



SPAREBANKEN SØR

# Q2 2022

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



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# Key figures Group

<b>Income statement (NOK million)</b>	<b>Q2 2022</b>	<b>Q2 2021</b>	<b>30.06 2022</b>	<b>30.06 2021</b>	<b>31.12.2021</b>
Net interest income	555	488	1 076	939	1 939
Net commission income	106	110	195	197	419
Net income from financial instruments	- 33	-11	- 61	- 3	0
Income from associated companies	24	45	51	74	174
Other operating income	1	2	2	2	191
<b>Total net income</b>	<b>654</b>	<b>635</b>	<b>1 266</b>	<b>1 210</b>	<b>2 549</b>
Total operating expenses before losses	293	260	552	501	1 018
<b>Operating profit before losses</b>	<b>361</b>	<b>375</b>	<b>714</b>	<b>709</b>	<b>1 531</b>
Losses on loans, guarantees and unused credit	11	-11	8	- 22	- 18
<b>Profit before taxes</b>	<b>351</b>	<b>386</b>	<b>705</b>	<b>731</b>	<b>1 549</b>
Tax expenses	77	77	157	148	323
<b>Profit for the period</b>	<b>273</b>	<b>309</b>	<b>549</b>	<b>583</b>	<b>1 226</b>
<b>Key figures, income statement</b>					
Return on equity after tax (adjusted for hybrid capital)	7.2 %	9.0 %	7.5 %	8.7 %	9.0 %
Costs as % of income	44.8 %	40.9 %	43.6 %	41.4 %	39.9 %
Costs as % of income, excl. net income from financial instruments	42.7 %	40.2 %	41.6 %	41.3 %	40.0 %
Net interest income as % of average assets	1.48 %	1.40 %	1.45 %	1.32 %	1.35 %
<b>Key figures, balance sheet</b>					
Total assets	151 803	140 413	151 803	140 413	144 182
Average total assets	150 000	140 000	150 000	143 000	143 100
Net loans to customers			121 303	115 114	116 653
Growth in loans as % last 12 mths.			5.4 %	5.6 %	4.5 %
Customer deposits			67 220	66 042	63 146
Growth in loans as % last 12 mths.			1.8 %	10.0 %	5.5 %
Deposits as % of net loans			55.4 %	57.4 %	54.1 %
Equity (incl. hybrid capital)			15 165	14 076	14 941
Losses on loans as % of net loans, annualised			0.04 %	-0.04 %	-0.02 %
<b>Other key figures</b>					
Liquidity reserve (LCR) Group			160 %	146 %	140 %
Liquidity reserve (LCR) Group- Euro			805 %	345 %	604 %
Liquidity reserve (LCR) Parent Bank			152 %	135 %	127 %
Common equity tier 1 capital ratio			17.4 %	16.0 %	16.4 %
Tier 1 capital ratio			18.9 %	17.4 %	18.1 %
Total capital ratio			21.2 %	19.5 %	20.3 %
Total common equity tier 1 capital ratio			13 388	12 634	13 004
Tier 1 capital ratio			14 525	13 755	14 376
Net subordinated capital			16 245	15 454	16 074
Leverage ratio			9.0 %	9.2 %	9.4 %
Number of branches			35	35	35
Number of FTEs in banking operations			474	441	464
<b>Key figures, equity certificates</b>					
Equity certificate ratio, weighted average over the period			40.0 %	16.0 %	15.7 %
Number of equity certificates issued			41 703 057	15 663 944	15 663 944
Profit/diluted earnings per equity certificate (Parent bank)	2.0	2.3	6.9	7.3	11.5
Profit/diluted earnings per equity certificate (Group)	2.4	3.0	5.0	5.7	12.2
Proposed dividend last year per equity certificate			8.0	14.0	8.0
Paid out dividend last year per equity certificate			8.0	10.4	14.0
Book equity per equity certificate			135.2	133.6	136.4
Price/book equity per equity certificate			1.00	0.97	1.07
Listed price on Oslo Stock Exchange at end of period			134.5	129.0	146.0

## Board of Director's report

### General

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

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

### Highlights in Q2 2022

- Very good development in net interest income
- Very good lending growth in the quarter of 11.5 percent (annualised)
- Low losses on loans
- Negative profit contribution from the liquidity portfolio
- One-off costs of NOK 15 million in the quarter
- Return on equity after tax of 7.2 percent
- Profit per equity certificate NOK 2.4
- The ownership ratio up from 15 to 40 percent through conversion of primary capital
- Common equity tier 1 (CET1) ratio of 17.4 percent, up from 16.7 percent last quarter. The effect of the banking package amounted to 1.0 percentage points
- Leverage Ratio of 9.0 percent

### Highlights in 1st half 2022

- Very good development in net interest income
- Negative profit contribution from the liquidity portfolio, though a positive contribution from basis swaps under other comprehensive income
- Low losses on loans
- Cost increase of NOK 30 million related to strategic investments, of which NOK 15 million are one-off costs
- Return on equity after tax of 7.5 percent
- Profit per equity certificate NOK 5.0
- 12-month lending growth of 5.4 percent
- 12-month deposit growth of 1.8 percent

### Financial framework conditions

The Norwegian economy has picked up, and unemployment has fallen significantly since the government withdrew all remaining infection prevention measures in February. Inflation has increased significantly, particularly as a result of higher energy- and building material prices.

In June 2022, the key policy rate was raised from 0.75 to 1.25 percent. As the Norwegian central bank, Norges Bank, assessed the outlook and the risk picture, the key policy rate will most likely be raised further in August 2022, which would bring the rate back to its pre-pandemic level. The prospect of higher inflation indicates that interest rates will increase faster than previously forecast, and Norges Bank expects the key policy rate to be around 3 percent by summer of 2023.

The yields, in both the money and bond markets, rose in the first half of the year and in the second quarter, mainly due to more uncertainty resulting from the situation in the Ukraine. The risk premium on bond debt has increased, both domestically and abroad.

At the end of June 2022, the annual growth in the general public's gross domestic debt, C2, was at 5.1 percent. The growth in credit to households and businesses was 4.5 percent and 6.6 percent respectively. Fund management for municipal authorities grew by 3.7 percent.

In March 2022, the requirement for a countercyclical capital buffer was decided to be increased to 2.5 percent with effect from 31 March 2023. In June, it was decided to maintain this requirement. The purpose of the countercyclical capital buffer is to strengthen the banks' financial situation and to prevent a more restrictive lending practice by the banks from reinforcing the economic downturn. The buffer requirement had previously been raised to 1.5 percent from 30 June 2022, 2 percent from 31 December 2022 and 2.5 percent from 31 December 2023.

## Sustainability (ESG)

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

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

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

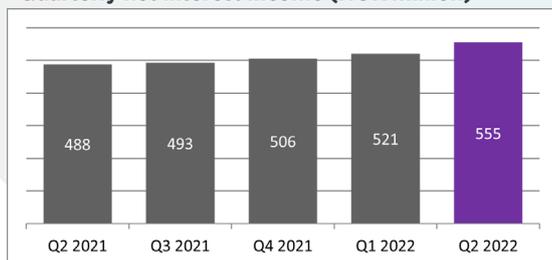
## Earnings

Profit before tax amounted to NOK 351 million in Q2 2022, compared with NOK 386 million in the same period in 2021. Return on equity after tax amounted to 7.2 percent in the Q2 2022, compared with 9.0 percent in the same period in 2021.

In the first half 2022, profit before tax amounted to NOK 705 million, compared with NOK 731 million in same period 2021. Return on equity after tax amounted to 7.5 percent in the first half of 2022, compared with 8.7 percent in the same period in 2021.

## Net interest income

### Quarterly net interest income (NOK million)



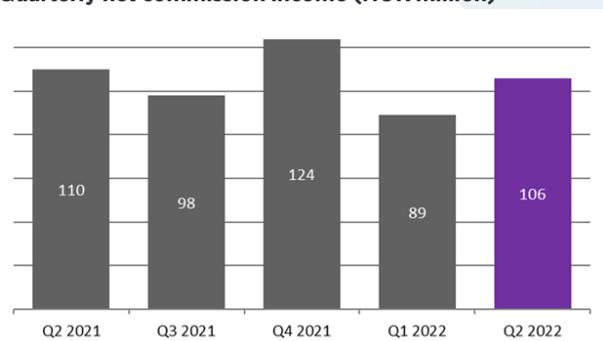
Net interest income totalled NOK 555 million in Q2 2022, compared with NOK 488 million in Q2 2021, an increase of NOK 67 million.

Net interest income increased in Q2 2022, mainly due to changes in the bank's interest rates following Norges Bank's decision to raise the key policy rate from 0.25 to 0.50 percent in mid-December 2021 and from 0.50 to 0.75 percent at the end of March 2022. Together, these changes improved interest rate margins in the second quarter, for both for the retail and corporate markets.

Norges Bank raised the key policy ratea further 0.50 percentage points in June, to 1.25 percent. Consequently, Sparebanken Sør decided to adjust interest rates on mortgages and deposits by up to 0.50 percentage points. For retail customers, the changed interest rates will take effect from 10 August for existing loans and from 26 August for deposits. Corporate customers have been notified that interest will be raised by up to 0.60 percentage points, and the margin on NIBOR loans by up to 0.25 percentage points.

## Commission income

### Quarterly net commission income (NOK million)



Net commission income totalled NOK 106 million in Q2 2022, compared with NOK 110 million in Q2 2021.

Gross commission income in Q2 2022 totalled NOK 130 million, compared with NOK 124 million in Q2 2021.

<b>Commission income</b>	<b>Q2 2022</b>	<b>Q2 2021</b>	<b>Change</b>	<b>30.06.2022</b>	<b>30.06.2021</b>	<b>Change</b>
Payment services	52	41	11	95	78	17
Real estate brokerage	48	57	-9	84	98	-14
Mutual fund	8	8	-0	16	15	1
Insurance	13	8	5	25	16	9
Credit procurement and leasing	1	2	-1	3	3	-0
Other commission income	8	8	-0	15	17	-2
<b>Total</b>	<b>130</b>	<b>124</b>	<b>6</b>	<b>238</b>	<b>227</b>	<b>11</b>

There has been a positive development in commission income from both payment services and insurance (Frende) over the past year. The investments made in insurance, including the acquisition of Sørlandet Forsikringscenter, have had a positive impact on commission income from insurance.

Income from the real estate agency (Sørmegleren) has fallen as a result of lower activity than in the corresponding period in 2021.

### Financial instruments

Net income from financial instruments totalled minus NOK -33 million in Q2 2022, compared with minus NOK -11 million in Q2 2021. The negative profit contribution is mainly due to losses in the bank's liquidity portfolio as a result of higher credit spreads. At the reporting date, the liquidity portfolio was valued at NOK 23.7 billion, and comprised highly of liquid covered bonds and certificates issued by the state and municipalities.

<b>Net income from financial instruments</b>	<b>Q2 2022</b>	<b>Q2 2021</b>	<b>Change</b>	<b>30.06.2022</b>	<b>30.06.2021</b>	<b>Change</b>
Bonds and certificates	-58	-15	-43	-91	-19	-72
Shares incl. dividends	10	14	-4	13	18	-5
Fixed rate loans	-7	-10	4	-16	-3	-12
Securities issued - hedge accounting	16	5	11	15	-4	20
Repurchase of issued bonds	-4	-14	10	-4	-14	10
Payment services (agio)	8	7	1	15	13	2
Other financial instruments	1	2	-1	8	7	1
<b>Total</b>	<b>-33</b>	<b>-11</b>	<b>-22</b>	<b>-59</b>	<b>-3</b>	<b>-56</b>

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

### Income from associated companies

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

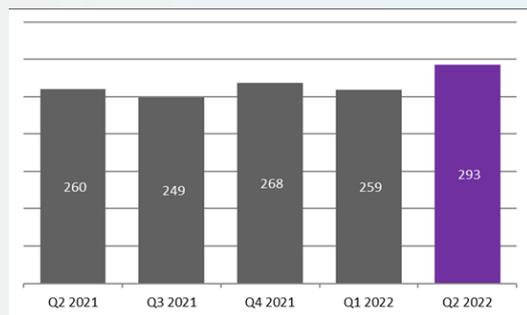
<b>Associated companies</b>	<b>Q2 2022</b>	<b>Q2 2021</b>	<b>Change</b>	<b>30.06.2022</b>	<b>30.06.2021</b>	<b>Change</b>	
Frende Holding - 19.8 %	Share of profit	15.7	38.3	-22.6	10.8	50.9	-40.1
	Amort.	-5.4	-5.4	0.0	-10.8	-10.8	0.0
	Realisation				24.9		24.9
Brage Finans - 20.8 %	Share of profit	13.4	12.4	1.0	25.6	23.3	2.3
Balder Betaling - 24.8 %	Share of profit	0.2	0.0	0.2	0.2	11.1	-10.9
<b>Total</b>	<b>23.9</b>	<b>45.3</b>	<b>-21.4</b>	<b>50.7</b>	<b>74.5</b>	<b>-23.8</b>	

The share of profits from Frende in Q2 2022 was strongly impacted by a negative financial return due to market turmoil. The gain on disposal in Q1 is due to divestment to allow 10 smaller savings banks to come on board as new owners.

In connection with the stepwise acquisition of shares in Frende Holding AS, excess values were identified, which are being amortised over the expected economic lifetime. The Group amortised surplus values of NOK 5.4 million in the second quarter.

## Operating expenses

### Quarterly operating expenses (NOK million)



Operating expenses totalled NOK 293 million in the second quarter of 2022, an increase of NOK 34 million compared to the same quarter in 2021. The increase includes one-off costs of NOK 15 million, mainly related to IT-costs and external fees on completed projects.

Operating expenses	Q2 2022	Q2 2021	Change	30.06.2022	30.06.2021	Change
Wages and fees	123	116	7	237	221	16
Payroll tax	17	16	1	35	32	3
Financial tax	5	5	0	10	9	1
Pension costs	10	14	-4	14	26	-12
Other personnel costs	7	5	2	14	10	4
<b>Total personnel costs</b>	<b>163</b>	<b>155</b>	<b>7</b>	<b>309</b>	<b>297</b>	<b>12</b>
<b>Depreciation, amortization and impairment of non-current assets</b>	<b>11</b>	<b>11</b>	<b>0</b>	<b>22</b>	<b>22</b>	<b>0</b>
Marketing	13	11	2	25	18	7
IT costs	56	42	14	104	81	23
Operating cost - real estate	8	5	3	14	11	3
External fees	15	7	7	27	16	11
Wealth tax	2	6	-3	5	11	-6
Other operating expenses	26	22	3	48	45	3
<b>Total other operating expenses</b>	<b>119</b>	<b>93</b>	<b>26</b>	<b>222</b>	<b>182</b>	<b>40</b>
<b>Total Operating expenses</b>	<b>293</b>	<b>260</b>	<b>34</b>	<b>552</b>	<b>501</b>	<b>52</b>

Personnel costs increased both for the parent bank and the Group due to strategic investments. The Group has strengthened its capability in analysis, risk management (IRB) and compliance, and has also reinforced its insurance sales organisation.

Other operating costs have also increased, mainly due to higher IT costs, consultancy fees (external), more increased market activities and electricity costs.

The significant growth in IT costs in Q2 2022 is mainly due to increased prices from the bank's main IT supplier, as well as investments in a new computer platform. The investments in IT and a new data platform are intended to reduce operating costs in the future.

External consultancy costs also increased significantly in Q2 2022. The bank has devoted significant resources to a project to assess a new IT supplier. The bank has also carried out strategic projects that have not been possible to implement using internal resources. This is related to priorities linked to the bank's IRB program. External consultancy costs are expected to be reduced in Q3 2022.

The bank expects year-on-year cost increase in 2022 of around 9 per cent. Cost growth has been higher than we expected at the start of the year, and as a result the bank will implement measures related to cost reductions. The bank expects cost inflation in 2023 to be on a par with general salary and price growth.

Cost-income ratio amounted to 44.8 percent (40,9 percent) in Q2 2022. Cost-income ratio, excl. financial instruments, accounted for 42.7 percent (40,2 percent).

## Losses and non-performing loans

Net entry on losses on loans amounted to NOK 11 million in Q2 2022, compared to a net entry on losses of NOK 11 million in Q2 2021.

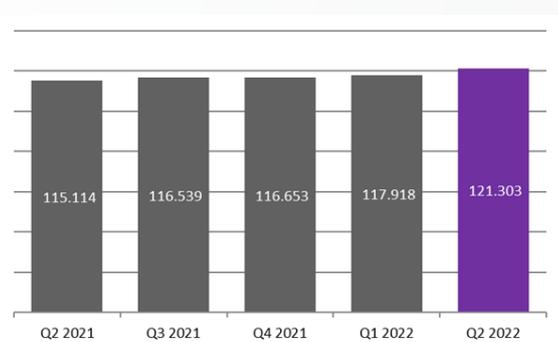
As a result of the war between Russia and Ukraine, several market conditions are affected. Both price and availability in different market areas for raw materials and other input factors are affected. Although the bank's corporate customers dependency on imports from or exports to Russia, Belarus or Ukraine is insignificant, some customers may be affected by second- and thirdhand effects. In Q2 2022, the bank has therefore assessed potential negative effects with larger corporate customers. At present, no major problems related to cost gaps or supply problems in large projects the bank has financed, have been revealed.

The Group's impairment losses were calculated to NOK 391 million by the end of Q2 2022, which is equivalent to 0.32 percent of gross loans. The corresponding figures for 2021 were NOK 430 million and 0.37 percent of gross loans.

Non-performing loans were NOK 804 million, down from NOK 912 million in the same period last year. Non-performing loans represented 0.66 percent of gross loans.

## Loans

### Loans in NOK million



Over the past 12 months net loans increased by NOK 6.2 billion to a total of NOK 121.3 billion, representing a growth of 5.4 percent. Growth in lending in Q2 2022 was NOK 3.4 billion, representing a growth of 11.5 percent.

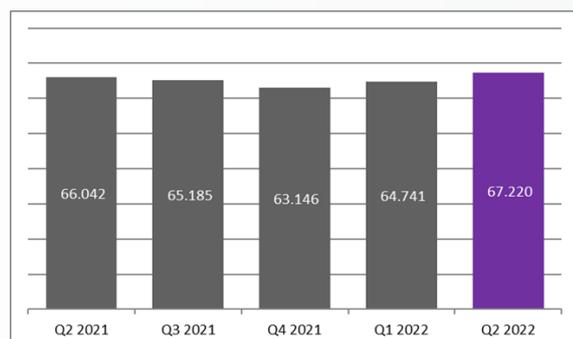
Over the past 12 months, gross loans to retail customers increased by NOK 3.5 billion to NOK 79.6 billion, a growth of 4.9 percent. Annualised growth in lending in Q2 was 7.7 percent. The bank has a goal of increasing market share within the retail market and has a stated goal of achieving growth in loans corresponding to the growth in credit in the region, plus 1 percentage point.

Gross loans to corporate customers increased by NOK 2.3 billion to NOK 41.9 billion over the last 12 months, representing a growth of 5.9 percent. Annualised lending growth in Q2 was 18.4 percent. Growth within the corporate market will fluctuate throughout the year. Growth in Q2 is linked to loans with good profitability. However, lower lending growth is expected for the corporate market in the next quarters.

Loans to retail customers accounted for 65 percent (66 percent) of total loans at the end of Q2 2022.

## Deposits

### Deposits in NOK million



Over the past 12 months, customer deposits increased by NOK 1.2 billion to NOK 67.2 billion, a growth of 1.8 percent.

Deposits from retail customers increased by NOK 1.0 billion to NOK 32.9 billion, a growth of 3.2 percent.

Deposits from corporate customers increased by NOK 0.1 billion to NOK 34.2 billion, a growth of 0.3 percent.

Deposits in percent of net loans were 55.4 percent at the end of Q2 2022, down from 57.4 percent at the same time in 2021.

### **Wholesale funding and liquidity portfolio**

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

At the end of Q2 2022, wholesale funding amounted to NOK 56.9 billion, of which 85 percent consisted of covered bonds. Long-term funding (over 1 year maturity) had an average maturity of 4.1 years at the end of the quarter.

The war in Ukraine resulted in a difficult market situation in the first half of 2022. Despite this, the bank still issued NOK 5.5 billion in covered bonds and NOK 1 billion in senior non-preferred debt (SNP) on good terms in the second quarter.

The Group's portfolio of interest-bearing securities totalled NOK 23.7 billion as at 30 June 2022. The Group's liquidity reserve (LCR) amounted to 160 percent as at 30 June 2022 (152 percent in Parent bank).

### **Rating**

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

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

### **Subordinated capital and capital adequacy**

At the end of Q2 2022, net subordinated capital totalled NOK 16.2 billion. Total tier 1 capital totalled NOK 14.5 billion and common tier 1 capital totalled NOK 13.4 billion. At the same date the (total) capital ratio for the Sparebanken Sør Group was 21.2 percent, the tier 1 capital ratio was 18.9 percent and the common equity tier 1 (CET1) capital ratio was 17.4 percent. The calculations are based on the standard method in the Basel II regulations. Brage Finans AS is proportionally consolidated in accordance with the rules on cooperative groups.

The parent bank had a (total) capital ratio of 23.4 percent, a tier 1 capital ratio of 20.7 percent and a CET1 capital ratio of 19.0 percent at the end of Q2 2022.

The Group met the capital requirements of, respectively, 13.2 percent for CET1, 14.7 percent for tier 1 capital and 16.7 percent for total capital by a solid margin. Based on the new pillar 2 decision from Finanstilsynet (FSA), the Group's internal target for 2022 is a CET1 capital ratio of 16.2 percent.

On 26 April 2022, Sparebanken Sør received Pillar 2 of Finanstilsynet's decision and feedback regarding the expectation of a capital requirement margin, in connection with the completed SREP (Supervisory Review and Evaluation Process and Pillar 2). Finanstilsynet's set the capital requirement under Pillar 2 at 1.7 percent of the calculation basis. This is a reduction of 0.3 percentage points from the current Pillar 2 supplement of 2.0 percent. In addition, Finanstilsynet considers that the bank should have a margin (Pillar 2 Guidance) in the form of common equity tier 1 capital over the total requirement for common equity tier 1 capital, tier 1 capital adequacy and capital adequacy of 1.0 percent. The Pillar 2 requirement and the capital requirement margin set by the Authority came into force on 30 April 2022.

In March 2022, the requirement for countercyclical capital buffer was decided to be increased to 2.5 percent with effect from 31 March 2023. In June, it was decided to maintain this requirement. The purpose of the countercyclical capital buffer is to make the banks more solid and to prevent the banks' credit practices from reinforcing a setback in the economy. The buffer requirement has previously been decided to be increased to 1.5 percent with effect from 30 June 2022, to 2 percent from 31 December 2022 and to 2.5 percent from 31 March 2023.

Changes in the EU banking regulations (the «banking package») were implemented in Norway from 1 June 2022. This affected, among other things, Part 2 of the SME discount and the introduction of an infrastructure discount. The implementation increased the CET1 ratio in Q2 2022 by 1.0 percentage points.

The Norwegian Ministry of Finance has amended the statutory regulations to put into effect the EU's Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD) IV with effect from 31 December 2019. The systemic risk buffer requirement will be increased from 3.0 to 4.5 percent with effect from 31 December 2022.

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

The introduction of the revised Basel III framework ("Basel IV") was due to have been implemented in the EU from 2022 with transition rules up until 2027, but this has been postponed. The Commission has drafted a proposal for implementation of the last part of the Basel III framework in EU law, and the goal is for the revised regulations (CRR3/CRD6 and BRRD3) to enter into force in the EU from 1 January 2025 at the earliest. The implementation date in Norway will therefore depend on how quickly the new legislative acts that can be incorporated in the EEA Agreement, but this will not occur until 1 January 2025 at the earliest. A very critical element in the new regulations will be the introduction of a new, more risk-sensitive standard method for credit risk. Given the composition of the Group's loan portfolio, it is expected that the new standard regulations for credit risk will result in a very positive effect for the Group. Based on preliminary information, it has been estimated that this may result in a positive effect on CET1 capital ratio in the area of 2.0 to 2.5 percentage points.

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

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

The Group's Leverage Ratio stood at 9.0 percent at the end of Q2 2022, compared with 9.2 percent at the end of Q2 2021. The Bank's capital adequacy is highly satisfactory.

The Bank Resolution and Recovery Directive (BRRD) has introduced a minimum requirement for the sum of subordinated capital and convertible debt (MREL). This entails a new requirement for convertible/non-preferred debt ("Tier 3"), which also applies to Sparebanken Sør. The requirements are determined by FSA on the basis of capital requirements and the current adjusted calculation basis in force at any given time. Based on capital requirements and adjusted calculation basis as of 31 December 2020, the effective MREL requirement is set at 32.0 percent and amounted to NOK 20.2 billion

The authorities have introduced a ceiling provision for the share of subordinated debt, and the requirement must be met by 1 January 2024. From 1. January 2022, the Bank must meet a minimum adjustment requirement of 20.0 percent of the adjusted calculation basis. This requirement is considered the starting level for the linear phasing in of the claim for subordination. The Bank must submit FSA by 31 March an updated plan for phasing in subordinated debt. By the end of Q2 2022, the Bank had issued a total of NOK 4.2 billion of senior non-preferred (Tier 3).

### **The bank's equity certificates**

As of 30 June 2022, the Bank had issued 41 703 057 equity certificates.

Profit (consolidated) per equity certificate amounted to NOK 2.4 per certificate and the comprehensive income amounted NOK 5.0 per certificate in first half 2022.

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

## Dividend policy

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

Profit will be distributed between equity certificate capital (equity certificate owners) and primary capital based on their share of the equity.

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

The aim is for approximately 50 to 70 percent of the equity certificate holders' share of the year's profit after tax to be distributed as a dividend. Dividends are distributed through cash dividends to the owners of equity certificates, customer dividends to the bank's customers and gifts in the regions where the foundation capital is built up.

In a meeting on 31 March 2022, the bank's Board of Trustees decided to raise the ownership ratio from 15 to 40 percent by converting primary capital. Finanstilsynet approved the conversion on 10 June 2022 and the new equity certificates were registered in Foretaksregisteret (Brønnøysund Business Register) on 14 June 2022. A total of 26 039 113 new equity certificates were issued, which will be entitled to dividends for the entire 2022 financial year. One important element going forward will be equal allocation of dividends, and to facilitate this, the ownership ratio will be maintained at 40 percent.

## Subsidiaries and partner businesses

The bank's wholly owned subsidiary **Sparebanken Sør Boligkreditt AS** is licensed to issue covered bonds which are used as an instrument in the Bank's long-term funding strategy. As of 30 June 2022, the Bank had transferred NOK 54.0 billion to Sparebanken Sør Boligkreditt AS, equivalent to 68 percent of all loans to the retail market.

The Bank's own real estate business, Sørmeglere, is the absolute leader in its field in Southern Norway. Sørmeglere is continuing to grow, and had employed 100 staff in 18 locations at the end of Q2 2022. Business got off to a sluggish start in 2022 as a result of lower activity in the housing market, particularly in the first quarter. Activity levels increased in the second quarter. The company posted a profit before tax of NOK 3.5 million in the first half of 2022, down from NOK 18.7 million in the corresponding period last year.

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

**Frende Holding AS** (19.8 percent shareholding) is the parent company of Frende Skadeforsikring AS and Frende Livsforsikring AS, which provide general insurance and life insurance to retail and corporate customers.

Frende Holding AS had a profit before tax in Q2 2022 of NOK 125.9 million, down from NOK 230.8 million in the same period in the previous year. Profit before tax in the first half 2022 was NOK 108.7 million down from NOK 303.3 million in the same period in 2021.

The quarter has produced very good technical profit in the general insurance business and improved results in the life business, which helped offset negative financial results due to turmoil in the financial markets.

Net financial items closed on negative NOK 90.3 million in the second quarter, down from positive NOK 85.8 million in the corresponding period in 2021. Net financial items for the first half of the year came in at negative NOK 166.8 million, down from a positive NOK 168.5 million in the first half of 2021.

Frende Skadeforsikring recorded a profit before tax of NOK 127.3 million in the second quarter, down from NOK 171.9 million in Q2 2021. The profit before tax for the first half-year closed on NOK 138.4 million, compared with NOK 243 million in the first half of 2021.

The company's written premiums totalled NOK 2 341 million (NOK 2 200 million), distributed among 166 000 customers. At the reporting date, the market share stood at 3.3 percent. The loss ratio for the first half of the year was 59.8 percent (72.1 percent), while the company's combined ratio was 77.8 percent (88.3 percent).

Frende Livsforsikring posted a profit before tax of NOK 4.5 million in the second quarter, compared with NOK 64.5 million (positive) in the second quarter of 2021. The loss before tax for the first half of the year was NOK 18.3 million, compared with a profit of NOK 70.3 million in the first half of 2021. The risk result has been weaker than in previous years, but with a good development in the second quarter isolated. The portfolio premium at the end of the quarter was NOK 618 million, up from NOK 561 million at the same time in 2021.

**Brage Finans AS** (20.8 percent shareholding) is a financing company owned by 23 independent banks. The company was established in 2010 and operates from its head office in Bergen. The company also has sales offices in the Norwegian cities of Kristiansand, Porsgrunn, Sandefjord, Stavanger, Haugesund, Ålesund and Trondheim. The company offers leasing and loans secured by the purchased objects in the corporate and retail market. Distribution of the products is provided mainly through owner banks and retailers, in addition to the company's own organisation.

Brage Finans has reported yet another good quarter. Profit before tax in Q2 2022 amounted to NOK 89.5 million, up from NOK 71.1 million in the corresponding period in 2021. The profit resulted in a return on equity of 12.7 percent for the quarter, compared with 11.4 percent for Q2 2021.

Profit before tax in the first half 2022 amounted to NOK 171.0 million, up from NOK 133.1 million in the corresponding period in 2021. The profit resulted in a return on equity of 11.9 percent, up from 10.5 percent first half 2021.

High activity levels in the company's market areas have helped drive growth in the company's business market portfolio. The car loan portfolio for retail customers has also continued to grow, despite higher interest rates and delays in the delivery of new cars.

At the reporting date, Brage Finans had a gross lending portfolio of NOK 18.7 billion. This represents an increase of NOK 3.1 billion compared with the same time last year and lending growth of 20 percent. At the end of the reporting period, recognised impairment losses totalled NOK 113.5 million, which corresponds to 0.61 percent of the gross lending portfolio.

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

In the first half 2022, the company posted revenues of NOK 90.9 million (NOK 58.5 million) and had a profit before tax of NOK 24.3 million (NOK 8.4 million). This represents the best half-year result since the company was founded in 2008. Both main business areas, Online and Investment Banking, achieved high profitability. The profit in the first half of the year was in particular impacted by a strategic focus on real estate projects within the Investment Banking business area. Investment Banking has experienced continuing high consultancy activities for Norwegian savings banks, and several new share issues and sales and mergers are currently being implemented.

Online offers both stock and fund trading to customers in the retail market. Norne develops its services in this area in close cooperation with the banks, who act as its distribution partners. The Norne funds platform is now used by 25 banks.

Overall, Norne achieved a solid improvement in results in the first half of 2022. At the start of the second half of the year, the macro situation was characterised by major uncertainty, with high inflation, the war in the Ukraine and turbulence in the capital markets all causing concern. While the long-term outlook is unclear, the company believes that the prospects for the rest of the year are positive.

**Balder Betaling AS** (24.8 percent shareholding) is owned by Sparebanken Sør together with twelve other savings banks. The company has a shareholding of 9.60 percent in Vipps AS and has a goal of developing Vipps together with other owners. Sparebanken Sør thus has an indirect shareholding in Vipps AS of 2.39 percent.

## Outlook

The Norwegian economy has picked up in 2022, and unemployment has fallen significantly since the government lifted all remaining infection prevention measures at the start of the year. Inflation has increased significantly, in particular on the back of higher energy and building material prices. Norges Bank has raised the key policy rate to 1.25 percent and will probably announce further increases in 2022 and 2023. Norges Bank expects the key policy rate to be around 3 percent by summer 2023. The war in the Ukraine has considerably increased uncertainty in the financial markets, resulting in significantly higher credit risk premiums for the bank's financing. How this will affect the bank's customers and how both private individuals and companies will react to the higher cost levels remain unclear. Despite this, the board believes that the bank is well positioned to generate further growth. The bank has a sound financial position and meets its current capital requirements by a comfortable margin. The bank is well equipped to withstand any more challenging developments in the Norwegian economy.

Sparebanken Sør has guidelines adopted by the Board of Directors that ensure that any refinancing in the bond market is normally undertaken well in advance of the final date of maturity. This has contributed to the Bank's solid financing situation. The Bank has a low-risk lending portfolio, and high loss-absorbing capacity through a high equity capital ratio. Bank operations are highly cost effective, with good underlying operations.

Residential property prices in the bank's main markets have shown a positive, though moderate, development over several years. Statistics for the second quarter of 2022 indicate slightly weaker growth in residential property prices in the bank's market area, following very strong growth in the previous 12 months.

The Group has a common Tier 1 capital ratio requirement of 13.2 percent, including Pillar 2 Addition of 1.7 percent. In addition, the bank should have a margin in the form of common equity tier 1 capital over the total requirement of 1.0 percent. (Pillar 2 Guidance) The Ministry of Finance has adopted regulations that put into force the EU's capital requirements regulations CRR/CRD IV as of 31 December 2019. One consequence of this was that the systemic risk buffer requirement was increased from 3 to 4.5 percent. The Group applies the standard method and will meet the increased systemic risk buffer requirement effective 31 December 2022. The Group has an internal objective of a common equity tier 1 capital ratio of 16.2 percent by the end of 2022, which takes the forthcoming increase in the system buffer requirement into account. At the end of the second quarter of 2022, the common equity tier 1 capital ratio was 16.4 percent, well above the regulatory requirement and the requirement that enters into force on 31 December 2022.

The Group has a long-term ambition for lending growth in excess of credit growth. The Group has a target on return on equity of 10 percent within 2023 and 11 percent within 2025.

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

### Events after the reporting period

There have been no significant events after June 30, 2022 that affect the quarterly accounts.

### Kristiansand, 11 August 2022

Knut Ruhaven Sæthre  
Chairman

Mette Ramfjord Harv  
Deputy Chairman

Merete Steinvåg Østby

Erik Edvard Tønnesen

TrondR Randøy

Eli Giske

Jan Erling Tobiassen  
Employee representative

Gunnhild Tveiten Golid  
Employee representative

Geir Bergskaug  
CEO

# Income statement

PARENT BANK					NOK million	GROUP					
31.12.	30.06.	30.06.	Q2	Q2		Q2	Q2	30.06.	30.06.	31.12.	
2021	2021	2022	2021	2022	Notes	2022	2021	2022	2021	2021	
1 206	567	830	288	461	Interest income at amortised cost	4	856	612	1607	1 213	2 494
682	355	397	184	192	Interest income at fair value through profit and loss	4	116	79	219	167	326
511	258	395	122	216	Interest expenses	4	416	204	749	441	881
<b>1 378</b>	<b>664</b>	<b>832</b>	<b>351</b>	<b>437</b>	<b>Net interest income</b>	<b>4</b>	<b>555</b>	<b>488</b>	<b>1 076</b>	<b>939</b>	<b>1 939</b>
400	176	205	90	109	Commission income		130	124	238	227	484
70	30	44	14	25	Commission expenses		24	14	43	30	66
<b>329</b>	<b>146</b>	<b>161</b>	<b>76</b>	<b>84</b>	<b>Net commission income</b>		<b>106</b>	<b>110</b>	<b>195</b>	<b>197</b>	<b>419</b>
325	319	340	18	26	Dividend		2	0	2	1	7
25	26	- 54	1	- 32	Net income from other financial instruments		- 35	- 11	- 61	- 4	- 7
<b>350</b>	<b>345</b>	<b>285</b>	<b>19</b>	<b>- 6</b>	<b>Net income from financial instruments</b>		<b>- 33</b>	<b>- 11</b>	<b>- 59</b>	<b>- 3</b>	<b>0</b>
174	75	51	45	24	Income from associated companies		24	45	51	74	174
19	5	4	3	2	Other operating income		1	2	2	2	17
<b>193</b>	<b>79</b>	<b>55</b>	<b>49</b>	<b>26</b>	<b>Total other income</b>		<b>25</b>	<b>48</b>	<b>54</b>	<b>77</b>	<b>191</b>
<b>2 249</b>	<b>1 234</b>	<b>1 333</b>	<b>494</b>	<b>541</b>	<b>Total net income</b>		<b>654</b>	<b>635</b>	<b>1 266</b>	<b>1 210</b>	<b>2 549</b>
475	227	235	117	124	Wages and other personnel expenses		163	155	309	297	606
44	21	21	11	10	Depreciation, amortization and impairment of non-current assets		11	11	22	22	44
348	173	214	89	115	Other operating expenses		119	93	222	182	368
<b>866</b>	<b>421</b>	<b>470</b>	<b>216</b>	<b>250</b>	<b>Total operation expenses before losses</b>		<b>293</b>	<b>260</b>	<b>552</b>	<b>501</b>	<b>1 018</b>
<b>1 383</b>	<b>813</b>	<b>863</b>	<b>278</b>	<b>291</b>	<b>Operating profit before losses</b>		<b>361</b>	<b>375</b>	<b>714</b>	<b>709</b>	<b>1 531</b>
- 20	- 21	5	- 12	4	Losses on loans, guarantees and undrawn credit	5	11	- 11	8	- 22	- 18
<b>1 403</b>	<b>834</b>	<b>859</b>	<b>289</b>	<b>286</b>	<b>Profit before taxes</b>	<b>2</b>	<b>351</b>	<b>386</b>	<b>705</b>	<b>731</b>	<b>1 549</b>
214	101	111	49	55	Tax expenses		77	77	157	148	323
<b>1 189</b>	<b>734</b>	<b>748</b>	<b>240</b>	<b>232</b>	<b>Profit for the period</b>		<b>273</b>	<b>309</b>	<b>549</b>	<b>583</b>	<b>1 226</b>
					Minority interests		0	1	0	2	3
<b>1 189</b>	<b>734</b>	<b>748</b>	<b>240</b>	<b>232</b>	<b>Majority interests</b>		<b>273</b>	<b>308</b>	<b>548</b>	<b>581</b>	<b>1 223</b>
46	29	32	20	21	Attributable to additional Tier 1 capital holders		21	19	32	29	46
1 143	704	716	220	211	Attributable to ECC-holders and to the primary capital		252	289	516	552	1 177
<b>1 189</b>	<b>734</b>	<b>748</b>	<b>240</b>	<b>232</b>	<b>Profit for the period</b>		<b>273</b>	<b>308</b>	<b>548</b>	<b>581</b>	<b>1 223</b>
11.5	7.3	6.9	2.3	2.0	Profit/diluted earnings per equity certificate (in whole NOK)		2.4	3.0	5.0	5.7	12.2

## Other comprehensive income

PARENT BANK					Mill. kroner	GROUP					
31.12.	30.06.	30.06.	Q2	Q2		Q2	Q2	30.06.	30.06.	31.12.	
2021	2021	2022	2021	2022	Notes	2022	2021	2022	2021	2021	
<b>1 189</b>	<b>734</b>	<b>748</b>	<b>240</b>	<b>232</b>	<b>Profit for the period</b>		<b>273</b>	<b>308</b>	<b>548</b>	<b>581</b>	<b>1 226</b>
					Items that may be reclassified to profit or loss						
					Change in value, basis swaps		14	- 22	129	- 55	14
					Change in value, customer mortgages						
					Tax effect		- 4	5	- 32	14	- 3
					<b>Total other comprehensive income</b>		<b>11</b>	<b>- 16</b>	<b>97</b>	<b>- 41</b>	<b>10</b>
<b>1 189</b>	<b>734</b>	<b>748</b>	<b>240</b>	<b>232</b>	<b>Comprehensive income for the period</b>		<b>284</b>	<b>293</b>	<b>646</b>	<b>541</b>	<b>1 237</b>
					Minority interests						<b>3</b>
					<b>Majority interests</b>		<b>284</b>	<b>293</b>	<b>646</b>	<b>541</b>	<b>1 234</b>
11.5	7.3	6.9	2.3	2.0	Comprehensive income/diluted earnings per equity certificate		2.5	2.8	5.9	5.3	12.3

# Balance sheet

PARENT BANK				NOK million		GROUP		
31.12.*	31.12.*	30.06.*	30.06.			30.06.	30.06.	31.12.
2020	2021	2021	2022	ASSETS	Notes	2022	2021	2021
1 148	437	800	389	Cash and receivables from central banks		389	800	437
10 936	5 644	6 609	7 682	Loans to credit institutions	11	2 961	1 881	1 789
62 724	67 028	66 406	67 355	Net loans to customers	2,6,7,8,10,11	121 303	115 114	116 653
18 329	17 743	18 979	19 976	Bonds and certificates	11	23 727	18 953	22 062
166	193	178	204	Shares	11	204	178	193
907	367	471	929	Financial derivatives	11,12	1 316	1 591	1 104
2 111	2 116	2 111	2 813	Shareholding in group companies				
1 134	1 201	1 094	1 133	Shareholding in associated companies		1 133	1 094	1 201
41	54	50	59	Intangible assets		69	55	64
				Deferred tax assets		0	14	
430	431	424	424	Property, plant and equipment		449	455	463
96	115	201	139	Other assets		251	279	218
<b>98 022</b>	<b>95 328</b>	<b>97 323</b>	<b>101 103</b>	<b>TOTAL ASSETS</b>	<b>2,11</b>	<b>151 803</b>	<b>140 413</b>	<b>144 182</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>								
6 765	2 660	2 603	4 266	Liabilities to credit institutions	11	3 581	2 512	2 627
59 883	63 185	66 111	67 230	Deposits from customers	2,9,11	67 220	66 042	63 146
14 149	10 013	10 114	8 450	Liabilities related to issue of securities	11,13	56 873	51 732	56 605
687	322	438	757	Financial derivatives	11,12	2 038	521	844
272	204	105	129	Payable taxes		136	189	310
705	604	603	497	Other liabilities		434	566	395
38	135	122	123	Provisions for commitments		123	122	135
29	41	33	34	Deferred tax		93		28
2 002	3 499	3 003	4 484	Senior non-preferred		4 484	3 003	3 499
1 653	1 654	1 653	1 655	Subordinated loan capital	11,13	1 655	1 653	1 654
<b>86 185</b>	<b>82 315</b>	<b>84 784</b>	<b>87 625</b>	<b>Total liabilities</b>		<b>136 638</b>	<b>126 337</b>	<b>129 242</b>
1 694	1 692	1 687	4 671	Equity certificate capital	14	4 671	1 687	1 692
1 075	1 335	1 085	1 085	Hybrid capital		1 085	1 085	1 335
9 068	9 986	9 767	7 722	Other equity		9 409	11 303	11 914
<b>11 837</b>	<b>13 013</b>	<b>12 539</b>	<b>13 478</b>	<b>Total equity</b>	<b>3,14</b>	<b>15 165</b>	<b>14 076</b>	<b>14 941</b>
<b>98 022</b>	<b>95 328</b>	<b>97 323</b>	<b>101 103</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,11</b>	<b>151 803</b>	<b>140 413</b>	<b>144 182</b>

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

## Kristiansand, 11. August 2022

Knut Ruhaven Sæthre  
Chairman

Mette Ramfjord Harv  
Deputy Chairman

Merete Steinvåg Østby

Erik Edvard Tønnesen

Trond Randøy

Eli Giske

Jan Erling Tobiassen  
Employee representative

Gunnhild Tveiten Golid  
Employee representative

Geir Bergskaug  
CEO

## Cash flow statement

PARENT BANK			NOK million	GROUP		
31.12.	30.06.	30.06.		30.06.	30.06.	31.12.
2021	2021	2022		2022	2021	2021
1 911	942	1 251	Interest received	1 890	1 451	2 841
-543	- 210	- 366	Interest paid	- 722	- 433	-894
683	506	132	Other payments received	179	217	439
-782	- 414	- 469	Operating expenditure	- 552	- 513	-946
12	6	4	Loan recoveries	4	6	12
-245	- 243	- 219	Tax paid for the period	- 325	- 322	-346
-30	- 19	- 35	Gift expenditure	- 35	- 19	-30
3 315	6 168	3 922	Change in customer deposits	3 951	6 148	3 325
-4 421	-3 762	- 509	Change in loans to customers	-4 828	-3 618	-5 190
-2 104	-1 652	1 106	Change in deposits from credit institutions	455	-1 414	-1 798
<b>-2 204</b>	<b>1 324</b>	<b>4 817</b>	<b>Net cash flow from operating activities</b>	<b>16</b>	<b>1 503</b>	<b>-2 586</b>
37 851	22 490	14 682	Payments received, securities	13 948	19 841	33 658
-37 295	-23 181	-16 963	Payments made, securities	-15 653	-17 289	-34 207
31	18	1	Payments received, sale of property, plant and equipment	10	18	31
-75	- 42	- 20	Payments made, purchase of property, plant and equipment	- 21	- 42	-76
201	201	136	Payments received, investments in subsidiaries and associates	127	201	201
-88	- 76	- 708	Payments made, investments in subsidiaries and associates	- 8	- 76	-88
205	90	- 235	Change in other assets	-1 506	64	-324
<b>830</b>	<b>- 500</b>	<b>-3 107</b>	<b>Net cash flow from investing activities</b>	<b>-3 103</b>	<b>2 717</b>	<b>-805</b>
5 292	4 329	-2 038	Change in loans to credit institutions	-1 171	582	671
-2 003	-2 503	499	Change in deposits from credit institutions	499	-2 503	-2 003
		2 000	Payments received, bond debt	9 750	9 180	15 755
-3 701	-3 700	-3 427	Payments made, bond debt	-8 121	-12 709	-13 460
-265	- 192	- 158	Payments made, dividends and interest on hybrid capital	- 158	- 192	-265
1 500	1 000	1 000	Issue of senior non-preferred	1 000	1 000	1 500
-420	- 115	615	Change in other assets	1 489	65	222
450	200		Issue of hybrid capital		199	450
-190	- 190	- 250	Deduction of hybrid capital	- 250	- 190	-190
<b>664</b>	<b>-1 171</b>	<b>-1 758</b>	<b>Net cash flow from financing activities</b>	<b>3 039</b>	<b>-4 568</b>	<b>2 680</b>
<b>-711</b>	<b>- 348</b>	<b>- 48</b>	<b>Net change in liquid assets</b>	<b>- 48</b>	<b>- 348</b>	<b>-711</b>
1 148	1 148	437	Cash and cash equivalents as at 1 Jan	437	1 148	1 148
<b>437</b>	<b>800</b>	<b>389</b>	<b>Cash and cash equivalents at end of period</b>	<b>389</b>	<b>800</b>	<b>437</b>

# Statement of change in equity

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GROUP NOK million	Dividend								TOTAL
	Equity certificates	Premium Fund	Equalization- fund	Hybrid capital	Primary capital	Gift fund	Other equity	Minority interests	
<b>Balance 31.12.2020</b>	<b>783</b>	<b>451</b>	<b>459</b>	<b>1 075</b>	<b>9 069</b>	<b>80</b>	<b>1 831</b>	<b>4</b>	<b>13 752</b>
Dividend distributed for 2020							- 163		- 163
Profit YtD				29			552		581
Interest paid, hybrid capital				- 29					- 29
Issuance of hybrid capital				200					200
Buyback of hybrid capital				- 190					- 190
Trading of own equity certificates	- 5		- 1		- 7				- 13
Other comprehensive income							- 41		- 41
Allocated gift fund						- 20			- 20
<b>Balance 30.06.2021</b>	<b>778</b>	<b>451</b>	<b>458</b>	<b>1 085</b>	<b>9 062</b>	<b>60</b>	<b>2 179</b>	<b>4</b>	<b>14 076</b>
Dividend distributed for 2020							- 56		- 56
Profit YtD			61	17	858	100	- 396	3	643
Interest paid, hybrid capital				- 17					- 17
Issuance of hybrid capital				250					250
Trading of own equity certificates	3		1		6				11
Other comprehensive income							51		51
Allocated gift fund						- 19			- 19
Other changes							2		2
<b>Balance 31.12.2021</b>	<b>782</b>	<b>451</b>	<b>520</b>	<b>1 335</b>	<b>9 925</b>	<b>141</b>	<b>1 781</b>	<b>7</b>	<b>14 941</b>
Dividend distributed for 2021			0				- 125		- 125
Profit YtD				32			517	- 1	548
Interest paid, hybrid capital				- 32					- 32
Buyback of hybrid capital				- 250					- 250
Conversion of primary capitalbasic fund to equity certificates	1 302	1 617			- 2 919				
Other comprehensive income							97		97
Allocated gift fund						- 13			- 13
<b>Balance 30.06.2022</b>	<b>2 084</b>	<b>2 068</b>	<b>520</b>	<b>1 085</b>	<b>7 006</b>	<b>127</b>	<b>2 269</b>	<b>6</b>	<b>15 165</b>
PARENT BANK									
<b>Balance 31.12.2020*</b>	<b>783</b>	<b>451</b>	<b>459</b>	<b>1 075</b>	<b>9 068</b>		<b>0</b>		<b>11 837</b>
Profit YtD				29			705		734
Interest paid, hybrid capital				- 29					- 29
Issuance of hybrid capital				200					200
Buyback of hybrid capital				- 190					- 190
Trading of own equity certificates	- 5		- 1		- 7				- 13
<b>Balance 30.06.2021*</b>	<b>778</b>	<b>451</b>	<b>458</b>	<b>1 085</b>	<b>9 062</b>		<b>705</b>		<b>12 539</b>
Profit YtD			61	17	858		- 705		231
Interest paid, hybrid capital				- 17					- 17
Issuance of hybrid capital				250					250
Buyback of hybrid capital									0
Trading of own equity certificates	4				6				10
<b>Balance 31.12.2021*</b>	<b>782</b>	<b>451</b>	<b>519</b>	<b>1 335</b>	<b>9 925</b>		<b>0</b>		<b>13 013</b>
Profit Ytd				10			716		725
Interest paid, hybrid capital				- 10					- 10
Buyback of hybrid capital				- 250					- 250
Conversion of primary capitalbasic fund to equity certificattess	1 302	1 617			- 2 919				0
<b>Balance 30.06.2022</b>	<b>2 084</b>	<b>2 068</b>	<b>519</b>	<b>1 085</b>	<b>7 006</b>		<b>716</b>		<b>13 478</b>

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

## 1. ACCOUNTING POLICIES

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

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

### Change in the Parent bank as of 1.1.2022

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

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

### Discretionary assessments, estimates and assumptions

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

The financial item losses on loans and undrawn credit, is subject to a significant degree of discretionary assessments. This item was in 2020 and 2021 particularly challenging to quantify, due to the ongoing pandemic. There have been turmoil and fluctuations in the financial market, but many macro parameters have in the second half of 2021 and so far in 2022 pointed upwards. Models used to calculate future credit losses contains forward-looking macro data, and in events of major changes to the economy, the current models and parameters must be changed accordingly.

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

## 2. SEGMENT REPORTING

### BANKING BUSINESS

30.06.2022

Report per segment			Undistrib.	Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmegleren	Total
Net interest and commission income	560	475	42	1 076	0	1 076
Net other operating income	104	44	-44	103	87	190
Operating expenses	234	59	176	469	83	552
<b>Profit before losses per segment</b>	<b>429</b>	<b>459</b>	<b>-179</b>	<b>710</b>	<b>4</b>	<b>714</b>
Losses on loans and guarantees	3	5	0	8		8
<b>Profit before tax per segment</b>	<b>427</b>	<b>454</b>	<b>-179</b>	<b>702</b>	<b>4</b>	<b>705</b>
Gross loans to customers	82 033	39 788	-165	121 656		121 656
Impairment losses	-55	-297	0	-353		-353
Net loans to customers	81 978	39 491	-165	121 303		121 303
Other assets			30 376	30 376	124	30 500
<b>Total assets per segment</b>	<b>81 978</b>	<b>39 491</b>	<b>30 211</b>	<b>151 680</b>	<b>124</b>	<b>151 803</b>
Deposits from customers	34 646	29 225	3 349	67 220		67 220
Other liabilities	47 332	10 266	11 698	69 295	124	69 418
<b>Total liabilities per segment</b>	<b>81 978</b>	<b>39 491</b>	<b>15 046</b>	<b>136 515</b>	<b>124</b>	<b>136 638</b>
Equity			15 165	15 165		15 165
<b>Total liabilities and equity per segment</b>	<b>81 978</b>	<b>39 491</b>	<b>30 211</b>	<b>151 680</b>	<b>124</b>	<b>151 803</b>

## BANKING BUSINESS

30.06.2021

Report per segment	Undistrib.			Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmeqleren	Total
Net interest and commission income	566	406	-33	939	0	939
Net other operating income	85	40	47	173	98	271
Operating expenses	204	52	165	422	80	501
<b>Profit before losses per segment</b>	<b>447</b>	<b>394</b>	<b>-151</b>	<b>690</b>	<b>19</b>	<b>709</b>
Losses on loans and guarantees	5	-27	0	-22		-22
<b>Profit before tax per segment</b>	<b>442</b>	<b>422</b>	<b>-152</b>	<b>712</b>	<b>19</b>	<b>731</b>
Gross loans to customers	77 937	37 492	88	115 516		115 516
Impairment losses	-49	-353	0	-402		-402
Net loans to customers	77 888	37 131	95	115 114		115 114
Other assets			25 163	25 163	136	25 299
<b>Total assets per segment</b>	<b>77 888</b>	<b>37 131</b>	<b>25 259</b>	<b>140 277</b>	<b>136</b>	<b>140 413</b>
Deposits from customers	33 644	29 061	3 337	66 042		66 042
Other liabilities	44 244	8 070	7 846	60 160	136	60 296
<b>Total liabilities per segment</b>	<b>77 888</b>	<b>37 131</b>	<b>11 183</b>	<b>126 202</b>	<b>136</b>	<b>126 337</b>
Equity			14 076	14 076		14 076
<b>Total liabilities and equity per segment</b>	<b>77 888</b>	<b>37 131</b>	<b>25 259</b>	<b>140 277</b>	<b>136</b>	<b>140 413</b>

## 3. SUBORDINATED CAPITAL AND CAPITAL ADEQUACY

## MINIMUM CAPITAL REQUIREMENTS

PARENT BANK			NOK million		GROUP		
31.12. 2021	30.06. 2021	30.06. 2022		30.06. 2022	30.06. 2021	31.12. 2021	
			<b>Minimum capital requirements</b>				
4.50 %	4.50 %	4.50 %	Minimum Tier 1 capital requirements	4.50 %	4.50 %	4.50 %	
2.50 %	2.50 %	2.50 %	Conservation buffer	2.50 %	2.50 %	2.50 %	
3.00 %	3.00 %	3.00 %	Systemic risk buffer	3.00 %	3.00 %	3.00 %	
1.00 %	1.00 %	1.50 %	Counter-cyclical buffer	1.50 %	1.00 %	1.00 %	
2.00 %	2.00 %	1.70 %	Pilar 2 requirements	1.70 %	2.00 %	2.00 %	
13.00 %	13.00 %	13.20 %	CET1 requirements. incl. Pilar 2	13.20 %	13.00 %	13.00 %	
14.50 %	14.50 %	14.70 %	Tier1 Capital requirements. incl. Pilar 2	14.70 %	14.50 %	14.50 %	
16.50 %	16.50 %	16.70 %	Total capital requirements. incl. Pilar 2	16.70 %	16.50 %	16.50 %	
8 438	8 462	8 224	CET1 requirements. incl. Pilar 2	10 131	10 289	10 308	
9 412	9 438	9 159	Tier1 Capital requirements. incl. Pilar 2	11 282	11 476	11 498	
10 710	10 740	10 405	Total capital requirements. incl. Pilar 2	12 817	13 059	13 084	
2 978	2 770	3 613	Above CET1 requirements. incl. Pilar 2	3 256	2 345	2 696	
3 340	2 879	3 764	Above Tier1 Capital requirements. incl. Pilar 2	3 242	2 279	2 878	
3 692	3 227	4 168	Above total capital requirements. incl. Pilar 2	3 427	2 395	2 991	

PARENT BANK			NOK million	GROUP		
31.12. 2021*	30.06. 2021*	30.06. 2022		30.06. 2022	30.06. 2021	31.12. 2021
<b>13 013</b>	<b>12 539</b>	<b>13 478</b>	<b>Total equity</b>	<b>15 165</b>	<b>14 076</b>	<b>14 941</b>
			<b>Tier 1 capital</b>			
-1 335	-1 085	-1 085	Equity not eligible as common equity tier 1 capital	-1 137	-1 121	-1 371
- 271	- 120	- 287	Share of profit not eligible as common equity tier 1 capital	- 414	- 120	- 271
- 54	- 50	- 59	Deductions for intangible assets and deferred tax assets	- 68	- 57	- 61
- 43	- 44	- 42	Deductions for additional value adjustments	- 32	- 27	- 29
106	- 8	- 168	Other deductions	- 127	- 117	- 204
<b>11 416</b>	<b>11 232</b>	<b>11 838</b>	<b>Total common equity tier 1 capital</b>	<b>13 388</b>	<b>12 634</b>	<b>13 004</b>
			<b>Other tier 1 capital</b>			
1 335	1 085	1 085	Hybrid capital	1 137	1 121	1 371
<b>12 752</b>	<b>12 317</b>	<b>12 923</b>	<b>Total tier 1 capital</b>	<b>14 525</b>	<b>13 755</b>	<b>14 375</b>
			<b>Additional capital supplementary to tier 1 capital</b>			
1 650	1 650	1 650	Subordinated loan capital	1 720	1 699	1 699
<b>1 650</b>	<b>1 650</b>	<b>1 650</b>	<b>Total additional capital</b>	<b>1 720</b>	<b>1 699</b>	<b>1 699</b>
<b>14 402</b>	<b>13 967</b>	<b>14 573</b>	<b>Net subordinated capital</b>	<b>16 245</b>	<b>15 454</b>	<b>16 074</b>
			<b>Minimum requirement for subordinated capital Basel II calculated according to standard method</b>			
22	22	279	Engagements with local and regional authorities	280	23	22
981	1 141	1 227	Engagements with institutions	366	456	388
3 137	3 488	2 701	Engagements with enterprises	4 131	4 783	4 688
5 259	4 631	7 192	Engagements with mass market	9 709	7 314	8 045
37 798	38 679	32 604	Engagements secured in property	51 698	55 717	55 290
522	647	473	Engagements which have fallen due	694	733	632
1 823	2 265	1 545	Engagements which are high risk	1 545	2 265	1 823
5 934	5 379	6 292	Engagements in covered bonds	1 523	1 196	1 381
4 899	4 852	5 411	Engagements in collective investment funds	1 437	1 722	1 680
650	444	695	Engagements other	721	586	700
<b>61 022</b>	<b>61 548</b>	<b>58 419</b>	<b>Capital requirements for credit and counterparty risk</b>	<b>72 104</b>	<b>74 795</b>	<b>74 649</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>Capital requirements for position, currency and product risk</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>3 878</b>	<b>3 530</b>	<b>3 878</b>	<b>Capital requirements for operational risk</b>	<b>4 638</b>	<b>4 336</b>	<b>4 638</b>
<b>8</b>	<b>12</b>	<b>7</b>	<b>CVA addition</b>	<b>7</b>	<b>12</b>	<b>8</b>
<b>64 908</b>	<b>65 090</b>	<b>62 305</b>	<b>Risk-weighted balance (calculation basis)</b>	<b>76 749</b>	<b>79 143</b>	<b>79 295</b>
17.6 %	17.3 %	19.0 %	Common equity tier 1 capital ratio, %	17.4 %	16.0 %	16.4 %
19.7 %	18.9 %	20.7 %	Tier 1 capital ratio, %	18.9 %	17.4 %	18.1 %
22.2 %	21.5 %	23.4 %	Total capital ratio, %	21.2 %	19.5 %	20.3 %
8.8 %	8.6 %	8.3 %	Leverage ratio	9.0 %	9.2 %	9.4 %

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

#### 4. INTEREST INCOME AND INTEREST EXPENSES

					Interest income					GROUP				
31.12.	30.06.	30.06.	Q2	Q2.		2. kv.	2. kv.	30.06.	30.06.	31.12.				
2021	2021	2022	2021	2022	NOK million	2022	2021	2022	2021	2021				
					<i>Interest income from financial instruments at amortised cost</i>									
62	32	58	12	37	Interest on receivables from credit institutions	12	0	17	2	6				
1 144	535	772	276	424	Interest on loans given to customers	844	612	1 589	1 211	2 488				
<b>1 206</b>	<b>567</b>	<b>830</b>	<b>288</b>	<b>461</b>	<b>Total interest from financial instruments at amortised cost</b>	<b>856</b>	<b>612</b>	<b>1 607</b>	<b>1 213</b>	<b>2 494</b>				
					<i>Interest income from financial instruments at fair value</i>									
156	80	67	39	33	Interest on loans given to customers (fixed rate loans)	33	39	67	80	156				
139	70	121	37	66	Interest on certificates and bonds	83	40	152	88	169				
<b>295</b>	<b>150</b>	<b>188</b>	<b>76</b>	<b>99</b>	<b>Total interest from financial instruments at fair value via profit or loss</b>	<b>116</b>	<b>79</b>	<b>219</b>	<b>167</b>	<b>326</b>				
					<i>Interest income from financial instruments at fair value via OCI</i>									
387	205	208	108	93	Interest on loans given to customers (mortgages)									
<b>387</b>	<b>205</b>	<b>208</b>	<b>108</b>	<b>93</b>	<b>Total interest from financial instruments at fair value via OCI</b>									
<b>1 888</b>	<b>922</b>	<b>1 227</b>	<b>472</b>	<b>653</b>	<b>Total interest income</b>	<b>972</b>	<b>692</b>	<b>1 826</b>	<b>1 380</b>	<b>2 820</b>				
					Interest expenses					GROUP				
31.12.	30.06.	30.06.	Q1	Q1		Q1	Q1	30.06.	30.06.	31.12.				
2021	2021	2022	2021	2022	NOK million	2022	2021	2022	2021	2021				
					<i>Interest expenses from financial instruments at amortised cost</i>									
20	10	19	4	11	Interest on liabilities to credit institutions	10	4	17	19	19				
246	123	199	59	111	Interest on customer deposits	111	59	199	122	247				
119	65	91	29	49	Interest on issued securities	248	109	443	245	483				
31	15	21	7	11	Interest on subordinated loans	11	7	21	15	31				
42	19	41	9	23	Interest on senior non-preferred loans	23	9	41	19	42				
52	26	24	12	10	Fees to the Norwegian Banks Guarantee Fund and other interest expenses	13	15	29	30	60				
<b>511</b>	<b>258</b>	<b>395</b>	<b>122</b>	<b>216</b>	<b>Interest expenses from financial instruments at amortised cost</b>	<b>416</b>	<b>204</b>	<b>749</b>	<b>441</b>	<b>881</b>				
<b>511</b>	<b>258</b>	<b>395</b>	<b>122</b>	<b>216</b>	<b>Total interest expenses</b>	<b>416</b>	<b>204</b>	<b>749</b>	<b>441</b>	<b>881</b>				

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

Provisions for loss allowances and loss expense for the period are calculated according to the accounting standard IFRS 9 and are based on expected credit loss (ECL) using the 3-stage model described in Note 7 of the 2021 financial statements.

As a result of covid-19, the macro situation changed significantly in 2020, which improved at the end of the year and in 2021. In 2022, the macro picture has again become more uncertain with the war in Ukraine, high inflation and increasing interest rates. The Group's loss provision in Q2 2022 is based on new assumptions.

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

The following macro variables have been used when calculating impairment losses, as of June 30 2022.

	2022	2023	2024	2025	2026
Housing price %	5.5	-1.0	2.0	4.3	4.3
Housing price region %	5.5	-1.0	2.0	4.3	4.3
Unemployment %	3.0	3.2	3.3	3.4	3.4
Oil prices, USD	108.0	96.9	88.0	81.9	81.9
Policy rate	1.2	2.9	3.1	2.8	2.8
Import-weighted exchange rate	110.4	109.2	107.8	107.2	107.2
USD	10.0	9.9	9.7	9.7	9.7
CPI	4.6	3.6	2.5	2.7	2.7

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

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

GROUP					30.06.2022
Loan loss provisions NOK million	10 percent reduction in collateral	20 percent reduction in collateral	30 percent reduction in collateral	1 percent increase in unemployment	
Loan loss provisions, CM	49	108	178	14	
Loan loss provisions, RM	13	30	51	5	
<b>Total</b>	<b>62</b>	<b>138</b>	<b>229</b>	<b>19</b>	

PARENT BANK					30.06.2022
Loan loss provisions NOK million	10 percent reduction in collateral	20 percent reduction in collateral	30 percent reduction in collateral	1 percent increase in unemployment	
Loan loss provisions, CM	49	107	176	14	
Loan loss provisions, RM	6	13	21	3	
<b>Total</b>	<b>54</b>	<b>120</b>	<b>197</b>	<b>17</b>	

The bank's loss expenses in the first half of 2022 is still at a low level.

PARENT BANK					NOK million		GROUP				
31.12. 2021	30.06. 2021	30.06. 2022	Q2 2021	Q2 2022	Loss expense on loans during the period	Q2 2022	Q2 2021	30.06. 2022	30.06. 2021	31.12. 2021	
-12	-15	10	-8	10	Period's change in write-downs stage 1	12	-8	11	-16	-13	
-16	-13	21	-5	26	+Period's change in write-downs stage 2	27	-5	21	-13	-15	
5	1	-28	-1	-32	+Period's change in write-downs stage 3	-29	-1	-26	2	6	
12	7	4	5	2	+ Period's confirmed loss	2	5	4	7	12	
2	3	0	1	0	+ Recognised as interest income	0	1	0	3	2	
12	6	4	3	2	- Period's recoveries relating to previous losses	2	3	4	6	12	
0	0	2	0	0	+ Change in write-downs an guarantees	0	0	2	0	0	
<b>-20</b>	<b>-21</b>	<b>5</b>	<b>-12</b>	<b>4</b>	<b>Loss expenses during the period</b>	<b>11</b>	<b>-11</b>	<b>8</b>	<b>-22</b>	<b>-18</b>	

GROUP	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2022</b>	<b>88</b>	<b>135</b>	<b>202</b>	<b>424</b>
<b>Transfers</b>				
Transferred to stage 1	46	-30	-17	0
Transferred to stage 2	-4	5	-1	0
Transferred to stage 3	0	-4	4	0
Losses on new loans	28	32	2	62
Losses on deducted loans *	-11	-18	-32	-61
Losses on older loans and other changes	-49	36	-21	-34
<b>Provisions for loan losses as at 30.06.2022</b>	<b>99</b>	<b>156</b>	<b>137</b>	<b>391</b>
Provisions for loan losses	82	137	134	353
Provisions for guarantees and undrawn credits	17	18	3	39
<b>Total provision for losses as at 30.06.2022</b>	<b>99</b>	<b>156</b>	<b>137</b>	<b>391</b>

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

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

PARENT BANK	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2022</b>	<b>83</b>	<b>129</b>	<b>199</b>	<b>411</b>
<b>Transfers</b>				
Transferred to stage 1	44	-28	-16	0
Transferred to stage 2	-4	4	0	0
Transferred to stage 3	0	-4	4	0
Losses on new loans	26	32	1	59
Losses on deducted loans *	-10	-17	-32	-59
Losses on older loans and other changes	-47	34	-24	-37
<b>Provisions for loan losses as at 30.06.2022</b>	<b>93</b>	<b>150</b>	<b>132</b>	<b>375</b>
Provisions for loan losses	76	131	130	337
Provisions for losses on guarantees and undrawn credits	17	18	3	39
<b>Total provision for losses as at 30.06.2022</b>	<b>93</b>	<b>150</b>	<b>132</b>	<b>375</b>

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

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

GROUP	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2021</b>	<b>101</b>	<b>149</b>	<b>217</b>	<b>468</b>
<b>Transfers</b>				
Transferred to stage 1	37	-35	-2	0
Transferred to stage 2	-6	8	-2	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	17	23	1	41
Losses on deducted loans	-10	-23	-4	-36
Losses on older loans and other changes	-55	17	-3	-41
<b>Provisions for loan losses as at 30.06.2021</b>	<b>85</b>	<b>137</b>	<b>209</b>	<b>430</b>
Provisions for loan losses	74	121	207	402
Provisions for guarantees and undrawn credits	11	15	2	28
<b>Total provision for losses as at 30.06.2021</b>	<b>85</b>	<b>137</b>	<b>209</b>	<b>430</b>

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

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

PARENT BANK	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2021</b>	<b>94</b>	<b>145</b>	<b>217</b>	<b>456</b>
<b>Transfers</b>				
Transferred to stage 1	36	-34	-2	0
Transferred to stage 2	-5	7	-2	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	15	22	1	39
Losses on deducted loans *	-9	-22	-4	-35
Losses on older loans and other changes	-52	15	-5	-41
<b>Provisions for loan losses as at 30.06.2021</b>	<b>80</b>	<b>133</b>	<b>208</b>	<b>420</b>
Provisions for loan losses	68	118	206	392
Provisions for losses on guarantees and undrawn credits	11	15	2	28
<b>Total provision for losses as at 30.06.2021</b>	<b>80</b>	<b>133</b>	<b>208</b>	<b>420</b>

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

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

## 6. NON-PERFORMING LOANS

All commitments in Stage 3 are defined as being in default. A new definition of default was implemented on 1 January 2021. Under the new definition, payment default is based on a minimum amount of NOK 1 000 for retail customers and NOK 2 000 for corporate customers. However, a new relative limit of 1 percent of the customer's commitment has also been introduced. Both conditions must be met before a default can be said to exist.

In addition to direct payment default, default will also exist in the event of other objective causes or qualitative assessments and loss indications. Default will also exist in the following situations:

**Forbearance:** This may be defined as a combination of financial difficulties and concessions on the part of the bank, where the bank has granted terms that would not have been granted to a healthy customer.

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

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

PARENT BANK			NOK million			GROUP		
31.12. 2021	30.06. 2021	30.06. 2022				30.06. 2022	30.06. 2021	31.12. 2021
691	847	611	<b>Total non-performing loans (step 3)</b>			<b>804</b>	<b>912</b>	<b>783</b>
199	208	132	Impairment losses in stage 3			137	209	202
<b>492</b>	<b>639</b>	<b>479</b>	<b>Net non-performing loans</b>			<b>667</b>	<b>703</b>	<b>581</b>
28.8 %	24.5 %	21.6 %	Provisioning non-performing loans			17.0 %	22.9 %	25.8 %
1.03 %	1.28 %	0.90 %	Total non-performing loans in % of gross loans			0.66 %	0.79 %	0.67 %

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

Impairment losses by sector and industry

PARENT BANK				NOK million				GROUP		
Stage 1	Stage 2	Stage 3	Total impairment losses as of 30.06.2022			Total impairment losses as of 30.06.2022	Stage 3	Stage 2	Stage 1	
5	8	28	41	Retail customers		59	32	16	10	
0	0	0	0	Public administration		0	0	0	0	
2	1	3	6	Primary Industry		7	4	1	2	
1	5	4	10	Manufacturing industry		10	4	5	2	
23	24	17	63	Real estate development		63	17	23	23	
5	2	14	21	Building and construction industry		21	14	2	5	
44	75	46	165	Property management		164	46	73	44	
0	1	1	2	Transport		2	1	1	0	
3	21	9	32	Retail trade		32	9	20	3	
1	1	2	4	Hotel and restaurants		4	2	1	1	
2	1	0	3	Housing cooperatives		3	0	1	2	
1	4	8	13	Financial/commercial services		13	8	4	1	
6	7	1	14	Social services		14	1	7	6	
<b>93</b>	<b>150</b>	<b>132</b>	<b>375</b>	<b>Total impairment losses on loans, guarantees and undrawn credit</b>		<b>391</b>	<b>137</b>	<b>156</b>	<b>99</b>	
76	131	130	337	Impairment losses on lending		353	134	137	82	
17	18	3	39	Impairment losses on unused credits and guarantees		39	3	18	17	
<b>93</b>	<b>150</b>	<b>132</b>	<b>375</b>	<b>Total impairment losses</b>		<b>391</b>	<b>137</b>	<b>156</b>	<b>99</b>	

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

## 8. MIGRATION OF GROSS LOANS

PARENT BANK				30.06.2022		GROUP			
NOK MILLION									
Stage 1*	Stage 2	Stage 3	Total	GROSS LOANS		Total	Stage 3	Stage 2	Stage 1*
57 884	8 860	668	67 412	Gross loans as at 01.01		117 049	762	11 047	105 240
1 976	-1 883	-93	0	Transferd to stage 1		0	-120	-2 522	2 643
-2 176	2 188	-12	0	Transferd to stage 2		0	-19	3 373	-3 354
-34	-64	98	0	Transferd to stage 3		0	240	-108	-132
1 567	159	-48	1 678	Net change on present loans		556	-53	99	510
12 303	1 994	134	14 432	New loans		26 501	147	2 216	24 139
-13 166	-2 299	-157	-15 622	Derecognised loans		-22 243	-168	-2 650	-19 425
-208			-208	Change in value during the period		-208	0	0	-208
<b>58 147</b>	<b>8 954</b>	<b>590</b>	<b>67 691</b>	<b>Gross loans as at 30.06.</b>		<b>121 656</b>	<b>788</b>	<b>11 454</b>	<b>109 414</b>
			46 187	Of which loan at amortised cost		116 852			
			16 700	Of which loan at fair value through OCI					
			4 804	Of which loan at fair value		4 804			
76	131	130	337	Impairment losses on lending		353	134	137	82
0.13 %	1.46 %	22.02 %	0.50 %	Impairments in % of gross loans		0.29 %	17.00 %	1.20 %	0.07 %
<b>68 104</b>	<b>10 066</b>	<b>611</b>	<b>78 781</b>	<b>Commitments</b>		<b>137 700</b>	<b>804</b>	<b>12 617</b>	<b>124 278</b>
93	150	132	375	Impairment losses on commitments		391	137	156	99
0.14 %	1.49 %	21.60 %	0.48 %	Impairments in % of commitments		0.28 %	16.97 %	1.23 %	0.08 %

PARENT BANK				30.06.2021		GROUP			
NOK MILLION									
Stage 1*	Stage 2	Stage 3	Total	GROSS LOANS		Total	Stage 3	Stage 2	Stage 1*
54 328	7 877	936	63 141	Gross loans as at 01.01		112 006	977	9 697	101 332
1 702	-1 687	-15	0	Transferd to stage 1		0	-30	-2 356	2 386
-1 574	1 587	-14	0	Transferd to stage 2		0	-16	2 569	-2 553
-37	-43	80	0	Transferd to stage 3		0	123	-71	-52
-3 737	232	-77	-3 582	Net change on present loans		-4 781	-82	173	-4 872
16 395	1 604	13	18 012	New loans		26 218	14	1 685	24 519
-9 100	-1 453	-126	-10 680	Derecognised loans		-17 834	-126	-1 797	-15 910
-93			-93	Change in value during the period		-93			-93
<b>57 884</b>	<b>8 118</b>	<b>796</b>	<b>66 798</b>	<b>Gross loans as at 30.06.</b>		<b>115 516</b>	<b>859</b>	<b>9 900</b>	<b>104 757</b>
			42 727	Of which loan at amortised cost		110 188			
			18 744	Of which loan at fair value through OCI					
			5 328	Of which loan at fair value		5 328			
68	118.4	206	392	Impairment losses on lending		402	207	121	74
0.12 %	1.46 %	25.93 %	0.59 %	Impairments in % of gross loans		0.35 %	24.10 %	1.22 %	0.07 %
<b>67 756</b>	<b>9 239</b>	<b>847</b>	<b>77 842</b>	<b>Commitments</b>		<b>130 585</b>	<b>912</b>	<b>11 060</b>	<b>118 613</b>
80	132.5	208	420	Impairment losses on commitments		430	209	136.5	85
0.12 %	1.43 %	24.49 %	0.54 %	Impairments in % of commitments		0.33 %	22.86 %	1.23 %	0.07 %

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

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

## PARENT BANK

30.06.2021				NOK MILLION		30.06.2022			
Stage 1	Stage 2	Stage 3	Total	GROSS LOAN ASSESSED AT AMORTISED COST	Total	Stage 3	Stage 2	Stage 1	
<b>34 001</b>	<b>6 013</b>	<b>817</b>	<b>40 832</b>	<b>Gross loans assessed at amortised cost 01.01</b>	<b>43 129</b>	<b>36 064</b>	<b>6 438</b>	<b>627</b>	
1 318	-1 314	-4	0	Transferd to stage 1	0	1 583	-1 490	-93	
-1 135	1 145	-10	0	Transferd to stage 2	0	-1 684	1 691	-7	
-36	-39	76	0	Transferd to stage 3	0	-18	-48	66	
-3 547	230	-71	-3 389	Net change on present loans	1 892	1 814	125	-47	
8 562	838	9	9 409	New loans	6 726	5 463	1 140	123	
-3 280	-751	-94	-4 125	Derecognised loans	-5 561	-4 296	-1 115	-150	
<b>35 883</b>	<b>6 122</b>	<b>722</b>	<b>42 727</b>	<b>Gross loan assessed at amortised cost 31.03</b>	<b>46 187</b>	<b>38 926</b>	<b>6 741</b>	<b>519</b>	

## PARENT BANK

30.06.2021				NOK MILLION		30.06.2022			
Stage 1	Stage 2	Stage 3	Total	GROSS LOAN THROUGH OTHER COMPREHENSIVE INCOME	Total	Stage 3	Stage 2	Stage 1	
<b>14 758</b>	<b>1 864</b>	<b>112</b>	<b>16 735</b>	<b>Gross loan through other comprehensive income 01.01</b>	<b>19 280</b>	<b>16 817</b>	<b>2 422</b>	<b>41</b>	
396	-386	-10	0	Transferd to stage 1	0	393	-393	-0	
-320	327	-7	0	Transferd to stage 2	0	-491	497	-5	
0	-2	2	0	Transferd to stage 3	0	-16	-16	32	
471	58	-2	526	Net change on present loans	-74	-106	34	-1	
7 182	707	3	7 892	New loans	7 228	6 362	854	12	
-4 269	-486	-16	-4 772	Derecognised loans	-9 733	-8 542	-1 184	-7	
<b>18 218</b>	<b>2 083</b>	<b>81</b>	<b>20 382</b>	<b>Gross loan through other comprehensive income 31.03</b>	<b>16 700</b>	<b>14 415</b>	<b>2 213</b>	<b>71</b>	

## 9. CUSTOMER DEPOSITS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.2021	30.06.2021	30.06.2022		30.06.2022	30.06.2021	31.12.2021
31 173	31 851	32 860	Retail customers	32 864	31 855	31 177
9 158	11 349	10 751	Public administration	10 752	11 350	9 159
832	770	893	Primary industry	893	770	832
1 917	1 597	2 057	Manufacturing industry	2 058	1 597	1 917
850	817	820	Real estate development	802	741	802
1 586	1 488	1 550	Building and construction industry	1 550	1 488	1 587
3 240	3 628	3 875	Property management	3 876	3 628	3 240
718	504	666	Transport	667	505	718
1 397	1 414	1 308	Retail trade	1 308	1 414	1 398
262	232	291	Hotel and restaurant	291	232	262
168	173	165	Housing cooperatives	165	173	168
5 185	4 923	4 979	Financial/commercial services	4 979	4 923	5 186
6 691	7 286	6 883	Social services	6 884	7 287	6 692
8	80	131	Accrued interests	131	80	8
<b>63 185</b>	<b>66 111</b>	<b>67 230</b>	<b>Total deposits from customers</b>	<b>67 220</b>	<b>66 042</b>	<b>63 146</b>

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

## 10. LOANS TO CUSTOMERS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.2021	30.06.2021	30.06.2022		30.06.2022	30.06.2021	31.12.2021
29 357	28 313	27 196	Retail customers	79 587	75 836	77 549
430	554	403	Public administration	404	554	431
1 381	1 251	1 307	Primary industry	1 434	1 350	1 497
764	799	921	Manufacturing industry	992	856	840
3 666	4 768	4 171	Real estate development	4 138	4 727	3 632
1 433	1 412	1 590	Building and construction industry	1 913	1 653	1 726
19 579	19 433	21 265	Property management	21 335	19 489	19 648
500	515	401	Transport	504	608	594
1 401	1 082	1 593	Retail trade	1 723	1 197	1 519
400	395	400	Hotel and restaurant	431	421	430
1 494	1 324	1 499	Housing cooperatives	1 502	1 326	1 496
929	1 205	865	Financial/commercial services	1 159	1 421	1 198
5 950	5 637	5 917	Social services	6 322	5 934	6 322
128	110	163	Accrued interests	210	143	167
<b>67 412</b>	<b>66 798</b>	<b>67 691</b>	<b>Total gross loans</b>	<b>121 656</b>	<b>115 516</b>	<b>117 049</b>
384	392	337	Impairment losses on lending	353	402	397
<b>67 028</b>	<b>66 406</b>	<b>67 355</b>	<b>Total net loans</b>	<b>121 303</b>	<b>115 114</b>	<b>116 653</b>

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

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



PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			30.06.2021	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
<b>Assets recognized at amortised cost</b>								
800		800		Cash and receivables from central banks	800		800	
6 609		6 609		Loans to credit institutions	1 881		1 881	
42 338			42 338	Net loans to customers (floating interest rate)	109 786			109 786
<b>Assets recognized at fair value</b>								
5 328			5 328	Net loans to customers (fixed interest rate)	5 328			5 328
18 740			18 740	Net loans to customers (mortgages)				
18 979		18 979		Bonds and certificates	18 953		18 953	
178	8		170	Shares	178	8		170
471		471		Financial derivatives	1 591		1 591	
<b>93 444</b>	<b>8</b>	<b>26 859</b>	<b>66 576</b>	<b>Total financial assets</b>	<b>138 517</b>	<b>8</b>	<b>23 225</b>	<b>115 284</b>
<b>Liabilities recognized at amortised cost</b>								
2 603		2 603		Liabilities to credit institutions	2 512		2 512	
66 111			66 111	Deposits from customers	66 042			66 042
10 114		10 112		Liabilities from issue of securities	51 732		51 859	
3 003		3 031		Senior non-preferred	3 003		3 031	
1 653		1 678		Subordinated loan capital	1 653		1 678	
<b>Liabilities recognized at fair value</b>								
438		438		Financial derivatives	521		521	
<b>83 921</b>	<b>-</b>	<b>17 861</b>	<b>66 111</b>	<b>Total financial liabilities</b>	<b>125 461</b>	<b>-</b>	<b>59 600</b>	<b>66 042</b>

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.12.2021	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
<b>Assets recognized at amortised cost</b>								
437		437		Cash and receivables from central banks	437		437	
5 644		5 644		Loans to credit institutions	1 789		1 789	
41 233			41 233	Net loans to customers (floating interest rate)	111 232			111 232
<b>Assets recognized at fair value</b>								
5 420			5 420	Net loans to customers (fixed interest rate)	5 420			5 420
20 375			20 375	Net loans to customers (mortgages)				
17 743		17 743		Bonds and certificates	22 062		22 062	
193	7		186	Shares	193	7		186
367		367		Financial derivatives	1 104		1 104	
<b>91 412</b>	<b>7</b>	<b>24 191</b>	<b>67 214</b>	<b>Total financial assets</b>	<b>142 238</b>	<b>7</b>	<b>25 392</b>	<b>116 838</b>
<b>Liabilities recognized at amortised cost</b>								
2 660		2 660		Liabilities to credit institutions	2 627		2 627	
63 185			63 185	Deposits from customers	63 146			63 146
10 013		10 029		Liabilities from issue of securities	56 605		56 710	
3 499		3 512		Senior non-preferred	3 499		3 512	
1 654		1 669		Subordinated loan capital	1 654		1 669	
<b>Liabilities recognized at fair value</b>								
322		322		Financial derivatives	844		844	
<b>81 331</b>	<b>-</b>	<b>18 191</b>	<b>63 185</b>	<b>Total financial liabilities</b>	<b>128 373</b>	<b>-</b>	<b>65 361</b>	<b>63 146</b>

### Movement level 3

#### GROUP

NOK million	Net loans to customers	Of which credit risk	Shares
<b>Recognized value as at 01.01.2021</b>	<b>5 575</b>	<b>25</b>	<b>160</b>
Acquisitions Q1 and Q2	373		3
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-93	-2	8
Disposals Q1 and Q2	-527		-1
Reclassified as associated company			
<b>Recognized value as at 30.06.2021</b>	<b>5 328</b>	<b>24</b>	<b>170</b>
Acquisitions Q3 and Q4	444		16
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 48	26	- 2
Disposals Q3 and Q4	- 721		-
Reclassified as associated company			
<b>Recognized value as at 31.12.2021</b>	<b>5 003</b>	<b>50</b>	<b>184</b>
Acquisitions Q1 and Q2	511		10
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-208	- 9	2
Disposals Q1 and Q2	-502		-
Reclassified as associated company			
<b>Recognized value as at 30.06.2022</b>	<b>4 804</b>	<b>41</b>	<b>197</b>

#### PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares
<b>Recognized value as at 01.01.2021</b>	<b>22 304</b>	<b>25</b>	<b>160</b>
Acquisitions Q1 and Q2	2 384		3
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 93	- 2	8
Disposals Q1 and Q2	- 527		- 1
Reclassified as associated company			
<b>Recognized value as at 30.06.2021</b>	<b>24 068</b>	<b>24</b>	<b>170</b>
Acquisitions Q3 and Q4	1 413		16
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 48	26	- 2
Disposals Q3 and Q4	-1 154		-
Reclassified as associated company			
<b>Recognized value as at 31.12.2021</b>	<b>24 278</b>	<b>50</b>	<b>184</b>
Acquisitions Q1 and Q2	511		10
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 208	- 9	2
Disposals Q1 and Q2	-3 083		-
Reclassified as associated company			
<b>Recognized value as at 30.06.2022</b>	<b>21 498</b>	<b>41</b>	<b>197</b>

### Sensitivity analysis

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

#### GROUP / PARENT BANK

NOK million	30.06.2022	30.06.2021	31.12.2021
Loans to customers	19	20	20
- of which loans to corporate market (CM)	1	2	1
- of which loans to retail market (RM)	18	18	19

## 12. FINANCIAL DERIVATIVES, COLLATERAL RECEIVED AND OFFSETTING

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

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

GROUP						30.06.2022
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	1 316	580	736	- 707	29	
Derivatives - liabilities	-2 038	- 580	-1 458	2	-1 457	
<b>Net</b>	<b>- 722</b>	<b>0</b>	<b>- 722</b>	<b>- 705</b>	<b>-1 427</b>	

GROUP						30.06.2021
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	1 591	311	1 280	- 643	638	
Derivatives - liabilities	- 521	- 311	- 210	300	90	
<b>Net</b>	<b>1 070</b>	<b>0</b>	<b>1 070</b>	<b>- 342</b>	<b>728</b>	

PARENT BANK						30.06.2022
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	929	193	736	- 707	29	
Derivatives - liabilities	- 757	- 193	- 564	2	- 562	
<b>Net</b>	<b>172</b>	<b>0</b>	<b>172</b>	<b>- 705</b>	<b>- 533</b>	

PARENT BANK						30.06.2021
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	471	228	243	-0	243	
Derivatives - liabilities	-438	-228	-210	205	-5	
<b>Netto</b>	<b>33</b>	<b>0</b>	<b>33</b>	<b>205</b>	<b>238</b>	

### 13. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

#### Debt securities - Group

NOK million	30.06.2022	30.06.2021	31.12.2021
Bonds, nominal value	58 476	51 029	56 227
Value adjustments	-1 743	584	242
Accrued interest	141	119	136
<b>Debt incurred due to issuance of securities</b>	<b>56 873</b>	<b>51 732</b>	<b>56 605</b>

#### Change in debt securities - Group

NOK million	31.12.2021	Issued	Matured/ Redeemed	Other changes during the period	30.06.2022
Bonds, nominal value	56 227	9 750	-8 121	620	58 476
Value adjustments	242			-1 985	-1 743
Accrued interest	136			4	141
<b>Debt incurred due to issuance of securities</b>	<b>56 605</b>	<b>9 750</b>	<b>-8 121</b>	<b>-1 360</b>	<b>56 873</b>

#### Debt securities - Parent bank

NOK Million	30.06.2022	30.06.2021	31.12.2021
Bonds, nominal value	8 527	9 950	9 950
Value adjustments	-160	82	11
Accrued interest	84	81	52
<b>Debt incurred due to issuance of securities</b>	<b>8 450</b>	<b>10 114</b>	<b>10 013</b>

#### Change in debt securities - Parent bank

NOK million	31.12.2021	Issued	Matured/ Redeemed	Other changes during the period	30.06.2022
Bonds, nominal value	9 950	2 000	-3 427	4	8 527
Value adjustments	11			-171	-160
Accrued interest	52			32	84
<b>Debt incurred due to issuance of securities</b>	<b>10 013</b>	<b>2 000</b>	<b>-3 427</b>	<b>-135</b>	<b>8 450</b>

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

NOK million	31.12.2021	Issued	Matured/ Redeemed	Other changes during the period	30.06.2022
Subordinated loans	1 650	0	0		1 650
Accrued interest	4			1	5
<b>Total subordinated loan capital</b>	<b>1 654</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1 655</b>

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

NOK million	31.12.2021	Issued	Matured/ Redeemed	Other changes during the period	30.06.2022
Non-preferred senior debt	3 500	1 000	0	0	4 500
Value adjustments	-7			-21	-27
Accrued interest	5			7	12
<b>Total non-preferred senior debt</b>	<b>3 499</b>	<b>1 000</b>	<b>0</b>	<b>-14</b>	<b>4 484</b>

## 14. EQUITY CERTIFICATE HOLDERS

The 20 largest equity certificate holders as at 30.06.2022 were as follows:

	<b>Number of EC</b>	<b>Share of EC-CAP. %</b>		<b>Number of EC</b>	<b>Share of EC-CAP. %</b>
1. Sparebankstiftelsen Sparebanken Sør	34 027 792	81.60	11. Catilina Invest AS	100 000	0.24
2. EIKA utbytte VPF c/o Eika kapitalforv.	730 097	1.75	12. Svenska Handelsbanken AB	100 000	0.24
3. Pareto Invest Norge AS	417 309	1.00	13. Ottersland AS	82 800	0.20
4. Drangslund Kapital AS	302 107	0.72	14. MP Pensjon PK	75 691	0.18
5. Glastad Capital AS	200 000	0.48	15. Artel AS	74 006	0.18
6. Wenaasgruppen AS	186 000	0.45	16. Profond AS	73 740	0.18
7. Hamjern Invest AS	180 099	0.43	17. Apriori Holding AS	73 237	0.18
8. Gumpen Bileiendom AS	174 209	0.42	18. Varodd AS	72 575	0.17
9. KLP Gjensidige Forsikring	163 300	0.39	19. Birkenes Sparebank	70 520	0.17
10. Allumgården AS	151 092	0.36	20. Brøvig Holding AS	68 000	0.16
<b>Total - 10 largest certificate holders</b>	<b>36 532 005</b>	<b>87.60</b>	<b>Total - 20 largest certificate holders</b>	<b>37 322 574</b>	<b>89.50</b>

As of 1 January 2022, the ownership ratio was 15.7 percent. Hybrid capital, classified as equity, has been excluded when calculating the ownership ratio. As of 30 June 2022, the ownership ratio was 40.0 percent.

The equity certificate capital amounted to NOK 2 085 152 850 distributed over 41 703 057 equity certificates, each with a nominal value of NOK 50. At the reporting date, Sparebanken Sør owned 32 272 of its own equity certificates.

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

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

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

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

<b>NOK million</b>	<b>Reported 31.12.2020</b>	<b>Reclassifi- cation</b>	<b>Adjusted 31.12.2020</b>	<b>Reported 30.06.2021</b>	<b>Reclassifi- cation</b>	<b>Adjusted 30.06.2021</b>	<b>Reported 31.12.2021</b>	<b>Reclassifi- cation</b>	<b>Adjusted 31.12.2021</b>
TOTAL ASSETS	98 022		98 022	97 323		97 323	95 328		95 328
Total liabilities	85 886	299	86 185	84 669	115	84 784	82 050	266	82 315
Total equity	12 136	-299	11 837	12 654	-115	12 539	13 278	-266	13 013
TOTAL LIABILITIES AND EQUITY	98 022		98 022	97 323		97 323	95 328		95 328

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

## **Credit risk**

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

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

## **Market risk**

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

## **Liquidity risk**

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

## **Operational risk**

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

## **Business risk**

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

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

# Quarterly trend in results

	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
<b>Profit (NOK million)</b>					
Net interest income	555	521	506	493	488
Net commission income	106	89	124	98	110
Net income from financial instruments	-33	-26	-26	29	-11
Income from associated companies	24	27	66	34	45
Other operating income	1	1	11	4	3
<b>Total net income</b>	<b>654</b>	<b>612</b>	<b>682</b>	<b>658</b>	<b>635</b>
Total operating expenses before losses	293	259	268	249	260
<b>Operating profit before losses</b>	<b>361</b>	<b>352</b>	<b>414</b>	<b>408</b>	<b>375</b>
Losses on loans, guarantees and undrawn credits	11	-2	2	2	-11
<b>Profit before taxes</b>	<b>351</b>	<b>355</b>	<b>412</b>	<b>406</b>	<b>386</b>
Tax expenses	77	79	83	91	77
<b>Profit for the period</b>	<b>273</b>	<b>276</b>	<b>328</b>	<b>315</b>	<b>309</b>
<b>Profit as % of average assets</b>					
Net interest income	1.48 %	1.44 %	1.39 %	1.37 %	1.40 %
Net commission income	0.28 %	0.24 %	0.34 %	0.27 %	0.31 %
Net income from financial instruments	-0.09 %	-0.07 %	-0.07 %	0.08 %	-0.03 %
Income from associated companies	0.06 %	0.07 %	0.18 %	0.09 %	0.13 %
Other operating income	0.00 %	0.00 %	0.03 %	0.01 %	0.01 %
<b>Total net income</b>	<b>1.75 %</b>	<b>1.69 %</b>	<b>1.88 %</b>	<b>1.82 %</b>	<b>1.82 %</b>
Total operating expenses before losses	0.78 %	0.72 %	0.74 %	0.69 %	0.74 %
<b>Operating profit before losses</b>	<b>0.97 %</b>	<b>0.97 %</b>	<b>1.14 %</b>	<b>1.13 %</b>	<b>1.07 %</b>
Losses on loans, guarantees and undrawn credit	0.03 %	-0.01 %	0.01 %	0.01 %	-0.03 %
<b>Profit before taxes</b>	<b>0.94 %</b>	<b>0.98 %</b>	<b>1.13 %</b>	<b>1.13 %</b>	<b>1.11 %</b>
Tax expenses	0.21 %	0.22 %	0.23 %	0.25 %	0.22 %
<b>Profit for the period</b>	<b>0.73 %</b>	<b>0.76 %</b>	<b>0.90 %</b>	<b>0.88 %</b>	<b>0.89 %</b>
<b>Key figures, income statement</b>					
Return on equity after tax (adjusted for hybrid capital)	7.2 %	7.8 %	9.4 %	9.2 %	9.0 %
Costs as % of income	44.8 %	42.4 %	39.3 %	37.9 %	40.9 %
Costs as % of income, excl. net income from financial instruments	42.7 %	40.6 %	37.9 %	39.6 %	40.2 %
<b>Key figures, balance sheet</b>					
Total assets	151 803	148 072	144 182	145 431	140 413
Average total assets	150 000	147 000	144 200	143 000	140 000
Net loans to customers	121 303	117 918	116 653	116 539	115 114
Growth in loans as %, last 12 mths.	5.4 %	4.5 %	4.5 %	5.4 %	5.6 %
Customer deposits	67 220	64 741	63 146	65 185	66 042
Growth in deposits as %, last 12 mths.	1.8 %	6.4 %	5.5 %	7.8 %	10.0 %
Deposits as % of net loans	55.4 %	54.9 %	54.1 %	55.9 %	57.4 %
Equity (incl. hybrid capital)	15 165	15 163	14 941	14 394	14 076
Losses on loans as % of net loans, annualised	0.04 %	-0.01 %	0.01 %	0.01 %	-0.04 %
<b>Other key figures</b>					
Liquidity reserves (LCR), Group	160 %	156 %	140 %	142 %	146 %
Liquidity reserves (LCR), Group- EUR	805 %	2628 %	604 %	637 %	345 %
Liquidity reserves (LCR), Parent Bank	152 %	138 %	127 %	126 %	135 %
Common equity tier 1 capital ratio	17.4 %	16.7 %	16.4 %	16.2 %	16.0 %
Tier 1 capital ratio	18.9 %	18.4 %	18.1 %	17.6 %	17.4 %
Total capital ratio	21.2 %	20.5 %	20.3 %	19.7 %	19.5 %
Common equity tier 1 capital	13 388	13 252	13 004	12 820	12 634
Tier 1 capital	14 525	14 633	14 376	13 941	13 755
Net subordinated capital	16 245	16 346	16 074	15 640	15 454
Leverage ratio	9.0 %	9.3 %	9.4 %	9.3 %	9.2 %
Number of branches	35	35	35	35	35
Number of FTEs in banking operations	474	471	464	452	441
<b>Key figures, equity certificates</b>					
Equity certificate ratio	40.0 %	15.5 %	15.7 %	16.0 %	16.0 %
Number of equity certificates issued	41 703 057	15 663 944	15 663 944	15 663 944	15 663 944
Profit per equity certificate (Parent Bank)	2.0	5.0	2.4	2.1	2.3
Profit per equity certificate (Group)	2.4	2.6	3.2	3.2	3.0
Dividend last year per equity certificate (Parent Bank)	135.2	132.7	136.4	137.3	133.6
Dividend paid last period per equity certificate	1.00	1.18	1.07	0.97	0.97
Book equity per equity certificate	134.5	157.0	146.0	133.0	129.0

	31.12. 2021	31.12. 2020	31.12. 2019	31.12. 2018	31.12. 2017	31.12. 2016
<b>Income statement (NOK million)</b>						
Net interest income	1 939	1 914	1 926	1 729	1 679	1 565
Net commission income	419	347	344	318	312	293
Net income from financial instruments	0	40	24	2	88	224
Other operating income	191	143	74	23	18	28
<b>Total net income</b>	<b>2 549</b>	<b>2 444</b>	<b>2 368</b>	<b>2 072</b>	<b>2 097</b>	<b>2 110</b>
Total operating expenses before losses	1 018	958	918	884	811	787
<b>Operating profit before losses</b>	<b>1 531</b>	<b>1 486</b>	<b>1 450</b>	<b>1 188</b>	<b>1 286</b>	<b>1 323</b>
Losses on loans and guarantees	- 18	83	-17	-36	20	50
<b>Profit before taxes</b>	<b>1 549</b>	<b>1 403</b>	<b>1 467</b>	<b>1 224</b>	<b>1 266</b>	<b>1 273</b>
Tax expenses	323	307	342	285	282	284
<b>Profit for the period</b>	<b>1 226</b>	<b>1 096</b>	<b>1 125</b>	<b>939</b>	<b>984</b>	<b>989</b>
<b>Profit as a percentage of average assets</b>						
Net interest income	1.35 %	1.36 %	1.53 %	1.46 %	1.53 %	1.49 %
Net commission income	0.29 %	0.25 %	0.27 %	0.27 %	0.28 %	0.28 %
Net income from financial instruments	0.00 %	0.03 %	0.02 %	0.00 %	0.08 %	0.21 %
Other operating income	0.13 %	0.10 %	0.06 %	0.02 %	0.02 %	0.03 %
<b>Total net income</b>	<b>1.78 %</b>	<b>1.74 %</b>	<b>1.88 %</b>	<b>1.75 %</b>	<b>1.92 %</b>	<b>2.01 %</b>
Total operating expenses before losses	0.71 %	0.68 %	0.73 %	0.75 %	0.74 %	0.75 %
<b>Operating profit before losses</b>	<b>1.07 %</b>	<b>1.06 %</b>	<b>1.15 %</b>	<b>1.00 %</b>	<b>1.17 %</b>	<b>1.26 %</b>
Losses on loans and guarantees	-0.01 %	0.06 %	-0.01 %	-0.03 %	0.02 %	0.05 %
<b>Profit before taxes</b>	<b>1.08 %</b>	<b>1.00 %</b>	<b>1.17 %</b>	<b>1.03 %</b>	<b>1.16 %</b>	<b>1.21 %</b>
Tax expenses	0.23 %	0.22 %	0.27 %	0.24 %	0.26 %	0.27 %
<b>Profit for the period</b>	<b>0.86 %</b>	<b>0.78 %</b>	<b>0.89 %</b>	<b>0.79 %</b>	<b>0.90 %</b>	<b>0.94 %</b>
<b>Key figures, income statement</b>						
Return on equity after tax (adjusted for hybrid capital)	9.0 %	8.4 %	9.5 %	8.5 %	9.7 %	11.3 %
Costs as % of income	39.9 %	39.2 %	38.8 %	42.7 %	38.7 %	37.3 %
Costs as % of income, excl. net income from financial instruments	40.0 %	39.9 %	39.2 %	42.7 %	40.4 %	41.7 %
<b>Key figures, balance sheet</b>						
Total assets	144 182	142 126	129 499	121 125	114 310	105 455
Average total assets	143 100	140 400	125 900	118 600	109 500	104 950
Net loans to customers	116 653	111 577	106 334	102 942	97 518	90 928
Growth in loans as %, last 12 mths.	4.5 %	4.9 %	3.3 %	5.6 %	7.2 %	2.9 %
Customer deposits	63 146	59 833	57 949	56 537	55 580	51 562
Growth in deposits as %, last 12 mths.	5.5 %	3.3 %	2.5 %	1.7 %	7.8 %	6.6 %
Deposits as % of net loans	54.1 %	53.6 %	54.5 %	54.9 %	57.0 %	56.7 %
Equity (incl. hybrid capital)	14 941	13 752	13 081	11 845	11 108	10 051
Losses on loans as % of net loans, annualised	-0.02 %	0.07 %	-0.01 %	-0.03 %	0.02 %	0.05 %
Gross non-performing loans (over 90 days) as % of gross lending	IA	0.29 %	0.27 %	0.21 %	0.28 %	0.30 %
<b>Other key figures</b>						
Liquidity reserves (LCR), Group	140 %	173 %	148 %	159 %	139 %	128 %
Liquidity reserves (LCR), Group- EUR	604 %	107 %	1 168 %	4 727 %	3 105 %	
Liquidity reserves (LCR), Parent Bank	127 %	154 %	140 %	180 %	134 %	119 %
Common equity tier 1 capital ratio	16.4 %	15.7 %	15.7 %	14.8 %	14.9 %	14.7 %
Tier 1 capital ratio	18.1 %	17.1 %	17.6 %	16.6 %	16.7 %	16.0 %
Total capital ratio	20.3 %	19.1 %	20.3 %	18.7 %	18.9 %	17.9 %
Common equity tier 1 capital	13 004	12 204	11 356	10 517	9 890	9 114
Tier 1 capital	14 376	13 315	12 767	11 591	10 965	9 939
Net total primary capital	16 074	14 864	14 686	13 096	12 347	11 121
Leverage ratio	9.4 %	8.9 %	9.3 %	9.1 %	9.2 %	8.6 %
Number of branches	35	35	34	34	34	34
Number of FTEs in banking operations	464	442	429	434	432	439
<b>Key figures, equity certificates</b>						
Equity certificate ratio before profit distribution	15.7 %	17.3 %	17.2 %	17.9 %	18.7 %	19.8 %
Number of equity certificates issued	15 663 944	15 663 944	15 663 944	15 663 944	15 663 944	15 663 944
Profit per equity certificate (Parent Bank)	11.5	10.5	9.3	7.7	8.9	8.5
Profit per equity certificate (Group)	12.2	11.3	11.7	10.1	11.2	10.7
Dividend last year per equity certificate (Parent Bank)	8.0	14.0	0.0	6.0	6.0	6.0
Book equity per equity certificate	136.4	140.0	128.5	123.2	120.0	115.2
Price/book value per equity certificate	1.1	0.8	0.9	0.8	0.9	0.8
Listed price on Oslo Stock Exchange at end of period	146.0	114.5	110.0	96.9	104.0	91.3

# Calculations

	Q2	Q1	Q4	Q3	Q2	30.06	30.06	31.12.
NOK million	2022	2022	2021	2021	2021	2022	2021	2021
<b>Return on equity adjusted for hybrid capital</b>								
Profit after tax	273	276	328	315	309	549	583	1 223
Interest on hybrid capital	-21	-12	-9	-8	-19	-32	-29	-46
<b>Profit after tax, incl. Interest on hybrid capital</b>	<b>252</b>	<b>264</b>	<b>320</b>	<b>306</b>	<b>290</b>	<b>516</b>	<b>553</b>	<b>1 177</b>
Opening balance, equity	15 163	14 941	14 394	14 076	14 022	14 941	13 752	13 752
Opening balance, hybrid capital	-1 335	-1 335	-1 085	-1 085	-1 275	-1 335	-1 075	-1 075
<b>Opening balance, equity excl. hybrid capital</b>	<b>13 828</b>	<b>13 606</b>	<b>13 309</b>	<b>12 991</b>	<b>12 746</b>	<b>13 606</b>	<b>12 677</b>	<b>12 677</b>
Closing balance, equity	15 165	15 163	14 941	14 394	14 076	15 165	14 076	14 941
Closing balance, hybrid capital	-1 085	-1 335	-1 335	-1 085	-1 085	-1 085	-1 085	-1 335
<b>Closing balance, equity excl. hybrid capital</b>	<b>14 080</b>	<b>13 827</b>	<b>13 606</b>	<b>13 309</b>	<b>12 991</b>	<b>14 080</b>	<b>12 991</b>	<b>13 606</b>
Average equity	15 164	15 052	14 668	14 235	14 049	15 053	13 914	14 347
<b>Average equity excl. Hybrid capital</b>	<b>13 954</b>	<b>13 717</b>	<b>13 458</b>	<b>13 150</b>	<b>12 869</b>	<b>13 843</b>	<b>12 834</b>	<b>13 142</b>
Return on equity	7.2 %	7.4 %	8.9 %	8.8 %	8.8 %	7.4 %	8.5 %	8.5 %
<b>Return on equity, excl. hybrid capital</b>	<b>7.2 %</b>	<b>7.8 %</b>	<b>9.4 %</b>	<b>9.2 %</b>	<b>9.0 %</b>	<b>7.5 %</b>	<b>8.7 %</b>	<b>9.0 %</b>
<b>Net interest income, incl. interest on hybrid capital</b>								
Net interest income, incl. interest on hybrid capital	555	521	506	493	488	1 076	939	1 939
Interest on hybrid capital	-21	-12	-9	-8	-19	-32	-29	-46
<b>Net interest income, incl. interest on hybrid capital</b>	<b>535</b>	<b>509</b>	<b>498</b>	<b>485</b>	<b>469</b>	<b>1 044</b>	<b>910</b>	<b>1 892</b>
Average total assets	150 000	147 000	144 200	143 000	140 000	148 194	143 000	143 100
<b>As percentage of total assets</b>	<b>1.43 %</b>	<b>1.40 %</b>	<b>1.37 %</b>	<b>1.35 %</b>	<b>1.34 %</b>	<b>1.42 %</b>	<b>1.29 %</b>	<b>1.32 %</b>
<b>Profit from ordinary operations (adjusted earnings)</b>								
Net interest income, incl. Interest on hybrid capital	535	509	498	485	469	1 044	910	1 892
Net commission income	106	89	124	98	110	195	197	419
Share of profit from associated companies	24	27	66	34	45	51	74	174
Other operating income	1	1	0	4	2	2	2	7
Operating expenses	278	267	281	249	260	552	501	1 031
<b>Profit from ordinary operations (adjusted earnings), before tax</b>	<b>388</b>	<b>359</b>	<b>408</b>	<b>371</b>	<b>367</b>	<b>740</b>	<b>682</b>	<b>1 461</b>
Losses on loans, guarantees and undrawn credits	11	- 2	2	2	- 11	8	- 22	- 18
<b>Profit excl. finance and adjusted for non-recurring items</b>	<b>378</b>	<b>362</b>	<b>406</b>	<b>369</b>	<b>378</b>	<b>732</b>	<b>705</b>	<b>1 479</b>
Tax (25 %) adjusted for tax, share of profit associated companies	88	84	85	84	83	170	158	326
<b>Ordinary operations /adjusted earnings after losses and tax</b>	<b>289</b>	<b>278</b>	<b>321</b>	<b>285</b>	<b>295</b>	<b>562</b>	<b>547</b>	<b>1 153</b>
Average equity, excl. hybrid capital	13 954	13 717	13 458	13 150	12 869	13 843	12 834	13 142
<b>Return on equity, profit excl. finance and adjusted for non-recurring items</b>	<b>8.3 %</b>	<b>8.2 %</b>	<b>9.5 %</b>	<b>8.6 %</b>	<b>9.2 %</b>	<b>8.2 %</b>	<b>8.6 %</b>	<b>8.8 %</b>
<b>Average interest rates/margins</b>								
Average lending rate RM (return)	2.52 %	2.35 %	2.12 %	2.02 %	2.05 %			
Average lending rate CM (return)	3.69 %	3.42 %	3.06 %	2.72 %	2.80 %			
Average deposit rate RM	0.41 %	0.34 %	0.28 %	0.29 %	0.32 %			
Average deposit rate CM	0.91 %	0.74 %	0.55 %	0.39 %	0.42 %			
Average 3-month NIBOR	1.36 %	1.20 %	0.79 %	0.39 %	0.26 %			
Lending margin RM (lending rate - 3-month NIBOR)	1.16 %	1.15 %	1.33 %	1.63 %	1.79 %			
Lending margin CM (lending rate - 3-month NIBOR)	2.33 %	2.22 %	2.27 %	2.33 %	2.54 %			
Deposit margin RM (3-month NIBOR - deposit rate)	0.95 %	0.86 %	0.51 %	0.10 %	-0.06 %			
Deposit margin CM (3-month NIBOR - deposit rate)	0.45 %	0.46 %	0.24 %	0.00 %	-0.16 %			
<b>Interest-rate margin (lending rate - deposit rate)</b>								
Interest-rate margin RM	2.10 %	2.00 %	1.84 %	1.73 %	1.73 %			
Interest-rate margin CM	2.78 %	2.68 %	2.51 %	2.33 %	2.38 %			

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

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

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

## Sparebanken Sør's APMs and definitions

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

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

The Board of Directors and CEO of Sparebaken Sør hereby confirm that the bank and the group's financial statements for the first half of 2022 have been prepared in accordance with applicable accounting standards, and that the information provided in the financial statements provides a true and fair view of the company's assets, liabilities, financial position and overall results.

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

**Kristiansand, 30. June 2022/11. August 2022**

Knut Ruhaven Sæthre  
Chairman

Mette Ramfjord Harv  
Deputy Chairman

Merete Steinvåg Østby

Erik Edvard Tønnesen

Trond Randøy

Eli Giske

Jan Erling Tobiassen  
Employee representative

Gunnhild Tveiten Golid  
Employee representative

Geir Bergskaug  
CEO