



Q3 2020



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Income statement (NOK million)	Q3 2020	Q3 2019	30.09.2020	30.09.2019	31.12.2019
Net interest income	472	499	1 446	1 403	1 926
Net commission income	91	93	250	253	344
Net income from financial instruments	14	31	4	55	24
Other operating income	40	17	84	48	74
Total net income	617	640	1 785	1 759	2 368
Total operating expenses before losses	226	226	698	685	918
Operating profit before losses	391	414	1 087	1 074	1 450
Losses on loans, guarantees and unused credit	6	-19	114	-14	-17
Profit before taxes	384	433	973	1 088	1 467
Tax expenses	80	102	217	256	342
Profit for the period	304	331	756	832	1 125
Profit as a percentage of average assets					
Net interest income	1.32 %	1.57 %	2.08 %	1.51 %	1.53 %
Net commission income	0.25 %	0.29 %	0.36 %	0.27 %	0.27 %
Net income from financial instruments	0.04 %	0.10 %	0.01 %	0.06 %	0.02 %
Other operating income	0.11 %	0.05 %	0.12 %	0.05 %	0.06 %
Total net income	1.72 %	2.01 %	2.57 %	1.89 %	1.88 %
Total operating expenses before losses	0.63 %	0.71 %	1.01 %	0.74 %	0.73 %
Operating profit before losses	1.09 %	1.30 %	1.57 %	1.15 %	1.15 %
Losses on loans, guarantees and unused credit	0.02 %	-0.06 %	0.16 %	-0.02 %	-0.01 %
Profit before taxes	1.07 %	1.36 %	1.40 %	1.17 %	1.17 %
Tax expenses	0.22 %	0.32 %	0.31 %	0.27 %	0.27 %
Profit for the period	0.85 %	1.04 %	1.09 %	0.89 %	0.89 %
Key figures, income statement					
Return on equity after tax (adjusted for hybrid capital)	9.6 %	11.2 %	7.8 %	9.5 %	9.5 %
Costs as % of income	36.6 %	35.3 %	39.1 %	38.9 %	38.8 %
Costs as % of income, excl. net income from financial instruments	37.5 %	37.1 %	39.2 %	40.2 %	39.2 %
Key figures, balance sheet					
Total assets	146 227	125 836	146 227	125 836	129 499
Average total assets	142 400	126 200	139 200	124 600	125 900
Net loans to customers			110 564	105 730	106 334
Growth in loans as % last 12 mths.			4.6 %	3.8 %	3.3 %
Customer deposits			60 494	58 903	57 949
Growth in deposits as % last 12 mths.			2.7 %	4.3 %	2.5 %
Deposits as % of net loans			54.7 %	55.7 %	54.5 %
Equity (incl. hybrid capital)			13 750	12 511	13 081
Losses on loans as % of net loans, annualised			0.02 %	-0.07 %	-0.01 %
Gross non-performing loans > 90 days as % of gross loans			0.29 %	0.28 %	0.27 %
Other key figures					
Liquidity reserve (LCR) Group			126 %	164 %	148 %
Liquidity reserve (LCR) Group - Euro			172 %	3503 %	1168 %
Liquidity reserve (LCR) Parent Bank			152 %	141 %	140 %
Common equity tier 1 capital ratio			15.7 %	15.1 %	15.7 %
Tier 1 capital ratio			17.5 %	16.6 %	17.6 %
Total capital ratio			19.6 %	18.7 %	20.3 %
Total common equity tier 1 capital ratio			12 029	11 140	11 356
Tier 1 capital ratio			13 440	12 252	12 767
Net subordinated capital			14 989	13 805	14 686
Leverage ratio			8.8 %	9.1 %	9.3 %
Number of branches			35	34	34
Number of FTEs in banking operations			440	429	429
Key figures, equity certificates					
Equity certificate ratio, weighted average over the period	17.3 %	17.2 %	17.3 %	17.2 %	17.2 %
Number of equity certificates issued			15 663 944	15 663 944	15 663 944
Profit/diluted earnings per equity certificate (Parent bank)	2.0	2.8	8.0	6.8	9.3
Profit/diluted earnings per equity certificate (Group)	3.2	3.5	7.7	8.6	11.7
Dividend last year per equity certificate			-	6.0	8.0
Book equity per equity certificate			136.4	125.6	128.5
Price/book value per equity certificate			0.8	0.8	0.9
Listed price on Oslo Stock Exchange at end of period			102.5	95.0	110.0

Board of Director's report

General

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

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

Highlights in Q3 2020

- Good result from ordinary operations
- Efficient operations and low costs
- Very good results from Frende and Brage
- Strong result from the company's estate agency, Sørmeglere
- Very low losses on loans
- Annualised growth in lending of 5.5 percent (retail market 5.6 and corporate market 5.3)
- Annualised growth in deposits of 2.9 percent
- Return on equity after tax of 9.6 percent
- Common equity tier 1 (CET1) ratio of 15.7 percent and Leverage Ratio of 8.8 percent

Highlights after 9 months in 2020

- Good result from ordinary operations
- Efficient operations and low costs
- Positive development in net interest income
- Good results from Frende, Brage and Sørmeglere
- Increased model based losses on loans as a result of the Covid-19 pandemic
- 12 months growth in lending of 4.6 percent
- 12 months growth in deposits of 2.7 percent
- Return on equity after tax of 7.8 percent

Financial framework conditions

The Norwegian economy and the financial markets continued to be impacted by the coronavirus epidemic in the third quarter. There is a great deal of uncertainty, both in the financial markets and in the society in general.

In May 2020, the key interest rate was reduced to a record-low of 0 percent, on the grounds of the pandemic's impact. The Norwegian economy has since improved, and there has been a gradual re-opening of the society. At their last interest rate meeting on September 30 2020, Norges Bank decided to keep the key interest rate unchanged. The economic recession that has taken place and the uncertainty regarding future developments, made the basis for their decision.

The market turmoil that followed the Covid-19 outbreak, decreased during spring and summer. The situation has been quite stable throughout the third quarter. The spread of the coronavirus has increased throughout the autumn, which has led to a reinforcement of infection control in some areas and a further re-opening of society has been postponed.

Norway has room to manoeuvre with regard to economic policy and good welfare arrangements. In addition, the banks are financially strong. This puts Norway in an exceptional position to weather the crisis. Reduced borrowing costs could help Norwegian companies and households through a challenging period of lower income. When the measures taken to limit the spread of the coronavirus eventually are reversed, and the situation returns to normal, low interest rates could help restart activity more rapidly.

The capital markets are still being affected by Covid-19 and there have been major fluctuations in the market since the middle of March. The spreads in the money and bond markets have fallen in recent quarters, both domestic and abroad. In March, Norges Bank made extraordinary F-loans available to the banks, to ensure that the cut in the key interest rate was passed on to money market rates. Norges Bank will offer extraordinary three-month F-loans for as long as is deemed appropriate.

The annual growth in the general public's gross domestic debt, C2, stood at 4.7 percent at the end of August 2020. Growth in household and business loans was 4.6 percent and 3.9 percent, respectively.

On 13 March 2020, the Norwegian Ministry of Finance decided to reduce the banks' counter-cyclical capital buffer requirement from 2.5 percent to 1 percent, with immediate effect. This was done to prevent stricter lending practices by the banks from exacerbating the downturn caused by the pandemic. Reference was made to the fact that Norwegian banks are profitable and financially solid, and have sufficient capital to bear losses in the event of a major setback. Norges bank, which prepares the basis for the decision and advises the Norwegian Ministry of Finance on the capital buffer level, has declared that they do not expect to give advice on increasing the buffer requirement until the first quarter of 2021, at the earliest.

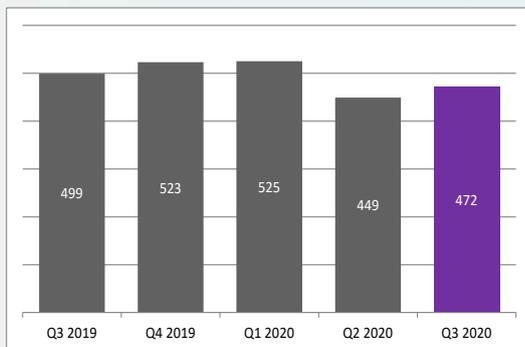
Earnings

Sparebanken Sør made a profit before tax of NOK 384 million in the third quarter of 2020, compared with NOK 433 million in the same period in 2019. This corresponds to a reduction of NOK 49 million. The Group achieved a return on equity after tax of 9.6 percent in the third quarter 2020, compared with 11.2 percent in the same period in 2019.

Sparebanken Sør made a profit before tax of NOK 973 million in the first half of 2020, compared with NOK 1 088 million in the same period in 2019. The return on equity after tax was 7.8 percent in Q3 2020.

Net interest income

Quarterly net interest income (NOK million)



Net interest income totalled NOK 472 million in the Q3 2020, compared with NOK 499 million in the Q3 2019, a reduction of NOK 27 million.

Norges Bank has cut the key interest rate from 1.50 percent to a record-low 0 percent. Sparebanken Sør has followed up by notifying a reduction in its lending rate of up to 1.25 percent in the same period. The bank also implemented changes in interest rates on some deposits in 2020.

The bank implemented the interest rate change with shortened notice periods, and the bank's customers could benefit from low lending rates in a demanding period. The notice period for change in interest rates is normally 6 weeks, and the effects of the shortened notice period reduced net interest income by approx NOK 56 million in Q2 2020. Changes in interest rates on deposits must be notified 8 weeks before implementation.

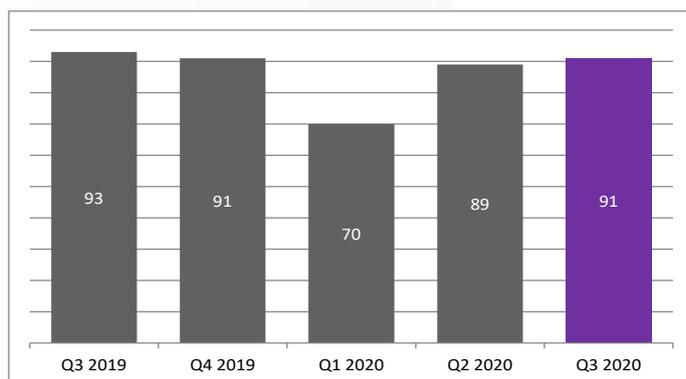
The interest rate changes have put pressure on the bank's overall interest margin, which has decreased in the third quarter.

Net interest income as a percentage of the Bank's average total assets in the third quarter of 2020 was 1.32 percent, down from 1.57 percent in the same period in 2019. As a result of turmoil in the financial market during the corona pandemic, total assets has increased significantly. This mainly applies financial derivatives and collateral received for derivative contracts. In addition, the bank has used the F-loan facility in Norges Bank. The increase in total assets explains approx. 7 basis points of the fall in net interest income, as a percentage of total average assets.

Board of Director's report

Commission income

Quarterly net commission income (NOK million)



Net commission income totalled NOK 91 million in Q3 2020, compared with NOK 93 million in Q3 2019.

Gross commission income in Q3 2020 totalled NOK 103 million, compared with NOK 106 million in Q3 2019.

Commission income	Q3 2020	Q3 2019	Change	30.09.2020	30.09.2019	Change
Payment services	40	52	-12	118	137	-19
Real estate brokerage	41	32	9	108	93	15
Other commission income	21	23	-2	66	64	2
Total	103	106	-3	292	294	-2

Gross commission income has decreased in the third quarter, compared to the same period 2019. There has been a decrease in commission income from payment services in the third quarter, which is mainly due to the loss of currency exchange income related to reduce use of credit cards abroad. This was caused by the banks customers traveling less as a result of the COVID-19 situation.

The bank's real estate agency, Sørmeqleren, has had a solid growth and an increased commission income in the Q3 and year to date in 2020.

Financial instruments

Net income from financial instruments totalled NOK 14 million in Q3 2020, compared with NOK 31 million in Q3 2019.

Net income from financial instruments	Q3 2020	Q3 2019	Change	30.09.2020	30.09.2019	Change
Bonds and certificates	1	-15	16	-38	-8	-30
Shares incl. dividends	6	10	-4	13	18	-5
Fixed rate loans	-5	23	-28	-9	15	-23
Securities issued - hedge accounting	14	7	7	35	21	14
Repurchase of issued bonds	-2	-1	-1	-12	-10	-3
Other financial instruments	0	5	-5	16	19	-3
Total	14	31	-17	4	55	-51

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.

Income from associated companies

In recent years, Sparebanken Sør has increased its ownership interest in Frende Holding AS and Brage Finans AS. In the second quarter, the ownership interest in Frende increased further from 20.2 percent to 21.0 percent. This was done as part of the Bank's strategic focus, of giving our customers relevant, integrated and attractive solutions.

Profit from associates totalled NOK 40.4 million in the Q3 2020, up from NOK 16.3 million in the corresponding period in 2019.

Sparebanken Sør's share of the profit in Brage Finans AS, totalled NOK 9.3 million in Q3 and NOK 22.9 million YTD.

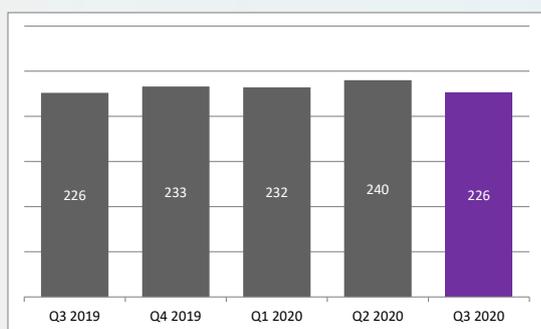
Sparebanken Sør's share of the profit in Frende Holding AS totalled NOK 36.5 million in the Q3 and NOK 63.8 million YTD.

In connection with the purchase of shares in Frende Holding AS in 2018 and 2020, surplus value was identified. This will be amortised over the asset's expected life. The Group has amortised NOK 5.4 million in excess value in the Q3 and NOK 15.4 million YTD.

In Q1, a NOK 7.7 million value adjustment was recognised for the Bank's shares in Vipps, which increased the value of its shares in Balder Betaling AS. No value adjustment was made in Q3.

Operating expenses

Quarterly operating expenses (NOK million)



Operating expenses closed on NOK 226 million in Q3 2020, and are at the same level as the same period in 2019.

Operating expenses as a percentage of average total assets were 0.63 percent (0.71 percent) in Q3 2020. Cost-income ratio was 36.6 percent (35.3 percent). Cost-income ratio, excluding financial instruments, were 37.5 percent (37.1 percent).

Expenses in the banking business amounted to NOK 199 million in Q3 2020, compared with NOK 201 million in the same period in 2019.

Losses and non-performing loans

Net losses on loans, amounted to losses of NOK 6 million in Q3 2020, representing 0.02 percent of gross loans (annualised). Net losses on loans amounted to NOK 19 million in Q3 2019.

Net losses on loans amounted to NOK 114 million in the first nine months of the year, compared with a net entry on loans of NOK 14 million in the same period last year.

The loss expenses in the first nine months of 2020 is mainly related to model based-calculated losses on loans according to the accounting standard IFRS9, due to of a negative macro input. The macro variables used are presented in note 5. The market situation has been relatively stable throughout Q3, which has resulted in low losses this quarter.

Board of Director's report

The Covid-19 pandemic has affected several business sectors, and the government has implemented extensive and wide-ranging support measures. The Bank has virtually no direct exposure to the oil and offshore industries, which are strongly affected by the downturn in oil prices. The Bank's indirect exposure to oil and offshore industries are also low. An estimated 1–2 percent of the tenants in the Bank's real estate portfolio are linked to this sector. The Covid-19 crisis hit by full force in the middle of March 2020, at the end of Q3 the uncertainty regarding the downside for the Bank's customers are still unknown. Although the credit risk in the Bank's commercial portfolio has increased, the government has instituted massive support measures that will help to reduce the pandemic's negative impacts on customers.

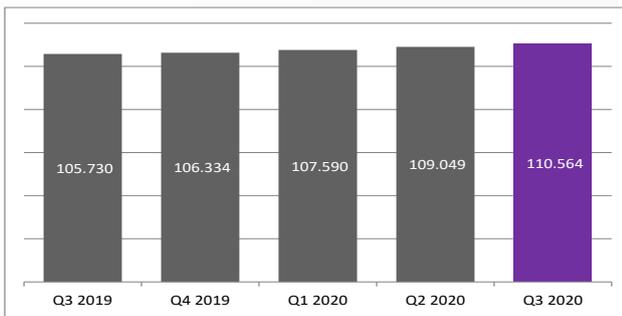
The assessments related to losses on loans will always be subject to uncertainty. The assessments made on 30 September is affected by the the uncertainty.

The Group's impairment losses were calculated to NOK 500 million in Q3 2020, which is equivalent to 0.45 percent of gross loans. The corresponding figures for 2019 were NOK 413 million and 0.39 percent of gross loans.

Gross non-performing loans over 90 days in arrears were NOK 325 million, which represented 0.29 percent of gross loans. This was higher than at the corresponding time in 2019, when gross non-performing loans in arrears amounted to NOK 295 million and represented 0.28 percent of gross loans. Gross non-performing loans over 90 days in arrears are still at a very low level.

Loans

Loans in NOK million



Over the past 12 months net loans increased by NOK 4.8 billion to a total of NOK 110.6 billion, representing a growth of 4.6 percent. Profitable growth is prioritised by the bank.

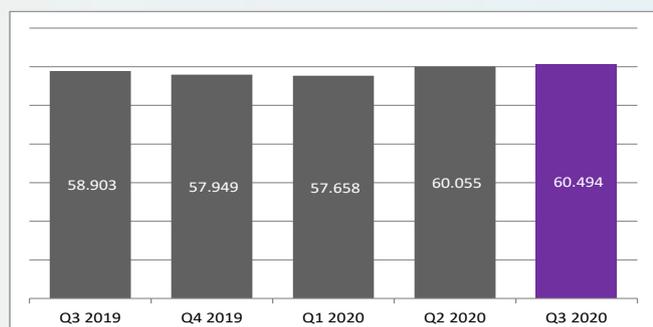
Over the past 12 months, gross loans to retail customers increased by NOK 2.9 billion to NOK 72.9 billion, a growth of 4.2 percent.

Gross loans to corporate customers increased by NOK 2.0 billion to NOK 38.0 billion over the last 12 months, representing a growth of 5.7 percent.

Loans to retail customers accounted for 66 percent (66 percent) of total loans at the end of Q3 2020.

Deposits

Deposits in NOK million



Over the past 12 months, customer deposits increased by NOK 1.6 billion to NOK 60.5 billion, a growth of 2.7 percent.

Deposits from retail customers increased by NOK 1.8 billion to NOK 29.8 billion, a growth of 6.5 percent.

Deposits from corporate customers decreased by 0.1 billion to NOK 30.4 billion, a decrease of 0.4 percent. The bank has chosen to reduce large capital market deposits in 2020, and has had a good increase in smaller, operational corporate deposits. The decrease in capital market deposits over the past 12 months amounted to NOK 2.2 billion. Adjusted for capital market deposits, deposit growth over the last 12 months was 8.3 percent for corporate customers.

Deposits in percent of net loans were 54.7 percent at the end of Q3 2020, down from 55.7 percent at the same time in 2019. The decrease is primarily attributable a reduced proportion of larger deposits.

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 adapted to the needs of the business. New long-term funding is established through the issuance of covered bonds, senior debt and senior non-preferred. The Group has also arranged for long-term financing in the international market through established EMTN programs.

At the end of Q3 2020, wholesale funding amounted to NOK 58.8 million, of which 75 percent consisted of covered bonds. Long-term financing (over 1 year maturity) had an average maturity of 3.6 years at the end of the quarter.

Sparebanken Sør has availed itself of the extraordinary loan facility that Norges Bank established in March 2020. As at 30 September 2020, the Bank had NOK 2.5 billion in F-loans.

Liquidity in the Norwegian bond market showed improvement through the last two quarters, and the credit spreads have been stable through the third quarter. The Norwegian State Bond Fund has been re-established, and its mandate is to help increase liquidity and capital in the bond market through the purchase of bonds at market terms. Norges Bank's money market measures and the Government Bond Fund has contributed to a more well-functioning bond market.

The Group's portfolio of interest-bearing securities totalled NOK 22.5 billion at the end of Q3 2020. The Group's liquidity reserve (LCR) amounted to 152 percent per September 30, 2020 (147 percent in Parent bank).

Rating

Sparebanken Sør has an A1 rating with "Stable Outlook" rated by Moody's.

Covered bonds issued by Sparebanken Sør Boligkreditt AS have an Aaa rating from Moody's.

Board of Director's report

Subordinated capital and capital adequacy

At the end of Q3 2020, net subordinated capital totalled NOK 14.9 billion. Hybrid capital totalled NOK 1.4 billion and subordinated loans totalled NOK 1.7 billion. At the same date, the common equity tier 1 (CET1) capital ratio was 15.7 percent the tier 1 capital ratio was 17.5 percent and the (total) capital ratio for the Sparebanken Sør Group was 19.6 percent (based on Basel II).

Sparebanken Sør has a 20.8 percent shareholding in Brage Finans AS. The company is proportionally consolidated in accordance with the rules on cooperative groups.

The parent bank had a CET1 capital ratio of 16.3 percent, a tier 1 capital ratio of 18.5 percent and a (total) capital ratio of 20.8 percent at the end of Q3 2020.

In 2018, the Pillar 2 requirement for Sparebanken Sør was set to 2.0 percent of risk-weighted assets. The requirement is linked to an assessment of risk factors not covered by the Pillar 1 requirements and also includes a new method for calculating capital requirements for partly-owned insurance companies. The capital requirement relating to the shareholding in Frende Holding AS alone accounts for 0.3 percentage points. The Norwegian Ministry of Finance was intended to assess the group's risk and capital requirements (SREP) in 2020. As a result of the corona pandemic, the Norwegian Ministry of Finance will not make new Pillar 2 decisions in 2020, unless special circumstances of a significant nature are identified that indicate increased capital requirements. The group has completed this year's ICAAP, and the group's own calculations indicates that the Pillar 2 requirement should be markedly lower, and that this will be down towards 1.5 percent of the risk-weighted assets.

In Q1 2020, the Norwegian Ministry of Finance decided to lower the countercyclical capital buffer requirement from 2.5 percent to 1.0 percent, with immediate effect. The buffer requirement was lowered to prevent stricter lending practices by the banks from intensifying the recession due to Covid-19. Norges bank, which prepares the basis for the decision and advises the Norwegian Ministry of Finance on the capital buffer level, has declared that it do not expect to give advice on increasing the buffer requirement until the first quarter of 2021, at the earliest.

The Group met the capital requirements of, respectively, 13.0 percent for CET1, 14.5 percent for tier 1 capital and 16.5 percent for total capital by a solid margin. The Group's internal target is a CET1 capital ratio of 15.3 percent.

The Ministry of Finance has adopted regulatory amendments that put the EU Capital Requirements Regulations CRR/CRD IV into effect as at 31 December 2019. The systemic risk buffer requirement will increase from 3.0 to 4.5 percent. Previously, a gradual introduction of the systemic risk buffer requirement by 2021 was signalled. However, the Ministry of Finance will establish a transitional rule for banks using the standardised or basic IRB approach, which means that these banks will not have to achieve the increased systemic risk buffer requirement until 31 December 2022.

Through solid operations, the Group will comply with the new requirements by 2022, as well as secure necessary buffers above the minimum requirement.

An important part of the Group's objective is that the common equity tier 1 capital ratio should be on par with that of comparable banks. Of the major regional banks, only Sparebanken Sør uses the standard method for the calculation of capital adequacy, and today the Bank has a higher leverage ratio than the other regional banks. Sparebanken Sør has implemented a process to apply to the Financial Supervisory Authority for the approval of internal models for the calculation of capital adequacy (IRB). The work on preparing an IRB application is a high priority area for the Bank. However, the work is more extensive than originally assumed, partly as a result of changed requirements from the EBA affecting the Bank's model development.

The Group's Leverage Ratio stood at 8.8 percent at the close of the third quarter 2020, compared with 9.1 percent at the close of the third quarter 2019. The Bank's capital adequacy is highly satisfactory.

On December 20, 2019, the bank received a decision on the minimum requirements for the sum of subordinated capital and convertible debt (MREL) from the Financial Supervisory Authority. MREL and internal capitalization are a key element of the Crisis Management Directive (BRRD). The MREL requirement is 33.5 percent of the adjusted risk-weighted loan amount based on the bank's balance sheet as of December 31, 2018. Considering available subordinated capital in the bank, the decision entails a requirement for convertible debt of NOK 9.8 billion. The Bank's MREL requirements are in effect in the decision from March 31, 2020, while the subordinated requirement will be met by January 1, 2024.

During the transition period, the Bank may use senior debt with a maturity of more than 1 year, issued before January 1, 2020 to meet the requirement. The bank has presented a plan to the Financial Supervisory Authority for meeting the subordinated debt requirement.

The Financial Supervisory Authority will determine the requirement on an annual basis early in the transition period, but indicates a more frequent update ahead. On 24 June 2020, Sparebanken Sør was the first Norwegian bank to issue a senior non-preferred bond (Tier 3) with a nominal value of NOK 1 billion with a maturity of 5 years. The bank extended the loan by NOK 1 billion in the third quarter.

The bank's equity certificates

As at 30 September 2020, the Bank had issued 15,663,944 equity certificates. Earnings per equity certificate (for the Group) came to NOK 3.2 in the third quarter and NOK 7.7 for the first nine months in 2020. The ownership ratio in the third quarter 2020 came to 17.3 percent. Hybrid capital classified as equity has been excluded when calculating the ownership ratio.

Dividends

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

Profit will be distributed pro rata between the equity certificate capital (equity certificate holders) and primary capital.

Sparebanken Sør's need for capital, including regulatory capital adequacy requirements, investors' expectations and the Bank's strategic plans, will be taken into account when determining the annual dividend.

The aim is for approximately 50 to 70 percent of the equity certificate holders' share of the year's profit after tax to be distributed as a dividend.

On 26 March 2020, in accordance with the proposal from the Board of Directors, the Board of Trustees decided not to distribute dividends for the equity certificates for 2019. The reason for the delay is the recommendations from the Ministry of Finance, as well as the Financial Supervisory Authority and EBA in connection with potential consequences of the COVID-19 pandemic. Based on the statement from the Financial Supervisory Authority on 2 September 2020, and the press release from the Ministry of Finance on 9 September 2020, the situation is unchanged. The Board of Directors will continuously consider a foundation to a possible reallocation of the profit for 2019. If circumstances allows, the Board of Directors will convene an extraordinary meeting with the Board of Trustees in order to consider distribution of dividends.

Subsidiaries and partner businesses

The bank's wholly owned subsidiary **Sparebanken Sør Boligkreditt AS** is licensed to issue covered bonds which are used as an instrument in the bank's long-term funding strategy. As of 30 September 2020, the bank had transferred NOK 44.5 billion to Sparebanken Sør Boligkreditt AS, equivalent to 60 percent of all loans to the retail market.

The Bank's own real estate business, **Sørmegleren**, is the absolute leader in its field in Southern Norway. Sørmegleren continues to grow, and now employs 92 people in 18 locations. As at 30 September 2020, Sørmegleren made a profit before tax of NOK 21.5 million, compared with NOK 11.8 million in the corresponding period last year. It was a demanding start to 2020 for the real estate business as a result of the corona situation. Activity has increased significantly recently, and the profit before tax in the third quarter amounted to NOK 14.7 million.

Frende Holding AS (21.0 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.

Frende Holding AS posted a profit before tax in Q3 of NOK 212.6 million (NOK 92.7 million). Profit before tax in the first nine months of 2020 totalled NOK 404.6 million, compared with NOK 272.4 million in the same period last year. Frende Holding AS had a return on equity of 26.5 percent in the first nine months of 2020.

Frende Skade posted a profit before tax of NOK 227.5 million in the first nine months of 2020, compared with NOK 171.4 million in the same period last year. Profit for Q3 was NOK 162.7 million (NOK 55.2 million). The company had a total of NOK 2.133 million (NOK 2.100 million) in written premiums, divided between more than 159,300 customers. The market share by the end of Q3 was 3.4 percent. In the first three quarters, the loss ratio stood at 73.0 percent (79.9 percent), while the company's combined ratio came to 89.8 percent (97.7 percent). There are fewer major damage claims in 2020 compared to 2019, while the claims frequency is above previous years' level. Frende Skade posted a financial result of NOK 69.3 million in the first nine months of 2020 (NOK 137.9 million), and 53.8 million in Q3 (NOK 37.0 million).

Board of Director's report

Frende Liv made a profit before tax of NOK 195.1 million in the first nine months of 2020, compared with NOK 116.0 million in the same period last year. Profit for Q3 was NOK 56.1 million (NOK 43.1 million). It has been a good risk result in the first nine months of the year and in the third quarter. Frende Liv posted a financial result of NOK 33.5 million in the first nine months of 2020 (NOK 56.7 million), and 25.1 million in Q3 (NOK 14.8 million).

Written premiums, including savings, was NOK 1,021 million (968 million) at the 30. September 2020.

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

In the third quarter of 2020, Brage Finans AS (Brage) continue to make good results, had growth in the loan portfolio and a solid capital adequacy ratio. Profit before tax in Q3 amounted to NOK 61.6 million, compared with NOK 45.7 million in Q3 2019. The result corresponded to a return on equity of 9.5 percent, similar to the same period last year.

In the first nine months of the year, Brage achieved a profit before tax of NOK 159.1 million, compared with NOK 123.6 million in the same period last year.

At the end of the third quarter 2020, Brage had a gross lending portfolio of NOK 13.6 billion, an increase of NOK 2.3 billion compared with the same period in 2019.

Norne Securities AS (17.1 percent shareholding) provides online trading, traditional brokerage and corporate finance services.

Norne has further enhanced its role as Norway's leading advisor 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 (22.2 percent shareholding) is owned by Sparebanken Sør in conjunction with 14 other savings banks. The company has a 10.6 percent stake in Vipps AS, and aims to further develop Vipps along with the other co-owners.

Outlook

The coronavirus epidemic had a major impact on society throughout the first nine months of the year. Both international and national authorities have implemented stringent measures to prevent the spread of infection. This adversely affected the Norwegian economy and our trading partners. There has been a gradual easing of restriction in the second and third quarter. The government's use of monetary policy instruments seems to have had a good effect on the economy. The Norwegian economy has improved and the financial markets are more stable. 2020 is expected to be characterised by low interest rates, low productivity, higher unemployment and oil price fluctuations. Growth in the Norwegian economy is expected to be low in 2020.

The spread of the coronavirus has increased throughout the autumn, which has led to a reinforcement of infection control in some areas, and a further re-opening of society has been postponed. How much the virus spreads, the scope of measures to limit infections and the eventual availability of a vaccine, will have a major influence on development in the economy. The Norwegian authorities point out that setbacks and increased restrictions cannot be ruled out. Globally, the curve of infections is still pointing upwards. The international and Norwegian economies continues to be subject to a high level of uncertainty. This will impact Sparebanken Sør in the months to come and the bank are focusing on helping customers to mitigate the effects of the crisis.

Sparebanken Sør's board of directors has adopted guidelines that ensure that refinancing in the bond market is normally undertaken well before the date of maturity. This policy has contributed to the Bank's solid financial position. The Bank has a low risk in its lending portfolio and a considerable loss-absorbing capacity due to a high equity ratio. The Bank operates in a remarkably cost-effective manner and the underlying operations are good.

Residential property prices in the Bank's main markets have shown positive, but modest, growth over several years. The statistics for the third quarter 2020 show positive growth in house prices in the Bank's market area. Activities in the housing market, which were extremely low in March and April, rallied in the last quarters. The situation is being closely monitored, but developments continues to be subject to a high level of uncertainty. The Group's mortgage portfolio is well collateralised and the Group is well prepared to respond to any decrease in residential property prices. The stress tests performed substantiate this.

The Group has a Tier 1 capital requirement of 13.0 percent, including pillar 2-additions of 2.0 percent. The Group has a Tier 1 capital target of 15.3 percent. At the end of the third quarter 2020, the Bank's Tier 1 capital was 15.7 percent, well above the regulatory authorities' requirement.

The Ministry of Finance has adopted regulations that put into force the EU's capital requirements regulations CRR / CRD IV as of 31 December 2019. The systemic risk buffer requirement will increase from 3 to 4.5 percent. The Ministry of Finance will lay down a transitional rule for banks using the standard method or basic IRB, which means these banks must first meet an increased systemic risk buffer requirement with effect from 31 December 2022. The Group will through solid operation, adapt to the new requirements by 2022 and ensure that the necessary buffers are above the minimum requirement.

The Group has a long-term ambition for lending growth in excess of C2, and a target on return on equity of 9 percent.

The return on equity in 2020 will be affected by loss assessments and developments in the macroeconomic situation throughout the year. Loss provisions, as of 30 September, have been calculated in accordance with the rules provided in IFRS9, and are based on a long-term perspective. The impact of the Norwegian government's measures to support and developments in the macroeconomic situation are uncertain.

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

Events after the reporting period

There have been no significant events after September 30, 2020 that affect the quarterly accounts.

Kristiansand, 29 October 2020

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

Income statement

PARENT BANK					NOK million		GROUP				
31.12.	30.09.	30.09.	Q3	Q3		Q3	Q3	30.09.	30.09.	31.12.	
2019	2019	2020	2019	2020	Notes	2020	2019	2020	2019	2019	
1 543	1 116	1 070	406	263	Interest income at amortised cost	4	628	861	2 269	2 393	3 305
1 148	842	709	297	196	Interest income at fair value through profit and loss	4	62	125	315	346	487
1 172	852	693	303	135	Interest expenses	4	218	487	1 138	1 336	1 866
1 519	1 106	1 086	399	325	Net interest income	4	472	499	1 446	1 403	1 926
365	259	250	93	84	Commission income		103	106	292	294	403
59	41	41	13	12	Commission expenses		12	13	41	41	59
306	218	208	80	72	Net commission income		91	93	250	253	344
11	11	242	-	0	Dividend		0		2	6	6
47	59	20	32	14	Net income from other financial instruments		14	31	2	49	18
58	70	262	32	14	Net income from financial instruments		14	31	4	55	24
64	43	79	16	40	Income from associated companies		40	16	79	43	64
8	5	6	2	2	Other operating income		-1	1	5	5	10
72	48	85	18	42	Total other income		40	17	84	48	74
1 954	1 442	1 640	529	452	Total net income		617	640	1 785	1 759	2 368
438	324	330	111	114	Wages and other personnel expenses		134	130	401	395	533
37	26	29	8	10	Depreciation, amortization and impairment of non-current assets		10	9	30	26	37
336	249	250	82	75	Other operating expenses		82	87	267	264	348
811	599	608	201	199	Total operation expenses before losses		226	226	698	685	918
1 143	843	1 032	328	254	Operating profit before losses		391	414	1 087	1 074	1 450
-21	-16	112	-20	8	Losses on loans, guarantees and undrawn credit	5	6	-19	114	-14	-17
1 164	859	920	348	246	Profit before taxes	2	384	433	973	1 088	1 467
261	191	141	79	48	Tax expenses		80	102	217	256	342
904	668	780	269	199	Profit for the period		304	331	756	832	1 125
					Minority interests		1	0	2	0	0
904	668	780	269	199	Majority interests		303	331	755	832	1 125
60	46	56	13	13	Attributable to additional Tier 1 capital holders		13	13	56	46	60
844	622	724	256	185	Attributable to ECC-holders and to the primary capital		290	318	699	786	1 065
904	668	780	269	199	Profit for the period		303	331	755	832	1 125
9,3	6,8	8,0	2,8	2,0	Profit/diluted earnings per equity certificate (in whole NOK)		3,2	3,5	7,7	8,6	11,7
					Other comprehensive income						
					<i>Items that may be reclassified to profit or loss</i>						
					Change in value, basis swaps		-13	-7	-3	-7	-4
0	0				Change in value, customer mortgages						
0	0				Tax effect		3	2	1	2	1
0	0				Total other comprehensive income		-10	-5	-2	-5	-3
904	668	780	269	199	Comprehensive income for the period		294	326	754	827	1 122
					Minority interests						1
					Majority interests		294	326	754	827	1 121
9,3	6,8	8,0	2,8	2,0	Comprehensive income/diluted earnings per equity certificate		3,1	3,4	7,7	8,6	11,7

PARENT BANK			NOK million	GROUP			
31.12.	30.09.	30.09.			30.09.	30.09.	31.12.
2019	2019	2020	ASSETS	Notes	2020	2019	2019
462	742	629	Cash and receivables from central banks		629	742	462
4 063	3 500	14 144	Loans to credit institutions		5 091	111	182
66 185	66 779	66 128	Net loans to customers	2,6,7,8,10,11	110 564	105 730	106 334
16 807	14 715	14 492	Bonds and certificates	11	22 543	16 537	19 916
189	191	187	Shares	11	187	192	190
251	338	1 345	Financial derivatives	11,12	5 354	881	757
1 858	1 858	1 862	Shareholding in group companies				
968	947	1 077	Shareholding in associated companies		1 077	947	968
27	33	43	Intangible asstes		48	33	27
		2	Deferred tax benefit		33		
426	445	442	Property, plant and equipment		473	475	458
107	96	118	Other assets		229	188	205
91 344	89 644	100 469	TOTAL ASSETS	2,11	146 227	125 836	129 499
LIABILITIES AND EQUITY CAPITAL							
2 192	2 555	7 814	Liabilites to credit institutions		7 702	1 641	1 793
57 963	58 734	60 513	Deposits from customers	2,9,11	60 494	58 903	57 949
16 707	14 559	14 596	Liabilities related to issue of securities	11,13	58 832	49 898	53 430
213	157	939	Financial derivatives	11,12	939	157	423
284	175	197	Payable taxes		274	250	361
387	719	485	Other liabilities		542	781	425
43	51	39	Provisions for commitments		39	51	43
49	66		Deferred tax			39	24
		2 003	Senior non-preferred	11,13	2 003		
1 971	1 605	1 653	Subordinated loan capital	11,13	1 653	1 605	1 971
79 809	78 621	88 238	Total liabilities		132 477	113 325	116 418
1 623	1 604	1 749	Equity certificate capital	14	1 749	1 604	1 623
1 375	1 075	1 375	Hybrid capital		1 375	1 075	1 375
8 537	8 344	9 107	Other equity		10 626	9 832	10 083
11 535	11 023	12 231	Total equity	3,14	13 750	12 511	13 081
91 344	89 644	100 469	TOTAL LIABILITIES AND EQUITY	2,11	146 227	125 836	129 499

Kristiansand, 29 October 2020

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

Cash flow statement

PARENT BANK			NOK million	GROUP		
31.12. 2019	30.09. 2019	30.09. 2020		30.09. 2020	30.09. 2019	31.12. 2019
2 662	1 945	1 808	Interest received	2 619	2 748	3 749
-1 185	-508	-390	Interest paid	-883	-992	-1 840
334	251	526	Other payments received	282	202	346
-770	-529	-586	Operating expenditure	-621	-659	-898
13	5	6	Loan recoveries	6	5	13
-225	-191	-279	Tax paid for the period	-360	-249	-289
-28	-22	-18	Gift expenditure	-18	-22	-28
1 404	1 832	2 296	Change in customer deposits	2 291	2 010	1 399
-1 921	2 505	46	Change in loans to customers	-4 261	-2 772	-3 382
0	490	0	Change in loans to credit institutions	0	-8	0
-15	411	3 118	Change in deposits from credit institutions	3 531	-197	-108
269	6 189	6 527	Net cash flow from operating activities	2 586	66	-1 038
20 016	10 099	17 962	Payments received, securities	23 730	7 720	12 258
-18 948	-13 084	-15 689	Payments made, securities	-26 413	-9 641	-17 380
3	0	1	Payments received, sale of property, plant and equipment	4	0	3
-37	-31	-30	Payments made, purchase of property, plant and equipment	-33	-31	-40
-293	-280	-35	Investments in subsidiaries and associated companies	-30	-280	-293
-12	-18	-1 236	Change in other assets	-4 763	-150	-108
729	-3 314	973	Net cash flow from investing activities	-7 505	-2 382	-5 560
-1 053	0	-10 081	Change in loans to credit institutions	-4 909	0	-63
-54	-117	2 500	Change in deposits from credit institutions	2 374	-80	-17
3 600	0	0	Payments received, bond debt	5 000	7 360	16 063
-4 815	-3 432	-2 764	Payments made, bond debt	-3 529	-6 227	-10 867
-154	-140	-56	Payments made, dividends and interest on hybrid capital	-56	-140	-154
0	0	2 000	Issue of senior non-preferred	2 000	0	0
500	0	350	Issue of subordinated loan capital	350	0	500
-134	0	-666	Buyback of subordinated loan capital	-666	0	-134
-13	269	1 384	Change in other assets	4 522	857	144
300	0	0	Issue of hybrid capital	0	0	300
-1 823	-3 420	-7 333	Net cash flow from financing activities	5 086	1 770	5 772
-825	-545	167	Net change in liquid assets	167	-546	-826
1 287	1 287	462	Cash and cash equivalents as at 1 Jan	462	1 288	1 288
462	742	629	Cash and cash equivalents at end of period	629	742	462

Statement of change in equity

GROUP NOK million	Equity certificates	Premium Fund	Dividend					Other equity	Minority interests	TOTAL
			Equalization- fund	Hybrid capital	Primary capital	Gift fund				
Balance 31.12.2018	783	451	369	1 075	7 683	62	1 421	1	11 845	
Dividend distributed for 2018							-94		-94	
Profit Q3 2019				46			786		832	
Interest paid, hybrid capital				-46					-46	
Other comprehensive income							-5		-5	
Allocated gift fund							-22		-22	
Balance 30.06.2019	783	451	369	1 075	7 683	40	2 108	1	12 511	
Profit 1/10 - 31/12/2019			20	14	639	60	-439	0	293	
Interest paid, hybrid capital				-14					-14	
Issuance of hybrid capital				300					300	
Trading of own equity certificates			1						1	
Other comprehensive income							1		1	
Allocated gift fund							-12		-12	
Other changes						1	1		2	
Balance 31.12.2019	783	451	389	1 375	8 323	88	1 671	1	13 081	
Change in dividend 2019			125				-125		0	
Profit Q3 2020			0	56			698	2	755	
Interest paid, hybrid capital				-56					-56	
Other comprehensive income							-3		-3	
Allocated gift fund							-28		-28	
Balance 30.09.2020	783	451	515	1 375	8 323	60	2 240	3	13 750	
PARENT BANK										
Balance 31.12.2018	783	451	369	1 075	7 683	62	94	0	10 518	
Dividend distributed for 2018							-94		-94	
Profit Q3 2019				46			621		667	
Interest paid, hybrid capital				-46					-46	
Other comprehensive income									0	
Allocated gift fund							-22		-22	
Balance 30.09.2019	783	451	369	1 075	7 683	40	621	0	11 023	
Profit 1/10 - 31/12/2019			20	14	639	60	-496		237	
Interest paid, hybrid capital				-14					-14	
Issuance of hybrid capital				300					300	
Other comprehensive income			0						0	
Allocated gift fund									0	
Other changes							-12		-12	
Balance 31.12.2019			0			1			1	
Change in dividend 2019	783	451	389	1 375	8 323	88	125	0	11 535	
Profit Q3 2020			125				-125		0	
Interest paid, hybrid capital				56			724		780	
Other comprehensive income				-56					-56	
Allocated gift fund							-1		-1	
Balance 30.09.2020							-27		-27	
Balance 30.09.2020	783	451	515	1 375	8 323	61	723	0	12 231	

Notes

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 2019.

There are no new standards applicable for 2020 that have had a material impact on the financial statements.

A tax rate of 25 percent has been used when preparing the quarterly accounts.

Discretionary assessments, estimates and assumptions

With the preparation of the financial statements, the management makes discretionary assessment, estimates and assumptions that affects the accounting policies and financial records. Please refer to the annual financial statements for 2019 (Note 2 – Discretionary assessments, estimates and assumptions) for further details.

The financial item losses on loans and undrawn credit, is subject to a significant degree of discretionary assessments. In 2020, this has been a particularly challenging, due to the ongoing Covid-19 situation, leading to turmoil and fluctuations in the financial market. Models used to calculate future credit losses contains forward-looking macro data, and in events of major changes to the economy, the current models and parameters must be changed accordingly.

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

2. SEGMENT REPORTING

BANKING BUSINESS

30.09.2020

Report per segment	RM		Undistrib.	Total banking	Sørmeqleren	Total
Income statement (NOK million)	CM	and elimin.	business			
Net interest and commission income	881	637	-72	1 446	0	1 446
Net other operating income	124	54	53	231	108	339
Operating expenses	299	78	235	612	88	698
Profit before losses per segment	706	612	-253	1 065	22	1 087
Losses on loans and guarantees	-1	113	1	114		114
Profit before tax per segment	707	499	-254	952	22	973
Net loans to customers	74 053	36 307	205	110 564		110 564
Other assets			35 555	35 555	108	35 663
Total assets per segment	74 053	36 307	35 759	146 119	108	146 227
Deposits from customers	32 490	24 957	3 047	60 494		60 494
Other liabilities	41 563	11 350	18 963	71 875	108	71 983
Total liabilities per segment	74 053	36 307	22 010	132 369	108	132 477
Equity			13 750	13 750		13 750
Total liabilities and equity per segment	74 053	36 307	35 759	146 119	108	146 227

BANKING BUSINESS

30.09.2019

Report per segment			Undistrib.	Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmegleren	Total
Net interest and commission income	794	557	53	1 403	0	1 403
Net other operating income	145	51	68	263	93	356
Operating expenses	286	75	242	604	81	685
Profit before losses per segment	652	532	-121	1 063	11	1 074
Losses on loans and guarantees	-2	-41	29	-14		-14
Profit before tax per segment	654	573	-150	1 077	11	1 088
Net loans to customers	70 923	34 882	-75	105 730		105 730
Other assets			20 025	20 025	81	20 106
Total assets per segment	70 923	34 882	19 950	125 755	81	125 836
Deposits from customers	30 240	23 195	5 467	58 903		58 903
Other liabilities	40 682	11 687	1 972	54 341	81	54 422
Total liabilities per segment	70 923	34 882	7 439	113 244	81	113 325
Equity			12 511	12 511		12 511
Total liabilities and equity per segment	70 923	34 882	19 950	125 755	81	125 836

3. SUBORDINATED CAPITAL AND CAPITAL ADEQUACY

PARENT BANK			NOK million	GROUP		
31.12. 2019	30.09. 2019	30.09. 2020		30.09. 2020	30.09. 2019	31.12. 2019
11 535	11 023	12 231	Total equity	13 750	12 511	13 081
			Tier 1 capital			
-1 375	-1 075	-1 375	Equity not eligible as common equity tier 1 capital	-1 375	-1 075	-1 375
-245	-166	-134	Share of profit not eligible as common equity tier 1 capital	-134	-166	-245
-27	-33	-43	Deductions for intangible assets and deferred tax assets	-43	-33	-27
-44	-21	-43	Deductions for additional value adjustments	-34	-23	-27
			Proportion of common equity tier 1 capital from Brage Finans AS	380	356	374
			Deductions for internal eliminations from Brage Finans AS	-387	-369	-374
-104	-103	-112	Other deductions	-128	-61	-51
9 740	9 625	10 524	Total common equity tier 1 capital	12 029	11 140	11 356
			Other tier 1 capital			
1 375	1 075	1 375	Hybrid capital	1 375	1 075	1 375
			Proportion of tier 1 capital Brage Finans AS	36	37	36
0	0	0	Deductions from other tier 1 capital	0	0	0
11 115	10 700	11 899	Total tier 1 capital	13 440	12 252	12 767
			Additional capital supplementary to tier 1 capital			
1 971	1 604	1 600	Subordinated loan capital	1 600	1 604	1 971
			Proportion of net subordinated capital Brage Finans AS	49	49	49
-101	-100	-99	Deductions from additional capital	-100	-100	-101
1 870	1 504	1 501	Total additional capital	1 549	1 553	1 919
12 985	12 204	13 400	Net subordinated capital	14 989	13 805	14 686
			Minimum requirement for subordinated capital Basel II calculated according to standard method			
2	2	15	Engagements with local and regional authorities	15	2	2
70	57	161	Engagements with institutions	49	23	34
218	238	329	Engagements with enterprises	335	242	224
415	452	389	Engagements with mass market	471	534	520
3 029	3 149	3 069	Engagements secured in property	4 356	4 273	4 167
92	93	86	Engagements which have fallen due	92	97	98
2	2	1	Engagements which are high risk	1	2	2
384	377	426	Engagements in covered bonds	119	98	107
334	331	356	Engagements in collective investment funds	207	183	184
49	40	44	Engagements, other	49	40	49
4 595	4 741	4 876	Capital requirements for credit and counterparty risk	5 694	5 494	5 387
1	1	1	Capital requirements for position, currency and product risk	1	1	1
259	259	268	Capital requirements for operational risk	325	313	313
1	1	3	CVA addition	3	1	1
0	0		Deductions from the capital requirement	0	0	0
4 856	5 002	5 147	Total minimum requirement for subordinated capital	6 023	5 809	5 702
60 702	62 514	64 449	Risk-weighted balance (calculation basis)	75 288	72 604	71 275
			Proportionate share of calculation basis Brage Finans AS	2 371	2 164	2 112
			Deductions for internal eliminations Brage Finans AS	-991	-993	-955
			Risk weighted balance after proportionate consolidation	76 668	73 775	72 432
16.0 %	15.4 %	16.3 %	Common equity tier 1 capital ratio, %	15.7 %	15.1 %	15.7 %
18.3 %	17.1 %	18.5 %	Tier 1 capital ratio, %	17.5 %	16.6 %	17.6 %
21.4 %	19.5 %	20.8 %	Total capital ratio, %	19.6 %	18.7 %	20.3 %
8.5 %	8.3 %	8.1 %	Leverage ratio	8.8 %	9.1 %	9.3 %

Following a proposal from the board of directors, the Supervisory Board decided at its meeting of 26 March 2020 to pay a dividend NOK 0 to equity certificate holders for 2019. The original proposal was for a dividend payout of NOK 125 million. The decision had a positive impact on capital adequacy as at 31 December 2019. For the Group (parent bank), the CET1 capital ratio rose from 15.7 (16.0) percent to 15.9 (16.3) percent, the tier 1 capital ratio rose from 17.5 (18.3) percent to 17.8 (18.5) percent, the (total) capital ratio rose from 20.3 (21.4) percent to 20.5 (21.6) percent, while the leverage ratio rose from 9.3 (8.5) percent to 9.4 (8.6) percent.

4. INTEREST INCOME AND INTEREST EXPENSES

PARENT BANK					Interest income	GROUP				
31.12.	30.09.	30.09.	Q3	Q3		Q3	Q3	30.09.	30.09.	31.12.
2019	2019	2020	2019	2020	NOK million	2020	2019	2020	2019	2019
					<i>Interest income from financial instruments at amortised cost</i>					
92	67	54	26	11	Interest on receivables from credit institutions	1	6	11	16	24
1 452	1 048	1 015	379	253	Interest on loans given to customers	627	855	2 258	2 378	3 281
1 543	1 116	1 070	404	263	Total interest from financial instruments at amortised cost	628	861	2 269	2 393	3 305
					<i>Interest income from financial instruments at fair value</i>					
165	121	96	42	24	Interest on loans given to customers (fixed rate loans)	24	42	96	121	166
305	220	202	74	34	Interest on certificates and bonds	38	83	219	225	321
470	340	297	116	58	Total interest from financial instruments at fair value via profit or loss	62	125	315	346	487
					<i>Interest income from financial instruments at fair value via OCI</i>					
677	501	412	181	137	Interest on loans given to customers (mortgages)					
677	501	412	181	137	Total interest from financial instruments at fair value via OCI					
2 691	1 957	1 779	702	459	Total interest income	690	986	2 584	2 739	3 792

PARENT BANK					Interest expenses	GROUP				
31.12.	30.09.	30.09.	Q3	Q3		Q3	Q3	30.09.	30.09.	31.12.
2019	2019	2020	2019	2020	NOK million	2020	2019	2020	2019	2019
					<i>Interest expenses from financial instruments at amortised cost</i>					
38	27	30	10	7	Interest on liabilities to credit institutions	7	10	30	26	38
692	500	382	180	69	Interest on customer deposits	68	180	381	500	691
345	254	200	86	34	Interest on issued securities	116	267	641	735	1 036
49	35	41	12	12	Interest on subordinated loans	12	12	41	35	49
47	36	40	15	13	Fees to the Norwegian Banks Guarantee Fund and other interest expenses	15	19	45	39	52
1 172	852	693	303	135	Interest expenses from financial instruments at amortised cost	218	487	1 138	1 336	1 866
1 172	852	693	303	135	Total interest expenses	218	487	1 138	1 336	1 866

5. LOSSES ON LOANS, GUARANTEES AND UNDRAWN CREDITS

Provisions for loss allowances and loss expense for the period are calculated according to the new accounting standard IFRS 9 and are based on expected credit loss (ECL) using the 3-stage model described in Note 7 of the 2019 financial statements.

As a result of COVID 19, the macro situation has changed significantly in 2020. In the third quarter, there have been improvements in several parameters and the Group's loss provision is based on new assumptions.

The Group has updated the macro variables in the IFRS9 model and the following macro variables have been used when calculating impairment losses, as of September 30 2020.

	2020	2021	2022	2023	2024
Housing price %	3.7	5.2	3.7	2.6	2.6
Housing price region %	2.7	4.2	3.2	2.1	2.1
Unemployment %	5.5	4.5	4.0	3.8	3.8
Oil prices, USD	41.7	45.7	47.9	49.6	49.6
Key interest rate	0.4	0.0	0.1	0.5	0.5
Import-weighted exchange rate	115.0	113.4	112.3	111.4	111.4

Establishing macro variables involves a significant part of the discretion, as no one knows how large and long lasting the effects of the crisis will be. Sparebanken Sør has to a large extent collateralized mortgages on real estate and the determination of these parameters for housing prices (including real estate) is considered to be the parameters that have the most significant effect on LGD (loss given default).

In addition, a great deal of uncertainty attaches to future unemployment rates and the determination of this parameter is also material to the Group's impairment losses under the IFRS 9 model.

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

GROUP		30.09.2020			
Loan loss provisions		10 percent reduction	20 percent reduction	30 percent reduction	1 percent increase in
NOK million		in collateral	in collateral	in collateral	unemployment
Loan loss provisions, CM		55	122	200	12
Loan loss provisions, RM		12	28	46	10
Total		67	150	246	22

PARENT BANK		30.09.2020			
Loan loss provisions		10 percent reduction	20 percent reduction	30 percent reduction	1 percent increase in
NOK million		in collateral	in collateral	in collateral	unemployment
Loan loss provisions, CM		55	121	199	12
Loan loss provisions, RM		7	16	24	6
Total		62	137	223	18

The authorities have implemented a number of measures to counteract the negative economic effects of COVID-19. Several of these measures have a direct impact on the Group's credit risk. The loss model is not suitable for estimating losses with such comprehensive measures aimed directly at the bank's customers.

PARENT BANK			NOK million		GROUP		
31.12.	30.09.	30.09.			30.09.	30.09.	31.12.
2019	2019	2020	Loss expense on loans during the period		2020	2019	2019
-6	-3	41	Period's change in write-downs stage 1		42	-3	-5
31	27	58	+Period's change in write-downs stage 2		57	28	33
-89	-81	11	+Period's change in write-downs stage 3		12	-81	-89
41	36	5	+ Period's confirmed loss		5	36	41
18	10	2	+ Recognised as interest income		2	10	18
13	5	6	- Period's recoveries relating to previous losses		6	5	13
-1	0	0	+ Change in write-downs an guarantees		0	0	-1
-21	-16	112	Loss expenses during the period		114	-14	-17

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 01.01.2020	39	126	231	397
Transfers				
Transferred to stage 1	37	-32	-5	0
Transferred to stage 2	-5	8	-3	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	24	33	22	79
Losses on deducted loans *	-7	-19	-19	-45
Losses on older loans and other changes	-7	69	8	69
Provisions for loan losses as at 30.09.2020	81	183	235	500
Provisions for loan losses	69	156	231	456
Provisions for guarantees and undrawn credits	12	27	4	43
Total provision for losses as at 30.09.2020	81	183	235	500

*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.

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 01.01.2020	37	120	230	387
Transfers				
Transferred to stage 1	34	-29	-5	0
Transferred to stage 2	-4	8	-3	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	22	32	22	76
Losses on deducted loans *	-6	-18	-19	-43
Losses on older loans and other changes	-5	66	7	68
Provisions for loan losses as at 30.09.2020	77	178	234	489
Provisions for loan losses	66	151	230	446
Provisions for losses on guarantees and undrawn credits	12	27	4	43
Total provision for losses as at 30.09.2020	77	178	234	489

*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.

Notes

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	21	-19	-2	0
Transferred to stage 2	-3	88	-85	0
Transferred to stage 3	0	-2	3	0
Losses on new loans	15	33	12	60
Losses on deducted loans	-12	-21	-47	-81
Losses on older loans and other changes	-23	-51	35	-39
Provisions for loan losses as at 30.09.2019	42	121	250	413
Provisions for loan losses	32	104	246	382
Provisions for guarantees and undrawn credits	10	17	4	31
Total provision for losses as at 30.09.2019	42	121	250	413

*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.

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	19	-17	-2	0
Transferred to stage 2	-3	88	-85	0
Transferred to stage 3	0	-2	3	0
Losses on new loans	14	32	12	57
Losses on deducted loans *	-12	-20	-47	-79
Losses on older loans and other changes	-23	-55	39	-39
Provisions for loan losses as at 30.09.2019	39	116	250	405
Provisions for loan losses	29	99	246	374
Provisions for losses on guarantees and undrawn credits	10	17	4	31
Total provision for losses as at 30.09.2019	39	116	250	405

* 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.

6. NON-PERFORMING LOANS

All commitments in stage 3 are defined as non-performing loans. Non-performing loans are defined as commitments where part of the engagement has been overdrawn or had arrears for more than 90 days and the amount exceeds NOK 1 000.

PARENT BANK			NOK million	GROUP		
31.12. 2019	30.09. 2019	30.09. 2020		30.09. 2020	30.09. 2019	31.12. 2019
276	284	311	Gross non-performing loans > 90 days	325	295	286
763	741	691	Other non-performing loans	722	753	787
1 039	1 025	1 002	Total non-performing loans (step 3)	1 047	1 048	1 073
230	250	234	Impairment losses in stage 3	235	250	231
809	775	768	Net non-performing loans	812	798	842
22.1 %	24.4 %	23.3 %	Provisioning non-performing loans	22.4 %	23.9 %	21.5 %
0.41 %	0.42 %	0.47 %	Gross non-performing loans in % of gross loans	0.29 %	0.28 %	0.27 %

7. IMPAIRMENT LOSSES BY SECTOR, INDUSTRY AND STAGE

Impairment losses by sector and industry

PARENT BANK				NOK million		GROUP			
Stage 1	Stage 2	Stage 3	Total impairment losses as of 30.09.2020			Total impairment losses as of 30.09.2020	Stage 3	Stage 2	Stage 1
5	9	31	45	Retail customers	58	32	18	8	
0	0	0	0	Public administration	0	0	0	0	
1	1	1	3	Primary Industry	3	1	1	1	
2	14	4	20	Manufacturing industry	20	4	13	2	
17	27	65	109	Real estate development	109	65	27	17	
2	4	13	19	Building and construction industry	19	13	4	2	
37	92	63	192	Property management	191	63	91	37	
1	1	28	30	Transport	30	28	1	1	
3	16	15	34	Retail trade	34	15	15	3	
1	2	2	5	Hotel and restaurants	5	2	2	1	
2	1	0	3	Housing cooperatives	3	0	1	2	
1	5	11	17	Financial/commercial services	17	11	5	1	
5	5	2	12	Social services	12	2	5	5	
77	178	234	489	Total impairment losses on loans, guarantees and undrawn credit	500	235	183	81	
66	151	230	446	Impairment losses on lending	456	231	156	69	
12	27	4	43	Impairment losses on unused credits and guarantees	43	4	27	12	
77	178	234	489	Total impairment losses	500	235	183	81	

As a result of the corona pandemic, losses were overruled by NOK 75 million in the first quarter. This was based on the significant uncertainty associated with the macroeconomic situation, as well as the effects of the authorities' support measures that the IFRS9 model did not address satisfactorily. In the second quarter, the override was reversed and there is no manual adjustments on losses as of 30.09.2020.

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

8. MIGRATION OF GROSS LOANS

NOK million GROSS LOANS	Amortised cost				Fair value	GROUP Total gross loans incl. accrued interest
	Stage 1	Stage 2	Stage 3	Gross loans		
Gross loans as at 01.01.2020	89 271	10 710	1 034	101 016	5 689	106 704
Transferred to stage 1	2 621	-2 583	-38	0	0	0
Transferred to stage 2	-2 816	2 827	-11	0	0	0
Transferred to stage 3	-132	-60	192	-0	0	0
Net change on present loans	3 810	-56	-44	3 710	0	3 351
New loans	22 355	2 142	-35	24 462	887	25 488
Derecognised loans	-20 827	-2 630	-132	-23 589	-1 133	-24 523
Change in value during the period	0	0	0		-20	0
Gross loans as at 30.09.2020	94 282	10 350	967	105 598	5 423	111 021

NOK million GROSS LOANS	Amortised cost				Fair value	GROUP Total gross loans incl. accrued interest
	Stage 1	Stage 2	Stage 3	Gross loans		
Gross loans as at 01.01.2019	86 297	10 411	978	97 686	5 714	103 400
Transferred to stage 1	1 578	-1 573	-6	0	-	0
Transferred to stage 2	-1 735	1 822	-87	0	-	0
Transferred to stage 3	-57	-59	116	0	-	0
Net change on present loans	-1 479	-448	-51	-1 977	-	-1 977
New loans	21 425	2 301	180	23 906	664	24 570
Derecognised loans	-16 875	-2 107	-99	-19 082	-813	-19 895
Change in value during the period					15	15
Gross loans as at 30.09.2019	89 155	10 347	1 031	100 533	5 579	106 112

NOK million GROSS LOANS	Amortised cost	Fair value through other comprehensive income	Fair value	PARENT BANK Total gross loans incl. accrued interest
Transferred to stage 1	-0	0	0	0
Transferred to stage 2	0	-0	0	0
Transferred to stage 3	-0	-0	0	-0
Net change on present loans	5 166	-303	0	4 863
New loans	1 917	9 854	887	12 657
Derecognised loans	-5 524	-10 815	-1 133	-17 472
Change in value during the period			-20	-20
Gross loan as as 30.09.2020	40 665	20 487	5 423	66 574

NOK million GROSS LOANS	Amortised cost	Fair value through other comprehensive income	Fair value	PARENT BANK Total gross loans incl. accrued interest
Transferred to stage 1	-0	0	0	0
Transferred to stage 2	0	-	-0	-0
Transferred to stage 3	0	-	-	0
Net change on present loans	-441	-342	-	-783
New loans	7 316	9 068	664	17 047
Derecognised loans	-6 401	-6 626	-813	-13 840
Change in value during the period			15	15
Gross loan as as 30.09.2019	38 569	23 004	5 579	67 153

9. CUSTOMER DEPOSITS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.2019	30.09.2019	30.09.2020		30.09.2020	30.09.2019	31.12.2019
28 084	27 936	29 840	Retail customers	29 844	28 032	28 074
9 325	11 041	9 580	Public administration	9 581	11 079	9 326
561	561	699	Primary industry	699	563	561
1 923	1 546	1 316	Manufacturing industry	1 317	1 551	1 923
566	596	675	Real estate development	648	566	561
1 117	1 018	1 237	Building and construction industry	1 237	1 022	1 117
3 066	3 137	3 253	Property management	3 253	3 148	3 066
645	571	603	Transport	603	573	645
1 032	939	1 451	Retail trade	1 451	943	1 032
152	163	296	Hotel and restaurant	296	164	152
186	236	218	Housing cooperatives	218	237	186
5 075	4 861	4 428	Financial/commercial services	4 429	4 877	5 075
6 202	5 757	6 634	Social services	6 635	5 776	6 202
29	372	283	Accrued interests	283	372	29
57 963	58 734	60 513	Total deposits from customers	60 494	58 903	57 949

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

10. LOANS TO CUSTOMERS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.2019	30.09.2019	30.09.2020		30.09.2020	30.09.2019	31.12.2019
30 034	31 039	29 466	Retail customers	72 894	69 977	70 126
498	531	526	Public administration	526	531	499
1 157	1 124	1 123	Primary industry	1 206	1 129	1 159
795	790	929	Manufacturing industry	978	790	796
4 855	4 477	5 906	Real estate development	5 863	4 427	4 836
1 386	1 500	1 372	Building and construction industry	1 585	1 501	1 388
17 239	17 661	17 454	Property management	17 485	17 673	17 257
677	675	551	Transport	624	675	678
1 093	1 106	1 428	Retail trade	1 531	1 107	1 098
274	273	357	Hotel and restaurant	385	273	275
1 248	1 236	1 288	Housing cooperatives	1 289	1 237	1 249
1 872	1 362	802	Financial/commercial services	1 007	1 363	1 874
5 242	5 217	5 255	Social services	5 499	5 223	5 248
173	162	117	Accrued interests	148	205	222
66 545	67 153	66 574	Total gross loans	111 021	106 112	106 704
360	374	446	Impairment losses on lending	456	382	370
66 185	66 779	66 128	Total net loans	110 564	105 730	106 334

*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.

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

Classification of financial instruments

Financial instruments are classified at different levels.

Level 1:

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

Level 2:

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

Level 3:

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

For a more detailed description, see Note 22 Fair value of financial instruments in the 2019 Annual Financial Statements.

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			30.09.2020	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortised cost								
629		629		Cash and receivables from central banks	629		629	
14 144		14 144		Loans to credit institutions	5 091		5 091	
40 225			40 225	Net loans to customers (floating interest rate)	105 141			105 141
Assets recognized at fair value								
5 423			5 423	Net loans to customers (fixed interest rate)	5 423			5 423
20 480			20 480	Net loans to customers (mortgages)				
14 492		14 492		Bonds and certificates	22 543		22 543	
187	6		182	Shares	187	6		182
1 345		1 345		Financial derivatives	5 354		5 354	
96 925	6	30 609	66 310	Total financial assets	144 367	6	33 616	110 746
Liabilities recognized at amortised cost								
7 814		7 814		Liabilities to credit institutions	7 702		7 702	
60 513			60 513	Deposits from customers	60 494			60 494
14 596		14 576		Liabilities from issue of securities	58 832		58 902	
2 003		2 011		Senior non-preferred	2 003		2 011	
1 653		1 314		Subordinated loan capital	1 653		1 314	
Liabilities recognized at fair value								
939		939		Financial derivatives	939		939	
87 517	0	26 653	60 513	Total financial liabilities	131 622	0	70 868	60 494

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.12.2019	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortised cost								
462		462		Cash and receivables from central banks	462		462	
4 063		4 063		Net loans to customers (floating interest rate)	182		182	
38 764			38 764	Assets recognized at fair value	100 645			100 645
Net loans to customers (fixed interest rate)								
5 689			5 689	Net loans to customers (mortgages)	5 689			5 689
21 733			21 733	Bonds and certificates				
16 807		16 807		Shares	19 916		19 916	
189	6		183	Financial derivatives	190	6		184
251		251		Total financial assets	757		757	
87 958	6	21 584	66 368	Liabilities recognized at amortised cost	127 841	6	21 318	106 518
Liabilities to credit institutions								
2 192		2 192		Deposits from customers	1 793		1 793	
57 963			57 963	Liabilities from issue of securities	57 949			57 949
16 707		16 709		Subordinated loan capital	53 430		53 427	
1 971		1 981		Liabilities recognized at fair value	1 971		1 981	
Financial derivatives								
213		213		Total financial liabilities	423		423	
79 046	0	21 095	57 963	Total financial liabilities	115 565	0	57 623	57 949

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			30.09.2019	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortised cost								
742		742		Cash and receivables from central banks	742		742	
3 500		3 500		Loans to credit institutions	111		111	
38 209			38 209	Net loans to customers (floating interest rate)	100 151			100 151
Assets recognized at fair value								
5 579			5 579	Net loans to customers (fixed interest rate)	5 579			5 579
22 990			22 990	Net loans to customers (mortgages)				
14 715		14 715		Bonds and certificates	16 537		16 537	
191	5		186	Shares	192	5		187
338		338		Financial derivatives	881		881	
86 265	5	19 295	66 965	Total financial assets	124 193	5	18 271	105 917
Liabilities recognized at amortised cost								
2 555		2 555		Liabilities to credit institutions	1 641		1 641	
58 734			58 734	Deposits from customers	58 903			58 903
14 559		14 569		Liabilities from issue of securities	49 898		49 969	
1 605		1 612		Subordinated loan capital	1 605		1 612	
Liabilities recognized at fair value								
157		157		Financial derivatives	157		157	
77 610	0	18 893	58 734	Total financial liabilities	112 204	0	53 379	58 903

Movement level 3

GROUP

NOK million	Net loans to customers	Of which credit risk	Shares
Recognized value as at 01.01.2019	5 714	-1	365
Acquisitions Q1, Q2 and Q3 2019	664		114
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	15	14	6
Disposals Q1, Q2 and Q3 2019	-813		
Reclassified as associated company			-298
Recognized value as at 30.09.2019	5 579	13	187
Acquisitions Q4 2019	442		0
Of which, transferred from level 1 or 2			
Change in value recognized during the period	0	0	-4
Disposals Q4 2019	-333		
Reclassified as associated company		13	0
Recognized value as at 31.12.2019	5 689		184
Acquisitions Q1, Q2 and Q3 2020	887		48
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-20	-20	-14
Disposals Q1, Q2 and Q3 2020	-1 133		-37
Reclassified as associated company			
Recognized value as at 30.09.2020	5 423	-7	182

PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares
Recognized value as at 01.01.2019	26 607	-1	365
Acquisitions Q1, Q2 and Q3 2019	2 761		114
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	15	14	6
Disposals Q1, Q2 and Q3 2019	-813		
Reclassified as associated company			-298
Recognized value as at 30.09.2019	28 570	13	187
Acquisitions Q4 2019	-815		0
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	0	0	-4
Disposals Q4 2019	-333		
Reclassified as associated company			0
Recognized value as at 31.12.2019	27 422	13	184
Acquisitions Q1, Q2 and Q3 2020	-366		48
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-20	-20	-14
Disposals Q1, Q2 and Q3 2020	-1 133		-37
Reclassified as associated company			
Recognized value as at 30.09.2020	25 903	-7	182

Sensitivity analysis

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

GROUP / PARENT BANK

NOK million	30.09.2020	30.09.2019	31.12.2019
Loans to customers	21	17	19
- of which loans to corporate market (CM)	2	3	3
- of which loans to retail market (RM)	18	14	16

12. FINANCIAL DERIVATIVES, COLLATERAL RECEIVED AND OFFSETTING

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

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

GROUP						30.09.2020
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	5 354	336	5 018	-3 420	1 598	
Derivatives - liabilities	-939	-336	-603	661	58	
Net	4 415	0	4 415	-2 759	1 656	

GROUP						30.09.2019
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	881	154	727		727	
Derivatives - liabilities	-157	-155	-2		-2	
Net	724	-1	724		725	

PARENT BANK						30.09.2020
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	1 246	279	967	-366	601	
Derivatives - liabilities	-882	-279	-603	661	58	
Net	364	0	364	295	660	

PARENT BANK						30.09.2019
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	338	-35	373		373	
Derivatives - liabilities	-157	36	-193		-193	
Netto	181	1	181		180	

The Group reclassified the presentation of the received collateral as of 01.01.2020. Previously received/paid collateral was presented in the line financial derivatives. Received collateral is now presented as debt to credit institutions and paid collateral area is presented as deposits from credit institutions. Comparative figures have not been restated.

13. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

Debt securities Group

NOK million	30.09.2020	30.09.2019	31.12.2019
Bonds, nominal value	57 820	49 191	52 977
Value adjustments	865	550	273
Accrued interest	147	156	180
Debt incurred due to issuance of securities	58 832	49 898	53 430

Change in debt securities - Group

NOK million	31.12.2019	Issued	Matured/ Redeemed	Other changes during the period	30.09.2020
Bonds, nominal value	52 977	5 000	-3 529	3 372	57 820
Value adjustments	273			592	865
Accrued interest	180			-32	147
Debt incurred due to issuance of securities	53 430	5 000	-3 529	3 932	58 832

Debt securities - Parent bank

NOK Million	30.09.2020	30.09.2019	31.12.2019
Bonds, nominal value	14 269	14 476	16 672
Value adjustments	251	1	-47
Accrued interest	76	82	82
Debt incurred due to issuance of securities	14 596	14 559	16 707

Change in debt securities - Parent bank

NOK million	31.12.2019	Issued	Matured/ Redeemed	Other changes during the period	30.09.2020
Bonds, nominal value	16 672	0	-2 764	361	14 269
Value adjustments	-47			298	251
Accrued interest	82			-7	76
Debt incurred due to issuance of securities	16 707	0	-2 764	653	14 596

Change in subordinated capital - Parent bank and Group

NOK million	31.12.2019	Issued	Matured/ Redeemed	Other changes during the period	30.09.2020
Subordinated loans	1 966	350	-666		1 650
Accrued interest	5			-2	3
Total subordinated loan capital	1 971	350	-666	-2	1 653

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

NOK million	31.12.2019	Issued	Matured/ Redeemed	Other changes during the period	30.09.2020
Non-preferred senior debt	0	2 000	0	0	2 000
Value adjustments	0			3	3
Accrued interest	0			0	0
Total non-preferred senior debt	0	2 000	0	3	2 003

14. EQUITY CERTIFICATE HOLDERS

The 20 largest equity certificate holders as at 30.09.2020 were as follows:

	Number of EC	Share of EC-CAP. %		Number of EC	Share of EC-CAP. %
1. Sparebankstiftelsen Sparebanken Sør	7 988 679	51.00	11. Carl Krogh Arnet	100 000	0.64
2. EIKA utbytte VPF c/o Eika kapitalforv.	717 995	4.58	12. Ottersland AS	100 000	0.64
3. Arendal Kom. pensjonskasse	450 000	2.87	13. MP Pensjon PK	85 523	0.55
4. Pareto Invest AS	417 309	2.66	14. Artel AS	82 131	0.52
5. Glastad Capital AS	300 000	1.92	15. Apriori Holding AS	72 575	0.46
6. Hamjern Invest AS	279 388	1.78	16. Varodd AS	70 520	0.45
7. Wenaasgruppen AS	186 000	1.19	17. Pak Invest AS	67 848	0.43
8. Gumpen Bileiendom AS	174 209	1.11	18. Birkenes Sparebank	66 000	0.42
9. Allumgården AS	151 092	0.96	19. K.T. Brøvig Invest AS	65 639	0.42
10. Catilina Invest AS	114 558	0.73	20. Profond AS	64 490	0.41
Total - 10 largest certificate holders	10 779 230	68.82	Total - 20 largest certificate holders	11 553 956	73.76

As of 1 January 2020, the ownership ratio was 17.2 percent. Hybrid capital, classified as equity, has been excluded when calculating the ownership ratio. As of 30 September 2020, the ownership ratio was 17.3 percent.

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. At the reporting date, Sparebanken Sør owned none of its own equity certificates.

Risk and capital management

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

Credit risk

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

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

Market risk

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

Liquidity risk

Liquidity risk relates to Sparebanken Sør's ability to finance its lending growth and fulfil its loan obligations subject to market conditions. Liquidity risk also includes 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.

Profit (NOK million)	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Net interest income	472	449	525	523	499
Net commission income	91	89	70	91	93
Net income from financial instruments	14	59	-69	-31	31
Other operating income	40	56	-12	26	17
Total net income	617	653	515	609	640
Total operating expenses before losses	226	240	232	233	226
Operating profit before losses	391	413	283	376	414
Losses on loans, guarantees and undrawn credits	6	46	61	-3	-19
Profit before taxes	384	367	221	379	433
Tax expenses	80	79	58	86	102
Profit for the period	304	288	164	293	331

Profit as % of average assets

Net interest income	1.32 %	1.25 %	1.61 %	1.60 %	1.57 %
Net commission income	0.25 %	0.25 %	0.21 %	0.28 %	0.29 %
Net income from financial instruments	0.04 %	0.16 %	-0.21 %	-0.09 %	0.10 %
Other operating income	0.11 %	0.16 %	-0.04 %	0.08 %	0.05 %
Total net income	1.72 %	1.82 %	1.58 %	1.87 %	2.01 %
Total operating expenses before losses	0.63 %	0.67 %	0.71 %	0.71 %	0.71 %
Operating profit before losses	1.09 %	1.15 %	0.87 %	1.15 %	1.30 %
Losses on loans, guarantees and undrawn credit	0.02 %	0.13 %	0.19 %	-0.01 %	-0.06 %
Profit before taxes	1.07 %	1.02 %	0.68 %	1.16 %	1.36 %
Tax expenses	0.22 %	0.22 %	0.18 %	0.26 %	0.32 %
Profit for the period	0.85 %	0.80 %	0.50 %	0.90 %	1.04 %

Key figures, income statement

Return on equity after tax (adjusted for hybrid capital)	9.6 %	8.8 %	5.0 %	9.6 %	11.2 %
Costs as % of income	36.6 %	36.8 %	45.1 %	38.2 %	35.3 %
Costs as % of income, excl. net income from financial instruments	37.5 %	40.4 %	39.8 %	36.4 %	37.1 %

Key figures, balance sheet

Total assets	146 227	141 566	142 001	129 499	125 836
Average total assets	142 400	142 000	129 600	129 600	126 200
Net loans to customers	110 564	109 049	107 590	106 334	105 730
Growth in loans as %, last 12 mths.	4.6 %	3.9 %	4.5 %	3.3 %	3.8 %
Customer deposits	60 494	60 055	57 658	57 949	58 903
Growth in deposits as %, last 12 mths.	2.7 %	0.2 %	0.2 %	2.5 %	4.3 %
Deposits as % of net loans	54.7 %	55.1 %	53.6 %	54.5 %	55.7 %
Equity (incl. hybrid capital)	13 750	13 474	13 215	13 081	12 511
Losses on loans as % of net loans, annualised	0.02 %	0.17 %	0.23 %	-0.01 %	-0.07 %
Gross non-performing loans (over 90 days) as % of gross lending	0.29 %	0.24 %	0.29 %	0.27 %	0.28 %

Other key figures

Liquidity reserves (LCR), Group	126 %	126 %	156 %	148 %	164 %
Liquidity reserves (LCR), Group- EUR	172 %	172 %	198 %	1168 %	3503 %
Liquidity reserves (LCR), Parent Bank	152 %	152 %	189 %	140 %	141 %
Common equity tier 1 capital ratio	15.7 %	15.7 %	15.6 %	15.7 %	15.1 %
Tier 1 capital ratio	17.5 %	17.6 %	17.5 %	17.6 %	16.6 %
Total capital ratio	19.6 %	19.7 %	20.0 %	20.3 %	18.7 %
Common equity tier 1 capital	12 029	11 823	11 606	11 356	11 140
Tier 1 capital	13 440	13 234	13 017	12 767	12 252
Net subordinated capital	14 989	14 793	14 875	14 686	13 805
Leverage ratio	8.8 %	9.1 %	8.9 %	9.3 %	9.1 %
Number of branches	35	34	34	34	34
Number of FTEs in banking operations	440	436	434	429	429

Key figures, equity certificates

Equity certificate ratio	17.3 %	17.3 %	17.2 %	17.2 %	17.2 %
Number of equity certificates issued	15 663 944	15 663 944	15 663 944	15 663 944	15 663 944
Profit per equity certificate (Parent Bank)	2.0	2.3	3.6	2.4	2.8
Profit per equity certificate (Group)	3.2	2.9	1.6	3.1	3.5
Dividend last year per equity certificate (Parent Bank)	0.0	0.0	0.0	8.0	6.0
Book equity per equity certificate	136.4	133.3	130.2	128.5	125.6
Price/book value per equity certificate	0.75	0.74	0.66	0.86	0.76
Listed price on Oslo Stock Exchange at end of period	102.5	98.8	86.0	110.0	95.0

Key figures Group 2015-2019

	31.12. 2019	31.12. 2018	31.12. 2017	31.12. 2016	31.12. 2015
Income statement (NOK million)					
Net interest income	1 926	1 729	1 679	1 565	1 544
Net commission income	344	318	312	293	300
Net income from financial instruments	24	2	88	224	-66
Other operating income	74	23	18	28	14
Total net income	2 368	2 072	2 097	2 110	1 792
Total operating expenses before losses	918	884	811	787	817
Operating profit before losses	1 450	1 188	1 286	1 323	975
Losses on loans and guarantees	-17	-36	20	50	97
Profit before taxes	1 467	1 224	1 266	1 273	878
Tax expenses	342	285	282	284	231
Profit for the period	1 125	939	984	989	647
Profit as a percentage of average assets					
Net interest income	1.53 %	1.46 %	1.53 %	1.49 %	1.58 %
Net commission income	0.27 %	0.27 %	0.28 %	0.28 %	0.31 %
Net income from financial instruments	0.02 %	0.00 %	0.08 %	0.21 %	-0.07 %
Other operating income	0.06 %	0.02 %	0.02 %	0.03 %	0.01 %
Total net income	1.88 %	1.75 %	1.92 %	2.01 %	1.83 %
Total operating expenses before losses	0.73 %	0.75 %	0.74 %	0.75 %	0.83 %
Operating profit before losses	1.15 %	1.00 %	1.17 %	1.26 %	0.99 %
Losses on loans and guarantees	-0.01 %	-0.03 %	0.02 %	0.05 %	0.10 %
Profit before taxes	1.17 %	1.03 %	1.16 %	1.21 %	0.90 %
Tax expenses	0.27 %	0.24 %	0.26 %	0.27 %	0.24 %
Profit for the period	0.89 %	0.79 %	0.90 %	0.94 %	0.66 %
Key figures, income statement					
Return on equity after tax (adjusted for hybrid capital)	9.5 %	8.5 %	9.7 %	11.3 %	8.4 %
Costs as % of income	38.8 %	42.7 %	38.7 %	37.3 %	45.6 %
Costs as % of income, excl. net income from financial instruments	39.2 %	42.7 %	40.4 %	41.7 %	44.0 %
Key figures, balance sheet					
Total assets	129 499	121 125	114 310	105 455	101 334
Average total assets	125 900	118 600	109 500	104 950	98 000
Net loans to customers	106 334	102 942	97 518	90 928	88 387
Growth in loans as %, last 12 mths.	3.3 %	5.6 %	7.2 %	2.9 %	9.2 %
Customer deposits	57 949	56 537	55 580	51 562	48 349
Growth in deposits as %, last 12 mths.	2.5 %	1.7 %	7.8 %	6.6 %	0.2 %
Deposits as % of net loans	54.5 %	54.9 %	57.0 %	56.7 %	54.7 %
Equity (incl. hybrid capital)	13 081	11 845	11 108	10 051	8 263
Losses on loans as % of net loans, annualised	-0.01 %	-0.17 %	0.02 %	0.05 %	0.11 %
Gross non-performing loans (over 90 days) as % of gross lending	0.27 %	0.21 %	0.28 %	0.30 %	0.47 %
Other key figures					
Liquidity reserves (LCR), Group	148 %	159 %	139 %	128 %	108 %
Liquidity reserves (LCR), Group- EUR	1168 %	4727 %	3105 %		
Liquidity reserves (LCR), Parent Bank	140 %	180 %	134 %	119 %	71 %
Common equity tier 1 capital ratio	15.7 %	14.8 %	14.9 %	14.7 %	12.7 %
Tier 1 capital ratio	17.6 %	16.6 %	16.7 %	16.0 %	13.5 %
Total capital ratio	20.3 %	18.7 %	18.9 %	17.9 %	15.5 %
Common equity tier 1 capital	11 356	10 517	9 890	9 114	7 700
Tier 1 capital	12 767	11 591	10 965	9 939	8 210
Net total primary capital	14 686	13 096	12 347	11 121	9 388
Leverage ratio	9.3 %	9.1 %	9.2 %	8.6 %	7.0 %
Number of branches	34	34	34	34	40
Number of FTEs in banking operations	429	434	432	439	449
Key figures, equity certificates					
Equity certificate ratio before profit distribution	17.2 %	17.9 %	18.7 %	19.8 %	13.5 %
Number of equity certificates issued	15 663 944.0	15 663 944	15 663 944	15 663 944	4 768 674
Profit per equity certificate (Parent Bank)	9.3	7.7	8.9	8.5	10.6
Profit per equity certificate (Group)	11.7	10.1	11.2	10.7	17.6
Dividend last year per equity certificate (Parent Bank)	8.0	6.0	6.0	6.0	9.0
Book equity per equity certificate	128.5	123.2	120.0	115.2	219.0
Price/book value per equity certificate	0.9	0.8	0.9	0.8	0.6
Listed price on Oslo Stock Exchange at end of period	110.0	96.9	104.0	91.3	139.0

	Q3	Q2	Q1	Q4	Q3	30.09.	30.09.	31.12.
NOK million	2020	2020	2020	2019	2019	2020	2019	2019
Return on equity adjusted for hybrid capital								
Profit after tax	304	288	164	293	331	756	832	1 125
Interest on hybrid capital	-13	-25	-18	-14	-13	-56	-46	-60
Profit after tax, incl. Interest on hybrid capital	291	263	146	279	318	700	786	1 065
Opening balance, equity	13 215	13 215	13 081	12 511	12 200	13 081	11 845	11 845
Opening balance, hybrid capital	-1 375	-1 375	-1 375	-1 075	-1 075	-1 375	-1 075	-1 075
Opening balance, equity excl. hybrid capital	11 840	11 840	11 706	11 436	11 125	11 706	10 770	10 770
Closing balance, equity	13 750	13 475	13 215	13 081	12 511	13 750	12 511	13 081
Closing balance, hybrid capital	-1 375	-1 375	-1 375	-1 375	-1 075	-1 375	-1 075	-1 375
Closing balance, equity excl. hybrid capital	12 375	12 100	11 840	11 706	11 436	12 375	11 436	11 706
Average equity	13 482	13 345	13 148	12 796	12 356	13 415	12 178	12 463
Average equity excl. Hybrid capital	12 107	11 970	11 773	11 571	11 281	12 040	11 103	11 238
Return on equity	9.0 %	8.7 %	5.0 %	9.1 %	10.6 %	7.5 %	9.1 %	9.0 %
Return on equity, excl. hybrid capital	9.6 %	8.8 %	5.0 %	9.6 %	11.2 %	7.8 %	9.5 %	9.5 %
Net interest income, incl. interest on hybrid capital								
Net interest income, incl. interest on hybrid capital	472	449	525	523	499	1 446	1 403	1 926
Interest on hybrid capital	-13	-25	-18	-14	-13	-56	-46	-60
Net interest income, incl. interest on hybrid capital	459	424	507	509	486	1 390	1 357	1 866
Average total assets	142 400	142 000	135 000	129 600	126 200	138 000	124 600	125 900
As percentage of total assets	1.28 %	1.20 %	1.51 %	1.56 %	1.53 %	1.34 %	1.46 %	1.48 %
Profit from ordinary operations (adjusted earnings)								
Net interest income, incl. Interest on hybrid capital	459	424	507	509	486	1 390	1 357	1 866
Net commission income	91	89	70	91	93	250	253	344
Share of profit from associated companies (excl. Value adjustment (Balder/Vipps))	40	52	-14	21	16	27	43	64
Other operating income	-1	4	2	5	1	1	5	10
Operating expenses	226	240	232	233	226	458	685	918
Profit from ordinary operations (adjusted earnings), before tax	364	329	334	393	370	1 210	973	1 366
Profit excl. Finance and adjusted for non-recurring items								
Net interest income, incl. hybrid capital	459	424	507	509	486	1 390	1 357	1 866
Net commission income	91	89	70	91	93	250	253	344
Share of profit from associated companies (excl. Value adjustment Balder/Vipps)	40	52	-14	21	16	27	43	64
Other operating income	-1	4	2	5	1	1	5	10
Operating expenses	226	240	232	233	226	458	685	918
Losses on loans, guarantees and undrawn credits	6	46	61	-3	-19	68	-14	-17
Profit excl. Finance and adjusted for non-recurring items	357	283	273	396	389	1 143	987	1 383
Tax (25 %)	89	71	68	99	97	286	247	346
Ordinary operations /adjusted earnings after losses and tax	268	212	204	297	292	857	741	1 037
Average equity, excl. hybrid capital	12 107	11 970	11 773	11 571	11 281	12 040	11 103	11 238
Return on equity, profit excl. Finance and adjusted for non-recurring items	8.8 %	7.1 %	7.0 %	10.2 %	10.3 %	9.5 %	8.9 %	9.2 %
Average interest rates/margins								
Average lending rate RM (return)	2.19 %	2.48 %	3.31 %	3.26 %	3.09 %			
Average lending rate CM (return)	2.80 %	3.37 %	4.11 %	4.03 %	3.86 %			
Average deposit rate RM	0.44 %	0.91 %	1.11 %	1.03 %	0.94 %			
Average deposit rate CM	0.44 %	0.70 %	1.41 %	1.49 %	1.37 %			
Average 3-month NIBOR	0.28 %	0.47 %	1.67 %	1.84 %	1.63 %			
Lending margin RM (lending rate - 3-month NIBOR)	1.91 %	2.01 %	1.64 %	1.42 %	1.46 %			
Lending margin CM (lending rate - 3-month NIBOR)	2.52 %	2.90 %	2.44 %	2.19 %	2.23 %			
Deposit margin RM (3-month NIBOR - deposit rate)	-0.16 %	-0.44 %	0.56 %	0.81 %	0.69 %			
Deposit margin CM (3-month NIBOR - deposit rate)	-0.16 %	-0.23 %	0.26 %	0.35 %	0.26 %			

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

Alternative performance measures – APM

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

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

Sparebanken Sør's APMs and definitions

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



SPAREBANKEN SØR