

Q2 2023

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SPAREBANKEN SØR

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Key figures Group

Income statement (NOK million)	Q2 2023	Q2 2022	30.06.2023	30.06.2022	31.12.2022
Net interest income	732	555	1 444	1 076	2 368
Net commission income	108	106	194	195	417
Net income from financial instruments	-0	- 33	- 4	- 61	- 82
Income from associated companies	25	24	59	51	125
Other operating income	2	1	3	2	5
Total net income	867	654	1 696	1 266	2 834
Total operating expenses before losses	326	293	630	552	1 145
Operating profit before losses	541	361	1 066	714	1 690
Losses on loans, guarantees and unused credit	-9	11	- 14	8	74
Profit before taxes	550	351	1 079	705	1 615
Tax expenses	123	77	190	157	332
Profit for the period	427	273	889	549	1 283
Key figures. income statement					
Return on equity after tax (adjusted for hybrid capital)	11.0 %	7.2 %	11.5 %	7.5 %	8.7 %
Costs as % of income	37.6 %	44.8 %	37.1 %	43.6 %	40.4 %
Costs as % of income, excl. net income from financial instruments	37.6 %	42.7 %	37.0 %	41.6 %	39.3 %
Net interest income as % of average assets	1.85 %	1.48 %	1.83 %	1.45 %	1.58 %
Key figures. balance sheet					
Total assets	160 610	151 803	160 610	151 803	157 435
Average total assets	159 000	150 000	159 000	150 000	150 000
Net loans to customers			125 430	121 303	123 852
Growth in loans as % last 12 mths.			3.4 %	5.4 %	6.2 %
Customer deposits			69 343	67 220	65 596
Growth in deposits as % last 12 mths.			3.2 %	1.8 %	3.9 %
Deposits as % of net loans			55.3 %	55.4 %	53.0 %
Equity (incl. hybrid capital)			16 095	15 165	15 779
Losses on loans as % of net loans, annualised			-0.01 %	0.04 %	0.05 %
Other key figures					
Liquidity reserve (LCR) Group			154 %	160 %	177 %
Liquidity reserve (LCR) Group- Euro			231 %	805 %	387 %
Liquidity reserve (LCR) Parent Bank			141 %	152 %	169 %
Common equity tier 1 capital ratio			17.1 %	17.4 %	17.1 %
Tier 1 capital ratio			18.5 %	18.9 %	18.5 %
Total capital ratio			21.0 %	21.2 %	20.7 %
Total common equity tier 1 capital ratio			14.084	13 388	13 653
Tier 1 capital ratio			15.215	14 525	14 784
Net subordinated capital			17.272	16 245	16 518
Leverage ratio			9.2 %	9.0 %	9.1 %
Number of branches			31	35	35
Number of FTEs in banking operations			489	474	485
Key figures. equity certificates					
Equity certificate ratio, weighted average over the period			40.0 %	40.0 %	40.0 %
Number of equity certificates issued			41 703 057	41 703 057	41 703 057
Profit/diluted earnings per equity certificate (Parent bank)	3.0	2.0	6.5	6.9	12.6
Profit/diluted earnings per equity certificate (Group)	3.9	2.4	8.2	5.0	11.9
Proposed dividend last year per equity certificate					6.0
Paid out dividend last year per equity certificate			6.0	8.0	8.0
Book equity per equity certificate			143.1	135.2	141.0
Price/book equity per equity certificate			0.88	1.00	0.9
Listed price on Oslo Stock Exchange at end of period			126.0	134.5	129.5

Board of Director's report

General

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

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

Highlights in Q2 2023

- Very good growth in net interest income
- Good profit contributions from associated companies
- Low cost-income ratio of 37.6 percent
- Net entry on losses on loans and low losses on non-performing loans
- Solid return on equity after tax of 11.0 percent
- Profit per equity certificate NOK 3.9
- Annualised lending growth of 2.8 percent
- Annualised deposit growth of 14.9 percent
- Common equity tier 1 (CET1) ratio of 17.1 percent and a leverage ratio of 9.2 percent

Highlights in 1st half 2023

- Very good development in net interest income
- Good profit contributions from associated companies
- Low cost-income ratio of 37.1 percent
- Net entry on losses on loans and low losses on non-performing loans
- Solid return on equity after tax of 11.5 percent
- Profit per equity certificate NOK 8.2
- 12-month lending growth of 3.4 percent
- 12-month deposit growth of 3.2 percent

Financial framework conditions

The high activity level in the Norwegian economy seems to be decelerating. High price growth and increased interest rates have reduced households' purchasing power, but a tight labour market and high employment have contributed to keeping the activity up. Wage growth seems to increase. This will, if the NOK exchange rate is still weak, contribute to further price growth.

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

In Q2 2023, the key policy rate was raised from 3.00 to 3.75 percent. As the Norwegian Central Bank, Norges Bank, assessed the outlook in June, there will most likely be a need to raise interest rates further in August. Price inflation is still high and clearly above the target of 2 percent. The forecasts for the key policy rate indicate that the key policy rate will increase to 4.25 percent during the autumn. The actual policy rate setting will further depend on the economic development.

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

At the end of June 2023, the annual growth in the general public's gross domestic debt, C2, was at 4.3 percent. The growth in credit to households and businesses was 3.7 percent and 5.2 percent respectively.

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

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

Sustainability (ESG)

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

In 2018, Sparebanken Sør was the first Norwegian bank to be certified in the area of gender equality and diversity. The Bank was recertified in November 2021. In January 2019, Sparebanken Sør was one of the first banks in Norway to establish a green framework for issuing green bonds. The Group issued its first green bonds in November the same year. Frameworks for green, social and sustainable products were established in the summer of 2021. The Bank updated its bond framework in 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, consultancy and specification of requirements for customers, the Bank contributes positively to social development through reduced greenhouse gas emissions. The Bank is rated by renowned Sustainalytics, and received in December 2022 an updated score of 9.7 (negligible risk), an improvement from 11.7 (low risk) from 2021. This positions Sparebanken Sør as the seventh best regional bank of the Norwegian banks rated by Sustainalytics.

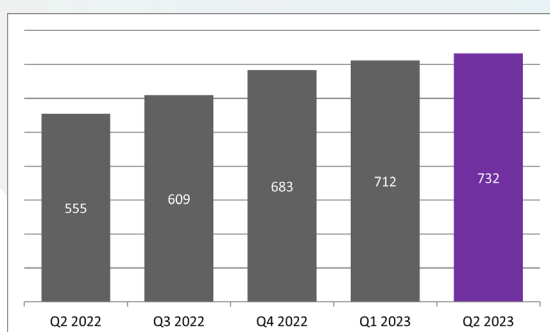
Earnings

Profit before tax amounted to NOK 550 million in Q2 2023, compared with NOK 351 million in the same period in 2022. Return on equity after tax amounted to 11.0 percent in Q2 2023, compared with 7.2 percent in the same period in 2022.

In the first half 2023, profit before tax amounted to NOK 1 079 million, compared with NOK 705 million in same period 2022. Return on equity after tax amounted to 11.5 percent in the first half of 2023, compared with 7.5 percent in the same period in 2022.

Net interest income

Quarterly net interest income (NOK million)



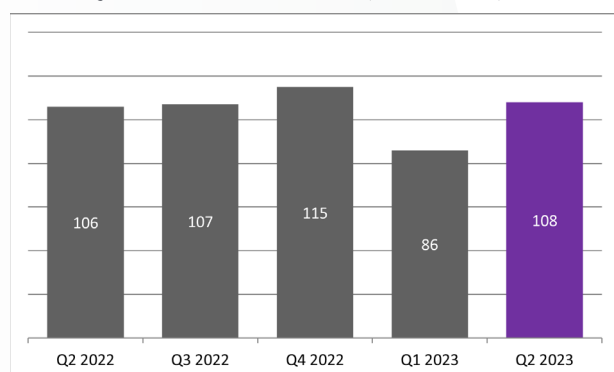
Net interest income totalled NOK 732 million in Q2 2023, compared with NOK 555 million in Q2 2022, an increase of NOK 177 million.

Net interest income increased by NOK 20 million in Q2 2023 compared to Q1 2023, mainly due to changes in the bank's interest rates following Norges Bank's decision to raise the key policy rate.

Norges Bank increased the key policy rate by 0.25 percentage points in May, to 3.25 percent. In this connection, the bank decided to adjust the interest rates on mortgages and deposits by up to 0.25 percentage points with full effect from 21 June 2023 for existing loans and deposits. Norges Bank increased the key policy rate further by 0.50 percentage in June 2023, to 3.75 percent. Also in this connection, the bank decided to adjust the interest rates on mortgages and deposits by up to 0.50 percentage points. The interest rate changes will have full effect from 9 August 2023 and, as a result of the interest rate change, the bank expects continued positive growth in net interest income in the next quarter.

Commission income

Quarterly net commission income (NOK million)



Net commission income totalled NOK 108 million in Q2 2023, compared with NOK 106 million in Q2 2022.

Gross commission income in Q2 2023 totalled NOK 134 million, compared with NOK 130 million in Q2 2022.

Commission income	Q2 2023	Q2 2022	Change	30.06.2023	30.06.2022	Change
Payment services	53	52	0	97	95	3
Real estate brokerage	49	48	1	83	84	-1
Mutual fund	9	8	2	18	16	2
Insurance	13	13	0	26	25	1
Credit procurement and leasing	2	1	0	3	3	1
Other commission income	9	8	1	17	15	1
Total	134	130	4	244	238	6

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

Financial instruments

Net income from financial instruments totalled NOK 0 million in Q2 2023, compared with NOK -33 million in Q2 2022. The negative profit contribution is mainly due to losses in the bank's liquidity portfolio as a result of increased credit spreads. At the reporting date, the liquidity portfolio was valued at NOK 22.8 billion, and comprised of high liquid covered bonds and certificates issued by the state and municipalities.

Net income from financial instruments	Q2 2023	Q2 2022	Change	30.06.2023	30.06.2022	Change
Bonds and certificates	-11	-58	47	-48	-91	43
Shares incl. dividends	-4	10	-14	-4	13	-17
Fixed rate loans	2	-7	9	2	-16	18
Securities issued - hedge accounting	4	16	-12	29	15	14
Repurchase of issued bonds	0	-4	4	-1	-4	3
Payment services (agio)	9	8	1	17	15	2
Other financial instruments	-1	1	-2	1	8	-7
Total	0	-33	33	-4	-59	55

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

Income from associated companies

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

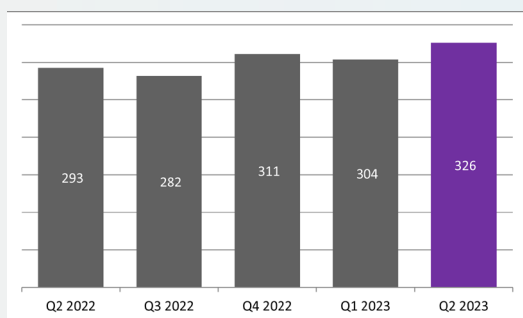
Associated companies		Q2 2023	Q2 2022	Change	30.06.2023	30.06.2022	Change
Frende Holding - 19.9 %	Share of profit	7.3	15.7	-8.4	17.8	10.8	7.0
	Amort.	-5.5	-5.4	-0.1	-11.0	-10.8	-0.2
	Realisation					24.9	-24.9
Brage Finans - 24.9 %	Share of profit	23.3	13.4	9.9	41.1	25.6	15.5
Balder Betaling - 23.0 %	Share of profit		0.2	-0.2	11.4	0.2	11.2
Total		25.1	23.9	1.2	59.3	50.7	8.6

The share of profits from Frende in first half of 2023 increased compared to the same period in 2022, mainly due to the results in Frende being significantly affected by market turmoil throughout the spring of 2022. In connection with the stepwise acquisition of shares in Frende Holding AS, excess values were identified, which are being amortised over the expected economic lifetime as shown in the table above.

The profit share from Brage shows a very positive growth, both in Q2 and the first half of 2023. This is due to better profitability in Brage, as well as the fact that the bank has increased its ownership share in Brage from 20.8 percent to 24.9 percent in 2022.

Operating expenses

Quarterly operating expenses (NOK million)



Operating expenses totalled NOK 326 million in Q2 2023, an increase of NOK 33 million compared to the same period in 2022.

Operating expenses	Q2 2023	Q2 2022	Change	30.06.2023	30.06.2022	Change
Wages and fees	142	123	19	275	237	38
Payroll tax	21	17	4	40	35	5
Financial tax	6	5	1	12	10	2
Pension costs	10	10	-0	22	14	8
Other personnel costs	9	7	2	15	14	1
Total personnel costs	187	163	24	363	309	54
Depreciation, amortization and impairment of non-current assets	10	11	-1	20	22	-2
Marketing	13	13	-0	23	25	-2
IT costs*	68	56	12	133	104	29
Operating cost - real estate	7	8	-1	15	14	1
External fees*	12	15	-3	15	27	-12
Wealth tax	9	2	7	16	5	11
Other operating expenses	20	26	-6	44	48	-4
Total other operating expenses	129	119	10	246	222	24
Total Operating expenses	326	293	33	630	552	77

* In 2023, the Group changed its practice of accounting fees for IT consultants, which are now presented as IT costs, versus previous external fees. The change has resulted in an increase of NOK 13 million in IT costs and a corresponding reduction in external fees in the first half of 2023.

Personnel costs have increased for both the parent bank and the Group. The Group have strengthened its capability in analysis, risk management (IRB) and compliance, and has also reinforced its insurance sales organisation. As a result of a positive development in profitability in the banking business, NOK 22 million more has been set aside for variable remuneration compared to the same period in 2022.

Other operating costs have increased mainly as a result of increased wealth tax, as a result of an increased tax rate, and increased IT costs. The investments in IT and a new data platform are intended to reduce operating costs in the future.

Cost-income ratio amounted to 37.6 percent (44.8 percent) in Q2 2023. Cost-income ratio, excl. financial instruments accounted for 37.6 percent (42.7 percent).

Losses and non-performing loans

Net entry on losses on loans amounted to NOK 9 million in Q2 2023, compared to losses on loans of NOK 11 million in Q2 2022.

The net entry on losses on loans were due to a result of decreased model-based loss provisions, and there has been no individual events that have resulted in larger individual loss provisions or ascertained losses.

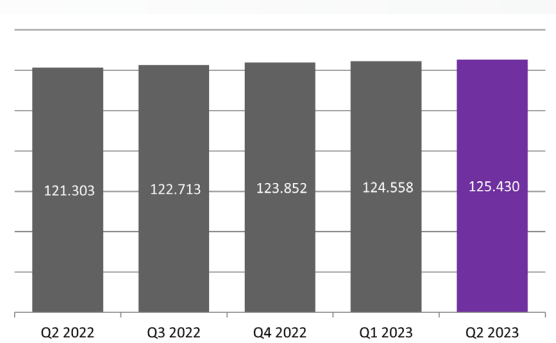
The past year, there has been marked changes in macroeconomic conditions which involve negative changes in framework conditions for both corporate customers and the retail sector. This applies to both increases in electricity and energy prices, strong inflation growth, combined with higher lending rates.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

The Group's impairment losses were calculated to be NOK 414 million by the end of Q2 2023, which is equivalent to 0.33 percent of gross loans. The corresponding figures for Q2 2022 were NOK 391 million and 0.32 percent of gross loans.

Non-performing loans were NOK 653 million, down from NOK 804 million in the same period last year. Non-performing loans represented 0.52 percent of gross loans (0.66 percent).

Loans

Loans in NOK million



Over the past 12 months net loans increased by NOK 4.1 billion to a total of NOK 125.4 billion, representing a growth of 3.4 percent. Growth in lending in Q2 2023 was NOK 0.9 billion, representing a growth of 2.8 percent.

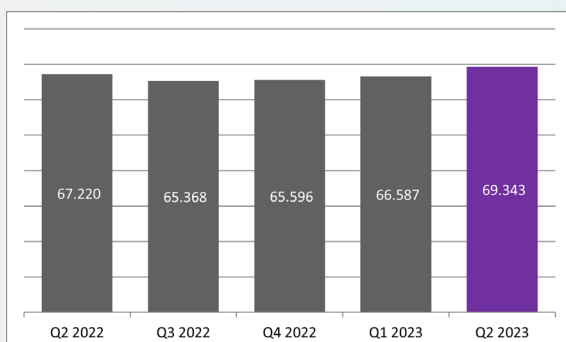
Over the past 12 months, gross loans to retail customers increased by NOK 1.9 billion to NOK 81.5 billion, a growth of 2.4 percent. Annualised growth in lending in Q2 was 2.8 percent. The bank has a goal of increasing market share within the retail market and has stated a goal of achieving growth in loans corresponding to the growth in credit in the region, plus 1 percentage point.

Gross loans to corporate customers increased by NOK 2.5 billion to NOK 44.3 billion over the last 12 months, representing a growth of 5.9 percent. Annualised lending growth in Q2 was 2.7 percent. Growth within the corporate market will fluctuate throughout the year.

Loans to retail customers accounted for 65 percent (65 percent) of total loans at the end of Q2 2023.

Deposits

Deposits in NOK million



Over the past 12 months, customer deposits increased by NOK 2.1 billion to NOK 69.3 billion, a growth of 3.2 percent. Deposit growth in Q2 2023 amounted to NOK 2.5 billion, which corresponds to an annualised growth of 14.9 percent.

Deposits from retail customers (excl. accrued interest) increased by NOK 0.3 billion to NOK 33.2 billion in the past twelve months, a growth of 1.0 percent.

Deposits from corporate customers (excl. accrued interest) increased by NOK 1.4 billion to NOK 35.6 billion in the past twelve months, a growth of 4.0 percent.

Deposits in percent of net loans were 55.3 percent at the end of Q2 2023, up from 55.2 percent at the same time in 2022.

Wholesale funding and liquidity portfolio

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

At the end of Q2 2023, wholesale funding amounted to NOK 59.9 billion, of which 84 percent consisted of covered bonds. Long-term funding (over 1 year maturity) had an average maturity of 3.3 years at the end of the quarter.

The start of 2023 has been demanding due to international turmoil. Despite this, in first half 2023, the Group issued subordinated bonds (Tier 2) of NOK 700 million and fund bonds (Additional Tier-1) of NOK 125 million on good terms.

The Group's portfolio of interest-bearing securities totalled NOK 22.8 billion as of 30 June 2023. The Group's liquidity reserve (LCR) amounted to 154 percent as of 30 June 2023 (141 percent in the Parent bank). The group has a high percentage of long-term funding and the NSFR (Net Stable Funding Ratio) amounted to 128 percent (126 percent in parent bank) for the group at the end of the quarter, confirming a good liquidity situation.

Rating

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

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

Subordinated capital and capital adequacy

At the end of Q2 2023, net subordinated capital totalled NOK 17.3 billion. Total tier 1 capital totalled NOK 15.2 billion and common tier 1 capital totalled NOK 14.1 billion. On the same date, the (total) capital ratio for the Sparebanken Sør Group was 21.0 percent, the tier 1 capital ratio was 18.5 percent and the common equity tier 1 (CET1) capital ratio was 17.1 percent. The calculations are based on the standard method in the Basel II regulations. Brage Finans AS is proportionally consolidated in accordance with the rules on cooperative groups.

The parent bank had a (total) capital ratio of 25.0 percent, a tier 1 capital ratio of 21.8 percent and a CET1 capital ratio of 20.0 percent at the end of Q2 2023.

The Group met the capital requirements of, respectively, 14.2 percent for CET1, 15.7 percent for tier 1 capital and 17.7 percent for total capital by a solid margin. Based on the new pillar 2 decision from Finanstilsynet (FSA), the Group's internal target for 2023 is a CET1 capital ratio of 16.5 percent.

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

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

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

An important part of the Group's key objectives is to keep the CET1 capital ratio at the same level as that of comparable banks. Sparebanken Sør is the only major regional bank that uses the standard method to calculate capital adequacy, and the Bank currently has a higher leverage ratio than the other regional banks. Sparebanken Sør also aims to have a quality of risk management on par with comparable banks. The Bank has started a process to develop the Bank's risk management framework and modelling in a way that will make it possible to apply to the FSA for approval of an internal rating-based (IRB) approach to calculate capital requirements. This work is a high priority at the bank, and the bank's ambition to send an application for IRB-F approval by the end of 2023 goes as planned.

The bank considers that an IRB process with subsequent IRB approval in any case contains key elements that are important for the bank's future development. In regard to the capital effects of IRB-F, it is expected to give a positive effect on CET1 capital ratio of approx. 3.5 percentage points.

The introduction of the revised Basel III framework ("Basel IV") was due to have been implemented in the EU from 2022 with transition rules up until 2027, but this has been postponed. At the end of June 2023, an agreement was acquired in the EU of a new Basel reform and the ambition is that the revised regulations (CRR3/CRD6 and BRRD3) will enter into force in the EU from 1 January 2025. The implementation date in Norway will therefore depend on how soon the new legislative acts can be incorporated into the EEA Agreement, but this will not occur until 1 January 2025 at the earliest. A critical element in the new Basel IV regulations will be the introduction of a new and more risk-sensitive standard method for credit risk which will be beneficial for the Group. Basel IV also indicates that there may be some changes in the IRB regulations.

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

The Group's Leverage Ratio stood at 9.2 percent at the end of Q2 2023, compared with 9.0 percent at the end of Q2 2022. The Bank's capital adequacy is highly satisfactory.

The Bank Resolution and Recovery Directive (BRRD) has introduced a minimum requirement for the sum of subordinated capital and convertible debt (MREL). This entails a new requirement for convertible/non-preferred debt ("Tier 3"), which also applies to Sparebanken Sør. The requirements are determined by FSA on the basis of capital requirements and the current adjusted calculation basis in force at any given time. Based on capital requirements and adjusted calculation basis as of 30 June 2023, the effective MREL requirement is set at 32.9 percent and amounted to NOK 20.2 billion.

The authorities have introduced a ceiling provision for the share of subordinated debt, and the requirement must be met by 1 January 2024. Furthermore, as of 1. January 2022, a requirement for the ceiling provisions had to be of linear phasing based on

capital requirements and adjusted calculation basis as of 31 December 2022, convertible debt (MREL) ceiling is 23.5 percent and the amount was 14.8 billion NOK. By the end of Q2 2023, the Bank had issued a total of NOK 6.0 billion of senior non-preferred (Tier 3).

The bank's equity certificates

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

Profit (consolidated) per equity certificate amounted to NOK 3.9 per certificate in Q2 compared to NOK 8.2 per certificate in the first half.

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

Dividend policy

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

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

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

Subsidiaries and partner businesses

The bank's wholly owned subsidiary **Sparebanken Sør Boligkreditt AS** is licensed to issue covered bonds which are used as an instrument in the Bank's long-term funding strategy. As of 30 June 2023, the Bank had transferred NOK 52.4 billion to Sparebanken Sør Boligkreditt AS, equivalent to 64 percent of all loans to the retail market.

The Bank's own real estate business, **Sørmegleren**, is the absolute leader in its field in Southern Norway. Sørmegleren is continuing to grow, and had employed 110 employees in 18 locations at the end of Q2 2023. In Q2 2023, the company had a profit before tax of NOK 1 million, compared to NOK 3.5 million in the same period in 2022. Sørmegleren has maintained its market shares through the first half of 2023 and is very well positioned as the region's leading real estate agent. The decline in earnings is mainly due to extraordinary costs in the first half.

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

Frende Holding AS (19.9 percent shareholding) is the parent company of Frende Skadeforsikring AS and Frende Livsforsikring AS, which provides general insurance and life insurance to retail and corporate customers.

Frende Holding AS had a profit before tax in Q2 2023 of NOK 42.7 million, down from NOK 125.9 million in the same period in the previous year. Profit before tax in the first half of 2023 was NOK 88.1 million, down from NOK 108.7 million in the same period in 2022. In the general insurance business, the quarter has resulted in several larger fire claims, as well as a higher frequency of car claims than is usual for the time of year. The life business is also characterized by challenging developments in disability products in the second quarter. The financial result in the first half of 2023 was NOK 130 million, up from NOK 166.6 million (negative) in the corresponding period in 2022.

Frende Skadeforsikring recorded a profit before tax of NOK 50.8 million in Q2 2023, down from NOK 127.3 million in Q2 2022. The profit before tax in the first half of 2023 amounted to NOK 95.3 million, down from NOK 138.4 million in the corresponding period 2022.

The company's written premiums totalled NOK 2 488 million (NOK 2 341 million), distributed among 169 000 customers. At the reporting date, the market share stood at 3.3 percent. The loss ratio so far this year was 81.8 percent (59.8 percent), while the company's combined ratio was 99.4 percent (77.8 percent).

Frende Livsforsikring posted a profit before tax Q2 2023 of NOK 0.3 million in, compared to NOK 4.5 million in Q2 2022. The profit before tax for the first half of the year was NOK 8.0 million, compared with a profit loss of NOK 18.3 million in the first half of 2022. The risk result has been weaker than in previous years, especially within the disability products. The portfolio premium at the end of the quarter was NOK 670 million, up from NOK 618 million at the same time in 2022.

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

Brage Finans has reported yet another good quarter with positive growth in portfolio and profits. There has been high activity in all of Brage's market areas despite inflation and increased interest rates.

Profit before tax in Q2 2023 amounted to NOK 128.9 million, up from NOK 89.5 million in the corresponding period in 2022. The profit resulted in a return on equity of 13.5 percent for the quarter, up from 12.7 percent in Q2 2022. The profit before tax for the first half of the year was NOK 227.5 million, compared with NOK 171 million in the corresponding period in 2022.

On 30 June 2023, Brage Finans had a gross lending portfolio of NOK 22.9 billion. This represents an increase of NOK 4.2 billion compared with the same time last year and a lending growth of 22 percent. At the end of the reporting period, recognised impairment losses totalled NOK 144.8 million, which corresponds to 0.63 percent of the gross lending portfolio.

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

In the first half of 2023, Norne had a profit before tax of NOK 0.5 million, compared to NOK 24.3 million in the same quarter in 2022.

The capital markets have been, and still are, characterized by a situation with great uncertainty and turmoil. The volume of assignments within Investment Banking is good, particularly in the market for capital raising and mergers, but as a consequence of increased risk, and thus uncertainty about pricing, it takes longer to complete projects. The uncertainty surrounding the timing of the implementation of projects will affect transaction activity within Investment Banking in the second half of the year as well. Customer activity towards retail customers within share and fund trading has been on a good level, although it is lower than the «peak years» in 2020 and 2021. To customers in the retail market, Norne develops its services in cooperation with the banks as distribution partners. Within the fund area, Norne offers, among other things, a fund platform that is used by 22 banks. This solution provides significant economies of scale for the banks.

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

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

Outlook

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

There is more uncertainty than normal regarding what the consequences will be for the bank's customers, and how both private individuals and firms will respond to a higher cost level. The growth of wages is expected to be approximately 5.5 percent and contribution to the increasing price level will still be high in the future. Despite this, the board considers the Bank well equipped for further growth. The bank has good earnings, is solid with good margins for current capital requirements and is well equipped to withstand any more challenging developments in the Norwegian economy.

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

Residential property prices in the bank's main markets have shown a positive, though moderate, development over several years. Statistics for the first half of 2023 indicate a strong growth in residential property prices in the bank's market area.

The Group has a common Tier 1 capital ratio requirement of 14.2 percent, including Pillar 2 addition of 1.7 percent. The Ministry of Finance has adopted regulations that put into force the EU's capital requirements regulations CRR/CRD IV as of 31 December 2019. One consequence of this was that the systemic risk buffer requirement was increased from 3 to 4.5 percent. The Group applies the standard method and will meet the increased systemic risk buffer requirement effective 31 December 2023. The Group has an internal objective of a common equity tier 1 capital ratio of 16.5 percent by the end of 2023. At the end of Q2 2023, the common equity tier 1 capital ratio was 17.1 percent, well above the regulatory requirement and the requirement that enters into force on 31 December 2023.

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

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

Events after the reporting period

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

Kristiansand, 14. August 2023

Knut Ruhaven Sæthre
Chairman

Mette Ramfjord Harv
Deputy Chairman

Merete Steinvåg Østby

Erik Edvard Tønnesen

Trond Randøy

Eli Giske

Jan Erling Tobiassen
Employee representative

Gunnhild Tveiten Golid
Employee representative

Geir Bergskaug
CEO

Income statement

PARENT BANK					NOK million		GROUP				
31.12.	30.06.	30.06.	Q2	Q2			Q2	Q2	30.06.	30.06.	31.12.
2022	2022	2023	2022	2023		Notes	2023	2022	2023	2022	2022
2 090	1 038	1 981	554	987	Interest income at amortised cost	4	807	856	3 110	1 607	3 999
977	188	422	99	267	Interest income at fair value through profit and loss	4	1 061	116	512	219	581
1 146	395	1 198	216	642	Interest expenses	4	1 135	416	2 178	749	2 212
1 921	832	1 205	437	613	Net interest income	4	732	555	1 444	1 076	2 368
448	205	214	109	111	Commission income		134	130	244	238	501
99	44	59	25	30	Commission expenses		26	24	50	43	84
349	161	155	84	81	Net commission income		108	106	194	195	417
351	340	2	26	2	Dividend		2	2	2	2	13
- 61	- 54	- 30	- 32	- 5	Net income from other financial instruments		- 2	- 35	- 6	- 61	- 95
290	285	- 28	- 6	- 4	Net income from financial instruments		0	- 33	- 4	- 59	- 82
125	51	59	24	25	Income from associated companies		25	24	59	51	125
8	4	4	2	2	Other operating income		2	1	3	2	5
133	55	63	26	27	Total other income		27	25	62	54	131
2 692	1 333	1 395	541	717	Total net income		867	654	1 696	1 266	2 834
523	235	288	124	147	Wages and other personnel expenses		187	163	363	309	659
41	21	19	10	10	Depreciation, amortization and impairment of non-current assets		10	11	20	22	43
419	214	233	115	124	Other operating expenses		129	119	246	222	443
983	470	540	250	281	Total operation expenses before losses		326	293	630	552	1 145
1 709	863	855	291	436	Operating profit before losses		541	361	1 066	714	1 690
57	5	- 6	4	- 3	Losses on loans, guarantees and undrawn credit	5	- 9	11	- 14	8	74
1 652	859	861	286	439	Profit before taxes	2	550	351	1 079	705	1 615
299	111	149	55	107	Tax expenses		123	77	190	157	332
1 353	748	712	232	332	Profit for the period		427	273	889	549	1 283
					Minority interests		1		1		1
1 353	748	712	232	332	Majority interests		426	273	889	548	1 283
42	32	32	21	20	Attributable to additional Tier 1 capital holders		20	21	32	32	42
1 311	716	680	211	312	Attributable to ECC-holders and to the primary capital		407	252	857	516	1 241
1 353	748	712	232	332	Profit for the period		426	273	889	548	1 283
12.6	6.9	6.5	2.0	3.0	Profit/diluted earnings per equity certificate (in whole NOK)		3.9	2.4	8.2	5.0	11.9

Statement of comprehensive income

PARENT BANK					NOK million		GROUP				
31.12.	30.06.	30.06.	Q2	Q2			Q2	Q2	30.06.	30.06.	31.12.
2022	2022	2023	2022	2023		Notes	2023	2022	2023	2022	2022
1 353	748	712	232	332	Profit for the period		426	273	889	548	1 283
					Change in value, basis swaps		-6	14	-9	129	99
1	0	-2	0	-1	Change in the value of residential mortgages						
0	0	-1	0	0	Tax effect		2	-4	2	-32	-22
1	0	- 3	0	- 1	Total other comprehensive income		- 5	11	- 7	97	77
1 354	748	709	232	331	Comprehensive income for the period		423	284	882	646	1 360
					Minority interests		1	0	1	0	1
					Majority interests		422	284	882	646	1 360
12.6	6.9	6.5	2.0	3.0	Comprehensive income/diluted earnings per equity certificate		3.9	2.5	8.2	5.9	12.6

Balance sheet

PARENT BANK			NOK million			GROUP		
31.12.	30.06.	30.06.				30.06.	30.06.	31.12.
2022	2022	2023	ASSETS	Notes	2023	2022	2022	2022
590	389	734	Cash and receivables from central banks	11	734	389		590
10 211	7 682	8 966	Loans to credit institutions	11	6 549	2 961		6 198
67 332	67 355	73 043	Net loans to customers	2,6,7,8,10,11	125 430	121 303		123 852
16 393	19 976	18 911	Bonds and certificates	11	22 750	23 727		22 851
230	204	232	Shares	11	232	204		230
947	929	1 355	Financial derivatives	11,12	2 658	1 316		1 440
2 813	2 813	2 817	Shareholding in group companies		0			
1 437	1 133	1 427	Shareholding in associated companies		1 427	1 133		1 437
70	59	84	Intangible assets		95	69		80
433	424	462	Property, plant and equipment		490	449		458
150	139	108	Other assets		245	251		298
100 607	101 103	108 140	TOTAL ASSETS	2,11	160 610	151 803		157 435
LIABILITIES AND EQUITY CAPITAL								
3 584	4 266	5 093	Liabilities to credit institutions	11	4 919	3 581		3 507
65 587	67 230	69 333	Deposits from customers	2,9,11	69 343	67 220		65 596
9 477	8 450	9 436	Liabilities related to issue of securities	11,13	59 864	56 873		62 758
778	757	1 181	Financial derivatives	11,12	1 406	2 038		2 599
315	129	170	Payable taxes		207	136		358
1 103	497	623	Other liabilities		565	434		490
129	123	133	Provisions for commitments		133	123		129
32	34	36	Deferred tax		71	93		64
4 491	4 484	6 035	Senior non-preferred	11	6 035	4 484		4 491
1 662	1 655	1 972	Subordinated loan capital	11,13	1 972	1 655		1 662
87 159	87 625	94 013	Total liabilities		144 515	136 638		141 655
4 945	4 671	4 945	Equity certificate capital	14	4 945	4 671		5 196
1 085	1 085	1 085	Hybrid capital		1 085	1 085		1 085
7 417	7 722	8 097	Other equity		10 064	9 409		9 499
13 448	13 478	14 127	Total equity	3,14	16 095	15 165		15 779
100 607	101 103	108 140	TOTAL LIABILITIES AND EQUITY	2,11	160 610	151 803		157 435

Kristiansand, 14. August 2023

Knut Ruhaven Sæthre
Chairman

Mette Ramfjord Harv
Deputy Chairman

Merete Steinvåg Østby

Erik Edvard Tønnesen

Trond Randøy

Eli Giske

Jan Erling Tobiassen
Employee representative

Gunnhild Tveiten Golid
Employee representative

Geir Bergskaug
CEO

Cash flow statement

PARENT BANK			NOK million	GROUP		
31.12.	30.06.	30.06.		30.06.	30.06.	31.12.
2022	2022	2023		2023	2022	2022
2 965	1 251	2 289	Interest received	3 508	1 890	4 450
- 1 167	- 366	- 616	Interest paid	-1 604	- 722	-2 082
709	132	140	Other payments received	177	179	409
- 916	- 469	- 532	Operating expenditure	- 628	- 552	-1 058
9	4	4	Loan recoveries	4	4	9
- 217	- 219	- 181	Tax paid for the period	- 396	- 325	- 324
- 61	- 35	- 59	Gift expenditure	- 59	- 35	- 61
- 5		-4	Fraud cases paid	- 4		- 5
- 23		-2	Change in other assets *	- 4		- 68
2 379	3 922	3 221	Change in customer deposits	3 223	3 951	2 426
- 476	- 509	-5 754	Change in loans to customers	-1 615	-4 828	-7 341
422	1 106	2 259	Change in deposits from credit institutions	2 162	455	378
3 618	4 817	765	Net cash flow from operating activities	4 764	16	-3 267
23 737	14 682	12 756	Payments received, securities	12 756	13 948	23 128
-22 401	-16 963	-15 227	Payments made, securities	-12 620	-15 653	-23 909
3	1	0	Payments received, sale of property, plant and equipment	0	10	12
- 64	- 20	- 64	Payments made, purchase of property, plant and equipment	- 65	- 21	- 63
136	136	70	Payments received, investments in subsidiaries and associates	70	127	127
- 938	- 708	-4	Payments made, investments in subsidiaries and associates	0	- 8	- 238
- 33	- 235	57	Change in other assets *	68	-1 506	- 33
-4 568	-2 038	1 245	Change in loans to credit institutions	- 350	-1 171	-4 409
-4 128	-5 145	-1 167	Net cash flow from investing activities	- 143	-4 274	-5 385
500	499	- 750	Change in deposits from credit institutions	- 750	499	500
4 250	2 000	0	Payments received, bond debt	0	9 750	17 127
-4 351	-3 427	0	Payments made, bond debt	-5 220	-8 121	-9 046
- 181	- 158	- 517	Payments made, dividends and interest on hybrid capital	- 517	- 158	- 181
1 000	1 000	1 600	Issue of senior non-preferred	1 600	1 000	1 000
200		700	Issue of subordinated loan capital	700		200
- 200		- 390	Deduction of subordinated loan capital	- 399		- 200
- 245	615	- 62	Change in other liabilities	129	1 489	- 271
200		125	Issue of hybrid capital	125		200
- 585		- 440	Change in financial derivative assets *	1 122		-1 928
532		411	Change in financial derivative debt *	-1 136		1 861
- 450	- 250	- 125	Buyback of hybrid capital	- 125	-250	- 450
- 7		- 6	Payments of rental obligations *	- 6		- 7
662	279	546	Net cash flow from financing activities	-4 476	4 209	8 805
152	- 48	144	Net change in liquid assets	144	- 48	152
437	437	590	Cash and cash equivalents as at 1 Jan	590	437	437
590	389	734	Cash and cash equivalents at end of period	734	389	590

* Items reclassified in 2022. Included in the items change in other assets and change in other liabilities for the financial year 2021. Comparative figures have not been restated.

Statement of change in equity

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GROUP	Equity	Premium	Dividend	Hybrid	Primary	Gift	Other	Minority	
NOK million	certificates	Fund	equalization-fund	capital	capital	fund	equity	interests	TOTAL
Balance 31.12.2021	782	451	520	1 335	9 925	141	1 781	7	14 941
Dividend distributed for 2021							- 125		- 125
Profit 01.01.-30.06.2022				32			517	- 1	549
Interest paid, hybrid capital				- 32					- 32
Buyback of hybrid capital				- 250					- 250
Conversion of primary capitalbasic fund to equity certificates	1 302	1 617			-2 919				0
Other comprehensive income							97		97
Allocated gift fund						- 13			- 13
Balance 30.06.2022	2 084	2 068	520	1 085	7 006	127	2 270	6	15 166
Profit 01.07.-31.12.2022			524	24	411	375	- 601	2	734
Interest paid, hybrid capital				- 24					- 24
Issuance of hybrid capital				200					200
Buyback of hybrid capital				- 200					- 200
Calculated tax on interest hybridcapital *							13		13
Other comprehensive income **							- 20		- 20
Allocated gift fund						- 87			- 87
Other changes			0				0	-3	- 3
Balance 31.12.2022	2 083	2 068	1 044	1 085	7 417	415	1 663	4	15 779
Dividend distributed for 2022			- 250						- 250
Profit YtD				41			848		889
Interest paid, hybrid capital				- 41					- 41
Calculated tax on interest hybridcapital *							10		10
Issuance of hybrid capital				125					125
Buyback of hybrid capital				- 125					- 125
Other comprehensive income **							- 7		- 7
Allocated gift fund						- 286			- 286
Other changes							2	-1	1
Balance 30.06.2023	2 083	2 068	793	1 085	7 417	129	2 515	4	16 095
PARENT BANK									
Balance 31.12.2021*	782	451	519	1 335	9 925	0	0	0	13 013
Profit 01.01.-30.06.2022				10			716		725
Interest paid, hybrid capital				- 10					- 10
Buyback of hybrid capital				- 250					- 250
Conversion of primary capitalbasic fund to equity certificates	1 302	1 617			-2 919				0
Balance 30.06.2022	2 084	2 068	519	1 085	7 006	716	0	0	13 478
Profit 01.07.-31.12.2022			525	24	773	- 716			605
Interest paid, hybrid capital				- 24					- 24
Allocated dividend and gifts			- 250		- 375				- 625
Issuance of hybrid capital				200					200
Buyback of hybrid capital				- 200					- 200
Calculated tax on interest hybridcapital *						13			13
Other comprehensive income						1			1
Other changes						- 1			- 1
Balance 31.12.2022*	2 084	2 068	793	1 085	7 417	0	0	0	13 448
Profit YtD				41			671		712
Interest paid, hybrid capital				- 41					- 41
Calculated tax on interest hybridcapital *							10		10
Issuance of hybrid capital				125					125
Buyback of hybrid capital				- 125					- 125
Other comprehensive income						- 2			- 2
Balance 30.06.2023	2 084	2 068	793	1 085	7 414	681	0	0	14 127

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

** Basic adjustments to interest and currency swaps were NOK 63.7 million as of 1.1.2023 and NOK 56.3 million as of 30.06.2023. The adjustment is included as part of other equity.

Unaudited

1. ACCOUNTING POLICIES

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

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

Discretionary assessments, estimates and assumptions

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

The financial item losses on loans and undrawn credit are subject to a significant degree of discretionary assessments. This item was in 2020 and 2021 particularly challenging to quantify, due to the ongoing pandemic. In 2023, there are again major turmoil and fluctuations in the financial market. Many macro parameters pointed upward from the last six months of 2021 and 2022. At the end of the Q2 2023, there still is a pessimism in the market with increased raw material prices, an increasing key policy rate, an expected future fall in the property market and an expected future increase in unemployment. Models used to calculate future credit losses contains forward-looking macro data, and in events of major economic changes, the current models and parameters must be changed accordingly.

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

2. SEGMENT REPORTING

BANKING BUSINESS

30.06.2023

Report per segment	BANKING BUSINESS			30.06.2023		
Income statement (NOK million)	RM	CM	Undistrib. and elimin.	Total banking business	Sørmegleren	Total
Net interest and commission income	645	585	214	1 444	0	1 444
Net other operating income	88	43	35	166	86	252
Operating expenses	237	74	235	546	84	630
Profit before losses per segment	496	554	14	1 064	2	1 066
Losses on loans and guarantees	-4	-14	4	-14		-14
Profit before tax per segment	500	567	10	1 078	2	1 079
Gross loans to customers	84 254	41 823	- 274	125 803		125 803
Impairment losses	- 51	- 319	- 1	- 373		- 373
Net loans to customers	84 202	41 504	- 276	125 430		125 430
Other assets			35 074	35 074	106	35 179
Total assets per segment	84 202	41 504	34 798	160 504	106	160 610
Deposits from customers	35 564	28 025	5 755	69 343		69 343
Other liabilities	48 638	13 479	12 949	75 066	106	75 172
Total liabilities per segment	84 202	41 504	18 703	144 409	106	144 515
Equity			16 095	16 095		16 095
Total liabilities and equity per segment	84 202	41 504	34 798	160 504	106	160 610

BANKING BUSINESS

30.06.2022

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

3. SUBORDINATED CAPITAL AND CAPITAL ADEQUACY

MINIMUM CAPITAL REQUIREMENTS

PARENT BANK			NOK million				GROUP		
31.12. 2022	30.06. 2022	30.06. 2023			30.06. 2023	30.06. 2022	31.12. 2022		
Minimum capital requirements									
4.50 %	4.50 %	4.50 %	Minimum Tier 1 capital requirements			4.50 %	4.50 %	4.50 %	
2.50 %	2.50 %	2.50 %	Conservation buffer			2.50 %	2.50 %	2.50 %	
3.00 %	3.00 %	3.00 %	Systemic risk buffer			3.00 %	3.00 %	3.00 %	
2.00 %	1.50 %	2.50 %	Counter-cyclical buffer			2.50 %	1.50 %	2.00 %	
1.70 %	1.70 %	1.70 %	Pillar 2 requirements			1.70 %	1.70 %	1.70 %	
13.70 %	13.20 %	14.20 %	CET1 requirements. incl. Pillar 2			14.20 %	13.20 %	13.70 %	
15.20 %	14.70 %	15.70 %	Tier1 Capital requirements. incl. Pillar 2			15.70 %	14.70 %	15.20 %	
17.20 %	16.70 %	17.70 %	Total capital requirements. incl. Pillar 2			17.70 %	16.70 %	17.20 %	
8 838	8 224	8 686	CET1 requirements. incl. Pillar 2			11 677	10 131	10 941	
9 805	9 159	9 604	Tier1 Capital requirements. incl. Pillar 2			12 911	11 282	12 139	
11 095	10 405	10 827	Total capital requirements. incl. Pillar 2			14 555	12 817	13 736	
3 160	3 613	3 569	Above CET1 requirements. incl. Pillar 2			2 407	3 256	2 712	
3 277	3 764	3 736	Above Tier1 Capital requirements. incl. Pillar 2			2 305	3 242	2 645	
3 637	4 168	4 473	Above total capital requirements. incl. Pillar 2			2 716	3 427	2 781	

PARENT BANK			NOK million	GROUP		
31.12. 2022	30.06. 2022	30.06. 2023		30.06. 2023	30.06. 2022	31.12. 2022
13 448	13 478	14 127	Total equity	16 095	15 165	15 779
			Tier 1 capital			
-1 085	-1 085	-1 085	Equity not eligible as common equity tier 1 capital	-1 131	-1 137	-1 131
0	- 287	- 443	Share of profit not eligible as common equity tier 1 capital	- 573	- 414	- 665
- 70	- 59	- 84	Deductions for intangible assets and deferred tax assets	- 95	- 68	- 81
- 38	- 42	- 47	Deductions for additional value adjustments	- 31	- 32	- 27
- 256	- 168	- 214	Other deductions	- 180	- 127	- 223
11 998	11 838	12 255	Total common equity tier 1 capital	14 084	13 388	13 653
			Other tier 1 capital			
1 085	1 085	1 085	Hybrid capital	1 131	1 137	1 131
13 083	12 923	13 340	Total tier 1 capital	15 215	14 525	14 784
			Additional capital supplementary to tier 1 capital			
1 650	1 650	1 960	Subordinated loan capital	2 056	1 720	1 734
1 650	1 650	1 960	Total additional capital	2 056	1 720	1 734
14 733	14 573	15 300	Net subordinated capital	17 272	16 245	16 518
			Minimum requirement for subordinated capital Basel II calculated according to standard method			
17	279	20	Engagements with local and regional authorities	21	280	18
1 014	1 227	878	Engagements with institutions	595	366	337
4 505	2 701	5 061	Engagements with enterprises	7 131	4 131	6 456
6 110	7 192	6 845	Engagements with mass market	9 971	9 709	9 149
33 544	32 604	35 136	Engagements secured in property	53 708	51 698	53 502
408	473	442	Engagements which have fallen due	665	694	610
1 360	1 545	1 523	Engagements which are high risk	1 523	1 545	1 360
6 650	6 292	1 332	Engagements in covered bonds	1 587	1 523	1 365
6 022	5 411	4 953	Engagements in collective investment funds	1 431	1 437	1 582
507	695	606	Engagements other	655	721	539
60 138	58 419	56 795	Capital requirements for credit and counterparty risk	77 287	72 104	74 919
0	0	0	Capital requirements for position, currency and product risk	0	0	0
4 364	3 878	4 364	Capital requirements for operational risk	4 937	4 638	4 937
5	7	10	CVA addition	10	7	5
64 507	62 305	61 169	Risk-weighted balance (calculation basis)	82 234	76 749	79 862
18.6 %	19.0 %	20.0 %	Common equity tier 1 capital ratio, %	17.1 %	17.4 %	17.1 %
20.3 %	20.7 %	21.8 %	Tier 1 capital ratio, %	18.5 %	18.9 %	18.5 %
22.8 %	23.4 %	25.0 %	Total capital ratio, %	21.0 %	21.2 %	20.7 %
8.4 %	8.3 %	12.5 %	Leverage ratio	9.2 %	9.0 %	9.1 %

4. INTEREST INCOME AND INTEREST EXPENSES

PARENT BANK					Interest income	GROUP				
31.12. 2022	30.06. 2022	30.06. 2023	Q2 2022	Q2 2023	NOK million	Q2 2023	Q2 2022	30.06. 2023	30.06. 2022	31.12. 2022
					<i>Interest income from financial instruments at amortised cost</i>					
139	58	136	37	61	Interest on receivables from credit institutions	30	12	65	17	53
1 951	772	1 437	424	751	Interest on loans given to customers	1 571	844	3 044	1 589	3 945
2 090	830	1 573	461	812	Total interest from financial instruments at amortised cost	1 601	856	3 110	1 607	3 999
					<i>Interest income from financial instruments at fair value through OCI</i>					
501	208	408	93	215	Interest on loans given to customers (mortgages)	0	0	0	0	0
501	208	408	93	215	Total interest from financial instruments at fair value through OCI	0	0	0	0	0
2 591	1 038	1 981	554	1 027	Total interest income effective interest method	1 601	856	3 110	1 607	3 999
					<i>Interest income from financial instruments at fair value</i>					
132	67	64	33	33	Interest on loans given to customers (fixed rate loans)	33	33	64	67	132
343	121	358	66	195	Interest on certificates and bonds	234	83	447	152	449
476	188	422	99	228	Total interest from financial instruments at fair value through profit or loss	267	116	512	219	581
476	188	422	99	228	Total other interest income	267	116	512	219	581
3 067	1 227	2 403	653	1 254	Total interest income	1 868	972	3 622	1 826	4 580
					<i>Interest expenses</i>					
					<i>Interest expenses from financial instruments at amortised cost</i>					
70	19	61	11	29	Interest on liabilities to credit institutions	28	10	60	17	68
643	199	753	111	407	Interest on customer deposits	407	111	753	199	642
229	91	201	49	105	Interest on issued securities	596	248	1 176	443	1 288
53	21	45	11	25	Interest on subordinated loans	25	11	45	21	53
104	41	110	23	63	Interest on senior non-preferred loans	63	23	110	41	104
48	24	28	10	14	Fees to the Norwegian Banks Guarantee Fund and other interest expenses	16	13	33	29	57
1 146	395	1 198	216	642	Interest expenses from financial instruments at amortised cost	1 135	416	2 177	749	2 212
1 146	395	1 198	216	642	Total interest expenses	1 135	416	2 177	749	2 212

5. LOSSES ON LOANS, GUARANTEES AND UNDRAWN CREDITS

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

As a result of covid-19 pandemic, the macro situation changed significantly in 2020, which improved at the end of the year and in 2021. In 2022, the macro figure was again more uncertain with the war in Ukraine, high inflation and increasing interest rates. The Group's loss provision in Q2 2023 is based on new assumptions.

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

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

	2023	2024	2025	2026	2027
Housing price %	0.3	0.6	3.5	4.9	4.9
Housing price region %	0.3	0.6	3.5	4.9	4.9
Unemployment %	3.7	3.8	4.0	4.0	4.0
Oil prices, USD	78.0	73.4	71.0	69.2	69.2
Policy rate	3.5	4.1	3.7	3.1	3.1
Import-weighted exchange rate	119.4	118.1	116.6	116.2	116.2
USD	10.4	10.3	10.2	10.1	10.1
CPI	6.0	3.9	2.9	2.4	2.4
Other collateral	0	0	0	0	0

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

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

GROUP		30.06.2023			
Loan loss provisions		10 percent reduction	20 percent reduction	30 percent reduction	1 percent increase in
NOK million		in collateral	in collateral	in collateral	unemployment
Loan loss provisions, CM		56	122	198	1
Loan loss provisions, RM		16	36	61	4
Total		73	159	259	4

PARENT BANK		30.06.2023			
Loan loss provisions		10 percent reduction	20 percent reduction	30 percent reduction	1 percent increase in
NOK million		in collateral	in collateral	in collateral	unemployment
Loan loss provisions, CM		56	121	196	1
Loan loss provisions, RM		7	16	26	2
Total		63	136	222	3

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

PARENT BANK					NOK million	GROUP				
31.12.	30.06.	30.06.	Q2	Q2		Q2	Q2	30.06.	30.06.	31.12.
2022	2022	2023	2022	2023	Loss expense on loans during the period	2023	2022	2023	2022	2022
15	10	22	10	9	Period's change in write-downs stage 1	9	12	19	11	22
57	21	-20	26	0	+Period's change in write-downs stage 2	-5	27	-26	21	64
-19	-28	-8	-32	-12	+Period's change in write-downs stage 3	-12	-29	-6	-26	-15
5	4	1	2	1	+ Period's confirmed loss	1	2	1	4	6
0	0	0	0	0	+ Recognised as interest income	0	0	0	0	0
9	4	4	2	1	- Period's recoveries relating to previous losses	1	2	4	4	9
1	2	0	0	0	+ Change in write-downs and guarantees	0	0	0	2	1
7	0	3	0	1	+ Losses from fraud cases	1	0	3	0	7
57	5	-6	4	-3	Loss expenses during the period	-9	11	-14	8	74

GROUP	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
NOK million				
Provisions for loan losses as at 01.01.2023	110	199	126	434
Transfers				
Transferred to stage 1	49	-43	-6	0
Transferred to stage 2	-8	14	-6	0
Transferred to stage 3	0	-2	2	0
Losses on new loans	33	23	3	59
Losses on deducted loans *	-12	-23	-18	-53
Losses on older loans and other changes	-42	5	12	-25
Provisions for loan losses as at 30.06.2023	128	173	112	414
Provisions for loan losses	111	152	110	373
Provisions for guarantees and undrawn credits	17	21	3	41
Total provision for losses as at 30.06.2023	128	173	112	414

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

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

PARENT BANK	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
NOK million				
Provisions for loan losses as at 01.01.2023	98	186	122	406
Transfers				
Transferred to stage 1	45	-39	-5	0
Transferred to stage 2	-8	13	-5	0
Transferred to stage 3	0	-2	2	0
Losses on new loans	31	23	3	57
Losses on deducted loans *	-11	-21	-17	-49
Losses on older loans and other changes	-37	7	11	-19
Provisions for loan losses as at 30.06.2023	119	167	110	395
Provisions for loan losses	102	146	106	354
Provisions for losses on guarantees and undrawn credits	17	21	3	41
Total provision for losses as at 30.06.2023	119	167	110	395

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

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

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

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

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

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

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

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

6. NON-PERFORMING LOANS

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

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

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

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

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

PARENT BANK			NOK million	GROUP		
31.12. 2022	30.06. 2022	30.06. 2023		30.06. 2023	30.06. 2022	31.12. 2022
493	611	476	Total non-performing loans (step 3)	653	804	666
122	132	110	Impairment losses in stage 3	113	137	126
371	479	367	Net non-performing loans	539	667	541
24.7 %	21.6 %	23.0 %	Provisioning non-performing loans	17.4 %	17.0 %	18.9 %
0.73 %	0.90 %	0.65 %	Total non-performing loans in % of gross loans	0.52 %	0.66 %	0.54 %

7. IMPAIRMENT LOSSES BY SECTOR, INDUSTRY AND STAGE

Impairment losses by sector and industry

PARENT BANK				NOK million	GROUP			
Stage 1	Stage 2	Stage 3	Total impairment losses as of 30.06.2023		Total impairment losses as of 30.06.2023	Stage 3	Stage 2	Stage 1
9	8	21	37	Retail customers	55	28	28	18
0	0	0	1	Public administration	1	0	0	0
3	1	0	5	Primary Industry	5	3	2	3
2	3	7	11	Manufacturing industry	11	4	3	2
35	44	13	91	Real estate development	91	15	41	35
4	10	19	33	Building and construction industry	33	16	6	4
46	88	26	160	Property management	160	23	67	46
0	1	1	2	Transport	3	1	1	0
7	3	8	19	Retail trade	19	7	9	7
1	1	2	4	Hotel and restaurants	4	1	1	1
3	1	0	3	Housing cooperatives	3	0	1	3
3	2	7	12	Financial/commercial services	12	7	5	3
6	6	6	18	Social services	18	8	9	6
119	167	110	395	Total impairment losses on loans, guarantees and undrawn credit	414	113	173	128
102	146	106	354	Impairment losses on lending	373	110	152	111
17	21	3	41	Impairment losses on unused credits and guarantees	41	3	21	17
119	167	110	395	Total impairment losses	414	113	173	128

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

8. MIGRATION OF GROSS LOANS

PARENT BANK				30.06.2023		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
1 997	-1 951	- 46	0	Transferred to stage 1		0	- 94	-2 928	3 022
-3 222	3 273	- 51	0	Transferred to stage 2		0	- 69	5 537	-5 468
- 87	- 53	140	0	Transferred to stage 3		0	238	- 98	- 140
41	-197	- 30	- 185	Net change on present loans		-1 659	- 33	- 259	-1 367
14 441	2 461	19	16 920	New loans		21 586	4	2 535	19 047
-9 134	-1 769	- 28	-10 931	Derecognised loans		-18 264	- 55	-2 248	-15 960
- 95			- 95	Change in value during the period		- 97			- 97
61 386	11 566	446	73 398	Gross loans as at 30.06		125 804	627	15 266	109 910
			48 452	Of which loan at amortised cost		121 423			
			20 565	Of which loan at fair value through OCI					
			4 381	Of which loan at fair value		4 381			
102	146	106	354	Impairment losses on lending		373	110	152	111
0.17 %	1.26 %	23.78 %	0.48 %	Impairments in % of gross loans		0.30 %	17.52 %	1.00 %	0.10 %
71 693	12 675	476	84 844	Commitments		143 492	653	16 465	126 374
119	167	110	395	Impairment losses on commitments		414	113	173	128
0.17 %	1.32 %	23.01 %	0.47 %	Impairments in % of commitments		0.29 %	17.36 %	1.05 %	0.10 %

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

* Loans at fair value have previously been reported on a separate row in note 8 in the quarterly accounts for 2021. These loans are included in the annual report 2022 as part of step 1. This is because these loans are valued on an ongoing basis at fair value and are not included in the model calculations in accordance with IFRS 9.

PARENT BANK

30.06.2022				NOK MILLION		30.06.2023			
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	
1 583	-1 490	-93	0	Transferred to stage 1	0	- 30	-1 545	1 574	
-1 684	1 691	-7	-0	Transferred to stage 2	0	- 50	2 477	-2 427	
-18	-48	66	0	Transferred to stage 3	0	120	- 45	- 75	
1 814	125	-47	1 892	Net change on present loans	65	- 24	-186	275	
5 463	1 140	123	6 726	New loans	6 165	16	1 150	4 999	
-4 296	-1 115	-150	-5 561	Derecognised loans	-5 381	- 17	- 988	-4 376	
38 926	6 741	519	46 187	Gross loan assessed at amortised cost 30.06	48 452	392	8 451	39 608	

PARENT BANK

30.06.2022				NOK MILLION		30.06.2023			
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	
393	-393	-0	-0	Transferred to stage 1	0	- 17	- 406	423	
-491	497	-5	0	Transferred to stage 2	0	- 1	796	- 794	
-16	-16	32	0	Transferred to stage 3	0	20	- 8	- 12	
-106	34	-1	-74	Net change on present loans	- 40	- 5	- 10	- 25	
6 362	854	12	7 228	New loans	10 376	1	1 311	9 065	
-8 542	-1 184	-7	-9 733	Derecognised loans	-5 322	- 11	- 781	-4 529	
14 415	2 213	71	16 700	Gross loan through other comprehensive income 30.06	20 565	51	3 115	17 400	

9. CUSTOMER DEPOSITS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.2022	30.06.2022	30.06.2023		30.06.2023	30.06.2022	31.12.2022
32 149	32 860	33 156	Retail customers	33 182	32 864	32 156
10 732	10 751	12 500	Public administration	12 510	10 752	10 734
933	893	1 082	Primary industry	1 083	893	933
1 870	2 057	1 855	Manufacturing industry	1 857	2 058	1 870
761	820	757	Real estate development	757	802	756
1 723	1 550	1 573	Building and construction industry	1 575	1 550	1 724
3 488	3 875	3 338	Property management	3 297	3 876	3 489
746	666	507	Transport	508	667	746
1 567	1 308	1 236	Retail trade	1 237	1 308	1 567
286	291	302	Hotel and restaurant	302	291	286
171	165	145	Housing cooperatives	146	165	171
4 358	4 979	5 486	Financial/commercial services	5 491	4 979	4 359
6 773	6 883	6 838	Social services	6 843	6 884	6 774
31	131	556	Accrued interests	556	131	31
65 587	67 230	69 333	Total deposits from customers	69 343	67 220	65 596

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

10. LOANS TO CUSTOMERS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.2022	30.06.2022	30.06.2023		30.06.2023	30.06.2022	31.12.2022
25 851	27 196	30 471	Retail customers	81 493	79 587	80 709
256	403	311	Public administration	311	404	257
1 509	1 307	1 520	Primary industry	1 637	1 434	1 640
867	921	957	Manufacturing industry	1 014	992	940
4 655	4 171	4 732	Real estate development	4 734	4 138	4 624
1 716	1 590	1 893	Building and construction industry	2 194	1 913	2 043
21 823	21 265	22 274	Property management	22 251	21 335	21 890
404	401	429	Transport	510	504	494
1 673	1 593	1 432	Retail trade	1 558	1 723	1 817
379	400	391	Hotel and restaurant	410	431	411
1 628	1 499	1 839	Housing cooperatives	1 839	1 502	1 632
949	865	1 248	Financial/commercial services	1 532	1 159	1 285
5 733	5 917	5 901	Social services	6 320	6 322	6 163
245	163	0	Accrued interests*	0	210	332
67 689	67 691	73 398	Total gross loans	125 803	121 656	124 236
357	337	354	Impairment losses on lending**	373	353	385
67 332	67 355	73 043	Total net loans	125 430	121 303	123 852

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

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

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

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			30.06.2022	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortised cost								
389		389		Cash and receivables from central banks	389		389	
7 682		7 682		Loans to credit institutions	2 961		2 961	
45 857			45 857	Net loans to customers (floating interest rate)	116 499			116 499
Assets recognized at fair value								
4 804			4 804	Net loans to customers (fixed interest rate)	4 804			4 804
16 694			16 694	Net loans to customers (mortgages)				
19 976		19 976		Bonds and certificates	23 727		23 727	
204	8		197	Shares	204	8		197
929		929		Financial derivatives	1 316		1 316	
96 535	8	28 975	67 552	Total financial assets	149 900	8	28 393	121 500
Liabilities recognized at amortised cost								
4 266		4 266		Liabilities to credit institutions	3 581		3 581	
67 230			67 230	Deposits from customers	67 220			67 220
8 450		8 349		Liabilities from issue of securities	56 873		56 660	
4 484		4 395		Senior non-preferred	4 484		4 395	
1 655		1 634		Subordinated loan capital	1 655		1 634	
Liabilities recognized at fair value								
757		757		Financial derivatives	2 038		2 038	
86 842	0	19 400	67 230	Total financial liabilities	135 851	0	68 307	67 220

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

Movement level 3

GROUP

NOK million	Net loans to customers	Of which credit risk	Shares
Recognized value as at 01.01.2022	5 003	50	184
Acquisitions Q1 and Q2	511		10
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-208	- 9	2
Disposals Q1 and Q2	-502		-
Recognized value as at 30.06.2022	4 804	41	197
Acquisitions Q3 and Q4	233		3
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-15	-38	-3
Disposals Q3 and Q4	-487		
Recognized value as at 31.12.2022	4 535	3	197
Acquisitions Q1 and Q2	384		5
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-97	- 2	- 2
Disposals Q1 and Q2	-442		
Recognized value as at 30.06.2023	4 381	0	199

PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares
Recognized value as at 01.01.2022	24 278	50	184
Acquisitions Q1 and Q2	511		10
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 208	- 9	2
Disposals Q1 and Q2	-3 083		-
Recognized value as at 30.06.2022	21 498	41	197
Acquisitions Q3 and Q4	233		3
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-15	-38	-3
Disposals Q3 and Q4	-1 636		
Recognized value as at 31.12.2022	20 081	3	197
Acquisitions Q1 and Q2	5 384		5
Of which, transferred from level 1 or 2			
Change in value recognized during the period	- 97	- 2	- 2
Disposals Q1 and Q2	- 443		-
Recognized value as at 30.06.2023	24 925	0	199

Sensitivity analysis

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

GROUP / PARENT BANK

NOK million	30.06.2023	30.06.2022	31.12.2022
Loans to customers	18	19	19
- of which loans to corporate market (CM)	1	1	1
- of which loans to retail market (RM)	17	18	18

12. FINANCIAL DERIVATIVES, COLLATERAL RECEIVED AND OFFSETTING

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

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

GROUP							30.06.2023
NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net			
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount	
Derivatives - assets	2 658	0	2 658	532	2 040	86	
Derivatives - liabilities	-1 406	0	-1 406	- 532	15	- 889	
Net	1 252	0	1 252	0	2 055	- 804	

GROUP							30.06.2022
NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net			
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount	
Derivatives - assets	1 316	0	1 316	580	- 707	1 443	
Derivatives - liabilities	-2 038	0	-2 038	- 580	2	-1 460	
Net	- 722	0	- 722	0	- 705	- 17	

PARENT BANK							30.06.2023
NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net			
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount	
Derivatives - assets	1 355	0	1 355	414	769	173	
Derivatives - liabilities	-1 181	0	-1 181	- 414	15	- 782	
Net	174	0	174	0	784	- 610	

PARENT BANK							30.06.2022
NOK million	Gross carrying amount	Net presented *	Net financial assets in the balance sheet	Related amounts not presented net			
				Financial instruments - net settlements	Other collateral, received/pledged	Net amount	
Derivatives - assets	929	0	929	193	- 707	1 443	
Derivatives - liabilities	- 757	0	- 757	- 193	2	- 566	
Net	172	0	172	0	- 705	877	

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

13. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

Debt securities - Group

NOK million	30.06.2023	30.06.2022	31.12.2022
Bonds, nominal value	62 599	58 476	65 287
Value adjustments	-3 035	-1 743	-2 736
Accrued interest	300	141	207
Debt incurred due to issuance of securities	59 864	56 873	62 758

Change in debt securities - Group

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	30.06.2023
Bonds, nominal value	65 287	0	-5 220	2 532	62 599
Value adjustments	-2 736			- 299	-3 035
Accrued interest	207			93	300
Debt incurred due to issuance of securities	62 758	0	-5 220	2 326	59 864

Debt securities - Parent bank

NOK Million	30.06.2023	30.06.2022	31.12.2022
Bonds, nominal value	9 550	8 527	9 550
Value adjustments	- 218	-160	-132
Accrued interest	104	84	59
Debt incurred due to issuance of securities	9 436	8 450	9 477

Change in debt securities - Parent bank

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	30.06.2023
Bonds, nominal value	9 550	0	0	0	9 550
Value adjustments	- 132			- 85	- 218
Accrued interest	59			45	104
Debt incurred due to issuance of securities	9 477	0	0	- 41	9 436

Change in subordinated capital - Parent bank and Group

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	30.06.2023
Subordinated loans	1 650	700	- 390		1 960
Value adjustments	3			- 8	- 5
Accrued interest	9			8	17
Total subordinated loan capital	1 662	700	- 390	0	1 972

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

NOK million	31.12.2022	Issued	Matured/ Redeemed	Other changes during the period	30.06.2023
Non-preferred senior debt	4 500	1 600	0	0	6 100
Value adjustments	- 31			- 61	- 92
Accrued interest	22			5	27
Total non-preferred senior debt	4 491	1 600	0	- 56	6 035

14. EQUITY CERTIFICATE HOLDERS

The 20 largest equity certificate holders as of 30.06.2023 were as follows:

	Number of	Share of		Number of	Share of
NAME	EC	EC-CAP. %	NAME	EC	EC-CAP. %
1. Sparebankstiftelsen Sparebanken Sør	34 027 792	81.60	11. Ottersland AS	100 000	0.24
2. EIKA utbytte VPF c/o Eika kapitalforv.	760 348	1.82	12. DNB Luxembourg S.A.	100 000	0.24
3. Pareto Invest Norge AS	317 309	0.76	13. MP Pensjon PK	85 523	0.21
4. Drangslund Kapital AS	302 107	0.72	14. Geir Bergskaug	83 203	0.20
5. Glastad Capital AS	200 000	0.48	15. Lombard Int Assurance S.A.	82 800	0.20
6. Wenaasgruppen AS	186 000	0.45	16. Gunnar Hillestad	74 600	0.18
7. Gumpen Bileiendom AS	174 209	0.42	17. Apriori Holding AS	72 575	0.17
8. KLP Gjensidige Forsikring	163 300	0.39	18. K.T. Brøvig Invest AS	72 000	0.17
9. Allumgården AS	151 092	0.36	19. Varodd AS	70 520	0.17
10. Hamjern Invest AS	140 099	0.34	20. Birkenes Sparebank	66 000	0.16
Total - 10 largest certificate holders	36 422 256	87.34	Total - 20 largest certificate holders	37 229 477	89.27

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

The equity certificate capital amounted to NOK 2 085 152 850 distributed over 41 703 057 equity certificates, each with a nominal value of NOK 50. At the reporting date, Sparebanken Sør owned 27 548 of its own equity certificates.

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

Credit risk

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

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

Market risk

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

Liquidity risk

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

Operational risk

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

Business risk

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

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

Quarterly trend in results

Profit (NOK million)	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Net interest income	732	712	683	609	555
Net commission income	108	86	115	107	106
Net income from financial instruments	0	-4	46	-69	-33
Income from associated companies	25	34	46	28	24
Other operating income	2	1	1	1	1
Total net income	867	828	892	677	654
Total operating expenses before losses	326	304	311	282	293
Operating profit before losses	541	525	581	395	361
Losses on loans, guarantees and undrawn credits	-9	-5	15	51	11
Profit before taxes	550	529	566	344	351
Tax expenses	123	67	98	77	77
Profit for the period	427	462	468	267	273

Profit as % of average assets

Net interest income	1.85 %	1.85 %	1.76 %	1.60 %	1.48 %
Net commission income	0.27 %	0.22 %	0.30 %	0.28 %	0.28 %
Net income from financial instruments	0.00 %	-0.01 %	0.12 %	-0.18 %	-0.09 %
Income from associated companies	0.06 %	0.09 %	0.12 %	0.07 %	0.06 %
Other operating income	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Total net income	2.19 %	2.15 %	2.30 %	1.78 %	1.75 %
Total operating expenses before losses	0.82 %	0.79 %	0.80 %	0.74 %	0.78 %
Operating profit before losses	1.37 %	1.36 %	1.50 %	1.04 %	0.97 %
Losses on loans, guarantees and undrawn credit	-0.02 %	-0.01 %	0.04 %	0.13 %	0.03 %
Profit before taxes	1.39 %	1.37 %	1.46 %	0.91 %	0.94 %
Tax expenses	0.31 %	0.17 %	0.25 %	0.20 %	0.21 %
Profit for the period	1.08 %	1.20 %	1.20 %	0.70 %	0.73 %

Key figures, income statement

Return on equity after tax (adjusted for hybrid capital)	11.0 %	12.5 %	12.8 %	7.1 %	7.2 %
Costs as % of income	37.6 %	36.7 %	34.8 %	41.6 %	44.8 %
Costs as % of income, excl. net income from financial instruments	37.6 %	36.5 %	36.7 %	37.8 %	42.7 %

Key figures, balance sheet

Total assets	160 610	154 406	157 435	150 879	151 803
Average total assets	159 000	156 100	154 000	151 000	150 000
Net loans to customers	125 430	124 558	123 852	122 713	121 303
Growth in loans as %, last 12 mths.	3.4 %	5.6 %	6.2 %	5.3 %	5.4 %
Customer deposits	69 343	66 857	65 596	65 368	67 220
Growth in deposits as %, last 12 mths.	3.2 %	3.3 %	3.9 %	0.3 %	1.8 %
Deposits as % of net loans	55.3 %	53.7 %	53.0 %	53.3 %	55.4 %
Equity (incl. hybrid capital)	16 095	15 857	15 779	15 486	15 165
Losses on loans as % of net loans, annualised	-0.03 %	-0.01 %	0.05 %	0.17 %	0.04 %

Other key figures

Liquidity reserves (LCR), Group	154 %	145 %	177 %	148 %	160 %
Liquidity reserves (LCR), Group- EUR	231 %	210 %	387 %	2 597 %	805 %
Liquidity reserves (LCR), Parent Bank	141 %	134 %	169 %	130 %	152 %
Common equity tier 1 capital ratio	17.1 %	17.1 %	17.1 %	17.5 %	17.4 %
Tier 1 capital ratio	18.5 %	18.7 %	18.5 %	18.9 %	18.9 %
Total capital ratio	21.0 %	21.1 %	20.7 %	21.1 %	21.2 %
Common equity tier 1 capital	14 084	13 888	13 653	13 569	13 388
Tier 1 capital	15 215	15 144	14 784	14 692	14 525
Net subordinated capital	17 272	17 097	16 518	16 412	16 245
Leverage ratio	9.2 %	9.2 %	9.1 %	9.2 %	9.0 %

Number of branches	31	31	35	35	35
Number of FTEs in banking operations	489	491	485	482	474

Key figures, equity certificates

Equity certificate ratio	40.0 %	40.0 %	40.0 %	40.0 %	40.0 %
Number of equity certificates issued	41 703 057	41 703 057	41 703 057	41 703 057	41 703 057
Profit per equity certificate (Parent Bank)	3.0	3.5	3.8	1.9	2.0
Profit per equity certificate (Group)	3.9	4.3	4.5	2.5	2.4
Dividend last year per equity certificate (Parent Bank)	143.1	139.2	141.0	138.6	135.2
Dividend paid last period per equity certificate	0.88	0.92	0.92	0.86	1.00
Book equity per equity certificate	126.0	128.0	129.5	119.0	134.5

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

Calculations

	Q2	Q1	Q4	Q3	Q2	30.06.	30.06.	31.12.
NOK million	2023	2023	2022	2022	2022	2023	2022	2022
Return on equity adjusted for hybrid capital								
Profit after tax	426	462	468	267	273	889	549	1.283
Interest on hybrid capital	-26	-16	-13	-11	-21	-42	-32	-56
Tax on hybrid capital	7	4	14			10		14
Profit after tax. incl. interest on hybrid capital	407	450	469	257	252	858	516	1.227
Opening balance. equity	15 857	15 779	15 486	15 165	15 163	16 095	14 941	14 941
Opening balance. hybrid capital	-1 210	-1 085	-1 085	-1 085	-1 335	-1 085	-1 335	-1 335
Opening balance. equity excl. hybrid capital	14 647	14 694	14 401	14 080	13 828	15 010	13 606	13 606
Closing balance. equity	16 095	15 857	15 779	15 486	15 165	16 095	15 165	15 779
Closing balance. hybrid capital	-1 085	-1 210	-1 085	-1 085	-1 085	-1 085	-1 085	-1 085
Closing balance. equity excl. hybrid capital	15 010	14 647	14 694	14 401	14 080	15 010	14 080	14 694
Average equity	15 976	15 818	15 632	15 325	15 164	16 095	15 053	15 360
Average equity excl. Hybrid capital	14 828	14 670	14 547	14 240	13 954	15 010	13 843	14 150
Return on equity	10.7 %	11.9 %	11.9 %	6.9 %	7.2 %	11.1 %	7.4 %	8.3 %
Return on equity. excl. hybrid capital	11.0 %	12.5 %	12.8 %	7.1 %	7.2 %	11.5 %	7.5 %	8.7 %
Net interest income. incl. interest on hybrid capital								
Net interest income. incl. interest on hybrid capital	732	712	683	609	555	1 444	1 076	2 368
Interest on hybrid capital	-20	-12	1	-11	-21	10	-32	-42
Net interest income. incl. interest on hybrid capital	713	700	684	598	535	1 454	1 044	2 326
Average total assets	159 000	156 100	154 000	151 000	150 000	157 293	148 194	149 042
As percentage of total assets	1.80 %	1.82 %	1.76 %	1.57 %	1.43 %	1.86 %	1.42 %	1.56 %
Profit from ordinary operations (adjusted earnings)								
Net interest income. incl. Interest on hybrid capital	713	700	674	598	535	1 454	1 044	2 326
Net commission income	108	86	115	107	106	194	195	417
Share of profit from associated companies	25	34	46	28	24	59	51	125
Other operating income	2	1	1	1	1	3	2	5
Operating expenses	326	304	311	282	278	630	552	1 145
Profit from ordinary operations (adjusted earnings). before tax	522	517	526	453	388	1 081	740	1 729
Losses on loans. guarantees and undrawn credits	- 9	- 5	15	51	11	- 14	8	74
Profit excl. finance and adjusted for non-recurring items	531	522	511	402	378	1 094	732	1 655
Tax (25 %) adjusted for tax. share of profit associated companies	106	102	114	93	88	259	170	375
Ordinary operations /adjusted earnings after losses and tax	425	419	397	309	289	836	562	1 280
Average equity. excl. hybrid capital	14 828	14 670	14 547	14 240	13 954	15 010	13 843	14 150
Return on equity. profit excl. finance and adjusted for non-recurring items	11.5 %	11.6 %	10.8 %	8.6 %	8.3 %	11.2 %	8.2 %	9.0 %
Average interest rates/margins								
Average lending rate RM (return)	4.54 %	4.33 %	3.79 %	2.86 %	2.52 %			
Average lending rate CM (return)	6.10 %	5.81 %	5.42 %	4.35 %	3.69 %			
Average deposit rate RM	1.78 %	1.60 %	1.10 %	0.58 %	0.41 %			
Average deposit rate CM	2.92 %	2.47 %	2.25 %	1.53 %	0.91 %			
Average 3-month NIBOR	3.89 %	3.33 %	3.31 %	2.39 %	1.36 %			
Lending margin RM (lending rate - 3-month NIBOR)	0.65 %	1.00 %	0.48 %	0.47 %	1.16 %			
Lending margin CM (lending rate - 3-month NIBOR)	2.21 %	2.47 %	2.12 %	1.97 %	2.33 %			
Deposit margin RM (3-month NIBOR - deposit rate)	2.11 %	1.73 %	2.21 %	1.81 %	0.95 %			
Deposit margin CM (3-month NIBOR - deposit rate)	0.97 %	0.86 %	1.06 %	0.86 %	0.45 %			
Interest-rate margin (lending rate – deposit rate)								
Interest-rate margin RM	2.76 %	2.74 %	2.69 %	2.28 %	2.10 %			
Interest-rate margin CM	3.18 %	3.35 %	3.18 %	2.83 %	2.78 %			

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

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

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

Sparebanken Sør's APMs and definitions

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

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

The Board of Directors and CEO of Sparebaken Sør hereby confirm that the bank and the group's financial statements for the first half of 2023 have been prepared in accordance with applicable accounting standards, and that the information provided in the financial statements provides a true and fair view of the company's assets, liabilities, financial position and overall results.

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

Kristiansand, 30. June 2023 / 14. August 2023

Knut Ruhaven Sæthre
Chairman

Mette Ramfjord Harv
Deputy Chairman

Merete Steinvåg Østby

Erik Edvard Tønnesen

Trond Randøy

Eli Giske

Jan Erling Tobiassen
Employee representative

Gunnhild Tveiten Golid
Employee representative

Geir Bergskaug
CEO