ANNUAL REPORT 2023

- This translation from Norwegian has been prepared for information purposes only








SPAREBANKEN SØR

Contents

The CEO reflects on 2023

2023 was the year when Sparebanken Sør gave more back to both its customers and the community we serve – in terms of both financial support and expertise. Customer dividends, artificial intelligence, new chief economist and major divestment were keyphrases from the past year. However, I would like to start by saying something about the solid foundation of our banking operations, which is the cornerstone of everything we stand for and everything we do.

A LITTLE MORE, CAN MEAN A LOT

In a post-pandemic world, war in Europe, high inflation, rising interest rates and a weak NOK are affecting the entire economy, and both households and businesses are feeling an increased uncertainty. With more and more customers asking us for help and advice, it is even more important that we maintain our role as a relationship bank, staying closely connected to our customers – both digitally and physically.

In 2023, we welcomed a new executive vice president (EVP) retail market on board. In Pål Ekberg, Sparebanken Sør has gained a highly motivated and ambitious EVP who brings a wealth of experience from Nordea. We achieved satisfactory growth and maintained solid margins in the retail market throughout 2023. Achieving milestones like surpassing 100 000 monthly mobile banking app users showcases our ongoing commitment to enhancing digital services for our customers. Our focus on self-service solutions not only benefits our customers but also allows us to provide advice where it matters the most. Our dedication is reflected in our customer service centre, recognised as one of Norway's finest for banks, now accessible round the clock via phone and chat.

Pål Ekberg took over from Gunnar P. Thomassen, who now heads the bank's corporate market division. During 2023, the division strengthened its position as the region's leading business bank, delivering solid lending portfolio growth of 5.4 percent. The division is constantly developing new digital solutions, and is establishing a dedicated department for the small business segment. In addition to providing our customers with good, secure and efficient banking services, we also intend to be an important driver of sustainable growth and development for our region and the business community. Our collaboration with business associations, donations to recipients' strategic development, and initiatives for knowledge-sharing and networking underscore our commitment to being more than just a bank.

GIVING BACK TO OUR COMMUNITY

At Sparebanken Sør, we believe what is beneficial for the bank should also benefit our customers and community. So naturally one of the year's highlights was when we were the first bank in the region to introduce a customer dividend. Through a dividend of 0.20 percent in April 2023, we transferred NOK 226 million to all our retail and corporate customers with loans or deposits in the bank. The move was well received, and something I have noted everyone at the bank is extremely proud of.

In 2023, the bank's gift fund reached its highest-ever level. We donated as much as NOK 150 million to public causes that generate growth and development for the region. Such a large gift fund also confers major responsibility and offers more opportunities to contribute to important strategic projects. I would like to highlight two donations in particular from last year; Offshore wind and Artificial intelligence (AI). The offshore wind industry has seen significant advancements, along with growing popularity in Southern Norway. The whole community has joined together and the region has already become a national leader in offshore wind. Knowing that competence provides a competitive edge, Sparebanken Sør donated NOK 30 million to establish a national expertise centre for offshore wind in Kristiansand. AI is rapidly advancing across various sectors, permeating every aspect of our lives. CAIR, the Centre of Artificial Intelligence Research at the University of Agder, researches and develops democratic artificial intelligence, to offer an open and greener AI alternative to big tech. To help them meet their need for extra computing power, Sparebanken Sør made a donation of NOK 26.9 million to fund four new superservers and two new doctoral positions.

The bank's talented employees are our most important assets, but we are increasingly finding that they are also an important resource for the whole community. In August 2023, we appointed the region's first chief economist, Tore Grobæk Vamraak, and a few months later Elisabeth Austad Asser returned to the bank with a PhD in artificial intelligence. We still have our chief information security officer, Åsmund Myklevoll, whose expertise in fraud prevention serves the bank so well in multiple arenas. These talents, along with their colleagues, all contribute significantly to both our bank and the wider community.

FINANCIAL CRIME AND FRAUD

Just a few years ago, the bank only employed a handful of people to combat financial crime. We now have a team of around 30 people who work to prevent money laundering and financing of terrorism. The team is ready to act when attempts are made to defraud our customers of any sum, large or small. Fraud has resulted in major losses for banks, and we are no exception. In 2023 we have made significant and important changes, both at system level and in terms of working methodology. We have a dedicated 24-hour hotline for customers who are affected by fraud; we have introduced a number of technical measures to prevent scammers from accessing our customers' funds; we send out information and maintain a high media profile; and we invite people to packed events on fraud prevention. While fraud remains a major challenge, we are now successfully intercepting a significantly higher number of fraud attempts and preventing a larger portion of our customers' funds from being compromised. This benefits our customers, and results in lower losses for the bank.

8 300 PEOPLE ACQUIRE SHARES IN THE BANK

I do not want to spend too much time here discussing topics you can read more about later in this annual report, but one of the year's absolute highlights was naturally the divestment of equity certificates from our largest owner, the foundation Sparebankstiftelsen Sparebanken Sør. By introducing a new and improved capital and dividend structure for the bank, we increased our public listed equity from 15 to 40 percent, established a new dividend policy, and became the first bank in Southern Norway to introduce a customer dividend. The new equity certificates were transferred to the bank's owner foundation, which sold some of the shares to the market in December. Long story short: increased market value, a more liquid equity certificate, wider owner base, and more money returned to the region and customers. The result exceeded all expectations.

CELEBRATING OUR LEGACY AND FUTURE

In 2024, Sparebanken Sør will celebrate its 200th birthday. It will be celebrated, commemorated and documented, while we also embark on our next 200 years as the region's largest and best bank. I am looking forward to the year – and years – ahead. Thank you for being part of our journey in 2023 – and here's to another year with Sparebanken Sør leading the way!

Steady, engaged and future-oriented!

Geir Bergskaug

Geir Bergskaug
CEO

Key figures group

NOK MILLION	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Profit					
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 AT-1 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. AT-1 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 %
Non-performing loans (stage 3) as % of gross lending	0.84 %	0.54 %	0.67 %	0.90 %	0.79 %
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	35	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	1.0	0.9	1.1	0.8	0.9
Listed price on Oslo Stock Exchange at end of period	144.0	129.5	146.0	114.5	110.0

Contents

Board of Directors' report

NATURE OF THE BUSINESS

Sparebanken Sør is an independent financial institution whose core business is banking, securities trading and real estate brokerage activities in the counties Agder, Rogaland, Vestfold and Telemark. The real estate business is operated by the subsidiary company Sørmegleren. Non-life and personal insurance products are delivered through insurance company Frende, co-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. The Bank has 31 branches and the head office is located in Kristiansand.

HIGHLIGHTS

The Sparebanken Sør Group delivered a solid profit in 2023, and the board wishes to highlight the following:

- Very good growth in net interest income
- Strong contribution from associated companies and positive net financial income
- Low cost-income ratio of 36.3
- Still low losses on loans and non-performing loans
- Return on equity after tax of 11.3 percent
- Growth in lending of 3.0 percent
- Growth in deposits of 5.6 percent
- Common Equity Tier 1 capital ratio of 16.8 percent, exceeding the minimum requirement (including capital conservation buffer) of 16.0 percent
- Leverage ratio of a solid 9.0 percent
- Very successful divestment of equity certificates by Sparebankstiftelsen Sparebanken Sør
- Dividend to equity certificate holders of NOK 417 million (NOK 10.00 per equity certificate), NOK 417 million in customer dividends, and NOK 208 million for community donations.

FRAMEWORK 2023

The Norwegian economy

The year of 2023 was dominated by high price and wage inflation, as well as high interest rates and a weak exchange rate for the Norwegian krone (NOK). The entire Norwegian economy was affected, partly caused by events abroad and partly by trends 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 key interest rate was raised from 2.75 to 4.5 percent throughout 2023. This has had an impacted on the Norwegian economy. Activity levels in the Norwegian economy declined throughout 2023, with significant variations between industries. The sharp increase in interest rates has led to a decline in demand for new housing, which in turn has created challenges for the construction industry. On the other end of the spectrum, high energy prices have resulted in high activity in the energy sector.

Nationally, housing prices have had a weak development in 2023, with a nominal increase of a modest 0.5 percent. In the bank's primary markets, the development has been more positive, and Agder was the county with the strongest growth throughout 2023, with a 8.2 percent increase in housing prices from December 2022 to December 2023. In the bank's primary markets, which include Agder and Telemark, indicators such as the nurse index (the proportion of sold homes that a single nurse can afford to buy) suggest a more moderate price level, even after a period of high price growth. The bank evaluates the housing market in its primary markets as relatively stable and balanced.

The annual growth rate in domestic gross debt to the public, K2, stood at 3.4 percent at the end of December 2023 (5.5 percent at the end of 2022). The growth rate in credit to households and business was 3.1 percent and 2.6 percent respectively.

Developments in the financial markets

The credit spreads for bond financing of the types Sparebanken Sør uses, remained at high levels in 2023 compared to the average spreads seen in recent years. This followed by an increase in 2022, partly due to geopolitical unrest and partly due to banking turmoil in the USA and Europe in the spring of 2023. Spreads decreased for most type of bonds towards the end of 2023, but were still at relatively high levels at year-end. Issurance activity for some types of bonds was high, especially for covered bonds issued in NOK. Sparebanken Sør issued additional tier 1 capital, subordinated loan capital and senior non-preferred (SNP) during the year.

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 supports 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-certifies again in 2024.

In January 2019 Sparebanken Sør, as one of the first banks in Norway, 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 gives Sparebanken Sør a positions as one of the best banks rated by Sustainalytics.

The work on ESG is well-anchored in the Bank`s Board and management. Information about the work being done, status and framework is documented in the bank's sustainability report. The complete report is published on the bank's website under corporate social responsibility.

BUSINESS SEGMENTS

Retail market

The Retail Market Division continued to develop and reinforce its services for retail customers during the year. In 2023, retail customers once again had to contend with frequent interest rate rises, rising inflation and increased uncertainty for households, and Sparebanken Sør adjusted its terms for lending and deposits in line with Norges Bank's policy changes. There has been extra demand for advice on personal finance and budgeting from competently, authorised financial advisers in our branches, and we know our customers have appreciated this service. This is also reflected in the bank's customer satisfaction surveys, where customers have stated that they particularly appreciate the bank's availability, digital solutions and advisers.

The bank's digital solutions are being increasingly perceived as functional and user-friendly, following the development of the mobile banking app and online bank. The bank's mobile banking app passed the 100,000-user mark during 2023, and has received positive feedback from both customers and the market in general.

Lending to retail customers increased by NOK 1.7 billion to NOK 82.4 billion in 2023, representing growth of 2.1 percent. Total deposits from retail customers rose by NOK 0.9 billion to NOK 33.0 billion. This is equivalent to growth of 2.7 percent. Despite an increasingly competitive environment throughout 2023, the bank's margins on both lending and deposits have remained solid.

Thanks to new technology, the centralisation of tasks and the standardisation of products and working methods, the division is becoming increasingly efficient. As well as actively working to deliver a positive customer experience, while constantly striving to streamline our operations, 2023 was also characterised by efforts to satisfy more extensive legal requirements relating to anti-money laundering, the financing of terrorism and data security.

The retail market is continuing to experience strong demand for other incomes as insurance, savings and financing products. Total investments in the fund portfolio rose by NOK 1.4 billion (24.7 percent) in 2023, and the portfolio now has AUM (assets under management) of NOK 7 billion. In addition, the number of customers starting saving fund agreements increased by 7.1 percent in 2023.

Corporate market

Throughout 2023, the bank strengthened its position as the leading business bank in its market areas – both in terms of new customers and its expanded range of products and services.

Lending to corporate customers increased by NOK 2.3 billion to NOK 45.5 billion in 2023, representing a growth of 5.4 percent. Total deposits from corporate customers rose by NOK 2.7 billion to NOK 36.1 billion. This is equivalent to growth of 8.1 percent.

The bank's corporate customers represent a solid and balanced portfolio, reflectingt he business community in the region in a satisfactory way. In addition to playing the role of the main bank for large parts of the regional business community, as well as the public sector, the bank also serves a national customer segment through its agreement with the Norwegian Christian Organisation KNIF. This segment includes private hospitals and other enterprises in the health sector, schools, daycare centers, ecclesiastical enterprises, missionary organisations and organisations for children and young people.

For corporate customers, the bank offers non-life insurance, employer's liability insurance and occupational pensions through Frende Forsikring AS and Nordea Liv Forsikring AS. The bank also offers car financing through Brage Finans AS. Cooperation with Frende and Brage has been strengthened in recent years through an increased focus on broad-based consultancy and good cooperation between staff in the bank and in the product companies. The bank has expanded its consultancy offering for other products. For example, Brage has more advisers in our market area and the bank has employed more insurance advisers during 2023. Market conditions in 2023 also persuaded many customers to hedge both interest and foreign exchange rates through Sparebanken Sør Markets. As a result of Sørmegleren's investment in commercial brokerage, interaction with the bank's real estate agency has also been strengthened.

The business support for det corporate market division fulfils an important function in serving the bank's corporate customers. Business Support is an important expertise resource pool for customer services, customer establishment, domestic and foreign payment processing, anti-money laundering and other day-to-day banking services. New digital solutions are constantly being developed, and support to our corporate customers represents one of the bank's key services. Our Cash Management division is also an important part of Business Support given the growing demand for advice on payment services and group account systems. The bank is focusing on the small business segment by establishing a dedicated division for this customer group.

We have had a closely cooperation with business associations in the regions during 2023. As part of these initiatives, several joint business seminars were held focusing on topical themes, and the bank held and facilitated several events during "Arendalsuka" (political gathering in Arendal).

With many of our customers experiencing rising costs, operations have proved more challenging in 2023. Despite this, the bank has not experienced major financial problems among its customers, though the number of requests to reschedule repayment plans has risen. The bank is committed to providing good advice even in challenging times.

PROFIT FOR THE YEAR

Accounting policies

Sparebanken Sør's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies are explained in more detail in the notes to the financial statements.

The annual financial statements have been prepared based on the going concern assumption. The Group has adequate earnings and equity, and in the view of the Board of Directors there are no indications that the Group cannot continue to operate on this basis.

The figures referred to in the Board of Directors' report are consolidated figures, unless it is specified that they relate to the parent bank.

Profit for the year

Sparebanken Sør achieved a profit before tax of NOK 2 227 million in 2023, compared with NOK 1 615 million in 2022. This represents an improvement of NOK 612 million. The Group has had a very positive profit development in 2023, both through banking activities and through profit contributions from subsidiaries and other associates.

Profit after tax totalled NOK 1 773 million in 2023, compared with NOK 1 283 million in 2022. This was equivalent to a return on equity, adjusted for interest on hybrid capital, of 11.3 percent in 2023, compared with 8.7 percent in 2022.

Statement of comprehensive income, which includes changes recognised directly in equity during the financial year, amounted to NOK 1 679 million in 2023, compared with NOK 1 360 million in 2022.

Net interest income

Net interest income amounted to NOK 3 043 million in 2023, compared with NOK 2 368 million in 2023, an increase of NOK 675 million. Net interest income in 2023 was equivalent to 1.91 percent of average total assets, compared with 1.58 percent of average total assets in 2022.

Norges Bank raised its key policy rate as many as six times in 2023 (as in 2022), from 2.75 percent at the beginning of the year to 4.50 percent at year-end. The bank followed up with interest rate increases on loans and deposits. The increased interest rate level contributed to an improved interest rate margin (lending rate minus deposit rate) during 2023.

The interest rate changes implemented in 2023, along with the backlog relating to notification periods for such rate-changes, have given the bank good momentum at the start to 2024. The bank expects continued positive growth in net interest income in 2024.

In 2023, the bank paid NOK 81.5 million in interest on hybrid capital, compared with NOK 56.0 million in 2022. Interest on hybrid capital was charged to equity on an ongoing basis as an allocation of profit.

Commission income

Net commission income totalled NOK 400 million, compared with NOK 417 million in 2022. The decrease is attributable to lower commission income from real estate activities, lower bonus commissions from insurance and higher commission expenses.

The Group experienced a positive development in most areas during 2023. Commission income from payment services, securities funds (Norne) and credit brokerage (Brage) has risen over the past year. Bonus commissions from Brage rose by NOK 7.4 million in 2023 compared with 2022.

Real estate activities were down on the previous year and market activities were significantly lower than in 2022. 2023 was a challenging year for the insurance industry, with results in the non-life business characterised by both natural damage and a relatively high number of major losses. Year-on-year profitability commissions from Frende fell by NOK 13.7 million, compared to 2022.

Higher commission expenses in 2023 are partly attributable to costs relating to card purchases that were previously classified as operating expenses, also higher costs related to security and compliance.

Financial instruments

Net income from financial instruments totalled NOK 3 million in 2023, compared with NOK 82 million in 2022.

The start of 2023 was characterised by market turmoil, which resulted in higher credit spreads. Consequently, the Group recorded losses and negative changes in value relating to the liquidity portfolio and fixed-rate loans, which are valued at fair value in the balance sheet. At the reporting date, the liquidity portfolio was valued at NOK 24.2 billion, and comprised highly liquid covered bonds and certificates issued by the state and municipalities. Fixed-rate loans amounted to NOK 4.2 billion at year-end.

Associated companies

Sparebanken Sør has increased its ownership interests in Frende Holding AS and Brage Finans AS in recent years. This was carried out as part of our strategic commitment to be better able to offer our customers good, relevant and integrated solutions.

The bank also has an important strategic investment in Vipps. The bank has a 2.41 percent shareholding in the company through its ownership of Balder Betaling AS.

Income from associates' companies amounted to NOK 99 million in 2023, down from NOK 125 million in 2022. The decrease is primarily attributable to lower contributions from Frende, which experienced a challenging year in the non-life business.

Shares of profits in 2023 related NOK 26.6 million to Frende Holding AS, NOK 82.9 million to Brage Finans AS and NOK 11.4 million to Balder Betaling AS. In 2023, the value of the shareholding in Vipps was adjusted, which had a positive effect on the shares in Balder Betaling AS.

In connection with the purchase of shares in Frende Holding AS in 2018 and 2020, excess value was identified. This will be amortised over the asset's expected useful economic life. The Group amortised excess values of NOK 22 million, in 2023 and 2022.

Expenses

Group expenses totalled NOK 1 297 million in 2023, compared with NOK 1 145 million in 2022, an increase of NOK 153 million. The increase in costs is mainly related to higher personnel expenses, rising IT costs and higher wealth tax.

The ratio of expenses to average total assets was 0.82 percent, compared with 0.76 percent in 2022. The cost-to-income ratio was 36.3 percent, compared with 40.4 percent in 2022.

Personnel expenses totalled NOK 757 million in 2023, compared with NOK 659 million in the previous year, an increase of NOK 98 million. The number of full-time equivalents employed by the Group increased from 608 to 618 during 2023. The bank has reinforced its operations in analysis, risk management (IRB) and compliance, and increased its headcount in the corporate market. In addition to general wage growth, NOK 23 million more has been set aside for variable remuneration compared with the same period in 2022, as a result of increased profitability from banking operations. An additional NOK 15 million was expensed in Q4 2023 in connection with the employee-offer relating to the transfer of equity certificate from the savings bank foundation Sparebankstiftelsen Sparebanken Sør.

Depreciation and impairments of property, plant and equipment totalled NOK 47 million in 2023, compared with NOK 43 million in 2022. The increase is mainly attributable to the amortisation of goodwill resulting from the acquisition of Arendal Brygge AS at the end of 2023.

Other operating expenses totalled NOK 493 million in 2023, compared with NOK 443 million in the previous year, an increase of NOK 50 million. The increase in Other operating expenses mainly relates to higher IT costs, as well as higher wealth tax due to an increased tax rate. The higher IT costs are attributable to factors including automation and digitalisation of banking services and internal processes, resource-intensive regulation and outsourcing of IT services. The increase in personnel costs and investments in IT is linked to increased regulatory requirements, and the group also has an ambition to remain efficient. The ambition is to have a cost-income ratio below 40, and investments in IT are important to be able to grow and operate efficiently in the future as well.

Losses and non-performing loans

Net losses on lending totalled NOK 49 million in 2023, compared with NOK 74 million in 2022.

Throughout 2023 significant changes in macroeconomic factors adversely impacted the framework conditions, for both retail and corporate customers, including an increase in electricity and energy prices, as well as high inflation combined with higher lending rates. Sales of new homes fell and there was a marked reduction in construction activities in 2023. Changes in macroeconomic factors, along with interest rate rises and cost increases, are creating major uncertainty regarding future price developments. This affects both residential and commercial properties, albeit with major regional variations. Despite this, the housing market improved in the bank's main market area during 2023.

Total write-downs amounted to NOK 470 million at the end of the year, corresponding to 0.37 percent of gross lending. In 2022, write-downs amounted to NOK 434 million, corresponding to 0.35 percent of gross lending.

Non-performing loans amounted to NOK 1 071 million, which was equivalent to 0.8 percent of gross lending. This is higher than at the end of 2022, when non-performing loans amounted to NOK 666 million (0.5 percent of gross lending).

Although there have been negative impacts from several macroeconomic factors, employment has remained at a high level and there is still a relatively tight labor market. As a result of both interest rate increases and cost increases, there is a greater level of uncertainty regarding price developments in residential housing and commercial property.

BALANCE SHEET

Total assets

At NOK 157.4 billion, total assets at the end of 2023 were on a par with the previous year-end.

Lending

Net lending to customers totalled NOK 127.5 billion in 2023, compared with NOK 123.9 billion in 2022. This represented growth of NOK 3.7 billion, equivalent to 3.0 percent.

Gross lending to retail customers totalled NOK 82.4 billion, compared with NOK 80.7 billion in 2022. This represented growth of NOK 1.7 billion, equivalent to 2.1 percent. The growth in 2023 was somewhat below the Group's ambition to increase market shares. The ambition is a lending growth of 1 percentage point above market growth (K2) within the retail market. On a national basis, household lending growth (C2) was 3.4 percent. At the end of the 2023, loans totalling NOK 55.8 billion was transferred to Sparebanken Sør Boligkreditt AS. This company is an important instrument that enables the bank to offer competitive terms in the retail market. Loans to retail customers accounted for 64.4 percent of total lending, down from 65.0 percent as of 31 December 2022.

Gross lending to corporate customers totalled NOK 45.5 billion in 2023, compared with NOK 43.2 billion in the previous year. This represented growth of NOK 2.0 billion, or 5.4 percent. On a national basis, lending growth to corporate customers (K2) amounted to 2.6 percent.

Deposits

At the end of the year, total deposits amounted to NOK 69.3 billion, compared with NOK 65.6 billion in 2022. This represented growth of NOK 3.7 billion, or 5.6 percent.

Deposits in the retail market totalled NOK 33.0 billion, compared with NOK 32.2 billion in 2022. This represented growth of NOK 0.9 billion, or 2.7 percent. Deposits in the corporate market totalled NOK 36.1 billion, compared with NOK 33.4 billion in 2022. This represented growth of NOK 2.7 billion, or 8.1 percent.

The deposit-to-loan ratio was 54.3 percent at the end of 2023, up from 53.0 percent at the end of 2022.

Debt established through issuance of securities and debt to financial institutions

The bank funds itself in the capital market by issuing interest-bearing securities. The Group's debt from securities totalled NOK 56.7 billion at the end of 2023, compared with NOK 62.8 billion at the end of 2022. Long-term bond funding has been established in the form of covered bonds, senior debt and subordinated debt (senior non-preferred). Covered bonds accounted for 78 percent of this funding at the end of 2023. At the reporting date, the average maturity of funding with a maturity exceeding 12 months was 3.1 years, and the Group's long-term funding indicator (NSFR) stood at 123 percent.

The Group has arranged long-term funding from the international market by establishing an EMTN (European Medium Term Bond Note) program for the bank and an EMTCN (European Medium Term Covered Bond Note) program for the mortgage company. At the end of 2023, the Group had diversified funding from international investors of EUR 2.5 billion. Funding in foreign currency is hedged for interest rate and currency risk against floating Norwegian kroner.

At the end of 2023, Sparebanken Sør had issued NOK 7.2 billion as senior non-preferred debt to satisfy the authorities' MREL (Minimum Requirement of own Funds and Eligible Liabilities) requirements. The maturity structure of external funding is well adapted to the bank's operations and is in accordance with regulatory guidelines and requirements adopted by the Board of Directors.

Securities

At the end of the year, the Group's liquidity portfolio of interest-bearing certificates and bonds was valued at NOK 24.2 billion.

The securities holdings are part of the bank's liquidity reserve, which is designed to safeguard the bank's liquidity situation in turbulent market conditions. The securities portfolio can be used as collateral for loans from Norges Bank and is included in the bank's special liquid securities portfolio held to fulfil its Liquidity Coverage Ratio (LCR) requirements.

The Group's liquidity reserve (LCR) stood at 156 percent at 31 December 2023 (146 percent for the parent bank).

Investments in shares and equity certificates totalled NOK 235 million.

Capital management, subordinated capital and capital adequacy

At the end of 2023, net subordinated capital totalled NOK 17.2 billion, total tier 1 capital stood at NOK 15.3 billion and total common equity tier 1 capital amounted to NOK 14.2 billion. The capital adequacy ratio was 20.3 percent, the tier 1 capital ratio was 18.1 percent and the common equity tier 1 capital ratio was 16.8 percent for the Sparebanken Sør Group. The calculations are based on the standardised approach in the capital requirements regulations. Brage Finans AS is proportionately consolidated in the Group's capital reporting. At the end of 2023, the parent bank had a capital adequacy ratio of 24.8 percent, a tier 1 capital ratio of 22.0 percent and a common equity tier 1 capital ratio of 20.2 percent.

The Group satisfied the capital requirements of 19.2 percent for total capital, 16.8 percent for tier 1 capital and 15.0 percent for common equity tier 1 capital by a good margin. The Group's target common equity tier 1 capital adequacy for 2023 was 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 Group's leverage ratio was 9.0 percent at the end of 2023, compared with 9.1 percent at the end of 2022. The bank's solvency is assessed as being very good.

The bank's capital management must ensure that the Group has a capital adequacy ratio that meets regulatory requirements and requirements established by the financial markets. Capital management must also help ensure that market opportunities and ambitions are taken care of, and that the Group receives a satisfactory return in relation to the Bank's risk profile.

The bank's capital requirements are assessed annually on the basis of an estimated total risk. The internal capital adequacy assessment process (ICAAP) enables the bank to maintain good risk management and provides an overview of the risks to which the bank is exposed, while ensuring that the Group is sufficiently capitalised.

Finanstilsynet's (The Financial Supervisory Authority of Norway) current capital requirements decision under Pillar 2, which were issued in connection with the completed SREP (Supervisory Review and Evaluation Process and Pillar 2), is 1.7 percent of the calculation basis. In addition, the Financial Supervisory Authority of Norway considers that the bank should maintain capital requirement adequacy in the form of a common equity tier 1 capital ratio of 1 percent above the total requirement for total common equity tier 1 capital, tier 1 capital ratio and the capital ratio. On 20 December 2023, the Ministry of Finance established a transitional regulation which means that the capital composition requirements in Pillar 2 pursuant to the Capital Requirements Directive will apply to all banks from 31 December 2023. This set the requirement for common equity tier 1 adequacy to cover the Pillar 2 requirement at 1.0 percent.

The Pillar 2 requirement and expected common equity tier 1 capital adequacy were effective from 30 April 2022, but the bank will be informed of the SREP and a new Pillar 2 decision at the beginning of 2024. The bank received a provisional Pillar 2 decision from the Norwegian Financial Supervisory Authority in December 2023, including an unchanged Pillar 2 capital add-on of 1.7 percent of the calculation basis. The Financial Supervisory Authority of Norway also considers that the bank should have a capital requirement adequacy of 1.25 percent in the form of common equity tier 1 capital above the total requirement for common equity tier 1 capital, total tier 1 capital ratio and capital adequacy. The bank has submitted its comments on the provisional Pillar 2 decision and expectations of capital requirement adequacy to Finanstilsynet.

The countercyclical capital buffer requirement was raised to 2.5 percent with effect from 31 March 2023 and remained at this level for the rest of the year. In January 2024, Norges Bank decided to maintain this requirement. The purpose of the countercyclical capital buffer is to strengthen the banks' financial situation and to prevent a more restrictive lending practice by the banks from exacerbating the economic downturn.

Finanstilsynet adopted regulatory amendments that put the EU Capital Requirements Regulations CRR/CRD IV into effect as of 31 December 2019. The systemic risk buffer requirement was raised from 3.0 to 4.5 percent. On 16 December 2022, the Ministry of Finance decided to maintain the system buffer requirement at 4.5 percent, with banks that use the standardised approach given until the end of 2023 to meet the requirement. Consequently, Sparebanken Sør's systemic risk buffer requirement rose from 3.0 to 4.5 percent effective 31 December 2023.

One of the Group's key objectives is to keep its common equity tier 1 capital ratio at the same level as that of comparable banks. Sparebanken Sør is the only large regional bank in Norway to use the standardised approach to calculate capital adequacy, and the bank currently has a markedly higher leverage ratio than the other regional banks. Sparebanken Sør also aims to have a quality of risk management on a par with comparable banks. The bank is developing its risk management framework and models so that it will be possible to apply to Finanstilsynet for approval to use internal models in the capital calculation (IRB).

The introduction of the revised Basel III framework ("Basel IV") was supposed to have been implemented in the EU from 2022 with transition rules up until 2027, but this has been postponed. At the end of June 2023, the EU agreed a new Basel reform, and the aim is for the revised regulations (CRR3/CRD6 and BRRD3) to enter into force in the EU from 1 January 2025. In December, Finanstilsynet announced that it was working on facilitating the implementation of corresponding EEA rules in Norway at the same time as the rules are adopted in the EU. The Ministry of Finance has commissioned Finanstilsynet to prepare a consultation paper on draft regulatory changes.

A key element of the new Basel IV Regulations will be the introduction of a new and more risk-sensitive standardised approach for credit risk that will be beneficial for the Group. Basel IV also outlines some changes to the IRB Regulations.

Based on the composition of the Group's loan portfolio, it is expected that new standard regulations for credit risk will have a very positive effect on the Group. Based on available information on the regulations and customer portfolios, it has been estimated that this could have a positive effect on the common equity tier 1 capital ratio of around 3.5 percentage points. The full details of the regulations and their implementation, including any national adjustments, have not yet been finalised, meaning that the final effects cannot be quantified at this stage. Finanstilsynet is expected to publish a consultation paper on the capital requirements regulation in the spring.

The bank is developing its risk management framework and models so that it will be possible to apply to the Financial Supervisory Authority of Norway for approval to use internal models in the capital calculation (IRB-F). It is estimated that the transition to IRB-F could have a positive capital effect on the common equity tier 1 ratio of approximately 3.5 percentage points

The bank considers that an IRB process with subsequent IRB approval of the risk models contains key elements that are important for the future development of the bank. The bank has accorded this work a high priority and is on course to meet its aim of submitting the IRB-F application during the second half of 2024.

Minimum requirement for the sum of subordinated capital and convertible debt (MREL)

The EU Bank Recovery and Resolution Directive (BRRD) was introduced in Norway with effect from 1 January 2019. This entails requirements for convertible and non-preferred debt for Sparebanken Sør. The requirements are set by the

Financial Supervisory Authority of Norway on the basis of capital requirements and calculated based on the current adjusted risk-weighted assets. Based on capital requirements and the adjusted risk-weighted assets at 31 December 2023, the effective MREL requirement was set at 35.9 percent and amounted to NOK 22.4 billion. The requirement for the subordinated MREL was set at 28.9 percent and amounted to NOK 18.1 billion. At the end of the fourth quarter of 2023, the bank had issued a total of NOK 7.2 billion in senior subordinated bond loans (Tier 3).

ALLOCATION OF PROFIT

In the view of the Board, the submitted income statement and balance sheet present a true and fair view of the financial position and results of the Group and the parent bank. The Board of Directors is not aware of any circumstances that have arisen after the turn of the year that would alter this view.

The following allocation of the parent bank's profit of NOK 1 701 million is proposed:

Dividend (ECC):	NOK 417 million
Transferred to donation fund:	NOK 208 million
Customer dividend:	NOK 417 million
Transferred to equalisation fund:	NOK 239 million
Transferred to primary capital:	NOK 358 million
Interest on AT-1 capital:	NOK 61 million
Total allocated:	**NOK 1 701 million**

EQUITY CERTIFICATES AND DIVIDEND

As at 31 December 2023, the bank had issued 41 703 057 equity certificates with a nominal value of NOK 50. A list of the 20 largest equity certificate holders at 31 December 2023 is presented in Note 35. Earnings per equity certificate amounted to NOK 15.7 for the parent bank and NOK 16.4 for the Group.

Sparebanken Sør will ensure through sound, stable and profitable operations that its equity certificate holders achieve competitive return in terms of dividends and capital appreciation of their equity certificates.

It is a core principle of the bank's dividend policy that dividends are distributed equally between the various share classes. Profit will be distributed equally between equity certificate capital (equity certificate holders) and primary capital based on their share of the equity. The ownership fraction will then be kept at a stable level. The ownership ratio was 40.0 percent during 2023. Hybrid capital (additional tier 1 capital) classified as equity has been excluded from calculations of ownership ratio.

The goal is to distribute approximately 50 percent of the Group's profit after tax as dividends. Dividends are disbursed through cash dividends to the equity certificate holders, customer dividends to the bank's customers and donations of gifts in the regions in which the primary capital has been accumulated. When determining dividends, the bank takes into account the potential for profitable growth, expected performance in a normalised market situation, external framework conditions, future needs for common equity tier 1 capital and the bank's strategic plans.

The bank's solvency is considered highly satisfactory, with a leverage ratio of 9.0 percent and a common equity tier 1 capital ratio of 16.8 percent at the end of 2023.

The Board of Directors will propose to the annual general meeting that a dividend of NOK 10.0 per equity share certificate be distributed for 2023, which equates to approximately 61 percent of the Group's profit per equity certificate. The share price on 31 December 2023 was NOK 144.0 and, measured against this, the proposed dividend corresponds to a direct return of 6.9 percent. For 2023, it is proposed that NOK 208 million be set aside for donations and NOK 417 million for customer dividends.

SUBSIDIARIES

Sparebanken Sør Boligkreditt AS

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

At year-end, loans totalling NOK 55.8 billion net had been transferred to the mortgage company. At the same time, covered bonds worth NOK 49.7 billion were issued, of which 53 percent were issued in EUR. The countervalue of NOK 10 billion was issued as Green Covered Bonds, under the Group's Green & Sustainability Bond Framework. The cover pool, including interest-bearing securities, totalled NOK 48.4 billion. Nominal over-collateralisation, calculated as gross outstanding bond debt, was 16.6 percent.

The company has good liquidity, is well-diversified and has long-term funding with an LCR of 443 percent and an NSFR of 117.8 percent at the end of the year

The company reported a profit before tax of NOK 374.4 million. At year-end, the common equity tier 1 capital ratio was 19.0 percent, well above the minimum regulatory requirements. The company has entered into agreements with the parent bank, which include certain funding commitments, as well as agreements on delivering important services to the company, including loan administration and treasury functions.

The company did not implement any major bond transactions in 2023.

At the end of 2023, the company had five bond loans denominated in EUR, amounting to NOK 26.4 billion. Interest and currency exposures were hedged against risk, in that financing was swapped back into floating Norwegian interest rates. The derivatives contracts were entered into with reputable financial counterparts under ISDA/CSA agreements.

Sørmegleren

Sørmegleren is the bank's real estate agency. This real estate business has a dominant position in large parts of the bank's market area. In addition to dominating the market for second-hand homes, the company also has a very strong position in the newbuild market. This applies in and around the largest towns in Agder in particular.

Sørmegleren has also sharpened its focus on traditional commercial brokerage, and has high hopes of increasing its market share and leveraging synergies between the bank and the real estate agency. The company had 18 offices and 99 employees at the end of 2023.

The company delivered a loss before tax in 2023 of NOK 0.3 million, down from a profit before tax of NOK 9.1 million in 2022. Activity in the real estate market in 2023 was lower than in 2022. This is also reflected in the company's results through a fall in revenue. In the same period, costs increased, in particular for personnel and IT. Sørmegleren maintained its market share throughout 2023 and is very well positioned as the region's leading real estate agent.

Sørlandets Forsikringssenter AS

The bank wholly owns Sørlandet Forsikringssenter AS, after acquiring the remaining 22 percent of shares in the company in June 2023. The company constitutes a significant part of the sales force within insurance and is crucial for the Group's initiatives in this area.

The company operates an insurance brokerage and had 14 staff/sales consultants at the end of 2023.

Other subsidiaries

The bank's other subsidiaries mainly engage in property management. In 2023, the subsidiary Transitt Eiendom AS acquired 100 percent of the shares in Arendal Brygge AS and its subsidiary. The acquisition resulted in a write-down of consolidated goodwill of NOK 6.3 million.

ASSOCIATES

Frende Holding AS

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

Frende Holding AS achieved a profit before tax of NOK 140 million in 2023, compared with NOK 433 million for the same period the previous year. 2023 was generally a challenging year for the non-life business, whose results were strongly impacted by major natural damage and a relatively high number of major losses. The company delivered a positive financial result of NOK 197 million in 2023, compared with a negative financial result of NOK 153 million in 2022.

Frende Skade delivered a profit before tax of NOK 168 million in 2023, compared with NOK 511 million in 2022. The company had written premiums of NOK 2 577 million in 2023, compared with NOK 2 384 million in 2022, distributed among more than 171 440 customers. The market share at year-end was 3.3 percent. The loss ratio in 2023 closed on 81.4 percent, which was up from 55.2 percent in 2022. The year of 2023 was characterised by natural damage and a relatively high number of major losses that resulted in a higher loss ratio than in the previous year. In addition, the average claim level was higher than in previous years and settlement gains were significantly lower than in the previous year.

Frende Liv reported a profit before tax of NOK 4 million in 2023, compared with a loss of NOK 56 million in the previous year. The risk result was significantly lower than in previous years, largely due to results from disability products, as well as the setting aside of additional reserves. At the end of the reporting period, the company had written premiums of NOK 668 million, up from NOK 616 million for the same period in 2022.

Brage Finans AS

Brage Finans AS (24.9 percent shareholding) is a nationwide finance company that offers leasing and mortgage loans to the corporate and retail markets. The company was established in 2010 and operates from its head office in Bergen. The company's products are distributed through owner banks, via retailers of capital goods, and through its own sales force.

The company's profit before tax for 2023 amounted to NOK 463 million, compared with NOK 365 million in 2022. This corresponds to a return on equity of a solid 11.0 percent, compared with 12.3 percent in 2022.

The lending portfolio was valued at NOK 23.7 billion at the end of 2023, compared with NOK 20.5 billion in 2022. Thus, growth in lending in 2023 was as much as 15 percent. At the reporting date, recognised write-downs totalled NOK 179 million, which equates to 0.83 percent of the gross lending portfolio.

Norne Securities AS

Norne Securities AS (shareholding 15.1 percent) is an investment firm that offers investment services to the corporate and private markets. The company, which was established in 2008, provides consultancy services to operators in the capital market, in particular savings banks and their customers. The company has three business areas: Online trading in shares and funds for private investors, Investment Banking (consultancy services for companies) and trading in securities for professional investors. Norne's strategic ambition is to be a leading provider of all relevant capital market services for savings banks and their customers. The company is headquartered in Bergen and has offices in Oslo, Trondheim and Vilnius. The company employed 50 staff at the end of 2023.

Total revenue in 2023 amounted to NOK 117 million, compared with NOK 155 million in 2022, while the net profit closed on NOK 2.8 million, compared with NOK 31 million in 2022.

In 2023, the capital markets were characterised by major uncertainty and unrest. The company has had a healthy assignment volume in Investment Banking, particularly in the market for capital-raising and mergers, although increased risk and ensuing pricing uncertainty mean it is taking longer to complete projects. The fourth quarter is normally characterised by higher transaction activity and higher earnings in this business area. This was also the case in 2023, where a significant contribution came from the role of adviser to the savings bank foundation Sparebankstiftelsen Sparebanken Sør, which carried out a successful divestment of equity certificates in Sparebanken Sør. Customer activity aimed at retail customers in share and fund trading remains at a good level, although slightly lower than in the "top years" of 2020 and 2021. In the retail customer market, the company develops its services in close collaboration with the banks as distribution partners. Within the fund area, the company currently offers, among other things, a fund platform that is used by 24 banks. This solution generates significant economies of scale for the banks.

Balder Betaling AS

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

RISK MANAGEMENT

Banking involves exposure to various forms of risk. While risk should not be eliminated, it must be calculated so that it can be priced correctly. In the context of banking, risk is a cost that will normally be expressed through losses, higher operating expenses and more stringent capital requirements, but may also be perceived as a loss of income. Calculated risk entails that there is a calculated probability that the risk will crystallise. If the risk crystallises, it must be priced in a way that eliminates the risk cost.

Risk culture is a critical factor in achieving the desired level of the bank's risk management, and is also the foundation on which other elements of comprehensive risk management are based.

The bank's risk management is based on sound practice combined with sound theory, and the bank must have a culture to assess and deal with risk in all contexts. The bank will develop and maintain a sound risk culture through communication, information and training about the bank's strategy, activities and desired risk profile.

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

Management objectives have been set for the Group's overall level of risk, as well as specific management objectives for each individual area of risk. There is an established system and structure for measuring, managing, monitoring and controlling risk. The Group's exposure to risk and capital adequacy is followed up through periodic reports.

The overall guidelines for the bank's risk management and limits on risk exposure are assessed and established annually by the Board of Directors in conjunction with maintenance of the bank's internal strategy and governing documents. The Board of Directors establishes frameworks for risk appetite, including specified management objectives and limits on risk tolerance for the various categories of risk such as credit risk, market risk, liquidity risk and operational risk

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

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

The bank has an ongoing process linked to monitoring and assessment of the various risk factors. Internal control processes are performed in accordance with relevant regulations for all main business areas. The bank's Group management regularly processes cases relating to risk management and provides the Board's risk committee with periodic reporting.

The bank's management and control of risk has to be on a par with comparable banks, and the bank's aim is to have low risk exposure. Developing and improving the bank's risk management is a continuous process. The view of the Board is that the bank's risk management works well.

Credit risk

Credit risk is the risk that a counterparty does not meet its o

The interest rate risk limit is determined as an upper limit on how large the loss on unhedged interest rate positions may be in case of shifts or distortions in the interest rate curve. Interest rate risk arising from the Group's ordinary operations in the form of fixed-rate customer loans, interest rate derivatives with customers, fixed-rate investments and funding at fixed rates of interest and in foreign currencies are hedged on an ongoing basis. At the end of 2023, measured interest rate risk after hedging transactions was NOK 71.5 million, and therefore within the risk tolerance level approved by the Board.

The bank is exposed to profit and loss effects of the time of setting of the rate of interest for the bank's market financing, which is linked to 3-month NIBOR, not coinciding with the time of any change in interest rate on the bank's lending to customers.

Beyond the interest rate risk limit, an upper risk tolerance level has been set for credit spread risk, stated as the effect on profit or loss of an assumed change in credit spread, which will lead to changes in the value of the Group's interest-bearing securities portfolio. The Financial Supervisory Authority of Norway's stress test model for credit spread risk is used to calculate risk exposure. The bank's credit spread exposure relates to the liquidity portfolio. At the end of 2023, the measured credit spread risk was 69.1 percent of the limit set by the Board.

The Group is subject to fluctuations in the foreign exchange market through its customer-related currency activities. Derivatives (currency futures, swaps and options) are used to hedge open currency exposures. Currency exposure is measured in a 25 percent change in exchange rate on net the currency position. The bank's currency exposure as a result of customer transactions is very low.

For funding in foreign currencies, interest rate and foreign exchange risk arises as a result of the funding being undertaken on fixed-rate terms and in a currency other than NOK. The same applies to the purchase of interest-bearing securities in a foreign currency. The bank hedges interest rate and currency exposure by entering into derivative contracts with reputable financial counterparties. Hedge accounting is the basis for reporting on changes of value.

Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its obligations nor is able to finance ordinary lending growth and its assets, and that financing cannot be obtained without creating significant extra costs or causing significant price falls for assets that need to be realised. Liquidity risk can arise when events in the financial markets mean that regular financing cannot be established.

Liquidity risk is managed through the Group's liquidity strategy, overarching and Board-approved risk tolerance levels and limits. Key operational management parameters are the requirement for the deposit-to-loan ratio, the long-term funding indicator and the stress indicator for liquidity disposals within 30 days, as well as the guidelines for survivability in situations where there is no access to market funding. Liquidity risk is also managed by ensuring funding from the capital market with different maturities, sources of funding and instruments. Liquidity risk is periodically stress tested, and contingency and recovery plans have been established for the Group.

Deposits from customers are the bank's largest and most stable source of funding. The Board emphasises that the relationship between deposits from customers and lending to customers must reflect the Group's overall financing situation. At the end of the year, the Group's deposit-to-loan ratio was 54.3 percent. Sparebanken Sør Boligkreditt AS represents an important funding instrument for the Group, which ensures access to long-term funding through the issuance of covered bonds. To be able to issue covered bonds, mortgages equivalent to around 65.5 percent of all housing loans to the retail market were transferred from the parent bank to the mortgage company in 2023.

Levels of risk tolerance adopted by the Board of Directors for the bank's liquidity risk follow guidelines issued by the Financial Supervisory Authority of Norway. At the end of the year, the levels of liquidity risk were within the limits adopted by the Board.

The long-term funding indicator (NSFR) was 123 percent at the end of 2023. The Group has a liquidity reserve in the form of liquid interest-bearing securities that satisfy requirements imposed by the authorities and adopted by the Board for LCR holding and liquidity stress testing. In addition, the bank has a buffer of mortgages cleared for transfer to the mortgage company and which can secure financing from Norges Bank through the issuance of covered bonds.

The bank's short-term liquidity risk is managed among other things by conforming to the Liquidity Coverage Ratio (LCR). At the end of 2023, the bank's interest-bearing liquidity portfolio, which qualified as LCR reserves, was sufficient to meet assumed liquidity outflows under stress within the next 30 days by a good margin. The Group and parent bank had an LCR of 156 percent and 146 percent respectively at 31 December 2023. The Group's liquidity risk is reported periodically to the Board.

Counterparty risk

Counterparty risk is the risk of the bank's partners in the financing field not being able to fulfil their contractual obligations towards the bank.

Derivative contracts are entered to hedge risks which arise when managing the bank's financing and liquidity risk, and by entering into customer contracts that involve fixed-interest-rate and currency exposure. The derivative contracts must be established with reputable counterparties with a good rating and must be regulated by an underlying system of ISDA agreements. Derivative contracts must be distributed among various counterparties to avoid counterparty concentration.

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

The bank's counterparty risk is regulated through the establishment of agreements on furnishing of collateral (Collateral Support Annex) between the parties. Under CSA settlement, the value of derivatives is reconciled with the derivative counterparty and settlement of collateral takes place. By entering into an agreement on collateral settlement for changes in the value of derivatives, the bank manages to maintain the lowest possible counterparty risk. The bank has established clearing against the London Clearing House through a clearing agent.

Operational risk

Operational risk is the risk of losses due to deficiencies or errors in internal processes or systems, human error or external events. Sparebanken Sør has established specific guidelines for the management of operational risk in order to help the Group achieve its strategic goals. It may be necessary to accept some risk in order to facilitate innovation and it will never be possible or necessarily desirable to eliminate the inherent operational risk associated with all activities.

Sparebanken Sør has identified seven main risks within operational risk: supplier and outsourcing risk, financial crime, IT and information security risk, behavioral risk, compliance risk, change risk and risk relating to resources, competence and human error. A qualitative description of risk appetite has been established for each main risk area, to be supplemented by quantitative key risk indicators.

The Group's overall risk appetite for operational risk is moderate, but the bank has a low risk appetite for some subgroups of operational risk, such as financial crime, behavioral risk and compliance risk. The bank has zero tolerance for losses that could threaten strategic goals and the bank's independence.

Business Risk

Business risk is the risk of unexpected fluctuations in revenues and expenses as a result of changes in external factors such as cyclical fluctuations, the competitive situation, customer behavior, unsatisfactory business performance and regulations issued by public authorities, i.e., factors other than credit risk, market risk and operational risk.

Reputation risk, which is the risk of loss of earnings or access to capital due to lack of credibility or reputation in the market, is included as part of business risk.

Sparebanken Sør must have a low business risk that ensures stable and diversified earnings. The Group must not be involved in individual incidents or activities that may threaten its reputation and strategic goals.

Ownership risk

Ownership risk is the risk of the Group incurring negative results from ownership interests in subsidiaries and/or having to contribute new equity to these companies. Ownership is defined as companies in which Sparebanken Sør has a significant ownership interest or influence.

Sparebanken Sør must have an ownership risk based on strategic aims and where profitability is in proportion to risk. The Group must not be involved in companies or activities that may threaten its reputation or strategic goals.

The management and boards of subsidiaries comply with the provisions of the Limited Liability Companies Act. Several of the companies use managers and/or employees from the Group on their boards of directors or in other positions.

The bank's ownership risk is assessed as low.

Compliance risk

The Group focuses on having good processes to ensure compliance with applicable laws and industry standards. Compliance risk is the risk of the Group incurring legal or regulatory sanctions, financial losses or impaired reputation as a result of non-compliance with laws, regulations or governing documents. Work is done continuously to assess best adaptation to new rules and regulations to maintain both compliance and efficiency in the organisation. New rules and regulations are implemented in the Group's governing documents and procedures.

The Group's compliance function is organised independently of the business units. The Group must have a low compliance risk.

RATING

In order to utilise the opportunities for funding, both internationally and from various investors, the bank has an international rating from Moody's, one of the world's most respected rating agencies. In addition to the fact that the rating outcome is of value to the bank, the Board also considers the actual rating process and maintenance of the rating to be of value in terms of raising the quality of various processes and procedures.

Sparebanken Sør has a long-term rating of A1 and at the end of 2023 had a "Positive Outlook". In January 2024, Moody's confirmed their A1 rating and changed the rating outlook to "Stable Outlook".

In June 2023, Sparebanken Sør Boligkreditt AS received an A1 rating and the same rating outlook as the parent bank.

All covered bonds issued by Sparebanken Sør Boligkreditt AS have also been rated by Moody's and have a triple A rating (Aaa).

CORPORATE GOVERNANCE

Sparebanken Sør's principles and policy for corporate governance are based on the Norwegian Code of Practice for Corporate Governance, prepared by the Norwegian Corporate Governance Board (NUES). The Financial Supervisory Authority of Norway's module for evaluating overall management and control, which reflects principles established by the European Banking Authority (EBA), is used as far as these are relevant to the Group.

Sparebanken Sør's principles and policy must ensure that the bank's corporate governance is in line with generally accepted perceptions and standards, and applicable laws and regulations. Furthermore, corporate governance must ensure good interaction between the bank's various stakeholders, such as equity certificate holders, lenders, customers, employees, governing bodies, management and society in general. The Board is of the opinion that the bank's corporate governance is satisfactory and in accordance with relevant principles and policies. See the complete statement on corporate governance attached to the Annual Report.

Liability insurance has been taken out for the general manager and board members. The insurance coverage is NOK 100 million per claim and total per year for all insured. The insurance has full retroactive effect and covers Sparebanken Sør and its subsidiaries.

STAFF AND WORKING ENVIRONMENT

At the end of 2023, the bank and Group employed 505 and 618 (full-time equivalents FTEs) respectively. Sickness absence closed on 4.45 percent in 2023, slightly down on the prior-year figure of 4.59 percent. While short-term sickness absence decreased slightly, long-term sickness posted a small increase. The increase in long-term sickness absence is a result of some of the bank's employees being diagnosed with long-term illnesses or conditions. The bank works systematically and continuously to monitor sickness absence and aims to keep sickness absence below 4 percent.

The bank adapts the workplace for employees with disabilities. Newbuilds and refurbishments have been designed for universal access, which means that the buildings are arranged so that everyone can use them without any special adaptations or assistive devices.

Continuous efforts are made to ensure that the bank's employees have the right skills. Ongoing training is also provided on products, systems, procedures and in key areas such as anti-money laundering, information security and data protection. Through access to digital learning platforms such as the E-guide, Nano-Learning and Workplace, all employees have opportunities to acquire specially adapted competence. The bank's various training measures are described in more detail in the Sustainability Report for 2023, which is published under Corporate Social Responsibility on the bank's website.

The hybrid working patterns that emerged during the pandemic have gradually become the norm for the bank and more employees are now working from home. This is regulated in a separate policy, which states that employees may work from home for up to two days per week. Following positive experiences of virtual meetings during the pandemic, many meetings are now held on Teams. This limits employees' travel, which is one of the goals of the bank's sustainability efforts. The bank's social activity has returned to a normal level and we consider the working environment to be good, which is also reflected in the bank's low employee turnover rate.

Equality

At the end of the year, the bank employed 528 staff – 253 women and 275 men. Women accounted for 38.6 percent of the bank's managers, up from 37.3 percent in the previous year. The bank has set a target for the proportion of female managers of between 40 and 60 percent, and implements targeted measures to achieve this goal. In the bank's governing bodies, the proportion of women was 40 percent of the Generel Meeting and 50 percent on the Board of Directors.

The bank has prepared a separate policy for gender equality and diversity. The Sustainability Report for 2023 contains gender equality accounts, as well as various statistics on the status of the area of gender equality and diversity. The policy on gender equality and diversity, as well as the Sustainability Report, are published under Corporate Social Responsibility on the bank's website.

In November 2021, the bank was recertified in gender equality and diversity for the period 2021–2024. In connection with the recertification process, a separate action plan has been prepared that also meets the requirements of the new duty to engage actively in equality work and the duty to issue statements (ARP). The action plan is appended to the Sustainability Report for 2023, which is published under Corporate Social Responsibility on the bank's website.

RESEARCH AND DEVELOPMENT

The Group does not engage in research activities.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is integral to Sparebanken Sør's business activities. Sparebanken Sør's corporate social responsibility is expressed in the bank's business concept of contributing to growth and development in the region. Sparebanken Sør has a long tradition of being a responsible corporate citizen and has participated in the development of local communities in the bank's market areas for generations. Work on sustainability has been a natural further development of the role that the bank has played for almost 200 years. For Sparebanken Sør, responsibility for sustainable development means that the bank has to contribute to positive development in ESG (environmental, social, governance) in those areas where the bank operates. Work on sustainability must strengthen the bank's competitiveness and reduce the bank's ESG risk. As an employer, investor, lender and supplier of financial products and services, the bank must contribute to sustainable growth by amplifying positive effects and reducing negative impacts on people, society, the climate, nature and the environment.

Sparebanken Sør also returns some of its profits in the form of donations for public benefit in the region. The bank has prepared social accounts that can be found in the Sustainability Report for 2023 and are published under Corporate Social Responsibility on the bank's website.

Climate challenges and the external environment

The bank uses input factors or methods of production that directly pollute the external environment to an insignificant degree. The bank prepares an annual climate report to enable it to identify emissions, quantify pollution and enable the bank to implement targeted measures. The report, which is published on the Group's website, is based on the international protocol "A Corporate Accounting and Reporting Standard". The report covers consumption relating to transport, energy, waste and air travel. The bank is not aware of any environmental impact, other than consumption, that can be converted to carbon equivalents, and therefore does not publish emission figures. The bank's climate accounts are published under Corporate Social Responsibility on the bank's website.

The greatest adverse impact of the bank's operations on climate and nature comes indirectly through customers, suppliers and partners. Sparebanken Sør has its own guidelines on the climate and natural environment which provide clear principles on implementing sustainability in interactions with customers, suppliers and partners. These policy details and other relevant guidelines are published under Corporate Social Responsibility on the bank's website.

Through the UN Global Compact and UNEP Principles for Responsible Banking, Sparebanken Sør is committed to supporting a precautionary principle for challenges relating to the climate and the natural environment.

Targets, measures and guidelines to operationalise climate-related risks and opportunities in the business areas are described in more detail under the relevant topic areas in the 2023 Sustainability Report and in the 2023 TFCD and TNFD Report for 2023, which are published under Corporate Social Responsibility on the bank's website.

Human rights

Sparebanken Sør supports and respects the protection of international human rights.

The bank's relationship to human rights, employee rights and social conditions follows what is standard and required for Norwegian companies. The bank is a member of the Finance Industry's Employer Association and is bound by collective agreements within this collective agreement area. The bank has also entered into a separate agreement (company agreement) with employee representatives in the company. The bank has all its offices and staff in Norway. The bank has developed its own guidelines for workers' rights and human rights, which are published under Corporate Social Responsibility of the bank's website.

The Norwegian Transparency Act

As a result of the implementation of the new Norwegian Transparency Act, the bank has carried out due diligence on internal compliance with international conventions relating to labour and human rights. The results of the analysis show that Sparebanken Sør has a low risk of violations of labour and human rights. No labour or human rights violations were registered at Sparebanken Sør in 2023.

Although Sparebanken Sør's risk of violations of labour and human rights is low, the bank is still focusing on development and improvement in several areas. In connection with the duty to engage actively in equality work and the duty to issue statements (ARP), the bank has an ongoing action plan in a number of areas relating to labour and human rights. The bank's action plan for further development and improvement in labour and human rights can be found in the Sustainability Report for 2023, and is published under Corporate Social Responsibility on the bank's website.

The bank has also carried out due diligence on labour and human rights, corporate governance and the climate and nature at its suppliers and partners. The results confirm that our suppliers and partners are mostly large and professional companies with reliable systems and procedures in place for following up labour and human rights, corporate governance and the climate and nature. A high proportion of suppliers are also subject to the Norwegian Transparency Act.

Based on an overall assessment, our suppliers and partners have a low or moderate risk of labour and human rights violations, low risk associated with corporate governance and low to moderate risk associated with the climate and nature.

The bank's reporting in accordance with the Norwegian Transparency Act is published in the Sustainability Report for 2023, which is displayed under Corporate Social Responsibility on the bank's website.

Money laundering and combating the financing of terrorism

Detecting and preventing economic crime, including money laundering and terrorist financing, is a very important social responsibility that is taken very seriously in Sparebanken Sør. The bank has a comprehensive framework of governing documents, policies and guidelines to ensure compliance with the applicable legal requirements at all times, and significant resources are invested in fulfilling the bank's role in protecting the bank's customers, the financial system and society as a whole. Based on a business-oriented risk analysis, the bank has a risk-based approach, after which adequate measures are implemented to manage the risk to which the bank is exposed. The risk analysis is regularly updated to strengthen and develop efforts through adaptation of measures. The bank's "Anti-corruption and Anti-bribery Policy" provides guidelines for the bank's positions on, and efforts against, corruption, trading in influence, bribery and the use of facilitation payments.

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

Ethics, conflicts of interest, anti-corruption measures and notification procedures

In accordance with the bank's ethical guidelines and regulations for handling conflicts of interest, the bank's employees must act with care and honesty, and strive for behaviour that is trustworthy and in accordance with the norms, laws and rules that apply in society. This must characterise all activities, so the bank gains trust from the market and safeguards its competitiveness and reputation. The guidelines for ethics and conflicts of interest show the expectations and requirements that Sparebanken Sør sets for its employees' actions and behaviour. Everyone who is covered by these norms must act in such a way that confidence in Sparebanken Sør is not weakened. Management, employees, employee representatives, temporary staff and hired consultants are all covered by the Code of Conduct, which describes, among other things, how employees should handle challenges relating to impartiality and conflicts of interest, participation in other business activities, and trading in financial instruments. The guidelines for ethics and conflicts of interest are published under Corporate Social Responsibility/sustainability library on the bank's website.

The bank makes active efforts to prevent corruption and bribery linked to employees, customers and other partners. The bank has adopted its own guidelines for anti-corruption and bribery, which are published under Corporate Social Responsibility on the bank's website.

The bank has good procedures for notifying undesirable events, questionable conditions, threats, etc. The procedure is reviewed and revised annually by a broadly composed group of managers, union representatives and members of staff from Risk, HR and Internal Audit. Notifications are sent to a neutral external body (BDO). The notification procedure is easily accessible for the bank's employees on the bank's intranet. There is also a separate notification option for customers and outsiders on the bank's website.

DONATIONS FOR THE BENEFIT OF THE PUBLIC

Sparebanken Sør has defined donations as a strategic priority area. In making donations, the bank is keen to ensure that projects which receive funding are of real benefit to the community. This ensures that donations provide an opportunity to promote sustainable growth and development in the region.

The Donations Committee considered 697 applications in 2023. Of these, 314 were granted funding totalling NOK 153 million. This constitutes the largest total donation in any year in the bank's almost 200-year-old history. Children and young people are a priority target group for the bank's donation strategy, and the awards have largely been aimed at projects in the areas of upbringing, sport and culture. The bank has prioritised broad rather than narrow target groups, and teams rather than individuals. The Board of Directors proposes that NOK 208 million of the bank's profit for 2023 be allocated for the distribution of donations in 2024.

CUSTOMER DIVIDENDS

In March 2022, Sparebanken Sør decided to introduce customer dividends by giving part of the primary capital's dividend to its customers. Customer dividends may be distributed to the bank's retail and corporate customers. Customers will be able to receive dividends of up to NOK 2 million from loans and up to NOK 2 million from deposits. The bank will not pay out customer dividends below NOK 100.

Of the bank's profit for 2023, the Board proposes to allocate NOK 417 million for the distribution of customer dividends for 2023, which corresponds to 0.36 percent (2022: 0.20 percent) of customers' average deposits/loans up to NOK 2 million.

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 absorblosses 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 has a long-term aim of achieving lending growth in excess of credit growth, and has set a target for return on equity of 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.

CLOSING REMARKS

The board would like to extend their thanks to the bank's employees for their significant contributions and results throughout 2023. At the same time, the board would like to express gratitude to the bank's customers, equity shareholders, and other partners for their support of the bank and the trust they have shown in the past year.

THE BOARD

Kristiansand, 27. February 2024

Knut Ruhaven Sæthre

Chair

Mette Ramfjord Harv

Deputy chair

Merete Østby

Erik Tønnesen

Trond Randøy

Eli Giske

Jan Erling Tobiassen

Gunnhild Tveiten Golid

Geir Bergskaug

CEO

Income statement

PARENT BANK		NOK MILLION		GROUP	
2022	2023		Notes	2023	2022
2 591	4 406	Interest income effective interest method	15.33.34	6 913	3 999
476	1 008	Other interest income	15.33	1 178	581
1 146	2 843	Interest expenses	15.33.34	5 048	2 212
1 921	**2 572**	**Net interest income**	**5.15**	**3 043**	**2 368**
448	459	Commission income	16.34	509	501
99	123	Commission expenses	34	109	84
349	**336**	**Net commission income**		**400**	**417**
351	252	Dividend	34	2	13
- 61	- 7	Net income from other financial instruments	12.13	0	- 95
290	**245**	**Net income from financial instruments**	**17**	**3**	**- 82**
125	99	Income from associated companies	34	99	125
8	14	Other operating income		29	5
133	**113**	**Total other income**		**128**	**131**
771	**694**	**Total net other income**		**530**	**466**
2 692	**3 266**	**Total net income**		**3 573**	**2 834**
523	613	Wages and other personnel expenses	18	757	659
41	38	Depreciation, amortization and impairment of non-current assets	28	47	43
419	472	Other operating expenses	5.19.34	493	443
983	**1 123**	**Total operation expenses before losses**	**5**	**1 297**	**1 145**
1 709	**2 143**	**Operating profit before losses**		**2 276**	**1 690**
57	53	Losses on loans, guarantees and unused credit	7.8	49	74
1 652	**2 089**	**Profit before taxes**	**5**	**2 227**	**1 615**
299	388	Tax expenses	20	454	332
1 353	**1 701**	**Profit for the period**		**1 773**	**1 283**
		Minority interests		1	1
1 353	**1 701**	**Majority interests**		**1 772**	**1 283**
42	61	Attributable to additional Tier 1 Capital holders		61	42
1 311	1 640	Attributable to ECC- holders and to the saving bank reserve		1 711	1 241
1 353	**1 701**	**Profit for the period**		**1 772**	**1 283**
12.6	15.7	Profit/diluted earnings per equity certificate (in whole NOK)	35	16.4	11.9

Statement of comprehensive income

PARENT BANK		NOK MILLION		GROUP	
2022	2023		Notes	2023	2022
1 353	**1 701**	**Profit for the period**		**1 773**	**1 283**
		Items that will not be reclassified subsequently to profit or loss			
1	0	Change in value loans to customers, mortgage on housing			
		Change in value. basis swaps		-119	99
0	0	Tax effect		26	-22
1	**0**	**Total other comprehensive income**		**-93**	**77**
1 354	**1 701**	**Total comprehensive income for the period**		**1 680**	**1 360**
		Minority interests		1	1
1 354	**1 701**	**Majority interests**		**1 679**	**1 360**
12.6	15.7	Comprehensive income/diluted earnings per equity certificate		15.5	12.6

Notes 1 to 37 form an integral part of the consolidated financial statements.

Balance sheet

PARENT BANK		NOK MILLION		GROUP	
31.12.2022	31.12.2023		Noter	31.12.2023	31.12.2022
Assets					
590	604	Cash and receivables from central banks	21.22	604	590
10 211	5 012	Loans to credit institutions	15,21.22.23	468	6 198
67 332	71 815	Loans to customers	5.6.7.9.10.11.21.22.33.34	127 532	123 852
16 393	21 998	Bonds and certificates	15,21.22.24	24 156	22 851
230	235	Shares	21.22.25	235	230
947	931	Financial derivatives	21.22.32	2 002	1 440
2 813	2 823	Shareholding in group companies	26	0	- 0
1 437	1 537	Shareholding in associated companies	27	1 537	1 437
70	102	Intangible assets	28	114	80
433	451	Property, plant and equipment	28	527	458
150	375	Other assets		233	298
100 607	**105 882**	**TOTAL ASSETS**	**5**	**157 407**	**157 435**
Liabilities and equity capital					
3 584	3 643	Liabilities to credit institutions	14.15,21.22.23	3 530	3 507
65 587	69 289	Deposits from customers	5.14.15,21.22.29.34	69 272	65 596
9 477	6 991	Liabilities related to issue of securities	5.14.15,21.22.24,34	56 724	62 758
778	783	Financial derivatives	21.22.32	922	2 599
315	391	Payable taxes	20	496	358
1 103	1 635	Other liabilities	31	610	490
129	138	Provisions for commitments	18	138	129
32	40	Deferred tax	20	23	64
4 491	7 177	Subordinated senior loan capital	4.14.21.22.30	7 177	4 491
1 662	1 763	Subordinated loan capital	4.14.21.22.30	1 763	1 662
87 159	**91 850**	**Total liabilities**	**5.14**	**140 655**	**141 655**
4 945	5 179	Equity certificate capital	4.35	5 596	5 196
1 085	1 085	Hybrid capital	4	1 085	1 085
7 417	7 768	Other equity	4	10 071	9 499
13 448	**14 032**	**Total equity**	**4**	**16 752**	**15 779**
100 607	**105 882**	**TOTAL LIABILITIES AND EQUITY**	**5**	**157 407**	**157 435**

Notes 1 to 37 form an integral part of the consolidated financial statements.

Kristiansand, 31 December 2023 / 27 February 2024

Knut Ruhaven Sæthre
Chair

Mette Ramfjord Harv
Deputy chair

Merete Steinvåg Østby

Erik Edvard Tønnesen

Trond Randøy

Eli Giske

Jan Erling Tobiassen

Gunnhild Tveiten Golid

Geir Bergskaug
CEO

Statement of changes in equity

NOK MILLION	Equity certificates	Premium fund	Equalization fund	Hybrid capital	Primary capital	Gift fund	Other equity	Minority interests	TOTAL
GROUP									
Balance 31.12.2021	**782**	**451**	**644**	**1 335**	**9 925**	**141**	**1 656**	**7**	**14 941**
Dividend distributed for 2021			- 125						- 125
Profit YtD			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 Ytd			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**
PARENT BANK									
Balance 31.12.2021	**781**	**451**	**519**	**1 335**	**9 926**		**0**		**13 013**
Profit YtD			525	56	773				1 353
Allocated dividend **			- 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 hybridcaptital *					13				13
Conversion of primary capital basic fund	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 Ytd			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
Other changes	- 5		0		- 8				- 13
Balance 31.12.2023	**2 079**	**2 068**	**1 032**	**1 085**	**7 768**		**0**		**14 032**

Notes 1 to 37 form an integral part of the consolidated financial statements. See Note 35 concerning equity certificates, equity capital and proposed dividend.

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

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

*** 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.

Cash flow statement

PARENT BANK		NOK MILLION	GROUP	
31.12.2022	**31.12.2023**		**31.12.2023**	**31.12.2022**
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	Buyback of subordinated loan capital	- 600	- 200
- 245	75	Change in other assets	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	Deduction 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**

The cash flow statement shows receipts and payments of cash and cash equivalents during the year. The statement has been prepared in accordance with the direct method. Cash flows are classified as operating activities, investing activities and financing activities. Cash is defined as cash and receivables with central banks.

Notes 1 to 37 form an integral part of the consolidated financial statements.

Notes 2023 – Sparebanken Sør

Notes

NOTE 1 – ACCOUNTING POLICIES

1. GENERAL INFORMATION

The Sparebanken Sør Group consists of the Parent Bank Sparebanken Sør and the subsidiaries Sparebanken Sør Boligkreditt AS, Sørmegleren Holding AS, Prosjektutvikling AS, Transitt Eiendom AS and Sørlandets Forsikringssenter AS. The Group conducts banking operations at 31 locations and provides real estate services at 18 locations in the counties of Agder, Rogaland and the county of Vestfold and Telemark.

Within the framework of its articles of association in addition to the legislation applicable at any given time, the Bank may perform all business and services that banks in general are licensed to undertake. The Bank is licensed as a securities investment company. Sparebanken Sør Boligkreditt AS is a wholly owned subsidiary of the Sparebanken Sør Group. Sparebanken Sør Boligkreditt AS was established to offer mortgages within 80 percent of the property value.

Sparebanken Sør is an equity certificate bank. The registered office of the Bank and the real estate agency business is in Kristiansand.

The consolidated financial statements for 2023 were presented by the Board of Directors on 27 February 2024 and are due to be adopted by the General Meeting on 21 March 2024. The General meeting is the Bank's highest governing body.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

Application of IFRS

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the EU, in addition to the Norwegian disclosure requirements pursuant to the Norwegian Accounting Act. The financial statements in Sparebanken Sør Parent bank have been prepared in accordance with the regulations on annual accounts for banks, mortgage companies and financial institutions § 1-4, 2nd paragraph b). This means that the same principles are used as for IFRS, with the exception of proposed dividends and gifts for distribution that are accounted for in the year that is the basis for the distribution.

Sparebanken Sør prepares its financial statements in Norwegian kroner (NOK), which is the functional currency for all entities in the Group. Unless stated otherwise, all amounts in the financial statements have been rounded to the nearest million.

The consolidated financial statements are based on the principles of historical cost accounting, with the exception of the following accounting items:

- Buildings, which are measured at adjusted amount.
- Financial instruments at fair value through profit or loss, and financial instruments through other comprehensive income.

The consolidated financial statements have been prepared according to uniform accounting policies for identical transactions and events under otherwise identical conditions.

Consolidation and Group companies

The consolidated financial statements cover the Parent Bank and subsidiaries over which the Bank alone, or together with subsidiaries, has a controlling influence, usually as a result of a shareholding in excess of 50 percent. Internal transactions and balances are eliminated.

When subsidiaries are acquired, the cost price of shares in the parent company is eliminated against the equity in the subsidiary at the time of acquisition. The difference between the cost price and net book value of assets in the subsidiary at the time of the acquisition is added to the assets to which the excess value relates within the market value of these assets. The part of the cost price that cannot be attributed to specific assets, represents goodwill. If the value of the acquired assets exceeds the cost price, the difference is recognised in income.

In the Parent Bank's financial statements, shareholdings in consolidated companies are recognised at cost price on initial recognition. The shareholdings are tested annually for impairment, and if necessary are written down to their recoverable amount.

Associates and joint ventures

Associates are companies over which the Bank exerts significant influence, but not control or joint control, of financial and operational management. Significant influence normally exists when the Bank has a shareholding of between 20 and 50 percent.

A joint venture is a joint arrangement where the parties who have joint control over the arrangement have the right to the arrangement's net assets. Joint control is the contractual agreement on sharing control of an arrangement that only exists when decisions on relevant activities require unanimity between the parties sharing control.

Associates and joint ventures are recognised in accordance with the equity method both in the consolidated financial statements and in the financial statements of the Parent Bank. This means that the shareholdings are initially recognised at cost and subsequently adjusted for the Bank's share of the profit or loss of the associates and joint ventures.

The Group's share of profit/loss from investments in associates and joint ventures is presented on a separate line in the income statement. An impairment test is carried out on the carrying amount of the investment on any indication of impairment. Any impairment is recognised in the financial statements under the share of profit/loss of associates or joint ventures. When the share of the loss exceeds the investment in an associate, the Group's carrying amount is reset to zero and no further losses are recognised unless the Group is obliged to cover these losses.

The Sparebanken Sør Group's shares in joint ventures are of significant size.

Business combinations

Business combinations are recognised in accordance with the acquisition method.

The consideration for the purchase of the business is measured at fair value at the acquisition date. Transaction costs are recognised in income as they arise. A contingent consideration is measured at fair value at the time of acquisition. It is classified as a liability or equity in accordance with IAS 32. Contingent consideration classified as a liability is recognised at fair value in subsequent periods, with changes in value through profit or loss. Contingent consideration classified as equity is not measured after the initial recognition.

When acquiring a business, all acquired assets and liabilities are classified and allocated in accordance with the contractual terms, financial circumstances and relevant conditions at the acquisition date. Acquired assets and liabilities are recognised at fair value in the opening consolidated balance sheet.

Goodwill is calculated as the sum of the consideration and the carrying amount of non-controlling shareholdings and the fair value of previously owned assets, less the net value of identifiable assets and liabilities calculated at the acquisition date. Goodwill is not amortised, but is tested at least once a year for impairment.

If the fair value of net assets in the business combination exceeds the consideration, the difference is immediately recognised in income at the time of acquisition.

3. REVENUE RECOGNITION

Interest income and expenses related to assets and liabilities which are measured at amortised cost or fair value over OCI are recognised in profit/loss on an ongoing basis using the effective interest rate method. Interest income on loans measured at amortized cost and loans measured at fair value through profit/loss are included in the income statement under interest income using the effective interest method. The effective interest rate is the rate that equates the present value of future cash flows within the loan's expected term, to the carrying amount of the loan at initial recognition. Cash flows include establishment fees. Interest income is calculated based on gross loans to customers in stages 1 and 2 and based on net loans to customers in stage 3.

Interest income and expenses related to instruments measured at fair value through profit or loss, the nominal interest is recognized under other interest income, while changes in value are included in net income from other financial instruments.

Commission income and expenses which are a direct payment for services provided are recognised when the services have been delivered. Fees for establishing loan agreements are amortised over the loan's anticipated term. Fees associated with loans measured at fair value are recognised directly in income.

Dividends are recognised in income when the right to receive the dividend has been approved, which normally takes place when the entity (issuer) holds its annual general meeting. For the Parent Bank, dividends and gifts can be recognised as income in the year that is the basis for the distribution, provided that there is a significant preponderance of probability for such a distribution.

4. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset for one enterprise and a financial liability or an equity instrument for another enterprise.

Financial instruments are measured and classified in accordance with IFRS 9. Note disclosures have been prepared in accordance with IFRS 7.

Recognition and derecognition

Financial assets and liabilities are recognised in the balance sheet when the Bank becomes a party to the contractual provisions of the instrument.

A financial asset is deducted when the contractual rights to the cash flows from the financial asset expire, or the Bank transfers the financial asset in such a way that the risk and profit potential of the asset concerned is essentialy transferred.

A financial liability is derecognised when the liability has been repaid, cancelled or has matured. When an existing financial liability is replaced by a new liability from the same lender under terms that have been materially changed, or the terms of an existing liability have been materially modified, the original liability is derecognised and a new liability is recognised. The difference in capitalised value is recognised through profit or loss.

Classification and measurement

Measurement of the financial asset is determined on initial recognition of the asset.

The Group classifies its financial assets in four categories:

- Fair value with changes in value recognised through profit or loss.
- Fair value with changes in value recognised through other comprehensive income (OCI).
- Amortised cost.
- Derivatives designated as hedging instruments recognised at fair value.

Classification on initial recognition is based on the instruments being held in a business model both to receive contractual cash flows and for sale, and whether contractual cash flows solely consist of payments of interest and principal on given dates.

Financial instruments that are held to receive contractual cash flows shall as a principle be measured at amortised cost.

Financial assets that are held to receive contractual cash flows and for resale shall as a principle be measured at fair value through other comprehensive income (OCI).

Instruments with cash flows that are not only payments of interest and principal or where the purpose of owning the instrument is not to receive contractual cash flows are measured at fair value with changes in value recognised through profit or loss.

On initial recognition, financial liabilities are classified as loans and liabilities, or derivatives designated as hedge instruments in an effective hedge. Derivatives are initially recognised at fair value. Loans and liabilities are recognised at fair value adjusted for directly attributable transaction costs. Changes in value deriving from inherent credit risk, where the liability is measured using the fair value option, are recognised through other comprehensive income (OCI).

Derivatives used in connection with hedge accounting are measured according to the policies for hedge accounting. See separate section.

The Parent Bank's mortgage portfolio, that can be transferred to the mortage company, is measured at fair value through OCI. The Group's mortgage portfolio is measured at amortised cost.

Fair value with changes in value recognised through profit or loss

All derivatives are measured at fair value with changes in value recognised through profit or loss. However, derivatives designated as hedging instruments are recognised in accordance with the principles of hedge accounting.

Sparebanken Sør has also chosen to recognise holdings of interest-bearing bonds, certificates and shares at fair value with changes in value through profit or loss. These are assets and liabilities that are managed, measured and reported to management at fair value.

Fixed-interest loans can be redeemed before maturity against payment for premiums or discounts arising as a result of movements in market rates. Sparebanken Sør hedges the interest rate risk for this balance sheet item through derivatives. Derivatives are always measured at fair value. As changes in the value of the derivatives are recognised in income, recognition of fixed-interest loans at amortised cost will lead to significant fluctuations in profit. Recognition at fair value through profit or loss will therefore lead to a more harmonised comparison of the profit or loss on the derivative and changes in value of fixed-interest loans.

This category additionally covers basis swaps established before 1 January 2018 used as instruments in fair value hedging of bonds issued at fixed interest rates. Hedge accounting is discussed further in a separate section below.

Fair value through other comprehensive income (OCI)

Loans to retail customers collateralised by realestate are classified at fair value through other comprehensive income in the Parent Bank. This is a consequence of the fact that the loans can be sold at a later date to the Bank's wholly owned mortgage company. The purpose is therefore not solely to receive contractual cash flows but also resale.

This category further covers interest rate and currency swaps used as hedging instruments entered into after 1 January 2018. For these derivatives, changes in value due to changes in exchange rates are recognised through other comprehensive income (OCI). Hedge accounting is discussed further in a separate section below.

Amortised cost

The Group measures financial assets at amortised cost if the following conditions are met:

- The financial asset is held in a business model whose purpose is to receive contractual cash flows, and
- the contractual terms for the financial asset lead to cash flows which consist exclusively of payments of principal and interest on given dates.

Debt instruments whose sole purpose is to be held in order to collect contractual cash flows, are recognised at amortised cost. In the Group, all borrowings and loans at variable interest rates are classified at amortised cost.

There is an exception in the Parent Bank's financial statements relating to loans to retail customers collateralised by real estate that can be transferred to the mortgage company. These loans are classified at fair value through other comprehensive income.

Derivatives designated as hedging instruments recognised at fair value

Interest rate swaps and currency swaps used as instruments for the fair-value hedging of bonds issued at fixed interest rates are recognised at fair value. Hedge accounting is discussed further in a separate section.

Subsequent measurement

Measurement at fair value with changes in value recognised through profit or loss

Fair value is the price that would be obtained upon the sale of an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants at the time of valuation.

Measurement of financial instruments traded on an active market

Financial instruments traded on an active market are valued at the observed market prices.

Measurement of financial instruments not traded on an active market

The fair value of financial instruments not traded on an active market is determined using a suitable valuation method. Valuation techniques are based on recently signed transactions between independent parties, by referencing instruments with virtually the same content or by discounting cash flows. As far as possible, valuations are based on externally observed parameter values.

Fair value of interest-bearing securities is determined by established market values reported by leading external market players, or at fair value calculated on the basis of the prevailing market yield and credit spread curves.

In calculating the fair value of interest rate swaps, the prevailing market value of the relevant inter-bank interest rate curve is used.

For shares that are not listed or traded actively, the change in value is based primarily on the valuation methods described above.

Fixed-interest loans are not traded in an active market. The Bank must therefore establish a market spread to estimate the loans' fair value as of 31 December. For fixed-interest loans in the retail market, the average of the ten best mortgages published at www.finansportalen.no is used to represent the market interest rate.

Measurement at fair value with changes in value recognised through other comprehensive income

Loans to retail customers collateralised by realestate are measured continuously at fair value, and any changes in value are recognised through other comprehensive income. This applies only in the Parent Bank.

Measurement at amortised cost

Subsequent measurement of financial instruments measured at amortised cost, is performed using the effective interest method and is subject to loss provisions. Gains and losses are recognised through profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost, include receivables from customers and loans to customers, excluding fixed-rate loans.

Amortised cost is defined as the carrying amount on initial recognition, less received/paid interest and instalments, including accrued effective interest, adjusted for net impairment losses and the net recognised effect of hedging.

The effective interest method is a method that calculates amortised cost and accrues interest income/expenses to the relevant period. Interest income is recognised using the effective interest method. The effective interest rate is the interest rate that by discounting the loan's cash flows over the anticipated term, gives a value equal to the loan's (gross) amortised cost on the date of its establishment.

Derivatives designated as hedging instruments recognised at fair value

Interest rate and currency swaps are measured at fair value in the balance sheet. Changes in value due to changes in spreads will be recognised in comprehensive income as a hedging effect.

Offsetting

Financial assets and financial liabilities are offset and presented net in the balance sheet, when the company has a legally enforceable right to offset and intends to realise the asset and settle the liability simultaneously as a whole.

Modification

When the contractual cash flows from a financial asset are renegotiated or altered in some other way, and the renegotiation or change does not lead to derecognition of the financial asset, the gross recognised value of the financial asset is recalculated and any gain or loss on the change is recognised through profit or loss.

The gross recognised value of the financial asset is recalculated as the present value of the renegotiated or changed cash flows, discounted at the original effective interest rate of the financial asset. Any incurred expenses and fees adjust the recognised value of the changed financial asset and are depreciated over the remaining life of the changed financial asset.

Impairment of financial assets

The Group has recognised a provision for expected credit losses (ECL) for all debt instruments that are not classified at fair value through profit or loss. A provision is recognised for expected losses based on relevant information available at the reporting date, including historical, current and future information.

Loss allowances are calculated on the basis of probability of default (PD), loss given default (LGD) and exposure at default (EAD). The model used to calculate provisions for expected losses depends on whether there has been a significantly increased in credit risk since initial recognition. On initial recognition and in cases where the credit risk has not significantly increased since initial recognition, a provision is recognised for expected losses over the next 12 months. Expected losses over the next 12 months are losses that are expected to incurre over the lifetime of the instrument, of which can be linked to events occuring during the next 12 months. Expected credit losses over the whole term are calculated for assets where the credit risk has increased materially since initial recognition, with the exception of assets which are nevertheless assessed as having a low absolute credit risk on the reporting date.

The expected credit loss for exposures that have been qualitatively assessed is calculated based on the present value of all cash flows over the expected residual lifetime. In effect, this is the difference between the contractual cash flows in accordance with the agreement and the cash flow that the Group expects to receive, discounted at the effective interest rate of the instrument. The expected cash flows shall cover cash flows from the sale of collateral or other credit enhancements that are embedded in the contract terms.

In the balance sheet, loan impairments reduce the carrying amounts of the exposures. In the income statement, losses on loans consist of realised losses, changes in loss allowance, loss on fraud cases, income on loans and provisions for guarantees and unused credit facilities, as well as income relating to recovery of previously realised losses. Losses on loans are based on a qualitative assessment of the Bank's loan and guarantee portfolio in accordance with IFRS 9.

For further details, please refer to Note 7.

Loans with low credit risk

The bank uses the exception for low credit risk for lending to credit institutions and central banks. This means that the Group assesses whether the instruments that had a low credit risk on initial recognition still have a low credit risk at the balance sheet date. This assessment is made using relevant available information that can be obtained without undue cost or effort.

Reduction in the value of loans as a result of qualitative assessments

Loss allowance based on qualitative assessments is recognised when there are objective and observable indications that a loan is impaired as a result of a credit loss. A loss allowance is reversed when the loss is reduced, and the reduction is objectively attributable to an event occurring after the date on which loss allowance was recognised. All loans regarded as significant will be assessed to see whether there is objective evidence of weakened creditworthiness, and the objective indication is highly likely to result in reduced future cash flows for the servicing of the exposure.

A customer's commitment is defined as default if the contractual payments have been overdue for more than 90 days and the amount exceeds 1 percent of the customer's obligations and NOK 1 000 for the mass market and NOK 2 000 for corporate customers (payment default).

A customer's commitment is defined as default if it is probable that the borrower will not fulfill its obligations due to objective requirements:

- Loss write-downs have been registered on the customer's obligation
- Incurred losses have been recognised for the customer
- A bankruptcy petition has been filed or the customer has been declared bankrupt
- The customer has applied for, or is in a debt settlement
- A company has been requested to be dissolved, or a forced dissolution has been decided
- Sale of credits due to deteriorating credit quality

A customer's commitment is defined as default if qualitative assessments are made that indicate that the borrower is not fulfilling its obligations. Qualitative assessments are made when observable data relating to the exposure is available, for example information regarding significant financial difficulties for the issuer or borrower. This applies when the borrower's lender, due to financial or contractual grounds relating to the borrowers' financial difficulties, has granted the borrower concessions that the lender would not otherwise have considered and when it becomes probable that the borrower will enter bankruptcy or undergo another form of financial reorganization.

Reduction in the value of loans, guarantees and unused credit facilities as a result of model-based calculations

Loans that have not been subject to qualitative impairment assessments are included in the basis of calculation for model-based impairments. The same applies to guarantees and unused credit facilities.

The model assessing the impairment of financial assets under IFRS 9 applies to financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income. The standard also contains requirements for loss provisions on new loans, by stipulating that an impairment must be recognised for expected credit losses resulting from expected defaults in the next 12 months. The model calculates losses for all customers at account level. The model also includes loan approvals, guarantees and unused lines of credit. For loans where the credit risk has increased materially after initial recognition, a loss allowance corresponding to the expected credit loss over the term of the loan is recognised.

Realised losses

When it is highly probable that a loss is final, it is recognised as a realised loss. Some realised losses will be covered by previously recognised, qualitatively assessed loss allowance, and will therefore be recognised against the existing provision. Realised losses not covered by qualitatively assessed loss allowance, as well as any surplus or deficit in relation to previously recognised loss allowance are recognised through profit or loss.

Presentation in the balance sheet and income statement

Loans

Loans are recorded as either loans to and receivables from credit institutions, or as net loans to customers. Interest is included in the income statement under interest income from assets valued at amortised cost. Changes in value due to loss allowance are included in the income statement under losses on loans, guarantees and unused credit facilities.

Changes in value of fixed-interest loans, which are measured at fair value, are included in the income statement under net income from financial instruments. Interest is included in the income statement under interest income from assets valued at fair value.

Changes in the value of loans to retail customers collateralised by real estate (Parent Bank) are presented through other comprehensive income.

Bonds and certificates

This balance sheet item includes the Group's certificate and bond portfolio. Interest is included in the income statement under interest income from assets at fair value. All changes in value are recognised in the income statement under net income from financial instruments.

Shares

The balance sheet includes the Group's shares recognised at fair value. All changes in value are recognised in the income statement under net income from financial instruments.

Financial derivatives (assets and liabilities)

This balance sheet item includes financial derivatives. Changes in value related to the derivatives are recognised in the income statement under net income from financial instruments.

Liabilities to credit institutions and deposits from customers

This balance sheet item includes liabilities to credit institutions and customers. Interest is recognised in the income statement under interest expenses.

Liabilities from issuance of securities

This balance sheet item includes issued securities debt. Interest is recognised in the income statement under interest expenses. In case of early redemption or repurchase of issued bonds, any gains and losses are recognised under net change in the value of financial instruments.

Provisions

A provision is recognised when the company has an obligation (legal or self-imposed) due to a previous event, where it is likely (more likely than not) that there will be a financial settlement as a result of this liability, and the size of the amount can be reliably determined. If the effect is significant, the provision is calculated by discounting the expected future cash flow with a discounted interest rate before tax that reflects the market's pricing of the time value of money, and if relevant, the specific risks associated with this obligation.

Subordinated loan capital and senior non-preferred

This balance sheet item includes issued subordinated loans and senior non-peferred loans (SNP). Interest is recognised in the income statement under interest expenses.

5. HEDGE ACCOUNTING

Sparebanken Sør uses hedge accounting in relation to the Bank's funding at fixed-interest terms and foreign currency. Hedging covers the bond-related interest rate risk and currency risk.

The Bank's criteria for classifying a derivative as a hedging instrument are:

- The hedge accounting is anticipated to be very effective in that it counteracts changes in the fair value of the bond issued.
- There must be an economic relationship between the hedging instrument and the hedged object, and the effect of credit risk must not dominate any changes in value in the hedging relationship.
- It must be possible to measure the effectiveness of hedging reliably.
- Satisfactory documentation has been established prior to hedging which shows, among other things, that hedging is effective and is expected to remain effective throughout the period.

Sparebanken Sør uses fair value hedging. Hedging is measured and documented every quarter to ensure that it is effective. The dollar-offset method is used to measure the effectiveness of hedging. When the hedging is established and effective, interest rate swaps and currency swaps will be recognised in the balance sheet at fair value and in the income statement under net income from financial instruments.

The hedged item is recognised in the balance sheet at amortised cost. Changes in fair value associated with the hedged risk are accounted for as a supplement or deduction in the book value of the bond debt and is recognised in the income statement under net income from financial instruments.

IFRS 9 applies qualitative requirements for hedge effectiveness, where a prospective effectiveness test is regarded as adequate.

Ineffectivness in hedging is defined as the difference between the value adjustment of hedging instruments compared to the value adjustment of the hedged risks in the objects, is recognized in the income statement on an ongoing basis. The exception is the part of the value adjustment that is due to a change in spreads linked to the hedging instruments.

For interest rate and currency swaps established on or after 1 January 2018, changes in value due to changes in spreads will be recognised through other comprehensive income as a hedging effect. Basis swaps created before 1 January 2018 are recognised at fair value through profit or loss until these falls due. The last swaps established before 1 January 2018 matured in May 2022.

If circumstances should occur which render hedging ineffective, the Bank/Group will amortise the change in value associated with the hedged item over the residual period. The associated hedging instrument will continue to be measured at fair value with changes in value through profit or loss.

6. ACCOUNTING OF EXCHANGE-RATE EFFECTS

Income and expenses in foreign currencies are translated into Norwegian kroner (NOK) at the exchange rates prevailing on the transaction date.

Balance sheet items denominated in foreign currencies are hedged by corresponding items on the opposite side of the balance sheet, or through hedging transactions. Currency derivatives (currency futures) traded with customers are hedged in a similar manner against another external party. Assets and liabilities in foreign currencies are translated into Norwegian kroner at the banks' median rates on the balance sheet date. Foreign exchange gains and losses are recognised in the income statement under net income from other financial instruments.

7. TANGIBLE ASSETS

Tangible assets are recognised at cost less accumulated depreciation and impairments. When assets are sold or disposed of, the book value is deducted, and any loss/gain is recognised in the income statement. Depreciation is computed on a straight-line basis over the expected useful economic life of the asset. The remaining useful economic life and residual values for each asset are reassessed annually.

At each reporting date, an assessment is made to whether there are any indications of impairment. If there are indications of impairment of an asset, the Bank will obtain valuations or calculate the assets utility value. The asset is written down to either fair value or utility value, depending on which method returns the highest value. The basis for previous write-downs is considered at the same time.

Realestate is decomposed by calculating the value of land, technical installations and buildings. Land is not depreciated. Buildings and technical facilities are depreciated over their estimated useful economic life and are not considered to have any residual value. Improvements and periodic maintenance are amortised over the asset's estimated useful economic life.

Leases

Identification of a leasing agreement

When entering into a contract, the group determines whether the contract is or contains a leasing agreement. A contract is or contains a leasing agreement if the contract transfers the right to control the use of an identified asset for a period in exchange for a remuneration.

The Group as lessor

The Group presents assets that have been leased out as non-current assets in the balance sheet. Leasing revenue is recognised through profit or loss on a straight-line basis over the term of the lease. Direct expenses incurred when establishing an operating lease are added to the carrying amount of the leased asset and are recognised as an expense in the leasing period on the same basis as leasing revenue.

Recognition of leases and recognition exemptions

At the inception of a lease, the Group recognises a lease liability and a corresponding right-of-use asset for all leases, with the exception of the following applied exemptions:

- Short-term leases (lease term of 12 months or less)
- Low-value assets

The Group recognises the lease payments for these leases as other operating costs in the income statement as they arise.

The Group measures lease liabilities on inception as the present value of the lease payments that have not been paid at that time. The lease term represents the non-cancellable period of the lease, in addition to periods that are covered by an option to either extend or cancel the lease if the Group will (will not) exercise this option with reasonable certainty. The lease is subsequently measured by increasing the carrying amount to reflect the interest rate on the lease liability, reducing the carrying amount to reflect the lease payments made and re-measuring the carrying amount to reflect any reassessments or amendments to the lease, or to reflect adjustments to lease payments as a result of adjustments to indices or installments. The Group present its lease liabilities under other liabilities in the balance sheet.

The Group measures right-of-use assets at cost, less accumulated amortisation and loss allowance, adjusted for any re-measurements of the lease liability. The Group recognises right-of-use assets under fixed assets in the balance sheet.

Subsequent measurements of right-of-use assets will determine whether the value of the asset is significantly impaired, and any identified losses will be recognised. Right-of-use assets and liabilities are in the parent bank and consolidated accounts of insignificant sizes.

Distinction between service contracts and leases

IFRS 16 distinguishes between service contracts and leases. A distinction is therefore made between contracts that give the customer a right to use an asset (lease) and those that represent a purchase of services. IFRS 16 defines a lease as follows: "a contract, or part of a contract, that conveys a right to use the asset (the underlying asset) for a period of time in exchange for consideration. To be classified as a lease, a contract must convey the right to control the use of an identified asset." Service agreements represent mutually unfulfilled contracts, where delivery is considered to take place as and when the service is delivered by the supplier and adopted by the customer. Service contracts do not fall under the new IFRS 16 standard.

As well as ordinary tenancy agreements, Sparebanken Sør has a significant contract for the delivery of IT systems. The agreement describes "Business-as-a-Service" (BaaS) and indicates that this refers to services that are received. The agreement is deemed to be a purchase of services since no right to control the use of an identified asset has been conveyed. The agreement is not deemed to be covered by IFRS 16.

8. INTANGIBLE ASSETS

Intangible assets acquired separately will be posted in the balance sheet at cost. Posted intangible assets are recognised at cost reduced for depreciation and amortisation.

Expenses related to the purchase of new software and adaptation to other systems, which the company controls and receives future benefits from, are posted in the balance sheet as intangible assets. Software and adaptation are normally amortised on a straight-line basis over three years. Costs incurred because of maintaining or sustaining the future utility of software are expensed.

9. PENSION EXPENSES AND LIABILITIES

Defined-benefit pension scheme

Defined-benefit pension schemes are valued at the present value of the future pension benefits that for accounting purposes are regarded as earned at the balance sheet date. Pension assets are valued at fair value.

In accordance with IAS 19, both liabilities related to group plans in life insurance companies and unsecured liabilities have been recognised in the financial statements in accordance with the calculations performed by an external actuary. The net pension expense for the year consists of the present value of accrued pension entitlements for the year and interest expenses on the pension liability, less the expected return on pension plan assets.

The net pension expense is included under personnel expenses. Changes in estimate deviations are recognised through other comprehensive income (OCI) and plan changes will be added to the income statement as personnel cost consecutively. Defined-benefit group schemes in a life insurance company have been closed. The schemes were terminated in 2016 in connection with the transition to a defined-contribution scheme. The remaining defined-benefit pension scheme is insignificant and is not actuarially calculated ongoing.

Defined-contribution scheme

Under the defined-contribution scheme, the Bank does not guarantee a future pension. The Bank pays an annual contribution to the employees' pension plan. Payments into the scheme are directly recognised as an expense.

10. INCOME TAX

Income tax is accrued as a cost, irrespective of when payment is made. The tax expense therefore reflects the year's tax and future taxes payable as a result of the year's activities. The tax is expected to offset net income included in the year's tax expense and is designated as tax payable.

Deferred tax is calculated on the basis of differences between the reported results for tax and accounting purposes that will be offset in the future. Tax-increasing and tax-reducing temporary differences within the same time interval are offset against each other.

Any net deferred tax assets are recognised as an asset in the balance sheet when it is probable that the tax-reducing differences will be realised. The company will likewise reduce the deferred tax asset to the extent that the company no longer considers it probable that it can make use of the deferred tax asset.

Wealth tax is calculated and recognised under other operational expenses in the income statement, and tax payable in the balance sheet.

11. EQUITY

Sparebanken Sør has issued equity certificates on the Oslo Stock Exchange. The equity is divided into equity certificates, a share premium fund, an equalisation fund, a primary capital fund, a gift fund and other equity.

To calculate the share of equity, equity certificates, the share premium fund and equalisation fund, are divided by total equity, less other equity and hybrid capital.

The gift fund is part of equity. When gifts are awarded by the Bank's gifts committee, the Bank's gift fund is charged, and this is entered as a liability in the balance sheet.

The proposed distribution of dividend is presented as other equity until a final decision on distribution has been made. Distribution is then presented as allocated dividend until payment has been made.

For the Parent Bank, proposed dividends and gifts for distribution are accounted for in the year that is the basis for the distribution.

12. HYBRID CAPITAL

Hybrid capital (Additional tier 1 capital) is a bond with an agreed interest rate. Hybrid capital has no maturity date, and the Bank has a unilateral right to refrain from paying interest to investors under specified conditions. Hybrid capital does not satisfy the definition of a financial liability in accordance with IAS 32 and is classified as equity. Interest is not presented as an interest expense in the income statement, but as a reduction in other equity.

Transaction costs and accrued interest are presented as a reduction in "Other equity", while the benefit of tax deductions for the interest results in an increase in "Other equity".

13. SEGMENTS/SEGMENT REPORTING

Segments are reported in the same way as the different areas of activity are reported and monitored internally by management and the Board.

Sparebanken Sør has two operating segments:

- RM – Retail market, including loans transferred to Sparebanken Sør Boligkreditt AS.
- CM – Corporate market, including loans transferred to Sparebanken Sør Boligkreditt AS.

The Bank's staff departments, including capital market, and real estate agency are not a separate reportable segment and are reported as undistributed.

14. CASH FLOW STATEMENT

The cash flow statement shows receipts and payments of cash and cash equivalents during the year. Cash and cash equivalents are defined as cash and receivables with central banks.

15. CHANGES IN ACCOUNTING POLICIES AND NOTE DISCLOSURES

Applied accounting policies are consistent with the standards used for the previous accounting period.

There are no changes in IFRS with effect for the 2023 accounts have been relevant this year.

16. STANDARDS AND INTERPRETATIONS THAT HAVE BEEN APPROVED, BUT NOT YET ADOPTED

There are no changes in new standards or interpretations of existing standards that are relevant and will affect future accounting periods.

NOTE 2 – DISCRETIONARY JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing financial statements, management makes estimates and discretionary judgments. Areas largely comprised of discretionary estimates, with a high degree of complexity, and where assumptions and estimates are significant to the accounts of the Parent Bank and the Group, are presented below.

General

In applying the Group's accounting policies, the company's management has exercised discretion in some areas and made assumptions about future events. There will naturally be an inherent uncertainty related to accounting items based on the use of discretion and assumptions about future events. When exercising discretion and making assumptions about future events, management will use information available at the balance-sheet date, previous experience with similar assessments, as well as market and third-party assessments of current conditions. Although management exercises its best judgment and bases itself on the best estimates available, it must be anticipated that the actual outcome may, in some cases, differ greatly from the accounting estimates. Estimates, assumptions and conditions that represent a significant risk of material changes in the carrying value of assets and liabilities within the next financial year are discussed below.

Provisions for loan losses

The accounting area provisions for loan losses is subject to a large degree of discretionary assessments. The accounting area provisions for loan losses is subject to a large degree of discretionary assessments. In 2022, there were major turmoil and fluctuations in the financial market that continued into 2023. There was an uncertain macro situation with geopolitical turmoil, hight inflation, increasing wages, rising interest rates, and a weak exchange rate, leading to ongoing uncertainty by the end of the year.

Models used for calculating future credit loss contains forward-looking macro data, and in events of major changes in the economy, the current models and parameters must be changed accordingly. Macro-data used in the model for calculating future credit losses is shown in note 7 in the financial statements.

All loans to customers classified at amortised cost have loss allowances based according to IFRS 9. Loss allowances are to be recognized on all commitments based on expected credit losses (ECL). Each month, all commitments are calculated for future expected losses.

At initial recognition, future expected losses are calculated for the next 12 months and all commitment receive an application score.

For subsequent periods, commitments where there has been no significant increase in credit risk, expected loss for the next 12 months will be calculated and allocated. If there has been a significant increase in credit risk, the expected loss for the entire lifetime will be calculated and allocated.

In cases when there is observable data related to commitments which, for example, relate to significant financial difficulties of the borrower, the loans will be assessed qualitatively. In such cases, an individual assessment of model-calculated losses will be made and, if needed, model-calculated losses will be overdrawn. For qualitative assessments, write-downs will be calculated as difference between the loan's book value and the present value of future cash flows based on the effective interest rate at the time of initial calculation of qualitative impairment.

The group conducts an annual review of the entire corporate market portfolio. Large commitments, default commitments and high risk exposures are assessed quarterly.

Provisions for loan losses are mostly based on the Group's risk classification models. The group has models for application scores and portfolio scores that form the basis for the risk classification. Any weaknesses in these models affect the loss provisions calculated in the model.

Assessment of loss allowances, where there is objective evidence of impairment, will always be based on a significant degree of discretion. Predictions based on historical information may prove to be incorrect because it can never be known with certainty what relevance historical data has as a basis for making decisions. When collateral values are linked to particular objects or industries in crisis, collateral will have to be realized in low-liquid markets, and assessment of collateral values will be subject to significant uncertainty in such situations.

The loss model contains data for macroeconomic conditions, and relevant parameters must be adjusted to take into account any changes in the economic climate or macroeconomic conditions. Sparebanken Sør largely uses input from the Monetary Policy Report from Norges Bank and statistics from Statistics Norway as a basis for macro conditions. The timing and selection of parameters to be updated depends on discretionary assessments.

The quality of the bank's score and risk classification models also has a direct impact on calculated losses allowances.

Fair value of financial instruments

Fair value of financial instruments is based partly on underlying factors that are not observable in the market. This applies in particular to the establishment of relevant premiums for credit risk, in fair value determination for fixed-interest securities in the form of borrowings, lendings and securities issued by others. Management has based its assessments in such cases on the information available in the market, combined with a best estimate. Such information will include credit scoring by leading market players.

NOTE 3 – RISK MANAGEMENT

Sparebanken Sør shall maximise its long-term value creation, and with this objective, it is essential that the risk is subject to active and satisfactory management. Part of the Group's business strategy is to keep a low to moderate risk profile for the whole enterprise. Taking risk is a fundamental feature of banking, and in all parts of banking there are different types of risks with different levels of actual exposure. The risk management is a key area for the day-to-day operations and the general work of the Board. Risk management is not about eliminating risk but taking calculated risk and pricing the risk correctly. We also refer to the Bank's Pillar 3 disclosure document, which is available on the Bank's website.

ORGANISATION

Board of directors

The Board has overall responsibility for the Bank's total risk management and aims to ensure that the Bank has appropriate systems in place for risk management and internal control. The Board of Directors determines risk strategies, framework for risk appetite, risk profile and risk tolerance. The Board of Directors also determines the strategy and guidelines for the capital plan and composition of the capital and approves the process to ensure the Bank at all times has an adequate level of capital (Internal Capital Adequacy Assessment Process, ICAAP).

Audit committee and risk committee

The Board has appointed an audit committee and a risk committee as sub-committees of the Board. The objective is to make a more thorough assessment of relevant matters, including strengthening work on monitoring of risk and financial reporting and internal control.

The Bank's management

The CEO and other members of the management team are responsible for implementing risk management and internal control. Matters pertaining to changes or the implementation of new policies and strategies within the Group, should always be presented to the management team for discussion and decision. Management considers the risk situation continuously and evaluates the overall risk situation and the associated capital requirement at least once a year (ICAAP). These assessments are then presented to the Board.

The CEO has delegated duties in accordance with the formal responsibility for internal control and risk management. Responsibility for the implementation of the annual assessment of risk and capital adequacy has been delegated to the Risk Management division. This analysis is to be coordinated and integrated with other planning and strategy work in the Bank. Control and verification tasks are further delegated to the various line managers within the framework of agreed principles, instructions, and authorizations.

Risk management covers the entire Group and does not perform activities which the control function is intended to monitor. The unit is to identify, measure and evaluate the Bank's overall risk.

Internal auditor

The Bank has appointed internal auditors. This is a monitoring function independent of the administration in general, and designed to perform risk assessments, controls and investigations of the Bank's internal control and governance processes to assess whether they are appropriate and proper.

Risk management process

The Bank has expedient and appropriate strategies and processes for risk management, the assessment of its capital requirement and how this can be maintained. The collective term for this is ICAAP.

RISK CATEGORIES

All risks are managed through a framework for risk appetite. Targets have been established for the different risk parameters. Sparebanken Sør operates with the following risk categories:

Credit risk

Credit risk is defined as the risk of losses due to customers or counterparties being unable to meet their obligations to the Bank, and the value of underlying security not being sufficient to cover the Bank's receivables if the security must be realised. Credit risk is the Group's greatest risk, and the risk that requires most capital.

The group uses the standard method for calculating risk and capital. The bank also regularly assesses whether there are any other aspects of the bank's credit risk that indicate that capital ought to be set aside for risks that cannot be covered by the standard method.

The Board has overarching responsibility for the bank's granting of credit, and establishes the bank's credit strategy and policy.The Board has established objectives and guidance, as well as quantitative limits that specify constraints and limits for risk tolerance. Compliance with the Bank's credit policy is monitored by the Risk Management Division. The Risk management Division has one independent risk control function that identifies, measures, assesses and reports significant risks associated with credit.

The Bank's risk classification system is used both in the credit rating process and in the ongoing follow-up of risk at portfolio level. Classification of customers is based on probability of default over a 12-month period, where probability of default is calculated from various internal and external financial data. Scorecards are used to divide the customers into 10 different risk classes, plus a risk class for non-performing commitments. Risk development in the portfolio is analysed and followed up on an ongoing basis.

The Board, management and supervisory bodies receive regular credit risk reports. Central to this is the trend in loans, divided into different risk classes and movements between classes.

The bank's credit risk must have a "Moderate" to "Low" risk profile, and the bank must have a moderate overall concentration risk. The bank's total credit risk must be on par with comparable banks.

Counterparty risk

Counterparty risk is the risk of the Bank's business partners in the financial field not being able to fulfill their contractual obligations towards the Bank.

Derivative contracts are entered, to hedge risk which arises in the Bank's financing and liquidity risk, as well as when entering customer contracts which involve fixed interest rate and currency exposure. Derivative contracts must be established with reputable counterparties with a good rating and must be regulated by an underlying ISDA agreement. Derivative contracts must be spread across various counterparties to avoid counterparty concentration.

The Bank follows the regulations for derivatives trading under EMIR (European Market Infrastructure Regulation) regarding settlement, confirmations, documentation and reporting to authorities.

The Bank's counterparty risk is regulated through the establishment of agreements on the furnishing of collateral (Collateral Support Annex) between the parties. Under CSA settlement, the value of derivatives is reconciled with the derivative counterparty, and settlement of collateral takes place. By entering into an agreement on collateral settlement for changes in the value of derivatives, the Bank manages to maintain the lowest possible counterparty risk. The Bank has established clearing against the London Clearing House through a clearing agent.

Concentration risk

Concentration risk is a credit risk constituting the risk of loss due to a large combined exposure to a single counterparty, groups of related counterparties (large exposures), counterparties operating in the same sector (industry concentration) or geographical area (geographical concentration). The bank today has a well diversified portfolio both in terms of geography, customer segments and industries.

The Bank must maintain a moderate combined concentration risk. Although additional risk due to debtor concentration does exist, it does not, in the Bank's opinion, represent a significant risk for the Group. This is a result of low exposure when considering the quality of the collateral. Similar reasoning can be applied in relation to lessee concentration.

The greatest concentration risk facing Sparebanken Sør relates to "Real estate". This part of the portfolio will thus be exposed to risk factors that affect property companies specifically. These risk factors are primarily vacancy, rental prices and interest rates. The latter is a general macro-variable, but property companies are more heavily exposed to interest rate levels than many other sectors because they are highly leveraged and because property is an asset with a longevity.

Individual commitments will vary considerably in terms of sensitivity to these factors, and how it therefore contributes to the portfolio's concentration risk. This depends, among other things, on tenancy, property location and type of building. In addition, the debtor's financial situation has a major impact.

The Bank has set aside additional capital under ICAAP to cover concentration risk.

Liquidity risk

Liquidity risk is defined as the risk of the Group not being able to meet its obligations or fund its assets, and also if it is not able to obtain funding without incurring significant additional costs, in the form of a reduction in the value of assets that must be realised, or in the form of funding at an above-normal cost level. Liquidity risk can arise when events in the financial market mean that ordinary financing cannot be established.

Liquidity risk is managed through the Group's liquidity strategy, overarching and Board-approved guidelines, routines, risk tolerance levels and limits. Key operational management parameters are the requirement for the deposit-to-loan ratio, the long-term funding indicator, and the stress indicator for liquidity disposals within 30 days (LCR), as well as the guidelines for survivability in situations where there is no access to market funding. Liquidity risk is also managed by ensuring that funding from the capital market is distributed across various terms to maturity, sources of funding and instruments. Liquidity risk is periodically stress tested, and contingency and recovery plans have been established for the Group.

Deposits from customers are the Bank's most stable source of funding. The Board of Directors emphasises that the ratio between deposits from customers and lending must be tailored to the Group's overall funding situation. Sparebanken Sør Boligkreditt AS represents an important funding instrument for the Group, because it ensures access to long-term funding by issuing covered bonds.

Levels of risk tolerance adopted by the Board of Directors for the Bank's liquidity risk follow guidelines issued by the Financial Supervisory Authority of Norway. At year-end, the levels of liquidity risk were within the limits adopted by the Board of Directors.

The Bank has a liquidity reserve in the form of liquid interest-bearing securities that satisfy requirements imposed by the authorities and adopted by the Board for LCR holdings and liquidity stress testing. In addition, the bank has a buffer of mortgages cleared for transfer to the mortgage company and which can secure financing from Norges Bank through the issuance of covered bonds.

The Bank's short-term liquidity risk is managed partly by adaptation to the Liquidity Coverage Requirement (LCR).

In addition to the LCR, the Bank analyses liquidity risk using stress tests. According to these analyses, the Group would be able to continue operating normally for 24 months in a stress alternative, where new market funding is assumed to be unavailable and the regulatory liquidity reserves can be used.

Sparebanken Sør shall have a moderate to low liquidity risk. Liquidity risk should be on par with comparable banks, but be reconciled with the Bank's overall risk profile and the Board's approved capital requirements. The risk profile should be adapted to the current market situation and outlook.

The Group's liquidity risk is reported periodically to the Board of Directors.

Market risk

Market risk is the risk of changes in value as a result of changes in market prices. Market risk can be divided into interest rate risk, currency risk, equity risk, credit spread risk, basis swap risk and property risk. Financial market risk is part of market risk, and is the risk of changes in the value of unsecured positions as a result of changes in market prices for interest rates, currency, shares, credit spreads and basis swaps (combined interest rate and currency swap agreements).

A separate methodology document has been drawn up setting out policies and assumptions for measuring the Group's market risk.

Sparebanken Sør shall have a low market risk and various financial instruments are used to hedge market risk that arises in connection with the Bank's ordinary customer activities and financial operations.

The Board has established risk-tolerance guide levels for investment in shares, bonds and positions in the interest rate and currency markets. Compliance with these performance targets is followed up regularly and reported to the Board

Interest rate risk

Interest rate risk is defined as the risk of financial losses arising from changes in interest rates if the fixed-interest period for the Bank's liabilities and assets on and off the balance sheet do not coincide.

The interest rate risk limit is determined as an upper limit on how large the loss on un-hedged interest rate positions may be in case of shifts or distortions in the interest rate curve. Interest rate risk arising from the Group's ordinary operations in the form of fixed rate customer loans, interest rate derivatives with customers, fixed rate investments and funding at fixed rates of interest and in foreign currencies are hedged on an ongoing basis. At the end of 2023, measured long-term interest rate risk after hedging transactions was within the risk tolerance level approved by the Board.

The Bank is exposed to effects in profit or loss from if the time for interest rate determination on the bank's market financing, which is linked to 3-month Nibor, does not coincide with the time for any interest rate change on the bank's lending to customers.

Exchange rate risk

Exchange rate risk is the risk of financial loss arising from a disadvantageous change in the value of asset and liability items (on and off the balance sheet) measured in the base currency (NOK) due to changes in exchange rates. The group is affected by fluctuations in the foreign exchange market through its activity in foreign exchange towards customers. Derivatives (currency futures, swaps and options) are used to hedge open currency exposure. Exposure is measured by a 25% change in the exchange rate of the currency position. The Bank's currency exposure related to customer activities is very low.

For funding in foreign currencies, interest rate and foreign exchange risk arises as a result of the funding being undertaken on fixed rate terms and in a currency other than NOK. The same applies to the purchase of debt securities in a foreign currency. The Bank hedges interest rate and currency exposure by entering into derivative contracts with reputable financial counterparties. The contracts are cleared against the London Clearing House or the counterparty risk is safeguarded through an established agreement for the settlement of securities (Credit Support Annex). For financing in foreign currencies and the hedging of currency risk, hedge accounting is applied in reporting changes in value.

Share price risk (share risk)

Share price risk (share risk) consists of market risk associated with positions in equity instruments, including derivatives with underlying equity instruments. Exposure is measured as the size of the potential loss, where the market value of the shares falls by 45 percent and the exchange rate risk is regulated by limits for the maximum aggregated position in a share portfolio.

Credit spread risk

Credit spread risk is defined as the risk of changes in the market value of interest-bearing securities due to a general change in credit margins. A general increase in credit margins would lead to a reduction in the value of a portfolio of interest-bearing securities. Changes in the credit margin are a consequence of changes in investors' requirement for a risk premium for a shift in anticipated credit risk and/or changes in other market conditions. The Financial Supervisory Authority of Norway's stress test model for credit spread risk, is used to calculate risk exposure. The Bank's credit spread exposure is mainly related to the liquidity portfolio. At the end of 2023, the measured credit spread risk was 69.1 percent of the framework approved by the Board.

Business risk

Business risk is the risk of unexpected fluctuations in revenues and expenses as a result of changes in external factors such as cyclical fluctuations, the competitive situation, customer behaviour, unsatisfactory business performance and regulations issued by public authorities, i.e., factors other than credit risk, market risk and operational risk.

Reputation risk which is a risk of failure in earnings or access to capital due to failing trust and reputation in the market. Reputation risk is included as part of business risk.

Sparebanken Sør must have a low business risk that ensures stable and diversified earnings. The Group must not be involved in individual incidents or activities that may threaten its reputation and strategic goals.

Operational risk

Operational risk is the risk of losses due to deficiencies or errors in internal processes or systems, human error or external events.

Sparebanken Sør has established specific guidelines for the management of operational risk in order to help the Group achieve its strategic goals. It may be necessary to accept some risk in order to facilitate innovation and it will never be possible or necessarily desirable to eliminate the inherent operational risk associated with all activities.

Sparebanken Sør has identified seven main risks within operational risk: supplier and outsourcing risk, financial crime, IT and information security risk, behavioural risk, compliance risk, change risk and risk relating to resources, competence and human error. A qualitative description of risk appetite has been established for each main risk area, to be supplemented by quantitative key risk indicators.

The group's overall risk appetite for operational risk is moderate, but for certain subgroups of operational risk, such as financial crime, behavioral risk and compliance risk, the bank has a low risk appetite. The bank has zero tolerance for losses that could threaten strategic goals and the bank's independence.

Ownership risk

Ownership risk is the risk of the Group incurring negative results from ownership interests in subsidiaries and/or having to contribute new equity to these companies. Ownership is defined as companies in which Sparebanken Sør has a significant ownership interest or influence.

Sparebanken Sør must have an ownership risk based on strategic aims and where profitability is in proportion to risk. The Group must not be involved in companies or activities that may threaten its reputation or strategic goals.

The management and boards of subsidiaries comply with the provisions of the Limited Liability Companies Act. Several of the companies use managers and/or employees from the Group on their boards of directors or in other positions.

The bank's ownership risk is assessed as low.

Compliance risk

The Group focuses on having good processes to ensure compliance with applicable laws and industry standards. Compliance risk is the risk of the Group incurring legal or regulatory sanctions, financial losses or impaired reputation as a result of non-compliance with laws, regulations or governing documents. Efforts are continuously done to assess best adaptation to new rules and regulations to maintain both compliance and efficiency in the organisation. New rules and regulations are implemented in the Group's governing documents and procedures.The group's compliance function is organized independently of the business units.

The Group's compliance function is organised independently of the business units. The Group must have a low compliance risk.

HEDGING INSTRUMENTS

The group uses the following hedging instruments:

- Interest-rate swaps – agreements to swap interest rates for a particular nominal amount over a specified number of periods.
- Currency futures – agreements to buy or sell foreign currencies with settlement at a specified future date.
- Cross-exchange rate interest rate swaps – agreements to swap both interest and exchange rates.

The purpose of using interest rate and currency instruments

is to cover the Bank's interest and exchange rate exposure.

NOTE 4 – CAPITAL ADEQUACY

Sparebanken Sør aims to maximise its long-term value creation. The Group also aims to maintain a moderate to low risk profile. This means that effective risk and capital management is a key strategic element.

Sparebanken Sør has established a strategy and process for risk measurement, management and control that provides an overview of the risks the Bank is exposed to. This therefore provides the basis for the assessment and calculation of the Bank's total capital requirement, and how this can be maintained to meet the specific risks in an adequate manner. The process is described as ICAAP (Internal Capital Adequacy Assessment Process). The assessment of capital required includes size, composition and distribution of equity and subordinated loan capital in relation to the risks the Bank is or may be subjected to. This is based on the results of stress tests that show the negative effects of changes in macro-variables which may cause the bank greater losses.

The Board of Directors establishes a capital plan to ensure that the Bank at all times has a total capital ratio which meets regulatory requirements and expectations. In order to have better flexibility in terms of strategic choices and business opportunities, the Bank maintain a higher level of capital than the requirement calculated on the basis of ICAAP.

The Group met the applicable minimum capital requirements for financial institutions as at 31 December 2023 with a common equity tier 1 capital ratio of 15.0 percent, Tier 1 capital ratio of 16.8 percent and a total capital ratio of 19.2 percent, respectively.

The requirement for countercyclical capital buffer was decided to be increased to 2.5 percent with effect from 31 March 2023. In January 2024, Norges Bank decided to maintain this requirement. The purpose of the countercyclical capital buffer is to make the banks more solid and to prevent the banks' credit practices from reinforcing a setback in the economy.

The Norwegian Ministry of Finance has amended the statutory regulations to put into effect the EU's Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD) IV with effect from 31. December 2019. The Ministry of Finance decided on 16 December 2022 to maintain the system buffer requirement at 4.5 percent, but was postponed by one year for banks that report according to the standard method. This means that Sparebanken Sør's system risk buffer requirement has increased from 3.0 to 4.5 percent as of December 31st, 2023.

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, 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. Based on the current Pillar 2 requirement the Groups's internal target for CET1 in 2023 was 16.5 percent.

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.

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 expects the bank to maintain a capital requirement margin of 1.25 percent. The Group's internal target for 2024 will be determined when a new pillar 2 decision is made in early 2024.

Sparebanken Sør uses the standard method for credit- and market risk and the basic method for operational risk, to calculate capital adequacy in accordance with the current capital adequacy rules – Basel II.

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	Hybrid capital classified as equity (AT-1)	-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	- 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**
		Additional tier 1 capital		
1 085	1 085	Hybrid capital (AT-1)	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 (T-2)	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**
		Calculation basis 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 %

NOTE 5 – SEGMENT REPORTING

Sparebanken Sør has three operating segments: Retail Market (RM), Corporate Market (CM) and real estate (Sørmegleren). The Bank's own investment activities are not a separate reporting segment and are included under 'Undistributed'. For more information about the segments, refer to accounting policies. Retail Market (RM) and Corporate Market (CM) deviate in this context from retail customers and corporate customers in reporting on sectors and industries.

The different segments recognise actual revenue and expenses related to loans and deposits as revenue and expenses in the balance sheet. All employees are related to the different segments. When there is a liquidity shortfall in the segments, an interest expense is calculated based on an internal rate, which is determined each month.

The Group's branch offices are located in Agder, Rogaland, Vestfold and Telemark. The Group also has customers in other geographical areas, who are served by the established offices. Loans are broken down geographically in Note 10.

None of the Group's customers individually account for more than 10 % of turnover. This applies to both 2023 and 2022.

Report per segment		**31.12.2023**				
NOK MILLION	RM	CM	Undistrib. and elimin.	Total banking business	Sørmegleren	Total
Net interest 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**

Report per segment		**31.12.2022**				
NOK MILLION	RM	CM	Undistrib. and elimin.	Total banking business	Sørmegleren	Total
Net interest 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**

The Sparebanken Sør Group does not report segments in the Parent Bank separately. Since Sparebanken Sør Boligkreditt AS is an integral part of the Group's retail banking market, it would be misleading to report segments in the Parent Bank in isolation.

NOTE 6 – CREDIT AND CREDIT RISK

Credit risk represents the largest area of risk for the Group. The Board defines the Group's credit strategy which, together with the Bank's credit policies and guidelines for credit processes, are intended to ensure that the customer portfolio has an acceptable risk profile and helps the Group maximise long-term value creation.

Sparebanken Sør has Agder, Rogaland Vestfold and Telemark as its principal market. In addition, the Bank has a national market segment, encompassing organisations that form part of KNIF (Kristen-Norges Innkjøpsfellesskap) and their employees.

The Bank's risk classes are as follows:

Risk classes	Lower limit of default, %	Upper limit of default, %
A	0.00	0.10
B	0.11	0.25
C	0.26	0.50
D	0.51	0.75
E	0.76	1.25
F	1.26	2.00
G	2.01	3.00
H	3.01	5.00
I	5.01	8.00
J	8.01	99.99
K	100.00	

Loans distributed in risk classes

The models used to calculate the probability of default (PD) in the next 12 months and expected credit losses (ECL) at the customer and portfolio level are based on internal and external data. Retail customers and corporate customers are scored each month, and are divided into 11 classes (A – K) based on their probability of default. Class K comprises non-performing loans. For definition of non-performing loans refer note 1.

The table below shows the intervals for the different risk classes based on the probability of default.

Probability of default	
Low risk (A-D)	0.00 - 0.75%
Medium risk (E-G)	0.76 - 3.00 %
High risk (H-J)	3.01 - 99.99 %
Default (K)	100 %

GROSS LOAN DISTRIBUTED BY RISK CLASSES

PARENT BANK					GROUP			
31.12.2022		31.12.2023		NOK MILLION	31.12.2023		31.12.2022	
				Retail banking customers:				
20 972	81.1 %	20 189	72.0%	Low risk	65 305	79.2 %	66 888	82.9 %
4 386	17.0 %	7 082	25.2 %	Medium risk	15 118	18.3 %	12 295	15.2 %
359	1.4 %	659	2.4 %	High risk	1 743	2.1 %	1 214	1.5 %
25 718		**27 931**		**Total non-matured or written down**	**82 165**		**80 397**	
134	0.5 %	129	0.5 %	Non-performing	251	0.3 %	311	0.4 %
25 851	**100 %**	**28 060**	**100 %**	**Total retail banking customers**	**82 416**	**100 %**	**80 709**	**100 %**
				Corporate customers:				
24 331	58.2 %	22 030	49.9 %	Low risk	23 173	50.9 %	25 781	59.2 %
15 102	36.1 %	16 389	37.1 %	Medium risk	16 578	36.4 %	15 300	35.1 %
2 054	4.9 %	4 951	11.2 %	High risk *	5 005	11.0 %	2 096	4.8 %
41 487		**43 371**		**Total non-matured or written down**	**44 755**		**43 177**	
350	0.8 %	788	1.8 %	Non-performing	788	1.7 %	350	0.8 %
41 837	**100 %**	**44 159**	**100 %**	**Total corporate customers**	**45 543**	**100 %**	**43 527**	**100 %**
67 689		**72 218**		**Total gross loans**	**127 959**		**124 236**	

TOTAL COMMITMENTS DISTRIBUTED BY RISK CLASSES

Total commitments includes the balance of approved loans and credit to customers, any unused portion of approved loans, guarantee limits and granted guarantees.

PARENT BANK					GROUP			
31.12.2022		31.12.2023		NOK MILLION	31.12.2023		31.12.2022	
				Retail banking customers:				
25 012	83,1 %	23 909	74.0 %	Low risk	74 314	80.6 %	75 715	84.2 %
4 586	15,2 %	7 604	23.5 %	Medium risk	15 824	17. %	12 635	14.1 %
367	1,2 %	684	2.1 %	High risk	1 769	1.9 %	1 224	1.4 %
29 965		**32 198**		**Total non-matured or written down**	**91 907**		**89 574**	
139	0,5 %	130	0.4 %	Non-performing	252	0.3 %	312	0.3 %
30 104	**100 %**	**32 328**	**100 %**	**Total retail banking customers**	**92 159**	**100 %**	**89 885**	**100 %**
				Corporate customers:				
29 505	60,3 %	27 637	51.7 %	Low risk	28 946	52.6 %	31 090	61.2 %
16 536	33,8 %	19 698	36.8 %	Medium risk	19 890	36.1 %	16 736	33.0 %
2 565	5,2 %	5 354	10.0 %	High risk *	5 408	9.8 %	2 607	5.1 %
48 606		**52 690**		**Total non-matured or written down**	**54 244**		**50 433**	
354	0,7 %	818	1.5 %	Non-performing	818	1.5 %	354	0.7 %
48 960	**100 %**	**53 508**	**100 %**	**Total corporate customers**	**55 062**	**100 %**	**50 787**	**100 %**
79 064		**85 836**		**Total commitments**	**147 221**		**140 672**	

MIGRATION BETWEEN RISK CLASSES DURING THE YEAR

For the Group, there has been a slight negative migration in the retail market portfolio. The overall risk to the retail market portfolio is nevertheless assessed as highly satisfactory.

The business portfolio shows a migration from low risk to medium and high risk. The main emphasis is on engagement with low-risk. The classification does not take into account collateral, only solvency.

MAXIMUM CREDIT RISK

Maximum exposure to credit risk, for the components of the balance sheet, including derivatives. Exposure is shown gross before any pledged security and permitted offsets.

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
		Assets		
10 211	5 012	Loans and advances to credit institutions	468	6 198
67 332	71 815	Net loans to costumers	127 532	123 852
16 393	21 998	Bonds and certificates	24 156	22 851
947	931	Financial derivatives	2 002	1 440
94 883	**99 756**	**Total credit risk exposure from balance sheet**	**154 158**	**154 341**
		Financial guarantee commitments, unutilised credits and loan approvals		
1 442	1 717	Guarantees	1 717	1 442
987	987	Unutilised credits to credit institutions		
8 666	9 942	Unutilised credits	15 587	13 726
1 268	1 958	Loan approvals	1 958	1 268
12 362	**14 605**	**Total financial guarantee commitments, unutilised credits and loan approvals**	**19 262**	**16 436**
107 245	**114 361**	**Total credit risk exposure**	**173 420**	**170 777**

Collateral

The Group uses a variety of collateral to reduce risk depending on the market and type of transaction. The main principle for assessing collateral is that the value is estimated to what it would be in a situation where the bank needs the collateral. Except for commitments where impairments have been recognised, the value of the collateral is calculated on a going concern basis. The valuation of collateral takes into account the estimated sales cost. The main types of collateral used are mortgages secured on dwellings (residential/commercial), personal guarantees (consumer guarantees and surety), registrable movable property (inventory, plant and machinery) and receivables. The estimated value of residential as collateral for loans is updated quarterly (Eiendomsverdi), while collateral for other loans is updated when new credit applications are processed or commitments followed up, at the very least. The Group's loans generally have very good collateral.

Collateral in the retail market

Mortgages constitute the major part of the retail market portfolio, and the group's mortgage portfolio has the following LTV (Loan to Value) distribution.

LOAN TO VALUE RATIO (LTV) LOANS SECURED BY PERMANENT HOUSING AS AT 31.12.2023

	PARENT BANK		GROUP	
LTV 31.12.2023	NOK MILLION	%	NOK MILLION	%
Below 40 %	3 723	13.4 %	16 535	20.2 %
40 - 50 %	3 053	11.0 %	12 717	15.5 %
50 - 60 %	4 337	15.7 %	16 717	20.4 %
60 - 70 %	4 788	17.3 %	15 844	19.3 %
70 - 75 %	2 946	10.6 %	7 830	9.5 %
75 - 80 %	3 840	13.9 %	6 706	8.2 %
80 - 85 %	2 214	8.0 %	2 586	3.2 %
85 - 90 %	1 258	4.5 %	1 416	1.7 %
90 - 95 %	524	1.9 %	574	0.7 %
95 - 100 %	260	0.9 %	300	0.4 %
Over 100 %	768	2.8 %	816	1.0 %
TOTAL	**27 711**	**100 %**	**82 041**	**100 %**

LOAN TO VALUE RATIO (LTV) LOANS SECURED BY PERMANENT HOUSING AS AT 31.12.2022

	PARENT BANK		GROUP	
LTV 31.12.2022	NOK MILLION	%	NOK MILLION	%
Below 40 %	3 350	13.5 %	15 806	20.1 %
40 - 50 %	3 095	12.5 %	12 730	16.2 %
50 - 60 %	4 239	17.1 %	17 863	22.7 %
60 - 70 %	4 368	17.6 %	16 564	21.0 %
70 - 75 %	3 368	13.6 %	7 414	9.4 %
75 - 80 %	2 417	9.8 %	3 878	4.9 %
80 - 85 %	1 644	6.6 %	1 965	2.5 %
85 - 90 %	1 024	4.1 %	1 141	1.4 %
90 - 95 %	383	1.5 %	449	0.6 %
95 - 100 %	242	1.0 %	283	0.4 %
Over 100 %	630	2.5 %	672	0.9 %
TOTAL	**24 761**	**100 %**	**78 763**	**100 %**

It should be noted that the LTV ratio is based on a traditional ratio where the entire loan is placed in the interval where the "last part" of the loan belongs. This means that the real LTV ratio will be lower than shown in the table. For a loan that is embedded with a high loan-to-value ratio, only part of this loan volume will be in the interval with a high loan-to-value ratio, while most of the loan will be in the lower intervals.

Collateral in the commercial market

The measurement and assessment of collateral for corporate loans are more complex than for the retail market, and will be subject to greater uncertainty in estimates at the portfolio level. However, the bank frequently reviews the collaterals in its loan portfolio on an individual level.

NOTE 7 – DESCRIPTION OF THE LOSS MODEL UNDER IFRS 9

IMPAIRMENT MODEL

The model assessing the impairment of financial assets under IFRS 9, applies to financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income. The standard was implemented on 1 January 2018. See Note 1 for accounting policies related to descriptions. The same calculation model is used for the Group, mortgage company and Parent Bank, but with different dates being defined for initial recognition.

Provision must be made for expected losses, based on relevant information available at the time of reporting, including historical, current and future information. The loss is shown in the accounts before a loss event has occurred, and future expectations are included in the calculations.

Loss allowance are calculated on the basis of probability of default (PD), loss given default (LGD) and exposure at default (EAD). The principal rule is that the loss provision is calculated on the basis of expected credit loss over the next 12 months or expected credit loss over the whole term. Expected credit loss over the whole term is calculated for assets where the credit risk has increased significantly since initial recognition, with the exception of assets which are nevertheless assessed as having a low absolute credit risk on the reporting date. If there has not been a significant increase in credit risk since initial recognition, a loss provision will be calculated for expected credit loss in the next 12 months. IFRS 9 also introduces requirements for loss provisions on new loans, by recognising loss allowance for expected credit losses as a result of expected default over the next 12 months.

Assessment of a significant increase in credit risk

The Bank use the PD-level as the main criteria to assess a significant increase in credit risk. A significant increase in credit risk is assessed on the basis of both the relative increase in PD and the absolute change. It requires the relative change to be significant and the level of risk itself to be not insignificant compared with that considered to be a low risk. In addition, any large absolute change must, under any circumstances, be regarded as a significant increase.

The limits for significant increase and PD checks are summarised in the table below.

Parameter	RM	CM
Absolute limit (a)	0.625 %	0.625 %
Relative change (b)	2	2
Absolute change (c)	5 %	5 %

Relative change (b) corresponds to PD having doubled from approval to the time of calculation in order to be defines as significatlig worsened.

The absolute limit corresponds to risk class D.

If the economic cycle or national/regional development trends indicate that there is a higher risk in individual sectors/industries, this is included by changing the PD level of customers in the sectors/industries concerned.

PD as basis for expected loss

The PD model gives PD at customer level, 12 months ahead. At the end of 2023, there is no lifetime PD model.

When calculating the expected credit loss over the lifetime of the commitment, it is the probability of default over the same lifetime that should be used. A methodology has been developed to estimate PD over a commitment's lifetime. This is based on breaking lifetime down into separate years and estimating PD for each year ahead in time.

The PD models are validated every year. Validations showes that the models overestimates. Since the loss model is expected oriented, calibrating PD is done to a excepted oriented estimate before used in the loss model.

Population

The model is intended to calculate expected loss for all customers, at account level and on not already recognised losses. Loss is calculated based on situation statement at the end of the month. For loans where the credit risk has increased significantly after initial recognition, an impairment loss must be recognised for expected credit losses over the term of the loans. All model calculations are made at account level. Data that exists only at customer level, is linked to individual accounts. For example, risk class is allocated at the customer level so that all the customer's accounts have the same score. The most important variables in the extract are risk class and PD with associated interest, balance, approval and collateral at the time of calculation.

Loans approved but not discounted at the calculation date, must also be included in the basis of calculation.

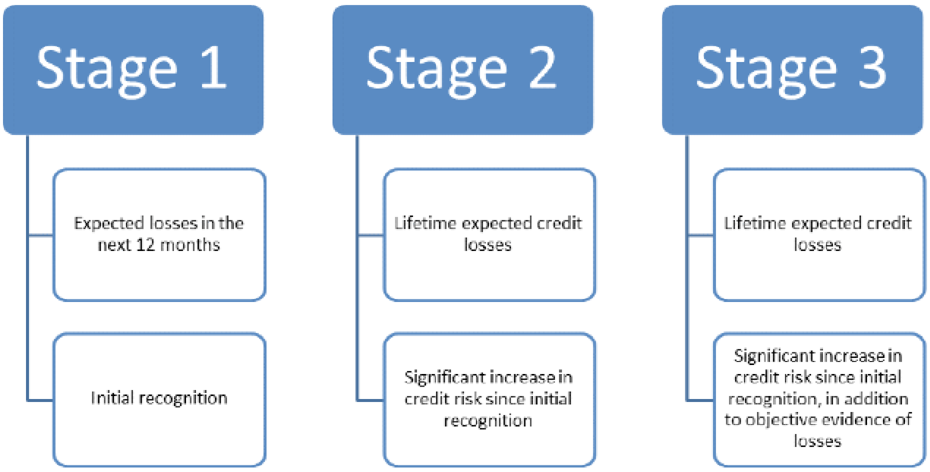
Under IFRS 9, an expected loss must also be calculated on receivables from central banks and credit institutions. The Group has no loss provisions with respect to these receivables for the financial year 2023. The low-risk exemption in IFRS 9 is used because the main emphasis on lending to credit institutions is linked to Norwegian banks. These have an assignment in risk class B and a PD of 0.175 percent. LGDs are considered to be low as they have good rating from external rating agencies. The Group considers that the condition of low credit risk is met on the balance sheet date and that the expected loss will be completely insignificant.

After the dataset has been defined, the various account commitments are noted and allocated to the different stages. Allocation to one of the three "stages" in the model is based on their change in risk since initial recognition (change of credit risk). For a description of the individual "stages", see the subsequent explanations. All commitments are placed in stage 1 upon initial recognition, and are subsequently moved to stage 2 or 3 if there has been a significant increase in credit risk. Commitments for which qualitatively assessed loss allowance have been recognised are excluded from the model-based calculation of loss allowance. Qualitatively assessed loss allowance are added to those in stage 3.

Non-performing account commitments are defined in the model as all account commitments where the customer has risk class K. Default is defined at the customer level for both mass market and corporate customers. For an overview of the Bank's risk classes, refer to Note 6 –Credit and credit risk.

From 01.01.2021 non performing have been assessed according to a new definition. A customer's engagement is defined as in default if a claim is overdue by more than 90 days and the amount exceeds 1 percent of exposure on the balance sheet and NOK 1 000 for the retail customers and NOK 2 000 for corporate customers (payment default). A customer's commitment is defined as non performing if it is likely that the borrower will not fulfill its obligations due to objective requirements. See note 1 for a description of when qualitative assessments are made.

When a customer has one or several defaulted loans, it is the customer's total commitment which is reported as default and not the individual loan. See also Note 11.



Stage 1

In most cases, this is starting point for all financial assets that come under the general impairment model. Financial instruments that have the same credit risk as at initial recognition and which have not been classified in stage 2 or 3 are covered by this stage. The estimated expected losses recognised in the balance sheet are equivalent to the expected losses over the next 12 months.

Stage 2

Financial assets that have had a significant increase in credit risk since initial recognition are placed in stage 2. Whether an account commitment has had a significant change or not, is defined as a function of the probability of default (PD) on the measurement date and the probability of default on the date of loan approval. Expected losses on assets in stage 2 are calculated over the remaining term of the asset.

The model has the following additional indicators and overriding rules for customer commitments (loans to customers):

- For commitments that qualify for a one-year loss calculation (stage 1), a check will be made of whether there is a 30-day default/account overdrawn. If so, the commitment will be transferred to lifetime calculation (stage 2). This applies to overdrawn accounts from the first Norwegian krone, but older than 30 days.
- For commitments that qualify for a one-year loss calculation (stage 1), a check will be made of whether there is a larger overdraft. If so, the commitment will be transferred to lifetime calculation (stage 2). This applies to overdrawn amounts that are relatively larger than the credit limit, starting from the first day.
-

- Commitments with changed payment obligations (ex. instalment deferral) or refinancing resulting from payment issues (forbearance) are automatically moved to stage 2 (if initially under stage 1) .
- The commitments are also checked against an internal watch list that will detect commitment-specific forward-looking risk.

Stage 3

Stage 3 of the impairment model includes assets that have had a significant change in credit risk since initial recognition and where there is objective evidence of loss at the time of reporting. In this stage, the model calculates an expected loss over the remaining term of the asset. If individual loss allowance have been recognised, these override the model-based calculation.

Qualitative assessments are made, when observable data related to significant financial issues are present. If the bank, based on economic and contractually matters related to the customers financial issues, has provided any forbearances, and it is likely that the customer will go bankrupt or exposed to a financial reorganization. If observable data related to impairment are present, a future reduction in cash flow will be evaluated.

The same model is used for the Group, Parent Bank and a wholly owned mortgage company, but with different date being defined for initial recognition. At Group level, the account's approval date is used, while the transfer date is used for the mortgage company. As a general rule, the approval date will be used for the Parent Bank, unless the account has been registered in the mortgage company. If so, the date of transfer to the Parent Bank is used.

Estimated losses will be calculated on the basis of 12 months' probability of default (PD), loss given default (LGD) and exposure at default (EAD). The dataset contains historical data about the observed probability of default (PD) and loss given default (LGD). This will form the basis for producing estimates of future PD and LGD values. The Bank's PD model gives PD at customer level, one year ahead. The Bank does not have a lifetime PD model. When calculating expected credit loss over the lifetime of the commitment, it is the probability of default over the same lifetime that should be used.

Migration to a lower stage

A commitment that has migrated to step 2 may migrate back to step 1 if it no longer fulfils the criteria for migration mentioned above. There is no quarantine period before a commitment can migrate to a lower stage, except if the loan has been given a forbearance mark. For migration from step 3 to step 1 or step 2 the quarantine rules after default, will apply. All the customer accounts are in step 3 of the quarantine period. Commitments that have defaulted, will migrate to step 1 or 2 when they are no longer in default.

Forbearance and probation

Commitments with forbearance are debt contracts where forbearance are granted to a debtor who has, or is in the process of getting, difficulties in meeting their financial obligations.

Commitments provided with forbearance, may be performing or initially non-performing. The commitments are listed as forbearance in the data warehouse. Factors causing forbearance will be changes in repayments, e.g. installments postponements and refinancing as result of payment issues.

When a commitment is listed forbearance, a transfer to stage 2 automatically will take place from stage 1. If the commitment is in stage 2 or 3 initially, no transfers will take place. In case of forbearance, PD may be adjusted.

If a commitment is listed forbearance there is a probation period, before the commitment is regarded as performing and transferring back to stage 1.

Macroeconomic conditions and scenarios

The group has adopted a macro model that calculates estimated changes in PD. The PD values from the macro model are used further into the IFRS9 model.

The model contains data for macroeconomic conditions, and relevant parameters must be adjusted to take account of any changes in economic climate or macro conditions before the model can be run. Primary, the parameters are set on the basis of empiricism related to monetary policy and financial stability obtain from Norges Bank, in addition to the latest updated figures for unemployment and house prices.

The following macro parameters are used in the model:

1. Level of key interest rate
2. Growth in unemployment
3. Growth in house prices
4. National growth in GDP
5. Exchange rate related to import
6. Oil price (USD)

Macroeconomic variables as a basis of scenarios:

	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
Oilprice, $	81.9	75.9	73.6	71.5	71.5
Key interest 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
GDP %	5.5	4.4	2.8	2.5	2.5

Sparebanken Sør has largely secured loans in real estate, and setting parameters for house prices (including real estate) is considered to be a parameter that has a major impact on LGD (Loss Given Default).

In addition, there is a great deal of uncertainty associated with future unemployment, and the determination of this parameter is also of significant importance for the group's model-calculated loss impairments.

Three scenarios are defined in the model; realistic (base) scenario, optimistic scenario and pessimistic scenario. All scenarios are applicable with effect from the date of calculation. This means that the first scenario period is in progress at the time of calculation. This is done so that the scenarios will have an impact on the whole calculation, including stages 1 and 3. The background to the assessments is an overall assessment of all the central elements affecting the development of the Norwegian and regional economy, and whether these factors suggest that changes should be made to the PD and/or LGD level in individual sectors, product and market segments or the whole portfolio.

The realistic (base) scenario is a macroeconomic scenario that represents expected future economic growth over the next 5 years. The realistic scenario is comparable to the ICAAP scenario Base Case. The scenario is based on an expectation of stable and moderate global economic growth, as well as stable growth in the Norwegian economy over the next 5 years. It is further expected that regional economic growth over the next 5 years will be on a par with the rest of the country.

The optimistic scenario is a macroeconomic scenario that represents an economic upturn with strong economic growth. Positive development and strong economic growth over the next 5 years are expected in this scenario. Oil prices will rise and the Norwegian economy will experience strong economic growth. Regional economic growth is expected to be on a par with the rest of the country.

The pessimistic scenario represents a downturn, with weak economic growth. The pessimistic scenario may represent an economic downturn based on a 25-year cycle, but one that will be considerably milder than the credit crisis in the early 1990s. In this scenario, it is expected that growth in emerging markets will decline. Increased protectionism will create barriers to trade and global economic growth will stall. Oil prices fall and, taken together with weak economic growth among our most important trading partners, this will lead to weak development and growth in the Norwegian economy. Regional economic growth is expected to be on a par with the rest of the country.

The Bank has further assessed the scenarios described above and weighted them to determine ECL. Weighting was performed on the basis of an expectation that a realistic scenario will occur in 3 out of 5 years (60% probability), while the other two scenarios will occur in 1 out of 5 years (20% probability each).

Parameter	RM	CM
Weighted optimistic scenario	20.0%	20.0%
Weighted realistic scenario	60.0%	60.0%
Weighted pessimistic scenario	20.0%	20.0%

Sensitivities

To a large extent, Sparebanken Sør has loans secured by property. This is considered to be one of the parameters that affect LGD the most. Because the Group has a large proportion of mortgages in real estate, a sensitivity analysis has been performed relating to the changes in the portfolio's collateral. The analysis has been carried out over the coming year by assuming a fall in collateral of 10%, 20% and 30% respectively. Analysis have also been performed with 1 % increase in unemployment. The changes have the following impact on the Group's loss expense:

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

				GROUP 31.12.2022
Loan loss provisions	10 percent reduction in collateral	20 percent reduction in collateral	30 percent reduction in collateral	A doubling of PD
Loan loss provisions, CM	58	127	207	79
Loan loss provisions, RM	21	47	78	14
Total	**80**	**174**	**285**	**93**

				PARENT BANK 31.12.2022
Loan loss provisions	10 percent reduction in collateral	20 percent reduction in collateral	30 percent reduction in collateral	A doubling of PD
Loan loss provisions, CM	58	125	204	79
Loan loss provisions, RM	9	19	32	7
Total	**66**	**145**	**236**	**86**

Validation

The purpose of validate the IFRS 9-system, is to confirm that, both the model and the process, is working as intended and provides the best estimates. The system shall provide the best estimate for expected credit loss (ECL), based on access to information and knowledge at the reporting date. Calculations and assumptions are subjected to an annual validation. The validation provides a report investigated by the Validation Committee. Based on the results there will be an assessment related to the satisfactory of the model and process – and any needs for adjustments.

Changes in the loss model in 2023

Only PD scenarios have been modified according to macro data forecasts. No other significant changes have been made as of 2023.

NOTE 8 – LOSSES AND IMPAIRMENTS ON LOANS, GUARANTEES AND UNDRAWN CREDIT FACILITIES

Losses on loans

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

The various elements contained in losses and loss allowances, guarantees and undrawn credit facilities are discussed under note 1 Accounting Policies. Reference is also made to note 3 regarding Risk Management in Sparebanken Sør and to Note 6 regarding Credit and credit risk.

In the past year, there have been marked changes in macroeconomic conditions which entail negative changes in framework conditions for both business customers and retail customers. This applies to increases in electricity and energy prices and strong inflationary growth, combined with higher lending rates. 2023 has shown a fall in sales of private properties as well as a marked reduction in construction activities. Changes in macroeconomic factors, as well as interest rate and cost increases, imply greater uncertainty for price developments. This applies for both residential and commercial properties, but here there will also be large regional differences. In 2023, however, it has been a positive development in the private property market in the bank's main market area. The group's loss provision for 2023 is based on new assumptions.

For an overview of macros used and sensitivity analyzes, see Note 7.

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
15	19	Period's change in write-downs stage 1	16	22
57	22	+ Period's change in write-downs stage 2	21	64
-19	- 3	+ Period's change in write-downs stage 3	- 4	- 15
5	6	+ Period's confirmed loss	6	6
0	14	+ Period's amortization expense	14	0
9	10	- Period's recoveries relating to previous losses	10	9
1	0	+ Change in write downs on guaranties	0	1
7	5	+ Losses from fraud cases	5	7
57	**53**	**= Loss expenses during the period**	**49**	**74**

The balance of confirmed losses as at 31 December 2023 was NOK 99 million. The equivalent figure as at 31 December 2022 was NOK 104 million. This applies to loans which have been derecognised and that the Group is still working to collect.

PROVISIONS FOR LOAN LOSSES BY STAGE

PARENT BANK				31.12.2023				GROUP
Stage 1	Stage 2	Stage 3				Stage 3	Stage 2	Stage 1
Expected losses in the next 12 months	Lifetime expected credit losses	Lifetime expected credit losses	Total	NOK MILLION	Total	Lifetime expected credit losses	Lifetime expected credit losses	Expected losses in the next 12 months
98	**186**	**122**	**406**	**Provisions for loan losses as at 01.01**	**434**	**126**	**199**	**110**
				Transfers				
58	- 53	- 5	0	Transferred to stage 1	0	- 6	- 56	61
- 9	19	- 10	0	Transferred to stage 2	0	- 10	20	- 10
- 1	- 5	6	0	Transferred to stage 3	0	6	- 5	- 1
53	61	7	122	Losses on new loans	128	7	64	57
- 20	- 33	- 23	- 76	Losses on deducted loans *	- 84	- 24	- 37	- 24
- 63	33	24	- 6	Losses on older loans and other changes	- 8	25	36	- 68
116	**209**	**121**	**446**	**Provisions for loan losses as at 31.12**	**470**	**124**	**221**	**124**
99	187	117	403	Provisions for loan losses	427	121	199	107
16	23	4	43	Provisions for guarantees and undrawn credits	43	4	23	17
116	**209**	**121**	**446**	**Total provision for losses as at 31.12**	**470**	**124**	**221**	**124**

PARENT BANK				31.12.2022				GROUP
Stage 1	Stage 2	Stage 3				Stage 3	Stage 2	Stage 1
Expected losses in the next 12 months	Lifetime expected credit losses	Lifetime expected credit losses	Total	NOK MILLION	Total	Lifetime expected credit losses	Lifetime expected credit losses	Expected losses in the next 12 months
83	**129**	**199**	**411**	**Provisions for loan losses as at 01.01**	**424**	**202**	**135**	**88**
				Transfers				
62	- 34	- 27	0	Transferred to stage 1	0	- 27	- 36	64
- 7	12	- 5	0	Transferred to stage 2	0	- 5	13	- 8
0	- 1	1	0	Transferred to stage 3	0	1	- 1	0
43	88	16	147	Losses on new loans	158	17	92	49
- 22	- 41	- 63	- 126	Losses on deducted loans *	- 130	- 64	- 43	- 23
- 61	34	0	- 27	Losses on older loans and other changes	- 18	3	39	- 60
98	**186**	**122**	**406**	**Provisions for loan losses as at 31.12**	**434**	**126**	**199**	**110**
83	163	112	357	Provisions for loan losses	385	116	175	94
15	24	10	49	Provisions for guarantees and undrawn credits	49	10	24	15
98	**186**	**122**	**406**	**Total provision for losses as at 31.12**	**434**	**126**	**199**	**110**

* Losses on derecognised loans relate to losses on loans that have been repaid.

The table also includes write-downs on off-balance sheet items (undrawn credit facilities and guarantees). These are presented as other liabilities in the balance sheet.

Expected annual average net loss

Loss allowance totaling NOK 470 million were recognised in connection with losses on loans, guarantees and unused credit facilities as at 31 December 2023 (NOK 434 million as of 31 December 2022). These relate to different risk classes.

All commitments to the corporate market are priced individually on the basis of, among other things, risk, profitability requirement and competitive situation. The pricing therefore reflects the risk relating to the commitment, and margins obtained are generally greater at higher risk.

Mortgage loans are priced using a price matrix which reflects both loan to value and risk classification.

The Group has made provisions for expected losses using both qualitative assessments and the IFRS 9 loss model. This has led to somewhat greater fluctuations in the loss expense over the year.

The interest rate is expected to remain at a high level throughout 2024. We are now beginning to see the effects of the high interest rate, and many businesses anticipate a decline in activity going forward. 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.

GROUP/PARENT BANK 2022				Corporate Customers excl. Self-employed				GROUP/PARENT BANK 2023
Stage 1	Stage 2	Stage 3				Stage 3	Stage 2	Stage 1
Expected losses in the next 12 months	Lifetime expected credit losses	Lifetime expected credit losses	Total	NOK MILLION	Total	Lifetime expected credit losses	Lifetime expected credit losses	Expected losses in the next 12 months
77	**118**	**160**	**355**	**Provisions for loan losses as at 01.01**	**340**	**82**	**170**	**89**
				Transfers				
60	- 33	- 27	0	Transferred to stage 1	0	- 4	- 50	53
- 7	12	- 5	0	Transferred to stage 2	0	- 9	18	- 8
0	- 1	1	0	Transferred to stage 3	0	5	- 4	- 1
40	83	15	138	Losses on new loans	111	6	56	50
- 20	- 38	- 61	- 120	Losses on deducted loans *	- 58	- 12	- 28	- 18
- 61	29	- 1	- 33	Losses on older loans and other changes	2	27	31	- 56
88	**170**	**82**	**340**	**Provisions for loan losses as at 31.12**	**395**	**95**	**192**	**107**
75	147	72	294	Provisions for loan losses	355	92	171	92
13	23	10	46	Provisions for losses on guarantees and undrawn credits	40	3	22	15
89	**170**	**82**	**340**	**Total provision for losses as at 31.12**	**395**	**95**	**192**	**107**

* Losses on derecognised loans relate to losses on loans that have been repaid.

The table also includes write-downs on off-balance sheet items (undrawn credit facilities and guarantees). These are presented as other liabilities in the balance sheet.

PARENT BANK				Retail Customers incl. Self-employed				GROUP
Stage 1	Stage 2	Stage 3				Stage 3	Stage 2	Stage 1
Expected losses in the next 12 months	Lifetime expected credit losses	Lifetime expected credit losses	Total	31.12.2023 NOK MILLION	Total	Lifetime expected credit losses	Lifetime expected credit losses	Expected losses in the next 12 months
9	**16**	**40**	**66**	**Provisions for loan losses as at 01.01**	**94**	**44**	**29**	**21**
				Transfers				
4	- 3	- 2	0	Transferred to stage 1	0	- 2	- 6	8
- 1	1	0	0	Transferred to stage 2	0	- 1	2	- 1
0	- 1	1	0	Transferred to stage 3	0	1	- 1	0
4	5	1	10	Losses on new loans	16	2	8	7
- 2	- 5	- 11	- 18	Losses on deducted loans *	- 26	- 12	- 9	- 5
- 7	3	- 3	- 7	Losses on older loans and other changes	- 9	- 3	5	- 12
9	**17**	**26**	**51**	**Provisions for loan losses as at 31.12**	**75**	**29**	**29**	**17**
7	16	25	48	Provisions for loan losses	72	29	28	15
2	1	0	3	Provisions for losses on guarantees and undrawn credits	3	0	1	2
9	**17**	**26**	**51**	**Total provision for losses as at 31.12**	**75**	**29**	**29**	**17**

PARENT BANK				Retail Customers incl. Self-employed				GROUP
Stage 1	Stage 2	Stage 3				Stage 3	Stage 2	Stage 1
Expected losses in the next 12 months	Lifetime expected credit losses	Lifetime expected credit losses	Total	31.12.2022 NOK MILLION	Total	Lifetime expected credit losses	Lifetime expected credit losses	Expected losses in the next 12 months
6	**11**	**39**	**56**	**Provisions for loan losses as at 01.01**	**69**	**42**	**16**	**11**
				Transfers				
2	- 2	0	0	Transferred to stage 1	0	- 1	- 3	4
0	0	0	0	Transferred to stage 2	0	0	1	- 1
0	0	1	0	Transferred to stage 3	0	0	0	0
3	5	1	9	Losses on new loans	20	2	10	9
- 1	- 3	- 2	- 7	Losses on deducted loans *	- 10	- 2	- 5	- 3
0	5	2	7	Losses on older loans and other changes	15	4	10	1
9	**16**	**40**	**66**	**Provisions for loan losses as at 31.12**	**94**	**44**	**29**	**21**
8	15	40	63	Provisions for loan losses	91	44	28	19
2	1	0	3	Provisions for losses on guarantees and undrawn credits	3	0	1	2
9	**16**	**40**	**66**	**Total provision for losses as at 31.12**	**94**	**44**	**29**	**21**

IMPAIRMENT BY SECTOR, INDUSTRY AND STAGE

PARENT BANK					GROUP			
Stage 1	Stage 2	Stage 3	Loss allowances as of 31.12.23	NOK MILLION	Loss allowances as of 31.12.23	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	Manufactoring 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**

PARENT BANK					GROUP			
Stage 1	Stage 2	Stage 3	Loss allowances as of 31.12.22	NOK MILLION	Loss allowances as of 31.12.22	Stage 3	Stage 2	Stage 1
8	14	27	50	Retail customers	81	31	32	17
0	0	0	0	Public administration	0	0	0	0
3	3	3	8	Primary Industry	8	3	3	3
2	3	5	9	Manufactoring industry	10	5	3	2
23	48	16	88	Real estate development	87	16	47	24
4	7	18	29	Building and construction industry	29	18	7	4
45	80	26	151	Property management	149	26	77	46
0	1	1	2	Transport	2	1	1	0
3	10	8	22	Retail trade	22	8	10	3
1	1	2	3	Hotel and restaurants	3	2	1	1
2	2	0	4	Housing cooperatives	4	0	2	2
2	6	8	15	Financial/commercial services	15	8	6	2
5	11	8	25	Social services	25	9	11	6
98	**186**	**122**	**406**	**Total impairment losses on loans, guarantees and undrawn credit**	**434**	**126**	**199**	**110**
83	163	112	357	*Impairment losses on lending*	385	116	175	94
15	24	10	49	*Impairment losses on unused credits and guarantees*	49	10	24	15
98	**186**	**122**	**406**	**Total impairment losses**	**434**	**126**	**199**	**110**

The presentation of industries is based on official industrial codes and is grouped as the Group reports these internally.

NOTE 9 – LOANS BROKEN DOWN BY STAGE

CHANGE IN GROSS LOANS BY STAGE

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	Transferd to stage 1	0	- 77	- 3 284	3 361
- 3 501	- 3 556	- 55	0	Transferd to stage 2	0	- 82	5 667	- 5 585
- 397	- 170	567	0	Transferd to stage 3	0	667	- 215	- 452
- 767	- 791	0	- 1 557	Net change on present loans	- 4 054	- 3	- 896	- 3156
20 742	3 805	67	24 613	New loans	39 698	32	4 351	35 315
- 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 loan 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	0			
			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 %	11.45 %	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	Transferd to stage 1	0	- 195	- 2 961	3 156
- 2 867	2 888	- 21	0	Transferd to stage 2	**0**	- 38	4 386	- 4 348
- 80	- 58	138	0	Transferd 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
- 19383	- 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 loan 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	0			
			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 %
67 873	10697	493	79 064	Commitments	140 672	666	13 672	126 334
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. These loans are included in the annual report as part of step 1. This is because these loans are valued on an ongoing basis at fair value and are not included in the model calculations in accordance with IFRS 9.

PARENT BANK

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**	**39 637**
2 183	- 2012	- 171	0	Transferd to stage 1	0	- 29	- 2059	2 088
- 2 408	2 426	- 18	0	Transferd to stage 2	0	- 53	3 002	- 2 949
- 72	- 44	116	0	Transferd 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	Transferd to stage 1	0	- 8	- 380	389
- 459	462	- 3	0	Transferd to stage 2	0	- 2	555	- 552
- 8	- 14	22	0	Transferd 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**

CHANGE IN UNDRAWN CREDITS AND GUARANTEES (OFF BALANCE) BY STAGE

PARENT BANK				31.12.2023				GROUP
				NOK MILLION				
Stage 1	Stage 2	Stage 3	Total	UNDRAWN CREDITS AND GUARANTEES (off balance)	Total	Stage 3	Stage 2	Stage 1
10 413	**906**	**57**	**11 376**	**Undrawn credits and guarantees as at 01.01.**	**16 436**	**58**	**957**	**15 422**
145	- 139	- 6	0	Transferred to stage 1	0	- 6	- 152	159
- 654	655	- 1	0	Transferred to stage 2	**0**	- 1	703	- 702
- 10	- 66	76	0	Transferred to stage 3	0	76	- 66	- 10
914	- 297	- 48	568	Net change on present loans	693	- 48	- 318	1 059
2 574	886	4	3 464	New loans	4 014	4	889	3 362
- 1 577	- 171	- 43	- 1 791	Derecognised loans	- 1 880	- 43	- 175	- 1663
11 806	**1 772**	**40**	**13 618**	**Undrawn credits and guarantees as at 31.12**	**19 262**	**40**	**1 837**	**17 628**

PARENT BANK				31.12.2022	GROUP			
				NOK MILLION				
Stage 1	Stage 2	Stage 3	Total	UNDRAWN CREDITS AND GUARANTEES (off balance)	Total	Stage 3	Stage 2	Stage 1
10 056	**956**	**60**	**11 072**	**Undrawn credits and guarantees as at 01.01.**	**15 712**	**60**	**1 018**	**14 634**
344	- 320	- 24	0	Transferred to stage 1	0	- 24	- 346	369
- 392	400	- 9	0	Transferred to stage 2	0	- 9	432	- 424
- 26	- 4	31	0	Transferred to stage 3	0	35	- 4	- 31
- 838	- 236	2	- 1 072	Net change on present loans	- 958	- 1	- 249	- 707
3 137	483	14	3 635	New loans	4 027	14	489	3 524
- 1 868	- 372	- 18	- 2 259	Derecognised loans	- 2 345	- 18	- 383	- 1 944
10 413	**906**	**57**	**11 376**	**Undrawn credits and guarantees as at 31.12**	**16 436**	**58**	**957**	**15 422**

CHANGE IN GROSS LOANS BETWEEN RETAIL CUSTOMERS INCLUDING SELF-EMPLOYED AND CORPORATE CUSTOMERS EXCLUDING SELF EMPLOYED

31.12.2023				RETAIL CUSTOMERS INCLUDING SELF-EMPLOYED				
PARENT BANK				NOK MILLION				GROUP
Stage 1	Stage 2	Stage 3	Total	GROSS LOANS	Total	Stage 3	Stage 2	Stage 1
24 246	**3 699**	**167**	**28 112**	**Gross loans as at 01.01**	**84 702**	**346**	**6 623**	**77 733**
838	- 822	- 16	0	Transferd to stage 1	0	- 56	- 1 667	1 723
- 1 134	1 147	- 13	0	Transferd to stage 2	**0**	- 40	3 257	- 3 218
- 44	- 22	66	0	Transferd to stage 3	0	166	- 67	- 99
- 330	- 43	- 6	- 379	Net change on present loans	- 2 876	- 10	- 147	- 2 719
11 990	1 847	25	13 862	New loans	28 995	37	2 393	26 565
- 9 284	- 1 547	- 46	- 10 877	Derecognised loans	- 24 271	- 93	- 2 456	- 21 723
26 282	**4 259**	**178**	**30 718**	**Gross loans as at 31.12**	**86 550**	**351**	**7 936**	**78 262**

31.12.2022				RETAIL CUSTOMERS INCLUDING SELF-EMPLOYED				
PARENT BANK				NOK MILLION				GROUP
Stage 1	Stage 2	Stage 3	Total	GROSS LOANS	Total	Stage 3	Stage 2	Stage 1
27 502	**3 761**	**141**	**31 404**	**Gross loans as at 01.01**	**81 040**	**235**	**5 948**	**74 857**
695	- 684	- 11	0	Transferd to stage 1	0	- 31	- 1 353	1 384
- 966	970	- 4	0	Transferd to stage 2	0	- 20	2 468	- 2 447
- 24	- 28	52	0	Transferd to stage 3	0	181	- 79	- 102
- 452	- 28	- 9	- 489	Net change on present loans	- 2 738	- 16	- 133	- 2 589
10 518	1 693	17	12 228	New loans	33 752	37	2 393	31 322
- 13 028	- 1 984	- 19	- 15 031	Derecognised loans	- 27 352	- 41	- 2 620	- 24 692
24 246	**3 699**	**167**	**28 112**	**Gross loans as at 31.12**	**84 702**	**346**	**6 623**	**77 733**

PARENT BANK/GROUP				CORPORATE CUSTOMERS EXCLUDING SELF EMPLOYED				
31.12.2022				NOK MILLION				31.12.2023
Stage 1	Stage 2	Stage 3	Total	GROSS LOANS	Total	Stage 3	Stage 2	Stage 1
29 759	**5 723**	**528**	**36 009**	**Gross loans as at 01.01**	**39 535**	**292**	**6 102**	**33 140**
1 772	- 1 608	- 164	0	Transferd to stage 1	0	- 21	- 1 617	1 638
- 1 901	1 918	- 17	0	Transferd to stage 2	**0**	- 42	2 410	- 2 367
- 56	- 30	86	0	Transferd to stage 3	0	- 501	- 148	- 353
1 233	- 128	- 14	1 092	Net change on present loans	-1 178	7	- 749	- 437
8 957	1 948	131	11 036	New loans	10 733	- 5	1 958	8 781
- 6 624	- 1 721	- 258	- 8 603	Derecognised loans	- 7 681	- 25	- 1 071	- 6 585
33 140	**6 102**	**292**	**39 535**	**Gross loans as at 31.12**	**41 409**	**707**	**6 885**	**33 817**

The presentation between retail and corporate customers is divided according to official sector codes. In these tables, self-employed are allocated to retail customers. The tables are not comparable with other distributions in other notes.

Sparebanken Sør Boligkreditt AS only has customers classified as retail customers in this note. For corporate customers, the tables for parent bank and group will therefore be the same.

NOTE 10 - LOANS BROKEN DOWN BY TYPE, GEOGRAPHICAL AREA, SECTOR AND INDUSTRY

GROSS LOANS BY TYPE

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
		Loans valued at amortised cost		
8 224	9 588	Overdraft- and working capital facilitie	27 323	23 724
4 786	4 075	Building loans	4 075	4 786
34 347	35 379	Repayment loans	91 830	90 860
47 357	**49 043**	**Total loans valued at amortised cost**	**123 229**	**119 370**
		Loan designated at fair value		
15 551	18 570	Mortgages (fair value - OCI)		
4 535	4 217	Fixed rate loans (fair value - through profit and loss)	4 217	4 535
20 086	**22 787**	**Total loans designated at fair value**	**4 217**	**4 535**
245	388	Accrued interest	513	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**

For impairments, see Note 8 Losses and impairments on loans, guarantees and undrawn credit facilities.

GROSS LOANS BY GEOGRAPHICAL AREA

PARENT BANK					GROUP			
31.12.2022		31.12.2023		NOK MILLION	31.12.2023		31.12.2022	
42 317	62.5 %	43 611	60.4 %	Agder	79 712	62.3 %	78 915	63.5 %
10 193	15.1 %	12 607	17.5 %	Vestfold og Telemark	19 562	15.3 %	17 265	13.9 %
6 174	9.1 %	5 586	7.7 %	Oslo	10 917	8.5 %	11 483	9.2 %
1 931	2.9 %	2 296	3.2 %	Akershus	6 147	4.8 %	5 733	4.6 %
2 204	3.3 %	2 835	3.9 %	Rogaland	4 960	3.9 %	4 354	3.5 %
4 625	6.8 %	5 282	7.3 %	Others	6 661	5.2 %	6 154	5.0 %
245	0.4 %	0	0.0 %	Accrued interests	0	0.0 %	331	0.3 %
67 689	**100 %**	**72 218**	**100 %**	**Total gross loans**	**127 959**	**100 %**	**124 236**	**100 %**

The geographical breakdown is based on the customer’s home/business address.

GROSS LOANS BY SECTOR AND INDUSTRY

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	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	426	385
67 332	**71 815**	**TOTAL NET LOANS**	**127 532**	**123 852**

GUARANTEES BY SECTOR AND INDUSTRY

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
8	8	Retail customers	8	8
3	328	Public administration	328	3
3	2	Primary industry	2	3
378	414	Manufacturing industry	414	378
323	347	Real estate development	347	323
244	175	Building and construction industry	175	244
138	138	Property management	138	138
51	52	Transport	52	51
191	165	Retail trade	165	191
9	11	Hotel and restaurant	11	9
0	0	Housing cooperatives	0	0
44	32	Financial/commercial services	32	44
49	45	Social services	45	49
1 442	**1 717**	**TOTAL GUARANTEES**	**1 717**	**1 442**

UNDRAWN CREDIT BY SECTOR AND INDUSTRY

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
4 245	4 261	Retail customers	9 735	9 168
322	577	Public administration	577	322
356	448	Primary industry	463	367
293	359	Manufacturing industry	364	300
1 141	1 619	Real estate development	1 620	1 141
572	1 017	Building and construction industry	1 049	602
1 326	1 663	Property management	1 665	1 329
49	76	Transport	82	56
766	689	Retail trade	703	773
66	55	Hotel and restaurant	56	67
43	288	Housing cooperatives	288	43
207	316	Financial/commercial services	365	250
545	532	Social services	579	577
9 933	**11 901**	**TOTAL UNDRAWN CREDITS**	**17 545**	**14 994**

COMMITMENTS BY SECTOR AND INDUSTRY

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
30 104	32 328	Retail customers	92 159	89 885
581	1 264	Public administration	1 264	582
1 869	2 010	Primary industry	2 148	2 009
1 538	1 688	Manufacturing industry	1 758	1 618
6 119	6 821	Real estate development	6 823	6 089
2 533	3 082	Building and construction industry	3 420	2 889
23 287	24 516	Property management	24 447	23 358
505	691	Transport	780	601
2 629	2 208	Retail trade	2 368	2 780
454	463	Hotel and restaurant	489	486
1 671	2 670	Housing cooperatives	2 670	1 675
1 201	1 658	Financial/commercial services	1 991	1 579
6 327	6 437	Social services	6 904	6 789
245	0	Accrued interests	0	332
79 064	**85 836**	**TOTAL COMMITMENTS**	**147 221**	**140 672**

NOTE 11 – NON-PERFORMING COMMITMENTS

Non - performing is the failure of a borrower to fulfill its obligations towards the bank. Borrower's obligations include financial claims (payment default) and other obligations which it is likely that the borrower will not fulfill.

A customer's commitment is defined as default if the contractual payments have been overdue for more than 90 days and the amount exceeds 1 percent of the customer's obligations and NOK 1 000 for the mass market and NOK 2 000 for corporate customers (payment default). All commitments in stage 3 are defined as non-performing commitments.

A customer's commitment is also defined as default if it is probable that the borrower will not fulfill its obligations due to objective requirements:

- Loss write-downs have been registered on the customer's obligation
- Incurred losses have been recognised for the customer
- A bankruptcy petition has been filed or the customer has been declared bankrupt
- The customer has applied for or is in a debt settlement
- A company has been requested to be dissolved, or a forced dissolution has been decided
- Sale of credits due to deteriorating credit quality

In addition to direct payment default, default will also occur if other objective reasons or qualitative assessments and credit impairments are present. Default will also occur in the following situations:

"Forebearance": This can be defined as a combination of financial problems and concessions from the bank's side, where the bank has provided terms and conditions that would not be given to a healthy customer.

"Unlikeliness to pay": This can be a covenant breach, or other information about the customer where it needs to be assessed whether this has significance for default.

New infection and quarantine rules have also been introduced, which entail transmission of infection to co-borrowers in cases where a joint loan is defaulted. Furthermore, there will be a quarantine period of 3 to 12 months from the disappearance of the default until the customer is declared fit for loan repayment.

NON-PERFORMING COMMITMENTS

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
493	**949**	**Total non-performing commitments (step 3)**	**1 071**	**666**
122	121	Impairment commitments in stage 3	124	126
371	**828**	**Net non-performing commitments**	**946**	**541**
24.7 %	12.7 %	Provisioning non-performing commitments	11.6 %	18.9 %
0.73 %	**1.31 %**	**Total non-performing commitments in % of gross loans**	**0.84 %**	**0,54 %**

GROSS NON-PERFORMING COMMITMENTS BY SECTOR AND INDUSTRY

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
139	130	Retail banking customers	252	312
354	818	Corporate customers	818	354
493	**949**	**Total defaulted commitments**	**1 071**	**666**
0	0	Public administration	0	0
7	8	Primary industry	8	7
26	5	Manufacturing industry	5	26
62	177	Real estate development	177	62
44	85	Building and construction industry	85	44
129	418	Property management	418	129
2	6	Transport	6	2
22	37	Retail trade	37	22
6	12	Hotel and restaurant	12	6
0	0	Housing cooperatives	0	0
16	29	Financial/commercial services	29	16
41	41	Social services	41	41
354	**818**	**Total corporate customers**	**818**	**354**

The weighted average collateral coverage was 86 percent for non-performing commitments as of 31 December 2023 and 80 percent as of 31 December 2022. Collateral coverage is the extent of the pledged security linked to each loan, and cannot exceed 100 percent.

FORBEARANCE

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
483	1 863	Step 2	2 301	662
130	491	Step 3	532	172
613	**2 354**	**Total exposures with forbearance measures**	**2 833**	**833**

Commitments provided with forbearance, are debt contracts where payment facilities have been granted to a debtor who has, or is about to have, problems in fulfilling his financial obligations. Commitments provided with forbearance, may be performing or initially non-performing. If a customer receives payment reliefs, the whole customer commitment will be in forebearence. Factors causing forbearance will be changes in repayments, e.g. installments postponements and refinancing as result of payment issues. When a commitment is listed forbearance, a transfer to stage 2 automatically will take place, if initially in stage 1. If the commitment is in stage 3 already, no transfers will take place. If a commitment is listed forbearance and later on regarded as performing, there is a quarantine before transferring back to stage 1.

NOTE 12 – EXCHANGE RATE RISK

The table states the net currency position for Sparebanken Sør, including financial derivatives. Under the Bank's internal rules, the maximum effect on profit in the event of a 25 percent movement in exchange rates must not be more than NOK 10 million.

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
2	4	Net foreign currency position	4	2
0	1	Income effect at 25% change	1	0

NOTE 13 – INTEREST RATE RISK

Interest rate risk is the risk of loss that arises from changes in interest rates if the interest rate commitment periods for the bank's obligations and claims are not coincident. Interest rate risk that arises from the Group's ordinary business in the form of fixed-rate customer loans, interest rate derivatives with customers, fixed-rate investments, and financing with fixed interest rates and in currency, is continuously hedged. The bank's interest rate risk exposure is measured by taking into account uncovered balance and derivative positions.

The Group is exposed to fixing risk within a term of 3 months. If large parts of the liability side receive a new interest rate at one point, and large parts of the asset side receive a new interest rate at another point within this three-month period, re-pricing risk arises, which in given scenarios can result in a less favorable result for the company than otherwise could have been the case.

Interest rate risk is assessed using the Economic Value of Equity (EVE) method based on a stress test scenario where the entire interest rate curve experiences a parallel shift of 2 percentage points, and an assessment of how 6 stress test scenarios with different twists in the interest rate curve affect the company's positions. The case that gives the largest potential for loss is used to determine the interest rate risk.

At the Group level, the board has approved a risk tolerance level for interest rate risk using the EVE method. The framework also includes interest rate risk in currency. At the end of 2023, Sparebanken Sør's interest rate risk was measured to be NOK 47 million using the EVE method.

Interest rate sensitivity

The tables below show the financial consequences of given changes to interest ratesfor the Group and the parent bank's balance sheet total. From 2020, the bank has measured and managed interest rate risk based on six different shock scenarios across 19 time bands, cf. EBA Guideline 2018/02 and the Financial Supervisory Authority's guidelines. The six interest rate shock scenarios are as follows:

1) parallel shock up

2) parallel shock down

3) steepener shock – short rates down, long rates up

4) flattener shock – short rates up, long rates down

5) short rates shock up

6) short rates shock down

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
-24	-1	Parallel shock up 2 %	-47	-49
24	1	Parallel shock down 2 %	47	49
-32	30	Steepener shock	72	-4
32	-30	Flattener shock	-72	4
24	29	Short rates shock up 3 %	-71	-4
-24	-29	Short rates shock down 3 %	71	4

Calculations of interest rate risk using the Net Interest Income (NII) method are also prepared. This method is assessed as the effect on net interest income for all assets and liabilities with an interest rate shock of 2 percentage points within a time horizon of 1 year. At the end of 2023, Sparebanken Sør's interest rate risk measured by the NII method was NOK 224 million.

NOTE 14 – LIQUIDITY RISK

Liquidity risk is the risk of the Group being unable to meet its obligations, or being unable to fund ordinary lending growth.

Liquidity risk is managed through the Group's liquidity strategy, general guidelines and procedures, and through established loan approval authorisations. Key operational management parameters are the requirement for deposit-to-loan ratio, indicator value of long-term funding, stress indicator for liquidity coverage within 30 days (LCR) and, in addition, guidelines for ability to survive in situations where there is no access to market funding. The liquidity risk is also managed by securing funding from the capital market with various maturities, funding sources and instruments. Periodic stress testing of liquidity risk is carried out, and there are established contingency and recovery plans for the Group.

Deposits from customers are the Bank's most stable source of funding. The Board of Directors emphasises that the ratio between deposits from customers and lending must be adapted to the Group's overall funding situation. As at 31 December 2023, the Group's deposit-to-loan ratio was 54.3 percent, down from 53.0 percent at 31 December 2022.

In addition, Sparebanken Sør Boligkreditt AS is an important funding instrument, ensuring access to long-term funding through the issuance of covered bonds. In order to issue covered bonds, mortgage loans equivalent to 66 percent of all loans to the retail market were transferred from the Bank to the mortgage loan company as at 31 December 2023 (68 percent as at 31 December 2022).

Target requirements adopted by the Board of Directors for the Bank's liquidity risk comply with guidelines issued by the Financial Supervisory Authority of Norway. At year-end, Sparebanken Sør fulfilled the Board-adopted requirements.

The Group has an extensive liquidity reserve in the form of liquid interest-bearing securities. The Bank also has mortgages cleared for transfer to the mortgage company. At year-end, the Bank's interest-bearing liquidity portfolio, composed of government securities, other zero-weighted securities, covered bonds and municipal bonds, totaled NOK 24.2 billion.

The Bank's short-term liquidity risk is managed partly through the Liquidity Coverage Requirement (LCR) imposed by the authorities. At the end of 2023, the LCR indicator for Sparebanken Sør was 156 percent (177 percent at 31 December 2022). This is sufficient to meet all projected liquidity maturities within the next 30 days under a stress scenario. The requirement was 100 percent at 31 December 2023. The requirement is applicable at all times.

The Group's liquidity risk is followed up through periodic reporting to Group Management and the Board of Directors.

LIQUIDITY RISK

The tables show cash flows including contractual interest maturity. As such, the figures cannot be reconciled with the balance sheet.

						GROUP 31.12.2023
NOK MILLION	Total	Up to 1 mth.	From 1 mth. to 3 mths.	From 3 mths. to 1 year	From 1 year to 5 years	Over 5 years
Liabilities /non-derivative obligations						
Debts to credit institutions	3 800	1 526	0	0	1 254	1 020
Deposits from customers	69 558	57 672	4 426	7 460		
Debt incurred due to issue of securities	62 118	21	390	7 509	54 198	0
Other liabilities	1 102	185	259	590	31	39
Senior non-preferred	8 276	62	6 983	299	0	933
Subordinated loan capital	2 030	5	20	583	1 422	0
Loan commitments and unused credit facilities	19 503	19 503				
Total liabilities	**166 388**	**78 974**	**12 077**	**16 440**	**56 905**	**1 991**
Derivative obligations						
Financial derivatives gross settlement						
Payment	-50 452	-16 187	-7 027	-666	-26 572	0
Payment received	53 750	16 059	7 709	556	29 426	0
Total derivative obligations	**3 297**	**-128**	**681**	**-110**	**2 854**	**0**

PARENT BANK 31.12.2023

NOK MILLION	Total	Up to 1 mth.	From 1 mth. to 3 mths.	From 3 mths. to 1 year	From 1 year to 5 years	Over 5 years
Liabilities /non-derivative obligations						
Debts to credit institutions	3 913	1 638	0	0	1 254	1 020
Deposits from customers	69 575	57 689	4 426	7 460		
Debt incurred due to issue of securities	7 774	0	61	2 209	5 503	0
Other liabilities	2 022	714	767	471	31	39
Senior non-preferred	8 276	62	6 983	299	0	933
Subordinated loan capital	2 030	5	20	583	1 422	0
Loan commitments and unused credit facilities	11 900	11 900				
Total liabilities	**105 490**	**72 009**	**12 257**	**11 023**	**8 210**	**1 991**
Derivative obligations						
Financial derivatives gross settlement						
Payment	-24 606	-16 187	-7 027	-666	-725	0
Payment received	25 030	16 059	7 709	556	706	0
Total derivative obligations	**424**	**-128**	**681**	**-110**	**-20**	**0**

GROUP 31.12.2022

NOK MILLION	Total	Up to 1 mth.	From 1 mth. to 3 mths.	From 3 mths. to 1 year	From 1 year to 5 years	Over 5 years
Liabilities /non-derivative obligations						
Debts to credit institutions	3 845	754	778	63	1 230	1 020
Deposits from customers	65 712	55 761	5 037	4 914		
Debt incurred due to issue of securities	71 048	21	5 968	3 606	49 705	11 748
Other liabilities	852	162	192	440	23	34
Senior non-preferred	5 034	0	4 892	142	0	0
Subordinated loan capital	1 805	0	0	655	1 150	0
Loan commitments and unused credit facilities	14 994	14 994				
Total liabilities	**163 289**	**71 691**	**16 867**	**9 821**	**52 108**	**12 803**
Derivative obligations						
Financial derivatives gross settlement						
Payment	-37 506	-2 144	-7 615	-1 347	-15 644	-10 755
Payment received	38 845	2 259	8 169	1 015	16 357	11 046
Total derivative obligations	**1 340**	**115**	**553**	**-332**	**713**	**291**

PARENT BANK 31.12.2022

NOK MILLION	Total	Up to 1 mth.	From 1 mth. to 3 mths.	From 3 mths. to 1 year	From 1 year to 5 years	Over 5 years
Liabilities /non-derivative obligations						
Debts to credit institutions	3 858	767	778	63	1 230	1 020
Deposits from customers	65 704	55 753	5 037	4 914		
Debt incurred due to issue of securities	10 552	0	62	2 752	7 217	521
Other liabilities	1 462	481	499	425	23	34
Senior non-preferred	5 034	0	4 892	142	0	0
Subordinated loan capital	1 805	0	0	655	1 150	0
Loan commitments and unused credit facilities	9 933	9 933				
Total liabilities	**98 349**	**66 934**	**11 267**	**8 951**	**9 620**	**1 576**
Derivative obligations						
Financial derivatives gross settlement						
Payment	-6 439	-2 144	-2 395	-1 347	-552	0
Payment received	6 358	2 259	2 546	1 015	538	0
Total derivative obligations	**-81**	**115**	**150**	**-332**	**-14**	**0**

MATURITY STRUCTURE OF ISSUED BONDS AS AT 31.12.2023

NOK MILLION

ISIN Number	Ticker	Currency	Nominal	Owned by the bank	Recognised value	Fair value	Reference rate	Payment - structure	Final maturity
NO0010735418	SOR34 PRO	NOK	500		494	496	Fixed rate	No installments	12.05.2025
NO0010754849	SOR41 PRO	NOK	300		288	294	Fixed rate	No installments	23.12.2025
NO0010830631	SOR52 PRO	NOK	1 000		990	993	Fixed rate	No installments	28.08.2024
NO0010872351	SOR60 PRO	NOK	1 000		976	979	Fixed rate	No installments	23.12.2024
NO0012703455	SOR72 PRO	NOK	850		847	857	Fixed rate	No installments	21.12.2026
NO0012703448	SOR73 PRO	NOK	400		400	405	NIBOR 3 mths	No installments	21.12.2026
NO0012446493	SOR68 PRO ESG	NOK	899		887	887	Fixed rate	No installments	22.02.2027
NO0012446485	SOR67 PRO ESG	NOK	1 099		1 106	1 105	NIBOR 3 mths	No installments	22.02.2027
NO0012780909	SOR76 PRO	NOK	500		501	507	NIBOR 3 mths	No installments	13.12.2027
NO0012780917	SOR75 PRO	NOK	500		501	507	NIBOR 3 mths	No installments	13.12.2028
Issued by Parent bank					**6 991**	**7 031**			
NO0010882632	SORB30	NOK	4 300		4 327	4 337	NIBOR 3 mnd	No installments	24.01.2028
NO0010832637	SORB28	NOK	5 750		5 759	5 775	NIBOR 3 mnd	No installments	13.02.2023
XS2555209381		EURO	500		5 689	5 696	Fixed rate	No installments	20.02.2023
XS1947550403		EURO	500		5 391	5 411	Fixed rate	No installments	24.09.2025
XS2069304033		EURO	500		5 238	5 241	Fixed rate	No installments	06.02.2026
NO0012535824	SORB32	NOK	5 500		5 520	5 550	NIBOR 3 mnd	No installments	26.10.2026
NO0011002529	SORB31	NOK	7 000		7 134	7 094	NIBOR 3 mnd	No installments	19.11.2024
NO0010670409	SORB08	NOK	500		518	518	Fixed rate	No installments	28.01.2028
XS2291901994		EURO	500		5 121	5 075	Fixed rate	No installments	20.09.2027
XS2389362687		EURO	500		5 035	4 982	Fixed rate	No installments	25.09.2028
Issued by Subsidiary					**49 732**	**49 680**			
Eliminations					1	1			
Total bonds Group					**56 724**	**56 712**			

Sparebanken Sør Boligkreditt AS is entitled to extend the term of all issued bonds by 1 year.

Accrued interest is added to fair value in order to be comparable with carrying amount.

At year-end 2023, the average remaining term to maturity of the portfolio of senior bond debt and covered bonds was 2.8 years, compared with 3.4 years at year-end 2022.

MATURITY STRUCTURE OF ISSUED SUBORDINATED LOANS AS AT 31.12.2023

NOK MILLION

ISIN Number	Ticker	Nominal	Recognised value	Fair value	Reference rate	Payment - structure	Final maturity
NO0010871247	SOR56 PRO	500	502	501	NIBOR 3 mths	Subordinated loan capital	12.12.2029
NO0010887177	SOR62 PRO	350	355	354	NIBOR 3 mths	Subordinated loan capital	09.07.2030
NO0012721804	SOR74 PRO	200	203	208	Fixed rate	Subordinated loan capital	13.10.2032
NO0012948928	SOR81 PRO	300	300	311	NIBOR 3 mths	Subordinated loan capital	27.09.2033
NO0012843020	SOR78 PRO	400	403	403	NIBOR 3 mths	Subordinated loan capital	23.05.2033
Subordinated capital		**1 750**	**1 763**	**1 776**			

MATURITY STRUCTURE ON SENIOR NON PREFERRED DEBT AS AT 31.12.2023

NOK MILLION

ISIN Number	Ticker	Nominal	Recognised value	Fair value	Reference rate	Payment - structure	Final maturity
NO0010886781	SOR61 PRO	2 000	2 002	1 996	NIBOR 3 mths	No installments	30.06.2026
NO0011099764	SOR65 PRO	500	481	479	Fixed rate	No installments	17.09.2025
NO0010920788	SOR63 PRO	1 000	1 007	999	NIBOR 3 mths	No installments	10.02.2027
NO0012548926	SOR70 PRO	500	501	504	Fixed rate	No installments	14.06.2027
NO0012548918	SOR69 PRO	500	501	505	NIBOR 3 mths	No installments	14.06.2027
NO0013008052		1 000	1 053	1 064	Fixed rate	No installments	04.09.2028
NO0012916891	SOR80 PRO	750	756	767	NIBOR 3 mths	No installments	15.05.2028
NO0012916909	SOR79 PRO	850	875	890	Fixed rate	No installments	15.05.2030
Senior non-preferred		**7 100**	**7 177**	**7 204**			

LIQUIDITY INDICATORS

The enterprise must at all times have a liquidity reserve (LCR). From 31 December 2017 the requirement has been 100 percent.

This means the holding of liquid assets must at least be equivalent to net cash outflow in a given stress period of 30 calendar days. The Liquidity Coverage Ratio is calculated according to the following formula and is expressed as a percentage:

$$\text{Liquidity Coverage Ratio (LCR)} = \frac{\text{Liquid assets}}{\text{Net cash outflow 30 days ahead given a stress situation}}$$

At year-end 2023, LCR was 156 percent for the Group and 146 percent for the Parent Bank. Corresponding figures for 2022 were 177 percent for the Group and 169 percent for the Parent Bank.

NOTE 15 – INTEREST INCOME AND INTEREST EXPENSES

INTEREST INCOME

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
		Interest income from financial instruments at amortised cost		
139	268	Interest on receivables from credit institutions	137	53
1 951	3 206	Interest on loans given to customers	6 776	3 945
2 090	**3 474**	**Total interest from financial instruments at amortised cost**	**6 913**	**3 999**
		Interest income from financial instruments at fair value via OCI		
501	**933**	Interest on loans given to customers (mortgages)	**0**	**0**
501	**933**	**Total interest from financial instruments at fair value via OCI**	**0**	**0**
2 591	**4 406**	**Total interest income effective interest method**	**6 913**	**3 999**
		Interest income from financial instruments at fair value		
132	130	Interest on loans given to customers (fixed rate loans)	130	132
343	878	Interest on certificates and bonds	1 048	449
476	**1 008**	**Total interest from financial instruments at fair value via profit or loss**	**1 178**	**581**
476	**1 008**	**Total other interest income**	**1 178**	**581**
3 067	**5 414**	**Total interest income**	**8 091**	**4 580**

INTEREST EXPENSES

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
		Interest expenses from financial instruments at amortised cost		
70	157	Interest on liabilities to credit institutions	154	68
643	1 795	Interest on customer deposits	1 795	642
229	428	Interest on issued securities	2 626	1 288
53	104	Interest on subordinated loan capital	104	53
104	304	Interest on subordinated bond loans	304	104
48	55	Fees to the Norwegian Banks Guarantee Fund and other interest expenses	65	57
1 146	**2 843**	**Interest expenses from financial instruments at amortised cost**	**5 048**	**2 212**
1 146	**2 843**	**Total interest expenses**	**5 048**	**2 212**

AVERAGE INTEREST RATES

PARENT BANK					GROUP			
Average volume in NOK million		Average interes rates			Average interest rates		Averegae volume in NOK million	
31.12.2022	31.12.2023	31.12.2022	31.12.2023		31.12.2023	31.12.2022	31.12.2023	31.12.2022
				Assets				
7 183	6 282	1.94 %	4.27 %	Loans to- and receivables from credit institutions	4.29 %	1.42 %	3 222	3 765
68 712	**72 184**	**3.65 %**	**5.69 %**	**Loans to customers**	**5.36 %**	**3.30 %**	**123 390**	**119 906**
17 408	20 164	1.97 %	4.36 %	Bonds and certificates	4.38 %	2.06 %	23 932	21 845
				Liabilities				
3 268	4 057	2.14 %	3.86 %	Liabilities to credit institutions	3.91 %	2.20 %	3 932	3 107
4 072	5 976	2.55 %	5,09 %	Senior non-preferred	5.09 %	2.55 %	5 976	4 072
62 103	64 644	0.97 %	2.59 %	Deposits from customers	2.59 %	0.96 %	63 888	62 049
9 441	8 807	2.40 %	4.83 %	Liabilities related to issue of securities	4.44 %	2.25 %	59 156	57 336

The average interes rates is calculated, as the interest amount, as a percentage of the avrage volume

NOTE 16 – COMMISSION INCOME

PARENT BANK			GROUP	
2022	2023	NOK MILLION	2023	2022
26	23	Guarantee commission	21	21
33	37	Security trading and management	37	33
209	215	Payment transmission	215	209
64	53	Insurance services	53	64
116	132	Fees from other activities	184	174
448	**459**	**Total commission income**	**509**	**501**

NOTE 17 – INCOME FROM FINANCIAL INSTRUMENTS

PARENT BANK			GROUP	
2022	2023	NOK MILLION	2023	2022
-223	31	Changes in value - fixed rate loans - designated at fair value through profit	31	-223
174	-43	Changes in value - derivatives fixed rate loans - liable to fair value through profit	-43	174
-48	**-12**	**Net fixed rate loans**	**-12**	**-48**
-71	-14	Gains(losses) and change in value - certificates and bonds	-19	-93
351	252	Share dividend	2	13
11	-15	Gains(losses) and change in value - shares	-15	8
291	**223**	**Certificates, bonds and shares - designated at fair value through profit**	**-31**	**-72**
161	-53	Change in value - bonds at fixed interest rate - hedge accounting	-2 470	1 704
-161	50	Change in value - derivatives fixed rate bonds - liable to fair value through profit	2 482	-1 712
1	**-3**	**Net issued securities at fixed rate - hedge accounting**	**11**	**-8**
		Effect of earnings on basisswap	**N/A**	**5**
0	0	Change in value liabilities Euro - amortised cost	0	0
0	0	Change in value financial derivatives - fair value	0	0
0	**0**	**Net profit effect, debt in Euro**	**0**	**0**
-4	0	Gains (losses) from buy-back of own bonds - amortised cost	-2	-4
32	31	Currency gains (losses)	31	32
0	0	Change in value of other financial instruments at fair value	0	0
19	5	Other financial derivatives - liable to fair value through profit	5	19
47	**36**	**Net other financial instruments and derivatives**	**34**	**47**
290	**245**	**Net income from financial instruments**	**3**	**-82**

Changes in the value of fixed-interest loans include those associated with changes in interest rates and margins. See Note 21 for further details.

NOTE 18 – PAYROLL EXPENSES AND PENSIONS

PARENT BANK			GROUP	
2022	2023	NOK MILLION	2023	2022
378	435	Wages to employees and fee to elected representatives (1)	550	487
60	72	Payroll tax	89	76
21	24	Financial tax	25	22
39	44	Pension costs	49	44
24	37	Other Personal costs	43	30
523	**613**	**Total personnel costs**	**757**	**659**
485	505	Number of FTE 31.12	618	608
475	495	Average number of FTE	613	586

1)The Bank's compensation consists primarily of a fixed salary, in addition to a bonus scheme. The scheme covers all employees. Depending on the performance, the bonus scheme can result in a maximum payment of 1.5 monthly salaries per employee. Board members are not included in the bonus scheme.

All employees can borrow up to five times their gross annual salary at a rate of interest 1.5 percent lower than the Bank's prevailing mortgage interest rate, provided that the loan does not exceed 85 percent of the collateral asset's market value.

Starting in 2024, the terms for employee loans will be changed. The maximum loan amount for employees will be increased from 4 million to 5 million NOK. The interest rate for subsidised loan quota will consistently be 1.0 percentage points below the current benchmark rate.

PENSIONS

Sparebanken Sør has a defined-contribution pension scheme for all employees, with the exception of around 16 pensioners and disabled people who are covered by a closed, group pension plan.

The parent bank contribution rates are:

• Salary equivalent to 0 to 7.1 times the National Insurance basic amount, G: 7 percent

• Salary equivalent to 7.1 to 12 times G: 15 percent

In connection with the transformation of previous defined benefit pension plans, the bank established a compensatory scheme for employees who previously had a defined benefit pension scheme. At the end of 2023, the scheme covered 238 employees. The scheme is contribution-based. The annual agreed contribution is transferred to securities funds. The contributions to the securities funds consist of an asset furnished as security for the company, and a corresponding gross pension obligation for the employees. Employer's National Insurance contributions and financial tax are calculated and a provision made from the sum of contributions and the development in value of the securities funds. The funds are disbursed to the members upon retirement, when they leave their employ, in the event of disability or death.

For the CEO, the pension applies from 62 to 67 years. The early retirement pension is equal to 67 percent of fixed salary. For the CRO, the pension from 65 to 67 years applies. The early retirement pension is equal to 66 percent of fixed salary.

Individual defined contribution agreements have been made for earning early retirement and old-age pensions for salaries above 12 G for this group.

For other EVPs of the group management, the pension for salaries above 12 G is defined contribution - with the same rates as for salaries between 7 G and 12 G.

In addition to the above schemes, the company pays premiums to the Joint Scheme for AFP. This is a defined benefit multi-company pension scheme and is financed through premiums that are determined as a percentage of salary. For accounting purposes, the scheme is treated as a defined contribution pension scheme where premium payments are expensed on an ongoing basis.

The obligation related to the remaining defined benefit pension scheme is to be regarded as insignificant and simplifications have therefore been made in the notes.

For employees in subsidiaries, defined contribution pension schemes have been established, all of which cover the requirement of the Act.

PENSION EXPENSE AND PENSION OBLIGATION

PARENT BANK			GROUP	
2022	2023	NOK MILLION	2023	2022
28	27	Ordinary pension expense, defined-contribution scheme	32	32
5	10	Pension expense relating to the compensatory scheme	10	5
6	7	Pension expense relating to early retirement (AFP)	7	6
1	0	Other pension costs	0	1
39	**44**	**Total pension expenses**	**49**	**44**
119	130	Capitalised pension relating to compensatory scheme	130	119
11	8	Net pension obligation, defined benefit pension	8	11
129	**138**	**Total pension obligation shown in the balance sheet**	**138**	**129**

ACTIVE MEMBERS IN THE DIFFERENT SCHEMES

PARENT BANK			GROUP	
2022	2023	NOK MILLION	2023	2022
603	544	Members defined-contribution scheme	657	726
265	238	Members compensatory scheme	238	265
18	16	Members defined benefit scheme	16	18

SENSITIVITY ANALYSIS PENSION CALCULATION

The Bank switched its group occupational pension arrangements from a defined-benefit to a defined-contribution scheme on 1 November 2016. As a result, pension liabilities were significantly reduced. A sensitivity analysis is therefore not considered to be significant and has consequently not been performed since 2019.

NOTE 19 – OTHER OPERATING EXPENSES

PARENT BANK			GROUP	
2022	2023	NOK MILLION	2023	2022
38	39	Marketing	44	38
202	257	IT costs	268	212
31	25	Operating costs - real estate	29	38
50	28	External fees	30	51
13	34	Wealth tax	34	13
85	88	Other operating expenses	87	91
419	**472**	**Total other operating expenses**	**493**	**443**

Remuneration paid to auditors is included in other operating expenses and is specified as follows:

PARENT BANK			GROUP	
2022	2023	NOK THOUSAND	2023	2022
1 847	1 047	Ordinary audit fees	1 579	2 626
50	317	Tax advice	317	50
1 278	1 218	Other attestation services	1 412	1 549
443	2 876	Fees from other services	2 887	443
3 618	**5 459**	**Total remuneration of elected auditor (incl. VAT)**	**6 196**	**4 668**

PARENT BANK		GROUP
2023	NOK THOUSAND	2023
	Spesification of fees from other services	
2 533	Assistance related to project management and GAP analysis	2 533
135	Assistance related to preparedness exercises	135
137	Assessment of controls SWFT CSP framework	137
72	Other	83
2 876	**Total fees from other services**	**2 887**

NOTE 20 – TAX

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
		Tax cost for the year		
308	382	Tax payable on net income	478	351
-9	8	Recognised deferred tax	-15	15
1	-1	Excess provision previous years	-9	-34
300	**388**	**Tax cost for the year**	**454**	**332**
		Explanation of why the effective tax rate does not amount to 25% of profit before tax *		
413	**522**	**25 % of profit before tax**	**557**	**404**
3	9	Expensed wealth tax	9	3
-31	-25	Share of profit from associated company	-25	-31
-87	-63	Dividends received (tax exemption)	-	-2
-0	-1	Non-taxable income	-1	-0
1	4	Non-deductible expenses	4	1
	-57	Adopted customer dividends	-57	
1	-1	Correction of previous years' tax assessment	-9	-34
		Effect of paid group contributions and other group adjustments recasting IFRS	-12	
		Different tax rate in subsidiaries ((22%/25%)	-12	-8
300	**388**	**Tax cost for the year**	**454**	**332**
18.2 %	18.6 %	Effective tax rate %	20.4 %	20.6 %
		Change in deferred tax		
0	0	Deferred tax recognised in the total result comprehensive income	-26	22
9	8	Deferred tax recognised in the profit for the year	-15	15
9	**8**	**Total change in deferred tax**	**-42**	**36**
		Deferred tax		
51	50	Fixed assets	53	51
-38	-14	Securities	-14	-38
-48	-41	Loans	-41	-48
1	-2	Pension commitments	-2	1
32	27	Bonds loans	-239	-41
30	19	Derivatives	268	135
1	0	Subordinated loan capital	0	1
4	1	Other accounting provisions	-3	4
32	**40**	**Total deferred tax**	**23**	**64**

* Estimated tax amounts to 25% of total values.

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. In 2022 the tax rate i Sparebanken Sør Boligkreditt AS was changed from 25 percent to 22 percent. As a result of this 33.8 million was recognised as income in 2022(for the period 2021-2019), and 7.3 million in 2023 (for the periode 2017-2018),

NOTE 21 – FINANCIAL INSTRUMENTS BY CATEGORY

Amortised cost

Debt instruments whose sole purpose is to hold the instrument in order to collect contractual cash flows are recognised at amortised cost.

Fair value through profit or loss

All derivatives must be measured at fair value with the changes in value recognised through profit or loss.

Sparebanken Sør has also chosen to recognise holdings of interest-bearing bonds, certificates and shares at fair value through profit and loss. These are assets and liabilities that are managed, measured and reported to management at fair value.

Fixed-interest loans can be redeemed before maturity against payment for premiums or discounts arising as a result of movements in the interbank interest rate. Sparebanken Sør hedges the interest risk for this balance sheet item by entering derivatives recognised at fair value. As changes in the value of the derivatives are recognised in the income statement, recognition of fixed-interest loans at amortised cost will lead to significant fluctuations in profit. Recognition at fair value through profit or loss will therefore lead to a more harmonised comparison of the profit or loss on the derivative and changes in value of fixed-interest loans.

Fair value through other comprehensive income (OCI)

Loans to retail customers secured by residential will be classified in the Parent Bank at fair value through other comprehensive income under IFRS 9. This is a consequence of the fact that the loans can be sold at a later date to the Bank's wholly owned mortgage companies. The purpose is therefore not solely to receive contractual cash flows but also resale.

Hedge accounting

Sparebanken Sør uses hedge accounting with regard to the Bank's fixed-interest bond debt, senior non-preferred and subordinated loan capital in Norwegian kroner and foreign currencies. The hedging covers the interest rate risk and foreign exchange risk associated with the bonds. For further information about hedge accounting, see note 1.

CLASSIFICATION 31.12.2023

					GROUP 31.12.2023
NOK MILLION	Fair value	Fair value through OCI	Hedge accounting	Amortised cost	Total
Cash and receivables from central banks				604	604
Loans to and receivables from credit institutions				468	468
Net loans to customers	4 217			123 315	127 532
Bonds and certificates	24 156				24 156
Shares	235				235
Financial derivatives	837		1 165		2 002
Ownership in group companies					0
Ownership in associated companies				1 537	1 537
Total financial assets	**29 445**	**0**	**1 165**	**125 923**	**156 534**
Debts to credit institution				3 530	3 530
Deposits from customers				69 272	69 272
Debt incurred due to issue of securities			31 475	25 249	56 724
Financial derivatives	691		231		922
Senior non-preferred			2 911	4 266	7 177
Subordinated loan capital			203	1 560	1 763
Total financial liabilities	**691**	**0**	**34 820**	**103 877**	**139 388**

					PARENT BANK 31.12.2023
NOK MILLION	Fair value	Fair value through OCI	Hedge accounting	Amortised cost	Total
Cash and receivables from central banks				604	604
Loans to and receivables from credit institutions				5 012	5 012
Net loans to customers	4 217	18 570		49 028	71 815
Bonds and certificates	21 998				21 998
Shares	235				235
Financial derivatives	900		31		931
Ownership in group companies				2 823	2 823
Ownership in associated companies				1 537	1 537
Total financial assets	**27 349**	**18 570**	**31**	**59 003**	**104 954**
Debts to credit institution				3 643	3 643
Deposits from customers				69 289	69 289
Debt incurred due to issue of securities			4 483	2 508	6 991
Financial derivatives	641		143		783
Senior non-preferred			2 911	4 266	7 177
Subordinated loan capital			203	1 560	1 763
Total financial liabilities	**641**	**0**	**7 739**	**81 266**	**89 646**

CLASSIFICATION 31.12.2022

					GROUP 31.12.2022
NOK MILLION	Fair value	Fair value through OCI	Hedge accounting	Amortised cost	Total
Cash and receivables from central banks				590	590
Loans to and receivables from credit institutions				6 198	6 198
Net loans to customers	4 535			119 316	123 852
Bonds and certificates	22 851				22 851
Shares	230				230
Financial derivatives	962		478		1 440
Ownership in group companies					0
Ownership in associated companies				1 437	1 437
Total financial assets	**28 579**	**0**	**478**	**127 541**	**156 599**
Debts to credit institution				3 507	3 507
Deposits from customers				65 596	65 596
Debt incurred due to issue of securities			35 792	26 966	62 758
Financial derivatives	692		1 907		2 599
Senior non-preferred			983	3 508	4 491
Subordinated loan capital			206	1 457	1 662
Total financial liabilities	**692**	**0**	**38 887**	**101 034**	**140 613**

					PARENT BANK 31.12.2022
NOK MILLION	Fair value	Fair value through OCI	Hedge accounting	Amortised cost	Total
Cash and receivables from central banks				590	590
Loans to and receivables from credit institutions				10 211	10 211
Net loans to customers	4 535	15 545		47 251	67 332
Bonds and certificates	16 393				16 393
Shares	230				230
Financial derivatives	945		2		947
Ownership in group companies				2 813	2 813
Ownership in associated companies				1 437	1 437
Total financial assets	**22 103**	**15 545**	**2**	**62 303**	**99 954**
Debts to credit institution				3 584	3 584
Deposits from customers				65 587	65 587
Debt incurred due to issue of securities			5 971	3 506	9 477
Financial derivatives	615		163		778
Senior non-preferred			983	3 508	4 491
Subordinated loan capital			206	1 457	1 662
Total financial liabilities	**615**	**0**	**7 323**	**77 641**	**85 579**

NOTE 22 – FAIR VALUE OF FINANCIAL INSTRUMENTS

METHODS TO DETERMINE FAIR VALUE

GENERAL

For financial instruments, whose carrying amount is a reasonable approximation of fair value, valuation methods are not used to calculate fair value. This applies principally to assets and liabilities with short maturities (3 months) or where interest is due for payment or adjustment within a short period of time (3 months).

LOANS AND RECEIVABLES FROM CREDIT INSTITUTIONS

Mainly consists of short-term receivables. This means that the fair value is virtually the same as the amortised cost on the balance sheet date.

INTEREST RATE SWAPS AND CURRENCY SWAPS

The fair value of interest rate swaps is determined using valuation techniques in which the expected future cash flows are discounted to present value. The calculation of expected cash flows and the discounting of these is based on observed market rates for different currencies and observed exchange rates. Estimated present values are checked against the corresponding estimates from the counterparties in the contracts.

CERTIFICATES AND BONDS

The valuation of certificates and bonds is based on future cash flows and credit risk, assessed on the balance sheet date. The valuation is based on observable market rates. The Bank's assessment of credit risk is based on market information from a reputable provider.

LENDING

Lendings recognised at fair value are valued using valuation methods in which the anticipated future cash flows are discounted to present value. A risk-free interest rate is regarded as the interest rate on loans between particularly creditworthy banks. A premium for credit risk and margins is added on the basis of the original supplement for credit risk and margin, and is adjusted in line with changes in the market's pricing of risk, the borrower's creditworthiness and margin changes in the market.

Fair value is considered to be equal to the carrying value for loans with a variable interest rate.

BORROWINGS

Borrowings recognised at fair value are valued at quoted prices, where available, and the securities will be traded in a liquid market. Other securities are valued using valuation techniques and the discounting of expected future cashflows. A risk-free interest rate is regarded as the interest rate on loans between particularly creditworthy banks. A premium for credit risk is added on the basis of other market players' assessments of the Bank's creditworthiness.

DEPOSITS

For deposits at fair value are valued using valuation techniques in which the expected future cash flows are discounted to present value. A risk-free interest rate is regarded as the interest rate on loans between particularly creditworthy banks. A premium for credit risk is added on the basis of other market players' assessments of the bank's creditworthiness. Margin premiums are added on the basis of the initial margin, but with subsequent adjustment of the margin in line with margin changes in the markets.

For floating-rate deposits, fair value is considered to equal nominal value.

SHARES

Shares are valued at quoted prices where available. Other shares are valued using valuation techniques.

In some cases, shares in local companies will mostly represent support for positive action in the local community. For such shares, fair value is set to the share's cost price or nominal value. Fair value may also be written down to NOK 1 where it is evident that the shares have no commercial value.

DEBT TO CREDIT INSTITUTIONS

Debt to credit institutions is measured in the same manner as due from credit institutions. For these instruments with short term to maturity fair value is assessed to equal amortised cost.

Classification of financial instruments

Financial instruments are classified at different levels.

Level 1:

Comprises financial assets and liabilities valued using unadjusted, observable market values. This comprises listed shares, derivatives traded on active markets and other securities with quoted market values.

Level 2:

Instruments valued using valuation techniques in which all assumptions (all input) are based on directly or indirectly observable market data. Values can be obtained from external market players or reconciled with the external market players offering these types of services.

Level 3:

Instruments valued using valuation techniques in which at least one material assumption cannot be supported by means of observable market rates. This category includes investments in unlisted companies and fixed-interest loans where the necessary market information does not exist.

PARENT BANK				31.12.2023	GROUP			
Recognised	Fair value				Recognised	Fair value		
value	Level 1	Level 2	Level 3	NOK MILLION	value	Level 1	Level 2	Level 3
				Assets recognised at amortised cost				
604		604		Cash and receivables from central banks	604		604	
5 012		5 012		Loans to and receivables from credit institutions	468		468	
49 028			49 028	Net loans to customers (floating interest rate)	123 315			123 315
				Assets recognised 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 recognised at amortised cost				
3 643		3 643		Debt to credit institutions	3 530		3 530	
69 289			69 289	Deposit from customers	69 272			69 272
6 991		7 031		Debt incurred due to 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 recognised 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				31.12.2022	GROUP			
Recognised	Fair value				Recognised	Fair value		
value	Level 1	Level 2	Level 3	NOK MILLION	value	Level 1	Level 2	Level 3
				Assets recognised at amortised cost				
590		590		Cash and receivables from central banks	590		590	
10 211		10 211		Loans to and receivables from credit institutions	6 198		6 198	
47 251			47 251	Net loans to customers (floating interest rate)	119 316			119 316
				Assets recognised 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 recognised at amortised cost				
3 584		3 584		Debt to credit institutions	3 507		3 507	
65 587			65 587	Deposit from customers	65 596			65 596
9 477		9 473		Debt incurred due to 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 recognised 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**

There were no movements between levels 1 and 2 in 2022 or 2023.

MOVEMENTS IN VALUES RECOGNISED AT FAIR VALUE CLASSIFIED AT LEVEL 3

			GROUP
NOK MILLION	Loans to and receivable from customers	Of which credit risk	Shares
Recognized value as at 31.12.2021	**5 003**	**50**	**184**
Acquisitions 2022	744		13
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-223	- 47	- 1
Disposals 2022	-989		- 0
Recognized value as at 31.12.2022	**4 535**	**3**	**197**
Acquisitions 2023	564		12
Of which, transferred from level 1 or 2			
Change in value recognized during the period	31	- 5	- 8
Disposals 2023	-913		- 0
Recognized value as at 31.12.2023	**4 217**	**- 2**	**201**

			PARENT BANK
NOK MILLION	Loans to and receivables from customers	Of which credit risk	Shares
Recognized value as at 31.12.2021	**24 278**	**50**	**184**
Acquisitions 2022	744		13
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 223	- 47	- 1
Disposals 2022	-4 719		- 0
Recognized value as at 31.12.2022	**20 081**	**3**	**197**
Acquisitions 2023	3 589		12
Of which, transferred from level 1 or 2			
Change in value recognized during the period	31	- 5	- 8
Disposals 2023	- 914		- 0
Recognized value as at 31.12.2023	**22 787**	**- 2**	**201**

Disposals includes the net transfer of loans to the subsidiary Sparebanken Sør Boligkreditt AS.
Changes in value recognised in the year apply mainly to financial instruments recognised in the balance sheet as at 31 December.

LOANS TO AND RECEIVABLES FROM CUSTOMERS

Loans to and receivables from customers at fair value, classified at level 3, consist of fixed-interest loans and mortgages in the Parent Bank. In the Group exclusively fixed-interest loans.

When valuing fixed-interest loans, the Bank uses three categories: retail market (RM), large commercial commitments and other business commitments. Regarding the retail market, credit spreads have been recognised according to current market prices for fixed-interest loans. For large commercial commitments (50 largest), the customers and spreads are individually assessed on the basis of what each customer would have received in terms of spread/margin at 31 December. For other commercial loans, the value is calculated with a spread that represents an average of what the smaller fixed-interest loans to corporate customers would be at 31 December. For variable-rate mortgages, fair value is recognised as equal to carrying value.

SHARES

Concerns shares and investments in companies where there is little or no turnover and discretion has to be exercised in the valuation. Multiples are used to a large extent and earnings-based methods to a lesser extent in connection with valuation. Valuation is affected by discretionary assessments.

SENSITIVITY ANALYSIS LEVEL 3

The sensitivity of fixed-interest loans is estimated by changing the margin requirement by 10 basis points. The valuation of fixed-interest loans to private customers is based on available market rates. For the corporate market, there is a greater degree of discretion in determining the market spread/margin as of 31 December.

	GROUP / PARENT BANK	
NOK MILLION	31.12.2023	31.12.2022
Loan to customers	**16**	**19**
- of which, loans to the corporate market (CM)	1	1
- of which, loans to the retail market (RM)	15	18

HEDGE ACCOUNTING

The Bank uses hedge accounting for debt issued at fixed interest rates and in foreign currencies. Financial derivatives used as hedging instruments are recognised at fair value. Bond loans included as hedged objects are recognised at cost price and are continuously adjusted for changes in fair value for the risks that are hedged. The hedging covers the interest rate risk in issued fixed-rate bonds, as well as the foreign exchange risk for bonds issued in foreign currencies. Hedge accounting requires the Bank to maintain a system for measuring and documenting hedge effectiveness.

All bond loans issued at a fixed interest rate or in a foreign currency are included in hedge accounting. Sparebanken Sør uses fair value hedging. The dollar-offset method is used to measure the effectiveness of hedging.

Hedge accounting is according to IFRS 9. There must be an economic relationship between the hedging instrument and the hedged element, and the effect of credit risk must not dominate changes in value in the hedging relationship. Under IFRS 9 a prospective (future-oriented) effectiveness test is sufficient. Ineffectiveness in hedging, defined as the difference between changes in the value of hedging instruments and in the value of the hedged object, is recognised in the income statement as it arises. The exception is that portion of the change in value that is due to a change in basis spread linked to the hedging instruments.

For interest and currency swaps created from and including 1 January 2018, changes in value due to changes in the currency basis will be recognised through other comprehensive income. Interest-rate and currency swaps created up to 1 January 2018 are recognised at fair value, with changes in value recognised through profit or loss until these fall due.

HEDGE ACCOUNTING IN THE BALANCE SHEET

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
		Hedging instruments / financial derivatives		
2	31	Interest rate swaps NOK	31	6
		Interest rate swaps EUR	1 134	472
2	**31**	**Total financial assets**	**1 165**	**478**
		Hedged items		
7 250	7 600	Nominal debt NOK	8 100	8 100
		Nominal debt EUR *	25 347	30 217
- 156	- 103	Adjustment of hedged items NOK - interest risk	- 104	- 151
		Adjustment of hedged items EUR - interest- and currency risk	1 075	- 1 347
		Hedging instruments / financial derivatives		
163	143	Interest rate swaps NOK	144	163
		Interest rate swaps EUR	87	1 744
7 257	**7 640**	**Total financial liabilities**	**34 649**	**38 726**

* Converted to NOK at exchange rate in effect at the time of issuance.

The hedging instrument is recognised under financial derivatives. Nominal value and adjustment of hedging objects is recognised under debt incurred on issuance of securities.

RESULT OF HEDGE ACCOUNTING

PARENT BANK			GROUP	
2022	2023	NOK MILLION	2023	2022
		Result / ineffectiveness in hedge acconting		
-4	-3	Income effect hedge interest rate risk (NOK)	-2	-4
0	*0*	*Of this income effect as a result of repurchases*	*0*	*0*
		Income effect hedge interest- and currency risk (EUR)	15	-7
N/A	*N/A*	*Effect of earnings from currency basis*	*0*	*-5*
-4	**-3**	**Total**	**13**	**-11**
		Other comprehensive income (OCI)		
N/A	N/A	Change in results from change in value of currency basis	-119	99

NOTE 23 – LOANS AND DEBT TO CREDIT INSTITUTIONS

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
		Loans to credit institutions		
4 141	4 865	Without agreed maturity	321	128
6 070	147	With agreed maturity	147	6 070
10 211	**5 012**	**Total loans to credit institutions**	**468**	**6 198**
		Debts to credit institutions		
458	1 320	Without agreed maturity	665	742
3 122	2 317	With agreed maturity	2 859	2 761
4	5	Accrued interest	5	4
3 584	**3 643**	**Total debts to credit institutions**	**3 530**	**3 507**

						GROUP
NOK MILLION	31.12.2022	Net issued debt	Change Collateral*	Change Repo	Net change credits	31.12.2023
Loan to credit institutions	6 198	0	52	- 5 972	190	468
Debt to credit institutions	3 507	- 750	771	0	1	3 530
Total net assets/debt to credit institutions	**2 691**	**750**	**- 720**	**- 5 972**	**189**	**- 3 062**

						GROUP
NOK MILLION	31.12.2021	Net issued debt	Change Collateral*	Change Repo	Net change credits	31.12.2022
Loan to credit institutions	1 789	0	- 122	4 640	- 110	6 198
Debt to credit institutions	2 627	500	367	0	13	3 507
Total net assets/debt to credit institutions	**- 837**	**- 500**	**- 489**	**4 640**	**- 123**	**2 691**

						PARENT BANK
NOK MILLION	31.12.2022	Net issued debt	Change Collateral*	Change Repo	Net change credits	31.12.2023
Loan to credit institutions	10 211	0	31	- 5 972	742	5 012
Debt to credit institutions	3 584	- 750	771	0	38	3 643
Total net assets/debt to credit institutions	**6 628**	**750**	**- 740**	**- 5 972**	**704**	**1 369**

						PARENT BANK
NOK MILLION	31.12.2021	Net issue debt	Change Collateral*	Change Repo	Net change credits	31.12.2022
Loan to credit institutions	5 644	0	- 122	4 640	50	10 211
Debt to credit institutions	2 660	500	367	0	57	3 584
Total net assets/debt to credit institutions	**2 984**	**- 500**	**- 489**	**4 640**	**- 7**	**6 628**

NOTE 24 – BONDS AND CERTIFICATES

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
		Short-term investments designed at fair value through profit and loss		
6 489	8 296	Certificates and bonds issued by public sector	9 124	8 532
9 903	13 702	Certificates and bonds issued by others	15 032	14 320
0	0	Certificated and bonds issued by subsidiaries	0	0
16 393	**21 998**	**Total short-term investment designed at fair value through profit and loss**	**24 156**	**22 851**
16 393	**21 998**	**Investment in securities**	**24 156**	**22 851**
15 566	20 370	Bonds pledged for drawing-rights in Norges Bank	20 370	15 566

CLASSIFICATION OF FINANCIAL INVESTMENTS

Bonds and certificates are rated by external parties. If the securities have an official rating, this rating will be applied. However, in cases where no official rating exists, a credit assessment by an external broker will be used as the basis for risk classification.

The Bank's risk category	Rating
Lowest risk	AAA, AA+, AA og AA-
Low risk	A+, A og A-
Medium risk	BBB+, BBB og BBB-
High risk	BB+, BB, BB-
Highest risk	B+ and lower

BONDS AND CERTIFICATES

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
		Certificates and bonds		
16 322	21 848	Lowest risk	23 990	22 752
0	0	Low risk	0	0
0	0	Medium risk	0	0
0	0	High risk	0	0
0	0	Highest risk	0	0
70	150	Accrued interest	167	99
16 393	**21 998**	**Total certificates and bonds**	**24 156**	**22 851**

NOTE 25 – SHARES

All shares and ownership interests are classified at fair value through profit or loss.

					GROUP 31.12.2023
NOK THOUSAND	Org.nr.	Type of business	Equity stake	Book value	Acquisition cost
Shares classified at fair value through profit and loss					
Eksportfinans ASA	816 521 432	Finance	1.5 %	83 300	66 454
Norgesinvestor Proto AS	812 746 162	Investment activity	17.6 %	32 557	15 600
Bien Sparebank ASA	991 853 995	Banking	4.8 %	23 610	25 000
NORNE SECURITIES AS	992 881 828	Securities brokerage	15.1 %	22 836	11 116
VN Norge AS	821 083 052	Investment activity	2.3 %	18 050	0
Skagerak Capital III AS	918 019 669	Investment activity	7.1 %	12 750	12 454
Sparebanken Vest Grunnfondsbevis	832 554 332	Banking	0.5 %	9 779	2 735
Skagerak Capital IV AS	924 820 454	Investment activity	4.3 %	9 450	9 450
Skagerak Venture Capital I AS	926 178 172	Investment activity	13.7 %	5 750	3 402
Agder Seed AS	928 329 178	Investment activity	18.2 %	5 500	5 500
Other companies (33 pcs)				11 075	36 567
Total shares valued at fair value through profit and loss				**234 657**	**188 278**

					GROUP 31.12.2022
NOK THOUSAND	Org.nr.	Type of business	Equity stake	Book value	Acquisition cost
Shares classified at fair value through profit and loss					
Eksportfinans ASA	816 521 432	Finance	1.5 %	83 300	66 454
Norgesinvestor Proto AS	812 746 162	Investment activity	17.6 %	29 526	15 600
Bien Sparebank ASA	991 853 995	Banking	4.8 %	25 085	25 000
VN Norge AS	821 083 052	Investment activity	2.3 %	15 094	0
Norne Securities AS	992 881 828	Securities brokerage	14.8 %	13 500	10 608
Skagerak Capital III AS	918 019 669	Investment activity	6.8 %	12 150	11 854
Eedenbull AS	921 158 866	Services related to financing activities	0.8 %	9 999	19 999
Norgesinvestor IV AS	990 644 454	Investment activity	1.9 %	10 152	8 058
Sparebanken Vest Grunnfondsbevis	832 554 332	Banking	0.5 %	8 251	2 735
Other companies (36 pcs)				22 970	25 478
Total shares valued at fair value through profit and loss				**230 027**	**185 786**

Those of Sparebanken Sør's subsidiaries which are included in the consolidated financial statements have no significant investments in shares at 31 December. The overview above is therefore identical for the Parent Bank and the Group.

The Group has committed to additional payments linked to the investment in seed- and venture companies. At 31 December 2023, uncalled capital totalled NOK 50.3 million (NOK 36.1 million 31 December 2022).

NOTE 26 – OWNERSHIP OF GROUP COMPANIES

					PARENT BANK 31.12.2023
NOK THOUSAND	Type of business	Registered office	Ownership	Share capital	Book value
Sparebanken Sør Boligkreditt AS	Mortage company	Kristiansand	100.0 %	2 075 000	2 795 695
Sørmegleren Holding AS	Real estate business	Kristiansand	90.1 %	10 739	11 499
Sørlandets Forsikringssenter AS	Ensurance	Kristiansand	100.0 %	45	6 981
Prosjektutvikling AS	Property managment	Arendal	100.0 %	100	2 400
Transitt Eiendom AS	Property managment	Kristiansand	100.0 %	100	6 474
Total					**2 823 049**

					PARENT BANK 31.12.2022
NOK THOUSAND	Type of business	Registered office	Ownership	Share capital	Book value
Sparebanken Sør Boligkreditt AS	Mortage company	Kristiansand	100.0 %	2 075 000	2 795 695
Sørmegleren Holding AS	Real estate business	Kristiansand	90.1 %	10 739	11 499
Sørlandets Forsikringssenter AS	Ensurance	Kristiansand	78.0 %	45	5 300
Arendal Brygge AS	Property managment	Arendal	50.0 %	601	0
Prosjektutvikling AS	Property managment	Arendal	100.0 %	100	0
Transitt Eiendom AS	Property managment	Kristiansand	100.0 %	100	780
Total					**2 813 274**

Arendal Brygge AS was by the end of 2023 a wholly owned subsidiary of Transitt Eiendom AS and has been consolidated into the Group.

Shareholdings correspond to the percentage of voting capital.

See also Note 34; 'Disclosures on related parties' for additional disclosures regarding transactions with subsidiaries.

NOTE 27 – ASSOCIATED COMPANIES

				PARENT BANK/GROUP 31.12.2023
NOK THOUSAND	Type of business	Registered office	Ownership	Book value
Frende Holding AS	Ensurance	Bergen	19.9 %	466 681
Brage Finans AS	Finance	Bergen	24.9 %	836 508
Balder Betaling AS	Finance	Bergen	23.0 %	232 297
Åseral Næringshus AS	Property managment	Åseral	30.0 %	450
Søndeled Bygg AS	Property managment	Arendal	29.0 %	1 125
Total				**1 537 061**

				PARENT BANK/GROUP 31.12.2022
NOK THOUSAND	Type of business	Registered office	Ownership	Book value
Frende Holding AS	Ensurance	Bergen	19.90 %	531 842
Brage Finans AS	Finance	Bergen	24.9 %	703 831
Balder Betaling AS	Finance	Bergen	23.0 %	200 143
Åseral Næringshus AS	Property managment	Åseral	30 %	450
Søndeled Bygg AS	Property managment	Arendal	29 %	1 125
Total				**1 437 391**

See Note 34; 'Disclosures on related parties' for additional disclosures regarding transactions with associated companies.

NOTE 28 – TANGIBLE ASSETS AND LEASEHOLD PREMISES

GROUP	Machinery, inventory and transport equipments		Real estate		Leasehold premises, IFRS 16		Total real estate, inventory and leasehold premises	
NOK MILLION	2023	2022	2023	2022	2023	2022	2023	2022
Acquisition cost 01.01.	**138**	**130**	**523**	**541**	**68**	**58**	**729**	**730**
Additions during the year *	9	22	106	2	32	11	147	35
Disposals during the year	-7	-18	-19	-14	-3	-1	-29	-33
Other changes	0	4	2	-6	0	0	2	-2
Acquisition cost 31.12.	**140**	**138**	**612**	**523**	**97**	**68**	**849**	**729**
Accumulated depreciations and write-downs 31.12 *	83	80	169	166	37	25	289	271
Other changes	3	0	30	0	0	0	33	0
Book value as at 31.12	**53**	**58**	**413**	**357**	**60**	**43**	**527**	**458**
Ordinary depreciation	14	13	10	9	12	8	35	29
Impairments	0	0	0	0	0	0	0	0
Gains/losses on sale	0	0	5	0	0	0	6	0

GROUP	Intangible assets	
NOK MILLION	2023	2022
Acquisition cost 01.01.	**273**	**259**
Additions during the year	46	35
Disposals during the year	-28	-21
Acquisition cost 31.12.	**290**	**273**
Accumulated depreciations and write-downs 31.12.	176	193
Book value as at 31.12	**114**	**80**
Ordinary depreciation	6	13
Impairments	6	0

*Incl. Arendal Brygge AS and St. Ybes AS, consolidated in the group accounts as of 31 December 2023.

Assumed useful economic life harmonises with the depreciation period for the individual groups of fixed assets. Fixed assets are depreciated on a straight-line basis. The Group's buildings are located in the Bank's own district and are mainly used by the Bank itself.

The rate of depreciation for buildings is in the range 2–5 %, and the depreciation rate for machinery, equipment, vehicles and intangible assets is in the range 10–33 %.

PARENT BANK	Machinery, inventory and transport equipments		Real estate		Leasehold premises, IFRS 16		Total real estate, inventory and leasehold premises	
NOK MILLION	2023	2022	2023	2022	2023	2022	2023	2022
Acquisition cost 01.01.	**126**	**118**	**501**	**513**	**68**	**58**	**695**	**690**
Additions during the year	7	21	23	2	32	11	62	34
Disposals during the year	-7	-17	-19	-8	-3	-1	-29	-26
Other changes	0	4	2	-6	0	0	2	-2
Acquisition cost 31.12.	**126**	**126**	**507**	**501**	**97**	**68**	**730**	**695**
Accumulated depreciations and write-downs 31.12.	75	69	167	168	37	25	279	262
Other changes	0	0	0				0	0
Book value as at 31.12	**51**	**57**	**340**	**333**	**60**	**43**	**451**	**433**
Ordinary depreciation	13	12	8	8	12	8	32	28
Impairments	0	0	0	0	0	0	0	0
Gains/losses on sale	0	0	5	0	0	0	6	0

PARENT BANK	Intangible assets	
NOK MILLION	2023	2022
Acquisition cost 01.01.	**160**	**150**
Additions during the year	38	30
Disposals during the year	-28	-21
Acquisition cost 31.12.	**169**	**160**
Accumulated depreciations and write-downs 31.12.	67	89
Book value as at 31.12	**102**	**70**
Ordinary depreciation	6	13
Impairments	0	0

Assumed useful economic life harmonises with the depreciation period for the individual groups of fixed assets. Fixed assets are depreciated on a straight-line basis. The Group's buildings are located in the Bank's own district and are mainly used by the Bank itself.

The rate of depreciation for buildings is in the range 2–5 %, and the depreciation rate for machinery, equipment, vehicles and intangible assets is in the range 10–33 %.

NOTE 29 – DEPOSITS FROM CUSTOMERS

DEPOSITS FROM CUSTOMERS BY SECTOR AND INDUSTRY

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	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 interest	136	31
65 587	**69 289**	**Total deposits from customers**	**69 272**	**65 596**

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
55 643	56 798	Deposits from costumers with no fixed maturity	56 781	55 651
9 913	12 354	Deposits from costumers with fixed maturity	12 354	9 913
65 556	**69 152**	**Total deposits from costumers**	**69 136**	**65 564**
31	136	Accrued interest	136	31
65 587	**69 289**	**Total deposits from costumers incl. accrued interest**	**69 272**	**65 596**

NOTE 30 – BOND DEBT AND SUBORDINATED LOANS

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/ Reedemed	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**

NOK MILLION	31.12.2021	Issued	Matured/ Reedemed	Other changes during the period	31.12.2022
Bonds, nominal value	56 227	17 127	-9 046	980	65 287
Value adjustments	242			-2 978	-2 736
Accrued interest	136			70	207
Total debt due to issue of securities	**56 605**	**17 127**	**-9 046**	**-1 928**	**62 758**

CHANGE IN SUBORDINATED LOAN CAPITAL – PARENT BANK AND GROUP

NOK MILLION	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	31.12.2023
Subrdinated 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**

NOK MILLION	31.12.2021	Issued	Matured/ Redeemed	Other changes during the period	31.12.2022
Subordinated loans	1 650	-200	200		1 650
Accrued interest	0			3	3
Value adjustments	**4**			**6**	**9**
Total subordinated loan capital	**1 654**	**-200**	**200**	**9**	**1 662**

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 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**

NOK MILLION	31.12.2021	Issued	Matured/ Redeemed	Other changes during the period	31.12.2022
Bonds, nominal value	9 950	4 250	-4 351	-299	9 550
Value adjustment	11			-143	-132
Accrued interest	52			8	59
Debt incurred due to issue of securities	**10 013**	**4 250**	**-4 351**	**-434**	**9 477**

CHANGE SENIOR NON-PREFERRED – GROUP AND PARENT BANK

NOK MILLION	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	31.12.2023
Bonds, nominal value	4 500	2 600	0	0	7 100
Value adjustments	- 31			33	2
Accrued interest	22			53	75
Debt incurred due to issuance of securities	**4 491**	**2 600**	**0**	**86**	**7 177**

NOK MILLION	31.12.2021	Issued	Matured/ Redeemed	Other changes during the period	31.12.2022
Bonds, nominal value	3 500	1 000	0	0	4 500
Value adjustments	-7			-24	-31
Accrued interest	5			16	22
Debt incurred due to issuance of securities	**3 499**	**1 000**	**0**	**-8**	**4 491**

NOTE 31 – OTHER LIABILITIES

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
31	58	Trade creditors	76	46
17	22	Tax withholdings	30	25
39	34	Clearing accounts	34	39
46	50	Accrued holiday pay	63	59
625	1 192	Allocated dividends, gifts and other distributions	-	-
280	185	Other liabilities	309	248
66	94	Other incurred costs	98	74
1 103	**1 635**	**Total other liabilities**	**610**	**490**

Accured dividends and gifts are classified as liabilities in the parent bank and as equity in the group at 31 Desember.

NOTE 32 – FINANCIAL DERIVATIVES

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 have 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.

31.12.2023						GROUP
				Related amounts not presented net		
NOK MILLION	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Financial instruments - net settlements	Other collateral, received/pledgedl	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**

31.12.2022						GROUP
				Related amounts not presented net		
NOK MILLION	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Financial instruments - net settlements	Other collateral, received/pledgedl	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**

31.12.2023						PARENT BANK
				Related amounts not presented net		
NOK MILLION	Gross carrying amount	Net presented *	Financial instruments	Financial derivatives-presented as net	Delivered/recieved collateral	Net
Derivatives - assets	931	0	931	234	515	181
Derivatives - liabilities	- 783	0	- 783	- 234	8	- 557
Net	**147**	**0**	**147**	**0**	**523**	**- 375**

31.12.2022						PARENT BANK
				Related amounts not presented net		
NOK MILLION	Gross carrying amount	Net presented *	Financial instruments	Financial derivatives-presented as net	Delivered/recieved collateral	Net
Derivatives - assets	947	0	947	225	624	98
Derivatives - liabilities	- 778	0	- 778	- 225	0	- 553
Net	**169**	**0**	**169**	**0**	**624**	**- 455**

Received collateral is presented as debt to credit institutions and paid collateral area is presented as deposits from credit institutions.

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

NOTE 33 – IBOR REFORM

IBOR reform and the establishment of alternative reference interest rates have been a priority area for authorities worldwide in recent years. Some IBOR interest rates have been replaced with other reference interest rates, while others have received better regulatory monitoring and new requirements for calculation methodology and transparency in the calculations. Sparebanken Sør is exposed to NIBOR and EURIBOR, both of which are approved financial reference rates and there are currently no plans to replace these rates. With regard to hedge accounting, the company expects that established hedging relationships can be continued, without any deduction and recognition to be made, and that the hegdes can be continued without major accounting effects.

The table below shows nominal amount for derivatives in hedging relationships, categorised by the relevant IBOR rate. All hedging instruments in NOK are exposed to NIBOR and all hedging instruments in EUR are exposed to EURIBOR and NIBOR.

PARENT BANK			GROUP	
31.12.2022	31.12.2023	NOK MILLION	31.12.2023	31.12.2022
		Nominal value		
7 250	7 600	Interest rate swaps NOK	8 100	8 100
		Interest rate swaps EUR	2 500	3 000

The group is exposed to NIBOR and EURIBOR rates, and considers the complexity of changing the necessary systems to be limited. The group uses standard bond agreements from Nordic Trustee. All the bond loans are listed in VPS and settlement routines are coordinated in VPS. Derivative agreements are based on ISDA documentation and standards for alternative reference interest rates are incorporated there, including fallback clauses. The group's EMTN programs are updated annually and also contain fallback clauses.

NOTE 34 – DISCLOSURES ON RELATED PARTIES

Sparebanken Sør has entered into transactions with related parties as described in this note. Transactions with subsidiaries have been eliminated from the consolidated financial statements. With exception of loans granted on special terms to employees, all transactions with related parties are entered into on market terms. In addition to the transactions identified in this note and report on remuneration to leading persons, as well as eliminated transactions within the Sparebanken Sør group, there are no transactions or outstanding matters with related parties.

NOK THOUSAND	Group management	Board of Directors	Chairman of the General Meeting
Loans as at 31.12	40 944	9 166	0
Interest income	1 379	468	0
Deposits as at 31.12	10 583	2 859	1 155
Interest costs	413	107	23

Subsidiaries	Loans and other assets	Covered bonds	Interest income	Deposits and other liabilities	Interest cost	Manager fee	Dividend received	Other expenses(+)/ Income(-)
Sørlandets Forsikringssenter AS			35	3 904	58			16 652
Prosjektutvikling AS	17 019		1 339	252				2 394
Transitt Eiendom AS	52 068		3 332	22 002	180			
Sørmegleren Holding AS	21 450		1 362	4 800	1 850			- 5 106
Sparebanken Sør - Boligkreditt AS	4 544 202		132 837	973 173	2 836	100 197	250 000	
Total	**4 634 739**	**0**	**138 907**	**1 004 130**	**4 924**	**100 197**	**250 000**	**13 941**

Associated companies	Loans and other assets	Interest income	Deposits and other liabilities	Interest cost	Commission income	Commission costs	Personnel insurance
Balder Betaling AS						1 827	
Brage Finans AS					14 089		
Frende Holding AS					52 920		7 502
Åseral Næringshus AS	3 401	256	257	5			
Total	**3 401**	**256**	**257**	**5**	**67 009**	**1 827**	**7 502**

Sparebanken Sør has derecognised loans transferred to Sparebanken Sør Boligkreditt AS. The agreements have been formulated such that the loans qualify for derecognition. The total balance of these loans is stated below.

NOK MILLION	31.12.2023	31.12.2022
Sparebanken Sør Boligkreditt AS	55 808	56 562

Sparebanken Sør Boligkreditt AS purchases the majority of services from the Bank. All transactions between the companies are entered into on market terms. As of 31 December 2023, Sparebanken Sør Boligkreditt AS has an overdraft facility of NOK 5 000 million in Sparebanken Sør.

Information in accordance with CRD IV and the Financial Institutions Regulations §11-10 for companies that have ownership in companies that issue covered bonds.

	Nominal value	
NOK MILLION	31.12.2023	31.12.2022
Loans secured by mortgages on residential properties	55 707	56 503
Deductions on ineligible loans*	-248	-238
Pool of eligible loans	**55 459**	**56 265**
Certificates and bonds	990	5 950
Total cover pool	**56 449**	**62 215**
Debt incurred due to issuance of securities	**48 397**	**54 317**
Collateralisation ratio (OC)	16.6 %	14.5 %
Average loan-to-value	53.9 %	53.0 %
Average loan-to-value - Group	55.0 %	54.0 %
Loans secured by mortgages on residential properties - Group	79 723	78 684
Transferred til Sparebanken Sør Boligkreditt AS in %	70 %	72 %

NOTE 35 – EQUITY CERTIFICATES, EQUITY CAPITAL AND PROPOSED DIVIDEND

THE 20 LARGEST EQUITY CERTIFICATE OWNERS ON 31 DEC. 2023

	NAME	NUMBER OF EC	SHARE OF EC-CAP. %
1.	Sparebankstiftelsen Sparebanken Sør	10 925 765	26.20
2.	J.P. Morgan Securities LLC	2 400 000	5.75
3.	Sparebanken Vest	2 400 000	5.75
4.	Geveran Trading Company LTd	1 800 000	4.32
5.	EIKA utbytte VPF c/o Eika kapitalforv.	1 277 637	3.06
6.	Spesialfondet Borea Utbytte	1 033 537	2.48
7.	Pershing LLC	1 020 000	2.45
8.	Goldman Sachs & Co. LLC	1 015 323	2.43
9.	Apollo Asset Limited	720 000	1.73
10.	KLP Gjensidige Forsikring	669 013	1.60
	Total - 10 largest certificate holders	**23 261 275**	**55.78**

	NAME	NUMBER OF EC	SHARE OF EC-CAP. %
11.	Verdipapirfondet Holberg Norge	510 000	1.22
12.	J.P. Morgan SE	350 848	0.84
13.	U.S. Bank National Association	348 000	0.83
14.	Verdipapirfondet Fondsfinans Norge	344 585	0.83
15.	Vpf Fondsfinans Utbytte	304 521	0.73
16.	Drangsland Kapital AS	302 107	0.72
17.	State Street Bank and Trust Comp	286 121	0.69
18.	Verdipapirfondet Nordea Norge Verd	280 902	0.67
19.	Vpf Dnb Norge Selektiv	270 101	0.65
20.	Hjellegjerde Invest AS	243 507	0.58
	Total - 20 largest certificate holders	**26 501 967**	**63.55**

As of 31 December 2023, Sparebanken Sør owned 132 548 of its own equity certificates (27 548 ECC on 31 December 2022).

As of 31 December, the bank had a total of 41 703 057 outstanding equity certificates, with a nominal value of NOK 50. (41 703 057 ECC on 31 December 2022, with a nominal value of NOK 50).

PROPOSED, NOT APPROVED DIVIDEND

	PARENT BANK	
	2023	2022
Total proposed dividend	NOK 417 mill	NOK 250.1 mill
Proposed dividend per equity certificate	NOK 10.0 per. EC	NOK 6.0 per. EC
Number of equity certificates	41 703 057	41 703 057

Dividend for the financial year is classified as equity on 31 December 2023 (Group) and liability (Parent Bank),

EQUITY CAPITAL AND EARNINGS PER EQUITY CERTIFICATE

NOK MILLION	31.12.2023	31.12.2022
Number of equity certificates	41 703 057	41 703 057
Own equity certificates	132 548	27 548
Nominal value	50	50
Equity certificate capital	2 079	2 084
Premium fund	2 068	2 068
Equalisation fund	1032	793
Total equity share capital (A)	**5 179**	**4 945**
Total equity share capital (Parent bank)	14 032	13 448
- hybrid capital	(1 085)	(1 085)
Equity share capital excl. Hybrid capital and other equity share capital (B)	**12 947**	**12 363**
Ownership ratio after allocation (A/B)	**40.0 %**	**40.0 %**
Ownership ratio, weighted average (1)	**40.0 %**	**40.0 %**

NOK MILLION	2023	2022
Profit for the year, parent bank	1701	1 353
- interest on hybrid capital	(82)	(56)
+ tax interest on hybrid capital	20	14
Dividend basis, parent bank	**1 640**	**1 311**
Profit for the year per EC, Parent Bank	15.7	12.6
Profit for the year, Group	1773	1 283
- interest on hybrid capital	(82)	(56)
+ tax interest on hybrid capital	20	14
Dividend basis, the Group	**1 711**	**1 241**
Profit for the year per EC, Group	16.4	11.9

Earnings per equity certificate are calculated as the ratio between profit for the year attributable to the owners of equity certificates according to the equity capital certificate ratio in the parent company and the number of equity certificates issued.

Equity certificates owned by the CEO, senior management, members of the Board of Directors, members of the General Meeting and their personal related parties as in section § 7–26 of the Norwegian Accounting Act and section § 8-20 of its supplementary regulations are disclosed in the remuneration report in the annual financial statement.

NOTE 36 – BUSINESS COMBINATIONS

Sørlandets Forsikringsenter AS

The bank now owns 100 percent of the shares in Sørlandet Forsikringssenter AS, after purchasing the last 22 percent in June 2023. The share purchase in 2023 resulted in an added value of NOK 6.5 million, which is linked to goodwill. Sparebanken Sør believes the purchase will positively affect future earnings beyond the values of the individual assets in the company.

Arendal Brygge AS

In December 2023, the bank increased its ownership in Arendal Brygge AS, from 50 percent to 100 percent. On 31 December 2023, all shares were resold for NOK 2 to the bank's wholly-owned subsidiary, Transitt Eiendom AS. The acquisition resulted in an added value of NOK 6.3 million, which was written down in 2023.

Arendal Brygge AS, together with the wholly owned subsidiary St. Ybes AS, own several properties in Kittelsbuktveien in Arendal.

From 31.12.2023, Arendal Brygge AS and St. Ybes AS, will be consolidated into the Group accounts.

Reference is also made to note 34; "Information on related parties" for additional information relating to transactions with subsidiaries.

NOTE 37 – EVENTS AFTER THE BALANCE SHEET DATE AND CONTINGENCIES

No events of material significance to the financial statements have occurred since the balance sheet date.

Calculations

NOK MILLION	31.12.2023	31.12.2022
Return on equity adjusted for hybrid capital		
Profit after tax	1 773	1 283
Interest on hybrid capital	- 82	-56
Tax on interests hybrid capital	20	14
Profit after tax. incl. Interest on hybrid capital	**1 711**	**1 227**
Opening balance. equity	15 779	14 941
Opening balance. hybrid capital	-1 085	-1 335
Opening balance. equity excl. hybrid capital	**14 694**	**13 606**
Closing balance. equity	16 752	15 779
Closing balance. hybrid capital	-1 085	-1 085
Closing balance. equity excl. hybrid capital	**15 668**	**14 694**
Average equity	16 266	15 360
Average equity excl. Hybrid capital	**15 181**	**14 150**
Return on equity	10.9 %	8.3 %
Return on equity excl. Hybrid capital	**11.3 %**	**8.7 %**
Net interest income. incl. interest hybrid capital		
Net interest income. incl. interest hybrid capital	3 043	2 368
Interest on hybrid capital	- 61	-42
Net interest income. incl. interest hybrid capital	**2 982**	**2 326**
Average total assets	159 000	149 042
As a percentage of total assets	**1.88 %**	**1.56 %**
Profit from ordinary operations (Adjusted earnings)		
Net interest income. incl. interest hybrid capital	2 982	2 326
Net commission income	400	417
Share of profit by associated companies (excl. value adjustment Balder Betaling/Vipps)	99	125
Other operating income	9	5
Operating expenses. adjusted for conversion of the pension scheme	1 276	1 145
Profit from ordinary operations (adjusted earnings). before tax	**2 214**	**1 729**
Profit excl. Finance. and adjusted for non-recurring items		
Net interest income. incl. interest hybrid capital	2 982	2 326
Net commission income	400	417
Share of profit from associated companies (excl. value-adjustment Balder Betaling/Vipps)	99	125
Other operating income	9	5
Operating expenses. adjusted for conversion of the pension scheme	1 276	1 145
Losses on loans. guarantees and undrawn credit	49	74
Profit excl. Finance. and adjusted for non-recurring items	**2 164**	**1 655**
Tax (25 %) adjusted for tax. share of profit associated companies and customer dividends	440	375
Ordinary operations / adjusted earnings after losses and tax	**1 725**	**1 280**
Average equity excl. Hybrid capital	15 181	14 150
Return on equity. profit excl. Finance and adjusted for non-recurring items	**11.4 %**	**9.0 %**

The Board of Directors' report and some accounting presentations refer to adjusted results that are not defined in IFRS (Alternative Performance Measures (APM)).

Alternative performance measures

Sparebanken Sør presents alternative performance measures (APMs) which provide useful information to supplement the financial statements. These performance measures are not defined in IFRS (International Financial Reporting Standards) and by necessity are not directly comparable with the performance measures of other companies. Alternative performance measures are not intended to replace or overshadow accounting figures under IFRS, but are included in our reports to better highlight the underlying operation.

Key figures regulated in IFRS or other legislation are not regarded as alternative performance measures. The same applies to non-financial information. Sparebanken Sør's alternative performance measures are presented in the overviews of key figures, calculations and the Board of Directors' report. All APMs are presented with comparative figures. The APMs mentioned below have been used consistently over time.

Sparebanken Sør's alternative performance measures and definitions:

MEASURE	Definition
Return on equity (ROE) (Ordinary profit in % of average equity capital)	These measures give relevant information on Sparebanken Sør's profitability by measuring the ability to generate profits from the shareholders' investments. ROE is one of Sparebanken Sør's most important APM. Return on equity (ROE) is calculated as: Shareholders' share of profits for the period divided by average equity excluding hybrid capital (additional tier 1 capital / AT-1).
Total Assets	Total assets are an industry-specific designation for the sum of all assets.
Average assets	The average sum of total assets for the year, calculated as a monthly average. The key figure is used in the calculation of percentage ratios for the profit and loss items.
Book equity per equity certificate (including dividend)	This key figure provides information on the value of book 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 shareholders' 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 compared to the diluted earnings per equity certificate at the relevant time, which provides a basis for assessing the reasonableness of the profit on the earnings per equity certificates. Diluted earnings per equity certificate is calculated as majority interest multiplied by equity certificate ratio, divided by number of equity certificates issued.
Profit after tax, incl. Interest on hybrid capital	The key figure shows what the result after tax would have been if the interest expenses on the hybrid capital had been recognized in the income statement. Hybrid capital is in accordance with IFRS classified as equity and interest expenses on the hybrid capital are therefore recorded as an equity transaction.
Deposit to loan ratio	The deposit-to-loan ratio provides important information about how Sparebanken Sør finances its operations. Receivables from customers represent an important share of the financing of the Banks lending, and this key figure provides important information about the dependence on market funding. The key figure is calculated as, deposit from customers as a percentage of gross loans to and receivables from customers.
Growth in loans (gross) as %. last 12 months	Growth in lending over the last 12 months is a performance measure that provides relevant information on the level of activity of 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 sold to them since this better reflects the level of activity and growth in lending than if these loans were excluded. Lending growth is calculated as gross loans incl. loans sold to SSBK at period-end minus gross loans incl. loans sold to SSBK at period-start divided by gross loans incl. loans sold to SSBK at the start of the period.
Growth in deposits as %. last 12 months	Growth in deposits over the last 12 months is a performance measure that provides relevant information on the level of activity of and growth in the bank's liquidity position. Deposit growth is calculated as total deposits from customers at period-end minus total deposits from customers at period-start divided by total deposits from customers at the start of the period.
Deposit as % of net loans	These measures give relevant information on Sparebanken Sør's liquidity position. The APM is calculated as: Customer deposits divided by net loans to customers at the end of the period.
Cost/income ratio (Total operating costs in % of total incomes)	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 value pr 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. Calculated as: Sparebanken Sør's closing share price at the end of the period divided by book value per equity certificate.
Losses on loans ass % of net loans (annualised)	This key figure indicates recognised impairment cost as a function of net loans incl. loans transferred to Sparebanken Sør Boligkreditt. The figure is calculated as loss recognised in the period divided by net loans incl. loans sold to SpareBanken Sør Boligkreditt at period-end. Where information is disclosed on loan-loss ratios for periods shorter than one year, the ratios are annualised for recognition purposes.

Non-performing loans in % of gross loans	This ratio is presented because it provides relevant information on the bank's credit exposure. It is calculated as non performing loans divided by total loans incl. loans sold to Sparebanken Sør Boligkreditt at period-end.
Lending margin (CM and RM)	Measures the group's average profit from loans, calculated as average lending rate (return) with deduction of 3 month NIBOR. Average lending rate is calculated as interest income as a percentage of average gross loans to customers.
Deposit margin (CM and RM)	Measures the group's average profit from deposits, calculated as 3 month NIBOR with deduction of average deposit rate, Average deposit rate is calculated as interest expense as a percentage of average deposits from customers.
Average lending rate	See Lending margin (CM and RM) above.
Average deposit rate	see Deposit margin (CM and RM) above.
Provisioning non-performing loans	The key figure provides information about the bank's credit risk and provides useful additional information beyond what is contained in other accounting notes. Calculated as impairment losses in stage 3 divided by total non-performing loans (stage 3).
Total non-performing loans in % of gross loans	The key figure provides information about the bank's credit risk and provides useful additional information beyond what is contained in other accounting notes. Calculated as total non-performing loans in stage 3 divided by gross loans.
Impairments in % of gross loans	The key figure provides information on the bank's credit risk and provides useful additional information regarding ratio of loss. Calculated as impairment losses on lending divided by total gross loans. Calculated both collectively and distributed among the various stages in accordance with IFRS 9.
Impairments in % of commitments	The key figure provides information on the bank's credit risk and provides useful additional information regarding ratio of loss. Calculated as impairment losses on commitments divided by total commitments. Calculated both collectively and distributed among the various stages in accordance with IFRS 9.
LTV (Loan to Value)	The key figure provides information on the loan-to-value ratio in the loan portfolio and is relevant for assessing risk of loss. Calculated as the loans to customers divided by the market value of secured assets.

Policy of Corporate governance

1 INTRODUCTION

1.1 BACKGROUND

Sparebanken Sør will through its corporate governance ensure proper management and increase assurance that stated goals and strategies will be achieved. Good corporate governance in Sparebanken Sør includes the values, goals and overarching principles by which the company is governed and are controlled to safeguard the interests of the business' various stakeholders.

The management structure is a prerequisite for creating long-term value for owners, customers and employees. It must also ensure that Sparebanken Sør is sustainable over time.

1.2 PURPOSE

The company's intention with the policy of corporate governance policy is:

- To clarify the allocation of roles between the Bank's governing bodies and day-to-day management
- Equal and secure access to reliable and timely information on the company's operations
- Equal treatment of equity certificate holders
- To optimise the company's value from a long-term perspective

1.3 TARGET GROUP

The policy has been made for the parent company Sparebanken Sør. Guidelines and principles in the document also apply to subsidiaries as far as it is appropriate and shall be implemented in relevant management documents.

1.4 DOCUMENT MANAGEMENT

The Board of directors have overall responsibility for corporate governance in Sparebanken Sør. This policy document is managed by the group staff division, appointed by group management and decided by the Board of directors. The document is reviewed annually.

2 FRAMEWORK CONDITIONS

2.1 EXTERNAL FRAMEWORK CONDITIONS

The formal requirements for this report follow 3 - 3b of the Accounting Act and Oslo Stock exchanges' requirements to comply or explain deviations from the Norwegian Recommendation for corporate governance.

2.2 INTERNAL FRAMEWORK CONDITIONS

The Bank's strategy documents specifies the overall plans for the Group, and to complement the totality of the Group's policy documents, there should be a close correlation between the overall strategy documents and the complementary and more detailed governance documents.

The corporate governance principles have been specified in various policy documents for Sparebanken Sør's operations. This includes the bank's articles of association, strategies, Board instructions, instructions for the CEO, framework for management and control, governance document for sustainability and procedures for own-account trading.

For some policy documents there are, in addition, supplementary documents adopted by the administration. To ensure that the various policy documents correspond to the Group's objectives, the policy documents have to be revised and maintained regularly. An audit is normally carried out within a period of 12 months with a decision by a relevant authority.

For operationalization of the Bank's strategic objectives, detailed annual action plans.

The document owner is responsible for ongoing maintenance, including presenting proposals for changes and ensuring that these are treated in accordance with the Bank's procedures. The document owner is responsible for implementing the governing documents in the organisation.

For a comprehensive overview of the various management documents, see the document "Organization of risk management in Sparebanken Sør".

3 ORGANIZATION

3.1 ABOUT SPAREBANKEN SØR

Sparebanken Sør is an independent financial services group whose principal activities are in banking, securities and real estate in Agder, Vestfold and Telemark as well as Rogaland.

PARENT BANK 31.12.2023					
NOK THOUSAND	Type of business	Registered office	Ownership	Share capital	Book value
Sparebanken Sør Boligkreditt AS	Mortage company	Kristiansand	100.0 %	2 075 000	2 795 695
Sørmegleren Holding AS	Real estate business	Kristiansand	90.1 %	10 739	11 499
Sørlandets Forsikringssenter AS	Ensurance	Kristiansand	100.0 %	45	6 981
Prosjektutvikling AS	Property managment	Arendal	100.0 %	100	2 400
Transitt Eiendom AS	Property managment	Kristiansand	100.0 %	100	6 474
Sum					**2 823 049**

ASSOCIATED COMPANIES

PARENT BANK 31.12.2023				
NOK THOUSAND	Type of business	Registered office	Ownership	Book value
Frende Holding AS	Ensurance	Bergen	19.9 %	466 681
Brage Finans AS	Finance	Bergen	24.9 %	836 508
Balder Betaling AS	Finance	Bergen	23.0 %	232 297
Åseral Næringshus AS	Property managment	Åseral	30.0 %	450
Søndeled Bygg AS	Property managment	Arendal	29.0 %	1 125
Sum				**1 537 061**

The headquarters and registered address of the bank are in Kristiansand. The head office of the retail banking division and some of the corporate functions are located in Arendal. The Bank's organisation number is 937 894 538.

3.2 OBJECTIVES

The Bank's objective is to generate growth and development in the region in a long-term, responsible and sustainable manner.

3.3 MAIN STRATEGIES

To generate growth and development in the region, Sparebanken Sør has a strategy for high value creation. The Bank's strategic objective will be achieved through proximity to the market, customer focus, building of relations, expertise, local decision-making power, competitive products, motivated employees and cost-effective processes. By doing this, the Bank's reputation is enhanced, customer loyalty is built up and the Bank's profitability is safeguarded.

Sparebanken Sør have their main market areas in Agder, Vestfold, Telemark and Rogaland. In addition, the Bank aims to strengthen its position in the KNIF segment, in both the retail and corporate markets. Expansion in the KNIF segment will provide growth potential and diversification of risk. Growth will be controlled and based on profitability and low risk.

The Board directs the Bank's operations, and the work of the Board follows an established annual plan and Board instructions. The Board adopts the Bank's strategy from a three to five-year perspective. The strategic plan is evaluated on a rolling basis over the strategic period. The Board establishes goals and a risk profile for the business annually.

As a traditional savings bank dating back to 1824, Sparebanken Sør is run in accordance with the statutory rules that apply at any particular time to savings bank. The bank conducts all regular banking operations, and offers bank and investment services in accordance with the regulations applicable at any given time. (See the articles of association on the Bank's website www.sor.no.)

3.4 SOCIAL RESPONSIBILITY

Social responsibility is integral to Sparebanken Sør's business. Sparebanken Sør's corporate social responsibility is expressed in the bank's business concept of contributing to growth and development in the region, and the goal of its social responsibility activities is to help achieve this in a responsible and sustainable way. Work on social responsibility helps to strengthen the Bank's competitiveness, reduce risk, and attract good customers, investors and skilled employees.

Sparebanken Sør is committed to taking considerations of the climate, the environment, social conditions and good corporate governance in all its activities, including the development of products and services, advisory and sales activities, investment and credit decisions, and in its production and operations. Sparebanken Sør shall not contribute to the infringement of human and workers' rights, corruption, serious environmental damage and other acts, which may be regarded as unethical.

By being a community building company, Sparebanken Sør contributes toward sustainable industrial and social development through creating values for the region. The bank also supports projects in culture, sport and other areas that make a positive contribution to the region. In addition to traditional sponsorship of teams and clubs, the bank carries on the strong tradition of making donations for the public good in its capacity as an independent savings bank.

3.5 MEASURES AGAINST MONEY LAUNDERING AND THE FINANCING OF TERRORISM

Sparebanken Sør must comply with the authorities' anti-money laundering regulations whose purpose is to combat money laundering and the financing of terrorism. This includes both an automatic notification system for suspicious transactions and responsibility for each individual employee to report individual cases or, if appropriate, to carry out intensified customer checks. The Bank has specific procedures for this and provides continuous training for employees, especially those, who are in direct contact with customers.

3.6 ENVIRONMENTAL MATTERS

Sparebanken Sør takes account of climate issues. Environmental protection is becoming increasingly more important, and the bank would like to do its part to contribute. Sparebanken Sør has defined work on internal environmental efficiency as a priority area in the Bank's response to climate change.

Deviations from the recommendation in chapter 3: None

4 EQUITY AND DIVIDENDS

4.1 EQUITY

Sparebanken Sør's equity is complex for several reasons. The most important of these are the size of the Group, a stable market for long-term funding and the Bank's objectives in a long-term, strategic perspective. Through annual evaluation of management and control, including the Internal Capital Adequacy Assessment Process (ICAPP), the Group has a strong focus on ensuring that its equity is tailored to its goals, strategies and risk profile. The capital situation is monitored closely throughout the year with internal calculations and reports.

4.2 DIVIDEND

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 increase in the value of their equity certificates.

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

The 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.

4.3 BOARD AUTHORISATIONS

The Bank's articles of association do not contain any provisions on the purchase of own equity certificates. Decisions on this issue must be discussed and adopted by the General Meeting, which can authorise the Board of Directors. Such decisions/authorisations to increase equity are otherwise based on the Financial Institutions Act and the principles set out in the Public Limited Companies Act.

Deviations from the recommendation in chapter 4: None

5 EQUAL TREATMENT OF SHARE-HOLDERS AND TRANSACTIONS WITH RELATED PARTIES

The bank will place strong emphasis on transparency in relation to those, who provide the bank with equity and funding, and those who have relations with the bank in other ways.

Sparebanken Sør has one equity certificate class, and all equity certificate holders are treated equally. The Bank follows the provisions of the Financial Institutions Act on restrictions in ownership and voting rights insofar as the provisions apply to savings bank with listed equity certificates. Existing equity certificates have preference in the event of increases in capital, unless special circumstances dictate that this rule be waived. The waiver in such a case will be reasoned, and the reasons will be published in a stock exchange report.

In cases where the Bank has transactions in its own equity certificates, these are done on the stock exchange.

The Bank is obliged by the Stock Exchange's rules on reporting financial and other information to the market.

Deviations from the recommendation: None

6 EQUITY CERTIFICATES AND NEGOTIABILITY

Sparebanken Sør's equity certificates are listed on Oslo Stock Exchange and are freely negotiable.

The only restriction is statutory requirements which at present stipulate that acquisition of a qualified share of the equity capital, at 10 percent or more, requires consent from the Ministry of Finance.

Listing on the stock exchange ensures that the Bank abides by the terms and conditions which apply at any time in the equity market.

Deviations from the recommendation: None

7 GENERAL MEETINGS

A savings bank is, in essence, a self-owned institution, and the management structure and composition of its governing bodies differs from those of limited liability companies with respect to the governing bodies a savings bank shall have. The Bank's governing structure and the composition of its governing bodies are deemed to comply with the wording of the recommendation "to the extent appropriate to savings banks with listed equity certificates".

The Bank's highest authority is the General Meeting, which must ensure that the Bank acts in line with its purpose and in accordance with laws, articles of association and the General Meetings' own resolutions.

The General Meeting consists of 28 members, of whom 12 represent customers, 3 represent the general public, 6 represent equity certificate holders and 7 represent the Bank's employees. Mechanisms have been adopted that ensure geographical spread in the representation of the Bank's market areas.

The notice of the General Meetings gatherings will be sent with at least 21 days' notice. General Meetings does not make decisions in other cases than those specified in the notice of the meeting.

The Board of Directors and auditor attend meetings of the General Meeting.

Deviations from the recommendation: None

8 NOMINATING COMMITTEES

Under the Bank's articles of association, 3 nominating committees are elected:

- The General Meeting Election Committee shall prepare the elections for the General Meetings. A committee with 8 members is elected from among the members of the General Meeting and shall have representatives from all groups represented in the General Meetings
- The Depositor Nomination Committee shall prepare the election of depositors to the General Meetings. One nominating committee with 4 members is elected from among the depositor-elected members of the General Meeting
- Nomination Committee for the equity certificate holders shall prepare the election of representatives of the equity owners to the General Meeting. One nominating committee with 4 members is elected from among the equity certificate holders'-elected members of the General Meeting

8.1 THE WORK OF THE NOMINATION COMMITEES

The General Meeting' nominating committee prepares election of the Chairman and Deputy Chairman of the General Meeting, the Chairman and Deputy Chairman of the Board of Directors, and other members and deputy members of the Board of Directors, excluding the employees' representatives. Likewise for elections of the Chairman, members and deputy members of the Nominating Committee.

The recommendations of the General Meeting, the depositor-elected, equity certificate-elected and employees' nominating committees shall be justified.

Deviations from the recommendation: None

9 THE BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

The composition of the Board of Directors is stated in Article 4-1 of the articles of association.

The Board of Directors shall consist of 7 to 8 members and 3 deputy members, of which at least 4 are from Agder and at least 1 member from Vestfold and Telemark. Among these, 2 members and 2 personal deputy members are elected from the employees. The other members of the Board of Directors elect a permanent attending deputy member with a right to speak.

Members of the Board of Directors are elected for two years.

The composition of the Board is based on expertise, capacity and diversity, and in compliance with the Bank's articles of association with regard to geographical distribution.

9.1 THE BOARD OF DIRECTORS INDEPENDENCE

None of the bank's day-to-day management is a member of the Board of Directors.

9.2 THE BOARD MEMBERS' INDEPENDENCE

All members of the Board of Directors are independent of executive personnel. The members of the Board of Directors are also independent of significant business connections.

Deviations from the recommendation in chapter 9: None

10 THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors is responsible for the funds at the Bank's disposal being managed in a secure and appropriate manner. The Board of Directors must ensure the satisfactory organisation of the Bank's operations, keep itself informed of the Bank's financial position and ensure that its operations, accounting and asset management are subject to satisfactory control.

The Board of Directors shall supervise day-to-day management and the Bank's operations in general.

The Board of Directors shall ensure that the Bank has good management and control systems in order to meet the statutory provisions applicable to the business.

The Board of Directors conducts an annual self-assessment.

10.1 THE AUDIT COMMITTEE

The Audit Committee have separate instructions adopted by the Board of Directors. The committee is a preparatory and advisory committee for the Board of Directors, whose purpose is to strengthen work on financial reporting and internal control. At least one of the committee members must be independent of the business and have qualifications (formal or experience-based competence) in accounting and auditing.

The Audit Committee prepares the Board of Directors' follow-up of the financial reporting process, monitors internal control and risk management systems, has ongoing contact with the Bank's chosen auditor, and assesses and monitors the auditor's independence.

The Board of Directors elects 3 members to the committee from among its members.

In accordance with the NUES (Norwegian Code of Practice for Corporate Governance) recommendation, the majority of the members in the Audit Committee, are independent of the business.

10.2 THE RISK COMMITTEE

The Risk Committee has separate instructions adopted by the Board of Directors. The Risk Committee is a preparatory and advisory committee to the Board of Directors and shall ensure that risk and capital management in the Group, supports the Group's strategic development and achievement of objectives while ensuring financial stability and prudent asset management.

The Risk Committee shall monitor the overall risk, and assess whether the group's management and control systems have been adjusted to the risk level and the scope of the business.

The Board of Directors elects 3 to 4 members to the committee from among its members.

The majority of the committee is, in accordance with NUES' recommendation, independent of the business.

10.3 THE REMUNERATION COMMITTEE

The Remuneration Committee has separate instructions adopted by the Board of Directors. The Remuneration Committee will help to ensure that there is consistency between the bank's remuneration arrangements, the overall objectives, risk tolerance and long-term interests.

The committee prepares all matters relating to remuneration schemes for the Board of Directors. The committee must support the work of the Board of Directors to determine and ensure that the Bank at all times has and practices guidelines and frameworks for remuneration arrangements.

The Bank has established a Remuneration Committee consisting of 3 members of the Board of Directors, of whom 1 member is an employee representative.

The majority of the committee is, in accordance with NUES' recommendation, independent of the business.

10.4 TECHNOLOGY COMMITTEE

Technology Committee has its own instructions adopted by the Board of Directors. The committee shall have a special responsibility for being informed about financial technology and preparing all matters concerning strategic choices within the technology area for the Board.

The Bank has established a Technology Committee consisting of 3 members of the Board of Directors.

Deviations from the recommendation in chapter 10: None

11 RISK MANAGEMENT AND INTERNAL CONTROL

The Bank has established a separate risk management and control division. There is a clear division of responsibility between the various governing bodies in the Bank in accordance with laws and regulations, as well as internally adopted management, control and reporting procedures. Key bodies are the General Meeting, the Board of Directors, external auditing, internal auditing and Group management.

11.1 INTERNAL AUDIT

The Bank's internal auditor reports to the Board of Directors and submits an annual report to the Board of Directors on completed audit projects. On behalf of the Board of Directors, the internal auditor must ensure that adequate and efficient internal control and risk management procedures have been established and implemented. Separate instruction has been prepared for the internal auditor. Each year, the Board of Directors approves the annual internal auditing plan and resource requirements. The internal auditor may participate as an observer at the Board of Directors meetings.

11.2 INTERNAL CONTROL

The Bank has established guidelines and procedures for the implementation of internal controls based on the COSO model. This model has an international standard for comprehensive risk management, and is widely used within the financial sector. Responsibility for the framework and facilitation of the Group's internal control processes is allocated to the Risk Management Division, organised independently of the business units.

11.3 COMPLIANCE

The Bank focuses on having good processes to ensure compliance with applicable laws and regulations, and has established a separate compliance function, organised independently of the business units.

11.4 RISK MANAGEMENT AND CAPITAL ADEQUACY

Good risk and capital management is a significant part of Sparebanken Sør's long-term value creation. The bank's overall objectives are given by the strategic business concept. The targeted return is decisive for the bank's activities and specification of targets. Focus is to ensure the bank's short and long-term competitive power. Sparebanken Sør's market and business objectives are balanced against the bank's risk capacity and willingness. Risk and capital assessments are an integral part of the bank's strategic and business processes.

The Board of Directors has adopted guidelines for the Bank's capital assessment. A process related to the Bank's risk and capital adequacy assessment (ICAAP) is carried out annually. The Board of Directors ensures that the bank has sufficient capital relatively to the desired risk and the bank's operations and ensures that the bank is adequately capitalised in respect of regulatory requirements. The ICAAP - process is based on requirements set out by the authorities in addition to the banks own assessments.

11.5 CONSIDERATION OF EXTERNAL FACTORS IN VALUE CREATION

As a basis for its operations, the Bank must set strict requirements for honesty and good business ethics. The Bank therefore expects employees and elected representatives to have a high level of integrity, and attitudes in accordance with the Bank's code of conduct. These provide guidance on customer care, donations, confidentiality, participation in other commercial activities and transactions with related parties. The code's guidelines also require employees to report any breaches of internal guidelines, laws and regulations. The procedure for how such information/notification shall be provided is further described in the Bank's notifications procedures.

Deviations from the recommendation chapter 11: None

12 REMUNERATION OF THE BOARD OF DIRECTORS

Directors' fees are determined by the General Meeting following a recommendation from the Nominating Committee. The size of the fees reflects the Board of Directors' responsibilities, expertise, time and the complexity of the business. The members of the board's sub-committee receive special compensation.

Deviations from the recommendation: None

13 SALARY AND REMUNERATION OF EXECUTIVE PERSONS

The General Meeting adopts its guidelines for remuneration to executives employees. These guidelines are published on the bank's website and attached to the annual statement. Remuneration to the CEO and internal auditor is determined by the board, following a proposal from the Remuneration Committee. Remuneration to members of the group management is determined by the CEO in consultation with the Remuneration Committee. None of the directors has performance-based remuneration, other than participating in the bank's ordinary bonus program, which includes all employees in the bank.

The Board annually submits a report on salary and other remuneration to executive employees for General Meeting.

Deviations from the recommendation: None

14 INFORMATION AND COMMUNICATION

The Bank is committed to maintaining an open and active dialogue with all stakeholders. It is the Bank`s intention that customers, equity certificate holders, lenders (financial market participants) and public authorities should have simultaneous access to accurate, clear, relevant and comprehensive information on the Bank's strategies and financial objectives, development and financial situation.

Market information is communicated through quarterly stock exchange and press releases, a dedicated Investor Relations section on the Bank's website and financial reports.

Deviations from the recommendation: None

15 COMPANY ACQUISITION

Sparebanken Sør is a self-owned institution that cannot be taken over by others through acquisition. The ownership structure is regulated by law, and no party may own more than 10 percent of the Bank's equity. Acquisition exceeding this limit must be approved by the Financial Supervisory Authority of Norway.

The savings bank foundation, Sparebankstiftelsen Sparebanken Sør, owns a large share of the equity certificates in the bank. Statutory limits on ownership are assumed to be within the wording of the recommendation "to the extent appropriate to savings banks with listed equity certificates".

Deviations from the recommendation: None

16 EXTERNAL AUDITOR

An external auditor is selected by the General Meeting and submits an annual auditor's report concerning the annual financial statements. The external auditor attends the meeting of the Board of Directors at which the annual financial statements are discussed. The external auditor also attends meetings of the Audit Committee and has an annual meeting with the Board of Directors without members of administration being present. The external auditor's fees are considered by the General Meeting when the annual financial statements are discussed. The relationship with the external auditor is also governed by a separate letter of engagement which, among other things, includes the parties responsibilities.

The Audit Committee monitors the auditor's independence, including what other services that are provided by the auditor.

Deviations from the recommendation: None

Report on remuneration to leading persons

It is the Board's responsibility to establish guidelines and frameworks for the remuneration scheme at Sparebanken Sør, and to ensure compliance with this. The guidelines set out in a separate management document, "Policy Remuneration Schemes"(published on the bank`s webside www.sor.no), shall contribute to promoting good management of and control over risks. This document should counter excessive risk-taking and help avoid conflicts of interest. The remuneration scheme should provide incentives and help promote good management of and control over the Bank's risk in the short- and long term.

There are separate rules for leading persons, which were presented by the Board to the Bank's General Meeting for them to decide in March 2022.

In this context, leading persons consist of the CEO and the members of the Group's management. The guidelines also include salary and other remuneration for staff who are members of the Board.

Events from 2023 affecting the determination of remuneration

There are no registered events in the Bank's performance or risk picture that have led to the need for changes in the practice of established reimbursement schemes. No new reimbursement schemes have been adopted during the year.

Wage settlement

The Bank has a long tradition of tailoring its wage policy to the Norwegian "frontline model" as far as possible. This was also applied in the local wage settlement of 2023, where estimated annual wage growth was 5.3 percent, which was a slightly above the "frontline" target of 5.2 percent.

Guidelines for remuneration schemes for leading persons

Guidelines for remuneration schemes for leading persons decided by the General Meeting in march 2022, summarised existing agreed-upon schemes and represented no real changes to the schemes as they have been applied.

There have been no changes to the remuneration scheme in 2023, nor have there been any exceptions to established guidelines for leading persons in 2023.

Changes in the composition of leading persons

Director Corporate division Lasse Kvinlaug retired on 1 April 2023. From the same date, Gunnar P. Thomassen was appointed as EVP Corporate division. Bente Svensen was appointed Acting EVP retail market in the period from 1 April to 30 August. She was appointed as EVP process improvement and member of the group management in the period 1 September 2023 - 31 December 2023.

Pål Ekberg was appointed as EVP retail market on 1 September 2023. Marianne Lofthus left the group management on 31 December 2023. Otherwise no changes within the group leading people.

Remuneration of leading persons

The fixed salary is the main element in the remuneration of leading persons and should reflect the job requirements with regard to qualifications, responsibilities, complexity and the extent to which the person in question contributes to achieving the Bank's overall business goals, long-term interests and sustainability goals.

Leading persons are covered by the Bank's general bonus scheme for all employees, which can trigger a bonus payment of up to 1.5 months' salary. The bonus is distributed to all employees at the same percentage of annual salary and is paid out as a cash benefit. The bonus scheme does not provide an incentive to take risks on behalf of the Bank.

The Bank has no form of variable remuneration that is paid over several years.

The Bank has no fixed or variable remuneration paid in the form of equity certificates.

Table 1: Remuneration to leading persons

Table 2: Remuneration and similar benefits to the Board

Table 3: Remuneration and similar benefits to the General Meeting

Application of the compensation schemes with respect to performance criteria

The total remuneration to leading persons has been paid in accordance with approved remuneration schemes.
The Board's view is that the guidelines' overall goals of maintaining the Group's business strategy, risk tolerance, long-term interests and sustainability goals have been met.

Fixed salaries

Fixed salaries, which is the main element of the remuneration for leading persons, were assessed and determined in connection with the annual salary review for employees of Sparebanken Sør.

A fixed salary must be tailored to the market, based on the individual's results (quantitative and qualitative), efforts, competence, and responsibility. This means that:

•A salary is a reward for results, work effort, adaptability, responsibility, and value creation that the individual contributes to the community.

•Salaries will differ according to the extent to which the above criteria are present and are met.

There are no specific individual financial and non-financial performance criteria for leading persons used in the remuneration review.

•In accordance with the regulations, the Board of Directors determined the remuneration of the CEO.

•The CEO similarly determined the salary changes for other members of the Group management after securing changes with the Remuneration Committee.

•The General Meeting set the fees for the employees' Board members.

Fees

The Board members elected by employees have received fees for their Board positions at an amount determined by the General Meeting. Deputy CEO, EVP Retail market, and EVP Market and communication have received fees for their Board positions in Sørmegleren. Beyond this, no leading persons have received fees from either the Bank or its subsidiaries.

Fringe benefits

Fringe benefits are paid in accordance with regulations. There have been no changes in scope or content.

Variable pay

At a board meeting on 8 February 2024, the Board decided to pay all employees, including leading persons, a bonus for 2023 of 150 percent of their monthly salary. The bonus was paid out as a cash amount in connection with ordinary payroll processing in February 2024. The bank has no variable remuneration that is paid over several years.

Extraordinary remuneration

No extraordinary remuneration has been paid to leading persons in 2023.

Pensions

Pension payments in 2023 to collective and individual pension schemes have been made in accordance with agreements entered.

Comparative information on changes in remuneration and company results

Table 4: Comparative information on changes in remuneration and company results

Tabel 1: Remuneration and similar to leading persons

			Fixed remuneration		Variable remuneration						
Leading persons	Role	Year	Fixed salary	Fringe benefits	One-year variable	Several years variable	Pension	Total Remuneration	Number of equity certificates	Loans and collateral	Share of fixed remuneration*
Geir Bergskaug 1)	CEO	2023	4056	275	289		742	5362	88803	3000	94.6 %
		2022	3076	185	70		2 084	5415	76203	2995	98.7 %
Lasse Kvinlaug 2)	Deputy CEO	2023	794	50	185		429	1458	4052	0	87.3 %
		2022	1976	203	46		368	2593	4 052	0	98.2 %
Gunnar Thomassen 3) 8)	EVP. Corporate market	2023	1954	328	174		364	2820	5318	6352	93.8 %
		2022	1853	275	42		312	2482	3 718	5911	98.3 %
Pål Ekberg 5)	EVP. Retail market	2023	2000	417	0		78	2495	2 880	2073	100.0 %
Rolf Søraker	EVP. Head office	2023	1594	246	143		317	2300	4528	1472	93.8 %
		2022	1525	195	35		276	2031	2 608	1631	98.3 %
Marianne Lofthus 4)	EVP. Capital market	2023	1566	256	142		358	2322	1948	6930	93.9 %
		2022	1501	252	34		307	2094	1 228	6304	98.4 %
Bjørn A. Friestad	CRO	2023	1650	246	148		351	2395	6683	659	93.8 %
		2022	1579	183	36		306	2104	5 083	744	98.3 %
Gry Moen	EVP. Business development	2023	1574	203	142		347	2266	732	5504	93.7 %
		2022	1503	194	34		293	2024	732	5319	98.3 %
Steinar Breen	EVP. Strategy	2023	1583	272	142		167	2164	3178	2319	93.4 %
		2022	1514	211	36		162	1923	1 578	1413	98.1 %
Eva Kvelland 8)	EVP. Market and communication	2023	1449	249	131		154	1983	1772	4983	93.4 %
		2022	1263	148	13		140	1564	772	1788	99.2 %
Steinar Vigsnes 9)	CFO	2023	1469	261	131		152	2013	9598	4874	93.5 %
		2022	1339	124	133		139	1735	6 718	4992	92.3 %
Bente Svensen 6)	EVP. Process improvement	2023	1346	36	89		195	1666	912	2721	94.7 %
Gunhild Tveiten Golid 7)	Employee representative boardmember	2023	175	0	0		0	175	3864	0	100.0 %
		2022	175	0	0		0	175	1 464	0	100.0 %
Jan Erling Tobiassen 7)	Employee representative boardmember	2023	175	0	0		0	175	3340	57	100.0 %
		2022	175	0	0		-	175	1 740	0	100.0 %

1) The CEO`s pension agreement was renegotiated in 2023. The overall compensation reflects a decrease from 2022 to 2023

2) Deputy CEO/Director corporate market until 31.03.2023

3) EVP retail market until 31.03.2023. EVP corporate market from 01.04.2023.

4) EVP capital market until 31.12.2023

5) EVP from 01.09.2023

6) Acting EVP retail market 01.04.2023 - 31.08.2023. EVP process improvement from 01.09.23

7) Fees paid to the Board of Directors

8) Board of directors`fees for board position at Sørmegleren are not included in the table. This applies to Eva Kvelland and Gunnar Thomassen, who each received NOK 60 000 in 2023

9) CFO from 01.06.2022.

Tabel 2: Remuneration and similar to the Board of Directors

						2023
Board of Directors NOK THOUSAND	Role	Number of equity certificates	Remuneration 1)	Fringe benefits	Total remuneration	Loans and collateral
Knut R Sæthre	Chairman	1600	464	0	464	0
Mette Harv	Deputy chairman	400	274	0	274	0
Merete Østby	Member	0	228	0	228	0
Erik Tønnesen 2)	Member	800	250	0	250	5 695
Trond Randøy	Member	640	243	0	243	0
Eli Giske	Member	640	256	0	256	0
Tor Kim Steinsland	Permanently attending deputy member	400	150	0	150	3 414
Jan Erling Tobiassen	Employee representative	3340	175	0	175	57
Gunnhild Tveiten Golid	Employee representative	3864	175	0	175	0
Total		**11 684**	**2 215**	**0**	**2 215**	**9 166**

1) Fees paid to the General Meeting. risk comittee. audot comittee. technology committee and remuneration committee.
2) Lord 1 AS - close relatives to Erik Tønnesen - ownes 3201 numbers of equity

						2022
Board of Directors NOK THOUSAND	Role	Number of equity certificates	Remuneration 1)	Fringe benefits	Total remuneration	Loans and collateral
Stein A. Hannevik 2)	Chairman	38 467	138	3	140	
Inger Johansen 3)	Deputy chairman	0	72	0	72	
Knut R Sæthre 4)	Chairman	0	413	0	413	
Mette Harv 5)	Deputy chairman	0	294	0	294	
Merete Østby	Member	0	208	0	208	
Erik Tønnesen	Member	0	250	0	250	8 336
Trond Randøy 6)	Member	0	197	0	197	
Eli Giske 7)	Member	0	181	0	181	
Tor Kim Steinsland 7)	Deputy member	0	113	0	113	3 279
Jan Erling Tobiassen	Employee representative	0	175	0	175	
Gunnhild Tveiten Golid	Employee representative	0	175	0	175	
Total		**38 467**	**2 216**	**3**	**2 218**	**11 615**

1) Fees paid to the General Meeting and the committees
2) Chairman until 31.03.2022
3) Deputy chairman until 31.03.2022
4) Chairman from 01.04.2022
5) Deputy chairman from 01.04.2022
6) Permanent member from 01.04.2022
7) Deputy member from 01.04.2022

Tabel 3: Remuneration and similar benefits to the General Meeting

				2023
General Meeting NOK THOUSAND	Role	Number of equity certificates	1) Remuneration	Loans
Anne Omholt Hovstad	Chairman.	0	90	0
Eldbjørg Dahl 2)	Deputy Chairman	0	12	0
Terje Spilling 5)	Deposit elected	0	4	1075
Anders Gaudestad	Deposit elected	0	12	11816
Hege Nodeland	Deposit elected	0	8	6703
Astri Lunde Wilmann 5)	Deposit elected	84	4	0
Berit Therese Knudsen	Deposit elected	0	8	0
Birgitte Midgaard	Deposit elected	0	86	390
Terje Røsnes	Deposit elected	600	8	0
Gjermund Nesland	Deposit elected	0	36	0
Tore Askildsen 8)	Public elected	84	8	760
Dag Eide 8)	Public elected	84	36	0
Bjørn Rudborg 9)	Public elected	0	4	0
Nina Berit Gumpen Hansen 3)	EC owner	0	55	0
Ole Moe Dy 7)	EC owner	99	16	0
Rune Røisland	EC owner	370	47	0
Kari Anne Nordbø 5) 2)	EC owner	175	4	0
Harald Rune Øyhovden 4)	EC owner	0	8	0
Tomas Holmen Nyberg 6)	EC owner	0	4	3973
Vibekke Hellesund 2)	EC owner	0	4	0
Hildegunn Smidsrød	Elected by employees	1586	8	584
Tommy Holter Moi	Elected by employees	5000	8	8104
Britt Ytterbø	Elected by employees	1214	8	1538
Hans Arthur Frigstad	Elected by employees	280	36	3009
Vidar Ås	Elected by employees	2660	8	0
Veronica Hamstad	Elected by employees	3326	24	6151
Jan-Inge Wågestad	Elected by employees	3340	8	2846
Total		**18 902**	**554**	**46 949**

1) Fees paid to the General Meeting and the Nomination Committee.

2) Represents Sparebankstiftelsen Sparebanken Sør. which owns 10 925 765 equity certificates

3) Represents Gumpen Bileiendom AS which owns 178 209 equity certificates

4) Represents Hamjern Invest AS which owns 99 equity certificates

5) Member of the General Meeting until 31.03.2022

6) Represents Acan AS/Acto AS which owns 20 000/60 000 certificates

7) Represents Ole Moe Holding which owns 19.627 certificates

8) Represents Agder fylkeskommune

9) Represents Vestfold and Telemark fylkeskommune

10) In 2023. the General Meeting changed its name to the General Meeting

				2022
Board of Trustees NOK THOUSAND	Role	Number of equity certificates	1) Remuneration	Loans
Anne Omholt Hovstad	Chairman. Deposit elected from 01.04.2022	0	58	0
Eldbjørg Dahl	Deputy Chairman. Deposit elected from 01.04.2022	0	16	0
Jorunn Aarrestad 5)	Chairman. Deposit elected until 31.03.2022	0	32	3 183
Nina Berit Gumpen Hansen 3)	Deputy chairman. Deposit elected until 31.03.2022	174 209	47	0
Terje Spilling	Deposit elected	0	8	1 447
Anders Gaudestad	Deposit elected	0	8	11 515
Hege Nodeland	Deposit elected		4	6 763
Astri Lunde Wilmann	Deposit elected		4	0
Berit Therese Knudsen	Deposit elected	0	16	0
Birgitte Midgaard	Deposit elected	0	81	291
Kristi Marie Tveit	Deposit elected	0	8	465
Oddmund Ljosland	Deposit elected	0	8	5 750
Mette Vestberg Sørensen 5)	Deposit elected	0	27	0
Terje Røsnes	Deposit elected	600	4	0
Merete Fogh Lund	Deposit elected	0	8	2 166
Gjermund Nesland	Deposit elected		12	0
Tore Askildsen	Public elected	0	8	1 641
Dag Eide	Public elected	0	19	0
Bjørn Rudborg	Public elected	0	8	0
Alf Albert 5)	EC owner	73 044	31	1 800
Ole Moe Dy	EC owner	24 577	20	0
Rune Røisland	Permanent attendee EC owner	370	16	0
Kari Anne Nordbø 2)	EC owner	175	8	0
Harald Rune Øyhovden 4)	EC owner	189 099	16	0
Karen Andersen 5)	Elected by employees	894	19	1 597
Hildegunn Smidsrød	Elected by employees	1 346	4	693
Tommy Holter Moi	Elected by employees	1 666	8	5 978
Nina Merete Olsen 5)	Elected by employees	1 648	19	4 375
Britt Ytterbø	Elected by employees	894	8	1 573
Hege Kirkhus 5)	Elected by employees	1 346	4	6 637
Hans Arthur Frigstad	Elected by employees	280	12	2 714
Vidar Ås	Elected by employees	1 700	4	2 280
Veronica Hamstad	Elected by employees	1 648	8	5 561
Jan-Inge Wågestad	Elected by employees	1 740	4	2 906
Total		**466 236**	**556**	**69 338**

1) Fees paid to the General Meeting and the Nomination Committee.

2) Represents Sparebankstiftelsen Sparebanken Sør. which owns 34 027 762 equity certificates

3) Represents Gumpen Bileiendom AS which owns 174 209 equity certificates

4) Represents Hamjern Invest AS which owns 180 099 equity certificates

5) Member of the General Meeting until 31.03.2022

Tabel 4: Comparative information about changes in remuneration and the company's results

Geir Bergskaug 2)	CEO	Change	2018 -2019	2019 - 2020	2020 - 2021	2021 -2022	2022-2023	2023
Total remuneration		in percent	4.1	-2.3	13.2	-8.1	-1.0	
Total remuneration		In NOK Thousand	210	-125	685	-478	-53	5362
Fixed Salary		in percent	2.9	1.6	1.6	3.1	31.9	
Fixed Salary		In NOK Thousand	82	47	46	92	980	4056
Lasse Kvinlaug 1)	Deputy CEO/Director Corporate market	Change	2018 -2019	2019 - 2020	2020 - 2021	2021 -2022	2022-2023	2023
Total remuneration		in percent	-8.6	7.3	2.2	-1.1	-43.8	
Total remuneration		In NOK Thousand	-225	175	57	-30	-1134	1458
Fixed Salary		in percent	2.9	1.3	1.9	2.9	-59.8	
Fixed Salary		In NOK Thousand	52	24	36	55	-1182	794
Gunnar P. Thomassen	EVP Corporate market	Change	2018 -2019	2019 - 2020	2020 - 2021	2021 -2022	2022-2023	2023
Total remuneration		in percent	6.5	2.7	8.3	-6.9	13.6	
Total remuneration		In NOK Thousand	146	64	205	-185	337	2820
Fixed Salary		in percent	3.1	1.3	1.9	2.8	5.5	
Fixed Salary		In NOK Thousand	53	22	34	53	101	1954
Pål Ekberg	EVP Retail market	Change	2018 -2019	2019 - 2020	2020 - 2021	2021 -2022	2022-2023	2023
Total remuneration		in percent	NA	NA	NA	NA	NA	
Total remuneration		In NOK Thousand	NA	NA	NA	NA	2495	2495
Fixed Salary		in percent	NA	NA	NA	NA	NA	
Fixed Salary		In NOK Thousand	NA	NA	NA	NA	2000	2000
Rolf H Søraker	EVP Group head office	Change	2018 -2019	2019 - 2020	2020 - 2021	2021 -2022	2022-2023	2023
Total remuneration		in percent	6.3	2.6	5.0	-3.5	13.2	
Total remuneration		In NOK Thousand	116	50	100	-74	269	2300
Fixed Salary		in percent	2.9	1.8	1.4	3.0	4.5	
Fixed Salary		In NOK Thousand	40	26	21	44	69	1594
Marianne Lofthus	EVP Capital market	Change	2018 -2019	2019 - 2020	2020 - 2021	2021 -2022	2022-2023	2023
Total remuneration		in percent	4.4	5.4	7.3	-4.0	10.9	
Total remuneration		In NOK Thousand	82	104	148	-88	228	2322
Fixed Salary		in percent	3.8	1.5	3.7	5.2	4.3	
Fixed Salary		In NOK Thousand	50	21	51	74	65	1566
Bjørn A. Frietad	CRO	Change	2018 -2019	2019 - 2020	2020 - 2021	2021 -2022	2022-2023	2023
Total remuneration		in percent	1.6	5.6	0.5	-2.3	13.9	
Total remuneration		In NOK Thousand	32	113	11	-49	292	2395
Fixed Salary		in percent	2.9	1.5	1.8	3.0	4.5	
Fixed Salary		In NOK Thousand	42	22	27	46	71	1650
Gry Moen	EVP Business Development	Change	2018 -2019	2019 - 2020	2020 - 2021	2021 -2022	2022-2023	2023
Total remuneration		in percent	5.3	3.6	6.1	-3.8	12.0	
Total remuneration		In NOK Thousand	96	69	121	-79	243	2266
Fixed Salary		in percent	3.1	1.9	3.7	5.3	4.7	
Fixed Salary		In NOK Thousand	41	26	51	76	71	1574
Steinar Breen	EVP Strategy	Change	2018 -2019	2019 - 2020	2020 - 2021	2021 -2022	2022-2023	2023
Total remuneration		in percent	NA	NA	-2.2	6.8	12.5	
Total remuneration		In NOK Thousand	NA	1840	-40	123	241	2164
Fixed Salary		in percent	NA	NA	-4.4	6.2	4.6	
Fixed Salary		In NOK Thousand	NA	1490	-65	89	69	1583
Eva Kvelland	EVP Marketing and communication	Change	2018 -2019	2019 - 2020	2020 - 2021	2021 -2022	2022-2023	2023
Total remuneration		in percent	NA	NA	NA	1.8	26.8	
Total remuneration		In NOK Thousand	NA	NA	1536	28	419	1983
Fixed Salary		in percent	NA	NA	NA	0.2	14.7	
Fixed Salary		In NOK Thousand	NA	NA	1261	2	186	1449
Steinar Vigsnes	CFO	Change	2018 -2019	2019 - 2020	2020 - 2021	2021 -2022	2022-2023	2023
Total remuneration		in percent	NA	NA	NA	NA	16.0	
Total remuneration		In NOK Thousand	NA	NA	NA	1735	278	2013
Fixed Salary		in percent	NA	NA	NA	NA	9.7	
Fixed Salary		In NOK Thousand	NA	NA	NA	1339	130	1469
Bente Svensen	EVP Process improvement	Change	2018 -2019	2019 - 2020	2020 - 2021	2021 -2022	2022-2023	2023
Total remuneration		in percent	NA	NA	NA	NA	NA	
Total remuneration		In NOK Thousand	NA	NA	NA	NA	1666	1666
Fixed Salary		in percent	NA	NA	NA	NA	NA	
Fixed Salary		In NOK Thousand	NA	NA	NA	NA	1346	1346

Tabel 4, continued

Jan Erling Tobiassen 3)	Employee representative boardmember	Change	2018 -2019	2019 - 2020	2020 - 2021	2021 -2022	2022-2023	2023
Total remuneration		in percent	3.1	32.8	7.3	-8.4	0.0	
Total remuneration		In NOK Thousand	4	44	13	-16	0	175
Fixed Salary		in percent	4.3	15.0	1.4	25.0	0.0	
Fixed Salary		In NOK Thousand	5	18	2	35	0	175
Gunhild Tveiten Golid 3)	**Employee representative boardmember**	**Change**	**2018 -2019**	**2019 - 2020**	**2020 - 2021**	**2021 -2022**	**2022-2023**	**2023**
Total remuneration		in percent	7.6	14.9	51.2	-28.6	0.0	
Total remuneration		In NOK Thousand	10	21	83	-70	0	175
Fixed Salary		in percent	4.3	16.7	0.0	25.0	0.0	
Fixed Salary		In NOK Thousand	5	20	0	35	0	175

Change in the bank's operating profit, return on equity and salary	Change	2018 -2019	2019 - 2020	2020 - 2021	2021 - 2022	2022-2023	2023
Change in the bank's operating profit	in NOK Million	186	-31	129	60	490	1 773
Change in the bank's operating profit	in percent	19.8	-2.8	11.8	4.9	38.2	
Change in return on equity	in percent	11.8	-11.6	7.1	-3.3	29.9	11.3
Change in average fixed salary employees excluding senior staff	in NOK Million	25	13	31	22	25	719 947
Change in average fixed salary employees excluding senior staff	In percent	4.1	2.0	4.9	3.3	3.6	

1) Deputy CEO until 31.03.2023.

2) The CEO`s pension agreement was renegotiated in 2023. The overall compensation reflects a decrese from 2022 to 2023.

3) For the employee-elected board members, only board reuneration is provided.

Declaration from the Board of Directors and CEO

Declaration in accordance with section 5-5 of the Securities Trading Act

The Board of Directors and Sparebanken Sør's CEO hereby confirm that the Bank and the Group's 2023 financial statements have been prepared in accordance with currently valid accounting standards and that the information provided in the financial statements presents a true and fair view of the Bank's assets, liabilities, financial position and overall results.

In addition, we confirm that the Board of Directors report give a true and fair view of the development, results and financial position of the Bank and the Group, together with a description of the most central risk factors and uncertainties facing the Bank and the Group.

Kristiansand, 31 December 2023 / 27 February 2024

Knut Ruhaven Sæthre
Chair

Mette Ramfjord Harv
Deputy chair

Merete Steinvåg Østby

Erik Edvard Tønnesen

Trond Randøy

Eli Giske

Jan Erling Tobiassen

Gunnhild Tveiten Golid

Geir Bergskaug
CEO

Auditor's report 2023

To the General Meeting of Sparebanken Sør

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sparebanken Sør, which comprise:

- the financial statements of the parent company Sparebanken Sør (the Company), which comprise the balance sheet as at 31 December 2023, the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information, and
- the consolidated financial statements of Sparebanken Sør and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2023, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 10 years from the election by the Board of Trustees on 27 March 2014 for the accounting year 2014 with a renewed election on the 31 March 2022.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Auditor’s report 2023

The business activities of the Company and the Group are largely unchanged compared to the previous year. We have not identified regulatory changes, transactions or other events that classify as new Key Audit Matters. Valuation of loans to customers has the same characteristics and risks as in the previous year and has been an important focus area also in 2023.

Key Audit Matters	How our audit addressed the Key Audit Matter
Valuation of loans to customers	
We focused on valuation of loans to customers because loans represent a significant portion of totals assets and because valuation of loans involves significant judgement and large quantities of data which makes calculation of impairment of loans to customers complex. Impairment of loans to customers is performed in accordance with IFRS 9. For loans to customers where objective indicators of impairment exist, impairment is determined individually for each loan. For other loans to customers, impairment is calculated collectively based on a model. Both methods involve judgement that may impact financial results for the period and compliance with solvency regulations due to the risk classification of loans. For loans to customers where objective indicators of impairment exist, we focused specifically on management’s process for identification of loans to customers where objective indicators of impairment exist, management’s follow-up of such loans and the assumptions used by management to calculate the impairment loss. For other loans to customers where impairment loss is calculated collectively based on a model we focused specifically on: • Risk classification of loans to customers. • Calculation of probability of default. • Identification of significant change in credit risk. • How loans are allocated to different stages.	As part of our audit of impairment provisions, we assessed design and tested operating effectiveness of selected controls implemented by management related to identification and follow-up of loans to customers where indicators of impairment exist. We determined that we could rely on these controls for the purpose of our audit. Further, we performed detailed testing both where impairment was recognised based on a model and where impairment was recognised individually based on objective indicators of impairment. For loans where objective impairment indicators existed and the impairment amount was estimated individually, we tested a sample of such loans. We assessed the recoverable amount and cash flows prepared by management to support the valuation. We challenged management’s assessments by interviewing client account managers and management. We compared the recoverable amount to external evidence where available. Our testing showed that the assumptions used by management when calculating individual impairment losses were reasonable. The effects of climate change, including the impact on model-based impairment provisions, was discussed with management. Further, we discussed the effect increased interest rates and inflation has on the bank’s impairment provisions. Where impairment is calculated collectively based on a model, we gained a detailed understanding of the process and performed tests of details to assess the following: • Calculations and methods used. • Whether the model used was in accordance with the applicable framework and operated as intended. • Reliability and accuracy of key parameters and data used in the model. • Accurate and complete transfer of data from the model to the accounting system. Our testing gave no indications of material misstatement. Our work also included tests addressing the bank’s reporting systems relevant to financial reporting. The bank

- Determination of significant model parameters.
- Calculation of expected credit loss.

We refer to notes 6 through 9 and note 11 to the financial statements for a description of the group's impairment model, credit risk and impairment of loans to customers.

uses external service organisations to operate certain key IT systems. The auditor of the respective service organisations has been used to evaluate design, effectiveness and test controls addressing integrity of the IT systems that are relevant to financial reporting. The auditor has issued a report on the audit of reports and application controls. The auditor tested that key calculations produced by the core IT systems were performed in line with expectations, including interest calculations and amortizations. Moreover, the testing covered integrity of data, and changes and access to the IT systems. To assess if we could rely on the information included in the auditor's reports, we satisfied ourselves regarding the auditor's competence, capacity and objectivity and examined the reports received and we assessed potential weaknesses and remediation initiatives implemented. We also performed testing ourselves of access controls related to the bank's IT systems and segregation of duties where this was considered necessary to our audit.

Our assessments and tests showed that we could rely on the data managed by and the calculations produced by the bank's IT systems relevant to financial reporting to be reliable.

We read the relevant notes to the financial statements and found the information to be sufficient and appropriate.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

pwc

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Sparebanken Sør, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name *Sparebanken Sør Årsrapport 2023*, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

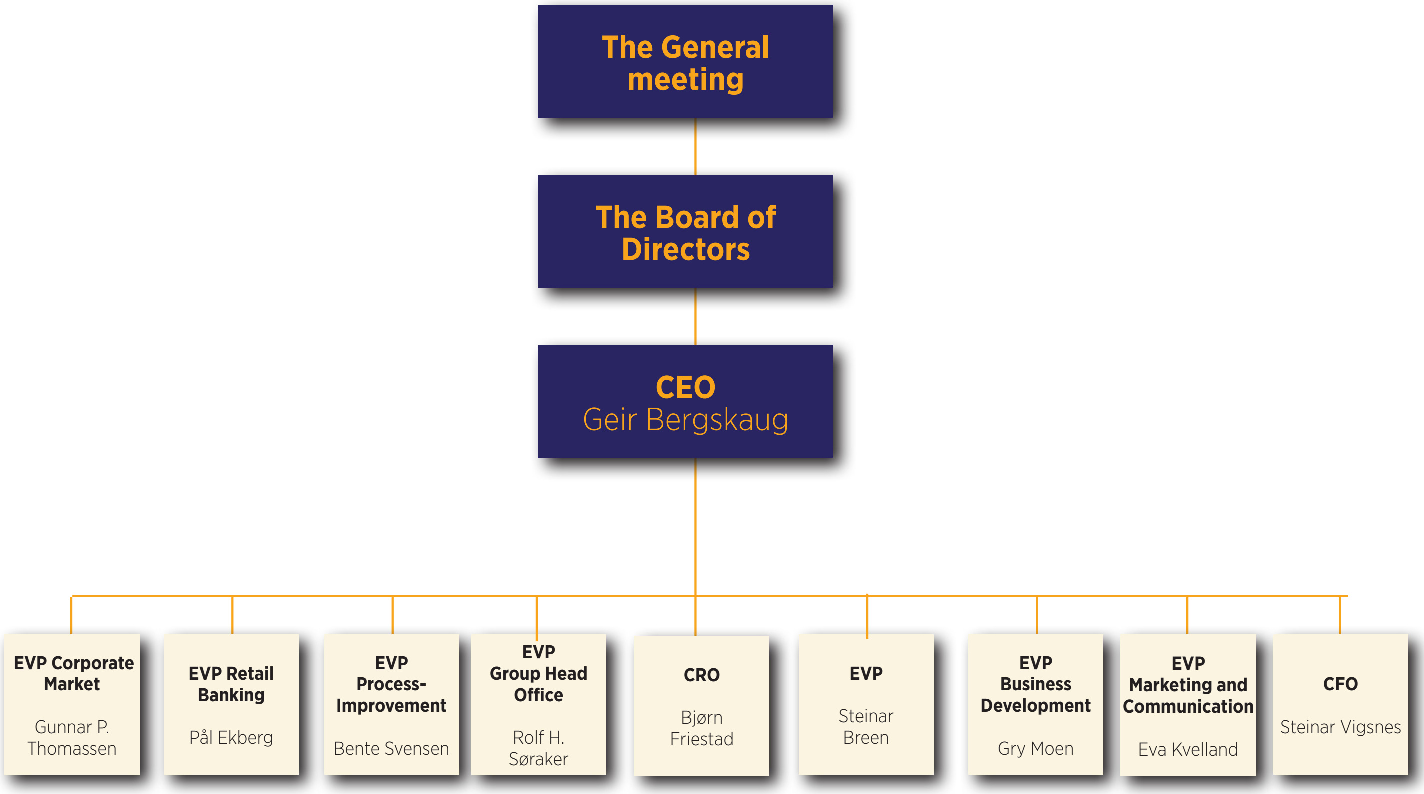
Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Kristiansand, 27 February 2024
PricewaterhouseCoopers AS

Fredrik Botha
State Authorised Public Accountant
Note: This translation from Norwegian has been prepared for information purposes only.

Organisation



THE BANK'S BRANCHES

The Group management

Chief Executive Officer (CEO)

Geir Bergskaug (1960)

CEO from 1 January 2010. Worked in Gjensidige as Director and Executive Vice President (1999–2010), chairman of the board of Gjensidige Bank (2008–2010), General Manager / Director of DnB NOR (1988–1999). Master of Business and Economics from the Norwegian School of Economics and Business Administration. Additional education from Harvard Business School in Boston – GMP, INSEAD, Fontainebleau in France – MBA.

EVP Corporate Market

Gunnar P. Thomassen (1965)

Executive vice president (EVP) Corporate market from 1. april 2023. Former EVP Retail Market in Sparebanken Sør, regional director and bank manager. Also has experience from Ernst & Young Management Consulting and the Industrial Fund/SND. Graduate engineer in Industrial Economics from the Norwegian University of Science and Technology. Chairman of Sørlandets Forsikringsenter, board member of Sørmegleren and Norne Securities

EVP Retail Market

Pål Ekberg (1975)

Executive vice president (EVP) Retail market from 1 September 2023. Comes from various management roles in Nordea for the past 12 years, most recently as director of the retail market. Experience from the board of Nordea Eiendomskreditt, as well as previous roles in Orkla (2006-2010) and Nordea from 2000-2006. Graduated in civil economics from the University of Agder. Strategic leadership from London Business School (2016).

EVP Business Development

Gry Moen (1963)

Executive vice president (EVP) Business Development from 1 January 2011. Was General Manager of ABCenter Holding (2009–2010) and Marketing Director in Sparebanken Sør (2006–2009). Has previous experience from Statoil, Telenor and LOS / Agder Energi. Education from Trondheim Business College / Ecôle Superiéure de Commerce Grenobles/Nantes. Master of Management BI. Board member of Bits and deputy member of the board of Balder Betaling.

The Group management

Chief Financial Officer (CFO)

Steinar Vigsnes (1980)

CFO from 1. June 2022. Joined the bank in 2009 and previously held the position as Controller (2009-2013) and Head of Finance and Reporting (2014-2022). Vigsnes also has experience as an authorised auditor. Master of Business and Administration from the University of Agder.

Chief Risk Officer (CRO)

Bjørn A. Friestad (1959)

Executive vice president (EVP)/ CRO from 1 January 2014. Has a wide range of experience from various business areas in Sparebanken Agder / Sparebanken Pluss since 1986, and responsible for credit and business development. Master in Business and Economics and aut. financial analyst (AFA) from the Norwegian School of Economics and Business Administration. Member of Finans Norges "Fagutvalg soliditet".

EVP Marketing and Communication

Eva Kvelland (1980)

Executive vice president (EVP) Marketing and Communications from 16 August 2021. 20 years of experience from politics and society, and was i.a. head of marketing and communication at Stine Sofies Stiftelse, communications adviser at Ordkraft and political adviser to Minister Lars Sponheim. Education: master's degree in public policy and management, UiA and bachelor's degree in political science, UiA.

EVP Strategy

Steinar Breen (1976)

EVP of strategy from 1 April 2020. Previously an associate partner in EY's consulting business for banking and finance. Also has experience from Accenture. Has a master's degree in economics, cand. Oecon. and authorized financial analyst from NHH - Norwegian School of Economics.

The Group management

EVP Group Head Office

Rolf H. Søraker (1960)

Executive vice president (EVP) Group Head Office from 1 January 2014. Has a wide range of experience from various roles in Sparebanken Sør from 1986. Also has experience from the educational system and the Norwegian Armed Forces. Education from the Norwegian Armed Forces, Telemark University College and BI, Master of Management.

EVP Process Improvement

Bente Svensen (1979)

Executive vice president (EVP) of process improvement from 1 September 2023. Employed in the bank since 2006. Has held various roles, including financial advisor retail market, system responsible professional system, project manager, department head retail market and head of Sales Center Personal market. Graduated nurse from UIA, bachelor in management from BI, Master of Management from BI (2023).

SPAREBANKEN SØR

Sparebanken Sør Pb. 200, 4662 Kristiansand | www.sor.no | tlf. 38 10 92 00