



SPAREBANKEN SØR

Q3 2021



Contents

| | |
|--|----|
| Key figures Group | 3 |
| Board of Director's report | 4 |
| Income statement | 14 |
| Balance sheet | 15 |
| Cash flow statement | 16 |
| Statement of changes in equity | 17 |
| Notes | 18 |
| Risk and capital management | 34 |
| Quarterly trend in results | 35 |
| Key figures Group 2015-2020 | 36 |
| Calculations | 37 |
| Alternative performance measures – APM | 38 |

Key figures Group

| Income statement (NOK million) | Q3 2021 | Q3 2020 | 30.09.2021 | 30.09.2020 | 31.12.2020 |
|---|---------------|---------------|---------------|---------------|---------------|
| Net interest income | 493 | 472 | 1 432 | 1 446 | 1 914 |
| Net commission income | 98 | 91 | 294 | 250 | 347 |
| Net income from financial instruments | 29 | 14 | 26 | 4 | 40 |
| Other operating income | 38 | 40 | 115 | 84 | 143 |
| Total net income | 658 | 617 | 1 867 | 1 785 | 2 444 |
| Total operating expenses before losses | 249 | 226 | 750 | 698 | 958 |
| Operating profit before losses | 409 | 391 | 1 117 | 1 087 | 1 486 |
| Losses on loans, guarantees and unused credit | 2 | 6 | - 20 | 114 | 83 |
| Profit before taxes | 407 | 384 | 1 137 | 973 | 1 403 |
| Tax expenses | 91 | 80 | 240 | 217 | 307 |
| Profit for the period | 315 | 304 | 898 | 756 | 1 096 |
| Profit as a percentage of average assets | | | | | |
| Net interest income | 1.37 % | 1.32 % | 1.34 % | 1.38 % | 1.36 % |
| Net commission income | 0.27 % | 0.25 % | 0.28 % | 0.24 % | 0.25 % |
| Net income from financial instruments | 0.08 % | 0.04 % | 0.02 % | 0.00 % | 0.03 % |
| Other operating income | 0.10 % | 0.11 % | 0.11 % | 0.08 % | 0.10 % |
| Total net income | 1.82 % | 1.72 % | 1.75 % | 1.71 % | 1.74 % |
| Total operating expenses before losses | 0.69 % | 0.63 % | 0.70 % | 0.67 % | 0.68 % |
| Operating profit before losses | 1.13 % | 1.09 % | 1.04 % | 1.04 % | 1.06 % |
| Losses on loans, guarantees and unused credit | 0.01 % | 0.02 % | -0.02 % | 0.11 % | 0.06 % |
| Profit before taxes | 1.13 % | 1.07 % | 1.06 % | 0.93 % | 1.00 % |
| Tax expenses | 0.25 % | 0.22 % | 0.22 % | 0.21 % | 0.22 % |
| Profit for the period | 0.88 % | 0.85 % | 0.84 % | 0.72 % | 0.78 % |
| Key figures, income statement | | | | | |
| Return on equity after tax (adjusted for hybrid capital) | 9.2 % | 9.6 % | 8.8 % | 7.8 % | 8.4 % |
| Costs as % of income | 37.9 % | 36.6 % | 40.2 % | 39.1 % | 39.2 % |
| Costs as % of income, excl. net income from financial instruments | 39.6 % | 37.5 % | 40.7 % | 39.2 % | 39.9 % |
| Key figures, balance sheet | | | | | |
| Total assets | 145 431 | 146 227 | 145 431 | 146 227 | 142 126 |
| Average total assets | 143 000 | 142 400 | 143 000 | 139 200 | 140 400 |
| Net loans to customers | | | 116 539 | 110 564 | 111 577 |
| Growth in loans as % last 12 mths. | | | 5.4 % | 4.6 % | 4.9 % |
| Customer deposits | | | 65 185 | 60 494 | 59 833 |
| Growth in deposits as % last 12 mths. | | | 7.8 % | 2.7 % | 3.3 % |
| Deposits as % of net loans | | | 55.9 % | 54.7 % | 53.6 % |
| Equity (incl. hybrid capital) | | | 14 394 | 13 750 | 13 752 |
| Losses on loans as % of net loans, annualised | | | 0.01 % | 0.02 % | 0.07 % |
| Other key figures | | | | | |
| Liquidity reserve (LCR) Group | | | 142 % | 126 % | 173 % |
| Liquidity reserve (LCR) Group - Euro | | | 637 % | 172 % | 107 % |
| Liquidity reserve (LCR) Parent Bank | | | 126 % | 152 % | 154 % |
| Common equity tier 1 capital ratio | | | 16.2 % | 15.7 % | 15.7 % |
| Tier 1 capital ratio | | | 17.6 % | 17.5 % | 17.1 % |
| Total capital ratio | | | 19.7 % | 19.6 % | 19.1 % |
| Total common equity tier 1 capital ratio | | | 12.820 | 12 029 | 12 204 |
| Tier 1 capital ratio | | | 13.941 | 13 440 | 13 315 |
| Net subordinated capital | | | 15.640 | 14 989 | 14 864 |
| Leverage ratio | | | 9.3 % | 8.8 % | 8.9 % |
| Number of branches | | | | | |
| Number of branches | | | 35 | 35 | 35 |
| Number of FTEs in banking operations | | | | | |
| Number of FTEs in banking operations | | | 452 | 440 | 442 |
| Key figures, equity certificates | | | | | |
| 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) | 2.1 | 2.3 | 9.5 | 8.0 | 10.5 |
| Profit/diluted earnings per equity certificate (Group) | 3.2 | 2.9 | 9.0 | 7.7 | 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 | | | 137.3 | 136.4 | 140.0 |
| Price/book value per equity certificate | | | 0.97 | 0.75 | 0.82 |
| Listed price on Oslo Stock Exchange at end of period | | | 133.0 | 102.5 | 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 Q3 2021

- Efficient operations and low costs
- Good results from Frende, Brage and Sørmeqleren
- Continued very low losses on loans
- Annualised growth in lending of 5.0 percent
- Return on equity after tax of 9.2 percent
- Common equity tier 1 (CET1) ratio of 16.2 percent and Leverage Ratio of 9.3 percent
- The Board of Directors decided to pay a dividend of NOK 3.60 per equity certificate by authorization from the Board of Trustees

Highlights after 9 months in 2021

- Efficient operations and low costs
- Good results from Frende, Brage and Sørmeqleren
- Net entry on losses on loans
- 12-month lending growth of 5.4 percent
- 12-month deposit growth of 7.8 percent.
- Return on equity after tax of 8.8 percent
- Common equity tier 1 (CET1) ratio of 16.2 percent and Leverage Ratio of 9.3 percent

Financial framework conditions

At the end of September, the government decided to reopen society, and ease the comprehensive measures that have affected society through the corona pandemic. The reopening has given a significant increase in the Norwegian economy, and the activity levels are now higher than before the pandemic.

In September 2021, the policy rate was raised from zero to 0.25 percent. Based on Norges Bank's assessment of the outlook and risk picture, it seems more than likely that the policy rate will be further raised in December 2021. The forecast for the policy rate implies that it will be a gradually increase in the interest rates over the next few years.

The yields, in both the money and bond markets, have fallen in recent quarters, stabilising at a low level in 2021. This applies both in Norway and abroad.

At the end of August 2021, annual growth in the general public's gross domestic debt, C2, stood at 5.3 percent. Credit growth for households and businesses was 5.2 percent and 4.8 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 advises the Ministry with regard to the capital buffer level, and provides a basis for it's decisions. According to Norges Bank's assessment of the economic development and the prospects for losses and lending capacity in the banks, the buffer requirement will be increased to 2.0 percent, with effect from 31 December 2022.

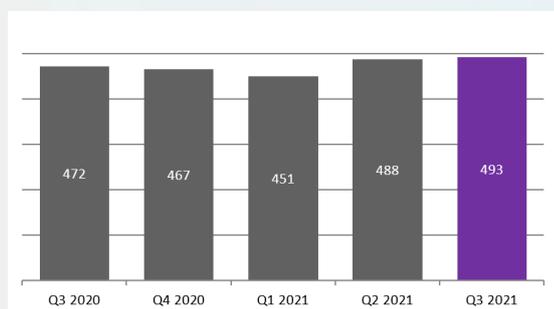
Earnings

Sparebanken Sør posted a profit before tax of NOK 407 million in Q3 2021, compared with NOK 384 million in the same period in 2020. The Group achieved a return on equity after tax of 9.2 percent in the Q3 2021, compared with 9.6 percent in the same period in 2020.

Sparebanken Sør made a profit before tax of NOK 1 137 million after the third quarter of 2021, compared with NOK 973 million in the same period in 2020. This represents an increase of as much as NOK 164 million. The return on equity after tax was 8.8 percent after the third quarter of 2021, the return on equity after tax was 7.8 percent in the corresponding period in 2020.

Net interest income

Quarterly net interest income (NOK million)

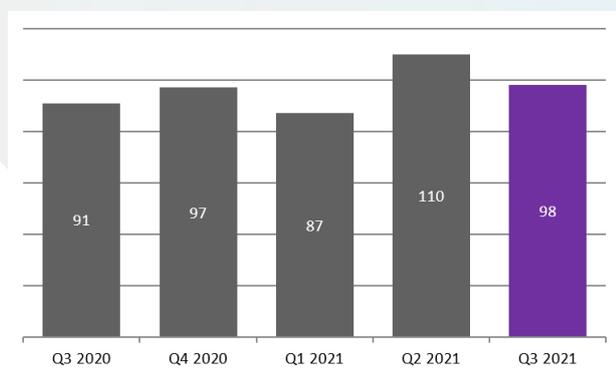


Net interest income totalled NOK 493 million in Q3 2021, compared with NOK 472 million in Q3 2020, an increase of NOK 21 million. The main reasons for the increase were good lending growth, repricing of deposit products and lower funding costs in the quarter.

The bank has announced changes in the lending rate, following Norges Bank's decision to raise the policy rate at the end of September. For retail customers, an rate increase of 0.25 percentage points has been announced, with effect on existing loans from 10 November. For corporate customers, an interest rate increase of up to 0.35 percentage point has been announced. For deposits, only certain deposit-products will be adjusted.

Commission income

Quarterly net commission income (NOK million)



Net commission income totalled NOK 98 million in Q3 2021, compared with NOK 91 million in Q3 2020.

Gross commission income in Q3 2021 totalled NOK 114 million, compared with NOK 103 million in Q3 2020.

| Commission income | Q3 2021 | Q3 2020 | Change | 30.09 2021 | 30.09 2020 | Change |
|-------------------------|------------|------------|-----------|------------|------------|-----------|
| Payment services | 45 | 40 | 4 | 123 | 118 | 5 |
| Real estate brokerage | 42 | 41 | 0 | 140 | 108 | 32 |
| Mutual fund | 8 | 4 | 4 | 23 | 16 | 8 |
| Insurance | 9 | 8 | 1 | 25 | 22 | 3 |
| Other commission income | 11 | 10 | 1 | 30 | 28 | 2 |
| Total | 114 | 103 | 11 | 341 | 292 | 49 |

Net commission income has shown a good development in 2021. The bank's real estate agent, Sørmeglere, 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 29 million in Q3 2021, compared with NOK 14 million in Q3 2020.

| Net income from financial instruments | Q3 2021 | Q3 2020 | Change | 30.09 2021 | 30.09.2020 | Change |
|---------------------------------------|-----------|-----------|-----------|------------|------------|-----------|
| Bonds and certificates | -9 | 1 | -9 | -28 | -38 | 10 |
| Shares incl. dividends | 2 | 6 | -4 | 20 | 13 | 7 |
| Fixed rate loans | 14 | -5 | 18 | 10 | -9 | 19 |
| Securities issued - hedge accounting | 15 | 14 | 0 | 10 | 35 | -24 |
| Repurchase of issued bonds | -0 | -2 | 2 | -15 | -12 | -2 |
| Other financial instruments | 8 | 0 | 8 | 28 | 16 | 13 |
| Total | 29 | 14 | 15 | 26 | 4 | 22 |

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 Euro. 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.

The profit share from associated companies amounted to NOK 33.5 million in Q3 2021 and 108.0 million YTD.

Sparebanken Sør's share of the profit in Brage Finans AS totalled to NOK 12.4 million in Q3 2021 and NOK 35.7 million YTD.

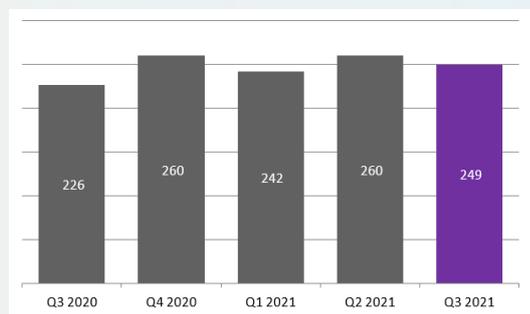
Sparebanken Sør's share of the profit in Frende Holding AS totalled to NOK 26.5 million in Q3 2021 and NOK 77.4 million YTD.

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 Q3 and NOK 16.2 million YTD.

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 or Q3.

Operating expenses

Quarterly operating expenses (NOK million)



Operating expenses amounted to NOK 249 million in Q3 2021, an increase of NOK 23 million compared with Q3 2020.

Operating costs in the banking business amounted to NOK 219 million in Q3 2021, up from NOK 199 million in Q3 2020. So far this year, operating costs in the banking business amounted to NOK 640 million, compared with NOK 612 million in 2020. The increase is 4.6 percent, and is due to strategic investments in head counts and IT-systems.

The brokerage business has experienced high activity levels throughout 2021. Sørmeqleren has an increase in costs compared with the corresponding period in 2020, but has also generated good results and high commission income.

Cost-income ratio in the Group was 37.9 percent (36.6 percent) in Q3 2021. Cost-income ratio in the banking business were 35.5 percent (34.5 percent).

Losses and non-performing loans

Net losses on loans amounted to NOK 2 million in Q3 2021, compared to net loss of NOK 6 million in Q3 2020.

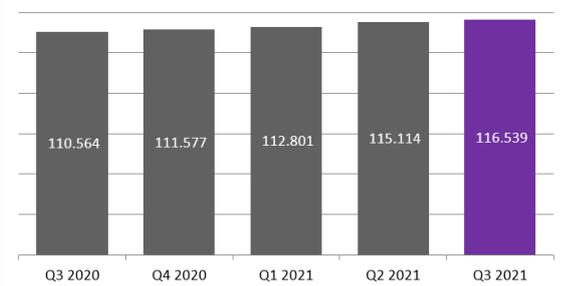
The Covid-19 pandemic has effected several business sectors, and the government has implemented extensive measures to mitigate the effects of the pandemic on the Norwegian economy. The Bank has low exposure to industries that have been strongly affected during the pandemic. For example, the Bank has virtually no direct exposure to the oil and offshore industries. An estimated 1-2 percent of the tenants in the Bank's commercial property portfolio are exposed to this sector. Although the coronapandemic has negatively impacted some of the Bank's customers, and some underlying uncertainty remains, this has had little effect on the Bank's losses on loans.

The Group's impairment losses were calculated to NOK 421 million by the end of Q3 2021, which is equivalent to 0.36 percent of gross loans. The corresponding figures for 2020 were NOK 500 million and 0.45 percent of gross loans.

Non-performing loans (stage 3) were NOK 870 million, which represented 0.74 percent of gross loans. The definition of non-performing loans was changed at 1 January 2021, and 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 6.0 billion to a total of NOK 116.5 billion, representing a growth of 5.4 percent. Loan growth in Q3 2021 was NOK 1.4 billion, representing a growth of 5.0 percent.

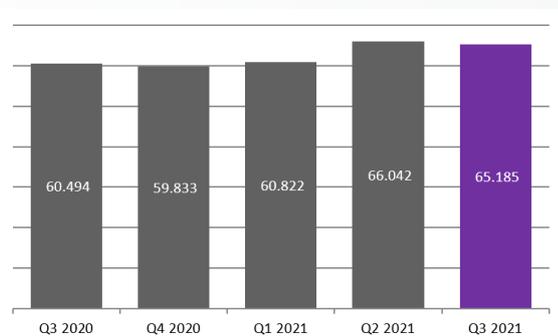
Over the past 12 months, gross loans to retail customers increased by NOK 4.0 billion to NOK 76.8 billion, a growth of 5.4 percent. Annualised lending growth in Q3 was 5.3 percent

Gross loans to corporate customers increased by NOK 2.0 billion to NOK 39.9 billion over the last 12 months, representing a growth of 5.2 percent. Annualised lending growth in Q3 was 4.0 percent

Loans to retail customers accounted for 66 percent (66 percent) of total loans at the end of Q3 2021.

Deposits

Deposits in NOK million



Over the past 12 months, customer deposits increased by NOK 4.7 billion to NOK 65.2 billion, a growth of 7.8 percent.

Deposits from retail customers increased by NOK 1.5 billion to NOK 31.3 billion, a growth of 4.9 percent.

Deposits from corporate customers increased by NOK 3.4 billion to NOK 33.8 billion, a growth of 11.1 percent.

Deposits in percent of net loans were 55.9 percent at the end of Q3 2021, up from 54.7 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 Q3 2021, wholesale funding amounted to NOK 56.5 billion, of which 82 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 Q3 2021.

The Group's portfolio of interest-bearing securities totalled NOK 18.6 billion as at 30 September 2021. The Group's liquidity reserve (LCR) amounted to 142 percent as at 30 September 2021 (126 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) at the beginning of Q3 2021. This gives 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 Q3 2021, net subordinated capital totalled NOK 15.6 billion. Total tier 1 capital totalled NOK 13.9 billion and common tier 1 capital totalled NOK 12.8 billion. At the same date the (total) capital ratio for the Sparebanken Sør Group was 19.7 percent, the tier 1 capital ratio was 17.6 percent and the common equity tier 1 (CET1) capital ratio was 16.2 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 21.6 percent, a tier 1 capital ratio of 19.0 percent and a CET1 capital ratio of 17.4 percent at the end of Q3 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 increase to 2.0 percent in December, with effect from 31. December 2022. 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.

Changes in the EU banking regulations (the «banking package») will also be implemented in Norway, and it is expected that this will be implemented in the first half of 2022. This will affect, among other things, Part 2 of the SME discount and the introduction of an infrastructure discount. The Group's analyses show that the reduction in risk-weighted assets, as a result of Part 2 of the SME discount and the infrastructure discount, will increase the CET1 ratio by a total approx 0.8 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. This has been postponed. The current ambition has been to implement this in the EU from 1 January 2023, but it is unclear whether this schedule will be met. The timing of the introduction in Norway has not been clarified, and will not 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, it is estimated that the new regulations will improve the CET1 capital adequacy ratio in the range of 2.0-2.5 percentage points. In such a context, it is considered that an IRB-F approval will only have limited effects beyond this.

An important part of the Group’s key objectives is to keep the CET1 capital ratio at the same level as that of comparable banks. Sparebanken Sør is the only major regional bank that uses the standard method to calculate capital adequacy, and the Bank currently has a higher leverage ratio than the other regional banks. Sparebanken Sør also aims to have a quality of risk management on a par with comparable banks. The Bank has started a process to develop the Bank’s risk management framework and modelling in a way that will make it possible to apply to FSA for approval of internal rating-based (IRA) approach to calculate capital requirements. This work currently has a high priority throughout the Bank.

The Group previously intended to submit the IRB-application to the FSA well in advance of implementation of the increased systemic risk buffer requirement in 2022. As a new and more risk-sensitive standard method will be implemented in connection with Basel IV, which is expected to be beneficial for the Group, a thorough assessment is now being made of the effects of new standard regulations on the content of an IRB-application. This work will have an important bearing on determining the most appropriate time to submit an IRB-application. Basel IV is not expected to be implemented before 2023. Consequently it is assumed that important details in the regulations will not be clarified until close to the time of implementation. Based on this, it is considered most likely that the Group will not submit an IRB-application until 2023.

Changes in estimates, as well as the adoption of final regulations, may lead to adjustments in what will be an appropriate progress in an application process.

The Group’s Leverage Ratio stood at 9.3 percent at the close of Q3 2021, compared with 8.8 percent at the close of Q3 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.

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. Sparebanken Sør has at the close of Q3 2021 issued NOK 3.5 billion in senior non-preferred debt.

The bank’s equity certificates

As at 30 September 2021, the Bank had issued 15 663 944 equity certificates.

Earnings per equity certificate (for the Group) came to NOK 3.2 in Q3 2021 and NOK 9.0 in the first 9 months of the year. The ownership ratio at the end of Q3 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 may 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.

In a press release dated 7 September, the Ministry of Finance, with support from the FSA, stated that due to reduced uncertainty surrounding economic developments, Norwegian banks can revert to the ordinary frameworks for dividend distributions after 30 September. The financial statements for the third quarter show that the Bank's financial situation is very good and that the Bank is solidly capitalised. The Board has decided, in accordance with the authorization from the Board of Trustees, to distribute a dividend of NOK 56.4 million (NOK 3.60 per equity certificate).

Subsidiaries and partner businesses

The bank's wholly owned subsidiary **Sparebanken Sør Boligkreditt AS** is licensed to issue covered bonds which are used as an instrument in the Bank's long-term funding strategy. As of 30 September 2021, the Bank had transferred NOK 48.7 billion to Sparebanken Sør Boligkreditt AS, equivalent to 62 percent of all loans to the retail market.

The Bank's own real estate business, **Sørmegleren**, is the absolute leader in its field in Southern Norway. Sørmegleren continues to grow, and now employs 101 people in 18 locations. As at 30 September 2021, Sørmegleren made a profit before tax of NOK 30.0 million, compared with NOK 18.7 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 Q3 2021 of NOK 166.4 million, a decrease from NOK 212.6 million in the same period last year. The quarter was characterised by a very good technical profit in the general insurance business, and a decrease in risk result from Liv (life insurance). Profit before tax as at 30 September 2021 closed on NOK 469.7 million, an increase from 404.0 in the corresponding period last year. The company's financial return came to NOK 215.6 million at Q3 2021, compared with NOK 89.6 million the corresponding period last year.

Frende Skade posted a profit before tax of NOK 153.7 million in Q3 2021, compared with NOK 162.7 million in the same period last year. The company had a total of NOK 2.229 million (NOK 2.133 million) in written premiums, divided between more than 159 000 customers. The market share by the end of Q3 was 3.3 percent. As of 30. September 2021, the loss ratio stood at 67.9 percent (73.0 percent), while the company's combined ratio came to 84.8 percent (89.8 percent). The loss ratio for the third quarter was 59.9 percent, compared with 62.0 percent in the third quarter of 2020. There was a pleasing improvement in the insurance claim frequency in 2021 overall, while large claims volumes was on a par with a normal year.

Frende Liv made a profit before tax of NOK 16.9 million in Q3 2021, compared with NOK 56.1 million in the same period last year. Risk result in Liv has been weaker than previous years, particularly for disability products. Written premiums was NOK 560 million by the end of Q3 2021, up from NOK 526 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 head quarter is located in 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. The company recorded a profit before tax for the third quarter of 2021 of NOK 81.3 million, compared with NOK 61.6 million the previous year. This corresponds to a return on equity of 13.2 percent, compared with 10.3 percent in the third quarter of 2020.

Brage Finans' market areas experienced good business activity and high demand for financing during the quarter. Total new sales of products to the corporate market, mainly leasing financing, totalled NOK 1.2 billion in the third quarter, compared with NOK 1.0 billion in the third quarter of 2020.

The retail market area continued to improve in the third quarter. Brage Finans also experienced a large influx of car loans this quarter, with new customers coming from partner car dealers, the company's owner banks and directly via sales portals. The company's new sales of loans to retail customers for the third quarter of the year closed on NOK 0.9 billion, compared with NOK 0.8 billion in the corresponding quarter last year.

The company's profit before tax for the first nine months of 2021 was a very positive NOK 214.4 million, corresponding to NOK 159.1 million the previous year. The profit corresponded to a return on equity of 11.4 percent, compared with 8.9 percent at Q3 2020.

At the end of Q3 2021, Brage had a gross lending portfolio of NOK 16.4 billion, an increase of NOK 2.7 billion compared with the same period in 2020. This corresponds to a lending growth of 20.0 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 corona pandemic has had a major impact on society since March 2020 and has adversely affected the Norwegian economy and our trading partners. The reopening of society and easing of infection control measures have resulted in a marked upturn in the Norwegian economy, and activity levels are now higher than before the corona pandemic. Retail services, which have been hardest hit by infection control measures, have in particular benefited. As the economy returns to normal, the policy rate at Norges Bank is also expected to gradually normalise and we expect to see a slightly higher interest rate level going forward.

Sparebanken Sør's Board of Directors has adopted guidelines that ensure that any refinancing in the bond market is normally undertaken well in advance of the final date of maturity. This has contributed to the Bank's solid financing situation. The Bank has a low-risk lending portfolio, and high loss-absorbing capacity through a high equity capital ratio. Bank operations are highly cost effective, with good underlying operations.

Residential property prices in the Bank's main markets have shown a positive, though moderate, development over several years. Statistics for the third quarter of 2021 indicate 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, Sørmeglere.

The Group has a Tier 1 capital requirement of 13.0 percent, including pillar-2 additions of 2.0 percent. The Group has a Tier 1 capital target of 15.3 percent. At the end of the third quarter 2021, the CET 1 capital ratio was 16.2 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 target return on equity of 10 percent by 2025.

The return on equity for 2021 will be affected by the loss assessments and developments in the macroeconomic situation throughout the year. Loss provisions have been calculated in accordance with the rules provided in IFRS9, and are based on a long-term perspective. Based on the current macroeconomic picture, no major losses are expected in the fourth quarter, and the Bank expects a return on equity close to the target of 9 percent.

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

Events after the reporting period

There have been no significant events after September 30, 2021 that affect the quarterly accounts.

Kristiansand, 28 October 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. | 30.09. | 30.09. | Q3 | Q3 | | | Q3 | Q3 | 30.09. | 30.09. | 31.12. |
| 2020 | 2020 | 2021 | 2020 | 2021 | Notes | 2021 | 2020 | 2021 | 2020 | 2020 | |
| 1 431 | 1 070 | 875 | 263 | 287 | Interest income at amortised cost | 4 | 608 | 628 | 1 821 | 2 269 | 2 833 |
| 796 | 709 | 504 | 196 | 171 | Interest income at fair value through profit and loss | 4 | 70 | 62 | 238 | 315 | 434 |
| 1 404 | 1 086 | 1 008 | 325 | 344 | Net interest income | 4 | 493 | 472 | 1 432 | 1 446 | 1 914 |
| 350 | 250 | 273 | 84 | 97 | Commission income | | 114 | 103 | 341 | 292 | 409 |
| 62 | 41 | 46 | 12 | 17 | Commission expenses | | 17 | 12 | 46 | 41 | 62 |
| 288 | 208 | 227 | 72 | 80 | Net commission income | | 98 | 91 | 294 | 250 | 347 |
| 265 | 242 | 325 | 0 | 6 | Dividend | | 6 | 0 | 7 | 2 | 25 |
| 33 | 20 | 41 | 14 | 14 | Net income from other financial instruments | | 23 | 14 | 19 | 2 | 15 |
| 297 | 262 | 365 | 14 | 20 | Net income from financial instruments | | 29 | 14 | 26 | 4 | 40 |
| 136 | 79 | 108 | 40 | 34 | Income from associated companies | | 34 | 40 | 108 | 79 | 136 |
| 11 | 6 | 6 | 2 | 2 | Other operating income | | 4 | -1 | 7 | 5 | 7 |
| 147 | 85 | 114 | 42 | 35 | Total other income | | 38 | 40 | 115 | 84 | 143 |
| 2 136 | 1 640 | 1 714 | 452 | 480 | Total net income | | 658 | 617 | 1 867 | 1 785 | 2 444 |
| 445 | 330 | 343 | 114 | 116 | Wages and other personnel expenses | | 142 | 134 | 438 | 401 | 552 |
| 42 | 29 | 31 | 10 | 10 | Depreciation, amortization and impairment of non-current assets | | 10 | 10 | 32 | 30 | 43 |
| 348 | 250 | 262 | 75 | 89 | Other operating expenses | | 97 | 82 | 280 | 267 | 363 |
| 835 | 608 | 636 | 199 | 215 | Total operation expenses before losses | | 249 | 226 | 750 | 698 | 958 |
| 1 301 | 1 032 | 1 078 | 254 | 265 | Operating profit before losses | | 409 | 391 | 1 117 | 1 087 | 1 486 |
| 81 | 112 | - 22 | 8 | -1 | Losses on loans, guarantees and undrawn credit | 5 | 2 | 6 | - 20 | 114 | 83 |
| 1 220 | 920 | 1 100 | 246 | 266 | Profit before taxes | 2 | 407 | 384 | 1 137 | 973 | 1 403 |
| 200 | 141 | 156 | 48 | 56 | Tax expenses | | 91 | 80 | 240 | 217 | 307 |
| 1 021 | 780 | 943 | 199 | 210 | Profit for the period | | 315 | 304 | 898 | 756 | 1 096 |
| | | | | | Minority interests | | 1 | 1 | 3 | 2 | 2 |
| 1 021 | 780 | 943 | 199 | 210 | Majority interests | | 315 | 303 | 895 | 755 | 1 094 |
| 69 | 56 | 38 | 13 | 8 | Attributable to additional Tier 1 capital holders | | 8 | 13 | 38 | 56 | 69 |
| 952 | 724 | 906 | 185 | 202 | Attributable to ECC-holders and to the primary capital | | 306 | 290 | 858 | 699 | 1 026 |
| 1 021 | 780 | 943 | 199 | 210 | Profit for the period | | 315 | 303 | 895 | 755 | 1 094 |
| 10.5 | 8.0 | 9.5 | 2.0 | 2.1 | Profit/diluted earnings per equity certificate (in whole NOK) | | 3.2 | 3.2 | 9.0 | 7.7 | 11.3 |
| | | | | | Other comprehensive income | | | | | | |
| | | | | | <i>Items that may be reclassified to profit or loss</i> | | | | | | |
| | | | | | Change in value, basis swaps | | 24 | -13 | -32 | -3 | -7 |
| | | | | | Change in value, customer mortgages | | | | | | |
| | | | | | Tax effect | | -6 | 3 | 8 | 1 | 2 |
| - | - | - | - | - | Total other comprehensive income | | 18 | -10 | -24 | -2 | -5 |
| 1 021 | 780 | 943 | 199 | 210 | Comprehensive income for the period | | 334 | 294 | 874 | 754 | 1 091 |
| | | | | | Minority interests | | | | | | |
| | | | | | Majority interests | | 334 | 294 | 874 | 754 | 1 091 |
| 10.5 | 8.0 | 9.5 | 2.0 | 2.1 | Comprehensive income/diluted earnings per equity certificate | | 3.4 | 3.1 | 8.8 | 7.7 | 11.3 |

Balance sheet

| PARENT BANK | | | NOK million | | GROUP | | |
|---------------------------------------|----------------|---------------|--|---------------|----------------|----------------|----------------|
| 31.12. | 30.09. | 30.09. | | | 30.09. | 30.09. | 31.12. |
| 2020 | 2020 | 2021 | ASSETS | Notes | 2021 | 2020 | 2020 |
| 1 148 | 629 | 799 | Cash and receivables from central banks | | 799 | 629 | 1 148 |
| 10 936 | 14 144 | 9 285 | Loans to credit institutions | 11 | 5 970 | 5 091 | 2 460 |
| 62 724 | 66 128 | 67 893 | Net loans to customers | 2,6,7,8,10,11 | 116 539 | 110 564 | 111 577 |
| 18 329 | 14 492 | 14 929 | Bonds and certificates | 11 | 18 562 | 22 543 | 21 543 |
| 166 | 187 | 193 | Shares | 11 | 193 | 187 | 166 |
| 907 | 1 345 | 413 | Financial derivatives | 11,12 | 1 497 | 5 354 | 3 415 |
| 2 111 | 1 862 | 2 116 | Shareholding in group companies | | | | |
| 1 134 | 1 077 | 1 127 | Shareholding in associated companies | | 1 127 | 1 077 | 1 134 |
| 41 | 43 | 52 | Intangible assets | | 59 | 48 | 47 |
| | 2 | | Deferred tax benefit | | - | 33 | |
| 430 | 442 | 423 | Property, plant and equipment | | 454 | 473 | 461 |
| 96 | 118 | 96 | Other assets | | 231 | 229 | 174 |
| 98 022 | 100 469 | 97 327 | TOTAL ASSETS | 2,11 | 145 431 | 146 227 | 142 126 |
| LIABILITIES AND EQUITY CAPITAL | | | | | | | |
| 6 765 | 7 814 | 2 976 | Liabilities to credit institutions | 11 | 2 880 | 7 702 | 6 435 |
| 59 883 | 60 513 | 65 209 | Deposits from customers | 2,9,11 | 65 185 | 60 494 | 59 833 |
| 14 149 | 14 596 | 10 048 | Liabilities related to issue of securities | 11,13 | 56 454 | 58 832 | 56 885 |
| 687 | 939 | 365 | Financial derivatives | 11,12 | 493 | 939 | 687 |
| 272 | 197 | 161 | Payable taxes | | 272 | 274 | 373 |
| 406 | 485 | 404 | Other liabilities | | 469 | 542 | 457 |
| 38 | 39 | 128 | Provisions for commitments | | 128 | 39 | 38 |
| 29 | | 39 | Deferred tax | | 7 | | 10 |
| 2 002 | 2 003 | 3 497 | Senior non-preferred | | 3 497 | 2 003 | 2 002 |
| 1 653 | 1 653 | 1 653 | Subordinated loan capital | 11,13 | 1 653 | 1 653 | 1 653 |
| 85 886 | 88 238 | 84 479 | Total liabilities | | 131 037 | 132 477 | 128 374 |
| 1 694 | 1 749 | 1 684 | Equity certificate capital | 14 | 1 684 | 1 749 | 1 694 |
| 1 075 | 1 375 | 1 085 | Hybrid capital | | 1 085 | 1 375 | 1 075 |
| 9 367 | 9 107 | 10 078 | Other equity | | 11 625 | 10 626 | 10 983 |
| 12 136 | 12 231 | 12 847 | Total equity | 3,14 | 14 394 | 13 750 | 13 752 |
| 98 022 | 100 469 | 97 327 | TOTAL LIABILITIES AND EQUITY | 2,11 | 145 431 | 146 227 | 142 126 |

Kristiansand, 28 October 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. | 30.09. | 30.09. | | 30.09. | 30.09. | 31.12. |
| 2020 | 2020 | 2021 | | 2021 | 2020 | 2020 |
| 2 250 | 1 808 | 1 426 | Interest received | 2 129 | 2 619 | 3 278 |
| -792 | -390 | -314 | Interest paid | -611 | -883 | -1 345 |
| 622 | 526 | 578 | Other payments received | 312 | 282 | 383 |
| -782 | -586 | -582 | Operating expenditure | -714 | -621 | -893 |
| 12 | 6 | 7 | Loan recoveries | 7 | 6 | 12 |
| -279 | -279 | -243 | Tax paid for the period | -323 | -360 | -350 |
| -28 | -18 | -22 | Gift expenditure | -22 | -18 | -28 |
| 1 929 | 2 296 | 5 233 | Change in customer deposits | 5 259 | 2 291 | 1 893 |
| 3 435 | 46 | -5 291 | Change in loans to customers | -5 088 | -4 261 | -5 285 |
| 2 002 | 3 118 | -1 287 | Change in deposits from credit institutions | -1 044 | 3 531 | 1 830 |
| 8 369 | 6 527 | -494 | Net cash flow from operating activities | -96 | 2 586 | -505 |
| 44 944 | 17 962 | 31 790 | Payments received, securities | 29 141 | 23 730 | 37 651 |
| -46 482 | -15 689 | -28 421 | Payments made, securities | -26 181 | -26 413 | -39 295 |
| 11 | 1 | 19 | Payments received, sale of property, plant and equipment | 19 | 4 | 14 |
| -62 | -30 | -57 | Payments made, purchase of property, plant and equipment | -58 | -33 | -70 |
| | | 201 | Payments received, investments in subsidiaries and associates | 201 | | |
| -286 | -35 | -81 | Payments made, investments in subsidiaries and associates | -76 | -30 | -29 |
| -664 | -1 236 | 234 | Change in other assets | 117 | -4 763 | -2 257 |
| -2 539 | 973 | 3 686 | Net cash flow from investing activities | 3 163 | -7 505 | -3 987 |
| -6 873 | -10 081 | 1 651 | Change in loans to credit institutions | -3 510 | -4 909 | -2 278 |
| 2 500 | 2 500 | -2 503 | Change in deposits from credit institutions | -2 502 | 2 374 | 2 374 |
| - | - | | Payments received, bond debt | 14 255 | 5 000 | 5 000 |
| -2 959 | -2 764 | -3 700 | Payments made, bond debt | -12 875 | -3 529 | -3 724 |
| -69 | -56 | -201 | Payments made, dividends and interest on hybrid capital | -201 | -56 | -69 |
| 2 000 | 2 000 | 1 500 | Issue of senior non-preferred | 1 500 | 2 000 | 2 000 |
| 350 | 350 | | Issue of subordinated loan capital | | 350 | 350 |
| -666 | -666 | | Buyback of subordinated loan capital | | -666 | -666 |
| 874 | 1 384 | -298 | Change in other assets | -93 | 4 522 | 2 490 |
| | | 200 | Issue of hybrid capital | 200 | - | |
| -300 | | -190 | Deduction of hybrid capital | -190 | | -300 |
| -5 144 | -7 333 | -3 541 | Net cash flow from financing activities | -3 416 | 5 086 | 5 177 |
| 686 | 167 | -349 | Net change in liquid assets | -348 | 167 | 686 |
| 462 | 462 | 1 148 | Cash and cash equivalents as at 1 Jan | 1 148 | 462 | 462 |
| 1 148 | 629 | 799 | Cash and cash equivalents at end of period | 800 | 629 | 1 148 |

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 | |
| Balance 31.12.2019 | 783 | 451 | 389 | 1 375 | 8 322 | 88 | 1 671 | 1 | 13 081 |
| Change in dividend 2019 | | | 125 | | | | - 125 | | 0 |
| Profit YTD | | | | 56 | | | 698 | 2 | 755 |
| Interest paid, hybrid capital | | | | - 56 | | | | | - 56 |
| Other comprehensive income | | | | | | | - 3 | | - 3 |
| Allocated gift fund | | | | | | - 28 | | | - 28 |
| Balance 30.09.2020 | 783 | 451 | 515 | 1 375 | 8 322 | 60 | 2 240 | 3 | 13 750 |
| Profit 1.10-31.12.2020 | | | - 55 | 13 | 747 | 40 | - 407 | 1 | 339 |
| Interest paid, hybrid capital | | | | - 13 | | | | | - 13 |
| Issuance of hybrid capital | | | | 10 | | | | | 10 |
| Buyback of hybrid capital | | | | - 310 | | | | | - 310 |
| Trading of own equity certificates | | | | | - 1 | | | | - 1 |
| Other comprehensive income | | | | | | | - 2 | | - 2 |
| Allocated gift fund | | | | | | - 21 | | | - 21 |
| Other changes | | | | | | | | 1 | 1 |
| Balance 31.12.2020 | 783 | 451 | 459 | 1 075 | 9 069 | 80 | 1 831 | 4 | 13 752 |
| Dividend distributed for 2020 | | | | | | | - 163 | | - 163 |
| Profit YTD | | | | 38 | | | 855 | 3 | 895 |
| Interest paid, hybrid capital | | | | - 38 | | | | | - 38 |
| Issuance of hybrid capital | | | | 200 | | | | | 200 |
| Buyback of hybrid capital | | | | - 190 | | | | | - 190 |
| Trading of own equity certificates | - 8 | | - 2 | | - 10 | | | | - 20 |
| Other comprehensive income | | | | | | | - 24 | | - 24 |
| Allocated gift fund | | | | | | - 21 | | | - 21 |
| Other changes | | | | | | | 2 | | 2 |
| Balance 30.09.2021 | 776 | 451 | 457 | 1 085 | 9 058 | 58 | 2 502 | 6 | 14 394 |
| PARENT BANK | | | | | | | | | |
| Balance 31.12.2019 | 783 | 451 | 389 | 1 375 | 8 323 | 88 | 125 | 0 | 11 535 |
| Change in dividend 2019 | | | 125 | | | | - 125 | | 0 |
| Profit YTD | | | | 56 | | | 724 | | 780 |
| Interest paid, hybrid capital | | | | - 56 | | | | | - 56 |
| Other comprehensive income | | | | | | | - 1 | | - 1 |
| Allocated gift fund | | | | | | - 27 | | | - 27 |
| Balance 30.09.2020 | 783 | 451 | 515 | 1 375 | 8 323 | 61 | 723 | 0 | 12 231 |
| Profit 1.10-31.12.2020 | | | - 55 | 13 | 747 | 40 | - 505 | | 240 |
| Interest paid, hybrid capital | | | | - 13 | | | | | - 13 |
| Issuance of hybrid capital | | | | 10 | | | | | 10 |
| Buyback of hybrid capital | | | | - 310 | | | | | - 310 |
| Trading of own equity certificates | | | | | - 1 | | | | - 1 |
| Other comprehensive income | | | | | - 1 | | 1 | | 0 |
| Allocated gift fund | | | | | 0 | - 22 | | | - 22 |
| Balance 31.12.2020 | 783 | 451 | 459 | 1 075 | 9 068 | 80 | 219 | 0 | 12 136 |
| Dividend distributed for 2020 | | | | | | | - 163 | | - 163 |
| Profit YTD | | | | 38 | | | 906 | | 943 |
| Interest paid, hybrid capital | | | | - 38 | | | | | - 38 |
| Issuance of hybrid capital | | | | 200 | | | | | 200 |
| Buyback of hybrid capital | | | | - 190 | | | | | - 190 |
| Trading of own equity certificates | - 8 | | - 2 | | - 10 | | | | - 20 |
| Other comprehensive income | | | | | - 1 | | | | - 1 |
| Allocated gift fund | | | | | | - 21 | | | - 21 |
| Balance 30.09.2021 | 776 | 451 | 457 | 1 085 | 9 057 | 58 | 962 | 0 | 12 847 |

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 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 | | | 30.09.2021 | | |
|---|------------------|---------------|---------------|----------------|-------------|----------------|
| Report per segment | | | Undistrib. | Total banking | | |
| Income statement (NOK million) | RM | CM | and elimin. | business | Sørmeqleren | Total |
| Net interest and commission income | 859 | 612 | -39 | 1 432 | 0 | 1 432 |
| Net other operating income | 134 | 61 | 100 | 295 | 140 | 435 |
| Operating expenses | 298 | 80 | 263 | 640 | 110 | 750 |
| Profit before losses per segment | 696 | 592 | -201 | 1 087 | 30 | 1 117 |
| Losses on loans and guarantees | 10 | -31 | 1 | -20 | | -20 |
| Profit before tax per segment | 686 | 624 | -202 | 1 107 | 30 | 1 137 |
| Net loans to customers | 78 887 | 37 610 | 43 | 116 539 | | 116 539 |
| Other assets | | | 28 769 | 28 769 | 123 | 28 892 |
| Total assets per segment | 78 887 | 37 610 | 28 812 | 145 308 | 123 | 145 431 |
| Deposits from customers | 33 110 | 28 069 | 4 006 | 65 185 | | 65 185 |
| Other liabilities | 45 777 | 9 540 | 10 411 | 65 729 | 123 | 65 852 |
| Total liabilities per segment | 78 887 | 37 610 | 14 417 | 130 914 | 123 | 131 037 |
| Equity | | | 14 394 | 14 394 | | 14 394 |
| Total liabilities and equity per segment | 78 887 | 37 610 | 28 812 | 145 308 | 123 | 145 431 |

BANKING BUSINESS

30.09.2020

| Report per segment | Undistrib. | | | Total banking | | |
|---|---------------|---------------|---------------|----------------|-------------|----------------|
| Income statement (NOK million) | RM | CM | and elimin. | business | Sørmeqleren | Total |
| Net interest and commission income | 881 | 637 | -72 | 1 446 | 0 | 1 446 |
| Net other operating income | 124 | 54 | 53 | 231 | 108 | 339 |
| Operating expenses | 299 | 78 | 235 | 612 | 86 | 698 |
| Profit before losses per segment | 706 | 612 | -253 | 1 065 | 22 | 1 087 |
| Losses on loans and guarantees | -1 | 113 | 1 | 114 | | 114 |
| Profit before tax per segment | 707 | 499 | -254 | 952 | 22 | 973 |
| Net loans to customers | 74 053 | 36 307 | 205 | 110 564 | | 110 564 |
| Other assets | | | 35 555 | 35 555 | 108 | 35 663 |
| Total assets per segment | 74 053 | 36 307 | 35 759 | 146 119 | 108 | 146 227 |
| Deposits from customers | 32 490 | 24 957 | 3 047 | 60 494 | | 60 494 |
| Other liabilities | 41 563 | 11 350 | 18 963 | 71 875 | 108 | 71 983 |
| Total liabilities per segment | 74 053 | 36 307 | 22 010 | 132 369 | 108 | 132 477 |
| Equity | | | 13 750 | 13 750 | | 13 750 |
| Total liabilities and equity per segment | 74 053 | 36 307 | 35 759 | 146 119 | 108 | 146 227 |

3. SUBORDINATED CAPITAL AND CAPITAL ADEQUACY

MINIMUM CAPITAL REQUIREMENTS

| PARENT BANK | | | NOK million | | GROUP | | |
|-------------------------------------|---------------|---------------|---|--|---------------|---------------|---------------|
| 31.12 2020 | 30.09 2020 | 30.09 2021 | | | 30.09 2021 | 30.09 2020 | 31.12 2020 |
| Minimum capital requirements | | | | | | | |
| 4.50 % | 4.50 % | 4.50 % | Minimum Tier 1 capital requirements | | 4.50 % | 4.50 % | 4.50 % |
| 2.50 % | 2.50 % | 2.50 % | Conservation buffer | | 2.50 % | 2.50 % | 2.50 % |
| 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 % | Pilar 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 | 8 378 | 8 477 | CET1 requirements, incl. Pilar 2 | | 10 318 | 9 967 | 10 137 |
| 9 370 | 9 345 | 9 455 | Tier1 Capital requirements, incl. Pilar 2 | | 11 508 | 11 117 | 11 307 |
| 10 662 | 10 634 | 10 759 | Total capital requirements, incl. Pilar 2 | | 13 096 | 12 650 | 12 867 |
| 2 245 | 2 146 | 2 859 | Above CET1 requirements, incl. Pilar 2 | | 2 502 | 2 062 | 2 067 |
| 2 351 | 2 554 | 2 966 | Above Tier1 Capital requirements, incl. Pilar 2 | | 2 432 | 2 323 | 2 008 |
| 2 559 | 2 766 | 3 312 | Above total capital requirements, incl. Pilar 2 | | 2 544 | 2 339 | 1 998 |

| PARENT BANK | | | NOK million | GROUP | | |
|---------------|---------------|---------------|--|---------------|------------------|-------------------|
| 31.12 2020 | 30.09 2020 | 30.09 2021 | | 30.09 2021 | 30.09 2020(1) | 31.12. 2020(1) |
| 12 136 | 12 231 | 12 847 | Total equity | 14 394 | 13 750 | 13 752 |
| | | | Tier 1 capital | | | |
| -1 075 | -1 375 | -1 085 | Equity not eligible as common equity tier 1 capital | -1 121 | -1 375 | -1 111 |
| - 219 | - 134 | - 211 | Share of profit not eligible as common equity tier 1 capital | - 211 | - 134 | - 219 |
| - 41 | - 43 | - 52 | Deductions for intangible assets and deferred tax assets | - 64 | - 43 | - 48 |
| - 42 | - 43 | - 41 | Deductions for additional value adjustments | - 26 | - 34 | - 31 |
| | | | Proportion of common equity tier 1 capital from Brage Finans AS | | 380 | |
| | | | Deductions for internal eliminations from Brage Finans AS | | - 387 | |
| - 113 | - 112 | - 123 | Other deductions | - 153 | - 128 | - 138 |
| 10 646 | 10 524 | 11 336 | Total common equity tier 1 capital | 12 820 | 12 029 | 12 204 |
| | | | Other tier 1 capital | | | |
| 1 075 | 1 375 | 1 085 | Hybrid capital | 1 121 | 1 375 | 1 111 |
| | | | Proportion of tier 1 capital Brage Finans AS | | 36 | |
| 11 721 | 11 899 | 12 421 | Total tier 1 capital | 13 941 | 13 440 | 13 315 |
| | | | Additional capital supplementary to tier 1 capital | | | |
| 1 600 | 1 600 | 1 650 | Subordinated loan capital | 1 699 | 1 600 | 1 649 |
| | | | Proportion of net subordinated capital Brage Finans AS | | 49 | |
| - 100 | - 99 | | Deductions from additional capital | | - 100 | - 100 |
| 1 500 | 1 501 | 1 650 | Total additional capital | 1 699 | 1 549 | 1 549 |
| 13 221 | 13 400 | 14 071 | Net subordinated capital | 15 640 | 14 989 | 14 864 |
| | | | Minimum requirement for subordinated capital Basel II calculated according to standard method | | | |
| 25 | 188 | 21 | Engagements with local and regional authorities | 22 | 188 | 25 |
| 1 913 | 2 013 | 874 | Engagements with institutions | 580 | 613 | 513 |
| 3 824 | 4 113 | 2 898 | Engagements with enterprises | 4 399 | 4 188 | 5 164 |
| 4 787 | 4 863 | 5 172 | Engagements with mass market | 7 885 | 5 888 | 7 151 |
| 34 598 | 38 363 | 39 060 | Engagements secured in property | 56 162 | 54 450 | 51 991 |
| 1 025 | 1 075 | 489 | Engagements which have fallen due | 588 | 1 150 | 1 125 |
| 4 075 | 13 | 2 177 | Engagements which are high risk | 2 177 | 13 | 4 075 |
| 5 612 | 5 325 | 5 736 | Engagements in covered bonds | 1 139 | 1 488 | 1 338 |
| 4 813 | 4 444 | 4 805 | Engagements in collective investment funds | 1 612 | 2 588 | 1 750 |
| 563 | 550 | 433 | Engagements other | 458 | 613 | 638 |
| 61 233 | 60 944 | 61 666 | Capital requirements for credit and counterparty risk | 75 023 | 71 175 | 73 768 |
| 13 | 13 | 0 | Capital requirements for position, currency and product risk | 0 | 13 | 13 |
| 3 350 | 3 455 | 3 530 | Capital requirements for operational risk | 4 336 | 4 063 | 4 175 |
| 25 | 38 | 10 | CVA addition | 10 | 38 | 25 |
| 64 620 | 64 449 | 65 205 | Risk-weighted balance (calculation basis) | 79 368 | 75 288 | 77 980 |
| | | | Proportionate share of calculation basis Brage Finans AS | | 2 371 | |
| | | | Deductions for internal eliminations Brage Finans AS | | - 991 | |
| | | | Risk weighted balance after proportionate consolidation | 79 368 | 76 668 | 77 980 |
| 16.5 % | 16.3 % | 17.4 % | Common equity tier 1 capital ratio. % | 16.2 % | 15.7 % | 15.7 % |
| 18.1 % | 18.5 % | 19.0 % | Tier 1 capital ratio. % | 17.6 % | 17.5 % | 17.1 % |
| 20.5 % | 20.8 % | 21.6 % | Total capital ratio. % | 19.7 % | 19.6 % | 19.1 % |
| 8.1 % | 8.1 % | 8.7 % | Leverage ratio | 9.3 % | 8.8 % | 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 | 30.09 2020 | 30.09 2021 | Q3 2020 | Q3 2021 | NOK million | Q3 2021 | Q3 2020 | 30.09 2021 | 30.09 2020 | 31.12. 2020 |
| | | | | | <i>Interest income from financial instruments at amortised cost</i> | | | | | |
| 68 | 54 | 46 | 11 | 14 | Interest on receivables from credit institutions | 1 | 1 | 3 | 11 | 13 |
| 1 363 | 1 015 | 829 | 253 | 272 | Interest on loans given to customers | 608 | 627 | 1 818 | 2 258 | 2 820 |
| 1 431 | 1 070 | 875 | 263 | 287 | Total interest from financial instruments at amortised cost | 608 | 628 | 1 821 | 2 269 | 2 833 |
| | | | | | <i>Interest income from financial instruments at fair value</i> | | | | | |
| 175 | 96 | 119 | 24 | 39 | Interest on loans given to customers (fixed rate loans) | 39 | 24 | 119 | 96 | 175 |
| 231 | 202 | 101 | 34 | 31 | Interest on certificates and bonds | 31 | 38 | 119 | 219 | 259 |
| 406 | 297 | 220 | 58 | 71 | Total interest from financial instruments at fair value via profit or loss | 70 | 62 | 238 | 315 | 434 |
| | | | | | <i>Interest income from financial instruments at fair value via OCI</i> | | | | | |
| 390 | 412 | 284 | 137 | 100 | Interest on loans given to customers (mortgages) | | | | | |
| 390 | 412 | 284 | 137 | 100 | Total interest from financial instruments at fair value via OCI | | | | | |
| 2 227 | 1 779 | 1 379 | 459 | 457 | Total interest income | 679 | 689 | 2 059 | 2 584 | 3 267 |
| | | | | | | | | | | |
| PARENT BANK | | | | | Interest expenses | GROUP | | | | |
| 31.12. 2020 | 30.09 2020 | 30.09 2021 | Q3 2020 | Q3 2021 | NOK million | Q3 2021 | Q3 2020 | 30.09 2021 | 30.09 2020 | 31.12. 2020 |
| | | | | | <i>Interest expenses from financial instruments at amortised cost</i> | | | | | |
| 37 | 30 | 15 | 7 | 4 | Interest on liabilities to credit institutions | 4 | 7 | 14 | 30 | 36 |
| 447 | 382 | 179 | 69 | 56 | Interest on customer deposits | 56 | 68 | 178 | 381 | 447 |
| 233 | 200 | 88 | 34 | 24 | Interest on issued securities | 95 | 116 | 340 | 641 | 758 |
| 54 | 41 | 22 | 12 | 7 | Interest on subordinated loans | 7 | 12 | 22 | 41 | 54 |
| | | 27 | | 8 | Interest on senior non-preferred loans | 8 | | 27 | | |
| 53 | 40 | 39 | 13 | 13 | Fees to the Norwegian Banks Guarantee Fund and other interest expenses | 15 | 15 | 45 | 45 | 59 |
| 824 | 693 | 371 | 135 | 113 | Interest expenses from financial instruments at amortised cost | 186 | 218 | 627 | 1 138 | 1 354 |
| 824 | 693 | 371 | 135 | 113 | Total interest expenses | 186 | 218 | 627 | 1 138 | 1 354 |

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 2021, there have been further improvements in several parameters. The Group's loss provision in Q3 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 have not been reflected in the corporates accounts for the current year, 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 September 30 2021.

| | 2021 | 2022 | 2023 | 2024 | 2025 |
|-------------------------------|-------|-------|-------|-------|-------|
| Housing price % | 9,2 | 1,7 | 1,2 | 3,0 | 3,0 |
| Housing price region % | 7,4 | 1,4 | 1,0 | 2,4 | 2,4 |
| Unemployment % | 4,6 | 4,4 | 4,2 | 3,9 | 3,9 |
| Oil prices, USD | 69,4 | 70,8 | 66,2 | 62,6 | 62,6 |
| Policy rate | 0,1 | 0,9 | 1,4 | 1,6 | 1,6 |
| Import-weighted exchange rate | 109,0 | 106,2 | 104,5 | 104,2 | 104,2 |
| USD | 8,7 | 8,5 | 8,3 | 8,3 | 8,3 |
| CPI | 3,2 | 1,5 | 1,2 | 1,9 | 1,9 |

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

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

GROUP 30.09.2021

| 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 | 155 | 8 |
| Loan loss provisions, RM | 11 | 26 | 43 | 6 |
| Total | 55 | 121 | 198 | 14 |

PARENT BANK 30.09.2021

| 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 | 154 | 8 |
| Loan loss provisions, RM | 6 | 13 | 21 | 4 |
| Total | 49 | 108 | 176 | 12 |

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 | 30.09. 2020 | 30.09. 2021 | | 30.09. 2021 | 30.09. 2020 | 31.12. 2020 |
| | | | Loss expense on loans during the period | | | |
| 58 | 41 | -20 | Period's change in write-downs stage 1 | -21 | 42 | 61 |
| 26 | 58 | -10 | +Period's change in write-downs stage 2 | -10 | 57 | 23 |
| -3 | 11 | 2 | +Period's change in write-downs stage 3 | 4 | 12 | -2 |
| 8 | 5 | 10 | + Period's confirmed loss | 10 | 5 | 8 |
| 4 | 2 | 3 | + Recognised as interest income | 3 | 2 | 4 |
| 12 | 6 | 7 | - Period's recoveries relating to previous losses | 7 | 6 | 12 |
| -1 | 0 | 0 | + Change in write-downs an guarantees | 0 | 0 | -1 |
| 81 | 112 | -22 | Loss expenses during the period | -20 | 114 | 83 |

| GROUP | Stage 1 Expected losses in the next 12 months | Stage 2 Lifetime expected credit losses | Stage 3 Lifetime expected credit losses | Total |
|--|--|--|--|------------|
| NOK million | | | | |
| Provisions for loan losses as at 01.01.2021 | 101 | 149 | 217 | 468 |
| Transfers | | | | |
| Transferred to stage 1 | 40 | -38 | -2 | 0 |
| Transferred to stage 2 | -5 | 7 | -2 | 0 |
| Transferred to stage 3 | 0 | -2 | 2 | 0 |
| Losses on new loans | 23 | 31 | 2 | 56 |
| Losses on deducted loans * | -14 | -27 | -6 | -47 |
| Losses on older loans and other changes | -65 | 19 | -9 | -55 |
| Provisions for loan losses as at 30.09.2021 | 80 | 140 | 202 | 421 |
| Provisions for loan losses | 68 | 123 | 200 | 391 |
| Provisions for guarantees and undrawn credits | 12 | 17 | 1 | 30 |
| Total provision for losses as at 30.09.2021 | 80 | 140 | 202 | 421 |

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

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

| PARENT BANK | Stage 1 Expected losses in the next 12 months | Stage 2 Lifetime expected credit losses | Stage 3 Lifetime expected credit losses | Total |
|---|--|--|--|------------|
| NOK million | | | | |
| Provisions for loan losses as at 01.01.2021 | 94 | 145 | 217 | 456 |
| Transfers | | | | |
| Transferred to stage 1 | 38 | -36 | -2 | 0 |
| Transferred to stage 2 | -5 | 7 | -2 | 0 |
| Transferred to stage 3 | 0 | -2 | 2 | 0 |
| Losses on new loans | 21 | 30 | 1 | 53 |
| Losses on deducted loans * | -13 | -26 | -6 | -45 |
| Losses on older loans and other changes | -62 | 17 | -12 | -57 |
| Provisions for loan losses as at 30.09.2021 | 74 | 136 | 199 | 409 |
| Provisions for loan losses | 63 | 118 | 198 | 379 |
| Provisions for losses on guarantees and undrawn credits | 11 | 17 | 1 | 30 |
| Total provision for losses as at 30.09.2021 | 74 | 136 | 199 | 409 |

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

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

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

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

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

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:

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

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* | 30.09. 2020* | 30.09. 2021 | | 30.09. 2021 | 30.09. 2020* | 31.12. 2020* |
| 961 | 1 002 | 788 | Total non-performing loans (step 3) | 870 | 1 047 | 1 009 |
| 217 | 234 | 199 | Impairment losses in stage 3 | 202 | 235 | 218 |
| 744 | 768 | 588 | Net non-performing loans | 669 | 812 | 791 |
| 22.6 % | 23.3% | 25.3% | Provisioning non-performing loans | 23.1 % | 22.4 % | 21.6 % |
| 1.52 % | 1.51 % | 1.15 % | Total non-performing loans in % of gross loans | 0.74 % | 0.94 % | 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 30.09.2021 | | Total impairment losses as of 30.09.2021 | Stage 3 | Stage 2 | Stage 1 |
| 6 | 9 | 25 | 39 | Retail customers | 54 | 27 | 16 | 11 |
| 0 | 0 | 0 | 0 | Public administration | 0 | 0 | 0 | 0 |
| 2 | 1 | 3 | 6 | Primary Industry | 6 | 3 | 1 | 2 |
| 1 | 6 | 5 | 13 | Manufacturing industry | 12 | 5 | 6 | 1 |
| 10 | 28 | 50 | 89 | Real estate development | 88 | 50 | 28 | 10 |
| 2 | 6 | 12 | 19 | Building and construction industry | 19 | 12 | 6 | 2 |
| 41 | 56 | 73 | 170 | Property management | 169 | 73 | 54 | 42 |
| 1 | 0 | 0 | 2 | Transport | 2 | 0 | 0 | 1 |
| 3 | 15 | 10 | 27 | Retail trade | 27 | 10 | 14 | 3 |
| 1 | 5 | 2 | 8 | Hotel and restaurants | 7 | 2 | 5 | 1 |
| 1 | 2 | 0 | 3 | Housing cooperatives | 3 | 0 | 2 | 1 |
| 2 | 4 | 18 | 23 | Financial/commercial services | 23 | 18 | 4 | 2 |
| 5 | 4 | 1 | 11 | Social services | 11 | 1 | 4 | 5 |
| 74 | 136 | 199 | 409 | Total impairment losses on loans, guarantees and undrawn credit | 421 | 202 | 140 | 80 |
| 63 | 118 | 198 | 379 | Impairment losses on lending | 391 | 200 | 123 | 68 |
| 11 | 17 | 1 | 30 | Impairment losses on unused credits and guarantees | 30 | 1 | 17 | 12 |
| 74 | 136 | 199 | 409 | Total impairment losses | 421 | 202 | 140 | 80 |

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

8. MIGRATION OF GROSS LOANS

| NOK million GROSS LOANS | Amortised cost | | | | Fair value | GROUP Total gross loans incl. accrued interest |
|-------------------------------------|----------------|---------------|------------|----------------|--------------|--|
| | Stage 1 | Stage 2 | Stage 3 | Gross loans | | |
| Gross loans as at 01.01.2021 | 95 757 | 9 697 | 977 | 106 431 | 5 575 | 112 006 |
| Transferred to stage 1 | 2 523 | -2 496 | -27 | -0 | 0 | -0 |
| Transferred to stage 2 | -3 099 | 3 119 | -19 | 0 | 0 | 0 |
| Transferred to stage 3 | -109 | -58 | 168 | -0 | 0 | -0 |
| Net change on present loans | -7 327 | 200 | -79 | -7 205 | 0 | -7 205 |
| New loans | 32 300 | 2 680 | 7 | 34 988 | 625 | 35 613 |
| Derecognised loans | -20 028 | -2 326 | -181 | -22 535 | -811 | -23 346 |
| Change in value during the period | 0 | 0 | 0 | | -137 | -137 |
| Gross loans as at 30.09.2021 | 100 017 | 10 816 | 845 | 111 679 | 5 252 | 116 930 |

| NOK million GROSS LOANS | Amortised cost | | | | Fair value | GROUP Total gross loans incl. accrued interest |
|-------------------------------------|----------------|---------------|--------------|----------------|--------------|--|
| | Stage 1 | Stage 2 | Stage 3 | Gross loans | | |
| Gross loans as at 01.01.2020 | 89 271 | 10 710 | 1 034 | 101 016 | 5 689 | 106 705 |
| Transferred to stage 1 | 2 621 | -2 583 | -38 | 0 | 0 | 0 |
| Transferred to stage 2 | -2 816 | 2 827 | -11 | 0 | 0 | 0 |
| Transferred to stage 3 | -132 | -60 | 192 | -0 | 0 | -0 |
| Net change on present loans | 3 810 | -56 | -44 | 3 710 | 0 | 3 710 |
| New loans | 22 355 | 2 142 | -35 | 24 462 | 887 | 25 349 |
| Derecognised loans | -20 827 | -2 630 | -132 | -23 589 | -1 133 | -24 722 |
| Change in value during the period | 0 | 0 | 0 | | -20 | -20 |
| Gross loans as at 30.09.2020 | 94 282 | 10 350 | 967 | 105 598 | 5 423 | 111 021 |

| NOK million GROSS LOANS | Amortised cost | Fair value through other comprehensive income | | Fair value | PARENT BANK Total gross loans incl. accrued interest |
|------------------------------------|----------------|---|---------------|--------------|--|
| | | | | | |
| Gross loan as at 01.01.2021 | 40 832 | | 16 735 | 5 575 | 63 142 |
| Transferred to stage 1 | -0 | | 0 | 0 | -0 |
| Transferred to stage 2 | 0 | | - | 0 | 0 |
| Transferred to stage 3 | - | | -0 | - | -0 |
| Net change on present loans | -5 250 | | -72 | - | -5 322 |
| New loans | 12 949 | | 10 952 | 625 | 24 526 |
| Derecognised loans | -5 219 | | -7 906 | -811 | -13 936 |
| Change in value during the period | - | | - | -137 | -137 |
| Gross loan as at 30.09.2021 | 43 312 | | 19 709 | 5 252 | 68 272 |

| NOK million GROSS LOANS | Amortised cost | Fair value through other comprehensive income | | Fair value | PARENT BANK Total gross loans incl. accrued interest |
|------------------------------------|----------------|---|---------------|--------------|--|
| | | | | | |
| Gross loan as at 01.01.2020 | 39 106 | | 21 751 | 5 689 | 66 545 |
| Transferred to stage 1 | -0 | | 0 | 0 | 0 |
| Transferred to stage 2 | 0 | | -0 | 0 | 0 |
| Transferred to stage 3 | -0 | | -0 | - | -0 |
| Net change on present loans | 5 166 | | -303 | - | 4 863 |
| New loans | 1 917 | | 9 854 | 887 | 12 657 |
| Derecognised loans | -5 524 | | -10 815 | -1 133 | -17 472 |
| Change in value during the period | - | | - | -20 | -20 |
| Gross loan as at 30.09.2020 | 40 665 | | 20 487 | 5 423 | 66 574 |

9. CUSTOMER DEPOSITS BY SECTOR AND INDUSTRY

| PARENT BANK | | | NOK million | GROUP | | |
|---------------|---------------|---------------|--------------------------------------|---------------|---------------|---------------|
| 31.12.2020 | 30.09.2020 | 30.09.2021 | | 30.09.2021 | 30.09.2020 | 31.12.2020 |
| 29 834 | 29 840 | 31 317 | Retail customers | 31 320 | 29 844 | 29 836 |
| 9 078 | 9 580 | 10 042 | Public administration | 10 043 | 9 581 | 9 079 |
| 660 | 699 | 899 | Primary industry | 899 | 699 | 660 |
| 1 474 | 1 316 | 1 547 | Manufacturing industry | 1 547 | 1 317 | 1 474 |
| 709 | 675 | 742 | Real estate development | 710 | 648 | 655 |
| 1 402 | 1 237 | 1 478 | Building and construction industry | 1 478 | 1 237 | 1 402 |
| 3 031 | 3 253 | 4 050 | Property management | 4 050 | 3 253 | 3 031 |
| 595 | 603 | 523 | Transport | 523 | 603 | 595 |
| 1 541 | 1 451 | 1 924 | Retail trade | 1 924 | 1 451 | 1 542 |
| 214 | 296 | 328 | Hotel and restaurant | 328 | 296 | 214 |
| 189 | 218 | 170 | Housing cooperatives | 170 | 218 | 189 |
| 4 303 | 4 428 | 5 221 | Financial/commercial services | 5 222 | 4 429 | 4 303 |
| 6 832 | 6 634 | 6 856 | Social services | 6 856 | 6 635 | 6 832 |
| 20 | 283 | 113 | Accrued interests | 113 | 283 | 20 |
| 59 883 | 60 513 | 65 209 | Total deposits from customers | 65 185 | 60 494 | 59 833 |

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 | 30.09.2020 | 30.09.2021 | | 30.09.2021 | 30.09.2020 | 31.12.2020 |
| 25 956 | 29 466 | 29 466 | Retail customers | 76 848 | 72 894 | 73 662 |
| 567 | 526 | 544 | Public administration | 545 | 526 | 567 |
| 1 181 | 1 123 | 1 278 | Primary industry | 1 384 | 1 206 | 1 272 |
| 806 | 929 | 790 | Manufacturing industry | 854 | 978 | 861 |
| 4 146 | 5 906 | 4 258 | Real estate development | 4 218 | 5 863 | 4 104 |
| 1 365 | 1 372 | 1 436 | Building and construction industry | 1 695 | 1 585 | 1 623 |
| 19 270 | 17 454 | 20 018 | Property management | 20 078 | 17 485 | 19 303 |
| 507 | 551 | 505 | Transport | 591 | 624 | 590 |
| 1 288 | 1 428 | 1 251 | Retail trade | 1 371 | 1 531 | 1 395 |
| 369 | 357 | 404 | Hotel and restaurant | 430 | 385 | 399 |
| 1 281 | 1 288 | 1 473 | Housing cooperatives | 1 475 | 1 289 | 1 281 |
| 864 | 802 | 923 | Financial/commercial services | 1 157 | 1 007 | 1 094 |
| 5 428 | 5 255 | 5 815 | Social services | 6 140 | 5 499 | 5 707 |
| 112 | 117 | 112 | Accrued interests | 144 | 148 | 147 |
| 63 142 | 66 574 | 68 272 | Total gross loans | 116 930 | 111 021 | 112 007 |
| 418 | 446 | 379 | Impairment losses on lending | 391 | 456 | 429 |
| 62 724 | 66 128 | 67 893 | Total net loans | 116 539 | 110 564 | 111 577 |

*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 |
| Assets recognized at amortised cost | | | | | | | | |
| 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 |
| Assets recognized at fair value | | | | | | | | |
| 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 | |
| 94 209 | 7 | 31 319 | 62 883 | Total financial assets | 140 311 | 7 | 28 567 | 111 737 |
| Liabilities recognized at amortised cost | | | | | | | | |
| 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 | |
| Financial derivatives | | | | | | | | |
| 687 | | 687 | | Total financial liabilities | 687 | | 687 | |
| 85 140 | 0 | 25 300 | 59 883 | Total financial liabilities | 127 496 | 0 | 67 780 | 59 833 |

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

Movement level 3

GROUP

| NOK million | Net loans to customers | Of which credit risk | Shares |
|--|---------------------------|-------------------------|------------|
| Recognized value as at 01.01.2020 | 5 689 | 13 | 184 |
| Acquisitions Q1, Q2 and Q3 | 887 | | 48 |
| Of which, transferred from level 1 or 2 | | | |
| Change in value recognized during the period | - 20 | - 20 | - 14 |
| Disposals Q1, Q2 and Q3 | -1 133 | | - 37 |
| Reclassified as associated company | | | |
| Recognized value as at 30.09.2020 | 5 423 | - 7 | 182 |
| Acquisitions Q4 | 364 | | 3 |
| Of which, transferred from level 1 or 2 | | | |
| Change in value recognized during the period | 148 | 32 | 1 823 |
| Disposals Q4 | - 359 | | -1 883 |
| Reclassified as associated company | | | |
| Recognized value as at 31.12.2020 | 5 575 | 25 | 160 |
| Acquisitions Q1, Q2 and Q3 | 625 | | 18 |
| Of which, transferred from level 1 or 2 | | | |
| Change in value recognized during the period | - 137 | 12 | 7 |
| Disposals Q1, Q2 and Q3 | - 811 | | - 1 |
| Reclassified as associated company | | | |
| Recognized value as at 30.09.2021 | 5 252 | 37 | 184 |

PARENT BANK

| NOK million | Net loans to customers | Of which credit risk | Shares |
|--|---------------------------|-------------------------|------------|
| Recognized value as at 01.01.2020 | 27 422 | 13 | 183 |
| Acquisitions Q1, Q2 and Q3 | - 366 | | 48 |
| Of which, transferred from level 1 or 2 | | | |
| Change in value recognized during the period | - 20 | - 20 | - 14 |
| Disposals Q1, Q2 and Q3 | -1 133 | | - 37 |
| Reclassified as associated company | | | |
| Recognized value as at 30.09.2020 | 25 903 | - 7 | 182 |
| Acquisitions Q4 | 1 617 | | 3 |
| Of which, transferred from level 1 or 2 | | | |
| Change in value recognized during the period | 148 | 32 | 1 823 |
| Disposals Q4 | -5 363 | | -1 846 |
| Reclassified as associated company | | | |
| Recognized value as at 31.12.2020 | 22 304 | 25 | 160 |
| Acquisitions Q1, Q2 and Q3 | 3 604 | | 18 |
| Of which, transferred from level 1 or 2 | | | |
| Change in value recognized during the period | - 137 | 12 | 6 |
| Disposals Q1, Q2 and Q3 | - 811 | | - 1 |
| Reclassified as associated company | | | |
| Recognized value as at 30.09.2021 | 24 960 | 37 | 184 |

Sensitivity analysis

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

GROUP / PARENT BANK

| NOK million | 30.09.2021 | 30.09.2020 | 31.12.2020 |
|---|------------|------------|------------|
| Loans to customers | 19 | 20 | 20 |
| - of which loans to corporate market (CM) | 1 | 2 | 2 |
| - of which loans to retail market (RM) | 18 | 18 | 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 | | | | | | 30.09.2021 |
|---------------------------|--------------|-----------------------|--|-------------------------------|------------|------------|
| NOK million | Book value | Financial instruments | Financial derivatives - presented as net | Delivered/received collateral | | |
| | | | | | collateral | Net |
| Derivatives - assets | 1 497 | 345 | 1 152 | - 460 | | 692 |
| Derivatives - liabilities | - 493 | - 345 | - 147 | 259 | | 111 |
| Net | 1 005 | 0 | 1 005 | - 202 | | 803 |

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

| PARENT BANK | | | | | | 30.09.2021 |
|---------------------------|------------|-----------------------|--|-------------------------------|------------|------------|
| NOK million | Book value | Financial instruments | Financial derivatives - presented as net | Delivered/received collateral | | |
| | | | | | collateral | Net |
| Derivatives - assets | 413 | 218 | 196 | - 25 | | 171 |
| Derivatives - liabilities | - 365 | - 218 | - 147 | 155 | | 7 |
| Net | 48 | 0 | 48 | 130 | | 179 |

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

13. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

Debt securities - Group

| NOK million | 30.09.2021 | 30.09.2020 | 31.12.2020 |
|--|---------------|---------------|---------------|
| Bonds, nominal value | 55 883 | 57 820 | 55 989 |
| Value adjustments | 447 | 865 | 735 |
| Accrued interest | 123 | 147 | 161 |
| Debt incurred due to issuance of securities | 56 454 | 58 832 | 56 885 |

Change in debt securities - Group

| NOK million | 31.12.2020 | Issued | Matured/ Redeemed | Other changes during the period | 30.09.2021 |
|--|---------------|---------------|----------------------|------------------------------------|---------------|
| Bonds, nominal value | 55 989 | 14 255 | -12 875 | -1 486 | 55 883 |
| Value adjustments | 735 | | | -288 | 447 |
| Accrued interest | 161 | | | -33 | 151 |
| Debt incurred due to issuance of securities | 56 885 | 14 255 | -12 875 | -1 812 | 56 454 |

Debt securities - Parent bank

| NOK Million | 30.09.2021 | 30.09.2020 | 31.12.2020 |
|--|---------------|---------------|---------------|
| Bonds, nominal value | 9 950 | 14 269 | 13 899 |
| Value adjustments | 35 | 251 | 184 |
| Accrued interest | 62 | 76 | 66 |
| Debt incurred due to issuance of securities | 10 048 | 14 596 | 14 149 |

Change in debt securities - Parent bank

| NOK million | 31.12.2020 | Issued | Matured/ Redeemed | Other changes during the period | 30.09.2021 |
|--|---------------|----------|----------------------|------------------------------------|---------------|
| Bonds, nominal value | 13 899 | 0 | -3 700 | -249 | 9 950 |
| Value adjustments | 184 | | | -149 | 35 |
| Accrued interest | 66 | | | -4 | 62 |
| Debt incurred due to issuance of securities | 14 149 | 0 | -3 700 | -401 | 10 048 |

Change in subordinated capital - Parent bank and Group

| NOK million | 31.12.2020 | Issued | Matured/ Redeemed | Other changes during the period | 30.09.2021 |
|--|--------------|----------|----------------------|------------------------------------|--------------|
| Subordinated loans | 1 650 | 0 | 0 | | 1 650 |
| Accrued interest | 3 | | | 0 | 3 |
| Total subordinated loan capital | 1 653 | 0 | 0 | 0 | 1 653 |

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

| NOK million | 31.12.2020 | Issued | Matured/ Redeemed | Other changes during the period | 30.09.2021 |
|--|--------------|--------------|----------------------|------------------------------------|--------------|
| Non-preferred senior debt | 2 000 | 1 500 | 0 | 0 | 3 500 |
| Value adjustments | 2 | | | -7 | -5 |
| Accrued interest | 0 | | | 2 | 2 |
| Total non-preferred senior debt | 2 002 | 1 500 | 0 | -5 | 3 497 |

14. EQUITY CERTIFICATE HOLDERS

The 20 largest equity certificate holders as at 30.09.2021 were as follows:

| | Number of EC | Share of EC-CAP. % | | Number of EC | Share of EC-CAP. % |
|---|-------------------------|-------------------------------|---|-------------------------|-------------------------------|
| NAME | | | NAME | | |
| 1. Sparebankstiftelsen Sparebanken Sør | 7 988 679 | 51.00 | 11. Hamjern Invest AS | 106 813 | 0.68 |
| 2. EIKA utbytte VPF c/o Eika kapitalforv. | 733 932 | 4.69 | 12. Carl Krogh Arnet | 101 461 | 0.65 |
| 3. Pareto Invest AS | 417 309 | 2.66 | 13. Ottersland AS | 100 000 | 0.64 |
| 4. Drangslund Kapital AS | 302 107 | 1.93 | 14. MP Pensjon PK | 85 523 | 0.55 |
| 5. Glastad Capital AS | 266 348 | 1.70 | 15. Lombard Int Assurance S.A. | 82 131 | 0.52 |
| 6. Arendal Kom. pensjonskasse | 250 000 | 1.60 | 16. Geir Bergskaug | 75 239 | 0.48 |
| 7. Wenaasgruppen AS | 186 000 | 1.19 | 17. Catilina Invest AS | 73 237 | 0.47 |
| 8. Gumpen Bileiendom AS | 174 209 | 1.11 | 18. Apriori Holding AS | 72 575 | 0.46 |
| 9. Allumgården AS | 151 092 | 0.96 | 19. Gunnar Hillestad | 71 000 | 0.45 |
| 10. Sparebanken Sør | 150 000 | 0.96 | 20. Alf Albert | 70 685 | 0.45 |
| Total - 10 largest certificate holders | 10 619 676 | 67.80 | Total - 20 largest certificate holders | 11 458 340 | 73.15 |

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 September 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 150 000 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

| | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 |
|---|------------|------------|------------|------------|------------|
| Profit (NOK million) | | | | | |
| Net interest income | 493 | 488 | 451 | 467 | 472 |
| Net commission income | 98 | 110 | 87 | 97 | 91 |
| Net income from financial instruments | 29 | -11 | 8 | 37 | 14 |
| Other operating income | 38 | 48 | 29 | 59 | 40 |
| Total net income | 658 | 635 | 575 | 659 | 617 |
| Total operating expenses before losses | 249 | 260 | 242 | 260 | 226 |
| Operating profit before losses | 408 | 375 | 334 | 399 | 391 |
| Losses on loans, guarantees and undrawn credits | 2 | -11 | -11 | -30 | 6 |
| Profit before taxes | 406 | 386 | 345 | 430 | 384 |
| Tax expenses | 91 | 77 | 71 | 90 | 80 |
| Profit for the period | 315 | 309 | 274 | 339 | 304 |

Profit as % of average assets

| | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| Net interest income | 1.37 % | 1.40 % | 1.25 % | 1.29 % | 1.32 % |
| Net commission income | 0.27 % | 0.31 % | 0.24 % | 0.27 % | 0.25 % |
| Net income from financial instruments | 0.08 % | -0.03 % | 0.02 % | 0.10 % | 0.04 % |
| Other operating income | 0.10 % | 0.14 % | 0.08 % | 0.16 % | 0.11 % |
| Total net income | 1.82 % | 1.82 % | 1.60 % | 1.83 % | 1.72 % |
| Total operating expenses before losses | 0.69 % | 0.74 % | 0.67 % | 0.72 % | 0.63 % |
| Operating profit before losses | 1.13 % | 1.07 % | 0.93 % | 1.11 % | 1.09 % |
| Losses on loans, guarantees and undrawn credit | 0.01 % | -0.03 % | -0.03 % | -0.08 % | 0.02 % |
| Profit before taxes | 1.13 % | 1.11 % | 0.96 % | 1.19 % | 1.07 % |
| Tax expenses | 0.25 % | 0.22 % | 0.20 % | 0.25 % | 0.22 % |
| Profit for the period | 0.88 % | 0.89 % | 0.76 % | 0.94 % | 0.85 % |

Key figures, income statement

| | | | | | |
|---|--------|--------|--------|--------|--------|
| Return on equity after tax (adjusted for hybrid capital) | 9.2 % | 9.0 % | 8.4 % | 10.4 % | 9.6 % |
| Costs as % of income | 37.9 % | 40.9 % | 42.0 % | 39.4 % | 36.6 % |
| Costs as % of income, excl. net income from financial instruments | 39.6 % | 40.2 % | 42.6 % | 41.7 % | 37.5 % |

Key figures, balance sheet

| | | | | | |
|---|---------|---------|---------|---------|---------|
| Total assets | 145 431 | 140 413 | 139 047 | 142 126 | 146 227 |
| Average total assets | 143 000 | 140 000 | 146 000 | 143 700 | 142 400 |
| Net loans to customers | 116 539 | 115 114 | 112 801 | 111 577 | 110 564 |
| Growth in loans as %, last 12 mths. | 5.4 % | 5.6 % | 4.8 % | 4.9 % | 4.6 % |
| Customer deposits | 65 185 | 66 042 | 60 822 | 59 833 | 60 494 |
| Growth in deposits as %, last 12 mths. | 7.8 % | 10.0 % | 5.5 % | 3.3 % | 2.7 % |
| Deposits as % of net loans | 55.9 % | 57.4 % | 53.9 % | 53.6 % | 54.7 % |
| Equity (incl. hybrid capital) | 14 394 | 14 076 | 14 022 | 13 752 | 13 750 |
| Losses on loans as % of net loans, annualised | 0.01 % | -0.04 % | -0.04 % | 0.07 % | 0.02 % |

Other key figures

| | | | | | |
|---------------------------------------|--------|--------|--------|--------|--------|
| Liquidity reserves (LCR), Group | 142 % | 146 % | 168 % | 173 % | 152 % |
| Liquidity reserves (LCR), Group- EUR | 637 % | 345 % | 376 % | 107 % | 106 % |
| Liquidity reserves (LCR), Parent Bank | 126 % | 135 % | 163 % | 154 % | 147 % |
| Common equity tier 1 capital ratio | 16.2 % | 16.0 % | 15.8 % | 15.7 % | 15.7 % |
| Tier 1 capital ratio | 17.6 % | 17.4 % | 17.5 % | 17.1 % | 17.5 % |
| Total capital ratio | 19.7 % | 19.5 % | 19.5 % | 19.1 % | 19.6 % |
| Common equity tier 1 capital | 12 820 | 12 634 | 12 447 | 12 204 | 12 029 |
| Tier 1 capital | 13 941 | 13 755 | 13 776 | 13 315 | 13 440 |
| Net subordinated capital | 15 640 | 15 454 | 15 374 | 14 864 | 14 989 |
| Leverage ratio | 9.3 % | 9.2 % | 9.2 % | 8.9 % | 8.8 % |
| Number of branches | 35 | 35 | 35 | 35 | 35 |
| Number of FTEs in banking operations | 452 | 458 | 445 | 442 | 440 |

Key figures, equity certificates

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Equity certificate ratio | 16.0 % | 16.0 % | 16.1 % | 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) | 2.1 | 2.3 | 5.0 | 2.5 | 2.0 |
| Profit per equity certificate (Group) | 3.2 | 3.0 | 2.9 | 3.6 | 3.2 |
| Dividend last year per equity certificate (Parent Bank) | 14.0 | 14.0 | 14.0 | 14.0 | 0.0 |
| Dividend paid last period per equity certificate | 10.4 | 10.4 | 10.4 | | |
| Book equity per equity certificate | 137.3 | 133.6 | 130.7 | 140.0 | 136.4 |
| Price/book value per equity certificate | 0.97 | 0.97 | 1.00 | 0.82 | 0.75 |
| Listed price on Oslo Stock Exchange at end of period | 133.0 | 129.0 | 131.0 | 114.5 | 102.5 |

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 |
| Total net income | 2 444 | 2 368 | 2 072 | 2 097 | 2 110 | 1 792 |
| Total operating expenses before losses | 958 | 918 | 884 | 811 | 787 | 817 |
| Operating profit before losses | 1 486 | 1 450 | 1 188 | 1 286 | 1 323 | 975 |
| Losses on loans and guarantees | 83 | -17 | -36 | 20 | 50 | 97 |
| Profit before taxes | 1 403 | 1 467 | 1 224 | 1 266 | 1 273 | 878 |
| Tax expenses | 307 | 342 | 285 | 282 | 284 | 231 |
| Profit for the period | 1 096 | 1 125 | 939 | 984 | 989 | 647 |
| Profit as a percentage of average assets | | | | | | |
| 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 % |
| Total net income | 1.74 % | 1.88 % | 1.75 % | 1.92 % | 2.01 % | 1.83 % |
| Total operating expenses before losses | 0.68 % | 0.73 % | 0.75 % | 0.74 % | 0.75 % | 0.83 % |
| Operating profit before losses | 1.06 % | 1.15 % | 1.00 % | 1.17 % | 1.26 % | 0.99 % |
| Losses on loans and guarantees | 0.06 % | -0.01 % | -0.03 % | 0.02 % | 0.05 % | 0.10 % |
| Profit before taxes | 1.00 % | 1.17 % | 1.03 % | 1.16 % | 1.21 % | 0.90 % |
| Tax expenses | 0.22 % | 0.27 % | 0.24 % | 0.26 % | 0.27 % | 0.24 % |
| Profit for the period | 0.78 % | 0.89 % | 0.79 % | 0.90 % | 0.94 % | 0.66 % |
| Key figures, income statement | | | | | | |
| 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 % |
| Key figures, balance sheet | | | | | | |
| 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 % |
| Other key figures | | | | | | |
| 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 |
| Key figures, equity certificates | | | | | | |
| 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 |

Calculations

| | Q3 | Q2 | Q1 | Q4 | Q3 | 30.09 | 30.09 | 31.12. |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| NOK million | 2021 | 2021 | 2021 | 2020 | 2020 | 2021 | 2020 | 2020 |
| Return on equity adjusted for hybrid capital | | | | | | | | |
| Profit after tax | 315 | 309 | 274 | 339 | 304 | 895 | 756 | 1 096 |
| Interest on hybrid capital | -8 | -19 | -10 | -13 | -13 | -38 | - 56 | - 69 |
| Profit after tax, incl. interest on hybrid capital | 305 | 290 | 264 | 329 | 291 | 858 | 700 | 1 018 |
| Opening balance, equity | 14 076 | 14 022 | 13 752 | 13 750 | 13 215 | 13 752 | 13 081 | 13 081 |
| Opening balance, hybrid capital | -1 085 | -1 275 | -1 075 | -1 375 | -1 375 | -1 075 | -1 375 | -1 375 |
| Opening balance, equity excl. hybrid capital | 12 991 | 12 746 | 12 677 | 12 375 | 11 840 | 12 677 | 11 706 | 11 706 |
| Closing balance, equity | 14 394 | 14 076 | 14 022 | 13 752 | 13 750 | 14 394 | 13 750 | 13 752 |
| Closing balance, hybrid capital | -1 085 | -1 085 | -1 275 | -1 075 | -1 375 | -1 085 | -1 375 | -1 075 |
| Closing balance, equity excl. hybrid capital | 13 309 | 12 991 | 12 746 | 12 677 | 12 375 | 13 309 | 12 375 | 12 677 |
| Average equity | 14 235 | 14 049 | 13 887 | 13 751 | 13 482 | 14 073 | 13 415 | 13 416 |
| Average equity excl. Hybrid capital | 13 150 | 12 869 | 12 712 | 12 526 | 12 107 | 12 993 | 12 040 | 12 191 |
| Return on equity | 8.8 % | 8.8 % | 8.0 % | 9.8 % | 9.0 % | 8.5 % | 7.5 % | 8.2 % |
| Return on equity, excl. hybrid capital | 9.2 % | 9.0 % | 8.4 % | 10.4 % | 9.6 % | 8.8 % | 7.8 % | 8.4 % |
| Net interest income, incl. interest on hybrid capital | | | | | | | | |
| Net interest income, incl. interest on hybrid capital | 493 | 488 | 451 | 467 | 472 | 1 432 | 1 446 | 1 914 |
| Interest on hybrid capital | -8 | -19 | -10 | -13 | -13 | -38 | - 56 | - 69 |
| Net interest income, incl. interest on hybrid capital | 485 | 469 | 441 | 455 | 459 | 1 395 | 1 390 | 1 845 |
| Average total assets | 143 000 | 140 000 | 146 000 | 143 700 | 142 400 | 143 000 | 139 200 | 140 400 |
| As percentage of total assets | 1.35 % | 1.34 % | 1.23 % | 1.26 % | 1.28 % | 1.30 % | 1.33 % | 1.31 % |
| Profit from ordinary operations (adjusted earnings) | | | | | | | | |
| Net interest income, incl. interest on hybrid capital | 484 | 469 | 441 | 455 | 459 | 1 395 | 1 390 | 1 845 |
| Net commission income | 98 | 110 | 87 | 97 | 91 | 294 | 250 | 347 |
| Share of profit from associated companies | 34 | 45 | 29 | 57 | 40 | 108 | 27 | 136 |
| Other operating income | 4 | 2 | 0 | 2 | - 1 | 7 | 1 | 7 |
| Operating expenses | 249 | 260 | 242 | 260 | 226 | 750 | 458 | 958 |
| Profit from ordinary operations (adjusted earnings), before tax | 370 | 367 | 316 | 350 | 364 | 1 053 | 1 210 | 1 377 |
| Losses on loans, guarantees and undrawn credits | 2 | - 11 | - 11 | - 30 | 6 | - 20 | 68 | 31 |
| Profit excl. finance and adjusted for non-recurring items | 368 | 378 | 327 | 380 | 357 | 1 074 | 1 143 | 1 346 |
| Tax (25 %) adjusted for tax, share of profit associated companies | 84 | 83 | 74 | 81 | 79 | 241 | 286 | 303 |
| Ordinary operations /adjusted earnings after losses and tax | 285 | 295 | 252 | 299 | 278 | 832 | 857 | 1 043 |
| Average equity, excl. hybrid capital | 13 150 | 12 869 | 12 712 | 12 526 | 12 107 | 12 993 | 12 040 | 12 191 |
| Return on equity, profit excl. finance and adjusted for non-recurring items | 8.6 % | 9.2 % | 8.0 % | 9.5 % | 9.1 % | 8.6 % | 9.5 % | 8.6 % |
| Average interest rates/margins | | | | | | | | |
| Average lending rate RM (return) | 2.02 % | 2.05 % | 2.08 % | 2.12 % | 2.19 % | | | |
| Average lending rate CM (return) | 2.72 % | 2.80 % | 2.85 % | 2.74 % | 2.80 % | | | |
| Average deposit rate RM | 0.29 % | 0.32 % | 0.35 % | 0.39 % | 0.44 % | | | |
| Average deposit rate CM | 0.39 % | 0.42 % | 0.48 % | 0.47 % | 0.44 % | | | |
| Average 3-month NIBOR | 0.39 % | 0.26 % | 0.45 % | 0.38 % | 0.28 % | | | |
| Lending margin RM (lending rate - 3-month NIBOR) | 1.63 % | 1.79 % | 1.63 % | 1.74 % | 1.91 % | | | |
| Lending margin CM (lending rate - 3-month NIBOR) | 2.33 % | 2.54 % | 2.40 % | 2.36 % | 2.52 % | | | |
| Deposit margin RM (3-month NIBOR - deposit rate) | 0.10 % | -0.06 % | 0.10 % | -0.01 % | -0.16 % | | | |
| Deposit margin CM (3-month NIBOR - deposit rate) | 0.00 % | -0.16 % | -0.03 % | -0.09 % | -0.16 % | | | |
| Interest-rate margin (lending rate - deposit rate) | | | | | | | | |
| Interest-rate margin RM | 1.73 % | 1.73 % | 1.73 % | 1.73 % | 1.74 % | | | |
| Interest-rate margin CM | 2.33 % | 2.38 % | 2.36 % | 2.27 % | 2.36 % | | | |

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. |



SPAREBANKEN SØR