



SPAREBANKEN SØR

Q1 2019



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Income statement (NOK million)	Q1 2019	Q1 2018	31.12.2018
Net interest income	438	425	1 729
Net commission income	74	74	318
Net income from financial instruments	20	26	2
Other operating income	5	2	23
Total net income	537	527	2 072
Total operating expenses before losses	229	212	884
Operating profit before losses	308	315	1 188
Losses on loans, guarantees and unused credit	3	-	-36
Profit before taxes	305	315	1 224
Tax expenses	71	77	285
Profit for the period	234	238	939
Profit as a percentage of average assets			
Net interest income	1.46 %	1.49 %	1.46 %
Net commission income	0.25 %	0.26 %	0.27 %
Net income from financial instruments	0.07 %	0.09 %	0.00 %
Other operating income	0.02 %	0.01 %	0.02 %
Total net income	1.79 %	1.85 %	1.75 %
Total operating expenses before losses	0.76 %	0.75 %	0.75 %
Operating profit before losses	1.03 %	1.11 %	1.00 %
Losses on loans, guarantees and unused credit	0.01 %	0.00 %	-0.03 %
Profit before taxes	1.02 %	1.11 %	1.03 %
Tax expenses	0.24 %	0.27 %	0.24 %
Profit for the period	0.78 %	0.84 %	0.79 %
Key figures, income statement			
Return on equity after tax (adjusted for hybrid capital)	8.3 %	9.1 %	8.5 %
Costs as % of income	42.6 %	40.2 %	42.7 %
Costs as % of income, excl. net income from financial instruments	44.2 %	42.3 %	42.7 %
Key figures, balance sheet			
Total assets	123 873	116 319	121 125
Average total assets	123 400	115 300	118 600
Net loans to customers	102 957	98 690	102 942
Growth in loans as % last 12 mths.	4.3 %	6.5 %	5.6 %
Customer deposits	57 568	54 899	56 537
Growth in deposits as % last 12 mths.	4.9 %	4.0 %	1.7 %
Deposits as % of net loans	55.9 %	55.6 %	54.9 %
Equity (incl. hybrid capital)	11 952	11 233	11 845
Losses on loans as % of net loans, annualised	0.01 %	0.00 %	-0.17 %
Gross non-performing loans > 90 days as % of gross loans	0.21 %	0.32 %	0.21 %
Other key figures			
Liquidity reserve (LCR) Group	180 %	165 %	159 %
Liquidity reserve (LCR) Group - Euro	2807 %	1729 %	4727 %
Liquidity reserve (LCR) Parent Bank	168 %	157 %	180 %
Common equity tier 1 capital ratio, including share of partly owned companies	14.9 %	15.0 %	14.8 %
Tier 1 capital ratio	16.6 %	16.8 %	16.6 %
Total capital ratio	18.8 %	18.9 %	18.7 %
Core equity tier 1 capital ratio	10 702	10 079	10 517
Tier 1 capital ratio	11 777	11 153	11 591
Net total subordinated capital	13 281	12 535	13 096
Leverage ratio	9.0 %	9.1 %	9.2 %
Number of branches	34	34	34
Number of FTEs in banking operations	436	427	434
Key figures, equity certificates			
Equity certificate ratio, weighted average over the period	17.2 %	17.9 %	17.9 %
Number of equity certificates issued	15 663 943	15 663 944	15 663 944
Profit/diluted earnings per equity certificate (Parent bank)	1.9	1.9	7.7
Profit/diluted earnings per equity certificate (Group)	2.4	2.6	10.1
Dividend last year per equity certificate	6.0	6.0	6.0
Book equity per equity certificate	119.4	116.1	123.2
Price/book value per equity certificate	0.8	0.8	0.8
Listed price on Oslo Stock Exchange at end of period	90.2	98.6	96.9

Board of Director`s report

General

Sparebanken Sør is an independent financial institution that engages in banking, securities trading and real estate brokerage activities in the Norwegian counties of Aust-Agder, Vest-Agder, Telemark and Rogaland.

Real estate agency activities are conducted through the subsidiary Sørmeglere, while general insurance and life insurance products are supplied through Frende, an insurance company jointly owned by the bank. The bank is also a joint owner of Norne Securities, a securities trading company, and Brage Finans, a provider of leasing products and consumer credit.

Highlights in Q1 2019

- Good results from ordinary operations
- Positive development in net interest income
- Positive net income from financial instruments
- Acquisition of shares in Brage Finans AS
- Efficient operations and low costs
- Very low losses on loans
- Year-on-year loan growth of 4.3 percent
- Year-on-year deposit growth of 4.9 percent
- Return on equity after tax of 8.3 percent
- Common equity tier 1 capital ratio of 14.9 percent and leverage ratio of 9.0 percent

Financial framework conditions

The key interest rate increased on 20 March 2019 from 0.75 percent to 1.00 percent. The reason for the increase was the continued upturn in the Norwegian economy and the fact that the underlying inflation rate was close to the target of 2 percent. Norges Bank has indicated that there most likely will be a further upward adjustment in the key interest rate within the next 6 months.

Both domestic and foreign capital markets have worked efficiently, providing the Group with access to funding through covered bonds and senior debt in 2019. Credit spreads decreased slightly in Q1 2019.

Annual growth in the general public's gross domestic debt (C2) was 5.8 percent at the end of March 2019. Debt growth for households and businesses was 5.6 percent and 5.8 percent respectively.

The Ministry of Finance decided to raise the requirement for a countercyclical capital buffer from 2.0 percent to 2.5 percent with effect from 31.12.2019. The increase is in line with the recommendation made by Norges Bank.

The Norwegian Financial Supervisory Authority (NFSA) proposed in October 2018 changes related to regulation and identification of systemically important financial institutions. The proposal indicates that Sparebanken Sør in the future will be considered systemically important. The proposal is currently under consideration and has not been finally adopted.

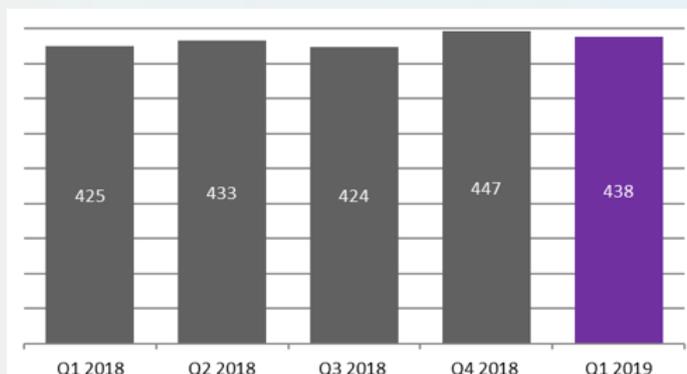
Earnings

The bank posted a profit before tax of NOK 305 million in Q1 2019, compared with NOK 315 million in the same period in 2018.

The Group's return on equity after tax was 8.3 percent in Q1 2019, compared with 9.1 percent in Q1 2018.

Net interest income

Quarterly net interest income (NOK million)



Net interest income totalled NOK 438 million in Q1 2019, compared with NOK 425 million in Q1 2018.

There has been pressure on lending margins in Q1 2019, especially in the retail market, as a result of an increase in NIBOR. The effect of increased market interest rates was less in the corporate market, where a large proportion of the loans are linked to NIBOR. Increase in market interest rates has also resulted in increased funding costs during the quarter.

Following the rise in the key interest rate in March 2019, the Group raised the interest rate on loans and some deposits. The change will take full effect from 7 May 2019.

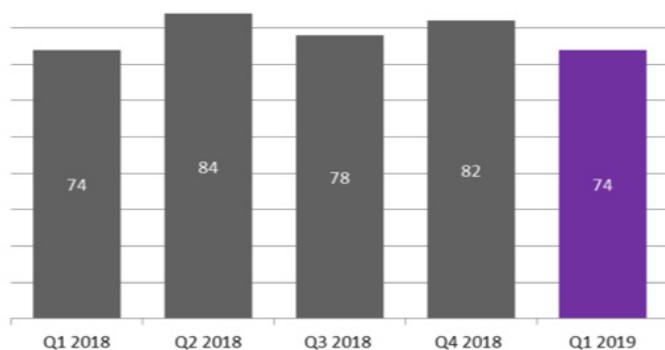
Net interest income as a percentage of average total assets in Q1 2019 was 1.46 percent, down from 1.49 percent in the same period in 2018.

*Net interest income adjusted for accounting changes, commission income, other income and cost-adjusted for conversion of the pension scheme. See also the appendix for details of calculation.

Board of Director`s report

Commission income

Quarterly net commission income (NOK million)



Net commission income totalled NOK 74 million in Q1 2019, compared with NOK 74 million in Q1 2018.

Gross commission income in Q1 2019 totalled NOK 88 million, compared with NOK 87 million in Q1 2018.

Commission income	Q1 2019	Q1 2018	Change
Payment services	41	40	1
Real estate brokerage	28	21	7
Other commission income	19	26	-7
Total	88	87	1

There has been increased income from payment services and real estate brokerage. There has been a reduction in other commission income. This is mainly due to a non-recurring transfer of NOK 5 million linked to commission from the sale of life insurance in Q1 2018.

Financial instruments

Net income from financial instruments totalled NOK 20 million in Q1 2019, compared with NOK 26 million in the same period in 2018.

Net income from financial instruments	Q1 2019	Q1 2018	Changes
Bonds and certificates	10	4	6
Shares incl. dividends	8	-1	9
Fixed rate loans	3	15	-12
Securities issued - hedge accounting	2	3	-1
Repurchase of issued bonds	-9	-2	-7
Other financial instruments	6	7	-1
Total	20	26	-6

Credit spreads in the bond market showed a slight decrease in Q1, resulting in positive changes in value of the bank's liquidity portfolio.

On 31 January Sparebanken Sør entered into an agreement to purchase 4.34 percent of the shares in Brage Finans AS. In addition, an issue was carried out in February 2019, where the bank increased its ownership in the company by 0.9 percent. At the end of the first quarter, Sparebanken Sør holds a stake of 20.8 percent in Brage. After the year's transactions, the bank has changed the classification of the investment in Brage from fair value, to the equity method. The acquisition and reclassification resulted in an accounting gain of NOK 8 million.

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

Associated companies

Share of profit from associated companies was NOK 3.8 million in Q1 2019.

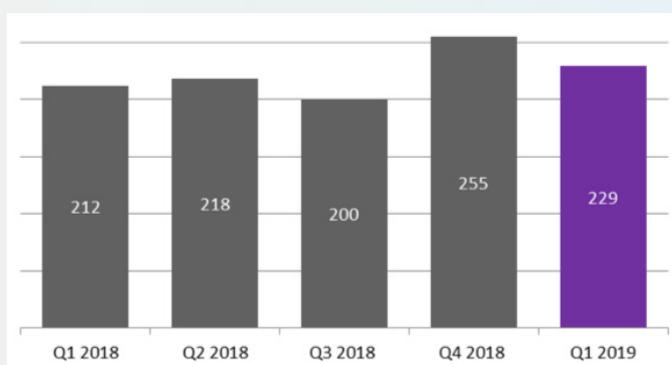
In Q1 2019 Sparebanken Sør increased its share holdings in Brage Finans AS from 15.5 percent to 20.8 percent. Sparebanken Sør's share of profit was NOK 5.5 million

Sparebanken Sør's share of profit from Frende Holding AS amounted to NOK 3.3 million in Q1 2019. This included share of profit for the first quarter as well as an adjustment related to the 2018 accounts.

In connection with the purchase of shares in Frende Holding AS in 2018, excess values were identified which should be amortized over the expected lifetime. The Group has depreciated the excess value by NOK 5 million in the first quarter of 2019.

Operating expenses

Quarterly operating expenses (NOK million)



Operating expenses closed on NOK 229 million in Q1 2019, compared with NOK 212 million in the same period in 2018.

Total operating expenses as a percentage of average assets were 0.76 percent (0.75 percent) in Q1 2019. Cost-income ratio was 42.6 percent in the Group (40.2 percent). The cost-income ratio, excl. financial instruments, was 44.2 percent (42.3 percent).

Operating expenses in the banking business closed on NOK 199 million in Q1 2019, compared with NOK 187 million in the same period in 2018. The increase of NOK 12 million is divided into increased wage costs and increased depreciation, both as a result of strategic initiatives.

The bank has also changed practice related to payroll payments. Earlier, 1.5 monthly wages were paid in December. As of January 1, 2019, equal pay is paid each month. This gives an increase in the wage cost in Q1 of NOK 3 million. The change will result in a correspondingly lower wage cost in Q4.

The bank expects operating expenses in 2019 to be at the same level as in 2018.

Losses and non-performing loans

Net losses on loans totalled NOK 3 million in Q1 2019, equivalent to 0.01 percent of net loans. Net losses on loans totalled NOK 0 million in the same period in 2018.

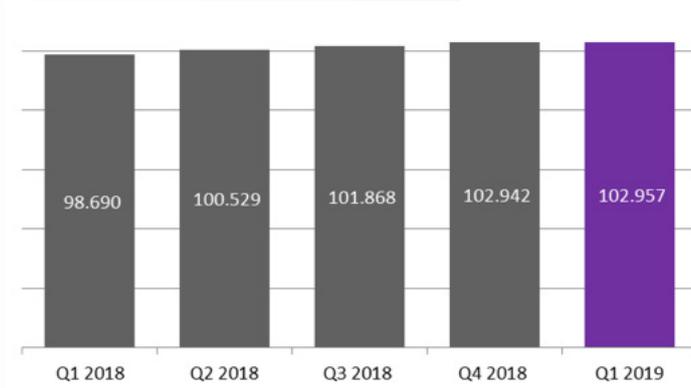
The Group's impairment losses were calculated at NOK 474 million in Q1 2019, which is equivalent to 0.46 percent of gross loans. The corresponding figures for 2018 were NOK 562 million and 0.55 percent of gross loans.

Gross non-performing loans more than 90 days in arrears totalled NOK 214 million, which is equivalent to 0.21 percent of gross loans. This is a significantly lower than Q1 2018, which amounted to NOK 321 million and 0.32 percent respectively.

Board of Director`s report

Loans

Loans NOK million



Over the past 12 months net loans increased by NOK 4.3 billion to a total of NOK 102.9 billion, representing a growth of 4.3 percent.

Loan growth in Q1 was only NOK 15 million. There has been a reduction in lending to corporate customers during the quarter. This is because the bank has been somewhat hesitant as a result of continued uncertainty related to future capital requirements from The Ministry of Finance`s proposals relating to systemically important banks.

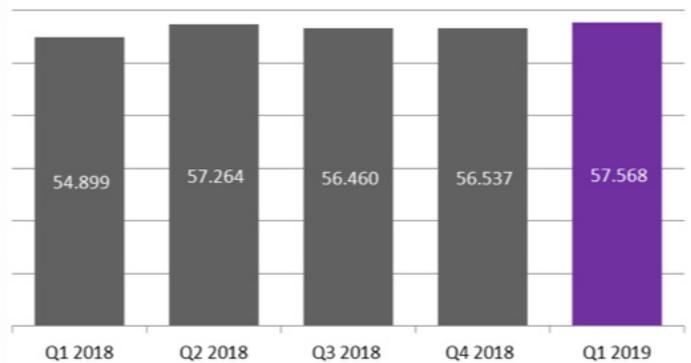
Over the past 12 months, gross loans to retail customers rose by NOK 3.5 billion to NOK 67.9 billion, a rate of growth of 5.4 percent. Lending growth is somewhat lower than the general public`s gross domestic debt.

Gross loans to corporate customers rose by NOK 0.7 billion to NOK 35.3 billion over the last 12 months, representing a rate of growth of 2.0 percent.

Loans to retail customers accounted for 66 percent (65 percent) of total loans at the end of Q1 2019.

Deposits

Deposits NOK million



Over the past 12 months, customer deposits rose by NOK 2.7 billion to NOK 57.6 billion, a growth rate of 4.9 percent.

Deposits from retail customers increased by NOK 1.2 billion to NOK 27.1 billion, a growth rate of 4.5 percent.

Deposits from corporate customers rose by 1.5 billion to NOK 30.3 billion, a growth rate of 5.2 percent.

Deposits in percent of net loans were 55.9 percent at the end of Q1 2019, down from 56.6 percent at the same time in 2018.

Wholesale funding and liquidity portfolio

The Group's liquidity situation is satisfactory. The liquidity buffers are adequate and the maturity structure of the funding is well-adjusted to the needs of the business. New long-term funding is established through the issuance of covered bonds and senior debt. The Group has also arranged for long-term financing from the international market through established EMTN programs.

At the end of Q1 2019, wholesale funding amounted to NOK 49.6 million, of which 67 percent was sourced through covered bonds and 93 percent through long-term financing.

The Group's portfolio of interest-bearing securities totalled NOK 17.0 billion at the end of Q1 2019. At the same date, the Group's liquidity reserves (LCR) were 180 percent (Parent Bank: 168 percent).

Rating

Sparebanken Sør has an A1 rating with "negative outlook". The rating outlook was adjusted from "stable" to "negative" in July 2017 following the introduction of the EU Bank Recovery and Resolution Directive (BRRD) for Norwegian banks, and has been applied to five regional banks.

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

Subordinated capital and capital adequacy

At the end of Q1 2019, net subordinated capital totalled NOK 13.3 billion, while hybrid capital was NOK 1.1 billion and subordinated loans totalled NOK 1.6 billion. At the same date, the common equity tier 1 (CET1) capital ratio was 15.1 percent; the tier 1 capital ratio was 16.6 percent and the (total) capital ratio for the Sparebanken Sør Group was 18.8 percent (based on Basel II).

Sparebanken Sør has a 20.8 percent shareholding in Brage Finans and accordingly, has consolidated a proportion of its cooperative companies when calculating the capital ratio. The common equity tier 1 capital ratio, including the Group's partner companies, amounts to 14.9 percent. The tier 1 capital ratio is 16.4 percent and the (total) capital ratio is 18.5 percent.

For the Parent Bank, the figures at the end of Q1 2019 were a CET1 capital ratio of 15.4 percent, a tier 1 capital ratio of 17.1 percent and a (total) capital ratio of 19.6 percent.

In July 2018, the bank received the Financial Supervisory Authority's assessment and decision regarding the Pillar 2 requirements. The assessment was made in conjunction with the capital appreciation process (SREP) for 2018, and the Pillar 2 requirement for Sparebanken Sør was set at 2.0 percent of the risk-weighted assets. This requirement is related to an assessment of risk factors not covered by the Pillar 1 requirements, and also includes a new method of calculating capital requirements associated with partly owned insurance companies. The capital requirement relating to the shareholding in Frende Holding AS alone accounts for 0.3 percentage points.

The Group met the respective capital requirements for financial institutions of 14.0 percent for common equity tier 1 capital, 15.5 percent for tier 1 capital and 17.5 percent for (total) capital.

The Group stated a target of achieving a CET1 capital ratio of 14.8 percent. The Ministry of Finance decided in December 2018 to increase the countercyclical capital buffer by 0.5 percent with effect from 31 December 2019. The Group will adjust to the new requirements during 2019. Further adjustment of the buffer beyond the current level will depend on market expectations.

One of the bank's key goals is to achieve a CET1 capital ratio at least equal to comparable banks. Sparebanken Sør is the only one of the major regional banks to apply the standard method in calculating capital adequacy. Sparebanken Sør decided to initiate a process to request approval from Finanstilsynet to apply the internal ratings-based approach (IRB). The bank aims to submit the application by the end of 2020.

At the end of Q1 2019, the Group's leverage ratio was 9.0 percent, compared with 9.1 percent at the end of Q1 2018. The bank's capital is considered highly satisfactory.

Board of Director`s report

The bank's equity certificates

As of 31 March 2019, the bank had issued 15 663 944 equity certificates. Profit (Group) per equity certificate was NOK 2.4 in Q1 2019. The ownership ratio in Q1 2019 was 17.2 percent. Hybrid capital classified as equity has been excluded when calculating the ownership ratio.

Dividends

Sparebanken Sør aims to ensure that its equity certificate owners achieve a competitive return in terms of dividends and returns on their equity certificates as a result of sound, stable and profitable operations.

Surpluses are distributed between the equity certificate capital (equity certificate owners) and the subordinated capital in accordance with the owner's share of equity.

In determining the annual dividend, Sparebanken Sør takes into account the bank's capital requirements, including regulatory requirements, investors' expectations and the bank's strategic plans.

The bank aims to distribute approximately half of the equity certificate holders' share of earnings after tax as dividend.

Subsidiaries and partner businesses

The bank's wholly owned subsidiary **Sparebanken Sør Boligkreditt AS** is licensed to issue covered bonds which are used as an instrument in the bank's long-term funding strategy. As of 31 March 2019, the bank had transferred NOK 38.9 billion to Sparebanken Sør Boligkreditt AS, equivalent to 56 percent of all loans to the retail market.

Sørmegleren is the bank's own real estate agency and the leading estate agency business in southern Norway. The agency continues to grow, as of 31. march 2019 the number og FTE`s totalled 80 in 16 locations. Sørmegleren delivered positive results in 2018. The result after Q1 2019 showed a loss of NOK 2.8 million before tax, at the same level as Q1 2018.

Frende Holding AS (20.2 percent shareholding) is the parent company of Frende Skadeforsikring AS and Frende Livsforsikring AS, which provide general insurance and life insurance to retail and corporate customers.

In Q1 2019, Frende Holding AS posted a profit of NOK 43.7 million (-47.9 million) before tax. The technical result in Q1 2019 was almost as expected for the season. Total growth in risk premium was almost 11 percent in the last twelve months. Return on finance was NOK 91 million (NOK 9.4 million), a return of 2.1 percent (0.26 percent).

In Q1 2019 **Frende Skade** posted a profit before tax of NOK 16.8 million (- 66.2 million). The company possesses a total portfolio of insurances of NOK 2 046 million (1 837 million), broken down by 165 000 customers. This represents an increase of 11.4 percent the last year. The market share increased to 3.5 percent by the end of 2018.

The loss ratio was 91.1 percent in Q1 2019 (96.8 percent), and the combined ratio was 109.7 percent (116.7 percent). The first quarter was characterized by many large burns, while the injury frequency and average damage had a positive development compared to last year.

Frende Liv posted a profit before tax of NOK 31.5 million (NOK 18.8 million) in Q1 2019. The company provides good risk results and shows a positive cost development. The total insurance portfolio at the end of Q1 2019 was NOK 947 million (860 million).

Brage Finans AS (20.8 percent shareholding) is a financing company that offers leasing and loans secured by the purchased objects in the corporate and retail market. The company headquarter is located to Bergen and there are branches in Ålesund, Stavanger and Kristiansand. Distribution of the products is provided mainly through owner banks and retailers, in addition to the company's own organisation.

In Q1 2019 Brage Finans AS (Brage) posted a profit before tax of NOK 33.8 million, compared to NOK 19.2 million in the same period last year. The profit growth was as high as 76 percent. The result was equivalent to a return on equity of 7.9 percent compared with 6.7 percent in Q1 2018.

At the end of Q1 2019, Brage Finans had a gross loan portfolio of NOK 9.91 billion, an increase of NOK 2.99 billion (43 percent) compared with Q1 2018.

In Q1 2019 the growth in costs (in percent) has been lower than the growth in income (in percent). As a consequence the expense ratio showed 35 percent in Q1 2019, compared to 39 percent in Q1 2018.

Norne Securities AS (17.6 percent shareholding) is an investment firm offering online trading, traditional brokerage and corporate finance services.

Norne further enhanced its role as Norway`s leading adviser and facilitator regarding equity certificates in Norwegian saving banks. The company has further concentrated its business in two market areas: online stock and fund trading related to the retail market, and Corporate Finance and Investment Advice to the corporate market and professional investors.

Balder Betaling AS (22 percent shareholding) is owned by Sparebanken Sør together with the 14 other savings banks. The company has a 10.5 percent shareholding in Vipps AS and aims to develop the Vipps mobile payment application further together with its other shareholders.

Outlook

The Board of Directors is satisfied with the Group`s financial performance in Q1 2019. There has been pressure on lending margins over time. Measures that have been implemented, through the announced interest rate change, will first have effect in the second quarter. The bank is well positioned to attain good results in 2019. The prospects for the Norwegian economy and for Sparebanken Sør in the near future seem good.

Housing prices in the bank`s main markets have shown a positive, but modest trend for several years. The Q1 2019 statistics showed slightly positive growth in housing prices in the bank`s market area. Mortgage loans on housing are well secured, and the Group is well positioned to absorb any fall in house prices. This view is also supported by the stress tests that have been carried out.

On 20 March 2019 Norges Bank decided to raise the key interest rate from 0.75 percent to 1.00 percent. The central bank`s forecasts indicate that the key interest rate will be raised further during the next 6 months, and that the key rate will then be increased to 1.75 per cent by the end of 2022.

The Group`s common equity tier 1 capital requirement, including the new Pillar 2 add-on of 2.0 percent, is 14.0 percent. With effect from 31 December 2019 the Ministry of Finance decided in December 2018 to increase the countercyclical capital buffer by 0.5 percent, and the Group`s common equity tier 1 capital requirement will rise to 14.5 percent. The Group has a target of achieving a CET1 capital ratio of 14.8 percent, before the increase in countercyclical capital buffer. In 2019, The Board of Director`s will carry out a process related to future capital targets, where requirements for countercyclical capital buffer will be taken into account. If the proposed regulations for the identification of systemically important financial institutions are adopted, this will be taken into account when determining a new capital target. At the end of Q1 2019 the CET1 capital ratio was 14.9 percent.

In October 2018 the Financial Supervisory Authority`s proposed changes to the Ministry of Finance changes relating to regulation and identification of systemically important financial institutions. The proposal indicates that Sparebanken Sør in future will be considered systemically important, and as a result the CET1 capital requirements will probably increase. The Ministry of Finance has had the draft regulation for consultation, but it is not yet known whether and, if so, how the regulation will be implemented.

The Group has a long-term ambition of a growth in lending in excess of credit growth, and has set a target return on equity of 9 percent.

With effect from 1 January 2018, the Group has applied the new IFRS 9 standard, which has impacted calculation of the Group`s impairment losses on loans. The Group has to make provisions for expected loan losses and this is expected to result in greater fluctuations in loan losses going forward. Based on the composition of the bank`s loan portfolio, economic trends and local market conditions, net losses are expected to remain low in 2019.

In line with its strategic focus on costs and long-term value creation, the bank will continue to invest in technology in order to contribute to cost-effective operations and streamlining of the branch structure. This, together with high quality in customer

Board of Director`s report

credit assessments, will contribute to the continued profitable growth and development of Sparebanken Sør.

Events after the reporting period

No events have been reported since 31 March 2019 that affect the quarterly financial statements.

Arendal, 9 May 2019

Stein A. Hannevik
Chairman

Inger Johansen
Deputy Chairman

Tom Erik Jebsen

Erling Holm

Marit Kittilsen

Mette Ramfjord Harv

Jan Erling Tobiassen
Employee representative

Gunnhild Tveiten Golid
Employee representative

Geir Bergskaug
CEO

PARENT BANK			NOK million			GROUP		
31.12	Q1	Q1				Q1	Q1	Q1
2018	2018	2019			Notes	2019	2018	2018
1 291	277	342	Interest income at amortised cost	3		739	662	2 778
1 012	265	263	Interest income from assets at fair value through profit and loss	3		107	81	367
951	217	270	Interest expenses	3		408	318	1 416
1 352	326	335	Net interest income	3		438	425	1 729
346	84	80	Commission income			88	87	380
62	13	14	Commission expenses			14	13	62
283	71	66	Net commission income			74	74	318
16	-	-	Dividend			0	-	7
19	27	37	Net income from other financial instruments			20	26	-5
35	27	37	Net income from financial instruments			20	26	2
13	-	4	Income from associated companies			4		13
9	2	2	Other operating income			2	2	10
22	2	6	Total other income			5	2	23
1 692	426	444	Total net income			537	527	2 072
415	97	106	Wages and other personnel expenses			131	117	499
29	7	9	Depreciation, amortization and impairment of non-current assets			9	7	30
338	83	83	Other operating expenses			89	88	355
782	187	198	Total operation expenses before losses			229	212	884
910	239	246	Operating profit before losses			308	315	1 188
-33	-1	3	Losses on loans, guarantees and undrawn credit	4		3	0	-36
943	240	243	Profit before taxes	2		305	315	1 224
212	59	56	Tax expenses			71	77	285
731	181	187	Profit for the period			234	238	939
			Minority interests			0	0	1
731	181	187	Majority interests			234	238	938
7.7	1.9	1.9	Profit/diluted earnings per equity certificate (in whole NOK)			2.4	2.6	10.1
			Other comprehensive income					
			<i>Items that will not be reclassified subsequently to profit or loss</i>					
			Recognized estimate deviation, pensions					0
			Tax effect					0
			<i>Items that may be reclassified to profit or loss</i>					
0		0	Change in value, basis swaps			-16	-5	-20
			Change in value, customer mortgages					0
0		0	Tax effect			4	1	5
0	0	0	Total other comprehensive income			-12	-4	-15
731	181	187	Comprehensive income for the period			222	234	924
			Minority interests			0	0	1
			Majority interests			222	234	923
7.7	1.9	1.9	Comprehensive income/diluted earnings per equity certificate			2.3	2.5	9.9

Balance sheet

PARENT BANK			NOK million	GROUP			
31/12/ 2018	31/03/ 2018	31/03/ 2019		Notes	31/03/ 2019	31/03/ 2018	31/12/ 2018
			ASSETS				
1 287	606	486	Cash and receivables from central banks		486	606	1 288
3 010	3 324	4 492	Loans to credit institutions		1 155	177	119
64 263	63 993	64 092	Net loans to customers	4,5,6,8,10	102 957	98 690	102 942
17 691	13 398	16 397	Bonds and certificates	10	17 022	15 218	14 598
369	605	185	Shares	10	186	605	370
197	228	278	Financial derivatives	10,11	533	363	619
1 858	1 856	1 858	Shareholding in group companies		-		
584	39	886	Shareholding in associated companies		886	39	584
22	17	25	Deferred tax		25	17	22
			Intangible asstes		6		
387	388	432	Property, plant and equipment		459	407	413
90	114	65	Other assets		157	197	171
89 758	84 568	89 196	TOTAL ASSETS	2,10	123 873	116 319	121 125
			LIABILITIES AND EQUITY CAPITAL				
2 261	1 013	2 300	Liabilites to credit institutions		2 144	910	1 918
56 546	54 904	57 578	Deposits from customers	2,7,10	57 568	54 899	56 537
18 027	16 270	16 236	Liabilities related to issue of securities	10,12	49 639	46 788	48 323
179	276	168	Financial derivatives	10,11	168	359	179
223	104	184	Payable taxes		254	158	309
288	443	442	Other liabilities		483	477	328
61	60	61	Provisions for commitments		61	60	61
51	49	34	Deferred tax		-	31	21
1 604	1 404	1 604	Subordinated loan capital	10,12	1 604	1 404	1 604
79 240	74 523	78 607	Total liabilities		111 921	105 086	109 280
1 603	1 576	1 603	Equity certificate capital	13	1 603	1 576	1 603
1 075	1 075	1 075	Hybrid capital		1 075	1 075	1 075
7 840	7 394	7 911	Other equity		9 274	8 582	9 167
10 518	10 045	10 589	Total equity	9	11 952	11 233	11 845
89 758	84 568	89 196	TOTAL LIABILITIES AND EQUITY	2,10	123 873	116 319	121 125

PARENT BANK			NOK million	GROUP		
31/12/ 2018	31/03/ 2018	31/03/ 2019		31/03/ 2019	31/03/ 2018	31/12/ 2018
2 417	607	578	Interest received	866	844	3 258
-1 059	-310	-145	Interest paid	-346	-452	-1 518
348	79	74	Other payments received	69	81	380
-716	-224	-204	Operating expenditure	-248	-250	-823
8	2	2	Loan recoveries	3	2	8
-225	-178	-112	Tax paid for the period	-145	-214	-291
-27	-9	-10	Gift expenditure	-10	-9	-27
954	-689	920	Change in customer deposits	919	-681	958
2 286	2 562	182	Change in loans to customers	-13	-1 209	-5 464
506	192	-1 482	Change in deposits from credit institutions	-1 036	59	117
246	39	76	Change in loans from credit institutions	227	-46	-41
4 738	2 071	-121	Net cash flow from operating activities	286	-1 875	-3 443
15 353	4 220	6 445	Payments received, securities	1 934	4 320	17 414
-20 473	-4 988	-5 133	Payments made, securities	-4 329	-6 099	-18 568
6			Payments received, sale of property, plant and equipment	0	10	11
-50	-3	-12	Payments made, purchase of property, plant and equipment	-12	-3	-51
-246	-600	-104	Investments in subsidiaries and associated companies	-104		-246
-474	150	-24	Change in other assets	101	338	-3
-5 884	-1 221	1 172	Net cash flow from investing activities	-2 410	-1 434	-1 443
1 039	0	-37	Change in loans to credit institutions	0	54	1 055
3 900	0	0	Change in deposits from credit institutions	4 860	4 855	13 770
-3 656	-1 460	-1 728	Payments received, bond debt	-3 161	-1 950	-10 052
-150	-106	-12	Payments made, bond debt	-12	-106	-150
	0		Payments made, dividends and interest on hybrid capital	0		0
			Issue of hybrid capital	0		0
600			Buyback of hybrid capital	0		600
-400			Issue of subordinated loan capital	0		-400
-43	179	-75	Change in other assets	-365	-81	208
1 290	-1 387	-1 852	Net cash flow from financing activities	1 322	2 772	5 031
144	-537	-801	Net change in liquid assets	-802	-537	145
1 143	1 143	1 287	Cash and cash equivalents as at 1 Jan	1 288	1 143	1 143
1 287	606	486	Cash and cash equivalents at end of period	486	606	1 288

Statement of changes in equity

GROUP NOK million	Divided								TOTAL
	Equity certificates	Premium fund	equalization- fund	Hybrid capital	Primary capital	Gift fund	Other equity	Minority interests	
Balance 31 Dec. 2017	783	451	341	1 075	7 165	61	1 230	2	11 108
Dividend distributed for 2017							-94		-94
Accounting effects on transition to IFRS 9			1		4		-3		2
Profit Q1 2018				12			226		238
Interest on hybrid capital				-12					-12
Other comprehensive income							-4		-4
Allocated gift fund						-5			-5
Balance 31/03/2017	783	451	342	1 075	7 169	56	1 355	2	11 233
Profit 1.4-31.12.2018			27	44	514	40	76		701
Buy back of hybrid capital				-44					-44
Issuance of hybrid capital									0
Other comprehensive income			0		0		-11		-11
Allocated gift fund						-34			-34
Other changes							1	-1	0
Balance 31 Dec. 2018	783	451	369	1 075	7 683	62	1 421	1	11 845
Dividend distributed for 2018							-94		-94
Profit Q1 2019				12			221		233
Interest on hybrid capital				-12					-12
Other comprehensive income							-12		-12
Allocated gift fund						-9			-9
Balance 31/03/2019	783	451	369	1 075	7 683	53	1 537	1	11 952
PARENT BANK									
Balance 31 Dec. 2017	783	451	341	1 075	7 165	61	94	0	9 970
Dividend distributed for 2017							-94		-94
Accounting effects on transition to IFRS 9			1		4				5
Profit Q1 2018				12			169		181
Interest on hybrid capital				-12					-12
Other comprehensive income									0
Allocated gift fund						-5			-5
Balance 31/03/2017	783	451	342	1 075	7 169	56	169	0	10 045
Profit 1.4-31.12.2018			27	44	514	40	-75		550
Buy back of hybrid capital				-44					-44
Issuance of hybrid capital									0
Other comprehensive income			0						0
Allocated gift fund						-34			-34
Balance 31 Dec. 2018	783	451	369	1 075	7 683	62	94	0	10 518
Dividend distributed for 2018							-94		-94
Profit Q1 2019				12			174		186
Interest on hybrid capital				-12					-12
Other comprehensive income									0
Allocated gift fund						-9			-9
Balance 31/03/2019	783	451	369	1 075	7 683	53	174	0	10 589

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Standards for Financial Reporting (IFRS), including IAS 34. Unless otherwise specified, the accounting policies applied are the same as those applied in the annual financial statements for 2018.

The bank changed the accounting principle for leases on 1 January 2019, where IFRS 16 leases have replaced IAS 17 leases. Refer to Note 40 of the 2018 annual financial statements for more detailed descriptions of the accounting effects of the transition to the new standard.

There are no other new standards applicable for 2019 that have had a material impact on the financial statements.

The ordinary tax rate of 25 percent has been used to calculate tax payable.

2. SEGMENTRAPPORTERING

	BANKING BUSINESS			31/03/2019		
Report per segment			Undistrib.	Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmeqleren	Total
Net interest and commision income	249	173	16	438	0	438
Net other operating income	43	15	13	71	28	99
Operating expenses	97	24	77	199	30	229
Profit before losses per segment	195	164	-48	311	-3	308
Losses on loans and guarantees	0	-2	6			3
Profit before tax per segment	196	166	-54	307	-3	305

Net loans to customers	68 866	34 175	-84	102 957		102 957
Other assets			20 847	20 847	69	20 915
Total assets per segment	68 866	34 175	20 763	123 804	69	123 873
Deposits from customers	29 343	22 322	5 903	57 568		57 568
Other liabilities	39 523	11 853	2 908	54 284	69	54 353
Total liabilities per segment	68 866	34 175	8 811	111 852	69	111 921
Equity			11 952	11 952		11 952
Total liabilities and equity per segment	68 866	34 175	20 763	123 804	69	123 873

	BANKING BUSINESS			31/03/2018		
Report per segment			Undistrib.	Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmeqleren	Total
Net interest and commision income	249	163	13	425	0	425
Net other operating income	47	18	15	81	21	102
Operating expenses	92	23	72	187	25	212
Profit before losses per segment	204	159	-45	318	-3	315
Losses on loans and guarantees	0	0	0	0		0
Profit before tax per segment	204	159	-45	318	-3	315

Net loans to customers	65 218	33 378	94	98 690		98 690
Other assets			17 561	17 561	68	17 629
Total assets per segment	65 218	33 378	17 655	116 251	68	116 319
Deposits from customers	27 971	20 253	6 675	54 899		54 899
Other liabilities	37 247	13 124	-253	50 119	68	50 187
Total liabilities per segment	65 218	33 378	6 422	105 018	68	105 086
Equity			11 233	11 233		11 233
Total liabilities and equity per segment	65 218	33 378	17 655	116 251	68	116 319

3. INTEREST INCOME AND INTEREST EXPENSES

PARENT BANK			Interest income	GROUP		
31.12. 2018	Q1 2018	Q1 2019	NOK million	Q1 2019	Q1 2018	31.12. 2018
<i>Interest income from financial instruments at amortised cost</i>						
75	16	20	Interest on receivables from credit institutions	5	2	10
1 217	262	323	Interest on loans given to customers	733	659	2 768
1 291	277	342	Total interest from financial instruments at amortised cost	739	662	2 778
<i>Interest income from financial instruments at fair value</i>						
150	36	40	Interest on loans given to customers (fixed rate loans)	40	36	150
198	41	73	Interest on certificates and bonds	66	45	217
348	77	113	Total interest from financial instruments at fair value via profit or loss	107	81	367
<i>Interest income from financial instruments at fair value via OCI</i>						
664	188	150	Interest on loans given to customers (mortgages)			
664	188	150	Total interest from financial instruments at fair value via OCI			
2 303	543	605	Total interest income	845	743	3 145

PARENT BANK			Interest expenses	GROUP		
31.12. 2018	Q1 2018	Q1 2019	NOK million	Q1 2019	Q1 2018	31.12. 2018
<i>Interest expenses from financial instruments at amortised cost</i>						
19	3	8	Interest on liabilities to credit institutions	8	3	19
547	129	155	Interest on customer deposits	155	129	543
305	66	85	Interest on issued securities	223	168	774
41	9	11	Interest on subordinated loans	11	9	41
39	10	10	Fees to the Norwegian Banks Guarantee Fund and other interest expenses	10	10	39
951	217	270	Interest expenses from financial instruments at amortised cost	408	318	1 416
951	217	270	Total interest expenses	408	318	1 416

4. LOSSES ON LOANS, GUARANTEES AND UNDRAWN CREDITS

Provisions for losses on loans and losses for the period have been calculated in accordance with the accounting principles in IFRS 9 and are based on expected credit losses (ECL), applying the three-stage method described in Note 7 to the 2018 annual financial statements.

PARENT BANK			NOK million	GROUP		
31/12/18	31/03/18	31/03/19	Loss expense on loans during the period	31/03/19	31/03/18	31/12/18
-3	-3	-6	Period's change in write-downs stage 1	-5	-2	-3
-3	-3	10	+Period's change in write-downs stage 2	10	-3	-7
-44	1	0	+Period's change in write-downs stage 3	0	1	-43
22	4	0	+ Period's confirmed loss	0	4	22
4	2	1	+ Recognised as interest income	1	2	4
8	2	2	- Period's recoveries relating to previous losses	2	2	8
-1	0	1	+ Change in write downs on guaranties	1	0	-1
-33	-1	3	Loss expenses during the period	3	0	-36

PARENT BANK

	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
NOK million				
Provisions for loan losses as at 01/01/2019	44	91	330	466
Transfers				
Transferred to stage 1	45	-7	-39	0
Transferred to stage 2	-2	6	-4	0
Transferred to stage 3	0	-3	3	0
Losses on new loans	5	13	0	18
Losses on deducted loans *	-3	-12	-2	-16
Losses on older loans and other changes	-51	12	37	-2
Provisions for loan losses as at 31/03/2019	38	100	327	466
Provisions for loan losses	32	95	323	449
Provisions for losses on guarantees and undrawn credits	7	5	4	16
Total provision for losses as at 31/03/2019	38	100	327	466

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

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

GROUP

	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
NOK million				
Provisions for loan losses as at 01/01/2019	45	94	335	473
Transfers				
Transferred to stage 1	47	-8	-39	0
Transferred to stage 2	-2	6	-4	0
Transferred to stage 3	0	-3	3	0
Losses on new loans	6	13	0	19
Losses on deducted loans	-3	-12	-2	-17
Losses on older loans and other changes	-52	14	37	-1
Provisions for loan losses as at 31/03/2019	40	103	332	474
Provisions for loan losses	33	97	327	458
Provisions for guarantees and undrawn credits	7	6	4	17
Total provision for losses as at 31/03/2019	40	103	332	474

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

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

5. NON-PERFORMING LOANS

All commitments in Stage-3 are defined as non-performing. Commitments where part of the engagement has been overdrawn or had arrears above NOK. 1,000 for more than 90 days are presented on their own line

PARENT BANK			NOK Million	GROUP		
31/12/18	31/03/18	31/03/19		31/03/19	31/03/18	31/12/18
213	316	205	Gross non-performing loans > 90 days	214	321	213
783	779	703	Other non performing loans	695	791	797
996	1 095	908	Total non-performing loans (step 3)	909	1 112	1 010
330	416	327	Impairment losses in stage 3	332	417	335
666	679	581	Net non-performing loans	577	695	675
33.1 %	38.0 %	36.0 %	Provisioning non-performing loans	36.5 %	37.5 %	33.2 %
0.33 %	0.49 %	0.32 %	Gross non-performing loans in % of gross loans	0.21 %	0.32 %	0.21 %

6. IMPAIRMENT LOSSES BY SECTOR, INDUSTRY AND STAGE

PARENT BANK			NOK million	GROUP				
Stage 1	Stage 2	Stage 3		Total impairment losses as of 31/03/19	Total impairment losses as of 31/03/19	Stage 3	Stage 2	Stage 1
3	10	37	49	Retail customers	59	38	16	5
0	0	0	0	Public administration	0	0	0	0
0	1	0	1	Primary industry	1	0	1	0
2	1	13	16	Manufacturing industry	16	13	1	2
8	13	35	56	Real estate development	56	36	13	7
1	3	121	124	Building and construction industry	126	122	3	1
20	63	73	156	Property management	154	74	61	19
0	1	19	20	Transport	20	19	1	0
1	3	16	20	Retail trade	20	16	3	1
0	0	0	1	Hotel and restaurants	1	0	0	0
0	1	0	1	Housing cooperatives	1	0	1	0
1	3	10	13	Financial/commercial services	13	10	3	1
2	2	3	7	Social services	7	3	2	2
38	100	327	466	Total impairment losses on loans, guarantees and unused credit	474	332	103	40
32	95	323	449	Impairment losses on lending	458	327	98	33
7	5	4	16	Impairment losses on unused credits and guarantees	17	4	6	7
38	100	327	466	Total impairment losses	474	332	103	40

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

Calculated losses as at 31.03.2019 based on the different stages in the model.

NOK million

Group	Stage	Commitment	In %	Calculated loss	In %
Corporate market	1	33 931	29.5 %	34	7.2 %
	2	6 258	5.4 %	89	18.8 %
	3	673	0.6 %	294	62.0 %
Corporate market total		40 863	35.5 %	417	88.0 %
Retail market	1	68 880	59.9 %	5	1.2 %
	2	5 026	4.4 %	14	3.0 %
	3	235	0.2 %	38	7.9 %
Retail market total		74 142	64.5 %	57	12.0 %
Total		115 004	100.0 %	474	100.0 %

NOK million

Parent bank	Stage	Commitment	In %	Calculated loss	In %
Corporate market	1	33 931	46.6 %	35	7.5 %
	2	6 258	8.6 %	91	19.5 %
	3	673	0.9 %	290	62.4 %
Corporate market total		40 863	56.1 %	416	89.4 %
Retail market	1	28 459	39.1 %	3	0.7 %
	2	3 295	4.5 %	10	2.1 %
	3	213	0.3 %	37	7.9 %
Retail customers total		31 967	43.9 %	49	10.6 %
Total		72 830	100.0 %	466	100.0 %

7. CUSTOMER DEPOSITS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31/12/18	31/03/18	31/03/19		31/03/19	31/03/18	31/12/18
26 797	25 951	27 114	Retail customers	27 115	25 952	26 798
10 072	9 598	12 106	Public administration	12 107	9 599	10 073
442	501	593	Primary industry	593	501	442
1 672	1 963	1 451	Manufacturing industry	1 451	1 963	1 672
519	578	626	Real estate development	614	572	507
978	867	897	Building and construction industry	897	867	978
2 892	2 544	2 944	Property management	2 944	2 544	2 892
598	485	406	Transport	406	485	598
1 005	963	886	Retail trade	886	963	1 005
147	145	125	Hotel and restaurant	125	145	147
207	219	208	Housing cooperatives	208	219	207
5 176	5 156	4 595	Financial/commercial services	4 595	5 157	5 176
6 026	5 817	5 500	Social services	5 500	5 818	6 026
16	115	128	Accrued interests	128	115	16
56 546	54 904	57 578	Total deposits from customers	57 568	54 899	56 537

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

8. LOANS TO CUSTOMERS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31/12/18	31/03/18	31/03/19		31/03/19	31/03/18	31/12/18
28 575	29 734	29 061	Retail customers	67 924	64 434	67 282
550	420	483	Public administration	483	420	551
947	869	978	Primary industry	979	870	948
971	896	947	Manufacturing industry	947	896	972
4 756	4 228	4 403	Real estate development	4 356	4 193	4 663
1 516	1 612	1 514	Building and construction industry	1 515	1 612	1 518
18 019	16 869	17 572	Property management	17 581	16 875	18 039
668	666	650	Transport	650	666	669
1 051	1 109	1 146	Retail trade	1 147	1 110	1 052
301	630	304	Hotel and restaurant	304	631	301
1 095	1 268	1 191	Housing cooperatives	1 192	1 268	1 096
1 150	1 406	1 172	Financial/commercial services	1 173	1 406	1 151
4 978	4 665	4 973	Social services	4 976	4 667	4 983
135	146	148	Accrued interests	189	180	173
64 713	64 519	64 541	Total gross loans	103 415	99 228	103 400
450	526	449	Impairment losses on lending *	458	537	458
64 263	63 993	64 092	Total net loans	102 957	98 690	102 942

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

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

9. SUBORDINATED CAPITAL AND CAPITAL ADEQUACY

PARENT BANK			NOK million	GROUP		
31/12/18	31/03/18	31/03/19		31/03/19	31/03/18	31/12/18
10 518	10 046	10 589	Total equity	11 952	11 233	11 845
			Tier 1 capital			
-1 075	-1 075	-1 075	Equity not eligible as common equity tier 1 capital	-1 075	-1 075	-1 075
-189	-37	-130	Share of profit not eligible as common equity tier 1 capital	-127	-40	-189
-22	-17	-25	Deductions for intangible assets and deferred tax assets	-25	-17	-22
-24	-20	-23	Deductions for additional value adjustments	-23	-22	-21
-37			Other deductions			-21
9 171	8 897	9 336	Total common equity tier 1 capital	10 702	10 079	10 517
			Other tier 1 capital			
1 075	1 075	1 075	Hybrid capital	1 075	1 075	1 075
0	0	0	Deductions from other tier 1 capital	0		0
10 246	9 972	10 411	Total tier 1 capital	11 777	11 153	11 591
			Additional capital supplementary to tier 1 capital			
1 604	1 404	1 604	Subordinated loan capital	1 604	1 404	1 604
-99	-22	-100	Deductions from additional capital	-100	-22	-99
1 505	1 382	1 504	Total additional capital	1 504	1 382	1 505
11 751	11 354	11 915	Net subordinated capital	13 281	12 535	13 096
			Minimum requirement for subordinated capital Basel II calculated according to standard method			
3	3	3	Engagements with local and regional authorities	3	3	3
51	55	69	Engagements with institutions	37	23	20
148	210	180	Engagements with enterprises	182	212	150
452	459	452	Engagements with mass market	544	533	537
3 104	3 006	3 057	Engagements secured in property	4 167	4 005	4 213
76	41	79	Engagements which have fallen due	84	41	80
2	0	2	Engagements which are high risk	2	0	2
403	321	382	Engagements in covered bonds	97	84	86
299	200	328	Engagements in collective investment funds	181	52	151
49	10	48	Engagements, other	50	10	62
4 587	4 305	4 600	Capital requirements for credit and counterparty risk	5 347	4 963	5 304
1	1	1	Capital requirements for position, currency and product risk	1	1	1
240	239	259	Capital requirements for operational risk	312	298	298
0	8	0	CVA addition	0	37	0
0	0	0	Deductions from the capital requirement	0	0	0
4 828	4 553	4 860	Total minimum requirement for subordinated capital	5 660	5 299	5 603
60 354	56 916	60 744	Risk-weighted balance (calculation basis)	70 754	66 233	70 036
15.2 %	15.6 %	15.4 %	Common equity tier 1 capital ratio, %	15.1 %	15.2 %	15.0 %
17.0 %	17.5 %	17.1 %	Tier 1 capital ratio, %	16.6 %	16.8 %	16.6 %
19.5 %	19.9 %	19.6 %	Total capital ratio, %	18.8 %	18.9 %	18.7 %
7.9 %	8.4 %	8.1 %	Leverage ratio	9.1 %	9.2 %	9.2 %

NOK million	Cooperative groups		
	31/03/2019	31/03/2018	31/12/2018
Proportion of common equity tier 1 capital	293	145	184
Proportion of tier 1 capital	313	159	199
Proportion of net subordinated capital	349	174	226
Deductions for internal eliminations	-301	-158	-187
Common equity tier 1 capital after proportionate consolidation	10 694	1 066	10 514
Tier 1 capital after proportionate consolidation	11 790	11 155	11 604
Subordinated capital after proportionate consolidation	13 329	12 551	13 135
Proportionate share of calculation basis	1 898	986	1 336
Deductions for internal eliminations	-770	-181	-484
Risk weighted balance after proportionate consolidation	71 882	67 038	70 888
Common equity tier 1 capital after proportionate consolidation, %	14.9 %	15.0 %	14.8 %
Tier 1 capital after proportionate consolidation, %	16.4 %	16.6 %	16.4 %
(Total) capital after proportionate consolidation, %	18.5 %	18.7 %	18.5 %
Leverage ratio after proportionate consolidation, %	9.0 %	9.1 %	9.1 %

10. FAIR VALUES OF FINANCIAL INSTRUMENTS

Classification of financial instruments

Financial instruments are classified at different levels.

Level 1:

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

Level 2:

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

Level 3:

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

For a more detailed description, see Note 22 Fair value of financial instruments in the 2018 annual financial statements.

PARENT BANK				NOK million	GROUP			
Recognized	Fair value			31/03/2019	Recognized	Fair value		
value	Level 1	Level 2	Level 3		value	Level 1	Level 2	Level 3
Assets recognized at amortised cost								
486		486		Cash and receivables from central banks	486		486	
4 492		4 492		Loans to credit institutions	1 155		1 155	
37 612			37 612	Net loans to customers (floating interest rate)	97 416			97 416
Assets recognized at fair value								
5 541			5 541	Net loans to customers (fixed interest rate)	5 541			5 541
20 939			20 939	Net loans to customers (mortgages)				
16 397		16 397		Bonds and certificates	17 022		17 022	
185	5		180	Shares	186	5		181
278		278		Financial derivatives	533		533	
85 930	5	21 653	64 272	Total financial assets	122 339	5	19 196	103 138
Liabilities recognized at amortised cost								
2 300		2 300		Liabilities to credit institutions	2 144		2 144	
57 578			57 578	Deposits from customers	57 568			57 568
16 236		16 321		Liabilities from issue of securities	49 639		49 824	
1 604		1 613		Subordinated loan capital	1 604		1 613	
Liabilities recognized at fair value								
168		168		Financial derivatives	168		168	
77 886	0	20 402	57 578	Total financial liabilities	111 123	0	53 749	57 568

PARENT BANK				NOK million	GROUP			
Recognized	Fair value			31/12/2018	Recognized	Fair value		
value	Level 1	Level 2	Level 3		value	Level 1	Level 2	Level 3
Assets recognized at amortised cost								
1 287		1 287		Cash and receivables from central banks	1 288		1 288	
3 010		3 010		Loans to credit institutions	119		119	
37 656			37 656	Net loans to customers (floating interest rate)	97 228			97 228
Assets recognized at fair value								
5 714			5 714	Net loans to customers (fixed interest rate)	5 714			5 714
20 893			20 893	Net loans to customers (mortgages)				
17 691		17 691		Bonds and certificates	14 598		14 598	
369	5		364	Shares	370	5		365
197		197		Financial derivatives	619		619	
86 817	5	22 185	64 627	Total financial assets	119 936	5	16 624	103 307
Liabilities recognized at amortised cost								
2 261		2 261		Liabilities to credit institutions	1 918		1 918	
56 546			56 546	Deposits from customers	56 537			56 537
18 027		18 081		Liabilities from issue of securities	48 323		48 443	
1 604		1 601		Subordinated loan capital	1 604		1 601	
Liabilities recognized at fair value								
179		179		Financial derivatives	179		179	
78 617	0	22 122	56 546	Total financial liabilities	108 561	0	52 141	56 537

PARENT BANK				NOK million	GROUP			
Recognized	Fair value			31/03/2018	Recognized	Fair value		
value	Level 1	Level 2	Level 3		value	Level 1	Level 2	Level 3
Assets recognized at amortised cost								
606		606		Cash and receivables from central banks	606		606	
3 324		3 324		Loans to credit institutions	177		177	
58 104			58 104	Net loans to customers (floating interest rate)	92 801			92 801
Assets recognized at fair value								
5 889			5 889	Net loans to customers (fixed interest rate)	5 889			5 889
13 398		13 398		Bonds and certificates	15 218		15 218	
605	5		600	Shares	605	5		600
228		228		Financial derivatives	363		363	
82 154	5	17 556	64 593	Total financial assets	115 659	5	16 364	99 290
Liabilities recognized at amortised cost								
1 013		1 013		Debt to credit institutions	910		910	
54 904			54 904	Deposit from customers	54 899			54 899
16 270		16 394		Debt incurred due to issue of securities	46 788		47 145	
1 404		1 419		Subordinated loan capital	1 404		1 419	
Liabilities recognized at fair value								
276		276		Financial derivatives	359		359	
73 867	0	19 102	54 904	Total financial liabilities	104 360	0	49 833	54 899

Movement level 3

GROUP

NOK million	Net loans to customers	Of which credit risk	Shares
Recognized value as at 01/01/2018	6 316	-2	567
Acquisitions Q1 2018	302		36
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	15	17	-2
Disposals Q1 2018	-744		-1
Recognized value as at 31/03/2018	5 889	15	600
Acquisitions Q2, Q3, and Q4 2018	1 032		30
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	-84	-16	47
Disposals Q2, Q3, and Q4 2018	-1 123		-12
Reclassified as associated company			-300
Recognized value as at 31/12/2018	5 714	-1	365
Acquisitions Q1 2019	127		0
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	-4	4	8
Disposals Q1 2019	-296		
Reklassifisert som tilknyttet selskap (TS)			-298
Recognized value as at 31/03/2019	5 541	3	75

PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares
Recognized value as at 01/01/2018	6 316	-2	567
Reclassification mortgages at fair value	25 002		
Acquisitions Q1 2018	302		36
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	15	17	-2
Disposals Q1 2018	-744		-1
Recognized value as at 31/03/2018	30 891	15	600
Acquisitions Q2, Q3, and Q4 2018	1 032		30
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	-84	-16	46
Disposals Q2, Q3, and Q4 2018	-5 232		-12
Reclassified as associated company			-300
Recognized value as at 31/12/2018	26 607	-1	364
Acquisitions Q1 2019	173		0
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	-4	4	8
Disposals Q1 2019	-296		-298
Recognized value as at 31/03/2019	26 480	3	74

Sensitivity analysis

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

GROUP/PARENT BANK

NOK million	31/03/2019	31/03/2018	31/12/2018
Loans to customers	17	18	18
- of which loans to corporate market (CM)	4	4	4
- of which loans to retail market (RM)	13	14	14

11. OFFSETTING

GROUP

NOK million	31/03/2019	31/03/2019 (1) Net presented	31/03/2018	31/03/2018 (1) Net presented	31/12/2018	31/12/2018 (1) Net presented
<i>Assets</i>						
Financial derivatives	533	406	363	17	619	447
<i>Liabilities</i>						
Financial derivatives	168	41	359	14	179	7

PARENT BANK

NOK million	31/03/2019	31/03/2019 (1) Net presented	31/03/2018	31/03/2018 (1) Net presented	31/12/2018	31/12/2018 (1) Net presented
<i>Assets</i>						
Financial derivatives	278	217	228	-28	197	118
<i>Liabilities</i>						
Financial derivatives	168	107	276	20	179	101

(1) Includes assets and liabilities where the bank and the Group have recognised their financial derivatives net for each individual counterparty.

The bank and the Group's counterclaim rights comply with prevailing Norwegian law. The bank and Sparebanken Sør Boligkreditt AS have the right to offset other outstanding balances through ISDA agreements if certain events occur. The amounts have not been offset in the balance sheet because the transactions are generally not settled on a net basis.

12. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

Debt securities Group

NOK million	31/03/2019	31/03/2018	31/12/2018
Bonds, nominal value	49 234	46 895	47 969
Value adjustments	253	-293	170
Accrued interest	151	186	184
Debt incurred due to issuance of securities	49 639	46 788	48 323

Change in debt securities - Group

NOK million	31/12/2018	Issued	Matured/ Redeemed	Other changes during the period	31.03.2019
Bonds, nominal value	47 969	4 860	-3 161	-435	49 234
Value adjustments	170			84	253
Accrued interest	184			-33	151
Debt incurred due to issuance of securities	48 323	4 860	-3 161	-384	49 639

Debt securities - Parent bank

NOK million	31/03/2019	31/03/2018	31/12/2018
Bonds, nominal value	16 105	16 120	17 904
Value adjustments	9	-6	13
Accrued interest	122	156	110
Debt incurred due to issuance of securities	16 236	16 270	18 027

Change in debt securities - Parent bank

NOK million	31/12/2018	Issued	Matured/ Redeemed	Other changes during the period	31/03/2019
Bonds, nominal value	17 904	0	-1 728	-71	16 105
Value adjustments	13			-4	9
Accrued interest	110			13	122
Debt incurred due to issuance of securities	18 027	0	-1 728	-63	16 236

Change in subordinated loans and hybrid capital – Parent bank and Group

NOK million	31/12/2018	Issued	Matured/ Redeemed	Other changes during the period	31/03/2019
Subordinated loans	1 600	0	0		1 600
Accrued interest	4				4
Total subordinated loan capital	1 604	0	0	0	1 604

13. EQUITY CERTIFICATE HOLDERS

The 20 largest equity certificate holders as at 31 March were as follows:

Name	Number of EC	Share of EC-CAP. %	Name	Number of EC	Share of EC-CAP. %
1. Sparebankstiftelsen Sparebanken Sør	7 988 679	51.00	11. Holta Invest AS	131 602	0.84
2. EIKA utbytte VPF c/o Eika kapitalforv.	462 214	2.95	12. Catilina Invest AS	114 558	0.73
3. Arendal Kom. pensjonskasse	450 000	2.87	13. Svenska Handelsbanken AB	100 000	0.64
4. Pareto AS	417 309	2.66	14. Ottersland AS	100 000	0.64
5. Glstad Invest AS	368 765	2.35	15. MP Pensjon PK	85 523	0.55
6. Bergen Kom. Pensjonskasse	368 455	2.35	16. Artel AS	82 131	0.52
7. Otterlei Group AS	271 700	1.73	17. Profond AS	77 115	0.49
8. Wenaasgruppen AS	186 000	1.19	18. Apriori Holding AS	72 575	0.46
9. Gumpen Bileiendom AS	174 209	1.11	19. Varodd AS	70 520	0.45
10. Allumgården AS	151 092	0.96	20. Birkenes Sparebank	66 000	0.42
Total - 10 largest certificate holders	10 838 423	69.19	Total - 20 largest certificate holders	11 738 447	74.94

As of 1 January 2019, the weighted average ownership ratio was 17.2 percent. Hybrid capital classified as equity has been excluded when calculating the ownership ratio.

At the reporting date, Sparebanken Sør owned 5 168 of its own equity certificates. The equity certificate capital amounted to NOK 783 197 200 distributed over 15 663 944 equity certificates, each with a nominal value of NOK 50.

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

Credit risk

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

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

Market risk

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

Liquidity risk

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

Operational risk

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

Business risk

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

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

Quarterly trend in results

	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Profit (NOK million)					
Net interest income	438	447	424	433	425
Net commission income	74	82	78	84	74
Net income from financial instruments	20	-49	-3	28	26
Other operating income	5	3	-2	21	2
Total net income	537	483	497	566	527
Total operating expenses before losses	229	255	200	218	212
Operating profit before losses	308	228	297	348	315
Losses on loans, guarantees and unused credits	3	-44	3	5	0
Profit before taxes	305	272	294	343	315
Tax expenses	71	68	75	65	77
Profit for the period	234	204	219	278	238

Profit as % of average assets

Net interest income	1.46 %	1.46 %	1.40 %	1.48 %	1.49 %
Net commission income	0.25 %	0.27 %	0.26 %	0.29 %	0.26 %
Net income from financial instruments	0.07 %	-0.16 %	-0.01 %	0.10 %	0.09 %
Other operating income	0.02 %	0.01 %	-0.01 %	0.07 %	0.01 %
Total net income	1.79 %	1.58 %	1.64 %	1.93 %	1.85 %
Total operating expenses before losses	0.76 %	0.83 %	0.66 %	0.74 %	0.75 %
Operating profit before losses	1.03 %	0.74 %	0.98 %	1.19 %	1.11 %
Losses on loans, guarantees and unutilized credit	0.01 %	-0.14 %	0.01 %	0.02 %	0.00 %
Profit before taxes	1.02 %	0.89 %	0.97 %	1.17 %	1.11 %
Tax expenses	0.24 %	0.22 %	0.25 %	0.22 %	0.27 %
Profit for the period	0.78 %	0.67 %	0.72 %	0.95 %	0.84 %

Key figures, income statement

Return on equity after tax (adjusted for hybrid capital)	8.3 %	7.2 %	7.8 %	10.1 %	9.1 %
Costs as % of income	42.6 %	52.8 %	40.2 %	38.5 %	40.2 %
Costs as % of income, excl. net income from financial instruments	44.2 %	48.0 %	40.0 %	40.5 %	42.3 %

Key figures, balance sheet

Total assets	123 873	121 125	121 702	118 479	116 319
Average total assets	123 400	121 400	120 100	117 400	115 300
Net loans to customers	102 957	102 942	101 868	100 529	98 690
Growth in loans as %, last 12 mths.	4.3 %	5.6 %	6.1 %	6.2 %	6.5 %
Customer deposits	57 568	56 537	56 460	57 264	54 899
Growth in deposits as %, last 12 mths.	4.9 %	1.7 %	3.4 %	2.8 %	4.0 %
Deposits as % of net loans	55.9 %	54.9 %	55.4 %	57.0 %	55.6 %
Equity (incl. hybrid capital)	11 952	11 845	11 666	11 478	11 233
Losses on loans as % of net loans, annualised	0.01 %	-0.17 %	0.04 %	0.02 %	0.00 %
Gross non-performing loans (over 90 days) as % of gross lending	0.21 %	0.21 %	0.26 %	0.26 %	0.32 %

Other key figures

Liquidity reserves (LCR), Group	180 %	159 %	177 %	167 %	165 %
Liquidity reserves (LCR), Group- EUR	2807 %	4727 %	1820 %	603 %	1729 %
Liquidity reserves (LCR), Parent Bank	168 %	180 %	170 %	165 %	157 %
Common equity tier 1 capital ratio	15.1 %	15.0 %	15.0 %	15.3 %	15.2 %
Common equity tier 1 capital ratio (incl. partly owned companies)	14.9 %	14.8 %	14.8 %	15.0 %	15.0 %
Tier 1 capital ratio	16.6 %	16.6 %	16.6 %	16.9 %	16.8 %
Total capital ratio	18.8 %	18.7 %	19.1 %	19.1 %	18.9 %
Common equity tier 1 capital	10 702	10 517	10 339	10 236	10 079
Tier 1 capital	11 777	11 591	11 413	11 310	11 153
Net total primary capital	13 281	13 096	13 162	12 812	12 535
Leverage ratio	9.0 %	9.1 %	9.0 %	9.1 %	9.1 %
Number of branches	34	34	34	34	34
Number of FTEs in banking operations	436	434	431	419	427

Key figures, equity certificates

Equity certificate ratio before profit distribution	17.2 %	17.9 %	17.9 %	17.9 %	17.9 %
Number of equity certificates issued	15 663 943	15 663 943	15 663 944	15 663 944	15 663 944
Profit per equity certificate (Parent Bank)	1.9	1.9	1.9	2.5	1.9
Profit per equity certificate (Group)	2.4	2.4	2.4	2.9	2.6
Dividend last year per equity certificate (Parent Bank)	6.0	6.0	6.0	6.0	6.0
Book equity per equity certificate	119.4	123.2	120.9	118.9	116.1
Price/book value per equity certificate	0.8	0.8	0.8	0.8	0.8
Listed price on Oslo Stock Exchange at end of period	90.2	96.9	99.8	97.2	98.6

Income statement (NOK million)	31.12. 2018	31.12. 2017	31.12. 2016	31.12. 2015	31.12. 2014*	31.12. 2013*
						Proforma
Net interest income	1 729	1 679	1 565	1 544	1 511	1 443
Net commission income	318	312	293	300	284	252
Net income from financial instruments	2	88	224	-66	184	201
Other operating income	23	18	28	14	23	22
Total net income	2 072	2 097	2 110	1 792	2 002	1 918
Total operating expenses before losses	884	811	787	817	834	800
Operating profit before losses	1 188	1 286	1 323	975	1 168	1 118
Losses on loans and guarantees	-36	20	50	97	268	126
Profit before taxes	1 224	1 266	1 273	878	900	992
Tax expenses	285	282	284	231	215	219
Profit for the period	939	984	989	647	685	773

Profit as a percentage of average assets

Net interest income	1.46 %	1.53 %	1.49 %	1.58 %	1.60 %	1.60 %
Net commission income	0.27 %	0.28 %	0.28 %	0.31 %	0.30 %	0.28 %
Net income from financial instruments	0.00 %	0.08 %	0.21 %	-0.07 %	0.20 %	0.22 %
Other operating income	0.02 %	0.02 %	0.03 %	0.01 %	0.02 %	0.03 %
Total net income	1.75 %	1.92 %	2.01 %	1.83 %	2.12 %	2.13 %
Total operating expenses before losses	0.75 %	0.74 %	0.75 %	0.83 %	0.88 %	0.89 %
Operating profit before losses	1.00 %	1.17 %	1.26 %	0.99 %	1.24 %	1.24 %
Losses on loans and guarantees	-0.03 %	0.02 %	0.05 %	0.10 %	0.28 %	0.14 %
Profit before taxes	1.03 %	1.16 %	1.21 %	0.90 %	0.96 %	1.10 %
Tax expenses	0.24 %	0.26 %	0.27 %	0.24 %	0.23 %	0.24 %
Profit for the period	0.79 %	0.90 %	0.94 %	0.66 %	0.73 %	0.86 %

Key figures, income statement

Costs as % of income	8.5 %	9.7 %	11.3 %	8.4 %	10.1 %	12.3 %
Costs as % of income, excl. net income from financial instruments	42.7 %	38.7 %	37.3 %	45.6 %	41.7 %	41.7 %
Return on equity after tax (adjusted for hybrid capital)	42.7 %	40.4 %	41.7 %	44.0 %	45.9 %	46.6 %

Key figures, balance sheet

Total assets	121 125	114 310	105 455	101 334	94 062	93 758
Average total assets	118 600	109 500	104 950	98 000	94 300	90 200
Net loans to customers	102 942	97 518	90 928	88 387	80 913	77 450
Grows in loans as %, last 12 mths.	5.6 %	7.2 %	2.9 %	9.2 %	4.5 %	6.8 %
Customer deposits	56 537	55 580	51 562	48 349	48 250	43 740
Growth in deposits as %, last 12 mths.	1.7 %	7.8 %	6.6 %	0.2 %	10.3 %	8.3 %
Deposits as % of net loans	54.9 %	57.0 %	56.7 %	54.7 %	59.6 %	56.5 %
Equity (incl. hybrid capital)	11 845	11 108	10 051	8 263	7 157	6 658
Losses on loans as % of net loans, annualised	-0.17 %	0.02 %	0.05 %	0.11 %	0.33 %	0.16 %
Gross non-performing loans (over 90 days) as % of gross lending	0.21 %	0.28 %	0.30 %	0.47 %	0.71 %	0.60 %

Other key figures

Liquidity reserves (LCR), Group	159.0 %	139.0 %	128.0 %	108.0 %		
Liquidity reserves (LCR), Group- EUR	4727 %	3105 %				
Likviditetsreserve (LCR), Parent Bank	180.0 %	134.0 %	119.0 %	71.0 %		
Common equity tier 1 capital ratio	14.8 %	14.9 %	14.7 %	12.7 %	13.1 %	12.8 %
Tier 1 capital ratio	16.6 %	16.7 %	16.0 %	13.5 %	14.4 %	14.2 %
Total capital ratio	18.7 %	18.9 %	17.9 %	15.5 %	15.1 %	15.1 %
Common equity tier 1 capital	10 517	9 890	9 114	7 700	7 092	6 376
Tier 1 capital	11 591	10 965	9 939	8 210	7 792	7 076
Net total primary capital	13 096	12 347	11 121	9 388	8 170	7 522
Leverage ratio	9.1 %	9.2 %	8.6 %	7.0 %	7.0 %	
Number of branches	34	34	34	40	40	44
Number of FTEs in banking operations	434	432	439	449	454	489

Key figures, equity certificates

Equity certificate ratio before profit distribution	17.9 %	18.7 %	19.8 %	13.5 %	14.1 %	7.1 %
Number of equity certificates issued	15 663 944	15 663 944	15 663 944	4 768 674	4 768 674	1 250 000
Profit per equity certificate (Parent Bank)	7.7	8.9	8.5	10.6	12.2	10.3
Profit per equity certificate (Group)	10.1	11.2	10.7	17.6	20.3	18.1
Dividend last year per equity certificate (Parent Bank)	6.0	6.0	6.0	9.0	10.0	10.0
Book equity per equity certificate	123.2	120.0	115.2	219.0	212.0	187.0
Price/book value per equity certificate	0.8	0.9	0.8	0.6	0.9	0.8
Listed price on Oslo Stock Exchange at end of period	96.9	104.0	91.3	139.0	196.0	150.0

	Q1	Q4	Q3	Q2	Q1	31.12.
NOK million	2019	2018	2018	2018	2018	2018
Return on equity adjusted for hybrid capital						
Profit after tax	233	204	219	278	238	939
Interest on hybrid capital	-12	-12	-12	-20	-12	-56
Profit after tax, incl. interest on hybrid capital	221	193	207	258	226	884
Opening balance, equity	11 845	11 666	11 478	11 233	11 108	11 108
Opening balance, hybrid capital	-1 075	-1 075	-1 075	-1 075	-1 075	-1 075
Opening balance, equity excl. hybrid capital	10 770	10 591	10 403	10 158	10 033	10 033
Closing balance, equity	11 952	11 845	11 666	11 478	11 233	11 845
Closing balance, hybrid capital	-1 075	-1 075	-1 075	-1 075	-1 075	-1 075
Closing balance, equity excl. hybrid capital	10 877	10 770	10 591	10 403	10 158	10 770
Average equity	11 898	11 756	11 572	11 356	11 171	11 477
Average equity excl. Hybrid capital	10 823	10 681	10 497	10 281	10 096	10 402
Return on equity	7.9 %	6.9 %	7.5 %	9.8 %	8.6 %	8.2 %
Return on equity, excl. hybrid capital	8.3 %	7.2 %	7.8 %	10.1 %	9.1 %	8.5 %
Net interest income, incl. interest on hybrid capital						
Net interest income, incl. interest on hybrid capital	437	447	424	433	425	1 729
Interest on hybrid capital	-12	-11.9	-12	-20	-12	-56
Net interest income, incl. interest on hybrid capital	425	435	412	413	413	1 674
Average total assets	123 400	121 400	117 399	117 400	115 300	118 600
As percentage of total assets	1.40 %	1.42 %	1.39 %	1.41 %	1.45 %	1.41 %
Profit from ordinary operations (adjusted earnings)						
Net interest income, incl. interest on hybrid capital	425	435	412	413	413	1 674
Net commission income	74	82	78	84	74	318
Share of profit from associated companies (excl. Value adjustment (Balder/Vipps))	4	-4	-1	-4		-9
Other operating income	2	7	-	2	2	11
Operating expenses, adjusted for conversion of pension scheme	229	255	200	218	212	884
Profit from ordinary operations (adjusted earnings), before tax	275	265	289	277	277	1 110
Profit excl. Finance and adjusted for non-recurring items						
Net interest income, incl. hybrid capital	425	435	412	413	413	1 674
Net commission income	74	82	78	84	74	318
Share of profit from associated companies (excl. Value adjustment Balder/Vipps)	4	-4	-1	-4		
Other operating income	2	7	-	2	2	11
Operating expenses, adjusted for conversion of pension scheme	229	255	200	218	212	884
Losses on loans, guarantees and undrawn credits	3	-44	3	5	-	-36
Profit excl. Finance and adjusted for non-recurring items	272	309	286	272	277	1 155
Tax (25 %)	68	77	72	68	69	289
Ordinary operations /adjusted earnings after losses and tax	204	232	215	204	208	866
Average equity, excl. hybrid capital	10 823	10 681	10 497	10 281	10 096	10 402
Return on equity, profit excl. Finance and adjusted for non-recurring items	7.6 %	8.6 %	8.1 %	8.0 %	8.3 %	8.3 %
Average interest rates/margins						
Average lending rate RM (return)	2.79 %	2.74 %	2.62 %	2.65 %	2.69 %	
Average lending rate CM (return)	3.49 %	3.36 %	3.26 %	3.42 %	3.26 %	
Average deposit rate RM	0.88 %	0.82 %	0.81 %	0.81 %	0.82 %	
Average deposit rate CM	1.14 %	1.12 %	1.04 %	1.00 %	0.97 %	
Average 3-month NIBOR	1.29 %	1.19 %	1.06 %	1.07 %	0.95 %	
Lending margin RM (lending rate - 3-month NIBOR)	1.50 %	1.55 %	1.56 %	1.58 %	1.74 %	
Lending margin CM (lending rate - 3-month NIBOR)	2.20 %	2.17 %	2.20 %	2.35 %	2.31 %	
Deposit margin RM (3-month NIBOR - deposit rate)	0.41 %	0.37 %	0.25 %	0.26 %	0.13 %	
Deposit margin CM (3-month NIBOR - deposit rate)	0.15 %	0.07 %	0.02 %	0.07 %	-0.02 %	

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

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

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

Sparebanken Sør's APMs and definitions

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



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Sparebanken Sør Pb. 200, 4662 Kristiansand | www.sor.no | tlf. 38 10 92 00