

Q4 2023

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SPAREBANKEN SØR

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Key figures Group

Income statement (NOK million)	Q4 2023	Q4 2022	31.12.2023	31.12.2022
Net interest income	815	683	3 043	2 368
Net commission income	105	115	400	417
Net income from financial instruments	- 13	46	3	- 82
Income from associated companies	33	46	99	125
Other operating income	3	1	29	5
Total net income	943	892	3 573	2 834
Total operating expenses before losses	370	311	1 297	1 145
Operating profit before losses	573	581	2 276	1 690
Losses on loans, guarantees and unused credit	31	15	49	74
Profit before taxes	543	566	2 227	1 615
Tax expenses	116	98	454	332
Profit for the period	426	468	1 773	1 283
Key figures. income statement				
Return on equity after tax (adjusted for hybrid capital)	10.5 %	12.8 %	11.3 %	8.7 %
Costs as % of income	39.2 %	34.8 %	36.3 %	40.4 %
Costs as % of income, excl. net income from financial instruments	38.7 %	36.7 %	36.3 %	39.3 %
Net interest income as % of average assets	2.03 %	1.76 %	1.91 %	1.58 %
Key figures. balance sheet				
Total assets	157 407	157 435	157 407	157 435
Average total assets	159 000	154 000	159 000	150 000
Net loans to customers			127 532	123 852
Growth in loans as % last 12 mths.			3.0 %	6.2 %
Customer deposits			69 272	65 596
Growth in loans as % last 12 mths.			5.6 %	3.9 %
Deposits as % of net loans			54.3 %	53.0 %
Equity (incl. hybrid capital)			16 752	15 779
Losses on loans as % of net loans, annualised			0.04 %	0.05 %
Other key figures				
Liquidity reserve (LCR) Group			156 %	177 %
Liquidity reserve (LCR) Group- Euro			310 %	387 %
Liquidity reserve (LCR) Parent Bank			146 %	169 %
Common equity tier 1 capital ratio			16.8 %	17.1 %
Tier 1 capital ratio			18.1 %	18.5 %
Total capital ratio			20.3 %	20.7 %
Total common equity tier 1 capital ratio			14 178	13 653
Tier 1 capital ratio			15 346	14 784
Net subordinated capital			17 193	16 518
Leverage ratio			9.0 %	9.1 %
Number of branches			31	35
Number of FTEs in banking operations			505	485
Key figures. equity certificates				
Equity certificate ratio, weighted average over the period			40.0 %	40.0 %
Number of equity certificates issued			41 703 057	41 703 057
Profit/diluted earnings per equity certificate (Parent bank)	5.7	3.8	15.7	12.6
Profit/diluted earnings per equity certificate (Group)	3.9	4.5	16.4	11.9
Proposed dividend last year per equity certificate			10.0	6.0
Paid out dividend last year per equity certificate			6.0	8.0
Book equity per equity certificate			149.9	141.0
Price/book equity per equity certificate			0.96	0.92
Listed price on Oslo Stock Exchange at end of period			144.0	129.5

Board of Director's report

General

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

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

Highlights in Q4 2023

- Very successful sale of equity certificates from the Sparebankstiftelsen Sparebanken Sør
- Very good growth in net interest income
- Stable commission income
- Good contribution to results from associated companies
- Increased model-based losses, but continued low default rates
- Return on equity after tax of 10.5 percent
- Profit per equity certificate NOK 3.9
- Common equity tier 1 (CET1) ratio of 16.8 percent and a leverage ratio of 9.0 percent

Highlights 31.12.2023

- Very good development in net interest income
- Good profit contributions from associated companies and positive net financial income
- Low cost-income ratio of 36.3 percent
- Still low losses on loans and defaults
- Very good return on equity after tax of 11.3 percent
- Profit per equity certificate NOK 16.4
- 12-month lending growth of 3.0 percent
- 12-month deposit growth of 5.6 percent
- The Board will propose to distribute a dividend of NOK 10 per equity certificates, NOK 348 million in customer dividends and NOK 277 million in gifts

Financial framework conditions

We are currently experiencing a period of high price and wage inflation, as well as high interest rates, and a weak exchange rate for the Norwegian krone. This is impacting the entire Norwegian economy. The reasons behind this are partly events abroad and partly trends that are common to Norway and other countries. The entire Western world had a significant pent-up demand after the pandemic. The scarcity of important input factors as a result of Russia's energy-war and later invasion of Ukraine, combined with strong demand, has led to sharp inflationary pressures that have spread to most parts of the economy and forced central banks to raise interest rates. At the same time, the geopolitical situation contributes to uncertainty about future developments: the war in Ukraine, turmoil in the Middle East and tensions between the US and China can cause economic instability.

The high activity in the Norwegian economy appears to be declining in the second half of 2023. High price growth and increased interest rates have reduced purchasing power of households, but high employment and consistently tight labour market have helped sustain economic activity. This can be seen in relation to expectations of high wage growth. The Norwegian currency has weakened throughout the year, coinciding with a decline in the oil price.

The key policy rate was raised from 4.25 to 4.5 percent in the fourth quarter of 2023. The inflation rate remains high and significantly above the Norges Bank target rate of 2 percent (Norges Bank is the central bank of Norway and shall promote economic stability in Norway). The projections from Norges Bank indicate that the policy rate is expected to be held at this level for an extended period. The actual interest rate decision will depend on the economic developments.

The spreads in the bond markets increased significantly throughout 2022, largely due to increased uncertainty, including the situation in Ukraine. Bank bankruptcies abroad and fears of a recession contribute to increased uncertainty and some increased credit spreads domestically and internationally in the first half of 2023. The risk spreads have somewhat declined in the second half of 2023 and are now lower than at the beginning of the year.

The annual growth rate in domestic gross debt to the public, K2, stood at 3.4 percent at the end of December 2023. The growth rate in credit to households and business was 3.1 percent and 2.6 percent respectively.

The requirement for the countercyclical capital buffer was increased to 2.5 percent in March 2023, with effect from March 31, 2023. The purpose of the countercyclical capital buffer is to make banks more resilient and counteract the amplification of an economic downturn by banks' credit practices. Norges Bank decided in January 2024 to maintain the requirement for the countercyclical capital buffer at 2.5 percent.

The systemic risk buffer is also intended to increase banking system resilience by ensuring that banks hold a capital buffer based on the level of structural vulnerabilities in the financial system. On December 16th, 2022, The Ministry of Finance decided to maintain the systemic buffer requirement at 4.5 percent, with a deadline extension for standard banks until the end of 2023. This means that Sparebanken Sør's requirement for the systemic risk buffer has increased from 3.0 to 4.5 percent per December 31st, 2023.

Sustainability (ESG)

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

In 2018, Sparebanken Sør was the first Norwegian bank to be certified in the area of gender equality and diversity. The Bank was recertified in November 2021 and will be re-certified again in 2024. In January 2019, Sparebanken Sør was one of the first banks in Norway to establish a framework for issuing green bonds. The Group issued its first green bonds in November the same year. Frameworks for green, social and sustainable products were established in the summer of 2021. The Bank updated its bond framework in 2022 to ensure that financing under the framework is channelled to sustainable activities in accordance with the EU taxonomy.

The Bank offers green mortgages, and ESG risk is integrated in the Bank's credit processes. By offering sustainable products, digital services and consultancy for customers, the Bank contributes positively to social development through reduced greenhouse gas emissions. The Bank is rated by renowned Sustainalytics, and received in December 2023 an updated score of 10.8 (low risk). This positions Sparebanken Sør as one of the best banks of the banks rated by Sustainalytics.

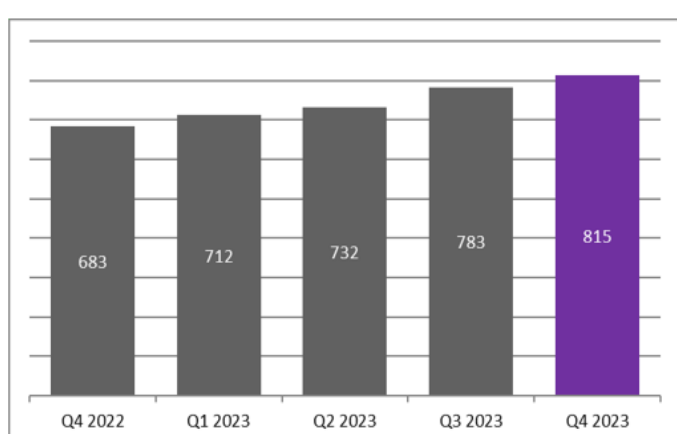
Earnings

Profit before tax amounted to NOK 543 million in Q4 2023, compared with NOK 566 million in the same period in 2022. Return on equity after tax amounted to 10.5 percent in Q4 2023, compared with 12.8 percent in the same period in 2022.

In 2023, profit before tax amounted to NOK 2 227 million, compared with NOK 1 615 million in 2022. Return on equity after tax amounted to 11.3 percent in 2023, compared with 8.7 percent in 2022.

Net interest income

Quarterly net interest income (NOK million)



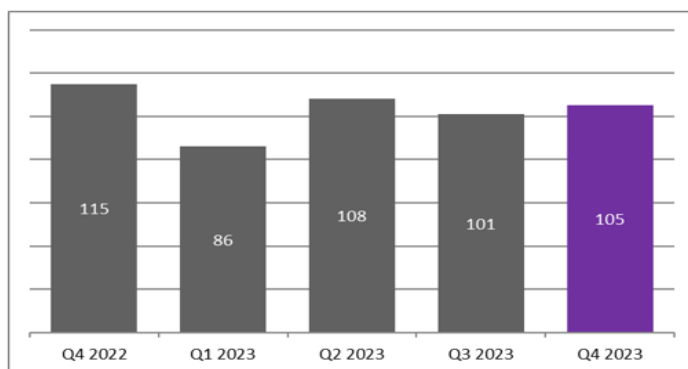
Net interest income totalled NOK 815 million in Q4 2023, compared with NOK 683 million in Q4 2022, an increase of NOK 132 million. Net interest income also increased by NOK 32 million from Q3 2023.

Net interest income amounted to NOK 3 043 million in 2023, compared with NOK 2 368 million in 2022. The main reason for the increases is related to interest rate changes that the bank has implemented in line with Norges Bank's increase in the key policy rate.

Norges Bank increased the key interest rate from 2.75 percent at the start of 2023 to 4.50 percent at the end of the year. As a result of the interest rate changes, Sparebanken Sør has announced increased interest rates on deposits and loans. Two of the interest rate changes took effect in the quarter, where Sparebanken Sør adjusted the interest rates on deposits and loans by up to 0.25 percentage points with effect from October 23rd and up to 0.25 percentage points with effect from November 27th, 2023. In connection with the latest key interest rate increase on 0.25 percentage points from Norges Bank in December, Sparebanken Sør decided to adjust interest rates on loans and deposits by up to 0.15 percentage points with full effect from February 21st, 2024. The bank expects continued positive growth in net interest income.

Commission income

Quarterly net commission income (NOK million)



Net commission income totalled NOK 105 million in Q4 2023, compared with NOK 115 million in Q4 2022.

Net commission income in 2023 totalled NOK 400 million, compared with NOK 417 million in 2022. The decrease is due to increased commission costs, particularly within payment services. The increase in commission cost regarding payment service is due, among other things, to costs related to card purchases previously being classified as operating costs, as well as increased costs related to security and compliance.

Gross commission income in Q4 2023 totalled NOK 138 million, compared with NOK 139 million in Q4 2022.

Commission income	Q4 2023	Q4 2022	Change	31.12.2023	31.12.2022	Change
Payment services	62	58	3	215	209	6
Real estate brokerage	33	35	-2	153	157	-4
Mutual fund	9	9	0	37	33	4
Insurance	14	27	-13	53	64	-11
Credit procurement and leasing	9	2	8	14	6	8
Other commission income	11	8	3	38	32	6
Total	138	139	-1	509	501	8

There has been a positive development in commission income from both payment services and mutual fund (Norne) and credit brokerage (Brage) over the past years. Income from the real estate agency (Sørmegleren) has fallen as a result of lower activity so far in 2023, and there has been a decline in insurance revenues due to lower profitability in the portfolio. The bank's bonus commission from Frende ended at NOK 0 million in 2023, compared to NOK 13.7 million in 2022. Similarly, the bonus commission from Brage was NOK 7.4 million in 2023, compared to NOK 0 million in 2022.

Financial instruments

Net income from financial instruments totalled NOK -13 million in Q4 2023, compared with NOK 46 million in Q4 2022. The largest movements are related to the valuation of shares and fixed-rate loans. There was a positive contribution to results from the liquidity portfolio in Q4 2023, after the first half of 2023 was characterized by increased credit spreads and resulted in a loss on the liquidity portfolio. The liquidity portfolio amounted to NOK 24.2 billion as of December 31st, 2023, and consists of highly liquid covered bonds and certificates issued by the state and municipalities.

Net income from financial instruments	Q4 2023	Q4 2022	Change	31.12.2023	31.12.2022	Change
Bonds and certificates	3	41	-37	-19	-89	70
Shares incl. dividends	-10	8	-17	-13	21	-34
Fixed rate loans	-14	17	-31	-12	-48	37
Securities issued - hedge accounting	1	-33	34	11	-12	24
Repurchase of issued bonds	-2	-	-2	-2	-4	2
Payment services (agio)	7	9	-2	31	32	-1
Other financial instruments	-	4	-3	5	19	-14
Total	-13	46	-59	3	-82	84

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

Income from associated companies

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

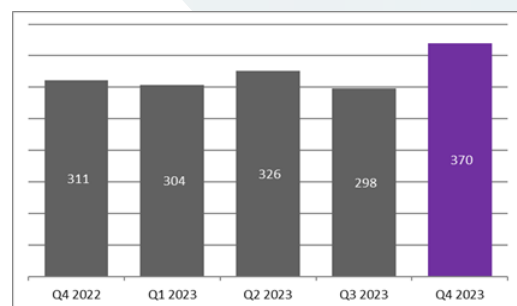
Associated companies		Q4 2023	Q4 2022	Change	31.12.2023	31.12.2022	Change
Frende Holding - 19.9 %	Share of profit	16	29	-13	27	59	-33
	Amort.	-6	-6	0	-22	-22	-0
	Realisation	0	0	0	0	25	-25
Brage Finans - 24.9 %	Share of profit	22	20	2	83	60	23
Balder Betaling - 23.0 %	Share of profit	0	2	-2	11	3	9
Total		33	46	-13	99	125	-26

The share of profits from Frende in Q4 2023 was positive, despite 2023 being a challenging year for the non-life insurance operations with results negatively affected by significant natural damages and a relatively high numbers of major damages. In connection with the stepwise acquisition of shares in Frende Holding AS, excess values were identified, which are being amortised over the expected economic lifetime as shown in the table above.

The profit share from Brage shows a very positive growth, both in Q4 and as of December 31st, 2023. This is due to better profitability in Brage, as well as the fact that the bank has increased its ownership share in Brage from 20.8 percent to 24.9 percent in Q4 2022.

Operating expenses

Quarterly operating expenses (NOK million)



Operating expenses totalled NOK 370 million in Q4 2023, an increase of NOK 59 million compared to the same period in 2022.

Operating expenses	Q4 2023	Q4 2022	Change	31.12.2023	31.12.2022	Change
Wages and fees	145	135	10	552	487	64
Payroll tax	25	22	3	89	76	13
Financial tax	7	7	0	25	22	3
Pension costs	12	15	-4	49	44	5
Other personnel costs	21	12	10	42	30	12
Total personnel costs	210	191	19	757	659	98
Depreciation, amortization and impairment of non-current assets	17	11	6	47	43	5
Marketing	10	8	3	45	38	7
IT costs*	77	57	20	268	212	56
Operating cost - real estate	9	13	-4	29	38	-9
External fees*	11	15	-4	30	51	-21
Wealth tax	11	3	8	34	13	21
Other operating expenses	25	14	10	87	91	-4
Total other operating expenses	143	109	33	493	443	50
Total Operating expenses	370	311	59	1 297	1 145	153

* In 2023, the Group changed its practice of accounting fees for IT consultants, which are now presented as IT costs, opposed to previous external fees. The change has resulted in an increase of NOK 28 million in IT costs and a corresponding reduction in external fees as of December 31st, 2023.

Personnel costs have increased for both the parent bank and the Group. The Group have strengthened its capability in analysis, risk management (IRB) and compliance, and has also reinforced its insurance sales organisation. In addition to general wage growth, NOK 23 million more has been set aside for variable remuneration compared to the same period in 2022, as a result of a positive development in the banking business. Furthermore, NOK 15 million was expensed in Q4 2023 in connection with the employee offer of the sale of equity certificate from Sparebankstiftelsen Sparebanken Sør.

Depreciation and write-downs were high in Q4 2023 as a result of the write-down of goodwill of NOK 6.3 million in connection with the acquisition of Arendal Brygge AS.

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

Cost-income ratio amounted to 39.2 percent (34.8 percent) in Q4 2023. Cost-income ratio, excl. financial instruments accounted for 38.7 percent (36.7 percent).

Losses and non-performing loans

Net entry on losses on loans amounted to NOK 31 million in Q4 2023, compared to losses on loans of NOK 15million in Q4 2022.

Over the past year, there have been significant shifts in macroeconomic conditions that have resulted in negative changes in the framework for both corporate and individual customers. This applies to both increases in electricity and energy prices, strong inflation growth, combined with higher lending rates. In 2023, there has been a fall in sales of new building projects and a reduction in construction activities. Changes in macroeconomic factors as well as interest rate and cost increases imply greater uncertainty regarding price developments for both residential and commercial properties, but here there will also be large regional differences. In 2023, there has been a positive development in the housing market in the bank's main market area.

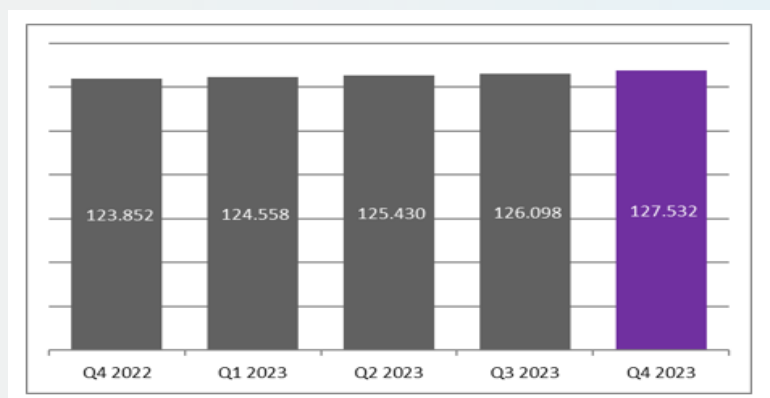
The cost of provisions in Q4 2023 increases due to increased as a result of changes in model-based loss provisions as well as a loss provision of NOK 14 million related to an individual commitment. There have been no specific events that have led to confirmed losses.

The Group's impairment losses were calculated to be NOK 470 million by the end of Q4 2023, which is equivalent to 0.37 percent of gross loans. The corresponding figures for Q4 2022 were NOK 434 million and 0.35 percent of gross loans.

Non-performing loans by the end of the year were NOK 1 071 million, up from NOK 666 million in the same period last year. Non-performing loans are still at a low level but are back at the level that existed before the pandemic in 2019. Non-performing loans represented 0.84 percent of gross loans (0.54 percent).

Loans

Loans in NOK million



Over the past 12 months net loans increased by NOK 3.7 billion to a total of NOK 127.5 billion, representing a growth of 3.0 percent. Growth in lending in Q4 2023 was NOK 1.4 billion, representing a growth of 4.6 percent. The bank is well-positioned for further profitable growth.

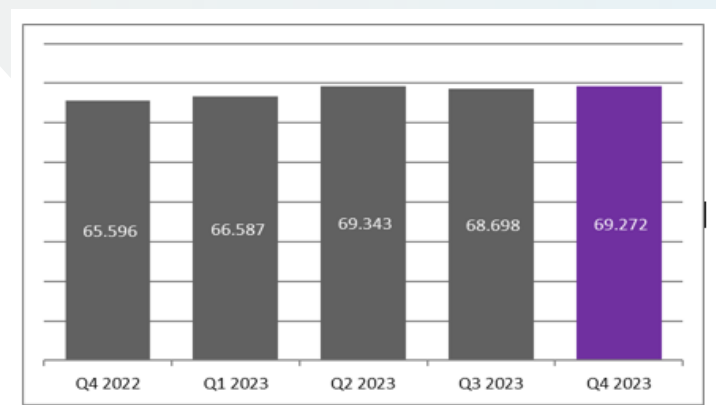
Over the past 12 months, gross loans to retail customers increased by NOK 1.7 billion to NOK 82.4 billion, a growth of 2.1 percent. Annualised growth in lending in Q4 was 1.5 percent. The bank has a goal of increasing market share within the retail market and has stated a goal of achieving growth in loans corresponding to the growth in credit in the region, plus 1 percentage point.

Gross loans to corporate customers increased by NOK 2.3 billion to NOK 45.5 billion over the last 12 months, representing a growth of 5.4 percent. Annualised lending growth in Q4 was 10.4 percent. Growth within the corporate market is focused on profitability and will fluctuate throughout the year.

Loans to retail customers accounted for 64 percent (65 percent) of total loans at the end of Q4 2023.

Deposits

Deposits in NOK million



Over the past 12 months, customer deposits increased by NOK 3.7 billion to NOK 69.3 billion, a growth of 5.6 percent. Annualized deposit growth in Q4 2023 amounted to 3.3 percent.

Deposits from retail customers (excl. accrued interest) increased by NOK 0.9 billion to NOK 33.0 billion in the past twelve months, a growth of 2.7 percent.

Deposits from corporate customers (excl. accrued interest) increased by NOK 2.7 billion to NOK 36.1 billion in the past twelve months, a growth of 8.1 percent.

Deposits in percent of net loans were 54.3 percent at the end of Q4 2023, up from 53.0 percent at the same time in 2022.

Wholesale funding and liquidity portfolio

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

At the end of Q4 2023, wholesale funding amounted to NOK 56.7 billion, of which 88 percent consisted of covered bonds. Long-term funding (over 1 year maturity) had an average maturity of 3.1 years at the end of the quarter.

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

The Group's portfolio of interest-bearing securities totalled NOK 24.2 billion as of 31.12.2023. The Group's liquidity reserve (LCR) amounted to 156,4 percent as of 31.12.2023 (145,5 percent in the Parent bank). The group has a high percentage of long-term funding and the NSFR (Net Stable Funding Ratio) amounted to 123,2 percent (122,5 percent in parent bank) for the group at the end of the quarter, confirming a good liquidity position.

Rating

In order to make use of the opportunities for financing, both internationally and from various investors, the bank has an international rating from Moody's, one of the world's most recognized rating agencies. In addition to the fact that the rating result itself has value for the bank, the board considers that the rating process and the maintenance of the rating also have value in the form of raising the quality of various processes and routines.

At the end of 2023 Sparebanken Sør has a long-term A1 rating with a "Positiv Outlook" rated by Moody's. In January 2024, Moody's confirmed the rating at A1 and changed the rating outlook to "Stable Outlook".

In June 2023, Sparebanken Sør Boligkreditt AS received an A1 rating and a rating outlook in line with the parent bank. All covered bonds issued by Sparebanken Sør Boligkreditt AS are rated by Moody's and have a rating of AAA.

Subordinated capital and capital adequacy

At the end of Q4 2023, net subordinated capital totalled NOK 17.2 billion. Total tier 1 capital totalled NOK 15.3 billion and common tier 1 capital totalled NOK 14.2 billion. The (total) capital ratio for the Sparebanken Sør Group was 20.3 percent, the tier 1 capital ratio was 18.1 percent, and the common equity tier 1 (CET1) capital ratio was 16.8 percent. The calculations are based on the standard method in the Basel II regulations. Brage Finans AS is proportionally consolidated in accordance with the rules on cooperative groups.

The parent bank had a (total) capital ratio of 24.8 percent, a tier 1 capital ratio of 22.0 percent and a CET1 capital ratio of 20.2 percent at the end of Q4 2023.

The Group met the capital requirements of, respectively, 15.0 percent for CET1, 16,8 percent for tier 1 capital and 19.2 percent for total capital by a solid margin. The Group's internal target for 2023 is a CET1 ratio of 16.5 percent. The group's internal targets for 2024 will be determined when a new pillar 2 decision is made in early 2024.

The current decision by Finanstilsynet (Finanstilsynet is an independent government agency that builds on laws and decisions emanating from the Norwegian parliament), regarding capital needs under Pillar 2 (SREP-Supervisory Review and Evaluation Process and Pillar 2) is 1.7 percent of the calculation basis. Additionally, the Finanstilsynet considers that the bank should have a capital margin of 1.0 percent in the form of CET1 capital over the total requirement for CET1 capital, CET1 ratio and capital adequacy. The Ministry of Finance established a transitional rule in regulation on December 20th, ensuring that the capital composition requirements in pillar 2, as stipulated by the Capital Requirements Directive, will apply to all banks starting from December 31st, 2023. Consequently, the requirement for CET1 capital coverage to meet the pillar 2 requirement stands at 1.0 percent.

Pillar 2 requirement and the capital requirement margin expectation were effective from April 30th, 2022, but the bank will receive SREP and a new pillar 2 decisions at the beginning of 2024. The bank received a preliminary pillar 2 decisions from Finanstilsynet in december, were the pillar 2 margin is unchanged at 1.7 percent of the calculation basis. Finanstilsynet Authority expects the bank to maintain a capital requirement margin of 1.25 percent. The bank will provide its comments on the preliminary pillar 2 decision and the expected capital requirement margin to the Finanstilsynet shortly.

The requirement for the countercyclical capital buffer was 2.5 percent December 31st, 2023. Norges Bank decided in January 2024 to maintain this requirement. The purpose of the countercyclical capital buffer is to make banks more resilient and counteract the amplification of an economic downturn by banks' credit practices.

The Ministry of Finance has adopted regulatory amendments, which brought the EU capital requirements framework CRR/CRD IV into effect from December 31st, 2019. The system risk buffer requirement is set to increase from 3.0 to 4.5 percent. On December 16th, 2022, the Ministry of Finance decided to maintain the system buffer requirement at 4.5 percent, granting an extension for standard banks until the end of 2023. This means that Sparebanken Sør's system risk buffer requirement has increased from 3.0 to 4.5 percent as of December 31st, 2023.

An important part of the Group objective is to have a level of CET1 capital on par with comparable banks. Among the major regional banks, only Sparebanken Sør utilizes the standard method in calculating CET1 ratio, and the bank currently has significantly higher leverage ratio compared to the other regional banks. Additionally, Sparebanken Sør aspires to have a level of financial risk management quality that is on par with comparable banks. The bank is working towards developing its risk management framework and model suite in a manner that would enable it to seek approval from the Finanstilsynet for the use of internal models in capital calculations (IRB).

The introduction of the revised Basel III framework («Basel IV») was initially planned to be implemented in the EU from 2022 with transitional rules until 2027, but this was postponed. In late June 2023, an agreement was reached in the EU on a new Basel reform, and the ambition is for the revised regulations (CRR3/CRD6 and BRRD3) to come into force in the EU from January 1st, 2025. The Ministry of Finance announced in December that they are working to enable the corresponding EEA rules to take effect in Norway at the same time as the rules are implemented in the EU. The Ministry of Finance has given a mandate to the Finanstilsynet to prepare a consultation paper with a draft of regulatory changes.

A highly central element in the new Basel IV regulatory framework will be the implementation of a new and more risk-sensitive standard method for credit risk, which will be advantageous for the Group. Basel IV also outlines certain changes in the IRB framework.

Based on the composition of the Group's lending portfolio, it is expected that the new standard regulations for credit risk will have a very positive impact on the Group. Based on current information about the regulations and customer portfolios, it is estimated that this could result in a positive effect on the common equity tier 1 capital ratio of approximately 3.5 percentage points. There are still many details in the regulations and their implementation that are not yet clarified, and that could impact the final effects. This will, among other things, be related to any national specifications, and it is expected that the Finanstilsynet will issue a consultation document regarding the Capital Requirements Regulation during this spring.

The bank is working to develop the bank's risk management framework and model suite in a way that enables to seek approval from the Finanstilsynet for internal models in capital calculation (**IRB-F**). Regarding the capital effects of transitioning to IRB-F, it is estimated to have a positive impact on the CET1 ratio capital coverage of approximately 3.5 percentage points.

The bank considers that an Internal Ratings Based (IRB) process, followed by IRB approval of the risk models, encompasses key elements that are important for the bank's future development. This undertaking holds high priority within the bank, and the process has made significant progress. The bank's aspiration is to submit the IRB-F application by the second half of 2024.

The Group's leverage ratio stood at 9.0 percent at the end of the fourth quarter of 2023, compared to 9.1 percent at the end of the fourth quarter of 2022. The bank's solvency is considered highly satisfactory.

As a result of the Bank Recovery and Resolution Directive (BRRD), minimum requirements for the sum of subordinated capital and Minimum Requirement for own funds and Eligible Liabilities (MREL) have been introduced. This entails requirements for convertible and non-preferred debt for Sparebanken Sør. These requirements are determined by the Finanstilsynet based on capital requirements and calculated from the currently applicable adjusted calculation basis. Based on capital requirements and adjusted calculation basis as of December 31st, 2023, the effective MREL-requirement has been set at 35.9 percent and amounted to 22.4 billion kroner. The subordinated MREL requirement has been set at 28.9 percent and amounted to 18.1 billion Norwegian kroner. By the end of 2023, the bank had issued a total of 7.2 billion Norwegian kroner in senior non-preferred bonds (Tier 3).

The bank's equity certificates

As of December 31st, 2023, the Bank had issued 41 703 057 equity certificates.

Profit (consolidated) per equity certificate amounted to NOK 3.9 per certificate in Q4 and amounted to NOK 16.4 per certificate as of December 31st, 2023.

The ownership ratio was 40 percent at the end of Q4 2023 and will then be kept stable at 40 percent in the future. Hybrid capital, which is classified as equity, is excluded when calculating the ownership ratio.

Dividend policy

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

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

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

The board will propose to the board of trustees to distribute a dividend for 2023 of NOK 10.0 per equity certificate, which amounts to 61 percent of the group's result per equity certificate. The stock price on 31.12.2023 was NOK 144 and measured against this, the proposed dividend gives a direct return of 6.9 percent. In addition, it will be proposed to set aside NOK 348 million for customer dividends and NOK 277 million for the gift fund.

Subsidiaries and partner businesses

The bank's wholly owned subsidiary **Sparebanken Sør Boligkreditt AS** is licensed to issue covered bonds which are used as an instrument in the Bank's long-term funding strategy. As of December 31st, 2023, the Bank had transferred NOK 55.8 billion to Sparebanken Sør Boligkreditt AS, equivalent to 65.5 percent of all loans to the retail market.

The Bank's own real estate business, **Sørmegleren**, is the absolute leader in its field in Southern Norway. Sørmegleren is continuing to grow and had 99 employees in 18 locations at the end of 2023. The company had a negative profit before tax of NOK -0.3 million, compared to NOK 9.1 million in 2022. There has been lower activity in the real estate market in 2023 compared to 2022. This is also reflected in the company's results with a decline in revenues. In the same period, costs have increased, primarily due to personal and IT expenses. Sørmegleren has maintained its market shares throughout 2023 and is well positioned as the leading real estate broker in the region.

The Bank has a 100 percent shareholding in **Sørlandet Forsikringscenter AS**, after purchasing the last 22 percent in June 2023. The company has provided the Group with a stronger insurance sales organisation and for the Groups investment in the area.

Transitt Eiendom AS is a real estate company, where the bank owns 100 percent of the shares. In Q3 2023, the company recorded a profit of NOK 16.4 million (before tax) related to the sale of real estate. As of December 31st, 2023, the company purchased 100 percent of the shares in the companies Arendal Brygge AS and the subsidiary St. Ybes AS. Arendal Brygge AS has previously been a jointly controlled company owned by the parent bank.

Frende Holding AS (19.9 percent shareholding) is the parent company of Frende Skadeforsikring AS and Frende Livsforsikring AS, which offers non-life and life insurance to private customers and companies.

Frende Holding AS has had a profit before tax in Q4 2023 of NOK 99 million, down from NOK 186 million in the same period 2022. Profit before tax in 2023 amounted to NOK 140 million, compared to NOK 433 million in 2022. The year 2023 has been challenging for det non-life insurance business, characterized by significant natural disasters and a relatively high number of large claims.

In Q4 2023, the financial result including interest on subordinated loan capital was NOK 118 million, compared to NOK 32 million in the same period 2022. The financial result in 2023 amounted to NOK 197 million, compared to a negative result on NOK 153 million in 2022.

Frende Skadeforsikring recorded a profit before tax of NOK 108 million in Q4 2023, down from NOK 244 million in Q4 2022. The profit before tax in 2023 amounted to NOK 168 million, down from NOK 511 million in the corresponding period 2022.

The company's written premiums totalled NOK 2 577 million (NOK 2 384 million), distributed among 171 440 customers. At the reporting date, the market share stood at 3.3 percent. The loss ratio so far this year was 81.4 percent (55.2 percent). The year 2023 was characterized by natural damages and a relatively high number of large claims, resulting in a higher loss ratio compared to the previous year, as well as a significant decrease in underwriting gains compared to the previous year. Isolated in Q4 2023, the loss ratio is 78.3 percent (44.5 percent).

Frende Livsforsikring posted a negative profit before tax in Q4 2023 of NOK 2 million in, compared to negative NOK 52 million in Q4 2022. The profit loss before tax in 2023 amounted to NOK 4 million, compared to a negative profit of NOK 56 million in 2022. The risk result has been weaker than in previous years, impacted by the development in disability products and additional provisioning in reserves. The portfolio premium at the end of the year was NOK 668 million (NOK 616 million).

Brage Finans AS (24.9 percent shareholding) is a nationwide financing company, offering leasing and loans secured by the purchased objects in the corporate and retail markets. The company was established in 2010 and operates from its headquarters in Bergen. Distribution of the company's products occurs through owner banks, distributors of capital goods, and its own sales team.

Brage Finans has reported yet another solid quarter with good profits and good return on equity. In Q4 2023, there has been a slightly weaker performance in the company's market areas, were the market for new leasing and loan contracts seems to have decelerated. However, the company has continued to acquire market shares. The customers are assumed by cooperating agents, owner banks and directly from the company's own sales team.

In Q4 2023, the company carried out a share issue of NOK 200 million to support the company's growth.

Profit before tax in Q4 2023 amounted to NOK 127.1 million, up from NOK 99.7 million in the corresponding period in 2022. The profit resulted in a return on equity of 11.0 percent for the quarter, compared to 12.3 percent in Q4 2022. The profit before tax in 2023 amounted to NOK 463.1 million, compared to NOK 365.3 million in the corresponding period in 2022. The profit resulted in a return on equity of 11.2 percent for the period, compared to 12.0 percent in the corresponding period in 2022.

At December 31st, 2023, Brage Finans had a gross lending portfolio of NOK 23.7 billion. This represents an increase of NOK 3.2 billion compared with the same time last year and a lending growth of 15 percent. At the end of Q4 2023, recognised impairment losses totalled NOK 178.7 million, which corresponds to 0.83 percent of the gross lending portfolio.

Norne Securities AS (15.1 percent shareholding) is an investment company owned by savings banks that offers investment services to the corporate and retail market.

In 2023, the income amounted to NOK 117 million, compared to NOK 155 million in 2022. The company had a profit of NOK 2.8 million, compared to NOK 31.0 million in the record year 2022.

In 2023, the capital markets have been characterized by a situation with great uncertainty and turmoil. The volume of assignments within Investment Banking is good, particularly in the market for capital raising and mergers. As a consequence of increased risk and uncertainty about pricing, it has taken longer to complete projects. The fourth quartal is normally characterized by better transaction activity and higher earnings from the business area. This was also the case in 2023, where a significant contribution came from as a facilitator for Sparebankstiftelsen Sparebanken Sør who carried out a successful sale of equity certificates in Sparebanken Sør.

Customer activity towards retail customers within share and fund trading has been on a good level, although it is lower than the «peak years» in 2020 and 2021. In the retail market, Norne develops its services in cooperation with the banks as distribution partners. In fund trading, Norne offers, among other things, a fund platform that is used by 24 banks. This solution provides significant economies of scale for the banks.

Balder Betaling AS (23.0 percent shareholding) is owned by Sparebanken Sør together with 20 other savings banks. The company has a shareholding of 10.49 percent in Vipps AS and their object is to further develop Vipps in collaboration with the other owners. Sparebanken Sør thus has an indirect shareholding in Vipps AS of 2.41 percent.

Outlook

The interest rate is expected to remain at a high level throughout 2024. The high interest rate has an effect, and many businesses are anticipating a decline in activity ahead. In the construction industry, we are already witnessing a significant decrease in activity levels, and it will take time before new large-scale projects are initiated. However, we observe a two-tiered business environment, with the energy sector (supply industries to the petroleum industry as well as renewable energy industries) experiencing favourable prices and high activity levels, while other sectors struggle with high prices, interest rates, and labour costs. In our region, we have a significant presence of the energy sector, which contributes to slightly more positive expectations compared to the rest of the country.

There is more uncertainty than usual regarding the consequences for customers and how both individuals and businesses will react to a sustained higher cost level. Wage growth in 2023 is expected to end around 5.6 percent and may contribute to the high inflation we have seen persisting. Despite this, the Board of Directors assesses that the Group is well positioned for further growth and profitability. The Group has good profitability, low losses, is well capitalized, and well equipped to withstand any potentially challenging development in the Norwegian economy.

The Group has board-approved guidelines that ensure refinancing in the bond market is carried out well in advance of the final maturity of debt. This has contributed to a solid financing position. The Group has low risk in its loan portfolio and a high capacity to absorb losses through a high equity ratio. The Group is operated in a highly cost-effective manner and has a strong underlying business performance.

The housing prices in the company's main markets have experienced positive, yet moderate development over several years. The statistics as of the fourth quarter of 2023 indicated a continued strong development.

The Group's applicable CET1 requirement, including a pillar-2 addition of 1.0 percent (56.25 percent of the total Pillar-2 addition of 1.7), amounts to 15.0 percent. The Ministry of Finance has adopted regulatory amendments, resulting in the implementation of the EU Capital Requirements framework CRR/CRD IV, as of December 31st, 2019. Among other things, it was decided that the systemic risk buffer requirement should be increased from the existing 3 percent to 4.5 percent. The Group uses the standard method and must comply with the increased systemic risk buffer requirements from December 31st, 2023. The Group's internal target for 2023 was 16.5 percent for CET1 capital. As of the end of the fourth quarter of 2023, the CET1 ratio was 16.8 percent, well above the current regulatory requirements and above the internal target set.

The Group has a long-term ambition for lending growth to exceed credit growth, and internal target of achieving a return on equity above 12 percent by the end of 2025.

The Group will in line with the approved strategy, place great emphasis on cost development and long-term value creation. The Group's investments in technology will continue and aim to facilitate cost-effective operations while enabling streamlining of the office structure. In conjunction with high-quality credit management, this will contribute to sustained profitable growth and development.

Events after the reporting period

There have been no significant events after December 31st, 2023, that affect the quarterly accounts.

Kristiansand, 8. February 2024

Knut Ruhaven Sæthre
Chairman

Mette Ramfjord Harv
Deputy Chairman

Merete Steinvåg Østby

Erik Edvard Tønnesen

Trond Randøy

Eli Giske

Jan Erling Tobiassen

Gunnhild Tveiten Golid

Geir Bergskaug
CEO

Income statement

PARENT BANK				NOK million		GROUP				
31.12.	31.12	Q4	Q4			Q4	Q4	Q4	31.12.	31.12.
2022	2023	2022	2023		Notes	2023	2022	2023	2022	
2 591	4 406	888	1 243	Interest income effective interest method	4	1 969	1 375	6 913	3 999	
476	1 008	157	318	Other interest income	4	351	208	1 178	581	
1 146	2 843	458	867	Interest expenses	4	1 504	900	5 048	2 212	
1 921	2 572	587	695	Net interest income	4	815	683	3 043	2 368	
448	459	130	129	Commission income		138	139	509	501	
99	123	27	35	Commission expenses		33	24	109	84	
349	336	103	95	Net commission income		105	115	400	417	
351	252	11	250	Dividend		0	11	2	13	
- 61	- 7	57	- 9	Net income from other financial instruments		- 13	35	0	- 95	
290	245	68	241	Net income from financial instruments		- 13	46	3	- 82	
125	99	46	33	Income from associated companies		33	46	99	125	
8	14	2	3	Other operating income		3	1	29	5	
133	113	48	36	Total other income		36	48	128	131	
771	694	219	372	Total net other income		128	208	530	466	
2 692	3 266	806	1 067	Total net income		943	892	3 573	2 834	
523	613	156	169	Wages and other personnel expenses		210	191	757	659	
41	38	10	9	Depreciation, amortization and impairment of non-current assets		17	11	47	43	
419	472	104	137	Other operating expenses		143	109	493	443	
983	1 123	270	316	Total operation expenses before losses		370	311	1 297	1 145	
1 709	2 143	537	752	Operating profit before losses		573	581	2 276	1 690	
57	53	6	32	Losses on loans, guarantees and undrawn credit	5	31	15	49	74	
1 652	2 089	531	720	Profit before taxes	2	543	566	2 227	1 615	
299	388	133	112	Tax expenses		116	98	454	332	
1 353	1 701	398	608	Profit for the period		426	468	1 773	1 283	
0	0	0	0	Minority interests		0	0	1	1	
1 353	1 701	398	608	Majority interests		427	468	1 772	1 283	
42	61	- 1	16	Attributable to additional Tier 1 capital holders		16	- 1	61	42	
1 311	1 640	399	591	Attributable to ECC-holders and to the primary capital		410	469	1 711	1 241	
1 353	1 701	398	608	Profit for the period		427	468	1 772	1 283	
12.6	15.7	3.8	5.7	Profit/diluted earnings per equity certificate (in whole NOK)		3.9	4.5	16.4	11.9	

Statement of comprehensive income

PARENT BANK				NOK million		GROUP			
31.12.	31.12	Q4	Q4			Q4	Q4	31.12.	31.12.
2022	2023	2022	2023		Notes	2023	2022	2023	2022
1 353	1 701	398	608	Profit for the period		427	468	1 772	1 283
				Change in value, basis swaps		-61	-156	-119	99
1	-0	-1	2	Change in the value of residential mortgages					
0	-	0	-0	Tax effect		13	39	26	-22
1	0	-1	1	Total other comprehensive income		-47	-117	-93	77
1 354	1 701	396	609	Comprehensive income for the period		379	351	1 680	1 360
				Minority interests		0	0	1	1
				Majority interests		379	351	1 679	1 360
12.6	15.7	3.8	5.7	Comprehensive income/diluted earnings per equity certificate		3.5	3.4	15.5	12.6

Balance sheet

PARENT BANK		NOK million	GROUP		
31.12. 2022	31.12. 2023		31.12. 2023	31.12. 2022	
		ASSETS	Notes		
590	604	Cash and receivables from central banks	11	604	590
10 211	5 012	Loans to credit institutions	11	468	6 198
67 332	71 815	Net loans to customers	2,6,7,8,10,11	127 532	123 852
16 393	21 998	Bonds and certificates	11	24 156	22 851
230	235	Shares	11	235	230
947	931	Financial derivatives	11,12	2 002	1 440
2 813	2 823	Shareholding in group companies		0	- 0
1 437	1 537	Shareholding in associated companies		1 537	1 437
70	102	Intangible assets		114	80
433	451	Property, plant and equipment		527	458
150	375	Other assets		233	298
100 607	105 882	TOTAL ASSETS	2,11	157 407	157 435
		LIABILITIES AND EQUITY CAPITAL			
3 584	3 643	Liabilities to credit institutions	11	3 530	3 507
65 587	69 289	Deposits from customers	2,9,11	69 272	65 596
9 477	6 991	Liabilities related to issue of securities	11,13	56 724	62 758
778	783	Financial derivatives	11,12	922	2 599
315	391	Payable taxes		496	358
1 103	1 635	Other liabilities		610	490
129	138	Provisions for commitments		138	129
32	40	Deferred tax		23	64
4 491	7 177	Senior non-preferred	11	7 177	4 491
1 662	1 763	Subordinated loan capital	11,13	1 763	1 662
87 159	91 850	Total liabilities		140 655	141 655
4 945	5 179	Equity certificate capital	14	5 596	5 196
1 085	1 085	Hybrid capital		1 085	1 085
7 417	7 768	Other equity		10 072	9 499
13 448	14 032	Total equity	3,14	16 752	15 779
100 607	105 882	TOTAL LIABILITIES AND EQUITY	2,11	157 407	157 435

Kristiansand, 8. February 2024

Knut Ruhaven Sæthre
ChairmanMette Ramfjord Harv
Deputy Chairman

Merete Steinvåg Østby

Erik Edvard Tønnesen

Trond Randøy

Eli Giske

Jan Erling Tobiassen

Gunnhild Tveiten Golid

Geir Bergskaug
CEO

Cash flow statement

PARENT BANK		NOK million	GROUP	
31.12.	31.12.		31.12.	31.12.
2022	2023		2023	2022
2 965	5 163	Interest received	7 891	4 450
-1 167	-2 672	Interest paid	-4 946	-2 082
709	320	Other payments received	389	409
- 916	-1 031	Operating expenditure	-1 187	-1 058
9	-10	Loan recoveries	- 10	9
- 217	- 317	Tax paid for the period	- 360	- 324
- 61	- 117	Gift expenditure	- 117	- 61
- 5	-5	Fraud cases paid	- 5	- 5
- 23	-4	Change in other assets	- 4	- 68
2 379	3 596	Change in customer deposits	3 571	2 426
- 476	-4 352	Change in loans to customers	-3 507	-7 341
422	808	Change in deposits from credit institutions	772	378
3 618	1 379	Net cash flow from operating activities	2 487	-3 267
23 737	17 737	Payments received, securities	17 737	23 128
-22 401	-23 210	Payments made, securities	-18 917	-23 909
3	15	Payments received, sale of property, plant and equipment	15	12
- 64	- 101	Payments made, purchase of property, plant and equipment	- 102	- 63
136	70	Payments received, investments in subsidiaries and associates	70	127
- 938	-75	Payments made, investments in subsidiaries and associates	- 71	- 238
- 33	22	Change in other assets	3	- 33
-4 568	5 200	Change in loans to credit institutions	5 730	-4 409
-4 128	- 342	Net cash flow from investing activities	4 467	-5 385
500	- 750	Change in deposits from credit institutions	- 750	500
4 250	0	Payments received, bond debt	0	17 127
-4 351	-2 500	Payments made, bond debt	-8 420	-9 046
- 181	- 558	Payments made, dividends and interest on hybrid capital	- 558	- 181
1 000	2 600	Issue of senior non-preferred	2 600	1 000
200	700	Issue of subordinated loan capital	700	200
- 200	- 600	Deduction of subordinated loan capital	- 600	- 200
- 245	75	Change in other liabilities	53	- 271
200	125	Issue of hybrid capital	125	200
- 585	45	Change in financial derivative assets	1 819	-1 928
532	- 9	Change in financial derivative debt	-1 758	1 861
- 450	- 125	Buyback of hybrid capital	- 125	- 450
- 7	- 12	Payments of rental obligations	- 12	- 7
	- 14	Payments of own equity certificates	- 13	
662	-1 023	Net cash flow from financing activities	-6 939	8 805
152	14	Net change in liquid assets	14	152
437	590	Cash and cash equivalents as at 1 Jan	590	437
590	604	Cash and cash equivalents at end of period	604	590

Statement of change in equity

GROUP	Equity	Premium	Dividend	Hybrid	Primary	Gift	Other	Minority	
NOK million	certificates	Fund	equalization-fund	capital	capital	fund	equity	interests	TOTAL
Balance 31.12.2021	782	451	644	1 335	9 925	141	1 656	7	14 941
Dividend distributed for 2021			- 125						- 125
Profit 2022			524	56	411	375	- 84	1	1 283
Interest paid, hybrid capital				- 56					- 56
Issuance of hybrid capital				200					200
Buyback of hybrid capital				- 450					- 450
Calculated tax on interest hybridcapital							13		13
Conversion of primary capitalbasic fund to equity certificates	1 302	1 617			-2 919				0
Purchase of own equity certificates	0		0		0				0
Other comprehensive income							77		77
Allocated gift fund						- 101			- 101
Other changes			0				0	- 3	- 3
Balance 31.12.2022	2 084	2 068	1 043	1 085	7 417	415	1 663	4	15 779
Dividend distributed for 2022			- 250						- 250
Profit 2023			648	82	346	625	72		1 773
Interest paid, hybrid capital				- 82					- 82
Calculated tax on interest hybridcapital			8		12				20
Issuance of hybrid capital				125					125
Buyback of hybrid capital				- 125					- 125
Other comprehensive income *							-93		- 93
Allocated gift fund						- 152			- 152
Distrbuted customer dividends						-227			-227
Purchase of own equity certificates	- 5		0		- 8				- 13
Other changes							-2	- 1	- 4
Balance 31.12.2023	2 079	2 068	1 449	1 085	7 768	662	1 639	3	16 752

* Basic adjustments to interest and currency swaps were NOK 63.7 million as of 1.1.2023 and NOK -29,1 million as of 31.12.2023. The adjustment is included as part of other equity.

PARENT BANK	Equity	Premium	Dividend	Hybrid	Primary	Other	
NOK million	certificates	Fund	equalization-fund	capital	capital	equity	TOTAL
Balance 31.12.2021	781	451	519	1 335	9 926	0	13 013
Profit 2022			525	56	773		1 353
Allocated dividends **			- 250		- 226		- 476
Allocated gifts					- 149		- 149
Interest paid, hybrid capital				- 56			- 56
Issuance of hybrid capital				200			200
Buyback of hybrid capital				- 450			- 450
Calculated tax on interest hybridcapital					13		13
Conversion of primary capitalbasic fund to equity certificates	1 302	1 617			-2 919		0
Purchase of own equity certificates	0		0		0		0
Other comprehensive income					1		1
Other changes					- 1		- 1
Balance 31.12.2022	2 084	2 068	793	1 085	7 416	0	13 448
Profit 2023			648	82	972		1 701
Interest paid, hybrid capital				- 82			- 82
Calculated tax on interest hybridcapital			8		12		20
Allocated dividends **			- 417		- 417		- 834
Allocated gifts					- 208		- 208
Issuance of hybrid capital				125			125
Buyback of hybrid capital				- 125			- 125
Other comprehensive income			0		0		0
Purchase of own equity certificates	- 5		0		- 8		- 13
Balance 31.12.2023	2 079	2 068	1 032	1 085	7 768	0	14 032

** Cash dividends to the owners of equity certificates are entered in the equalization-fund, and customer dividends are entered in the primary capital.

1. ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Standards for Financial Reporting (IFRS), including IAS 34. Unless otherwise specified, the accounting policies applied are the same as those applied in the annual financial statements for 2022. There are no new standards applicable for 2023 that have had a material impact on the financial statements.

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

Discretionary assessments, estimates and assumptions

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

The financial item losses on loans and undrawn credit are subject to a significant degree of discretionary assessments. This item was particularly challenging to quantify during the pandemic in 2020 and 2021. In 2023, there are again major turmoil and fluctuations in the financial market. Many macro parameters have from the end of 2021 until end of 2023 pointed upwards. At the end of the Q4 2023, there is still uncertainty in the market with increased raw material prices, increased key policy rate, an expected future fall in the property market and an expected future increase in unemployment. The model used to calculate future credit losses contains forward-looking macro data and must take this into account. In the event of changes in business cycles or macro conditions, relevant parameters in the model must be changed accordingly.

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

2. SEGMENT REPORTING

	BANKING BUSINESS				31.12.2023	
Report per segment			Undistrib.	Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmegleren	Total
Net interest and commission income	1 325	1 220	498	3 043	0	3 043
Net other operating income	189	94	89	373	158	530
Operating expenses	471	147	522	1 140	158	1 297
Profit before losses per segment	1 044	1 167	65	2 276	0	2 276
Losses on loans and guarantees	5	44	0	49		49
Profit before tax per segment	1 039	1 123	65	2 227	0	2 227
Gross loans to customers	85 253	42 931	- 225	127 959		127 959
Impairment losses	- 58	- 367	- 2	- 426		- 426
Net loans to customers	85 195	42 565	- 228	127 532		127 532
Other assets			29 780	29 780	95	29 875
Total assets per segment	85 195	42 565	29 553	157 312	95	157 407
Deposits from customers	34 189	28 601	6 481	69 272		69 272
Other liabilities	51 005	13 963	6 319	71 288	95	71 383
Total liabilities per segment	85 195	42 565	12 800	140 560	95	140 655
Equity			16 752	16 752		16 752
Total liabilities and equity per segment	85 195	42 565	29 553	157 312	95	157 407

BANKING BUSINESS

31.12.2022

Report per segment	Undistrib.			Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmeqleren	Total
Net interest and commission income	1 088	1 018	262	2 368	0	2 368
Net other operating income	203	84	19	306	160	466
Operating expenses	432	116	446	994	151	1 145
Profit before losses per segment	859	987	-165	1 681	9	1 690
Losses on loans and guarantees	25	50	0	74		74
Profit before tax per segment	834	936	-165	1 606	9	1 615
Gross loans to customers	83 344	41 085	-193	124 236		124 236
Impairment losses	-74	-310	1	-384		-384
Net loans to customers	83 269	40 775	-193	123 852		123 852
Other assets			33 495	33 495	88	33 583
Total assets per segment	83 269	40 775	33 302	157 347	88	157 435
Deposits from customers	33 890	27 298	4 407	65 596		65 596
Other liabilities	49 380	13 477	13 116	75 972	88	76 060
Total liabilities per segment	83 269	40 775	17 523	141 567	88	141 655
Equity			15 779	15 779		15 779
Total liabilities and equity per segment	83 269	40 775	33 302	157 347	88	157 435

3. SUBORDINATED CAPITAL AND CAPITAL ADEQUACY

MINIMUM CAPITAL REQUIREMENTS

PARENT BANK		NOK million		GROUP	
31.12. 2022	31.12. 2023			31.12. 2023	31.12. 2022
Minimum capital requirements					
4.50 %	4.50 %	Minimum Tier 1 capital requirements		4.50 %	4.50 %
2.50 %	2.50 %	Conservation buffer		2.50 %	2.50 %
3.00 %	4.50 %	Systemic risk buffer		4.50 %	3.00 %
2.00 %	2.50 %	Counter-cyclical buffer		2.50 %	2.00 %
1.70 %	1.70 %	Pilar 2 requirements		1.70 %	1.70 %
13.70 %	14.96 %	CET1 requirements. incl. Pilar 2		14.96 %	13.70 %
15.20 %	16.78 %	Tier1 Capital requirements. incl. Pilar 2		16.78 %	15.20 %
17.20 %	19.20 %	Total capital requirements. incl. Pilar 2		19.20 %	17.20 %
8 838	9 291	CET1 requirements. incl. Pilar 2		12 662	10 941
9 805	10 421	Tier1 Capital requirements. incl. Pilar 2		14 203	12 139
11 095	11 924	Total capital requirements. incl. Pilar 2		16 251	13 736
3 160	3 270	Above CET1 requirements. incl. Pilar 2		1 516	2 712
3 277	3 224	Above Tier1 Capital requirements. incl. Pilar 2		1 144	2 645
3 637	3 471	Above total capital requirements. incl. Pilar 2		942	2 781

PARENT BANK		NOK million	GROUP	
31.12. 2022	31.12. 2023		31.12. 2023	31.12. 2022
13 448	14 032	Total equity	16 752	15 779
		Tier 1 capital		
-1 085	-1 085	Equity not eligible as common equity tier 1 capital	-1 168	-1 131
0	0	Share of profit not eligible as common equity tier 1 capital	-1 079	- 665
- 70	- 102	Deductions for intangible assets and deferred tax assets	- 113	- 81
- 38	- 47	Deductions for additional value adjustments	- 32	- 27
- 256	- 237	Other deductions	- 182	- 223
11 998	12 561	Total common equity tier 1 capital	14 178	13 653
		Other tier 1 capital		
1 085	1 085	Hybrid capital	1 168	1 131
13 083	13 646	Total tier 1 capital	15 346	14 784
		Additional capital supplementary to tier 1 capital		
1 650	1 750	Subordinated loan capital	1 847	1 734
1 650	1 750	Total additional capital	1 847	1 734
14 733	15 396	Net subordinated capital	17 193	16 518
		Minimum requirement for subordinated capital Basel II calculated according to standard method		
17	48	Engagements with local and regional authorities	49	18
1 014	1 029	Engagements with institutions	326	337
4 505	3 645	Engagements with enterprises	5 839	6 456
6 110	8 140	Engagements with mass market	11 568	9 149
33 544	34 102	Engagements secured in property	53 810	53 502
408	847	Engagements which have fallen due	1 046	610
1 360	1 854	Engagements which are high risk	1 855	1 360
6 650	1 313	Engagements in covered bonds	1 445	1 365
6 022	5 045	Engagements in collective investment funds	1 431	1 582
507	969	Engagements other	1 054	539
60 138	56 991	Capital requirements for credit and counterparty risk	78 423	74 919
0	0	Capital requirements for position, currency and product risk	0	0
4 364	4 974	Capital requirements for operational risk	5 642	4 937
5	141	CVA addition	575	5
64 507	62 106	Risk-weighted balance (calculation basis)	84 641	79 862
18.6 %	20.2 %	Common equity tier 1 capital ratio, %	16.8 %	17.1 %
20.3 %	22.0 %	Tier 1 capital ratio, %	18.1 %	18.5 %
22.8 %	24.8 %	Total capital ratio, %	20.3 %	20.7 %
8.4 %	12.3 %	Leverage ratio	9.0 %	9.1 %

4. INTEREST INCOME AND INTEREST EXPENSES

PARENT BANK					GROUP			
Interest income								
31.12. 2022	31.12. 2023	Q4 2022	Q4 2023	NOK million	Q4 2023	Q4 2022	31.12. 2023	31.12. 2022
<i>Interest income from financial instruments at amortised cost</i>								
139	268	53	60	Interest on receivables from credit institutions	23	27	137	53
1 951	3 206	709	946	Interest on loans given to customers	1 946	1 348	6 776	3 945
2 090	3 474	762	1 006	Total interest from financial instruments at amortised cost	1 969	1 375	6 913	3 999
<i>Interest income from financial instruments at fair value through OCI</i>								
501	933	126	238	Interest on loans given to customers (mortgages)	0	0	0	0
501	933	126	238	Total interest from financial instruments at fair value through OCI	0	0	0	0
2 591	4 406	888	1 243	Total interest income effective interest method	1 969	1 375	6 913	3 999
<i>Interest income from financial instruments at fair value</i>								
132	130	32	33	Interest on loans given to customers (fixed rate loans)	33	32	130	132
343	878	125	286	Interest on certificates and bonds	318	176	1 048	449
476	1 008	157	318	Total interest from financial instruments at fair value through profit or loss	351	208	1 178	581
476	1 008	157	318	Total other interest income	351	208	1 178	581
3 067	5 414	1 045	1 562	Total interest income	2 319	1 583	8 091	4 580

PARENT BANK					GROUP			
Interest expenses								
31.12. 2022	31.12. 2023	Q4 2022	Q4 2023	NOK million	Q4 2023	Q4 2022	31.12. 2023	31.12. 2022
<i>Interest expenses from financial instruments at amortised cost</i>								
70	157	30	56	Interest on liabilities to credit institutions	55	30	154	68
643	1 795	270	551	Interest on customer deposits	551	269	1 795	642
229	428	83	110	Interest on issued securities	746	524	2 626	1 288
53	104	19	29	Interest on subordinated loans	29	19	104	53
104	304	44	106	Interest on senior non-preferred loans	106	44	304	104
48	55	12	14	Fees to the Norwegian Banks Guarantee Fund and other interest expenses	17	14	65	57
1 146	2 843	1 976	867	Interest expenses from financial instruments at amortised cost	1 504	900	5 048	2 212
1 146	2 843	1 976	867	Total interest expenses	1 504	900	5 048	2 212

5. LOSSES ON LOANS, GUARANTEES AND UNDRAWN CREDITS

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

The macro view in the recent years has undergone significant changes. The fluctuations have been greater and more frequent. From 2022, there was again more uncertainty due to increased geopolitical tensions, high inflation, and rising interest rates. The company's provision for losses on loans in the 4th quarter of 2023 is based on new assumptions as of December 31, 2023.

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

The following macro variables have been used when calculating impairment losses, as of December 31 2023:

	2023	2024	2025	2026	2027
Housing price %	-0.2	1.0	5.1	6.5	6.5
Housing price region %	7.0	3.7	5.1	6.5	6.5
Unemployment %	3.6	3.9	4.1	4.1	4.1
Oil prices, USD	81.9	75.9	73.6	71.5	71.5
Policy rate	3.5	4.5	3.9	3.2	3.2
Import-weighted exchange rate	119.7	121.5	120.5	120.5	120.5
USD	10.4	10.6	10.5	10.5	10.5
CPI	5.5	4.4	2.8	2.5	2.5
Other collateral	0	0	0	0	0

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

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

GROUP	31.12.2023			
Loan loss provisions NOK million	10 percent reduction in collateral	20 percent reduction in collateral	30 percent reduction in collateral	1 percent increase in unemployment
Loan loss provisions, CM	73	162	267	- 15
Loan loss provisions, RM	22	49	83	3
Total	94	211	350	- 12

PARENT BANK	31.12.2023			
Loan loss provisions NOK million	10 percent reduction in collateral	20 percent reduction in collateral	30 percent reduction in collateral	1 percent increase in unemployment
Loan loss provisions, CM	72	160	264	- 15
Loan loss provisions, RM	9	20	34	2
Total	81	180	298	- 13

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

PARENT BANK				NOK million				GROUP			
31.12. 2022	31.12. 2023	Q4 2022	Q4 2023	Loss expense during the period				Q4 2023	Q4 2022	31.12. 2023	31.12. 2022
15	19	1	1	Period's change in write-downs stage 1				1	5	16	22
57	22	9	20	+Period's change in write-downs stage 2				21	13	21	64
-19	-3	-1	-4	+Period's change in write-downs stage 3				-7	-1	-4	-15
5	6	2	5	+ Period's confirmed loss				5	2	6	6
0	14	0	14	+ Periodic amortization expense				14	0	14	0
9	10	4	4	- Period's recoveries relating to previous losses				4	4	10	9
1	0	-1	0	+ Change in write-downs and guarantees				0	-1	0	1
7	5	0	1	+ Losses from fraud cases				1	0	5	7
57	53	6	32	Loss expenses during the period				31	15	49	74

GROUP	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
NOK million				
Provisions for loan losses as at 01.01.2023	110	199	126	434
Transfers				
Transferred to stage 1	61	-56	-6	0
Transferred to stage 2	-10	20	-10	0
Transferred to stage 3	-1	-5	6	0
Losses on new loans	57	64	7	128
Losses on deducted loans *	-24	-37	-24	-84
Losses on older loans and other changes	-69	36	25	-8
Provisions for loan losses as at 31.12.2023	124	221	124	470
Provisions for loan losses	107	199	121	427
Provisions for guarantees and undrawn credits	17	23	4	43
Total provision for losses as at 31.12.2023	124	221	124	470

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

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

PARENT BANK	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
NOK million				
Provisions for loan losses as at 01.01.2023	98	186	122	406
Transfers				
Transferred to stage 1	58	-53	-5	0
Transferred to stage 2	-9	19	-10	0
Transferred to stage 3	-1	-5	6	0
Losses on new loans	53	61	7	122
Losses on deducted loans *	-20	-33	-23	-76
Losses on older loans and other changes	-63	33	24	-6
Provisions for loan losses as at 31.12.2023	116	209	121	446
Provisions for loan losses	99	187	117	403
Provisions for losses on guarantees and undrawn credits	16	23	4	43
Total provision for losses as at 31.12.2023	116	209	121	446

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

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

GROUP	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
NOK million				
Provisions for loan losses as at 01.01.2022	88	135	202	424
Transfers				
Transferred to stage 1	64	-36	-27	0
Transferred to stage 2	-8	13	-5	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	49	92	17	158
Losses on deducted loans	-23	-43	-64	-130
Losses on older loans and other changes	-60	39	3	-18
Provisions for loan losses as at 31.12.2022	110	199	126	434
Provisions for loan losses	94	175	116	385
Provisions for guarantees and undrawn credits	15	24	10	49
Total provision for losses as at 31.12.2022	110	199	126	434

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

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

PARENT BANK	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
NOK million				
Provisions for loan losses as at 01.01.2022	83	129	199	411
Transfers				
Transferred to stage 1	62	-34	-27	0
Transferred to stage 2	-7	12	-5	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	43	88	16	147
Losses on deducted loans *	-22	-41	-63	-126
Losses on older loans and other changes	-61	34	0	-27
Provisions for loan losses as at 31.12.2022	98	186	122	406
Provisions for loan losses	83	163	112	357
Provisions for losses on guarantees and undrawn credits	15	24	10	49
Total provision for losses as at 31.12.2022	98	186	122	406

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

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

6. NON-PERFORMING LOANS

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

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

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

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

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

PARENT BANK		NOK million			
31.12. 2022	31.12. 2023			31.12. 2023	31.12. 2022
493	949	Total non-performing loans (step 3)		1 071	666
122	121	Impairment losses in stage 3		124	126
371	828	Net non-performing loans		946	541
24.7 %	12.7 %	Provisioning non-performing loans		11.6 %	18.9 %
0.7 %	1.3 %	Total non-performing loans in % of gross loans		0.8 %	0.5 %

7. IMPAIRMENT LOSSES BY SECTOR, INDUSTRY AND STAGE

Impairment losses by sector and industry

PARENT BANK				NOK million		GROUP			
Stage 1	Stage 2	Stage 3	Total impairment losses as of 31.12.2023		Total impairment losses as of 31.12.2023	Stage 3	Stage 2	Stage 1	
6	13	20	39	Retail customers	61	23	24	14	
2	0	0	2	Public administration	2	0	0	2	
2	4	0	6	Primary Industry	6	0	4	2	
2	3	0	5	Manufacturing industry	5	0	3	2	
29	37	21	87	Real estate development	87	21	37	29	
4	24	15	43	Building and construction industry	44	15	25	4	
48	95	35	178	Property management	178	35	95	48	
1	1	1	3	Transport	3	1	1	1	
7	10	9	26	Retail trade	26	9	10	7	
1	3	2	6	Hotel and restaurants	6	2	3	1	
3	3	0	6	Housing cooperatives	6	0	3	3	
3	4	6	13	Financial/commercial services	13	6	4	3	
7	13	11	31	Social services	32	11	13	7	
116	209	121	446	Total impairment losses on loans, guarantees and undrawn credit	470	124	221	124	
99	187	117	403	Impairment losses on lending	427	121	199	107	
16	23	4	43	Impairment losses on unused credits and guarantees	43	4	23	17	
116	209	121	446	Total impairment losses	470	124	221	124	

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

8. MIGRATION OF GROSS LOANS

PARENT BANK				31.12.2023		GROUP			
NOK MILLION									
Stage 1*	Stage 2	Stage 3	Total	GROSS LOANS		Total	Stage 3	Stage 2	Stage 1*
57 445	9 802	442	67 689	Gross loans as at 01.01		124 237	637	12 726	110 874
2 476	- 2 439	- 37	0	Transferred to stage 1		0	- 77	- 3 284	3 361
- 3 501	3 556	- 55	0	Transferred to stage 2		0	- 82	5 667	- 5 585
- 397	- 170	567	0	Transferred to stage 3		0	667	- 215	- 452
- 767	- 791	0	- 1 557	Net change on present loans		- 4 054	- 3	- 896	- 3 156
20 742	3 805	67	24 613	New loans		39 698	77	4 351	35 270
- 15 869	- 2 617	- 71	- 18 558	Derecognised loans		- 31 952	- 118	- 3 527	- 28 308
31	-	-	31	Change in value during the period		31	-	-	31
60 160	11 144	914	72 218	Gross loans as at 31.12		127 959	1 057	14 822	112 080
			49 431	Of which loan at amortised cost		123 742			
			18 570	Of which loan at fair value through OCI		-			
			4 217	Of which loan at fair value		4 217			
99	187	117	403	Impairment losses on lending		427	121	199	107
0.16 %	1.68 %	12.80 %	0.56 %	Impairments in % of gross loans		0.33 %	10.98 %	1.34 %	0.10 %
71 982	12 906	949	85 836	Commitments		147 221	1 071	16 648	129 502
116	209	121	446	Impairment losses on commitments		470	124	221	124
0.16 %	1.63 %	12.75 %	0.52 %	Impairments in % of commitments		0.32 %	11.58 %	1.33 %	0.10 %

PARENT BANK				31.12.2022		GROUP			
NOK MILLION									
Stage 1*	Stage 2	Stage 3	Total	GROSS LOANS		Total	Stage 3	Stage 2	Stage 1*
57 884	8 860	668	67 413	Gross loans as at 01.01		117 049	762	11 047	105 240
2 467	-2 292	-175	0	Transferred to stage 1		0	-195	-2 961	3 156
-2 867	2 888	-21	0	Transferred to stage 2		0	-38	4 386	-4 348
-80	-58	138	0	Transferred to stage 3		0	267	-110	-158
548	-156	-22	370	Net change on present loans		-1 646	-30	-260	-1 356
19 098	4 265	129	23 492	New loans		45 011	168	4 965	39 878
-19 383	-3 705	-276	-23 363	Derecognised loans		-35 955	-298	-4 341	-31 316
-223	-	-	-223	Change in value during the period		-223	-	-	-223
57 445	9 802	442	67 689	Gross loans as at 31.12		124 237	637	12 726	110 874
			47 602	Of which loan at amortised cost		119 701			
			15 551	Of which loan at fair value through OCI		-			
			4 535	Of which loan at fair value		4 535			
83	163	112	357	Impairment losses on lending		385	116	175	94
0.14 %	1.66 %	25.33 %	0.53 %	Impairments in % of gross loans		0.31 %	18.24 %	1.37 %	0.08 %
67 593	10 682	493	78 768	Commitments		140 391	666	13 672	126 054
15	24	10	418	Impairment losses on commitments		434	126	199	110
0.02 %	0.22 %	2.02 %	0.53 %	Impairments in % of commitments		0.31 %	18.93 %	1.45 %	0.09 %

* Loans at fair value have previously been reported on a separate row in note 8 in the quarterly accounts. These loans are included in the annual report 2022 as part of step 1. This is because these loans are valued on an ongoing basis at fair value and are not included in the model calculations in accordance with IFRS 9.

PARENT BANK

31.12.2022				NOK MILLION		31.12.2023			
Stage 1	Stage 2	Stage 3	Total	GROSS LOAN ASSESSED AT AMORTISED COST	Total	Stage 3	Stage 2	Stage 1	
36 064	6 438	627	43 129	Gross loans assessed at amortised cost 01.01	47 602	376	7 588	39 638	
2 183	-2 012	-171	0	Transferred to stage 1	0	- 29	- 2 059	2 088	
-2 408	2 426	-18	0	Transferred to stage 2	0	- 53	3 002	- 2 949	
-72	-44	116	0	Transferred to stage 3	0	552	- 165	- 387	
998	-125	-23	850	Net change on present loans	- 964	- 11	- 771	- 182	
10 526	2 939	112	13 577	New loans	12 415	41	2 238	10 135	
-7 653	-2 034	-267	-9 954	Derecognised loans	- 9 622	- 49	- 1 372	- 8 201	
39 638	7 588	376	47 602	Gross loan assessed at amortised cost 31.12	49 431	828	8 461	40 142	

PARENT BANK

31.12.2022				NOK MILLION		31.12.2023			
Stage 1	Stage 2	Stage 3	Total	GROSS LOAN THROUGH OTHER COMPREHENSIVE INCOME	Total	Stage 3	Stage 2	Stage 1	
16 817	2 422	41	19 280	Gross loan through other comprehensive income 01.01	15 551	65	2 213	13 273	
284	-280	-4	0	Transferred to stage 1	0	- 8	- 380	389	
-459	462	-3	0	Transferred to stage 2	0	- 2	555	- 552	
-8	-14	22	0	Transferred to stage 3	0	15	- 5	- 10	
-216	-31	0	-247	Net change on present loans	- 197	12	- 20	- 188	
7 867	1 326	16	9 209	New loans	11 646	24	1 567	10 056	
-11 011	-1 671	-9	-12 691	Derecognised loans	- 8 430	- 22	- 1 246	- 7 163	
13 273	2 213	65	15 551	Gross loan through other comprehensive income 31.12	18 570	83	2 683	15 804	

9. CUSTOMER DEPOSITS BY SECTOR AND INDUSTRY

PARENT BANK		NOK million	GROUP	
31.12.2022	31.12.2023		31.12.2023	31.12.2022
32 149	33 024	Retail customers	33 027	32 156
10 732	13 058	Public administration	13 060	10 734
933	1 118	Primary industry	1 118	933
1 870	1 972	Manufacturing industry	1 972	1 870
761	709	Real estate development	709	756
1 723	1 877	Building and construction industry	1 877	1 724
3 488	3 173	Property management	3 149	3 489
746	665	Transport	665	746
1 567	1 590	Retail trade	1 591	1 567
286	249	Hotel and restaurant	249	286
171	176	Housing cooperatives	176	171
4 358	4 796	Financial/commercial services	4 797	4 359
6 773	6 745	Social services	6 746	6 774
31	136	Accrued interests	136	31
65 587	69 289	Total deposits from customers	69 272	65 596

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

10. LOANS TO CUSTOMERS BY SECTOR AND INDUSTRY

PARENT BANK		NOK million	GROUP	
31.12.2022	31.12.2023		31.12.2023	31.12.2022
25 851	28 060	Retail customers	82 416	80 709
256	360	Public administration	360	257
1 509	1 560	Primary industry	1 683	1 640
867	915	Manufacturing industry	979	940
4 655	4 855	Real estate development	4 856	4 624
1 716	1 890	Building and construction industry	2 196	2 043
21 823	22 715	Property management	22 644	21 890
404	563	Transport	647	494
1 673	1 354	Retail trade	1 501	1 817
379	396	Hotel and restaurant	422	411
1 628	2 382	Housing cooperatives	2 382	1 632
949	1 309	Financial/commercial services	1 594	1 285
5 733	5 859	Social services	6 280	6 163
245	0	Accrued interests*	0	332
67 689	72 218	Total gross loans	127 959	124 236
357	403	Impairment losses on lending**	426	385
67 332	71 815	Total net loans	127 532	123 852

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

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

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

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

Classification of financial instruments

Financial instruments are classified at different levels.

Level 1:

Includes financial assets and liabilities measured using unadjusted observable market values. This includes listed shares, derivatives traded via active marketplaces and other securities with quoted market values.

Level 2:

Instruments measured using techniques in which all assumptions (all inputs) are based on directly or indirectly observable market data. Such values may be obtained from external market players or reconciled against external market players offering these types of services.

Level 3:

Instruments measured using techniques in which at least one essential assumption cannot be supported by observable market values. This category includes investments in unlisted companies and fixed-rate loans where no required market information is available.

For a more detailed description, see Note 22 Fair value of financial instruments in the 2022 Annual Financial Statements.

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.12.2023	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortised cost								
604		604		Cash and receivables from central banks	604		604	
5 012		5 012		Loans to credit institutions	468		468	
49 028			49 028	Net loans to customers (floating interest rate)	123 315			123 315
Assets recognized at fair value								
4 217			4 217	Net loans to customers (fixed interest rate)	4 217			4 217
18 570			18 570	Net loans to customers (mortgages)				
21 998		21 998		Bonds and certificates	24 156		24 156	
235	33		201	Shares	235	33		201
931		931		Financial derivatives	2 002		2 002	
100 594	33	28 544	72 016	Total financial assets	154 996	33	27 230	127 733
Liabilities recognized at amortised cost								
3 643		3 643		Liabilities to credit institutions	3 530		3 530	
69 289			69 289	Deposits from customers	69 272			69 272
6 991		7 031		Liabilities from issue of securities	56 724		56 712	
7 177		7 204		Senior non-preferred	7 177		7 204	
1 763		1 776		Subordinated loan capital	1 763		1 776	
Liabilities recognized at fair value								
783		783		Financial derivatives	922		922	
89 646	0	20 437	69 289	Total financial liabilities	139 387	0	70 143	69 272

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

Movement level 3

GROUP

NOK million	Net loans to customers	Of which credit risk	Shares
Recognized value as at 01.01.2022	5 003	50	184
Acquisitions Q1-Q4	744		13
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 223	- 47	- 1
Disposals Q1-Q4	- 989		0
Recognized value as at 31.12.2022	4 535	3	197
Acquisitions Q1-Q4	564		12
Of which, transferred from level 1 or 2			
Change in value recognized during the period	31	- 5	- 8
Disposals Q1-Q4	- 913		0
Recognized value as at 31.12.2023	4 217	- 2	201

PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares
Recognized value as at 01.01.2022	24 278	50	184
Acquisitions Q1-Q4	744		13
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 223	- 47	- 1
Disposals Q1-Q4	- 4 719		0
Recognized value as at 31.12.2022	20 081	3	197
Acquisitions Q1-Q4	3 589		12
Of which, transferred from level 1 or 2			
Change in value recognized during the period	31	- 5	- 8
Disposals Q1-Q4	- 914		0
Recognized value as at 31.12.2023	22 787	- 2	201

Sensitivity analysis

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

GROUP / PARENT BANK

NOK million	31.12.2023	31.12.2022
Loans to customers	16	19
- of which loans to corporate market (CM)	1	1
- of which loans to retail market (RM)	15	18

12. FINANCIAL DERIVATIVES, COLLATERAL RECEIVED AND OFFSETTING

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

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

GROUP							31.12.2023
NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net			
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount	
Derivatives - assets	2 002	0	2 002	303	1 375	323	
Derivatives - liabilities	- 922	0	- 922	- 303	8	- 626	
Net	1 080	0	1 080	0	1 383	- 303	

GROUP							31.12.2022
NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net			
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount	
Derivatives - assets	1 440	0	1 440	718	624	98	
Derivatives - liabilities	-2 599	0	-2 599	- 718	0	-1 882	
Net	-1 159	0	-1 159	0	624	-1 783	

PARENT BANK							31.12.2023
NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net			
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount	
Derivatives - assets	931	0	931	234	515	181	
Derivatives - liabilities	- 783	0	- 783	- 234	8	- 557	
Net	147	0	147	0	523	- 375	

PARENT BANK							31.12.2022
NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net			
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount	
Derivatives - assets	947	0	947	225	624	98	
Derivatives - liabilities	- 778	0	- 778	- 225	0	- 553	
Net	169	0	169	0	624	- 455	

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

13. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

Debt securities - Group

NOK million	31.12.2023	31.12.2022
Bonds, nominal value	58 320	65 287
Value adjustments	-1 784	-2 736
Accrued interest	188	207
Debt incurred due to issuance of securities	56 724	62 758

Change in debt securities - Group

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	31.12.2023
Bonds, nominal value	65 287	0	-8 420	1 453	58 320
Value adjustments	-2 736			952	-1 784
Accrued interest	207			- 19	188
Debt incurred due to issuance of securities	62 758	0	-8 420	2 386	56 724

Debt securities - Parent bank

NOK Million	31.12.2023	31.12.2022
Bonds, nominal value	7 050	9 550
Value adjustments	- 111	-132
Accrued interest	52	59
Debt incurred due to issuance of securities	6 991	9 477

Change in debt securities - Parent bank

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	31.12.2023
Bonds, nominal value	9 550	0	-2 500	0	7 050
Value adjustments	- 132			22	- 111
Accrued interest	59			- 8	52
Debt incurred due to issuance of securities	9 477	0	-2 500	14	6 991

Change in subordinated capital - Parent bank and Group

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	31.12.2023
Subordinated loans	1 650	700	- 600		1 750
Value adjustments	3			- 3	0
Accrued interest	9			3	12
Total subordinated loan capital	1 662	700	- 600	1	1 763

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

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	31.12.2023
Non-preferred senior debt	4 500	2 600	0	0	7 100
Value adjustments	- 31			33	2
Accrued interest	22			53	75
Total non-preferred senior debt	4 491	2 600	0	86	7 177

14. EQUITY CERTIFICATE HOLDERS

The 20 largest equity certificate holders as of 31.12.2023 were as follows:

	Number of	Share of		Number of	Share of
NAME	EC	EC-CAP. %	NAME	EC	EC-CAP. %
1. Sparebankstiftelsen Sparebanken Sør	10 925 765	26.20	11. Verdipapirfondet Holberg Norge	510 000	1.22
2. J.P. Morgan Securities LLC	2 400 000	5.75	12. J.P. Morgan SE	350 848	0.84
3. Sparebanken Vest	2 400 000	5.75	13. U.S. Bank National Association	348 000	0.83
4. Geveran Trading Company LTd	1 800 000	4.32	14. Verdipapirfondet Fondsfinans Norge	344 585	0.83
5. EIKA utbytte VPF c/o Eika kapitalforv.	1 277 637	3.06	15. Vpf Fondsfinans Utbytte	304 521	0.73
6. Spesialfondet Borea Utbytte	1 033 537	2.48	16. Drangslund Kapital AS	302 107	0.72
7. Pershing LLC	1 020 000	2.45	17. State Street Bank and Trust Comp	286 121	0.69
8. Goldman Sachs & Co. LLC	1 015 323	2.43	18. Verdipapirfondet Nordea Norge Verd	280 902	0.67
9. Apollo Asset Limited	720 000	1.73	19. Vpf Dnb Norge Selektiv	270 101	0.65
10. KLP Gjensidige Forsikring	669 013	1.60	20. Hjellegjerde Invest AS	243 507	0.58
Total - 10 largest certificate holders	23 261 275	55.78	Total - 20 largest certificate holders	26 501 967	63.55

As of 1 January 2023, the ownership ratio was 40.0 percent. Hybrid capital, classified as equity, has been excluded when calculating the ownership ratio. As of 31 December 2023, the ownership ratio was 40.0 percent.

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

Risk and capital management

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

Credit risk

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

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

Market risk

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

Liquidity risk

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

Operational risk

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

Business risk

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

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

Quarterly trend in results

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Profit (NOK million)					
Net interest income	815	783	732	712	683
Net commission income	105	101	108	86	115
Net income from financial instruments	-13	20	0	-4	46
Income from associated companies	33	6	25	34	46
Other operating income	3	23	2	1	1
Total net income	943	935	867	828	892
Total operating expenses before losses	370	298	326	304	311
Operating profit before losses	573	637	541	525	581
Losses on loans, guarantees and undrawn credits	31	32	-9	-5	15
Profit before taxes	543	605	550	529	566
Tax expenses	116	148	123	67	98
Profit for the period	426	457	427	462	468
Profit as % of average assets					
Net interest income	2.03 %	1.95 %	1.85 %	1.85 %	1.76 %
Net commission income	0.26 %	0.25 %	0.27 %	0.22 %	0.30 %
Net income from financial instruments	-0.03 %	0.05 %	0.00 %	-0.01 %	0.12 %
Income from associated companies	0.08 %	0.02 %	0.06 %	0.09 %	0.12 %
Other operating income	0.01 %	0.06 %	0.00 %	0.00 %	0.00 %
Total net income	2.35 %	2.33 %	2.19 %	2.15 %	2.30 %
Total operating expenses before losses	0.92 %	0.74 %	0.82 %	0.79 %	0.80 %
Operating profit before losses	1.43 %	1.59 %	1.37 %	1.36 %	1.50 %
Losses on loans, guarantees and undrawn credit	0.08 %	0.08 %	-0.02 %	-0.01 %	0.04 %
Profit before taxes	1.35 %	1.51 %	1.39 %	1.37 %	1.46 %
Tax expenses	0.29 %	0.37 %	0.31 %	0.17 %	0.25 %
Profit for the period	1.06 %	1.14 %	1.08 %	1.20 %	1.20 %
Key figures. income statement					
Return on equity after tax (adjusted for hybrid capital)	10.5 %	11.5 %	11.0 %	12.5 %	12.8 %
Costs as % of income	39.2 %	31.9 %	37.6 %	36.7 %	34.8 %
Costs as % of income, excl. net income from financial instruments	38.7 %	32.6 %	37.6 %	36.5 %	36.7 %
Key figures. balance sheet					
Total assets	157 407	158 238	160 610	154 406	157 435
Average total assets	159 000	159 000	159 000	156 100	154 000
Net loans to customers	127 532	126 098	125 430	124 558	123 852
Growth in loans as % last 12 mths.	3.0 %	2.8 %	3.4 %	5.6 %	6.2 %
Customer deposits	69 272	68 698	69 343	66 857	65 596
Growth in deposits as % last 12 mths.	5.6 %	5.1 %	3.2 %	3.3 %	3.9 %
Deposits as % of net loans	54.3 %	54.5 %	55.3 %	53.7 %	53.0 %
Equity (incl. hybrid capital)	16 752	16 466	16 095	15 857	15 779
Losses on loans as % of net loans, annualised	0.10 %	0.10 %	-0.03 %	-0.01 %	0.05 %
Other key figures					
Liquidity reserves (LCR). Group	156 %	155 %	154 %	145 %	177 %
Liquidity reserves (LCR). Group- EUR	310 %	243 %	231 %	210 %	387 %
Liquidity reserves (LCR). Parent Bank	146 %	141 %	141 %	134 %	169 %
Common equity tier 1 capital ratio	16.8 %	17.2 %	17.1 %	17.1 %	17.1 %
Tier 1 capital ratio	18.1 %	18.6 %	18.5 %	18.7 %	18.5 %
Total capital ratio	20.3 %	20.8 %	21.0 %	21.1 %	20.7 %
Common equity tier 1 capital	14 178	14 207	14 084	13 888	13 653
Tier 1 capital	15 346	15 376	15 215	15 144	14 784
Net subordinated capital	17 193	17 252	17 272	17 097	16 518
Leverage ratio	9.0 %	9.1 %	9.2 %	9.2 %	9.1 %
Number of branches	31	31	31	31	35
Number of FTEs in banking operations	505	489	489	491	485
Key figures. equity certificates					
Equity certificate ratio	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %
Number of equity certificates issued	41 703 057	41 703 057	41 703 057	41 703 057	41 703 057
Profit per equity certificate (Parent Bank)	5.7	3.5	3.0	3.5	3.8
Profit per equity certificate (Group)	3.9	4.2	3.9	4.3	4.5
Book equity per equity certificate	149.9	146.5	143.1	139.2	141.0
Price/book value per equity certificate	0.96	0.87	0.88	0.92	0.92
Listed price on Oslo Stock Exchange at end of period	144.0	128.0	126.0	128.0	129.5

Key figures Group 2019-2023

	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Income statement (NOK million)					
Net interest income	3 043	2 368	1 939	1 914	1 926
Net commission income	400	417	419	347	344
Net income from financial instruments	3	-82	0	40	24
Other operating income	128	131	191	143	74
Total net income	3 573	2 834	2 549	2 444	2 368
Total operating expenses before losses	1 297	1 145	1 018	958	918
Operating profit before losses	2 276	1 690	1 531	1 486	1 450
Losses on loans and guarantees	49	74	- 18	83	-17
Profit before taxes	2 227	1 615	1 549	1 403	1 467
Tax expenses	454	332	323	307	342
Profit for the period	1 773	1 283	1 226	1 096	1 125
Profit as a percentage of average assets					
Net interest income	1.91 %	1.58 %	1.35 %	1.36 %	1.53 %
Net commission income	0.25 %	0.28 %	0.29 %	0.25 %	0.27 %
Net income from financial instruments	0.00 %	-0.05 %	0.00 %	0.03 %	0.02 %
Other operating income	0.08 %	0.09 %	0.13 %	0.10 %	0.06 %
Total net income	2.25 %	1.89 %	1.78 %	1.74 %	1.88 %
Total operating expenses before losses	0.82 %	0.76 %	0.71 %	0.68 %	0.73 %
Operating profit before losses	1.43 %	1.13 %	1.07 %	1.06 %	1.15 %
Losses on loans and guarantees	0.03 %	0.05 %	-0.01 %	0.06 %	-0.01 %
Profit before taxes	1.40 %	1.08 %	1.08 %	1.00 %	1.17 %
Tax expenses	0.29 %	0.22 %	0.23 %	0.22 %	0.27 %
Profit for the period	1.11 %	0.86 %	0.86 %	0.78 %	0.89 %
Key figures. income statement					
Return on equity after tax (adjusted for hybrid capital)	11.3 %	8.7 %	9.0 %	8.4 %	9.5 %
Costs as % of income	36.3 %	40.4 %	39.9 %	39.2 %	38.8 %
Costs as % of income, excl. net income from financial instruments	36.3 %	39.3 %	40.0 %	39.9 %	39.2 %
Key figures. balance sheet					
Total assets	157 407	157 435	144 182	142 126	129 499
Average total assets	159 000	150 000	143 100	140 400	125 900
Net loans to customers	127 532	123 852	116 653	111 577	106 334
Grows in loans as %, last 12 mths.	3.0 %	6.2 %	4.5 %	4.9 %	3.3 %
Customer deposits	69 272	65 596	63 146	59 833	57 949
Growth in deposits as %, last 12 mths.	5.6 %	3.9 %	5.5 %	3.3 %	2.5 %
Deposits as % of net loans	54.3 %	53.0 %	54.1 %	53.6 %	54.5 %
Equity (incl. hybrid capital)	16 752	15 779	14 941	13 752	13 081
Losses on loans as % of net loans, annualised	0.04 %	0.05 %	-0.02 %	0.07 %	-0.01 %
Gross non-performing loans (over 90 days) as % of gross lending	0.84 %	0.54 %	0.67 %	0.90 %	1.04 %
Other key figures					
Liquidity reserves (LCR). Group	156 %	177 %	140 %	173 %	148 %
Liquidity reserves (LCR). Group- EUR	310 %	387 %	604 %	107 %	1 168 %
Liquidity reserves (LCR). Parent Bank	146 %	169 %	127 %	154 %	140 %
Common equity tier 1 capital ratio	16.8 %	17.1 %	16.4 %	15.7 %	15.7 %
Tier 1 capital ratio	18.1 %	18.5 %	18.1 %	17.1 %	17.6 %
Total capital ratio	20.3 %	20.7 %	20.3 %	19.1 %	20.3 %
Common equity tier 1 capital	14 178	13 653	13 004	12 204	11 356
Tier 1 capital	15 346	14 784	14 376	13 315	12 767
Net total primary capital	17 193	16 518	16 074	14 864	14 686
Leverage ratio	9.0 %	9.1 %	9.4 %	8.9 %	9.3 %
Number of branches	31	31	35	35	34
Number of FTEs in banking operations	505	485	464	442	429
Key figures. equity certificates					
Equity certificate ratio before profit distribution	40.0 %	40.0 %	15.7 %	17.3 %	17.2 %
Number of equity certificates issued	41 703 057	41 703 057	15 663 944	15 663 944	15 663 944
Profit per equity certificate (Parent Bank)	15.7	12.6	11.8	10.5	9.3
Profit per equity certificate (Group)	16.4	11.9	12.2	11.3	11.7
Dividend last year per equity certificate (Parent Bank)	10.0	6.0	8.0	14.0	0.0
Book equity per equity certificate	149.9	141.0	136.4	140.0	128.5
Price/book value per equity certificate	0.96	0.92	1.07	0.82	0.86
Listed price on Oslo Stock Exchange at end of period	144.0	129.5	146.0	114.5	110.0

	Q4	Q3	Q2	Q1	Q4	31.12.	31.12.
NOK million	2023	2023	2023	2023	2022	2023	2022
Return on equity adjusted for hybrid capital							
Profit after tax	427	456	426	462	468	1 773	1 283
Interest on hybrid capital	- 22	-19	-26	-16	-13	- 82	-56
Tax on hybrid capital	5	5	7	4	14	20	14
Profit after tax. incl. Interest on hybrid capital	410	442	407	450	469	1 711	1 227
Opening balance. equity	16 466	16 095	15 857	15 779	15 486	15 779	14 941
Opening balance. hybrid capital	-1 085	-1 085	-1 210	-1 085	-1 085	-1 085	-1 335
Opening balance. equity excl. hybrid capital	15 381	15 010	14 647	14 694	14 401	14 694	13 606
Closing balance. equity	16 753	16 466	16 095	15 857	15 779	16 753	15 779
Closing balance. hybrid capital	-1 085	-1 085	-1 085	-1 210	-1 085	-1 085	-1 085
Closing balance. equity excl. hybrid capital	15 668	15 381	15 010	14 647	14 694	15 668	14 694
Average equity	16 609	16 280	15 976	15 818	15 632	16 266	15 360
Average equity excl. Hybrid capital	15 524	15 195	14 828	14 670	14 547	15 181	14 150
Return on equity	10.2 %	11.1 %	10.7 %	11.9 %	11.9 %	10.9 %	8.3 %
Return on equity. excl. hybrid capital	10.5 %	11.5 %	11.0 %	12.5 %	12.8 %	11.3 %	8.7 %
Net interest income. incl. interest on hybrid capital							
Net interest income. incl. interest on hybrid capital	815	783	732	712	683	3 043	2 368
Interest on hybrid capital	- 16	-14	-20	-12	1	- 61	-42
Net interest income. incl. interest on hybrid capital	799	769	713	700	684	2 982	2 326
Average total assets	159 000	159 000	159 000	156 100	154 000	158 101	149 042
As percentage of total assets	1.99 %	1.92 %	1.80 %	1.82 %	1.76 %	1.89 %	1.56 %
Profit from ordinary operations (adjusted earnings)							
Net interest income. incl. Interest on hybrid capital	799	769	713	700	674	2 982	2 326
Net commission income	105	101	108	86	115	400	417
Share of profit from associated companies	33	6	25	34	46	99	125
Other operating income	3	4	2	1	1	9	5
Operating expenses	348	298	326	304	311	1 276	1 145
Profit from ordinary operations (adjusted earnings). before tax	592	582	522	517	526	2 214	1 729
Losses on loans. guarantees and undrawn credits	31	32	- 9	- 5	15	49	74
Profit excl. finance and adjusted for non-recurring items	561	550	531	522	511	2 164	1 655
Tax (25 %) adjusted for tax. share of profit associated companies	112	114	106	102	114	440	375
Ordinary operations /adjusted earnings after losses and tax	448	436	425	419	397	1 725	1 280
Average equity. excl. hybrid capital	15 524	15 195	14 828	14 670	14 547	15 181	14 150
Return on equity. profit excl. finance and adjusted for non-recurring items	11.5 %	11.4 %	11.5 %	11.6 %	10.8 %	11.4 %	9.0 %
Average interest rates/margins							
Average lending rate RM (return)	5.48 %	5.07 %	4.54 %	4.33 %	3.79 %		
Average lending rate CM (return)	7.18 %	6.78 %	6.10 %	5.81 %	5.42 %		
Average deposit rate RM	2.47 %	2.09 %	1.78 %	1.60 %	1.10 %		
Average deposit rate CM	3.74 %	3.44 %	2.92 %	2.47 %	2.25 %		
Average 3-month NIBOR	4.72 %	4.64 %	3.89 %	3.33 %	3.31 %		
Lending margin RM (lending rate - 3-month NIBOR)	0.76 %	0.43 %	0.65 %	1.00 %	0.48 %		
Lending margin CM (lending rate - 3-month NIBOR)	2.47 %	2.14 %	2.21 %	2.47 %	2.12 %		
Deposit margin RM (3-month NIBOR - deposit rate)	2.24 %	2.55 %	2.11 %	1.73 %	2.21 %		
Deposit margin CM (3-month NIBOR - deposit rate)	0.98 %	1.21 %	0.97 %	0.86 %	1.06 %		
Interest-rate margin (lending rate - deposit rate)							
Interest-rate margin RM	3.01 %	2.98 %	2.76 %	2.74 %	2.69 %		
Interest-rate margin CM	3.44 %	3.34 %	3.18 %	3.35 %	3.18 %		

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 4th quarter of 2023 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, 31. December 2023/ 8. February 2024

Knut Ruhaven Sæthre
Chairman

Mette Ramfjord Harv
Deputy Chairman

Merete Steinvåg Østby

Erik Edvard Tønnesen

Trond Randøy

Eli Giske

Jan Erling Tobiassen

Gunnhild Tveiten Golid

Geir Bergskaug
CEO