percent of gross loans. This is lower than at the end of 2020, when non-performing loans amounted to NOK 1 009 million. The definition of non-performing loans was changed at 1 January 2021, and non-performing loans are still at a very low level.

## Loans

### Loans in NOK million



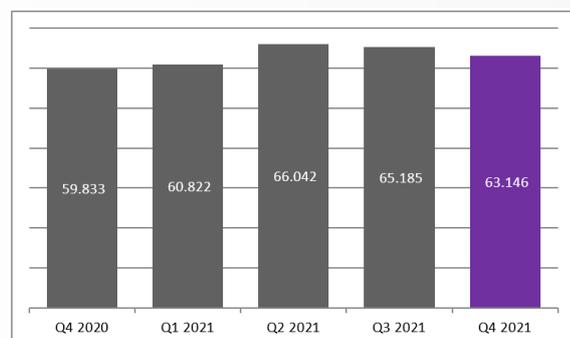
Over the past 12 months net loans increased by NOK 6.1 billion to a total of NOK 116.7 billion, representing a growth of 4.5 percent. Loan growth in Q4 2021 was NOK 0.1 billion, representing a growth of 0.4 percent.

Over the past 12 months, gross loans to retail customers increased by NOK 3.9 billion to NOK 77.5 billion, a growth of 5.3 percent. Annualised lending growth in Q4 was 3.7 percent. The bank has a goal of increasing market share within the retail market and has an stated goal of achieving growth in loans corresponding to the growth in credit in the region, plus 1 percentage point. The loan growth in 2021 was higher than the credit growth in Norway (C2), but the loan growth in the fourth quarter on its own is lower than the Bank's goal.

Gross loans to corporate customers increased by NOK 1.1 billion to NOK 39.3 billion over the last 12 months, representing a growth of 3.0 percent. Loans to corporate customers declined in Q4 2021 by NOK 0.6 billion. This was the result of closed construction loans related to major completed development and housing projects.

Loans to retail customers accounted for 66 percent (66 percent) of total loans at the end of Q4 2021.

## Deposits



Over the past 12 months, customer deposits increased by NOK 3.3 billion to NOK 63.1 billion, a growth of 5.5 percent.

Deposits from retail customers increased by NOK 1.3 billion to NOK 31.2 billion, a growth of 4.5 percent.

Deposits from corporate customers increased by NOK 2.0 billion to NOK 32.0 billion, a growth of 6.6 percent.

Deposits in percent of net loans were 54.1 percent at the end of Q4 2021, up from 53.6 percent at the same time in 2020.

### Wholesale funding and liquidity portfolio

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

At the end of Q4 2021, wholesale funding amounted to NOK 56.6 billion, of which 82 percent consisted of covered bonds. Long-term funding (over 1 year maturity) had an average maturity of 4.1 years at the end of the quarter.

The liquidity in the Norwegian bond market has improved in the last few quarters. The credit spreads were relatively stable throughout 2021 but increased somewhat in Q4.

The Group's portfolio of interest-bearing securities totalled NOK 22.1 billion as at 31 December 2021. The Group's liquidity reserve (LCR) amounted to 140 percent as at 31 December 2021. (127 percent in Parent bank).

### Rating

Sparebanken Sør has an A1 rating with "Stable Outlook" rated by Moody's.

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

### Subordinated capital and capital adequacy

At the end of Q4 2021, net subordinated capital totalled NOK 16.1 billion. Total tier 1 capital totalled NOK 14.4 billion and common tier 1 capital totalled NOK 13.0 billion. At the same date the (total) capital ratio for the Sparebanken Sør Group was 20.3 percent, the tier 1 capital ratio was 18.1 percent and the common equity tier 1 (CET1) capital ratio was 16.4 percent. The calculations are based on the standard method in the Basel II regulations. Brage Finans AS is proportionally consolidated in accordance with the rules on cooperative groups.

The parent bank had a (total) capital ratio of 22.2 percent, a tier 1 capital ratio of 19.7 percent and a CET1 capital ratio of 17.6 percent at the end of Q4 2021.

The Group met the capital requirements of, respectively, 13.0 percent for CET1, 14.5 percent for tier 1 capital and 16.5 percent for total capital by a solid margin. The Group's internal target is a CET1 capital ratio of 15.3 percent.

Sparebanken Sør received on 22 December 2021 an assessment by the Financial Supervisory Authority of Norway (FSA) of the risk and capital requirements in connection with a completed SREP (Supervisory Review and Evaluation Process and Pillar 2). FSA provisional assessment of capital requirements under Pillar 2 is 1.8 percent of the calculation basis. This is a reduction of 0.2 percentage points from the current Pillar 2 addition of 2.0 percent. In addition, FSA is of the opinion that the Bank should have a margin in the form of common equity tier 1 capital in addition to the total requirement for total capital ratio, tier 1 capital ratio and CET1 of 1.0 percent. The Bank is currently considering FSA's assessment and will provide comments to FSA before the deadline of 11 February 2022. FSA will then set a final Pillar 2 requirement, and it is expected that this will take effect from 31 March 2022.

In Q1 2020, the Norwegian Ministry of Finance decided to reduce the countercyclical buffer requirements for banks from 2.5 percent to 1 percent, with immediate effect. The buffer requirement was lowered to prevent stricter lending practices by the banks from intensifying the recession due to Covid-19. In Q2 2021, on advice from the FSA, the Norwegian Ministry of Finance decided to increase the requirement for the countercyclical buffer to 1.5 percentage points effective 30 June 2022. In December, Norges Bank (which took over the decision-making authority for setting the countercyclical capital buffer in September) decided to increase the buffer requirement from 1.5 percent to 2.0 percent with effect from 31 December 2022. According to Norges Bank's assessment of the economic trend and the prospects for losses and lending capacity in the banks, the buffer requirement will be increased to 2.5 percent in the course of the first six months of 2022, with effect one year into the future. In the Bank's capital plan, it is estimated that there will be full coverage for a total increase of 1.5 percentage points during the entire period of 2022–2024.

Changes in the EU banking regulations (the «banking package») will also be implemented in Norway. The implementation is delayed and it is expected that it will be implemented in the first half of 2022. This will affect, among other things, Part 2 of the SME discount and the introduction of an infrastructure discount. The Group's analyses show that the reduction in risk-weighted assets, as a result of Part 2 of the SME discount and the infrastructure discount, will increase the CET1 ratio by a total approx 0.7 percentage points.

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 has been increased from 3.0 to 4.5 percent. The Group, which uses the standard method to calculate capital adequacy, will meet the increased system risk buffer requirement with effect from 31 December 2022. The Group will comply with the new requirements by 2022, as well as secure necessary buffers above the minimum requirement.

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 a 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 FSA for approval of internal rating-based (IRB) approach to calculate capital requirements. This work currently has a high priority throughout the Bank.

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 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 in the EEA Agreement, but this will not occur until 1 January 2025 at the earliest. A very critical element in the new regulations will be the introduction of a new, more risk-sensitive standard method for credit risk. 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 preliminary information, it has been estimated that this may result in a positive effect on CET1 capital ratio in the area of 2.0 to 2.5 percentage points.

In connection with a new, more risk-sensitive standard method in Basel IV which will be favourable for the Group, some changes have also been outlined in the IRB regulations. It is expected that Basel IV will not be implemented until 2025 at the earliest, and it is therefore presumed that important details in the regulations will not be clarified until close to the implementation date.

The Bank plans to send an application for IRB-F approval by the end of 2023. However, it is expected that the capital effects of IRB-F will result in limited effects compared with the estimated effects of a new standard method that is coming in Basel IV. Nevertheless, the Bank considers an IRB approval to have key elements that are important for the Bank's future development.

The Group's Leverage Ratio stood at 9.4 percent at the close of Q4 2021, compared with 8.9 percent at the close of Q4 2020. 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 2020, the effective MREL requirement is set at 32.0 percent and amounted to NOK 20.2 billion

The authorities have introduced a ceiling provision for the share of subordinated debt, and the requirement must be met by 1 January 2024. From 1. January 2022, the Bank must meet a minimum adjustment requirement of 20.0 percent of the adjusted calculation basis. This requirement is considered the starting level for the linear phasing in of the claim for subordination. The Bank must submit FSA by 31 March an updated plan for phasing in subordinated debt. By the end of 2021, the Bank had issued a total of NOK 3.5 billion of senior non-preferred (Tier 3).

### The bank's equity certificates

As at 31 December 2021, the Bank had issued 15 663 944 equity certificates. Profit (consolidated) per equity certificate amounted to NOK 3.3 per certificate in Q4 and NOK 12.3 per certificate in 2021.

Average ownership ratio for Q4 was 15.79 percent and 16.19 percent for 2021 as a whole. The ownership ratio before allocation of the 2021 profit is 15.67 percent. Hybrid capital, which is classified as equity, is excluded when calculating the ownership ratio.

### Dividends

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 appreciation 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 .

Sparebanken Sør's need for capital, including regulatory capital adequacy requirements, investors' expectations and the Bank's strategic plans, will be taken into account when determining the annual dividend.

The aim is for approximately 50 to 70 percent of the equity certificate holders' share of the year's profit after tax to be distributed as a dividend.

The Board of Directors will propose to the Board of Trustees a dividend distribution of NOK 8.0 per equity certificate, which represents approximately 66 percent of the Group's profit per equity certificate. The stock exchange price on 31 December 2021 was NOK 146.0, and measured against this the proposed dividend results in a direct return of 5.5 percent. In addition, it will be proposed to transfer NOK 100 million for the gift fund.

### Subsidiaries and partner businesses

The bank's wholly owned subsidiary **Sparebanken Sør Boligkreditt AS** is licensed to issue covered bonds which are used as an instrument in the Bank's long-term funding strategy. As of 31 December 2021, the Bank had transferred NOK 49.7 billion to Sparebanken Sør Boligkreditt AS, equivalent to 64 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 continues to grow, and now employs 103 people in 18 locations. As at 31 December 2021. Profit before tax in Q4 amounted to NOK 4.5 million, up from NOK 3.8 million in the same period in the previous year. Profit before tax for 2021 amounted to an impressive NOK 34.5 million, up from NOK 25.2 million in 2020.

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

**Frende Holding AS** (21.0 percent shareholding) is the parent company of Frende Skadeforsikring AS and Frende Livsforsikring AS, which provide general insurance and life insurance to retail and corporate customers.

Frende Holding AS had a profit before tax in Q4 of NOK 196.9 million, down from NOK 317.1 million in the same period in the previous year.

Profit before tax in 2021 was NOK 666.6 million down from NOK 721.6 million in the same period in 2020. The year as a whole has given a very good technical result in the general insurance business, while risk profit in Liv (life insurance) ends weaker than in previous years. Accumulated financial return in 2021 amounted to nok 315 million.

Frende Skade had a profit before tax in 2021 of NOK 580.1 million compared with NOK 390.0 million in Q4 2020. The company had a total of NOK 2.302 billion (NOK 2.141 billion) in written premiums, distributed among 162,000 customers. The market share was 3.3 percent at the end of the quarter. The loss ratio at the end of Q4 was 65.9 percent (70.3 percent), and the company's combined ratio was 83.5 percent (88.0 percent). The market share in the general insurance business at the end of Q4 2021 is 3.3 percent.

Frende Liv posted a profit before tax in 2021 of NOK 105.3 million, compared with NOK 355.4 million in 2020. The insurance risk result in Liv (life insurance) was weaker than in previous years, especially for disability products. The written premium for Frende

Liv was NOK 528 million at the end of the quarter up from NOK 494 million at the same time in 2020.

**Brage Finans AS** (20.8 percent shareholding) is a financing company that offers leasing and loans secured by the purchased objects in the corporate and retail market. The company head quarter is located in Bergen. The company also has sales offices in the Norwegian cities of Kristiansand, Porsgrunn, Sandefjord, Stavanger, Haugesund, Ålesund and Trondheim. 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. Profit before tax in Q4 amounted to NOK 72 million, compared with NOK 62.6 million in the corresponding period in 2020. The profit resulted in a return on equity of 11.4 percent for the quarter, compared with 9.1 percent for Q4 2020.

In the Brage Finans market areas, continued good activity was seen in the quarter in the business community and a high demand for financing. Total new sales of products to the corporate market, mainly lease financing, were NOK 1.3 billion in Q4 compared with NOK 1.2 billion in Q4 2020.

The retail market showed a continued positive trend in Q4. Brage Finans experienced high demand for car loans in this quarter as well. The customers come from cooperating car dealers, the company's owner banks and directly from sales portals. The company's new sales of loans to individuals for the year's fourth quarter ended at NOK 0.7 billion, compared with NOK 0.6 billion in the corresponding quarter in the previous year.

The company's profit before tax for 2021 amounted to an impressive NOK 286.3 million, compared with NOK 221.7 million in 2020. The result corresponded to a return on equity of 11.4 percent, compared with 9.0 percent in 2020.

At the end of the fourth quarter of 2021, the company had a loan portfolio of NOK 17.0 billion, an increase of NOK 2.8 billion in the last twelve months, which represents growth in loans of an impressive 19.8 percent.

**Norne Securities AS** (14.8 percent shareholding) provides online trading, traditional brokerage and corporate finance services. The company posted revenues in 2021 of NOK 111 million, an increase of 52 percent from 2020. Profits in 2021 amounted to NOK 12.6 million, up from NOK 1.1 million in 2020. The company delivered a return on equity of 29 percent.

Norne has further enhanced its role as Norway's leading advisor and facilitator regarding equity certificates in Norwegian saving banks. The company has further concentrated its business in two market areas: online stock and fund trading related to the retail market, and Corporate Finance and Investment Advice to the corporate market and professional investors. Norne delivered the highest turnover and the best annual earnings since its establishment. At the beginning of 2022, the enterprise has sound financial development, highly qualified employees and a solid platform for development of all its business areas. The employees joined the owner side of the company in 2021 and now own a good 12.5 percent of the shares in the company.

**Balder Betaling AS** (24.8 percent shareholding) is owned by Sparebanken Sør together with twelve other savings banks. The company has a shareholding of 9.57 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 2.37 percent.

## Outlook

The Covid-19 pandemic has considerably influenced society since March 2020 and has resulted in negative outcomes for the economy in Norway and among our trading partners. The reopening of society in the third quarter of 2021 resulted in a marked upturn in the Norwegian economy, and the activity increased to a higher level than before the Covid-19 pandemic. However, the reopening did not last long. In December, stronger restrictions and closures were again introduced, as a result of increased infection and new virus variants. The measures have been eased in 2022, which results in expectations that the economic upturn may continue through the spring. Normalisation of the economy supports a gradual normalisation of the policy rate at Norges Bank, and a somewhat higher interest rate level is expected in the future.

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. The statistics for 2021 showed very positive growth in housing prices in the Bank's market area. Activity in the housing market has

been high in the recent quarters, which is reflected in the financial results from the Group's real estate agency, Sørmeqleren.

The Group has a Tier 1 capital requirement of 13.0 percent, including pillar-2 additions of 2.0 percent. The Group has a Tier 1 capital target of 15.3 percent. At the end of Q4 2021, the CET 1 capital ratio was 16.4 percent, well above the government requirement.

The Ministry of Finance adopted regulatory changes which resulted in the EU's capital requirement regulations CRR/CRD IV entering into force from 31 December 2019. Among other things, the systemic risk buffer requirement is to be 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 2022. The Group will adapt to the new requirements by the deadline and ensure that it has adequate buffers over and above the minimum requirement.

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

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

### Events after the reporting period

There have been no significant events after December 31, 2021 that affect the quarterly accounts.

### Kristiansand, 10 February 2022

Stein A. Hannevik  
Chairman

Inger Johansen  
Deputy Chairman

Mette Ramfjord Harv

Knut Ruhaven Sæthre

Merete Steinvåg Østby

Erik Edvard Tønnesen

Jan Erling Tobiassen  
Employee representative

Gunnhild Tveiten Golid  
Employee representative

Geir Bergskaug  
CEO

## Income statement

PARENT BANK				NOK million		GROUP			
31.12. 2020	31.12. 2021	Q4 2020	Q4 2021			Notes	Q4 2021	Q4 2020	31.12. 2021
1 431	1 206	268	332	Interest income at amortised cost	4	673	601	2 494	2 833
796	682	180	177	Interest income at fair value through profit and loss	4	88	83	326	434
824	511	130	140	Rentekostnader		255	216	881	1 354
<b>1 404</b>	<b>1 378</b>	<b>318</b>	<b>369</b>	<b>Net interest income</b>	<b>4</b>	<b>506</b>	<b>467</b>	<b>1 939</b>	<b>1 914</b>
350	400	100	127	Commission income		144	117	484	409
62	70	21	24	Commission expenses		19	21	66	62
<b>288</b>	<b>329</b>	<b>80</b>	<b>103</b>	<b>Net commission income</b>		<b>124</b>	<b>97</b>	<b>419</b>	<b>347</b>
265	325	23	0	Dividend		0	23	7	25
33	25	13	(16)	Net income from other financial instruments		-26	14	-7	15
<b>297</b>	<b>350</b>	<b>36</b>	<b>(16)</b>	<b>Net income from financial instruments</b>		<b>-26</b>	<b>37</b>	<b>0</b>	<b>40</b>
136	174	57	66	Income from associated companies		66	57	174	136
11	19	5	13	Other operating income		10	2	17	7
<b>147</b>	<b>193</b>	<b>62</b>	<b>79</b>	<b>Total other income</b>		<b>77</b>	<b>59</b>	<b>191</b>	<b>143</b>
<b>2 136</b>	<b>2 249</b>	<b>495</b>	<b>535</b>	<b>Total net income</b>		<b>682</b>	<b>659</b>	<b>2 549</b>	<b>2 444</b>
445	475	115	132	Wages and other personnel expenses		168	151	606	552
42	44	13	13	Depreciation, amortization and impairment of non-current assets		12	13	44	43
348	348	98	85	Other operating expenses		88	96	368	363
<b>835</b>	<b>866</b>	<b>226</b>	<b>230</b>	<b>Total operation expenses before losses</b>		<b>268</b>	<b>260</b>	<b>1 018</b>	<b>958</b>
<b>1 301</b>	<b>1 383</b>	<b>269</b>	<b>305</b>	<b>Operating profit before losses</b>		<b>414</b>	<b>399</b>	<b>1 531</b>	<b>1 486</b>
81	-20	-31	2	Losses on loans, guarantees and undrawn credit	5	2	-30	-18	83
<b>1 220</b>	<b>1 403</b>	<b>300</b>	<b>304</b>	<b>Profit before taxes</b>	<b>2</b>	<b>412</b>	<b>430</b>	<b>1 549</b>	<b>1 403</b>
200	214	59	58	Tax expenses		83	90	323	307
<b>1 021</b>	<b>1 189</b>	<b>241</b>	<b>246</b>	<b>Profit for the period</b>		<b>328</b>	<b>339</b>	<b>1 226</b>	<b>1 096</b>
				Minority interests			1	3	2
<b>1 021</b>	<b>1 189</b>	<b>241</b>	<b>246</b>	<b>Majority interests</b>		<b>328</b>	<b>339</b>	<b>1 223</b>	<b>1 094</b>
69	46	13	9	Attributable to additional Tier 1 capital holders		9	13	46	69
952	1 143	228	237	Attributable to ECC-holders and to the primary capital		320	326	1 177	1 026
<b>1 021</b>	<b>1 189</b>	<b>241</b>	<b>246</b>	<b>Profit for the period</b>		<b>328</b>	<b>339</b>	<b>1 223</b>	<b>1 094</b>
10.5	11.5	2.5	2.4	Profit/diluted earnings per equity certificate (in whole NOK)		3.2	3.6	12.2	11.3
				<b>Other comprehensive income</b>					
				Items that may be reclassified to profit or loss					
				Change in value, basis swaps		44	-2	14	-7
		-1		Change in value, customer mortgages					
				Tax effect		-11	1	-3	2
		<b>-1</b>		<b>Total other comprehensive income</b>		<b>33</b>	<b>-2</b>	<b>10</b>	<b>-5</b>
<b>1 021</b>	<b>1 189</b>	<b>240</b>	<b>246</b>	<b>Comprehensive income for the period</b>		<b>362</b>	<b>338</b>	<b>1 237</b>	<b>1 091</b>
				Minority interests					
				<b>Majority interests</b>		<b>362</b>	<b>338</b>	<b>1 237</b>	<b>1 091</b>
10.5	11.8	2.5	2.4	Comprehensive income/diluted earnings per equity certificate		3.6	3.6	12.3	11.3

# Balance sheet

PARENT BANK		NOK million		GROUP	
31.12.	31.12.			31.12.	31.12.
2020	2021	ASSETS	Notes	2021	2020
1 148	437	Cash and receivables from central banks		437	1 148
10 936	5 644	Loans to credit institutions	11	1 789	2 460
62 724	67 028	Net loans to customers	2.6.7.8.10.11	116 653	111 577
18 329	17 743	Bonds and certificates	11	22 062	21 543
166	193	Shares	11	193	166
907	367	Financial derivatives	11.12	1 104	3 415
2 111	2 116	Shareholding in group companies			
1 134	1 201	Shareholding in associated companies		1 201	1 134
41	54	Intangible assets		64	47
430	431	Property, plant and equipment		463	461
96	115	Other assets		218	174
<b>98 022</b>	<b>95 328</b>	<b>TOTAL ASSETS</b>	<b>2.11</b>	<b>144 182</b>	<b>142 126</b>
		<b>LIABILITIES AND EQUITY CAPITAL</b>			
6 765	2 660	Liabilities to credit institutions	11	2 627	6 435
59 883	63 185	Deposits from customers	2.9.11	63 146	59 833
14 149	10 013	Liabilities related to issue of securities	11.13	56 605	56 885
687	322	Financial derivatives	11.12	844	687
272	204	Payable taxes		310	373
406	338	Other liabilities		395	457
38	135	Provisions for commitments		135	38
29	41	Deferred tax		28	10
2 002	3 499	Senior non-preferred		3 499	2 002
1 653	1 654	Subordinated loan capital	11.13	1 654	1 653
<b>85 886</b>	<b>82 050</b>	<b>Total liabilities</b>		<b>129 242</b>	<b>128 374</b>
1 694	1 692	Equity certificate capital	14	1 692	1 694
1 075	1 335	Hybrid capital		1 335	1 075
9 367	10 251	Other equity		11 914	10 983
<b>12 136</b>	<b>13 278</b>	<b>Total equity</b>	<b>3.14</b>	<b>14 941</b>	<b>13 752</b>
<b>98 022</b>	<b>95 328</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2.11</b>	<b>144 182</b>	<b>142 126</b>

Kristiansand, 10 February 2022

Stein A. Hannevik  
Chairman

Inger Johansen  
Deputy Chairman

Mette Ramfjord Harv

Knut Ruhaven Sæthre

Merete Steinvåg Østby

Erik Edvard Tønnesen

Jan Erling Tobiassen  
Employee representative

Gunnhild Tveiten Golid  
Employee representative

Geir Bergskaug  
CEO

## Cash flow statement

PARENT BANK		NOK million	GROUP	
31.12.	31.12.		31.12.	31.12.
2020	2021		2021	2020
2 250	1 911	Interest received	2 841	3 278
-792	-543	Interest paid	-894	-1 345
622	683	Other payments received	439	383
-782	-782	Operating expenditure	-946	-893
12	12	Loan recoveries	12	12
-279	-245	Tax paid for the period	-346	-350
-28	-30	Gift expenditure	-30	-28
1 929	3 315	Change in customer deposits	3 325	1 893
3 435	-4 421	Change in loans to customers	-5 190	-5 285
2 002	-2 104	Change in deposits from credit institutions	-1 798	1 830
<b>8 369</b>	<b>-2 204</b>	<b>Net cash flow from operating activities</b>	<b>-2 586</b>	<b>-505</b>
44 944	37 851	Payments received, securities	33 658	37 651
-46 482	-37 295	Payments made, securities	-34 207	-39 295
11	31	Payments received, sale of property, plant and equipment	31	14
-62	-75	Payments made, purchase of property, plant and equipment	-76	-70
	201	Payments received, investments in subsidiaries and associates	201	
-286	-88	Payments made, investments in subsidiaries and associates	-88	-29
-664	205	Change in other assets	-324	-2 257
<b>-2 539</b>	<b>830</b>	<b>Net cash flow from investing activities</b>	<b>-805</b>	<b>-3 987</b>
-6 873	5 292	Change in loans to credit institutions	671	-2 278
2 500	-2 003	Change in deposits from credit institutions	-2 003	2 374
-		Payments received, bond debt	15 755	5 000
-2 959	-3 701	Payments made, bond debt	-13 460	-3 724
-69	-265	Payments made, dividends and interest on hybrid capital	-265	-69
2 000	1 500	Issue of senior non-preferred	1 500	2 000
350		Issue of subordinated loan capital		350
-666		Buyback of subordinated loan capital		-666
874	-420	Change in other assets	222	2 490
	450	Issue of hybrid capital	450	
-300	-190	Deduction of hybrid capital	-190	-300
<b>-5 144</b>	<b>664</b>	<b>Net cash flow from financing activities</b>	<b>2 680</b>	<b>5 177</b>
<b>686</b>	<b>-711</b>	<b>Net change in liquid assets</b>	<b>-711</b>	<b>686</b>
462	1 148	Cash and cash equivalents as at 1 Jan	1 148	462
<b>1 148</b>	<b>437</b>	<b>Cash and cash equivalents at end of period</b>	<b>437</b>	<b>1 148</b>

# Statement of change in equity

GROUP NOK million	Dividend								TOTAL
	Equity certificates	Premium fund	Equalization-fund	Hybrid capital	Primary capital	Gift fund	Other equity	Minority interests	
<b>Balance 31.12.2019</b>	<b>783</b>	<b>451</b>	<b>389</b>	<b>1 375</b>	<b>8 322</b>	<b>88</b>	<b>1 671</b>	<b>1</b>	<b>13 081</b>
Change in dividend 2019			125				- 125		0
Profit 31.12.2020			- 55	69	747	40	291	2	1 094
Interest paid, hybrid capital				- 69					- 69
Issuance of hybrid capital				10					10
Buyback of hybrid capital				- 310					- 310
Trading of own equity certificates					- 1				- 1
Other comprehensive income							- 5		- 5
Allocated gift fund						- 49		1	- 48
<b>Balance 31.12.2020</b>	<b>783</b>	<b>451</b>	<b>459</b>	<b>1 075</b>	<b>9 069</b>	<b>79</b>	<b>1 831</b>	<b>4</b>	<b>13 752</b>
Dividend distributed for 2019 and 2020							- 219		- 219
Profit 31.12.2021				46			1 175	3	1 223
Interest paid, hybrid capital				- 46					- 46
Issuance of hybrid capital				450					450
Buyback of hybrid capital				- 190					- 190
Other comprehensive income							10		10
Trading of own equity certificates	- 2		0		- 1				- 3
Allocated gift fund						- 39			- 39
Other changes							2		2
<b>Balance 31.12.2021</b>	<b>781</b>	<b>451</b>	<b>459</b>	<b>1 335</b>	<b>9 068</b>	<b>40</b>	<b>2 800</b>	<b>6</b>	<b>14 941</b>
PARENT BANK									
<b>Balance 31.12.2019</b>	<b>783</b>	<b>451</b>	<b>389</b>	<b>1 375</b>	<b>8 323</b>	<b>88</b>	<b>125</b>		<b>11 535</b>
Change in dividend 2019			125				-125		0
Profit 31.12.2019			-55	69	747	40	219		1021
Interest paid, hybrid capital				-69					-69
Issuance of hybrid capital				10					10
Buyback of hybrid capital				-310					-310
Trading of own equity certificates			0		-1				-1
Other changes					-1				-1
Allocated gift fund						-49			-49
<b>Balance 31.12.2020</b>	<b>783</b>	<b>451</b>	<b>459</b>	<b>1 075</b>	<b>9 068</b>	<b>80</b>	<b>219</b>		<b>12 136</b>
Dividend distributed for 2019 and 2020							-219		-219
Profit 31.12.2021				46			1 143		1 189
Interest paid, hybrid capital				-46					-46
Issuance of hybrid capital				450					450
Buyback of hybrid capital				-190					-190
Trading of own equity certificates	- 2		0		- 1				- 3
Other comprehensive income					0				0
Allocated gift fund						-39			-39
<b>Balance 31.12.2021</b>	<b>781</b>	<b>451</b>	<b>459</b>	<b>1 335</b>	<b>9 067</b>	<b>41</b>	<b>1 143</b>		<b>13 278</b>

# Notes

## 1. ACCOUNTING POLICIES

The 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 2020.

There are no new standards applicable for 2021 that have had a material impact on the financial statements.

A tax rate of 25 percent has been used when preparing the quarterly accounts.

### Discretionary assessments, estimates and assumptions

With the preparation of the financial statements, the management makes discretionary assessment, estimates and assumptions that affects the accounting policies and financial records. Please refer to the annual financial statements for 2020 (Note 2 – Discretionary assessments, estimates and assumptions) for further details.

The financial item losses on loans and undrawn credit, is subject to a significant degree of discretionary assessments. This item was in 2020 and 2021 particularly challenging to quantify, due to the ongoing pandemic. There have been turmoil and fluctuations in the financial market, but many macro parameters have in the second half of 2021 pointed upwards. Models used to calculate future credit losses contains forward-looking macro data, and in events of major changes to the economy, the current models and parameters must be changed accordingly.

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

## 2. SEGMENT REPORTING

	BANKING BUSINESS			31.12.2021		
Report per segment			Undistrib.	Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmegleren	Total
Net interest and commission income	1 138	829	-28	1 939	0	1 939
Net other operating income	203	89	136	428	182	610
Operating expenses	414	107	350	871	148	1 018
<b>Profit before losses per segment</b>	<b>928</b>	<b>811</b>	<b>-242</b>	<b>1 496</b>	<b>35</b>	<b>1 531</b>
Losses on loans and guarantees	14	-31	-1	-18		-18
<b>Profit before tax per segment</b>	<b>914</b>	<b>842</b>	<b>-241</b>	<b>1 514</b>	<b>35</b>	<b>1 549</b>
Net loans to customers	79 686	36 936	30	116 653		116 653
Other assets			27 411	27 411	119	27 530
<b>Total assets per segment</b>	<b>79 686</b>	<b>36 936</b>	<b>27 442</b>	<b>144 064</b>	<b>119</b>	<b>144 182</b>
Deposits from customers	32 910	26 680	3 556	63 146		63 146
Other liabilities	46 776	10 256	8 945	65 977	119	66 096
<b>Total liabilities per segment</b>	<b>79 686</b>	<b>36 936</b>	<b>12 501</b>	<b>129 123</b>	<b>119</b>	<b>129 242</b>
Equity			14 941	14 941		14 941
<b>Total liabilities and equity per segment</b>	<b>79 686</b>	<b>36 936</b>	<b>27 442</b>	<b>144 064</b>	<b>119</b>	<b>144 182</b>

## BANKING BUSINESS

31.12.2020

Report per segment	Undistrib. and elimin.			Total banking business	Sørmeqleren	Total
Income statement (NOK million)	RM	CM				
Net interest and commission income	1 166	826	-79	1 914	0	1 914
Net other operating income	177	74	131	382	149	531
Operating expenses	408	105	321	835	124	958
<b>Profit before losses per segment</b>	<b>935</b>	<b>795</b>	<b>-269</b>	<b>1 461</b>	<b>25</b>	<b>1 486</b>
Losses on loans and guarantees	1	85	-3	83		83
<b>Profit before tax per segment</b>	<b>934</b>	<b>709</b>	<b>-266</b>	<b>1 377</b>	<b>25</b>	<b>1 403</b>
Net loans to customers	74 994	36 420	163	111 577		111 577
Other assets			30 444	30 444	105	30 549
<b>Total assets per segment</b>	<b>74 994</b>	<b>36 420</b>	<b>30 607</b>	<b>142 021</b>	<b>105</b>	<b>142 126</b>
Deposits from customers	32 287	24 546	2 999	59 833		59 833
Other liabilities	42 706	11 874	13 855	68 436	105	68 541
<b>Total liabilities per segment</b>	<b>74 994</b>	<b>36 420</b>	<b>16 855</b>	<b>128 269</b>	<b>105</b>	<b>128 374</b>
Equity			13 752	13 752		13 752
<b>Total liabilities and equity per segment</b>	<b>74 994</b>	<b>36 420</b>	<b>30 607</b>	<b>142 021</b>	<b>105</b>	<b>142 126</b>

## 3. SUBORDINATED CAPITAL AND CAPITAL ADEQUACY

## MINIMUM CAPITAL REQUIREMENTS

PARENT BANK		NOK million	GROUP	
31.12 2020	31.12 2021		31.12 2021	31.12 2020
<b>Minimum capital requirements</b>				
4.50 %	4.50 %	Minimum Tier 1 capital requirements	4.50 %	4.50 %
2.50 %	2.50 %	Conservation buffer	2.50 %	2.50 %
3.00 %	3.00 %	Systemic risk buffer	3.00 %	3.00 %
1.00 %	1.00 %	Counter-cyclical buffer	1.00 %	1.00 %
2.00 %	2.00 %	Pilar 2 requirements	2.00 %	2.00 %
13.00 %	13.00 %	CET1 requirements. incl. Pilar 2	13.00 %	13.00 %
14.50 %	14.50 %	Tier1 Capital requirements. incl. Pilar 2	14.50 %	14.50 %
16.50 %	16.50 %	Total capital requirements. incl. Pilar 2	16.50 %	16.50 %
8 401	8 438	CET1 requirements, incl. Pilar 2	10 308	10 137
9 370	9 412	Tier1 Capital requirements, incl. Pilar 2	11 498	11 307
10 662	10 710	Total capital requirements, incl. Pilar 2	13 084	12 867
2 245	2 978	Above CET1 requirements, incl. Pilar 2	2 696	2 067
2 351	3 340	Above Tier1 Capital requirements, incl. Pilar 2	2 878	2 008
2 559	3 692	Above total capital requirements, incl. Pilar 2	2 991	1 998

PARENT BANK		NOK million	GROUP	
31.12 2020	31.12 2021		31.12 2021	31.12 2020
12 136	13 278	<b>Total equity</b>	14 941	13 752
		<b>Tier 1 capital</b>		
-1 075	-1 335	Equity not eligible as common equity tier 1 capital	-1 371	-1 111
- 219	- 271	Share of profit not eligible as common equity tier 1 capital	- 271	- 219
- 41	- 54	Deductions for intangible assets and deferred tax assets	- 61	- 48
- 42	- 43	Deductions for additional value adjustments	- 29	- 31
- 113	- 159	Other deductions	- 204	- 138
<b>10 646</b>	<b>11 416</b>	<b>Total common equity tier 1 capital</b>	<b>13 004</b>	<b>12 204</b>
		<b>Other tier 1 capital</b>		
1 075	1 335	Hybrid capital	1 371	1 111
<b>11 721</b>	<b>12 752</b>	<b>Total tier 1 capital</b>	<b>14 941</b>	<b>13 315</b>
		<b>Additional capital supplementary to tier 1 capital</b>		
1 600	1 650	Subordinated loan capital	1 699	1 649
- 100		Deductions from additional capital		- 100
<b>1 500</b>	<b>1 650</b>	<b>Total additional capital</b>	<b>1 699</b>	<b>1 549</b>
<b>13 221</b>	<b>14 402</b>	<b>Net subordinated capital</b>	<b>16 074</b>	<b>14 864</b>
		<b>Minimum requirement for subordinated capital Basel II calculated according to standard method</b>		
25	22	Engagements with local and regional authorities	22	25
1 913	981	Engagements with institutions	388	513
3 824	3 137	Engagements with enterprises	4 688	5 164
4 787	5 259	Engagements with mass market	8 045	7 151
34 598	37 798	Engagements secured in property	55 290	51 991
1 025	522	Engagements which have fallen due	632	1 125
4 075	1 823	Engagements which are high risk	1 823	4 075
5 612	5 934	Engagements in covered bonds	1 381	1 338
4 813	4 899	Engagements in collective investment funds	1 680	1 750
563	650	Engagements other	700	638
<b>61 233</b>	<b>61 022</b>	<b>Capital requirements for credit and counterparty risk</b>	<b>74 649</b>	<b>73 768</b>
13	0	<b>Capital requirements for position, currency and product risk</b>	<b>0</b>	<b>13</b>
<b>3 350</b>	<b>3 878</b>	<b>Capital requirements for operational risk</b>	<b>4 638</b>	<b>4 175</b>
25	8	<b>CVA addition</b>	<b>8</b>	<b>25</b>
<b>64 620</b>	<b>64 908</b>	<b>Risk-weighted balance (calculation basis)</b>	<b>79 295</b>	<b>77 980</b>
16.5 %	17.6 %	Common equity tier 1 capital ratio. %	16.4%	15.7 %
18.1 %	19.7 %	Tier 1 capital ratio. %	18.1 %	17.1 %
20.5 %	22.2 %	Total capital ratio. %	20.3 %	19.1 %
8.1 %	8.8 %	Leverage ratio	9.4 %	8.9 %

#### 4. INTEREST INCOME AND INTEREST EXPENSES

PARENT BANK				Interest income	GROUP			
31.12 2020	31.12 2021	Q4 2020	Q4 2021		NOK million	Q4 2021	Q4 2020	31.12 2021
				Interest income from financial instruments at amortised cost				
68	62	14	16	Interest on receivables from credit institutions	3	2	6	13
1 363	1 144	254	316	Interest on loans given to customers	670	599	2 488	2 820
<b>1 431</b>	<b>1 206</b>	<b>268</b>	<b>332</b>	<b>Total interest from financial instruments at amortised cost</b>	<b>673</b>	<b>601</b>	<b>2 494</b>	<b>2 833</b>
				Interest income from financial instruments at fair value				
175	156	43	38	Interest on loans given to customers (fixed rate loans)	38	43	156	175
231	139	29	38	Interest on certificates and bonds	50	40	169	259
<b>406</b>	<b>295</b>	<b>72</b>	<b>75</b>	<b>Total interest from financial instruments at fair value via profit or loss</b>	<b>88</b>	<b>83</b>	<b>326</b>	<b>434</b>
				Interest income from financial instruments at fair value via OCI				
390	387	109	102	Interest on loans given to customers (mortgages)				
<b>390</b>	<b>387</b>	<b>109</b>	<b>102</b>	<b>Total interest from financial instruments at fair value via OCI</b>				
<b>2 227</b>	<b>1 888</b>	<b>448</b>	<b>509</b>	<b>Total interest income</b>	<b>761</b>	<b>684</b>	<b>2 820</b>	<b>3 267</b>
PARENT BANK				Interest expenses	GROUP			
31.12 2020	31.12 2021	Q4 2020	Q4 2021		NOK million	Q4 2021	Q4 2020	31.12 2021
				Interest expenses from financial instruments at amortised cost				
37	20	7	6	Interest on liabilities to credit institutions	6	6	19	36
447	246	65	67	Interest on customer deposits	68	65	247	447
233	119	33	31	Interest on issued securities	143	118	483	758
54	31	13	8	Interest on subordinated loans	8	13	31	54
				Interest on senior non-preferred loans	15		42	
53	52	13	13	Fees to the Norwegian Banks Guarantee Fund and other interest expenses	15	14	60	59
<b>824</b>	<b>511</b>	<b>130</b>	<b>140</b>	<b>Interest expenses from financial instruments at amortised cost</b>	<b>255</b>	<b>216</b>	<b>881</b>	<b>1 354</b>
<b>824</b>	<b>511</b>	<b>130</b>	<b>140</b>	<b>Total interest expenses</b>	<b>255</b>	<b>216</b>	<b>881</b>	<b>1 354</b>

#### 5. LOSSES ON LOANS, GUARANTEES AND UNDRAWN CREDITS

Provisions for loss allowances and loss expense 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 2020 financial statements.

As a result of covid-19, the macro situation changed significantly in 2020, which improved at the end of the year. In 2021, there have been further improvements in several parameters. The Group's loss provision in Q4 2021 is based on new assumptions.

Model-based losses are based on the Bank's IFRS 9 model. Among others, this model includes variables in a macro model. The macro model looks to the current PD level, and shows the expected development. In 2020, based on the macro model, the Bank expected an increase in PD level and an increase in loan losses. However, the Bank's corporate portfolio did not follow the expected development. Extensive government measures have contributed to relative few negative effects on the Bank's corporate portfolio. Expected negative effects have not been reflected in the corporates accounts for the current year, and have not affected the PD score so far. The Bank has made an assessment of the macro variables impact on the corporate portfolio, and adjusted the expected PD.

The following macro variables have been used when calculating impairment losses, as of December 31 2021.

	2021	2022	2023	2024	2025
Housing price %	9.1	2.8	0.7	2.4	2.4
Housing price region %	9.1	2.8	0.7	2.4	2.4
Unemployment %	4.6	3.7	3.9	3.9	3.9
Oil prices, USD	70.6	73.1	70.0	68.1	68.1
Policy rate	0.1	0.8	1.5	1.7	1.7
Import-weighted exchange rate	108.8	107.8	105.0	104.3	104.3
USD	9.0	8.9	8.7	8.6	8.6
CPI	3.5	2.7	1.5	2	2

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) is considered to be the parameters that have the most significant effect on LGD (loss given default).

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

GROUP					31.12.2021
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	46	100	165		4
Loan loss provisions, RM	11	25	42		2
<b>Total</b>	<b>57</b>	<b>125</b>	<b>208</b>		<b>6</b>

PARENT BANK					31.12.2021
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	46	100	164		4
Loan loss provisions, RM	5	12	20		1
<b>Total</b>	<b>51</b>	<b>112</b>	<b>185</b>		<b>5</b>

The authorities have implemented a number of measures to counteract the negative economic effects of COVID-19. Several of these measures have a direct impact on the Group's credit risk. The loss model is not suitable for estimating losses with such comprehensive measures aimed directly at the Bank's customers.

PARENT BANK			GROUP	
31.12. 2020	31.12. 2021	NOK million	31.12. 2021	31.12. 2020
<b>Loss expense on loans during the period</b>				
58	-12	Period's change in write-downs stage 1	-13	61
26	-16	+Period's change in write-downs stage 2	-15	23
-3	5	+Period's change in write-downs stage 3	6	-2
8	12	+ Period's confirmed loss	12	8
4	2	+ Recognised as interest income	2	4
12	12	- Period's recoveries relating to previous losses	12	12
-1	0	+ Change in write-downs an guarantees	0	-1
<b>81</b>	<b>-20</b>	<b>Loss expenses during the period</b>	<b>-18</b>	<b>83</b>

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 01.01.2021</b>	<b>101</b>	<b>149</b>	<b>217</b>	<b>468</b>
<b>Transfers</b>				
Transferred to stage 1	43	-30	-13	0
Transferred to stage 2	-7	9	-2	0
Transferred to stage 3	-1	-2	3	0
Losses on new loans	38	37	2	77
Losses on deducted loans *	-19	-41	-7	-68
Losses on older loans and other changes	-68	13	1	-53
<b>Provisions for loan losses as at 31.12.2021</b>	<b>88</b>	<b>135</b>	<b>202</b>	<b>424</b>
Provisions for loan losses	74	123	199	397
Provisions for guarantees and undrawn credits	13	11	3	27
<b>Total provision for losses as at 31.12.2021</b>	<b>88</b>	<b>135</b>	<b>202</b>	<b>424</b>

\*Losses on deducted loans relates 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 01.01.2021</b>	<b>94</b>	<b>145</b>	<b>217</b>	<b>456</b>
<b>Transfers</b>				
Transferred to stage 1	42	-29	-13	0
Transferred to stage 2	-7	9	-2	0
Transferred to stage 3	-1	-2	3	0
Losses on new loans	36	36	2	74
Losses on deducted loans *	-17	-40	-7	-65
Losses on older loans and other changes	-65	11	-2	-55
<b>Provisions for loan losses as at 31.12.2021</b>	<b>83</b>	<b>129</b>	<b>199</b>	<b>411</b>
Provisions for loan losses	69	118	197	384
Provisions for losses on guarantees and undrawn credits	13	11	3	27
<b>Total provision for losses as at 31.12.2021</b>	<b>83</b>	<b>129</b>	<b>199</b>	<b>411</b>

\*Losses on deducted loans relates 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 01.01.2020</b>	<b>39</b>	<b>126</b>	<b>231</b>	<b>397</b>
<b>Transfers</b>				
Transferred to stage 1	37	-32	-5	0
Transferred to stage 2	-4	15	-11	0
Transferred to stage 3	0	-2	2	0
Losses on new loans	40	38	30	108
Losses on deducted loans	-9	-26	-41	-77
Losses on older loans and other changes	-2	31	11	40
<b>Provisions for loan losses as at 31.12.2020</b>	<b>101</b>	<b>149</b>	<b>218</b>	<b>468</b>
Provisions for loan losses	87	129	213	429
Provisions for guarantees and undrawn credits	13	21	5	39
<b>Total provision for losses as at 31.12.2020</b>	<b>101</b>	<b>149</b>	<b>218</b>	<b>468</b>

\*Losses on deducted loans relates 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 01.01.2020</b>	<b>37</b>	<b>120</b>	<b>230</b>	<b>387</b>
<b>Transfers</b>				
Transferred to stage 1	35	-30	-5	0
Transferred to stage 2	-4	15	-11	0
Transferred to stage 3	0	-2	2	0
Losses on new loans	36	37	30	103
Losses on deducted loans *	-9	-24	-41	-74
Losses on older loans and other changes	0	30	11	40
<b>Provisions for loan losses as at 31.12.2020</b>	<b>94</b>	<b>145</b>	<b>217</b>	<b>457</b>
Provisions for loan losses	81	125	213	418
Provisions for losses on guarantees and undrawn credits	13	21	5	39
<b>Total provision for losses as at 31.12.2020</b>	<b>94</b>	<b>145</b>	<b>217</b>	<b>457</b>

\* Losses on deducted loans relates 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. 2020*	31.12. 2021			31.12. 2021	31.12. 2020*
961	691	<b>Total non-performing loans (step 3)</b>		783	1.009
217	199	Impairment losses in stage 3		202	218
744	492	<b>Net non-performing loans</b>		581	791
22.6 %	28.8 %	Provisioning non-performing loans		25.8 %	21.6 %
1.52 %	1.03 %	Total non-performing loans in % of gross loans		0.67 %	0.90 %

\*New definition effective from 1 January 2021, historical numbers are not directly comparable.

## 7. IMPAIRMENT LOSSES BY SECTOR, INDUSTRY AND STAGE

Impairment losses by sector and industry

PARENT BANK				NOK million		GROUP			
Stage 1	Stage 2	Stage 3	Total impairment losses as of 31.12.2021			Total impairment losses as of 31.12.2021	Stage 3	Stage 2	Stage 1
5	9	26	41	Retail customers	56	29	18	9	
0	0	0	0	Public administration	0	0	0	0	
2	2	3	7	Primary Industry	7	3	2	2	
1	6	5	12	Manufacturing industry	12	5	6	1	
12	20	48	80	Real estate development	80	48	20	12	
5	3	16	24	Building and construction industry	24	16	3	5	
42	60	74	176	Property management	175	74	58	43	
1	0	1	2	Transport	2	1	1	1	
4	16	10	30	Retail trade	29	10	15	4	
2	4	2	7	Hotel and restaurants	7	2	4	2	
1	1	0	2	Housing cooperatives	2	0	1	1	
2	4	13	19	Financial/commercial services	19	13	4	2	
6	3	1	9	Social services	9	1	3	6	
<b>83</b>	<b>129</b>	<b>199</b>	<b>411</b>	<b>Total impairment losses on loans, guarantees and undrawn credit</b>	<b>424</b>	<b>202</b>	<b>135</b>	<b>88</b>	
69	118	197	384	Impairment losses on lending	397	199	123	74	
13	11	3	27	Impairment losses on unused credits and guarantees	27	3	11	13	
<b>83</b>	<b>129</b>	<b>199</b>	<b>411</b>	<b>Total impairment losses</b>	<b>424</b>	<b>202</b>	<b>135</b>	<b>88</b>	

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

## 8. MIGRATION OF GROSS LOANS

NOK million GROSS LOANS	Amortised cost				Fair value	GROUP Total gross loans incl. accrued interest
	Stage 1	Stage 2	Stage 3	Gross loans		
<b>Gross loans as at 01.01.2021</b>	<b>95 757</b>	<b>9 697</b>	<b>977</b>	<b>106 431</b>	<b>5 575</b>	<b>112 007</b>
Transferred to stage 1	2 378	-2 311	-67	-0		-0
Transferred to stage 2	-3 559	3 574	-15	-0		-0
Transferred to stage 3	-160	-127	286	0		0
Net change on present loans	-9 005	-136	-109	-9 250		-9 250
New loans	39 798	3 302	-112	42 989	817	43 806
Derecognised loans	-24 972	-2 953	-199	-28 125	-1 248	-29 373
Change in value during the period					-141	-141
<b>Gross loans as at 31.12.2021</b>	<b>100 237</b>	<b>11 047</b>	<b>762</b>	<b>112 046</b>	<b>5 003</b>	<b>117 049</b>

NOK million GROSS LOANS	Amortised cost				Fair value	GROUP Total gross loans incl. accrued interest
	Stage 1	Stage 2	Stage 3	Gross loans		
<b>Gross loans as at 01.01.2020</b>	<b>89 267</b>	<b>10 710</b>	<b>1 038</b>	<b>101 016</b>	<b>5 689</b>	<b>106 704</b>
Transferred to stage 1	2 730	-2 694	-36			-0
Transferred to stage 2	-2 873	2 897	-23			-0
Transferred to stage 3	-128	-102	230			0
Net change on present loans	1 945	-276	-76	1 593		1 269
New loans	30 844	2 449	43	33 335	1 251	34 671
Derecognised loans	-26 035	-3 286	-193	-29 513	-1 380	-30 637
Change in value during the period						
<b>Gross loans as at 31.12.2020</b>	<b>95 750</b>	<b>9 697</b>	<b>983</b>	<b>106 431</b>	<b>5 576</b>	<b>112 007</b>

NOK million GROSS LOANS	Amortised cost	Fair value through other comprehensive income	Fair value	PARENT BANK Total gross loans incl. accrued interest
<b>Gross loan as at 01.01.2021</b>	<b>40 832</b>	<b>16 735</b>	<b>5 575</b>	<b>63 142</b>
Transferred to stage 1				
Transferred to stage 2				
Transferred to stage 3				
Net change on present loans	-6 677	-158	0	-6 835
New loans	16 225	11 957	817	28 998
Derecognised loans	-7 250	-9 253	-1 248	-17 752
Change in value during the period			-141	-141
<b>Gross loan as at 31.12.2021</b>	<b>43 130</b>	<b>19 280</b>	<b>5 003</b>	<b>67 412</b>

NOK million GROSS LOANS	Amortised cost	Fair value through other comprehensive income	Fair value	PARENT BANK Total gross loans incl. accrued interest
<b>Gross loan as at 01.01.2020</b>	<b>39 106</b>	<b>21 751</b>	<b>5 689</b>	<b>66 545</b>
Transferred to stage 1				
Transferred to stage 2				
Transferred to stage 3				
Net change on present loans	3 687	-476	-	3 211
New loans	5 768	8 112	1 251	15 131
Derecognised loans	-7 729	-12 652	-1 380	-21 761
Change in value during the period			16	16
<b>Gross loan as at 31.12.2020</b>	<b>40 832</b>	<b>16 735</b>	<b>5 576</b>	<b>63 142</b>

## 9. CUSTOMER DEPOSITS BY SECTOR AND INDUSTRY

PARENT BANK		NOK million	GROUP	
31.12.2020	31.12.2021		31.12.2021	31.12.2020
29 834	31 173	Retail customers	31 177	29 836
9 078	9 158	Public administration	9 159	9 079
660	832	Primary industry	832	660
1 474	1 917	Manufacturing industry	1 917	1 474
709	850	Real estate development	802	655
1 402	1 586	Building and construction industry	1 587	1 402
3 031	3 240	Property management	3 240	3 031
595	718	Transport	718	595
1 541	1 397	Retail trade	1 398	1 542
214	262	Hotel and restaurant	262	214
189	168	Housing cooperatives	168	189
4 303	5 185	Financial/commercial services	5 186	4 303
6 832	6 691	Social services	6 692	6 832
20	8	Accrued interests	8	20
<b>59 883</b>	<b>63 185</b>	<b>Total deposits from customers</b>	<b>63 146</b>	<b>59 833</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	
31.12.2020	31.12.2021		31.12.2021	31.12.2020
25 956	29 357	Retail customers	77 549	73 662
567	430	Public administration	431	567
1 181	1 381	Primary industry	1 497	1 272
806	764	Manufacturing industry	840	861
4 146	3 666	Real estate development	3 632	4 104
1 365	1 433	Building and construction industry	1 726	1 623
19 270	19 579	Property management	19 648	19 303
507	500	Transport	594	590
1 288	1 401	Retail trade	1 519	1 395
369	400	Hotel and restaurant	430	399
1 281	1 494	Housing cooperatives	1 496	1 281
864	929	Financial/commercial services	1 198	1 094
5 428	5 950	Social services	6 322	5 707
112	128	Accrued interests	167	147
<b>63 142</b>	<b>67 412</b>	<b>Total gross loans</b>	<b>117 049</b>	<b>112 007</b>
418	384	Impairment losses on lending	397	429
<b>62 724</b>	<b>67 028</b>	<b>Total net loans</b>	<b>116 653</b>	<b>111 577</b>

\*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			31.12.2020	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
<b>Assets recognized at amortised cost</b>								
1 148		1 148		Cash and receivables from central banks	1 148		1 148	
10 936		10 936		Loans to credit institutions	2 460		2 460	
40 419			40 419	Net loans to customers (floating interest rate)	106 002			106 002
<b>Assets recognized at fair value</b>								
5 575			5 575	Net loans to customers (fixed interest rate)	5 575			5 575
16 729			16 729	Net loans to customers (mortgages)				
18 329		18 329		Bonds and certificates	21 543		21 543	
166	7		160	Shares	166	7		160
907		907		Financial derivatives	3 415		3 415	
<b>94 209</b>	<b>7</b>	<b>31 319</b>	<b>62 883</b>	<b>Total financial assets</b>	<b>140 311</b>	<b>7</b>	<b>28 567</b>	<b>111 737</b>
<b>Liabilities recognized at amortised cost</b>								
6 765		6 765		Liabilities to credit institutions	6 435		6 435	
59 883			59 883	Deposits from customers	59 833			59 833
14 149		14 151		Liabilities from issue of securities	56 885		56 961	
2 002		2 024		Senior non-preferred	2 002		2 024	
1 653		1 672		Subordinated loan capital	1 653		1 672	
<b>Financial derivatives</b>								
687		687		Total financial liabilities	687		687	
<b>85 140</b>	<b>0</b>	<b>25 300</b>	<b>59 883</b>	<b>Total financial liabilities</b>	<b>127 496</b>	<b>0</b>	<b>67 780</b>	<b>59 833</b>

### Movement level 3

#### GROUP

NOK million	Net loans to customers	Of which credit risk	Shares
<b>Recognized value as at 01.01.2020</b>	<b>5 689</b>	<b>13</b>	<b>184</b>
Acquisitions 2020	1 251	-	51
Of which, transferred from level 1 or 2	-	-	-
Change in value recognized during the period	128	12	1 809
Disposals 2020	-1 492	-	-1 883
Reclassified as associated company	-	-	-
<b>Recognized value as at 31.12.2020</b>	<b>5 575</b>	<b>25</b>	<b>160</b>
Acquisitions 2021	817	-	19
Of which, transferred from level 1 or 2	-	-	-
Change in value recognized during the period	- 141	24	6
Disposals 2021	-1 248	-	- 1
Reclassified as associated company	-	-	-
<b>Recognized value as at 31.12.2021</b>	<b>5 003</b>	<b>50</b>	<b>184</b>

#### PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares
<b>Recognized value as at 01.01.2020</b>	<b>27 422</b>	<b>13</b>	<b>183</b>
Acquisitions 2020	1 251	-	51
Of which, transferred from level 1 or 2	-	-	-
Change in value recognized during the period	128	12	1 809
Disposals 2020	-6 496	-	-1 883
Reclassified as associated company	-	-	-
<b>Recognized value as at 31.12.2020</b>	<b>22 304</b>	<b>25</b>	<b>160</b>
Acquisitions 2021	3 797	-	19
Of which, transferred from level 1 or 2	-	-	-
Change in value recognized during the period	- 141	24	6
Disposals 2021	-1 681	-	- 1
Reclassified as associated company	-	-	-
<b>Recognized value as at 31.12.2021</b>	<b>24 278</b>	<b>50</b>	<b>184</b>

### Sensitivity analysis

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

#### GROUP / PARENT BANK

NOK million	31.12.2021	31.12.2020
Loans to customers	20	20
- of which loans to corporate market (CM)	1	2
- of which loans to retail market (RM)	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						31.12.2021
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	1 104	548	556	- 228	328	
Derivatives - liabilities	- 844	- 548	- 296	80	- 216	
<b>Net</b>	<b>260</b>	<b>0</b>	<b>260</b>	<b>- 148</b>	<b>112</b>	

GROUP						31.12.2020
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	3 415	290	3 125	- 2 157	968	
Derivatives - liabilities	- 687	- 290	- 397	472	74	
<b>Net</b>	<b>2 728</b>	<b>0</b>	<b>2 728</b>	<b>- 1 686</b>	<b>1 042</b>	

PARENT BANK						31.12.2021
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	367	195	171	- 5	167	
Derivatives - liabilities	- 322	- 195	- 126	80	- 46	
<b>Net</b>	<b>45</b>	<b>0</b>	<b>45</b>	<b>76</b>	<b>121</b>	

PARENT BANK						31.12.2020
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	907	290	617	- 236	381	
Derivatives - liabilities	- 687	- 290	- 397	472	74	
<b>Netto</b>	<b>219</b>	<b>0</b>	<b>219</b>	<b>236</b>	<b>455</b>	

### 13. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

#### Debt securities - Group

NOK million	31.12.2021	31.12.2020
Bonds, nominal value	56 227	55 989
Value adjustments	242	735
Accrued interest	136	161
<b>Debt incurred due to issuance of securities</b>	<b>56 605</b>	<b>56 885</b>

#### Change in debt securities - Group

NOK million	31.12.2020	Issued	Matured/ Redeemed	Other changes during the period	31.12.2021
Bonds, nominal value	55 989	15 755	-13 460	-2 058	56 227
Value adjustments	735			-493	242
Accrued interest	161			-25	136
<b>Debt incurred due to issuance of securities</b>	<b>56 885</b>	<b>15 755</b>	<b>-13 460</b>	<b>-2 576</b>	<b>56 605</b>

#### Debt securities - Parent bank

NOK Million	31.12.2021	31.12.2020
Bonds, nominal value	9 950	13 899
Value adjustments	11	184
Accrued interest	52	66
<b>Debt incurred due to issuance of securities</b>	<b>10 013</b>	<b>14 149</b>

#### Change in debt securities - Parent bank

NOK million	31.12.2020	Issued	Matured/ Redeemed	Other changes during the period	31.12.2021
Bonds, nominal value	13 899	0	-3 700	-249	9 950
Value adjustments	184			-173	11
Accrued interest	66			-14	52
<b>Debt incurred due to issuance of securities</b>	<b>14 149</b>	<b>0</b>	<b>-3 700</b>	<b>-436</b>	<b>10 013</b>

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

NOK million	31.12.2020	Issued	Matured/ Redeemed	Other changes during the period	31.12.2021
Subordinated loans	1 650	0	0		1 650
Accrued interest	3			1	4
<b>Total subordinated loan capital</b>	<b>1 653</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1 654</b>

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

NOK million	31.12.2020	Issued	Matured/ Redeemed	Other changes during the period	31.12.2021
Non-preferred senior debt	2 000	1 500	0	0	3 500
Value adjustments	2			-9	-7
Accrued interest	0			5	5
<b>Total non-preferred senior debt</b>	<b>2 002</b>	<b>1 500</b>	<b>0</b>	<b>-4</b>	<b>3 499</b>

## 14. EQUITY CERTIFICATE HOLDERS

The 20 largest equity certificate holders as at 31.12.2021 were as follows:

	<b>Number of EC</b>	<b>Share of EC-CAP. %</b>	<b>NAME</b>	<b>Number of EC</b>	<b>Share of EC-CAP. %</b>
1.	7 988 679	51.00	11. Ottersland AS	100 000	0.64
2.	746 258	4.76	12. DNB Luxembourg S.A.	100 000	0.64
3.	417 309	2.66	13. MP Pensjon PK	85 523	0.55
4.	302 107	1.93	14. Lombard Int Assurance S.A.	82 131	0.52
5.	266 348	1.70	15. Geir Bergskaug	75 691	0.48
6.	186 000	1.19	16. Catilina Invest AS	73 237	0.47
7.	180 513	1.15	17. Apriori Holding AS	72 575	0.46
8.	174 209	1.11	18. Alf Albert	72 292	0.46
9.	151 092	0.96	19. Gunnar Hillestad	71 000	0.45
10.	119 000	0.76	20. Varodd AS	70 520	0.45
<b>Total - 10 largest certificate holders</b>	<b>10 531 515</b>	<b>67.23</b>	<b>Total - 20 largest certificate holders</b>	<b>11 334 484</b>	<b>72.36</b>

As of 1 January 2021, the ownership ratio was 17.3 percent. Hybrid capital, classified as equity, has been excluded when calculating the ownership ratio. As of 31 December 2021, the ownership ratio was 15.7 percent.

The equity certificate capital amounted to NOK 783 197 200 distributed over 15 663 944 equity certificates, each with a nominal value of NOK 50. At the reporting date, Sparebanken Sør owned 32 272 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 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 risk at Sparebanken Sør must be subject to active and satisfactory management, based on objectives and limits for risk exposure and risk tolerance established by the Board of Directors.

# Quarterly trend in results

	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
<b>Profit (NOK million)</b>					
Net interest income	506	493	488	451	467
Net commission income	124	98	110	87	97
Net income from financial instruments	-26	29	-11	8	37
Other operating income	77	38	48	29	59
<b>Total net income</b>	<b>682</b>	<b>658</b>	<b>635</b>	<b>575</b>	<b>659</b>
Total operating expenses before losses	268	249	260	242	260
<b>Operating profit before losses</b>	<b>414</b>	<b>408</b>	<b>375</b>	<b>334</b>	<b>399</b>
Losses on loans, guarantees and undrawn credits	2	2	-11	-11	-30
<b>Profit before taxes</b>	<b>412</b>	<b>406</b>	<b>386</b>	<b>345</b>	<b>430</b>
Tax expenses	83	91	77	71	90
<b>Profit for the period</b>	<b>328</b>	<b>315</b>	<b>309</b>	<b>274</b>	<b>339</b>

## Profit as % of average assets

Net interest income	1.39 %	1.37 %	1.40 %	1.25 %	1.29 %
Net commission income	0.34 %	0.27 %	0.31 %	0.24 %	0.27 %
Net income from financial instruments	-0.07 %	0.08 %	-0.03 %	0.02 %	0.10 %
Other operating income	0.21 %	0.10 %	0.14 %	0.08 %	0.16 %
<b>Total net income</b>	<b>1.88 %</b>	<b>1.82 %</b>	<b>1.82 %</b>	<b>1.60 %</b>	<b>1.83 %</b>
Total operating expenses before losses	0.74 %	0.69 %	0.74 %	0.67 %	0.72 %
<b>Operating profit before losses</b>	<b>1.14 %</b>	<b>1.13 %</b>	<b>1.07 %</b>	<b>0.93 %</b>	<b>1.11 %</b>
Losses on loans, guarantees and undrawn credit	0.01 %	0.01 %	-0.03 %	-0.03 %	-0.08 %
<b>Profit before taxes</b>	<b>1.13 %</b>	<b>1.13 %</b>	<b>1.11 %</b>	<b>0.96 %</b>	<b>1.19 %</b>
Tax expenses	0.23 %	0.25 %	0.22 %	0.20 %	0.25 %
<b>Profit for the period</b>	<b>0.90 %</b>	<b>0.88 %</b>	<b>0.89 %</b>	<b>0.76 %</b>	<b>0.94 %</b>

## Key figures, income statement

Return on equity after tax (adjusted for hybrid capital)	9.4 %	9.2 %	9.0 %	8.4 %	10.4 %
Costs as % of income	39.3 %	37.9 %	40.9 %	42.0 %	39.4 %
Costs as % of income, excl. net income from financial instruments	37.9 %	39.6 %	40.2 %	42.6 %	41.7 %

## Key figures, balance sheet

Total assets	144 182	145 431	140 413	139 047	142 126
Average total assets	144 200	143 000	140 000	146 000	143 700
Net loans to customers	116 653	116 539	115 114	112 801	111 577
Growth in loans as %, last 12 mths.	4.5 %	5.4 %	5.6 %	4.8 %	4.9 %
Customer deposits	63 146	65 185	66 042	60 822	59 833
Growth in deposits as %, last 12 mths.	5.5 %	7.8 %	10.0 %	5.5 %	3.3 %
Deposits as % of net loans	54.1 %	55.9 %	57.4 %	53.9 %	53.6 %
Equity (incl. hybrid capital)	14 941	14 394	14 076	14 022	13 752
Losses on loans as % of net loans, annualised	0.01 %	0.01 %	-0.04 %	-0.04 %	0.07 %

## Other key figures

Liquidity reserves (LCR), Group	140 %	142 %	146 %	168 %	173 %
Liquidity reserves (LCR), Group- EUR	604 %	637 %	345 %	376 %	107 %
Liquidity reserves (LCR), Parent Bank	127 %	126 %	135 %	163 %	154 %
Common equity tier 1 capital ratio	16.4 %	16.2 %	16.0 %	15.8 %	15.7 %
Tier 1 capital ratio	18.1 %	17.6 %	17.4 %	17.5 %	17.1 %
Total capital ratio	20.3 %	19.7 %	19.5 %	19.5 %	19.1 %
Common equity tier 1 capital	13 004	12 820	12 634	12 447	12 204
Tier 1 capital	14 376	13 941	13 755	13 776	13 315
Net subordinated capital	16 074	15 640	15 454	15 374	14 864
Leverage ratio	9.4 %	9.3 %	9.2 %	9.2 %	8.9 %
Number of branches	35	35	35	35	35
Number of FTEs in banking operations	464	452	458	445	442

## Key figures, equity certificates

Equity certificate ratio	15.7 %	16.0 %	16.0 %	16.1 %	17.3 %
Number of equity certificates issued	15 663 944	15 663 944	15 663 944	15 663 944	15 663 944
Profit per equity certificate (Parent Bank)	2.4	2.1	2.3	5.0	2.5
Profit per equity certificate (Group)	3.2	3.2	3.0	2.9	3.6
Dividend last year per equity certificate (Parent Bank)	136.4	14.0	14.0	14.0	14.0
Dividend paid last period per equity certificate	1.07	10.4	10.4	10.4	
Book equity per equity certificate	146.0	137.3	133.6	130.7	140.0

## Key figures Group 2016-2021

Income statement (NOK million)	31.12. 2021	31.12. 2020	31.12. 2019	31.12. 2018	31.12. 2017	31.12. 2016
Net interest income	1 939	1 914	1 926	1 729	1 679	1 565
Net commission income	419	347	344	318	312	293
Net income from financial instruments	0	40	24	2	88	224
Other operating income	191	143	74	23	18	28
<b>Total net income</b>	<b>2 549</b>	<b>2 444</b>	<b>2 368</b>	<b>2 072</b>	<b>2 097</b>	<b>2 110</b>
Total operating expenses before losses	1 018	958	918	884	811	787
<b>Operating profit before losses</b>	<b>1 531</b>	<b>1 486</b>	<b>1 450</b>	<b>1 188</b>	<b>1 286</b>	<b>1 323</b>
Losses on loans and guarantees	- 18	83	-17	-36	20	50
<b>Profit before taxes</b>	<b>1 549</b>	<b>1 403</b>	<b>1 467</b>	<b>1 224</b>	<b>1 266</b>	<b>1 273</b>
Tax expenses	323	307	342	285	282	284
<b>Profit for the period</b>	<b>1 226</b>	<b>1 096</b>	<b>1 125</b>	<b>939</b>	<b>984</b>	<b>989</b>
<b>Profit as a percentage of average assets</b>						
Net interest income	1.35 %	1.36 %	1.53 %	1.46 %	1.53 %	1.49 %
Net commission income	0.29 %	0.25 %	0.27 %	0.27 %	0.28 %	0.28 %
Net income from financial instruments	0.00 %	0.03 %	0.02 %	0.00 %	0.08 %	0.21 %
Other operating income	0.13 %	0.10 %	0.06 %	0.02 %	0.02 %	0.03 %
<b>Total net income</b>	<b>1.78 %</b>	<b>1.74 %</b>	<b>1.88 %</b>	<b>1.75 %</b>	<b>1.92 %</b>	<b>2.01 %</b>
Total operating expenses before losses	0.71 %	0.68 %	0.73 %	0.75 %	0.74 %	0.75 %
<b>Operating profit before losses</b>	<b>1.07 %</b>	<b>1.06 %</b>	<b>1.15 %</b>	<b>1.00 %</b>	<b>1.17 %</b>	<b>1.26 %</b>
Losses on loans and guarantees	-0.01 %	0.06 %	-0.01 %	-0.03 %	0.02 %	0.05 %
<b>Profit before taxes</b>	<b>1.08 %</b>	<b>1.00 %</b>	<b>1.17 %</b>	<b>1.03 %</b>	<b>1.16 %</b>	<b>1.21 %</b>
Tax expenses	0.23 %	0.22 %	0.27 %	0.24 %	0.26 %	0.27 %
<b>Profit for the period</b>	<b>0.86 %</b>	<b>0.78 %</b>	<b>0.89 %</b>	<b>0.79 %</b>	<b>0.90 %</b>	<b>0.94 %</b>
<b>Key figures, income statement</b>						
Return on equity after tax (adjusted for hybrid capital)	9.0 %	8.4 %	9.5 %	8.5 %	9.7 %	11.3 %
Costs as % of income	39.9 %	39.2 %	38.8 %	42.7 %	38.7 %	37.3 %
Costs as % of income, excl. net income from financial instruments	40.0 %	39.9 %	39.2 %	42.7 %	40.4 %	41.7 %
<b>Key figures, balance sheet</b>						
Total assets	144 182	142 126	129 499	121 125	114 310	105 455
Average total assets	143 100	140 400	125 900	118 600	109 500	104 950
Net loans to customers	116 653	111 577	106 334	102 942	97 518	90 928
Grows in loans as %, last 12 mths.	4.5 %	4.9 %	3.3 %	5.6 %	7.2 %	2.9 %
Customer deposits	63 146	59 833	57 949	56 537	55 580	51 562
Growth in deposits as %, last 12 mths.	5.5 %	3.3 %	2.5 %	1.7 %	7.8 %	6.6 %
Deposits as % of net loans	54.1 %	53.6 %	54.5 %	54.9 %	57.0 %	56.7 %
Equity (incl. hybrid capital)	14 941	13 752	13 081	11 845	11 108	10 051
Losses on loans as % of net loans, annualised	-0.02 %	-0.11 %	-0.01 %	-0.17 %	0.02 %	0.05 %
Gross non-performing loans (over 90 days) as % of gross lending	IA	0.29 %	0.27 %	0.21 %	0.28 %	0.30 %
<b>Other key figures</b>						
Liquidity reserves (LCR), Group	140 %	173 %	148 %	159 %	139 %	128 %
Liquidity reserves (LCR), Group- EUR	604 %	107 %	1168 %	4727 %	3105 %	
Liquidity reserves (LCR), Parent Bank	127 %	154 %	140 %	180 %	134 %	119 %
Common equity tier 1 capital ratio	16.4 %	15.7 %	15.7 %	14.8 %	14.9 %	14.7 %
Tier 1 capital ratio	18.1 %	17.1 %	17.6 %	16.6 %	16.7 %	16.0 %
Total capital ratio	20.3 %	19.1 %	20.3 %	18.7 %	18.9 %	17.9 %
Common equity tier 1 capital	13 004	12 204	11 356	10 517	9 890	9 114
Tier 1 capital	14 376	13 315	12 767	11 591	10 965	9 939
Net total primary capital	16 074	14 864	14 686	13 096	12 347	11 121
Leverage ratio	9.4 %	8.9 %	9.3 %	9.1 %	9.2 %	8.6 %
Number of branches	35	35	34	34	34	34
Number of FTEs in banking operations	464	442	429	434	432	439
<b>Key figures, equity certificates</b>						
Equity certificate ratio before profit distribution	15.7 %	17.3 %	17.2 %	17.9 %	18.7 %	19.8 %
Number of equity certificates issued	15 663 944	15 663 944	15 663 944.0	15 663 944	15 663 944	15 663 944
Profit per equity certificate (Parent Bank)	11.5	10.5	9.3	7.7	8.9	8.5
Profit per equity certificate (Group)	12.2	11.3	11.7	10.1	11.2	10.7
Dividend last year per equity certificate (Parent Bank)	8.0	14.0	8.0	6.0	6.0	6.0
Book equity per equity certificate	136.4	140.0	128.5	123.2	120.0	115.2
Price/book value per equity certificate	1.1	0.8	0.9	0.8	0.9	0.8
Listed price on Oslo Stock Exchange at end of period	146.0	114.5	110.0	96.9	104.0	91.3

	Q4	Q3	Q2	Q1	Q4	31.12.	31.12.
NOK million	2021	2021	2021	2021	2020	2021	2020
<b>Return on equity adjusted for hybrid capital</b>							
Profit after tax	328	315	309	274	339	1 223	1 096
Interest on hybrid capital	-9	-8	-19	-10	-13	-46	-69
<b>Profit after tax, incl. Interest on hybrid capital</b>	<b>320</b>	<b>305</b>	<b>290</b>	<b>264</b>	<b>329</b>	<b>1 177</b>	<b>1 018</b>
<b>Opening balance, equity excl. hybrid capital</b>							
Opening balance, equity	14 394	14 076	14 022	13 752	13 750	13 752	13 081
Opening balance, hybrid capital	-1 085	-1 085	-1 275	-1 075	-1 375	-1 075	-1 375
<b>Opening balance, equity excl. hybrid capital</b>	<b>13 309</b>	<b>12 991</b>	<b>12 746</b>	<b>12 677</b>	<b>12 375</b>	<b>12 677</b>	<b>11 706</b>
<b>Closing balance, equity excl. hybrid capital</b>							
Closing balance, equity	14 941	14 394	14 076	14 022	13 752	14 941	13 752
Closing balance, hybrid capital	-1 335	-1 085	-1 085	-1 275	-1 075	-1 335	-1 075
<b>Closing balance, equity excl. hybrid capital</b>	<b>13 606</b>	<b>13 309</b>	<b>12 991</b>	<b>12 746</b>	<b>12 677</b>	<b>13 606</b>	<b>12 677</b>
Average equity	14 668	14 235	14 049	13 887	13 751	14 347	13 416
<b>Average equity excl. Hybrid capital</b>	<b>13 458</b>	<b>13 150</b>	<b>12 869</b>	<b>12 712</b>	<b>12 526</b>	<b>13 142</b>	<b>12 191</b>
Return on equity	8.9 %	8.8 %	8.8 %	8.0 %	9.8 %	8.5 %	8.2 %
<b>Return on equity, excl. hybrid capital</b>	<b>9.4 %</b>	<b>9.2 %</b>	<b>9.0 %</b>	<b>8.4 %</b>	<b>10.4 %</b>	<b>9.0 %</b>	<b>8.4 %</b>
<b>Net interest income, incl. interest on hybrid capital</b>							
Net interest income, incl. interest on hybrid capital	506	493	488	451	467	1 939	1 914
Interest on hybrid capital	-9	-8	-19	-10	-13	-46	-69
<b>Net interest income, incl. interest on hybrid capital</b>	<b>498</b>	<b>485</b>	<b>469</b>	<b>441</b>	<b>455</b>	<b>1 892</b>	<b>1 845</b>
Average total assets	144 200	143 000	140 000	146 000	143 700	143 100	140 400
<b>As percentage of total assets</b>	<b>1.37 %</b>	<b>1.35 %</b>	<b>1.34 %</b>	<b>1.23 %</b>	<b>1.26 %</b>	<b>1.32 %</b>	<b>1.31 %</b>
<b>Profit from ordinary operations (adjusted earnings)</b>							
Net interest income, incl. Interest on hybrid capital	498	484	469	441	455	1 892	1 845
Net commission income	124	98	110	87	97	419	347
Share of profit from associated companies	66	34	45	29	57	174	136
Other operating income	0	4	2	0	2	7	7
Operating expenses	281	249	260	242	260	1 031	958
<b>Profit from ordinary operations (adjusted earnings), before tax</b>	<b>408</b>	<b>370</b>	<b>367</b>	<b>316</b>	<b>350</b>	<b>1 461</b>	<b>1 377</b>
Losses on loans, guarantees and undrawn credits	2	2	-11	-11	-30	-18	31
<b>Profit excl. finance and adjusted for non-recurring items</b>	<b>406</b>	<b>368</b>	<b>378</b>	<b>327</b>	<b>380</b>	<b>1 479</b>	<b>1 346</b>
Tax (25 %) adjusted for tax, share of profit associated companies	85	84	83	74	81	326	303
<b>Ordinary operations /adjusted earnings after losses and tax</b>	<b>321</b>	<b>285</b>	<b>295</b>	<b>252</b>	<b>299</b>	<b>1 153</b>	<b>1 043</b>
Average equity, excl. hybrid capital	13 458	13 150	12 869	12 712	12 526	13 142	12 191
<b>Return on equity, profit excl. finance and adjusted for non-recurring items</b>	<b>9.5 %</b>	<b>8.6 %</b>	<b>9.2 %</b>	<b>8.0 %</b>	<b>9.5 %</b>	<b>8,8 %</b>	<b>8,6 %</b>
<b>Average interest rates/margins</b>							
Average lending rate RM (return)	2.12 %	2.02 %	2.05 %	2.08 %	2.12 %		
Average lending rate CM (return)	3.06 %	2.72 %	2.80 %	2.85 %	2.74 %		
Average deposit rate RM	0.28 %	0.29 %	0.32 %	0.35 %	0.39 %		
Average deposit rate CM	0.55 %	0.39 %	0.42 %	0.48 %	0.47 %		
Average 3-month NIBOR	0.79 %	0.39 %	0.26 %	0.45 %	0.38 %		
Lending margin RM (lending rate - 3-month NIBOR)	1.33 %	1.63 %	1.79 %	1.63 %	1.74 %		
Lending margin CM (lending rate - 3-month NIBOR)	2.27 %	2.33 %	2.54 %	2.40 %	2.36 %		
Deposit margin RM (3-month NIBOR - deposit rate)	0.51 %	0.10 %	-0.06 %	0.10 %	-0.01 %		
Deposit margin CM (3-month NIBOR - deposit rate)	0.24 %	0.00 %	-0.16 %	-0.03 %	-0.09 %		
<b>Interest-rate margin (lending rate - deposit rate)</b>							
Interest-rate margin RM	1.84 %	1.73 %	1.73 %	1.73 %	1.73 %		
Interest-rate margin CM	2.51 %	2.33 %	2.38 %	2.36 %	2.27 %		

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

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

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

### Sparebanken Sør's APMs and definitions

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

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

The Board of Directors and CEO of Sparebanken Sør hereby confirm that the bank and the group's financial statements for the first half of 2021 have been prepared in accordance with applicable accounting standards, and that the information provided in the financial statements provides a true and fair view of the company's assets, liabilities, financial position and overall results.

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

**Kristiansand, 10 February 2022**

Stein A. Hannevik  
Chairman

Inger Johansen  
Deputy Chairman

Mette Ramfjord Harv

Knut Ruhaven Sæthre

Merete Steinvåg Østby

Erik Edvard Tønnesen

Jan Erling Tobiassen  
Employee representative

Gunnhild Tveiten Golid  
Employee representative

Geir Bergskaug  
CEO



**SPAREBANKEN SØR**