



SPAREBANKEN SØR

Q2 2021



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# Key figures Group

Income statement (NOK million)	Q2 2021	Q2 2020	30.06.2021	30.06.2020	31.12.2020
Net interest income	488	449	939	974	1 914
Net commission income	110	89	197	159	347
Net income from financial instruments	-11	59	-3	-10	40
Other operating income	48	56	77	45	143
<b>Total net income</b>	<b>635</b>	<b>653</b>	<b>1 210</b>	<b>1 168</b>	<b>2 444</b>
Total operating expenses before losses	260	240	501	472	958
<b>Operating profit before losses</b>	<b>375</b>	<b>413</b>	<b>709</b>	<b>696</b>	<b>1 486</b>
Losses on loans, guarantees and unused credit	-11	46	-22	107	83
<b>Profit before taxes</b>	<b>386</b>	<b>367</b>	<b>731</b>	<b>589</b>	<b>1 403</b>
Tax expenses	77	79	148	137	307
<b>Profit for the period</b>	<b>309</b>	<b>288</b>	<b>583</b>	<b>452</b>	<b>1 096</b>
<b>Profit as a percentage of average assets</b>					
Net interest income	1.40 %	1.25 %	1.32 %	1.42 %	1.36 %
Net commission income	0.31 %	0.25 %	0.28 %	0.23 %	0.25 %
Net income from financial instruments	-0.03 %	0.16 %	0.00 %	-0.02 %	0.03 %
Other operating income	0.14 %	0.16 %	0.11 %	0.07 %	0.10 %
<b>Total net income</b>	<b>1.82 %</b>	<b>1.82 %</b>	<b>1.71 %</b>	<b>1.70 %</b>	<b>1.74 %</b>
Total operating expenses before losses	0.74 %	0.67 %	0.71 %	0.69 %	0.68 %
<b>Operating profit before losses</b>	<b>1.07 %</b>	<b>1.15 %</b>	<b>1.00 %</b>	<b>1.01 %</b>	<b>1.06 %</b>
Losses on loans, guarantees and unused credit	-0.03 %	0.13 %	-0.03 %	0.16 %	0.06 %
<b>Profit before taxes</b>	<b>1.11 %</b>	<b>1.02 %</b>	<b>1.03 %</b>	<b>0.86 %</b>	<b>1.00 %</b>
Tax expenses	0.22 %	0.22 %	0.21 %	0.20 %	0.22 %
<b>Profit for the period</b>	<b>0.89 %</b>	<b>0.80 %</b>	<b>0.82 %</b>	<b>0.66 %</b>	<b>0.78 %</b>
<b>Key figures, income statement</b>					
Return on equity after tax (adjusted for hybrid capital)	9.0 %	8.8 %	8.7 %	6.9 %	8.4 %
Costs as % of income	40.9 %	36.8 %	41.4 %	40.4 %	39.2 %
Costs as % of income, excl. net income from financial instruments	40.2 %	40.4 %	41.3 %	40.1 %	39.9 %
<b>Key figures, balance sheet</b>					
Total assets	140 413	141 566	140 413	141 566	142 126
Average total assets	140 000	142 000	143 000	138 000	140 400
Net loans to customers			115 114	109 049	111 577
Growth in loans as % last 12 mths.			5.6 %	3.9 %	4.9 %
Customer deposits			66 042	60 055	59 833
Growth in deposits as % last 12 mths.			10.0 %	0.2 %	3.3 %
Deposits as % of net loans			57.4 %	55.1 %	53.6 %
Equity (incl. hybrid capital)			14 076	13 475	13 752
Losses on loans as % of net loans, annualised			-0.04 %	0.17 %	0.07 %
<b>Other key figures</b>					
Liquidity reserve (LCR) Group			146 %	126 %	173 %
Liquidity reserve (LCR) Group - Euro			345 %	172 %	107 %
Liquidity reserve (LCR) Parent Bank			135 %	152 %	154 %
Common equity tier 1 capital ratio			16.0 %	15.7 %	15.7 %
Tier 1 capital ratio			17.4 %	17.6 %	17.1 %
Total capital ratio			19.5 %	19.7 %	19.1 %
Total common equity tier 1 capital ratio			12.634	11.823	12.204
Tier 1 capital ratio			13.755	13.234	13.315
Net subordinated capital			15.454	14.793	14.864
Leverage ratio			9.2 %	9.1 %	8.9 %
<b>Key figures, equity certificates</b>					
Equity certificate ratio, weighted average over the period			16.0 %	17.3 %	17.3 %
Number of equity certificates issued			15 663 944	15 663 944	15 663 944
Profit/diluted earnings per equity certificate (Parent bank)	2.3	2.3	7.3	5.9	10.5
Profit/diluted earnings per equity certificate (Group)	3.0	2.9	5.7	4.5	11.3
Proposed dividend last year per equity certificate			14.0	-	14.0
Paid out dividend last year per equity certificate			10.4	-	-
Book equity per equity certificate			133.6	133.3	140.0
Price/book value per equity certificate			1.0	0.7	0.8
Listed price on Oslo Stock Exchange at end of period			129.0	98.8	114.5

## Board of Director's report

### General

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

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

### Highlights in Q2 2021

- Efficient operations and low costs
- Good results from Frende, Brage and Sørmeqleren
- Net entry on losses on loans
- Annualised growth in lending of 8.2 percent
- Annualised growth in deposits of 34.3 percent
- Return on equity after tax of 9.0 percent
- Common equity tier 1 (CET1) ratio of 16.0 percent and Leverage Ratio of 9.2 percent

### Highlights 1st half 2021

- Efficient operations and low costs
- Good results from Frende, Brage and Sørmeqleren
- Net entry on losses on loans
- 12-month lending growth of 5.6 per cent
- 12-month deposit growth of 10.0 percent.
- Return on equity after tax of 8.7 percent
- Common equity tier 1 (CET1) ratio of 16.0 percent and Leverage Ratio of 9.2 percent

### Financial framework conditions

The coronavirus pandemic is still impacting the Norwegian economy, and the year started with a further tightening of infection control measures. Despite this, the finance markets have rallied, and a significant increase in activity is likely over the summer. The economic upturn experienced in recent months has been driven in particular by increased consumer demand.

In June 2021, the policy interest rate was kept unchanged at a record low of zero percent. Given Norges Bank's assessment of the outlook and risk picture, it seems more than likely that the policy interest rate will be raised in September 2021. Norges Bank pointed to the continuing uncertainty surrounding the pandemic, but also highlighted the economic activity which has improved significantly and more quickly than previously expected.

The yields seen in the money- and bond markets have fallen in recent quarters, and have stabilised at a low level in the first half of 2021. This applies both in Norway and abroad.

Annual growth in the general public's gross domestic debt, C2, totalled 5.3 percent at the end of June. Credit growth for households and businesses was 5.2 percent and 4.6 percent respectively.

In the second quarter of 2021, the Ministry of Finance decided to raise the countercyclical capital buffer requirement for banks from 1.0 percent to 1.5 percent effective 30 June 2022. The requirement had been reduced from 2.5 percent in March 2020. The change was made to help prevent a more restrictive lending practice by the banks from reinforcing the economic downturn caused by the Covid-19 pandemic. Norges Bank, which advises the Ministry with regard to the capital buffer level, and provides a basis for it's decisions, has pointed out that activities in the Norwegian economy have picked up again following the sharp downturn in 2020. Norges Bank has signalled that the buffer will return to 2.5 percent in the medium term, and as it stands now, Norges Bank will advise on a further increase in the buffer requirement during 2021.

### Earnings

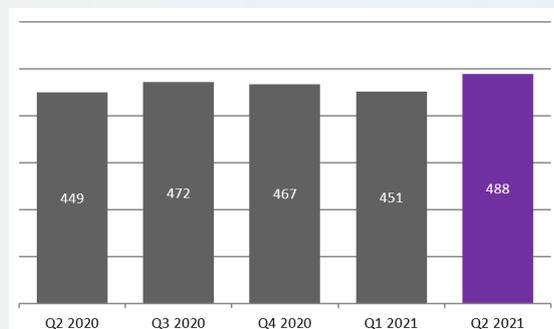
Sparebanken Sør posted a profit before tax of NOK 386 million in Q2 2021, compared with NOK 367 million in the same period in 2020. The Group achieved a return on equity after tax of 9.0 percent in the Q2 2021, compared with 8.8 percent in the same period in 2020.

Sparebanken Sør made a profit before tax of NOK 731 million in the first half of 2021, compared with NOK 589 million in the same

period in 2020. This represents an increase of NOK 142 million. The return on equity after tax was 8,7 percent in the first half of 2021, the return on equity after tax was 6.9 percent in the corresponding period in 2020.

## Net interest income

### Quarterly net interest income (NOK million)



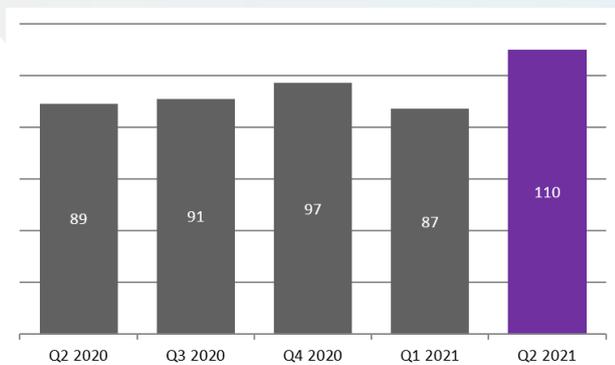
Net interest income totalled NOK 488 million in Q2 2021, compared with NOK 449 million in Q2 2020, an increase of NOK 39 million.

Net interest rate fell markedly in the Q2 2020, as a result of Norges Bank's cut in the policy rate to a record-low of 0 percent. Sparebanken Sør followed up by notifying its customers with a reduction in the lending rates in the same period. The bank also implemented changes in interest rates on some deposits in 2020. The interest rate changes have put pressure on the bank's overall interest margin (lending rate - deposit rate).

Net interest income increased in Q2 2021. This was mainly attributable to good deposit and lending growth, more interest days in the quarter, a major bond maturity (EUR 500 million) in the Group at the end of March, and a fall in the NIBOR in the last quarter.

## Commission income

### Quarterly net commission income (NOK million)



Net commission income totalled NOK 110 million in Q2 2021, compared with NOK 89 million in Q2 2020.

Gross commission income in Q2 2021 totalled NOK 124 million, compared with NOK 102 million in Q2 2020.

Commission income	Q2 2021	Q2 2020	Change	30.06 2021	30.06 2020	Change
Payment services	41	38	3	78	78	0
Real estate brokerage	57	42	15	98	66	32
Mutual Fund	8	6	1	15	12	3
Insurance	8	7	1	16	15	2
Other commission income	9	9	0	19	18	1
<b>Total</b>	<b>124</b>	<b>102</b>	<b>22</b>	<b>227</b>	<b>188</b>	<b>39</b>

Net commission income has shown a good development in 2021. The bank's real estate agent, Sørmeqleren, has had a very positive development. There has also been a positive profit trend in the savings area and income from sale of insurance.

### Financial instruments

Net income from financial instruments totalled NOK -11 million in Q2 2021, compared with NOK 59 million in Q2 2020.

Net income from financial instruments	Q2 2021	Q2 2020	Change	30.06 2021	30.06 2020	Change
Bonds and certificates	-15	45	-60	-19	-39	19
Shares incl. dividends	15	6	9	18	7	11
Fixed rate loans	-10	-18	8	-3	-4	1
Securities issued - hedge accounting	5	28	-23	-4	20	-25
Repurchase of issued bonds	-14	-6	-8	-14	-10	-4
Other financial instruments	9	3	6	20	16	5
<b>Total</b>	<b>-11</b>	<b>59</b>	<b>-70</b>	<b>-3</b>	<b>-10</b>	<b>7</b>

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 shareholdings in Frende Holding AS and Brage Finans AS. This has been done as part of the bank's strategic efforts to boost its ability to offer relevant, integrated and attractive solutions to our customers. The move has also been an important step in diversifying the Group's revenues.

In February 2021, the Group temporarily increased its shareholding in Brage from 20.8 percent to 24.9 percent. In June 2021, the Bank resold the shares and reduced its shareholding back to 20.8 percent. The transactions have had no impact on profit or loss, apart from the fact that a larger percentage of Brage's profits have been recognised in the quarter.

The profit share from associated companies amounted to NOK 45.3 million in Q2 2021, compared with NOK 52.1 million in the corresponding period in 2020. In the first half of the year, the profit share amounted to NOK 74.5 million, up from NOK 38.6 million in 2020.

Sparebanken Sør's share of the profit in Brage Finans AS totalled to NOK 12.4 million in Q2 2021. In the first half of the year, share of profit amounted to NOK 23.3 million.

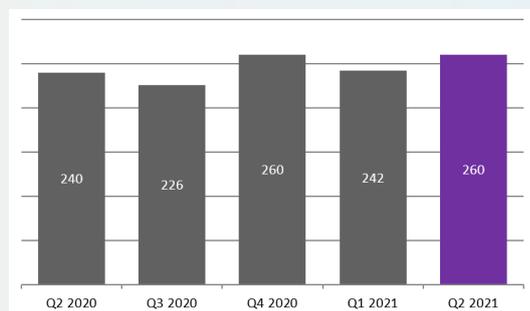
Sparebanken Sør's share of the profit in Frende Holding AS totalled to NOK 38.3 million in Q2 2021. In the first half of the year, share of profit amounted to NOK 50.9 million.

Excess value was identified in connection with the stepwise acquisition of shares in Frende Holding AS. This will depreciate over the relevant assets' expected economic lifetime. The group has amortised the surplus values by NOK 5.4 million in the second quarter and NOK 10.8 million in the first half of the year.

The fair value of shares in Vipps was adjusted in Q1 2021. This had a positive impact on the shares in Balder Betaling AS. The fair value adjustment totalled to NOK 11.1 million. No value adjustment was made in Q2.

## Operating expenses

### Quarterly operating expenses (NOK million)



Operating expenses amounted to NOK 260 million in Q2 2021, up from NOK 240 million in the same periode in 2020.

There has been high activity in the brokerage business in 2021 and Sørmeqleren accounts for a significant part of the cost increase. Costs in the banking business amounted to NOK 216 million in Q2 2021, up from NOK 208 million in Q2 2020.

Cost-income ratio in the Group was 40.9 percent (36.8 percent). Cost-income ratio, excluding financial instruments, was 40.2 percent (40.4 percent). Cost-income ratio in the banking business were 37.5 percent in Q2 2021.

## Losses and non-performing loans

Net losses on loans, totalled a net entry on loans amounted to NOK 11 million in Q2 2021, compared to net loss of NOK 46 million in Q2 2020. The net entry on losses is primarily attributable to a positive development in the macroeconomic picture, which reduced model based losses on loans calculated according to the accounting standard IFRS9.

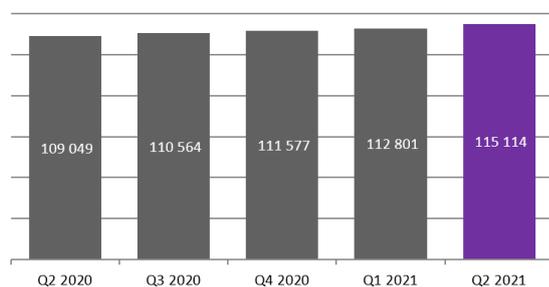
The Covid-19 pandemic has effected several business sectors, and the government has implemented extensive and wide-ranging support measures. The Bank has virtually no direct exposure to the oil and offshore industries, which are strongly affected by the downturn in oil prices. The Bank's indirect exposure 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. There are still uncertainty regarding the downside for the Banks customers.

The Group's impairment losses were calculated to NOK 430 million by the end of Q2 2021, which is equivalent to 0.37 percent of gross loans. The corresponding figures for 2020 were NOK 495 million and 0.45 percent of gross loans.

Non-performing loans (stage 3) were NOK 912 million, which represented 0.79 percent of gross loans. The definition of non-performin loans was changed at 1 January 2021, without causing a significant change in the overall level of default. Non-performing loans are still at a very low level.

## Loans

### Loans in NOK million



Over the past 12 months net loans increased by NOK 6.1 billion to a total of NOK 115.1 billion, representing a growth of 5.6 percent. Loan growth in Q2 2021 was NOK 2.3 billion, representing a growth of 8.2 percent.

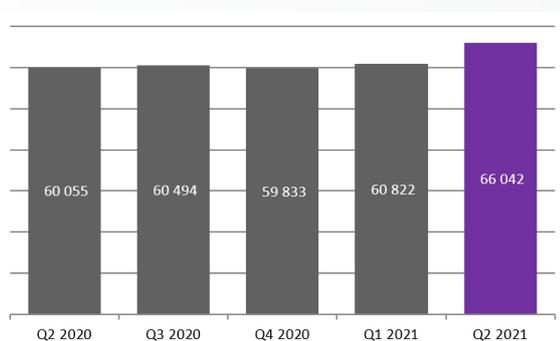
Over the past 12 months, gross loans to retail customers increased by NOK 3.9 billion to NOK 75.8 billion, a growth of 5.5 percent.

Gross loans to corporate customers increased by NOK 2.1 billion to NOK 39.5 billion over the last 12 months, representing a growth of 5.6 percent.

Loans to retail customers accounted for 66 percent (66 percent) of total loans at the end of Q2 2021.

## Deposits

### Deposits in NOK million



Over the past 12 months, customer deposits increased by NOK 5.9 billion to NOK 66.0 billion, a growth of 10.0 percent. Deposit growth in Q2 2021 amounted to NOK 5.2 billion, which corresponds to an annualized growth of as much as 34.3 percent.

Deposits from retail customers increased by NOK 1.6 billion to NOK 31.8 billion, a growth of 5.2 percent.

Deposits from corporate customers increased by NOK 4.6 billion to NOK 34.1 billion, a growth of 15.5 percent.

Deposits in percent of net loans were 57.4 percent at the end of Q2 2021, up from 55.1 percent at the same time in 2020.

## 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 funding in the international market through established EMTN programs.

At the end of Q2 2021, wholesale funding amounted to NOK 51.7 billion, of which 80 percent consisted of covered bonds. Long-term funding (over 1 year maturity) had an average maturity of 4.1 years at the end of the quarter.

Liquidity in the Norwegian bond market showed improvement through the last three quarters, and the credit spreads have been relatively stable through Q2 2021.

The Group's portfolio of interest-bearing securities totalled NOK 19.0 billion as at 30 June 2021. The Group's liquidity reserve (LCR) amounted to 146 percent as at 30 June 2021 (135 percent in Parent bank).

## Rating

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

Based on Moody's updated methodology, the rating for senior non-preferred debt (SNP) was upgraded to A3 (Baa1). This will give the Bank access to a broader investor market, as well as access to important funding on competitive terms ahead.

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

## Subordinated capital and capital adequacy

At the end of Q2 2021, net subordinated capital totalled NOK 15.5 billion. Total tier 1 capital totalled NOK 13.8 billion and common tier 1 capital totalled NOK 12.6 billion. At the same date the (total) capital ratio for the Sparebanken Sør Group was 19.5 percent, the tier 1 capital ratio was 17.4 percent and the common equity tier 1 (CET1) capital ratio was 16.0 percent. The calculations are based on the standard method in the Basel II regulations. Brage Finans AS is proportionally consolidated in accordance with the rules on cooperative groups.

The parent bank had a (total) capital ratio of 21.5 percent, a tier 1 capital ratio of 18.9 percent and a CET1 capital ratio of 17.3 percent at the end of Q2 2021.

In 2018, the Pillar 2 requirement for Sparebanken Sør was set to 2.0 percent of risk-weighted assets. The Financial Supervisory Authority (FSA) was intended to assess the group's risk and capital requirements (SREP) in 2020. However, the authority did not issue any new Pillar 2 decision in 2020 due to the Covid-19 pandemic. The bank will therefore undergo a new SREP in 2021. The Group performed an Internal Capital Adequacy Assessment Process (ICAAP) in 2021, which indicated that the Pillar 2 requirement should be set significantly lower than 1.5 percent of risk-weighted assets.

In Q1 2020, the Norwegian Ministry of Finance decided to reduce the countercyclical buffer requirements for banks from 2.5 percent to 1 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. In Q2 2021, on advice from the FSA, the Norwegian Ministry of Finance decided to increase the requirement for the countercyclical buffer to 1.5 percentage points effective 30 June 2022. Norges Bank assumes that the buffer will return to 2.5 percent in the long term, and expect to give advice on a further increase in the buffer requirement during 2021. In the Bank's capital plan, full coverage of a total increase of 1.5 percentage points is estimated throughout the period 2022–2024.

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.

It remains unclear when the changes in the EU's banking regulations will be implemented in Norway. This will affect, among other things, Part 2 of the SME discount. The Group's analyses show that the reduction in risk-weighted assets, as a result of Part 2 of the SME discount, will increase the CET1 ratio by approx. 0.6 percentage points.

The Norwegian Ministry of Finance has amended the statutory regulations to put into effect the EU's Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD) IV with effect from 31 December 2019. The systemic risk buffer requirement has been increased from 3.0 to 4.5 percent. The Group, which uses the standard method to calculate capital adequacy, will meet the increased system risk buffer requirement with effect from 31 December 2022.

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

The introduction of the revised Basel III framework ("Basel IV") was initially due to have been implemented in the EU from 2022, with transitional rules until 2027, but this has been postponed by one year until 1 January 2023, with transitional rules until 2028.

The timing of the introduction in Norway has not been clarified, but is now not expected to take place before 1 January 2023. The introduction of a new and more risk-sensitive standard method for calculating credit risk will be a key feature of these regulations. Based on the composition of the Group's loan portfolio, the new standard regulations for credit risk are expected to be highly beneficial for the Group. Based on preliminary information, they are expected to improve the CET1 capital adequacy ratio in the range of 1.5-2.5 percentage points.

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. Sparebanken Sør is the only major regional bank that uses the standard method to calculate capital adequacy, and the Bank currently has a higher leverage ratio than the other regional banks. Sparebanken Sør also aims to have a quality of risk management on a par with comparable banks, and has started a process to seek approval from the FSA to apply an internal ratings-based (IRB) approach to calculate capital requirements. A thorough assessment is now being made of the effect of the new standard regulations of "Basel IV" on the Group, which may also impact work to prepare the IRB application.

The Group's Leverage Ratio stood at 9.2 percent at the close of Q2 2021, compared with 9.1 percent at the close of Q2 2020. The Bank's capital adequacy is highly satisfactory.

The Bank Resolution and Recovery Directive (BRRD) has introduced a minimum requirement for the sum of subordinated capital and convertible debt (MREL). This entails a new requirement for convertible/non-preferred debt ("Tier 3"), which also applies to Sparebanken Sør. The requirement for subordinated capital must be met by 1 January 2024, and can be phased in, as the Group, up to this point, can include unsecured senior bond debt with a remaining term of at least one year in its fulfilment of the minimum requirement. A phase-in of subordinated loan capital must be linear, so that the Group, during 2021, will phase in at least 1/3 of the remaining need for subordinate capital during the 2021-2023 phase-in period, calculated as of 31 December 2020.

The requirement is set by the FSA, and the MREL is at 32.0 percent of the calculation basis, which is an adjusted risk-weighted credit commitment amount based on the bank's balance sheet.

In January 2021, Sparebanken Sør issued a senior non-preferred bond (Tier 3) with a nominal value of NOK 1 billion with a maturity of 6 years and first call option for the issuer after 5 years. Sparebanken Sør has per. Q2 2021 issued NOK 3 billion in senior non-preferred debt.

### **The bank's equity certificates**

As at 30 June 2021, the Bank had issued 15 663 944 equity certificates. Sparebanken Sør owned 100,000 of its own equity certificates.

Earnings per equity certificate (for the Group) came to NOK 3.0 in Q2 2021 and NOK 5.7 in the first half of the year. The ownership ratio at the end of Q2 2021 came to 16.0 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 between equity certificate capital (equity certificate owners) and primary capital based on their share of the equity .

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.

The Board of Directors proposed to the Board of Trustees that a dividend of NOK 14 per equity certificate be paid out as a dividend for 2020. This includes a dividend of NOK 8 per equity certificate for 2019, which had previously been withheld. This amounts to approx. 69 percent of the Group's profit per equity certificate in 2019. The dividend for 2020, totalling NOK 6 per equity certificate, amounts to approx. 53 percent of the Group's profit per equity certificate in 2020. The proposal presumed that an application was submitted to the FSA.

For 2019, the bank transferred the entire profit belonging to shareholder capital to the equalization fund. This was required under the guidelines applicable at that time, which did not permit the boards of savings banks to distribute surplus funds on the basis of an authorisation issued by their board of trustees.

On Friday, 5 March 2021, the Norwegian FSA rejected Sparebanken Sør's application regarding dispositions from the equalization fund. Rejection was based on the uncertain macroeconomic outlook and that the Financial Supervisory Authority of Norway is generally reluctant to allow disposition from the equalization fund, cf. consultations regarding notice on fund issues in savings banks with equity certificates. As a result, a dividend of NOK 10.40 per equity certificate was paid out to certificate holders in April 2021. The payout was the maximum possible without dispositions from the 2020 equalization fund. The Board appealed the decision and in June 2021 was informed that the FSA had revoked its previous decision.

The Board of Trustees has granted the Board renewed authority to approve further dividend distributions after 30 September 2021. The Board's authorisation is capped at a potential payout of NOK 3.60 per equity certificate to those holding certificates on the date the Board makes its decision. The Board will consider making a distribution in connection with the preparation of the third-quarter financial statements. If it is relevant to exercise the authority, the dividend will be paid without special approval from the FSA.

### Subsidiaries and partner businesses

The bank's wholly owned subsidiary **Sparebanken Sør Boligkreditt AS** is licensed to issue covered bonds which are used as an instrument in the bank's long-term funding strategy. As of 30 June 2021, the bank had transferred NOK 48.8 billion to Sparebanken Sør Boligkreditt AS, equivalent to 64 percent of all loans to the retail market.

The Bank's own real estate business, **Sørmeglere**, is the absolute leader in its field in Southern Norway. Sørmeglere continues to grow, and now employs 92 people in 18 locations. As at 30 June 2021, Sørmeglere made a profit before tax of NOK 18.7 million, compared with NOK 6.8 million in the corresponding period last year.

On 1 July 2021, the Bank acquired a 78 percent shareholding in **Sørlandet Forsikringscenter AS**. The Bank has an option to acquire the residual shares in the company. The acquisition increases the Bank's insurance portfolio to NOK 110 million and will provide the Group with a stronger insurance sales organisation. The Group aims to double its insurance income by 2025 and the strategic acquisition will contribute in achieving the ambition.

**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 Q2 of NOK 230.8 million, compared with NOK 312.8 million in the same period last year. Profit before tax as at 30 June 2021 closed on NOK 303.3 million, an increase from 191.9 in the corresponding period last year. The quarter has given a very good technical profit in the non-life business and improved risk profit in Liv(life insurance), in addition to a solid investment profit.

The company's financial return came to NOK 168.5 million in the first half of 2021, compared with NOK 14.2 million the corresponding period last year.

Frende Skade posted a profit before tax of NOK 171.9 million in Q2 2021, compared with NOK 214.4 million in the same period last year. The company had a total of NOK 2.220 million (NOK 2.112 million) in written premiums, divided between more than 159 000 customers. The market share by the end of Q2 was 3.3 percent. As of 30. June 2021, the loss ratio stood at 72.1 percent (87.6 percent), while the company's combined ratio came to 88.3 percent (95.2 percent). The loss ratio for the second quarter was 63.7 percent, compared with 69.4 percent in the second quarter of 2020. There was a pleasing improvement in the insurance claim frequency in 2021 overall.

Frende Liv made a profit before tax of NOK 64.5 million in Q2 2021, compared with NOK 104.1 million in the same period last year. Risk profit in Liv has been weaker than in previous years, but has had a positive development in the second quarter. Written premiums was NOK 561 million, up from NOK 525 million in the corresponding period last year.

**Brage Finans AS** (20.8 percent shareholding) is a financing company that offers leasing and loans secured by the purchased objects in the corporate and retail market. The company headquarter is located to Bergen and there are branches in 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.

Brage Finans AS (Brage) can look back on a further improvement in profits, growth in the lending portfolio and solid capital adequacy in Q2 2021. The company recorded a profit before tax for the second quarter of 2021 of NOK 70.7 million, compared with NOK 53.6 million the previous year, an improvement of a full 32 percent. This corresponds to a return on equity of 11.4 percent, compared with 9.2 percent in the second quarter of 2020.

The company's profit before tax for the first half of 2021 was a very positive NOK 132.7 million, up from NOK 97.5 million the previous year, an increase in profit of 36 percent. The profit corresponded to a return on equity of 10.6 percent compared with 8.2 percent for the first half of 2020.

At the end of Q2 2021, Brage had a gross lending portfolio of NOK 15.5 billion, an increase of NOK 2.6 billion compared with the same period in 2020. This corresponds to a lending growth of 19.8 percent.

**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 10.7 percent stake in Vipps AS, and aims to further develop Vipps along with the other co-owners.

## Outlook

The Covid-19 pandemic has had a major impact on society since March 2020. Both international and national authorities have implemented stringent measures to prevent the spread of infection. This has damaged the economies of Norway and our trading partners, although the government's use of monetary policy initiatives seems to have had a positive effect on the economy. The Norwegian economy has picked up, and the financial markets have stabilised.

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 a positive, though moderate development over several years. Statistics for the first half of 2021 indicate a very positive growth in housing prices in the bank's market area. Activity in the housing market has been high in the recent quarters, which is reflected in the financial results from the Group's real estate agency, Sørme-gleren.

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 Q2 2021, the CET 1 capital ratio was at 16.0 percent, well above the government 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. One consequence was that the systemic risk buffer requirement was increased from 3 to 4.5 percent. The Group applies the standard method and will meet the increased systemic risk buffer requirement effective 31 December 2022. The Group will adapt to the new requirements by the deadline and ensure that it has adequate buffers over and above the minimum requirement.

The Group has a long-term ambition for lending growth in excess of credit growth, a target on return on equity of 9 percent, along with a long-term return on equity of 10 percent by 2025.

The return on equity in 2021 will be affected by loss assessments and developments in the macroeconomic situation throughout the year. Loss provisions, as of 30 June, 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 support measures and developments in the macroeconomic situation are still 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 June 30, 2021 that affect the quarterly accounts.

#### Kristiansand, 12 August 2021

Stein A. Hannevik  
Chairman

Inger Johansen  
Deputy Chairman

Mette Ramfjord Harv

Knut Ruhaven Sæthre

Merete Steinvåg Østby

Erik Edvard Tønnesen

Jan Erling Tobiassen  
Employee representative

Gunnhild Tveiten Golid  
Employee representative

Geir Bergskaug  
CEO

## Income statement

PARENT					NOK million		GROUP				
31.12.	30.06.	30.06.	Q2	Q2			Q2	Q2	30.06.	30.06.	31.12.
2020	2020	2021	2020	2021		Notes	2021	2020	2021	2020	2020
1 431	955	567	339	288	Interest income at amortised cost	4	612	720	1 213	1 642	2 833
796	365	355	237	184	Interest income at fair value through profit and loss	4	79	108	167	253	434
824	559	258	230	122	Interest expenses	4	204	379	441	920	1 354
<b>1 404</b>	<b>761</b>	<b>664</b>	<b>346</b>	<b>351</b>	<b>Net interest income</b>	<b>4</b>	<b>488</b>	<b>449</b>	<b>939</b>	<b>974</b>	<b>1 914</b>
350	166	176	83	90	Commission income		124	102	227	188	409
62	29	30	13	14	Commission expenses		14	13	30	29	62
<b>288</b>	<b>137</b>	<b>146</b>	<b>70</b>	<b>76</b>	<b>Net commission income</b>		<b>110</b>	<b>89</b>	<b>197</b>	<b>159</b>	<b>347</b>
265	242	319	-	18	Dividend		0	-	1	2	25
33	6	26	73	1	Net income from other financial instruments		-11	59	-4	-12	15
<b>297</b>	<b>248</b>	<b>345</b>	<b>73</b>	<b>19</b>	<b>Net income from financial instruments</b>		<b>-11</b>	<b>59</b>	<b>-3</b>	<b>-10</b>	<b>40</b>
136	39	75	52	45	Income from associated companies		45	52	74	39	136
11	4	5	2	3	Other operating income		2	4	2	6	7
<b>147</b>	<b>43</b>	<b>79</b>	<b>54</b>	<b>49</b>	<b>Total other income</b>		<b>48</b>	<b>56</b>	<b>77</b>	<b>45</b>	<b>143</b>
<b>2 136</b>	<b>1 188</b>	<b>1 234</b>	<b>543</b>	<b>494</b>	<b>Total net income</b>		<b>635</b>	<b>653</b>	<b>1 210</b>	<b>1 168</b>	<b>2 444</b>
445	216	227	109	117	Wages and other personnel expenses		155	137	297	267	552
42	19	21	10	11	Depreciation, amortization and impairment of non-current assets		11	10	22	20	43
348	175	173	87	89	Other operating expenses		93	93	182	185	363
<b>835</b>	<b>411</b>	<b>421</b>	<b>206</b>	<b>216</b>	<b>Total operation expenses before losses</b>		<b>260</b>	<b>240</b>	<b>501</b>	<b>472</b>	<b>958</b>
<b>1 301</b>	<b>778</b>	<b>813</b>	<b>337</b>	<b>278</b>	<b>Operating profit before losses</b>		<b>375</b>	<b>413</b>	<b>709</b>	<b>696</b>	<b>1 486</b>
81	104	-21	48	-12	Losses on loans, guarantees and undrawn credit	5	-11	46	-22	107	83
<b>1 220</b>	<b>674</b>	<b>834</b>	<b>289</b>	<b>289</b>	<b>Profit before taxes</b>	<b>2</b>	<b>386</b>	<b>367</b>	<b>731</b>	<b>589</b>	<b>1 403</b>
200	93	101	53	49	Tax expenses		77	79	148	137	307
<b>1 021</b>	<b>581</b>	<b>734</b>	<b>236</b>	<b>240</b>	<b>Profit for the period</b>		<b>309</b>	<b>288</b>	<b>583</b>	<b>452</b>	<b>1 096</b>
					Minority interests		1	-	2	-	2
<b>1 021</b>	<b>581</b>	<b>734</b>	<b>236</b>	<b>240</b>	<b>Majority interests</b>		<b>308</b>	<b>288</b>	<b>581</b>	<b>452</b>	<b>1 094</b>
69	43	29	25	20	Attributable to additional Tier 1 capital holders		19	25	29	43	69
952	539	704	211	220	Attributable to ECC-holders and to the primary capital		289	263	552	409	1 026
<b>1 021</b>	<b>581</b>	<b>734</b>	<b>236</b>	<b>240</b>	<b>Profit for the period</b>		<b>308</b>	<b>288</b>	<b>581</b>	<b>452</b>	<b>1 094</b>
10.5	5.9	7.3	2.3	2.3	Profit/diluted earnings per equity certificate (in whole NOK)		3.0	2.9	5.7	4.5	11.3
					<b>Other comprehensive income</b>						
					<i>Items that may be reclassified to profit or loss</i>						
					Change in value, basis swaps		-22	2	-55	10	-7
-	-	-	-	-	Change in value, customer mortgages						
-	-	-	-	-	Tax effect		5	-1	14	-3	2
-	-	-	-	-	<b>Total other comprehensive income</b>		<b>-16</b>	<b>2</b>	<b>-41</b>	<b>8</b>	<b>-5</b>
<b>1 021</b>	<b>581</b>	<b>734</b>	<b>236</b>	<b>240</b>	<b>Comprehensive income for the period</b>		<b>293</b>	<b>289</b>	<b>541</b>	<b>460</b>	<b>1 091</b>
					Minority interests						
					<b>Majority interests</b>		<b>293</b>	<b>289</b>	<b>541</b>	<b>460</b>	<b>1 091</b>
10.5	5.9	7.3	2.3	2.3	Comprehensive income/diluted earnings per equity certificate		2.8	2.9	5.3	4.6	11.3

# Balance sheet

PARENT BANK			NOK million		GROUP		
31.12.	30.06.	30.06.			30.06.	30.06.	31.12.
2020	2020	2021	ASSETS	Notes	2021	2020	2020
1 148	2 599	800	Cash and receivables from central banks		800	2 599	1 148
10 936	6 516	6 609	Loans to credit institutions	11	1 881	2 059	2 460
62 724	63 089	66 406	Net loans to customers	2,6,7,8,10,11	115 114	109 049	111 577
18 329	21 767	18 979	Bonds and certificates	11	18 953	21 092	21 543
166	178	178	Shares	11	178	178	166
907	1 320	471	Financial derivatives	11,12	1 591	4 802	3 415
2 111	1 857	2 111	Shareholding in group companies				
1 134	1 038	1 094	Shareholding in associated companies		1 094	1 038	1 134
41	35	50	Intangible asstes		55	35	47
	1		Deferred tax benefit		14	18	
430	431	424	Property, plant and equipment		455	463	461
96	119	201	Other assets		279	233	174
<b>98 022</b>	<b>98 950</b>	<b>97 323</b>	<b>TOTAL ASSETS</b>	<b>2,11</b>	<b>140 413</b>	<b>141 566</b>	<b>142 126</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>							
6 765	7 392	2 603	Liabilites to credit institutions	11	2 512	7 265	6 435
59 883	60 070	66 111	Deposits from customers	2,9,11	66 042	60 055	59 833
14 149	15 091	10 114	Liabilities related to issue of securities	11,13	51 732	56 284	56 885
687	942	438	Financial derivatives	11,12	521	942	687
272	316	105	Payable taxes		189	388	373
406	450	488	Other liabilities		566	517	457
38	39	122	Provisions for commitments		122	39	38
29		33	Deferred tax				10
2 002	999	3 003	Senior non-preferred		3 003	999	2 002
1 653	1 602	1 653	Subordinated loan capital	11,13	1 653	1 602	1 653
<b>85 886</b>	<b>86 902</b>	<b>84 669</b>	<b>Total liabilities</b>		<b>126 337</b>	<b>128 092</b>	<b>128 374</b>
1 694	1 749	1 687	Equity certificate capital	14	1 687	1 749	1 694
1 075	1 375	1 085	Hybrid capital		1 085	1 375	1 075
9 367	8 924	9 882	Other equity		11 303	10 350	10 983
<b>12 136</b>	<b>12 048</b>	<b>12 654</b>	<b>Total equity</b>	<b>3,14</b>	<b>14 076</b>	<b>13 475</b>	<b>13 752</b>
<b>98 022</b>	<b>98 950</b>	<b>97 323</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,11</b>	<b>140 413</b>	<b>141 566</b>	<b>142 126</b>

Kristiansand, 12 August 2021

Stein A. Hannevik  
Chairman

Inger Johansen  
Deputy Chairman

Mette Ramfjord Harv

Knut Ruhaven Sæthre

Merete Steinvåg Østby

Erik Edvard Tønnesen

Jan Erling Tobiassen  
Employee representative

Gunnhild Tveiten Golid  
Employee representative

Geir Bergskaug  
CEO

## Cash flow statement

PARENT BANK			NOK million	GROUP		
31.12.	30.06.	30.06.		30.06.	30.06.	31.12.
2020	2020	2021		2021	2020	2020
2 250	1 346	942	Interest received	1 451	1 896	3 278
-792	-299	-210	Interest paid	-433	-734	-1 345
622	433	506	Other payments received	217	212	383
-782	-373	-414	Operating expenditure	-513	-421	-893
12	4	6	Loan recoveries	6	4	12
-279	-111	-243	Tax paid for the period	-322	-153	-350
-28	-15	-19	Gift expenditure	-19	-15	-28
1 929	1 894	6 168	Change in customer deposits	6 148	1 893	1 893
3 435	3 117	-3 762	Change in loans to customers	-3 618	-2 651	-5 285
2 002	2 698	-1 652	Change in deposits from credit institutions	-1 414	1 096	1 830
<b>8 369</b>	<b>8 694</b>	<b>1 324</b>	<b>Net cash flow from operating activities</b>	<b>1 503</b>	<b>1 127</b>	<b>-505</b>
44 944	9 468	22 490	Payments received, securities	19 841	10 720	37 651
-46 482	-14 479	-23 181	Payments made, securities	-17 289	-11 966	-39 295
11	1	18	Payments received, sale of property, plant and equipment	18	3	14
-62	-16	-42	Payments made, purchase of property, plant and equipment	-42	-19	-70
		201	Payments received, investments in subsidiaries and associates	201		
-286	-30	-76	Payments made, investments in subsidiaries and associates	-76	-30	-29
-664	-1 211	90	Change in other assets	64	-4 246	-2 257
<b>-2 539</b>	<b>-6 267</b>	<b>-500</b>	<b>Net cash flow from investing activities</b>	<b>2 717</b>	<b>-5 538</b>	<b>-3 987</b>
-6 873	-2 454	4 329	Change in loans to credit institutions	582	-1 877	-2 278
2 500	2 500	-2 503	Change in deposits from credit institutions	-2 503	4 374	2 374
			Payments received, bond debt	9 180	2 500	5 000
-2 959	-2 246	-3 700	Payments made, bond debt	-12 709	-3 011	-3 724
-69	-43	-192	Payments made, dividends and interest on hybrid capital	-192	-43	-69
2 000	1 000	1 000	Issue of senior non-preferred	1 000	1 000	2 000
350			Issue of subordinated loan capital			350
-666	-366		Buyback of subordinated loan capital		-366	-666
874	1 319	-115	Change in other assets	65	3 971	2 490
		200	Issue of hybrid capital	199		
-300	-	-190	Deduction of hybrid capital	-190		-300
<b>-5 144</b>	<b>-290</b>	<b>-1 171</b>	<b>Net cash flow from financing activities</b>	<b>-4 568</b>	<b>6 548</b>	<b>5 177</b>
<b>686</b>	<b>2 137</b>	<b>-348</b>	<b>Net change in liquid assets</b>	<b>-348</b>	<b>2 137</b>	<b>686</b>
462	462	1 148	Cash and cash equivalents as at 1 Jan	1 148	462	462
<b>1 148</b>	<b>2 599</b>	<b>800</b>	<b>Cash and cash equivalents at end of period</b>	<b>800</b>	<b>2 599</b>	<b>1 148</b>

# Statement of change in equity

GROUP NOK million	Dividend								TOTAL
	Equity certificates	Premium Fund	Equalization- fund	Hybrid capital	Primary capital	Gift fund	Other equity	Minority interests	
<b>Balance 31.12.2019</b>	<b>783</b>	<b>451</b>	<b>389</b>	<b>1 375</b>	<b>8 322</b>	<b>88</b>	<b>1 671</b>	<b>1</b>	<b>13 081</b>
Change in dividend 2019			125				- 125		0
Profit YtD				43			409		452
Interest paid, hybrid capital				- 43					- 43
Other comprehensive income							10		10
Allocated gift fund						- 25			- 25
<b>Balance 30.06.2020</b>	<b>783</b>	<b>451</b>	<b>514</b>	<b>1 375</b>	<b>8 322</b>	<b>63</b>	<b>1 965</b>	<b>1</b>	<b>13 475</b>
Profit 1.7-31.12.2020			- 55	26	747	40	- 119	2	642
Interest paid, hybrid capital				- 26					- 26
Issuance of hybrid capital				10					10
Buyback of hybrid capital				- 310					- 310
Trading of own equity certificates					- 1				- 1
Other comprehensive income							- 15		- 15
Allocated gift fund						- 24			- 24
Other changes								1	1
<b>Balance 31.12.2020</b>	<b>783</b>	<b>451</b>	<b>459</b>	<b>1 075</b>	<b>9 069</b>	<b>80</b>	<b>1 831</b>	<b>4</b>	<b>13 752</b>
Dividend distributed for 2020							- 163		- 163
Profit YtD				29			552		581
Interest paid, hybrid capital				- 29					- 29
Issuance of hybrid capital				200					200
Buyback of hybrid capital				- 190					- 190
Trading of own equity certificates	- 5		- 1		- 7				- 13
Other comprehensive income							- 41		- 41
Allocated gift fund						- 20			- 20
<b>Balance 30.06.2021</b>	<b>778</b>	<b>451</b>	<b>458</b>	<b>1 085</b>	<b>9 062</b>	<b>60</b>	<b>2 179</b>	<b>4</b>	<b>14 076</b>
PARENT BANK									
<b>Balance 31.12.2019</b>	<b>783</b>	<b>451</b>	<b>389</b>	<b>1 375</b>	<b>8 323</b>	<b>88</b>	<b>125</b>	<b>0</b>	<b>11 535</b>
Change in dividend 2019			125				- 125		0
Profit YtD				43			538		581
Interest paid, hybrid capital				- 43					- 43
Other comprehensive income									0
Allocated gift fund						- 25			- 25
<b>Balance 30.06.2020</b>	<b>783</b>	<b>451</b>	<b>514</b>	<b>1 375</b>	<b>8 323</b>	<b>63</b>	<b>538</b>	<b>0</b>	<b>12 048</b>
Profit 1.7-31.12.2020			- 55	26	747	40	- 319		440
Interest paid, hybrid capital				- 26					- 26
Issuance of hybrid capital				10					10
Buyback of hybrid capital				- 310					- 310
Trading of own equity certificates					- 1				- 1
Other comprehensive income					- 1				- 1
Allocated gift fund					0	- 24			- 24
<b>Balance 31.12.2020</b>	<b>783</b>	<b>451</b>	<b>459</b>	<b>1 075</b>	<b>9 068</b>	<b>80</b>	<b>219</b>	<b>0</b>	<b>12 136</b>
Dividend distributed for 2020							- 163		- 163
Profit Ytd				29			705		734
Interest paid, hybrid capital				- 29					- 29
Issuance of hybrid capital				200					200
Buyback of hybrid capital				- 190					- 190
Trading of own equity certificates	- 5		- 1		- 7				- 13
Other comprehensive income									0
Allocated gift fund						- 20			- 20
<b>Balance 30.06.2021</b>	<b>778</b>	<b>451</b>	<b>458</b>	<b>1 085</b>	<b>9 062</b>	<b>59</b>	<b>761</b>	<b>0</b>	<b>12 654</b>

# 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 2020.

There are no new standards applicable for 2021 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 2020 (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. This item was in 2020 and has continued to be particularly challenging to quantify, due to the ongoing pandemic. There have been turmoil and fluctuations in the financial market, but many macro parameters have pointed upwards in Q1 and Q2 2021. 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			30.06.2021		
Report per segment			Undistrib.	Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmeqleren	Total
Net interest and commission income	566	406	-33	939	0	939
Net other operating income	85	40	47	173	98	271
Operating expenses	204	52	165	422	80	501
<b>Profit before losses per segment</b>	<b>447</b>	<b>394</b>	<b>-151</b>	<b>690</b>	<b>19</b>	<b>709</b>
Losses on loans and guarantees	5	-27	0	-22		-22
<b>Profit before tax per segment</b>	<b>442</b>	<b>422</b>	<b>-152</b>	<b>712</b>	<b>19</b>	<b>731</b>
Net loans to customers	77 888	37 131	95	115 114		115 114
Other assets			25 163	25 163	136	25 299
<b>Total assets per segment</b>	<b>77 888</b>	<b>37 131</b>	<b>25 259</b>	<b>140 277</b>	<b>136</b>	<b>140 413</b>
Deposits from customers	33 644	29 061	3 337	66 042		66 042
Other liabilities	44 244	8 070	7 846	60 160	136	60 296
<b>Total liabilities per segment</b>	<b>77 888</b>	<b>37 131</b>	<b>11 183</b>	<b>126 202</b>	<b>136</b>	<b>126 337</b>
Equity			14 076	14 076		14 076
<b>Total liabilities and equity per segment</b>	<b>77 888</b>	<b>37 131</b>	<b>25 259</b>	<b>140 277</b>	<b>136</b>	<b>140 413</b>

## BANKING BUSINESS

30.06.2020

Report per segment	Undistrib.			Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmegleren	Total
Net interest and commission income	583	440	-49	974	0	974
Net other operating income	82	36	10	128	66	194
Operating expenses	206	51	157	414	59	472
<b>Profit before losses per segment</b>	<b>458</b>	<b>425</b>	<b>-195</b>	<b>689</b>	<b>7</b>	<b>696</b>
Losses on loans and guarantees	2	105	1	107		107
<b>Profit before tax per segment</b>	<b>457</b>	<b>321</b>	<b>-196</b>	<b>582</b>	<b>7</b>	<b>589</b>
Net loans to customers	72 965	35 874	209	109 049		109 049
Other assets			32 422	32 422	95	32 517
<b>Total assets per segment</b>	<b>72 965</b>	<b>35 874</b>	<b>32 632</b>	<b>141 471</b>	<b>95</b>	<b>141 566</b>
Deposits from customers	32 832	24 551	2 672	60 055		60 055
Other liabilities	40 133	11 323	16 485	67 942	95	68 037
<b>Total liabilities per segment</b>	<b>72 965</b>	<b>35 874</b>	<b>19 158</b>	<b>127 997</b>	<b>95</b>	<b>128 092</b>
Equity			13 475	13 475		13 475
<b>Total liabilities and equity per segment</b>	<b>72 965</b>	<b>35 874</b>	<b>32 632</b>	<b>141 471</b>	<b>95</b>	<b>141 566</b>

## 3. SUBORDINATED CAPITAL AND CAPITAL ADEQUACY

## MINIMUM CAPITAL REQUIREMENTS

PARENT BANK			NOK million		GROUP		
31.12. 2020	30.06. 2020	30.06. 2021			30.06. 2021	30.06. 2020	31.12. 2020
			<b>Minimum capital requirements</b>				
4.50 %	4.50 %	4.50 %	Minimum Tier 1 capital requirements		4.50 %	4.50 %	4.50 %
2.50 %	2.50 %	2.50 %	Conservation buffer		2.50 %	2.50 %	2.50 %
3.00 %	3.00 %	3.00 %	Systemic risk buffer		3.00 %	3.00 %	3.00 %
1.00 %	1.00 %	1.00 %	Counter-cyclical buffer		1.00 %	1.00 %	1.00 %
2.00 %	2.00 %	2.00 %	Pillar 2 requirements		2.00 %	2.00 %	2.00 %
13.00 %	13.00 %	13.00 %	CET1 requirements, incl. Pilar 2		13.00 %	13.00 %	13.00 %
14.50 %	14.50 %	14.50 %	Tier1 Capital requirements, incl. Pilar 2		14.50 %	14.50 %	14.50 %
16.50 %	16.50 %	16.50 %	Total capital requirements, incl. Pilar 2		16.50 %	16.50 %	16.50 %
8 401	8 134	8 462	CET1 requirements, incl. Pilar 2		10 289	9 764	10 137
9 370	9 073	9 438	Tier1 Capital requirements, incl. Pilar 2		11 476	10 891	11 307
10 662	10 324	10 740	Total capital requirements, incl. Pilar 2		13 059	12 393	12 867
2 245	2 266	2 770	Above CET1 requirements, incl. Pilar 2		2 345	2 059	2 067
2 351	2 702	2 879	Above Tier1 Capital requirements, incl. Pilar 2		2 279	2 343	2 008
2 559	2 951	3 227	Above total capital requirements, incl. Pilar 2		2 395	2 400	1 998

PARENT BANK			NOK million	GROUP		
31.12. 2020	30.06 2020	30.06 2021		30.06. 2021	30.06. 2020(1)	31.12. 2020(1)
12 136	12 048	12 654		14 076	13 474	13 752
			<b>Total equity</b>			
			<b>Tier 1 capital</b>			
-1 075	-1 375	-1 085	Equity not eligible as common equity tier 1 capital	-1 121	-1 375	-1 111
- 219	- 80	- 120	Share of profit not eligible as common equity tier 1 capital	- 120	- 80	- 219
- 41	- 35	- 50	Deductions for intangible assets and deferred tax assets	- 57	- 35	- 48
- 42	- 48	- 44	Deductions for additional value adjustments	- 27	- 32	- 31
			Proportion of common equity tier 1 capital from Brage Finans AS		381	
			Deductions for internal eliminations from Brage Finans AS		- 387	
- 113	- 110	- 123	Other deductions	- 117	- 123	- 138
<b>10 646</b>	<b>10 400</b>	<b>11 232</b>	<b>Total common equity tier 1 capital</b>	<b>12 634</b>	<b>11 823</b>	<b>12 204</b>
			<b>Other tier 1 capital</b>			
1 075	1 375	1 085	Hybrid capital	1 121	1 375	1 111
			Proportion of tier 1 capital Brage Finans AS		36	
			Deductions from tier 1 capital			
<b>11 721</b>	<b>11 775</b>	<b>12 317</b>	<b>Total tier 1 capital</b>	<b>13 755</b>	<b>13 234</b>	<b>13 315</b>
			<b>Additional capital supplementary to tier 1 capital</b>			
1 600	1 600	1 650	Subordinated loan capital	1 699	1 600	1 649
			Proportion of net subordinated capital Brage Finans AS		59	
- 100	- 100	0	Deductions from additional capital	0	- 100	- 100
<b>1 500</b>	<b>1 500</b>	<b>1 650</b>	<b>Total additional capital</b>	<b>1 699</b>	<b>1 559</b>	<b>1 549</b>
<b>13 221</b>	<b>13 275</b>	<b>13 967</b>	<b>Net subordinated capital</b>	<b>15 454</b>	<b>14 793</b>	<b>14 864</b>
			<b>Minimum requirement for subordinated capital Basel II calculated according to standard method</b>			
25	50	22	Engagements with local and regional authorities	23	50	25
1 913	1 250	1 141	Engagements with institutions	456	700	513
3 824	3 575	3 488	Engagements with enterprises	4 783	3 688	5 164
4 787	4 863	4 631	Engagements with mass market	7 314	6 150	7 151
34 598	37 050	38 679	Engagements secured in property	55 717	53 538	51 991
1 025	1 163	647	Engagements which have fallen due	733	1 250	1 125
4 075	13	2 265	Engagements which are high risk	2 265	13	4 075
5 612	6 425	5 379	Engagements in covered bonds	1 196	1 338	1 338
4 813	4 263	4 852	Engagements in collective investment funds	1 722	2 413	1 750
563	525	444	Engagements, other	586	575	638
<b>61 233</b>	<b>59 175</b>	<b>61 548</b>	<b>Capital requirements for credit and counterparty risk</b>	<b>74 795</b>	<b>69 713</b>	<b>73 768</b>
<b>13</b>	<b>13</b>		<b>Capital requirements for position, currency and product risk</b>		<b>13</b>	<b>13</b>
<b>3 350</b>	<b>3 347</b>	<b>3 530</b>	<b>Capital requirements for operational risk</b>	<b>4 336</b>	<b>4 059</b>	<b>4 175</b>
<b>25</b>	<b>38</b>	<b>12</b>	<b>CVA addition</b>	<b>12</b>	<b>38</b>	<b>25</b>
<b>64 620</b>	<b>62 572</b>	<b>65 090</b>	<b>Risk-weighted balance (calculation basis)</b>	<b>79 143</b>	<b>73 821</b>	<b>77 980</b>
			Proportionate share of calculation basis Brage Finans AS		2 260	
			Deductions for internal eliminations Brage Finans AS		- 971	
			Risk weighted balance after proportionate consolidation	79 143	75 110	77 980
16.5 %	16.6 %	17.3 %	Common equity tier 1 capital ratio, %	16.0 %	15.7 %	15.7 %
18.1 %	18.8 %	18.9 %	Tier 1 capital ratio, %	17.4 %	17.6 %	17.1 %
20.5 %	21.2 %	21.5 %	Total capital ratio, %	19.5 %	19.7 %	19.1 %
8.1 %	8.0 %	8.6 %	Leverage ratio	9.2 %	9.1 %	8.9 %

1) Brage Finans AS is proportionately consolidated in the Group's capital adequacy reporting from Q4 2020.

#### 4. INTEREST INCOME AND INTEREST EXPENSES

PARENT BANK					Interest income	GROUP				
31.12. 2020	30.06 2020	30.06 2021	Q2 2020	Q2 2021	NOK million	Q2 2021	Q2 2020	30.06 2021	30.06 2020	31.12. 2020
					<i>Interest income from financial instruments at amor-</i>					
					<i>tised cost</i>					
68	44	32	13	12	Interest on receivables from credit institutions	0	4	2	10	13
1 363	911	535	325	276	Interest on loans given to customers	612	716	1 211	1 631	2 820
<b>1 431</b>	<b>955</b>	<b>567</b>	<b>339</b>	<b>288</b>	<b>Total interest from financial instruments at amor-</b>	<b>612</b>	<b>720</b>	<b>1 213</b>	<b>1 642</b>	<b>2 833</b>
					<b>tised cost</b>					
					<i>Interest income from financial instruments at fair value</i>					
175	72	80	33	39	Interest on loans given to customers (fixed rate loans)	39	33	80	72	175
231	167	70	78	37	Interest on certificates and bonds	40	75	88	181	259
<b>406</b>	<b>239</b>	<b>150</b>	<b>111</b>	<b>76</b>	<b>Total interest from financial instruments at fair value</b>	<b>79</b>	<b>107</b>	<b>167</b>	<b>253</b>	<b>434</b>
					<b>via profit or loss</b>					
					<i>Interest income from financial instruments at fair value</i>					
					<i>via OCI</i>					
390	126	205	126	108	Interest on loans given to customers (mortgages)					
<b>390</b>	<b>126</b>	<b>205</b>	<b>126</b>	<b>108</b>	<b>Total interest from financial instruments at fair value</b>					
					<b>via OCI</b>					
<b>2 227</b>	<b>1 320</b>	<b>922</b>	<b>575</b>	<b>472</b>	<b>Total interest income</b>	<b>692</b>	<b>828</b>	<b>1 380</b>	<b>1 894</b>	<b>3 267</b>
					<b>Interest expenses</b>					
31.12. 2020	30.06 2020	30.06 2021	Q2 2020	Q2 2021	NOK million	Q2 2021	Q2 2020	30.06 2021	30.06 2020	31.12. 2020
					<i>Interest expenses from financial instruments at amor-</i>					
					<i>tised cost</i>					
37	24	10	11	4	Interest on liabilities to credit institutions	4	10	9	23	36
447	313	123	126	59	Interest on customer deposits	59	126	122	313	447
233	167	65	66	29	Interest on issued securities	109	214	245	525	758
54	29	15	13	7	Interest on subordinated loans	7	13	15	29	54
					Interest on senior non-preferred loans	9		19		
53	27	26	14	12	Fees to the Norwegian Banks Guarantee Fund and other interest expenses	15	15	30	30	59
<b>824</b>	<b>559</b>	<b>258</b>	<b>230</b>	<b>122</b>	<b>Interest expenses from financial instruments at</b>	<b>204</b>	<b>379</b>	<b>441</b>	<b>920</b>	<b>1 354</b>
					<b>amortised cost</b>					
<b>824</b>	<b>559</b>	<b>258</b>	<b>230</b>	<b>122</b>	<b>Total interest expenses</b>	<b>204</b>	<b>379</b>	<b>441</b>	<b>920</b>	<b>1 354</b>

#### 5. LOSSES ON LOANS, GUARANTEES AND UNDRAWN CREDITS

Provisions for loss allowances and loss expense for the period are calculated according to the accounting standard IFRS 9 and are based on expected credit loss (ECL) using the 3-stage model described in Note 7 of the 2020 financial statements.

As a result of covid-19, the macro situation changed significantly in 2020, which improved at the end of the year. In Q2 2021, there have been further improvements in several parameters. The Group's loss provision in Q2 2021 is based on new assumptions.

Model-based losses are based on the bank's IFRS 9 model. Among others, this model includes variables in a macro model. The macro model looks to the current PD level, and shows the expected development. In 2020, based on the macro model, the bank expected an increase in PD level and an increase in loan losses. However, the bank's corporate portfolio did not follow the expected development. Extensive government measures have contributed to relative few negative effects on the bank's corporate portfolio. Expected negative effects has not been reflected in the corporates accounts for 2020, and have not affected the PD score so far. The Bank has made an assessment of the macro variables impact on the corporate portfolio, and adjusted the expected PD.

The following macro variables have been used when calculating impairment losses, as of June 30 2021.

	2021	2022	2023	2024	2025
Housing price %	9.2	1.0	1.3	1.5	1.4
Housing price region %	7.4	0.8	1.0	1.2	1.1
Unemployment %	4.6	4.2	3.9	3.7	3.7
Oil prices, USD	68.0	67.8	64.2	61.8	61.8
Policy rate	0.1	0.8	1.3	1.5	1.5
Import-weighted exchange rate	106.9	104.4	103.7	103.5	103.5
USD	8.3	8.1	8.0	8.0	8.0
CPI	2.8	1.1	1.3	1.6	1.6

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		30.06.2021			
Loan loss provisions NOK million		10 percent reduction in collateral	20 percent reduction in collateral	30 percent reduction in collateral	1 percent increase in unemployment
Loan loss provisions, CM		44	95	157	9
Loan loss provisions, RM		10	22	38	6
<b>Total</b>		<b>53</b>	<b>118</b>	<b>194</b>	<b>15</b>

PARENT BANK		30.06.2021			
Loan loss provisions NOK million		10 percent reduction in collateral	20 percent reduction in collateral	30 percent reduction in collateral	1 percent increase in unemployment
Loan loss provisions, CM		43	95	156	9
Loan loss provisions, RM		5	11	18	3
<b>Total</b>		<b>48</b>	<b>106</b>	<b>174</b>	<b>13</b>

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. 2020	30.06. 2020	30.06. 2021		30.06. 2021	30.06. 2020	31.12. 2020
			<b>Loss expense on loans during the period</b>			
58	30	-15	Period's change in write-downs stage 1	-16	32	61
26	61	-13	+Period's change in write-downs stage 2	-13	60	23
-3	12	1	+Period's change in write-downs stage 3	2	13	-2
8	4	7	+ Period's confirmed loss	7	4	8
4	2	3	+ Recognised as interest income	3	2	4
12	4	6	- Period's recoveries relating to previous losses	6	5	12
-1	0	0	+ Change in write-downs an guarantees	0	0	-1
<b>81</b>	<b>104</b>	<b>-21</b>	<b>Loss expenses during the period</b>	<b>-22</b>	<b>107</b>	<b>83</b>

GROUP	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2021</b>	<b>101</b>	<b>149</b>	<b>217</b>	<b>468</b>
<b>Transfers</b>				
Transferred to stage 1	37	-35	-2	0
Transferred to stage 2	-6	8	-2	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	17	23	1	41
Losses on deducted loans *	-10	-23	-4	-36
Losses on older loans and other changes	-55	17	-3	-41
<b>Provisions for loan losses as at 30.06.2021</b>	<b>85</b>	<b>137</b>	<b>209</b>	<b>430</b>
Provisions for loan losses	74	121	207	402
Provisions for guarantees and undrawn credits	11	15	2	28
<b>Total provision for losses as at 30.06.2021</b>	<b>85</b>	<b>137</b>	<b>209</b>	<b>430</b>

\*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
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2021</b>	<b>94</b>	<b>145</b>	<b>217</b>	<b>456</b>
<b>Transfers</b>				
Transferred to stage 1	36	-34	-2	0
Transferred to stage 2	-5	7	-2	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	15	22	1	39
Losses on deducted loans *	-9	-22	-4	-35
Losses on older loans and other changes	-52	15	-5	-41
<b>Provisions for loan losses as at 30.06.2021</b>	<b>80</b>	<b>133</b>	<b>208</b>	<b>420</b>
Provisions for loan losses	68	118	206	392
Provisions for losses on guarantees and undrawn credits	11	15	2	28
<b>Total provision for losses as at 30.06.2021</b>	<b>80</b>	<b>133</b>	<b>208</b>	<b>420</b>

\*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.

GROUP	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2020</b>	<b>39</b>	<b>126</b>	<b>231</b>	<b>397</b>
<b>Transfers</b>				
Transferred to stage 1	30	-26	-4	0
Transferred to stage 2	-5	7	-2	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	13	28	22	63
Losses on deducted loans	-5	-17	-19	-41
Losses on older loans and other changes	-1	70	7	76
<b>Provisions for loan losses as at 30.06.2020</b>	<b>71</b>	<b>187</b>	<b>237</b>	<b>495</b>
Provisions for loan losses	62	159	232	453
Provisions for guarantees and undrawn credits	9	28	5	42
<b>Total provision for losses as at 30.06.2020</b>	<b>71</b>	<b>187</b>	<b>237</b>	<b>495</b>

\*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
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2020</b>	<b>37</b>	<b>120</b>	<b>230</b>	<b>387</b>
<b>Transfers</b>				
Transferred to stage 1	27	-23	-4	0
Transferred to stage 2	-5	7	-2	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	12	27	22	60
Losses on deducted loans *	-5	-16	-19	-39
Losses on older loans and other changes	1	66	6	73
<b>Provisions for loan losses as at 30.06.2020</b>	<b>66</b>	<b>180</b>	<b>236</b>	<b>483</b>
Provisions for loan losses	57	152	231	441
Provisions for losses on guarantees and undrawn credits	9	28	5	42
<b>Total provision for losses as at 30.06.2020</b>	<b>66</b>	<b>180</b>	<b>236</b>	<b>483</b>

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

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

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

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

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

PARENT BANK			NOK million		GROUP		
31.12. 2020*	30.06. 2020*	30.06. 2021			30.06. 2021	30.06. 2020*	31.12. 2020*
961	1 028	847	<b>Total non-performing loans (step 3)</b>		912	1 083	1 009
217	236	208	Impairment losses in stage 3		209	237	218
<b>744</b>	<b>792</b>	<b>639</b>	<b>Net non-performing loans</b>		<b>703</b>	<b>846</b>	<b>791</b>
22.6 %	22.9 %	24.5 %	Provisioning non-performing loans		22.9 %	21.9 %	21.6 %
1.52 %	1.62 %	1.28 %	Total non-performing loans in % of gross loans		0.79 %	1.00 %	0.90 %

\*New definition effective from 1 January 2021, historical numbers are not directly comparable.

## 7. IMPAIRMENT LOSSES BY SECTOR, INDUSTRY AND STAGE

Impairment losses by sector and industry

PARENT BANK				NOK million		GROUP			
Stage 1	Stage 2	Stage 3	Total impairment losses as of 30.06.2021		Total impairment losses as of 30.06.2021	Stage 3	Stage 2	Stage 1	
5	6	27	38	Retail customers	50	28	12	10	
0	0	0	0	Public administration	0	0	0	0	
2	1	3	6	Primary Industry	6	3	1	2	
2	5	3	10	Manufacturing industry	9	3	5	2	
15	32	54	101	Real estate development	100	54	31	15	
2	6	12	20	Building and construction industry	20	12	6	2	
42	56	83	181	Property management	180	83	55	42	
1	1	1	2	Transport	2	1	1	1	
2	6	11	20	Retail trade	20	11	6	2	
1	5	2	8	Hotel and restaurants	8	2	5	1	
1	1	0	2	Housing cooperatives	2	0	1	1	
2	11	11	24	Financial/commercial services	23	11	11	2	
6	2	1	9	Social services	9	1	2	6	
<b>80</b>	<b>133</b>	<b>208</b>	<b>420</b>	<b>Total impairment losses on loans, guarantees and undrawn credit</b>	<b>430</b>	<b>209</b>	<b>137</b>	<b>85</b>	
68	118	206	392	Impairment losses on lending	402	207	121	74	
11	15	2	28	Impairment losses on unused credits and guarantees	28	2	15	11	
<b>80</b>	<b>133</b>	<b>208</b>	<b>420</b>	<b>Total impairment losses</b>	<b>430</b>	<b>209</b>	<b>137</b>	<b>85</b>	

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		
<b>Gross loans as at 01.01.2021</b>	<b>95 757</b>	<b>9 697</b>	<b>977</b>	<b>106 431</b>	<b>5 575</b>	<b>112 006</b>
Transferred to stage 1	2 386	-2 356	-30	0	0	0
Transferred to stage 2	-2 553	2 569	-16	0	0	0
Transferred to stage 3	-52	-71	123	0	0	0
Net change on present loans	-4 872	173	-82	-4 781	0	-4 781
New loans	24 146	1 685	14	25 845	373	26 218
Derecognised loans	-15 383	-1 797	-126	-17 307	-527	-17 834
Change in value during the period					-93	-93
<b>Gross loans as at 30.06.2021</b>	<b>99 429</b>	<b>9 900</b>	<b>859</b>	<b>110 188</b>	<b>5 328</b>	<b>115 516</b>

NOK million GROSS LOANS	Amortised cost				Fair value	GROUP Total gross loans incl. accrued interest
	Stage 1	Stage 2	Stage 3	Gross loans		
<b>Gross loans as at 01.01.2020</b>	<b>89 466</b>	<b>10 710</b>	<b>839</b>	<b>101 016</b>	<b>5 689</b>	<b>106 705</b>
Transferred to stage 1	2 121	-2 086	-35	0	0	0
Transferred to stage 2	-2 757	2 782	-26	0	0	0
Transferred to stage 3	-150	-65	215	0	0	0
Net change on present loans	-171	60	-12	-123	0	-123
New loans	20 504	1 276	109	21 889	657	22 546
Derecognised loans	-16 426	-2 202	-119	-18 747	-865	-19 611
Change in value during the period					-15	-15
<b>Gross loans as at 30.06.2020</b>	<b>92 588</b>	<b>10 475</b>	<b>972</b>	<b>104 035</b>	<b>5 467</b>	<b>109 502</b>

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	-3 389	8	0	-3 381
New loans	9 409	8 247	373	18 029
Derecognised loans	-4 125	-6 246	-527	-10 898
Change in value during the period			-93	-93
<b>Gross loan as as 30.06.2021</b>	<b>42 727</b>	<b>18 744</b>	<b>5 328</b>	<b>66 799</b>

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	724	-158	0	565
New loans	4 335	6 101	816	11 253
Derecognised loans	-4 077	-9 719	-649	-14 445
Change in value during the period			-389	-389
<b>Gross loan as as 30.06.2020</b>	<b>40 088</b>	<b>17 975</b>	<b>5 467</b>	<b>63 529</b>

## 9. CUSTOMER DEPOSITS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.2020	30.06.2020	30.06.2021		30.06.2021	30.06.2020	31.12.2020
29 834	30 285	31 851	Retail customers	31 855	30 287	29 836
9 078	9 406	11 349	Public administration	11 350	9 407	9 079
660	684	770	Primary industry	770	684	660
1 474	1 277	1 597	Manufacturing industry	1 597	1 277	1 474
709	611	817	Real estate development	741	592	655
1 402	1 282	1 488	Building and construction industry	1 488	1 282	1 402
3 031	3 214	3 628	Property management	3 628	3 215	3 031
595	485	504	Transport	505	485	595
1 541	1 350	1 414	Retail trade	1 414	1 350	1 542
214	198	232	Hotel and restaurant	232	198	214
189	191	173	Housing cooperatives	173	191	189
4 303	4 247	4 923	Financial/commercial services	4 923	4 247	4 303
6 832	6 598	7 286	Social services	7 287	6 598	6 832
20	242	80	Accrued interests	80	242	20
<b>59 883</b>	<b>60 070</b>	<b>66 111</b>	<b>Total deposits from customers</b>	<b>66 042</b>	<b>60 055</b>	<b>59 833</b>

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		
31.12.2020	30.06.2020	30.06.2021		30.06.2021	30.06.2020	31.12.2020
25 956	27 016	28 313	Retail customers	75 836	71 895	73 662
567	525	554	Public administration	554	525	567
1 181	1 094	1 251	Primary industry	1 350	1 181	1 272
806	965	799	Manufacturing industry	856	1 014	861
4 146	5 734	4 768	Real estate development	4 727	5 687	4 104
1 365	1 364	1 412	Building and construction industry	1 653	1 599	1 623
19 270	17 309	19 433	Property management	19 489	17 331	19 303
507	558	515	Transport	608	636	590
1 288	1 375	1 082	Retail trade	1 197	1 485	1 395
369	335	395	Hotel and restaurant	421	365	399
1 281	1 238	1 324	Housing cooperatives	1 326	1 239	1 281
864	775	1 205	Financial/commercial services	1 421	996	1 094
5 428	5 122	5 637	Social services	5 934	5 394	5 707
112	122	110	Accrued interests	143	155	147
<b>63 142</b>	<b>63 530</b>	<b>66 798</b>	<b>Total gross loans</b>	<b>115 516</b>	<b>109 502</b>	<b>112 007</b>
418	441	392	Impairment losses on lending	402	453	429
<b>62 724</b>	<b>63 089</b>	<b>66 406</b>	<b>Total net loans</b>	<b>115 114</b>	<b>109 049</b>	<b>111 577</b>

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

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



PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.12.2020	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
<b>Assets recognized at amortised cost</b>								
1 148		1 148		Cash and receivables from central banks	1 148		1 148	
10 936		10 936		Loans to credit institutions	2 460		2 460	
40 419			40 419	Net loans to customers (floating interest rate)	106 002			106 002
<b>Assets recognized at fair value</b>								
5 575			5 575	Net loans to customers (fixed interest rate)	5 575			5 575
16 729			16 729	Net loans to customers (mortgages)				
18 329		18 329		Bonds and certificates	21 543		21 543	
166	7		160	Shares	166	7		160
907		907		Financial derivatives	3 415		3 415	
<b>94 209</b>	<b>7</b>	<b>31 319</b>	<b>62 883</b>	<b>Total financial assets</b>	<b>140 311</b>	<b>7</b>	<b>28 567</b>	<b>111 737</b>
<b>Liabilities recognized at amortised cost</b>								
6 765		6 765		Liabilities to credit institutions	6 435		6 435	
59 883			59 883	Deposits from customers	59 833			59 833
14 149		14 151		Liabilities from issue of securities	56 885		56 961	
2 002		2 024		Senior non-preferred	2 002		2 024	
1 653		1 672		Subordinated loan capital	1 653		1 672	
<b>Financial derivatives</b>								
687		687		Total financial liabilities	687		687	
<b>85 140</b>	<b>-</b>	<b>25 300</b>	<b>59 883</b>	<b>Total financial liabilities</b>	<b>127 496</b>	<b>-</b>	<b>67 780</b>	<b>59 833</b>

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			30.06.2020	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
<b>Assets recognized at amortised cost</b>								
2 599		2 599		Cash and receivables from central banks	2 599		2 599	
6 516		6 516		Loans to credit institutions	2 059		2 059	
39 654			39 654	Net loans to customers (floating interest rate)	103 582			103 582
<b>Assets recognized at fair value</b>								
5 467			5 467	Net loans to customers (fixed interest rate)	5 467			5 467
17 968			17 968	Net loans to customers (mortgages)				
21 767		21 767		Bonds and certificates	21 092		21 092	
178	6		172	Shares	178	6		172
1 320		1 320		Financial derivatives	4 802		4 802	
<b>95 469</b>	<b>6</b>	<b>32 202</b>	<b>63 261</b>	<b>Total financial assets</b>	<b>139 779</b>	<b>6</b>	<b>30 552</b>	<b>109 221</b>
<b>Liabilities recognized at amortised cost</b>								
7 392		7 392		Liabilities to credit institutions	7 265		7 265	
60 070			60 070	Deposits from customers	60 055			60 055
15 091		15 022		Liabilities from issue of securities	56 284		56 215	
999		1 000		Senior non-preferred	999		1 000	
1 602		1 605		Subordinated loan capital	1 602		1 605	
<b>Liabilities recognized at fair value</b>								
942		942		Financial derivatives	942		942	
<b>86 096</b>	<b>0</b>	<b>25 961</b>	<b>60 070</b>	<b>Total financial liabilities</b>	<b>127 148</b>	<b>0</b>	<b>67 028</b>	<b>60 055</b>

### Movement level 3

#### GROUP

NOK million	Net loans to customers	Of which credit risk	Shares
<b>Recognized value as at 01.01.2020</b>	<b>5 689</b>	<b>13</b>	<b>184</b>
Acquisitions 1st half year	657		46
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-15	-16	-29
Disposals 1st half year	-865		-29
Reclassified as associated company			
<b>Recognized value as at 30.06.2020</b>	<b>5 467</b>	<b>-3</b>	<b>172</b>
Acquisitions 2nd half year	594		5
Of which, transferred from level 1 or 2			
Change in value recognized during the period	143	28	1 838
Disposals 2nd half year	-627		-1 883
Reclassified as associated company			
<b>Recognized value as at 31.12.2020</b>	<b>5 575</b>	<b>25</b>	<b>160</b>
Acquisitions 1st half year	373		3
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-93	-2	8
Disposals 1st half year	-527		-1
Reclassified as associated company			
<b>Recognized value as at 30.06.2021</b>	<b>5 328</b>	<b>24</b>	<b>170</b>

#### PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares
<b>Recognized value as at 01.01.2020</b>	<b>27 422</b>	<b>13</b>	<b>183</b>
Acquisitions 1st half year	-3 107		46
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-15	-16	-29
Disposals 1st half year	-865		-29
Reclassified as associated company			
<b>Recognized value as at 30.06.2020</b>	<b>23 435</b>	<b>-3</b>	<b>172</b>
Acquisitions 2nd half year	4 358		5
Of which, transferred from level 1 or 2			
Change in value recognized during the period	143	28	1 838
Disposals 2nd half year	-5 631		-1 854
Reclassified as associated company			
<b>Recognized value as at 31.12.2020</b>	<b>22 304</b>	<b>25</b>	<b>160</b>
Acquisitions 1st half year	2 384		3
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-93	-2	8
Disposals 1st half year	-527		-1
Reclassified as associated company			
<b>Recognized value as at 30.06.2021</b>	<b>24 068</b>	<b>24</b>	<b>170</b>

### Sensitivity analysis

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

#### GROUP / PARENT BANK

NOK million	30.06.2021	30.06.2020	31.12.2020
Loans to customers	20	21	20
- of which loans to corporate market (CM)	2	2	2
- of which loans to retail market (RM)	18	19	18

## 12. FINANCIAL DERIVATIVES, COLLATERAL RECEIVED AND OFFSETTING

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

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

GROUP						30.06.2021
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	1 591	311	1 280	-643	638	
Derivatives - liabilities	-521	-311	-210	300	90	
<b>Net</b>	<b>1 070</b>	<b>0</b>	<b>1 070</b>	<b>-342</b>	<b>728</b>	

GROUP						30.06.2020
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	4 802	385	4 417	-2 967	1 451	
Derivatives - liabilities	-942	-385	-557	610	52	
<b>Net</b>	<b>3 860</b>	<b>0</b>	<b>3 860</b>	<b>-2 357</b>	<b>1 503</b>	

PARENT BANK						30.06.2021
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	471	228	243	-0	243	
Derivatives - liabilities	-438	-228	-210	205	-5	
<b>Net</b>	<b>33</b>	<b>0</b>	<b>33</b>	<b>205</b>	<b>238</b>	

PARENT BANK						30.06.2020
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	1 320	385	935	-319	616	
Derivatives - liabilities	-942	-385	-557	610	52	
<b>Netto</b>	<b>378</b>	<b>0</b>	<b>378</b>	<b>290</b>	<b>668</b>	

### 13. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

#### Debt securities - Group

NOK million	30.06.2021	30.06.2020	31.12.2020
Bonds, nominal value	51 029	55 279	55 989
Value adjustments	584	867	735
Accrued interest	119	138	161
<b>Debt incurred due to issuance of securities</b>	<b>51 732</b>	<b>56 284</b>	<b>56 885</b>

#### Change in debt securities - Group

NOK million	31.12.2020	Issued	Matured/ Redeemed	Other changes during the period	30.06.2021
Bonds, nominal value	55 989	9 180	-12 709	-1 432	51 029
Value adjustments	735			-151	584
Accrued interest	161			-42	119
<b>Debt incurred due to issuance of securities</b>	<b>56 885</b>	<b>9 180</b>	<b>-12 709</b>	<b>-1 625</b>	<b>51 732</b>

#### Debt securities - Parent bank

NOK Million	30.06.2021	30.06.2020	31.12.2020
Bonds, nominal value	9 950	14 727	13 899
Value adjustments	82	270	184
Accrued interest	81	94	66
<b>Debt incurred due to issuance of securities</b>	<b>10 114</b>	<b>15 091</b>	<b>14 149</b>

#### Change in debt securities - Parent bank

NOK million	31.12.2020	Issued	Matured/ Redeemed	Other changes during the period	30.06.2021
Bonds, nominal value	13 899	0	-3 700	-249	9 950
Value adjustments	184			-102	82
Accrued interest	66			15	81
<b>Debt incurred due to issuance of securities</b>	<b>14 149</b>	<b>0</b>	<b>-3 700</b>	<b>-335</b>	<b>10 114</b>

#### Change in subordinated capital - Parent bank and Group

NOK million	31.12.2020	Issued	Matured/ Redeemed	Other changes during the period	30.06.2021
Subordinated loans	1 650	0	0		1 650
Accrued interest	3			0	3
<b>Total subordinated loan capital</b>	<b>1 653</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 653</b>

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

NOK million	31.12.2020	Issued	Matured/ Redeemed	Other changes during the period	30.06.2021
Non-preferred senior debt	2 000	1 000	0	0	3 000
Value adjustments	2			-1	1
Accrued interest	0			1	1
<b>Total non-preferred senior debt</b>	<b>2 002</b>	<b>1 000</b>	<b>0</b>	<b>1</b>	<b>3 003</b>

## 14. EQUITY CERTIFICATE HOLDERS

The 20 largest equity certificate holders as at 30.06.2021 were as follows:

	<b>Number of EC</b>	<b>Share of EC-CAP. %</b>		<b>Number of EC</b>	<b>Share of EC-CAP. %</b>
1. Sparebankstiftelsen Sparebanken Sør	7 988 679	51.00	11. Carl Krogh Arnet	101 461	0.65
2. EIKA utbytte VPF c/o Eika kapitalforv.	731 017	4.67	12. Otterseland AS	100 000	0.64
3. Pareto Invest AS	417 309	2.66	13. Sparebanken Sør	100 000	0.64
4. Arendal Kom. pensjonskasse	350 000	2.23	14. MP Pensjon PK	85 523	0.55
5. Glastad Capital AS	266 348	1.70	15. Catilina Invest AS	83 018	0.53
6. Investor AS	202 107	1.29	16. Lombard Int Assurance S.A.	82 131	0.52
7. Wenaasgruppen AS	186 000	1.19	17. Geir Bergskaug	75 239	0.48
8. Gumpen Bileiendom AS	174 209	1.11	18. Apriori Holding AS	72 575	0.46
9. Allumgården AS	151 092	0.96	19. Varodd AS	70 520	0.45
10. Hamjern Invest AS	106 813	0.68	20. Alf Albert	70 033	0.45
<b>Total - 10 largest certificate holders</b>	<b>10 573 574</b>	<b>67.50</b>	<b>Total - 20 largest certificate holders</b>	<b>11 414 074</b>	<b>72.87</b>

As of 1 January 2021, the ownership ratio was 17.3 percent. Hybrid capital, classified as equity, has been excluded when calculating the ownership ratio. As of 30 June 2021, the ownership ratio was 16.0 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 100 000 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.

# Quarterly trend in results

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
<b>Profit (NOK million)</b>					
Net interest income	488	451	467	472	449
Net commission income	110	87	97	91	89
Net income from financial instruments	-11	8	37	14	59
Other operating income	48	29	59	40	56
<b>Total net income</b>	<b>635</b>	<b>575</b>	<b>659</b>	<b>617</b>	<b>653</b>
Total operating expenses before losses	260	242	260	226	240
<b>Operating profit before losses</b>	<b>375</b>	<b>334</b>	<b>399</b>	<b>391</b>	<b>413</b>
Losses on loans, guarantees and undrawn credits	-11	-11	-30	6	46
<b>Profit before taxes</b>	<b>386</b>	<b>345</b>	<b>430</b>	<b>384</b>	<b>367</b>
Tax expenses	77	71	90	80	79
<b>Profit for the period</b>	<b>309</b>	<b>274</b>	<b>339</b>	<b>304</b>	<b>288</b>
<b>Profit as % of average assets</b>					
Net interest income	1.40 %	1.25 %	1.29 %	1.32 %	1.25 %
Net commission income	0.31 %	0.24 %	0.27 %	0.25 %	0.25 %
Net income from financial instruments	-0.03 %	0.02 %	0.10 %	0.04 %	0.16 %
Other operating income	0.14 %	0.08 %	0.16 %	0.11 %	0.16 %
<b>Total net income</b>	<b>1.82 %</b>	<b>1.60 %</b>	<b>1.83 %</b>	<b>1.72 %</b>	<b>1.82 %</b>
Total operating expenses before losses	0.74 %	0.67 %	0.72 %	0.63 %	0.67 %
<b>Operating profit before losses</b>	<b>1.07 %</b>	<b>0.93 %</b>	<b>1.11 %</b>	<b>1.09 %</b>	<b>1.15 %</b>
Losses on loans, guarantees and undrawn credit	-0.03 %	-0.03 %	-0.08 %	0.02 %	0.13 %
<b>Profit before taxes</b>	<b>1.11 %</b>	<b>0.96 %</b>	<b>1.19 %</b>	<b>1.07 %</b>	<b>1.02 %</b>
Tax expenses	0.22 %	0.20 %	0.25 %	0.22 %	0.22 %
<b>Profit for the period</b>	<b>0.89 %</b>	<b>0.76 %</b>	<b>0.94 %</b>	<b>0.85 %</b>	<b>0.80 %</b>
<b>Key figures, income statement</b>					
Return on equity after tax (adjusted for hybrid capital)	9.0 %	8.4 %	10.4 %	9.6 %	8.8 %
Costs as % of income	40.9 %	42.0 %	39.4 %	36.6 %	36.8 %
Costs as % of income, excl. net income from financial instruments	40.2 %	42.6 %	41.7 %	37.5 %	40.4 %
<b>Key figures, balance sheet</b>					
Total assets	140 413	139 047	142 126	146 227	141 566
Average total assets	140 000	146 000	143 700	142 400	142 000
Net loans to customers	115 114	112 801	111 577	110 564	109 049
Growth in loans as %, last 12 mths.	5.6 %	4.8 %	4.9 %	4.6 %	3.9 %
Customer deposits	66 042	60 822	59 833	60 494	60 055
Growth in deposits as %, last 12 mths.	10.0 %	5.5 %	3.3 %	2.7 %	0.2 %
Deposits as % of net loans	57.4 %	53.9 %	53.6 %	54.7 %	55.1 %
Equity (incl. hybrid capital)	14 076	14 022	13 752	13 750	13 474
Losses on loans as % of net loans, annualised	-0.04 %	-0.04 %	0.07 %	0.02 %	0.17 %
<b>Other key figures</b>					
Liquidity reserves (LCR), Group	146 %	168 %	173 %	152 %	126 %
Liquidity reserves (LCR), Group- EUR	345 %	376 %	107 %	106 %	172 %
Liquidity reserves (LCR), Parent Bank	135 %	163 %	154 %	147 %	152 %
Common equity tier 1 capital ratio	16.0 %	15.8 %	15.7 %	15.7 %	15.7 %
Tier 1 capital ratio	17.4 %	17.5 %	17.1 %	17.5 %	17.6 %
Total capital ratio	19.5 %	19.5 %	19.1 %	19.6 %	19.7 %
Common equity tier 1 capital	12 634	12 447	12 204	12 029	11 823
Tier 1 capital	13 755	13 776	13 315	13 440	13 234
Net subordinated capital	15 454	15 374	14 864	14 989	14 793
Leverage ratio	9.2 %	9.2 %	8.9 %	8.8 %	9.1 %
Number of branches	35	35	35	35	34
Number of FTEs in banking operations	458	445	442	440	436
<b>Key figures, equity certificates</b>					
Equity certificate ratio	16.0 %	16.1 %	17.3 %	17.3 %	17.3 %
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)	2.3	5.0	2.5	2.0	2.3
Profit per equity certificate (Group)	2.9	2.9	3.6	3.2	2.9
Dividend last year per equity certificate (Parent Bank)	14.0	14.0	14.0	0.0	0.0
Dividend paid last period per equity certificate	10.4	10.4			
Book equity per equity certificate	133.1	130.7	140.0	136.4	133.3
Price/book value per equity certificate	0.98	1.00	0.82	0.75	0.74
Listed price on Oslo Stock Exchange at end of period	131.0	131.0	114.5	102.5	98.8

## Key figures Group 2015-2020

Income statement (NOK million)	31.12. 2020	31.12. 2019	31.12. 2018	31.12. 2017	31.12. 2016	31.12. 2015
Net interest income	1 914	1 926	1 729	1 679	1 565	1 544
Net commission income	347	344	318	312	293	300
Net income from financial instruments	40	24	2	88	224	-66
Other operating income	143	74	23	18	28	14
<b>Total net income</b>	<b>2 444</b>	<b>2 368</b>	<b>2 072</b>	<b>2 097</b>	<b>2 110</b>	<b>1 792</b>
Total operating expenses before losses	958	918	884	811	787	817
<b>Operating profit before losses</b>	<b>1 486</b>	<b>1 450</b>	<b>1 188</b>	<b>1 286</b>	<b>1 323</b>	<b>975</b>
Losses on loans and guarantees	83	-17	-36	20	50	97
<b>Profit before taxes</b>	<b>1 403</b>	<b>1 467</b>	<b>1 224</b>	<b>1 266</b>	<b>1 273</b>	<b>878</b>
Tax expenses	307	342	285	282	284	231
<b>Profit for the period</b>	<b>1 096</b>	<b>1 125</b>	<b>939</b>	<b>984</b>	<b>989</b>	<b>647</b>
<b>Profit as a percentage of average assets</b>						
Net interest income	1.36 %	1.53 %	1.46 %	1.53 %	1.49 %	1.58 %
Net commission income	0.25 %	0.27 %	0.27 %	0.28 %	0.28 %	0.31 %
Net income from financial instruments	0.03 %	0.02 %	0.00 %	0.08 %	0.21 %	-0.07 %
Other operating income	0.10 %	0.06 %	0.02 %	0.02 %	0.03 %	0.01 %
<b>Total net income</b>	<b>1.74 %</b>	<b>1.88 %</b>	<b>1.75 %</b>	<b>1.92 %</b>	<b>2.01 %</b>	<b>1.83 %</b>
Total operating expenses before losses	0.68 %	0.73 %	0.75 %	0.74 %	0.75 %	0.83 %
<b>Operating profit before losses</b>	<b>1.06 %</b>	<b>1.15 %</b>	<b>1.00 %</b>	<b>1.17 %</b>	<b>1.26 %</b>	<b>0.99 %</b>
Losses on loans and guarantees	0.06 %	-0.01 %	-0.03 %	0.02 %	0.05 %	0.10 %
<b>Profit before taxes</b>	<b>1.00 %</b>	<b>1.17 %</b>	<b>1.03 %</b>	<b>1.16 %</b>	<b>1.21 %</b>	<b>0.90 %</b>
Tax expenses	0.22 %	0.27 %	0.24 %	0.26 %	0.27 %	0.24 %
<b>Profit for the period</b>	<b>0.78 %</b>	<b>0.89 %</b>	<b>0.79 %</b>	<b>0.90 %</b>	<b>0.94 %</b>	<b>0.66 %</b>
<b>Key figures, income statement</b>						
Return on equity after tax (adjusted for hybrid capital)	8.4 %	9.5 %	8.5 %	9.7 %	11.3 %	8.4 %
Costs as % of income	39.2 %	38.8 %	42.7 %	38.7 %	37.3 %	45.6 %
Costs as % of income, excl. net income from financial instruments	39.9 %	39.2 %	42.7 %	40.4 %	41.7 %	44.0 %
<b>Key figures, balance sheet</b>						
Total assets	142 126	129 499	121 125	114 310	105 455	101 334
Average total assets	140 400	125 900	118 600	109 500	104 950	98 000
Net loans to customers	111 577	106 334	102 942	97 518	90 928	88 387
Grows in loans as %, last 12 mths.	4.9 %	3.3 %	5.6 %	7.2 %	2.9 %	9.2 %
Customer deposits	59 833	57 949	56 537	55 580	51 562	48 349
Growth in deposits as %, last 12 mths.	3.3 %	2.5 %	1.7 %	7.8 %	6.6 %	0.2 %
Deposits as % of net loans	53.6 %	54.5 %	54.9 %	57.0 %	56.7 %	54.7 %
Equity (incl. hybrid capital)	13 752	13 081	11 845	11 108	10 051	8 263
Losses on loans as % of net loans, annualised	-0.11 %	-0.01 %	-0.17 %	0.02 %	0.05 %	0.11 %
Gross non-performing loans (over 90 days) as % of gross lending	0.29 %	0.27 %	0.21 %	0.28 %	0.30 %	0.47 %
<b>Other key figures</b>						
Liquidity reserves (LCR), Group	173 %	148 %	159 %	139 %	128 %	108 %
Liquidity reserves (LCR), Group- EUR	107 %	1168 %	4727 %	3105 %		
Liquidity reserves (LCR), Parent Bank	154 %	140 %	180 %	134 %	119 %	71 %
Common equity tier 1 capital ratio	15.7 %	15.7 %	14.8 %	14.9 %	14.7 %	12.7 %
Tier 1 capital ratio	17.1 %	17.6 %	16.6 %	16.7 %	16.0 %	13.5 %
Total capital ratio	19.1 %	20.3 %	18.7 %	18.9 %	17.9 %	15.5 %
Common equity tier 1 capital	12 204	11 356	10 517	9 890	9 114	7 700
Tier 1 capital	13 315	12 767	11 591	10 965	9 939	8 210
Net total primary capital	14 864	14 686	13 096	12 347	11 121	9 388
Leverage ratio	8.9 %	9.3 %	9.1 %	9.2 %	8.6 %	7.0 %
Number of branches	35	34	34	34	34	40
Number of FTEs in banking operations	442	429	434	432	439	449
<b>Key figures, equity certificates</b>						
Equity certificate ratio before profit distribution	17.3 %	17.2 %	17.9 %	18.7 %	19.8 %	13.5 %
Number of equity certificates issued	15 663 944	15 663 944.0	15 663 944	15 663 944	15 663 944	4 768 674
Profit per equity certificate (Parent Bank)	10.5	9.3	7.7	8.9	8.5	10.6
Profit per equity certificate (Group)	11.3	11.7	10.1	11.2	10.7	17.6
Dividend last year per equity certificate (Parent Bank)	14.0	8.0	6.0	6.0	6.0	9.0
Book equity per equity certificate	140.0	128.5	123.2	120.0	115.2	219.0
Price/book value per equity certificate	0.8	0.9	0.8	0.9	0.8	0.6
Listed price on Oslo Stock Exchange at end of period	114.5	110.0	96.9	104.0	91.3	139.0

	Q2	Q1	Q4	Q3	Q2	30.06	30.06	31.12.
NOK million	2021	2021	2020	2020	2020	2021	2020	2020
<b>Return on equity adjusted for hybrid capital</b>								
Profit after tax	309	274	339	304	288	583	452	1 096
Interest on hybrid capital	-19	-10	-13	-13	-25	-29	-43	-69
<b>Profit after tax, incl. interest on hybrid capital</b>	<b>290</b>	<b>264</b>	<b>329</b>	<b>291</b>	<b>263</b>	<b>553</b>	<b>409</b>	<b>1 018</b>
Opening balance, equity	14 022	13 752	13 750	13 215	13 215	13 752	13 081	13 081
Opening balance, hybrid capital	-1 275	-1 075	-1 375	-1 375	-1 375	-1 075	-1 375	-1 375
<b>Opening balance, equity excl. hybrid capital</b>	<b>12 746</b>	<b>12 677</b>	<b>12 375</b>	<b>11 840</b>	<b>11 840</b>	<b>12 677</b>	<b>11 706</b>	<b>11 706</b>
Closing balance, equity	14 076	14 022	13 752	13 750	13 475	14 076	13 475	13 752
Closing balance, hybrid capital	-1 085	-1 275	-1 075	-1 375	-1 375	-1 085	-1 375	-1 075
<b>Closing balance, equity excl. hybrid capital</b>	<b>12 991</b>	<b>12 746</b>	<b>12 677</b>	<b>12 375</b>	<b>12 100</b>	<b>12 991</b>	<b>12 100</b>	<b>12 677</b>
Average equity	14 049	13 887	13 751	13 482	13 345	13 914	13 278	13 416
<b>Average equity excl. Hybrid capital</b>	<b>12 869</b>	<b>12 712</b>	<b>12 526</b>	<b>12 107</b>	<b>11 970</b>	<b>12 834</b>	<b>11 903</b>	<b>12 191</b>
Return on equity	8.8 %	8.0 %	9.8 %	9.0 %	8.7 %	8.5 %	6.8 %	8.2 %
<b>Return on equity, excl. hybrid capital</b>	<b>9.0 %</b>	<b>8.4 %</b>	<b>10.4 %</b>	<b>9.6 %</b>	<b>8.8 %</b>	<b>8.7 %</b>	<b>6.9 %</b>	<b>8.4 %</b>
<b>Net interest income, incl. interest on hybrid capital</b>								
Net interest income, incl. interest on hybrid capital	488	451	467	472	449	939	974	1 914
Interest on hybrid capital	-19	-10	-13	-13	-25	-29	-43	-69
<b>Net interest income, incl. interest on hybrid capital</b>	<b>469</b>	<b>441</b>	<b>455</b>	<b>459</b>	<b>424</b>	<b>910</b>	<b>931</b>	<b>1 845</b>
Average total assets	140 000	146 000	143 700	142 400	142 000	143 000	138 000	140 400
<b>As percentage of total assets</b>	<b>1.34 %</b>	<b>1.23 %</b>	<b>1.26 %</b>	<b>1.28 %</b>	<b>1.20 %</b>	<b>1.29 %</b>	<b>1.35 %</b>	<b>1.31 %</b>
<b>Profit from ordinary operations (adjusted earnings)</b>								
Net interest income, incl. interest on hybrid capital	469	441	455	459	424	910	931	1 845
Net commission income	110	87	97	91	89	197	159	347
Share of profit from associated companies	45	29	57	40	52	74	39	136
Other operating income	2	0	2	-1	4	2	6	7
Operating expenses	260	242	260	226	240	501	472	958
<b>Profit from ordinary operations (adjusted earnings), before tax</b>	<b>367</b>	<b>316</b>	<b>350</b>	<b>364</b>	<b>329</b>	<b>682</b>	<b>662</b>	<b>1 377</b>
Losses on loans, guarantees and undrawn credits	-11	-11	-30	6	46	-22	107	31
<b>Profit excl. finance and adjusted for non-recurring items</b>	<b>378</b>	<b>327</b>	<b>380</b>	<b>357</b>	<b>283</b>	<b>705</b>	<b>555</b>	<b>1 346</b>
Tax (25 %) adjusted for tax, share of profit associated companies	83	74	81	79	58	158	129	303
<b>Ordinary operations /adjusted earnings after losses and tax</b>	<b>295</b>	<b>252</b>	<b>299</b>	<b>278</b>	<b>225</b>	<b>547</b>	<b>426</b>	<b>1 043</b>
Average equity, excl. hybrid capital	12 869	12 712	12 526	12 107	11 970	12 834	11 903	12 191
<b>Return on equity, profit excl. finance and adjusted for non-recurring items</b>	<b>9.2 %</b>	<b>8.0 %</b>	<b>9.5 %</b>	<b>9.1 %</b>	<b>7.6 %</b>	<b>8.6 %</b>	<b>7.2 %</b>	<b>8.6 %</b>
<b>Average interest rates/margins</b>								
Average lending rate RM (return)	2.05 %	2.08 %	2.12 %	2.19 %	2.48 %			
Average lending rate CM (return)	2.80 %	2.85 %	2.74 %	2.80 %	3.37 %			
Average deposit rate RM	0.32 %	0.35 %	0.39 %	0.44 %	0.91 %			
Average deposit rate CM	0.42 %	0.48 %	0.47 %	0.44 %	0.70 %			
Average 3-month NIBOR	0.26 %	0.45 %	0.38 %	0.28 %	0.47 %			
Lending margin RM (lending rate - 3-month NIBOR)	1.79 %	1.63 %	1.74 %	1.91 %	2.01 %			
Lending margin CM (lending rate - 3-month NIBOR)	2.54 %	2.40 %	2.36 %	2.52 %	2.90 %			
Deposit margin RM (3-month NIBOR - deposit rate)	-0.06 %	0.10 %	-0.01 %	-0.16 %	-0.44 %			
Deposit margin CM (3-month NIBOR - deposit rate)	-0.16 %	-0.03 %	-0.09 %	-0.16 %	-0.23 %			
<b>Interest-rate margin (lending rate - deposit rate)</b>								
Interest-rate margin RM	1.73 %	1.73 %	1.73 %	1.74 %	1.57 %			
Interest-rate margin CM	2.38 %	2.36 %	2.27 %	2.36 %	2.67 %			

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

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

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

### Sparebanken Sør's APMs and definitions

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

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

The Board of Directors and CEO of Sparebaken Sør hereby confirm that the bank and the group's financial statements for the first half of 2021 have been prepared in accordance with applicable accounting standards, and that the information provided in the financial statements provides a true and fair view of the company's assets, liabilities, financial position and overall results.

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

**Kristiansand, 30. June 2021/12. August 2021**

Stein A. Hannevik  
Chairman

Inger Johansen  
Deputy Chairman

Mette Ramfjord Harv

Knut Ruhaven Sæthre

Merete Steinvåg Østby

Erik Edvard Tønnesen

Jan Erling Tobiassen  
Employee representative

Gunnhild Tveiten Golid  
Employee representative

Geir Bergskaug  
CEO



**SPAREBANKEN SØR**