Risk and capital management

Disclosure of financial information according to Pillar 3 2024

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The CRO's summary of the year

On October 1, 2024, the legal merger between SpareBank 1 SR-Bank and SpareBank 1 Sørøst-Norge was successfully completed, resulting in the establishment of SpareBank 1 Sør-Norge. Extensive emphasis was placed on risk assessments prior to the legal merger, ensuring its successful execution without any significant adverse incidents. The technical merger is scheduled to take place in 2025, with systematic preparations underway to ensure a seamless process.

Throughout 2024, geopolitical risks remained elevated, marked by escalating tensions between major powers, regional conflicts, and economic uncertainty. The relationship between the United States and China is fraught with tensions, encompassing trade disputes, technological conflicts, and geopolitical rivalries in the Pacific and South China Sea. Concurrently, Russia's invasion of Ukraine has precipitated a substantial security crisis in Europe, characterized by sanctions, energy crises, and increased militarization. The election of Trump as President of the United States has further contributed to uncertainties regarding future U.S. support for Ukraine in its conflict with Russia, as well as the U.S.'s future commitment to NATO. The Norwegian Police Security Service (PST) has indicated in its threat assessment for 2025 that Russia is likely to attempt sabotage actions against Norway in the coming year.

In response to these circumstances, SpareBank 1 Sør-Norge has prioritized scenario analyses in 2024 to thoroughly comprehend the depth and breadth of various situations characterized by significant uncertainty. Based on diverse scenarios and potential outcomes, comprehensive financial and operational stress tests have been conducted. The financial stress tests are designed to identify potential vulnerabilities at an early stage and ensure the implementation of risk mitigation measures. The operational stress tests aim to guarantee stable and prudent operations in the event of critical incidents.

The global economy has exhibited signs of stabilization with a growth rate of 3.2%, albeit amidst considerable uncertainty. Inflation has moderated from previous peaks, and interest rates have been gradually reduced in numerous countries. Norway is anticipated to experience its first interest rate cut in 2025. Despite international challenges, the Norwegian economy has demonstrated resilience, characterized by low unemployment and real wage growth. The housing market in Norway has witnessed price increases, particularly in Stavanger and Bergen, while the development in commercial real estate has been more subdued. Population growth has been minimal, influenced by reduced immigration, although refugees from Ukraine have contributed to an increase.

Recent threats of American punitive tariffs and the risk of trade wars have introduced substantial uncertainty into the macroeconomic landscape. Consequently, SpareBank 1 Sør-Norge maintains rigorous oversight of credit exposures. In addition to ongoing portfolio monitoring, there is considerable focus on the implications of heightened geopolitical unrest. The corporate market divisions conduct regular, thorough reviews of potentially vulnerable segments at the customer level to identify clients requiring close attention, thereby ensuring they receive sound financial advice during challenging times.

Over the years, systematic efforts within the corporate market divisions have resulted in a generally positive trajectory in portfolio quality, concentration risk, risk pricing, and profitability.

The risk of money laundering has gained a more prominent place in credit assessments, and the internal requirements for thorough AML evaluations in ongoing credit issuance have been significantly tightened. There are also stricter requirements in credit issuance related to ESG assessments, supported by a more comprehensive framework for identifying this type of risk driver.

The operational risk landscape in 2024 has been characterized by instability and uncertainty. Continued war and conflict in the world, along with increasing cooperation between authoritarian states, have led democracies to face significant challenges regarding unity and stability. The security policy situation remains challenging, driving an elevated threat landscape concerning cyber risk. As of February 2025, the threat landscape is still marked by high uncertainty. However, the attack techniques used by the parties are techniques that SpareBank 1 Utvikling and SpareBank 1 Sør-Norge have systematically worked to prevent over several years. The group is therefore considered well-prepared and equipped for potential attacks.

There is a continuous development of internal control and operational risk management within the group. Operational risk management is an integrated part of all business activities and involves all employees. Facilitating good risk assessments and providing training in this area is an important part of the risk management function. The group regularly conducts measurements of risk culture, which were last conducted in 2023 (SpareBank 1 SR-Bank) and 2024 (SpareBank 1 Sørøst-Norge). The results show that there is a good risk culture, where values, frameworks, and expectations are well-known and adhered to, with a high level of risk awareness within the organization. This is reflected in the ongoing risk management within the group.

The group has good compliance related to the registration and handling of significant changes through the group's PoPS process (changes in products, organization, processes, and systems), registration of undesirable events, and improvement measures. In this way, potential risks are captured and escalated, allowing for the establishment of risk-reducing measures.

A clear increase in fraud cases has been observed and experienced, and the anti-fraud area has experienced a high pressure of cases throughout 2024. The focus on anti-fraud has been intensified during 2024, both in SpareBank 1 Sør-Norge and SpareBank 1 Utvikling.

As a large bank in Norway, the group has extensive disclosure obligations within the ESG area. For 2024, this means a significant expansion of the sustainability report by adhering to the CSRD framework. The risk department is a significant contributor to the report within the main theme of climate.

The group uses a common SpareBank 1 risk framework for assessing sustainability risk. The ESG framework is used in connection with credit approval and renewal of corporate customers with a consolidated exposure over 10 million kroner.

The EU Commission's highly prioritized Omnibus project is about simplifying sustainability regulations and reporting requirements. The background is the Draghi report, which points to several areas where Europe has competitive disadvantages due to extensive and heavy regulations and reporting requirements. The goal is to reduce the administrative burden by 25-35 percent for reporting companies, including SpareBank 1 Sør-Norge. It is expected that the first Omnibus decisions will come from the EU during the spring of 2025.

The group aims to have effective processes to ensure compliance with current laws and regulations. To manage the increasing scope, complexity, and pace of change in regulatory requirements, a dedicated project stream for corporate governance and compliance was established in connection with the merger, among other things, to ensure that the merged organization has effective and scalable processes and systems to manage compliance risk.

SpareBank 1 Sør-Norge focused in 2024 on further developing the risk management function and strengthening efforts to ensure compliance with regulatory requirements. As a result of the merger, both the risk management and compliance functions were significantly strengthened during the year. Through extensive scenario analyses, stress tests, and a strong risk culture, the group has ensured robust operations and stability in facing future global and national challenges.

Frode Bø
Executive vice president risk management, CRO

Risk statement from the Board of Directors

The risk and capital management at SpareBank 1 Sør-Norge aims to ensure financial robustness and create financial and strategic added value. The Board of Directors at SpareBank 1 Sør-Norge is continuously informed about the group's risk development through regular reports and established alert routines. The Board annually determines the group's overall risk appetite in both normal economic conditions and during severe economic downturns. This includes setting targets/limits for profitability, maximum single loss, solvency, liquidity, credit quality, financial rating, and sustainability rating. The group's actual and expected risk exposure, compared to the approved risk appetite, is monitored quarterly by the risk committee and the Board. Scenario analyses and stress tests are key tools in this work, ensuring the group is as well-prepared as possible for severe economic downturns or other serious events.

The Board assesses the group's risk management as effective and well-suited to both the risk appetite and business strategy. Throughout 2024, there have been no breaches of the overall approved risk appetite.

On October 1, 2024, the merger of SpareBank 1 SR-Bank and SpareBank 1 Sørøst-Norge was completed. This merger strengthens competitiveness and increases presence, making the group more attractive to customers, employees, and owners. SpareBank 1 Sør-Norge is one of the country's largest savings banks, with 2,455 employees and offices throughout the region. The group's headquarters are located in Stavanger.

As SpareBank 1 Sør-Norge is considered a systemically important institution, the group has increased requirements for common equity tier 1 capital ratio by 1.0 percentage point in the SIFI buffer, as well as closer regulatory oversight.

In October, Fremtind Forsikring AS and Eika Forsikring AS merged. The transaction resulted in an increased equity for the SpareBank 1 Gruppen group of approximately 7 billion kroner. The majority's (SpareBank 1 banks and LO) share of this increase was 2.3 billion kroner. SpareBank 1 SR-Bank ASA (now SpareBank 1 Sør-Norge) share of this increase amounts to 452 million kroner and was recognized as income in the third quarter of 2024.

During the second quarter of 2024, EiendomsMegler 1 SR-Eiendom AS entered into agreements to acquire Kaland & Partners in Bergen and Ullevål Eiendomsmegling in Oslo. The acquisitions are made to strengthen and further build the group's strategic position within the retail market in Bergen and Oslo.

As mentioned above, the Board annually determines the group's risk appetite, in addition to other relevant risk frameworks for credit, market, liquidity, and operational risk.

Credit risk is managed through the framework for credit approval, engagement monitoring, and portfolio management. The group's credit strategy encompasses overarching strategic frameworks that ensure a diversified portfolio and a satisfactory risk profile. The main focus in credit issuance is the customer's ability to service debt, and weak or lacking ability to service loans cannot be compensated by good collateral. The strategic frameworks establish requirements and limitations for loss profile and portfolio quality, with particular emphasis on concentration risk related to large individual customers and industries. To avoid undesirable concentration risk, the frameworks set limits on exposure and risk profile at the portfolio level, as well as for different industries and individual customers, in addition to the rules for large engagements. Specific credit guidelines have been developed for industries or segments with particular risks.

The Board is responsible for the group's loan and credit approvals but delegates credit authorities within certain frameworks to the CEO, who can further delegate these within their own authorities. Particular emphasis should be placed on ensuring that customers' operations comply with applicable laws and regulations and have a long-term perspective. The group's sustainability policy is reflected in the general credit guidelines, including requirements that all financing must meet the group's guidelines related to environment, society, and governance. The group also has guidelines that support the group's anti-money laundering (AML) policy. The group has IRB approval from the Financial Supervisory Authority and actively uses credit models for risk classification, risk pricing, capital calculations, and portfolio management.

Liquidity risk is managed through the group's overall liquidity strategy, which is reviewed and approved by the Board at least annually. Liquidity management is based on conservative frameworks and reflects the group's moderate risk profile. The group's treasury department is responsible for liquidity management, and the risk management department monitors and reports the utilization of frameworks in accordance with the liquidity strategy. The group's loans are primarily financed with customer deposits and long-term securities debt. Liquidity risk is limited by distributing securities debt across different markets, funding sources, instruments, and maturities.

Market risk is managed through a market risk strategy that defines the group's risk appetite. The strategy, approved annually by the Board, contains specific risk frameworks, reporting lines, and authorities. Market risk in SpareBank 1 Sør-Norge is primarily related to the group's long-term investments in securities. Additionally, the group has some exposure to market risk from activities that support regular lending and borrowing operations. The group's exposure to market risk is moderate and monitored through conservative frameworks based on stress tests and analyses of negative market movements.

Operational risk is managed through the risk strategy set annually by the Board, as well as a separate policy for operational risk. The strategy contains the group's risk appetite, with frameworks for allowable risk exposure. The policy provides guiding principles and requirements for identifying, assessing, managing, monitoring, and reporting operational risk, along with the distribution of roles and responsibilities. The group has a dynamic approach to managing operational risk and conducts regular analyses to identify weaknesses and new or changed risks. Undesirable events that occur are systematically registered and followed up to extract learning effects and avoid recurrence, and the Board receives quarterly reports with an overview of registered events. Furthermore, all significant change initiatives undergo a standardized risk assessment process to prevent the introduction of undesirable risk. Risk-reducing measures are assessed and implemented continuously.

Climate and environmental conditions as risk drivers are an integrated part of the group's risk management processes. SpareBank 1 Sør-Norge identifies and assesses climate-related risks and opportunities that may affect customers, business areas, and operations. The group's loan portfolio undergoes annual stress tests to identify climate risk, with particular focus on the corporate market portfolio, including agriculture. The group uses a common SpareBank 1 risk framework for assessing sustainability risk (ESG score), which is used in connection with credit approval and renewal of corporate customers with consolidated exposure over 10 million kroner. The framework contains evaluation criteria for several specific industries and includes inherent risk per industry.

Compliance risk is managed by implementing the group's compliance framework as outlined in the group's compliance policy. This policy describes the group's commitments to adhere to applicable regulatory requirements and the main principles for responsibility and organization in connection with compliance with laws, regulations, and internal guidelines. The group's framework for managing compliance risk is designed to prevent the group from incurring public sanctions, fines, or financial loss due to non-compliance with regulations. The Board has determined that the group should have a low risk appetite for compliance risk, which means that regulations should be interpreted with a conservative approach. SpareBank 1 Sør-Norge places great emphasis on establishing a strong compliance culture and integrating compliance into all governance and decision-making processes. The group's strategies, policies, standards, and procedures constitute the guiding framework that ensures both regulatory requirements and the group's own requirements are met.

Key figures	31.12.2024	31.12.2023
Return on Equity	10.9 %	15.3 %
Return on Equity Adjusted for Goodwill	11.7 %	
Rating	Aa3	Aa3
Common Equity Tier 1 Capital Ratio	18.01 %	17.6 %
Leverage Ratio	7.67 %	7.2 %
MREL (minimum requirement from 01.01.2024)	39.2 %	36.6 %
Deposit to Loan Ratio	50.4 %	54.8 %
LCR	189 %	207 %
NSFR	134 %	130 %
Impairment on loans retail market in % of lending	0.1 %	0.0 %
Impairment on loans corporate market in % of lending	0.3 %	0.4 %
Share of the corporate market lending portfolio	34.9 %	39.9 %
Share of the retail lending portfolio	65.1 %	60. %

Stavanger, March 12 2025

Finn Haugan
Chair of the board

Maria Tho

Trine Sæther Romuld

Heine Wang

Jan Skogseth

Kjetil Skjæveland

Camilla AC Tepfers

Hanne Myhre Gravdal

Sally Lund-Andersen

Eirik P. Elholm

Inge Reinertsen
Chief Executive Officer, CEO

Frode Bø
Executive Vice President
Risk Management, CRO

1. About this report

Risk and capital management at SpareBank 1 Sør-Norge aims to ensure financial robustness and create financial and strategic added value.

This Pillar 3 report provides a comprehensive overview of the group's practices for risk management, risk measurement, and capital adequacy. The report is designed to give the market deeper insight into the bank's approach to risk and capital management, and it is prepared in accordance with applicable capital adequacy regulations. It meets the requirements for disclosure of information on risk and capital management and supplements the information found in the annual report, quarterly reports, and Factbook.

Financial and strategic added value shall be created through:

- A good risk culture
- A clear management and control structure that promotes independence
- A good understanding and management of the risks that drive earnings and losses
- Preventing single events damaging the group's financial position
- Pricing products and services based on underlying risk
- Effective raising and use of capital that reflects the chosen risk profile

TThe report is updated annually, while information on capital adequacy and minimum requirements for eligible capital is updated quarterly in separate appendices. For details on the group's remuneration scheme, please refer to the annual report and the separate executive remuneration report.

To ensure that financial institutions assess and manage risk effectively and are robust against economic fluctuations and shocks, they are regulated by financial authorities. The capital adequacy framework, based on three pillars, is a central part of this regulation:

Pillar 1: Quantitative minimum requirements for eligible capital and description of calculation methods for risk-weighted volume and what constitutes eligible capital.

Pillar 2: Requirements for risk management and internal control, including requirements for internal processes for assessing risk exposure and capital needs (ICAAP). Under Pillar 2, supervisory authorities may impose additional capital requirements if they believe that other capital requirements do not adequately capture the underlying risk in an institution.

Pillar 3: Requirements for reporting and disclosure of financial information. Pillar 3 aims to enable the market to assess the financial institution's risk and capital management.

The Board of Directors at SpareBank 1 Sør-Norge reviews the report before publication. The Pillar 3 report is not subject to external audit.

2. Risk management and control

The core purpose of the banking industry is to create value by assuming deliberate and acceptable risk. SpareBank 1 Sør-Norge therefore invests significant resources in the further development of risk management systems and processes that are in line with leading international practice.

2.1 Overall risk exposure

SpareBank 1 Sør-Norge is exposed to various types of risk, and the most important ones are:

Credit risk: the risk of loss resulting from the customer's or counterparty's inability or unwillingness to fulfil their obligations.

Liquidity risk: the risk that the group is unable to refinance its debt or does not have the ability to fund increases in assets without significant additional costs.

Market risk: the risk of loss due to changes in observable market variables such as interest rates, foreign exchange rates and securities markets.

Operational risk: the risk of losses due to weak or inadequate internal processes or systems, human error, or external incidents.

Climate risk: the risk of financial losses and financial instability as a result of physical climate change and society's response to it.

Owner risk: the risk of SpareBank 1 SR-Bank suffering negative results from stakes in strategically owned companies or of the group having to inject fresh equity into these companies. Owned companies are defined as companies where SpareBank 1 SR-Bank has a significant stake and influence.

Compliance risk: the risk that the group incurs public sanctions, fines, or financial loss due to non-compliance with regulations and/or breaches of license conditions. he risk of the group incurring public sanctions/penalties or financial loss because of a failure to comply with legislation and regulations.

Pension risk: the risk of increases in future pension liabilities.

Regulatory risk: uncertainty about future regulations.

Business risk: the risk of a failure in earnings and access to capital because of lack of trust and reputation in the market, i.e., customers, counterparties, stock market and authorities.

Reputational risk: the risk of a failure in earnings and access to capital because of lack of trust and reputation in the market, i.e., customers, counterparties, stock market and authorities.

Strategic risk: the risk of losses resulting from the wrong strategic decisions.

Concentration risk: the risk of an accumulation of exposure to an individual customer, sector or geographical area arising.

Model risk: the risk of loss, underestimation of capital needs and/or erroneous decisions because of errors in the development, implementation or application of models.

One of the ways in which the group's risk is quantified is through the calculation of expected losses and risk-adjusted capital. Expected losses describe the amount that the group must expect statistically to lose during a 12-month period, while risk-adjusted capital describes how much capital the group believes it needs to cover the actual risk to which the group is exposed. Since it is impossible to fully protect against all losses, the group has stipulated that the risk-adjusted capital shall cover 99.9 per cent of potential unexpected losses.

The Internal Capital Adequacy Assessment Process (ICAAP)

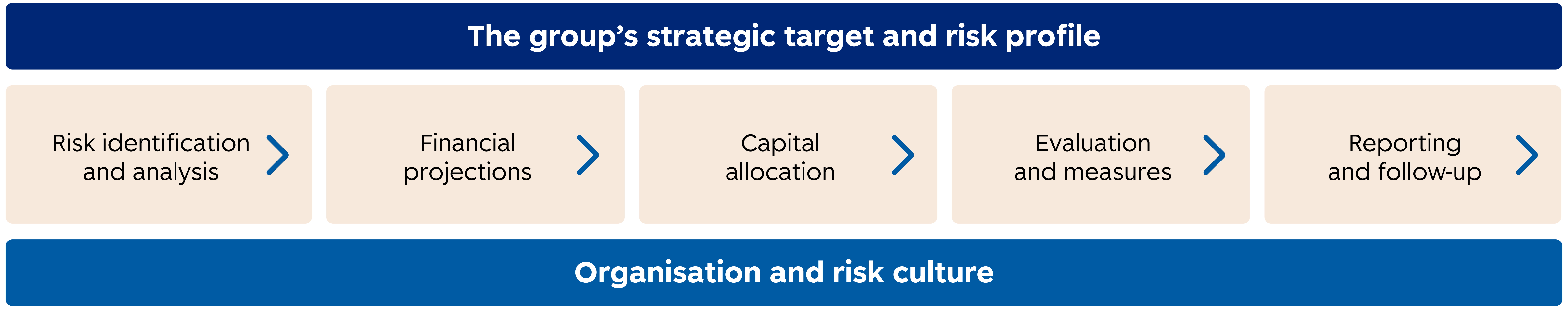
The purpose of the Policy for Risk and Capital Management is to provide guidelines for the Group's overall attitudes and principles for risk and capital management, and to ensure that the Group has an efficient process for this. Furthermore, the policy shall ensure that the internal framework satisfies laws, regulations and best practices for good risk and capital management.

The process of risk and capital management in SpareBank 1 Sør-Norge builds on the following main principles:

- The group's risk and capital management framework shall be documented and based on best international practices.
- The group shall have a management and control structure that promotes prudent, independent management and control.
- The risk and capital management shall form an integral part of the management and decision process.
- Risk and capital management shall support the group's strategic development and achievement of objectives while ensuring financial stability and sound management of assets.
- The group shall have a good risk culture characterised by a high awareness of risk and capital management.
- The board must approve the group's desired risk profile on at least an annual basis.
- SpareBank 1 Sør-Norge shall have a risk appetite that provides a sufficient buffer in relation to the group's risk capability and ensure that no single events can seriously damage the group's financial position.
- The risk identification process must be implemented regularly, forward-looking and cover all significant areas of risk.
- Quantification of risk must be based on recognised methods and be sufficiently conservative to properly take account of any weaknesses in the model.
- Thorough analyses must be carried out of the identified risks to understand the risks' effects on income, costs and losses.
- Based on the risk analysis, effective management and control measures shall be established for the individual risks. Measures that reduce probability shall be prioritized over measures that reduce consequences.
- The group must prepare a minimum 5-year financial prognosis at least once a year, and this must as a minimum cover expected financial developments, as well as a period involving a serious financial setback. The serious financial setback must be severe, but realistic.
- Return on economic capital shall be one of the most important strategic result measurements for the internal control of SpareBank 1 Sør-Norge. The credit-based framework for EAD in the bank's internal market divisions must be determined based on risk-adjusted returns.
- The group must carry out comprehensive, periodic risk follow-up and reporting.
- The group shall, as far as it is possible, price activities and products in line with the underlying risk to ensure the right level of risk is assumed.
- The group must draw up robust recovery plans so it can manage critical situations in the best possible way should they arise.
- The group must have clear, unambiguous definitions of the various types of risk.

To ensure an effective and suitable process, the framework is based on different elements that reflect the way the board and management manage SpareBank 1 Sør-Norge. The main elements are described in the figure below.

Main elements in the risk and capital management process



The group's strategic target

The framework for management and control is based on the group's current strategic target.

Defining the risk profile

The board must adopt the group's risk profile at least annually. SpareBank 1 Sør-Norge defines its risk profile by calculating the group's risk capacity and then determining the group's risk appetite. Risk capacity and willingness to bear risk are defined by the group's results, solidity, liquidity and credit quality, and are set for both a normal business cycle and for a serious economic downturn.

The risk capacity describes the maximum risk exposure the group can bear before it is forced into an unwanted situation and needs to evaluate necessary recovery measures.

The willingness to bear risk describes the maximum desired risk exposure from an earnings and loss perspective, given the defined risk capacity. The difference between risk capacity and risk appetite expresses the group's desired safety buffer.

Risk identification and analysis

The process for risk identification is forward-looking and covers all the group's significant risk areas. In areas where the effect of the established control and management measures is not considered satisfactory, improvement measures are implemented. Thorough analyses of the identified risks are conducted to understand their characteristics and the effect of established control and measurement measures.

Measures that reduce probability shall take precedence over measures that reduce consequences. Up-to-date documentation should be available for all the important parts of the group's business areas. This documentation should specify the control and management measures that have been established, levels of risk, and references to any instructions, authorities and specifications. An annual risk strategy is prepared each year based on this risk analysis. The strategy specifies acceptable levels of risk, and targets for risk-adjusted returns.

Financial projections

Various financial projections are made annually:

- Financial projection of expected financial development over the next five years.
- Financial projection of severe economic setbacks based on various scenarios, which include for example:
  - Climate
  - Political instability
  - Building of financial bubbles

Financial projection of expected financial development

The financial forecast of expected development is based on the group's projection for the current period. The projection reflects the group's strategic objectives, business plans, capital adequacy requirements, and expected macroeconomic development for the coming years. The purpose of the forecast is to illustrate how these factors affect the group's financial development, measured in return on equity, funding situation, and capital adequacy

Financial projection of a serious economic downturn (stress test)

The purpose of the financial projection of a serious economic downturn is to:

- Evaluate potential losses based on different economic scenarios.
- Evaluate the vulnerability of portfolios/activities.
- Increase the understanding of how a shock would affect the group's profitability, liquidity situation and capital adequacy.
- Evaluate potential losses based on different strategic possibilities.
- Identify weaknesses in the group's risk strategies and processes to help develop risk mitigation measures and prepare contingency plans.

The forecast often has a time horizon of 5 years, thereby covering an expected business cycle. To assess the consequences of economic setbacks for SpareBank 1 Sør-Norge, the group focuses significantly on the areas of the economy that influence the financial development. These are primarily developments in credit demand, the stock market, the interest rate market, and developments in credit risk. In addition to having consequences for the returns on the underlying assets, an economic setback will also affect customers' saving behavior.

Capital allocation

Risk-adjusted return is one of the most important strategic result measurements in SpareBank 1 Sør-Norge. Risk-adjusted return is based on the calculation of risk-adjusted capital, which describes what level of capital the group must hold to cover an unexpected loss within a year. The calculation is made with a confidence level of 99.9 per cent. This implies that capital is allocated to business areas in accordance with the calculated risk of the operation. Return on capital is continuously monitored.

Evaluation and measures

The abovementioned financial projections provide the executive management team and the board with sufficient understanding of the risk to make proper strategic choices and at the same time ensure that the group has an acceptable risk profile. Based on the analysis, SpareBank 1 Sør-Norge develops capital plans to achieve a long-term and effective capital management and ensure that the group's capital adequacy is acceptable, given the risk exposure and strategic targets. SpareBank 1 Sør-Norge has also prepared recovery plans to the extent possible be able to handle emergencies if they nevertheless arise. The recovery plans cover:

- Capital adequacy
- Liquidity risk
- Operational risk

Reporting and follow-up

The group's overall risk exposure and risk trends are reported to the executive management team and the board in periodic risk reports. The Risk Management Department performs general risk monitoring and reporting, and the department is independent of the different business units in the group; the department reports directly to the CEO. All managers are responsible for the day-to-day risk management within their area of responsibility and must continuously ensure that the risk exposure is within the limits set by the board or CEO.

Risk reporting to the board

The table below shows the regular reports on risk and compliance to the board.

Regular reports on risk and compliance.

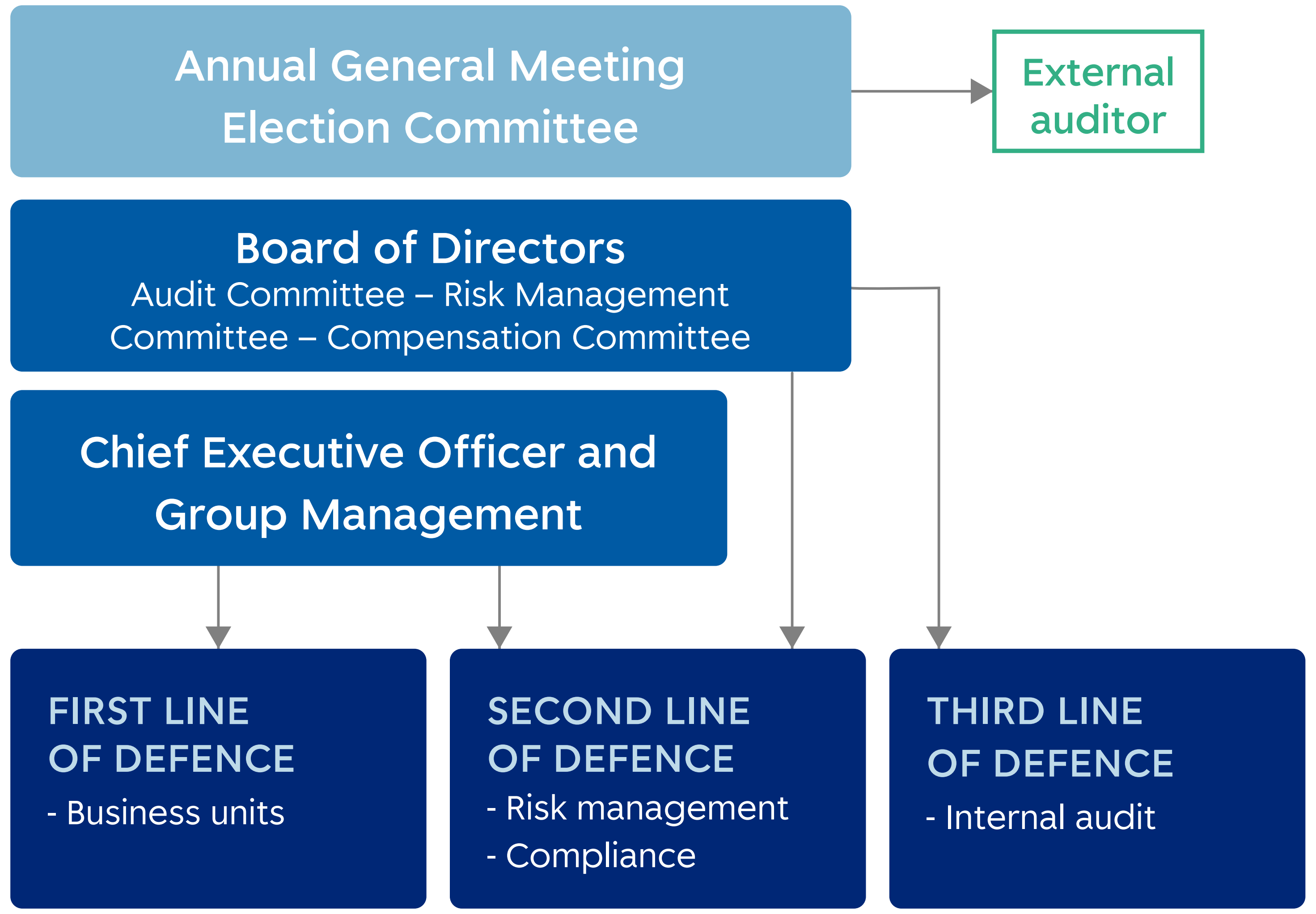
Frequency	Report
Monthly	**Liquidity and market risk:** The monthly report is the second line assessment of the risk profile within liquidity and market risk. The monthly report provides a status on key metrics with analyses and comments.
Quarterly	**Risk report:** The risk report is the second-line assessment of the risk picture. The risk report provides an overview of the risk situation, with analyses and comments.
Quarterly	**Compliance report:** Compliance prepares a report on the status and development of the compliance situation. The reporting is Compliance's independent assessment and shall provide a clear overall picture of SpareBank 1 Sør-Norge's compliance risk.
Quarterly	**Undesired incidents:** The quarterly undesired incidents report provides an overview of the development in registered incidents as well as the financial consequences of these. Significant events are highlighted together with a description of the consequences and follow-up.
Annual	**ICAAP report:** The ICAAP report contains a detailed description of SpareBank 1 Sør-Norge's process for self-evaluation of the risk and capital situation. SpareBank 1 Sør-Norge's process for self-evaluation of the liquidity situation ILAAP (Internal Liquidity Adequacy Assessment Process) describes and assesses the liquidity situation for the entire group.
Annual	**Validation report:** The validation officer prepares an annual validation report which forms the basis for the board of SpareBank 1 Sør-Norge to decide whether the risk management system (IRB system) is well integrated in the organization and whether it calculates the risk level and capital requirements in a satisfactory manner.
Annual	**Recovery plan:** The recovery plan is an important part of SpareBank 1 Sør-Norge's preparedness. An important part of the recovery plan is a description of various identified measures that can improve SpareBank 1 Sør-Norge's capital coverage and liquidity situation in an imagined crisis. The plan is revised annually. The status of defined recovery indicators is reported to the board every quarter.

Roles and responsibilities

SpareBank 1 Sør-Norge values independence in management and control, and the responsibility is divided between different roles in the organisation. Through the General Assembly, the shareholders execute the highest authority in SpareBank 1 Sør-Norge.

The group values a control and management structure that encourages targeted and independent management and control.

Governing bodies of SpareBank 1 Sør-Norge



The Board of SpareBank 1 Sør-Norge is responsible for approving the group's risk profile, framework for risk and capital management, and ensure that the group is sufficiently capitalized in accordance with regulatory requirements and chosen risk profile. The Board should further ensure that the group's risk profile and risk framework for risk and capital management are adequately communicated and implemented in the group, and that it is followed up with sufficient authority and resources.

The Chief Executive (CEO) is responsible for the overall risk management. This means that the CEO is responsible for implementing the framework for risk and capital management in the group. The CEO is also responsible for ensuring that the risk exposure at all times is within the group's chosen risk profile and in accordance with the risk strategies.

Managers of the business and support areas and employees are responsible for the day-to-day risk management within their area of responsibility. They must at all times ensure that the risk management and risk exposure are in accordance with the framework, and that the risk exposure is within the given framework.

The Risk Management department is led by the Chief Risk Officer (CRO), who reports directly to the CEO. The department is organized independently of the business units. The CRO has the option to report directly to the Board if extraordinary situations should indicate it. The department is responsible for further development of the framework for risk and capital management so that it works effectively and as intended. The department is also responsible for independent follow-up of risk exposure in accordance with risk appetite and risk strategy. The department should also prepare proposals for risk profile and risk strategies that ensure financial robustness and efficient use of the group's equity. The department should have sufficient breadth and depth in competence and capacity.

The Internal Audit is responsible for systematically evaluating and reviewing the effectiveness and appropriateness of the group's control and management structure, framework for risk and capital management, internal control and compliance. The internal audit is risk-based and evaluates on a rolling basis both the frameworks for the mentioned topics and compliance with these. The internal audit must be independent and have sufficient competence and capacity. The internal audit reports to the board.

Committees

The Risk Committee shall generally follow up the Group's risk exposure and framework for risk and capital management. The risk committee shall have the authority to investigate all activities and matters relating to the group's overall risk and may obtain information from any employee. All the Group's employees and representatives shall provide the information and assistance that the risk committee may request. The risk committee can implement any investigations it finds necessary to cover its tasks, including obtaining external advice and assistance.

The risk committee answers to the board of SpareBank 1 Sør-Norge for the execution of its tasks. The individual member has no special external responsibility in their role as a member of the risk committee. The board's responsibility and the individual board member's responsibility are not reduced because of the risk committee's activities. The risk committee held six meetings during 2024.

The Balance Committee provides advice on the operative management of the bank's balance sheet within the limits set by the board. The committee's main focus is monitoring and control of the factors that directly and/or indirectly affect the bank's funding capacity.

The Credit Committees are responsible for providing an independent recommendation to the mandate holder. The Credit Committees assess loan and credit applications in accordance with the current credit strategy, credit policy, authorization regulations, and credit processing routines.

Risk culture

Risk culture refers to the values and attitudes expressed through risk awareness, actions, and the ability for organizational learning. A strong risk culture forms the foundation of effective risk management and is essential for fully leveraging policies, procedures, and models. In collaboration with the University of Stavanger, SpareBank 1 Sør-Norge has developed a framework used to conduct regular group-wide evaluations of risk culture. The assessment is conducted biennially and was last carried out in 2023 (SpareBank 1 SR-Bank) and 2024 (SpareBank 1 Sørøst-Norge). The results show that the risk culture within the organization is strong. The outcomes of the assessments foster valuable discussions within the group, enhance awareness, and provide insights into topics that are not typically addressed as directly. Thus, the conduct of such assessments is considered, in itself, a significant contribution to a robust risk culture.

3. Capital requirements

SpareBank 1 Sør-Norge has significantly strengthened its capital adequacy over the past years.

Primary capital

According to the Norwegian Public Limited Liability Companies Act, all companies must always have equity commensurate with the risk and scope of the activities of the company. In Pillar 1, the Capital Requirements Regulations define minimum requirements for the following risk types: credit, market, and operational risk.

There are in principle two different approaches for calculating the minimum requirement for responsible capital according to the capital adequacy regulations. One approach is based on template rules, while the other is based on the use of internal models. When using internal models, the regulatory minimum requirement for capital is based on the banks' internal risk assessments. This makes the statutory minimum requirement for capital coverage more risk-sensitive, so that the capital requirement matches to a greater extent the risk in the underlying portfolios or activities.

The different methods for calculating the minimum primary capital requirements in Pillar 1 are presented in the figure below.

Alternative methods for calculating the minimum primary capital requirements[1]

Credit risk	Marked risk	Operational risk
Standard method	Standard method	Basic Indicator Approach
Basic IRB method*	Internal Measurement Approach*	Standardised Approach
Advanced IRB method*		Advanced Measurement Approach*

** The methods require approval of the Financial Supervisory Authority of Norway*

SpareBank 1 Sør-Norge uses the standard method for calculating capital requirements for market risk and the standardised approach for operational risk. When calculating necessary requirements for capital on credit risk, SpareBank 1 Sør-Norge has permission to use internal models for both the retail and the corporate market. This entails that internal models are used in calculating the risk parameters probability of default (PD), conversion factor (CF), used in determining exposure at default (EAD), and loss given default (LGD).

1 *The three methods available for calculating capital for operational risk will be replaced by a new standard method when the final Basel regulations entered into force in January 2022.*

IRB system

The IRB system includes all the models, work and decision processes, control mechanisms, IT systems and internal guidelines used in the measurement and management of credit risk. SpareBank 1 Sør-Norge's objective with the IRB system is to provide a basis for sound risk management and ensure satisfactory capital adequacy according to the risk the group undertakes. The IRB system affects a substantial part of the group's operations, and since its implementation the system has helped improve the quality of risk management in SpareBank 1 Sør-Norge considerably.

The internal measurement methods used in internal risk management are reviewed in the chapter on credit risk. Regulatory calculations of risk exposure and capital requirements are based on the same systems and models used in internal risk management, but with some differences in models and model parameters.

The table on the right shows the main methods that SpareBank 1 Sør-Norge uses for calculating the minimum requirements for eligible capital for credit, market, and operational risk, respectively.

SpareBank 1 Sør-Norge's methods for calculating minimum regulatory capital requirements

Type of risk	Portfolio	Regulatory method
Credit risk*	States – parent bank	Standard method
	Institutions – parent bank	Standard method
	Housing cooperatives, clubs and associations – parent bank	Standard method
	Corporates– parent bank	Advanced IRB
	Retail – parent bank	IRB - Mass market
	Leasing	Standard method**
	Consumer financing and secured car loans	Standard method
	SpareBank 1 SR-Investering AS – subsidiary	Standard method
	SpareBank 1 SR-Forvaltning AS – subsidiary	Standard method
	Retail - SR-Boligkreditt AS	IRB - Mass market
	Corporates – SpareBank 1 Næringskreditt AS	Standard method
	Corporates – BN Bank AS	Advanced IRB
	Retail – BN Bank AS	IRB - Mass market
Market risk	Equity risk – parent bank	Standard method
	Debt risk – parent bank	Standard method
	Currency risk – parent bank	Standard method
	Subsidiaries and part-owned companies	Standard method
Operational risk	SpareBank 1 SR-Bank including subsidiaries	Standardised approach
	Other part-owned companies	Standard method

The portfolio of the former SpareBank 1 Sørøst-Norge currently uses the Standardized Approach.

*** The previously wholly-owned subsidiary SpareBank 1 SR-Finans AS was merged into the parent bank SpareBank 1 SR-Bank ASA as of January 1, 2017. The merged leasing portfolio is reported regulatory-wise using the Standardized Approach, while internally the IRB Approach is applied. SpareBank 1 Sør-Norge has applied for and received permission from the Financial Supervisory Authority of Norway to use the Advanced IRB Approach for the merged leasing portfolio. Implementation of the IRB on this portion of the portfolio will be carried out upon implementation of revised IRB models for enterprises for the merged leasing portfolio.*

Combined buffer requirements

In Basel III, combined buffer requirements were introduced in addition to the minimum requirement for regulatory capital. These include the conservation buffer, systemic risk buffer, countercyclical buffer, and buffer for systemically important financial institutions.

Capital conservation buffer (2.5%): The requirement for a conservation buffer of 2.5 percent of the bank's calculation basis remains constant throughout all economic cycles. The purpose of the conservation buffer is to ensure that banks build capital in boom times to prevent the capital from falling below the minimum requirement in periods of economic downturn.

Systemic risk buffer (4.5%): Systemic risk can be defined as the risk that financial instability causes disruptions to the provision of financial services to an extent that can have significant negative effects on production and employment. The Ministry of Finance decided in August to keep the systemic risk buffer requirement unchanged at 4.5 percent.

Countercyclical buffer (0,0-2,5%): In Norway, a countercyclical capital buffer in the range of 0 - 2.5 percentage points in the form of common equity is required. The purpose of the countercyclical capital buffer is to make banks more resilient and robust against loan losses. In December, Norges Bank decided to keep the countercyclical buffer requirement for banks unchanged at 2.5 percent.

Buffer for systemically important institutions (1.0 - 2.0 percent): Credit institutions defined as systemically important by Norwegian authorities will have an additional buffer requirement of two percent. Institutions with total assets equal to at least 10 percent of mainland Norway's GDP, or a market share of at least five percent of the loan market, are defined as systemically important. SpareBank 1 Sør-Norge ASA is defined as a systemically important financial institution with a special buffer requirement of 1 percent.

Pillar 2 requirement (1.6 per cent): The Pillar 2 addition is an institution-specific addition aimed at ensuring that Norwegian banks have sufficient capital to cover the risks associated with their operations beyond those included in the regulatory minimum requirement. In 2024, the Financial Supervisory Authority of Norway imposed an individual Pillar 2 requirement of 1.9 percent and a temporary Pillar 2 requirement of 0.5 percent on the group, pending the processing of applications for model changes. The total requirement was set discretionarily as a consequence of the planned merger. The Pillar 2 requirement must be met with 56.25 percent pure core capital. Additionally, the Financial Supervisory Authority expects the group to have a capital requirement margin of 1.25 percent.

Actual capital adequacy

Actual Capital Adequacy The Common Equity Tier 1 capital ratio was 18.01 percent, while the total capital ratio was 23.02 percent as of December 31, 2024. This is above the requirement for a Common Equity Tier 1 capital ratio of 17.6 percent.

Leverage ratio

The leverage ratio is a solvency indicator that complements the risk-weighted minimum requirements. The minimum leverage ratio requirement is set at 4.25 percent for SpareBank 1 Sør-Norge. At the end of 2024, the group had a leverage ratio of 7.67 percent, thus well above the minimum requirement.

4. Credit risk

Credit risk is the risk of loss resulting from the customers or counterparty's inability or unwillingness to fulfil his obligations.

About credit risk

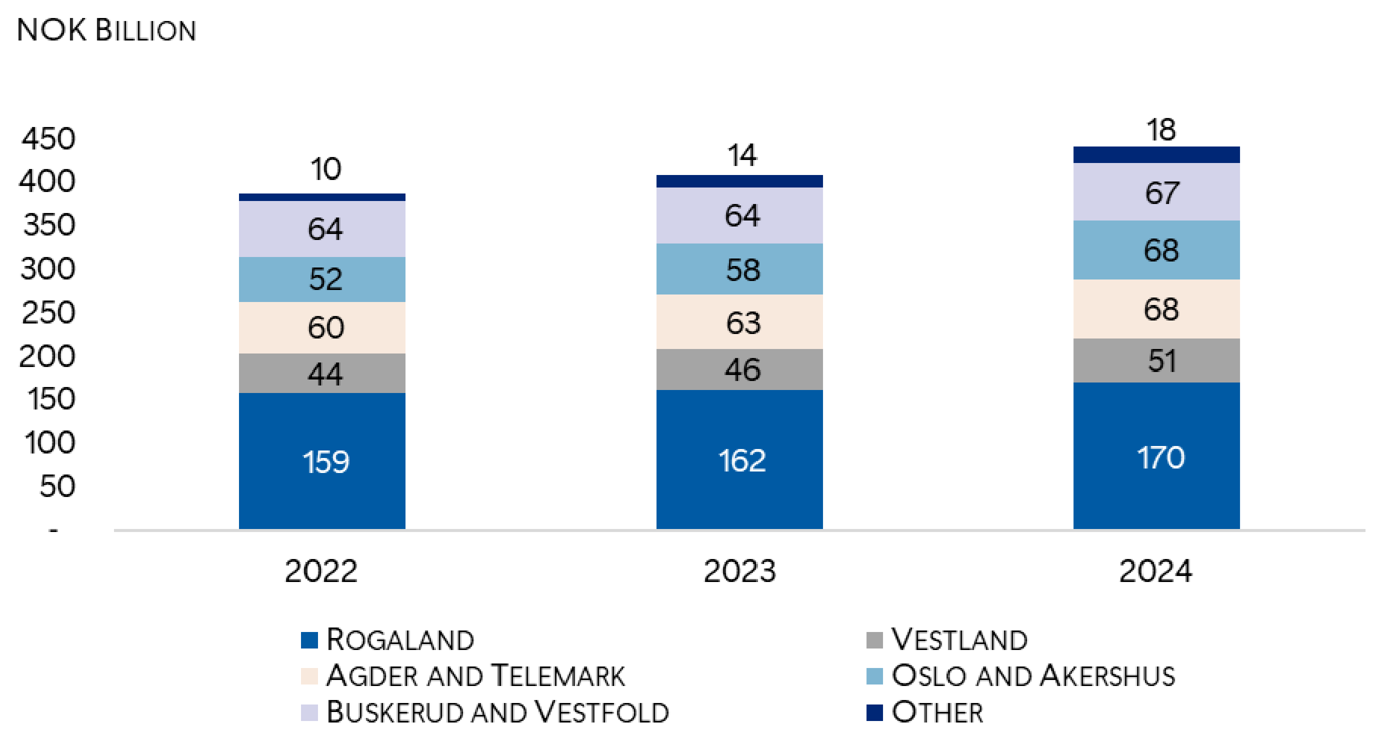
SpareBank 1 Sør-Norge primarily has credit risk through its loan portfolio in the retail and corporate markets. Additionally, the group has credit risk through the liquidity reserve portfolio, which is mainly intended to consist of low-risk bonds and certificates that qualify for borrowing access in Norges Bank. In the description of credit risk in this section, the following terms are used:

- Probability of default (PD) – the probability for default in a twelve-month period based on a long-term outcome[1]
- Exposure at default (EAD) – a calculated size that contains actual exposure and expected exposure for allocated, but not drawn limits at the time of default

Development in credit risk[2]

SpareBank 1 Sør-Norge primarily operates in Southern Norway, with the largest presence in Rogaland, Vestland, as well as Oslo and Akershus. The figure below shows the exposure distributed across geographical areas as of December in the last three years for customers in SpareBank 1 Sør-Norge (parent bank) including portfolios transferred to credit institutions.

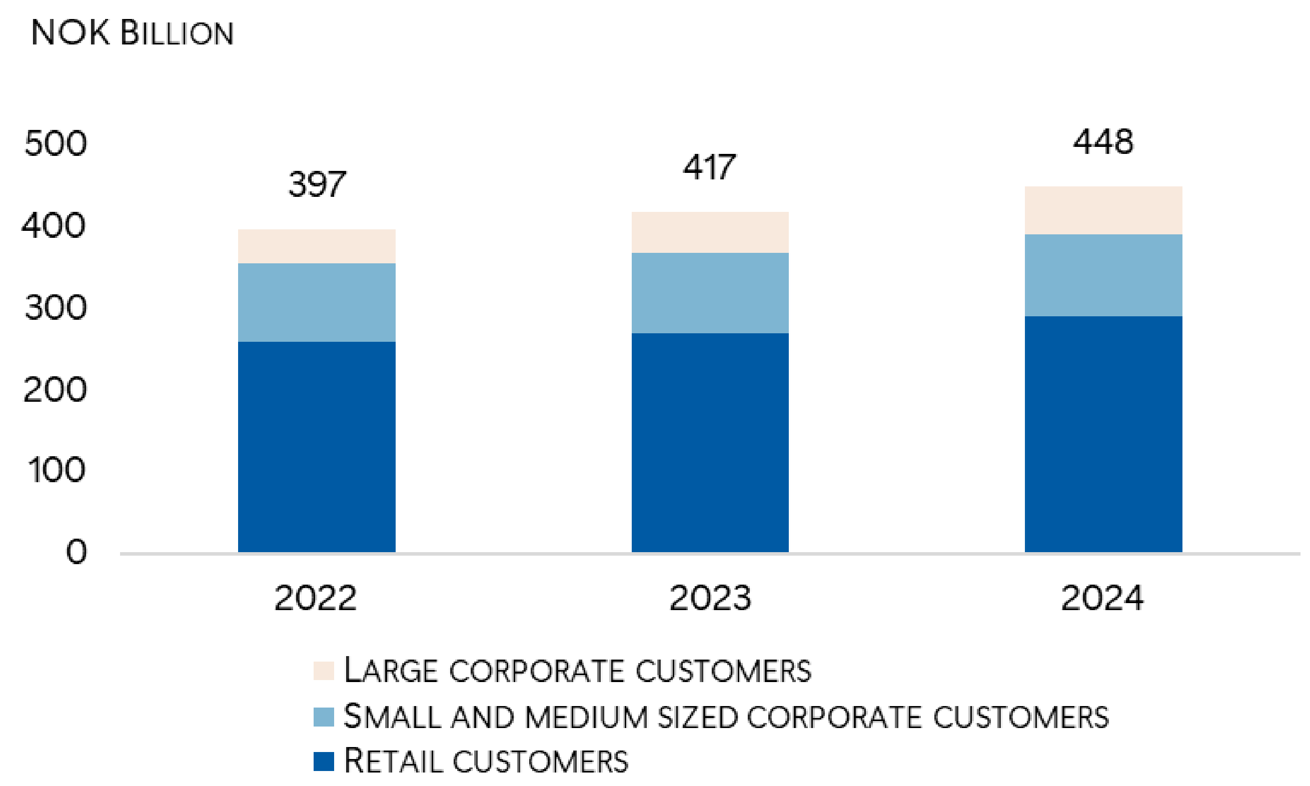
Exposure (EAD) by geographic market areas



Exposure in Rogaland amounted to 170 billion NOK as of December 31, 2024. This corresponds to 39 percent of SpareBank 1 Sør-Norge's total loan exposure. The loan exposure in SpareBank 1 Sør-Norge consists of a well-diversified portfolio of both individual customers and corporate customers. The figure below shows the development in the loan portfolio in the retail and corporate markets over the last three years.

1 Long term outcome through a full loss cycle of 25 years
2 All figures from 2022 and 2023 are pro forma/consolidated figures from SpareBank 1 Sørøst-Norge and SpareBank 1 SR-Bank.

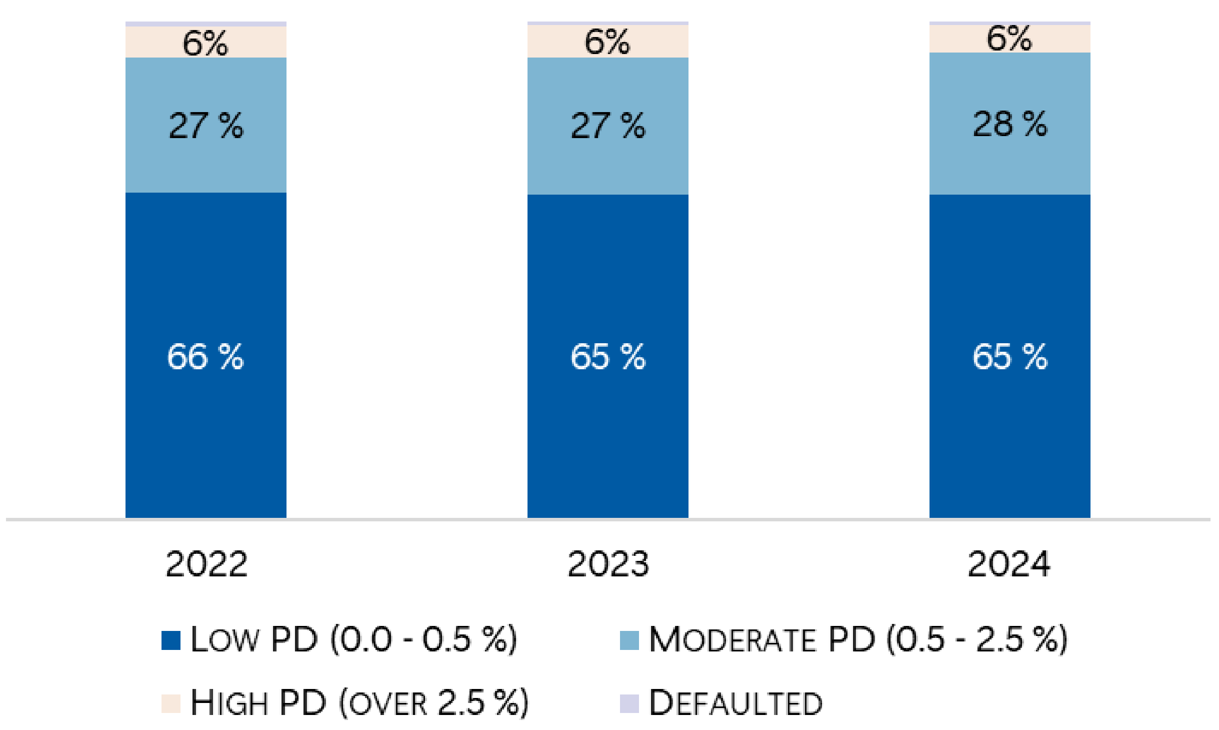
Exposure by customer segment



The largest portion of loan exposure in SpareBank 1 Sør-Norge is directed towards retail market customers, and loans in this segment are primarily financing secured by real estate. Exposure to individual customers has increased from 269 billion NOK to 289 billion NOK in 2024. Ninety-five percent of loan exposure in the retail market consists of engagements of less than 10 million NOK. Exposure to small and medium-sized enterprise customers has increased from 98 to 102 billion NOK in 2024. Credit exposure to large customers has increased from 50 to 57 billion NOK during 2024. Large corporate customers are here defined as individual customers with exposure (EAD) greater than 250 million NOK. A clearly defined framework that sets limitations on what is financed and under what terms contributes to maintaining a stable and robust portfolio.

The proportion of loan exposure to customers with a probability of default (PD) lower than 0.5 percent constitutes 65 percent in 2024. These are customers classified in default risk classes A, B, or C. The proportion of loan exposure with moderate PD was 28 percent. These customers are classified in default risk classes D, E, and F.

Loan portfolio by probability of default (PD)[3]

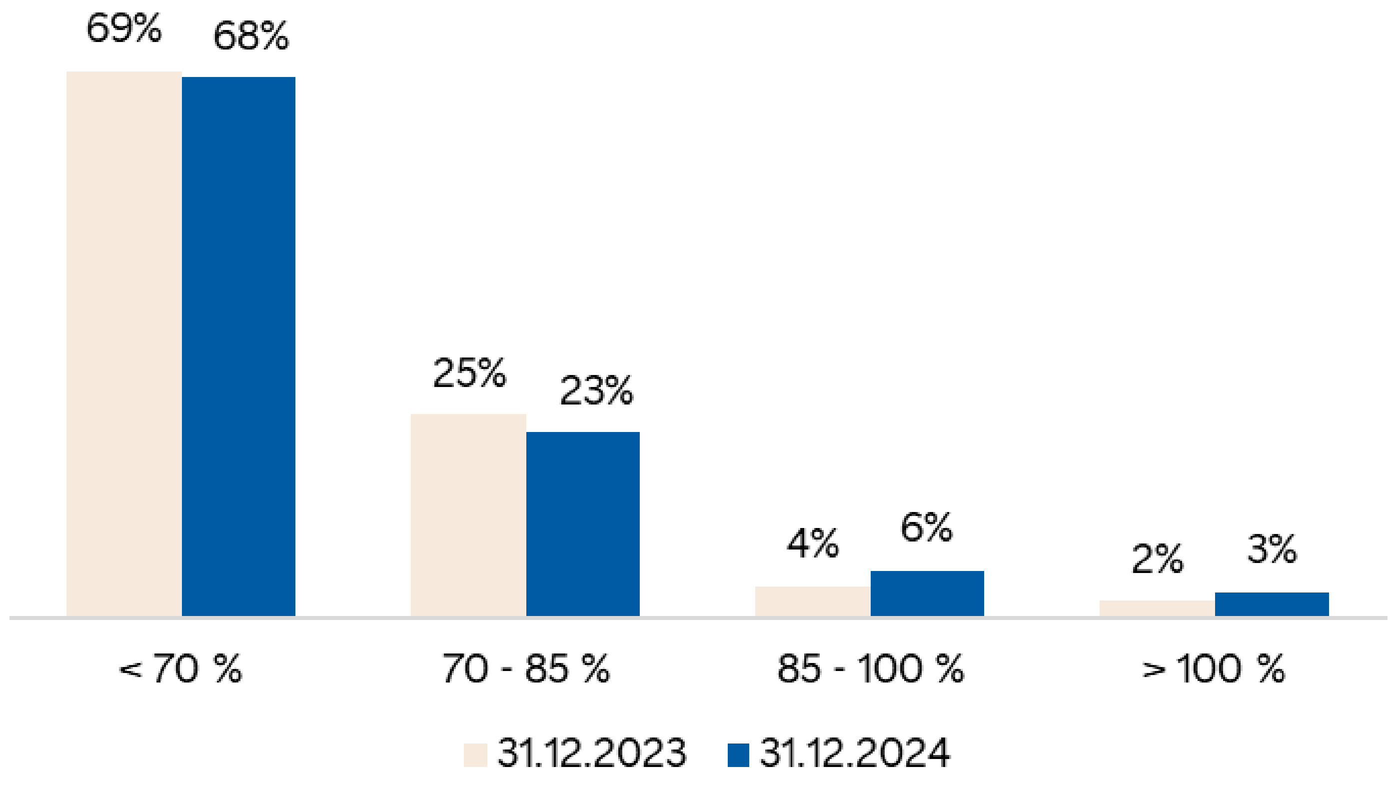


SpareBank 1 Sør-Norge places significant focus on monitoring engagements with PD higher than 2.5 percent. As of December 2024, 5.6 percent of loan exposure pertains to customers with PD higher than 2.5 percent. These customers are classified in default risk classes G, H, and I. Exposure to defaulted customers represents 0.6 percent of total loan exposure in the corporate and retail markets as of December 2024. The portfolio composition is based on a clearly defined strategy, where growth and risk profile are managed through specific credit strategic frameworks for portfolio composition and concentration risk.

The figure below shows the development in the loan-to-value ratio in the retail market portfolio from 2023 to 2024. The calculation of the loan-to-value ratio is based on the market value of securities and is shown as the total distributed loan-to-value ratio.

3 For retail customers, there are different requirements for a long-term outcome for probability of default (PD), internal and regulatory. The figure shows the loan portfolio with internal PD estimates

Loan-to-value ratio (LTV) – total distributed



Managing credit risk

Credit risk is managed through limitations for granting credit, follow-up of commitments and portfolio management. Credit risk management is based on the following main principles:

- The Group shall be among the leading in Norway in managing credit risk
- Particular emphasis should be placed on ensuring that the customers' activities comply with applicable laws and regulations, and that the business has a long-term perspective
- The main focus of credit granting should be the customer's ability of debt servicing, and weak / lacking service capacity should not be compensated with good security
- The risk that arises from concentrating the lending activity against a single customer, industry or segment should be limited to avoid single events being able to seriously harm the Group's financial position

Credit culture

SpareBank 1 Sør-Norge is among the leading players in Norway in credit risk management. This is achieved through local knowledge of customers and the use of robust credit models and credit analyses. Further, clear requirements are set for employee competence and attitudes, emphasizing the ability to recognize risk and the willingness to learn from experience. In credit assessments, particular emphasis is placed on ensuring that customers' operations comply with applicable laws and regulations, have a long-term perspective, and that customers have both the necessary repayment capacity and robust equity considering the nature of their operations. The lending process is characterized by clear responsibilities where collaboration aims to ensure the best possible basis for decision-making, but credit decisions are made individually.

Significant emphasis is placed on the ability to adhere to internal guidelines and thereby avoid financing engagements that conflict with these guidelines. There is therefore a strong focus on credit employees' active use and compliance with a credit risk management framework that aligns with best practices in the field. Compliance is also specifically monitored by independent representatives from the group's risk management environment, both through ongoing participation in various credit committees and through independent reporting from the work in the credit committees.

Credit strategy

SpareBank 1 Sør-Norge primarily operates in Southern Norway as its geographical market area. The overarching credit strategy establishes that the group should have a moderate risk profile where no single event should significantly harm the group's financial position. The group's credit strategy comprises overarching credit strategic frameworks designed to ensure a diversified portfolio and a satisfactory risk profile. The frameworks set limits on the probability of default, expected loss, risk-adjusted capital, and the proportion of total loan exposure that can be directed toward the corporate market.

SpareBank 1 Sør-Norge's portfolios that are or will be transferred to credit institutions (SR-Boligkreditt AS, SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS) are included in the aforementioned credit strategic frameworks. For the corporate market, there are also specific frameworks for the maximum share of capital toward individual industries, the group of larger customers, and customers with high risk. Furthermore, frameworks are established for the calculated maximum loss on individual customers. An individual customer in this context also includes engagements with two or more counterparties when determining influence or economic connections between them are such that financial difficulties for one are likely to lead to payment difficulties for the other(s).

The frameworks are intended to ensure a diversified portfolio within the corporate market. The credit strategic frameworks are established by the board, and any deviations from these must therefore be presented to the board for approval. The risk management department reports quarterly on the developments in the credit strategic frameworks to the board.

Credit policy guidelines

The group's credit policy guidelines stipulate minimum requirements that apply to all types of financing, except commitments granted as part of the exercise of special credit hedging authorities. In addition to the general credit policy guidelines, a set of more specific credit policy guidelines related to sectors or segments that can entail a special risk have been prepared. The credit policy guidelines are revised at least once a year and are approved by the chief executive and reported to the board.

Credit authority regulations

The board is responsible for the group's granting of loans and credit, but delegates the responsibility to the chief executive, within certain limits. The chief executive then delegates these responsibilities within his own authority. Delegated credit authority is linked to a commitment's probability of default The authorities are personal. This means that the credit committees do not have decision-making authority but make recommendations to the authority holder. If there are no recommendations from credit committee, the authorisation limits will be halved. In general, the authorities are ample if a commitment's probability of default indicate a low risk, but they will be restricted progressively with increasing risk. The credit authority rules are reviewed annually, and changes are approved by the chief executive and reported to the board. However, this does not apply to changes in the chief executive's credit authority as this is approved by the board.

Credit review routines

The credit review routines regulate in detail all factors related to the granting of credit by the group and follow-up of commitments. The credit granting process provides a more detailed description of the customer and the purpose of the loan application, in addition to evaluations of the following:

- Owners and management
- Structure of financing
- Compliance with credit strategy and credit policy
- Whether the customer will have adequate earnings to service the current obligations, interest and instalments
- For how long and in what manner the customer can cover their current obligations, interest and instalments if their earnings fail
- Collateral and overall assessment of risk

Measurement of credit risk

Continuous commitment and portfolio monitoring is carried out on existing commitments. The credit risk is followed up in general by means of the group's portfolio management systems, systems for early notification of key development trends (early warning) and systems for monitoring the quality of the actual credit granting process.

Portfolio management

The group's risk exposure is monitored using an overarching portfolio management system. The system contains a wealth of information on risk at both an aggregated and detailed level, enabling effective monitoring and management of risk developments in the portfolio. There is a monthly update of all portfolio information, including updates of customers' probability of default.

The development of risk in the portfolios is monitored with particular emphasis on the development in risk classification (migration), expected loss, risk-adjusted capital, and risk-adjusted return. Risk-adjusted capital reflects the actual risk exposure better than the traditional focus on loan volume.

Early Warning

The group's early warning system makes it possible to continuously monitor customers' key risk drivers and acts as an important indicator of potential negative developments in default rates. Its purpose is to detect key trends in development at an early stage.

Some examples of risk drivers are:

- Short-term and repeated default
- Development in limit utilisation
- Development in number of instalment postponements
- Official announcements

Credit process surveillance

The group's systems for monitoring the credit approval process make it possible to monitor credit quality and the risk-adjusted return on new commitments continuously. The system can compare quality across departments, and enables early action if, for instance, a department's credit practice is developing in an undesired direction.

Risk classification system

SpareBank 1 Sør-Norge has used internal credit models since 2007 for the retail market and since 2015 for the corporate market (Advanced IRB). Prior to 2015, the bank had permission to use the foundation IRB approach for enterprises. The Competence Center for Credit Models (KFK) develops credit models on behalf of the banks in the SpareBank 1 Alliance. In addition, KFK has established a separate and independent Validation department that assists and supports banks in validation work. SpareBank 1 Sør-Norge has also established separate departments within Risk Management responsible for model development and validation.

The group uses internal credit models for risk classification, risk pricing, and portfolio management. The risk classification system is based on the main components as shown in the table below.

The risk classification system in SpareBank 1 Sør-Norge

Risk classification	Short description
Probability of default (PD)	The customers are classified in default classes based on the probability of default over a 12-month period, based on a long-term outcome.
Exposure at default (EAD)	This is an estimate that indicates the group's exposure to a customer at default.
Loss given default (LGD)	This is an estimate of how much the group can potentially lose if the customer defaults on his obligations.

Expected loss (EL)	Describes the loss the group can statistically expect to lose on the loan portfolio during a 12-month period (long-term outcome) in a normal business cycle.
Risk-adjusted capital (UL)	Describes how much capital the group needs to reserve as a buffer for future unexpected losses.
Risk group	The customer is assigned a risk group based on the risk-adjusted capital on the commitment.

Probability of default – PD

The definition of each default class is shown in the table below. The table also illustrates the correlation between the classification used by the major external rating agencies and the classification used by SpareBank 1 Sør-Norge. Customers are classified into default classes based on the probability of default within a 12-month period, determined by a long-term outcome through a full loss cycle.

Probability of default is calculated based on historical data series for financial key figures related to earnings and consumption, as well as on non-financial criteria such as behavior and age. To group customers according to probability of default, nine default classes (A-I) are used. Additionally, the group has two default classes (J and K) for customers with defaulted and/or written-down engagements. SpareBank 1 Sør-Norge emphasizes stable and predictable lending and capitalization over time. In calculating the probability of default, there are primarily two approaches that can be used: Point in Time (PIT) and Through the Cycle (TTC).

Definition of default classes and the correlation between classification in SpareBank 1 SR-Bank and in the largest external rating agencies

Default class	Lower limit for default	Upper limit for default	Ratingscale Standard & Poor's	Ratingscale Moody's
A	0,00 %	0,10 %	AAA - A-	Aaa - A3
B	0,10 %	0,25 %	BBB+ - BBB	Baa1 - Baa2
C	0,25 %	0,50 %	BBB-	Baa3
D	0,50 %	0,75 %	BB+	Ba1
E	0,75 %	1,25 %	BB	Ba2
F	1,25 %	2,50 %	BB-	Ba3
G	2,50 %	5,00 %	B+	B1
H	5,00 %	10,00 %	B	B2
I	10,00 %	40,00 %	B- - CCC/C	B3 - Caa3/C

SpareBank 1 Sør-Norge's models for calculating the probability of default are defined as a middle ground between Point in Time and Through the Cycle. This aligns with best practices among Nordic IRB banks and corresponds with the approach behind the rating methodology of the most reputable rating agencies.

In addition to predicting the long-term outcome for probability of default regardless of the economic situation, the models must also be able to rank customers by risk (from the lowest probability of default to the highest) according to the economic situation at hand. This is crucial for predicting which customers may encounter difficulties over the next 12 months. To achieve this, the model must also include variables that capture economic changes.

Exposure at default – EAD

Exposure at Default (EAD) is defined as the exposure the bank has to a customer at the time of default. The conversion factor (CF) defines the proportion of the unused limit that is expected to be drawn upon in the event of default. In this context, unused limit is defined as the remaining available limit one year before default.

Approved but undrawn limits for retail market customers have a conversion factor equal to 1, meaning that a 100 percent drawdown is assumed in the event of default. For corporate market customers, approved but undrawn limits are multiplied by a conversion factor that varies between 60 and 90 percent, depending on the customer's probability of default. The conversion factor for guarantees is a government-determined parameter and is set to 1 for loan guarantees and 0.5 for other guarantees.

Loss given default – LGD

Loss given default describes how much the group could potentially lose if the customer defaults on their obligations. The model presents estimates that predict the degree of loss in an economic downturn. The valuation takes in account the value of underlying securities, the degree of recovery of unsecured loans, the degree of recovery before realisation and the costs the group has in recovering defaulted commitments. Seven classes are used (1–7) for classifying commitments in relation to loss given default. Definitions of these classes are illustrated in the table below.

Definition of LGD (collateral class)

LGD-class	LGD interval
1	Until 10 %
2	<10 %, 20 %]
3	<20 %, 30 %]
4	<30 %, 40 %]
5	<40 %, 50 %]
6	<50 %, 60 %]
7	Over 60 %

Expected loss – EL

Expected loss describes the loss the group can statistically expect to experience on the loan portfolio during a twelve-month period, based on a long-term outcome through a full loss cycle. Expected losses are calculated based on the probability of default, exposure at default and loss given default.

Risk-adjusted capital – UL

There are many factors that affect the group's losses on loans and credits. The expected loss is based on uncertain magnitudes, where the uncertainty is largely related to the characteristics of the commitments. On well-secured loans, the uncertainty is limited, while the uncertainty is relatively large with less well-secured loans and with customers with an unstable ability to fulfil their obligations. To take account of this uncertainty, a value for unexpected loss, or risk-adjusted capital, (UL) is calculated on all commitments. In this regard, SpareBank 1 Sør-Norge uses the reference model for unexpected loss as set out in the Capital Requirements Regulations. The sum of unexpected losses for all commitments provides an estimate of how much the group could lose more than the expected loss.

Risk-adjusted capital thus describes how much capital the group believes it needs to cover the actual risk it has undertaken. Since it is impossible to protect against all losses, the group has determined that the risk-adjusted capital should cover all possible unexpected losses at a given confidence level of 99.9 percent. An engagement is classified into a risk group from lowest to highest risk based on its risk-adjusted capital.

The risk groups are defined as shown in the table below.

Definition of risk groups

RISK-ADJUSTED CAPITAL (UL) % OF EAD

Risk group	Lower limit	Upper limit
Lowest	0,0 %	1,6 %
Low	1,6 %	4,0 %
Medium	4,0 %	8,0 %
High	8,0 %	12,0 %
Highest	12,0 %	99,99 %

Risk pricing

SpareBank 1 Sør-Norge is committed to pricing risk appropriately. This means that engagements with high risk are priced higher than those with low risk. However, the general level of risk pricing will also depend on the group's overall return objectives and considerations of the competitive situation.

Collateral and other risk mitigation measures

SpareBank 1 Sør-Norge uses collateral to reduce the credit risk in each commitment. For corporations, different types of conditions and terms are also specified in most credit agreements. Use of terms gives the bank assurance that the company keeps proper levels of liquidity and equity, or that the company complies with applicable laws and regulations related to its services.

In the retail market, the collateral is primarily real estate (housing). Several different types of collateral are accepted in the corporate market. This is shown in the table below.

Main types of collateral

Type of collateral	Retail market	Corporate market
Real property	✓	✓
Land	✓	✓
Securities	✓	✓
Guarantees	✓	✓
Machinery and plant		✓
Vessels		✓
Motor vehicles/construction machines		✓
Inventories		✓
Agricultural chattels		✓
Trade receivables		✓
Deposits	✓	✓

The group establishes the realisation value of posted collateral based on statistical data over time, as well as expert evaluations in cases where the statistical date is insufficient. The realisation value is set to give a conservative evaluation that reflects presumed realisation value in an economic downturn.

Monetary claims in the form of deposit accounts with credit institutions may be pledged for the benefit of the credit institution. In consumer relations such pledge must be established by a written contract, and the pledge may only cover deposits that are in a unique account created in connection with the agreement.

In the retail market the market value of real estate is stipulated either by utilising the purchase price according to the contract, a broker valuation/appraisal or value estimates from Eiendomsverdi (applies only to residential properties. Eiendomsverdi is an information and analysis tool that provides access to an estimated market value for properties in Norway. Value estimates from Eiendomsverdi may be utilised in accordance with internal procedures if the property is located in a well-functioning residential market and if there is little uncertainty with regard to the value estimate. The realisation value on real estate is established based on the market value of the property and reduces this value by a reduction factor that depends on the type of property. In the retail market, assets other than real property are used as collateral to a limited extent.

In the corporate market, the value of commercial properties is calculated using the yield method, where the value is the present value of the expected cash flow to the property. Yield reflects the return an investor can demand when investing in a property and is affected by factors such as the property's location and nature, duration of the lease, tenants' solidity, regulatory risks, and the anticipated long-term, risk-free interest rate. The realisation value of the collateral is determined based on the market value, which is reduced by a factor that varies with the property's characteristics. The reduction factors for all types of collateral are set based on the fall in value that must be expected in a sharp economic downturn.

Validation of the IRB system

The group continuously engages in the further development and validation of the risk management system and the credit approval process to ensure high quality over time. Independent validation is carried out by the 'Model Risk and External Risk Reporting' department, which is organized independently from the units responsible for model development and the establishment and renewal of loans. The validation work is summarized in an annual validation report that provides the basis for the board of SpareBank 1 Sør-Norge to assess whether the risk management system (IRB system) is well integrated into the organization and whether it calculates risk levels and capital requirements in a reliable manner. Validation findings and any recommendations for improvement are presented by the Executive Vice President of Risk Management.

The aim of the validation process is to ensure that:

- The IRB parameters are based on relevant data of sufficient quality
- The assumptions on which the IRB system is based are reasonable
- Weaknesses and limitations in the models or the use of models are identified, assessed and followed up where possible
- The IRB system is well integrated into the organisation, and that it forms a central part of the banks risk management and decision making

The validation process can be divided into the following main areas:

Data validation: Control of data quality, possible breaks in data series or missing data in the estimation basis and later in model follow-up.
Qualitative validation: Assessment of the models and model implementation, providing an overall assessment of the IRB system. The assessments include the models' ability to measure relevant risk, the models' conceptual reasonableness and model limitations, internal anchoring, documentation, and implementation.
Quantitative validation: Verification of the models' data representativeness, ranking ability, calibration targets, calibration to the calibration targets, and stability. Includes assessments at the calibration segment level and significant sub-portfolios, as well as default class and risk drivers.
Application: The review should be able to demonstrate that the IRB system is well integrated into the organisation and that it forms a central part of the bank's risk management and decision-making.
Compliance with regulatory capital requirements: The review should ensure that the bank meets regulatory capital requirements.

The table below shows models used in the regulatory IRB reporting in SpareBank 1 Sør-Norge at the end of 2024.

Risk models used in regulatory reporting 2024

Commitment category	Segment	PD model	EAD model	LGD model
Mass Market (Retail Market) Housing	Mortgage customers with internal history of behaviour	RM score card A	CF = 1	LGD RM
Mass Market (Retail Market) Other	Other retail customers with internal history of behaviour	RM score card B	CF = 1	LGD RM
Businesses (Corporate Market)	Companies that have delivered public accounting	CM sector 1-7	EAD CM	LGD CM
	Companies that do not provide public accounting	Stencil core	EAD CM	LGD CM
	Newly established companies	Stencil score	EAD CM	LGD CM

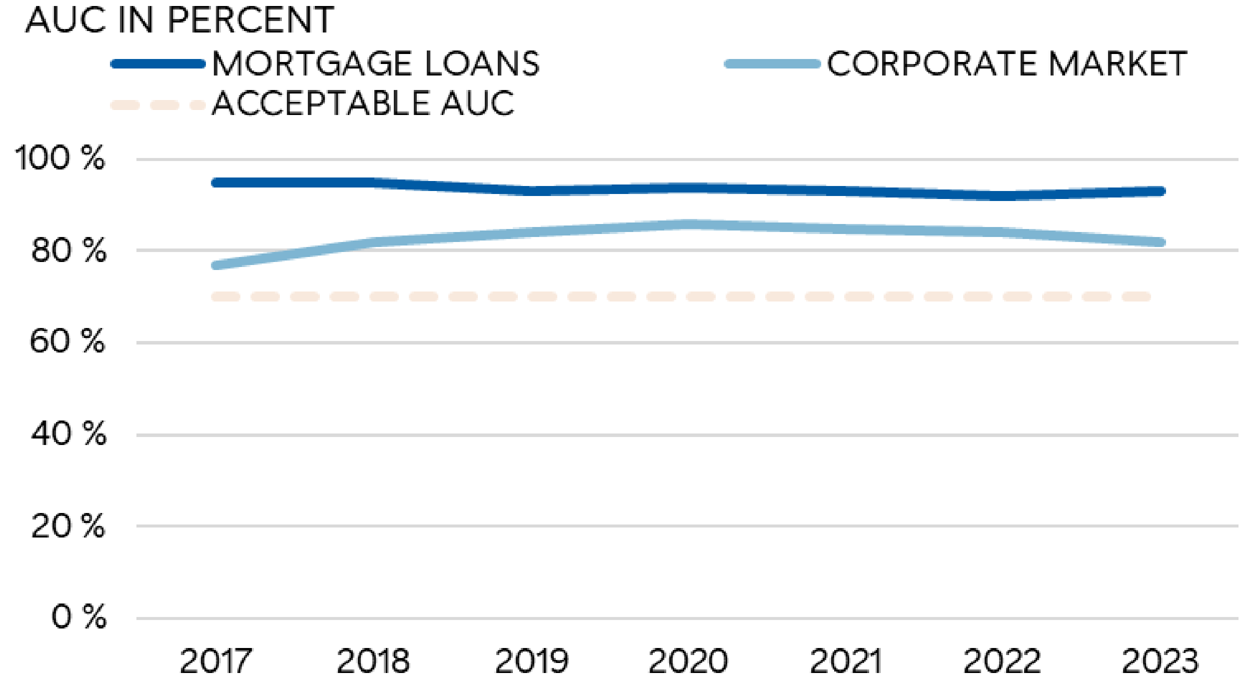
Comparison of risk parameters and actual outcome

This section presents an excerpt of the validation results for the PD, EAD, and LGD models in SpareBank 1 Sør-Norge for the IRB portfolio. Since the validation results for 2024 had not been reviewed by the board at the time of reporting for publication under Pillar 3, results up to and including the validation year 2023 are presented.

PD models

The figure below shows the PD models' ranking ability for mortgages and the corporate market respectively in the period 2017-2023. The generic PD model for mortgages has very high and stable ranking ability, which means that the model has a very good ability to rank customers from those with the highest to those with the lowest actual probability of default. Validation on various segments also shows high ranking ability. The generic PD model for corporate market customers has a high and stable ranking ability for the total portfolio.

Discrimination power, PD models

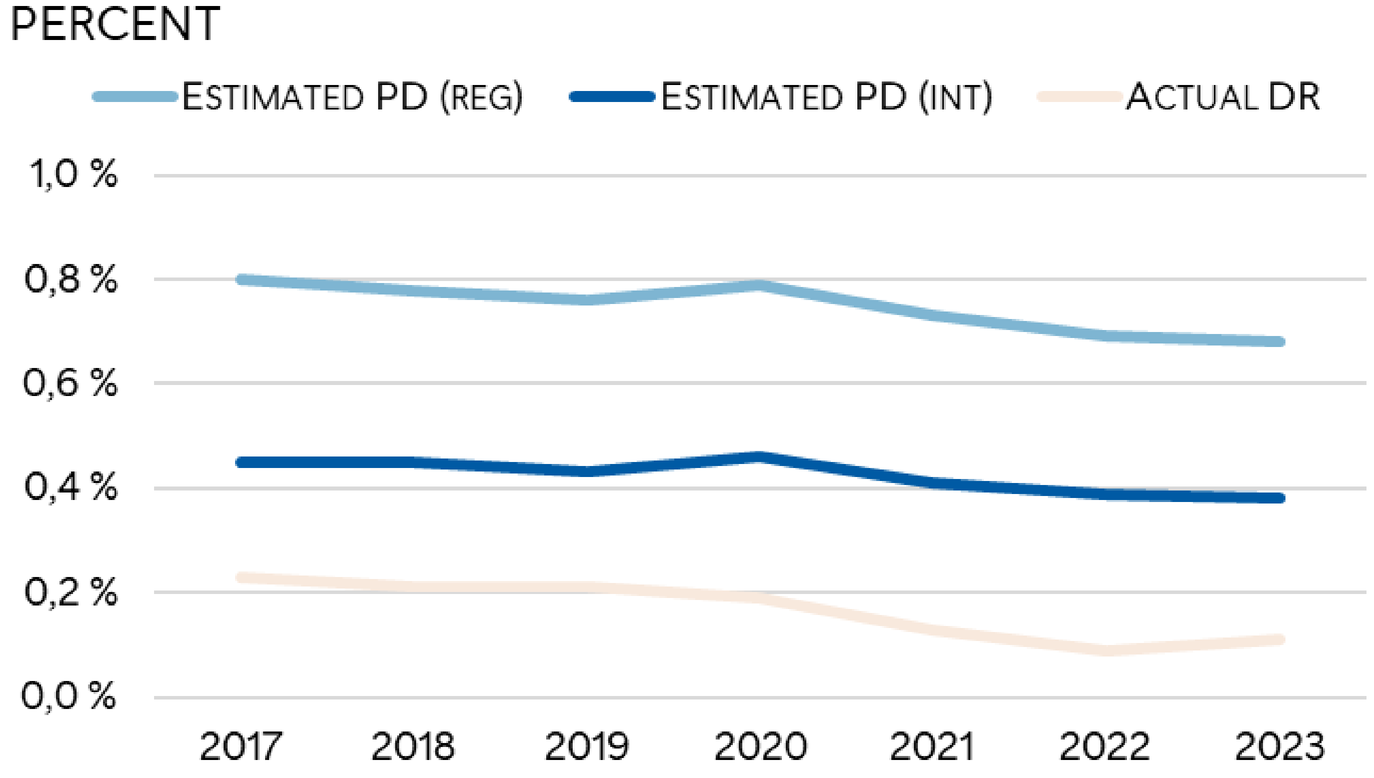


When validating different sub-portfolios, the ranking ability may be somewhat lower. This applies to larger customers and certain industry types. For this reason, separate PD models have been developed for these segments which are currently only used in the internal portfolio management.

Current capital adequacy regulations require that the estimated probability of default (PD) must predict long-term outcomes through a full loss cycle. This means that the default estimates must be relatively stable over time, also through a business cycle. The figure below shows the average unweighted estimated probability of default (PD) internally and regulatory compared to the average actual default in the years 2017-2023.

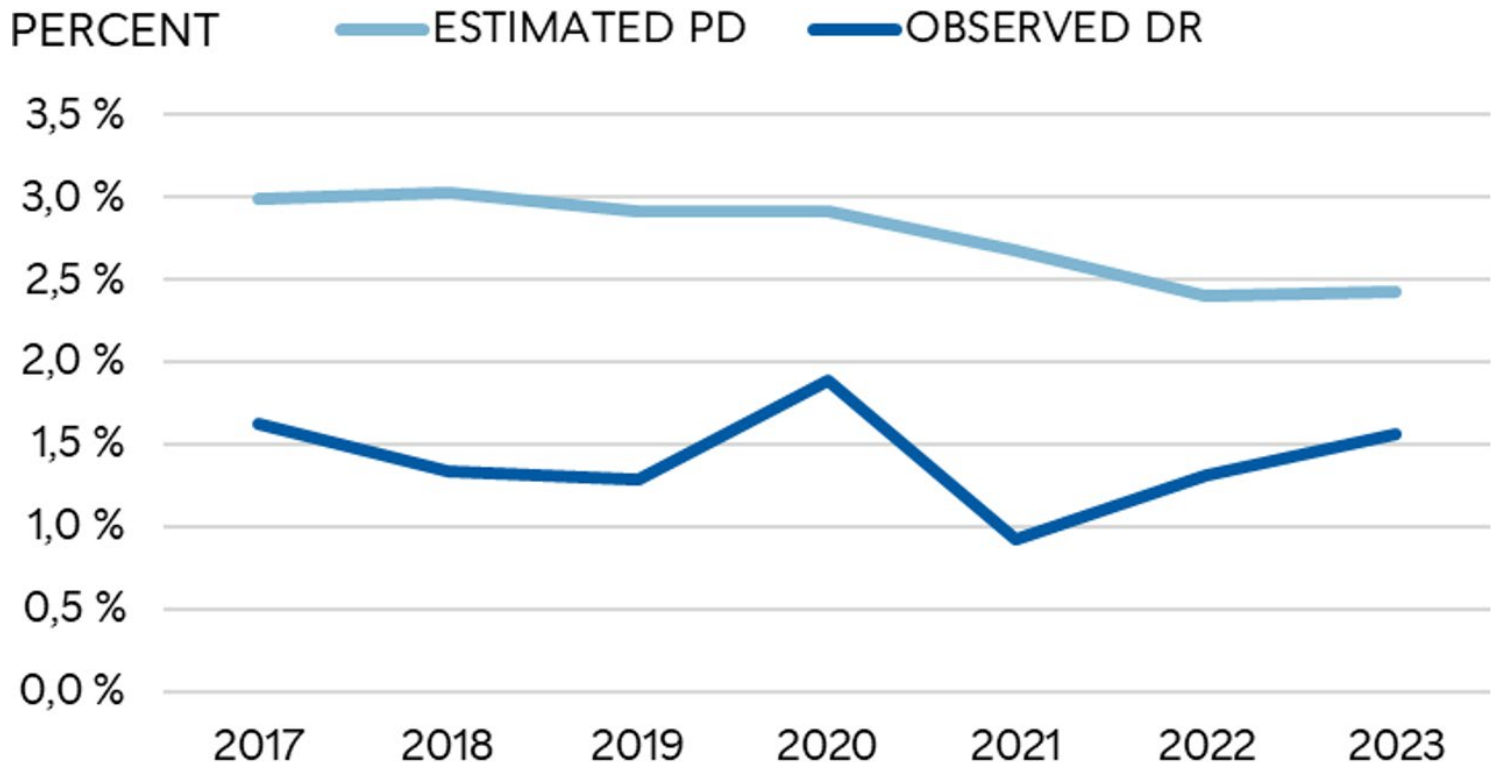
Regulatory PD is calculated in line with Finanstilsynet's methodology for calculating long-term outcomes, with fixed levels for, among other things, defaults in a severe recession. Internal PD is estimated using the bank's best estimates for default through a full loss cycle and reflects to a greater extent the underlying risk in the portfolio. Use of the internal estimates provides more risk-sensitive risk weights and contributes to increased motivation for good risk management.

Comparison of unweighted estimated PD with actual DR – mortgage loans (regulatory and internal)



Actual default (DR) has been stably low. The default is significantly lower than both internal and regulatory estimated default (PD) throughout the period. In regulatory terms, there is – in accordance with current regulations – a significant overestimation of the level of default. For companies, there is consistency in the calibration of internal and regulatory default levels, and the figure below indicates the average unweighted estimated and actual default for the corporate market.

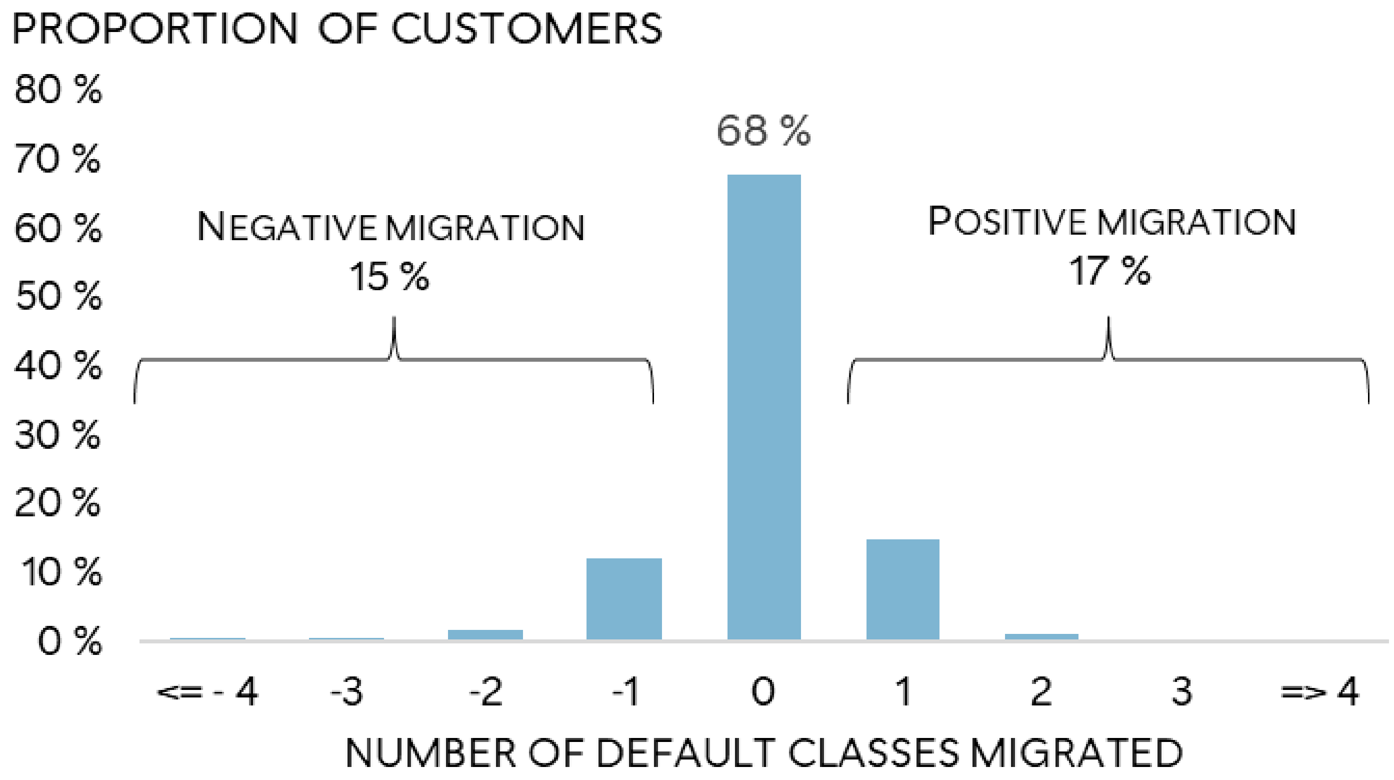
Comparison of unweighted estimated PD and actual DR – corporate market



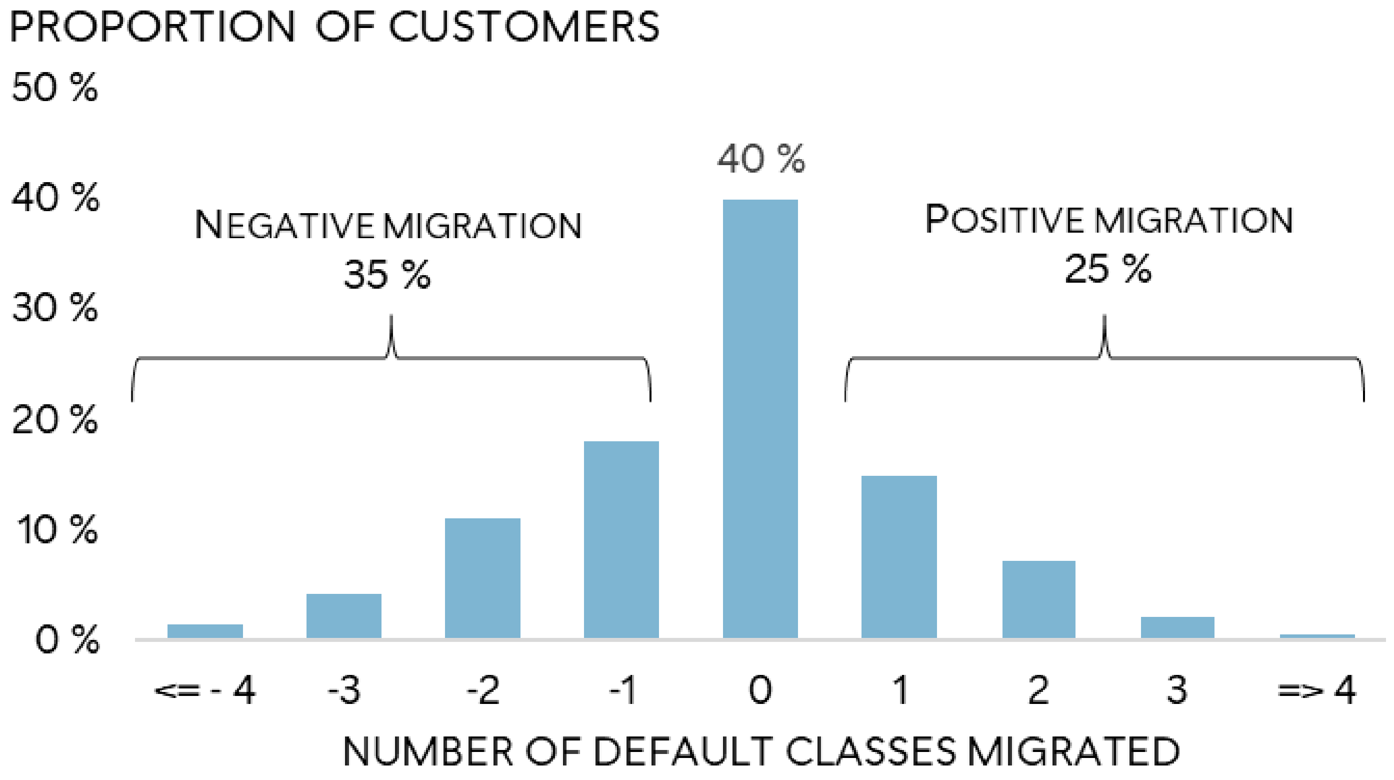
As the figure shows, the estimated probability of default (PD) is higher than actual default (DR) throughout the period. The PD level is considered to be in line with the model's desired cyclical characteristics.

All customers with credit exposure in SpareBank 1 Sør-Norge are risk-classified at least annually when accounting or balance sheet data is updated. In addition, customers are scored monthly based on information on internal and external behaviour. The figures below show annual migration for mortgage customers and the corporate market, respectively. Migration refers to the proportion of customers who change their default class during a 12-month period.

Annual migration – mortgage loans



Annual migration – corporate market

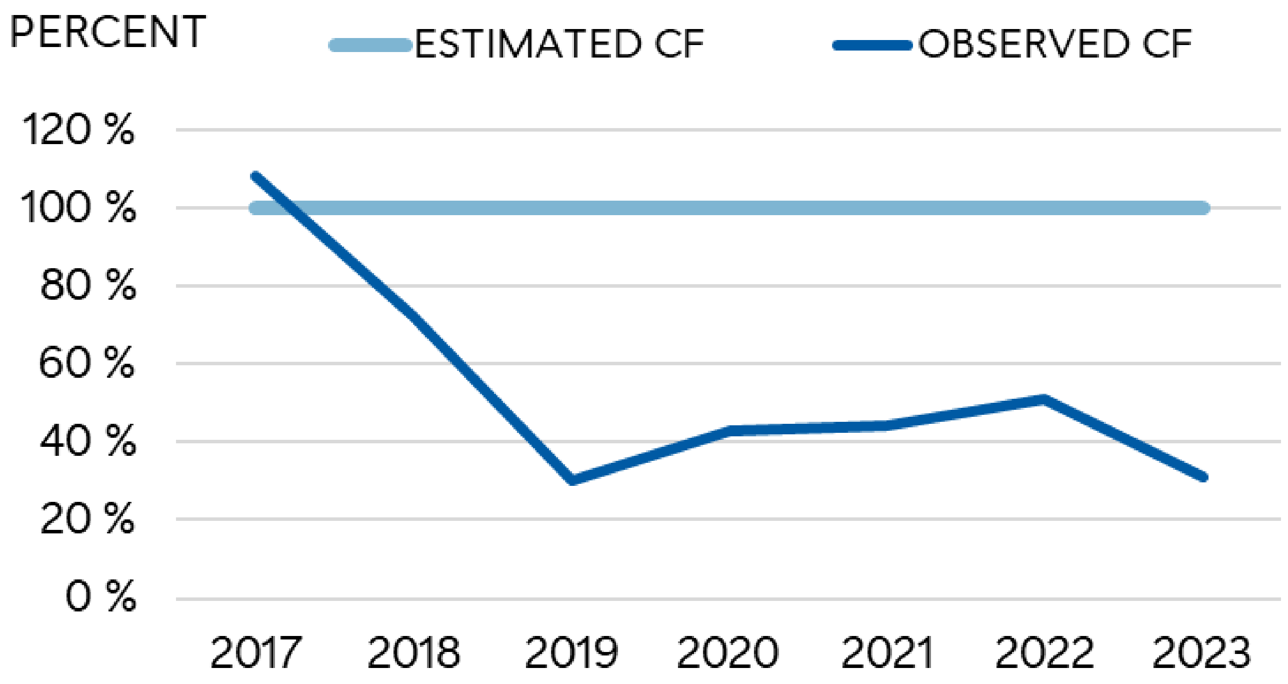


The stability of the default estimates is an indicator of the model's cyclical characteristics. The proportion of stable customers in 2023 was 68 per cent for retail and 44 per cent for the corpoate market.

EAD models

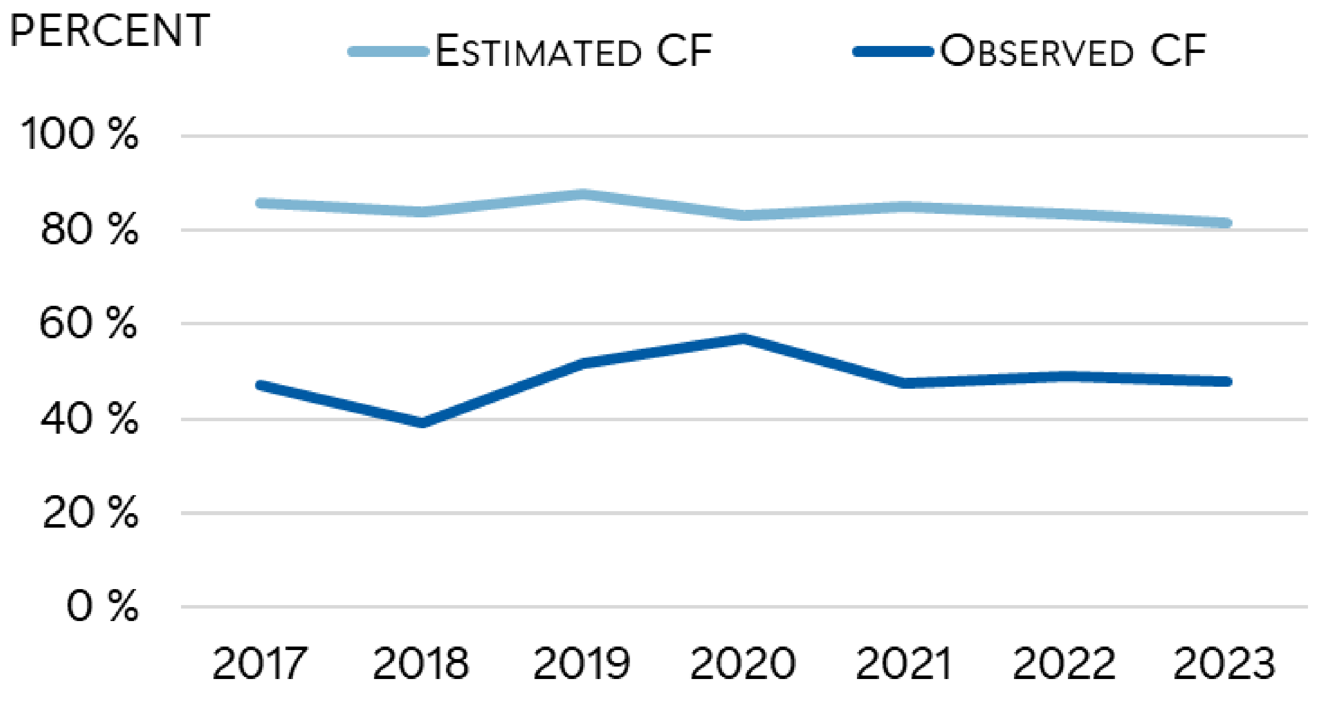
A validation is carried out of whether the model estimates can predict the utilization of limits (CF) in the event of a serious economic setback ("downturn"). This means that there must be a sufficient margin between estimated and observed values in normal business conditions. The graphs below show comparisons of the conversion factor for the period 2017-2023.

Comparison of estimated and actual conversion factor (CF) – mortgage loans (limit loans)



For all home loan customers with a framework loan, the conversion factor is a fixed parameter. The average observed conversion factor is 54 per cent in the period, and significantly lower than the set parameter of 100 per cent. The high observed KF in 2017 is due to the fact that small amounts have relatively large effects measured in percentage in periods with a low number of defaults.

comparison of estimated and actual conversion factor (CF) – corporate market



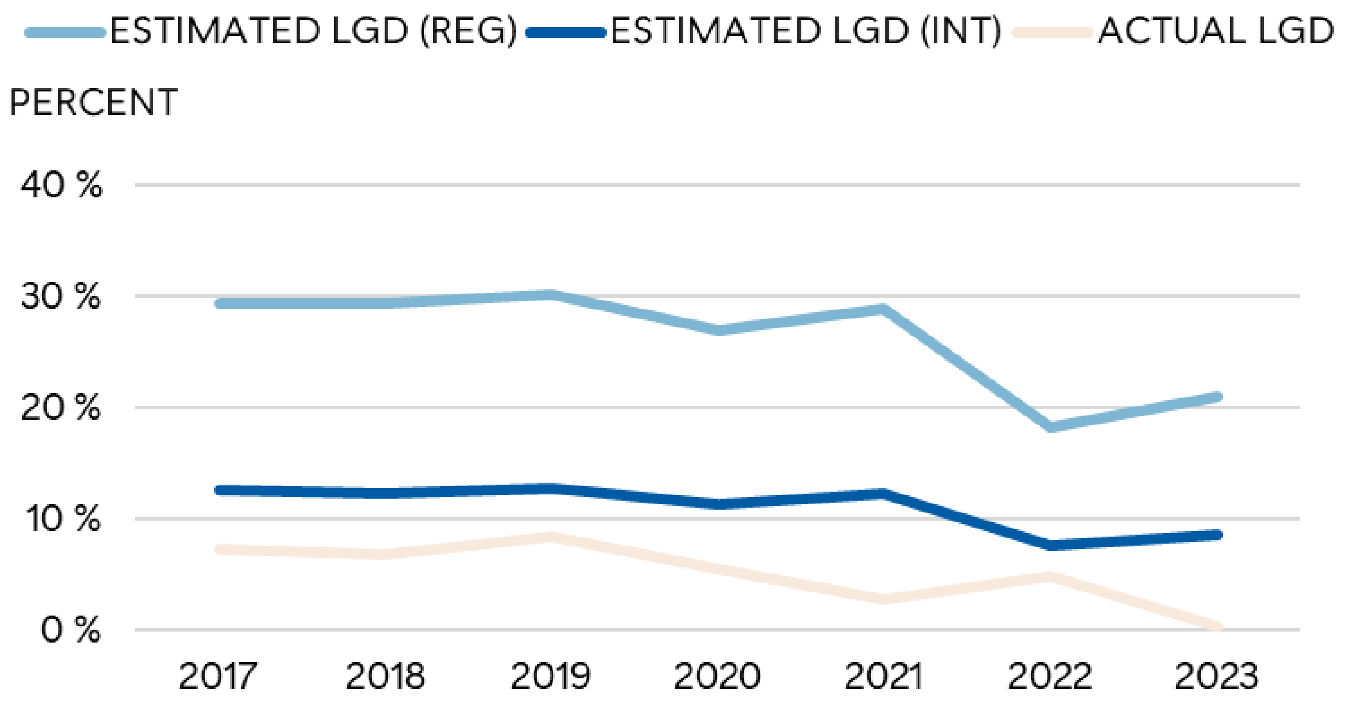
For the corporate market, a separate model has been developed which estimates the conversion factor based on risk classification and engagement type. The average estimated conversion factor is 85 percent, and higher than the average observed conversion factor of 49 percent.

LGD models

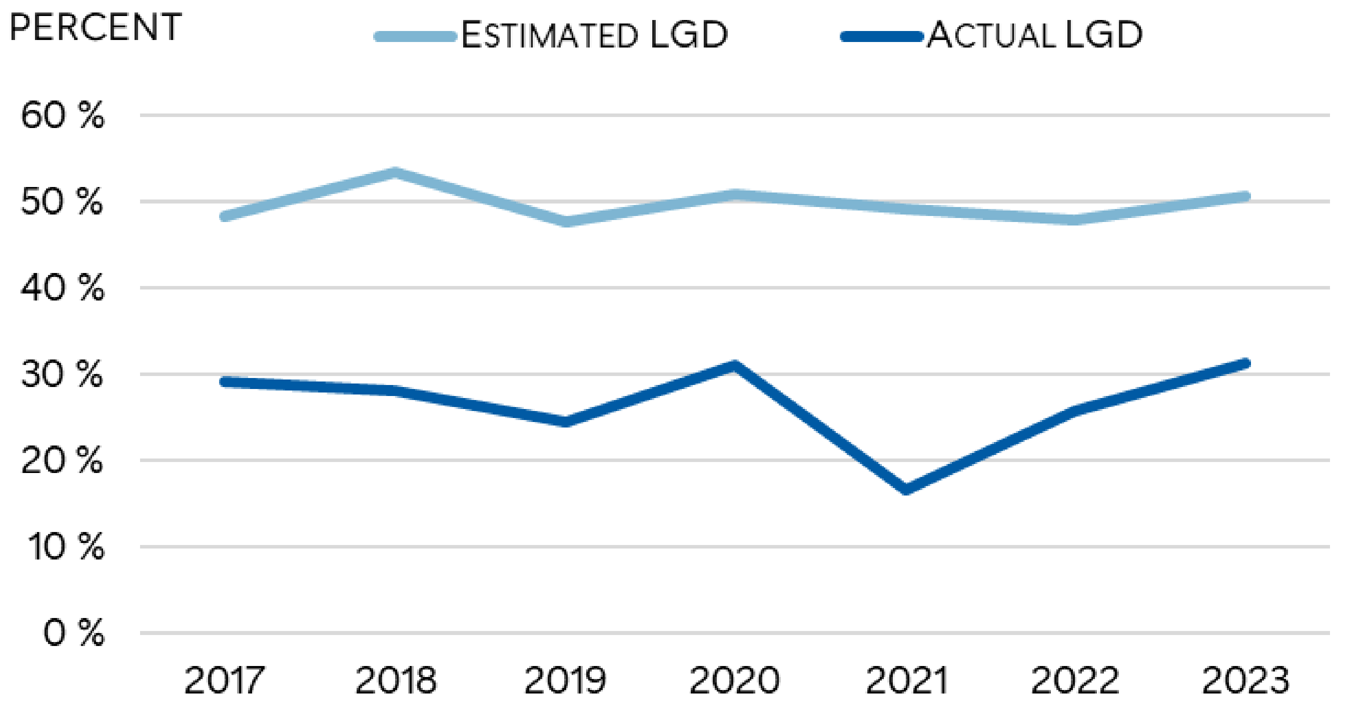
Regulatory calculation of loss ratio (LGD) for mortgages dictates that the minimum estimated LGD must be 20 per cent, regardless of underlying portfolio quality and loss history. Internally, own estimates are used for loss ratio which are based on internal data with empirical coverage, and which are representative of the bank's portfolio.

For the corporate market, there is full agreement between internal and regulatory estimates for LGD. The figures below show estimated and observed unweighted loss ratio for resolved default cases in the period 2017-2023. Both estimated and observed loss ratio are measured for defaulted customers, and the estimates are normally higher than the overall portfolio including healthy customers.

Comparison of estimated and actual weighted LGD for defaulted loans – mortgage loans (internal and regulatory)



Comparison of estimated an actual weighted LGD for defaulted loans – corporate market



The figures above show that the observed loss rate is lower than the estimated loss rate over time, both for mortgages and the corporate market. In 2020, a small increase in the observed loss rate for the corporate market is observed. This is related to the recession that has affected certain industries within the large customer segment in offshore and oil-related business after the drop in oil prices that started in 2014 and the corona pandemic in 2020.

In the larger and more complex cases, recovery time is somewhat longer than normal, and it must be expected that the observed loss rate will be corrected as cases are clarified. Analyses carried out indicate that the loss estimates are sufficiently conservative to cover losses also for the cases that have not been settled.

Default and impairment

SpareBank 1 Sør-Norge continuously assesses the quality of the credit portfolio, both at an overall level and at the individual customer level. Customers with defaults in the form of overdrafts or arrears on accounts are monitored and followed up at an early stage, ensuring that necessary measures can be swiftly implemented. Close customer follow-up and preventive actions are important tools for maintaining a good risk profile in the group's loan portfolio to reduce future impairments.

Under IFRS 9, the group's loans and financial commitments are grouped into three stages: Stage 1, Stage 2, and Stage 3. Stage 2 is used for loans and financial commitments that have experienced a significant increase in credit risk since origination, and Stage 3 is applied where there is objective evidence of loss at the balance sheet date. For these loans and financial commitments, provisions are made for expected losses over the lifetime. For further information, refer to the quarterly reports and the annual report.

5. Counterparty risk

Counterparty risk is a form of credit risk that arises from trading in financial instruments, such as derivatives or loans secured by securities. Derivatives are often traded Over the Counter (OTC), meaning through individual contracts between two counterparties. Counterparty risk pertains to the counterparty's ability to fulfill the agreed obligations in the contract and differs from other credit risks in that the exposure typically depends on market risk factors such as interest rates, exchange rates, commodity prices, or stock prices.

About counterparty risk

SpareBank 1 Sør-Norge engages in derivative trades to hedge currency and interest rate risk that arises in connection with regular banking operations, including lending and borrowing activities. Additionally, derivative transactions are conducted related to customer demand for hedging instruments and to secure own positions that arise in connection with customer trades.

Customers use derivatives to protect against unfavorable movements in exchange rates and interest levels. Therefore, the bank's exposure is initially risk-reducing for the customer. If a customer is to trade in currency and/or interest instruments, a separate limit must be granted to cover the bank's counterparty risk. The limit is granted in accordance with regular credit processing, i.e., according to the bank's ordinary authorization regulations.

To minimize counterparty risk with banking counterparties, bilateral netting agreements, known as ISDA agreements, are established. Such agreements allow for the offsetting of all positive and negative market values related to derivative contracts with the same counterparty. Bilateral agreements for exchanging cash collateral, known as CSA addendums, are also established with banking counterparties. The latter means that the market value of all derivative contracts between SpareBank 1 Sør-Norge and the counterparty is settled daily, thereby largely eliminating counterparty risk.

The EMIR regulations also mean that a significant portion of derivative transactions, including the majority of interest rate derivatives with banking counterparties, are netted via so-called clearing centers (CCP). SpareBank 1 Sør-Norge is not a direct member at a central counterparty but is affiliated with other clearing members in connection with the clearing of derivatives.

The capital requirement for counterparty risk is calculated according to the standard approach (SA-CCR). There have been minor changes in EAD over the past year. The calculation basis for counterparty risk was 1.2 billion NOK at the turn of the year, down from 1.4 billion NOK at the end of 2023. The calculation basis for counterparty risk as of December 31, 2024, constitutes 1.0 percent of the group's total calculation basis.

6. Market risk

Market risk is a collective term that encompasses the risk of loss as a result of changes in market prices, including the risk of loss resulting from changes in observable market variables, such as interest rates, exchange rates and securities markets.

About market risk

Risk strategy

Market risk in SpareBank 1 Sør-Norge primarily relates to the group's investments in securities, including stocks and bonds. Additionally, the group has some exposure to market risk activities that support regular borrowing and lending operations. The group's exposure to market risk is generally considered moderate. The risk strategy, including the specification of necessary risk frameworks, reporting lines, and authorizations, must be reviewed and approved by the group's board at least annually.

Authorities, guidelines and routines

Board-defined frameworks are delegated from the CEO to designated individuals. Guidelines and procedures are well described, and the procedures are satisfactorily followed by individuals involved in the management and control of market risk. The group's market risk is measured and monitored based on established frameworks. Responsibility for ongoing position reconciliation and measurement of the group's market risk exposure lies with the middle office in the SB1 Markets division in Stavanger. The risk manager for market and liquidity risk is responsible for maintaining ongoing oversight of risk measurement and for independent risk reporting both internally and externally.

Market risk, including spread risk bonds and certificates

Price risk related to securities is the risk of loss that arises from changes in the value of the group's bonds, certificates, and equity instruments. Quantification of risk related to value decline in the bond portfolio in Treasury is calculated based on the Financial Supervisory Authority's stress test model. The total holdings of the liquidity portfolio amount to 60.9 billion NOK. All fixed interest rate exposures are interest rate hedged. Details regarding exposure and portfolio development throughout the year can be found in the group's Factbook and Pillar 3 annex.

Risk-adjusted capital associated with other market risks is measured and monitored according to the Value at Risk (VaR) principle. The VaR model covers the group's interest rate risk, as well as the securities risk associated with the group's investments in shares, units, and other equity interests. Market risk is reported under credit and counterparty risk according to the standard approach.

Bond portfolio

Risk profile and portfolio performance

The group's liquidity portfolio consists of bonds and commercial.

Liquidity portfolio (managed by Treasury)

The liquidity portfolio consists of interest-bearing securities that either meet the requirements for deposit at Norges Bank, the LCR framework, or uncommitted credit lines, as well as exposure to companies within the SpareBank 1 Alliance. The size of the portfolio will at any time depend on the group's balance sheet and thereby the need for liquid assets. At the end of 2024, the total liquidity portfolio had a value of 60.9 billion NOK. The tables provide an overview of SpareBank 1 Sør-Norge's exposure in bonds based on risk classes.

Securities exposure, bonds and securities

Risk category	Rating	Market value NOK million	Total %
Very low risk	AAA, AA+, AA og AA-	60.562	99,4 %
Low risk	A+, A og A-	0	0,0 %
Moderate risk	Not rated	338	0,6 %
High risk	Not rated	0	0,0 %
Very high risk	Not rated	0	0,01%
Total		**60.900**	**100,0 %**

Interest rate risk

Interest rate risk arises when the group may have differing interest rate fixation periods on its assets and liabilities. Trading of interest rate instruments must at all times occur within established frameworks and authorizations. The group's frameworks define quantitative targets for maximum potential loss in the event of a positive parallel shift in the yield curve of 2 percentage points. The total framework for the group is 270 million NOK with various sub-frameworks for specified maturity bands. Interest rate risk is quantified and monitored continuously. SpareBank 1 Sør-Norge uses an internal method for measuring interest rate risk in the banking book (IRRBB). For loans and deposits with floating interest rates, an expected interest rate fixation period is used depending on the interest rate shock scenario. For further details, see IRRBBA and IRRBB1.

Sub-limits within the different maturity bonds

Maturity bond	Treasury limit
0 – 3 months	NOK 200 mill.
3 – 6 months	NOK 100 mill.
6 – 9 months	NOK 100 mill.
9 months – 1 year	NOK 100 mill.
1 year – 18 months	NOK 40 mill.
18 – 24 months	NOK 30 mill.
Each year (1-10)	NOK 30 mill.
10 years or more	NOK 20 mill.

Simultaneously, the group has delegated an interest rate risk framework to SpareBank 1 Markets. The framework defines quantitative targets for maximum potential loss in the event of a positive parallel shift in the yield curve of 2 percentage points, and the framework amounts to a total of 70 million NOK with various sub-frameworks for specified maturity bands. SpareBank 1 Markets is responsible for all gains and losses arising from the use of the delegated interest rate risk framework, and the exposure associated with this framework is therefore not included in the table below.

Effect on earnings of a positive parallel shift in the yield curve of one percentage point (NOK million)

Interest rate risk	0-6 months	6-12 months	1-5 years	> 5 years	Total
4th Qtr. 2024	159	-4	0	0	155
3rd Qtr. 2024	57	-2	0	0	55
2nd Qtr. 2024	35	-2	-11	0	22
1st Qtr. 2024	0	11	0	0	11

Foreign exchange risk

Foreign exchange risk is the risk of loss due to changes in exchange rates. SpareBank 1 Sør-Norge does not take on foreign exchange risk arising from regular banking operations and financing activities. All foreign exchange exposure is hedged. At the same time, the group has delegated foreign exchange risk frameworks to SpareBank 1 Markets. The risk that can be taken is governed by nominal limits for maximum aggregate currency position and maximum position in a single currency. Overnight exchange rate risk for spot trading in currencies must not exceed 100 million NOK per individual currency and 225 million NOK in aggregate. SpareBank 1 Markets is responsible for all gains and losses arising from the use of the foreign exchange risk framework.

Securities risk, shares

Equities, shares, and other equity interests are classified within the categories of fair value and available for sale. Securities that can be reliably measured and are reported internally at fair value are classified as fair value through profit or loss. Other equities are classified as available for sale. The table below provides an overview of the group's equity holdings in the last four quarters:

The group's share portfolio at fair value at the end of the year (NOK million)

Balance sheet classification	4th Qtr. 2024	3rd Qtr. 2024	2nd Qtr. 2024	1st Qtr. 2024
Shares, units etc.	745	691	699	712

7. Operational risk

Operational risk is the risk of loss of value resulting from human errors, deficiencies in systems and processes, intentional acts, or external events.

Management of operational risk

he primary purpose of managing operational risk is to protect the group's values and the values the group is responsible for but owned by other stakeholders. This includes financial values, as well as other tangible and intangible values that may be affected by operational risk, such as finance, information, integrity (compliance), reputation, relationships, delivery capability, people, nature and environment, and physical assets.

SpareBank 1 Sør-Norge strives to maintain a good balance between trust and control to ensure efficiency while not exposing the group to unnecessary operational risk. This is achieved through a strong risk culture in the organization, clear requirements, roles, and responsibilities, and robust processes for managing operational risk.

Risk strategy and frameworks for operational risk exposure are established annually and approved by the board. The board also adopts guiding principles and requirements in a separate policy for operational risk. The group's risk management unit is responsible for supporting and challenging risk owners and ensuring that the group has a strong framework for identifying, reporting, and following up on operational risks.

Measuring operational risk

SSpareBank 1 Sør-Norge calculates and maintains regulatory capital for operational risk according to the standard approach. This method is considered to provide an insufficient picture of the actual exposure to operational risk, as it does not take into account business-specific factors and established controls, but relies solely on historical revenues for different business areas. To gain insight into what drives operational risk within the group, operational risk surveys are conducted, involving process owners and subject matter experts to identify potential risks along with associated probabilities and consequences.

Significant efforts have been made to develop methods and processes for identifying and assessing operational risk. Regular mapping and updating of the risk landscape over recent years have identified new operational risks with significant loss potential. At the same time, targeted risk-reducing measures have been implemented to maintain overall potential losses at a stable level.

Development in operational risk

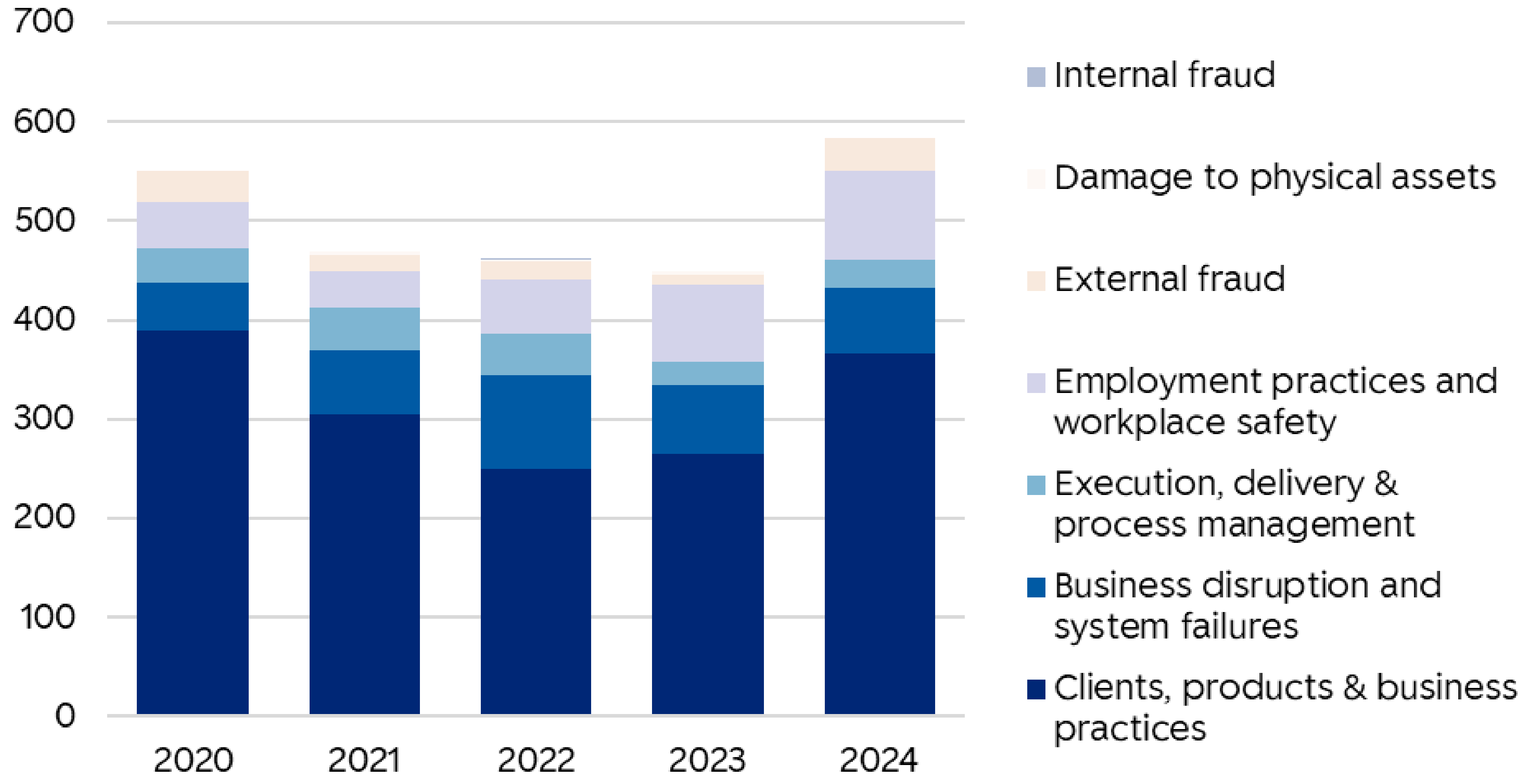
The rate of change in the industry has been increasing for several years, and more frequent changes can lead to an increased risk of new, unintended operational risks. The group, therefore, focuses on the rate of change as a significant risk driver and conducts thorough risk assessments of all significant changes in products, processes, systems, and activities. These assessments are carried out in a standardized cross-functional process that ensures involvement from relevant stakeholders, decision-makers, and influencers. In total, over a hundred change cases were registered and processed during 2024. Such proactive risk management is crucial to prevent the group from incurring unintended new risks through individual or pervasive weaknesses in products, systems, and routines.

Undesired incidents

Recording and learning from undesirable events is an important tool for identifying and realizing improvement areas, as well as reducing risk. Over several years, the group has focused on building a strong culture and effective processes for incident reporting. A total of 584 undesirable events were recorded in 2024, several of which have led to actions resulting in a real reduction in the risk of similar and more serious events in the future.

The figure below shows the number of recorded incidents from 2019 to 2024. The numbers are for SpareBank 1 SR-Bank up until Q3 2024 and combined for SpareBank 1 Sør-Norge in Q4 2024. The total loss from recorded undesirable events in 2024 amounted to 4.62 million NOK, compared to 5.37 million NOK in 2023.

Registered, undesired incidents by Basel categories



8. Liquidity risk

Liquidity risk is the risk that the group is unable to refinance its debt or is unable to finance an increase in assets.

About liquidity risk

The bank's framework for managing liquidity risk shall reflect the bank's risk profile. Liquidity risk shall be low.

Management and measurement of liquidity risk

Liquidity risk is managed and measured using multiple methods, as no single method can quantify this type of risk alone. The methods include frameworks for maximum refinancing needs within various maturities, balance sheet key figures, survival objectives in a normal situation assuming closed capital markets, and the short-term liquidity measure LCR (Liquidity Coverage Ratio). Furthermore, internal stress testing of the group's survival ability under different scenarios, including a severe bank-specific and market-specific crisis, is conducted. The results of the stress tests are part of the information basis for the group's liquidity strategy and recovery plan during liquidity crises.

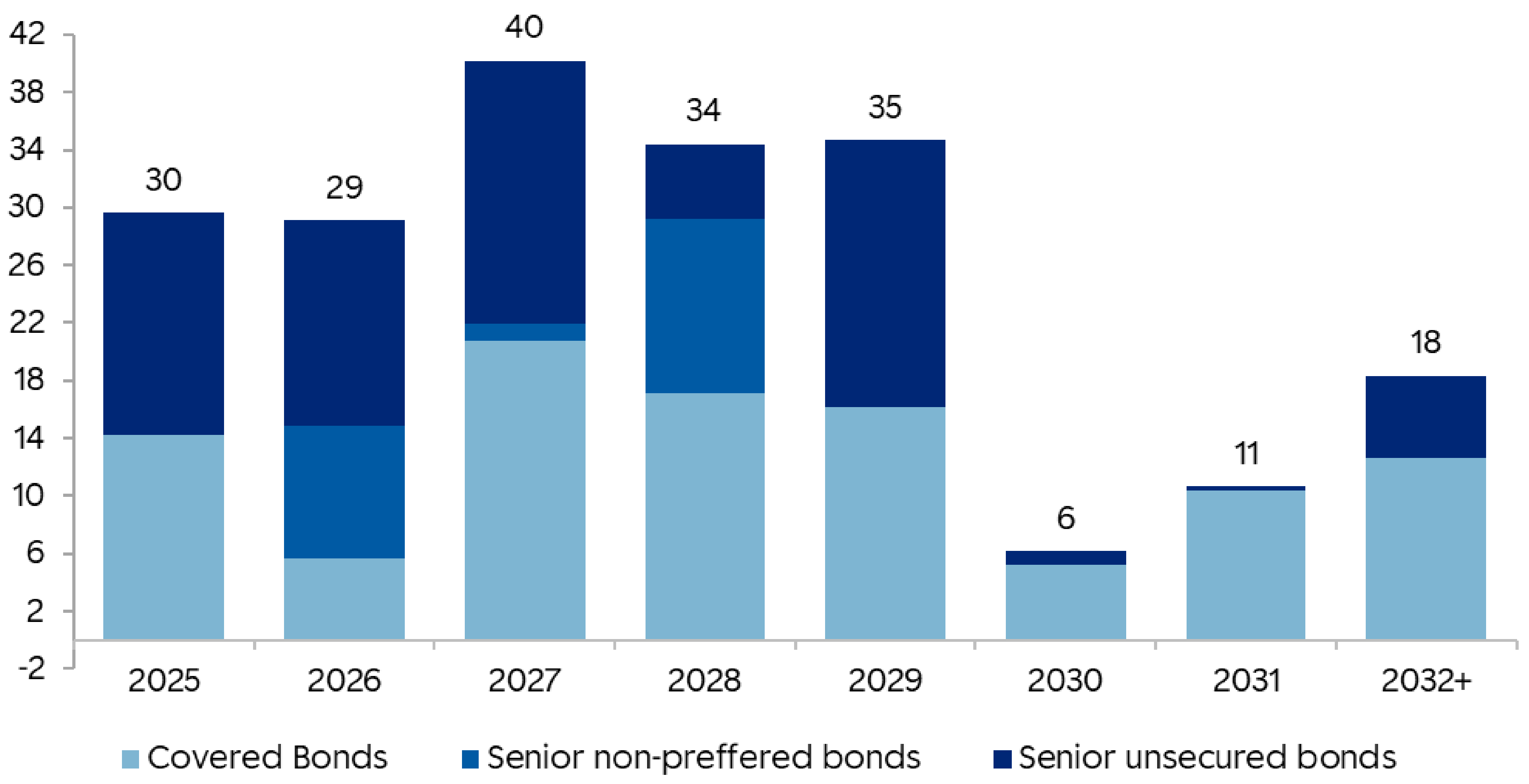
The liquidity reserve is 70.4 billion NOK, in addition to 38.0 billion NOK in mortgages prepared for OMF financing via SR-Boligkreditt AS. The liquidity situation in SpareBank 1 Sør-Norge is assessed as good. The group's short-term liquidity measure, total LCR (Liquidity Coverage Ratio), amounted to 189 percent, and the long-term financing measure NSFR (Net Stable Funding Ratio) was 136 percent at the end of the year.

The liquidity reserve indicates a survival capability of 29 months as of the end of 2024 without access to external financing. In the next 12 months, debt equivalent to 31.0 billion NOK must be refinanced.

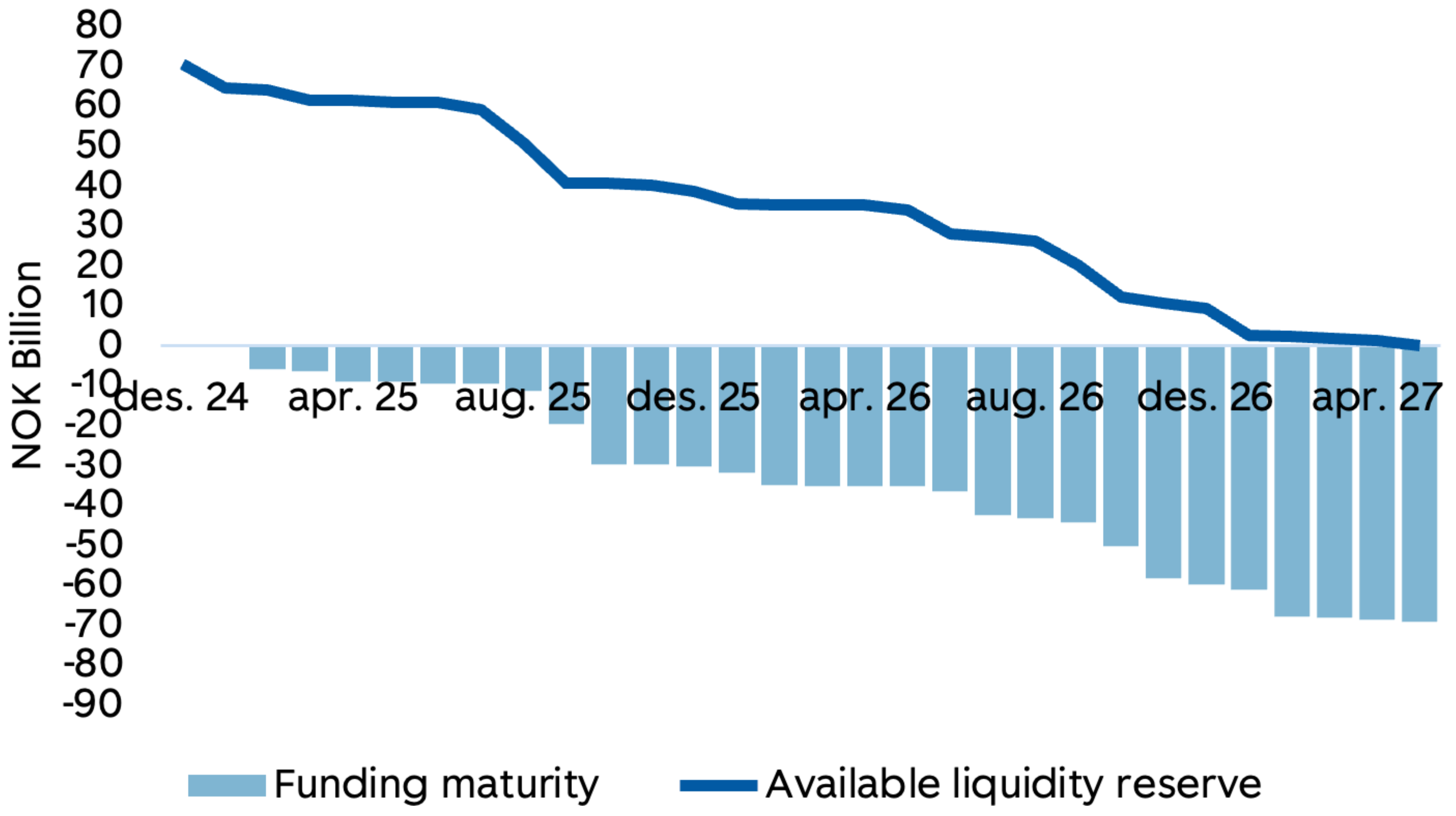
Customer deposits are a central source of funding. For the group as a whole, the deposit volume increased by 42.5 billion NOK (23.5 percent) during the year, amounting to 180.9 billion NOK at the end of 2024. Deposit coverage was 50.4 percent at the end of 2024 compared to 54.8 percent at the end of 2023. The increase is primarily due to the merger with SpareBank 1 Sør-Øst.

SR-Boligkreditt AS is a wholly-owned subsidiary established in the second quarter of 2015. The company's purpose is to purchase mortgages from SpareBank 1 Sør-Norge and finance this by issuing covered bonds. Through SR-Boligkreditt AS, SpareBank 1 Sør-Norge can diversify and optimize its funding. Mortgages transferred to SR-Boligkreditt AS amounted to 109.3 billion NOK at the end of 2024. Mortgages transferred to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt amounted to 29.4 billion NOK at the end of 2024. The figure below illustrates foreign capital maturities per year at the end of 2024.

The funding portfolio's maturity structure as of 31.12.2023



Sensitivity analysis of the funding risk – basis scenario



Since the base scenario assumes that access to external liquidity is lost, new loans can only be financed by repayments from and maturities in existing loan portfolios. In such a situation, the group's liquidity buffer ensures survival until May 2027. The liquidity buffer consists of deposits and very secure and liquid fixed income securities.

9. Ownership risk

Owner risk is the risk that SpareBank 1 Sør-Norge will incur a negative result from stakes in strategically owned companies and/or need to inject fresh capital into these companies. Owned companies are defined as companies in which SpareBank 1 Sør-Norge has a significant stake and influence.

Management of ownership risk

SpareBank 1 Sør-Norge places strong emphasis on management and control in companies where the bank has full or partial ownership. As the largest bank in the SpareBank 1 Alliance, SpareBank 1 Sør-Norge is represented as a board member in all significant partially-owned companies. This applies to both companies directly owned by SpareBank 1 Sør-Norge and indirectly through its 19.5 percent ownership in SpareBank 1 Gruppen. In the group, all follow-up of ownership stakes is coordinated under the Executive Vice President for Economics and Finance. All reporting from individual companies and issues concerning capital expansions, and so forth, are reviewed here.

The Risk Management department independently and impartially follows up with the companies quarterly, where risk frameworks, stress tests, and forecasts are reviewed, challenged, and reported. Through active board participation in a number of the partially-owned companies, good access to information is ensured, safeguarding SpareBank 1 Sør-Norge's ownership interests. In matters deemed important to SpareBank 1 Sør-Norge's broader operations, the individual chairperson/board member brings the matter forward for plenary discussion within the corporate leadership group. Risk frameworks and allocation of risk capital for each company are determined annually by the bank's board. This is based on a framework for risk assessment.

About ownership risk

Ownership risk varies from company to company, depending on the company's operations with the inherent risks and SpareBank 1 Sør-Norge's ownership share. The figure on the next page shows companies where the bank has direct and indirect ownership.

Partly owned companies as of 31 December 2024.

Directly owned companies

Company	Ownership
SpareBank 1 Gruppen AS Holding company for the products companies in the SpareBank 1 Alliance	19.5%
SpareBank 1 Utvikling DA Delivers business platforms and common management and development services to the Alliance	18.0%
SpareBank 1 Forvaltning AS Fund management and portfolio management	42.0%
BN Bank ASA Commercial bank with head office in Trondheim	42.5%
SpareBank 1 Bank og Regnskap AS Accounting application and bank in a single smart package	35.3%
SpareBank 1 Markets AS Capital market company	35.1%
SpareBank 1 Gjeldsinformasjon AS Managers stake in Norsk Gjeldsinformasjon AS (16.5%)	30.1%
SpareBank 1 Kreditt AS *(Kredittbanken ASA from 07.01.2025)* Credit cards and loans for the banks' retail customers.	27.7%
SpareBank 1 Betaling AS Administers ownership of Vipps AS (25.0%)	26.7%
SpareBank 1 Næringskreditt AS Mortgage company - issuer of covered bonds	9.4%
SpareBank 1 Boligkreditt AS Mortgage company - issuer of covered bonds	9.6%
SpareBank 1 SMN Finans AS Leasing and car financing company	12.2%

Sub-sidiaries

Company	No. of FTEs
SR-Boligkreditt AS Mortgage company - issuer of covered bonds (home mortgages)	0
EiendomsMegler 1 SR-Eiendom AS Sales of homes and commercial properties	201.6
EiendomsMegler 1 Sørøst-Norge AS Sales of homes and commercial properties	97.1
EiendomsMegler 1 Telemark AS Sales of homes and commercial properties	31.5
SpareBank 1 Sør-Norge Forretningspartner AS Accounting and advice	367.7
SpareBank 1 Regnskapshuset Sørøst-Norge AS Accounting and advice	75.0
Finstart Nordic AS Investment portfolio, FinTech	1
Finansparken Bjergsted AS Property – head office	0
Sparebankgården AS Real estate	0
Tufte Eiendom AS Real estate	0

10. Business risk

Business risk is the risk of unexpected fluctuations in incomes and costs resulting from changes in external circumstances, such as the market situation or government regulation.

The group has long developed a well-diversified income foundation, so that any downturn in certain product groups or customer segments should not have significant consequences over time. The group operates cost-effectively while continuously increasing expertise and expanding operations regarding its range of products and geographic reach. SpareBank 1 Sør-Norge has systematically emphasized value chain thinking and product and service development over several years.

11. Reputational risk

Reputation risk is the risk of a failure in earnings and access to capital due to a lack of trust and damage to reputation in the market, i.e., in relation to customers, counterparties, stock markets and authorities.

SpareBank 1 Sør-Norge has established an overarching communication strategy to ensure that information is communicated internally and externally in a way that supports the organization's values, goals, and vision. The group has its own Communications department, which is represented in the executive management through the division People & Integration. Dedicated personnel are in place to handle all communication on social media, and information management is part of the group's contingency plan, which is distributed to all employees. SpareBank 1 Sør-Norge has also implemented an internal process for identifying and evaluating the group's reputation risk landscape. Regular reviews and assessments of the reputation risks the group is exposed to are carried out at least annually, to determine if there are changes in the risk picture.

The reputational risks are identified and ranked based on assessment of:

- Direct management cost
- Impact on the departure of existing customers
- Influence on the access of new customers
- Potential for the group's licenses to come under review and thereby indirectly affect market value and financing ability
- If certain events would result in revealing attitudes and actions that deviate significantly from the Group communicated values

The group also has ongoing monitoring of reputation through daily assessments of the media landscape, as well as continuous monitoring of mentions in various social media and channels. These ongoing daily assessments are conducted in as objective a manner as possible. Members of the executive management and other key personnel receive daily reports on the media landscape.

12. Strategic risk

Strategic risk is the risk of loss resulting from misguided directional choices and strategic initiatives. This encompasses both what the group chooses and the opportunities it decides to pass up.

SpareBank 1 Sør-Norge engages in an annual strategy process involving the board, management, key personnel, divisions, and subsidiaries in the effort. The process begins with an update of the group's risk radar. This comprehensive workshop culminates in identifying the major risks the group anticipates across Financial, Strategic, Operational, and Macro/Framework conditions. Alongside the actual strategic status of the group, the effort results in clear strategic goals with an accompanying business and action plan. The business plan distinctly outlines the priorities that the group has set for the period based on scenarios and the competitive and market situation. The business and action plan is most detailed for the upcoming year.

The executive management regularly evaluates the group's performance and strategic direction through management reports, semi-annual business reviews, and strategic reviews by customer segment. This process also includes the assessment of new initiatives and measures that need to be implemented due to changes in assumptions or market conditions. The strategic work is thus flexible in its approach to address both short-term and long-term objectives.

13. Climate and enviornmental risk

Climate and enviornmental risk is the risk of financial losses and financial instability as a result of physical climate change and society's response to it.

Climate and environmental risk is an integral part of the group's risk management processes, and SpareBank 1 Sør-Norge identifies and assesses climate-related risks and opportunities that may affect customers, business areas, and operations at various levels. The group's loan portfolio undergoes annual stress tests and financial assessments. The greatest climate risk exposure for SpareBank 1 Sør-Norge lies in the corporate market portfolio, and consequently, managing climate risk within this area of the business is prioritized. The group has initiated climate transition plans with emission reduction targets for four of the most important industries in the corporate market portfolio: shipping, oil/gas, agriculture, and commercial real estate, as well as for the mortgage portfolio.

The framework for Sustainable Financing, last updated in 2024, constitutes the regulations for defining loans as either green or sustainability-linked, and is a central tool in connection with the group's goals for green and sustainable financing towards 2030.

The group uses the common SpareBank 1 risk framework for assessing sustainability risk (ESG assessment). The ESG framework is used in connection with granting and renewing loans for corporate customers with exposure exceeding 10 million NOK. It contains evaluation criteria for several specific industries and includes inherent risk per industry. The ESG assessment is based on questions within the four sub-themes: physical climate risk (E), transition risk (E), social aspects (S), and ownership and corporate governance (G), providing a sub-score per theme and a total score. If a customer receives a particularly low ESG score, there is a requirement for the customer advisor to develop an improvement plan together with the customer. The goal of the scoring is to assess the customer's sustainability risk and assist the customer advisor in discussions with the customer about sustainability. The group's overarching ambition for sustainability is to be the customer's ally in the transition. Therefore, integrating sustainability effectively into customer dialogues is an important success criterion. The experiences so far are positive, and the scoring provides a good ranking of customers.

Data collection, quality assurance, storage, and dissemination of ESG risk data for internal purposes and external reporting are a major challenge, partly resolved in collaboration with the ESG Data Team at SpareBank 1 Utvikling. This team has provided a significant portion of the ESG data to the group, with the latest addition being data for the group's accounting of financed greenhouse gas emissions. SpareBank 1 Sør-Norge contributes by providing resources to this department.

As a major bank in Norway, the group has extensive disclosure obligations within the ESG area. For 2024, this means the introduction of the group's CSRD reporting ('Corporate Sustainability Reporting Directive,' or Sustainability Directive, implemented in Norwegian law through amendments to the Accounting Act and the Securities Act).

14. Compliance risk

Compliance risk is the risk that the group incurs public sanctions, fines, or financial loss due to non-compliance with regulations and/or breaches of license conditions.

About compliance risk

pareBank 1 Sør-Norge aims to have effective processes to ensure compliance with applicable laws and regulations. The board adopts the group's compliance policy, which outlines the main principles for responsibility and organization. Compliance risk is the risk that the group incurs public sanctions, fines, or financial loss due to non-compliance with regulations and/or breaches of license conditions.

The group should have a low risk appetite for compliance risk. This means regulations should be interpreted with a conservative approach. The group should be able to challenge but not violate established or new frameworks. The group's risk appetite for compliance risk is defined by its commitment to ethical behavior, regulatory compliance, and the protection of customers, employees, and other stakeholders.

Management of compliance risk

The group's compliance policy is adopted by the board and outlines the requirements and expectations for managing compliance risk within the group, as well as the main principles to be followed to ensure compliance with the applicable regulations at all times. The policy is supported by the group's policies on risk and capital management and operational risk.

The objectives of the compliance policy are to:

- State the group's commitments to complying with current regulatory requirements.
- Establish a strong compliance culture and promote ethical behavior at all levels of the group.
- Establish a framework for the group's approach to identifying, assessing, and managing compliance risk.
- Define the roles and responsibilities of the board and various lines of defense in managing compliance risk.

The group's framework for managing compliance risk consists of the following main activities:

- Establishing risk appetite with frameworks for exposure to compliance risk.
- Monitoring, identifying, and assessing regulatory requirements.
- Identifying, assessing, and managing compliance risk.
- Risk-based control activities and testing.
- Follow-up and reporting to the board and management.

15. Abbreviations and definitions

An explanation of abbreviations used in Pillar 3 is given in the table below.

Abbreviation	Explanation
IRB	Internal Rating Based
PD	Probability of Default
DR	Default Rate
EAD	Exposure at Default
KF	Conversion Factor (proportion of unutilised credit facility which is expected to have been drawn upon default)
LGD	Loss Given Default
PM	Retail market
BM	Corporate Market

Appendix 1: Reference table for CRR part 8

Article in CRR	Description	Reference in Risk and capital management – Disclosure according to Pillar 3 2024	Reference in Pillar 3 additional Excel disclosures (table)	Reference in annual report 2024 and interim reports or on the website
TITLE I	**GENERAL PRINCIPLES**			
Article 431	**Disclosure requirements and policies**			
1-2	General disclosure requirements	This report, Risk and capital management- Disclosure according to Pillar 3 2024		Annual report, chapter on Corporate Governance, description of Risk management and internal control and financial reports
3	Requirement to have a formal policy and internal processes, systems and controls to comply with the disclosure requirements	Ch. 0: Risk Statement		
4	All quantitative disclosures shall be accompanied by a qualitative narrative and any other supplementary information that may be necessary in order for the users of that information to understand the quantitative disclosures,			
5	Upon request, explanations of rating decisions to SMEs or other corporate applicants for loans	Can be provided upon request		
Article 432	**Non-material, proprietary or confidential information**			
1-3	Institutions may exclude non-material, proprietary or confidential information under certain conditions	Not applicable		
Article 433	**Frequency and scope of disclosures**	**Ch. 1: About this report**		**Financial Calendar in Annual report**
	General information about disclosures			
Article 433a	Disclosures by large institutions	Ch. 1: About this report		Financial Calendar in Annual report

	Frequency requirements for publishing disclosures of Pillar 3 information for large institutions	Contents page	
Article 433b	Disclosures by small and non-complex institutions	Not applicable	
Article 433c	Disclosures by other institutions	Not applicable	
Article 434	**Means of disclosures**		**Financial Reports**
1	Information medium for Pillar 3 disclosures and references to equivalent and additional data in other media		
2	Reference to the locations where Pillar 3 and additional disclosures are published		
TITLE II	**TECHNICAL CRITERIA ON TRANSPARENCY AND DISCLOSURE**		
Article 435	**Disclosure of risk management objectives and policies**		
1	Institutions shall disclose their risk management objectives and policies for each separate category of risk, including the risks referred to under this Title. These disclosures shall include:		
1a	Strategies and processes to manage the risks	Ch.2 Risk management and control; Ch. 3 Capital management; Ch. 4 Credit risk; Ch. 5 Counterparty risk; Ch. 6 Market risk; Ch. 7: Operational risk; Ch. 8; Liquidity risk; Ch. 9 Ownership risk; Ch. 10 Business risk; Ch. 11 Reputational risk; Ch. 12 Strategic risk; Ch. 13 Climate risk; Ch. 14 Compliance risk	Annual report, chapter on Corporate Governance regarding risk and internal control and Note 6 on Financial risk management
1b	Structure and organisation of the risk management organisation including its authority and statutes	Ch. 2 Risk management and control	Annual report, chapter on Corporate Governance regarding risk and internal control and Note 6 on Financial risk management
1c	Scope and nature of risk reporting and measurement systems	Ch. 2 Risk management and control	Annual report, chapter on Corporate Governance regarding risk and internal control and note 6 on Financial risk management

1d	Policies for hedging and mitigating risk	Ch.2 Risk management and control; Ch. 3 Capital management; Ch. 4 Credit risk; Ch. 5 Counterparty risk; Ch. 6 Market risk; Ch. 7: Operational risk; Ch. 8; Liquidity risk; Ch. 9 Ownership risk; Ch. 10 Business risk; Ch. 11 Reputational risk; Ch. 12 Strategic risk; Ch. 13 Climate risk; Ch. 14 Compliance risk		
1e	Declaration of conformity that the risk management system is fit-for-purpose in relation to the institution's profile and strategy	Ch. 0 Risk statement		
1f	Risk statement with overall risk profile	Ch. 0 Risk statement		
2	Institutions shall disclose the following information, including regular, at least annual updates, regarding governance arrangements:			
2a-c	Corporate governance disclosures	Ch. 2 Risk management and control		Annual report, chapter on Corporate Governance
2d	Whether or not the institution has set up a separate risk committee	Ch. 2 Risk management and control		
2e	Description of the information flow on risk to the management body	Ch. 2 Risk management and control		
Article 436	**Disclosure of the scope of application**			
a	Name of the institution to which the requirements in CRR apply	Front page and Ch. 1 About this report		
b	Reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation	Ch. 1 About this report	LI3	
c	a breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One, broken down by type of risks		LI1	

d	a reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One, and the exposure amount used for regulatory purposes		LI2	
e	for exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and nontrading book position		Not applicable	
f	any current or expected material practical or legal impediment to the prompt transfer of own funds or to the repayment of liabilities between the parent undertaking and its subsidiaries	Ch. 3 Capital management		
g	the aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation, and the name or names of those subsidiaries;		LI3	
h	where applicable, the circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9.		LI3	
Article 437	**Disclosure of own funds**	**Ch. 3 Capital management**		**Annual report note 5 on capital adequacy**
	Institutions shall disclose the following information regarding their own funds:			
a	General disclosure requirements regarding own funds		CC1, CC2	
b	Description of the main features of capital instruments		CCA	
c	Full terms and conditions of capital instruments		CCA	
d I-III	Separate disclosures on the nature of prudential filters, deductions, and items not deducted		CC1	
e	Description of restrictions applied to the calculation of own funds		CC1	
f	Explanation of the basis on which capital ratios have been calculated if other than the basis specified in CRR	Not applicable		

Article 438	Disclosure of own funds requirements and risk-weighted exposure amounts	Ch.3 Capital management		Annual report note 5 on capital adequacy
	Institutions shall disclose the following information regarding the compliance by the institution with the requirements laid down in Article 92 of this Regulation and in Article 73 of Directive 2013/36/EU:			
a	Institution's approach to assessing the adequacy of its internal capital	Ch. 3 Capital management		
b	the amount of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU and its composition in terms of Common Equity Tier 1, additional Tier 1 and Tier 2 instruments;		KM1	
c	upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process;	Provided upon request; SpareBank 1 Sør-Norge's ICAAP-report		
d	the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own fund	Ch. 4 Credit risk	OV1	
e	the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2);		Not applicable	
f	the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis		Not applicable	

g	the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied;		Not applicable
h	the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations		CR8, MR2-B
Article 439	**Disclosure of exposures to counterparty credit risk**	**Ch. 5 Counterparty risk**	
a	Methodology to assign internal capital and credit limits for counterparty credit exposures		
b	Policies for securing collateral and establishing credit reserves		
c	Policies with respect to wrong-way risk exposures		
d	Impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating	Not applicable	
e	the amount of segregated and unsegregated collateral received and posted per type of collateral, further broken down between collateral used for derivatives and securities financing transactions		CCR5
f	for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three		CCR1
g	for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three,		CCR1
h	the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three		CCR2

i	The exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures;		CCR8
j	the notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold	Not applicable	CCR6
k	the estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha in accordance with Article 284(9)	Not applicable	CCR1
l	separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452		CCR3
m	for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2), as applicable.	Not applicable	
Article 440	**Disclosure of countercyclical capital buffers**	**Ch. 3 Capital management**	
a	Geographic distribution of credit exposures for calculating the countercyclical capital buffer		CCyB1
b	Amount of the countercyclical capital buffer		CCyB2
Article 441	**Disclosure of indicators of global systemic importance**	**Not applicable**	
	Indicators used for determining the score of the institution in accordance with the identification methodology		
Article 442	**Disclosure of exposures to credit and dilution risk**	**Ch. 4 Credit risk**	
a	the scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes;		
b	Methods for determining specific and general credit risk adjustments		

c	Information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received;		CQ1, CR1, CQ5
d	an ageing analysis of accounting past due exposures;		CQ3
e	The gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off-balance-sheet exposures;		CQ5
f	Any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off;		CR2
g	the breakdown of loans and debt securities by residual maturity.		CR1-A
Article 443	**Disclosure of encumbered and unencumbered assets**	**Ch. 8 Liquidity risk**	
	Institutions shall disclose information concerning their encumbered and unencumbered assets. For those purposes, institutions shall use the carrying amount per exposure class broken down by asset quality and the total amount of the carrying amount that is encumbered and unencumbered. Disclosure of information on encumbered and unencumbered assets shall not reveal emergency liquidity assistance provided by central banks.		AE1, AE2, AE3, AE4
Article 444	**Disclosure of the use of the Standardised Approach**	**Ch. 4 Credit risk**	
	Institutions calculating their risk-weighted exposure amounts in accordance with Chapter 2 of Title II of Part Three shall disclose the following information for each of the exposure classes set out in Article 112:		
a	Names of the nominated ECAIs and ECAs and the reasons for any changes in those nominations over the disclosure period;		CR5

b	Exposure classes for which each ECAI or ECA is used		CR5
c	Description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book	Not applicable	
d	Association of the external rating of each nominated ECAI or ECA with the institution's scale of credit quality steps	Not applicable	
e	Exposure values before and after credit risk mitigation associated with each credit quality step		CR4, CR5, CCR3
Article 445	**Exposure to market risk**		
	Capital requirements for market risk		Not applicable
Article 446	**Disclosure of operational risk management**	**Ch. 7 Operational risk**	
	Institutions shall disclose the following information about their operational risk management:		
a	Approaches for the assessment of own funds requirements for operation risk that the institution qualifies for;		
b	where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of the relevant internal and external factors being considered in the institution's advanced measurement approach;	Not applicable	
c	in the case of partial use, the scope and coverage of the different methodologies used.	Not applicable	OR1
Article 447	**Disclosure of key metrics**		
a	Composition of own funds and own funds requirements		KM1
b	Total risk exposure amount		KM1
c	Amount and composition of additional own funds which the institutions are required to hold		KM1
d	Combined buffer requirement which the institutions are required to hold		KM1
e	Leverage ratio and the total exposure measure as calculated in accordance with Article 429		KM1

f (I-III)	Information in relation to liquidity coverage ratio as calculated		KM1
g (I-III)	Information in relation to net stable funding requirement as calculated		KM1
h	Own funds and eligible liabilities ratios and their components, numerator and denominator		KM2, TLAC1
Article 448	**Disclosure of exposures to interest rate risk on positions not included in the trading book**	**Ch.6 Market risk**	
	Institutions shall disclose the following information on their exposure to interest rate risk on positions not included in the trading book:		
1a	the changes in the economic value of equity calculated under the six supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods;		IRRBBA
1b	the changes in the net interest income calculated under the two supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods;		IRRBBA
1c	description of key modelling and parametric assumptions, other than those referred to in points (b) and (c) of Article 98(5a) of Directive 2013/36/EU used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph;		IRRBBA
1d	an explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date;		IRRBBA
1e	the description of how institutions define, measure, mitigate and control the interest rate risk of their non-trading book activities for the purposes of the competent authorities' review in accordance with Article 84 of Directive 2013/36/EU, including:		IRRBBA
(i)	a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income;		IRRBBA

(ii)	a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems that would differ from the common modelling and parametric assumptions referred to in Article 98(5a) of Directive 2013/36/EU for the purpose of calculating changes to the economic value of equity and to the net interest income, including the rationale for those differences;		IRRBBA
(iii)	a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk;		IRRBBA
(iv)	an outline of how often the evaluation of the interest rate risk occurs;		IRRBBA
1f	the description of the overall risk management and mitigation strategies for those risks;		IRRBBA
1g	average and longest repricing maturity assigned to non-maturity deposits.		IRRBBA
2	Nature of the interest rate risk and key assumptions and frequency of measurement of interest rate risk		IRRBBA
	By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e)(iv) of paragraph 1 of this Article shall not apply to institutions that use the standardised methodology or the simplified standardized methodology referred to in Article 84(1) of Directive 2013/36/EU. interest rate risk, broken down by currency		
Article 449	**Disclosure of exposures to securitsation positions**	**Not applicable**	
Article 449a	**Disclosure of environmental, social and governance risks (ESG risks)**	**Ch. 13 Climate risk**	
Table 1	Qualitative information on Environmental risk		Table 1
Table 2	Qualitative information on Social risk		Table 2
Table 3	Qualitative information on Governance risk		Table 3
Template 1	Banking book – Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity		Template 1

Template 2	Banking book – Indicators of potential climate change transition risk: Loans collateralised by immovable property – Energy efficiency of the collateral	Template 2	
Template 3	Banking book – Indicators of potential climate change transition risk: Alignment metrics	Not applicable	
Template 4	Banking book – Indicators of potential climate change transition risk: Exposures to top 20 carbon-intensive firms	Template 4	
Template 5	Banking book – Indicators of potential climate change physical risk: Exposures subject to physical risk	Template 5	
Template 6	Summary of key performance indicators (KPIs) on the Taxonomy-aligned exposures	Template 6	
Template 7	Mitigating actions: Assets for the calculation of GAR	Template 7	
Template 8	GAR (%)	Template 8	
Template 9	Mitigating actions: BTAR	Not appliable	
Template 10	Other climate change mitigating actions that are not covered in Regulation (EU)2020/852	ESG10	
Article 450	**Disclosure of remuneration policy**		**Annual report, chapter" Corporate Governance", 11" Remuneration of the board of directors" and 12." Remuneration of executive persons", Executive Remuneration report 2024 and Executive Remuneration Policy**
1	Remuneration policy and practices:		
1-a	Decision-making process used for determining remuneration policy, and number of meetings held by main body overseeing remuneration during the financial year	REMA	
1-b	link between pay and performance	REMA	
1 c-f	Criteria for performance measurement, parameters and rationale for any variable component scheme	REMA	
1 g-j	Aggregate quantitative information on remuneration, including breakdowns	REM1, REM2, REM3, REM5	

2	Quantitative information about remuneration to members of the institution's management body for significant institutions		REMA
Article 451	**Disclosure of leverage ratio**	**Ch. 3 Capital management**	
1-a	Leverage ratio		LR1
1-b	a breakdown of the total exposure measure as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements;		LR1, LR2, LR3
1-c	The amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7);		LR2
1-d	Description of the processes used to manage the risk of excessive leverage		
1-e	Description of factors that had an impact on the leverage ratio during the period		LR1
2	Disclosures for public development institutions		
3	Large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages		LR2
Article 451a	**Disclosure of liquidity requirements**	**Ch. 8 Liquidity risk**	
1	General requirement		
2	Disclosure of information in relation to liquidity coverage ratio (LCR)		LIQ1, LIQB
a-c	Disclosure of averages based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period		LIQ1
3	Disclosure of information in relation to net stable funding ratio (NSFR)		LIQ2
a-c	Quarter-end figures of available and required stable funding		LIQ2
4	Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk	Ch. 8 Liquidity risk	

TITLE III	QUALIFYING REQUIREMENTS FOR THE USE OF PARTICULAR INSTRUMENTS OR METHODOLOGIES		
Article 452	**Disclosure of the use of the IRB approach to credit risk**	**Ch. 4 Credit risk**	
a	Competent authority's permission of the approach or approved transition		
b	for each exposure class referred to in Article 147, the percentage of the total exposure value of each exposure class subject to the Standardised Approach or to the IRB Approach, as well as the part of each exposure class subject to a roll-out plan		CR6-A
c	the control mechanisms for rating systems at the different stages of model development, controls and changes, which shall include information on:		
(i)	the relationship between the risk management function and the internal audit function;	Ch. 2 Risk management and control	
(ii)	the rating system review;		
(iii)	the procedure to ensure the independence of the function in charge of reviewing the models from the functions responsible for the development of the models;		
(iv)	the procedure to ensure the accountability of the functions in charge of developing and reviewing the models;		
d	the role of the functions involved in the development, approval and subsequent changes of the credit risk models; separately for each IRB exposure class		
e	the scope and main content of the reporting related to credit risk models;		
f	description of the internal ratings process by exposure class, including the number of key models used with respect to each portfolio and a brief discussion of the main differences between the models within the same portfolio, covering:		

(i)	definitions, methods and data for estimation and validation of PD, which shall include information on how PDs are estimated for low default portfolios, whether there are regulatory floors and the drivers for differences observed between PD and actual default rates at least for the last three periods;	
(ii)	where applicable, the definitions, methods and data for estimation and validation of LGD, such as methods to calculate downturn LGD, how LGDs are estimated for low default portfolio and the time lapse between the default event and the closure of the exposure;	
(iii)	where applicable, the definitions, methods and data for estimation and validation of conversion factors, including assumptions employed in the derivation of those variables;	
g	as applicable, the following information in relation to each exposure class referred to in Article 147:	CR6
(i)	gross on-balance-sheet exposure	CR6
(ii)	off-balance-sheet exposure values prior to the relevant conversion factor	CR6
(iii)	exposure after applying the relevant conversion factor and credit risk mitigation;	CR6
(iv)	any model, parameter or input relevant for the understanding of the risk weighting and the resulting risk exposure amounts disclosed across a sufficient number of obligor grades (including default) to allow for a meaningful differentiation of credit risk	CR6
(v)	separately for those exposure classes in relation to which institutions have received permission to use own LGDs and conversion factors for the calculation of risk weighted exposure amounts, and for exposures for which the institutions do not use such estimates, the values referred to in points (i) to (iv) subject to that permission	CR6

h	institutions' estimates of PDs against the actual default rate for each exposure class over a longer period, with separate disclosure of the PD range, the external rating equivalent, the weighted average and arithmetic average PD, the number of obligors at the end of the previous year and of the year under review, the number of defaulted obligors, including the new defaulted obligors, and the annual average historical default rate.		CR9
Article 453	**Disclosure of the use of credit risk mitigation techniques**	**Ch. 4 Credit risk**	
a	Policies and processes for on- and off-balance-sheet netting		
b	Policies and processes for collateral valuation and management		
c	Main types of collateral taken by the institution		
d	Main types of guarantor and credit derivative counterparty and their creditworthiness		
e	Information about market or credit risk concentrations within the credit mitigation taken		
f	Exposure value covered by eligible financial and other collateral for exposures under the standardised approach or the IRB approach without own estimates of LGD and CCF		CR3
g	Conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect		CR7-A, CR4
h	For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation		CR4
i	For institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class;		CR4
j	Credit risk mitigation impact of credit derivatives		Not applicable

Article 454	**Use of the Advanced Measurement Approaches to operational risk**	**Not applicable**
	Description of the use of insurance and other risk transfer mechanisms to mitigate operational risk	
Article 455	**Use of Internal Market Risk Models**	**Not applicable**
a-g	Institutions calculating their capital requirements in accordance with Article 363 shall disclose the information	