



SPAREBANKEN SØR

Q1 2022

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



Contents

Key figures Group	3
Board of Director's report	4
Income statement	14
Other comprehensive income	14
Balance sheet	15
Cash flow statement	16
Statement of changes in equity	17
Notes	18
Risk and capital management	35
Quarterly trend in results	36
Key figures Group 2016-2021	37
Calculations	38
Alternative performance measures – APM	39

Key figures Group

Income statement (NOK million)	Q1 2022	Q1 2021	31.12.2021
Net interest income	521	451	1 939
Net commission income	89	87	419
Net income from financial instruments	- 26	8	0
Income from associated companies	27	29	174
Other operating income	1	0	17
Total net income	612	575	2 549
Total operating expenses before losses	259	242	1 018
Operating profit before losses	352	334	1 531
Losses on loans, guarantees and unused credit	- 2	- 11	- 18
Profit before taxes	355	345	1 549
Tax expenses	79	71	323
Profit for the period	276	274	1 226
Key figures, income statement			
Return on equity after tax (adjusted for hybrid capital)	7.8 %	8.4 %	9.0 %
Costs as % of income	42.4 %	42.0 %	39.9 %
Costs as % of income, excl. net income from financial instruments	40.6 %	42.6 %	40.0 %
Net interest income as % of average assets	1.44 %	1.25 %	1.35 %
Key figures, balance sheet			
Total assets	148 072	139 047	144 182
Average total assets	147 000	146 000	143 100
Net loans to customers	117 918	112 801	116 653
Growth in loans as % last 12 mths.	4.5 %	4.8 %	4.5 %
Customer deposits	64 741	60 822	63 146
Growth in deposits as % last 12 mths.	6.4 %	5.5 %	5.5 %
Deposits as % of net loans	54.9 %	53.9 %	54.1 %
Equity (incl. hybrid capital)	15 163	14 022	14 941
Losses on loans as % of net loans, annualised	-0.01 %	-0.04 %	-0.02 %
Other key figures			
Liquidity reserve (LCR) Group	156 %	168 %	140 %
Liquidity reserve (LCR) Group - Euro	2628 %	376 %	604 %
Liquidity reserve (LCR) Parent Bank	138 %	163 %	127 %
Common equity tier 1 capital ratio	16.7 %	15.8 %	16.4 %
Tier 1 capital ratio	18.4 %	17.5 %	18.1 %
Total capital ratio	20.5 %	19.5 %	20.3 %
Total common equity tier 1 capital ratio	13 252	12 447	13 004
Tier 1 capital ratio	14 633	13 766	14 376
Net subordinated capital	16 346	15 374	16 074
Leverage ratio	9.3 %	9.2 %	9.4 %
Number of branches	35	35	35
Number of FTEs in banking operations	471	445	464
Key figures, equity certificates			
Equity certificate ratio, weighted average over the period	15.5%	16.1%	15.7 %
Number of equity certificates issued	15 663 944	15 663 944	15 663 944
Profit/diluted earnings per equity certificate (Parent bank)	5.0	5.0	11.5
Profit/diluted earnings per equity certificate (Group)	2.6	2.7	12.2
Proposed dividend last year per equity certificate	8.0	14.0	8.0
Paid out dividend last year per equity certificate		10.4	14.0
Book equity per equity certificate	132.7	130.7	136.4
Price/book equity per equity certificate	1.2	1.0	1.07
Listed price on Oslo Stock Exchange at end of period	157.0	131.0	146.0

Board of Director's report

General

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

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

Highlights in Q1 2022

- Very good development in net interest income
- Negative profit contribution from the liquidity portfolio
- Efficient operations and low costs
- Net entry on losses on loans
- Return on equity after tax of 7.8 percent
- 12-month lending growth of 4.5 percent
- 12-month deposit growth of 6.4 percent
- Common equity tier 1 (CET1) ratio of 16.7 percent and Leverage Ratio of 9.3 percent

Financial framework conditions

Economic activity levels have continued to increase in Norway following the lifting of the COVID-19 measures. Unemployment has fallen to a record low and recent price growth has been high. The war in Ukraine has had a marked impact on the quarter, with increased uncertainty in both the Norwegian and the international economy.

The Norwegian central bank, Norges Bank, raised its policy rate from 0.50 to 0.75 percent in March. The central bank also signalled that its assessment of the outlook and the risk situation would most likely result in the policy rate being raised again in June 2022. The policy rate forecast is for a gradual increase in the coming years, and the central bank expects the policy rate to be around 2.5 percent at the end of 2023.

The yields, in both the money and bond markets, rose in the first quarter, mainly due to more uncertainty resulting from the situation in Ukraine. 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 March 2022. The growth in credit to households and businesses was 4.9 percent and 5.0 percent, respectively. Fund management for municipal authorities grew by 5.0 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. In the second quarter of 2021, the Ministry of Finance decided, after advice from the central bank, to raise the countercyclical capital buffer requirement for banks from 1.0 to 1.5 percent, effective 30 June 2022. In December 2021, the central bank, which was delegated the authority to set the countercyclical capital buffer requirement in September, decided to raise the required buffer from 1.5 to 2.0 percent, effective 31 December 2022. In March 2022, the central bank decided to raise the buffer requirement further, to 2.5 percent, effective 31 March 2023.

Sustainability (ESG)

Sparebanken Sør has a long tradition as a responsible social actor. Sustainability is embedded and integrated in the Bank's overarching strategy. Sparebanken Sør aims to integrate sustainability in 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 updated its bond framework in the first quarter of 2022 to ensure that financing under the framework is channelled to sustainable activities in accordance with the EU taxonomy. In the first quarter of 2022, Sparebanken Sør issued NOK 2 billion in senior debt under the updated bond framework

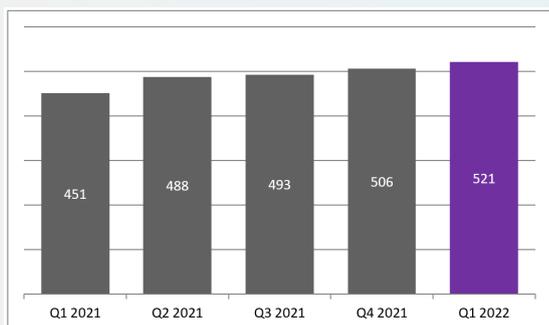
The Bank offers green mortgages, and ESG risk is integrated in the Bank's credit processes. By offering sustainable products, digital services, advice and specification of requirements for customers, the Bank contributes positively to social development through reduced greenhouse gas emissions. The bank 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 355 million in Q1 of 2022, compared with NOK 345 million in the same period in 2021. Return on equity after tax amounted to 7.8 percent in the Q1 2022, compared with 8.4 percent in the same period in 2021.

Net interest income

Quarterly net interest income (NOK million)



Net interest income totalled NOK 521 million in Q1 2022, compared with NOK 451 million in Q1 2021, an increase of NOK 70 million.

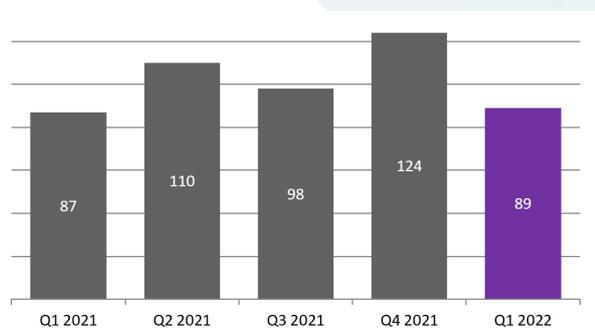
Net interest income increased in the first quarter of 2022, mainly due to changes in the bank's interest rates following the central bank raising the policy rate from 0 to 0.25 percent in late September and from 0.25 to 0.50 percent in mid-December 2021. These changes improved interest rate margins, both for the retail and corporate markets, in the first quarter.

The central bank raised the policy rate another 0.25 percentage points in March, to 0.75 percent. In connection with this, Sparebanken Sør decided to adjust interest rates on mortgages and deposits by up to 0.25 percentage points. For retail customers, the changed interest rates will take effect from 11 May for existing loans and from 30 May for deposits. Corporate customers have been notified that interest will be raised by up to 0.25 percentage points.

The bank's market financing has NIBOR as its reference rate. High market interest rates in the first quarter had a negative impact on the net interest income. If conditions in the financial market stabilize, in the future, with consequent lower liquidity spreads in market interest rates compared with the current policy rate, it is expected that the group's net interest income will develop positively. The net interest income is also impacted by the changes in the financing costs, only taking effect for the lending rates from the second quarter of 2022.

Commission income

Quarterly net commission income (NOK million)



Net commission income totalled NOK 89 million in Q1 2022, compared with NOK 87 million in Q1 2021.

Gross commission income in Q1 2022 totalled NOK 108 million, compared with NOK 103 million in Q1 2021.

Commission income	Q1 2022	Q1 2021	Change
Payment services	42	37	5
Real estate brokerage	36	41	-5
Mutual fund	8	7	1
Insurance	12	8	4
Credit procurement and leasing	2	1	1
Other commission income	7	9	-2
Total	108	103	5

In the last year, there has been a positive development in commission income from both payment services, mutual funds, insurance (Frende) and credit intermediation and leasing (Brage). The investments made in insurance, including the purchase of Sørlandet Forsikringscenter, have contributed to higher commission income from insurance. The Bank's customers are increasingly putting their savings in funds, resulting in significantly increased income from mutual funds.

The income from the real estate agency (Sørmegleren) has fallen as a result of lower activity. The decline in activity is due to new regulations related to the sale of residential property in Norway. It is expected that this is temporary and that the activity will return throughout the year.

Financial instruments

Net income from financial instruments totalled NOK - 26 million in Q1 2022, compared with NOK 8 million in the corresponding period last year. . The negative development was mainly due to higher credit spreads resulting in losses in the bank's liquidity portfolio. The liquidity portfolio amounted to NOK 21.2 billion at the end of the quarter, comprising mainly of very liquid covered bonds and certificates issued by the state and municipalities.

Net income from financial instruments	Q1 2022	Q1 2021	Change
Bonds and certificates	-33	-5	-29
Shares incl. dividends	3	4	-1
Fixed rate loans	-9	7	-16
Securities issued - hedge accounting	-1	-10	9
Repurchase of issued bonds	-	-	-
Payment services (agio)	7	6	1
Other financial instruments	8	5	3
Total	-26	8	-34

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 part of a strategic focus on being better able to offer relevant, integrated and sound solutions to our customers. It has also been important for diversifying the Group's sources of income.

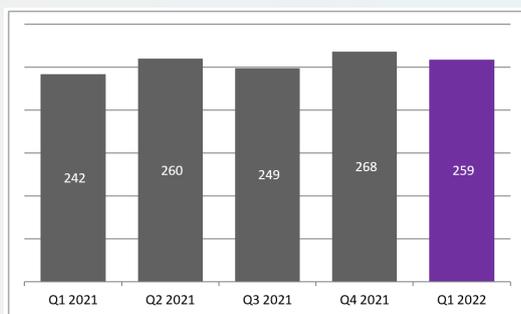
Associated companies		Q1 2022	Q1 2021	Change
Frende Forsikring - 19.8 %	Share of profit	-4.9	12.6	-17.5
	Amort.	-5.4	-5.4	0.0
	Realisation	24.9	0.0	24.9
Brage Finans - 20.8 %	Share of profit	12.2	10.9	1.3
Balder Betaling - 24.8 %	Share of profit	0.2	11.1	-10.9
Total		27.0	29.2	-2.2

The share of profit from Frende in Q1 was strongly impacted by a negative financial return as a result of market turmoil. The sales gain is due to a divestment in connection with ten smaller savings banks coming in as new owners.

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 Q1 2022.

Operating expenses

Quarterly operating expenses (NOK million)



Operating expenses amounted to NOK 259 million in Q1 2022, an increase of NOK 19 million compared with Q1 2021.

Operating expenses	Q1 2022	Q1 2021	Change
Wages and fees	114	105	9
Payroll tax	17	16	2
Financial tax	5	4	0
Pension costs	4	12	-8
Other personnel costs	6	5	2
Total personnel costs	146	142	5
Depreciation, amortization and impairment of non-current assets	11	11	1
Marketing	12	8	4
IT costs	48	39	9
Operating cost - real estate	9	6	3
External fees	8	9	-0
Wealth tax	2	5	-3
Other operating expenses	24	22	1
Total other operating expenses	103	89	14
Total Operating expenses	259	242	19

Personnel costs increased both for the Bank and the Group due to strategic initiatives. The Group has strengthened its capability in the fields of analysis, risk management (IRB) and compliance, and has also strengthened its insurance sales organisation.

Other operating expenses have also increased, mainly due to higher IT costs, more market activity and higher electricity bills.

Cost-income ratio in the Group was 42.4 percent (42.0 percent) in Q1 2022. Cost-income ratio in the banking business were 38.4 percent (38.4 percent).

Losses and non-performing loans

Net entry on losses on loans amounted to NOK 2 million in Q1 2022, compared to a net entry on losses of NOK 11 million in Q1 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 in the Norwegian economy. Although the corona pandemic has had negative effects for some of the bank's customers, it will continue to be some underlying uncertainty. The pandemic has had little effect on the bank's loss expenses. As a result of the war in Ukraine, there are several conditions that are affected. Markets for raw materials and other input factors are affected both in terms of price and availability.

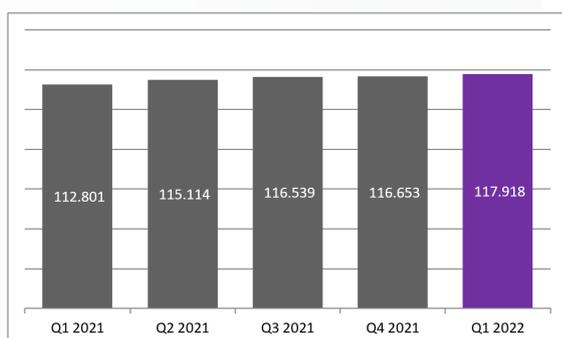
Although the bank's customers are to a very small extent directly dependent on imports or exports to or from Russia, Belarus or Ukraine, some customers will be affected through second- and third-hand effects.

The Group's impairment losses were calculated to NOK 412 million by the end of Q1 2022, which is equivalent to 0.35 percent of gross loans. The corresponding figures for 2021 were NOK 451 million and 0.40 percent of gross loans.

Non-performing loans were NOK 791 million, down from NOK 946 million same periode last year. Non-performing loans represented 0.68 percent of gross loans.

Loans

Loans in NOK million



Over the past 12 months net loans increased by NOK 5.1 billion to a total of NOK 117.9 billion, representing a growth of 4.5 percent. Loan growth in Q1 2022 was NOK 1.3 billion, representing a growth of 4.3 percent.

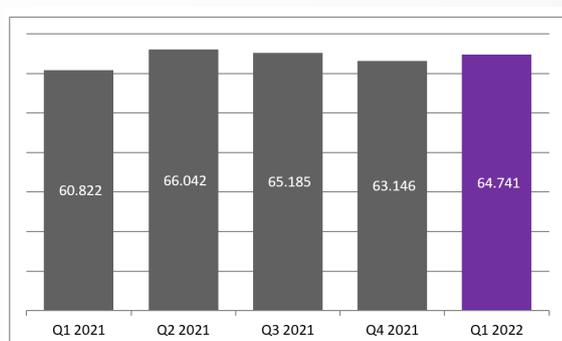
Over the past 12 months, gross loans to retail customers increased by NOK 3.7 billion to NOK 78.1 billion, a growth of 5.0 percent. Annualised lending growth in Q1 was 2.8 percent. The bank aims to grow its market share in the retail market and aspires to a growth in lending equal to the credit growth in the region plus one percentage point.

Gross loans to corporate customers increased by NOK 1.3 billion to NOK 40.0 billion over the last 12 months, representing a growth of 3.4 percent. Annualised growth in lending was 7.0 percent in Q1 2022. This growth is somewhat higher than the goal set by the Bank, but growth was lower in Q4 2021 as a result of the completion of major housing and development projects. The corporate market growth is focused on profitability and will fluctuate somewhat throughout the year.

Loan to retail customers accounted for 66 percent (66 percent) of total loans at the end of Q1 2022.

Deposits

Deposits in NOK million



Over the past 12 months, customer deposits increased by NOK 3.9 billion to NOK 64.7 billion, a growth of 6.4 percent.

Deposits from retail customers increased by NOK 1.8 billion to NOK 31.7 billion, a growth of 5.9 percent.

Deposits from corporate customers increased by NOK 2.1 billion to NOK 32.9 billion, a growth of 7.0 percent.

Deposits in percent of net loans were 54.9 percent at the end of Q1 2022, up from 53.9 percent at the same time in 2021.

Wholesale funding and liquidity portfolio

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

At the end of Q1 2022, wholesale funding amounted to NOK 56.9 billion, of which 82 percent consisted of covered bonds. Long-term funding (over 1 year maturity) had an average maturity of 4.3 years at the end of the quarter.

The market situation in Q1 2022 was demanding as a result of the war in Ukraine. However, the bank still issued a NOK 2 billion green covered bond and expanded an existing covered bond by NOK 1.5 billion on advantageous terms.

The Group's portfolio of interest-bearing securities totalled NOK 21.2 billion as at 31 March 2022. The Group's liquidity reserve (LCR) amounted to 156 percent as at 31 March 2022. (138 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 Q1 2022, net subordinated capital totalled NOK 16.3 billion. Total tier 1 capital totalled NOK 14.6 billion and common tier 1 capital totalled NOK 13.3 billion. At the same date the (total) capital ratio for the Sparebanken Sør Group was 20.5 percent, the tier 1 capital ratio was 18.4 percent and the common equity tier 1 (CET1) capital ratio was 16.7 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 22.5 percent, a tier 1 capital ratio of 20.0 percent and a CET1 capital ratio of 17.9 percent at the end of Q1 2022.

The Group met the capital requirements of 13.0 percent for CET1, 14.5 percent for tier 1 capital and 16.5 percent for total capital by respectively solid margin. The Group's internal target based on new pillar 2 requirements is a CET1 capital ratio of 16.2 percent in 2022, including a 1.0 percent margin on capital (Pillar 2 Guidance).

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. In March 2022, Norges Bank decided on a further increase to 2.5 percent, with effect from 31 March 2023.

On 26 April 2022, in connection with a completed SREP (Supervisory Review and Evaluation Process and Pillar 2), Sparebanken Sør received the Financial Supervisory Authority of Norway's pillar 2 decision and feedback concerning the expectations the Authority has for the Bank's margin to the capital requirement. The Financial Supervisory Authority's set the capital requirement under pillar 2 at 1.7 percent of the calculation basis. This is down 0.3 percentage points from the current pillar 2 requirement of 2.0 percent. In addition, the Authority considers that the Bank should have a margin of common equity tier 1 capital of 1 percent in excess of the total requirement for total common equity tier 1 capital, common equity tier 1 (CET1) capital ratio and capital ratio. The pillar 2 requirement and the capital requirement margin set by the Authority came into force on 30 April 2022.

Changes in the EU banking regulations (the «banking package») will also be implemented in Norway. The Ministry of Finance aims to take the law and associated regulations in force on 1 June 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.

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 other regional banks. Sparebanken Sør also aims to have a quality of risk management on par with comparable banks. The Bank has started a process to develop the Bank's risk management framework and modelling in a way that will make it possible to apply to 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 9.3 percent at the close of Q1 2022, compared with 9.2 percent at the close of Q1 2021. The Bank's capital adequacy is highly satisfactory.

The Bank Resolution and Recovery Directive (BRRD) has introduced a minimum requirement for the sum of subordinated capital and convertible debt (MREL). This entails a new requirement for convertible/non-preferred debt ("Tier 3"), which also applies to Sparebanken Sør. The requirements are determined by FSA on the basis of capital requirements and the current adjusted calculation basis in force at any given time. Based on capital requirements and adjusted calculation basis as of 31 December 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 of 31 March 2022, the Bank had issued 15 663 944 equity certificates. Profit (consolidated) per equity certificate amounted to NOK 2.6 per certificate and the comprehensive income amounted NOK 3.5 per certificate in Q1 2022.

Ownership ratio by the end of the quarter was 15.0 percent, and the average ownership ratio was 15.5 percent for Q1 2022. Hybrid capital, which is classified as equity, is excluded when calculating the ownership ratio.

Dividend policy

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

In determining the annual dividend, the bank's capital requirements shall be considered, including government-required requirements for capital adequacy, expectations of investors, as well as the bank's strategic plans.

The Bank aims to disburse 40 to 50 percent of the annual profit after tax in dividends. Dividends are disbursed through cash dividends to the equity certificate holders, customer dividends to the Bank's customers and gifts to the regions where the primary capital has been accumulated.

31 March 2022, the Bank's Board of Trustees decided to raise the ownership ratio from 15 to 40 percent. A conversion requires approval from the Financial Supervisory Authority of Norway. The application has been submitted and the Bank expects a positive reply in May 2022. Once the necessary approval has been granted, the Bank's board of directors will make the final decision. One important element going forward will be equal allocation of dividends, and the ownership ratio will then be maintained at 40 percent.

Subsidiaries and partner businesses

The bank's wholly owned subsidiary **Sparebanken Sør Boligkreditt AS** is licensed to issue covered bonds which are used as an instrument in the Bank's long-term funding strategy. As of 31 March 2022, the Bank had transferred NOK 50.5 billion to Sparebanken Sør Boligkreditt AS, equivalent to 63 percent of all loans to the retail market.

The Bank's own real estate business, **Sørmegleren**, is the market leader in southern Norway. Sørmegleren continues to grow and had 103 employees and 18 branches at the end of Q1. Sørmegleren saw a slow start in 2022 as a result of less activity in the housing market in the first quarter. The company posted a loss of NOK 2.7 million before tax in Q1 2022, down from a profit of NOK 4.5 million in the corresponding period last year.

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 (19.8 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 Q1 2022 of NOK 17.2 million, down from NOK 72.6 million in the same period in the previous year.

The technical insurance result for Frende Skade is very strong, with positive developments in major claims and claim frequency, in particular for car insurance. The risk result for Frende Livsforsikring remains characterised by a relatively high number of new disability claims, driving the result lower than expected.

The insurer had a financial loss of 72.8 million in Q1 2022, down from a profit of NOK 87 million in the corresponding period in 2021.

Frende Skadeforsikring achieved a profit before tax of NOK 11 million, compared with NOK 71 million in Q1 2021. The return on equity was NOK 51 million. The company had a total insurance portfolio of NOK 2 301 million (NOK 2 148 million), distributed over 163 000 customers. The market share was 3.3 percent at the end of the quarter. The loss ratio was 69.5 percent in the first quarter (80.6 percent), and the company's combined ratio was 88.7percent (97.9 percent).

Frende Liv posted in Q1 2022 a loss before tax of NOK 22.8 million, compared to a profit of NOK 5.8 million in 2021. The insurance risk result in Liv (life insurance) was weaker than expected, but an improvement upon the corresponding period in 2021. The written premium for Frende Liv was NOK 617 million at the end of the quarter, up from NOK 561 million at the same time in 2021.

Brage Finans AS (20.8 percent shareholding) is a financing company owned by 23 independent banks. The company was established in 2010 and operates from the head office in Bergen. The company also has sales offices in the Norwegian cities of Kristiansand, Porsgrunn, Sandefjord, Stavanger, Haugesund, Ålesund and Trondheim. The company offers leasing and loans secured by the purchased objects in the corporate and retail market. 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 Q1 amounted to NOK 81.6 million, compared with NOK 62.0 million in the corresponding period in 2021. The profit resulted in a return on equity of 11.1 percent for the quarter, compared with 9.8 percent for Q1 2021.

Brage Finans's market areas saw continued high activity in the corporate sector and high demand for financing. Total new sales to the corporate market, mainly leasing financing, reached NOK 1.4 billion in Q1 2022, compared with NOK 1.0 billion in the first quarter of 2021

The retail market showed a continued positive trend in Q1. 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 first quarter ended at NOK 0.8 billion, compared with NOK 0.7 billion in the corresponding quarter in the previous year.

At the end of the first quarter of 2022, the company had a loan portfolio of NOK 17.8 billion, an increase of NOK 2.9 billion in the last twelve months, which represents growth in loans of an impressive 20.0 percent.

Norne Securities AS (14.8 percent shareholding) provides online trading, traditional brokerage and corporate finance services.

The company posted revenues in Q1 2022 of NOK 56.3 million, up from NOK 26.9 million in Q1 2021. Profit before tax amounted to NOK 17.4 million, up from NOK 3.1 million in Q1 2021. .

In Q1 2022, Norne delivered its best result since it was established in 2008. Both main business areas, Online and Investment Banking, achieved high profitability. The strategic focus on real estate projects within the Investment Banking area made a particularly significant contribution to the first quarter result. Norne has established a dedicated department, Norne Project Finance, to facilitate real estate projects on long-term contracts with professional investors.

The Investment Banking sector has seen high activity within consultancy for Norwegian savings banks, and several new share issue, sale and merger assignments are expected to be completed in the course of 2022.

Customer activity in the Online sector, which covers both share and fund trading, is high. Market conditions for retail customer saving in securities and funds are good, and Norne is developing these services in close cooperation with the banks, which serve as its distribution partners. Within funds, Norne offers a platform now used by 25 banks, providing significant economies of scale for the banks. Conditions in the share market have also generated increased sales from investment advice to professional investors.

Overall, Norne has achieved a solid improvement of results in the first quarter of 2022. The enterprise believes that the outlook for the remainder of the year is positive

Balder Betaling AS (24.8 percent shareholding) is owned by Sparebanken Sør together with 12 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 had a significant effect on society since March 2020 and a negative impact on the Norwegian economy and the economies of our trading partners. The reopening of society in late 2021 and the lifting of the final measures this winter have resulted in a marked upswing in the Norwegian economy, with activity surpassing pre-pandemic levels. A normalisation of the economy is expected to result in the Norwegian central bank normalising its policy rate, and somewhat higher interest rates are expected going forward. The central bank expects the policy rate to be around 2.5 percent at the end of 2023. The war in Ukraine has resulted in significant uncertainty in the financial markets, and high energy prices have led to strong price growth. The consequences for Norwegian banks are yet unclear.

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.

House prices in the Bank's main markets have seen a positive, but moderate, development over several years. Statistics for the first quarter of 2022 show moderate house price growth in the Bank's market area, while house prices have had a very strong development over the last 12 months. The activity in the housing market has seen a decline, mainly due to new regulations relating to the sale of residential property in Norway. This development is expected to be temporary, and activity levels are expected to pick up over the course of the year.

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 internal target of 16.2 percent, including 1.0 percent capital margin (Pillar 2 Guidance). At the end of Q1 2022, the CET 1 capital ratio was 16.7 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. The Group has a target on return on equity of 10 percent within 2023 and 11 percent within 2025.

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

Events after the reporting period

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

Kristiansand, 5 May 2022

Knut Ruhaven Sæthre
Chairman

Mette Ramfjord Harv
Deputy Chairman

Merete Steinvåg Østby

Erik Edvard Tønnesen

Trond R. Randøy

Eli Giske

Jan Erling Tobiassen
Employee representative

Gunnhild Tveiten Gold
Employee representative

Geir Bergskaug
CEO

Income statement

PARENT BANK			NOK million		GROUP		
31.12.	Q1	Q1			Q1	Q1	31.12.
2021	2021	2022		Notes	2022	2021	2021
1 206	236	372	Interest income at amortised cost	4	751	600	2 494
682	214	203	Interest income at fair value through profit and loss	4	103	88	326
511	136	179	Interest expenses		333	238	881
1 378	313	395	Net interest income	4	521	451	1 939
400	86	97	Commission income		108	103	484
70	16	19	Commission expenses		19	16	66
329	71	77	Net commission income		89	87	419
325	301	314	Dividend		-	1	7
25	26	-22	Net income from other financial instruments		-26	7	-7
350	327	292	Net income from financial instruments		-26	8	0
174	29	27	Income from associated companies		27	29	174
19	1	2	Other operating income		1	0	17
193	30	29	Total other income		28	29	191
2 249	741	793	Total net income		612	575	2 549
475	110	111	Wages and other personnel expenses		146	142	606
44	11	11	Depreciation, amortization and impairment of non-current assets		11	11	44
348	85	99	Other operating expenses		103	89	368
866	205	220	Total operation expenses before losses		259	242	1 018
1 383	535	572	Operating profit before losses		352	334	1 531
- 20	- 10	0	Losses on loans, guarantees and undrawn credit	5	-2	-11	-18
1 403	545	572	Profit before taxes	2	355	345	1 549
214	51	56	Tax expenses		79	71	323
1 189	494	516	Profit for the period		276	274	1 226
		0	Minority interests		0	1	3
1 189	494	516	Majority interests		276	273	1 223
46	10	12	Attributable to additional Tier 1 capital holders		12	10	46
1 143	484	505	Attributable to ECC-holders and to the primary capital		264	263	1 177
1 189	494	516	Profit for the period		276	273	1 223
11.5	5.0	5.0	Profit/diluted earnings per equity certificate (in whole NOK)		2.6	2.7	12.2

Other comprehensive income

PARENT BANK			Mill. kroner		GROUP		
31.12.	Q1	Q1			Q1	Q1	31.12.
2021	2021	2022		Notes	2022	2021	2021
1 189	494	516	Profit for the period		276	274	1 226
			Items that may be reclassified to profit or loss				
			Change in value, basis swaps		115	-33	14
			Change in value, customer mortgages				
			Tax effect		-29	8	-3
			Total other comprehensive income		86	-25	10
1 189	494	516	Comprehensive income for the period		362	249	1 237
			Minority interests				
			Majority interests		362	249	1 237
11.8	5.0	5.0	Comprehensive income/diluted earnings per equity certificate		3.5	2.4	12.3

Balance sheet

PARENT BANK				NOK million		GROUP		
31.12.*	31.12.*	31.03.*	31.03.*			31.03.	31.03.	31.12.
2020	2021	2020	2021	ASSETS	Notes	2021	2020	2021
1 148	437	802	620	Cash and receivables from central banks		620	802	437
10 936	5 644	5 358	8 431	Loans to credit institutions	11	5 328	1 141	1 789
62 724	67 028	66 993	67 467	Net loans to customers	2.6.7.8.10.11	117 918	112 801	116 653
18 329	17 743	18 212	16 997	Bonds and certificates	11	21 245	20 668	22 062
166	193	170	201	Shares	11	201	170	193
907	367	641	711	Financial derivatives	11.12	856	1 544	1 104
2 111	2 116	2 111	2 816	Shareholding in group companies		0		
1 134	1 201	1 239	1 176	Shareholding in associated companies		1 176	1 239	1 201
41	54	45	56	Intangible assets		67	51	64
				Deferred tax assets			3	
430	431	425	425	Property, plant and equipment		456	456	463
96	115	82	87	Other assets		206	172	218
98 022	95 328	96 078	98 988	TOTAL ASSETS	2.11	148 072	139 047	144 182
				LIABILITIES AND EQUITY CAPITAL				
6 765	2 660	2 673	3 045	Liabilities to credit institutions	11	2 551	2 609	2 627
59 883	63 185	60 865	64 758	Deposits from customers	2.9.11	64 741	60 822	63 146
14 149	10 013	13 956	10 884	Liabilities related to issue of securities	11.13	56 895	55 356	56 605
687	322	474	499	Financial derivatives	11.12	2 424	673	844
272	204	149	66	Payable taxes		71	238	310
705	604	709	912	Other liabilities	15	882	632	395
38	135	38	125	Provisions for commitments		125	38	135
29	41	36	40	Deferred tax		80		28
2 002	3 499	3 004	3 487	Senior non-preferred		3 487	3 004	3 499
1 653	1 654	1 653	1 654	Subordinated loan capital	11.13	1 654	1 653	1 654
86 185	82 315	83 557	85 469,6	Total liabilities		132 909	125 025	129 242
1 694	1 692	1 694	1 752	Equity certificate capital	14	1 752	1 694	1 692
1 075	1 335	1 275	1 335	Hybrid capital		1 335	1 275	1 335
9 068	9 986	9 553	10 431	Other equity	15	12 076	11 053	11 914
11 837	13 013	12 521	13 518	Total equity	3.14	15 163	14 022	14 941
98 022	95 328	96 078	98 988	TOTAL LIABILITIES AND EQUITY	2.11	148 072	139 047	144 182

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

Kristiansand, 5. May 2022

Knut Ruhaven Sæthre
Chairman

Mette Ramfjord Harv
Deputy Chairman

Merete Steinvåg Østby

Erik Edvard Tønnesen

TrondR Randøy

Eli Giske

Jan Erling Tobiassen
Employee representative

Gunnhild Tveiten Golid
Employee representative

Geir Bergskaug
CEO

Cash flow statement

PARENT BANK			NOK million	GROUP		
31.12. 2021	31.03. 2021	31.03. 2022		31.03. 2022	31.03. 2021	31.12. 2021
1 911	423	593	Interest received	918	720	2 841
-543	-94	-172	Interest paid	-348	-247	-894
683	406	421	Other payments received	114	107	439
-782	-200	-209	Operating expenditure	-244	-252	-946
12	2	2	Loan recoveries	2	2	12
-245	-141	-219	Tax paid for the period	-322	-184	-346
-30	-13	-12	Gift expenditure	-12	-13	-30
3 315	955	1 520	Change in customer deposits	1 541	961	3 325
-4 421	-4 336	-558	Change in loans to customers	-1 378	-1 291	-5 190
-2 104	-1 581	885	Change in deposits from credit institutions	424	-1 315	-1 798
-2 204	-4 579	2 251	Net cash flow from operating activities	695	-1 513	-2 586
37 851	13 764	5 963	Payments received, securities	7 743	12 146	33 658
-37 295	-13 664	-5 261	Payments made, securities	-6 973	-11 277	-34 207
31	10	1	Payments received, sale of property, plant and equipment	1	10	31
-75	-23	-7	Payments made, purchase of property, plant and equipment	-8	-23	-76
201		52	Payments received, investments in subsidiaries and associates	52		201
-88	-76	-700	Payments made, investments in subsidiaries and associates		-76	-88
205	177	-341	Change in other assets	-1 861	17	-324
830	188	-294	Net cash flow from investing activities	-1 046	797	-805
5 292	5 578	-2 787	Change in loans to credit institutions	-3 538	1 319	671
-2 003	-2 503	-500	Change in deposits from credit institutions	-500	-2 503	-2 003
		2 000	Payments received, bond debt	3 500	5 180	15 755
-3 701		-1 050	Payments made, bond debt	-1 050	-4 760	-13 460
-265	-173	-12	Payments made, dividends and interest on hybrid capital	-12	-173	-265
1 500	1 000		Issue of senior non-preferred		1 000	1 500
-420	-57	575	Change in other assets	2 134	107	222
450	200		Issue of hybrid capital		200	450
-190			Deduction of hybrid capital			-190
664	4 045	-1 774	Net cash flow from financing activities	534	370	2 680
-711	-346	183	Net change in liquid assets	183	-346	-711
1 148	1 148	437	Cash and cash equivalents as at 1 Jan	437	1 148	1 148
437	802	620	Cash and cash equivalents at end of period	620	802	437

Statement of change in equity

17

GROUP NOK million	Equity certificates	Premium Fund	Dividend		Primary capital	Gift fund	Other equity	Miniority interests	TOTAL
			Equalization- fund	Hybrid capital					
Balance 31.12.2020	783	451	459	1 075	9 069	80	1 831	4	13 752
Change in dividend 2020			0				-163		-163
Profit Q1 2021				10			263		273
Interest paid, hybrid capital				-10					-10
Issuance of hybrid capital				200					200
Other comprehensive income							-25		-25
Allocated gift fund						-6			-6
Balance 31.03.2021	783	451	459	1 275	9 069	74	1 907	4	14 022
Dividend distributed 2020 and 2019							-56		-56
Profit Ytd 2021			61	36	858	100	-107	3	951
Interest paid, hybrid capital				-36					-36
Issuance of hybrid capital				250					250
Buyback of hybrid capital				-190					-190
Trading of own equity certificates	-2		0		-1				-3
Other comprehensive income							35		35
Allocated gift fund						-33			-33
Other changes							2		2
Balance 31.12.2021	782	451	520	1 335	9 925	141	1 781	7	14 941
Dividend distributed for 2021							-125		-125
Profit Q1 2022				12			264		276
Interest paid, hybrid capital				-12					-12
Issuance of hybrid capital									0
Other comprehensive income							86		86
Other changes			0						0
Allocated gift fund						-2			-2
Balance 31.03.2022	782	451	519	1 335	9 925	138	2 006	7	15 163
PARENT BANK									
NOK million	Equity certificates	Premium Fund	Equalization- fund	Hybrid capital	Primary capital	Gift fund	Other equity	Miniority interests	TOTAL
Balance 31.12.2020*	783	451	459	1 075	9 068		0		11 837
Profit Q1 2021				10			484		494
Interest paid, hybrid capital				-10					-10
Issuance of hybrid capital				200					200
Other comprehensive income									0
Balance 31.03.2021*	783	451	459	1 275	9 068		484		12 521
Profit Ytd 2021			61	36	858		-484		471
Interest paid, hybrid capital				-36					-36
Issuance of hybrid capital				250					250
Buyback of hybrid capital				-190					-190
Trading of own equity certificates	-1		0		-1				-3
Other comprehensive income						0			0
Balance 31.12.2021*	782	451	519	1 335	9 925		0		13 013
Profit Q1 2022				12			505		516
Interest paid, hybrid capital				-12					-12
Other comprehensive income						1			1
Balance 31.03.2021	782	451	519	1 335	9 926		505		13 518

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

1. ACCOUNTING POLICIES

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

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

Change in the Parent bank as of 1.1.2022

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

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

Discretionary assessments, estimates and assumptions

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

The financial item losses on loans and undrawn credit, 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 and so far in 2022 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

31.03.2022

Report per segment	Undistrib.			Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmegleren	Total
Net interest and commission income	269	223	29	521	0	521
Net other operating income	49	20	-14	55	36	91
Operating expenses	114	29	78	221	39	259
Profit before losses per segment	204	214	-63	355	-3	352
Losses on loans and guarantees	-3	2	-1	-2		-2
Profit before tax per segment	207	212	-62	357	-3	355
Gross loans to customers	80 390	38031	-121	118 300		118 300
Impairment losses	-48	-334	-1	-383		-383
Net loans to customers	80 342	37 697	-121	117 918		117 918
Other assets			30 040	30 040	115	30 155
Total assets per segment	80 342	37 697	29 919	147 957	115	148 072
Deposits from customers	33 443	27 408	3 890	64 741		64 741
Other liabilities	46 899	10 288	10 866	68 053	115	68 168
Total liabilities per segment	80 342	37 697	14 756	132 794	115	132 909
Equity			15 163	15 163		15 163
Total liabilities and equity per segment	80 342	37 697	29 919	147 957	115	148 072

BANKING BUSINESS

31.03.2021

Report per segment	Undistrib.			Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmeqleren	Total
Net interest and commission income	270	194	-13	451	0	451
Net other operating income	40	20	23	84	41	124
Operating expenses	99	27	79	205	36	242
Profit before losses per segment	211	187	-69	329	5	334
Losses on loans and guarantees	-2	-9	0	-11		-11
Profit before tax per segment	214	196	-70	340	5	345
Gross loans to customers	75 816	37 325	78	113 220		113 220
Impairment losses	-44	-375	0	-419		-419
Net loans to customers	75 772	36 951	78	112 801		112 801
Other assets			26 140	26 140	105	26 246
Total assets per segment	75 772	36 951	26 219	138 941	105	139 047
Deposits from customers	32 527	25 613	2 683	60 822		60 822
Other liabilities	43 245	11 338	9 514	64 098	105	64 203
Total liabilities per segment	75 772	36 951	12 197	124 920	105	125 025
Equity			14 022	14 022		14 022
Total liabilities and equity per segment	75 772	36 951	26 219	138 941	105	139 047

3. SUBORDINATED CAPITAL AND CAPITAL ADEQUACY

MINIMUM CAPITAL REQUIREMENTS

PARENT BANK			NOK million		GROUP		
31.12 2021	31.03. 2021	31.03. 2022			31.03. 2022	31.03. 2021	31.12 2021
Minimum capital requirements							
4.50 %	4.50 %	4.50 %	Minimum Tier 1 capital requirements		4.50 %	4.50 %	4.50 %
2.50 %	2.50 %	2.50 %	Conservation buffer		2.50 %	2.50 %	2.50 %
3.00 %	3.00 %	3.00 %	Systemic risk buffer		3.00 %	3.00 %	3.00 %
1.00 %	1.00 %	1.00 %	Counter-cyclical buffer		1.00 %	1.00 %	1.00 %
2.00 %	2.00 %	2.00 %	Pillar 2 requirements		2.00 %	2.00 %	2.00 %
13.00 %	13.00 %	13.00 %	CET1 requirements, incl. Pilar 2		13.00 %	13.00 %	13.00 %
14.50 %	14.50 %	14.50 %	Tier1 Capital requirements, incl. Pilar 2		14.50 %	14.50 %	14.50 %
16.50 %	16.50 %	16.50 %	Total capital requirements, incl. Pilar 2		16.50 %	16.50 %	16.50 %
8 438	8 472	8 541	CET1 requirements, incl. Pilar 2		10 346	10 245	10 308
9 412	9 450	9 527	Tier1 Capital requirements, incl. Pilar 2		11 540	11 428	11 498
10 710	10 753	10 841	Total capital requirements, incl. Pilar 2		13 132	13 004	13 084
2 978	2 633	3 245	Above CET1 requirements, incl. Pilar 2		2 905	2 202	2 696
3 340	2 930	3 594	Above Tier1 Capital requirements, incl. Pilar 2		3 093	2 338	2 878
3 692	3 177	3 930	Above total capital requirements, incl. Pilar 2		3 214	2 370	2 991

PARENT BANK			NOK million	GROUP		
31.12 2021	31.03 2021	31.03. 2022		31.03. 2022	31.03. 2021	31.12 2021
13 278	12 651	13 518	Total equity	15 163	14 022	14 941
			Tier 1 capital			
-1 335	-1 275	-1 335	Equity not eligible as common equity tier 1 capital	-1 382	-1 319	-1 371
- 271	- 57	- 139	Share of profit not eligible as common equity tier 1 capital	- 139	- 57	- 271
- 54	- 45	- 56	Deductions for intangible assets and deferred tax assets	- 64	- 53	- 61
- 43	- 45	- 42	Deductions for additional value adjustments	- 30	- 29	- 29
- 159	- 124	- 159	Other deductions	- 297	- 117	- 204
11 416	11 105	11 786	Total common equity tier 1 capital	13 252	12 447	13 004
			Other tier 1 capital			
1 335	1 275	1 335	Hybrid capital	1 382	1 319	1 371
			Deductions from other tier 1 capital			
12 752	12 380	13 121	Total tier 1 capital	14 633	13 766	14 375
			Additional capital supplementary to tier 1 capital			
1 650	1 650	1 650	Subordinated loan capital	1 712	1 708	1 699
	- 100		Deductions from additional capital		- 100	
1 650	1 550	1 650	Total additional capital	1 712	1 608	1 699
14 402	13 930	14 771	Net subordinated capital	16 346	15 374	16 074
			Minimum requirement for subordinated capital Basel II calculated according to standard method			
22	22	39	Engagements with local and regional authorities	40	23	22
981	1 098	872	Engagements with institutions	314	459	388
3 137	3 326	3 292	Engagements with enterprises	4 858	4 938	4 688
5 259	4 735	5 193	Engagements with mass market	7 951	7 556	8 045
37 798	36 726	38 266	Engagements secured in property	55 998	52 812	55 290
522	774	419	Engagements which have fallen due	579	850	632
1 823	4 219	1 613	Engagements which are high risk	1 613	4 219	1 823
5 934	5 188	5 981	Engagements in covered bonds	1 384	1 239	1 381
4 899	5 051	5 542	Engagements in collective investment funds	1 593	1 724	1 680
650	489	599	Engagements other	614	617	700
61 022	61 628	61 816	Capital requirements for credit and counterparty risk	74 943	74 437	74 649
0	0	0	Capital requirements for position, currency and product risk	0	0	0
3 878	3 530	3 878	Capital requirements for operational risk	4 638	4 360	4 638
8	14	7	CVA addition	7	14	8
64 908	65 172	65 701	Risk-weighted balance (calculation basis)	79 588	78 811	79 295
17.6 %	17.0 %	17.9 %	Common equity tier 1 capital ratio. %	16.7 %	15.8 %	16.4 %
19.7 %	19.0 %	20.0 %	Tier 1 capital ratio. %	18.4 %	17.5 %	18.1 %
22.2 %	21.4 %	22.5 %	Total capital ratio. %	20.5 %	19.5 %	20.3 %
8.8 %	8.8 %	8.8 %	Leverage ratio	9.3 %	9.2 %	9.4 %

4. INTEREST INCOME AND INTEREST EXPENSES

Interest income				GROUP		
31.12	Q1	Q1	NOK million	Q1	Q1	31.12
2021	2021	2022		2022	2021	2021
<i>Interest income from financial instruments at amortised cost</i>						
62	19	20	Interest on receivables from credit institutions	6	2	6
1 144	216	351	Interest on loans given to customers	745	599	2 488
1 206	236	372	Total interest from financial instruments at amortised cost	751	600	2 494
<i>Interest income from financial instruments at fair value</i>						
156	40	34	Interest on loans given to customers (fixed rate loans)	34	40	156
139	33	56	Interest on certificates and bonds	69	48	169
295	73	90	Total interest from financial instruments at fair value via profit or loss	103	88	326
<i>Interest income from financial instruments at fair value via OCI</i>						
387	141	113	Interest on loans given to customers (mortgages)			
387	141	113	Total interest from financial instruments at fair value via OCI			
1 888	450	574	Total interest income	854	689	2 820
Interest expenses				GROUP		
31.12	Q1	Q1	NOK million	Q1	Q1	31.12
2021	2021	2022		2022	2021	2021
<i>Interest expenses from financial instruments at amortised cost</i>						
20	6	9	Interest on liabilities to credit institutions	8	5	19
246	64	88	Interest on customer deposits	88	64	247
119	35	42	Interest on issued securities	195	136	483
31	8	10	Interest on subordinated loans	10	8	31
42	9	18	Interest on senior non-preferred loans	18	9	42
52	14	13	Fees to the Norwegian Banks Guarantee Fund and other interest expenses	15	16	60
511	136	179	Interest expenses from financial instruments at amortised cost	333	238	881
511	136	179	Total interest expenses	333	238	881

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 2021 financial statements.

As a result of covid-19, the macro situation changed significantly in 2020, which improved at the end of the year and in 2021. In Q1 2022, there have been further improvements in several parameters. The Group's loss provision in Q1 2022 is based on new assumptions.

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

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

	2022	2023	2024	2025	2026
Housing price %	4.4	-0.8	0.9	3.3	3.3
Housing price region %	4.4	-0.8	0.9	3.3	3.3
Unemployment %	3.5	3.6	3.6	3.6	3.6
Oil prices, USD	100.2	88.9	82.3	78.2	78.2
Policy rate	0.9	2.0	2.5	2.4	2.4
Import-weighted exchange rate	105.1	104.1	103.9	103.9	103.9
USD	8.7	8.6	8.6	8.6	8.6
CPI	3.4	1.6	2.2	2.4	2.4

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 31.03.2022

Loan loss provisions NOK million	10 percent reduction in collateral	20 percent reduction in collateral	30 percent reduction in collateral	1 percent increase in unemployment
Loan loss provisions, CM	43	95	155	14
Loan loss provisions, RM	10	22	38	7
Total	53	117	193	20

PARENT BANK 31.03.2022

Loan loss provisions NOK million	10 percent reduction in collateral	20 percent reduction in collateral	30 percent reduction in collateral	1 percent increase in unemployment
Loan loss provisions, CM	43	94	154	14
Loan loss provisions, RM	4	10	17	4
Total	48	104	171	18

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			NOK million	GROUP		
31.12. 2021	31.03. 2021	31.03. 2022		31.03. 2022	31.03. 2021	31.12. 2021
			Loss expense on loans during the period			
-12	-6	1	Period's change in write-downs stage 1	-1	-8	-13
-16	-8	-5	+Period's change in write-downs stage 2	-6	-8	-15
5	2	4	+Period's change in write-downs stage 3	4	3	6
12	2	1	+ Period's confirmed loss	1	2	12
2	2	0	+ Recognised as interest income	0	2	2
12	2	2	- Period's recoveries relating to previous losses	2	2	12
0	0	1	+ Change in write-downs an guarantees	1	0	0
-20	-10	0	Loss expenses during the period	-2	-11	-18

GROUP

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

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

*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
NOK million				
Provisions for loan losses as at 01.01.2021	101	149	217	468
Transfers				
Transferred to stage 1	16	-14	-2	0
Transferred to stage 2	-3	4	-1	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	9	14	0	23
Losses on deducted loans	-5	-17	-2	-25
Losses on older loans and other changes	-24	7	3	-15
Provisions for loan losses as at 31.03.2021	93	141	217	451
Provisions for loan losses	80	125	214	419
Provisions for guarantees and undrawn credits	12	17	3	32
Total provision for losses as at 31.03.2021	93	141	217	451

*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
NOK million				
Provisions for loan losses as at 01.01.2021	94	145	217	456
Transfers				
Transferred to stage 1	15	-13	-2	0
Transferred to stage 2	-3	4	-1	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	8	14	0	22
Losses on deducted loans *	-4	-16	-3	-23
Losses on older loans and other changes	-22	5	2	-15
Provisions for loan losses as at 31.03.2021	88	138	216	442
Provisions for loan losses	76	121	213	409
Provisions for losses on guarantees and undrawn credits	12	17	3	32
Total provision for losses as at 31.03.2021	88	138	216	442

* 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.

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

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

PARENT BANK			NOK million	GROUP		
31.12. 2021	31.03. 2021	31.03. 2022		31.03. 2022	31.03. 2021	31.12. 2021
691	891	654	Total non-performing loans (step 3)	791	946	783
199	216	194	Impairment losses in stage 3	197	217	202
492	675	461	Net non-performing loans	595	729	581
28.8 %	24.2 %	29.6 %	Provisioning non-performing loans	24.9 %	22.9 %	25.8 %
1.03 %	1.40 %	0.97 %	Total non-performing loans in % of gross loans	0.68 %	0.84 %	0.67 %

7. IMPAIRMENT LOSSES BY SECTOR, INDUSTRY AND STAGE

Impairment losses by sector and industry

PARENT BANK				NOK million	GROUP			
Stage 1	Stage 2	Stage 3	Total impairment losses as of 31.03.2022		Total impairment losses as of 31.03.2022	Stage 3	Stage 2	Stage 1
4	7	25	35	Retail customers	48	28	14	6
0	0	0	0	Public administration	0	0	0	0
2	1	3	6	Primary Industry	6	3	1	2
1	5	5	11	Manufacturing industry	11	5	5	1
16	17	51	84	Real estate development	83	51	16	16
6	3	14	22	Building and construction industry	22	14	3	6
43	64	76	183	Property management	182	76	63	44
1	1	1	2	Transport	2	1	1	1
3	18	10	31	Retail trade	30	10	17	3
1	2	2	5	Hotel and restaurants	5	2	2	1
2	1	0	3	Housing cooperatives	3	0	1	2
1	3	8	12	Financial/commercial services	12	8	3	1
4	3	0	7	Social services	8	0	3	4
83	124	194	401	Total impairment losses on loans, guarantees and undrawn credit	412	197	129	87
71	109	191	372	Impairment losses on lending	383	194	114	75
12	15	2	29	Impairment losses on unused credits and guarantees	29	2	15	12
83	124	194	401	Total impairment losses	412	197	129	87

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

8. MIGRATION OF GROSS LOANS

PARENT BANK				31.03.2022		GROUP			
NOK MILLION									
Stage 1*	Stage 2	Stage 3	Total	GROSS LOANS		Total	Stage 3	Stage 2	Stage 1*
57.884	8.860	668	67 412	Gross loans as at 01.01		117.049	762	11.047	105.240
1 293	-1 252	-40	0	Transferd to stage 1		0	-55	-1 895	1 950
-1 603	1 614	-11	0	Transferd to stage 2		0	-15	2 600	-2 585
-16	-37	53	0	Transferd to stage 3		-0	121	-70	-51
420	161	-96	485	Net change on present loans		-306	-59	129	-376
8 417	780	-245	8 952	New loans		14 327	102	803	13 423
-7 627	-1 513	268	-8 873	Derecognised loans		-12 632	-124	-1 718	-10 791
-138			-138	Change in value during the period		-138			-138
58 628	8 612	597	67 838	Gross loans as at 31.03.		118 300	732	10 897	106 671
			44 100	Of which loan at amortised cost		113 394			
			18 833	Of which loan at fair value through OCI					
			4 906	Of which loan at fair value		4 906			
71	109	191	372	Impairment losses on lending		383	194	114	75
0,12 %	1,27 %	31,97 %	0,55 %	Impairments in % of gross loans		0,32 %	26,50 %	1,05 %	0,07 %
69 683	9 766	654	80 105	Commitments		135 201	791	12 109	122 301
83	124	194	401	Impairment losses on commitments		412	197	129	87
0,12 %	1,27 %	29,64 %	0,50 %	Impairments in % of commitments		0,30 %	24,91 %	1,07 %	0,07 %

PARENT BANK				31.03.2021		GROUP			
NOK MILLION									
Stage 1*	Stage 2	Stage 3	Total	GROSS LOANS		Total	Stage 3	Stage 2	Stage 1*
54 328	7 877	936	63 141	Gross loans as at 01.01		112 006	977	9 697	101 332
1 029	-1 013	-16	0	Transferd to stage 1		0	-26	-1 570	1 596
-825	843	-17	0	Transferd to stage 2		0	-15	1 548	-1 533
-32	-35	67	0	Transferd to stage 3		0	90	-46	-43
-3 571	189	-51	-3 433	Net change on present loans		-4 217	-53	160	-4 323
13 661	1 196	0	14 858	New loans		18 565	5	1 235	17 325
-6 000	-1 012	-72	-7 084	Derecognised loans		-13 055	-75	-1 304	-11 675
-80			-80	Change in value during the period		-80			-80
58 511	8 046	846	67 403	Gross loans as at 31.03.		113 220	902	9 720	102 598
			41 601	Of which loan at amortised cost		107 800			
			18 833	Of which loan at fair value through OCI					
			5 420	Of which loan at fair value		5 420			
76	121	213	409	Impairment losses on lending		419	214	125	80
0,13 %	1,50 %	23,90 %	0,61 %	Impairments in % of gross loans		0,37 %	23,73 %	1,29 %	0,08 %
68 827	9 204	891	82 928	Commitments		101 845	946	8 562	92 337
88	138	216	442	Impairment losses on commitments		451	217	141	93
0,13 %	1,50 %	24,23 %	0,53 %	Impairments in % of commitments		0,44 %	22,94 %	1,65 %	0,10 %

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

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

PARENT BANK				GROUP					
31.03.2022				NOK MILLION		31.03.2021			
Stage 1	Stage 2	Stage 3	Total	GROSS LOAN ASSESSED AT AMORTISED COST		Total	Stage 3	Stage 2	Stage 1
34 001	6 013	817	40 832	Gross loans assessed at amortised cost 01.01		43 129	36 064	6 438	627
631	-627	-4	0	Transferd to stage 1		0	764	-724	-40
-510	515	-5	0	Transferd to stage 2		0	-1 028	1 035	-6
-32	-33	65	0	Transferd to stage 3		-0	-11	-26	37
-4 042	132	-49	-3 959	Net change on present loans		296	154	154	-12
6 257	489	-2	6 744	New loans		3 918	3 560	262	96
-1 434	-525	-56	-2 015	Derecognised loans		-3 245	-2 322	-809	-113
34 872	5 963	765	41 601	Gross loan assessed at amortised cost 31.03		44 099	37 181	6 330	589

PARENT BANK				GROUP					
31.03.2022				NOK MILLION		31.03.2021			
Stage 1	Stage 2	Stage 3	Total	GROSS LOAN THROUGH OTHER COMPREHENSIVE INCOME		Total	Stage 3	Stage 2	Stage 1
14 758	1 864	112	16 735	Gross loan through other comprehensive income 01.01		19 280	16 817	2 422	41
396	-386	-10	-0	Transferd to stage 1		0	529	-529	-0
-320	327	-7	0	Transferd to stage 2		0	-575	579	-5
0	-2	2	0	Transferd to stage 3		-0	-6	-10	16
471	58	-2	526	Net change on present loans		189	183	7	-1
7 182	707	3	7 892	New loans		5 378	4 857	518	3
-4 269	-486	-16	-4 772	Derecognised loans		-6 014	-5 305	-704	-5
18 218	2 083	81	20 382	Gross loan through other comprehensive income 31.03		18 832	16 499	2 283	50

9. CUSTOMER DEPOSITS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.2021	31.03.2021	31.03.2022		31.03.2022	31.03.2021	31.12.2021
31 173	29 973	31 733	Retail customers	31 737	29 975	31 177
9 158	9 991	9 668	Public administration	9 669	9 992	9 159
832	685	964	Primary industry	964	685	832
1 917	1 397	2 337	Manufacturing industry	2 337	1 397	1 917
850	760	846	Real estate development	821	711	802
1 586	1 341	1 589	Building and construction industry	1 590	1 341	1 587
3 240	3 061	3 497	Property management	3 498	3 061	3 240
718	488	623	Transport	623	488	718
1 397	1 383	1 252	Retail trade	1 252	1 383	1 398
262	183	265	Hotel and restaurant	265	183	262
168	188	171	Housing cooperatives	171	188	168
5 185	4 264	5 079	Financial/commercial services	5 080	4 264	5 186
6 691	7 105	6 673	Social services	6 674	7 106	6 692
8	48	61	Accrued interests	61	48	8
63 185	60 865	64 758	Total deposits from customers	64 741	60 822	63 146

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

10. LOANS TO CUSTOMERS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.2021	31.03.2021	31.03.2022		31.03.2022	31.03.2021	31.12.2021
29 357	29 784	29 087	Retail customers	78 088	74 381	77 549
430	568	426	Public administration	427	569	431
1 381	1 203	1 369	Primary industry	1 483	1 304	1 497
764	778	796	Manufacturing industry	864	838	840
3 666	4 605	3 756	Real estate development	3 720	4 562	3 632
1 433	1 433	1 590	Building and construction industry	1 892	1 679	1 726
19 579	19 032	20 056	Property management	20 118	19 082	19 648
500	489	488	Transport	579	582	594
1 401	1 041	1 525	Retail trade	1 654	1 164	1 519
400	389	397	Hotel and restaurant	426	412	430
1 494	1 341	1 450	Housing cooperatives	1 452	1 342	1 496
929	1 174	792	Financial/commercial services	1 064	1 405	1 198
5 950	5 448	5 957	Social services	6 342	5 749	6 322
128	118	149	Accrued interests	192	150	167
67 412	67 403	67 838	Total gross loans	118 300	113 220	117 049
384	409	372	Impairment losses on lending	383	419	397
67 028	66 993	67 467	Total net loans	117 918	112 801	116 653

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

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

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.03..2021	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortised cost								
802		802		Cash and receivables from central banks	802		802	
5 358		5 358		Loans to credit institutions	1 141		1 141	
41 198			41 198	Net loans to customers (floating interest rate)	107 381			107 381
Assets recognized at fair value								
5 420			5 420	Net loans to customers (fixed interest rate)	5 420			5 420
20 375			20 375	Net loans to customers (mortgages)				
18 212		18 212		Bonds and certificates	20 668		20 668	
170	7		163	Shares	170	7		163
641		641		Financial derivatives	1 544		1 544	
92 176	7	25 013	67 156	Total financial assets	137 126	7	24 155	112 964
Liabilities recognized at amortised cost								
2 673		2 673		Liabilities to credit institutions	2 609		2 609	
60 865			60 865	Deposits from customers	60 822			60 822
13 956		14 080		Liabilities from issue of securities	55 356		55 624	
3 004		3 031		Senior non-preferred	3 004		3 031	
1 653		1 684		Subordinated loan capital	1 653		1 684	
Liabilities recognized at fair value								
474		474		Financial derivatives	673		673	
82 625	-	21 942	60 865	Total financial liabilities	124 117	-	63 621	60 822

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.12.2021	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortised cost								
437		437		Cash and receivables from central banks	437		437	
5 644		5 644		Loans to credit institutions	1 789		1 789	
41 233			41 233	Net loans to customers (floating interest rate)	111 232			111 232
Assets recognized at fair value								
5 420			5 420	Net loans to customers (fixed interest rate)	5 420			5 420
20 375			20 375	Net loans to customers (mortgages)				
17 743		17 743		Bonds and certificates	22 062		22 062	
193	7		186	Shares	193	7		186
367		367		Financial derivatives	1 104		1 104	
91 412	7	24 191	67 214	Total financial assets	142 238	7	25 392	116 838
Liabilities recognized at amortised cost								
2 660		2 660		Liabilities to credit institutions	2 627		2 627	
63 185			63 185	Deposits from customers	63 146			63 146
10 013		14 080		Liabilities from issue of securities	56 605		54 867	
3 499		3 031		Senior non-preferred	3 499		3 031	
1 654		1 684		Subordinated loan capital	1 654		1 684	
Liabilities recognized at fair value								
322		322		Financial derivatives	844		844	
81 331	-	21 776	63 185	Total financial liabilities	128 373	-	63 052	63 146

Movement level 3

GROUP

NOK million	Net loans to customers	Of which credit risk	Shares
Recognized value as at 01.01.2021	5 575	25	160
Acquisitions Q1	222		1
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-80	8	2
Disposals Q1	-297		-
Reclassified as associated company			
Recognized value as at 31.03.2021	5 420	33	163
Acquisitions Q2, Q3 and Q4	595		18
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 61	16	4
Disposals Q2, Q3 and Q4	- 951		- 1
Reclassified as associated company			
Recognized value as at 31.12.2021	5 003	50	184
Acquisitions Q1	-344		7
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-138	- 3	0
Disposals Q1	386		- 0
Reclassified as associated company			
Recognized value as at 31.03.2021	4 906	46	192

PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares
Recognized value as at 01.01.2021	22 304	25	160
Acquisitions Q1	3 868		1
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 80	8	2
Disposals Q1	- 297		-
Reclassified as associated company			
Recognized value as at 31.03.2021	25 796	33	163
Acquisitions Q2, Q3 and Q4	- 71		18
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 61	16	4
Disposals Q2, Q3 and Q4	-1 384		- 1
Reclassified as associated company			
Recognized value as at 31.12.2021	24 278	50	184
Acquisitions Q1	- 344		7
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 139	- 3	0
Disposals Q1	- 62		- 0
Reclassified as associated company			
Recognized value as at 31.03.2021	23 733	46	192

Sensitivity analysis

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

GROUP / PARENT BANK

NOK million	31.03.2022	31.03.2021	31.12.2021
Loans to customers	20	21	20
- of which loans to corporate market (CM)	1	2	1
- of which loans to retail market (RM)	19	19	19

12. FINANCIAL DERIVATIVES, COLLATERAL RECEIVED AND OFFSETTING

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

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

GROUP						31.03.2022
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	856	180	675	- 674	1	
Derivatives - liabilities	-2 424	- 180	-2 243	6	-2 237	
Net	-1 568	0	-1 568	- 668	-2 236	

GROUP						31.03.2021
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	1 544	539	1 006	- 597	408	
Derivatives - liabilities	- 673	- 539	- 135	145	11	
Net	871	0	871	- 452	419	

PARENT BANK						31.03.2022
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	711	95	616	- 616	1	
Derivatives - liabilities	- 499	- 95	- 404	6	- 398	
Net	213	0	213	- 610	- 397	

PARENT BANK						31.03.2021
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	641	339	302	-106	196	
Derivatives - liabilities	-474	-339	-135	145	11	
Netto	167	0	167	39	207	

13. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

Debt securities - Group

NOK million	31.03.2022	31.03.2021	31.12.2021
Bonds, nominal value	57 627	54 667	56 227
Value adjustments	-841	568	242
Accrued interest	110	122	136
Debt incurred due to issuance of securities	56 895	55 356	56 605

Change in debt securities - Group

NOK million	31.12.2021	Issued	Matured/ Redeemed	Other changes during the period	31.03.2022
Bonds, nominal value	56 227	3 500	-1 050	-1 050	57 627
Value adjustments	242			-1 083	-841
Accrued interest	136			-27	110
Debt incurred due to issuance of securities	56 605	3 500	-1 050	-2 160	56 895

Debt securities - Parent bank

NOK Million	31.03.2022	31.03.2021	31.12.2021
Bonds, nominal value	10 900	10 750	9 950
Value adjustments	-95	3 113	11
Accrued interest	78	94	52
Debt incurred due to issuance of securities	10 884	13 956	10 013

Change in debt securities - Parent bank

NOK million	31.12.2021	Issued	Matured/ Redeemed	Other changes during the period	31.03.2022
Bonds, nominal value	9 950	2 000	-1 050	0	10 900
Value adjustments	11			-105	-95
Accrued interest	52			27	78
Debt incurred due to issuance of securities	10 013	2 000	-1 050	-79	10 884

Change in subordinated capital - Parent bank and Group

NOK million	31.12.2021	Issued	Matured/ Redeemed	Other changes during the period	31.03.2022
Subordinated loans	1 650	0	0		1 650
Accrued interest	4			0	4
Total subordinated loan capital	1 654	0	0	0	1 654

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

NOK million	31.12.2021	Issued	Matured/ Redeemed	Other changes during the period	31.03.2022
Non-preferred senior debt	3 500	0	0	0	3 500
Value adjustments	-7			-14	-21
Accrued interest	5			3	8
Total non-preferred senior debt	3 499	0	0	-12	3 487

14. EQUITY CERTIFICATE HOLDERS

The 20 largest equity certificate holders as at 31.03.2022 were as follows:

NAME	Number of EC	Share of EC-CAP. %	NAME	Number of EC	Share of EC-CAP. %
1. Sparebankstiftelsen Sparebanken Sør	7 988 679	51.00	11. Ottersland AS	100 000	0.64
2. EIKA utbytte VPF c/o Eika kapitalforv.	730 097	4.66	12. DNB Luxembourg S.A.	100 000	0.64
3. Pareto Invest AS	417 309	2.66	13. Lombard Int Assurance S.A.	82 800	0.53
4. Drangslund Kapital AS	302 107	1.93	14. Geir Bergskaug	75 691	0.48
5. Glastad Capital AS	200 000	1.28	15. Catilina Invest AS	73 237	0.47
6. Wenaasgruppen AS	186 000	1.19	16. Alf Albert	72 664	0.46
7. Hamjern Invest AS	180 099	1.15	17. Apriori Holding AS	72 575	0.46
8. Gumpen Bileiendom AS	174 209	1.11	18. Gunnar Hillestad	71 000	0.45
9. KLP Gjensidige Forsikring	163 300	1.04	19. Varodd AS	70 520	0.45
10. Allumgården AS	151 092	0.96	20. K.T. Brøvig Invest AS	68 000	0.43
Total - 10 largest certificate holders	10 492 892	66.99	Total - 20 largest certificate holders	11 279 379	72.01

As of 1 January 2022, the ownership ratio was 15.7 percent. Hybrid capital, classified as equity, has been excluded when calculating the ownership ratio. As of 31 March 2022, the ownership ratio was 15.0 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.

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

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

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

Effects of the transition to «regulatory IFRS» - Parent bank

NOK million	Reported 31.12.2020	Reclassifi- cation	Adjusted 31.12.2020	Reported 31.03.2021	Reclassifi- cation	Adjusted 31.03.2021	Reported 31.12.2021	Reclassifi- cation	Adjusted 31.12.2021
TOTAL ASSETS	98 022		98 022	96 078		96 078	95 328		95 328
Total liabilities	85 886	299	86 185	83 428	130	83 558	82 050	266	82 315
Total equity	12 136	-299	11 837	12 651	-130	12 521	13 278	-266	13 013
TOTAL LIABILITIES AND EQUITY	98 022		98 022	96 078		96 078	95 328		95 328

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

Profit (NOK million)	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Net interest income	521	506	493	488	451
Net commission income	89	124	98	110	87
Net income from financial instruments	-26	-26	29	-11	8
Income from associated companies	27	66	34	45	29
Other operating income	1	11	4	3	0
Total net income	612	682	658	635	575
Total operating expenses before losses	259	268	249	260	242
Operating profit before losses	352	414	408	375	334
Losses on loans, guarantees and undrawn credits	-2	2	2	-11	-11
Profit before taxes	355	412	406	386	345
Tax expenses	79	83	91	77	71
Profit for the period	276	328	315	309	274

Profit as % of average assets

Net interest income	1.44 %	1.39 %	1.37 %	1.40 %	1.25 %
Net commission income	0.24 %	0.34 %	0.27 %	0.31 %	0.24 %
Net income from financial instruments	-0.07 %	-0.07 %	0.08 %	-0.03 %	0.02 %
Income from associated companies	0.07 %	0.18 %	0.09 %	0.13 %	0.08 %
Other operating income	0.00 %	0.03 %	0.01 %	0.01 %	0.00 %
Total net income	1.69 %	1.88 %	1.82 %	1.82 %	1.60 %
Total operating expenses before losses	0.72 %	0.74 %	0.69 %	0.74 %	0.67 %
Operating profit before losses	0.97 %	1.14 %	1.13 %	1.07 %	0.93 %
Losses on loans, guarantees and undrawn credit	-0.01 %	0.01 %	0.01 %	-0.03 %	-0.03 %
Profit before taxes	0.98 %	1.13 %	1.13 %	1.11 %	0.96 %
Tax expenses	0.22 %	0.23 %	0.25 %	0.22 %	0.20 %
Profit for the period	0.76 %	0.90 %	0.88 %	0.89 %	0.76 %

Key figures, income statement

Return on equity after tax (adjusted for hybrid capital)	7.8 %	9.4 %	9.2 %	9.0 %	8.4 %
Costs as % of income	42.4 %	39.3 %	37.9 %	40.9 %	42.0 %
Costs as % of income, excl. net income from financial instruments	40.6 %	37.9 %	39.6 %	40.2 %	42.6 %

Key figures, balance sheet

Total assets	148 072	144 182	145 431	140 413	139 047
Average total assets	147 000	144 200	143 000	140 000	146 000
Net loans to customers	117 918	116 653	116 539	115 114	112 801
Growth in loans as %, last 12 mths.	4.5 %	4.5 %	5.4 %	5.6 %	4.8 %
Customer deposits	64 741	63 146	65 185	66 042	60 822
Growth in deposits as %, last 12 mths.	6.4 %	5.5 %	7.8 %	10.0 %	5.5 %
Deposits as % of net loans	54.9 %	54.1 %	55.9 %	57.4 %	53.9 %
Equity (incl. hybrid capital)	15 163	14 941	14 394	14 076	14 022
Losses on loans as % of net loans, annualised	-0.01 %	0.01 %	0.01 %	-0.04 %	-0.04 %

Other key figures

Liquidity reserves (LCR), Group	156 %	140 %	142 %	146 %	168 %
Liquidity reserves (LCR), Group- EUR	2628 %	604 %	637 %	345 %	376 %
Liquidity reserves (LCR), Parent Bank	138 %	127 %	126 %	135 %	163 %
Common equity tier 1 capital ratio	16.7 %	16.4 %	16.2 %	16.0 %	15.8 %
Tier 1 capital ratio	18.4 %	18.1 %	17.6 %	17.4 %	17.5 %
Total capital ratio	20.5 %	20.3 %	19.7 %	19.5 %	19.5 %
Common equity tier 1 capital	13 252	13 004	12 820	12 634	12 447
Tier 1 capital	14 633	14 376	13 941	13 755	13 776
Net subordinated capital	16 346	16 074	15 640	15 454	15 374
Leverage ratio	9.3 %	9.4 %	9.3 %	9.2 %	9.2 %
Number of branches	35	35	35	35	35
Number of FTEs in banking operations	471	464	452	458	445

Key figures, equity certificates

Equity certificate ratio	15.5 %	15.7 %	16.0 %	16.0 %	16.1 %
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)	5.0	2.4	2.1	2.3	5.0
Profit per equity certificate (Group)	2.6	3.2	3.2	3.0	2.9
Dividend last year per equity certificate (Parent Bank)	132.7	136.4	137.3	133.6	130.7
Dividend paid last period per equity certificate	1.18	1.07	0.97	0.97	1.00
Book equity per equity certificate	157.0	146.0	133.0	129.0	131.0

	31.12. 2021	31.12. 2020	31.12. 2019	31.12. 2018	31.12. 2017	31.12. 2016
Income statement (NOK million)						
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
Total net income	2 549	2 444	2 368	2 072	2 097	2 110
Total operating expenses before losses	1 018	958	918	884	811	787
Operating profit before losses	1 531	1 486	1 450	1 188	1 286	1 323
Losses on loans and guarantees	- 18	83	-17	-36	20	50
Profit before taxes	1 549	1 403	1 467	1 224	1 266	1 273
Tax expenses	323	307	342	285	282	284
Profit for the period	1 226	1 096	1 125	939	984	989
Profit as a percentage of average assets						
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 %
Total net income	1.78 %	1.74 %	1.88 %	1.75 %	1.92 %	2.01 %
Total operating expenses before losses	0.71 %	0.68 %	0.73 %	0.75 %	0.74 %	0.75 %
Operating profit before losses	1.07 %	1.06 %	1.15 %	1.00 %	1.17 %	1.26 %
Losses on loans and guarantees	-0.01 %	0.06 %	-0.01 %	-0.03 %	0.02 %	0.05 %
Profit before taxes	1.08 %	1.00 %	1.17 %	1.03 %	1.16 %	1.21 %
Tax expenses	0.23 %	0.22 %	0.27 %	0.24 %	0.26 %	0.27 %
Profit for the period	0.86 %	0.78 %	0.89 %	0.79 %	0.90 %	0.94 %
Key figures, income statement						
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 %
Key figures, balance sheet						
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
Growth 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 %	0.07 %	-0.01 %	-0.03 %	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 %
Other key figures						
Liquidity reserves (LCR), Group	140 %	173 %	148 %	159 %	139 %	128 %
Liquidity reserves (LCR), Group- EUR	604 %	107 %	1 168 %	4 727 %	3 105 %	
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
Key figures, equity certificates						
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	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	0.0	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

Calculations

	Q1	Q4	Q3	Q2	Q1	Q4	31.12.
NOK million	2022	2021	2021	2021	2021	2020	2021
Return on equity adjusted for hybrid capital							
Profit after tax	276	328	315	309	274	339	1 223
Interest on hybrid capital	-12	-9	-8	-19	-10	-13	-46
Profit after tax, incl. Interest on hybrid capital	264	320	306	290	264	329	1 177
Opening balance, equity	14 941	14 394	14 076	14 022	13 752	13 750	13 752
Opening balance, hybrid capital	-1 335	-1 085	-1 085	-1 275	-1 075	-1 375	-1 075
Opening balance, equity excl. hybrid capital	13 606	13 309	12 991	12 746	12 677	12 375	12 677
Closing balance, equity	15 163	14 941	14 394	14 076	14 022	13 752	14 941
Closing balance, hybrid capital	-1 335	-1 335	-1 085	-1 085	-1 275	-1 075	-1 335
Closing balance, equity excl. hybrid capital	13 827	13 606	13 309	12 991	12 746	12 677	13 606
Average equity	15 052	14 668	14 235	14 049	13 887	13 751	14 347
Average equity excl. Hybrid capital	13 717	13 458	13 150	12 869	12 712	12 526	13 142
Return on equity	7.4 %	8.9 %	8.8 %	8.8 %	8.0 %	9.8 %	8.5 %
Return on equity, excl. hybrid capital	7.8 %	9.4 %	9.2 %	9.0 %	8.4 %	10.4 %	9.0 %
Net interest income, incl. interest on hybrid capital							
Net interest income, incl. interest on hybrid capital	521	506	493	488	451	467	1 939
Interest on hybrid capital	-12	-9	-8	-19	-10	-13	-46
Net interest income, incl. interest on hybrid capital	509	498	485	469	441	455	1 892
Average total assets	147 000	144 200	143 000	140 000	146 000	143 700	143 100
As percentage of total assets	1.40 %	1.37 %	1.35 %	1.34 %	1.23 %	1.26 %	1.32 %
Profit from ordinary operations (adjusted earnings)							
Net interest income, incl. Interest on hybrid capital	509	498	485	469	441	455	1 892
Net commission income	89	124	98	110	87	97	419
Share of profit from associated companies	27	66	34	45	29	57	174
Other operating income	1	0	4	2	0	2	7
Operating expenses	267	281	249	260	242	260	1 031
Profit from ordinary operations (adjusted earnings), before tax	359	408	371	367	316	350	1 461
Losses on loans, guarantees and undrawn credits	-2	2	2	-11	-11	-30	-18
Profit excl. finance and adjusted for non-recurring items	362	406	369	378	327	380	1 479
Tax (25 %) adjusted for tax, share of profit associated companies	84	85	84	83	74	81	326
Ordinary operations /adjusted earnings after losses and tax	278	321	285	295	252	299	1 153
Average equity, excl. hybrid capital	13 717	13 458	13 150	12 869	12 712	12 526	13 142
Return on equity, profit excl. finance and adjusted for non-recurring items	8.2 %	9.5 %	8.6 %	9.2 %	8.0 %	9.5 %	8.8 %
Average interest rates/margins							
Average lending rate RM (return)	2.35 %	2.12 %	2.02 %	2.05 %	2.08 %		
Average lending rate CM (return)	3.42 %	3.06 %	2.72 %	2.80 %	2.85 %		
Average deposit rate RM	0.34 %	0.28 %	0.29 %	0.32 %	0.35 %		
Average deposit rate CM	0.74 %	0.55 %	0.39 %	0.42 %	0.48 %		
Average 3-month NIBOR	1.20 %	0.79 %	0.39 %	0.26 %	0.45 %		
Lending margin RM (lending rate - 3-month NIBOR)	1.15 %	1.33 %	1.63 %	1.79 %	1.63 %		
Lending margin CM (lending rate - 3-month NIBOR)	2.22 %	2.27 %	2.33 %	2.54 %	2.40 %		
Deposit margin RM (3-month NIBOR - deposit rate)	0.86 %	0.51 %	0.10 %	-0.06 %	0.10 %		
Deposit margin CM (3-month NIBOR - deposit rate)	0.46 %	0.24 %	0.00 %	-0.16 %	-0.03 %		
Interest-rate margin (lending rate - deposit rate)							
Interest-rate margin RM	2.00 %	1.84 %	1.73 %	1.73 %	1.73 %		
Interest-rate margin CM	2.68 %	2.51 %	2.33 %	2.38 %	2.36 %		

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.