RISK AND CAPITAL MANAGEMENT

Disclosure according to Pillar 3 2022

SPAREBANKEN SØR

Contents

1. CRO's summary of 2022

Although 2022 effectively marked the end of the Covid-19 pandemic, it was still a notable year. The Russian invasion of Ukraine, disruptions to supply chains, high inflation, major hikes in energy prices and rising interest rates have increased underlying risks.

In the first quarter of 2022, society started to reopen and return to normal following the pandemic, and Covid-19 is now generally regarded in the same way as flu. While the pandemic caused major underlying uncertainty and adversely impacted some of the Bank's customers, it had a negligible impact on the Bank's loss costs. In the first half of 2022, bankruptcies and forced liquidations were higher than in the corresponding period in 2021. Some of these developments are essentially regarded as after-effects of the pandemic as a result of the discontinuation of support schemes and demands for the repayment of accumulated deferred taxes. However, the Bank's lending exposure to the industries that were hardest hit by the pandemic has been low, and the volume of unscheduled payments is stable. There has also been a reduction in lending volume in stage 3.

Throughout 2022 significant changes in macroeconomic factors adversely impacted the framework conditions for both retail and corporate customers. This included increases in electricity and energy prices, as well as high inflation and higher interest rates. Despite the wide-ranging negative macroeconomic impacts, employment has remained at a high level and the labour market remains relatively tight.

The authorities consider high debt levels among households to be the most vulnerable area of the Norwegian financial system. With interest rates, energy costs and food prices all rising, households' ability to absorb interest and cost increases will be critical. Although households receive a significant electricity subsidy, they still have to pay a marked increase in real terms, which has a clear negative impact on the overall framework conditions for the household sector. However, so far the household sector appears to have effectively absorbed the cost increases, and the Bank is experiencing an extremely low and stable level of unscheduled payments. Nonetheless, an increase in the number of applications for interest-only loans towards the end of the year reflects both tighter liquidity on the part of customers and the latter's desire to stay one step ahead of future challenges and ensure greater flexibility.

Russia's invasion of Ukraine has had a wide-ranging impact. Various markets for raw materials and other input factors have been affected in terms of both availability and price. While the Bank's customers have an extremely low direct exposure to imports from or exports to Russia, Belarus or Ukraine, some customers will be affected through second- and third-hand effects. The war is also considered to have increased underlying cybersecurity risk for the financial sector in the Nordic countries.

The Bank continuously assesses potential negative impacts, particularly relating to the financing of development projects, but also to industrial/production companies. No major problems have been detected regarding cost overruns or delivery problems, although the profitability of some ongoing projects has been reduced.

The number of new projects started in real estate development, and consequently construction, is expected to vary significantly. The housing market is highly differentiated, and some projects have been postponed due to the uncertain cost picture. It may also prove difficult for some residential and holiday home projects to meet pre-sale requirements as a result of heightened uncertainty in these markets. However, other projects in the Bank's catchment area are being initiated on the back of strong demand and high pre-sales.

Sparebanken Sør's overall risk exposure is considered to be low, even though underlying risk is deemed to have risen in some areas during 2022. This applies in particular to credit risk and operational risk.

Risk and capital levels must be viewed in context. With this in mind, Sparebanken Sør was very well capitalised at the end of 2022. The common equity tier 1 capital ratio closed the year on 17.1 per cent. At 9.1 per cent, the leverage ratio was at a very high level compared to the other major Norwegian and Nordic banks.

Sparebanken Sør's report on risk and capital management (Pillar 3 report) provides information on the Group's risk management, risk measurement and capital management in accordance with the Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (EBA-GL-2016-11) and the requirements in CRR 2/CRD 4.

The report consists of a descriptive section and a quantitative Annex, which is updated at least annually. Information in the Annex relating to "Key Metrics" is updated every six months. Information on capital adequacy is updated quarterly and published as part of the Bank's three-month interim report.

The method used to calculate capital requirements as well as information on the Bank's internal risk measurement and management are also described in the report.

This Report on risk and capital management (Pillar 3 report) provides an accurate and precise description of the status of risk management and risk exposure at Sparebanken Sør, and explains how the Bank measures, manages and reports risk.

Bjørn A. Friestad
Chief Risk Officer

a. Regulatory framework

The purpose of the Capital Requirements Regulations is to improve risk management at banks and ensure better alignment of risk exposure and capitalisation. The EU's CRR 2 (Capital Requirements Regulation)/CRD 5 (Capital Requirements Directive) and the revised Bank Resolution and Recovery Directive (BRRD 2) were formally introduced in Norway with effect from 30 June 2022.

The regulatory changes in the Banking Package include minimum requirements for the Leverage Ratio, a requirement for stable and long-term financing (NSFR), a narrowing of the supervisory authority's opportunity to establish Pillar 2 requirements for systemic risk, and greater flexibility for national authorities to implement measures to deal with various forms of systemic risk, including increased capital buffer requirements and minimum requirements for weighing risk of lending with real estate as collateral. The Banking Package will also affect Part 2 of the SME discount, the new standardised approach for calculating counterparty risk (SA-CCR) and the introduction of an infrastructure discount.

The Capital Requirements Regulations consist of three pillars:

Pillar 1 – Minimum and buffer requirements for own funds. The amount of own funds is measured in relation to risk-weighted assets.

Pillar 2 – Internal assessment process (ICAAP) of overall capital requirements. Supervisory follow-up of capital requirements and associated strategy (SREP).

Pillar 3 – Disclosure of information on risk management and capital management.

In accordance with the regulations, individual banks may develop different methods to establish the risk-weighted assets; however, some of the methods require the prior approval of Finanstilsynet (the Financial Supervisory Authority of Norway). The following methods can be used to establish the risk-weighted assets:

Credit risk	**Market risk**	**Operational risk**
Standardised approach	Standardised approach	Basic indicator method
Foundation IRB [1)]	Value-at-Risk (VaR) [1)]	Standardised approach
Advanced IRB [1)]		AMA method [1)]

1) Individual banks must obtain Finanstilsynet's approval to apply the internal IRB, VaR and AMA methods, whereby the capital requirement is calculated based on internal models for each form of risk.

Sparebanken Sør uses the following methods to establish the risk-weighted assets:

Credit risk: Standardised approach

Market risk: Standardised approach

Operational risk: Basic indicator method

b. Nature of business

Sparebanken Sør is an independent financial institution whose core business is banking, securities trading and acting as a real estate agent in Agder, Rogaland, and Vestfold and Telemark. The real estate business is operated by the subsidiary Sørmegleren. Non-life and personal insurance products are delivered via the insurance company Frende, in which the bank is a part-owner. The Bank is also part-owner in the companies Norne Securities AS and Brage Finans, suppliers of securities trading, and leasing and sales mortgages, respectively. The Bank has 35 branches, and its head office is located in Kristiansand.

Sparebanken Sør Boligkreditt AS is a wholly owned subsidiary of Sparebanken Sør, and the company is licensed to operate as a credit institution with the right to issue covered bonds. The company's main objective is to ensure the Group's stability and long-term funding on competitive terms. In 2022, the company received approval from Finanstilsynet for a premium covered bond programme, which has special requirements for over-collateralisation, composition and valuation of the cover pool.

Sørmegleren is the Bank's real estate company. This real estate business has a dominant position in large parts of the Bank's market areas. In addition to dominating the market for dealing in secondhand homes, the company holds a very strong position in the new-build market. This applies in and around the largest towns in Agder in particular. Sørmegleren has also sharpened its focus on traditional commercial real estate activity, and has high hopes of increasing its market share and leveraging synergies between the Bank and the real estate agency.

Frende Holding AS (19.9 per cent ownership interest) is the parent company of Frende Skadeforsikring AS and Frende Livsforsikring AS, which offer general and life insurance to private individuals and businesses.

Brage Finans AS, in which the Bank has a 24.9 per cent ownership interest, is a financing company owned by 23 independent banks. The company finances consumer loans (finance leases) and fixed-charge loans to both companies and private individuals. Distribution of the company's products takes place through owner banks, via retailers of capital goods, and through its own sales force.

Norne Securities AS is an investment firm that offers online trading, traditional brokerage services and corporate finance services. Sparebanken Sør has a 14.8 per cent ownership interest.

Balder Betaling AS is owned by Sparebanken Sør together with 11 other savings banks. The Bank's ownership interest is 26.7 per cent. The company has an ownership interest of 9.12 per cent in Vipps AS and aims to further develop Vipps together with other owners.

In 2021, the Bank acquired 78 per cent of the shares in Sørlandets Forsikringssenter AS, with an option to purchase the remaining 22 per cent. The company engages in insurance mediation.

Together with the Annual Report, the Report on risk and capital management (the Pillar 3 document) provides information on risk and capital management at Sparebanken Sør.

2. Risk Management

a. Purpose

"Risk management is the process of identifying (detecting), analysing, estimating and controlling costs (and income) relating to risk."

The Bank is exposed to various types of risk in all areas of its operations, although actual risk exposure levels vary. Risk management is not about eliminating risk, but about taking appropriate (calculated) risk and pricing it correctly.

Active risk management contributes to the Bank's value creation. Active risk management means that risk evaluation is an integral part of the evaluations made in both the first and second lines. The Bank must practise sound risk management and have good systems that support risk management. The Bank's risk management must be structured in such a way that both risk exposure and the Bank's risk management meet established management objectives.

b. Risk culture

In the processes for risk management, the organisation's risk culture is a foundation on which the other elements of comprehensive risk management are based. Risk culture is a critical factor for achieving the desired level for the Bank's risk management.

"A good risk culture means that there is an environment in which there is awareness that the Bank is exposed to various risks in most activities, but where there is an understanding that risk is to be managed. There must be an openness in which respect and trust ensure that various viewpoints are heard in decision-making processes and where constructive engagement is encouraged."

The Bank's risk management is based on uniting sound practice with sound theory, where the Bank will have a culture for assessing and dealing with risk in all contexts. The Bank will develop and maintain a sound risk culture through communication, information and training about the Bank's strategy, activities and desired risk profile.

All employees must be aware of their own responsibility with respect to risk management, where risk management is not limited to specialists, but is also an integrated part of daily business activities.

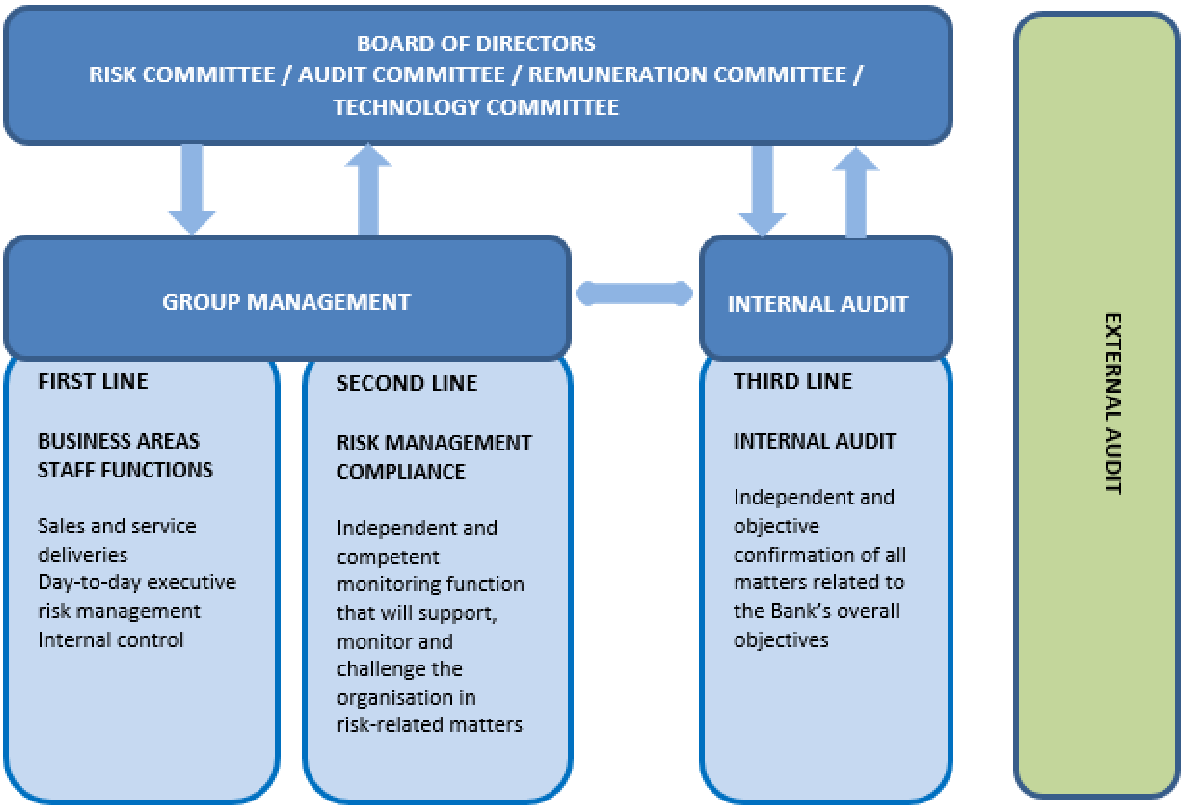
c. Organisation and assignment of responsibilities

There must be an allocation of functions and roles between the Bank's business areas and auditing bodies.

Sparebanken Sør has a policy that employees in the executive function are to manage and measure the risk the Bank is exposed to in daily operations and report this according to procedures that have been adopted.

Within the various risk areas, there must be an appropriate organisation and independence between the employees who perform operational work and those responsible for monitoring and reporting financial key figures and management objectives.

In general, the Bank's corporate governance can be described schematically within the "three lines model". Schematically the model can be described as follows:



Board of Directors

The Board has overall responsibility for the Bank's total risk management and shall ensure that the Bank has appropriate systems in place for risk management and internal control. The Board determines risk strategies and risk profile, including management objectives and risk tolerance. The risk profile is operationalised through the framework for risk management, including the setting of authorities.

The Board establishes guidelines for the Group's risk taking, identification, monitoring and control of risk factors to which the Group is or may become exposed, including risks related to macroeconomic conditions, and the Board imposes requirements for reporting and information. The Board must regularly be informed about the Group's risk management and risk exposure.

The Board of Directors also determines the strategy and guidelines for the level, composition and allocation of equity, and approves the process to ensure adequate equity at all times (ICAAP).

Risk Committee

The Risk Committee is a subcommittee of the Board whose mandate is to help ensure that the Group's risk and capital management activities support the Group's strategic development and targets. The Risk Committee will monitor the aggregate risk and assess whether the Group's management and control systems are appropriate for the risk level and the scope of the business.

The Board establishes instructions for and appoints members of the Risk Committee from among the Board's own members.

The Risk Committee also functions as an ESG committee and is required to process and prepare ESG matters for the Board. The Committee held ten meetings in 2022.

Audit Committee

The Audit Committee is a subcommittee of the Board whose mandate is to perform more in-depth assessments of agreed focus areas, including strengthening work on financial reporting.

The Board establishes instructions for and appoints members of the Audit Committee from among the Board's own members.

Remuneration Committee

The Remuneration Committee is a subcommittee of the Board of Directors whose mandate is to prepare all matters relating to remuneration schemes to be reviewed by the Board. The Committee must support the work of the Board of Directors to determine and ensure that the Bank at all times has and implements guidelines and frameworks for remuneration schemes.

The Board establishes instructions for and appoints members of the Remuneration Committee from among the Board's own members.

Technology Committee

The Technology Committee is a subcommittee of the Board of Directors with a particular responsibility for keeping abreast of developments in financial technology. The Committee also acts as a strategic discussion partner for the Board and management regarding the Bank's strategic choices in the area of technology. The Committee also discusses strategic technology topics for further consideration by the Board.

The Board establishes instructions for and appoints members of the Technology Committee from among the Board's own members.

Chief Executive Officer

The CEO and other members of Group management are responsible for implementing risk management and internal control. The CEO has established an advisory Group manager group, which meets regularly.

The CEO has delegated duties in accordance with the formal responsibility for internal control and risk management. Responsibility for the basis for implementation of the annual assessment of risk and capital adequacy is delegated to the Risk Management division. Control tasks are further delegated to the various line managers within the framework of agreed principles, instructions and authorities.

Group management

Group management shall ensure that the Bank has an organisation with the right expertise and sound, effective frameworks, processes, systems, models and procedures for managing risks to which the Bank is exposed.

Matters relating to changes in or the implementation of new policies and strategies within the Group should always be presented to Group management for discussion and a decision before being considered by the Risk Committee and the Board. Group management reviews an assessment of the risk situation and the associated capital requirement (ICAAP) at least annually. These assessments are then presented to the Risk Committee and the Board.

Group management also reviews matters and provides input regarding the Bank's management and control of aggregate risk, including rating issues and overall balance sheet management. Group management considers the Group's aggregate risk exposure and aligns this with the Group's and the Parent Bank's capital requirement.

Group management is also the Bank's overall professional governing body in the ICT area as well as the security forum for BankID.

Business areas and staff functions

The business areas and the staff functions are responsible for operation and day-to-day management and monitoring of risk within their own areas of responsibility. The business areas are responsible for developing and maintaining processes, systems, guidelines and procedures for managing risk within their own areas of responsibility and for monitoring and verifying compliance with the same.

Risk Management

The Risk Management division covers the entire Group and does not perform activities which the control function is intended to monitor. The division is required to identify, measure and assess the Bank's total risk and has the overarching responsibility for capital management. The Risk Management division is responsible for regularly reporting to Group management, the Risk Committee and the Board on the Bank's total risk exposure.

Compliance

An independent compliance function has been established within the Strategy and Compliance Division.

The main responsibility of the Compliance function is to control and report any non-compliances with laws, regulations, directives and policy documents. The mandate of Compliance is to ensure that the Bank performs its tasks in accordance with the authorities' requirements and various standards. The prevailing regulatory requirements must be complied with at all times, and this is also important in order to make correct and sound decisions that will contribute to fulfilling the management objectives that have been adopted.

The compliance function is part of second-line control and carries out independent random sample checks, risk monitoring and reporting.

Internal Audit

The Group has an Internal Audit function with its own employees who report directly to the Board of Directors and are independent from the administration. Internal Audit is an independent verification and advisory activity intended to provide added value and improve the Group's operations. Internal Audit uses a systematic and structured method in order to evaluate and improve the effectiveness and appropriateness of the Group's processes for risk management, control and governance. In addition, Internal Audit will contribute through its audits to preventing and detecting any irregularities.

Internal Audit must have full access to all relevant information.

d. Risk strategy

The purpose of risk management is to support Sparebanken Sør's strategic goals. Frameworks have been established for risk appetite, risk frameworks and risk tolerance for individual types of risk. Systems will be established for measuring, reporting, managing and controlling risk. Both the aggregate risk level and the various risk categories must be closely monitored to ensure that the Group is performing in accordance with the adopted risk profile and strategies.

Risk management is also intended to ensure that risk exposure is known at all times, and to help Sparebanken Sør achieve its strategic goals for financial stability and profitability. The Group's risk exposure must be adapted to capital, growth ambitions, competence and market opportunities, as well as the authorities' requirements and guidelines.

Key elements in the Group's risk management:

- Define and quantify the Group's risk
- Establish framework and guidelines for the Group's risk acceptance
- Determine risk strategies, risk appetite with appropriate risk targets and risk tolerance
- Maintain and develop a sound risk culture with a good balance between business goals and risk
- Have the best possible allocation of the Group's capital on the basis of strategic objectives and profitability
- Have risk strategies with appropriate management objectives
- Have good systems and procedures for identifying, measuring and analysing risk
- Have good systems and procedures for managing, monitoring, reporting and controlling risk

Together with strategies, procedures and guidelines, a business culture characterised by solid expertise that understands, controls and monitors risk and quality will ensure that the Bank's activities are implemented in a satisfactory manner with regard to quality, legal competence and objectivity at all levels.

Compliance with adopted ethical guidelines plays an important role in helping the Group achieve its long-term goals.

The risk management shall ensure:

- A risk profile that is on a par with comparable banks, but is also adapted to the Bank's risk capacity and risk appetite
- Risk-taking that is based on profitability and returns
- A risk profile that ensures that no individual risk threatens Sparebanken Sør's independence
- That all the authorities' requirements are satisfied
- A risk profile that does not harm the Group's good name and reputation

Risk is concretised through qualitative and quantitative risk frameworks for risk and capital.

Overarching objective for risk management

The Bank attaches importance to complying with the principles of good banking practice, which apply to the management and control of risk, and are discussed in Finanstilsynet's modules for risk management, including the "Module for evaluation of internal corporate governance" as well as in the EBA's Guidelines on Internal Governance under CRD.

The Bank's overall objective for managing and controlling risk is to ensure that risk is on a par with comparable banks.

The most significant risk factors can be grouped into financial risk (which includes credit risk, market risk (relating to the bank's exposure in the interest rate, foreign currency exchange and stock markets) as well as liquidity risk), operational risk (including compliance risk, money laundering risk, ICT risk, cybersecurity risk and model risk), as well as strategic and business risk. The Bank is also exposed to ESG (Environmental, Social and Governance) risk, which is linked to climate and the environment, social conditions and corporate governance. This is not an independent risk, but a risk that has to be evaluated in the context of other risks, for example credit risk and operational risk.

Strategic risk relates to the strategies, plans and changes the Bank makes or intends to make, while business risk is the risk of unexpected income or expense fluctuations due to changes in external factors such as economic upturns/downturns, competition, customer behaviour, lack of business development and regulation by public authorities. Reputational risk is the risk of loss of earnings or access to capital due to lack of credibility or reputation in the market. Reputational risk forms part of business risk.

Recovery Plan

Sparebanken Sør has established a recovery plan to ensure that the Bank can recover from an extremely serious financial crisis without extraordinary help from the authorities. The plan is an integral part of the Group's framework for risk management and capital management, and it will enter into force in the event of breaches of predefined indicators. The plan therefore encompasses identification of relevant indicators to ensure sufficiently early intervention and effective measures to be able to restore the Bank's financial position following a major financial crisis.

Reporting

Frameworks for risk and capital management are established in various policy documents and are followed up through regular reporting. This ensures ongoing follow-up of management objectives, individual risks and the Group's aggregate risk.

3. Capital management

Sparebanken Sør aims to be well capitalised at all times. The Bank's common equity Tier 1 capital ratio must satisfy the authorities' minimum requirements and be on a par with comparable banks. Sparebanken Sør is the only one of the large regional banks in Norway to use the standardised approach to calculate capital adequacy, and this must be taken into account in comparisons.

Sparebanken Sør must be well capitalised so that we have a sound basis for development and growth in economic upturns and are robust enough to weather economic downturns.

The capital management shall ensure:

- Regulatory requirements for capital are observed
- Market opportunities and ambitions are attended to
- Adequate operational buffers
- Rating objectives are met
- Requirements from the Norwegian and international financial markets are attended to

- A competitive return is realised

There is an objective for the return on equity in the business areas to be calculated as risk-adjusted return. To the extent that capital is a scarcity factor, capital is to be allocated on the basis of strategic and profitability considerations.

Risk analysis

An analysis is performed of the nature and drivers of identified risks. The risks must be quantified with regard to probability, consequence and expected losses. The risk analysis must ensure that a qualified and structured assessment of the need for control measures or measures to reduce risk is performed. Ongoing control measures are performed, documented and reported.

An important part of the Group's objectives is that the common equity tier 1 capital ratio should be on a par with that of comparable banks. Sparebanken Sør is the only one of the large regional banks in Norway to use the standardised approach to calculate capital adequacy, and the Bank currently has a markedly higher unweighted capital adequacy than the other regional banks. Sparebanken Sør also has a goal of having the quality of its risk management on a par with comparable banks.

The Bank is developing its risk management framework and collection of models so that it will be possible to apply to Finanstilsynet for approval to use internal models in the capital calculation (IRB). The Bank assigns this work a high priority, and its efforts to submit an application for IRB-F approval by the end of 2023 are proceeding as planned.

The introduction of the revised Basel III framework ("Basel IV") was supposed to have been implemented in the EU from 2022 with transition rules up until 2027, but this has been postponed. The Commission has drafted a proposal for implementation of the last part of the Basel III framework into EU law, and the goal is for the revised regulations (CRR 3/CRD 6 and BRRD 3) to enter into force in the EU from 1 January 2025 at the earliest. The implementation date in Norway will therefore depend on how quickly the new legislative acts can be incorporated in the EEA Agreement, but this will not occur until 1 January 2025 at the earliest. A very critical element in the new regulations will be the introduction of a new, more risk-sensitive, standardised approach for credit risk. Basel IV also outlines some changes to 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 available information on the regulations and customer portfolios, it has been estimated that this could have a positive effect on common equity tier 1 capital ratio of around 3.5 percentage points. This corresponds to the estimated effect of implementing IRB-F.

a. Capital requirements

The minimum statutory requirement for own funds essentially corresponds to 8 per cent of the overall risk-weighted assets. In other words,

$$\frac{\text{Total Tier 1 Capital + Tier 2 Capital}}{\text{Credit risk + Market risk + Operational risk}} \geq 8 \text{ per cent}$$

In addition, the Bank must maintain sufficient capital to satisfy the regulatory requirements for buffer capital, which shall consist of common equity tier 1 capital.

Institutions must have a capital conservation buffer of 2.5 per cent and a systemic risk buffer. The systemic risk buffer requirement will increase from 3.0 to 4.5 per cent. On 16 December 2022, the Norwegian Ministry of Finance decided to postpone the requirement for banks reporting according to the standardised approach by one year, which means that this will apply to Sparebanken Sør from 31 December 2023.

The Ministry of Finance also sets requirements for countercyclical buffers and particular buffer requirements for systemically important financial institutions. The level of the countercyclical buffer is established by Norges Bank each quarter. The countercyclical buffer requirement was 2.0 per cent at the end of 2022. In March 2022, it was decided to increase the countercyclical buffer to 2.5 per cent with effect from 31 March 2023. The purpose of the countercyclical buffer is to strengthen the banks' financial situation and to prevent a more restrictive lending practice by the banks from reinforcing the economic downturn.

Sparebanken Sør was not defined as a systemically important bank as of 31 December 2022.

In accordance with Pillar 2 of the regulations, the institution must have a process for assessing the overall capital requirements in relation to their risk profile, and banks must have a strategy to maintain their capital levels. The ICAAP (Internal Capital Adequacy Assessment Process) considers all risk to which the Bank is exposed, including forms of risk not covered by Pillar 1. The Internal Liquidity Adequacy Assessment Process (ILAAP) will be an important part of the overall risk assessment.

Pillar 2 also provides guidelines on the authorities' review process, SREP (Supervisory Review Evaluation Process). Finanstilsynet will monitor and evaluate the institution's process under Pillar 2, while the supervisory authorities will implement measures if they do not regard the process as satisfactory.

Based on the Group's ICAAP for 2021, in April 2022 Sparebanken Sør received Finanstilsynet's Pillar 2 decision in connection with the completed SREP. Finanstilsynet set the capital requirement under Pillar 2 at 1.7 per cent of risk-weighted assets. This is a reduction of 0.3 percentage points from the previous Pillar 2 requirement from 2018. Finanstilsynet also assesses that the Bank ought to have a capital requirement margin of 1.0 per cent in the form of common equity tier 1 capital in addition to the total requirement for common equity tier 1 capital, total tier 1 capital ratio and capital adequacy. The Pillar 2 requirement and the capital requirement margin entered into force on 30 April 2022. We expect that the Bank will undergo a new SREP during 2023.

In connection with Finanstilsynet's proposed amendments to the legal framework for determining Pillar 2 requirements being circulated for consultation, the Norwegian Ministry of Finance has also asked for views on a transitional rule that would ensure that capital composition requirements for Pillar 2 requirements will apply no later than 31 December 2023. The introduction of such a transitional rule would mean that the requirement for the Pillar 2 requirement to be covered by 100 per cent common equity tier 1 capital would not lapse until 31 December 2023.

Pillar 3 encompasses the requirements for disclosure of information, while Pillar 3, through the minimum requirements in Pillar 1 and the supervisory follow-up in Pillar 2, is intended to contribute to increased market discipline and a better basis for comparison between institutions. The banks must publish information that gives market players the opportunity to assess the institutions' risk profile, capitalisation and risk management and control. The information is disclosed on the Bank's website.

b. Capital adequacy

The Group had a common equity tier 1 capital ratio of 17.1 per cent, a total tier 1 capital ratio of 18.5 per cent and a total capital ratio of 20.7 per cent as of 31 December 2022. The Group satisfied the capital requirements of 17.2 per cent for total capital, 15.2 per cent for total tier 1 capital and 13.7 per cent for common equity tier 1 capital by a good margin. The Group's target for common equity tier 1 capital adequacy for 2022 was 16.2 per cent. The Group's current target for common equity tier 1 capital adequacy for 2023 is 16.7 per cent.

Capital adequacy 2016–2022

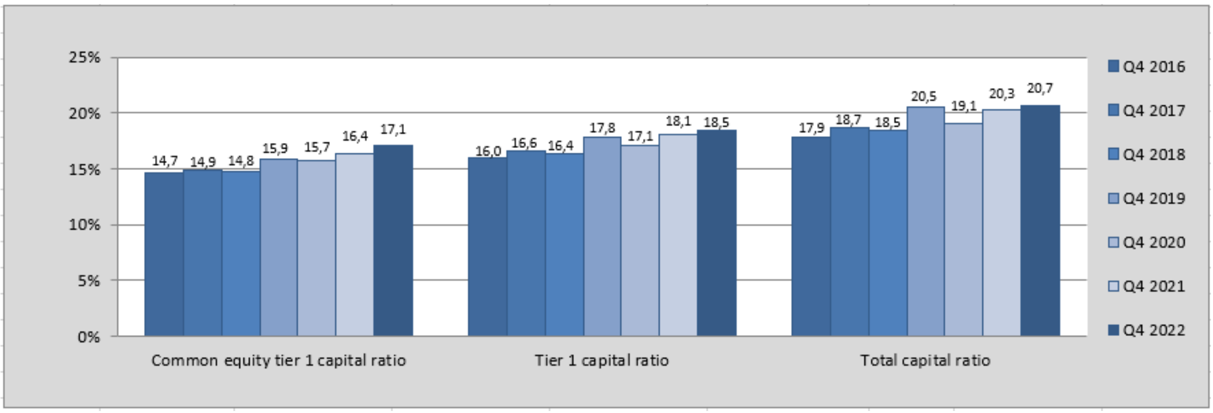


Figure: Q4 common equity tier 1 capital ratio, total tier 1 capital ratio and total capital adequacy (own funds) 2016–2022. Authority requirements for the various types of capital adequacy were all satisfied by a comfortable margin.

Leverage ratio

Leverage ratio is defined as a capital measure (the numerator) divided by an exposure measure (the denominator). The capital measure consists of tier 1 capital, and the exposure measure includes all balance sheet items and non-balance sheet items calculated without risk weighting.

As of 31 December 2022, Sparebanken Sør had a leverage ratio of 9.1 per cent. The Bank's solvency is assessed as being very good.

Bank Recovery and Resolution Directive (BRRD) – MREL

The EU Bank Recovery and Resolution Directive (BRRD) was introduced in Norway with effect from 1 January 2019. As a result of the Bank Resolution and Recovery Directive, minimum requirements have been introduced for the sum of own funds and convertible debt (MREL). This involves new requirements for convertible and subordinated debt and also applies to Sparebanken Sør.

A key element of the directive is the requirement for internal recapitalisation as a crisis measure, in a situation where capital instruments and debt are impaired or converted to equity (bail-in). The minimum requirement for the amount of own funds and convertible debt (MREL) is made up of a loss absorption amount and a recapitalisation amount. The requirements are set by Finanstilsynet on the basis of capital requirements and on the current adjusted risk-weighted assets. Based on capital requirements and the adjusted risk-weighted assets of 31 December 2022, the effective MREL requirement was set at 32.4 per cent and amounted to NOK 20.5 billion.

The authorities have introduced a ceiling provision for share of subordinated debt, and the requirement must be met by 1 January 2024. There is also a requirement for the introduction to be linear from 1 January 2022. Based on capital requirements and the adjusted risk-weighted assets of 31 December 2022, the effective MREL requirement was set at 23.5 per cent and amounted to NOK 14.8 billion. At the end of the fourth quarter, the Bank had issued a total of NOK 4.5 billion in senior subordinated bond loans (Tier 3).

c. ICAAP

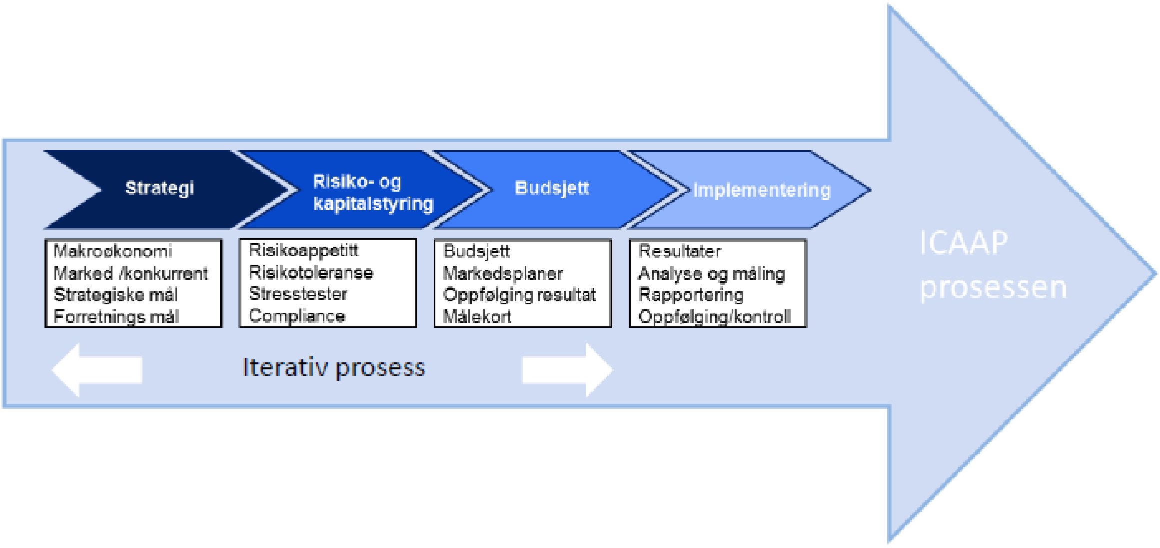
The Board of Directors is responsible for the Bank's internal risk and Capital Adequacy Assessment Process (ICAAP). The Board of Directors is further responsible for assessing the Bank's risk tolerance, capital requirements and capital planning. The Board of Directors also approves the choice of methods and results. The purpose of the ICAAP is to conduct a quantitative and qualitative assessment of the Group's risks in order to assess whether the Bank's capital adequacy and capital buffer are adequate in comparison with the Bank's risk profile.

The Board of Directors has integrated ICAAP into the Bank's strategic and business processes. This means that ICAAP represents an important decision-making basis in areas such as:

- Strategic plan
- Annual forecasts and investment needs
- Risk assessments for the market and products
- Overarching risk and capital planning

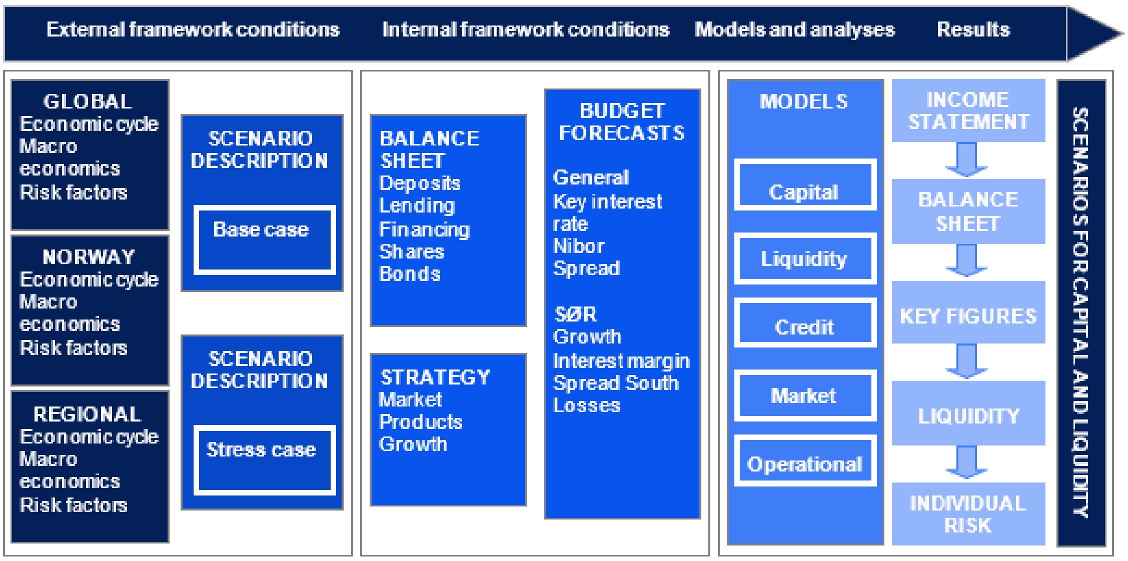
The Group's processes relating to the capital adequacy assessment (ICAAP) are based on a quantification of risk and capital requirements in the key risk areas.

An outline of the Group's ICAAP process, integrated with strategy and budget, is shown in the figure below:



Quantitative analyses of risk are supplemented with qualitative assessments.

Scenario analyses of expected economic developments and stress testing are key considerations in assessing the Group's long-term capital requirements and capital buffer.



Risk management and capital adequacy are essentially based on goals and ambitions set out in the Group's strategy plan and other policy documents.

Risks are identified and analysed, and capital requirements are established for individual risks.

Potential future economic scenarios are outlined based on global, national and regional economic trends. Scenarios are prepared for expected developments (Base case) and a Stress case. The Stress case is intended to represent a serious economic downturn.

The scenarios estimate the effects on the income statement, balance sheet, capital, individual risks, liquidity and various key figures. The ICAAP must be forward-looking. The Bank has therefore based its scenario analyses on a four-year period, where the economic downturn bottoms out in year 3 of the Stress case. Sensitivity analyses and reverse stress testing are also performed.

Together with the scenario analyses and other assessments, analysis of individual risks will form the basis for the Group's desired capital and capital buffer.

Liquidity and funding risk will be an important part of the overall risk assessment. This is known as the ILAAP. Short- and long-tern liquidity requirements and the results of implemented stress tests are key factors in this context. Information about the size, composition and quality of the Bank's liquidity buffer will be available, along with changes in quantitative measurement parameters such as the "Liquidity Coverage Ratio" (LCR).

The ICAAP/ILAAP is carried out once a year. In the event of material changes in external or internal framework conditions and assumptions, methods or other conditions that will affect capital adequacy, the ICAAP/ILAAP will be revised and updated.

Assessment of risk and capital requirements

The table below shows the risks that are included in the Group's ICAAP and the methods that are used to calculate risk and capital.

Risk type	Risk categories	Calculation method
Credit risk	Pillar 1	Standardised approach
	Pillar 2 (Risk above Standard)	Finanstilsynet's methodology/own assessments
	Concentration risk	Sector – Finanstilsynet's methodology/own assessments Large exposures – Finanstilsynet's methodology/own assessments
	High lending growth	Finanstilsynet's methodology/own assessments
Market risk	Pillar 1 (Shares, interest rates and currency)	Standardised approach
	Pillar 2 (Risk above Standard)	Finanstilsynet's methodology/own assessments
Operational risk	Pillar 1 (External, personnel, procedures)	Basic indicator method
	Pillar 2 (Risk above Basic)	Own assessments
Liquidity risk	Financing cost	Own assessments
Business risk	Unexpected reductions in income/costs	Own assessments
Strategic risk	Defective/erroneous initiatives	Own assessments
Ownership risk	Ownership including the insurance operation	Finanstilsynet's methodology/own assessments
Other risk		Own assessments

Based on models and methods, as well as qualitative assessments such as those outlined above, capital needs are identified and calculated for the various risks included in ICAAP (Pillar 1 and Pillar 2 risks).

Capital targets

Results from the ICAAP provide guidance on risk appetite, capital requirements and the risk strategies adopted by the Board. The ICAAP verifies that:

- The Group has sufficient capital to satisfy the authorities' requirements and internal management objectives for capital adequacy and capital buffers.
- The Group's capital adequacy at the bottom of a serious economic downturn is above the authorities' minimum requirements, and there is a high degree of probability that measures can be taken to return the capital adequacy to the management objective.
- The Group has sufficient capital and capital buffers to implement plans and strategic measures without endangering the financial solvency target.

An important part of the Group's objectives is that the common equity tier 1 capital ratio should be on a par with that of comparable banks. Sparebanken Sør is the only one of the large regional banks in Norway to use the standardised approach to calculate capital adequacy.

Finanstilsynet's Supervisory Review Evaluation Process (SREP) for Norwegian financial institutions is split into five groups based on size, complexity and scope, as well as the degree of risk that the institutions represent for the financial system. Sparebanken Sør is in Group 2, which encompasses small and medium-sized institutions that mainly operate within Norway but with large national or regional market shares. Banks in Group 2 will be subject to a detailed SREP assessment with written feedback every two years.

4. Credit risk

Credit risk is the risk that a counterparty does not meet its obligations under an agreement. In a loan relationship, the credit risk consists of the borrower not fulfilling the loan agreement and established securities not covering the exposure. Credit risk is the Group's greatest risk and the risk that requires the most capital.

Concentration risk is credit risk in the form of a risk of loss arising from highly concentrated exposure to an individual counterparty or related groups of counterparties (major exposures) or counterparties with operations in the same sector (industry concentration) or geographic area (geographic concentration). The Bank currently has a well-diversified portfolio in terms of geography, customer segment and sector.

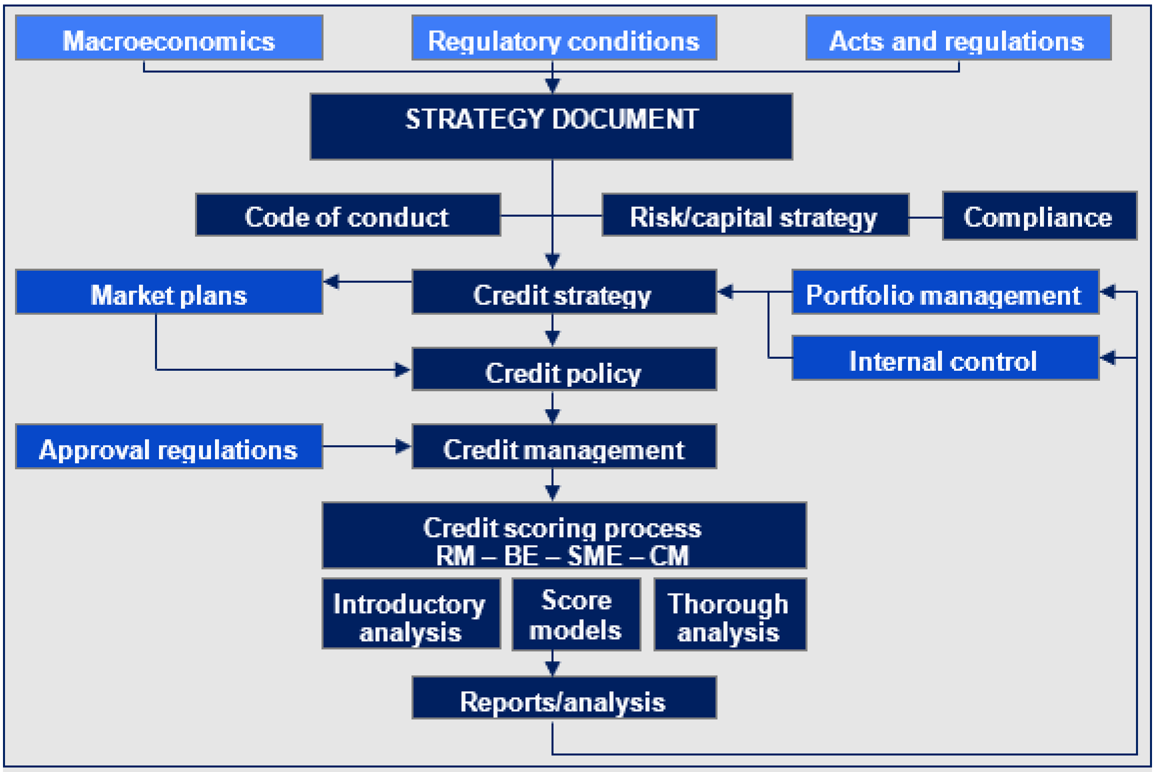
The Group uses the standardised approach to calculate risk and capital. The Bank also regularly assesses whether there are any other aspects of the Bank's credit risk that indicate that capital ought to be set aside for risks that cannot be covered by the standardised approach.

a. Management and control

The Board has overarching responsibility for the Bank's granting of credit, and establishes the Bank's credit strategy and policy. The Risk Management Division has an independent risk control function that identifies, measures, assesses and reports material risks associated with lending.

The Bank implements customer due diligence relating to money laundering and financing of terrorism in all credit cases. When carrying out customer due diligence, the Bank applies a risk-based approach, in accordance with the provisions of the Norwegian Anti-Money Laundering Act and the Bank's business-oriented risk assessment. The Bank focuses in particular on controlling and reducing the risk associated with customers and transactions with a high risk of money laundering and financing of terrorism. In credit cases where the customer is subject to enhanced checks, enhanced customer due diligence is carried out in accordance with operational credit guidelines.

The figure below shows the principles for management and control of credit risk.



b. Goals and guidelines for managing credit risk

Credit risk is managed through the Group's credit strategy, credit policy, operational credit guidelines, credit processes and approval mandates.

The Bank complies with the principles for managing credit risk as defined by the Basel Committee and Finanstilsynet.

The Bank has an objective that management and control of credit risk should correspond to the category "Good" as defined in Finanstilsynet's module for risk-based supervision for credit ("Evaluation of management and control").

Credit strategy

The credit strategy encompasses overarching issues relating to the Bank's credit portfolio and granting of credit and comprises general outlines and a series of credit strategy and quantitative frameworks.

These essentially consist of objectives and guidelines, while the quantitative frameworks can establish both restrictions and targets for risk tolerance and risk appetite.

Sparebanken Sør has an objective that the Bank's customer portfolio must have a "Moderate" to "Low" risk profile, as defined in Finanstilsynet's module for credit risk ("Evaluation of exposure"). The risk profile must be on a par with comparable banks.

Management objectives for credit operations are determined annually and are adapted to the Bank's requirements for capital adequacy, profitability and risk profile.

Lending purposes and ethics

The Bank only grants credit for purposes that are compatible with good business practice. Sparebanken Sør must not be associated with activities, customers or sectors that have a reputation with which the Bank does not wish to be associated.

The Bank must exercise caution in granting credit to customers who develop or sell products that cause particular harm to the environment, nature or people. The Bank also has a restrictive lending practice for projects viewed as controversial by the general public.

The Bank and its employees must adhere to high ethical standards in order to ensure that situations do not arise where the Bank or employees' integrity can be called into question.

Market area and customer segment

Sparebanken Sør's main market area is Agder, Vestfold and Telemark, and Rogaland. The Bank also operates in a national market segment through retail customers and organisations that form part of KNIF and their employees.

Within the corporate market, the Bank mainly finances small and medium-sized enterprises, as well as organisations and the public sector.

Risk diversification and concentration risk

The Bank's credit portfolio must be composed in such a way that risk is diversified in terms of market segments, industries and individual customers.

Credit competence, quality and culture

The Bank attaches importance to maintaining a high level of credit competence in both the first and second line in order to ensure that the Bank achieves its objectives in the credit area. The Bank's credit processes must be characterised by thorough due diligence and collation of all relevant information.

The quality of exposures and requirements for profitability (measured as risk-adjusted return) must never be compromised for the sake of volume targets or the Bank's reputation in local communities.

The Bank's credit culture is characterised by a common set of norms and values. The Bank establishes clear objectives, guidelines and procedures for the Bank's operations and ensures that these are followed.

The credit process is based on good risk management and is orderly, transparent and efficient.

ESG and sustainable credit processes

The Bank must be a responsible lender, and take account of the climate and environment, social conditions and good corporate governance in credit processes and administration. The Bank considers ESG to be an important parameter when assessing credit risk, and has integrated an ESG module into its credit assessment process.

Credit policy

The credit policy describes and specifies the principles for the Bank's granting of credit to individual exposures in the corporate and retail market. The policy consists of general policy requirements and recommendations, and a set of industry-specific policy requirements and recommendations for the Corporate market.

In the event of non-compliances with policy requirements for decisions made under an individual authority, the credit decision must be escalated a level.

General policy requirements and recommendations for the Corporate market:

General requirements and general recommendations apply to all businesses the Bank finances, regardless of their sector. These include requirements relating to the customer's servicing ability, equity/own exposure, risk class, security category, financing structure and key person risk.

Industry-specific policy requirements and recommendations for the Corporate market:

Some industries are subject to industry-specific requirements and recommendations with regard to financing. Industry-specific requirements may have precedence over general requirements. Commercial property, development property (project financing), operating companies, housing cooperatives, co-owners and agricultural enterprises are examples of sectors subject to specific requirements and recommendations with regard to long-term financing.

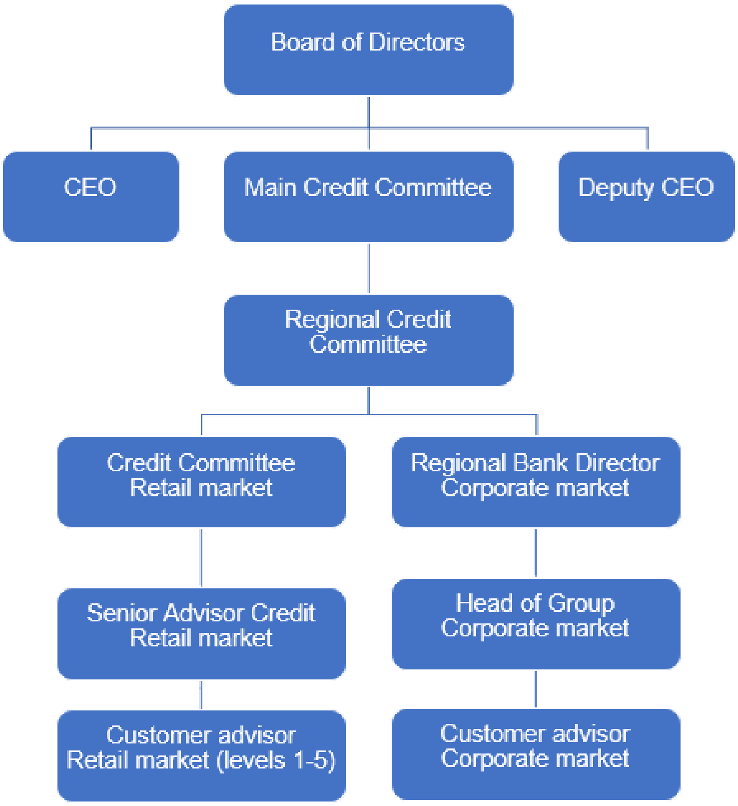
c. Operational credit management

In addition to the credit strategy and credit policy, Sparebanken Sør has established a framework for managing and controlling the Bank's credit risk.

Approval regulations

The approval regulations are a key element of active management of credit risk in the portfolio. These authorities are differentiated by competence, risk class and security category, as well as the needs for the individual position.

The organisational structure of approval mandates and mandates for the respective authorisation holders, along with the credit case processing hierarchy, are shown below:



The Board has overarching responsibility for the Bank's granting of credit, and determines approval mandates for the Main Credit Committee and the CEO. The Board delegates responsibility for granting authorities for the Regional Credit Committee and other authority holders to the Main Credit Committee.

Shared case management

Credit cases exceeding a certain size and complexity must be assessed by more than one person. In the Corporate market, such cases are escalated one authority level for a decision, and major exposures must be reviewed by the Credit Committee.

In the Retail market, the principle of shared case management is applied for such cases. This means that the case handler presents the case to their superior in a higher authority group, who decides whether to approve or reject the case.

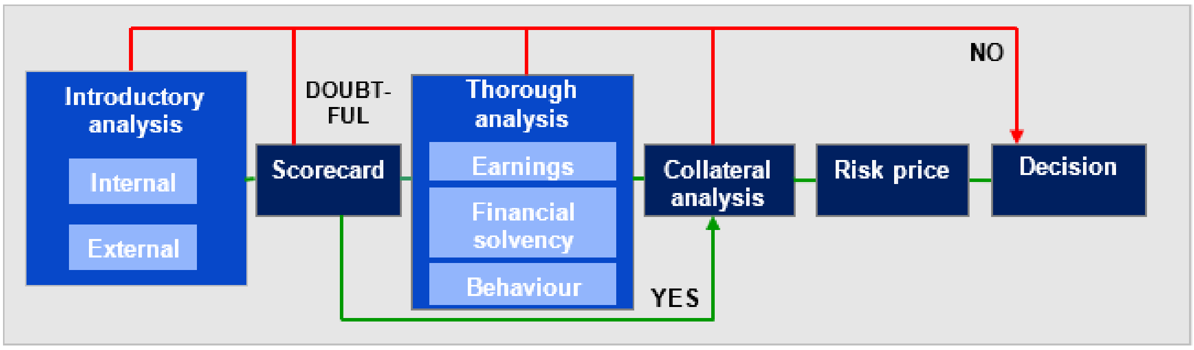
Credit management procedures

In addition to the credit strategy and credit policy, more detailed operational credit guidelines have been prepared regulating various matters relating to the granting and monitoring of credit and dealing with non-performing exposures.

Credit scoring process

The Bank uses decision-support systems as part of its credit scoring process. There is one process flow for retail customers and three process flows for corporate customers, depending on the size and type of the customer. There is also a process flow for renewing exposures for corporate customers.

The main features of the credit scoring process are outlined below.



The introductory analysis is based on internal and external assessments and policy controls and is intended to identify whether the application complies with the Bank's strategy and policy, or whether there are risk aspects that indicate that the application should be rejected even at this early stage. Non-compliances with established credit policy requirements and/or credit policy recommendations are presented here.

Sparebanken Sør has developed and applies scoring models for risk classification in credit processes and portfolio management in the retail and corporate markets.

Based on the results of scoring and introductory analyses, guidelines are established to determine which credit processes and risk assessments should be performed and which authorities should be applied for the granting and monitoring of exposures in the retail and corporate markets. In each credit case, an assessment is made of earnings, solvency and behaviour/management.

Risk classification system

The risk classification system is used in the credit scoring processes and to calculate risk, tied-up capital and profitability at product, customer and portfolio level.

The risk classification system is made up of the following components:

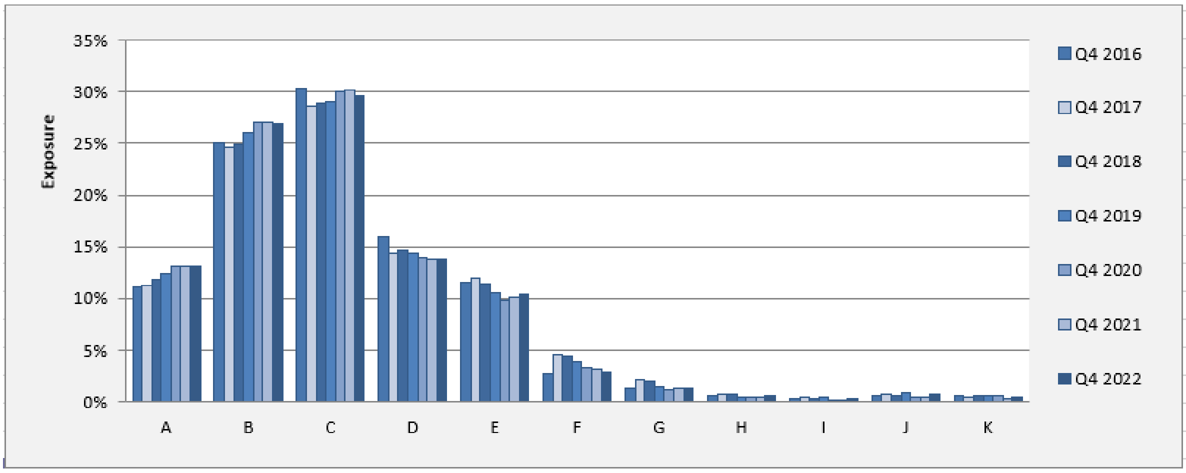
Probability of default	Models for calculating the probability of default
Security classes	Models for calculating security classes
Exposure	Models for calculating exposure
Loss ratio	Models for calculating loss given default
Expected loss	Models for calculating expected loss in the next 12 months
Risk group	Models for allocation into risk groups
Risk price	Models for calculating risk-adjusted price

Probability of default

Scorecards are used to calculate the probability of default. Scorecards assign customers to 11 risk classes from A–K, where A–D are low risk, E–G are medium risk, H–J are high risk and category K is default. The Group has application and behaviour scorecards for the retail market and the corporate market.

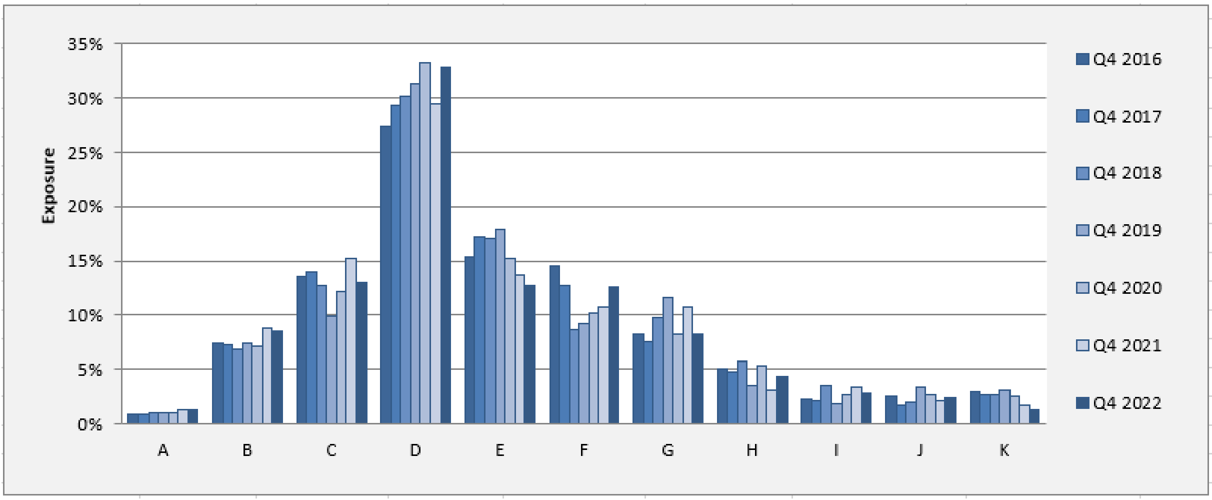
Risk class	Lower limit for default, %	Upper limit for default, %
A	0.00	0.10
B	0.10	0.25
C	0.25	0.50
D	0.50	0.75
E	0.75	1.25
F	1.25	2.00
G	2.00	3.00
H	3.00	5.00
I	5.00	8.00
J	8.00	99.99
K	100	

Risk classes Retail market



The figure shows the Retail market portfolio by risk class. In the fourth quarter of 2022, customers with low risk (A–D) accounted for 83.4 per cent of the portfolio. Customers with medium risk (E–G) accounted for 14.6 per cent, while customers with high risk (H–J) including category K, which is default, accounted for 2.0 per cent.

Risk classes Corporate market



The figure shows the Corporate market portfolio by risk class. In the fourth quarter of 2022, customers with low risk (A–D) accounted for 55.7 per cent. Customers with medium risk (E–G) accounted for 33.6 per cent, while customers with high risk (H–J) including category K, which is default, accounted for 10.7 per cent.

Loss Given Default (LGD)

Based on the loan-to-value, a loss ratio (LGD – Loss Given Default) is calculated for the exposure in the event of default.

Exposure in the event of default

The Conversion Factor (CF) defines how great a percentage of the unused credit framework is expected to be utilised in the event of default. EAD – Exposure At Default – is calculated as the higher of the balance or total commitments.

Expected loss

The expected loss for the next 12 months is calculated as follows:

Probability of default (PD) × Exposure (EAD) × Loss ratio (LGD).

Validation

Each year the Group performs a qualitative and quantitative validation of the scoring models. The models are calibrated using a "Through-The-Cycle" (TTC) approach.

Non-performing exposures

Sparebanken Sør's definition of default is according to the EU's regulation on the use of the definition of default (575/2013, Article 178). The Bank defines default at the customer level for both the mass market and corporates. If a customer is defined as being in default, the customer's commitment is to be included in the Bank's public reporting of non-performing exposures.

Default is the failure of a borrower to fulfil the borrower's obligations to the Bank. A borrower's obligations include financial requirements (failure to pay) and other obligations that the borrower is unlikely to fulfil.

A customer exposure is defined as in default if a claim is overdue by more than 90 days and the amount exceeds 1 per cent of the balance sheet exposure and NOK 1,000 for the mass market and NOK 2,000 for corporates (failure to pay).

A customer exposure is defined as in default if it is likely that the borrower will not fulfil the borrower's obligations because of objective requirements:

- A loss write-down has been recorded on the customer exposure
- Confirmed losses have been recorded on the customer
- A bankruptcy petition has been submitted or bankruptcy has been recorded on the customer
- The customer has sought or is in a debt settlement
- Involuntary dissolution of a company has been requested or involuntary dissolution has been decided
- Sales of credit owing to impaired credit quality

Additional subjective requirements for a qualitative assessment of whether the requirement will lead to default also apply. These are assigned the reason for default "Unlikeliness to pay".

The following reasons that may lead to default require a qualitative assessment:

- Associates or customer groups
- Accounts – negative trends (weak interim accounts)
- Weak liquidity, or negative liquidity development
- Arrears to other creditors (which become known to the Bank)
- Execution liens on the Bank's mortgaged objects from other creditors
- Payment orders in favour of third parties (if the Bank is aware of such)
- Anti-money laundering – missing customer information
- Breaches of certain types of covenants:
- Equity requirements
- Material non-approved changes in ownership
- Change in form of company, spin-off/merger
- Material changes in commercial operations
- Auditor's comments

All defaults are followed by a waiting period which starts when all the customer's default triggers have ceased. During the waiting period, the customer is considered to be in default and the period lasts for a minimum of three or 12 months depending on the reason for default.

Forbearance

Exposures with forbearances are debt contracts in which forbearances have been granted to a debtor who has, or is in the process of having, problems with meeting the debtor's financial obligations. Exposures with forbearances include both healthy and non-performing exposures. If a customer is granted forbearances, this results in the customer exposure being marked with a forbearance. Factors that result in customers being marked with forbearances will be changes in repayments, e.g. postponement of instalments and refinancing as a result of non-temporary payment problems.

Procedures and guidelines for valuation of collateral

When granting and monitoring loans, the Bank must value collateral in accordance with the EBA Guidelines 2020/06 ("Guidelines on loan origination and monitoring"). For real estate, Finanstilsynet's circular no. 5/2021 ("Requirements for the valuation of real estate when granting and monitoring loans") applies.

The Bank should use statistical models to value collateral whenever possible. Estimates from the Eiendomsverdi property database are the main source of valuations of private residences.

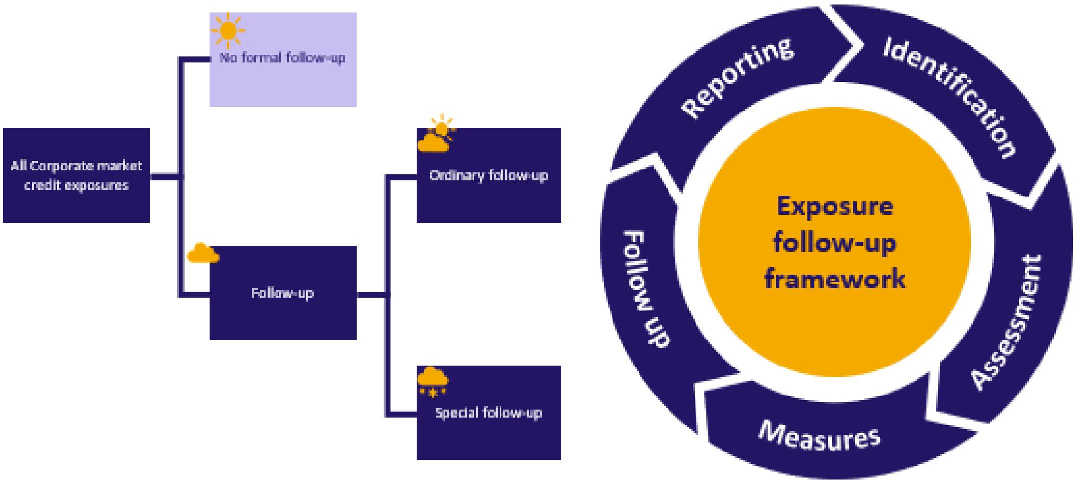
When granting loans where the use of statistical models does not satisfy the valuation criteria, the valuation must be carried out by an external or internal valuer. This is the case for the majority of the Corporate market portfolio.

The Bank has established its own valuation function, which carries out internal valuations. The Bank also engages external valuers where required. This enables the Bank to consistently and independently value collateral.

The Bank's main principle is that objects should be valued at market value. Security coverage calculations are based on expected realisable values. The realisable value of a mortgage object is the market value reduced by a factor. The size of this factor is based on data from the Bank's loss history for the individual object type.

d. Exposure monitoring

The exposure of the credit portfolio is monitored on an ongoing basis. The Bank uses the following methods to monitor exposure:



The Risk Management division/Credit group has an independent second-line function that monitors and checks compliance with the credit regulations. Early warning lists and watch lists are regularly drawn up to identify exposures that require extra follow-up, at the earliest stage possible. All customers considered to be in a high risk class are monitored each quarter through action plans in respect of measures and loss provisions.

In most cases non-performing exposures in the retail customer and sole proprietor segments are assigned to an external debt collection agency for recovery.

In addition to incident-based follow-up, account managers in the Corporate market carry out an annual exposure review of their own portfolio. Exposure follow-up in the Corporate market should also ensure that covenants associated with an exposure are met at all times.

e. Analyses and reporting

The Risk Management division carries out regular reporting and analyses in the credit area. Quarterly risk reports to the Board provide a supplementary description of statuses in relation to the management objectives and tolerance limits set out in the Bank's governing documents. A more extensive discussion of the changes in the general credit risk picture is also provided.

The Bank's largest exposures are regularly presented to the Board.

f. Internal control

Procedures have been established for annual risk identification, risk analysis, control plans and follow-up relating to the various processes in the credit area. Semi-annual management confirmations of assessments of changes in risk are also obtained, and managers in all business areas must update the risk picture and internal control on an ongoing basis.

5. Counterparty risk

Counterparty risk is the risk that the Bank's business partners/suppliers in the financial area are unable to fulfil their contractual obligations to the Bank.

Counterparty risk is reduced by diversifying among different providers of financial services, as well as implementing risk-reducing measures such as contractually exchanging collateral between the parties, immediate counterparty clearing and reporting to central reporting authorities.

a. Risk assessment

The counterparty risk is considered low.

Capital adequacy for counterparty risk is calculated using the new standardised approach SA-CCR. The Bank has also assessed whether there are other aspects of the Bank's counterparty risk that indicate capital ought to be set aside for risks that cannot be covered using the standardised approach.

b. Management and control

The Board has determined that counterparty risk is to be low. The Bank's business partners in the financial area must have a rating classification of at least investment grade, as well as a good reputation among borrowers and investors. It is essential when choosing business partners that they are willing and able to assist the Bank in financing the Bank's operations, including access to a large investor base, which ensures the Bank adequate access to financing at competitive prices. The Bank's business partners must also be able to offer professional products and services in other financial services that the Bank seeks.

The Bank's requirement for low counterparty risk means that risk-reducing measures must be established. In order to manage the counterparty risk from financial institutions, frameworks have been established per counterparty for various products. The setting of frameworks is intended to ensure the Bank's diversification objective. Frameworks for counterparty risk will cover exposures that arise with respect to liquidity investments, derivative positions, interest-bearing security portfolio and REPO transactions.

The Bank enters into derivative contracts to hedge the market risk that arises in the Bank's ordinary operations in connection with funding at fixed interest rates and in a currency other than NOK, as well as loans to customers at fixed interest rates and in foreign currency and in derivatives trading with customers.

The Bank complies with the regulations for derivatives trading under EMIR (European Market Infrastructure Regulation) concerning settlement, certifications, documentation and reporting to the authorities.

Transactions in financial instruments with the Bank's counterparties shall be regulated by a satisfactory legal agreement. The agreement terms shall include requirements for providing collateral when exchanging security and shall have the objective of reducing the exposure to a financial counterparty. The terms for short-term lending to a financial counterparty in exchange for collateral (repurchase transactions) shall normally be governed by a standard contract (Global Master Repurchase Agreement). Derivative transactions with financial counterparties shall be governed by standardised agreements (ISDA Master with Credit Support Annex) or equivalent agreements. An agreement on clearing through a Clearing House approved by the authorities is also a risk-reducing measure.

When choosing financial counterparties, investment objects and business partners in the financial area, the Bank's policies and guidelines for sustainability are emphasised. Through its management and selection of providers, the Bank seeks to affect social development in a sustainable direction, including actively not choosing exposures that may result in infringement of human rights, corruption, financing of terrorism etc. The "Policy for responsible investments and responsible securities trading" is a key document for the Group's initiatives to establish sustainable financing and placement activities, and should have a risk-mitigating effect with a view to preventing unwanted exposure.

6. Market risk

Market risk includes risk associated with fluctuations in results from unhedged interest rate, currency and equity positions as a result of fluctuations in interest rates, credit spreads, swap spreads as well as variation in foreign exchange rates and share prices. Market risk can be divided into interest rate risk, foreign exchange risk, share price risk and credit spread risk. In addition, the valuation of hedge transactions (basis swaps), which are used to hedge interest rate and foreign exchange risk arising when the Bank carries out financing in foreign markets, will also have a temporary impact on profit or loss.

a. Risk assessment

The market risk is considered low. At the end of the year, the levels of market risk were within the requirements adopted by the Board.

Capital adequacy for counterparty risk is calculated using the standardised approach. The Bank has also assessed whether there are other aspects of the Bank's market risk that indicate capital ought to be set aside for risks that cannot be covered using the standardised approach.

b. Management and control

Market risk is managed through management objectives given in Board-adopted guidelines and procedures. The Board has determined that the Group is to have a low market risk. The Board sets annual risk tolerance levels for loss potential for interest rate risk, credit spread risk, foreign exchange risk and share price risk respectively, as well as aggregate loss potential for market risk. The frameworks for the management objectives will limit the risk and ensure that the Bank at all times meets the Board's requirement for a prudent risk profile.

The market risk shall be on a par with comparable banks, but it shall be reconciled with the Bank's risk profile when viewed overall and Board-adopted requirements for capital adequacy. The risk profile shall be adapted to the current market situation and the prospects for the future. Management and control of the market risk shall be attended to in such a way that the Bank is able to withstand a long period of market stress.

When hedging market risk (interest rate and foreign exchange risk), interest rate and currency derivatives are used, as well as asset-liability matching.

The Group's Method Document for Market Risk contains assumptions and model options for measuring interest rate risk, credit spread risk, foreign exchange risk and share price risk. The models are based on Finanstilsynet's module for market risk.

Market risk is monitored continuously and reported quarterly to Group management, the Risk Committee and the Board in accordance with Board-adopted guidelines.

c. Interest rate risk

Interest rate risk is defined as the risk of losses arising from changes in interest rates if the fixed-interest period for the Bank's liabilities and receivables do not coincide. Interest rate risk arising in the Group's ordinary operations in the form of fixed-interest customer loans, interest rate derivatives relating to customers, fixed-interest investments and funding at fixed rates of interest and in foreign currencies is hedged on an ongoing basis. The interest rate risk exposure is measured by taking into account unhedged balance sheet and derivative positions.

The Group is exposed to fixing risk over each three-month period. If significant liabilities are exposed to a new interest rate at one point in time, and significant assets are exposed to a new interest rate at another point in time within the same three-month period, fixing risk arises. In given scenarios this can adversely impact the Group's expected result.

Interest rate risk is assessed using the Economic Value of Equity (EVE) method on the basis of a stress test scenario in which the entire yield curve has a parallel shift of 2 percentage points, as well as an assessment of how six stress test scenarios with various distortions in the yield curve affect the Group's position. The scenario with the greatest loss potential is taken as a basis for measuring interest rate risk. At Group level, the Board has adopted a risk tolerance level for interest rate risk applying the EVE method.

Interest rate risk is also measured using the Net Interest Income (NII) method. This method assesses the effect on net interest income for all assets and liabilities in the event of an interest rate shock of 2 percentage points within a time horizon of 1 year.

d. Credit spread risk

Credit spread risk is the risk of changes in the market value of interest-bearing securities as a result of general changes in credit spreads. A general increase in credit spreads would lead to a reduction in the value of a portfolio of interest-bearing securities. Changes in credit spreads are a consequence of changes in investors' requirements for a risk premium.

Finanstilsynet's stress test model for credit spread risk is used to calculate loss potential. The loss potential is calculated for various risk classes based on factors such as rating, with set changes in spreads. The calculation takes into account the Group's actual positions measured at market value and remaining duration. Total loss potential constitutes the Group's credit spread risk. Government bonds issued by AAA- and AA-rated states in the OECD (in their own currency) and holdings in subsidiaries' covered bonds are excluded from risk-weighted assets.

The Group's credit spread risk is also adjusted indirectly via limits for maximum investments in different sectors.

e. Foreign exchange risk

Foreign exchange risk consists of the risk of loss when the exchange rate changes. All financial instruments and other positions with foreign exchange risk shall be included in the assessment.

Foreign exchange risk at Sparebanken Sør arises as a result of financing and investment activity, international payment transactions and/or customer transactions. Foreign exchange exposure is hedged on an ongoing basis using different instruments including foreign exchange spots, futures and swaps.

The loss potential is measured on the basis of a stress scenario where the exchange rates change by 25 per cent. The calculation is based on the Group's overall net foreign exchange position.

f. Share price risk

Share price risk consists of market risk associated with positions in equity instruments, including investments in hedge funds, private equity funds, venture capital funds and seed funds. Shares in subsidiaries and/or strategic shareholdings in the financial sector are not included. Sparebanken Sør does not have a trading portfolio in equity instruments.

The loss potential is measured on the basis of a stress scenario where the market value of the shares declines by 45 per cent. The calculation must be based on market rates, to the extent that these are available for the instrument.

7. Liquidity risk

Liquidity risk is defined as the risk of the Group not being able to meet its obligations or fund its assets, as well as not being able to obtain funding without incurring significant additional costs, in the form of a fall in the value of assets that must be realised, or in the form of funding at an above-normal cost level. Liquidity risk also includes the risk that the financial markets that the Bank wishes to use are not functioning.

a. Risk assessment

The liquidity risk is considered moderate to low. At the end of the year, the levels of liquidity risk were within the limits adopted by the Board.

b. Management and control

Sparebanken Sør's liquidity risk must comply with the authorities' and Board-imposed requirements. The Board has determined that the Sparebanken Sør Group is to have a moderate to low liquidity risk. The Board has set risk tolerance levels for various management objectives that indicate maximum and minimum limits for risk appetite. In addition, the Board has set risk targets that indicate a long-term objective or desired trend.

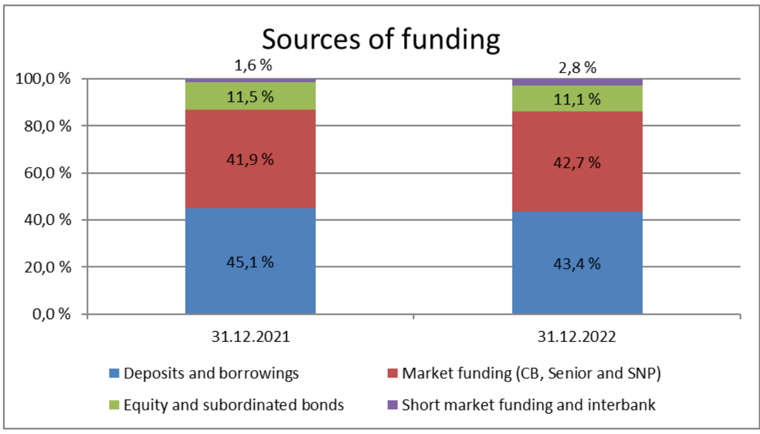
The liquidity risk shall be on a par with comparable banks, but it shall be reconciled with the Bank's risk profile when viewed overall and Board-adopted requirements for capital adequacy. The risk profile shall be adapted to the current market situation and the prospects for the future. Financing and liquidity buffers shall be arranged in such a way that the Bank is able to withstand a long period of stress. In addition to ordinary deposits and own funds, the Group's financing may be carried out by issuing senior bonds, covered bonds issued by Sparebanken Sør Boligkreditt AS, senior non-preferred bonds and loans from other financial institutions.

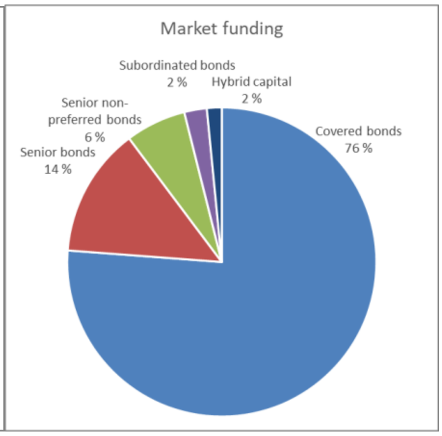
Deposits from customers are the Group's most stable source of funding. The Board of Directors emphasises that the ratio between deposits from customers and lending must be tailored to the Group's overall funding situation. The Group's deposit-to-loan ratio amounted to 53 per cent as of 31 December 2022, down from 54 per cent in 2021.

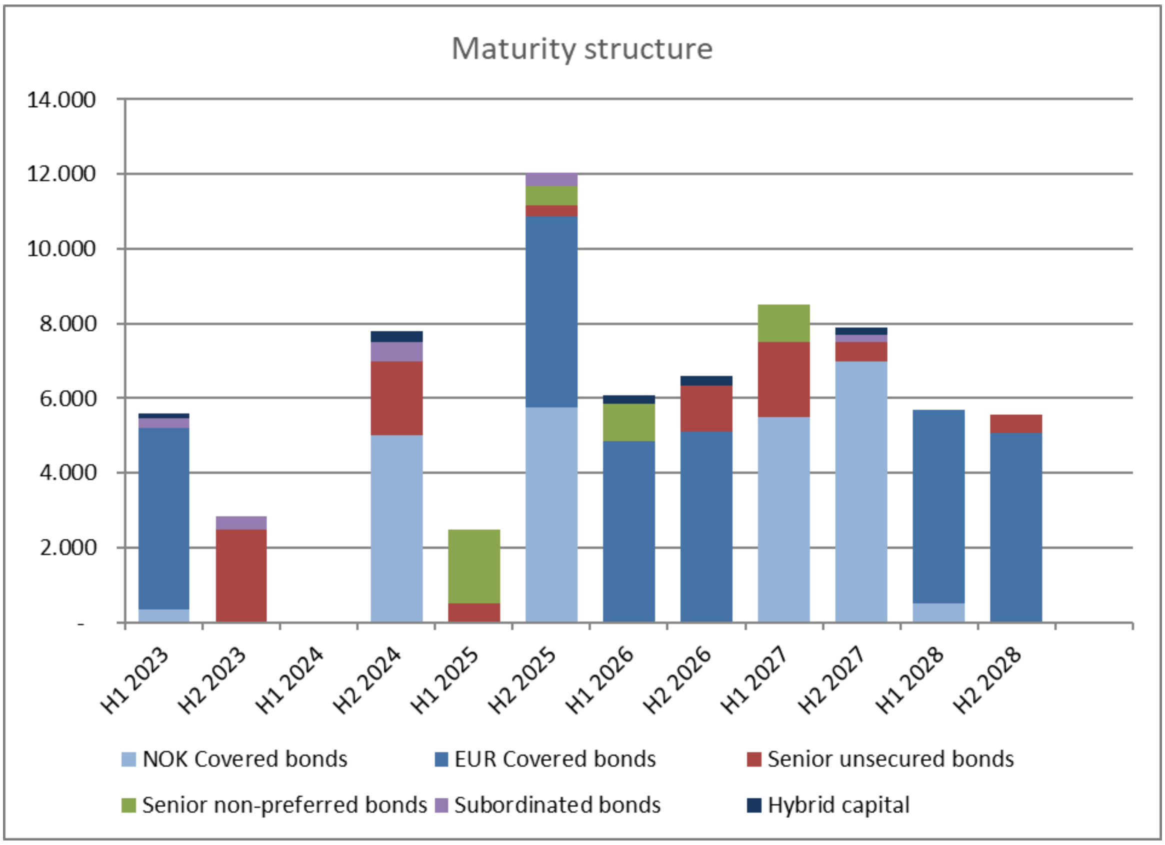
In addition, Sparebanken Sør Boligkreditt AS is an important funding instrument, ensuring access to long-term funding through the issuance of covered bonds. To be able to issue covered bonds, at the end of the year, mortgage loans equivalent to 68 per cent of all loans to the retail market were transferred from the parent bank to the mortgage company. This represents an increase from 64 per cent in 2021.

The Group attaches importance to diversifying market funding. EMTN (Euro Medium Term Note) programmes have been established for both the Bank and mortgage company that facilitate market funding from sources outside the Norwegian bond market. At the end of 2022, Sparebanken Sør Boligkreditt had issued covered bonds corresponding to EUR 3 billion, of which EUR 1 billion was issued as Green Covered Bonds. Sparebanken Sør has also issued green senior bonds with a total value of NOK 2 billion. See our website for more information on Sparebanken Sør's Green & Sustainability Bond Framework.

Market funding is diversified among various instruments and maturities as shown in the figures below. The average maturity for long-term market funding (maturity greater than 12 months) was 3.7 years at year end, and the liquidity indicator for long-term funding (NSFR) was 122 per cent.







The Group's liquidity portfolio consists of interest-bearing securities and/or other liquid financial instruments that satisfy liquidity requirements specified in the LCR regulations, including government bonds and other interest-bearing securities with zero capital weighting, covered bonds and securities issued by Norwegian municipalities and county authorities. The Group's expanded liquidity buffer takes into account the capacity to issue additional covered bonds and consists of the available cover pool at the mortgage company, mortgage loans on the Parent Bank's balance sheet that qualify as cover pool and holdings of own covered bonds.

The liquidity portfolio is intended to assist the Group in fulfilling its overarching ESG strategy. To help achieve this, the investment mandate for the liquidity portfolio must contain an objective to increase the Group's portfolio in green, social and sustainable investments. Specifically, investments made in the liquidity portfolio must be eligible to be included within the ESG mandate.

For the investment to be eligible for inclusion in the ESG mandate, the following conditions must be met:

- Bond investments must be classified as either Green, Social or Sustainable investments.
- The bonds must be marketed and sold as Green, Social or Sustainable investments.
- The bond investments must either be Covered Bond LCR 1 & 2 or 0-weighted LCR 1a.

Management of short-term liquidity risk includes alignment with the Liquidity Coverage Ratio (LCR). At the end of 2022, the total LCR for Sparebanken Sør Group, the Parent Bank and Sparebanken Sør Boligkreditt AS was sufficient to comfortably satisfy all the projected liquidity maturities within the next 30 days under a stress scenario. The Group's LCR amounted to 177 per cent as of 31 December 2022, up from 140 per cent in 2021. The regulatory requirement was 100 per cent.

The cover pool liquidity buffer requirement is a new statutory requirement for liquidity coverage and ability to survive over the next 180 days for credit institutions that issue covered bonds. The requirement was introduced in July 2022. The cover pool liquidity buffer measures liquid assets as a percentage of expected cash outflows. The cover pool liquidity buffer requirement must be met by each individual covered bond programme offered by a mortgage company. The buffer is intended to ensure that cash flows from the cover pool cover payment obligations for the covered bond programme under both normal operations and liquidation.

Stress testing is utilised to reveal whether established liquidity buffers are sufficient to meet predicted liquidity outflows. Stress testing is carried out in line with the Group's Method Document for Liquidity Stress Test and shows the utilisation of the liquidity buffers for four scenarios (Base Case scenario, Systemic Crisis scenario, Institution-Specific scenario and Combination of Institution-Specific scenario and Systemic Crisis scenario). The stress scenarios include various assumptions regarding outflows of deposits and possibilities for refinancing.

In order to aggregate the risk exposure across the management objectives, the Group's ability to survive is used as an overarching management objective. The ability to survive is measured by estimating how long the liquidity coverage is positive by only using established liquidity buffers, before the Group is unable to meet its obligations. The calculation ignores market-based refinancing. At the end of the year, the ability to survive was greater than 12 months.

A contingency plan has been established for liquidity that describes which events may trigger the contingency plan, how the Group is to organise itself and which measures can or must be taken in situations in which the Bank's liquidity may be threatened.

Measurement of liquidity risk is based on Finanstilsynet's module for liquidity risk.

Liquidity risk is managed on an ongoing basis and followed up through quarterly reports to the Board, Group management and the Risk Committee.

8. Operational risk

Operational risk is the risk of loss as a result of inadequate or defective internal processes or systems, human error or external events. These may be disruptions or interruptions of an operational nature, breach of procedures, faults in IT systems or hardware, regulatory violations, fraud, fire and terrorist attacks. Operational risk also includes elements that are often treated as separate risks, such as security risk, process risk, compliance risk, ICT risk, ESG risk and behavioural risk.

Capital adequacy for operational risk is calculated using the basic method. The Bank has also assessed whether there are other aspects of the Bank's operational risk that indicate that capital ought to be set aside for risks not covered by Pillar 1.

a. Management and control

The Bank must have low operational risk and good systems for follow-up and control. The Bank has zero tolerance for losses that could threaten strategic goals and the Bank's independence.

Operational risk is managed through the Group's framework for operational risk, procedures and authorities. The management objectives for operational risk are established each year by the Board.

The Basel Committee's "Principles for the Sound Management of Operational Risk" and Finanstilsynet's modules for operational risk and internal corporate management specify the key external requirements for operational risk management. Sparebanken Sør regularly assesses changes to the framework to increase compliance with the requirements stipulated by the Basel Committee and Finanstilsynet.

Management of operational risk at Sparebanken Sør must contribute to the systematic identification of risk across the Group, and ensure that necessary risk-mitigating measures are implemented to prevent losses exceeding risk tolerance levels. Good risk management involves assigning clear roles and responsibilities for work on operational risk and internal control, and ensuring that the Bank continuously strives to establish a healthy risk culture at all levels. All managers in the Group must ensure that risks within their area (products, services, procedures, processes and systems) are identified, assessed and followed up.

The Operational Risk department in the Risk Management division is Sparebanken Sør's central specialist unit for operational risk management, and the Group's second-line function for this type of risk. The department is responsible for the framework for managing operational risk and reporting. As part of the Risk Management division, the department is an independent control function, and contributes as a facilitator of risk assessments and the annual self-evaluation process for the various divisions in the Group. The department continuously strives to improve the framework for holistic management and measurement of operational risk, and during 2022 devoted significant resources to assessing various risk management tools in order to automate and clarify roles and tasks relating to work on operational risk. This work will continue in 2023.

All operational incidents and losses must be registered in the Bank's incident database. Any follow-up measures must be registered together with the incident. Relevant information from the incident database must be evaluated when carrying out risk assessments.

Sparebanken Sør has set risk targets and risk tolerance levels that establish a framework for the maximum operational risk accepted by the Group. Information from the Group's incident database, measurement of key risk indicators together with identification and assessment of risk provide an overall picture of the Group's operational risk. Main risks relating to anti-money laundering and the financing of terrorism, IT risk, supplier and outsourcing risk and privacy risk are reported to the Bank's Board as part of quarterly risk reporting. Reporting of operational risk also encompasses risk of non-compliance with ESG requirements as well as operational risk in large projects.

Since the second quarter of 2022, Sparebanken Sør has taken out comprehensive cybersecurity insurance to reduce the consequences of a serious cyber incident.

The Group's procedures for approving new products, services, procedures, processes and systems must ensure that all new or changed products and services are thoroughly risk-assessed before they are approved. The product, service, process or system is described, risk-assessed and forwarded to a permanent consultation group, which ensures that the necessary risks have been assessed and that relevant risk-mitigating measures have been identified.

The Group's procedure for internal control is based on the COSO framework and is designed to ensure continuous improvement in all products, services, processes, systems and procedures. All managers are responsible for aligning the internal control within their own area of responsibility with risk and materiality, and for ensuring that this functions satisfactorily. In addition to continuous follow-up of risk, the quality and effectiveness of internal control is assessed in the annual self-evaluation of risk and control. All areas of the Group assess the extent to which relevant risks have been identified and whether existing controls and measures contribute to reducing the inherent risk to an acceptable level. The results of the self-evaluation process are summarised and presented to Group management. The status of internal control is reported in the annual internal control report.

b. Operational incidents

Sparebanken Sør measures operational losses within the categories of internal fraud; external fraud; employees and workplace safety; customer, product and business practices; damage to physical assets; business interruption and system errors; settlement; delivery and other transaction processing as well as customer complaints.

In 2022, Sparebanken Sør experienced an increase in operational losses as a result of a significant rise in the number of fraud cases perpetrated against the Bank's customers. Sparebanken Sør works actively to secure solutions to prevent fraud involving the Bank's customers. One important aspect of this work has been to establish a good/sound collaboration-with the police to be able to contribute information to the investigation of fraud cases.

The Bank experienced a decrease in the number of incidents relating to business interruptions and IT systems. During the whole of 2022, the Bank recorded approximately 90 hours of downtime in its customer-facing systems.

c. IT and information security risk

The overall risk profile of the information security area must be low, and is specified through selected security goals.

Given the global threat picture and the increased likelihood of cyber attacks and ransomware viruses, Sparebanken Sør has heightened its focus on the development of IT risk management. In 2021, the Bank established a management system for information security certified to ISO 27001 (ISMS). During 2022, the Bank established measures and controls to ensure efficient implementation and compliance with the management system. Implementation and competence-enhancing measures will be continued in 2023.

Sparebanken Sør recognises that IT infrastructure is becoming increasingly complex, in particular in terms of the number of systems and suppliers. The constant need for change and digitalisation of processes and services has augmented the need for control. The Bank continuously works to identify and implement risk-mitigating measures to ensure compliance with regulatory requirements and sufficient quality in all outsourced services.

d. Economic crime, money laundering and financing of terrorism

Sparebanken Sør must comply with external laws and internal rules. Risk must be low in order to avoid regulatory sanctions, loss of reputation and/or financial losses as a result of non-compliance in this area.

Detecting and preventing economic crime, including money laundering and the financing of terrorism, is a very important social responsibility that has a high priority at Sparebanken Sør. The Bank has a comprehensive framework of management documents, policies and guidelines to ensure compliance with the applicable legal requirements at all times, and significant resources are invested in fulfilling the Bank's role in protecting the Bank's customers, the financial system and society as a whole.

Sparebanken Sør carries out an annual business-oriented risk assessment to identify which risks within economic crime, money laundering and financing of terrorism the Bank is exposed to. The risk assessment identifies risk-mitigating measures that must be implemented to reduce the specific identified risks. The risk analysis is regularly updated to strengthen and develop efforts through adaptation of measures.

The Bank's "Anti-Money Laundering and Anti-Terrorism Financing Policy" provides guidance for the Bank's attitude towards and work on corruption, trading in influence, bribes and use of facilitation payments.

The Bank is active in a number of national networks in the fight against financial crime. In the Bank's experience, there is a low threshold for sharing experience and expertise across industry players, supervisory authorities and public bodies. There are detailed checks on a considerable number of suspect transactions in the course of the year. If suspicions are not dispelled by the Bank's investigation, the suspicion is reported to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim). Activities included in the Bank's efforts to combat financial crime are described in more detail in the sustainability library published under Corporate Social Responsibility on the Bank's website.

e. Compliance risk

The Board has set a goal that Sparebanken Sør is to have low compliance risk. This requires effective management and control of compliance risk and few compliance violations.

The scope of Norwegian legislation, including through international regulations implemented under Norwegian law, is significantly expanding. A common feature of many of the changes is that compliance requires considerable input from the organisation in the form of investments in new system solutions and development of new processes in the Group. Banks that do not comply with the law also face an increased risk of economic sanctions.

Sparebanken Sør is undergoing a period of rapid change. New products, new systems, system changes, and new and departing employees are all factors that can increase the probability of compliance violations. Safeguarding personal data, AML requirements, crisis management requirements and IT security are examples of areas that have required heightened attention over the past year.

The compliance culture in operational activities is considered to be good, but ensuring timely, continuous implementation and compliance with an expanding scope of Norwegian and international regulations is an ever-greater challenge.

9. HR remuneration policy and election of the Board

a. Remuneration policy

Sparebanken Sør's Remuneration Policy is essentially based on the following bodies/laws, which provide important guidance and principles for sound management of remuneration:

The Remuneration Policy has been drawn up on the basis of the Regulations on financial institutions and financial groups (the Financial Institutions Regulations), the Regulations on guidelines and reports on remuneration for senior executives, Finanstilsynet's circular 2/2020 of 19 May 2020 and the Public Limited Liability Companies Act.

Finanstilsynet also follows European guidelines and regulations (European Banking Authorities/EBA and Capital Requirements Regulations/CRR), which, among other things, require more extensive remuneration disclosures than the Financial Institutions Regulations.

The Board of Directors is responsible for:

- adopting a policy for remuneration, and storing the documentation on which decisions are based
- determining the framework for variable remuneration
- determining salary and other remuneration for the CEO each year
- approving the "Report on remuneration paid to senior executives" and presenting this to the Board of Trustees
- providing information about the Board's review of the "Report on remuneration practices at Sparebanken Sør"

Remuneration Committee

Sparebanken Sør has a Remuneration Committee made up of up to five board members, all of whom have no ties that, in the opinion of the Board, could affect the members' independence. Senior executives may not serve on the Remuneration Committee. The Committee must at all times have at least one employee representative. The Committee prepares all matters relating to remuneration schemes to be reviewed by the Board of Directors and supports the Board's efforts to determine and ensure that the Bank at all times has and implements guidelines and frameworks for remuneration schemes. The Committee normally holds four meetings a year.

Sparebanken Sør – an attractive employer

The Bank will offer market-based remuneration schemes that are perceived as competitive and motivating, and that act as a successful tool in the competition for new talent. The remuneration scheme must always be in accordance with the applicable legal requirements for remuneration schemes in financial institutions.

The guidelines are intended to provide a framework for remuneration of senior executives so that the terms support the Bank's business strategy, long-term interests and sustainability goals. The guidelines should promote and provide incentives for good management of and control over the Bank's risks, discourage excessive risk-taking and help avoid conflicts of interest.

Guidelines for the remuneration system stipulate that the fixed remuneration should make up the main part of each employee's salary. Employees at Sparebanken Sør should receive a salary tailored to the market, based on the individual employee's results (quantitative and qualitative), efforts, competence and responsibility.

This means that:

- A salary is a reward for results, work effort, adaptability, responsibility and value creation that the individual contributes to the community.
- Salaries will differ according to the extent to which the above criteria are present and are met.
- Target and performance appraisals are periodically held between the employee and their line manager, in order to align the Bank's requirements and expectations of the individual with the employee's own future and development plans.
- An internal change of position may entail a change in previously accrued personal benefits and job title.

The Bank has a general bonus scheme for all employees, which can trigger a bonus payment of up to 1.5 months' salary. The bonus is distributed to all employees at the same percentage of annual salary as a monetary benefit. The bonus scheme does not provide an incentive to take risks on behalf of the Bank.

The fixed salary is the main element in the remuneration of senior executives and should reflect the position requirements with regard to qualifications, responsibilities, complexity and the extent to which the person in question contributes to achieving the Bank's overall business goals, long-term interests and sustainability goals. Senior executives are covered by the Bank's general bonus scheme and the Bank has no form of variable remuneration that is paid out over several years or in the form of equity certificates.

Reference to the remuneration policy and the report on remuneration paid to senior executives in the Annual Report (from page 106).

b. Election of the Board of Directors

The Election Committee is tasked with preparing and submitting a recommendation to the Board of Trustees regarding the election of the Chair, Deputy Chair and other members and substitute members of the Board, excluding employee representatives.

The Election Committee consists of eight members and four substitute members who are elected by the Board of Trustees from among the Board of Trustees' members. The Chair of the Board is elected by the Board of Trustees. The Election Committee must have representatives from all four categories that are represented on the Board of Trustees. The majority of the Election Committee should be independent of the Board and senior executives. Members are elected for a term of two years.

The composition of the Board and the Election Committee proposed by the Election Committee must look after the interests of all categories on the Board of Trustees and the Bank's need for competence, capacity and diversity.

Consideration should be given to ensuring that the Board can function as a collegial body. The Election Committee must ensure that proposed Board members satisfy the requirements for suitability as well as independence according to the prevailing guidelines on corporate governance.

As far as possible, the geographical background of the members of the Board must reflect the counties in which the Bank is represented, with at least four members from Agder and at least one member from Vestfold and Telemark. The composition of the Board must satisfy the principles in Section 6-11 a of the Norwegian Public Limited Liability Companies Act, regarding representation of both genders on the Board. The Board of Directors shall consist of seven to eight members, and include two employee representatives. This means that both genders must be represented among the employee representatives and there must be at least three members of each gender among the other members. The Board Chair and at least two-thirds of the Board must not be employed by the Bank or a company in the same group.

The Board's members must display a high level of personal and professional conduct, ethics and integrity. The membership of the Board should include a diverse mixture of skills, professional and industry backgrounds, geographical experience, expertise, gender, age, ethnicity and diversity of thought. The Board should have sufficient diversity to ensure it takes a broad view of both current commercial activities and needs for changes, adaptation and adjustments for the future. There must be a culture of cultivating inclusion and diversity that supports the Bank's values.

The Election Committee must submit a reasoned recommendation for its proposed candidates. The recommendation must also disclose relevant information about the candidates, including their competence, capacity and independence, as well as age, education and professional experience.

Information should be provided on any equity certificates held in the Bank and assignments performed for the Bank, as well as employment, positions of trust and significant assignments performed for other companies and organisations. Recommendations for re-election of Board members should also disclose how long the candidate has been a Board member at the Bank, and the number of Board meetings the candidate has attended. The Election Committee's recommendation should also explain how the Committee has reached its decision, including the form of contact/meetings and efforts undertaken to obtain information about potential candidates.

10. Annex

See separate Excel Annex on Pillar 3.

SPAREBANKEN SØR

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