



SPAREBANKEN SØR

Q3 2019



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Income statement (NOK million)	Q3 2019	Q3 2018	30.09.2019	30.09.2018	31.12.2018
Net interest income	499	424	1 403	1 282	1 729
Net commission income	93	78	253	236	318
Net income from financial instruments	31	-3	55	51	2
Other operating income	17	-2	48	21	23
Total net income	640	497	1 759	1 590	2 072
Total operating expenses before losses	226	200	685	630	884
Operating profit before losses	414	297	1 074	960	1 188
Losses on loans, guarantees and unused credit	-19	3	-14	8	-36
Profit before taxes	433	294	1 088	952	1 224
Tax expenses	102	75	256	217	285
Profit for the period	331	219	832	735	939
Profit as a percentage of average assets					
Net interest income	1.57 %	1.40 %	1.51 %	1.46 %	1.46 %
Net commission income	0.29 %	0.26 %	0.27 %	0.27 %	0.27 %
Net income from financial instruments	0.10 %	-0.01 %	0.06 %	0.06 %	0.00 %
Other operating income	0.05 %	-0.01 %	0.05 %	0.02 %	0.02 %
Total net income	2.01 %	1.64 %	1.89 %	1.81 %	1.75 %
Total operating expenses before losses	0.71 %	0.66 %	0.74 %	0.72 %	0.75 %
Operating profit before losses	1.30 %	0.98 %	1.15 %	1.09 %	1.00 %
Losses on loans, guarantees and unused credit	-0.06 %	0.01 %	-0.02 %	0.01 %	-0.03 %
Profit before taxes	1.36 %	0.97 %	1.17 %	1.08 %	1.03 %
Tax expenses	0.32 %	0.25 %	0.27 %	0.25 %	0.24 %
Profit for the period	1.04 %	0.72 %	0.89 %	0.84 %	0.79 %
Key figures, income statement					
Return on equity after tax (adjusted for hybrid capital)	11.2 %	7.8 %	9.5 %	9.0 %	8.5 %
Costs as % of income	35.3 %	40.2 %	38.9 %	39.6 %	42.7 %
Costs as % of income, excl. net income from financial instruments	37.1 %	40.0 %	40.2 %	40.9 %	42.7 %
Key figures, balance sheet					
Total assets	125 836	121 702	125 836	121 702	121 125
Average total assets	126 200	120 100	124 600	117 600	118 600
Net loans to customers			105 730	101 868	102 942
Growth in loans as % last 12 mths.			3.8 %	6.1 %	5.6 %
Customer deposits			58 903	56 460	56 537
Growth in deposits as % last 12 mths.			4.3 %	3.4 %	1.7 %
Deposits as % of net loans			55.7 %	55.4 %	54.9 %
Equity (incl. hybrid capital)			12 511	11 666	11 845
Losses on loans as % of net loans, annualised			-0.07 %	0.01 %	-0.17 %
Gross non-performing loans > 90 days as % of gross loans			0.28 %	0.28 %	0.21 %
Other key figures					
Liquidity reserve (LCR) Group			164 %	177 %	159 %
Liquidity reserve (LCR) Group - Euro			3503 %	1802 %	4727 %
Liquidity reserve (LCR) Parent Bank			141 %	170 %	180 %
Common equity tier 1 capital ratio, including share of partly owned companies			15.1 %	14.8 %	14.8 %
Tier 1 capital ratio			16.6 %	16.4 %	16.4 %
Total capital ratio			18.7 %	18.9 %	18.5 %
Core equity tier 1 capital ratio			11 140	10 324	10 514
Tier 1 capital ratio			12 252	11 414	11 604
Net total subordinated capital			13 805	13 189	13 135
Leverage ratio			9.1 %	9.0 %	9.1 %
Number of branches			34	34	34
Number of FTEs in banking operations			429	431	434
Key figures, equity certificates					
Equity certificate ratio, weighted average over the period	17.2 %	17.9 %	17.2 %	17.9 %	17.9 %
Number of equity certificates issued			15 663 944	15 663 944	15 663 944
Profit/diluted earnings per equity certificate (Parent bank)	2.8	1.7	6.8	6.1	7.7
Profit/diluted earnings per equity certificate (Group)	3.5	2.4	8.6	7.9	10.1
Dividend last year per equity certificate			6.0	6.0	6.0
Book equity per equity certificate			125.6	121.0	123.2
Price/book value per equity certificate			0.8	0.8	0.8
Listed price on Oslo Stock Exchange at end of period			94.5	99.8	96.9

Board of Director's report

General

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

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

Highlights in Q3 2019

- Good results from ordinary operations
- Positive development in net interest income
- Good results from Frende and Brage
- Efficient operations and low costs
- Net entry on losses on loans
- Year-on-year loan growth of 3.8 percent
- Year-on-year deposit growth of 4.3 percent
- Return on equity after tax of 11.2 percent
- Common equity tier 1 capital ratio of 15.1 percent and leverage ratio of 9.1 percent

Highlights after 9 months in 2019

- Good results from ordinary operations
- Positive development in net interest income
- Good results from Frende and Brage
- Efficient operations and low costs
- Net entry on losses on loans
- Return on equity after tax of 9.5 percent

Financial framework conditions

The key interest rate increased on 19 September 2019 from 1.25 percent to 1.50 percent. The reason for the increase was the continued upturn in the Norwegian economy and the fact that the underlying inflation rate has been somewhat higher than the target of 2 percent. Norges Bank has indicated that there most likely will be no further upward adjustment in the key interest rate in the near future.

Both domestic and foreign capital markets have worked efficiently, providing the Group with access to funding through covered bonds in 2019. Credit spreads have been relatively stable in 2019.

Annual growth in the general public's gross domestic debt (C2) was 5.5 percent at the end of September 2019. Debt growth for households and businesses was 5.1 percent and 6.9 percent respectively.

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

In October 2018, The Norwegian Financial Supervisory Authority (NFSA) proposed changes related to regulation and identification of systemically important financial institutions. In May 2019, the Ministry of Finance concluded that the criteria for identifying systemically important banks should not be changed.

The Ministry of Finance subsequently sent out a consultation draft proposing a gradual increase in the systemic risk buffer requirement from today's 3 per cent to 4.5 per cent in 2021. This is to ensure that undesirable reductions in the level of capital in Norwegian banks as a result of the implementation of EU capital requirements regulations for banks (CRR / CRD IV). For Sparebanken Sør, the proposal will increase the requirement of common equity tier 1 capital ratio by 0.5 percentage points by the end of 2019. The introduction of SME discount is expected to have a positive effect of 0.4 percentage points in 2019. An overall effect of SME discount of 1.1 percentage points is expected.

Earnings

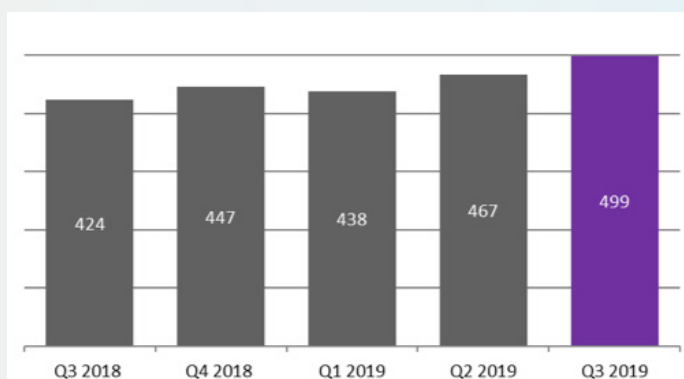
The bank posted a profit before tax of NOK 433 million in Q3 2019, compared to NOK 294 million in the same period in 2018. An increase of NOK 139 million.

The Group's return on equity after tax was 11.2 percent in Q3 2019, compared to 7.8 percent in Q3 2018.

Profit before tax in the first nine months of 2019 amounted to NOK 1 088 million, compared to NOK 952 million in the same period in 2018. The return on equity after tax was 9.5 percent in Q3 2019, compared to 9.0 percent at the same period last year.

Net interest income

Quarterly net interest income (NOK million)



Net interest income totalled NOK 499 million in Q3 2019, compared to NOK 424 million in Q3 2018.

There has been pressure on lending margins in 2019, especially in the retail market, as a result of an increase in NIBOR. Increase in market interest rates has also resulted in increased funding costs during the quarter.

Following the rise in the key interest rate in June 2019, the Group raised the interest rates on mortgages, which took fully effect from 7 August and contributes to increased interest income during the quarter. Deposit margins have been increasing in 2019.

Once again, Norges Bank increased the key interest rate in September 2019. The Group followed up by raising interest rates. The change will take full effect from 7 November 2019 on mortgages.

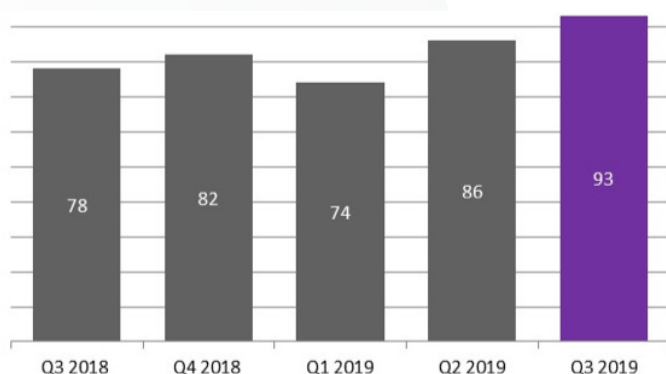
Net interest income as a percentage of average total assets in Q3 2019 was 1.57 percent, up from 1.40 percent in the same period in 2018.

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

Board of Director's report

Commission income

Quarterly net commission income (NOK million)



Net commission income totalled NOK 93 million in Q3 2019, compared to NOK 78 million in Q3 2018.

Gross commission income in Q3 2019 totalled NOK 106 million, compared to NOK 97 million in Q3 2018.

Commission income	Q3 2019	Q3 2018	Change	30.09.2019	30.09.2018	Change
Payment services	52	46	6	137	128	9
Real estate brokerage	32	28	4	93	82	11
Other commission income	23	23	0	64	72	-8
Total	106	97	9	294	282	12

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

Financial instruments

Net income from financial instruments totalled NOK 31 million in Q3 2019, compared to NOK -3 million in the same period in 2018.

Net income from financial instruments	Q3 2019	Q3 2018	Change	30.09.2019	30.09.2018	Change
Bonds and certificates	-15	-12	-3	-8	-15	7
Shares incl. dividends	10	-10	20	18	39	-21
Fixed rate loans	23	9	14	15	28	-14
Securities issued - hedge accounting	7	3	4	21	-7	28
Repurchase of issued bonds	-1	-2	1	-10	-12	2
Other financial instruments	5	9	-4	19	17	2
Total	31	-3	34	55	51	4

Credit spreads in the bond market have been relatively stable during the quarter.

The accounting effects linked to hedge accounting are mainly caused by changes in the value of basis swaps. Basis swaps are used to hedge fixed-rate debt issued in euros. The value of basis swaps fluctuates due to market changes, and 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

The strategic commitment through increased ownership interests in Frende Holding AS and Brage Finans AS has resulted in a net income amounted to NOK 16 million in Q3 2019.

Sparebanken Sør's share of profit in Brage Finans AS resulted in NOK 6.8 million in Q3 2019. The share of profit from the first nine months in 2019 was NOK 19.2 million.

Sparebanken Sør's share of profit from Frende Holding AS amounted to NOK 14.5 million in Q3 2019. The share of profit from the first nine months of 2019 was NOK 44.1 million.

In connection with the purchase of shares in Frende Holding AS in 2018, excess values were identified which should be amortized over the expected lifetime. The Group has depreciated the excess value by NOK 5 million in Q3 2019 and NOK 15 million in the first nine months of 2019.

Operating expenses

Quarterly operating expenses (NOK million)



Operating expenses closed on NOK 226 million in Q3 2019, up from NOK 200 million in the same period in 2018.

Total operating expenses as a percentage of average assets were 0.71 percent (0.66 percent) in Q3 2019. Cost-income ratio was 35.3 percent in the Group (40.2 percent).

Operating expenses in the banking business closed on NOK 201 million in Q3 2019, compared to NOK 181 million in the same period in 2018. The increase is divided into increased wage costs and increased depreciation, both as a result of strategic initiatives.

The bank has also changed practice related to payroll payments. Earlier, 1.5 monthly wages were paid in December. As of January 1, 2019, equal pay is paid each month. This gives an increase in the wage cost in the third quarter of NOK 3 million and NOK 9 million in the first nine months of 2019. The change will result in a correspondingly lower wage cost in Q4.

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

Losses and non-performing loans

Net losses on loans, totalled a net entry on loans amounted to NOK 19 million in Q3. Net losses on loans totalled NOK 3 million in the same period in 2018.

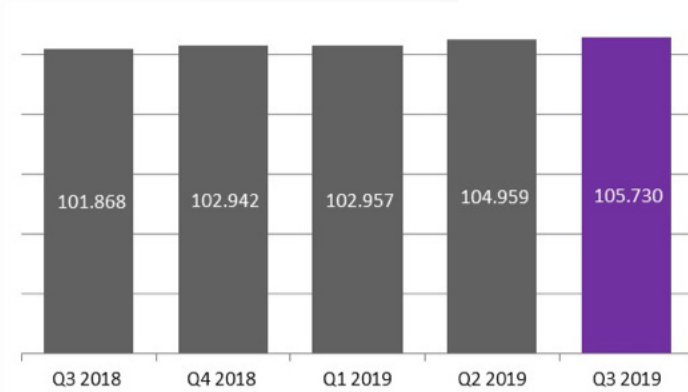
The Group's impairment losses were calculated at NOK 413 million in Q3 2019, which is equivalent to 0.39 percent of gross loans. The corresponding figures for 2018 were NOK 535 million and 0.52 percent of gross loans.

Gross non-performing loans more than 90 days in arrears totalled NOK 295 million, equivalent to 0.28 percent of gross loans. This is at the same level as in Q3 2018, which amounted to NOK 285 million and 0.28 percent respectively.

Board of Director's report

Loans

Loans NOK million



Over the past 12 months net loans increased by NOK 3.9 billion to a total of NOK 105.7 billion, representing a growth of 3.8 percent.

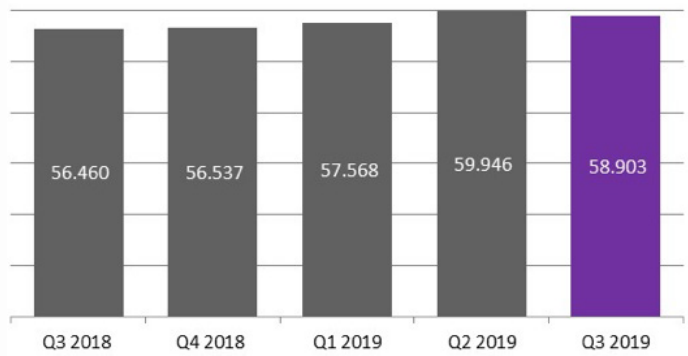
Over the past 12 months, gross loans to retail customers rose by NOK 3.4 billion to NOK 70 billion, a rate of growth of 5.1 percent. The growth is approximately at the same level as C2.

Gross loans to corporate customers rose by NOK 0.3 billion to NOK 35.9 billion over the last 12 months, representing a rate of growth of 0.9 percent. Lower growth in lending to corporate customers in this period, is a result of the banks hesitancy, due to uncertainty related to future capital requirements.

Loans to retail customers accounted for 66 percent (66 percent) of total loans at the end of Q3 2019.

Deposits

Deposits NOK million



Over the past 12 months, customer deposits rose by NOK 2.4 billion to NOK 58.9 billion, a growth rate of 4.3 percent.

Deposits from retail customers increased by NOK 1.2 billion to NOK 28 billion, a growth rate of 4.4 percent.

Deposits from corporate customers rose by 1.2 billion to NOK 30.5 billion, a growth rate of 4.1 percent.

Deposits in percent of net loans were 55.7 percent at the end of Q3 2019, up from 55.4 percent at the same time in 2018.

Wholesale funding and liquidity portfolio

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

At the end of Q3 2019, wholesale funding amounted to NOK 49.9 billion, of which 71 percent was sourced through covered bonds. Long term financing accounted for 85 percent at the end of Q3 2019.

The Group's portfolio of interest-bearing securities totalled NOK 16.5 billion at the end of Q3 2019. At the same date, the Group's liquidity reserves (LCR) were 164 percent (Parent Bank: 141 percent).

Rating

Sparebanken Sør has an A1 rating with "Stable Outlook". The rating outlook was adjusted from "Negative" to "Stable" in June 2019.

It is now clear that The Norwegian Financial Supervisory Authority (NFSA) will set MREL requirements for the largest Norwegian banks during 2019, and it has also been clarified that there will be no changes in which banks are defined as systemically important.

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

Subordinated capital and capital adequacy

At the end of Q3 2019, net subordinated capital totalled NOK 13.8 billion, while hybrid capital was NOK 1.1 billion and subordinated loans totalled NOK 1.6 billion. At the same date, the common equity tier 1 (CET1) capital ratio was 15.1 percent; the tier 1 capital ratio was 16.6 percent and the (total) capital ratio for the Sparebanken Sør Group was 18.7 percent (based on Basel II).

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

For the Parent Bank, the figures at the end of Q3 2019 were a CET1 capital ratio of 15.4 percent, a tier 1 capital ratio of 17.1 percent and a (total) capital ratio of 19.5 percent.

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

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

The Ministry of Finance decided in December 2018 to increase the countercyclical capital buffer by 0.5 percent with effect from 31 December 2019. At the year-end, the group has an ambition common equity tier 1 (CET1) capital ratio of 15.3 percent.

The Ministry of Finance has also sent out a consultation draft, which proposes an increase in the systemic risk buffer requirement of 1.5 percent in the period from 2019 to 2021. For banks using the standard method, a gradual increase is proposed, if the proposal is adopted, it means for Sparebanken Sør that the requirement for CET1 increases by 0.5 percent from 31 December 2019. The introduction of the SME discount is expected to positively effect the CET1 by 0.4 percent through a reduced calculation basis. The net effect for 2019 is thus expected to be low, an estimate of 0.1 percent. In collaboration with 92 other savings banks using the standard method, the bank provided a consultation response. The response points out that the increase in the systemic risk buffer requirement should be differentiated for the standard banks.

The Group will adapt to new requirements and secure necessary buffers above the minimum requirement.

Board of Director's report

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

At the end of Q3 2019, the Group's leverage ratio was 9.1 percent, compared to 9.0 percent at the end of Q3 2018. The bank's capital is considered highly satisfactory.

The bank's equity certificates

As of 30 September 2019, the bank had issued 15 663 944 equity certificates. Profit (Group) per equity certificate was NOK 3.5 in Q3 2019 and NOK 8.6 in the first nine months of 2019. The ownership ratio in Q3 2019 was 17.2 percent. Hybrid capital classified as equity has been excluded when calculating the ownership ratio.

Dividends

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

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

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

The bank aims to distribute 50-70% of the equity certificate holders' share of earnings after tax as dividend.

Subsidiaries and partner businesses

The bank's wholly owned subsidiary **Sparebanken Sør Boligkreditt AS** is licensed to issue covered bonds which are used as an instrument in the bank's long-term funding strategy. As of 30 September 2019, the bank had transferred NOK 39.0 billion to Sparebanken Sør Boligkreditt AS, equivalent to 58 percent of all loans to the retail market.

Sørmeglern is the bank's own real estate agency and the leading estate agency business in southern Norway. The agency continues to grow, as of 30. September 2019 the number of FTE`s totalled 87 in 15 locations. The result after Q3 2019 showed a profit of NOK 11 million before tax, compared to NOK 8.0 million in the same period in 2018.

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

Frende Holding AS posted a profit of NOK 92.7 million in Q3 2019, compared to NOK 49.8 in the same period in 2018. The first nine months of 2019 posted profit before tax of NOK 272.4 million, compared to NOK 60,5 million in the same period in 2018.

Frende Skade posted a profit before tax of NOK 55.2 million, compared to 22.6 in the same period in 2019. Profit before tax after nine months in 2019 totalled NOK 171.4, compared to NOK minus 27.7 in the same period last year.

The company possesses a total portfolio of insurances of NOK 2 100 million (1 950 million), broken down by 164 640 customers (162 000). The market share was 3.5 percent by the end of Q2 2019.

The loss ratio was 79.9 percent at 30.09.2019, and the combined ratio was 97.7 percent (105.8 percent). In the third quarter, the claims ratio was 77.6 percent, significantly better than the corresponding quarter in 2018 at 82.9 percent. Major insurance claims frequency are approximately at the same level as last year, while claims frequency for cars and properties shows a positive development.

Frende Liv posted a profit before tax of NOK 43.1 million in Q3 2019, compared to NOK 28.2 in Q3 2018. The profit before tax at 30.09.2019 totalled NOK 116.0 million, compared to NOK 91.1 at the same time last year. Risk results from the first nine months of 2019 have been very good. The total insurance portfolio amounted to NOK 968 million at the end of Q3 2019, compared to NOK 885 million at the same time in 2018.

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

Brage Finans AS posted a profit before tax of NOK 45.5 million in Q3 2019, compared to NOK 27.4 million in Q3 2018. Profit before tax after nine months in 2019 totalled NOK 123.4 million, compared to NOK 70.2 million at the same time in 2018. The result was equivalent to a return on equity of 8.6 percent compared to 8.0 percent in the same period last year.

At the end of Q3 2019, Brage Finans AS had a gross loan portfolio of NOK 11.4 billion, an increase of NOK 2.9 billion (34 percent) compared to the first nine months of 2018.

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

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

Balder Betaling AS (22 percent shareholding) is owned by Sparebanken Sør together with 14 other savings banks. The company has a 10.6 percent shareholding in Vipps AS and aims to develop the Vipps mobile payment application further together with its other shareholders.

Outlook

The Board of Director's is satisfied with the Group's financial performance in Q3 2019. Interest rate changes have been implemented and further interest rate changes are notified. This will position the bank well in order to attain good results in 2019. The prospects for the Norwegian economy and for Sparebanken Sør in the near future seems good.

Housing prices in the bank's main markets have shown a positive, but modest trend for several years. The Q3 2019 statistics showed positive growth in housing prices in the bank's market area. Mortgage loans on housing are well secured, and the Group is well positioned to absorb any fall in house prices. This is also supported by stress tests that have been carried out.

On 19 September 2019, Norges Bank decided to raise the key interest rate from 1.25 percent to 1.50 percent. The central bank's forecasts indicate that the key interest rate will remain unchanged in the near future.

The Group's common equity tier 1 capital requirement, including the new Pillar 2 add-on of 2.0 percent, is 14.0 percent. With effect from 31 December 2019 the Ministry of Finance decided in December 2018 to increase the countercyclical capital buffer by 0.5 percent, and the Group's common equity tier 1 capital requirement will rise to 14.5 percent. At the year-end, the group has an ambition on common equity tier 1 (CET1) capital ratio of 15.3 percent. At the end of Q3 2019 the CET1 capital ratio was 15.1 percent. The Bank will adjust to its ambition, by the end of the year, through ordinary operations.

On 25 June 2019, The Ministry of Finance sent out a consultation draft proposing a gradual increase in the systemic risk buffer requirement from today's 3 per cent to 4.5 per cent in 2021. The proposal will increase the requirement of common equity tier 1 capital ratio by 0.5 percentage points by the end of 2019. Sparebanken Sør's target on CET1 at year-end has not taken into account the proposal for increased systemic risk buffer, or the effect of the SME discount. Preliminary calculations of the SME discount is 1.1 percent. The effect of the SME discount in 2019 is calculated to be 0.4 percent. The net effect in 2019 is limited to approximately 0.1 percent in 2019. In collaboration with 92 other savings banks using the standard method, the bank provided a consultation response. The response points out that the increase in the systemic risk buffer requirement should be differentiated for the standard banks.

Board of Director's report

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

In 2018, the Group applied the new IFRS 9 standard, which has impacted the calculation of the Group's impairment losses on loans. The Group has to make provisions for expected loan losses, which is expected to result in greater fluctuations in loan losses. Based on the composition of the bank's loan portfolio, economic trends and local market conditions, losses on lending are expected to remain low in 2019.

In line with adopted strategy, the bank will pay high attention to costs and long-term creation of values. The bank will continue to invest in technology in order to contribute to cost-effective operations and streamlining of the branch structure. This, together with high quality in customer credit assessments, will contribute to the continued profitable growth and development of Sparebanken Sør.

Events after the reporting period

No events have been reported since 30 September that affect the quarterly financial statements.

Arendal, 6 November 2019

Stein A. Hannevik
Chairman

Inger Johansen
Deputy Chairman

Tom Erik Jebsen

Erling Holm

Marit Kittilsen

Mette Ramfjord Harv

Jan Erling Tobiassen
Employee representative

Gunnhild Tveiten Golid
Employee representative

Geir Bergskaug
CEO

PARENT BANK					NOK million		GROUP				
31.12	30.09.	30.09.	Q3	Q3		Q3	Q3	30.09.	30.09.	31.12	
2018	2018	2019	2018	2019		Noter	2019	2018	2 019	2018	
1 291	1 031	1 116	457	406	Interest income at amortised cost	3	861	692	2 393	2 051	2 778
1 012	666	842	121	297	Interest income at fair value through profit and loss	3	125	93	346	267	367
951	694	852	243	303	Interest expenses	3	487	361	1 336	1 036	1 416
1 352	1 003	1 106	335	399	Net interest income	3	499	424	1 403	1 282	1 729
346	252	259	86	93	Commission income		106	97	294	282	380
62	45	41	18	13	Commission expenses		13	19	41	46	62
283	207	218	68	80	Net commission income		93	78	253	236	318
16	16	11	-	-	Dividend		-	-	6	7	7
19	60	59	-6	32	Net income from other financial instruments		31	-3	49	44	-5
35	76	70	-6	32	Net income from financial instruments		31	-3	55	51	2
13	17	43	-1	16	Income from associated companies		16	-1	43	17	13
9	7	5	2	2	Other operating income		1	-1	5	4	10
22	24	48	1	18	Total other income		17	-2	48	21	23
1 692	1 310	1 442	398	529	Total net income		640	497	1 759	1 590	2 072
415	294	324	98	111	Wages and other personnel expenses		130	115	395	355	499
29	20	26	7	8	Depreciation, amortization and impairment of non-current assets		9	6	26	20	30
338	242	249	76	82	Other operating expenses		87	79	264	255	355
782	556	599	181	201	Total operation expenses before losses		226	200	685	630	884
910	754	843	217	328	Operating profit before losses		414	297	1 074	960	1 188
-33	10	-16	5	-20	Losses on loans, guarantees and undrawn credit	4	-19	3	-14	8	-36
943	744	859	212	348	Profit before taxes	2	433	294	1 088	952	1 224
212	163	191	54	79	Tax expenses		102	75	256	217	285
731	581	668	158	269	Profit for the period		331	219	832	735	939
					Minority interests		0	1	0	1	1
731	581	668	158	269	Majority interests		331	218	832	734	938
7.7	6.1	6.8	1.7	2.8	Profit/diluted earnings per equity certificate (in whole NOK)		3.5	2.4	8.6	7.9	10.1
					Other comprehensive income						
					Items that may be reclassified to profit or loss						
					Change in value, basis swaps		-7	-1	-7	-14	-20
0	0	0	0	0	Change in value, customer mortgages						
0	0	0	0	0	Tax effect		2	0	2	-4	5
0	0	0	0	0	Total other comprehensive income		-5	-1	-5	-18	-15
731	581	668	158	269	Comprehensive income for the period		326	218	827	718	924
					Minority interests		0	1	0	1	1
					Majority interests		326	217	827	717	923
7.7	6.1	6.8	1.7	2.8	Comprehensive income/diluted earnings per equity certificate		3.4	2.3	8.6	7.7	9.9

Balance sheet

PARENT BANK			NOK million	GROUP			
31.12.	30.09.	30.09.			30.09.	30.09.	31.12.
2018	2018	2019	ASSETS	Noter	2019	2018	2018
1 287	518	742	Cash and receivables from central banks		742	518	1 288
3 010	5 141	3 500	Loans to credit institutions		111	1 541	119
64 263	66 333	66 779	Net loans to customers	4,5,6,8,10	105 730	101 868	102 942
17 691	14 502	14 715	Bonds and certificates	10	16 537	16 117	14 598
369	613	191	Shares	10	192	613	370
197	191	338	Financial derivatives	10,11	881	288	619
1 858	1 856	1 858	Shareholding in group companies				
584	102	947	Shareholding in associated companies		947	102	584
22	28	33	Intangible assets		33	28	22
387	396	445	Property, plant and equipment		475	421	413
90	117	96	Other assets		188	206	171
89 758	89 797	89 644	TOTAL ASSETS	2,10	125 836	121 702	121 125
			LIABILITIES AND EQUITY CAPITAL				
2 261	1 962	2 555	Liabilities to credit institutions		1 641	1 902	1 918
56 546	56 473	58 734	Deposits from customers	2,7,10	58 903	56 460	56 537
18 027	18 375	14 559	Liabilities related to issue of securities	10,12	49 898	48 831	48 323
179	233	157	Financial derivatives	10,11	157	392	179
223	220	175	Payable taxes		250	278	309
288	301	719	Other liabilities		781	353	328
61	59	51	Provisions for commitments		51	59	61
51	38	66	Deferred tax		39	12	21
1 604	1 749	1 605	Subordinated loan capital	10,12	1 605	1 749	1 604
79 240	79 410	78 621	Total liabilities		113 325	110 036	109 280
1 603	1 576	1 604	Equity certificate capital	13	1 604	1 576	1 603
1 075	1 075	1 075	Hybrid capital		1 075	1 075	1 075
7 840	7 736	8 344	Other equity		9 832	9 015	9 167
10 518	10 387	11 023	Total equity	9	12 511	11 666	11 845
89 758	89 797	89 644	TOTAL LIABILITIES AND EQUITY	2,10	125 836	121 702	121 125

PARENT BANK			NOK million	GROUP		
31.12.	30.09.	30.09.		30.09.	30.09.	31.12.
2018	2018	2019		2019	2018	2018
2 417	1 830	1 945	Interest received	2 748	2 476	3 258
-1 059	-836	-508	Interest paid	-992	-1 192	-1 518
348	268	251	Other payments received	202	287	380
-716	-526	-529	Operating expenditure	-659	-599	-823
8	6	5	Loan recoveries	5	8	8
-225	-178	-191	Tax paid for the period	-249	-249	-291
-27	-19	-22	Gift expenditure	-22	-19	-27
954	880	1 832	Change in customer deposits	2 010	880	958
2 286	196	2 505	Change in loans to customers	-2 772	-4 417	-5 464
506	-1 625	490	Change in deposits from credit institutions	-8	-1 305	117
246	-12	411	Change in loans from credit institutions	-197	-52	-41
4 738	-16	6 189	Net cash flow from operating activities	66	-4 182	-3 443
15 353	9 610	10 099	Payments received, securities	7 720	10 660	17 414
-20 473	-11 463	-13 084	Payments made, securities	-9 641	-13 323	-18 568
6	5	0	Payments received, sale of property, plant and equipment	0	13	11
-50	-28	-31	Payments made, purchase of property, plant and equipment	-31	-32	-51
-246	-45	-280	Investments in subsidiaries and associated companies	-280	-45	-246
-474	-516	-18	Change in other assets	-150	313	-3
-5 884	-2 437	-3 314	Net cash flow from investing activities	-2 382	-2 414	-1 443
1 039	998	-117	Change in deposits from credit institutions	-80	1 052	1 055
3 900	3 900	0	Payments received, bond debt	7 360	13 770	13 770
-3 656	-3 118	-3 432	Payments made, bond debt	-6 227	-8 571	-10 052
-150	-137	-140	Payments made, dividends and interest on hybrid capital	-140	-138	-150
600	500	0	Issue of subordinated loan capital	0	500	600
-400	-155	0	Buyback of subordinated loan capital	0	-155	-400
-43	-160	269	Change in other debt	857	-487	208
1 290	1 828	-3 420	Net cash flow from financing activities	1 770	5 971	5 031
144	-625	-545	Net change in liquid assets	-546	-625	145
1 143	1 143	1 287	Cash and cash equivalents as at 1 Jan	1 288	1 143	1 143
1 287	518	742	Cash and cash equivalents at end of period	742	518	1 288

Statement of changes in equity

GROUP NOK million	Dividend							Other equity	Minority interests	TOTAL
	Equity certificates	Premium fund	equalization- fund	Hybrid capital	Primary capital	Gift fund				
Balance 31.12.2017	783	451	341	1 075	7 165	61	1 230	2	11 108	
Dividend distributed for 2017							-94	-1	-95	
Accounting effects on transition to IFRS 9			1		4		-3		2	
Profit 30.09.2018				44			690	1	735	
Interest on hybrid capital				-44					-44	
Other comprehensive income							-9		-9	
Allocated gift fund						-31			-31	
Balance 30.09.2018	783	451	342	1 075	7 169	30	1 814	2	11 666	
Profit 01.10. - 31.12.2018			27	12	514	40	-388		205	
Interest paid, hybrid capital				-12					-12	
Issuance of hybrid capital									0	
Other comprehensive income							-6		-6	
Allocated gift fund						-8			-8	
Other changes							1	-1	0	
Balance 31.12.2018	783	451	369	1 075	7 683	62	1 421	1	11 845	
Dividend distributed for 2018							-94		-94	
Profit 30.09.2019				46			786		832	
Interest paid, hybrid capital				-46					-46	
Other comprehensive income							-5		-5	
Trading of own equity certificates	0		0		0				1	
Allocated gift fund						-22			-22	
Balance 30.09.2019	783	451	369	1 075	7 683	40	2 108	1	12 511	
PARENT BANK										
Balance 31.12.2017	783	451	341	1 075	7 165	61	94	0	9 970	
Dividend distributed for 2017							-94		-94	
Accounting effects on transition to IFRS 9			1		4				5	
Profit 30.09.2018				44			537	0	581	
Interest paid, hybrid capital				-44					-44	
Other comprehensive income									0	
Allocated gift fund						-31			-31	
Balance 30.09.2018	783	451	342	1 075	7 169	30	537	0	10 387	
Profit 01.10.-31.12.2018			27	12	514	40	-443		150	
Interest paid, hybrid capital				-12					-12	
Issuance of hybrid capital									0	
Other comprehensive income									0	
Allocated gift fund						-8			-8	
Balance 31.12.2018	783	451	369	1 075	7 683	62	94	0	10 518	
Dividend distributed for 2018							-94		-94	
Profit 30.09.2019				46			621		668	
Interest paid, hybrid capital				-46					-46	
Other comprehensive income									0	
Trading of own equity certificates	0		0		0				0	
Allocated gift fund						-22			-22	
Balance 30.09.2019	783	451	369	1 075	7 683	40	621	0	11 023	

1. ACCOUNTING POLICIES

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

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

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

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

2. SEGMENT REPORTING

	BANKING BUSINESS			30.09.2019		
Report per segment		Undistrib. and		Total banking		
Income statement (NOK million)	RM	CM	elimin.	business	Sørmegleren	Total
Net interest and commission income	794	557	53	1 403	0	1 403
Net other operating income	145	51	68	263	93	356
Operating expenses	286	75	242	604	81	685
Profit before losses per segment	652	532	-121	1 063	11	1 074
Losses on loans and guarantees	-2	-41	29			-14
Profit before tax per segment	654	573	-150	1 077	11	1 088
Net loans to customers	70 923	34 882	-75	105 730		105 730
Other assets			20 025	20 025	81	20 106
Total assets per segment	70 923	34 882	19 950	125 755	81	125 836
Deposits from customers	30 240	23 195	5 467	58 903		58 903
Other liabilities	40 682	11 687	1 972	54 341	81	54 422
Total liabilities per segment	70 923	34 882	7 439	113 244	81	113 325
Equity			12 511	12 511		12 511
Total liabilities and equity per segment	70 923	34 882	19 950	125 755	81	125 836

	BANKING BUSINESS			30.09.2018		
Report per segment		Undistrib. and		Total banking		
Income statement (NOK million)	RM	CM	elimin.	business	Sørmegleren	Total
Net interest and commission income	742	512	28	1 282	0	1 282
Net other operating income	145	52	30	227	82	308
Operating expenses	281	72	203	556	74	630
Profit before losses per segment	606	492	-145	952	8	960
Losses on loans and guarantees	1	13	-6	8		8
Profit before tax per segment	605	479	-139	944	8	952
Net loans to customers	67 450	34 349	69	101 868		101 868
Other assets			19 754	19 754	80	19 834
Total assets per segment	67 450	34 349	19 823	121 622	80	121 702
Deposits from customers	28 833	21 894	5 733	56 460		56 460
Other liabilities	38 617	12 455	2 424	53 496	80	53 576
Total liabilities per segment	67 450	34 349	8 157	109 956	80	110 036
Equity			11 666	11 666		11 666
Total liabilities and equity per segment	67 450	34 349	19 823	121 622	80	121 702

3. INTEREST INCOME AND INTEREST EXPENSES

PARENT BANK			Interest income	GROUP		
31.12. 2018	30.09. 2018	30.09. 2019	NOK million	30.09. 2019	30.09. 2018	31.12. 2018
			Interest income from financial instruments at amortised cost			
75	55	67	Interest on receivables from credit institutions	16	7	10
1 217	977	1 048	Interest on loans given to customers	2 378	2 045	2 768
1 291	1 031	1 116	Total interest from financial instruments at amortised cost	2 393	2 051	2 778
			Interest income from financial instruments at fair value			
150	109	121	Interest on loans given to customers (fixed rate loans)	121	109	150
198	140	220	Interest on certificates and bonds	225	157	217
348	249	340	Total interest from financial instruments at fair value via profit or loss	346	267	367
			Interest income from financial instruments at fair value via OCI			
664	417	501	Interest on loans given to customers (mortgages)			
664	417	501	Total interest from financial instruments at fair value via OCI			
2 303	1 697	1 957	Total interest income	2 739	2 318	3 145

PARENT BANK			Interest expenses	GROUP		
31.12. 2018	30.09. 2018	30.09. 2019	NOK million	30.09. 2019	30.09. 2018	31.12. 2018
			Interest expenses from financial instruments at amortised cost			
19	11	27	Interest on liabilities to credit institutions	26	11	19
547	403	500	Interest on customer deposits	500	403	543
305	222	254	Interest on issued securities	735	564	774
41	29	35	Interest on subordinated loans	35	29	41
39	29	36	Fees to the Norwegian Banks Guarantee Fund and other interest expenses	39	30	39
951	694	852	Total interest expenses from financial instruments at amortised cost	1 336	1 036	1 416
951	694	852	Total interest expenses	1 336	1 036	1 416

4. LOSSES ON LOANS, GUARANTEES AND UNDRAWN CREDITS

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

PARENT BANK			NOK million	GROUP		
31.12.18	30.09.18	30.09.19	Loss expense on loans during the period	30.09.19	30.09.18	31.12.18
-3	-3	-3	Period's change in write-downs stage 1	-3	-3	-3
-3	19	27	+ Period's change in write-downs stage 2	28	17	-7
-44	-37	-81	+ Period's change in write-downs stage 3	-81	-37	-43
22	53	36	+ Period's confirmed loss	36	53	22
4	-18	10	+ Recognised as interest income	10	-15	4
8	3	5	- Period's recoveries relating to previous confirmed losses	5	6	8
-1	0	0	+ Change in write downs on guaranties	0	0	-1
-33	10	-16	= Loss expenses during the period	-14	8	-36

GROUP

	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
NOK million				
Provisions for loan losses as at 01.01.2019	45	94	335	473
Transfers				
Transferred to stage 1	21	-19	-2	0
Transferred to stage 2	-3	88	-85	0
Transferred to stage 3	0	-2	3	0
Losses on new loans	15	33	12	60
Losses on deducted loans *	-12	-21	-47	-81
Losses on older loans and other changes	-23	-51	35	-39
Provisions for loan losses as at 30.09.2019	42	121	250	413
Provisions for loan losses	32	104	246	382
Provisions for losses on guarantees and undrawn credits	10	17	4	31
Total provision for losses as at 30.09.2019	42	121	250	413

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

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

PARENT BANK

	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
NOK million				
Provisions for loan losses as at 01.01.2019	44	91	330	466
Transfers				
Transferred to stage 1	19	-17	-2	0
Transferred to stage 2	-3	88	-85	0
Transferred to stage 3	0	-2	3	0
Losses on new loans	14	32	12	57
Losses on deducted loans*	-12	-20	-47	-79
Losses on older loans and other changes	-23	-55	39	-39
Provisions for loan losses as at 30.09.2019	39	116	250	405
Provisions for loan losses	29	99	246	374
Provisions for guarantees and undrawn credits	10	17	4	31
Total provision for losses as at 30.09.2019	39	116	250	405

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

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

5. NON-PERFORMING LOANS

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

PARENT BANK			NOK million	GROUP		
31.12.18	30.09.18	30.09.19		30.09.19	30.09.18	31.12.18
213	285	284	Gross non-performing loans > 90 days	295	285	213
783	769	741	Other non performing loans	753	790	797
996	1 054	1 025	Total non-performing loans (step 3)	1 048	1 075	1 010
330	367	250	Impairment losses in stage 3	250	372	335
666	687	775	Net non-performing loans	798	703	675
33.1 %	34.8 %	24.4 %	Provisioning non-performing loans	23.9 %	34.6 %	33.2 %
0.33 %	0.43 %	0.42 %	Gross non-performing loans > 90 days in % of gross loans	0.28 %	0.28 %	0.21 %

6. IMPAIRMENT LOSSES BY SECTOR, INDUSTRY AND STAGE

PARENT BANK				NOK million		GROUP			
Stage 1	Stage 2	Stage 3	Total impairment losses as of 30.09.2019			Total impairment losses as of 30.09.2019	Stage 3	Stage 2	Stage 1
3	10	37	50	Retail customers		62	39	18	5
0	0	0	0	Public administration		0	0	0	0
1	1	1	3	Primary industry		3	1	1	1
2	4	12	19	Manufacturing industry		19	13	4	2
11	21	62	94	Real estate development		85	54	20	11
1	3	15	19	Building and construction industry		19	15	3	1
16	64	73	153	Property management		155	76	63	16
0	0	24	25	Transport		26	25	0	0
1	5	15	20	Retail trade		21	15	5	1
0	1	0	1	Hotel and restaurants		1	0	1	0
0	1	0	1	Housing cooperatives		1	0	1	0
1	3	9	13	Financial/commercial services		13	9	3	1
2	2	3	7	Social services		8	3	2	2
39	116	250	405	Total impairment losses on loans, guarantees and unused credit		413	250	121	42
29	99	246	374	Impairment losses on lending		382	246	104	32
10	17	4	31	Impairment losses on unused credits and guarantees		31	4	17	10
39	116	250	405	Total impairment losses		413	250	121	42

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

Calculated losses as at 30.09.2019 based on the different stages in the model.

NOK million

Group	Stage	Commitment	In %	Calculated loss	In %
Corporate customers	1	34 161	28.9 %	36	8.8 %
	2	6 919	5.9 %	105	25.5 %
	3	798	0.7 %	213	51.6 %
Corporate customers total		41 877	35.4 %	355	85.9 %
Retail customers	1	70 871	60.0 %	6	1.4 %
	2	5 183	4.4 %	16	3.8 %
	3	250	0.2 %	37	9.0 %
Retail customers total		76 304	64.6 %	58	14.1 %
Total		118 181	100.0 %	413	100.0 %

NOK million

Group	Stage	Commitment	In %	Calculated loss	In %
Corporate market	1	34 154	44.8 %	36	8.8 %
	2	6 919	9.1 %	106	26.1 %
	3	798	1.0 %	213	52.7 %
Corporate market total		41 871	55.0 %	355	87.6 %
Retail market	1	30 722	40.3 %	3	0.8 %
	2	3 339	4.4 %	10	2.6 %
	3	227	0.3 %	37	9.1 %
Retail customers total		34 289	45.0 %	50	12.4 %
Total		76 160	100.0 %	405	100.0 %

7. CUSTOMER DEPOSITS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.18	30.09.18	30.09.19		30.09.19	30.09.18	31.12.18
26 797	26 846	27 936	Retail customers	28 032	26 847	26 798
10 072	10 267	11 041	Public administration	11 079	10 267	10 073
442	449	561	Primary industry	563	449	442
1 672	1 484	1 546	Manufacturing industry	1 551	1 484	1 672
519	543	596	Real estate development	566	527	507
978	863	1 018	Building and construction industry	1 022	863	978
2 892	3 235	3 137	Property management	3 148	3 235	2 892
598	408	571	Transport	573	408	598
1 005	1 020	939	Retail trade	943	1 020	1 005
147	164	163	Hotel and restaurant	164	164	147
207	216	236	Housing cooperatives	237	216	207
5 176	4 482	4 861	Financial/commercial services	4 877	4 482	5 176
6 026	6 196	5 757	Social services	5 776	6 196	6 026
16	302	372	Accrued interests	372	302	16
56 546	56 473	58 734	Total deposits from customers	58 903	56 460	56 537

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

8. LOANS TO CUSTOMERS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.18	30.09.18	30.09.19		30.09.19	30.09.18	31.12.18
28 575	31 045	31 039	Retail customers	69 977	66 578	67 282
550	427	531	Public administration	531	428	551
947	915	1 124	Primary industry	1 129	915	948
971	909	790	Manufacturing industry	790	909	972
4 756	4 496	4 477	Real estate development	4 427	4 449	4 663
1 516	1 537	1 500	Building and construction industry	1 501	1 538	1 518
18 019	18 192	17 661	Property management	17 673	18 202	18 039
668	673	675	Transport	675	673	669
1 051	1 111	1 106	Retail trade	1 107	1 112	1 052
301	298	273	Hotel and restaurant	273	298	301
1 095	1 131	1 236	Housing cooperatives	1 237	1 131	1 096
1 150	1 088	1 362	Financial/commercial services	1 363	1 096	1 151
4 978	4 868	5 217	Social services	5 223	4 871	4 983
135	145	162	Accrued interests	205	178	173
64 713	66 836	67 153	Total gross loans	106 112	102 379	103 400
450	503	374	Impairment losses on lending *	382	511	458
64 263	66 333	66 779	Total net loans	105 730	101 868	102 942

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

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

9. SUBORDINATED CAPITAL AND CAPITAL ADEQUACY

PARENT BANK			NOK million	GROUP		
31.12.18	30.09.18	30.09.19		30.09.19	30.09.18	31.12.18
10 518	10 387	11 023	Total equity	12 511	11 666	11 845
			Tier 1 capital			
-1 075	-1 075	-1 075	Equity not eligible as common equity tier 1 capital	-1 075	-1 075	-1 075
-189	-148	-166	Share of profit not eligible as common equity tier 1 capital	-166	-148	-189
-22	-28	-33	Deductions for intangible assets and deferred tax assets	-33	-28	-22
-24	-21	-21	Deductions for additional value adjustments	-23	-23	-21
			Proportion of common equity tier 1 capital from Brage Finans AS	356	172	184
			Deductions for internal eliminations from Brage Finans AS	-369	-187	-187
-37	-49	-103	Other deductions	-61	-53	-21
9 171	9 066	9 625	Total common equity tier 1 capital	11 140	10 324	10 514
			Other tier 1 capital			
1 075	1 075	1 075	Hybrid capital	1 075	1 075	1 075
			Proportion of tier 1 capital Brage Finans AS	37	15	15
0	0	0	Deductions from other tier 1 capital	0		0
10 246	10 141	10 700	Total tier 1 capital	12 252	11 414	11 604
			Additional capital supplementary to tier 1 capital			
1 604	1 749	1 604	Subordinated loan capital	1 604	1 749	1 604
			Proportion of net subordinated capital Brage Finans AS	49	26	27
-99	0	-100	Deductrions from additional capital	-100	0	-99
1 505	1 749	1 504	Total additional capital	1 553	1 775	1 532
11 751	11 890	12 204	Net subordinated capital	13 805	13 189	13 136
			Minimum requirement for subordinated capital Basel II calculated according to standard method			
3	3	2	Engagements with local and regional authorities	2	3	3
51	81	57	Engagements with institutions	23	30	20
148	159	238	Engagements with enterprises	242	161	150
452	455	452	Engagements with mass market	534	455	537
3 104	3 175	3 149	Engagements secured in property	4 273	4 304	4 213
76	44	93	Engagements which are matured	97	42	80
2	2	2	Engagements which are high risk	2	2	2
403	326	377	Engagements in covered bonds	98	91	86
299	220	331	Engagements in collective investment funds	183	72	151
49	49	40	Engagements, other	40	53	62
4 587	4 514	4 741	Capital requirements for credit and counterparty risk	5 494	5 213	5 304
1	1	1	Capital requirements for position, currency and product risk	1	1	1
240	240	259	Capital requirements for operational risk	313	298	298
0	3	1	CVA addition	1	3	0
0	0	0	Deductions from the capital requirement	0	0	0
4 828	4 758	5 002	Total minimum requirement for subordinated capital	5 809	5 515	5 603
60 354	59 472	62 514	Risk-weighted balance (calculation basis)	72 604	68 930	70 036
			Porportionate share of calculation basis Brage Finans AS	2 164	1 212	1 336
			Deductions for internal eliminations Brage Finans AS	-993	-484	-484
			Risk weighted balance after proportonate consolidation	73 775	69 658	70 888
15.2 %	15.2 %	15.4 %	Common equity tier 1 capital ratio, %	15.1 %	14.8 %	14.8 %
17.0 %	17.1 %	17.1 %	Tier 1 capital ratio, %	16.6 %	16.4 %	16.4 %
19.5 %	20.0 %	19.5 %	Total capital ratio, %	18.7 %	18.9 %	18.5 %
7.9 %	8.2 %	8.3 %	Leverage ratio	9.1 %	8.9 %	9.1 %

10. FAIR VALUES OF FINANCIAL INSTRUMENTS

Classification of financial instruments

Financial instruments are classified at different levels.

Level 1:

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

Level 2:

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

Level 3:

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

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

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

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.12.2018	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortised cost								
1 287		1 287		Cash and receivables from central banks	1 288		1 288	
3 010		3 010		Loans to credit institutions	119		119	
37 656			37 656	Net loans to customers (floating interest rate)	97 228			97 228
Assets recognized at fair value								
5 714			5 714	Net loans to customers (fixed interest rate)	5 714			5 714
20 893			20 893	Net loans to customers (mortgages)				
17 691		17 691		Bonds and certificates	14 598		14 598	
369	5		364	Shares	370	5		365
197		197		Financial derivatives	619		619	
86 817	5	22 185	64 627	Total financial assets	119 936	5	16 624	103 307
Liabilities recognized at amortised cost								
2 261		2 261		Liabilities to credit institutions	1 918		1 918	
56 546			56 546	Deposits from customers	56 537			56 537
18 027		18 081		Liabilities from issue of securities	48 323		48 443	
1 604		1 601		Subordinated loan capital	1 604		1 601	
Liabilities recognized at fair value								
179		179		Financial derivatives	179		179	
78 617	0	22 122	56 546	Total financial liabilities	108 561	0	52 141	56 537

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			30.09.2018	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortised cost								
518		518		Cash and receivables from central banks	518		518	
5 141		5 141		Loans to credit institutions	1 541		1 541	
34 950			34 950	Net loans to customers (floating interest rate)	96 086			96 086
Assets recognized at fair value								
5 782			5 782	Net loans to customers (fixed interest rate)	5 782			5 782
25 601			25 601	Net loans to customers (mortgages)				
14 502		14 502		Bonds and certificates	16 117		16 117	
613	5		608	Shares	613	5		608
191		191		Financial derivatives	288		288	
87 298	5	20 352	66 941	Total financial assets	120 945	5	18 464	102 476
Liabilities recognized at amortised cost								
1 962		1 962		Liabilities to credit institutions	1 902		1 902	
56 473			56 473	Deposits from customers	56 460			56 460
18 375		18 479		Liabilities from issue of securities	48 831		49 047	
1 749		1 756		Subordinated loan capital	1 749		1 756	
Liabilities recognized at fair value								
233		233		Financial derivatives	392		392	
78 792	0	22 430	56 473	Total financial liabilities	109 334	0	53 097	56 460

Movement level 3

GROUP

NOK million	Net loans to customers	Of which credit risk	Shares
Recognized value as at 01.01.2018	6 316	-2	567
Acquisitions Q1, Q2 and Q3 2018	966		36
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	9	28	51
Disposals Q1, Q2 and Q3 2018	-1 509		-6
Reclassified as associated company			-40
Recognized value as at 30.09.2018	5 782	26	608
Acquisitions Q4 2018	368		30
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	-78	-27	-6
Disposals Q4 2018	-358		-7
Reclassified as associated company			-260
Recognized value as at 31.12.2018	5 714	-1	365
Acquisitions Q1, Q2 and Q3 2019	664		114
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	15	14	6
Disposals Q1, Q2 and Q3 2019	-813		
Reclassified as associated company			-298
Recognized value as at 30.09.2019	5 579	13	187

PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares
Recognized value as at 01.01.2018	6 316	-2	567
Reclassification mortgages at fair value	25 002		
Acquisitions Q1, Q2 and Q3 2018	966		36
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	9	28	51
Disposals Q1, Q2 and Q3 2018	-1 509		-6
Reclassified as associated company			-40
Recognized value as at 30.09.2018	30 784	26	608
Acquisitions Q4 2018	368		30
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	-78	-27	-7
Disposals Q4 2018	-4 467		-7
Reclassified as associated company			-260
Recognized value as at 31.12.2018	26 607	-1	364
Acquisitions Q1, Q2 and Q3 2019	2 761		114
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	15	14	6
Disposals Q1, Q2 and Q3 2019	-813		
Reclassified as associated company			-298
Recognized value as at 30.09.2019	28 570	13	186

Sensitivity analysis

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

GROUP / PARENT BANK

NOK million	30.09.2019	30.09.2018	31.12.2018
Loans to customers	17	18	18
- of which loans to corporate market (CM)	3	4	4
- of which loans to retail market (RM)	14	14	14

11. OFFSETTING

NOK million	GROUP					
	30.09.2019	30.09.2019 (1) Net presented	30.09.2018	30.09.2018 (1) Net presented	31.12.2018	31.12.2018 (1) Net presented
Assets						
Financial derivatives	881	727	288	151	619	447
Liabilities						
Financial derivatives	157	2	392	255	179	7

NOK million	PARENT BANK					
	30.09.2019	30.09.2019 (1) Net presented	30.09.2018	30.09.2018 (1) Net presented	31.12.2018	31.12.2018 (1) Net presented
Assets						
Financial derivatives	338	373	191	49	197	118
Liabilities						
Financial derivatives	157	193	233	91	179	101

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

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

12. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

Debt securities - Group

NOK million	30.09.2019	30.09.2018	31.12.2018
Bonds, nominal value	49 191	48 661	47 969
Value adjustments	550	23	170
Accrued interest	156	147	184
Total debt incurred due to issuance of securities	49 898	48 831	48 323

Change in debt securities - Group

NOK million	31.12.2018	Issued	Matured/ Redeemed	Other changes during the period	30.09.2019
Bonds, nominal value	47 969	7 360	-6 245	107	49 191
Value adjustments	170			380	550
Accrued interest	184			-28	156
Total debt incurred due to issuance of securities	48 323	7 360	-6 245	460	49 898

Debt securities - Parent bank

NOK million	30.09.2019	30.09.2018	31.12.2018
Bonds, nominal value	14 476	18 310	17 904
Value adjustments	1	-25	13
Accrued interest	82	90	110
Total debt incurred due to issuance of securities	14 559	18 375	18 027

Change in debt securities - Parent bank

NOK million	31.12.2018	Issued	Matured/ Redeemed	Other changes during the period	30.09.2019
Bonds, nominal value	17 904	0	-3 428	0	14 476
Value adjustments	13			-12	1
Accrued interest	110			-27	82
Total debt incurred due to issuance of securities	18 027	0	-3 428	-39	14 559

Change in subordinated capital - Parent bank and Group

NOK million	31.12.2018	Issued	Matured/ Redeemed	Other changes during the period	30.09.2019
Subordinated loans	1 600	0	0		1 600
Accrued interest	4			1	5
Total subordinated loan capital	1 604	0	0	1	1 605

13. EQUITY CERTIFICATE HOLDERS

The 20 largest equity certificate holders as at 30 September were as follows:

Name	Number of EC	Share of EC-CAP. %	Name	Number of EC	Share of EC-CAP. %
1. Sparebankstiftelsen Sparebanken Sør	7 988 679	51.00	11. Catilina Invest AS	114 558	0.73
2. EIKA utbytte VPF c/o Eika kapitalforv.	635 537	4.06	12. Svenska Handelsbanken AB	100 000	0.64
3. Arendal Kom. pensjonskasse	450 000	2.87	13. Ottersland AS	100 000	0.64
4. Pareto AS	417 309	2.66	14. MP Pensjon PK	85 523	0.55
5. Glastad Invest AS	368 765	2.35	15. Artel AS	82 131	0.52
6. Bergen Kom. Pensjonskasse	340 000	2.17	16. Profond AS	77 115	0.49
7. Otterlei Group AS	278 200	1.78	17. Apriori Holding AS	72 575	0.46
8. Wenaasgruppen AS	186 000	1.19	18. Varodd AS	70 520	0.45
9. Gumpen Bileiendom AS	174 209	1.11	19. Birkenes Sparebank	66 000	0.42
10. Allumgården AS	151 092	0.96	20. Brøvig Holding AS	65 639	0.42
Total - 10 largest certificate holders	10 989 791	70.16	Total - 20 largest certificate holders	11 823 852	75.48

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

At the reporting date, Sparebanken Sør owned 0 of its own equity certificates. The equity certificate capital amounted to NOK 783 197 200 distributed over 15 663 944 equity certificates, each with a nominal value of NOK 50.

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.

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Profit (NOK million)					
Net interest income	499	467	438	447	424
Net commission income	93	86	74	82	78
Net income from financial instruments	31	5	20	-49	-3
Other operating income	17	25	5	3	-2
Total net income	640	583	537	483	497
Total operating expenses before losses	226	231	229	255	200
Operating profit before losses	414	352	308	228	297
Losses on loans, guarantees and unused credits	-19	2	3	-44	3
Profit before taxes	433	350	305	272	294
Tax expenses	102	83	71	68	75
Profit for the period	331	267	234	204	219

Profit as % of average assets

Net interest income	1.57 %	1.52 %	1.46 %	1.46 %	1.40 %
Net commission income	0.29 %	0.28 %	0.25 %	0.27 %	0.26 %
Net income from financial instruments	0.10 %	0.02 %	0.07 %	-0.16 %	-0.01 %
Other operating income	0.05 %	0.08 %	0.02 %	0.01 %	-0.01 %
Total net income	2.01 %	1.90 %	1.79 %	1.58 %	1.64 %
Total operating expenses before losses	0.71 %	0.75 %	0.76 %	0.83 %	0.66 %
Operating profit before losses	1.30 %	1.15 %	1.03 %	0.74 %	0.98 %
Losses on loans, guarantees and unutilized credit	-0.06 %	0.01 %	0.01 %	-0.14 %	0.01 %
Profit before taxes	1.36 %	1.14 %	1.02 %	0.89 %	0.97 %
Tax expenses	0.32 %	0.27 %	0.24 %	0.22 %	0.25 %
Profit for the period	1.04 %	0.87 %	0.78 %	0.67 %	0.72 %

Key figures, income statement

Return on equity after tax (adjusted for hybrid capital)	11.2 %	9.0 %	8.3 %	7.2 %	7.8 %
Costs as % of income	35.3 %	39.6 %	42.6 %	52.8 %	40.2 %
Costs as % of income, excl. net income from financial instruments	37.1 %	40.0 %	44.2 %	48.0 %	40.0 %

Key figures, balance sheet

Total assets	125 836	125 697	123 873	121 125	121 702
Average total assets	126 200	124 400	123 400	121 400	120 100
Net loans to customers	105 730	104 964	102 957	102 942	101 868
Growth in loans as %, last 12 mths.	3.8 %	4.4 %	4.3 %	5.6 %	6.1 %
Customer deposits	58 903	59 946	57 568	56 537	56 460
Growth in deposits as %, last 12 mths.	4.3 %	4.7 %	4.9 %	1.7 %	3.4 %
Deposits as % of net loans	55.7 %	57.1 %	55.9 %	54.9 %	55.4 %
Equity (incl. hybrid capital)	12 511	12 200	11 952	11 845	11 666
Losses on loans as % of net loans, annualised	-0.07 %	0.01 %	0.01 %	-0.17 %	0.04 %
Gross non-performing loans (over 90 days) as % of gross lending	0.28 %	0.32 %	0.21 %	0.21 %	0.28 %

Other key figures

Liquidity reserves (LCR), Group	164 %	146 %	180 %	159 %	177 %
Liquidity reserves (LCR), Group- EUR	3503 %	3033 %	2807 %	4727 %	1820 %
Liquidity reserves (LCR), Parent Bank	141 %	137 %	168 %	180 %	170 %
Common equity tier 1 capital ratio	15.1 %	15.0 %	14.9 %	14.8 %	14.8 %
Common equity tier 1 capital ratio (incl. partly owned companies)	16.6 %	16.5 %	16.4 %	16.4 %	16.4 %
Total capital ratio	18.7 %	18.6 %	18.5 %	18.5 %	18.9 %
Common equity tier 1 capital	11 140	10 900	10 694	10 513	10 324
Tier 1 capital	12 252	12 011	11 790	11 603	11 414
Net total primary capital	13 805	13 564	13 329	13 134	13 187
Leverage ratio	9.1 %	9.0 %	9.0 %	9.1 %	9.0 %
Number of branches	34	34	34	34	34
Number of FTEs in banking operations	429	427	436	434	431

Key figures, equity certificates

Equity certificate ratio, weighted average for the period	17.2 %	17.2 %	17.2 %	17.9 %	17.9 %
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)	2.8	2.2	1.9	1.6	1.7
Profit per equity certificate (Group)	3.5	2.7	2.4	2.2	2.4
Dividend last year per equity certificate (Parent Bank)	6.0	6.0	6.0	6.0	6.0
Book equity per equity certificate	125.6	122.2	119.4	123.2	120.9
Price/book value per equity certificate	0.8	0.8	0.8	0.8	0.8
Listed price on Oslo Stock Exchange at end of period	95.0	94.5	90.2	96.9	99.8

Key figures Group 2013-2018

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

Profit as a percentage of average assets

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

Key figures, income statement

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

Key figures, balance sheet

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

Other key figures

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

Key figures, equity certificates

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

	Q3	Q2	Q1	Q4	Q3	30.09.	30.09.	31.12.
NOK million	2019	2019	2019	2018	2018	2019	2018	2018
Return on equity adjusted for hybrid capital								
Profit after tax	331	267	233	204	219	832	735	939
Interest on hybrid capital	-13	-21	-12	-12	-12	-46	-44	-56
Profit after tax, incl. interest on hybrid capital	318	246	221	193	207	786	691	884
Opening balance, equity	12 200	11 952	11 845	11 666	11 478	11 845	11 108	11 108
Opening balance, hybrid capital	-1 075	-1 075	-1 075	-1 075	-1 075	-1 075	-1 075	-1 075
Opening balance, equity excl. hybrid capital	11 125	10 877	10 770	10 591	10 403	10 770	10 033	10 033
Closing balance, equity	12 511	12 200	11 952	11 845	11 666	12 511	11 666	11 845
Closing balance, hybrid capital	-1 075	-1 075	-1 075	-1 075	-1 075	-1 075	-1 075	-1 075
Closing balance, equity excl. hybrid capital	11 436	11 125	10 877	10 770	10 591	11 436	10 591	10 770
Average equity	12 356	12 076	11 899	11 756	11 572	12 178	11 387	11 477
Average equity excl. Hybrid capital	11 281	11 001	10 824	10 681	10 497	11 103	10 312	10 402
Return on equity	10.6 %	8.9 %	7.9 %	6.9 %	7.5 %	9.1 %	8.6 %	8.2 %
Return on equity, excl. hybrid capital	11.2 %	9.0 %	8.3 %	7.2 %	7.8 %	9.5 %	9.0 %	8.5 %
Net interest income, incl. interest on hybrid capital								
Net interest income	499	467	437	447	424	1403	1282	1 729
Interest on hybrid capital	-13	-21	-12	-12	-12	-46	-44	-56
Net interest income, incl. interest on hybrid capital	486	446	425	435	412	1 357	1 238	1 674
Average total assets	126 200	124 400	123 400	121 400	117 399	124 600	117 600	118 600
As percentage of total assets	1.53 %	1.44 %	1.40 %	1.42 %	1.39 %	1.46 %	1.41 %	1.41 %
Profit from ordinary operations (adjusted earnings)								
Net interest income, incl. interest on hybrid capital	486	446	425	435	412	1 357	1 238	1 674
Net commission income	93	86	74	82	78	253	236	318
Share of profit from associated companies (excl. Value adjustment Balder/Vipps)	16	23	4	-4	-1	43	17	-9
Other operating income	1	2	2	7	-	5	5	11
Operating expenses	226	231	229	255	200	685	630	884
Profit from ordinary operations (adjusted earnings), before tax	370	326	275	265	289	973	866	1 110
Profit excl. Finance and adjusted for non-recurring items								
Net interest income, incl. hybrid capital	486	446	425	435	412	1 357	1 238	1 674
Net commission income	93	86	74	82	78	253	236	318
Share of profit from associated companies (excl. Value adjustment Balder/Vipps)	16	23	4	-4	-1	43		
Other operating income	1	2	2	7	-	5	5	11
Operating expenses	226	231	229	255	200	685	630	884
Losses on loans, guarantees and undrawn credits	-19	2	3	-44	3	-14	8	-36
Profit excl. Finance and adjusted for non-recurring items	389	324	272	309	286	987	841	1 155
Tax (25 %)	97	81	68	77	72	247	210	289
Ordinary operations /adjusted earnings after losses and tax	292	243	204	232	215	741	631	866
Average equity, excl. hybrid capital	11 281	11 001	10 824	10 681	10 497	11 103	10 312	10 402
Return on equity, profit excl. Finance and adjusted for non-recurring items	10.3 %	8.9 %	7.6 %	8.6 %	8.1 %	8.9 %	8.2 %	8.3 %
Average interest rates/margins								
Average lending rate RM (return)	3.09 %	2.90 %	2.79 %	2.74 %	2.62 %			
Average lending rate CM (return)	3.86 %	3.66 %	3.49 %	3.36 %	3.26 %			
Average deposit rate RM	0.94 %	0.91 %	0.88 %	0.82 %	0.81 %			
Average deposit rate CM	1.37 %	1.30 %	1.14 %	1.12 %	1.04 %			
Average 3-month NIBOR	1.63 %	1.46 %	1.29 %	1.19 %	1.06 %			
Lending margin RM (lending rate - 3-month NIBOR)	1.46 %	1.44 %	1.50 %	1.55 %	1.56 %			
Lending margin CM (lending rate - 3-month NIBOR)	2.23 %	2.20 %	2.20 %	2.17 %	2.20 %			
Deposit margin RM (3-month NIBOR - deposit rate)	0.69 %	0.55 %	0.41 %	0.37 %	0.25 %			
Deposit margin CM (3-month NIBOR - deposit rate)	0.26 %	0.16 %	0.15 %	0.07 %	0.02 %			

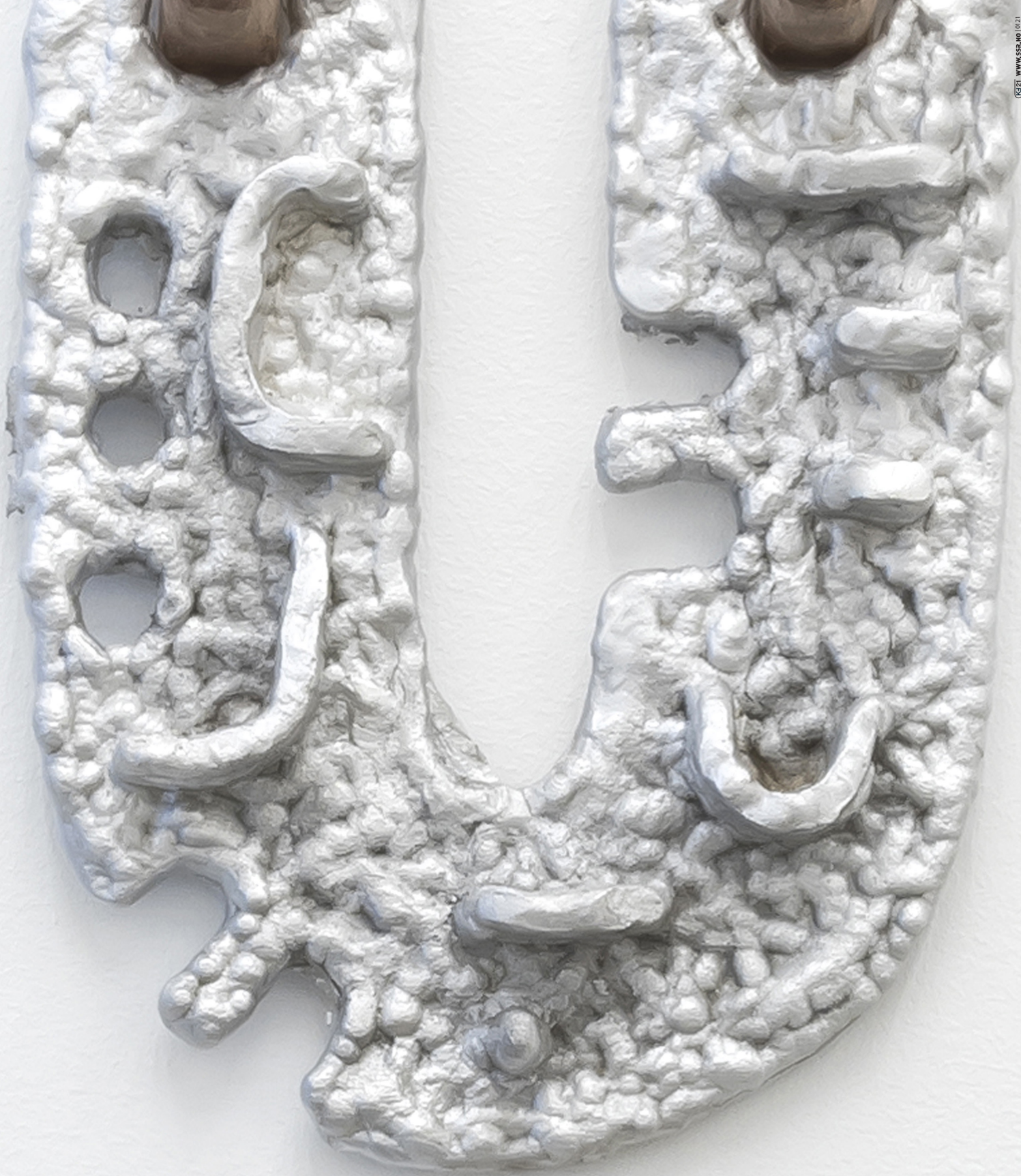
The Board of Directors' report and accounting presentations refer to certain adjusted figures which are not defined by IFRS (Alternative Performance Measures - APM). For definitions of Sparebanken Sør's APM, please refer to next section.

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

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

Sparebanken Sør's APMs and definitions

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



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