

# Q3 2023

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SPAREBANKEN SØR

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# Key figures Group

<b>Income statement (NOK million)</b>	<b>Q3 2023</b>	<b>Q3 2022</b>	<b>30.09.2023</b>	<b>30.09.2022</b>	<b>31.12.2022</b>
Net interest income	783	609	2 227	1 685	2 368
Net commission income	101	107	295	302	417
Net income from financial instruments	20	- 69	16	- 128	- 82
Income from associated companies	6	28	66	79	125
Other operating income	23	1	26	4	5
<b>Total net income</b>	<b>935</b>	<b>677</b>	<b>2 630</b>	<b>1 942</b>	<b>2 834</b>
Total operating expenses before losses	298	282	928	834	1 145
<b>Operating profit before losses</b>	<b>637</b>	<b>395</b>	<b>1 702</b>	<b>1 108</b>	<b>1 690</b>
Losses on loans, guarantees and unused credit	32	51	18	59	74
<b>Profit before taxes</b>	<b>605</b>	<b>344</b>	<b>1 684</b>	<b>1 049</b>	<b>1 615</b>
Tax expenses	148	77	338	234	332
<b>Profit for the period</b>	<b>457</b>	<b>267</b>	<b>1 346</b>	<b>815</b>	<b>1 283</b>
<b>Key figures. income statement</b>					
Return on equity after tax (adjusted for hybrid capital)	11.5 %	7.1 %	11.6 %	7.4 %	8.7 %
Costs as % of income	31.9 %	41.6 %	35.3 %	42.9 %	40.4 %
Costs as % of income, excl. net income from financial instruments	32.6 %	37.8 %	35.5 %	40.2 %	39.3 %
Net interest income as % of average assets	1.95 %	1.60 %	1.87 %	1.12 %	1.58 %
<b>Key figures. balance sheet</b>					
Total assets	158 238	150 879	158 238	150 879	157 435
Average total assets	159 000	151 000	159 000	150 000	150 000
Net loans to customers			126 098	122 713	123 852
Growth in loans as % last 12 mths.			2.8 %	5.3 %	6.2 %
Customer deposits			68 698	65 368	65 596
Growth in loans as % last 12 mths.			5.1 %	0.3 %	3.9 %
Deposits as % of net loans			54.5 %	53.3 %	53.0 %
Equity (incl. hybrid capital)			16 466	15 486	15 779
Losses on loans as % of net loans, annualised			0.01 %	0.17 %	0.05 %
<b>Other key figures</b>					
Liquidity reserve (LCR) Group			155 %	148 %	177 %
Liquidity reserve (LCR) Group- Euro			243 %	2 597 %	387 %
Liquidity reserve (LCR) Parent Bank			141 %	130 %	169 %
Common equity tier 1 capital ratio			17.2 %	17.5 %	17.1 %
Tier 1 capital ratio			18.6 %	18.9 %	18.5 %
Total capital ratio			20.8 %	21.1 %	20.7 %
Total common equity tier 1 capital ratio			14.207	13 569	13 653
Tier 1 capital ratio			15.376	14 692	14 784
Net subordinated capital			17.252	16 412	16 518
Leverage ratio			9.1 %	9.2 %	9.1 %
<b>Key figures. equity certificates</b>					
Equity certificate ratio, weighted average over the period			40.0 %	40.0 %	40.0 %
Number of equity certificates issued			41 703 057	41 703 057	41 703 057
Profit/diluted earnings per equity certificate (Parent bank)	3.5	1.9	6.5	8.8	12.6
Profit/diluted earnings per equity certificate (Group)	4.2	2.5	12.5	7.4	11.9
Proposed dividend last year per equity certificate				8.0	6.0
Paid out dividend last year per equity certificate			6.0	8.0	8.0
Book equity per equity certificate			146.5	138.6	141.0
Price/book equity per equity certificate			0.87	0.86	0.9
Listed price on Oslo Stock Exchange at end of period			128.0	119.0	129.5

## Board of Director's report

### General

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

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

### Highlights in Q3 2023

- Very good growth in net interest income
- Positive profit contribution from the liquidity portfolio
- Positive profit contribution from sale of real estate
- Low cost-income ratio of 31.9 percent
- Increased model-based losses, but continued low default rates in turbulent times
- Solid return on equity after tax of 11.5 percent
- Profit per equity certificate NOK 4.2
- Common equity tier 1 (CET1) ratio of 17.2 percent and a leverage ratio of 9.1 percent

### Highlights 30.09.2023

- Very good development in net interest income
- Good profit contributions from associated companies
- Positive profit contribution from the liquidity portfolio
- Low cost-income ratio of 35.3 percent
- Low losses of 18 MNOK
- Solid return on equity after tax of 11.6 percent
- Profit per equity certificate NOK 12.5
- 12-month lending growth of 2.8 percent
- 12-month deposit growth of 5.1 percent

### Financial framework conditions

The high activity level in the Norwegian economy seems to be decelerating. High price growth and increased interest rates have reduced households' purchasing power, but a tight labour market and high employment have contributed to keeping the activity up. This can be viewed in the context of expectations of high wage growth. The persistent pressure in the Norwegian economy may contribute to a longer period before the price growth will decrease and reach the goal of 2% inflation.

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

In Q3 2023, the key policy rate was raised twice from 3.75 to 4.25 percent. As the Norwegian Central Bank, Norges Bank, assessed the outlook in September, there will most likely be a need to raise interest rates further in December. Price inflation is still high and clearly above the target of 2 percent. The forecasts for the key policy rate indicate that the key policy rate will increase to 4.5 percent during the autumn. The actual policy rate setting will further depend on the economic development.

Premiums in the bond markets increased significantly through 2022, which was mainly due to increased uncertainty, among the factors of the situation in Ukraine. Bank bankruptcies abroad and the fear of recession have contributed to increased uncertainty and somewhat increased credit premiums at home and abroad in the first half of 2023. The risk premiums have had a small decrease in Q3 2023.

The annual growth in the general public's gross domestic debt, C2, was at 4.0 percent. The growth in credit to households and businesses was 3.7 percent and 4.0 percent respectively.

In March 2023, the requirement for a countercyclical capital buffer was decided to be increased to 2.5 percent with effect from 31 March 2023. The purpose of the countercyclical capital buffer is to strengthen the banks financial situation and to prevent a more restrictive lending practices by the banks from reinforcing the economic downturn. Norges Bank decided in August 2023 to maintain the countercyclical capital buffer requirement of 2.5 percent.

The Ministry of Finance decided on 16 December 2022 to maintain the systemic buffer requirement of 4.5 percent, but it was given a postponement for standard banks until the end of 2023. This means that Sparebanken Sør's systemic risk buffer requirement is 3.0 percent as of 30 September 2023 and will increase to 4.5 percent at the end of 2023.

### Sustainability (ESG)

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

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

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

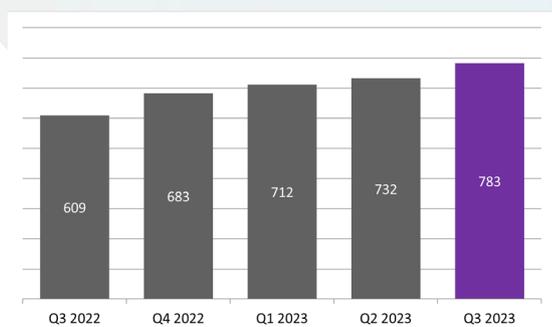
### Earnings

Profit before tax amounted to NOK 605 million in Q3 2023, compared with NOK 344 million in the same period in 2022. Return on equity after tax amounted to 11.5 percent in Q3 2023, compared with 7.1 percent in the same period in 2022.

After the third quarter of 2023, profit before tax amounted to NOK 1 684 million, compared with NOK 1 049 million in same period 2022. Return on equity after tax amounted to 11.6 percent at 31.03.2023, compared with 7.4 percent in the same period in 2022.

### Net interest income

#### Quarterly net interest income (NOK million)



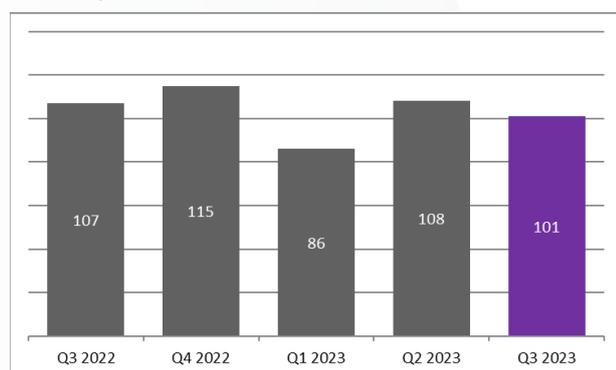
Net interest income totalled NOK 783 million in Q3 2023, compared with NOK 609 million in Q3 2022, an increase of NOK 174 million.

Net interest income increased by NOK 51 million in Q3 2023 compared to Q2 2023, mainly due to changes in the bank's interest rates following Norges Bank's decision to raise the key policy rate.

Norges Bank increased the key policy rate by 0.5 percentage points in June 2023, to 3.75 percent. In this connection, Sparebanken Sør decided to adjust the interest rates on mortgages and deposits by up to 0.5 percentage points with full effect from August 9 2023 for existing loans and deposits. Norges Bank increased the key policy rate further by 0.25 percentage in both August and September 2023, from 3.75 to 4.25 percent. Also in this connection, Sparebanken Sør decided to adjust the interest rates on mortgages and deposits by up to 0.25 percentage points. The interest rate changes will have full effect from 23 October and 27 November as a result of the interest rate change, the bank expects continued positive growth in net interest income in the next quarter.

## Commission income

### Quarterly net commission income (NOK million)



Net commission income totalled NOK 101 million in Q3 2023, compared with NOK 107 million in Q3 2022.

Gross commission income in Q3 2023 totalled NOK 127 million, compared with NOK 124 million in Q3 2022.

Commission income	Q3 2023	Q3 2022	Change	30.09.2023	30.09.2022	Change
Payment services	56	56	-0	153	151	2
Real estate brokerage	37	38	-1	120	122	-2
Mutual fund	10	8	2	27	24	4
Insurance	13	12	0	39	38	1
Credit procurement and leasing	2	2	-0	5	5	0
Other commission income	10	9	1	27	24	3
<b>Total</b>	<b>127</b>	<b>124</b>	<b>3</b>	<b>371</b>	<b>363</b>	<b>8</b>

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

## Financial instruments

Net income from financial instruments totalled NOK 20 million in Q3 2023, compared with NOK -69 million in Q3 2022. There has been a positive profit contribution in the third quarter from the bank's liquidity portfolio, after the first half of the year was characterized by increased credit spreads resulting a loss. At the reporting date, the liquidity portfolio was valued at NOK 24.5 billion, and comprised of high liquid covered bonds and certificates issued by the state and municipalities.

Net income from financial instruments	Q3 2023	Q3 2022	Change	30.09.2023	30.09.2022	Change
Bonds and certificates	26	-39	65	-22	-130	108
Shares incl. dividends	1	1	1	-3	14	-17
Fixed rate loans	0	-50	50	2	-66	68
Securities issued - hedge accounting	-19	5	-24	10	20	-10
Repurchase of issued bonds	1	-0	1	-0	-4	4
Payment services (agio)	7	8	-0	24	23	1
Other financial instruments	4	7	-4	5	15	-10
<b>Total</b>	<b>20</b>	<b>-69</b>	<b>89</b>	<b>16</b>	<b>-128</b>	<b>144</b>

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

## Income from associated companies

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

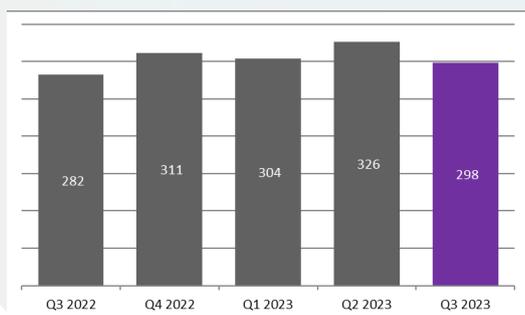
Associated companies		Q3 2023	Q3 2022	Change	30.09.2023	30.09.2022	Change
Frende Holding - 19.9 %	Share of profit	-7,5	19,4	-26,9	10,3	30,2	-19,9
	Amort.	-5,5	-5,5	0,0	-16,5	-16,3	-0,2
	Realisation	0,0	0,0	0,0	0,0	24,9	-24,9
Brage Finans - 24.9 %	Share of profit	19,5	14,1	5,4	60,6	39,7	20,9
Balder Betaling - 23.0 %	Share of profit	0,0	0,0	0,0	11,4	0,6	10,8
<b>Total</b>		<b>6,5</b>	<b>28,0</b>	<b>-21,5</b>	<b>65,8</b>	<b>79,1</b>	<b>-13,4</b>

The share of profits from Frende in the third quarter was strongly affected of a negative financial result due to decrease in value of the commercial real estate portfolio. Frende's quarter has been negatively affected by significant natural damages and a relatively high numbers of major damages. In connection with the stepwise acquisition of shares in Frende Holding AS, excess values were identified, which are being amortised over the expected economic lifetime as shown in the table above.

The profit share from Brage shows a very positive growth, both in Q3 and the end for the whole year. This is due to better profitability in Brage, as well as the fact that the bank has increased its ownership share in Brage from 20.8 percent to 24.9 percent in 2022.

## Operating expenses

### Quarterly operating expenses (NOK million)



Operating expenses totalled NOK 298 million in Q3 2023, an increase of NOK 16 million compared to the same period in 2022.

Operating expenses	Q3 2023	Q3 2022	Change	30.09.2023	30.09.2022	Change
Wages and fees	132	115	16	407	352	55
Payroll tax	24	19	5	64	54	10
Financial tax	6	5	1	18	15	3
Pension costs	16	14	2	37	28	9
Other personnel costs	6	5	1	20	18	2
<b>Total personnel costs</b>	<b>183</b>	<b>159</b>	<b>24</b>	<b>547</b>	<b>468</b>	<b>79</b>
<b>Depreciation, amortization and impairment of non-current assets</b>	<b>10</b>	<b>10</b>	<b>0</b>	<b>30</b>	<b>32</b>	<b>-2</b>
Marketing	11	11	0	34	36	-1
IT costs*	58	52	6	191	155	36
Operating cost - real estate	5	11	-6	20	25	-5
External fees*	5	10	-5	20	37	-17
Wealth tax	8	5	3	23	10	13
Other operating expenses	19	23	-5	62	72	-9
<b>Total other operating expenses</b>	<b>105</b>	<b>112</b>	<b>-7</b>	<b>351</b>	<b>334</b>	<b>17</b>
<b>Total Operating expenses</b>	<b>298</b>	<b>282</b>	<b>16</b>	<b>928</b>	<b>834</b>	<b>94</b>

\* In 2023, the Group changed its practice of accounting fees for IT consultants, which are now presented as IT costs, versus previous external fees. The change has resulted in an increase of NOK 18 million in IT costs and a corresponding reduction in external fees at the end of Q3 2023.

Personnel costs have increased for both the parent bank and the Group. The Group have strengthened its capability in analysis, risk management (IRB) and compliance, and has also reinforced its insurance sales organisation. As a result of a positive development in profitability in the banking business, NOK 32 million more has been set aside for variable remuneration compared to the same period in 2022.

Other operating costs have increased mainly as a result of increased IT costs and wealth tax (as a result of an increased tax rate). Increased IT costs are driven by factors such as automation and digitization of banking services and internal processes, resource-intensive regulations, and outsourcing of IT services. Investments in IT and new data platforms, in general, have been made with a clear ambition to result in a more efficient and profitable banking operation.

Cost-income ratio amounted to 31.9 percent (41.6 percent) in Q3 2023. Cost-income ratio, excl. financial instruments accounted for 32.6 percent (37.8 percent).

### Losses and non-performing loans

Net entry on losses on loans amounted to NOK 32 million in Q3 2023, compared to losses on loans of NOK 51 million in Q3 2022.

The past year, there has been marked changes in macroeconomic conditions which involve negative changes in framework conditions for both corporate customers and the retail sector. This applies to both increases in electricity and energy prices, strong inflation growth, combined with higher lending rates. In the first half of 2023, there has been a fall in sales of new building projects, related to residential and commercial properties. At present, there have been revealed no major difficulties related to cost gaps or supply issues in large projects the bank has financed. Changes in macroeconomic factors as well as interest rate and cost increases imply greater uncertainty regarding price developments for both residential and commercial properties, but here there will also be large regional differences. In 2023 till now, there has been a positive development in the housing market in the bank's main market area.

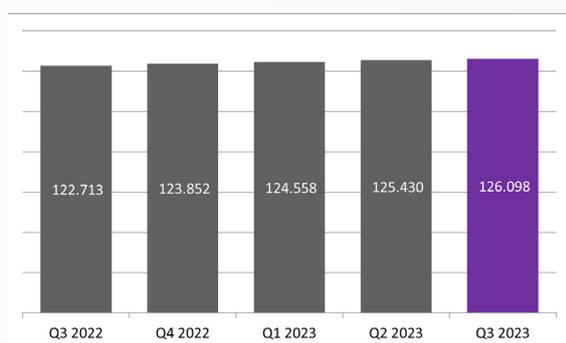
The cost of provisions mainly increases due to increased model-based loss provisions. Model-based losses in the third quarter amounted to 27.1 million kroner, which is due to a weaker macroeconomic outlook. There have been no specific events that have led to significant changes in individual provisions for losses or confirmed losses.

The Group's impairment losses were calculated to be NOK 446 million by the end of Q3 2023, which is equivalent to 0.35 percent of gross loans. The corresponding figures for Q3 2022 were NOK 437 million and 0.36 percent of gross loans.

Non-performing loans were NOK 919 million, up from NOK 708 million in the same period last year. Non-performing loans represented 0.73 percent of gross loans (0.58 percent).

### Loans

#### Loans in NOK million



Over the past 12 months net loans increased by NOK 3.4 billion to a total of NOK 126.1 billion, representing a growth of 2.8 percent. Growth in lending in Q3 2023 was NOK 0.7 billion, representing a growth of 2.1 percent. The bank is well-positioned for further profitable growth.

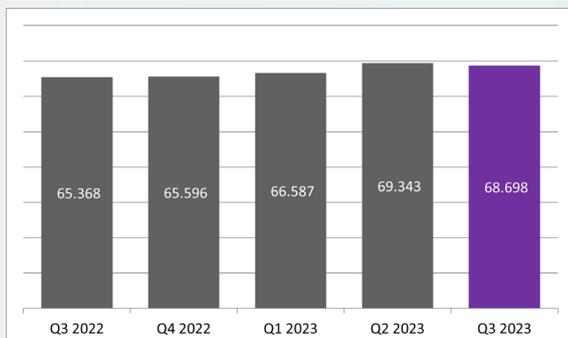
Over the past 12 months, gross loans to retail customers increased by NOK 1.9 billion to NOK 82.1 billion, a growth of 2.4 percent. Annualised growth in lending in Q3 was 3.1 percent. The bank has a goal of increasing market share within the retail market and has stated a goal of achieving growth in loans corresponding to the growth in credit in the region, plus 1 percentage point.

Gross loans to corporate customers increased by NOK 1.7 billion to NOK 44.4 billion over the last 12 months, representing a growth of 4.1 percent. Annualised lending growth in Q3 was 0.7 percent. Growth within the corporate market will fluctuate throughout the year.

Loans to retail customers accounted for 65 percent (65 percent) of total loans at the end of Q3 2023.

## Deposits

### Deposits in NOK million



Over the past 12 months, customer deposits increased by NOK 3.3 billion to NOK 68.7 billion, a growth of 5.1 percent. Annualized deposit growth as of September 30, 2023 amounted to 6.3 percent.

Deposits from retail customers (excl. accrued interest) increased by NOK 0.6 billion to NOK 32.7 billion in the past twelve months, a growth of 1.9 percent.

Deposits from corporate customers (excl. accrued interest) increased by NOK 2.1 billion to NOK 35.1 billion in the past twelve months, a growth of 6.3 percent.

Deposits in percent of net loans were 54.5 percent at the end of Q3 2023, up from 53.3 percent at the same time in 2022.

## Wholesale funding and liquidity portfolio

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

At the end of Q3 2023, wholesale funding amounted to NOK 57.5 billion, of which 86 percent consisted of covered bonds. Long-term funding (over 1 year maturity) had an average maturity of 3.1 years at the end of the quarter.

The start of 2023 has been demanding due to international turmoil. Despite this, in first half 2023, the Group issued subordinated bonds (Tier 2) of NOK 700 million, fund bonds (Additional Tier-1) of NOK 125 million, as well as senior subordinated bonds (Tier 3) with a nominal value of NOK 2 600 million, on favourable terms.

The Group's portfolio of interest-bearing securities totalled NOK 24.5 billion as of 30 September 2023. The Group's liquidity reserve (LCR) amounted to 155 percent as of 30 September 2023 (141 percent in the Parent bank). The group has a high percentage of long-term funding and the NSFR (Net Stable Funding Ratio) amounted to 127 percent (126 percent in parent bank) for the group at the end of the quarter, confirming a good liquidity situation.

## Rating

Sparebanken Sør has an A1 rating with a "Positive Outlook" rated by Moody's. The rating outlook for the Bank has changed from "Stable" to "Positive" in September 2022.

In June 2023, Sparebanken Sør Boligkreditt AS received an A1 rating with "Positive Outlook" in line with the parent bank. Covered bonds issued by Sparebanken Sør Boligkreditt AS have an Aaa rating from Moody's.

### Subordinated capital and capital adequacy

At the end of Q3 2023, net subordinated capital totalled NOK 17.3 billion. Total tier 1 capital totalled NOK 15.4 billion and common tier 1 capital totalled NOK 14.2 billion. On the same date, the (total) capital ratio for the Sparebanken Sør Group was 20.8 percent, the tier 1 capital ratio was 18.6 percent and the common equity tier 1 (CET1) capital ratio was 17.2 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 24.6 percent, a tier 1 capital ratio of 21.7 percent and a CET1 capital ratio of 20.0 percent at the end of Q3 2023.

The Group met the capital requirements of, respectively, 14.2 percent for CET1, 15.7 percent for tier 1 capital and 17.7 percent for total capital by a solid margin. The Group's internal target for 2023 is a CET1 capital ratio of 16.5 percent.

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

On 30 September 2023, the requirement for a countercyclical capital buffer amounted to 2.5 %. In August, Norges Bank decided to maintain this requirement. The purpose of the countercyclical capital buffer is to make the banks more solid and to prevent the banks' credit practices from reinforcing a setback in the economy.

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

An important part of the Group's key objectives is to keep the CET1 capital ratio at the same level as that of comparable banks. Sparebanken Sør is the only major regional bank that uses the standard method to calculate capital adequacy, and the Bank currently has a higher leverage ratio than the other regional banks. Sparebanken Sør also aims to have a quality of risk management on par with comparable banks. The Bank is working to develop the Bank's risk management framework and modelling in a way that makes it possible to apply to the FSA for approval of an internal rating-based (IRB).

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. At the end of June 2023, an agreement was acquired in the EU of a new Basel reform and the ambition is that the revised regulations (CRR3/CRD6 and BRRD3) will enter into force in the EU from 1 January 2025. The implementation date in Norway will therefore depend on how soon the new legislative acts can be incorporated into the EEA Agreement, but this will not occur until 1 January 2025 at the earliest. A critical element in the new Basel IV regulations will be the introduction of a new and more risk-sensitive standard method for credit risk which will be beneficial for the Group. Basel IV also indicates that there may be some changes in the IRB regulations.

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

The bank is working to develop the bank's risk management framework and modelling that will make it possible to apply for approval from the Financial Supervisory Authority for internal models in capital calculation (IRB-F).. In regard to the capital effects of IRB-F, it is expected to give a positive effect on CET1 capital ratio of approx. 3.5 percentage points.

The bank considers that an IRB process followed by the IRB approval of the risk models contains key elements that are crucial for the bank's future development. This work is highly prioritized within the bank, and the process has made significant progress but is still delayed in terms of the application timeline. The reason for this is that the bank wishes to spend more time quality-assuring the data foundation and improving the new models under development. The bank has found it appropriate to postpone the application timeline, and the bank's ambition is now to submit the IRB-F application during the second half of 2024.

The Group's Leverage Ratio stood at 9.1 percent at the end of Q3 2023, compared with 9.2 percent at the end of Q3 2022. The Bank's capital adequacy is highly satisfactory.

The Bank Resolution and Recovery Directive (BRRD) has introduced a minimum requirement for the sum of subordinated capital and convertible debt (MREL). This entails a requirement for convertible/non-preferred debt ("Tier 3"), for Sparebanken Sør. The requirements are determined by FSA on the basis of capital requirements and calculated based on the currently applicable adjusted calculation basis at all times. Based on capital requirements and adjusted calculation basis as of 30 September 2023, the effective MREL requirement is set at 32.9 percent and amounted to NOK 20.4 billion.

The authorities have introduced a ceiling provision for the share of subordinated debt, and the requirement must be met by 1 January 2024. Furthermore, as of 1. January 2022, a requirement for the ceiling provisions had to be of linear phasing based on capital requirements and adjusted calculation basis as of 30 September 2023, convertible debt (MREL) ceiling is 23.5 percent and the amount was 14.6 billion NOK. By the end of Q3 2023, the Bank had issued a total of NOK 7.1 billion of senior non-preferred (Tier 3).

### The bank's equity certificates

As of 30 September 2023, the Bank had issued 41 703 057 equity certificates.

Profit (consolidated) per equity certificate amounted to NOK 4.2 per certificate in Q3 compared to NOK 12.5 per certificate in the third quarter.

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

### Dividend policy

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

Profit will be distributed between equity certificate capital (equity certificate owners) and primary capital based on their share of the equity. The ownership fraction will then be kept stable at 40% going forward.

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

### Subsidiaries and partner businesses

The bank's wholly owned subsidiary **Sparebanken Sør Boligkreditt AS** is licensed to issue covered bonds which are used as an instrument in the Bank's long-term funding strategy. As of 30 September 2023, the Bank had transferred NOK 52.6 billion to Sparebanken Sør Boligkreditt AS, equivalent to 62 percent of all loans to the retail market.

The Bank's own real estate business, **Sørmegleren**, is the absolute leader in its field in Southern Norway. Sørmegleren is continuing to grow, and had employed 110 employees in 18 locations at the end of Q3 2023. In Q3 2023, the company had a profit before tax of NOK 9.1 million, compared to NOK 11.6 million in the same period in 2022. Sørmegleren has maintained its market shares so far in 2023 and is very well positioned as the region's leading real estate agent. The decline in earnings is mainly due to extraordinary costs compared to the same period last year.

The Bank has a 100 percent shareholding in **Sørlandet Forsikringscenter AS**, after purchasing the last 22 percent in June 2023. The acquisition of Sørlandet Forsikringscenter AS increases the Bank's insurance portfolio and has provided the Group with a stronger insurance sales organisation.

**Transitt Eiendom AS** is a real estate company, where the bank owns 100 percent of the shares. In the third quarter of 2023, the company recorded a profit of NOK 16.4 million related to the sale of real estate.

**Frende Holding AS** (19.9 percent shareholding) has had a profit before tax in Q3 2023 of NOK 41.9 million (NOK 247.1 million). Third quarter of 2023 showed a negative pre-tax result of NOK -46.2 million (NOK 138.5 million). In the insurance business, the quarter has been characterized by significant natural disasters and a relatively high number of large claims. The life insurance business in the third quarter is also marked by challenging developments in disability products and additional provisions in reserves.

The financial result, including interest on the responsible loan, as of the third quarter is positive with NOK 79.2 million (NOK -183.8 million), while the finance, including interest on the responsible loan, in the third quarter, in isolation, contributes to negative results NOK -37.8 million (NOK -17.0 million). Negative result in the quarter is due to a significant decrease in the value of the commercial real estate portfolio.

Frende Skadeforsikring recorded a profit before tax of NOK 60.0 million in Q3 2023, down from NOK 268.5 million in Q2 2022. The profit before tax in the third quarter of 2023 amounted to negative NOK 35.3 million, down from NOK 130.0 million in the corresponding period 2022.

The company's written premiums totalled NOK 2 636 million (NOK 2 488 million), distributed among 170 000 customers. At the reporting date, the market share stood at 3.3 percent. The loss ratio so far this year was 82.5 percent (58.9 percent), while the company's combined ratio was 100.3 percent (77.3 percent). Isolated in the third quarter, the loss ratio is 83.9 percent, compared to 57.2% in the third quarter of the previous year. The quarter is characterized by natural damages and a relatively high number of large claims, resulting in a higher loss ratio compared to the previous year, as well as a significant decrease in underwriting gains compared to the previous year.

Frende Livsforsikring posted a profit before tax Q3 2023 of NOK 5.5 million in, compared to negative NOK 4.0 million in Q3 2022. The profit loss before tax for the third quarter of the year was negative NOK 2.5 million, compared with a profit of NOK 14.3 million in the third quarter of 2022. The risk result has been weaker than in previous years, it has been impacted by the development in disability products and additional provisioning in reserves. The portfolio premium at the end of the quarter was NOK 667 million, up from NOK 616 million at the same time in 2022.

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

Brage Finans has reported yet another good quarter with positive growth in portfolio and profits. There has been a slightly weaker performance in the company's market areas during the quarter, but the company continues to gain market share and has experienced positive growth in its portfolio.

Profit before tax in Q3 2023 amounted to NOK 108.4 million, up from NOK 94.6 million in the corresponding period in 2022. The profit resulted in a return on equity of 10.7 percent for the quarter, compared to 12.7 percent in Q3 2022. The profit before tax for the third quarter of the year was NOK 335.9 million, compared with NOK 265.6 million in the corresponding period in 2022. The profit resulted in a return on equity of 11.7 percent for the period, compared to 12.0 percent in the corresponding period.

On 30 September 2023, Brage Finans had a gross lending portfolio of NOK 23.1 billion. This represents an increase of NOK 3.7 billion compared with the same time last year and a lending growth of 19 percent. At the end of the reporting period, recognised impairment losses totalled NOK 173.3 million, which corresponds to 0.75 percent of the gross lending portfolio.

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

In the third quarter of 2023, Norne had a profit loss before tax of NOK 1.7 million, compared to NOK 22.0 million in the same quarter in 2022.

The capital markets have been, and still are, characterized by a situation with great uncertainty and turmoil. The volume of assignments within Investment Banking is good, particularly in the market for capital raising and mergers, but as a consequence of increased risk, and thus uncertainty about pricing, it takes longer to complete projects. The uncertainty surrounding the timing of the implementation of projects will affect transaction activity within Investment Banking in the second half of the year as well. Customer activity towards retail customers within share and fund trading has been on a good level, although it is lower than the «peak years» in 2020 and 2021. To customers in the retail market, Norne develops its services in cooperation with the banks as distribution partners. Within the fund area, Norne offers, among other things, a fund platform that is used by 23 banks. This solution provides significant economies of scale for the banks.

So far in 2023, the macro situation is still characterized by uncertainty with high inflation, the war in Ukraine and turbulence in the capital markets. The long-term consequences are uncertain, but the company is very well-positioned for further growth and have a high level of ambition. At the same time, the management implements measures for even more cost-effective operations.

**Balder Betaling AS** (23.0 percent shareholding) is owned by Sparebanken Sør together with 20 other savings banks. The company has a shareholding of 10.49 percent in Vipps AS and has a goal of developing Vipps together with other owners. Sparebanken Sør thus has an indirect shareholding in Vipps AS of 2.41 percent.

## Outlook

Activity in the Norwegian economy has been high in 2023 and unemployment has been very low. High price growth and increased interest rates have weakened households' purchasing power. The interest rates have increased and are expected to increase further, many companies expect a fall in activity going forward. Norges Bank expects the key policy rate to increase in 2023 to bring inflation down towards the target of 2 percent. There is a significant uncertainty in the capital market due to the geopolitical situation and recent bank collapses, which has resulted in significantly higher credit risk premiums for the Group's financing.

There is more uncertainty than normal regarding what the consequences will be for the customers, and how both private individuals and firms will respond to a higher cost level. The growth of wages is expected to be approximately 5.6 percent and contribution to the increasing price level will still be high in the future. Despite this, the board considers the Group well equipped for further growth. The Group has good earnings, is solid with good margins for current capital requirements and is well equipped to withstand any more challenging developments in the Norwegian economy.

The Group 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 a solid financing situation. The Group has a low-risk lending portfolio, and high loss-absorbing capacity through a high equity capital ratio. Bank operations are highly cost effective, with good underlying operations.

Residential property prices in the Group's main markets have shown a positive, though moderate, development over several years. Statistics for the third quarter of 2023 still indicate a strong growth.

The Group has a common Tier 1 capital ratio requirement of 14.2 percent, including Pillar 2 addition of 1.7 percent. The Ministry of Finance has adopted regulations that put into force the EU's capital requirements regulations CRR/CRD IV as of 31 December 2019. One consequence of this was that the systemic risk buffer requirement was increased from 3 to 4.5 percent. The Group applies the standard method and will meet the increased systemic risk buffer requirement effective 31 December 2023. The Group has an internal objective of a common equity tier 1 capital ratio of 16.5 percent by the end of 2023. At the end of Q3 2023, the common equity tier 1 capital ratio was 17.2 percent, well above the regulatory requirement and the requirement that enters into force on 31 December 2023.

The Group has a long-term ambition for lending growth in excess of credit growth. The Group has a target on return on equity of 11 percent within 2023 and 12 percent within 2025.

In line with the strategy adopted, the Groups will pay great attention development in operating expenses and long-term value creation. The Group's investments in technology will continue to contribute to cost-effective operations and make it possible to improve the efficiency of the branch structure.

**Events after the reporting period**

There have been no significant events after September 30 2023, that affect the quarterly accounts.

**Kristiansand, 26. October 2023**

Knut Ruhaven Sæthre  
Chairman

Mette Ramfjord Harv  
Deputy Chairman

Merete Steinvåg Østby

Erik Edvard Tønnesen

Trond Randøy

Eli Giske

Jan Erling Tobiassen  
Employee representative

Gunnhild Tveiten Golid  
Employee representative

Geir Bergskaug  
CEO

PARENT BANK					NOK million		GROUP				
31.12.	30.09.	30.09.	Q3	Q3			Q3	Q3	30.09.	30.09.	31.12.
2022	2022	2023	2022	2023		Notes	2023	2022	2023	2022	2022
2 090	1 704	3 163	665	1 182	Interest income effective interest method	4	1 835	1 017	4 944	2 624	3 999
977	318	690	130	268	Other interest income	4	315	154	827	373	581
1 146	688	1 976	293	778	Interest expenses	4	1 366	563	3 544	1 312	2 212
<b>1 921</b>	<b>1 334</b>	<b>1 877</b>	<b>503</b>	<b>672</b>	<b>Net interest income</b>	<b>4</b>	<b>783</b>	<b>609</b>	<b>2 227</b>	<b>1 685</b>	<b>2 368</b>
448	318	329	113	116	Commission income		127	124	371	363	501
99	73	88	29	30	Commission expenses		26	17	76	60	84
<b>349</b>	<b>245</b>	<b>241</b>	<b>84</b>	<b>86</b>	<b>Net commission income</b>		<b>101</b>	<b>107</b>	<b>295</b>	<b>302</b>	<b>417</b>
351	340	2	1	0	Dividend		0	1	2	3	13
- 61	- 118	2	- 64	32	Net income from other financial instruments		20	- 69	14	- 130	- 95
<b>290</b>	<b>222</b>	<b>4</b>	<b>- 63</b>	<b>32</b>	<b>Net income from financial instruments</b>		<b>20</b>	<b>- 69</b>	<b>16</b>	<b>- 128</b>	<b>- 82</b>
125	79	66	28	6	Income from associated companies		6	28	66	79	125
8	5	11	2	7	Other operating income		23	1	26	4	5
<b>133</b>	<b>85</b>	<b>77</b>	<b>30</b>	<b>14</b>	<b>Total other income</b>		<b>30</b>	<b>29</b>	<b>92</b>	<b>83</b>	<b>131</b>
<b>771</b>	<b>552</b>	<b>322</b>	<b>50</b>	<b>132</b>	<b>Total net other income</b>		<b>151</b>	<b>68</b>	<b>403</b>	<b>258</b>	<b>466</b>
<b>2 692</b>	<b>1 886</b>	<b>2 199</b>	<b>553</b>	<b>804</b>	<b>Total net income</b>		<b>935</b>	<b>677</b>	<b>2 630</b>	<b>1 942</b>	<b>2 834</b>
523	367	443	132	156	Wages and other personnel expenses		183	159	547	468	659
41	31	29	10	10	Depreciation, amortization and impairment of non-current assets		10	10	30	32	43
419	315	335	101	103	Other operating expenses		105	112	351	334	443
<b>983</b>	<b>713</b>	<b>807</b>	<b>243</b>	<b>268</b>	<b>Total operation expenses before losses</b>		<b>298</b>	<b>282</b>	<b>928</b>	<b>834</b>	<b>1 145</b>
<b>1 709</b>	<b>1 173</b>	<b>1 391</b>	<b>310</b>	<b>536</b>	<b>Operating profit before losses</b>		<b>637</b>	<b>395</b>	<b>1 702</b>	<b>1 108</b>	<b>1 690</b>
57	51	21	47	28	Losses on loans, guarantees and undrawn credit	5	32	51	18	59	74
<b>1 652</b>	<b>1 121</b>	<b>1 370</b>	<b>263</b>	<b>509</b>	<b>Profit before taxes</b>	<b>2</b>	<b>605</b>	<b>344</b>	<b>1 684</b>	<b>1 049</b>	<b>1 615</b>
299	167	276	57	127	Tax expenses		148	77	338	234	332
<b>1 353</b>	<b>954</b>	<b>1 093</b>	<b>206</b>	<b>382</b>	<b>Profit for the period</b>		<b>457</b>	<b>267</b>	<b>1 346</b>	<b>815</b>	<b>1 283</b>
		0		0	Minority interests		0	1	1	1	1
<b>1 353</b>	<b>954</b>	<b>1 093</b>	<b>206</b>	<b>382</b>	<b>Majority interests</b>		<b>456</b>	<b>267</b>	<b>1 345</b>	<b>814</b>	<b>1 283</b>
42	43	45	11	14	Attributable to additional Tier 1 capital holders		14	11	45	43	42
1 311	911	1 049	196	367	Attributable to ECC-holders and to the primary capital		442	256	1 300	772	1 241
<b>1 353</b>	<b>954</b>	<b>1 093</b>	<b>206</b>	<b>382</b>	<b>Profit for the period</b>		<b>456</b>	<b>267</b>	<b>1 345</b>	<b>814</b>	<b>1 283</b>
12.6	8.8	6.6	1.9	3.0	Profit/diluted earnings per equity certificate (in whole NOK)		4.3	2.5	12.7	7.4	11.9

## Statement of comprehensive income

PARENT BANK					NOK million		GROUP				
31.12.	30.09.	30.09.	Q3	Q3			Q3	Q3	30.09.	30.09.	31.12.
2022	2022	2023	2022	2023		Notes	2023	2022	2023	2022	2022
<b>1 353</b>	<b>954</b>	<b>1 093</b>	<b>206</b>	<b>382</b>	<b>Profit for the period</b>		<b>456</b>	<b>267</b>	<b>1 345</b>	<b>815</b>	<b>1 283</b>
					Change in value, basis swaps		49	126	58	255	99
1	0	- 2	0	- 0	Change in the value of residential mortgages						
0	0	-	0	0	Tax effect		- 11	- 32	- 13	- 64	- 22
<b>1</b>	<b>0</b>	<b>- 2</b>	<b>0</b>	<b>0</b>	<b>Total other comprehensive income</b>		<b>38</b>	<b>95</b>	<b>45</b>	<b>191</b>	<b>77</b>
<b>1 354</b>	<b>954</b>	<b>1 091</b>	<b>206</b>	<b>381</b>	<b>Comprehensive income for the period</b>		<b>495</b>	<b>362</b>	<b>1 391</b>	<b>1 007</b>	<b>1 360</b>
					Minority interests		0	0	1	0	1
					<b>Majority interests</b>		<b>494</b>	<b>362</b>	<b>1 390</b>	<b>1 007</b>	<b>1 360</b>
12.6	8.8	10.1	1.9	3.5	Comprehensive income/diluted earnings per equity certificate		4.2	3.4	12.6	9.3	12.6

## Balance sheet

PARENT BANK			NOK million		GROUP		
31.12.	30.09.	30.09.			30.09.	30.09.	31.12.
2022	2022	2023	ASSETS	Notes	2023	2022	2022
590	1 363	610	Cash and receivables from central banks	11	610	1 363	590
10 211	3 436	4 560	Loans to credit institutions	11	2 037	1 101	6 198
67 332	71 871	73 552	Net loans to customers	2,6,7,8,10,11	126 098	122 713	123 852
16 393	16 922	20 544	Bonds and certificates	11	24 495	22 114	22 851
230	205	233	Shares	11	234	205	230
947	1 080	1 398	Financial derivatives	11,12	2 304	1 471	1 440
2 813	2 813	2 817	Shareholding in group companies		0	0	0
1 437	1 167	1 433	Shareholding in associated companies		1 433	1 167	1 437
70	65	92	Intangible assets		103	75	80
433	431	453	Property, plant and equipment		481	456	458
150	115	323	Other assets		443	213	298
<b>100 607</b>	<b>99 467</b>	<b>106 017</b>	<b>TOTAL ASSETS</b>	<b>2,11</b>	<b>158 238</b>	<b>150 879</b>	<b>157 435</b>
			<b>LIABILITIES AND EQUITY CAPITAL</b>				
3 584	3 708	3 763	Liabilities to credit institutions	11	3 628	3 621	3 507
65 587	65 393	68 718	Deposits from customers	2,9,11	68 698	65 368	65 596
9 477	8 808	7 761	Liabilities related to issue of securities	11,13	57 468	56 802	62 758
778	926	1 173	Financial derivatives	11,12	1 818	2 549	2 599
315	237	292	Payable taxes		370	240	358
1 103	473	829	Other liabilities		780	435	490
129	125	132	Provisions for commitments		132	125	129
32	14	44	Deferred tax		54	129	64
4 491	4 470	7 042	Senior non-preferred	11	7 042	4 470	4 491
1 662	1 656	1 783	Subordinated loan capital	11,13	1 783	1 656	1 662
<b>87 159</b>	<b>85 809</b>	<b>91 536</b>	<b>Total liabilities</b>		<b>141 772</b>	<b>135 393</b>	<b>141 655</b>
4 945	4 666	4 940	Equity certificate capital	14	4 940	4 666	5 196
1 085	1 085	1 085	Hybrid capital		1 085	1 085	1 085
7 417	7 908	8 456	Other equity		10 441	9 734	9 499
<b>13 448</b>	<b>13 659</b>	<b>14 481</b>	<b>Total equity</b>	<b>3,14</b>	<b>16 466</b>	<b>15 486</b>	<b>15 779</b>
<b>100 607</b>	<b>99 467</b>	<b>106 017</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,11</b>	<b>158 238</b>	<b>150 879</b>	<b>157 435</b>

Kristiansand, 26. October 2023

Knut Ruhaven Sæthre  
Chairman

Mette Ramfjord Harv  
Deputy Chairman

Merete Steinvåg Østby

Erik Edvard Tønnesen

Trond Randøy

Eli Giske

Jan Erling Tobiassen  
Employee representative

Gunnhild Tveiten Gold  
Employee representative

Geir Bergskaug  
CEO

# Cash flow statement

PARENT BANK			NOK million	GROUP		
31.12.	30.09.	30.09.		30.09.	30.09.	31.12.
2022	2022	2023		2023	2022	2022
2 965	1 980	3 597	Interest received	5 422	2 976	4 450
-1 167	- 528	-1 039	Interest paid	-2 508	-1 087	-2 082
709	601	233	Other payments received	301	253	409
- 916	- 680	- 763	Operating expenditure	- 846	- 791	-1 058
9	6	6	Loan recoveries	6	6	9
- 217	- 219	- 296	Tax paid for the period	- 339	- 325	- 324
- 61	- 41	- 72	Gift expenditure	- 72	- 41	- 61
- 5		-4	Fraud cases paid	- 4		- 5
- 23		-5	Change in other assets *	- 5		- 68
2 379	1 968	2 272	Change in customer deposits	2 244	1 982	2 426
- 476	-5 111	-6 202	Change in loans to customers	-2 206	-6 324	-7 341
422	547	928	Change in deposits from credit institutions	870	494	378
<b>3 618</b>	<b>-1 477</b>	<b>-1 343</b>	<b>Net cash flow from operating activities</b>	<b>2 863</b>	<b>-2 857</b>	<b>-3 267</b>
23 737	19 510	15 222	Payments received, securities	15 222	18 777	23 128
-22 401	-18 749	-19 260	Payments made, securities	-16 760	-18 849	-23 909
3	2	15	Payments received, sale of property, plant and equipment	15	11	12
- 64	- 45	- 72	Payments made, purchase of property, plant and equipment	- 75	- 44	- 63
136	136	70	Payments received, investments in subsidiaries and associates	70	127	127
- 938	- 714	-4	Payments made, investments in subsidiaries and associates	0	- 14	- 238
- 33	- 746	- 188	Change in other assets *	- 162	-2 076	- 33
-4 568	2 208	5 652	Change in loans to credit institutions	4 161	688	-4 409
<b>-4 128</b>	<b>1 601</b>	<b>1 433</b>	<b>Net cash flow from investing activities</b>	<b>2 471</b>	<b>-1 381</b>	<b>-5 385</b>
500	499	- 750	Change in deposits from credit institutions	- 750	499	500
4 250	3 250	0	Payments received, bond debt	0	11 000	17 127
-4 351	-3 971	-1 688	Payments made, bond debt	-6 908	-8 666	-9 046
- 181	- 168	- 536	Payments made, dividends and interest on hybrid capital	- 536	- 168	- 181
1 000	1 000	2 600	Issue of senior non-preferred	2 600	1 000	1 000
200		700	Issue of subordinated loan capital	700		200
- 200		- 582	Deduction of subordinated loan capital	- 582		- 200
- 245	454	286	Change in other liabilities	251	1 761	- 271
200	200	125	Issue of hybrid capital	125	200	200
- 585		- 451	Change in financial derivative assets *	791		-1 928
532		374	Change in financial derivative debt *	- 857		1 861
- 450	- 450	- 125	Buyback of hybrid capital	- 125	- 450	- 450
- 7		- 9	Payments of rental obligations *	- 9		- 7
	- 13	- 14	Payments of own equity certificates	- 13	- 13	
<b>662</b>	<b>802</b>	<b>- 70</b>	<b>Net cash flow from financing activities</b>	<b>-5 313</b>	<b>5 163</b>	<b>8 805</b>
<b>152</b>	<b>926</b>	<b>20</b>	<b>Net change in liquid assets</b>	<b>21</b>	<b>926</b>	<b>152</b>
437	437	590	Cash and cash equivalents as at 1 Jan	590	437	437
<b>590</b>	<b>1 363</b>	<b>610</b>	<b>Cash and cash equivalents at end of period</b>	<b>611</b>	<b>1 363</b>	<b>590</b>

\* Items reclassified 31.12.2022. Included in the items change in other assets and change in other liabilities. Comparative figures have not been restated.

## Statement of change in equity

GROUP	Equity	Premium	Dividend	Hybrid	Primary	Gift	Other	Minority	
NOK million	certificates	Fund	equalization-fund	capital	capital	fund	equity	interests	TOTAL
<b>Balance 31.12.2021</b>	<b>782</b>	<b>451</b>	<b>520</b>	<b>1 335</b>	<b>9 925</b>	<b>141</b>	<b>1 781</b>	<b>7</b>	<b>14 941</b>
Dividend distributed for 2021							- 125		- 125
Profit 01.01.-30.09.2022				43			771	1	815
Interest paid, hybrid capital				- 43					- 43
Issuance of hybrid capital				200					200
Buyback of hybrid capital				- 450					- 450
Conversion of primary capitalbasic fund to equity certificates	1 302	1 617				-2 919			0
Purchase of own equity certificates	- 5		0		- 8				- 13
Other comprehensive income							191		191
Allocated gift fund					- 2	- 27			- 30
<b>Balance 30.09.2022</b>	<b>2 078</b>	<b>2 068</b>	<b>520</b>	<b>1 085</b>	<b>6 996</b>	<b>113</b>	<b>2 616</b>	<b>8</b>	<b>15 486</b>
Profit 01.10-31.12.2022			524	13	411	375	- 855	0	468
Interest paid, hybrid capital				- 13					- 13
Calculated tax on interest hybridcapital *							13		13
Sale of own equity certificates							- 114		- 114
Other comprehensive income **	5		0		8				13
Allocated gift fund						- 73			- 73
Other changes			0				0	-3	- 3
<b>Balance 31.12.2022</b>	<b>2 083</b>	<b>2 068</b>	<b>1 043</b>	<b>1 085</b>	<b>7 417</b>	<b>415</b>	<b>1 663</b>	<b>4</b>	<b>15 779</b>
Dividend distributed for 2022			- 250						- 250
Profit YtD				60			1 286		1 346
Interest paid, hybrid capital				- 60					- 60
Calculated tax on interest hybridcapital *							15		15
Issuance of hybrid capital				125					125
Buyback of hybrid capital				- 125					- 125
Other comprehensive income **							- 45		- 45
Allocated gift fund						- 306			- 306
Purchase of own equity certificates	- 5		0		- 8				- 13
Other changes							1	- 1	0
<b>Balance 30.09.2023</b>	<b>2 079</b>	<b>2 068</b>	<b>793</b>	<b>1 085</b>	<b>7 409</b>	<b>109</b>	<b>2 920</b>	<b>3</b>	<b>16 466</b>

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

\*\* Basic adjustments to interest and currency swaps were NOK 63.7 million as of 1.1.2023 and NOK 45.3 million as of 30.09.2023. The adjustment is included as part of other equity.

PARENT BANK	Equity certificates	Premium Fund	Dividend equalization-fund	Hybrid capital	Primary capital	Other equity	TOTAL
NOK million							
<b>Balance 31.12.2021</b>	<b>781</b>	<b>451</b>	<b>519</b>	<b>1 335</b>	<b>9 926</b>	<b>0</b>	<b>13 013</b>
Profit 01.01.-30.09.2022				43		911	954
Interest paid, hybrid capital				- 43			- 43
Issuance of hybrid capital				200			200
Buyback of hybrid capital				- 450			- 450
Purchase of own equity certificates	- 5		0		- 8		- 13
Conversion of primary capitalbasic fund to equity certificats	1 302	1 617			-2 919		0
Other comprehensive income					- 2		- 2
<b>Balance 30.09.2022</b>	<b>2 078</b>	<b>2 068</b>	<b>519</b>	<b>1 085</b>	<b>6 997</b>	<b>911</b>	<b>13 659</b>
Profit 01.10.-31.12.2022			525	13	773	- 911	400
Interest paid, hybrid capital				- 13			- 13
Allocated dividend and gifts			- 250		- 375		- 625
Calculated tax on interest hybridcapital *					13		13
Sale of own equity certificates	5		0		8		13
Other comprehensive income					3		3
Other changes					- 1		- 1
<b>Balance 31.12.2022</b>	<b>2 084</b>	<b>2 068</b>	<b>793</b>	<b>1 085</b>	<b>7 417</b>	<b>0</b>	<b>13 448</b>
Profit YtD				60		1 034	1 093
Interest paid, hybrid capital				- 60			- 60
Calculated tax on interest hybridcapital *						15	15
Issuance of hybrid capital				125			125
Buyback of hybrid capital				- 125			- 125
Purchase of own equity certificates	- 5		0		- 8		- 13
Other comprehensive income					- 2		- 2
<b>Balance 30.09.2023</b>	<b>2 079</b>	<b>2 068</b>	<b>793</b>	<b>1 085</b>	<b>7 407</b>	<b>1 049</b>	<b>14 481</b>

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

## 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 2022. There are no new standards applicable for 2023 that have had a material impact on the financial statements.

A tax rate of 25 percent has been used when preparing the quarterly accounts for the parent bank. For other subsidiaries, a 22 percent tax rate is applied.

### Discretionary assessments, estimates and assumptions

With the preparation of the financial statements, the management makes discretionary assessments, estimates and assumptions that effects the accounting policies and financial records. Please refer to the annual financial statements for 2022 (Note 2 – Discretionary assessments, estimates and assumptions) for further details.

The financial item losses on loans and undrawn credit are subject to a significant degree of discretionary assessments. This item was in 2020 and 2021 particularly challenging to quantify, due to the ongoing pandemic. In 2023, there are again major turmoil and fluctuations in the financial market. Many macro parameters pointed upward from the last six months of 2021 and 2022. At the end of the Q3 2023, there still is a pessimism in the market with increased raw material prices, an increasing key policy rate, an expected future fall in the property market and an expected future increase in unemployment. Models used to calculate future credit losses contains forward-looking macro data, and in events of major economic changes, the current models and parameters must be changed accordingly.

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

## 2. SEGMENT REPORTING

### BANKING BUSINESS

30.09.2023

Report per segment			Undistrib.	Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmegleren	Total
Net interest and commission income	962	888	377	2 227	0	2 227
Net other operating income	136	66	77	279	123	403
Operating expenses	347	108	359	813	114	928
<b>Profit before losses per segment</b>	<b>751</b>	<b>847</b>	<b>95</b>	<b>1 693</b>	<b>9</b>	<b>1 702</b>
Losses on loans and guarantees	5	9	4	18		18
<b>Profit before tax per segment</b>	<b>746</b>	<b>839</b>	<b>91</b>	<b>1 675</b>	<b>9</b>	<b>1 684</b>
Gross loans to customers	84 967	41 822	- 282	126 508		126 508
Impairment losses	- 61	- 347	- 1	- 410		- 410
Net loans to customers	84 907	41 475	- 284	126 098		126 098
Other assets			32 036	32 036	105	32 141
<b>Total assets per segment</b>	<b>84 907</b>	<b>41 475</b>	<b>31 752</b>	<b>158 134</b>	<b>105</b>	<b>158 238</b>
Deposits from customers	34 948	27 126	6 624	68 698		68 698
Other liabilities	49 959	14 349	8 662	72 970	105	73 074
<b>Total liabilities per segment</b>	<b>84 907</b>	<b>41 475</b>	<b>15 286</b>	<b>141 668</b>	<b>105</b>	<b>141 772</b>
Equity			16 466	16 466		16 466
<b>Total liabilities and equity per segment</b>	<b>84 907</b>	<b>41 475</b>	<b>31 752</b>	<b>158 134</b>	<b>105</b>	<b>158 238</b>

## BANKING BUSINESS

30.09.2022

Report per segment	Undistrib.			Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmegleren	Total
Net interest and commission income	802	729	154	1 685	0	1 685
Net other operating income	166	64	-97	133	125	258
Operating expenses	352	89	281	722	113	834
<b>Profit before losses per segment</b>	<b>616</b>	<b>704</b>	<b>-224</b>	<b>1 096</b>	<b>12</b>	<b>1 108</b>
Losses on loans and guarantees	16	40	2	59		59
<b>Profit before tax per segment</b>	<b>600</b>	<b>664</b>	<b>-227</b>	<b>1 037</b>	<b>12</b>	<b>1 049</b>
Gross loans to customers	82 752	40 598	-255	123 095		123 095
Impairment losses	-65	-316	0	-382		-382
Net loans to customers	82 687	40 282	-256	122 713		122 713
Other assets			28 038	28 038	128	28 166
<b>Total assets per segment</b>	<b>82 687</b>	<b>40 282</b>	<b>27 782</b>	<b>150 751</b>	<b>128</b>	<b>150 879</b>
Deposits from customers	33 916	27 459	3 993	65 368		65 368
Other liabilities	48 771	12 823	8 304	69 898	128	70 026
<b>Total liabilities per segment</b>	<b>82 687</b>	<b>40 282</b>	<b>12 297</b>	<b>135 266</b>	<b>128</b>	<b>135 393</b>
Equity			15 486	15 486		15 486
<b>Total liabilities and equity per segment</b>	<b>82 687</b>	<b>40 282</b>	<b>27 782</b>	<b>150 751</b>	<b>128</b>	<b>150 879</b>

## 3. SUBORDINATED CAPITAL AND CAPITAL ADEQUACY

## MINIMUM CAPITAL REQUIREMENTS

PARENT BANK			NOK million				GROUP		
31.12. 2022	30.09. 2022	30.09. 2023		30.09. 2023	30.09. 2022	31.12. 2022			
			<b>Minimum capital requirements</b>						
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 %			
2.00 %	1.50 %	2.50 %	Counter-cyclical buffer	2.50 %	1.50 %	2.00 %			
1.70 %	1.70 %	1.70 %	Pillar 2 requirements	1.70 %	1.70 %	1.70 %			
13.70 %	13.20 %	14.20 %	CET1 requirements. incl. Pilar 2	14.20 %	13.20 %	13.70 %			
15.20 %	14.70 %	15.70 %	Tier1 Capital requirements. incl. Pilar 2	15.70 %	14.70 %	15.20 %			
17.20 %	16.70 %	17.70 %	Total capital requirements. incl. Pilar 2	17.70 %	16.70 %	17.20 %			
8 838	8 454	8 810	CET1 requirements. incl. Pilar 2	11 763	10 263	10 941			
9 805	9 415	9 740	Tier1 Capital requirements. incl. Pilar 2	13 006	11 429	12 139			
11 095	10 696	10 981	Total capital requirements. incl. Pilar 2	14 662	12 984	13 736			
3 160	3 428	3 572	Above CET1 requirements. incl. Pilar 2	2 444	3 306	2 712			
3 277	3 552	3 726	Above Tier1 Capital requirements. incl. Pilar 2	2 370	3 263	2 645			
3 637	3 921	4 265	Above total capital requirements. incl. Pilar 2	2 590	3 428	2 781			

PARENT BANK			NOK million	GROUP		
31.12. 2022	30.09. 2022	30.09. 2023		30.09. 2023	30.09. 2022	31.12. 2022
<b>13 448</b>	<b>13 659</b>	<b>14 481</b>	<b>Total equity</b>	<b>16 466</b>	<b>15 486</b>	<b>15 779</b>
			<b>Tier 1 capital</b>			
-1 085	-1 085	-1 085	Equity not eligible as common equity tier 1 capital	-1 168	-1 123	-1 131
0	- 416	- 662	Share of profit not eligible as common equity tier 1 capital	- 792	- 544	- 665
- 70	- 65	- 92	Deductions for intangible assets and deferred tax assets	- 103	- 73	- 81
- 38	- 42	- 49	Deductions for additional value adjustments	- 33	- 31	- 27
- 256	- 168	- 212	Other deductions	- 162	- 145	- 223
<b>11 998</b>	<b>11 882</b>	<b>12 381</b>	<b>Total common equity tier 1 capital</b>	<b>14 207</b>	<b>13 569</b>	<b>13 653</b>
			<b>Other tier 1 capital</b>			
1 085	1 085	1 085	Hybrid capital	1 168	1 123	1 131
<b>13 083</b>	<b>12 967</b>	<b>13 466</b>	<b>Total tier 1 capital</b>	<b>15 376</b>	<b>14 692</b>	<b>14 784</b>
			<b>Additional capital supplementary to tier 1 capital</b>			
1 650	1 650	1 780	Subordinated loan capital	1 877	1 720	1 734
<b>1 650</b>	<b>1 650</b>	<b>1 780</b>	<b>Total additional capital</b>	<b>1 877</b>	<b>1 720</b>	<b>1 734</b>
<b>14 733</b>	<b>14 617</b>	<b>15 246</b>	<b>Net subordinated capital</b>	<b>17 252</b>	<b>16 412</b>	<b>16 518</b>
			<b>Minimum requirement for subordinated capital Basel II calculated according to standard method</b>			
17	151	67	Engagements with local and regional authorities	69	152	18
1 014	789	1 088	Engagements with institutions	763	357	337
4 505	4 095	5 464	Engagements with enterprises	7 601	5 597	6 456
6 110	6 981	8 747	Engagements with mass market	11 931	9 484	9 149
33 544	33 953	32 715	Engagements secured in property	51 337	51 991	53 502
408	430	700	Engagements which have fallen due	947	624	610
1 360	1 446	1 678	Engagements which are high risk	1 678	1 446	1 360
6 650	6 185	1 337	Engagements in covered bonds	1 592	1 479	1 365
6 022	5 665	5 344	Engagements in collective investment funds	1 411	1 487	1 582
507	468	528	Engagements other	565	488	539
<b>60 138</b>	<b>60 164</b>	<b>57 670</b>	<b>Capital requirements for credit and counterparty risk</b>	<b>77 896</b>	<b>73 105</b>	<b>74 919</b>
0	0	0	Capital requirements for position, currency and product risk	0	0	0
4 364	3 878	4 364	Capital requirements for operational risk	4 937	4 638	4 937
5	5	5	CVA addition	5	5	5
<b>64 507</b>	<b>64 047</b>	<b>62 040</b>	<b>Risk-weighted balance (calculation basis)</b>	<b>82 839</b>	<b>77 749</b>	<b>79 862</b>
18.6 %	18.6 %	20.0 %	Common equity tier 1 capital ratio, %	17.2 %	17.5 %	17.1 %
20.3 %	20.2 %	21.7 %	Tier 1 capital ratio, %	18.6 %	18.9 %	18.5 %
22.8 %	22.8 %	24.6 %	Total capital ratio, %	20.8 %	21.1 %	20.7 %
8.4 %	8.4 %	12.3 %	Leverage ratio	9.1 %	9.2 %	9.1 %

#### 4. INTEREST INCOME AND INTEREST EXPENSES

PARENT BANK					Interest income	GROUP				
31.12. 2022	30.09. 2022	30.09. 2023	Q3 2022	Q3 2023	NOK million	Q3 2023	Q3 2022	30.09. 2023	30.09. 2022	31.12. 2022
					<i>Interest income from financial instruments at amortised cost</i>					
139	86	208	29	72	Interest on receivables from credit institutions	48	9	114	26	53
1 951	1 277	2 292	515	872	Interest on loans given to customers	1 786	1 009	4 831	2 598	3 945
<b>2 090</b>	<b>1 364</b>	<b>2 500</b>	<b>544</b>	<b>944</b>	<b>Total interest from financial instruments at amortised cost</b>	<b>1 835</b>	<b>1 017</b>	<b>4 944</b>	<b>2 624</b>	<b>3 999</b>
					<i>Interest income from financial instruments at fair value through OCI</i>					
501	340	663	121	238	Interest on loans given to customers (mortgages)	0	0	0	0	0
<b>501</b>	<b>340</b>	<b>663</b>	<b>121</b>	<b>238</b>	<b>Total interest from financial instruments at fair value through OCI</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2 591</b>	<b>1 704</b>	<b>3 163</b>	<b>665</b>	<b>1 182</b>	<b>Total interest income effective interest method</b>	<b>1 835</b>	<b>1 017</b>	<b>4 944</b>	<b>2 624</b>	<b>3 999</b>
					<i>Interest income from financial instruments at fair value</i>					
132	100	97	33	32	Interest on loans given to customers (fixed rate loans)	32	33	97	100	132
343	218	593	97	235	Interest on certificates and bonds	283	121	730	273	449
<b>476</b>	<b>318</b>	<b>690</b>	<b>130</b>	<b>268</b>	<b>Total interest from financial instruments at fair value through profit or loss</b>	<b>315</b>	<b>154</b>	<b>827</b>	<b>373</b>	<b>581</b>
<b>476</b>	<b>318</b>	<b>690</b>	<b>130</b>	<b>268</b>	<b>Total other interest income</b>	<b>315</b>	<b>154</b>	<b>827</b>	<b>373</b>	<b>581</b>
<b>3 067</b>	<b>2 022</b>	<b>3 853</b>	<b>796</b>	<b>1 450</b>	<b>Total interest income</b>	<b>2 150</b>	<b>1 172</b>	<b>5 771</b>	<b>2 997</b>	<b>4 580</b>
					<i>Interest expenses</i>					
					<i>Interest expenses from financial instruments at amortised cost</i>					
70	40	101	21	39	Interest on liabilities to credit institutions	38	21	99	38	68
643	373	1 243	173	490	Interest on customer deposits	490	174	1 243	373	642
229	145	318	54	117	Interest on issued securities	704	322	1 880	764	1 288
53	34	75	13	30	Interest on subordinated loans	30	13	75	34	53
104	60	198	19	89	Interest on senior non-preferred loans	89	19	198	60	104
48	36	41	12	13	Fees to the Norwegian Banks Guarantee Fund and other interest expenses	16	14	49	43	57
<b>1 146</b>	<b>688</b>	<b>1 976</b>	<b>293</b>	<b>778</b>	<b>Interest expenses from financial instruments at amortised cost</b>	<b>1 366</b>	<b>563</b>	<b>3 544</b>	<b>1 312</b>	<b>2 212</b>
<b>1 146</b>	<b>688</b>	<b>1 976</b>	<b>293</b>	<b>778</b>	<b>Total interest expenses</b>	<b>1 366</b>	<b>563</b>	<b>3 544</b>	<b>1 312</b>	<b>2 212</b>

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

Provisions for loss allowances and loss expenses for the period are calculated according to the accounting standard IFRS 9 and are based on expected credit loss (ECL) using the 3-stage model described in Note 7 of the 2022 financial statements.

As a result of covid-19 pandemic, the macro situation changed significantly in 2020, which improved at the end of the year and in 2021. In 2022, the macro figure was again more uncertain with the war in Ukraine, high inflation and increasing interest rates. The Group's loss provision in Q3 2023 is based on new assumptions.

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

The following macro variables have been used when calculating impairment losses, as of September 30 2023:

	2023	2024	2025	2026	2027
Housing price %	-0.3	0.8	4.3	6.0	6.0
Housing price region %	-0.3	0.8	4.3	6.0	6.0
Unemployment %	3.5	3.8	3.9	4.0	4.0
Oil prices, USD	84.2	86.2	80	75.8	75.8
Policy rate	3.5	4.4	4.0	3.4	3.4
Import-weighted exchange rate	118.7	117.4	116.5	116.4	116.4
USD	10.7	10.2	10.1	10.1	10.1
CPI	5.8	4.8	3.1	2.5	2.5
Other collateral	0	0	0	0	0

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

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

GROUP		30.09.2023			
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	59	129	213		-3
Loan loss provisions, RM	20	44	74		4
<b>Total</b>	<b>78</b>	<b>174</b>	<b>287</b>		<b>1</b>

PARENT BANK		30.09.2023			
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	58	128	210		-3
Loan loss provisions, RM	9	19	33		2
<b>Total</b>	<b>67</b>	<b>147</b>	<b>243</b>		<b>-1</b>

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

PARENT BANK					NOK million	GROUP				
31.12. 2022	30.09. 2022	30.09. 2023	Q3 2022	Q3 2023	Loss expense on loans during the period	Q3 2023	Q3 2022	30.09. 2023	30.09. 2022	31.12. 2022
15	14	18	4	-4	Period's change in write-downs stage 1	-4	5	15	17	22
57	49	2	28	22	+Period's change in write-downs stage 2	26	30	-0	51	64
-19	-18	1	11	9	+Period's change in write-downs stage 3	10	12	3	-14	-15
5	4	1	0	0	+ Period's confirmed loss	0	0	1	4	6
0	0	0	0	0	+ Recognised as interest income	0	0	0	0	0
9	6	6	2	2	- Period's recoveries relating to previous losses	2	2	6	6	9
1	1	0	0	0	+ Change in write-downs and guarantees	0	0	-	2	1
7	6	4	6	2	+ Losses from fraud cases	2	6	4	6	7
<b>57</b>	<b>51</b>	<b>21</b>	<b>47</b>	<b>28</b>	<b>Loss expenses during the period</b>	<b>32</b>	<b>51</b>	<b>18</b>	<b>59</b>	<b>74</b>

GROUP	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2023</b>	<b>110</b>	<b>199</b>	<b>125</b>	<b>434</b>
<b>Transfers</b>				
Transferred to stage 1	82	-73	-9	0
Transferred to stage 2	-8	12	-4	0
Transferred to stage 3	-1	-2	3	0
Losses on new loans	39	42	4	85
Losses on deducted loans *	-17	-30	-19	-66
Losses on older loans and other changes	-81	51	22	-7
<b>Provisions for loan losses as at 30.09.2023</b>	<b>123</b>	<b>200</b>	<b>123</b>	<b>446</b>
Provisions for loan losses	109	183	118	410
Provisions for guarantees and undrawn credits	14	17	5	36
<b>Total provision for losses as at 30.09.2023</b>	<b>123</b>	<b>200</b>	<b>123</b>	<b>446</b>

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

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

PARENT BANK	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2023</b>	<b>98</b>	<b>186</b>	<b>122</b>	<b>406</b>
<b>Transfers</b>				
Transferred to stage 1	78	-70	-8	0
Transferred to stage 2	-8	11	-3	0
Transferred to stage 3	-1	-2	3	0
Losses on new loans	37	41	4	82
Losses on deducted loans *	-15	-26	-18	-60
Losses on older loans and other changes	-74	49	21	-5
<b>Provisions for loan losses as at 30.09.2023</b>	<b>114</b>	<b>190</b>	<b>119</b>	<b>423</b>
Provisions for loan losses	100	173	114	387
Provisions for losses on guarantees and undrawn credits	14	17	5	36
<b>Total provision for losses as at 30.09.2023</b>	<b>114</b>	<b>190</b>	<b>119</b>	<b>423</b>

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

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

GROUP	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2022</b>	<b>88</b>	<b>135</b>	<b>202</b>	<b>424</b>
<b>Transfers</b>				
Transferred to stage 1	69	-41	-29	0
Transferred to stage 2	-6	7	-1	0
Transferred to stage 3	0	-4	4	0
Losses on new loans	38	80	11	128
Losses on deducted loans	-19	-35	-40	-94
Losses on older loans and other changes	-65	43	0	-22
<b>Provisions for loan losses as at 30.09.2022</b>	<b>104</b>	<b>185</b>	<b>147</b>	<b>437</b>
Provisions for loan losses	87	158	137	382
Provisions for guarantees and undrawn credits	17	28	10	55
<b>Total provision for losses as at 30.09.2022</b>	<b>104</b>	<b>185</b>	<b>147</b>	<b>437</b>

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

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

PARENT BANK	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2022</b>	<b>83</b>	<b>129</b>	<b>199</b>	<b>411</b>
<b>Transfers</b>				
Transferred to stage 1	67	-39	-28	0
Transferred to stage 2	-6	6	0	0
Transferred to stage 3	0	-4	4	0
Losses on new loans	35	78	11	124
Losses on deducted loans *	-18	-33	-40	-91
Losses on older loans and other changes	-65	40	-2	-27
<b>Provisions for loan losses as at 30.09.2022</b>	<b>97</b>	<b>178</b>	<b>144</b>	<b>418</b>
Provisions for loan losses	80	150	134	364
Provisions for losses on guarantees and undrawn credits	17	28	10	54
<b>Total provision for losses as at 30.09.2022</b>	<b>97</b>	<b>178</b>	<b>144</b>	<b>418</b>

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

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

## 6. NON-PERFORMING LOANS

All commitments in Stage 3 are defined as being in default. According to definition of default, 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. 2022	30.09. 2022	30.09. 2023				30.09. 2023	30.09. 2022	31.12. 2022
493	553	736	<b>Total non-performing loans (step 3)</b>			<b>919</b>	<b>708</b>	<b>666</b>
122	144	119	Impairment losses in stage 3			123	147	126
<b>371</b>	<b>409</b>	<b>617</b>	<b>Net non-performing loans</b>			<b>796</b>	<b>561</b>	<b>541</b>
24.7 %	26.0 %	16.1 %	Provisioning non-performing loans			13.4 %	20.8 %	18.9 %
0.73 %	0.77 %	1.00 %	Total non-performing loans in % of gross loans			0.73 %	0.58 %	0.54 %

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

Impairment losses by sector and industry

PARENT BANK				NOK million				GROUP		
Stage 1	Stage 2	Stage 3	Total impairment losses as of 30.09.2023			Total impairment losses as of 30.09.2023	Stage 3	Stage 2	Stage 1	
8	13	21	42	Retail customers	64	31	32	17		
2	0	0	2	Public administration	2	0	0	2		
2	3	0	5	Primary Industry	6	3	3	2		
2	4	7	12	Manufacturing industry	12	5	3	2		
28	35	12	76	Real estate development	76	16	47	28		
4	12	19	35	Building and construction industry	36	18	7	4		
48	102	31	181	Property management	181	25	78	48		
1	1	1	3	Transport	3	1	1	1		
6	5	9	20	Retail trade	21	8	10	6		
1	1	2	4	Hotel and restaurants	4	1	1	1		
3	3	0	6	Housing cooperatives	6	0	2	3		
3	3	7	14	Financial/commercial services	14	7	6	3		
6	6	9	21	Social services	21	8	11	6		
<b>114</b>	<b>190</b>	<b>119</b>	<b>423</b>	<b>Total impairment losses on loans, guarantees and undrawn credit</b>	<b>446</b>	<b>123</b>	<b>200</b>	<b>123</b>		
100	173	114	387	Impairment losses on lending	410	118	183	109		
14	17	5	36	Impairment losses on unused credits and guarantees	36	5	17	14		
<b>114</b>	<b>190</b>	<b>119</b>	<b>423</b>	<b>Total impairment losses</b>	<b>446</b>	<b>123</b>	<b>200</b>	<b>123</b>		

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

## 8. MIGRATION OF GROSS LOANS

PARENT BANK				30.09.2023		GROUP			
NOK MILLION									
Stage 1*	Stage 2	Stage 3	Total	GROSS LOANS		Total	Stage 3	Stage 2	Stage 1*
57 445	9 802	442	67 689	Gross loans as at 01.01		124 237	637	12 726	110 874
2 749	-2 703	- 46	0	Transferred to stage 1		0	- 89	-3 634	3 722
-2 700	2 732	- 32	0	Transferred to stage 2		0	- 55	4 420	-4 365
- 342	- 54	396	0	Transferred to stage 3		0	508	- 116	- 392
- 313	- 457	- 28	- 799	Net change on present loans		-2 779	- 34	- 529	-2 215
19 156	3 031	38	22 225	New loans		30 838	33	3 209	27 596
-12 814	-2 213	- 56	-15 083	Derecognised loans		-25 696	- 96	-2 932	-22 668
- 92				Change in value during the period		- 92	0	0	- 92
<b>63 089</b>	<b>10 137</b>	<b>713</b>	<b>73 940</b>	<b>Gross loans as at 30.09</b>		<b>126 508</b>	<b>904</b>	<b>13 144</b>	<b>112 460</b>
			48 406	Of which loan at amortised cost		122 235			
			21 260	Of which loan at fair value through OCI					
			4 273	Of which loan at fair value		4 273			
100	173	114	387	Impairment losses on lending		410	118	183	109
0,16 %	1,71 %	16,01 %	0,52 %	Impairments in % of gross loans		0,32 %	13,10 %	1,39 %	0,10 %
<b>73 907</b>	<b>11 059</b>	<b>736</b>	<b>85 702</b>	<b>Commitments</b>		<b>144 509</b>	<b>919</b>	<b>14 120</b>	<b>129 469</b>
114	190	119	423	Impairment losses on commitments		446	123	200	123
0,15 %	1,71 %	15,79 %	0,49 %	Impairments in % of commitments		0,31 %	13,39 %	1,41 %	0,09 %

PARENT BANK				30.09.2022		GROUP			
NOK MILLION									
Stage 1*	Stage 2	Stage 3	Total	GROSS LOANS		Total	Stage 3	Stage 2	Stage 1*
57 884	8 860	668	67 413	Gross loans as at 01.01		117 049	762	11 047	105 240
2 670	-2 499	-171	-0	Transferred to stage 1		-0	-196	-3 442	3 638
-2 830	2 842	-12	0	Transferred to stage 2		0	-26	4 356	-4 330
-71	-59	130	0	Transferred to stage 3		0	252	-105	-146
-1 101	23	-41	-1 120	Net change on present loans		-2 977	-45	-65	-2 868
21 200	3 944	105	25 249	New loans		37 929	118	4 301	33 510
-15 736	-3 110	-173	-19 020	Derecognised loans		-28 618	-190	-3 619	-24 809
-287			-287	Change in value during the period		-287			-287
<b>61 728</b>	<b>10 001</b>	<b>505</b>	<b>72 234</b>	<b>Gross loans as at 30.09</b>		<b>123 095</b>	<b>674</b>	<b>12 473</b>	<b>109 948</b>
			47 092	Of which loan at amortised cost		118 506			
			20 554	Of which loan at fair value through OCI					
			4 588	Of which loan at fair value		4 588			
80	150	134	364	Impairment losses on lending		382	137	158	87
0,13 %	1,50 %	26,53 %	0,50 %	Impairments in % of gross loans		0,31 %	20,36 %	1,27 %	0,08 %
<b>74 167</b>	<b>11 064</b>	<b>553</b>	<b>85 784</b>	<b>Commitments</b>		<b>141 643</b>	<b>708</b>	<b>13 681</b>	<b>127 254</b>
97	178	144	418	Impairment losses on commitments		437	147	185	104
0,13 %	1,61 %	26,03 %	0,49 %	Impairments in % of commitments		0,31 %	20,76 %	1,35 %	0,08 %

\* Loans at fair value have previously been reported on a separate row in note 8 in the quarterly accounts. These loans are included in the annual report 2022 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

30.09.2022				NOK MILLION		30.09.2023			
Stage 1	Stage 2	Stage 3	Total	GROSS LOAN ASSESSED AT AMORTISED COST	Total	Stage 3	Stage 2	Stage 1	
43 129	627	6 438	36 064	Gross loans assessed at amortised cost 01.01	47 602	376	7 588	39 637	
-0	-171	-2 108	2 279	Transferred to stage 1	0	- 37	-2 307	2 344	
0	-6	2 297	-2 291	Transferred to stage 2	0	- 30	2 231	-2 201	
0	101	-43	-58	Transferred to stage 3	0	378	- 50	- 329	
-727	-41	21	-708	Net change on present loans	- 381	- 23	- 441	82	
12 595	95	2 441	10 058	New loans	8 790	30	1 489	7 271	
-7 904	-166	-1 747	-5 991	Derecognised loans	-7 604	- 37	-1 155	-6 412	
47 092	440	7 299	39 353	Gross loan assessed at amortised cost 30.06	48 406	656	7 356	40 394	

## PARENT BANK

30.09.2022				NOK MILLION		30.09.2023			
Stage 1	Stage 2	Stage 3	Total	GROSS LOAN THROUGH OTHER COMPREHENSIVE INCOME	Total	Stage 3	Stage 2	Stage 1	
19 280	41	2 422	16 817	Gross loan through other comprehensive income 01.01	15 551	65	2 213	13 273	
0	-1	-390	391	Transferred to stage 1	0	- 9	- 396	405	
0	-6	545	-539	Transferred to stage 2	0	- 1	501	- 500	
0	29	-15	-14	Transferred to stage 3	0	18	- 5	- 13	
-117	-0	2	-118	Net change on present loans	- 154	- 5	- 17	- 132	
11 995	9	1 503	10 483	New loans	12 965	6	1 542	11 417	
-10 604	-8	-1 363	-9 233	Derecognised loans	-7 102	-19	-1 057	-6 026	
20 554	65	2 703	17 787	Gross loan through other comprehensive income 30.09	21 260	54	2 782	18 425	

## 9. CUSTOMER DEPOSITS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.2022	30.09.2022	30.09.2023		30.09.2023	30.09.2022	31.12.2022
32 149	32 118	32 721	Retail customers	32 733	32 122	32 156
10 732	9 988	12 840	Public administration	12 845	9 989	10 734
933	863	1 081	Primary industry	1 081	863	933
1 870	2 174	1 791	Manufacturing industry	1 792	2 175	1 870
761	828	775	Real estate development	775	797	756
1 723	1 588	1 626	Building and construction industry	1 626	1 588	1 724
3 488	3 954	3 357	Property management	3 313	3 954	3 489
746	573	621	Transport	621	573	746
1 567	1 351	1 534	Retail trade	1 535	1 351	1 567
286	352	311	Hotel and restaurant	311	352	286
171	178	173	Housing cooperatives	173	178	171
4 358	4 751	4 830	Financial/commercial services	4 832	4 752	4 359
6 773	6 427	6 169	Social services	6 172	6 427	6 774
31	247	890	Accrued interests	890	247	31
<b>65 587</b>	<b>65 393</b>	<b>68 718</b>	<b>Total deposits from customers</b>	<b>68 698</b>	<b>65 368</b>	<b>65 596</b>

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

## 10. LOANS TO CUSTOMERS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.2022	30.09.2022	30.09.2023		30.09.2023	30.09.2022	31.12.2022
25 851	30 782	30 863	Retail customers	82 117	80 191	80 709
256	273	305	Public administration	305	273	257
1 509	1 467	1 508	Primary industry	1 621	1 576	1 640
867	901	941	Manufacturing industry	1 001	965	940
4 655	4 358	4 577	Real estate development	4 578	4 326	4 624
1 716	1 772	1 972	Building and construction industry	2 247	2 069	2 043
21 823	21 695	22 380	Property management	22 357	21 759	21 890
404	416	453	Transport	528	503	494
1 673	1 496	1 332	Retail trade	1 453	1 621	1 817
379	389	417	Hotel and restaurant	436	418	411
1 628	1 606	2 130	Housing cooperatives	2 130	1 610	1 632
949	826	1 335	Financial/commercial services	1 606	1 114	1 285
5 733	6 050	5 724	Social services	6 127	6 413	6 163
245	204	0	Accrued interests*	0	257	332
<b>67 689</b>	<b>72 234</b>	<b>73 940</b>	<b>Total gross loans</b>	<b>126 508</b>	<b>123 095</b>	<b>124 236</b>
357	364	387	Impairment losses on lending**	410	382	385
<b>67 332</b>	<b>71 871</b>	<b>73 552</b>	<b>Total net loans</b>	<b>126 098</b>	<b>122 713</b>	<b>123 852</b>

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

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

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



PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			30.09.2022	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
<b>Assets recognized at amortised cost</b>								
1 363		1 363		Cash and receivables from central banks	1 363		1 363	
3 436		3 436		Loans to credit institutions	1 101		1 101	
46 738			46 738	Net loans to customers (floating interest rate)	118 125			118 125
<b>Assets recognized at fair value</b>								
4 588			4 588	Net loans to customers (fixed interest rate)	4 588			4 588
20 545			20 545	Net loans to customers (mortgages)				
16 922		16 922		Bonds and certificates	22 114		22 114	
205	7		198	Shares	205	7		198
1 080		1 080		Financial derivatives	1 471		1 471	
<b>94 877</b>	<b>7</b>	<b>22 801</b>	<b>72 069</b>	<b>Total financial assets</b>	<b>148 967</b>	<b>7</b>	<b>26 049</b>	<b>122 911</b>
<b>Liabilities recognized at amortised cost</b>								
3 708		3 708		Liabilities to credit institutions	3 621		3 621	
65 393			65 393	Deposits from customers	65 368			65 368
8 808		8 689		Liabilities from issue of securities	56 802		56 507	
4 470		4 339		Senior non-preferred	4 470		4 339	
1 656		1 627		Subordinated loan capital	1 656		1 627	
<b>Liabilities recognized at fair value</b>								
926		926		Financial derivatives	2 549		2 549	
<b>84 961</b>	<b>0</b>	<b>19 290</b>	<b>65 393</b>	<b>Total financial liabilities</b>	<b>134 465</b>	<b>0</b>	<b>68 643</b>	<b>65 368</b>

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.12.2022	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
<b>Assets recognized at amortised cost</b>								
590		590		Cash and receivables from central banks	590		590	
10 211		10 211		Loans to credit institutions	6 198		6 198	
47 251			47 251	Net loans to customers (floating interest rate)	119 316			119 316
<b>Assets recognized at fair value</b>								
4 535			4 535	Net loans to customers (fixed interest rate)	4 535			4 535
15 545			15 545	Net loans to customers (mortgages)				
16 393		16 393		Bonds and certificates	22 851		22 851	
230	33		197	Shares	230	33		197
947		947		Financial derivatives	1 440		1 440	
<b>95 703</b>	<b>33</b>	<b>28 141</b>	<b>67 529</b>	<b>Total financial assets</b>	<b>155 161</b>	<b>33</b>	<b>31 079</b>	<b>124 049</b>
<b>Liabilities recognized at amortised cost</b>								
3 584		3 584		Liabilities to credit institutions	3 507		3 507	
65 587			65 587	Deposits from customers	65 596			65 596
9 477		9 473		Liabilities from issue of securities	62 758		62 719	
4 491		4 423		Senior non-preferred	4 491		4 423	
1 662		1 648		Subordinated loan capital	1 662		1 648	
<b>Liabilities recognized at fair value</b>								
778		778		Financial derivatives	2 599		2 599	
<b>85 579</b>	<b>0</b>	<b>19 906</b>	<b>65 587</b>	<b>Total financial liabilities</b>	<b>140 613</b>	<b>0</b>	<b>74 897</b>	<b>65 596</b>

### Movement level 3

#### GROUP

NOK million	Net loans to customers	Of which credit risk	Shares
<b>Recognized value as at 01.01.2022</b>	<b>5 003</b>	<b>50</b>	<b>184</b>
Acquisitions Q1;Q2 and Q3	693		10
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-287	- 58	3
Disposals Q1 , Q2 and Q3	-820		- 0
<b>Recognized value as at 30.09.2022</b>	<b>4 588</b>	<b>-8</b>	<b>198</b>
Acquisitions Q4	233		3
Of which, transferred from level 1 or 2			
Change in value recognized during the period	64	11	- 4
Disposals Q4	- 350		0
<b>Recognized value as at 31.12.2022</b>	<b>4 535</b>	<b>3</b>	<b>197</b>
Acquisitions Q1;Q2 and Q3	477		5
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-92	- 5	- 2
Disposals Q1 , Q2 and Q3	-647		-
<b>Recognized value as at 30.09.2023</b>	<b>4 273</b>	<b>- 2</b>	<b>200</b>

#### PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares
<b>Recognized value as at 01.01.2022</b>	<b>24 278</b>	<b>50</b>	<b>184</b>
Acquisitions Q1, Q2 and Q3	1 963		10
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 287	- 58	3
Disposals Q1, Q2 and Q3	- 821		- 0
<b>Recognized value as at 30.09.2022</b>	<b>25 133</b>	<b>-8</b>	<b>198</b>
Acquisitions Q4	-1 218		3
Of which, transferred from level 1 or 2			
Change in value recognized during the period	65	11	- 4
Disposals Q4	-3 898		0
<b>Recognized value as at 31.12.2022</b>	<b>20 081</b>	<b>3</b>	<b>197</b>
Acquisitions Q1, Q2 and Q3	6 192		5
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 92	- 5	- 2
Disposals Q1, Q2 and Q3	- 648		-
<b>Recognized value as at 30.09.2023</b>	<b>25 533</b>	<b>- 2</b>	<b>200</b>

### Sensitivity analysis

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

#### GROUP / PARENT BANK

NOK million	30.09.2023	30.09.2022	31.12.2022
Loans to customers	17	20	19
- of which loans to corporate market (CM)	1	1	1
- of which loans to retail market (RM)	16	19	18

## 12. FINANCIAL DERIVATIVES, COLLATERAL RECEIVED AND OFFSETTING

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

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

GROUP 30.09.2023

NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net		
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount
Derivatives - assets	2 304	0	2 304	749	1 471	84
Derivatives - liabilities	-1 818	0	-1 818	- 749	14	-1 083
<b>Net</b>	<b>486</b>	<b>0</b>	<b>486</b>	<b>0</b>	<b>1 484</b>	<b>- 998</b>

GROUP 30.09.2022

NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net		
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount
Derivatives - assets	1 471	0	1 471	658	- 764	1 577
Derivatives - liabilities	-2 549	0	-2 549	- 658	0	-1 891
<b>Net</b>	<b>-1 078</b>	<b>0</b>	<b>-1 078</b>	<b>0</b>	<b>- 764</b>	<b>- 313</b>

PARENT BANK 30.09.2023

NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net		
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount
Derivatives - assets	1 398	0	1 398	389	924	85
Derivatives - liabilities	-1 173	0	-1 173	- 389	14	- 797
<b>Net</b>	<b>226</b>	<b>0</b>	<b>226</b>	<b>0</b>	<b>938</b>	<b>- 712</b>

PARENT BANK 30.09.2022

NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net		
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount
Derivatives - assets	1 080	0	1 080	267	- 764	1 577
Derivatives - liabilities	- 926	0	- 926	- 267	0	- 659
<b>Net</b>	<b>154</b>	<b>0</b>	<b>154</b>	<b>0</b>	<b>- 764</b>	<b>918</b>

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

### 13. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

#### Debt securities - Group

NOK million	30.09.2023	30.09.2022	31.12.2022
Bonds, nominal value	59 907	59 324	65 287
Value adjustments	-2 789	-2 676	-2 736
Accrued interest	350	154	207
<b>Debt incurred due to issuance of securities</b>	<b>57 468</b>	<b>56 802</b>	<b>62 758</b>

#### Change in debt securities - Group

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	30.09.2023
Bonds, nominal value	65 287	0	-6 908	1 528	59 907
Value adjustments	-2 736			- 53	-2 789
Accrued interest	207			143	350
<b>Debt incurred due to issuance of securities</b>	<b>62 758</b>	<b>0</b>	<b>-6 908</b>	<b>1 618</b>	<b>57 468</b>

#### Debt securities - Parent bank

NOK Million	30.09.2023	30.09.2022	31.12.2022
Bonds, nominal value	7 862	8 930	9 550
Value adjustments	- 192	-182	-132
Accrued interest	91	60	59
<b>Debt incurred due to issuance of securities</b>	<b>7 761</b>	<b>8 808</b>	<b>9 477</b>

#### Change in debt securities - Parent bank

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	30.09.2023
Bonds, nominal value	9 550	0	-1 688	0	7 862
Value adjustments	- 132			- 60	- 192
Accrued interest	59			32	91
<b>Debt incurred due to issuance of securities</b>	<b>9 477</b>	<b>0</b>	<b>-1 688</b>	<b>- 28</b>	<b>7 761</b>

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

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	30.09.2023
Subordinated loans	1 650	700	- 582		1 768
Value adjustments	3			- 9	- 6
Accrued interest	9			12	21
<b>Total subordinated loan capital</b>	<b>1 662</b>	<b>700</b>	<b>- 582</b>	<b>3</b>	<b>1 783</b>

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

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	30.09.2023
Non-preferred senior debt	4 500	2 600	0	0	7 100
Value adjustments	- 31			- 70	- 101
Accrued interest	22			21	43
<b>Total non-preferred senior debt</b>	<b>4 491</b>	<b>2 600</b>	<b>0</b>	<b>- 49</b>	<b>7 042</b>

#### 14. EQUITY CERTIFICATE HOLDERS

The 20 largest equity certificate holders as of 30.09.2023 were as follows:

	<b>Number of</b>	<b>Share of</b>		<b>Number of</b>	<b>Share of</b>
<b>NAME</b>	<b>EC</b>	<b>EC-CAP. %</b>	<b>NAME</b>	<b>EC</b>	<b>EC-CAP. %</b>
1. Sparebankstiftelsen Sparebanken Sør	34 027 792	81.60	11. Ottersland AS	100 000	0.24
2. EIKA utbytte VPF c/o Eika kapitalforv.	732 173	1.76	12. DNB Luxembourg S.A.	100 000	0.24
3. Drangslund Kapital AS	302 107	0.72	13. MP Pensjon PK	85 523	0.21
4. Spesialfondet Borea Utbytte	290 527	0.70	14. Geir Bergskaug	83 203	0.20
5. Glastad Capital AS	200 000	0.48	15. Lombard Int Assurance S.A.	82 800	0.20
6. Wenaasgruppen AS	186 000	0.45	16. Gunnar Hillestad	75 000	0.18
7. Gumpen Bileiendom AS	174 209	0.42	17. Apriori Holding AS	72 575	0.17
8. KLP Gjensidige Forsikring	163 300	0.39	18. K.T. Brøvig Invest AS	72 000	0.17
9. Allumgården AS	151 092	0.36	19. Varodd AS	70 520	0.17
10. Sparebanken Sør	132 548	0.32	20. Catilina Invest AS	68 928	0.17
<b>Total - 10 largest certificate holders</b>	<b>36 359 748</b>	<b>87.19</b>	<b>Total - 20 largest certificate holders</b>	<b>37 170 297</b>	<b>89.13</b>

As of 1 January 2023, the ownership ratio was 40.0 percent. Hybrid capital, classified as equity, has been excluded when calculating the ownership ratio. As of 30 September 2023, the ownership ratio was 40.0 percent.

The equity certificate capital amounted to NOK 2 085 152 850 distributed over 41 703 057 equity certificates, each with a nominal value of NOK 50. At the reporting date, Sparebanken Sør owned 132 548 of its own equity certificates.

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

## **Credit risk**

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

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

## **Market risk**

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

## **Liquidity risk**

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

## **Operational risk**

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

## **Business risk**

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

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

# Quarterly trend in results

	Q3 2023	Q2 2023	Q1 2022	Q4 2022	Q3 2022
<b>Profit (NOK million)</b>					
Net interest income	783	732	712	683	609
Net commission income	101	108	86	115	107
Net income from financial instruments	20	0	-4	46	-69
Income from associated companies	6	25	34	46	28
Other operating income	23	2	1	1	1
<b>Total net income</b>	<b>935</b>	<b>867</b>	<b>828</b>	<b>892</b>	<b>677</b>
Total operating expenses before losses	298	326	304	311	282
<b>Operating profit before losses</b>	<b>637</b>	<b>541</b>	<b>525</b>	<b>581</b>	<b>395</b>
Losses on loans, guarantees and undrawn credits	32	-9	-5	15	51
<b>Profit before taxes</b>	<b>605</b>	<b>550</b>	<b>529</b>	<b>566</b>	<b>344</b>
Tax expenses	148	123	67	98	77
<b>Profit for the period</b>	<b>457</b>	<b>427</b>	<b>462</b>	<b>468</b>	<b>267</b>
<b>Profit as % of average assets</b>					
Net interest income	1.95 %	1.85 %	1.85 %	1.76 %	1.60 %
Net commission income	0.25 %	0.27 %	0.22 %	0.30 %	0.28 %
Net income from financial instruments	0.05 %	0.00 %	-0.01 %	0.12 %	-0.18 %
Income from associated companies	0.02 %	0.06 %	0.09 %	0.12 %	0.07 %
Other operating income	0.06 %	0.00 %	0.00 %	0.00 %	0.00 %
<b>Total net income</b>	<b>2.33 %</b>	<b>2.19 %</b>	<b>2.15 %</b>	<b>2.30 %</b>	<b>1.78 %</b>
Total operating expenses before losses	0.74 %	0.82 %	0.79 %	0.80 %	0.74 %
<b>Operating profit before losses</b>	<b>1.59 %</b>	<b>1.37 %</b>	<b>1.36 %</b>	<b>1.50 %</b>	<b>1.04 %</b>
Losses on loans, guarantees and undrawn credit	0.08 %	-0.02 %	-0.01 %	0.04 %	0.13 %
<b>Profit before taxes</b>	<b>1.51 %</b>	<b>1.39 %</b>	<b>1.37 %</b>	<b>1.46 %</b>	<b>0.91 %</b>
Tax expenses	0.37 %	0.31 %	0.17 %	0.25 %	0.20 %
<b>Profit for the period</b>	<b>1.14 %</b>	<b>1.08 %</b>	<b>1.20 %</b>	<b>1.20 %</b>	<b>0.70 %</b>
<b>Key figures. income statement</b>					
Return on equity after tax (adjusted for hybrid capital)	11.5 %	11.0 %	12.5 %	12.8 %	7.1 %
Costs as % of income	31.9 %	37.6 %	36.7 %	34.8 %	41.6 %
Costs as % of income, excl. net income from financial instruments	32.6 %	37.6 %	36.5 %	36.7 %	37.8 %
<b>Key figures. balance sheet</b>					
Total assets	158 238	160 610	154 406	157 435	150 879
Average total assets	159 000	159 000	156 100	154 000	151 000
Net loans to customers	126 098	125 430	124 558	123 852	122 713
Growth in loans as %, last 12 mths.	2.8 %	3.4 %	5.6 %	6.2 %	5.3 %
Customer deposits	68 698	69 343	66 857	65 596	65 368
Growth in deposits as %, last 12 mths.	5.1 %	3.2 %	3.3 %	3.9 %	0.3 %
Deposits as % of net loans	54.5 %	55.3 %	53.7 %	53.0 %	53.3 %
Equity (incl. hybrid capital)	16 466	16 095	15 857	15 779	15 486
Losses on loans as % of net loans, annualised	0.10 %	-0.03 %	-0.01 %	0.05 %	0.17 %
<b>Other key figures</b>					
Liquidity reserves (LCR). Group	155 %	154 %	145 %	177 %	148 %
Liquidity reserves (LCR). Group- EUR	243 %	231 %	210 %	387 %	2 597 %
Liquidity reserves (LCR). Parent Bank	141 %	141 %	134 %	169 %	130 %
Common equity tier 1 capital ratio	17.2 %	17.1 %	17.1 %	17.1 %	17.5 %
Tier 1 capital ratio	18.6 %	18.5 %	18.7 %	18.5 %	18.9 %
Total capital ratio	20.8 %	21.0 %	21.1 %	20.7 %	21.1 %
Common equity tier 1 capital	14 207	14 084	13 888	13 653	13 569
Tier 1 capital	15 376	15 215	15 144	14 784	14 692
Net subordinated capital	17 252	17 272	17 097	16 518	16 412
Leverage ratio	9.1 %	9.2 %	9.2 %	9.1 %	9.2 %
Number of branches	31	31	31	35	35
Number of FTEs in banking operations	489	489	491	485	482
<b>Key figures. equity certificates</b>					
Equity certificate ratio	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %
Number of equity certificates issued	41 703 057	41 703 057	41 703 057	41 703 057	41 703 057
Profit per equity certificate (Parent Bank)	3.5	3.0	3.5	3.8	1.9
Profit per equity certificate (Group)	4.3	3.9	4.3	4.5	2.5
Dividend last year per equity certificate (Parent Bank)	146.5	143.1	139.2	141.0	138.6
Dividend paid last period per equity certificate	0.87	0.88	0.92	0.92	0.86
Book equity per equity certificate	128.0	126.0	128.0	129.5	119.0

	31.12.2022	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
<b>Income statement (NOK million)</b>						
Net interest income	2 368	1 939	1 914	1 926	1 729	1 679
Net commission income	417	419	347	344	318	312
Net income from financial instruments	-82	0	40	24	2	88
Other operating income	131	191	143	74	23	18
<b>Total net income</b>	<b>2 834</b>	<b>2 549</b>	<b>2 444</b>	<b>2 368</b>	<b>2 072</b>	<b>2 097</b>
Total operating expenses before losses	1 145	1 018	958	918	884	811
<b>Operating profit before losses</b>	<b>1 690</b>	<b>1 531</b>	<b>1 486</b>	<b>1 450</b>	<b>1 188</b>	<b>1 286</b>
Losses on loans and guarantees	74	- 18	83	-17	-36	20
<b>Profit before taxes</b>	<b>1 615</b>	<b>1 549</b>	<b>1 403</b>	<b>1 467</b>	<b>1 224</b>	<b>1 266</b>
Tax expenses	332	323	307	342	285	282
<b>Profit for the period</b>	<b>1 283</b>	<b>1 226</b>	<b>1 096</b>	<b>1 125</b>	<b>939</b>	<b>984</b>
<b>Profit as a percentage of average assets</b>						
Net interest income	1.58 %	1.35 %	1.36 %	1.53 %	1.46 %	1.53 %
Net commission income	0.28 %	0.29 %	0.25 %	0.27 %	0.27 %	0.28 %
Net income from financial instruments	-0.05 %	0.00 %	0.03 %	0.02 %	0.00 %	0.08 %
Other operating income	0.00 %	0.13 %	0.10 %	0.06 %	0.02 %	0.02 %
<b>Total net income</b>	<b>1.89 %</b>	<b>1.78 %</b>	<b>1.74 %</b>	<b>1.88 %</b>	<b>1.75 %</b>	<b>1.92 %</b>
Total operating expenses before losses	0.76 %	0.71 %	0.68 %	0.73 %	0.75 %	0.74 %
<b>Operating profit before losses</b>	<b>1.13 %</b>	<b>1.07 %</b>	<b>1.06 %</b>	<b>1.15 %</b>	<b>1.00 %</b>	<b>1.17 %</b>
Losses on loans and guarantees	0.05 %	-0.01 %	0.06 %	-0.01 %	-0.03 %	0.02 %
<b>Profit before taxes</b>	<b>1.08 %</b>	<b>1.08 %</b>	<b>1.00 %</b>	<b>1.17 %</b>	<b>1.03 %</b>	<b>1.16 %</b>
Tax expenses	0.22 %	0.23 %	0.22 %	0.27 %	0.24 %	0.26 %
<b>Profit for the period</b>	<b>0.86 %</b>	<b>0.86 %</b>	<b>0.78 %</b>	<b>0.89 %</b>	<b>0.79 %</b>	<b>0.90 %</b>
<b>Key figures. income statement</b>						
Return on equity after tax (adjusted for hybrid capital)	8.7 %	9.0 %	8.4 %	9.5 %	8.5 %	9.7 %
Costs as % of income	40.4 %	39.9 %	39.2 %	38.8 %	42.7 %	38.7 %
Costs as % of income. excl. net income from financial instruments	39.3 %	40.0 %	39.9 %	39.2 %	42.7 %	40.4 %
<b>Key figures. balance sheet</b>						
Total assets	157 435	144 182	142 126	129 499	121 125	114 310
Average total assets	150 000	143 100	140 400	125 900	118 600	109 500
Net loans to customers	123 852	116 653	111 577	106 334	102 942	97 518
Grows in loans as %. last 12 mths.	6.2 %	4.5 %	4.9 %	3.3 %	5.6 %	7.2 %
Customer deposits	65 596	63 146	59 833	57 949	56 537	55 580
Growth in deposits as %. last 12 mths.	3.9 %	5.5 %	3.3 %	2.5 %	1.7 %	7.8 %
Deposits as % of net loans	53.0 %	54.1 %	53.6 %	54.5 %	54.9 %	57.0 %
Equity (incl. hybrid capital)	15 779	14 941	13 752	13 081	11 845	11 108
Losses on loans as % of net loans. annualised	0.05 %	-0.02 %	0.07 %	-0.01 %	-0.03 %	0.02 %
Gross non-performing loans (over 90 days) as % of gross lending	0.54 %	0.67 %	0.90 %	0.79 %	0.66 %	0.28 %
<b>Other key figures</b>						
Liquidity reserves (LCR). Group	177 %	140 %	173 %	148 %	159 %	139 %
Liquidity reserves (LCR). Group- EUR	387 %	604 %	107 %	1 168 %	4 727 %	3 105 %
Liquidity reserves (LCR). Parent Bank	169 %	127 %	154 %	140 %	180 %	134 %
Common equity tier 1 capital ratio	17.1 %	16.4 %	15.7 %	15.7 %	14.8 %	14.9 %
Tier 1 capital ratio	18.5 %	18.1 %	17.1 %	17.6 %	16.6 %	16.7 %
Total capital ratio	20.7 %	20.3 %	19.1 %	20.3 %	18.7 %	18.9 %
Common equity tier 1 capital	13 653	13 004	12 204	11 356	10 517	9 890
Tier 1 capital	14 784	14 376	13 315	12 767	11 591	10 965
Net total primary capital	16 518	16 074	14 864	14 686	13 096	12 347
Leverage ratio	9.1 %	9.4 %	8.9 %	9.3 %	9.1 %	9.2 %
Number of branches	31	35	35	34	34	34
Number of FTEs in banking operations	485	464	442	429	434	432
<b>Key figures. equity certificates</b>						
Equity certificate ratio before profit distribution	40.0 %	15.7 %	17.3 %	17.2 %	17.9 %	18.7 %
Number of equity certificates issued	41 703 057	15 663 944	15 663 944	15 663 944	15 663 944	15 663 944
Profit per equity certificate (Parent Bank)	12.6	11.8	10.5	9.3	7.7	8.9
Profit per equity certificate (Group)	11.9	12.2	11.3	11.7	10.1	11.2
Dividend last year per equity certificate (Parent Bank)	6.0	8.0	14.0	0.0	6.0	6.0
Book equity per equity certificate	141.0	136.4	140.0	128.5	123.2	120.0
Price/book value per equity certificate	0.92	1.07	0.82	0.86	0.79	0.87
Listed price on Oslo Stock Exchange at end of period	129.5	146.0	114.5	110.0	96.9	104.0

# Calculations

	Q3	Q2	Q1	Q4	Q3	30.09.	30.09.	31.12.
NOK million	2023	2023	2023	2022	2022	2023	2022	2022
<b>Return on equity adjusted for hybrid capital</b>								
Profit after tax	456	426	462	468	267	1,346	815	1,283
Interest on hybrid capital	-19	-26	-16	-13	-11	-60	-43	-56
Tax on hybrid capital	5	7	4	14	0	15	0	14
<b>Profit after tax. incl. Interest on hybrid capital</b>	<b>442</b>	<b>407</b>	<b>450</b>	<b>469</b>	<b>257</b>	<b>1,301</b>	<b>773</b>	<b>1,227</b>
Opening balance. equity	16 095	15 857	15 779	15 486	15 165	15 779	14 941	14 941
Opening balance. hybrid capital	-1 085	-1 210	-1 085	-1 085	-1 085	-1 085	-1 335	-1 335
<b>Opening balance. equity excl. hybrid capital</b>	<b>15 010</b>	<b>14 647</b>	<b>14 694</b>	<b>14 401</b>	<b>14 080</b>	<b>14 694</b>	<b>13 606</b>	<b>13 606</b>
Closing balance. equity	16 466	16 095	15 857	15 779	15 486	16 466	15 486	15 779
Closing balance. hybrid capital	-1 085	-1 085	-1 210	-1 085	-1 085	-1 085	-1 085	-1 085
<b>Closing balance. equity excl. hybrid capital</b>	<b>15 381</b>	<b>15 010</b>	<b>14 647</b>	<b>14 694</b>	<b>14 401</b>	<b>15 381</b>	<b>14 401</b>	<b>14 694</b>
Average equity	16 280	15 976	15 818	15 632	15 325	16 123	15 213	15 360
<b>Average equity excl. Hybrid capital</b>	<b>15 195</b>	<b>14 828</b>	<b>14 670</b>	<b>14 547</b>	<b>14 240</b>	<b>15 038</b>	<b>14 003</b>	<b>14 150</b>
Return on equity	11.1 %	10.7 %	11.9 %	11.9 %	6.9 %	11.2 %	7.2 %	8.3 %
<b>Return on equity. excl. hybrid capital</b>	<b>11.5 %</b>	<b>11.0 %</b>	<b>12.5 %</b>	<b>12.8 %</b>	<b>7.1 %</b>	<b>11.6 %</b>	<b>7.4 %</b>	<b>8.7 %</b>
<b>Net interest income. incl. interest on hybrid capital</b>								
Net interest income. incl. interest on hybrid capital	783	732	712	683	609	2,227	1,685	2,368
Interest on hybrid capital	-14	-20	-12	1	-11	-45	-43	-42
<b>Net interest income. incl. interest on hybrid capital</b>	<b>769</b>	<b>713</b>	<b>700</b>	<b>684</b>	<b>598</b>	<b>2,182</b>	<b>1,642</b>	<b>2,326</b>
Average total assets	159 000	158 000	156 100	154 000	151 000	157 293	149 042	149 042
<b>As percentage of total assets</b>	<b>1.92 %</b>	<b>1.80 %</b>	<b>1.82 %</b>	<b>1.76 %</b>	<b>1.57 %</b>	<b>1.86 %</b>	<b>1.47 %</b>	<b>1.56 %</b>
<b>Profit from ordinary operations (adjusted earnings)</b>								
Net interest income. incl. Interest on hybrid capital	769	713	700	674	598	2,182	1,642	2,326
Net commission income	101	108	86	115	107	295	302	417
Share of profit from associated companies	6	25	34	46	28	66	79	125
Other operating income	4	2	1	1	1	7	4	5
Operating expenses	298	326	304	311	282	928	834	1,145
<b>Profit from ordinary operations (adjusted earnings). before tax</b>	<b>582</b>	<b>522</b>	<b>517</b>	<b>526</b>	<b>453</b>	<b>1,622</b>	<b>1,193</b>	<b>1,729</b>
Losses on loans, guarantees and undrawn credits	32	-9	-5	15	51	18	59	74
<b>Profit excl. finance and adjusted for non-recurring items</b>	<b>550</b>	<b>531</b>	<b>522</b>	<b>511</b>	<b>402</b>	<b>1,604</b>	<b>1,134</b>	<b>1,655</b>
Tax (25 %) adjusted for tax. share of profit associated companies	114	106	102	114	93	323	264	375
<b>Ordinary operations /adjusted earnings after losses and tax</b>	<b>436</b>	<b>425</b>	<b>419</b>	<b>397</b>	<b>309</b>	<b>1,281</b>	<b>870</b>	<b>1,280</b>
Average equity. excl. hybrid capital	15 195	14 828	14 670	14 547	14 240	15 038	14 003	14 150
<b>Return on equity. profit excl. finance and adjusted for non-recurring items</b>	<b>11.4 %</b>	<b>11.5 %</b>	<b>11.6 %</b>	<b>8.6 %</b>	<b>8.3 %</b>	<b>11.4 %</b>	<b>8.2 %</b>	<b>9.0 %</b>
<b>Average interest rates/margins</b>								
Average lending rate RM (return)	5.07 %	4.54 %	4.33 %	3.79 %	2.86 %			
Average lending rate CM (return)	6.78 %	6.10 %	5.81 %	5.42 %	4.35 %			
Average deposit rate RM	2.09 %	1.78 %	1.60 %	1.10 %	0.58 %			
Average deposit rate CM	3.44 %	2.92 %	2.47 %	2.25 %	1.53 %			
Average 3-month NIBOR	4.64 %	3.89 %	3.33 %	3.31 %	2.39 %			
Lending margin RM (lending rate - 3-month NIBOR)	0.43 %	0.65 %	1.00 %	0.48 %	0.47 %			
Lending margin CM (lending rate - 3-month NIBOR)	2.14 %	2.21 %	2.47 %	2.12 %	1.97 %			
Deposit margin RM (3-month NIBOR - deposit rate)	2.55 %	2.11 %	1.73 %	2.21 %	1.81 %			
Deposit margin CM (3-month NIBOR - deposit rate)	1.21 %	0.97 %	0.86 %	1.06 %	0.86 %			
<b>interest-rate margin (lending rate - deposit rate)</b>								
Interest-rate margin RM	2.98 %	2.76 %	2.74 %	2.69 %	2.28 %			
Interest-rate margin CM	3.34 %	3.18 %	3.35 %	3.18 %	2.83 %			

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.