

Q1 2024



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Key figures Group

NOK million	Q1 2024	Q1 2023	31.12.2023
Income statement			
Net interest income	824	712	3 043
Net commission income	85	86	400
Net income from financial instruments	39	-4	3
Income from associated companies	5	34	99
Other operating income	3	1	29
Total net income	956	828	3 573
Total operating expenses before losses	330	304	1 297
Operating profit before losses			
Losses on loans, guarantees and unused credit	6	-5	49
Profit before taxes	620	529	2 227
Tax expenses	47	67	454
Profit for the period	573	462	1 773
Key figures. income statement			
Return on equity after tax (adjusted for hybrid capital)	14.4 %	12.5 %	11.3 %
Costs as % of income	34.5 %	36.7 %	36.3 %
Costs as % of income, excl. net income from financial instruments	36.0 %	36.5 %	36.3 %
Net interest income as % of average assets	2.07 %	1.85 %	1.91 %
Key figures. balance sheet			
Total assets	161 902	154 406	157 407
Average total assets	160 000	156 100	159 000
Net loans to customers	128 869	124 558	127 532
Growth in loans as % last 12 mths.	3.5 %	5.6 %	3.0 %
Customer deposits	70 527	66 857	69 272
Growth in loans as % last 12 mths.	5.5 %	3.3 %	5.6 %
Deposits as % of net loans	54.7 %	53.7 %	54.3 %
Equity (incl. hybrid capital)	16 862	15 857	16 752
Losses on loans as % of net loans. Annualised	0.02 %	-0.01 %	0.04 %
Other key figures			
Liquidity reserve (LCR) Group	150 %	145 %	156 %
Liquidity reserve (LCR) Group- Euro	239 %	210 %	310 %
Liquidity reserve (LCR) Parent Bank	134 %	134 %	146 %
Common equity tier 1 capital ratio	16.6 %	17.1 %	16.8 %
Tier 1 capital ratio	18.6 %	18.7 %	18.1 %
Total capital ratio	20.7 %	21.1 %	20.3 %
Total common equity tier 1 capital ratio	14 428	13 888	14 178
Tier 1 capital ratio	16 110	15 144	15 346
Net subordinated capital	17 967	17 097	17 193
Leverage ratio	9.3 %	9.2 %	9.0 %
Number of branches	31	31	31
Number of FTEs in banking operations	511	491	505
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)	4.6	3.5	15.7
Profit/diluted earnings per equity certificate (Group)	5.3	4.3	16.4
Proposed dividend last year per equity certificate	10.0	6.0	10.0
Paid out dividend last year per equity certificate			6.0
Book equity per equity certificate	145.2	139.2	149.9
Price/book equity per equity certificate	0.96	0.92	0.96
Listed price on Oslo Stock Exchange at end of period	139.0	128.0	144.0

Board of Director's report

General

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

The real estate brokerage activities are conducted through the subsidiary, Sørmegleren. General and personal insurance products are provided 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 Q1 2024

- Very good growth in net interest income
- Stable commission income
- Positive result from financial assets
- Very low cost-income ratio
- Very low losses on loans and continued low defaults
- Return on equity after tax for the quarter at 14.4 percent.
- Profit per equity certificate at NOK 5.3
- Common equity tier 1 (CET1) ratio at 16.6 percent and a leverage ratio at 9.3 percent



Return on equity

14.4%

Q1 2024



Cost-income ratio

34.5%

Q1 2024



Net interest income

824

NOK million

Financial framework conditions

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

High price growth and increased interest rates have dampened household purchasing power and suppressed activity in the Norwegian economy. At the same time, high energy prices and a weak exchange rate have led to significant activity in the energy sector, including the supplier industry. This has resulted in continued high employment and a tight labor market with high wage growth. The key policy rate was kept steady at 4.5 percent in the first quarter of 2024. Price growth remains high and well above the target of 2 percent. The forecasts from Norges Bank (Norges Bank is the central bank of Norway and shall promote economic stability in Norway) indicates that the key policy rate is likely to be kept at this level for some time, possibly until the end of 2024. The actual interest rate setting will further depend on economic developments.

The development of credit spreads in the bond markets was somewhat mixed in the first quarter of 2024. Spreads decreased for most of the types of bonds the bank finances itself with, for the first quarter. The exception was for subordinated loans, where spreads increased slightly. For the liquidity portfolio, spreads decreased for senior bonds, while spreads for very secure bonds (zero weights) increased by around 2 basis points.

The year-on-year growth in domestic gross debt to the public, K2, was 3.5 percent at the end of March 2024. The growth in credit to households and businesses was 3.0 percent and 2.7 percent, respectively.

Sustainability (ESG)

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

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

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

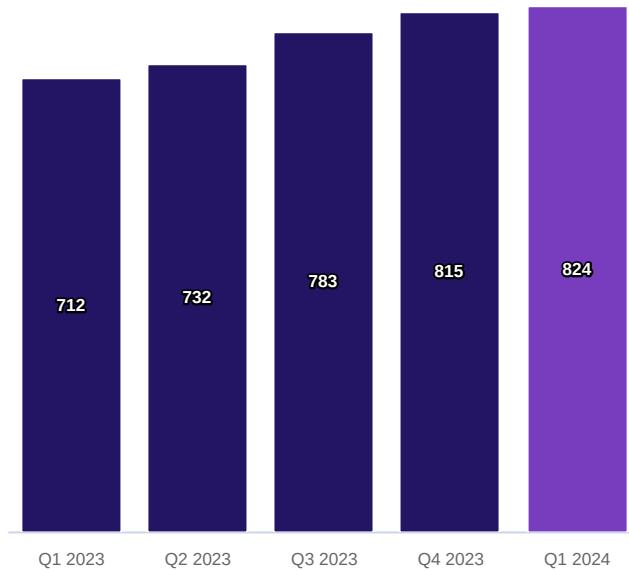
For more comprehensive information about the bank's sustainability efforts, please refer to the dedicated sustainability report for 2023, published on www.sor.no. Starting with the 2024 annual financial statements, sustainability will be an integral part of the financial reporting.

Earnings

Profit before tax amounted to NOK 620 million in Q1 2024, compared with NOK 529 million in the same period in 2023. Return on equity after tax amounted to 14.4 percent in Q1 2024, compared with 12.5 percent in the same period in 2023.

Net Interest Income

Quarterly net interest income (NOK million)

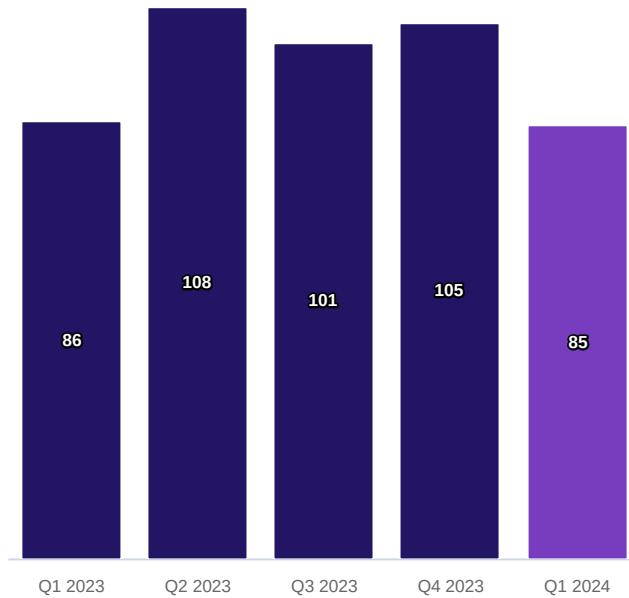


Net interest income totaled NOK 824 million in Q1 2024, compared with NOK 712 million in Q1 2023, an increase of NOK 113 million.

Net interest income increased by NOK 9 million from the 4th quarter of 2023. The main reason for the increase is related to interest rate changes that the bank has implemented in line with the rate hikes by Norges Bank. These changes have resulted in an improvement in the net interest margin for both retail and corporate customers in the 1st quarter. Following the latest rate hike of 0.25 percentage points by Norges Bank in December, Sparebanken Sør decided to adjust the lending and deposit rates by up to 0.15 percentage points. This rate hike took full effect from February 21st, 2024. Due to the changes in interest rates, the Bank still expects some growth in net interest income in the next quarter. However, strong competition for mortgage and deposit customers is putting pressure on margins. This has led the Bank to anticipate a slight decrease in the interest margin (lending rate - deposit rate) in the upcoming quarters.

Commission Income

Quarterly net commission income (NOK million)



Net commission income totaled NOK 85 million in Q1 2024, compared with NOK 86 million in Q1 2023.

Gross commission income in Q1 2024 totaled NOK 111 million, compared with NOK 110 million in Q1 2023.

Commission income	Q1 2024	Q1 2023	Change
Payment services	51	45	6
Real estate brokerage	27	34	-7
Mutual fund	10	9	2
Insurance	14	13	1
Credit procurement and leasing	2	2	0
Other commission income	8	8	-1
Total	111	110	1

There has been a positive development in commission income from both payment services and mutual fund (Norne) and insurance (Frende). Credit brokerage (Brage) is at the same level as last year. Revenues from real estate brokerage (Sørmegleren) have decreased due to a lower activity in the housing market.

Financial instruments

Net income from financial instruments totaled NOK 39 million in Q1 2024, compared with NOK - 4 million in Q1 2023.

The largest movements are related to a positive contribution from the liquidity portfolio by the end of 2023 and continuing into the 1st quarter of 2024. The first half of 2023 was characterized by increased credit spreads, leading to a loss on the bank's liquidity portfolio. The liquidity portfolio amounted to NOK 26.3 billion as of March 31, 2024, and consists of highly liquid senior bonds and certificates issued by the government and municipalities. There has also been a net positive profit contribution from the share investments in Q1 2024.

Net income from financial instruments	Q1 2024	Q1 2023	Change
Bonds and certificates	13	-38	50
Shares incl. dividends	10	0	10
Fixed rate loans	1	0	2
Securities issued - hedge accounting	2	25	-23
Repurchase of issued bonds	0	0	0
Payment services (agio)	6	8	-1
Other financial instruments	7	2	5
Total	39	-4	43

The result effects related to hedge accounting mainly apply to value changes related to basis swaps. Basis swaps are used as instruments for interest and currency hedging of fixed-rate debt issued in euros. The value of basis swaps fluctuates due to market changes and is recognized continuously. These are hedging instruments, and over the instrument's maturity, market value changes are zero, assuming the bonds are held until maturity.

Income from associated companies

Sparebanken Sør has significant shareholdings in Frende Holding AS, Brage Finans AS and Balder Betaling AS. These investments are part of the bank's strategic focus aimed at offering more relevant, integrated, and sound solutions to our customers. It has also been important for diversifying the Group's sources of income.

Associated companies		Q1 2024	Q1 2023	Change
Frende Holding AS - 20,3 %	Share of profit	-2	11	-12
	Amortisation	-6	-6	0
Brage Finans - 27,6 %	Share of profit	12	18	-6
Balder Betaling - 23,0 %	Share of profit	0	11	-11
Total		5	34	-30

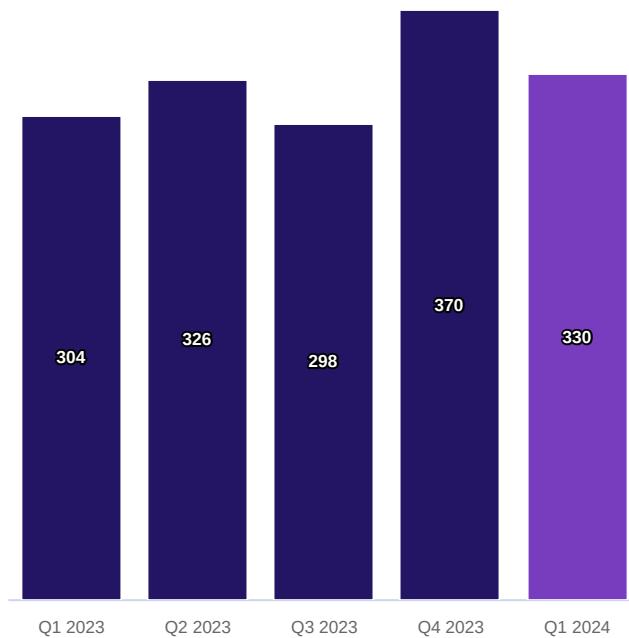
Sparebanken Sør has increased its ownership stakes in Frende Holding AS and Brage Finans AS by 0.4 percent and 2.7 percent respectively in the first quarter of 2024. The increase in ownership stakes is a result of the strategic focus in this area.

The profit share from Frende in the first quarter was negative. The insurance operations had a challenging year in 2023, which has continued into the beginning of 2024 with results impacted by large natural disasters and relatively many major claims. In connection with the gradual acquisition of shares in Frende Holding AS, goodwill has been identified and is being amortized over the expected lifespan as shown in the table.

The profit share from Brage Finans in the first quarter of 2024 was strongly impacted by an impairment for losses related to a one-time commitment, but otherwise the company can point to a strong quarter with growth in both revenue and portfolio.

Operating expenses

Quarterly operating expenses (NOK million)



Operating expenses totaled NOK 330 million in Q1 2024, an increase of NOK 26 million compared to the same period in 2023.

Operating expenses	Q1 2024	Q1 2023	Change
Wages and fees	142	133	9
Payroll tax	23	20	3
Financial tax	7	6	1
Pension costs	13	12	1
Other personnel costs	10	6	5
Total personnel costs	195	176	18
Depreciation, amortization and impairment of non-current assets	10	10	0
Marketing	10	11	-1
IT costs	70	65	5
Operating cost - real estate	8	8	0
External fees	5	3	2
Wealth tax	8	7	1
Other operating expenses	25	24	1
Total other operating expenses	125	117	8
Total Operating expenses	330	304	26

Personnel costs have increased over the past year. This is mainly due to higher wage growth, as well as the bank hiring more employees in the last 12 months. The bank has significantly strengthened its capabilities in analysis, risk management (IRB), compliance, and enhanced its salesforce in insurance. Additionally, there was a cost of NOK 3.9 million in the 1st quarter of 2024 related to an annual savings scheme for employees in the bank.

Other operating expenses are increasing mainly due to higher IT costs and external fees. Increased IT costs are driven by factors such as automation, digitalization of banking services, internal processes, resource-intensive regulations, and outsourcing of IT services. Investments in IT and a new data platform in general have been carried out with a clear ambition to result in a more efficient and profitable banking operation.

In the 1st quarter of 2024, costs as a percentage of income were 34.5 percent (36.7 percent). Costs as a percentage of income, excluding financial instruments, were 36.0 percent (36.5 percent).

Losses on non-performing loans

Net entry on losses on loans amounted to NOK 6 million in Q1 2024, compared to losses on loans of NOK 5 million in Q1 2023.

In the first quarter, a large non-performing loan, which had previously been subject to individually assessed impairment losses, was released from impairment, and moved to quarantine. The exposure was transferred to IFRS 9 models for calculating model-based impairment losses. This led to a significant entry on loss allowances in the quarter, followed by an increase in stage 3 model-based losses.

At the beginning of 2024, there has been a slight positive change in macroeconomic conditions affecting the framework for both business and personal customers. Loan rates appear to have stabilized, and inflation is on the decline. 2024 has seen a continued decline in new home sales, as well as a decrease in construction activities. However, there has been a positive price development in the housing market in the bank's main market area during the same period.

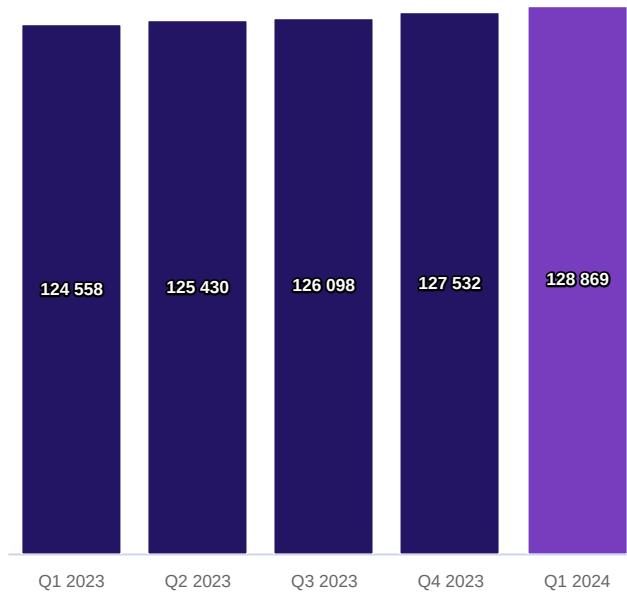
The expenses incurred due to losses in the first quarter increased due to changes in model-based provisioning. There have been no significant individual events leading to reported losses.

Total impairments for the Group amounted to NOK 474 million at the end of the first quarter of 2024, representing 0.37 percent of gross loans. The corresponding figures in the first quarter of 2023 were NOK 429 million and 0.34 percent of gross loans.

Non-performing commitments were at NOK 1 072 million at the end of the first quarter of 2024, up from NOK 714 million the previous year. And are almost unchanged from the end of 2023 and are back to pre-pandemic levels in 2019. The level of non-performing commitments remains low. Non-performing commitments accounted for 0.8 percent of gross loans (0.6 percent).

Loans

Loans in NOK million



Over the past 12 months net loans increased by NOK 4.3 billion to a total of NOK 128.9 billion, representing a growth of 3.5 percent. Growth in lending in Q1 2024 was NOK 1.3 billion, representing a growth of 4.2 percent. The bank is well-positioned for further profitable growth.

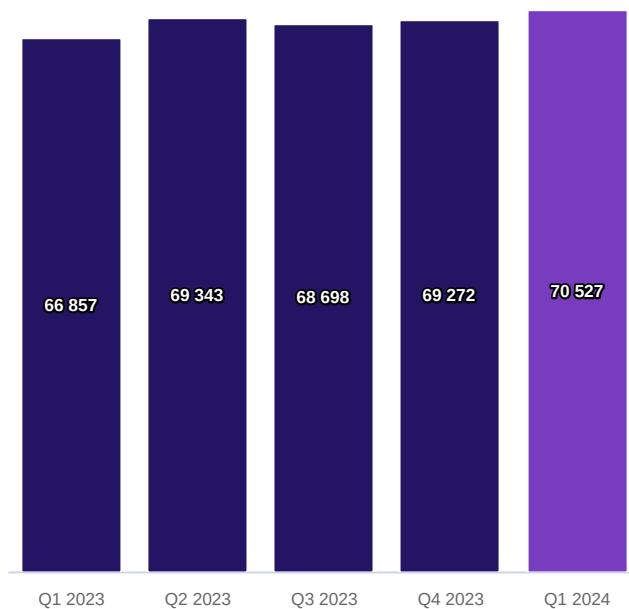
Gross loans to retail customers have increased by NOK 1.7 billion in the last twelve months to NOK 82.6 billion, a growth of 2.1 percent. The annualized loan growth in the first quarter of 2024 was 1.1 percent. The bank has an ambition to increase market share in the retail market and has a stated goal of achieving loan growth equivalent to credit growth in the region, plus 1 percentage point.

Gross loans to corporate customers have increased by NOK 2.7 billion over the past twelve months to NOK 46.7 billion, representing a growth of 6.0 percent. The annualized lending growth in the first quarter of 2024 was 9.8 percent. Growth within the corporate market is focused on profitability and will vary somewhat throughout the year.

Loans to retail customers accounted for 65.7 percent (65.5 percent) of total lending at the end of the first quarter of 2024.

Deposits

Deposits in NOK million



Over the past 12 months, customer deposits increased by NOK 3.7 billion to NOK 70.5 billion, a growth of 5.5 percent. Annualized deposit growth in Q1 2024 amounted to 7.3 percent.

Deposit from retail customers (excluding accrued interest) has increased by NOK 1.2 billion to NOK 33.3 billion in the last twelve months, representing a growth of 3.8 percent.

Deposit from corporate customers (excluding accrued interest) has increased by NOK 2.2 billion to NOK 36.7 billion in the last twelve months, showing a growth of 6.5 percent.

The deposit coverage ratio in Sparebanken Sør was 54.5 percent at the end of the first quarter of 2024, up from 53.7 percent at the same time the previous year.

Wholesale funding and liquidity portfolio

The Group has a strong liquidity position. The liquidity buffers are reassuring, and the maturity structure of the borrowings is well suited to the business. New long-term liquidity borrowings are taken up through the issuance of preferential bonds (OMF), senior debt, and subordinated senior debt. The Group has facilitated long-term funding in the international market through established EMTN programs.

The Group's bond debt (debt incurred through the issuance of securities) amounted to NOK 57.5 billion at the end of the first quarter of 2024, of which 88 percent was in the form of OMF. Long-term financing (maturity over 1 year) had an average maturity of 3.1 years at the end of the quarter.

2024 has been challenging due to international market unrest. Despite this, the Group issued new fund bonds (Additional Tier-1), with a total nominal value of NOK 500 million at favorable terms.

The Group's holdings of interest-bearing securities amounted to NOK 26.3 billion as of March 31, 2024. The Group's LCR (Liquidity Coverage Ratio) was 150.4 percent as of March 31, 2024 (134.2 percent in the mother bank). The Group has a high proportion of long-term financing, and the NSFR (Net Stable Funding Ratio) at the end of the quarter was 122.9 percent for the Group (118.9 percent in the mother bank), confirming a good liquidity position.

Rating

To be able to take advantage of financing opportunities, both internationally and from various investors, the bank has an international rating from Moody's, which is one of the world's most renowned rating agencies. In addition to the value of the rating result itself for the bank, the board considers that the rating process and maintenance of the rating also have value in terms of enhancing quality in various processes and procedures.

At the end of the first quarter of 2024, Sparebanken Sør had a long-term rating of A1 with a "Stable Outlook".

Sparebanken Sør Boligkredit AS had an A1 rating, and the same rating outlook as the parent bank at the end of the quarter.

All senior preferred bonds issued by Sparebanken Sør Boligkredit AS are rated by Moody's and have an AAA rating.

Subordinated capital and capital adequacy

At the end of Q1 2024, net subordinated capital totaled at NOK 18.0 billion. Total tier 1 capital totaled at NOK 16.1 billion and common tier 1 capital totaled at NOK 14.4 billion. The total capital ratio for the Sparebanken Sør Group was 20.7 percent, the tier 1 capital ratio was 18.6 percent, and the common equity tier 1 (CET) capital ratio was 16.6 percent. The calculations are based on the standard method in the Basel II regulations. Brage Finans AS is proportionally consolidated in accordance with the rules on cooperative groups.

The parent bank had a (total) capital ratio of 24.8 percent, a tier 1 capital ratio of 22.1 percent and a CET1 capital ratio of 19.7 percent at the end of Q1 2024.

The Group received the decision from Finanstilsynet (FSA) on April 30. regarding capital requirements under pillar 2 (SREP – Supervisory Review and Evaluation Process and Pillar 2). The decision is effective from May 31, 2024. The new pillar 2 requirement amounts to 1.6 percent of the pillar 1 calculation base, which is 0.1 percentage points lower than the current SREP decision from 2022 (1.7 percent). At least 56.25 percent must be covered by common equity tier 1 capital ratio, while 75 percent must be covered by tier 1 capital. Additionally, Finanstilsynet considers that the Group should have a capital requirement margin of 1.0 percent in form of total common equity tier 1 capital ratio above the total requirement for total common equity tier 1, tier 1 capital ratio, and total capital ratio.

The Group's internal target for common equity tier 1 capital ratio is now 16.2 percent.

The countercyclical capital buffer requirement amounted to 2.5 percent as of March 31, 2024. Norges Bank decided in March 2024 to maintain this requirement. The purpose of the countercyclical capital buffer is to make banks more resilient and prevent banks' credit practices from exacerbating an economic downturn.

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 is working to develop the Bank's risk management framework and modelling in a way that makes it possible to apply to the FSA for approval of an internal rating-based (IRB).

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. In April 2024, the EU Parliament adopted the revised regulations (CRR3/CRD6 and BRRD3) which will enter into force in the EU from January 1, 2025. The Ministry of Finance announced in December that they are working to facilitate the implementation of corresponding EEA regulations in Norway simultaneously with the rules being adopted in the EU. The Ministry of Finance has commissioned the Finanstilsynet to draft a consultation paper with a proposal for regulatory changes.

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.

Based on the composition of the Group's loan portfolio, it is expected that the new standard framework for credit risk will have a very positive impact for the Group. Based on known information about the framework and customer portfolios, the Bank has previously estimated that this could have a positive impact on the common equity tier 1 capital ratio of approximately 3.5 percentage points. There are still many details in the framework and its implementation in Norway that are not yet clarified, which could affect the final outcomes. This will, among other things, be related to any national specifications, and it is expected that Finanstilsynet will issue a consultation paper related to the Capital Requirements Regulation during end of May 2024.

The bank is working to develop the bank's risk management framework and modelling in a way that allows for seeking approval from the Finanstilsynet (Finanstilsynet is an independent government agency based on laws and decisions emanating from the Norwegian parliament), for the use of internal models in capital calculation (IRB-F). In terms of capital effects from transitioning to IRB-F, it is estimated that this could have a positive impact on the common equity tier 1 capital ratio of approximately 3.5 percentage points.

The bank considers that an IRB process with subsequent IRB approval of the risk models contains key elements that are important for the bank's development. This work is a top priority in the bank, and the process has progressed significantly, with the bank's ambition being to submit the IRB-F application during the 2nd half of 2024.

The Group's leverage ratio was 9.3 percent at the end of the 1st quarter of 2024, compared to 9.2 percent at the end of the 1st quarter of 2023. The bank's solvency is considered to be very satisfactory.

As a result of the Bank Recovery and Resolution Directive (BRRD), minimum requirements for the sum of subordinated capital and Minimum Requirement for own funds and Eligible Liabilities (MREL) have been introduced. This entails requirements for convertible and non-preferred debt for Sparebanken Sør. These requirements are determined by Finanstilsynet based on capital requirements and calculated from the currently applicable adjusted calculation basis. Based on capital requirements and adjusted calculation basis as of March 31st, 2024, the subordinated MREL requirement has been set at 35.9 percent and amounted to NOK 23.1 billion. The subordinated MREL requirement has been set at 28.9 percent and amounted to NOK 18.6 billion. By the end of the first quarter in 2024, the bank had issued a total of NOK 7.2 billion in senior non-preferred bonds (Tier 3).

The bank's equity certificates

As of March 31, 2024, the bank had issued 41 703 057 equity certificates.

The result (consolidated) per equity certificate amounted to NOK 5.3 per certificate in the 1st quarter, compared to NOK 4.3 per certificate in the same period the year before.

The ownership ratio was 40.0 percent at the end of the quarter and is to be maintained at 40.0 percent going forward. Hybrid capital (subordinated bonds), classified as equity, is excluded from the calculation of the ownership ratio.

Dividend policy

Sparebanken Sør aims to ensure that its shareholders achieve competitive returns through solid, stable, and profitable operations, in the form of dividends and capital appreciation on their equity certificates.

The profits will be distributed equally between equity capital holders (shareholders) and foundation capital in proportion to their share of equity. The ownership ratio will be maintained at 40 percent going forward.

It is the goal that approximately 50 percent of the Group's net profit after tax will be distributed as dividends. Dividends will be distributed through cash dividends to equity certificate holders, customer dividends to the bank's customers, and gifts in the regions where foundation capital has been built up. When determining dividends, consideration will be given to the potential for profitable growth, expected results in a normalized market situation, external conditions, future need for pure core capital, and the bank's strategic plans.

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 March 31st, 2024, the Bank had transferred NOK 54.9 billion to Sparebanken Sør Boligkreditt AS, equivalent to 66.4 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 had 96 employees in 17 locations. Sørmegleren has had a challenging 1st quarter in 2024. The total market significantly declined towards the end of 2023 and this trend has continued into 2024. Despite this, Sørmegleren has maintained its market share throughout the 1st quarter and is still considered the leading real estate broker in the region.

The result for the 1st quarter of 2024 was negative at NOK 10.6 million, compared to minus NOK 5.5 million in 2023. The decrease in results is mainly due to a loss of income as a result of reduced activity in the overall market where the broker operates. There is significant uncertainty regarding market developments for the rest of 2024. Sørmegleren is actively monitoring the situation and implementing measures as needed.

Sørlandet Forsikringssenter AS is a wholly owned subsidiary of the bank. The company represents a significant part of the sales force in insurance and is important for the Group's focus in this area.

Transitt Eiendom AS is a real estate company, where the bank owns 100 percent of the shares. The company is the parent company of Arendal Brygge AS and the subsidiary St. Ybes AS. Arendal Brygge AS

became a wholly owned company on December 31, 2023, and will be fully consolidated from 2024. The companies own property in the center of Arendal.

Frende Holding AS (ownership interest 20.3 percent) is the parent company of Frende Skadeforsikring AS and Frende Livsforsikring AS, which offers non-life and life insurance to private customers and businesses.

In the first quarter, Frende Holding AS reported a pre-tax loss of NOK 25.9 million, down from a profit of NOK 45.4 million in the same period the previous year. The start of 2024 has been characterized by high claim frequency related to frost and extreme weather, as well as natural disaster events for the non-life insurance business. The life insurance company had a very good start to the year in terms of underwriting performance, with a risk result above expectations, and both in NOK and loss ratio terms, better than in any first quarter over the past three years.

The financial result for the quarter was NOK 90 million, down from NOK 94 million in the same period in 2023. This represents a return of 1.7 percent on actively invested funds, compared to 1.6 percent in the same period last year.

Frende Skadeforsikring reported a pre-tax loss of NOK 72 million in the first quarter, down from a profit of NOK 45 million in the first quarter of 2023.

The company had a total of NOK 2 677 million (NOK 2 432 million) in premium income, distributed among over 172 100 customers. The market share at the end of the quarter was 3.3 percent. The claims ratio was at 99.9 percent (84.1 percent), and the company's combined ratio was at 119.5 percent (103.4 percent). In the quarter, there were net claims gains of NOK 18.7 million (net claims losses of NOK 32.1 million), adjusting for this, the claims ratio was at 102.9 percent (78.5 percent). The company had a challenging start to the year with high claim frequency and high natural disasters, in addition to large claims levels slightly higher than the previous year.

Frende Life Insurance had a pre-tax profit of NOK 48.1 million in the first quarter of 2024, compared to NOK 8.3 million in the first quarter of 2023. The premium income increased by NOK 83.6 million (NOK 52 million) in the first quarter, reaching NOK 754.5 million at the end of the quarter, up from NOK 667.9 million in the same period in 2023. The first quarter delivered a risk result above expectations and better than the same period in the previous three years. Both disability pension insurance and disability products in the Children and Youth product segment show improvement compared to the previous year.

Brage Finans AS (ownership interest 27.6 percent) is a nationwide financial services group that offers leasing and chattel mortgage loans to the corporate and consumer markets. The company operates from its headquarters in Bergen. Distribution of the company's products is done through owner banks, capital goods dealers, and its own sales force.

The profit share from Brage Finans in the first quarter of 2024 was strongly impacted by an impairment for losses related to an individual commitment, but otherwise the company can point to a strong quarter with growth in both revenue and portfolio. There has been good activity in Brage Finans' market areas, despite increased costs for both businesses and private customers throughout the previous year. Brage Finans has the most activity in the geographical market areas covered by the owner banks.

Profit before tax for the first quarter of 2024 amounted to NOK 65.1 million, compared to NOK 98.6 million in the same quarter of the previous year. The result yielded a return on equity (RoE) of 5.1 percent for the quarter, compared to 10.8 percent for the first quarter of 2023. Net interest income amounted to NOK 216.4 million for the quarter, compared to NOK 183.3 million in the first quarter of 2023, an increase of 18 percent.

As of 31.03.2024, Brage Finans had a gross loan portfolio of NOK 24.2 billion. This is an increase of 3.1 billion NOK (14 percent) compared to 31.03.2023. Balance sheet provisions amounted to NOK 256.6 million as of 31.03.2024, which was equivalent to 1.06 percent of the gross loan portfolio.

In the first quarter of 2024, Brage Finans established a syndicated certificate for NOK 2 billion with several of its owner banks and issued a new bond loan of NOK 200 million to support the company's positive development and further growth.

Norne Securities AS (owned by a 15.1 percent stake) is a securities firm owned by savings banks. The company offers investment services to corporate and private markets.

In the first quarter of 2024, Norne had a pre-tax loss of NOK -1.1 million, compared to a profit of NOK 0.3 million in the same quarter of 2023.

Capital markets have been, and continue to be, characterized by high interest rates, price growth, and geopolitical unrest. Due to increased risk and uncertainty in pricing, some Investment Banking projects have been postponed in the first quarter. However, new and important projects have been initiated and are expected to be completed throughout the year. Customer activity in stock and fund trading remains at a good level. In the retail market, Norne is developing its services in close collaboration with banks as distribution partners. Within the fund area, Norne offers a fund platform used by 24 banks, providing significant economies of scale for the banks.

Norne Securities is well positioned for further growth and has a high level of ambition. The company's strategic ambition is to be a leading provider of all relevant capital market services for savings banks and their customers. In collaboration with the company's owners, several opportunities are now being explored to further develop the company's business areas.

Balder Betaling AS (ownership stake 23.0 percent) is owned by Sparebanken Sør along with 20 other savings banks. The company has an ownership stake of 10.49 percent in Vipps Holding AS, with the goal of further developing Vipps together with other owners. As a result, Sparebanken Sør has an indirect ownership stake in Vipps Holding AS of 2.41 percent.

Outlook

The interest rate is expected to remain at a high level throughout 2024. We can now see the effects of the high interest rate starting to take hold, and many companies anticipate a decrease in activity going forward. In the construction sector, we are already witnessing a significant decline in activity levels, and it will take some time before new large-scale projects are initiated. However, we are observing a divided business sector, with the energy sector (supply industry to the petroleum sector as well as renewable energy industries) experiencing good prices and high activity levels, while other sectors are struggling with high prices, interest rates, and wage costs. In the bank's main market area, we have a strong presence of the energy industry, which contributes to slightly more positive expectations compared to the rest of the country.

There is more uncertainty than usual regarding the consequences for customers, and how both individuals and companies will react to a sustained higher cost level. Wage growth in 2023 ended at 5.2 percent and has contributed to driving up price inflation. The front-line settlement provided a framework of 5.2 percent in 2024, which could further increase price pressures.

Despite this, the board considers the Group to be well positioned for continued growth and profitability. The Group has good earnings, low losses, is well capitalized, and well positioned to withstand any potentially more challenging developments in the Norwegian economy.

The Group has board-approved guidelines, which ensure that refinancing in the bond market is normally completed well before the final debt maturity. This has contributed to a solid financing situation. The Group has low risk in the loan portfolio, and high loss-absorbing capacity through a high equity ratio. The Group is run very cost-effectively and has a strong underlying business.

The property prices in the Group's main markets have shown a positive, but moderate development over several years. The statistics as of the 1st quarter of 2024 showed a continued strong development.

The Group has a long-term ambition for loan growth to exceed credit growth, and an internal goal of a return on equity of over 12 percent by the end of 2025.

In line with the approved strategy, the Group will focus heavily on cost development and long-term value creation. The Group's investments in technology will continue, and will contribute to cost-effective operations, as well as enable streamlining of the office structure. Together with high quality in credit work, this will contribute to continued profitable growth and development.

Events after the reporting period

There have been no significant events after March 31st, 2024, that affect the quarterly accounts.

Kristiansand, 6. May 2024



Knut Ruhaven Sæthre
Chairman



Mette Ramfjord Harv
Deputy Chairman



Merete Steinvåg Østby



Erik Edvard Tønnesen



Trond Randøy



Eli Giske



Hans Arthur Frigstad



Tina Maria Kvale



Geir Bergskaug
CEO



Income statement

PARENT BANK			NOK million		GROUP		
31.12. 2023	Q1 2023	Q1 2024		Notes	Q1 2024	Q1 2023	31.12. 2023
4 406	954	1 246	Interest income effective interest method	<u>4</u>	1 990	1 509	6 913
1 008	194	333	Other interest income	<u>4</u>	360	245	1 178
2 843	556	899	Interest expenses	<u>4</u>	1 526	1 042	5 048
2 572	593	681	Net interest income	<u>4</u>	824	712	3 043
459	103	110	Commission income		111	110	509
123	29	30	Commission expenses		26	24	109
336	74	80	Net commission income		85	86	400
252		20	Dividend		20		2
-7	-25	19	Net income from other financial instruments		19	-4	0
245	-25	39	Net income from financial instruments		39	-4	3
99	34	5	Income from associated companies		5	34	99
14	2	3	Other operating income		3	1	29
113	36	7	Total other income		8	36	128
694	85	126	Total net other income		131	117	530
3 266	678	807	Total net income		956	828	3 573
613	141	161	Wages and other personnel expenses		195	176	757
38	10	9	Depreciation, amortization and impairment of non-current assets		10	10	47
472	109	117	Other operating expenses		125	117	493
1 123	259	287	Total operation expenses before losses		330	304	1 297
2 143	419	520	Operating profit before losses		626	525	2 276
53	-3	2	Losses on loans, guarantees and undrawn credit	<u>5</u>	6	-5	49
2 089	422	518	Profit before taxes	<u>2</u>	620	529	2 227
388	42	21	Tax expenses		47	67	454
1 701	380	497	Profit for the period		573	462	1 773
			Minority interests		-1	-0	1
1 701	380	497	Majority interests		574	462	1 772
61	12	18	Attributable to additional Tier 1 capital holders		18	12	61
1 640	368	478	Attributable to ECC-holders and to the primary capital		555	450	1 711
1 701	380	497	Profit for the period		574	462	1 772
15.7	3.5	4.6	Profit/diluted earnings per equity certificate (in whole NOK)		5.3	4.3	16.4

Statement of comprehensive income

PARENT BANK			NOK million		GROUP		
31.12. 2023	Q1 2023	Q1 2024		Notes	Q1 2024	Q1 2023	31.12. 2023
1 701	380	497	Profit for the period		574	462	1 772
			Change in value, basis swaps		-24	-3	-119
-0	-1	-1	Change in the value of residential mortgages				
	0	0	Tax effect		5	1	26
-0	-1	-0	Total other comprehensive income		-19	-3	-93
1 701	379	496	Comprehensive income for the period		554	460	1 680
			Minority interests		-1	-0	1
1 701	379	496	Majority interests		555	460	1 679
15.7	3.5	4.6	Comprehensive income/diluted earnings per equity certificate		5.1	4.3	15.5

Balance sheet

PARENT BANK				NOK million			
31.12. 2023	Q1 2023	Q1 2024	ASSETS	Notes	Q1 2024	Q1 2023	31.12. 2023
604	471	220	Cash and receivables from central banks	<u>11</u>	220	471	604
5 012	6 096	5 199	Loans to credit institutions	<u>11</u>	921	2 173	468
71 815	70 782	74 046	Net loans to customers	<u>2,6,7,8,10,11</u>	128 869	124 558	127 532
21 998	19 023	23 480	Bonds and certificates	<u>11</u>	26 317	22 862	24 156
235	232	229	Shares	<u>11</u>	231	232	235
931	887	1 069	Financial derivatives	<u>11,12</u>	2 751	1 777	2 002
2 823	2 816	3 223	Shareholding in group companies		-0	-0	-0
1 537	1 472	1 644	Shareholding in associated companies		1 644	1 472	1 537
102	77	107	Intangible assets		118	86	114
451	439	451	Property, plant and equipment		520	467	527
375	145	440	Other assets		311	307	233
105 882	102 439	110 109	TOTAL ASSETS	<u>2.11</u>	161 902	154 406	157 407
LIABILITIES AND EQUITY CAPITAL							
3 643	3 369	5 836	Liabilities to credit institutions	<u>11</u>	5 307	3 243	3 530
69 289	66 852	70 540	Deposits from customers	<u>2,9,11</u>	70 527	66 857	69 272
6 991	9 499	6 987	Liabilities related to issue of securities	<u>11,13</u>	57 470	59 159	56 724
783	776	883	Financial derivatives	<u>11,12</u>	894	1 341	922
391	85	246	Payable taxes		360	101	496
1 635	1 392	1 518	Other liabilities		1 397	1 286	610
138	131	139	Provisions for commitments		139	131	138
40	11	47	Deferred tax		20	46	23
7 177	4 500	7 163	Senior non-preferred	<u>11</u>	7 163	4 500	7 177
1 763	1 885	1 762	Subordinated loan capital	<u>11,13</u>	1 762	1 885	1 763
91 850	88 500	95 123	Total liabilities		145 040	138 549	140 655
5 179	4 945	5 186	Equity certificate capital	<u>14</u>	5 186	4 945	5 596
1 085	1 210	1 545	Hybrid capital		1 545	1 210	1 085
7 768	7 784	8 255	Other equity		10 132	9 701	10 071
14 032	13 940	14 986	Total equity	<u>3.14</u>	16 862	15 857	16 752
105 882	102 439	110 109	TOTAL LIABILITIES AND EQUITY	<u>2.11</u>	161 902	154 406	157 407

Kristiansand, 6. May 2024



Knut Ruhaven Sæthre
Chairman



Mette Ramfjord Harv
Deputy Chairman



Merete Steinvåg Østby



Erik Edvard Tønnesen



Trond Randøy



Eli Giske



Hans Arthur Frigstad



Tina Maria Kvale



Geir Bergskaug
CEO

Cash flow statement

PARENT BANK			NOK million			GROUP		
31.12. 2023	Q1 2023	Q1 2024				Q1 2024	Q1 2023	31.12. 2023
5 163	1 071	1 503	Interest received			2 306	1 688	7 891
-2 672	-260	-551	Interest paid			-1 226	-787	-4 946
320	89	47	Other payments received			87	98	389
-1 031	-300	-348	Operating expenditure			-342	-307	-1 187
-10	2	2	Loan recoveries			2	3	-10
-317	-296	-161	Tax paid for the period			-181	-345	-360
-117	-40	-40	Gift expenditure			-40	-40	-117
-5	-3	-0	Fraud cases paid			-0	-3	-5
-4		20	Change in other assets			20		-4
3 596	1 005	880	Change in customer deposits			883	1 001	3 571
-4 352	-3 409	-2 213	Change in loans to customers			-1 320	-663	-3 507
808	536	2 193	Change in deposits from credit institutions			1 777	486	772
1 379	-1 603	1 333	Net cash flow from operating activities			1 966	1 131	2 487
17 737	9 867	1 331	Payments received, securities			-	9 867	17 737
-23 210	-12 503	-2 789	Payments made, securities			-2 130	-9 896	-18 917
15			Payments received, sale of property, plant and equipment					15
-101	-24	-9	Payments made, purchase of property, plant and equipment			-13	-25	-102
70			Payments received, investments in subsidiaries and associates					70
-75	-2	-503	Payments made, investments in subsidiaries and associates			-102		-71
22	28	-24	Change in other assets			-26	21	3
5 200	4 116	-187	Change in loans to credit institutions			-453	4 025	5 730
-342	1 482	-2 180	Net cash flow from investing activities			-2 725	3 992	4 467
-750	-750		Change in deposits from credit institutions				-750	-750
-2 500	0	0	Payments made, bond debt			0	-5 220	-8 420
-558	-16	-25	Payments made, dividends and interest on hybrid capital			-25	-16	-558
2 600	0	-0	Issue of senior non-preferred			-0	0	2 600
700	400		Issue of subordinated loan capital				400	700
-600	-182	-0	Deduction of subordinated loan capital			0	-182	-600
75	352	-12	Change in other liabilities			-65	323	53
125		460	Issue of hybrid capital			460		125
45	85	-106	Change in financial derivative assets			-45	1 336	1 819
-9	-9	133	Change in financial derivative debt			37	-1 255	-1 758
-125	125		Buyback of hybrid capital				125	-125
-12	-3	-4	Payments of rental obligations			-4	-3	-12
			Payments received of own equity certificates			16		
-14		17	Payments of own equity certificates					-13
-1 023	2	464	Net cash flow from financing activities			375	-5 241	-6 939
14	-119	-383	Net change in liquid assets			-384	-118	14
590	590	604	Cash and cash equivalents as at 1 Jan			604	590	590
604	471	220	Cash and cash equivalents at end of period			220	471	604

Statement of change in equity

GROUP NOK million	Equity certificates	Premium Fund	Dividend equalization-fund	Hybrid capital	Primary capital	Gift fund	Other equity	Minority interests	TOTAL
Balance 31.12.2022	2 084	2 068	1 043	1 085	7 417	415	1 663	4	15 779
Dividend distributed for 2022			-250						-250
Profit Q1 2023				16			447		462
Interest paid, hybrid capital				-16					-16
Calculated tax on interest hybridcapital							4		4
Issuance of hybrid capital				125					125
Other comprehensive income							-3		-3
Allocated gift fund						-246			-246
Other changes							2	-1	1
Balance 31.03.2023	2 084	2 068	793	1 210	7 418	169	2 112	3	15 857
Profit Q2-Q4 2023			648	66	346	625	-375		1 311
Interest paid, hybrid capital				-66					-66
Calculated tax on interest hybridcapital			8		12		-4		16
Buyback of hybrid capital				-125					-125
Other comprehensive income							-90		-90
Allocated gift fund						94			94
Distributed customer dividends						-227			-227
Purchase of own equity certificates	-5		0		-8				-13
Other changes							-5		-5
Balance 31.12.2023	2 079	2 068	1 449	1 085	7 768	662	1 639	3	16 752
Dividend distributed for 2023			-417						-417
Profit Q1 2024				25			549		574
Interest paid, hybrid capital				-25					-25
Calculated tax on interest hybridcapital							6		6
Issuance of hybrid capital				460					460
Other comprehensive income*							-19		-19
Allocated gift fund						-480			-480
Purchase of own equity certificates	6		1		10				16
Other changes							-6	1	-5
Balance 31.03.2024	2 084	2 068	1 033	1 545	7 777	182	2 169	4	16 862

* Basic adjustments to interest and currency swaps were NOK -29.1 million as of 1.1.2024 and NOK -47.9 million as of 31.03.2024. The adjustment is included as part of other equity.

PARENT BANK									
NOK million	Equity certificates	Premium Fund	Dividend equalization-fund	Hybrid capital	Primary capital	Gift fund	Other equity	Minority interests	TOTAL
Balance 31.12.2022	2 084	2 068	793	1 085	7 417		-		13 448
Profit Q1 2023				16			364		380
Interest paid, hybrid capital				-16					-16
Calculated tax on interest hybridcapital							4		4
Issuance of hybrid capital				125					125
Other comprehensive income					-1				-1
Balance 31.03.2023	2 084	2 068	793	1 210	7 416	368			13 940
Profit Q2-Q4 2023			648	66	972		-364		1 321
Interest paid, hybrid capital				-66					-66
Calculated tax on interest hybridcapital			8	-	12		-4		16
Allocated dividends **			-417		-417				-834
Allocated gifts					-208				-208
Buyback of hybrid capital				-125					-125
Other comprehensive income			0						0
Purchase of own equity certificates	-5				-8				-13
Balance 31.12.2023	2 079	2 068	1 032	1 085	7 768	-	-0	-	14 032
Profit Q1 2024				25			472		497
Interest paid, hybrid capital				-25					-25
Calculated tax on interest hybridcapital							6		6
Issuance of hybrid capital				460					460
Other comprehensive income							-1		-1
Purchase of own equity certificates	6		1		10				16
Balanse 31.03.2024	2 084	2 068	1 033	1 545	7 777	477			14 986

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

Notes

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 2023. There are no new standards applicable for 2024 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 and the subsidiary Sørlandets Forsikringssenter AS. 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 2023 (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. In 2023, there where major turmoil and fluctuations in the financial market. At the end of Q1 2024, there is still uncertainty in the market resulting from the war in Ukraine, unrest in the Middle East, the election in the US and the tensions between the US and China. High price growth and increased interest rates have suppressed household purchasing power and reduced activity in the Norwegian economy.

The model used to calculate future credit losses contains forward-looking macro data and must take future events into account. In the event of changes in business cycles or macro conditions, relevant parameters in the model must be changed accordingly.

Macro parameters and measures that have been used as input in the loss model is presented in [note 5](#).

2. Segment reporting

Report per segment	BANKING BUSINESS				31.03.2024	
Income statement (NOK million)	RM	CM	Undistrib. and elimin.	Total banking business	Sørmegleren	Total
Net interest and commision income	353	318	153	824	-0	824
Net other operating income	30	27	45	102	29	131
Operating expenses	150	50	91	290	40	330
Profit before losses per segment	234	295	108	637	-11	626
Losses on loans and guarantees	1	7	-1	6		6
Profit before tax per segment	233	288	109	631	-11	620
Gross loans to customers	85 567	44 005	-274	129 298		129 298
Impairment losses	-60	-369	0	-429		-429
Net loans to customers	85 507	43 636	-274	128 869		128 869
Other assets			32 936	32 936	97	33 033
Total assets per segment	85 507	43 636	32 662	161 805	97	161 902
Deposits from customers	34 638	28 896	6 992	70 527		70 527
Other liabilities	50 869	14 740	8 807	74 416	97	74 513
Total liabilities per segment	85 507	43 636	15 800	144 943	97	145 040
Equity			16 862	16 862		16 862
Total liabilities and equity per segment	85 507	43 636	32 662	161 805	97	161 902

Report per segment	BANKING BUSINESS				31.03.2023	
Income statement (NOK million)	RM	CM	Undistrib. and elimin.	Total banking business	Sørmegleren	Totalt
Net interest and commision income	338	296	78	712	-	712
Net other operating income	39	21	21	82	35	117
Operating expenses	125	40	97	263	41	304
Profit before losses per segment	252	278	1	530	-6	525
Losses on loans and guarantees	14	-20	1	-5		-5
Profit before tax per segment	237	298	-0	535	-6	529
Gross loans to customers	83 537	41 574	-875	124 236		124 236
Impairment losses	-74	-310	706	322		322
Net loans to customers	83 462	41 265	-169	124 558		124 558
Other assets			29 753	29 753	95	29 848
Total assets per segment	83 462	41 265	29 584	154 311	95	154 406
Deposits from customers	33 989	27 218	5 649	66 857		66 857
Other liabilities	49 473	14 046	8 077	71 597	95	71 692
Total liabilities per segment	83 462	41 265	13 727	138 454	95	138 549
Equity			15 857	15 857		15 857
Total liabilities and equity per segment	83 462	41 265	29 584	154 311	95	154 406

3. Subordinated capital and capital adequacy

PARENT BANK				NOK million		
31.12.2023	31.03.2023	31.03.2024		31.03.2024	31.03.2023	31.12.2023
14 032	13 940	14 986	Total equity	16 862	15 857	16 752
Tier 1 capital						
-1 085	-1 210	-1 545	Equity not eligible as common equity tier 1 capital	-1 682	-1 256	-1 168
0	-234	-292	Share of profit not eligible as common equity tier 1 capital	-489	-422	-1 079
-102	-77	-107	Deductions for intangible assets and deferred tax assets	-119	-87	-113
-47	-44	-50	Deductions for additional value adjustments	-34	-31	-32
-237	-212	-236	Other deductions	-110	-173	-182
12 561	12 164	12 756	Total common equity tier 1 capital	14 428	13 888	14 178
Other tier 1 capital						
1 085	1 210	1 545	Hybrid capital	1 682	1 256	1 168
13 646	13 374	14 301	Total tier 1 capital	16 110	15 144	15 346
Additional capital supplementary to tier 1 capital						
1 750	1 869	1 750	Subordinated loan capital	1 857	1 952	1 847
1 750	1 869	1 750	Total additional capital	1 857	1 952	1 847
15 396	15 242	16 051	Net subordinated capital	17 967	17 097	17 193
Minimum requirement for subordinated capital Basel II calculated according to standard method						
48	19	17	Engagements with local and regional authorities	19	20	49
1 029	1 128	1 124	Engagements with institutions	431	517	326
3 645	4 737	3 512	Engagements with enterprises	6 040	6 721	5 839
8 140	6 474	8 704	Engagements with mass market	12 432	9 529	11 568
34 102	34 473	35 009	Engagements secured in property	54 378	53 518	53 810
847	460	852	Engagements which have fallen due	1 096	692	1 046
1 854	1 404	1 861	Engagements which are high risk	1 862	1 404	1 855
1 313	6 582	1 426	Engagements in covered bonds	1 606	1 624	1 445
5 045	5 095	5 558	Engagements in collective investment funds	1 443	1 587	1 431
969	515	1 240	Engagements other	1 071	571	1 054
56 991	60 888	59 301	Capital requirements for credit and counterparty risk	80 378	76 185	78 423
4 974	4 364	5 130	Capital requirements for operational risk	5 672	4 937	5 642
141	8	182	CVA addition	717	8	575
62 106	65 259	64 614	Risk-weighted balance (calculation basis)	86 766	81 130	84 641
20.2 %	18.6 %	19.7 %	Common equity tier 1 capital ratio. %	16.6 %	17.1 %	16.8 %
22.0 %	20.5 %	22.1 %	Tier 1 capital ratio. %	18.6 %	18.7 %	18.1 %
24.8 %	23.4 %	24.8 %	Total capital ratio. %	20.7 %	21.1 %	20.3 %
12.3 %	8.4 %	12.6 %	Leverage ratio	9.3 %	9.2 %	9.0 %

PARENT BANK			NOK million	GROUP		
31.12.2023	31.03.2023	31.03.2024		31.03.2024	31.03.2023	31.12.2023
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 %
4.50 %	3.00 %	4.50 %	Systemic risk buffer	4.50 %	3.00 %	4.50 %
2.50 %	2.50 %	2.50 %	Counter-cyclical buffer	2.50 %	2.50 %	2.50 %
1.70 %	1.70 %	1.70 %	Pilar 2 requirements	1.70 %	1.70 %	1.70 %
14.96 %	14.20 %	14.96 %	CET1 requirements, incl. Pilar 2	14.96 %	14.20 %	14.96 %
16.78 %	15.70 %	16.78 %	Tier1 Capital requirements, incl. Pilar 2	16.78 %	15.70 %	16.78 %
19.20 %	17.70 %	19.20 %	Total capital requirements, incl. Pilar 2	19.20 %	17.70 %	19.20 %
9 291	9 267	9 666	CET1 requirements. incl. Pilar 2	12 980	11 520	12 662
10 421	10 246	10 842	Tier1 Capital requirements. incl. Pilar 2	14 559	12 737	14 203
11 924	11 551	12 406	Total capital requirements. incl. Pilar 2	16 659	14 360	16 251
3 270	2 897	3 090	Above CET1 requirements. incl. Pilar 2	1 448	2 368	1 516
3 224	3 128	3 459	Above Tier1 Capital requirements. incl. Pilar 2	1 551	2 407	1 144
3 471	3 691	3 645	Above total capital requirements. incl. Pilar 2	1 308	2 737	942

4. Interest income and interest expenses

PARENT BANK			NOK million	GROUP		
31.12.2023	Q1 2023	Q1 2024	Interest income	Q1 2024	Q1 2023	31.12.2023
<i>Interest income from financial instruments at amortised cost:</i>						
268	75	62	Interest on receivables from credit institutions	9	36	137
3 206	691	913	Interest on loans given to customers	1 981	1 473	6 776
3 474	766	975	Total interest from financial instruments at amortised cost	1 990	1 509	6 913
<i>Interest income from financial instruments at fair value through OCI:</i>						
933	188	271	Interest on loans given to customers (mortgages)	-	-	-
933	188	271	Total interest from financial instruments at fair value through OCI	-	-	-
4 406	954	1 246	Total interest income effective interest method	1 990	1 509	6 913
<i>Interest income from financial instruments at fair value:</i>						
130	32	33	Interest on loans given to customers (fixed rate loans)	33	32	130
878	163	300	Interest on certificates and bonds	326	214	1 048
1 008	194	333	Total interest from financial instruments at fair value through profit or loss	360	245	1 178
1 008	194	333	Total other interest income	360	245	1 178
5 414	1 149	1 580	Total interest income	2 350	1 754	8 091

PARENT BANK			NOK million	GROUP		
31.12.2023	Q1 2023	Q1 2024	Interest expenses	Q1 2024	Q1 2023	31.12.2023
<i>Interest expenses from financial instruments at amortised cost:</i>						
157	32	52	Interest on liabilities to credit institutions	48	32	154
1 795	346	602	Interest on customer deposits	602	346	1 795
428	96	99	Interest on issued securities	728	580	2 626
104	20	29	Interest on subordinated loans	29	20	104
304	47	105	Interest on senior non-preferred loans	105	47	304
55	14	13	Fees to the Norwegian Banks Guarantee Fund and other interest expenses	15	17	65
2 843	556	899	Interest expenses from financial instruments at amortised cost	1 526	1 042	5 048
2 843	556	899	Total interest expenses	1 526	1 042	5 048

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 2023 financial statements.

The macro view in the recent years has undergone significant changes. The fluctuations have been greater and more frequently, with the corona pandemic followed by a more uncertain macro view due to increased geopolitical tensions, high inflation, and rising interest rates. This continued beyond 2023 and has persisted so far in 2024. The Group's provision for losses on loans in the 1st quarter of 2024 is based on new assumptions as of March 31, 2024.

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.

In early 2024, there has been a slight positive change in macroeconomic conditions, which has implications for the conditions affecting both corporate customers and retail customers. Loan rates appear to have stabilized, with inflation on a downward trend. 2024 has seen a continued decline in new home sales, as well as a continued reduction in construction activities. However, there has been a positive development in the housing market in the Bank's primary market area in 2024.

The following macro variables have been used when calculating impairment losses, as of March 31, 2024:

	2024	2025	2026	2027	2028
Housing price %	2.9	6.2	7.7	6.5	6.5
Housing price region %	4.2	6.2	7.7	6.5	6.5
Unemployment %	4.1	4.2	4.2	4.2	4.2
Oil prices, USD	83.6	78.0	74.4	72.1	72.1
Policy rate	4.4	3.9	3.3	2.9	2.9
Import-weighted exchange rate	118.8	118.7	118.4	118.1	118.1
USD	10.5	10.5	10.5	10.4	10.4
CPI	3.8	2.7	2.6	2.3	2.3
Other collateral	0	0	0	0	0

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

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

GROUP				31.03.2024
Loan loss provisions NOK million		10 percent reduction in collateral	20 percent reduction in collateral	30 percent reduction in collateral
				1 percent increase in unemployment
Loan loss provisions, CM		80	178	294
Loan loss provisions, RM		23	52	87
Total		103	230	381
				15

PARENT BANK				31.03.2024
Loan loss provisions NOK million		10 percent reduction in collateral	20 percent reduction in collateral	30 percent reduction in collateral
				1 percent increase in unemployment
Loan loss provisions, CM		79	176	291
Loan loss provisions, RM		10	23	38
Total		90	199	329
				13

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

PARENT BANK			NOK million	GROUP		
31.12.2023	Q1 2023	Q1 2024	Loss expense on loans during the period	Q1 2024	Q1 2023	31.12.2023
19	13	1	Period's change in write-downs stage 1	1	11	16
22	-20	14	+Period's change in write-downs stage 2	17	-21	21
-3	4	-12	+Period's change in write-downs stage 3	-11	6	-4
6	0	0	+ Period's confirmed loss	0	0	6
14		0	+ Periodic amortization expense	0		14
10	3	2	- Period's recoveries relating to previous losses	2	3	10
5	2	1	+ Losses from fraud cases	1	2	5
53	-3	2	Loss expenses during the period	6	-5	49

GROUP NOK million	Stage 1	Stage 2	Stage 3	Total
	Expected losses in the next 12 months	Lifetime expected credit losses	Lifetime expected credit losses	
Provisions for loan losses as at 01.01.2024	124	221	124	470
Transfers				
Transferred to stage 1	26	-21	-5	0
Transferred to stage 2	-6	23	-17	-
Transferred to stage 3	-0	-11	11	-0
Losses on new loans	9	7	1	17
Losses on deducted loans *	-7	-7	-5	-19
Losses on older loans and other changes	-22	26	1	5
Provisions for loan losses as at 31.03.2024	125	238	111	474
Provisions for loan losses	110	224	96	429
Provisions for losses on guarantees and undrawn credits	15	14	15	45
Total provision for losses as at 31.03.2024	125	238	111	474

*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 NOK million	Stage 1	Stage 2	Stage 3	Total
	Expected losses in the next 12 months	Lifetime expected credit losses	Lifetime expected credit losses	
Provisions for loan losses as at 01.01.2024	116	209	121	446
Transfers				
Transferred to stage 1	23	-18	-5	-
Transferred to stage 2	-5	22	-17	-
Transferred to stage 3	-0	-11	11	-
Losses on new loans	9	7	1	16
Losses on deducted loans *	-6	-6	-4	-17
Losses on older loans and other changes	-20	21	-1	1
Provisions for loan losses as at 31.03.2024	116	223	107	446
Provisions for loan losses	101	209	92	402
Provisions for losses on guarantees and undrawn credits	15	14	15	44
Total provision for losses as at 31.03.2024	116	223	107	446

*Losses on deducted loans relate to losses on loans redeemed or transferred between the Bank and Sparebanken Sør Boligkredit 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 NOK million	Stage 1	Stage 2	Stage 3	Total
	Expected losses in the next 12 months	Lifetime expected credit losses	Lifetime expected credit losses	
Provisions for loan losses as at 01.01.2023	110	199	125	434
Transfers				
Transferred to stage 1	29	-25	-4	-
Transferred to stage 2	-3	7	-3	-0
Transferred to stage 3	-0	-1	1	-0
Losses on new loans	15	14	1	29
Losses on deducted loans *	-6	-15	-1	-22
Losses on older loans and other changes	-26	2	13	-11
Provisions for loan losses as at 31.03.2023	118	180	131	429
Provisions for loan losses	101	163	121	384
Provisions for losses on guarantees and undrawn credits	17	17	11	45
Total provision for losses as at 31.03.2023	118	180	131	429

*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 NOK million	Stage 1	Stage 2	Stage 3	Total
	Expected losses in the next 12 months	Lifetime expected credit losses	Lifetime expected credit losses	
Provisions for loan losses as at 01.01.2023	98	186	122	406
Transfers				
Transferred to stage 1	26	-22	-4	-
Transferred to stage 2	-3	6	-3	-0
Transferred to stage 3	-0	-1	1	-
Losses on new loans	14	14	1	29
Losses on deducted loans *	-5	-14	-1	-20
Losses on older loans and other changes	-22	-1	12	-11
Provisions for loan losses as at 31.03.2023	108	169	127	403
Provisions for loan losses	91	151	116	358
Provisions for losses on guarantees and undrawn credits	17	17	11	45
Total provision for losses as at 31.03.2023	108	169	127	403

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

6. Non-performing loans

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

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

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

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

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

PARENT BANK			NOK million			GROUP		
31.12.2023	31.03.2023	31.03.2024				31.03.2024	31.03.2023	31.12.2023
949	518	940	Total non-performing loans (step 3)			1 072	714	1 071
121	127	107	Impairment losses in stage 3			111	131	124
828	392	833	Net non-performing loans			961	583	946
12.7 %	24.5 %	11.4 %	Provisioning non-performing loans			10.4 %	18.4 %	11.6 %
1.3 %	0.7 %	1.3 %	Total non-performing loans in % of gross loans			0.8 %	0.6 %	0.8 %

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 31.03.2024					Total 31.03.2024	Stage 3	Stage 2	Stage 1
6	16	12	34	Retail customers				60	15	30	15
2	0	-	2	Public administration				2	-	0	2
2	4	1	7	Primary Industry				7	1	4	2
2	3	3	8	Manufacturing industry				8	3	3	2
30	45	15	89	Real estate development				89	15	45	30
3	22	11	36	Building and construction industry				36	11	22	4
48	93	44	185	Property management				185	44	93	48
1	1	0	2	Transport				3	0	1	1
7	9	9	25	Retail trade				25	9	9	7
1	4	1	5	Hotel and restaurants				5	1	4	1
3	7	-	10	Housing cooperatives				10	-	7	3
3	4	4	11	Financial/commercial services				11	4	4	3
7	16	8	32	Sosial services				32	8	17	7
116	223	107	446	Total impairment losses on loans, guarantees and undrawn credit				474	111	238	125
101	209	92	402	Impairment losses on lending				429	96	224	110
15	14	15	44	Impairment losses on unused credits and guarantees				45	15	14	15
116	223	107	446	Total impairment losses				474	111	238	125

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

8. Migration of gross loans

					31.03.2024			
PARENT BANK			NOK million		GROUP			
Stage 1	Stage 2	Stage 3	Total	GROSS LOANS	Total	Stage 3	Stage 2	Stage 1
60 160	11 144	914	72 218	Gross loans as at 01.01	127 959	1 057	14 822	112 080
1 466	-1 401	-65	-	Transferd to stage 1	-	-86	-2 357	2 443
-2 132	2 268	-135	-0	Transferd to stage 2	0	-178	3 895	-3 717
-38	-119	156	0	Transferd to stage 3	0	200	-143	-58
856	280	-36	1 100	Net change on present loans	614	-36	262	388
6 461	824	9	7 295	New loans	9 921	72	888	8 961
-5 250	-827	-49	-6 127	Derecognised loans	-9 158	-64	-1 086	-8 009
-38			-38	Change in value during the period	-38			-38
61 484	12 170	794	74 448	Gross loans as at 31.03	129 298	965	16 282	112 051
			50 381	Of which loan at amortised cost	125 147			
			19 916	Of which loan at fair value through OCI	-			
			4 151	Of which loan at fair value	4 151			
101	209	92	402	Impairment losses on lending	429	96	224	110
0.16 %	1.72 %	11.54 %	0.54 %	Impairments in % of gross loans	0.33 %	9.95 %	1.38 %	0.10 %
72 827	13 701	940	87 467	Commitments	148 193	1 072	17 877	129 243
116	223	107	446	Impairment losses on commitments	474	111	238	125
0.16 %	1.63 %	11.38 %	0.51 %	Impairments in % of commitments	0.32 %	10.36 %	1.33 %	0.10 %

					31.03.2023			
PARENT BANK			NOK million		GROUP			
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
1 332	-1 306	-26	-	Transferd to stage 1	-	-51	-2 088	2 140
-1 404	1 443	-39	-	Transferd to stage 2	-	-51	2 739	-2 688
-63	-33	96	-	Transferd to stage 3	-	168	-61	-106
705	-8	-4	694	Net change on present loans	-90	-6	-29	-55
7 741	944	7	8 692	New loans	10 462	5	949	9 508
-4 892	-1 052	-6	-5 950	Derecognised loans	-9 684	-14	-1 326	-8 343
17			17	Change in value during the period	17			17
60 880	9 789	471	71 141	Gross loans as at 31.03	124 942	688	12 908	111 346
			48 025	Of which loan at amortised cost	120 503			
			18 676	Of which loan at fair value through OCI	-			
			4 439	Of which loan at fair value	4 439			
91	151	116	358	Impairment losses on lending	384	121	163	101
0.15 %	1.55 %	24.55 %	0.50 %	Impairments in % of gross loans	0.31 %	17.52 %	1.26 %	0.09 %
70 600	10 576	518	81 694	Commitments	141 757	714	13 755	127 287
108	169	127	403	Impairment losses on commitments	429	131	180	118
0.15 %	1.59 %	24.42 %	0.49 %	Impairments in % of commitments	0.30 %	18.42 %	1.31 %	0.09 %

31.03.2023					31.03.2024			
PARENT BANK				NOK million				
Stage 1	Stage 2	Stage 3	Total	Gross loan assessed at amortised cost	Total	Stage 3	Stage 2	Stage 1
39 637	7 588	376	47 602	Gross loans assessed at amortised cost 01.01	49 431	828	8 461	40 142
908	-893	-14	-0	Transferd to stage 1	-	-55	-916	971
-793	827	-34	-	Transferd to stage 2	-	-127	1 538	-1 411
-60	-22	82	-	Transferd to stage 3	0	135	-99	-36
556	-21	-2	533	Net change on present loans	1 028	-46	255	819
2 670	254	0	2 924	New loans	2 055	4	246	1 806
-2 362	-669	-3	-3 034	Derecognised loans	-2 133	-41	-331	-1 761
40 557	7 063	405	48 025	Gross loan assessed at amortised cost 31.03	50 381	698	9 153	40 530

31.03.2023					31.03.2024			
PARENT BANK				NOK million				
Stage 1	Stage 2	Stage 3	Total	Gross loan through other comprehensive income	Total	Stage 3	Stage 2	Stage 1
13 273	2 213	65	15 551	Gross loan through other comprehensive income 01.01	18 570	83	2 683	15 804
424	-413	-12	-0	Transferd to stage 1	-	-9	-485	494
-611	616	-5	0	Transferd to stage 2	-	-8	729	-721
-3	-11	14	-	Transferd to stage 3	-	21	-20	-1
307	13	-2	318	Net change on present loans	189	10	25	155
4 953	690	5	5 648	New loans	5 118	3	579	4 536
-2 455	-383	-2	-2 841	Derecognised loans	-3 962	-9	-496	-3 457
15 888	2 726	63	18 676	Gross loan through other comprehensive income 31.03	19 916	91	3 016	16 809

9. Customer deposits by sector and industry

PARENT BANK			NOK million			GROUP		
31.12.2023	31.03.2023	31.03.2024				31.03.2024	31.03.2023	31.12.2023
33 024	32 049	33 282	Retail customers			33 284	32 073	33 027
13 058	11 451	14 710	Public administration			14 711	11 459	13 060
1 118	1 063	1 304	Primary industry			1 304	1 063	1 118
1 972	2 019	1 833	Manufacturing industry			1 833	2 021	1 972
709	699	639	Real estate development			639	700	709
1 877	1 639	1 693	Building and construction industry			1 693	1 640	1 877
3 173	3 756	3 201	Property management			3 182	3 714	3 149
665	641	610	Transport			610	642	665
1 590	1 497	1 480	Retail trade			1 481	1 498	1 591
249	273	215	Hotel and restaurant			215	273	249
176	168	194	Housing cooperatives			194	168	176
4 796	4 511	4 469	Financial/commercial services			4 469	4 514	4 797
6 745	6 796	6 402	Social services			6 403	6 801	6 746
136	291	508	Accrued interests			508	291	136
69 289	66 852	70 540	Total deposits from customers			70 527	66 857	69 272

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		
31.12.2023	31.03.2023	31.03.2024				31.03.2024	31.03.2023	31.12.2023
28 060	28 598	29 250	Retail customers			82 645	80 930	82 416
360	269	378	Public administration			378	269	360
1 560	1 482	1 570	Primary industry			1 707	1 606	1 683
915	906	957	Manufacturing industry			1 025	972	979
4 855	4 880	5 193	Real estate development			5 194	4 881	4 856
1 890	1 779	1 938	Building and construction industry			2 254	2 099	2 196
22 715	22 237	23 105	Property management			23 025	22 213	22 644
563	409	536	Transport			631	495	647
1 354	1 466	1 438	Retail trade			1 591	1 603	1 501
396	382	407	Hotel and restaurant			428	410	422
2 382	1 731	2 565	Housing cooperatives			2 565	1 731	2 382
1 309	1 095	1 311	Financial/commercial services			1 620	1 386	1 594
5 859	5 906	5 799	Social services			6 235	6 347	6 280
72 218	71 141	74 448	Total gross loans			129 298	124 942	127 959
403	358	402	Impairment losses on lending*			429	384	426
71 815	70 782	74 046	Total net loans			128 869	124 558	127 532

*Impairment losses on lending relate only to loans to customers and do not include impairment losses on unused credit and guarantees.

Impairment losses in this note are not comparable to other figures relating to losses.

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

11. Fair values of financial instruments

Classification of financial instruments

Financial instruments are classified at different levels.

Level 1:

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

Level 2:

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

Level 3:

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

For a more detailed description, see Note 22 Fair value of financial instruments in the 2023 Annual Financial Statements.

PARENT BANK					31.03.2024	GROUP			
Recognized value	Fair value			NOK million		Fair value			
	Level 1	Level 2	Level 3			Recognized value	Level 1	Level 2	Level 3
Assets recognized at amortised cost									
220	220			Cash and receivables from central banks		220	220		
5 199	5 199			Loans to credit institutions		921	921		
49 979		49 979		Net loans to customers (floating interest rate)		124 718		124 718	
Assets recognized at fair value									
4 151	4 151			Net loans to customers (fixed interest rate)		4 151		4 151	
19 916		19 916		Net loans to customers (mortgages)					
23 480	23 480			Bonds and certificates		26 317	26 317		
229	33	197		Shares		231	33	198	
1 069		1 069		Financial derivatives		2 751		2 751	
104 244	33	29 968	74 243	Total financial assets		159 309	33	30 209	129 067
Liabilities recognized at amortised cost									
5 836	5 836			Liabilities to credit institutions		5 307	5 307		
70 540		70 540		Deposits from customers		70 527		70 527	
6 987	7 035			Liabilities from issue of securities		57 470	57 503		
7 163	7 213			Senior non-preferred		7 163	7 213		
1 762		1 772		Subordinated loan capital		1 762		1 772	
Liabilities recognized at fair value									
883	883			Financial derivatives		894		894	
93 172	-	22 739	70 540	Total financial liabilities		143 124	-	72 690	70 527

PARENT BANK					31.03.2023	GROUP			
Recognized value	Fair value			NOK million	31.03.2023	Fair value			
	Level 1	Level 2	Level 3			Recognized value	Level 1	Level 2	Level 3
Assets recognized at amortised cost									
471	471			Cash and receivables from central banks	471	471			
6 096	6 096			Loans to credit institutions	2 173	2 173			
47 679		47 679		Net loans to customers (floating interest rate)	120 119		120 119		
Assets recognized at fair value									
4 439	4 439			Net loans to customers (fixed interest rate)	4 439		4 439		
18 664	18 664			Net loans to customers (mortgages)	-				
19 023	19 023			Bonds and certificates	22 862		22 862		
232	32	200		Shares	232	32		200	
887	887			Financial derivatives	1 777		1 777		
97 491	32	26 477	70 982	Total financial assets	152 073	32	27 283	124 758	
Liabilities recognized at amortised cost									
3 369	3 369			Liabilities to credit institutions	3 243		3 243		
66 852	66 852			Deposits from customers	66 857			66 857	
9 499	9 470			Liabilities from issue of securities	59 159		59 008		
4 500	4 427			Senior non-preferred	4 500		4 427		
1 885	1 859			Subordinated loan capital	1 885		1 859		
Liabilities recognized at fair value									
776	776			Financial derivatives	1 341		1 341		
86 881	-	19 901	66 852	Total financial liabilities	136 984	-	69 878	66 857	
PARENT BANK					31.12.2023	GROUP			
Recognized value	Fair value			NOK million	31.12.2023	Fair value			
	Level 1	Level 2	Level 3			Recognized value	Level 1	Level 2	Level 3
Assets recognized at amortised cost									
604	604			Cash and receivables from central banks	604	604			
5 012	5 012			Loans to credit institutions	468	468			
49 028	49 028			Net loans to customers (floating interest rate)	123 315		123 315		
Assets recognized at fair value									
4 217	4 217			Net loans to customers (fixed interest rate)	4 217		4 217		
18 570	18 570			Net loans to customers (mortgages)	-				
21 998	21 998			Bonds and certificates	24 156		24 156		
235	33	201		Shares	235	33		201	
931	931			Financial derivatives	2 002		2 002		
100 594	33	28 544	72 016	Total financial assets	154 996	33	27 230	127 733	
Liabilities recognized at amortised cost									
3 643	3 643			Liabilities to credit institutions	3 530		3 530		
69 289	69 289			Deposits from customers	69 272			69 272	
6 991	7 031			Liabilities from issue of securities	56 724		56 712		
7 177	7 204			Senior non-preferred	7 177		7 204		
1 763	1 776			Subordinated loan capital	1 763		1 776		
Liabilities recognized at fair value									
783	783			Financial derivatives	922		922		
89 646	-	20 437	69 289	Total financial liabilities	139 387	-	70 143	69 272	

Movement level 3

GROUP		Net loans to customers	Of which credit risk	Shares
	NOK million			
Recognized value as at 01.01.2023		4 535	3	197
Acquisitions Q1		121		
Change in value recognized during the period		17	-1	3
Disposals Q1		-234		
Recognized value as at 31.03.2023		4 439	2	200
Acquisitions Q2-Q4		443		12
Change in value recognized during the period		14	-4	-11
Disposals Q2-Q4		-679		
Recognized value as at 31.12.2023		4 217	-2	201
Acquisitions Q1		124		2
Change in value recognized during the period		-38	-4	-5
Disposals Q1		-152		0
Recognized value as at 31.03.2024		4 151	-7	198

PARENT BANK		Net loans to customers	Of which credit risk	Shares
	NOK million			
Recognized value as at 01.01.2023		20 081	3	197
Acquisitions Q1		3 240		
Change in value recognized during the period		17	-1	3
Disposals Q1		-235		
Recognized value as at 31.03.2023		23 103	2	200
Acquisitions Q2-Q4		349		12
Change in value recognized during the period		14	-4	-11
Disposals Q2-Q4		-679		
Recognized value as at 31.12.2023		22 787	-2	201
Acquisitions Q1		1 470		2
Change in value recognized during the period		-38	-4	-6
Disposals Q1		-152		0
Recognized value as at 31.03.2024		24 067	-7	197

Sensitivity analysis

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

GROUP / PARENT BANK		31.03.2024	31.03.2023	31.12.2023
	NOK million			
Loans to customers		15	18	16
- of which loans to corporate market (CM)		1	1	1
- of which loans to retail market (RM)		15	17	15

12. Financial derivatives, collateral received and offsetting

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

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

GROUP		31.03.2024				
NOK million	Gross carrying amount	Amounts offset in the balance sheet* (net presented)			Related amounts not presented net	
		Net financial assets in the balance sheet	Financial instruments (net settlements)	Other collateral, received/pledged	Net amount	
Derivatives - assets	2 751		2 751	250	2 145	356
Derivatives - liabilities	-894		-894	-250	8	-651
Net	1 857		1 857	-0	2 152	-295

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

GROUP		31.03.2023				
NOK million	Gross carrying amount	Amounts offset in the balance sheet* (net presented)			Related amounts not presented net	
		Net financial assets in the balance sheet	Financial instruments (net settlements)	Other collateral, received/pledged	Net amount	
Derivatives - assets	1 777		1 777	588	958	231
Derivatives - liabilities	-1 341		-1 341	-588		-752
Net	437		437	-	958	-521

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

PARENT BANK		31.03.2024				
NOK million	Gross carrying amount	Amounts offset in the balance sheet* (net presented)			Related amounts not presented net	
		Net financial assets in the balance sheet	Financial instruments (net settlements)	Other collateral, received/pledged	Net amount	
Derivatives - assets	1 069		1 069	239	677	153
Derivatives - liabilities	-883		-883	-239	8	-651
Net	186		186	-	684	-498

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

PARENT BANK		31.03.2023				
NOK million	Gross carrying amount	Amounts offset in the balance sheet* (net presented)			Related amounts not presented net	
		Net financial assets in the balance sheet	Financial instruments (net settlements)	Other collateral, received/pledged	Net amount	
Derivatives - assets	887		887	277	482	129
Derivatives - liabilities	-776		-776	-277		-499
Net	112		112	-	482	-370

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

13. Debt securities and subordinated loan capital

Debt securities – Group

NOK million	31.03.2024	31.03.2023	31.12.2023
Bonds, nominal value	59 258	61 670	58 320
Value adjustments	-1 995	-2 714	-1 784
Accrued interest	207	203	188
Debt incurred due to issuance of securities	57 470	59 159	56 724

Change in debt securities – Group

NOK million	31.12.2023	Issued	Matured/ Re redeemed	Other changes during the period	31.03.2024
Bonds, nominal value	58 320			938	59 258
Value adjustments	-1 784			-211	-1 995
Accrued interest	188			19	207
Debt incurred due to issuance of securities	56 724			746	57 470

Debt securities – Parent bank

NOK million	31.03.2024	31.03.2023	31.12.2023
Bonds, nominal value	7 050	9 550	7 050
Value adjustments	-122	-125	-111
Accrued interest	60	74	52
Debt incurred due to issuance of securities	6 987	9 499	6 991

Change in debt securities – Parent bank

NOK million	31.12.2023	Issued	Matured/ Re redeemed	Other changes during the period	31.03.2024
Bonds, nominal value	7 050				7 050
Value adjustments	-111			-12	-122
Accrued interest	52			8	60
Debt incurred due to issuance of securities	6 991			-4	6 987

Change in subordinated capital – Parent bank and Group

NOK million	31.12.2023	Issued	Matured/ Re redeemed	Other changes during the period	31.03.2024
Subordinated loans	1 750				1 750
Value adjustments	0			-3	-3
Accrued interest	12			3	15
Total subordinated loan capital	1 763			-0	1 762

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

NOK million	31.12.2023	Issued	Matured/ Re redeemed	Other changes during the period	31.03.2024
Non-preferred senior debt	7 100				7 100
Value adjustments	2			-46	-44
Accrued interest	75			32	107
Total non-preferred senior debt	7 177			-14	7 163

14. Equity certificate holders

The 20 largest equity certificate holders as of 31.03.2024:

NAME	Number of EC	Share of EC-CAP. %
1. Sparebankstiftelsen Sparebanken Sør	10 925 765	26.20
2. J.P. Morgan Securities LLC	2 400 000	5.75
3. Sparebanken Vest	2 400 000	5.75
4. Geveran Trading Company LTD	1 800 000	4.32
5. EIKA utbytte VPF c/o Eika kapitalforv.	1 426 319	3.06
6. Spesialfondet Boreå Utbytte	1 304 979	2.48
7. Pershing LLC	1 020 000	2.45
8. KLP Gjensidige Forsikring	869 013	2.43
9. Verdipapirfondet Holberg Norge	658 542	1.73
10. Goldman Sachs & Co. LLC	614 633	1.60
11. AF Capital AS	504 000	1.21
12. Verdipapirfondet Fondsinans Norge	464 585	1.11
13. Vpf Fondsfinans Utbytte	450 000	1.08
14. J.P. Morgan SE	362 848	0.87
15. U.S. Bank National Association	345 800	0.83
16. Drangsland Kapital AS	302 107	0.72
17. Verdipapirfondet Nordea Norge Verd	280 902	0.67
18. State Street Bank and Trust Comp	266 729	0.64
19. Hjellegjerde Invest AS	243 507	0.58
20. Pareto Invest Europa AS	240 000	0.58
Total - 20 largest certificate holders	26 879 729	64.46

As of January 1st, 2024, the ownership ratio was 40.0 percent. Hybrid capital, classified as equity, has been excluded when calculating the ownership ratio. As of 31 March 2024, 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 18 921 of its own equity certificates.

Risk and capital management

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

Credit risk

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

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

Market risk

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

Liquidity risk

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

Operational risk

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

Business risk

Business risk is defined as the risk of unexpected fluctuations in revenue based on factors other than credit risk, liquidity risk, market risk and operational risk. This risk could, for example, derive from regulatory

amendments or financial or monetary policy measures, including changes in fiscal and currency legislation, which could have a negative impact on the business.

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

Quarterly trends in results

NOK million	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Profit (NOK million)					
Net interest income	824	815	783	732	712
Net commission income	85	105	101	108	86
Net income from financial instruments	39	-13	20	-0	-4
Income from associated companies	5	33	6	25	34
Other operating income	3	3	23	2	1
Total net income	956	943	935	867	828
Total operating expenses before losses	330	370	298	326	304
Operating profit before losses					
Losses on loans, guarantees and undrawn credits	6	31	32	-9	-5
Profit before taxes	620	543	605	550	529
Tax expenses	47	116	148	123	67
Profit for the period	573	426	457	427	462
Profit as % of average assets					
Net interest income	2.07 %	2.03 %	1.95 %	1.85 %	1.85 %
Net commission income	0.21 %	0.26 %	0.25 %	0.27 %	0.22 %
Net income from financial instruments	0.10 %	-0.03 %	0.05 %	0.00 %	-0.01 %
Income from associated companies	0.01 %	0.08 %	0.02 %	0.06 %	0.09 %
Other operating income	0.01 %	0.01 %	0.06 %	0.00 %	0.00 %
Total net income	2.40 %	2.35 %	2.33 %	2.19 %	2.15 %
Total operating expenses before losses	0.83 %	0.92 %	0.74 %	0.82 %	0.79 %
Operating profit before losses					
Losses on loans, guarantees and undrawn credit	0.02 %	0.08 %	0.08 %	-0.02 %	-0.01 %
Profit before taxes	1.56 %	1.35 %	1.51 %	1.39 %	1.37 %
Tax expenses	0.12 %	0.29 %	0.37 %	0.31 %	0.17 %
Profit for the period	1.44 %	1.06 %	1.14 %	1.08 %	1.20 %
Key figures. income statement					
Return on equity after tax (adjusted for hybrid capital)	14.4 %	10.5 %	11.5 %	11.0 %	12.5 %
Costs as % of income	34.5 %	39.2 %	31.9 %	37.6 %	36.7 %
Costs as % of income, excl. net income from financial instruments	36.0 %	38.7 %	32.6 %	37.6 %	36.5 %
Key figures. balance sheet					
Total assets	161 902	157 407	158 238	160 610	154 406
Average total assets	160 000	159 000	159 000	159 000	156 100
Net loans to customers	128 869	127 532	126 098	125 430	124 558
Growth in loans as %, last 12 mths.	3.5 %	3.0 %	2.8 %	3.4 %	5.6 %
Customer deposits	70 527	69 272	68 698	69 343	66 857
Growth in deposits as %, last 12 mths.	5.5 %	5.6 %	5.1 %	3.2 %	3.3 %
Deposits as % of net loans	54.7 %	54.3 %	54.5 %	55.3 %	53.7 %
Equity (incl. hybrid capital)	16 862	16 752	16 466	16 095	15 857
Losses on loans as % of net loans. Annualised	0.02 %	0.10 %	0.10 %	-0.03 %	-0.01 %
Other key figures					
Liquidity reserves (LCR). Group	150 %	156 %	155 %	154 %	145 %
Liquidity reserves (LCR). Group- EUR	239 %	310 %	243 %	231 %	210 %
Liquidity reserves (LCR). Parent Bank	134 %	146 %	141 %	141 %	134 %
Common equity tier 1 capital ratio	16.6 %	16.8 %	17.2 %	17.1 %	17.1 %
Tier 1 capital ratio	18.6 %	18.1 %	18.6 %	18.5 %	18.7 %
Total capital ratio	20.7 %	20.3 %	20.8 %	21.0 %	21.1 %
Common equity tier 1 capital	14 428	14 178	14 207	14 084	13 888
Tier 1 capital	16 110	15 346	15 376	15 215	15 144
Net subordinated capital	17 967	17 193	17 252	17 272	17 097
Leverage ratio	9.3 %	9.0 %	9.1 %	9.2 %	9.2 %

NOK million	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Number of branches	31	31	31	31	31
Number of FTEs in banking operations	511	505	489	489	491
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)	4.6	5.7	3.5	3.0	3.5
Profit per equity certificate (Group)	5.3	3.9	4.2	3.9	4.3
Book equity per equity certificate	145.2	149.9	146.5	143.1	139.2
Price/book value per equity certificate	0.96	0.96	0.87	0.88	0.92
Listed price on Oslo Stock Exchange at end of period	139.0	139.0	128.0	126.0	128.0

Key figures Group 2019-2023

NOK million	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Income statement (NOK million)					
Net interest income	3 043	2 368	1 939	1 914	1 926
Net commission income	400	417	419	347	344
Net income from financial instruments	3	-82	0	40	24
Other operating income	128	131	191	143	74
Total net income	3 573	2 834	2 549	2 444	2 368
Total operating expenses before losses	1 297	1 145	1 018	958	918
Operating profit before losses	2 276	1 690	1 531	1 486	1 450
Losses on loans and guarantees	49	74	-18	83	-17
Profit before taxes	2 227	1 615	1 549	1 403	1 467
Tax expenses	454	332	323	307	342
Profit for the period	1 773	1 283	1 226	1 096	1 125
Profit as a percentage of average assets					
Net interest income	1.91 %	1.58 %	1.35 %	1.36 %	1.53 %
Net commission income	0.25 %	0.28 %	0.29 %	0.25 %	0.27 %
Net income from financial instruments	0.00 %	-0.05 %	0.00 %	0.03 %	0.02 %
Other operating income	0.08 %	0.09 %	0.13 %	0.10 %	0.06 %
Total net income	2.25 %	1.89 %	1.78 %	1.74 %	1.88 %
Total operating expenses before losses	0.82 %	0.76 %	0.71 %	0.68 %	0.73 %
Operating profit before losses	1.43 %	1.13 %	1.07 %	1.06 %	1.15 %
Losses on loans and guarantees	0.03 %	0.05 %	-0.01 %	0.06 %	-0.01 %
Profit before taxes	1.40 %	1.08 %	1.08 %	1.00 %	1.17 %
Tax expenses	0.29 %	0.22 %	0.23 %	0.22 %	0.27 %
Profit for the period	1.11 %	0.86 %	0.86 %	0.78 %	0.89 %
Key figures. income statement					
Return on equity after tax (adjusted for hybrid capital)	11.3 %	8.7 %	9.0 %	8.4 %	9.5 %
Costs as % of income	36.3 %	40.4 %	39.9 %	39.2 %	38.8 %
Costs as % of income, excl. net income from financial instruments	36.3 %	39.3 %	40.0 %	39.9 %	39.2 %
Key figures. balance sheet					
Total assets	157 407	157 435	144 182	142 126	129 499
Average total assets	159 000	150 000	143 100	140 400	125 900
Net loans to customers	127 532	123 852	116 653	111 577	106 334
Grows in loans as %. last 12 mths.	3.0 %	6.2 %	4.5 %	4.9 %	3.3 %
Customer deposits	69 272	65 596	63 146	59 833	57 949
Growth in deposits as %. last 12 mths.	5.6 %	3.9 %	5.5 %	3.3 %	2.5 %
Deposits as % of net loans	54.3 %	53.0 %	54.1 %	53.6 %	54.5 %
Equity (incl. hybrid capital)	16 752	15 779	14 941	13 752	13 081
Losses on loans as % of net loans, annualised	0.04 %	0.05 %	-0.02 %	0.07 %	-0.01 %
Gross non-performing loans (over 90 days) as % of gross loans	0.84 %	0.54 %	0.67 %	0.90 %	0.79 %
Other key figures					
Liquidity reserves (LCR). Group	156 %	177 %	140 %	173 %	148 %
Liquidity reserves (LCR). Group- EUR	310 %	387 %	604 %	107 %	1168 %
Liquidity reserves (LCR). Parent Bank	146 %	169 %	127 %	154 %	140 %
Common equity tier 1 capital ratio	16.8 %	17.1 %	16.4 %	15.7 %	15.7 %
Tier 1 capital ratio	18.1 %	18.5 %	18.1 %	17.1 %	17.6 %
Total capital ratio	20.3 %	20.7 %	20.3 %	19.1 %	20.3 %
Common equity tier 1 capital	14 178	13 653	13 004	12 204	11 356
Tier 1 capital	15 346	14 784	14 376	13 315	12 767
Net total primary capital	17 193	16 518	16 074	14 864	14 686
Leverage ratio	9.0 %	9.1 %	9.4 %	8.9 %	9.3 %

NOK million	31.12.2023	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Number of branches	31	35	35	35	34
Number of FTEs in banking operations	505	485	464	442	429
Key figures, equity certificates					
Equity certificate ratio before profit distribution	40.0 %	40.0 %	15.7 %	17.3 %	17.2 %
Number of equity certificates issued	41 703 057	41 703 057	15 663 944	15 663 944	15 663 944
Profit per equity certificate (Parent Bank)	15.7	12.6	11.8	10.5	9.3
Profit per equity certificate (Group)	16.4	11.9	12.2	11.3	11.7
Dividend last year per equity certificate (Parent Bank)	10.0	6.0	8.0	14.0	-
Book equity per equity certificate	149.9	141.0	136.4	140.0	128.5
Price/book value per equity certificate	0.96	0.92	1.07	0.82	0.86
Listed price on Oslo Stock Exchange at end of period	144.0	129.5	146.0	114.5	110.0

Calculations

NOK million	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	31.12. 2023
Return on equity adjusted for hybrid capital						
Profit after tax	574	427	456	426	462	1 773
Interest on hybrid capital	-25	-22	-19	-26	-16	-82
Tax on hybrid capital	6	5	5	7	4	20
Profit after tax. incl. Interest on hybrid capital	555	410	442	407	450	1 711
Opening balance. equity	16 752	16 466	16 095	15 857	15 779	15 779
Opening balance. hybrid capital	-1 085	-1 085	-1 085	-1 210	-1 085	-1 085
Opening balance. equity excl. hybrid capital	15 667	15 381	15 010	14 647	14 694	14 694
Closing balance. equity	16 862	16 752	16 466	16 095	15 857	16 752
Closing balance. hybrid capital	-1 545	-1 085	-1 085	-1 085	-1 210	-1 085
Closing balance. equity excl. hybrid capital	15 317	15 667	15 381	15 010	14 647	15 667
Average equity	16 807	16 609	16 280	15 976	15 818	16 266
Average equity excl. Hybrid capital	15 492	15 524	15 195	14 828	14 670	15 181
Return on equity	14.0 %	10.2 %	11.1 %	10.7 %	11.9 %	10.9 %
Return on equity. excl. hybrid capital	14.4 %	10.5 %	11.5 %	11.0 %	12.5 %	11.3 %
Net interest income. incl. interest on hybrid capital						
Net interest income. incl. interest on hybrid capital	824	815	783	732	712	3 043
Interest on hybrid capital	-18	-16	-14	-20	-12	-61
Net interest income. incl. interest on hybrid capital	806	799	769	713	700	2 982
Average total assets	160 000	159 000	159 000	159 000	156 100	159 000
As percentage of total assets	2.03 %	1.99 %	1.92 %	1.80 %	1.82 %	1.88 %
Profit from ordinary operations (adjusted earnings)						
Net interest income. incl. Interest on hybrid capital	806	799	769	713	700	2 982
Net commission income	85	105	101	108	86	400
Share of profit from associated companies	5	33	6	25	34	99
Other operating income	3	3	4	2	1	9
Operating expenses	330	348	298	326	304	1 276
Profit from ordinary operations (adjusted earnings). before tax	569	592	582	522	517	2 214
Losses on loans, guarantees and undrawn credits	6	31	32	-9	-5	49
Profit excl. finance and adjusted for non-recurring items	562	561	550	531	522	2 164
Tax (25 %) adjusted for tax. share of profit associated companies	114	112	114	106	102	440
Ordinary operations /adjusted earnings after losses and tax	449	448	436	425	419	1 725
Average equity. excl. hybrid capital	15 492	15 524	15 195	14 828	14 670	15 181
Return on equity. profit excl. finance and adjusted for non-recurring items	11.6 %	11.5 %	11.4 %	11.5 %	11.6 %	11.4 %
Average interest rates/margins						
Average lending rate RM (return)	5.68 %	5.48 %	5.07 %	4.54 %	4.33 %	
Average lending rate CM (return)	7.24 %	7.18 %	6.78 %	6.10 %	5.81 %	
Average deposit rate RM	2.87 %	2.47 %	2.09 %	1.78 %	1.60 %	
Average deposit rate CM	3.86 %	3.74 %	3.44 %	2.92 %	2.47 %	
Average 3-month NIBOR	4.71 %	4.72 %	4.64 %	3.89 %	3.33 %	
Lending margin RM (lending rate - 3-month NIBOR)	0.97 %	0.76 %	0.43 %	0.65 %	1.00 %	
Lending margin CM (lending rate - 3-month NIBOR)	2.53 %	2.47 %	2.14 %	2.21 %	2.47 %	
Deposit margin RM (3-month NIBOR - deposit rate)	1.84 %	2.24 %	2.55 %	2.11 %	1.73 %	
Deposit margin CM (3-month NIBOR - deposit rate)	0.85 %	0.98 %	1.21 %	0.97 %	0.86 %	
Interest-rate margin (lending rate – deposit rate)						
Interest-rate margin RM	2.82 %	3.01 %	2.98 %	2.76 %	2.74 %	
Interest-rate margin CM	3.38 %	3.44 %	3.34 %	3.18 %	3.35 %	

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.

Alternative performance measures – APM

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.