



SPAREBANKEN SØR

**Q1** 2021



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# Key figures Group

<b>Income statement (NOK million)</b>	<b>Q1 2021</b>	<b>Q1 2020</b>	<b>31.12.2020</b>
Net interest income	451	525	1 914
Net commission income	87	70	347
Net income from financial instruments	8	-69	40
Other operating income	29	-12	143
<b>Total net income</b>	<b>575</b>	<b>515</b>	<b>2 444</b>
Total operating expenses before losses	242	232	958
<b>Operating profit before losses</b>	<b>334</b>	<b>283</b>	<b>1 486</b>
Losses on loans, guarantees and unused credit	-11	61	83
<b>Profit before taxes</b>	<b>345</b>	<b>221</b>	<b>1 403</b>
Tax expenses	71	58	307
<b>Profit for the period</b>	<b>274</b>	<b>164</b>	<b>1 096</b>
<b>Profit as a percentage of average assets</b>			
Net interest income	1.25 %	1.61 %	1.36 %
Net commission income	0.24 %	0.21 %	0.25 %
Net income from financial instruments	0.02 %	-0.21 %	0.03 %
Other operating income	0.08 %	-0.04 %	0.10 %
<b>Total net income</b>	<b>1.60 %</b>	<b>1.58 %</b>	<b>1.74 %</b>
Total operating expenses before losses	0.67 %	0.71 %	0.68 %
<b>Operating profit before losses</b>	<b>0.93 %</b>	<b>0.87 %</b>	<b>1.06 %</b>
Losses on loans, guarantees and unused credit	-0.03 %	0.19 %	0.06 %
<b>Profit before taxes</b>	<b>0.96 %</b>	<b>0.68 %</b>	<b>1.00 %</b>
Tax expenses	0.20 %	0.18 %	0.22 %
<b>Profit for the period</b>	<b>0.76 %</b>	<b>0.50 %</b>	<b>0.78 %</b>
<b>Key figures, income statement</b>			
Return on equity after tax (adjusted for hybrid capital)	8.4 %	5.0 %	8.4 %
Costs as % of income	42.0 %	45.1 %	39.2 %
Costs as % of income, excl. net income from financial instruments	42.6 %	39.8 %	39.9 %
<b>Key figures, balance sheet</b>			
Total assets	139 047	142 001	142 126
Average total assets	146 000	129 600	140 400
Net loans to customers	112 801	107 590	111 577
Growth in loans as % last 12 mths.	4.8 %	4.5 %	4.9 %
Customer deposits	60 822	57 658	59 833
Growth in deposits as % last 12 mths.	5.5 %	0.2 %	3.3 %
Deposits as % of net loans	53.9 %	53.6 %	53.6 %
Equity (incl. hybrid capital)	14 022	13 215	13 752
Losses on loans as % of net loans, annualised	-0.04 %	0.23 %	0.07 %
<b>Other key figures</b>			
Liquidity reserve (LCR) Group	168 %	156 %	173 %
Liquidity reserve (LCR) Group - Euro	376 %	198 %	107 %
Liquidity reserve (LCR) Parent Bank	163 %	189 %	154 %
Common equity tier 1 capital ratio	15.8 %	15.6 %	15.7 %
Tier 1 capital ratio	17.5 %	17.5 %	17.1 %
Total capital ratio	19.5 %	20.0 %	19.1 %
Total common equity tier 1 capital ratio	12 447	11 606	12 204
Tier 1 capital ratio	13 766	13 017	13 315
Net subordinated capital	15 374	14 875	14 864
Leverage ratio	9.2 %	8.9 %	8.9 %
Number of branches	35	34	35
Number of FTEs in banking operations	445	434	442
<b>Key figures, equity certificates</b>			
Equity certificate ratio, weighted average over the period	16.1 %	17.2 %	17.3 %
Number of equity certificates issued	15 663 944	15 663 944	15 663 944
Profit/diluted earnings per equity certificate (Parent bank)	5.0	3.6	10.5
Profit/diluted earnings per equity certificate (Group)	2.7	1.6	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	130.7	130.2	140.0
Price/book value per equity certificate	1.0	0.7	0.8
Listed price on Oslo Stock Exchange at end of period	131.0	86.0	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 Q1 2021

- Efficient operations and low costs
- Good results from Frende, Brage and Sørmeqleren
- Net entry on losses on loans
- Annualised growth in lending of 4.8 percent
- Annualised growth in deposits of 5.5 percent
- Return on equity after tax of 8.4 percent
- Common equity tier 1 (CET1) ratio of 15.8 percent and Leverage Ratio of 9.2 percent

### Financial framework conditions

The Covid-19 pandemic continues to affect the Norwegian economy, and the year commenced with a further tightening of public health restrictions. Despite this, the financial markets have improved and a significant increase in activity after the summer is expected. The economic upturn experienced in recent months has been driven by higher consumer spending in particular. The speed of the vaccination rollout, how long the vaccines will remain effective and the impact of new virus mutations, still remain uncertain.

The policy rate was kept unchanged, at a record low of zero percent, in March 2021. According to Norges Bank's (Central Bank of Norway) assessment of the outlook and balance of risk, the policy rate will most likely be raised during the second half of 2021. Norges Bank continued to emphasize the uncertainty surrounding further economic recovery.

Norway has room to manoeuvre with regard to economic policy and good welfare arrangements. In addition, the banks are financially strong. This puts Norway in an exceptional position to weather the crisis. Lower interest expenses could help Norwegian companies and households through a challenging period of reduced earnings. When Covid-19 restrictions are eventually scaled back and the situation returns to normal, low interest rates could promote a faster recovery of the economy.

The yields seen in the money- and bond markets have fallen in recent quarters, and have stabilised at a low level in Q1 2021. This applies both in Norway and abroad.

Annual growth in the general public's gross domestic debt, C2, totalled 5.0 percent at the end of March. Credit growth for households and businesses was 4.9 percent and 4.4 percent respectively.

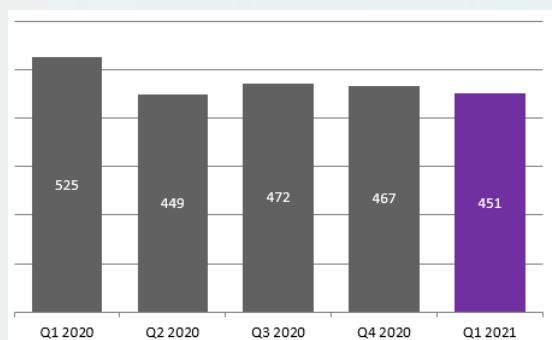
On 13 March 2020, the Norwegian Ministry of Finance decided to reduce the countercyclical buffer requirements for banks from 2.5 percent to 1 percent, with immediate effect. The change was made to help prevent a more restrictive lending practice on the part of the banks from reinforcing the economic downturn caused by the pandemic. Reference is made to the fact that Norwegian banks are profitable and financially sound, and have sufficient capital to bear losses in the event of a severe setback. Norges Bank, which advises the Ministry with regard to the capital buffer level, and provides it with a basis on which to make its decisions, has stated that it expects to advise a phased increase in the buffer requirement in 2021.

### Earnings

Sparebanken Sør posted a profit before tax of NOK 345 million in Q1 2021, compared with NOK 221 million in the same period in 2020. An increase of NOK 123 million. The Group achieved a return on equity after tax of 8.4 percent in Q1 2021, compared with 5.0 percent in the same period in 2020.

## Net interest income

### Quarterly net interest income (NOK million)



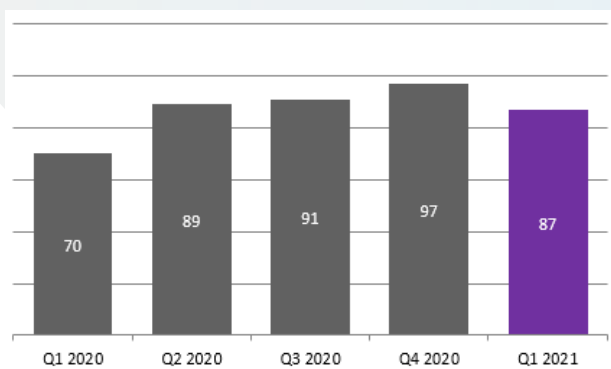
Net interest income totalled NOK 451 million in Q1 2021, compared with NOK 525 million in Q1 2020, a reduction of NOK 74 million.

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

Net interest income fell slightly in Q1 2021, compared with Q4 2020. This can be explained by fewer interest days in the quarter and the fact that the group had a larger bond maturity (EUR 500 million) at the end of March. The maturity was prematurely financed, and meant that the bank had to hold considerably of liquidity through Q1 2021.

## Commission income

### Quarterly net commission income (NOK million)



Net commission income totalled NOK 87 million in Q1 2021, compared with NOK 70 million in Q1 2020.

Gross commission income in Q1 2021 totalled NOK 103 million, compared with NOK 86 million in Q1 2020.

Commission income	Q1 2021	Q1 2020	Change
Payment services	37	40	-3
Real estate brokerage	41	24	17
Other commission income	25	22	3
<b>Total</b>	<b>103</b>	<b>86</b>	<b>17</b>

The bank's real estate agency, Sørmeglere, has had a solid growth and an increased commission income in Q1 2021.

There has been a decrease in commission income from payment services in Q1 2021, which is mainly due to the loss of currency exchange income related to less use of credit cards abroad. This was caused by the banks customers reduced traveling as a result of the Covid-19 situation.

## Financial instruments

Net income from financial instruments totalled NOK 8 million in Q1 2021, compared with NOK -69 million in Q1 2020. The adjustment is mainly related to changes in the value of certificates and bonds, which were strongly affected by market turmoil at the end of Q1 2020.

Net income from financial instruments	Q1 2021	Q1 2020	Change
Bonds and certificates	-5	-83	78
Shares incl. dividends	4	1	3
Fixed rate loans	7	14	-7
Securities issued - hedge accounting	-10	-8	-2
Repurchase of issued bonds	0	-5	5
Other financial instruments	11	12	-1
<b>Total</b>	<b>8</b>	<b>-69</b>	<b>77</b>

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

## Income from associated companies

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

In February 2021, the Group increased its shareholding in Brage from 20.8 percent to 24.9 percent. This transaction has had no impact on profit and loss, apart from the fact that a larger percentage of Brage's profits have been recognised in the quarter.

Associates contributed NOK 29.2 million in Q1 2021. This is an increase of NOK 42.7 million compared with Q1 2020, when contributions from associates totalled NOK -13.5 million.

Sparebanken Sør's share of the profit in Brage Finans AS totalled to NOK 10.9 million in Q1 2021.

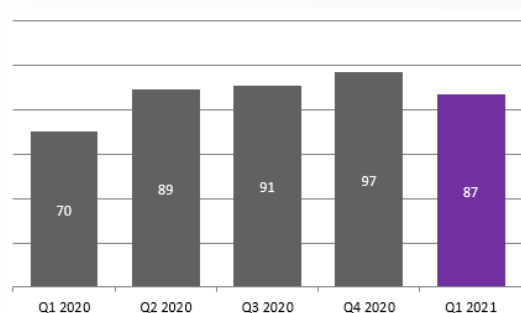
Sparebanken Sør's share of the profit in Frende Holding AS totalled to NOK 12.6 million in Q1 2021.

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 NOK 5.4 million in excess value in the Q1 2021.

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.

## Operating expenses

### Quarterly operating expenses (NOK million)



Operating expenses amounted to NOK 242 million in Q1 2021, up from NOK 232 million in the same period in 2020.

Expenses in the banking business amounted to NOK 205 million in Q1 2021, and are at the same level as the same period in 2020.

Cost-income ratio in the group was 42.0 percent (45.1 percent). Cost-income ratio in the banking business were 38.4 percent in Q1 2021.

### Losses and non-performing loans

Net losses on loans, totalled a net entry on loans amounted to NOK 11 million in Q1 2021, compared to net loss of NOK 61 million in Q1 2020. The loss net entry in Q1 2021 is mainly related to model based-calculated losses on loans according to the accounting standard IFRS9, due to of a positive development in macro.

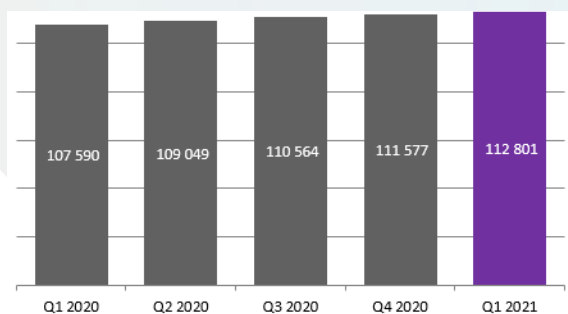
The Covid-19 pandemic has effected several business sectors, and the government has implemented extensive and wide-ranging support measures. The Bank has virtually no direct exposure to the oil and offshore industries, which are strongly affected by the downturn in oil prices. The Bank's indirect exposure to oil and offshore industries are also low. An estimated 1-2 percent of the tenants in the Bank's real estate portfolio are linked to this sector. At the end of Q1 there are still uncertainty regarding the downside for the Banks customers.

The Group's impairment losses were calculated to NOK 451 million in Q1 2021, which is equivalent to 0.40 percent of gross loans. The corresponding figures for 2020 were NOK 455 million and 0.42 percent of gross loans.

Non-performing loans (stage 3) were NOK 946 million, which represented 0.84 percent of gross loans. Definition of non-performin loans was changed at 1 January 2021, non-preforming loans are still at a very low level.

## Loans

### Loans in NOK million



Over the past 12 months net loans increased by NOK 5.2 billion to a total of NOK 112.8 billion, representing a growth of 4.8 percent. Loan growth in Q1 2021 was NOK 1.2 million, representing a growth of 4.4 percent.

Over the past 12 months, gross loans to retail customers increased by NOK 3.6 billion to NOK 74.4 billion, a growth of 5.1 percent.

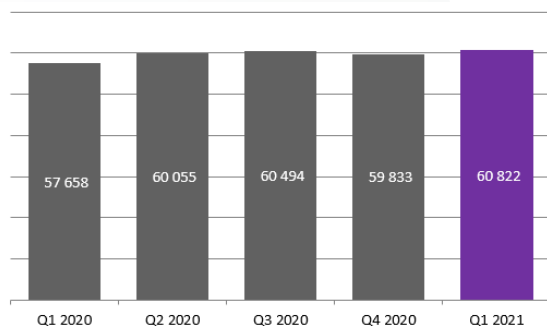
Gross loans to corporate customers increased by NOK 1.7 billion to NOK 38.7 billion over the last 12 months, representing a growth of 4.5 percent.

Loans to retail customers accounted for 66 percent (66 percent) of total loans at the end of Q1 2021.



## Deposits

### Deposits in NOK million



Over the past 12 months, customer deposits increased by NOK 3.2 billion to NOK 60.8 billion, a growth of 5.5 percent.

Deposits from retail customers increased by NOK 1.5 billion to NOK 29.9 billion, a growth of 5.3 percent.

Deposits from corporate customers increased by NOK 1.8 billion to NOK 30.8 billion, a growth of 6.1 percent.

The bank has chosen to reduce large capital market deposits in 2020, and has had a good increase in smaller, operational corporate deposits. The decrease in capital market deposits over the past 12 months amounted to NOK 1.5 billion. Adjusted for capital market deposits, deposit growth over the last 12 months was 8.8 percent for the Group and 13.4 percent for corporate customers.

Deposits in percent of net loans were 53.9 percent at the end of Q1 2021, up from 53.6 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 financing in the international market through established EMTN programs.

At the end of Q1 2021, wholesale funding amounted to NOK 55.4 billion, of which 75 percent consisted of covered bonds. Longterm financing (over 1 year maturity) had an average maturity of 3.9 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 stable through Q1 2021.

The Group's portfolio of interest-bearing securities totalled NOK 20.7 billion at the end of Q1 2021. The Group's liquidity reserve (LCR) amounted to 168 percent per March 31, 2021 (163 percent in Parent bank).

### Rating

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

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

### Subordinated capital and capital adequacy

At the end of Q1 2021, net subordinated capital totalled NOK 15.4 billion. Total tier 1 capital totalled NOK 13.8 billion and common tier 1 capital totalled NOK 12.4 billion. At the same date the (total) capital ratio for the Sparebanken Sør Group was 19.5 percent, the tier 1 capital ratio was 17.5 percent and the common equity tier 1 (CET1) capital ratio was 15.8 percent (based on Basel II). Brage Finans AS is proportionally consolidated in accordance with the rules on cooperative groups



The parent bank had a (total) capital ratio of 21.4 percent, a tier 1 capital ratio of 19.0 percent and a CET1 capital ratio of 17.0 percent at the end of Q1 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 2020, which indicated that the Pillar 2 requirement should be set significantly lower, and should not exceed 1.5 percent of risk-weighted assets.

In Q1 2021, 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. Norges bank, which prepares the basis for the decision and advises the Norwegian Ministry of Finance on the capital buffer level, has declared that it expects to advise a phased increase in the buffer requirement in 2021. Any increase in the countercyclical capital buffer will not take effect until 12 months after the Ministry of Finance has made its decision. The bank's capital forecasts include an estimated 0.5 percentage point increase in the countercyclical capital buffer in 2022. In the bank's capital plan, it is estimated that there will be full coverage of a total increase of 1.5 percentage points in 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.

The Ministry of Finance has adopted regulatory amendments that put the EU Capital Requirements Regulations CRR/CRD IV into effect as at 31 December 2019. The systemic risk buffer requirement will increase from 3.0 to 4.5 percent. 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.

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

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

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

The Group's Leverage Ratio stood at 9.2 percent at the close of Q1 2021, compared with 8.9 percent at the close of Q1 2020. The Bank's capital adequacy is highly satisfactory.

On 18 December 2020, the bank received a decision on the minimum requirement for the sum of subordinated capital and convertible debt (MREL) from the FSA. MREL and internal recapitalisation is a key element of the Bank Recovery and Resolution Directive (BRRD). The MREL requirement is 32.0 percent of the adjusted risk-weighted exposure amount based on the bank's balance sheet as of 31 December 2019. The Group will fulfil this requirement by 1 January 2021. The requirement for subordinated capital must be met by 1 January 2024, and can be phased in, as the Group, up to this point, can include unsecured senior bond debt with a remaining term of at least one year in its fulfilment of the minimum requirement. A phase-in of subordinated loan capital must be linear, so that the Group, during 2021, will phase in at least 1/3 of the remaining need for subordinate capital during the 2021-2023 phase-in period, calculated as of 31 December 2020.

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

## The bank's equity certificates

As at 31 March 2021, the Bank had issued 15 663 944 equity certificates. Earnings per equity certificate (for the Group) came to NOK 2.7 and comprehensive income per equity certificate came to 2.4 in Q1 2021. The ownership ratio at the end of Q1 2021 came to 16.1 percent. Hybrid capital classified as equity has been excluded when calculating the ownership ratio.

## Dividends

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

Profit will be distributed between equity certificate capital (equity certificate owners) and primary capital based on their share of the equity .

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

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

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

On 24 February 2021, the Ministry of Finance amended the Regulations relating to Financial Institutions, so that savings banks are now also able to distribute surplus funds pursuant to an authorisation issued to their boards of directors by their board of trustees. As a result, Sparebanken Sør's Board of Trustees has authorised the Board of Directors to determine a further distribution of dividend 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. Any such payout presumes approval from the FSA, since it will require the equalization fund to be charged.

## Subsidiaries and partner businesses

The bank's wholly owned subsidiary **Sparebanken Sør Boligkreditt AS** is licensed to issue covered bonds which are used as an instrument in the bank's long-term funding strategy. As of 31 March 2021, the bank had transferred NOK 45.9 billion to Sparebanken Sør Boligkreditt AS, equivalent to 61 percent of all loans to the retail market.

The Bank's own real estate business, **Sørmeglere**, is the absolute leader in its field in Southern Norway. Sørmeglere continues to grow, and now employs 92 people in 18 locations. As at 31 March 2021, Sørmeglere made a profit before tax of NOK 4.5 million, compared with NOK -3.5 million in the corresponding period last year.

**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 Q1 of NOK 72.6 million, compared with NOK -120.9 million in the same period last year.

Considering the time of year, technical performance was relatively good in Skade. Good development in insurance claim frequency, especially on car- and travel insurance. Life insurance have had a somewhat slow start of the year, with a relatively high number of disability cases. The company's financial return came to 15.7 percent, which corresponds to a gain of NOK 87 million.

Frende Skade posted a profit before tax of NOK 71.0 million in Q1 2021, compared with NOK -149.6 million in the same period last year. The company had a total of NOK 2.161 million (NOK 2.120 million) in written premiums, divided between more than 158 000 customers. The market share by the end of Q1 was 3.3 percent. In Q1 2021, the loss ratio stood at 80.6 percent (87.7 percent), while the company's combined ratio came to 97.9 percent (105.7 percent).

Frende Liv made a profit before tax of NOK 5.8 million in Q1 2021, compared with NOK 34.9 million in the same period last year. Written premiums was NOK 561 million (526 million) at the 31. March 2021.

**Brage Finans AS** (24.9 percent shareholding) is a financing company that offers leasing and loans secured by the purchased objects in the corporate and retail market. The company headquarter is located to Bergen and there are branches in Stavanger, Kristiansand, Ålesund, Haugesund and Kragerø. Distribution of the products is provided mainly through owner banks and retailers, in addition to the company's own organisation

In Q1 2021, Brage Finans AS (Brage) continue to make good results, had growth in the loan portfolio and a solid capital adequacy ratio. Profit before tax in Q1 amounted to NOK 62.0 million, compared with NOK 44.0 million in Q1 2020. The profit results in a return on equity of 9.8 percent, up from 7.1 percent in Q1 2020.

At the end of Q1 2021, Brage had a gross lending portfolio of NOK 14.8 billion, an increase of NOK 2.4 billion compared with the same period in 2020.

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

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

**Balder Betaling AS** (22.2 percent shareholding) is owned by Sparebanken Sør in conjunction with 14 other savings banks. The company has a 10.6 percent stake in Vipps AS, and aims to further develop Vipps along with the other co-owners.

## Outlook

The Covid-19 pandemic has had a major impact on society since March 2020. Extreme measures have been taken by the authorities, both nationally and internationally, to prevent the spread of infection. This has damaged the economies of Norway and our trading partners, although the government's use of monetary policy initiatives seems to have had a positive effect on the economy. The Norwegian economy has picked up, and the financial markets have stabilised. The start of 2021 was once again impacted by rising infection rates, which led to a tightening of public health restrictions. Vaccination of the population is underway, and economic growth is expected to accelerate as 2021 progresses.

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

Residential property prices in the bank's main markets have shown a positive, though moderate development over several years. Statistics for Q1 2021 indicate a very positive growth in housing prices in the bank's market area. Activity in the housing market has been high in the recent quarters, which is reflected in the financial results from the group's real estate agency, Sørmeglere. The group's mortgage loans are well secured.

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 Q1 2021, the Bank's Tier 1 capital was 15.8 percent, well above the regulatory authorities' requirement.

The Ministry of Finance has adopted regulations that put into force the EU's capital requirements regulations CRR / CRD IV as of

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

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

The return on equity in 2021 will be affected by loss assessments and developments in the macroeconomic situation throughout the year. Loss provisions, as of 31 March, have been calculated in accordance with the rules provided in IFRS9, and are based on a long-term perspective. The impact of the Norwegian government's measures to support and developments in the macroeconomic situation are uncertain.

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

### Events after the reporting period

There have been no significant events after March 31, 2021 that affect the quarterly accounts.

### Kristiansand, 6 May 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

NOK million				GROUP			
31.12.	Q1	Q1			Q1	Q1	31.12.
2020	2020	2021		Notes	2021	2020	2020
1 431	444	236	Interest income at amortised cost	4	600	922	2 833
796	301	214	Interest income at fair value through profit and loss	4	88	145	434
824	329	136	Interest expenses	4	238	542	1 354
<b>1 404</b>	<b>415</b>	<b>313</b>	<b>Net interest income</b>	<b>4</b>	<b>451</b>	<b>525</b>	<b>1 914</b>
350	83	86	Commission income		103	86	409
62	16	16	Commission expenses		16	16	62
<b>288</b>	<b>67</b>	<b>71</b>	<b>Net commission income</b>		<b>87</b>	<b>70</b>	<b>347</b>
265	237	301	Dividend		1	2	25
33	-62	26	Net income from other financial instruments		7	-71	15
<b>297</b>	<b>175</b>	<b>327</b>	<b>Net income from financial instruments</b>		<b>8</b>	<b>-69</b>	<b>40</b>
136	-14	29	Income from associated companies		29	-14	136
11	2	1	Other operating income		0	2	7
<b>147</b>	<b>-12</b>	<b>30</b>	<b>Total other income</b>		<b>29</b>	<b>-12</b>	<b>143</b>
<b>2 136</b>	<b>646</b>	<b>741</b>	<b>Total net income</b>		<b>575</b>	<b>515</b>	<b>2 444</b>
445	106	110	Wages and other personnel expenses		142	130	552
42	10	11	Depreciation, amortization and impairment of non-current assets		11	10	43
348	88	85	Other operating expenses		89	92	363
<b>835</b>	<b>204</b>	<b>205</b>	<b>Total operation expenses before losses</b>		<b>242</b>	<b>232</b>	<b>958</b>
<b>1 301</b>	<b>442</b>	<b>535</b>	<b>Operating profit before losses</b>		<b>334</b>	<b>283</b>	<b>1 486</b>
81	56	- 10	Losses on loans, guarantees and undrawn credit	5	- 11	61	83
<b>1 220</b>	<b>386</b>	<b>545</b>	<b>Profit before taxes</b>	<b>2</b>	<b>345</b>	<b>221</b>	<b>1 403</b>
200	40	51	Tax expenses		71	58	307
<b>1 021</b>	<b>346</b>	<b>494</b>	<b>Profit for the period</b>		<b>274</b>	<b>164</b>	<b>1 096</b>
			Minority interests		1	0	2
<b>1 021</b>	<b>346</b>	<b>494</b>	<b>Majority interests</b>		<b>273</b>	<b>164</b>	<b>1 094</b>
69	18	10	Attributable to additional Tier 1 capital holders		10	18	69
952	328	484	Attributable to ECC-holders and to the primary capital		263	146	1 026
<b>1 021</b>	<b>346</b>	<b>494</b>	<b>Profit for the period</b>		<b>273</b>	<b>164</b>	<b>1 094</b>
10.5	3.6	5.0	Profit/diluted earnings per equity certificate (in whole NOK)		2.7	1.6	11.3
			<b>Other comprehensive income</b>				
			<i>Items that may be reclassified to profit or loss</i>				
			Change in value, basis swaps		-33	17	-7
			Change in value, customer mortgages				
			Tax effect		8	-4	2
			<b>Total other comprehensive income</b>		<b>-25</b>	<b>12</b>	<b>-5</b>
<b>1 021</b>	<b>346</b>	<b>494</b>	<b>Comprehensive income for the period</b>		<b>249</b>	<b>176</b>	<b>1 091</b>
			Minority interests			0	
			<b>Majority interests</b>		<b>249</b>	<b>176</b>	<b>1 091</b>
10.5	3.6	5.0	Comprehensive income/diluted earnings per equity certificate		2.4	1.7	11.3



## Balance sheet

PARENT BANK			NOK million	GROUP			
31.12.	31.03.	31.03.			31.03.	31.03.	31.12.
2020	2020	2021	ASSETS	Notes	2021	2020	2020
1 148	4 708	802	Cash and receivables from central banks		802	4 708	1 148
10 936	6 085	5 358	Loans to credit institutions	11	1 141	2 314	2 460
62 724	63 014	66 993	Net loans to customers	2,6,7,8,10,11	112 801	107 590	111 577
18 329	21 504	18 212	Bonds and certificates	11	20 668	19 349	21 543
166	172	170	Shares	11	170	172	166
907	1 324	641	Financial derivatives	11,12	1 544	6 193	3 415
2 111	1 857	2 111	Shareholding in group companies				
1 134	955	1 239	Shareholding in associated companies		1 239	955	1 134
41	30	45	Intangible asstes		51	30	47
			Deferred tax benefit		3	7	
430	428	425	Property, plant and equipment		456	462	461
96	123	82	Other assets		172	223	174
<b>98 022</b>	<b>100 198</b>	<b>96 078</b>	<b>TOTAL ASSETS</b>	<b>2,11</b>	<b>139 047</b>	<b>142 001</b>	<b>142 126</b>
<b>LIABILITIES AND EQUITY CAPITAL</b>							
6 765	11 197	2 673	Liabilites to credit institutions	11	2 609	11 105	6 435
59 883	57 665	60 865	Deposits from customers	2,9,11	60 822	57 658	59 833
14 149	16 070	13 956	Liabilities related to issue of securities	11,13	55 356	56 508	56 885
687	838	474	Financial derivatives	11,12	673	838	687
272	250	149	Payable taxes		238	304	373
406	382	579	Other liabilities		632	428	457
38	41	38	Provisions for commitments		38	41	38
29	13	36	Deferred tax				10
2 002		3 004	Senior non-preferred		3 004		2 002
1 653	1 905	1 653	Subordinated loan capital	11,13	1 653	1 905	1 653
<b>85 886</b>	<b>88 359</b>	<b>83 428</b>	<b>Total liabilities</b>		<b>125 025</b>	<b>128 786</b>	<b>128 374</b>
1 694	1 749	1 694	Equity certificate capital	14	1 694	1 749	1 694
1 075	1 375	1 275	Hybrid capital		1 275	1 375	1 075
9 367	8 715	9 682	Other equity		11 053	10 091	10 983
<b>12 136</b>	<b>11 839</b>	<b>12 651</b>	<b>Total equity</b>	<b>3,14</b>	<b>14 022</b>	<b>13 215</b>	<b>13 752</b>
<b>98 022</b>	<b>100 198</b>	<b>96 078</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,11</b>	<b>139 047</b>	<b>142 001</b>	<b>142 126</b>

Kristiansand, 6 May 2021

Stein A. Hannevik  
ChairmanInger Johansen  
Deputy Chairman

Mette Ramfjord Harv

Knut Ruhaven Sæthre

Merete Steinvåg Østby

Erik Edvard Tønnesen

Jan Erling Tobiassen  
Employee representativeGunnhild Tveiten Golid  
Employee representativeGeir Bergskaug  
CEO

# Cash flow statement

PARENT BANK			NOK million	GROUP		
31.12.	31.03.	31.03.		31.03.	31.03.	31.12.
2020	2020	2021		2021	2020	2020
2 250	719	423	Interest received	720	1 116	3 278
- 792	-159	-94	Interest paid	-247	-459	-1 345
622	334	406	Other payments received	107	86	383
- 782	-240	-200	Operating expenditure	-252	-257	-893
12	3	2	Loan recoveries	2	3	12
- 279	-111	-141	Tax paid for the period	-184	-153	-350
- 28	-11	-13	Gift expenditure	-13	-11	-28
1 929	-422	955	Change in customer deposits	961	-416	1 893
3 435	3 285	-4 336	Change in loans to customers	-1 291	-1 144	-5 285
2 002	4 503	-1 581	Change in deposits from credit institutions	-1 315	4 936	1 830
<b>8 369</b>	<b>7 901</b>	<b>-4 579</b>	<b>Net cash flow from operating activities</b>	<b>-1 513</b>	<b>3 701</b>	<b>-505</b>
44 944	3 454	13 764	Payments received, securities	12 146	3 854	37 651
-46 482	-8 208	-13 664	Payments made, securities	-11 277	-3 353	-39 295
11		10	Payments received, sale of property, plant and equipment	10		14
-62	-15	-23	Payments made, purchase of property, plant and equipment	-23	-15	-70
-286		-76	Investments in subsidiaries and associated companies	-76	0	-29
-664	-1 210	177	Change in other assets	17	-5 650	-2 257
<b>-2 539</b>	<b>-5 979</b>	<b>188</b>	<b>Net cash flow from investing activities</b>	<b>797</b>	<b>-5 164</b>	<b>-3 987</b>
-6 873	-2 022	5 578	Change in loans to credit institutions	1 319	-2 132	-2 278
2 500	4 500	-2 503	Change in deposits from credit institutions	-2 503	4 374	2 374
			Payments received, bond debt	5 180	0	5 000
-2 959	-1 445		Payments made, bond debt	-4 760	-1 910	-3 724
-69	-18	-173	Payments made, dividends and interest on hybrid capital	-173	-18	-69
2 000		1 000	Issue of senior non-preferred	1 000	0	2 000
350			Issue of subordinated loan capital			350
-666	-66		Buyback of subordinated loan capital		-66	-666
874	1 375	-57	Change in other assets	107	5 461	2 490
		200	Issue of hybrid capital	200	0	
-300			Deduction of hybrid capital			-300
<b>-5 144</b>	<b>2 324</b>	<b>4 045</b>	<b>Net cash flow from financing activities</b>	<b>370</b>	<b>5 709</b>	<b>5 177</b>
<b>686</b>	<b>4 246</b>	<b>-346</b>	<b>Net change in liquid assets</b>	<b>-346</b>	<b>4 246</b>	<b>686</b>
462	462	1 148	Cash and cash equivalents as at 1 Jan	1 148	462	462
<b>1 148</b>	<b>4 708</b>	<b>802</b>	<b>Cash and cash equivalents at end of period</b>	<b>802</b>	<b>4 708</b>	<b>1 148</b>



GROUP NOK million	Dividend								TOTAL
	Equity certificates	Premium Fund	Equalization- fund	Hybrid capital	Primary capital	Gift fund	Other equity	Minority interests	
<b>Balance 31.12.2019</b>	<b>783</b>	<b>451</b>	<b>459</b>	<b>1 075</b>	<b>9 069</b>	<b>80</b>	<b>1 831</b>	<b>4</b>	<b>13 752</b>
Change in dividend 2019			125				-125		-
Profit 31.03.2020				18			146		164
Interest paid, hybrid capital				-18					-18
Other comprehensive income							12		12
Allocated gift fund						-23			-23
<b>Balance 31.03.2020</b>	<b>783</b>	<b>451</b>	<b>514</b>	<b>1 375</b>	<b>8 322</b>	<b>65</b>	<b>1 703</b>	<b>1</b>	<b>13 215</b>
Profit Q1 - Q4 2020			-55	51	747	40	144	2	930
Interest paid, hybrid capital				-51					-51
Issuance of hybrid capital				10					10
Buyback of hybrid capital				-310					-310
Trading of own equity certificates					-1				-1
Other comprehensive income							-17		-17
Allocated gift fund						-26			-26
Other changes								1	1
<b>Balance 31.12.2020</b>	<b>783</b>	<b>451</b>	<b>459</b>	<b>1 075</b>	<b>9 069</b>	<b>80</b>	<b>1 831</b>	<b>4</b>	<b>13 752</b>
Dividend distributed for 2020			0				-163		-163
Profit 31.03.2021				10			263		273
Interest paid, hybrid capital				-10					-10
Issuance of hybrid capital				200					200
Other comprehensive income							-25		-25
Allocated gift fund						-6			-6
<b>Balance 31.03.2021</b>	<b>783</b>	<b>451</b>	<b>459</b>	<b>1 275</b>	<b>9 069</b>	<b>74</b>	<b>1 907</b>	<b>4</b>	<b>14 022</b>
PARENT BANK									
<b>Balance 31.12.2019</b>	<b>783</b>	<b>451</b>	<b>389</b>	<b>1 375</b>	<b>8 323</b>	<b>88</b>	<b>125</b>		<b>11 535</b>
Change in dividend 2019			125				-125		0
Profit 31.03.2020				18			328		346
Interest paid, hybrid capital				-18					-18
Other comprehensive income							-1		-1
Allocated gift fund						-23			-23
<b>Balance 31.03.2020</b>	<b>783</b>	<b>451</b>	<b>514</b>	<b>1 375</b>	<b>8 323</b>	<b>65</b>	<b>327</b>		<b>11 839</b>
Profit Q1 - Q4 2020			-55	51	747	40	-109		675
Interest paid, hybrid capital				-51					-51
Issuance of hybrid capital				10					10
Buyback of hybrid capital				-310					-310
Trading of own equity certificates			-0		-1				-1
Other comprehensive income					-1				-1
Allocated gift fund						-26	1		-25
<b>Balance 31.12.2020</b>	<b>783</b>	<b>451</b>	<b>459</b>	<b>1 075</b>	<b>9 068</b>	<b>80</b>	<b>219</b>		<b>12 136</b>
Dividend distributed for 2020							-163		-163
Profit 31.03.2021				10			484		494
Interest paid, hybrid capital				-10					-10
Issuance of hybrid capital				200					200
Other comprehensive income									0
Allocated gift fund						-6			-6
<b>Balance 31.03.2021</b>	<b>783</b>	<b>451</b>	<b>459</b>	<b>1 275</b>	<b>9 068</b>	<b>74</b>	<b>540</b>		<b>12 651</b>

## 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Standards for Financial Reporting (IFRS), including IAS 34. Unless otherwise specified, the accounting policies applied are the same as those applied in the annual financial statements for 2020.

There are no new standards applicable for 2021 that have had a material impact on the financial statements.

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

### Discretionary assessments, estimates and assumptions

With the preparation of the financial statements, the management makes discretionary assessment, estimates and assumptions that affects the accounting policies and financial records. Please refer to the annual financial statements for 2020 (Note 2 – Discretionary assessments, estimates and assumptions) for further details.

The financial item losses on loans and undrawn credit, is subject to a significant degree of discretionary assessments. This item was in 2020 and has continued to be particularly challenging to quantify, due to the ongoing pandemic. There have been turmoil and fluctuations in the financial market, but many macro parameters have pointed upwards in Q1 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			31.03.2021		
Report per segment			Undistrib.	Total banking		
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmeqleren	Total
Net interest and commission income	270	194	-13	451	0	451
Net other operating income	40	20	23	84	41	124
Operating expenses	99	27	79	205	36	242
<b>Profit before losses per segment</b>	<b>211</b>	<b>187</b>	<b>-69</b>	<b>329</b>	<b>5</b>	<b>334</b>
Losses on loans and guarantees	-2	-9	0	-11		-11
<b>Profit before tax per segment</b>	<b>214</b>	<b>196</b>	<b>-70</b>	<b>340</b>	<b>5</b>	<b>345</b>
Net loans to customers	75 772	36 951	78	112 801		112 801
Other assets			26 140	26 140	105	26 246
<b>Total assets per segment</b>	<b>75 772</b>	<b>36 951</b>	<b>26 219</b>	<b>138 941</b>	<b>105</b>	<b>139 047</b>
Deposits from customers	32 527	25 613	2 683	60 822		60 822
Other liabilities	43 245	11 338	9 514	64 098	105	64 203
<b>Total liabilities per segment</b>	<b>75 772</b>	<b>36 951</b>	<b>12 197</b>	<b>124 920</b>	<b>105</b>	<b>125 025</b>
Equity			14 022	14 022		14 022
<b>Total liabilities and equity per segment</b>	<b>75 772</b>	<b>36 951</b>	<b>26 219</b>	<b>138 941</b>	<b>105</b>	<b>139 047</b>

## BANKING BUSINESS

31.03.2020

Report per segment	Undistrib.			Total banking		Total
Income statement (NOK million)	RM	CM	and elimin.	business	Sørmegleren	
Net interest and commission income	300	213	13	525	0	525
Net other operating income	41	18	-95	-36	25	-11
Operating expenses	90	24	91	205	27	232
<b>Profit before losses per segment</b>	<b>251</b>	<b>207</b>	<b>-173</b>	<b>285</b>	<b>-3</b>	<b>283</b>
Losses on loans and guarantees	8	127	-74	61		61
<b>Profit before tax per segment</b>	<b>243</b>	<b>81</b>	<b>-99</b>	<b>224</b>	<b>-3</b>	<b>221</b>
Net loans to customers	71 805	35 480	304	107 590		107 590
Other assets			34 340	34 340	72	34 412
<b>Total assets per segment</b>	<b>71 805</b>	<b>35 480</b>	<b>34 644</b>	<b>141 929</b>	<b>72</b>	<b>142 001</b>
Deposits from customers	30 618	22 766	4 274	57 658		57 658
Other liabilities	41 187	12 714	17 155	71 057	72	71 129
<b>Total liabilities per segment</b>	<b>71 805</b>	<b>35 480</b>	<b>21 429</b>	<b>128 714</b>	<b>72</b>	<b>128 786</b>
Equity			13 215	13 215		13 215
<b>Total liabilities and equity per segment</b>	<b>71 805</b>	<b>35 480</b>	<b>34 644</b>	<b>141 929</b>	<b>72</b>	<b>142 001</b>

## 3. SUBORDINATED CAPITAL AND CAPITAL ADEQUACY

## MINIMUM CAPITAL REQUIREMENTS

PARENT BANK			NOK million		GROUP		
31.12. 2020	31.03. 2020	31.03. 2021			31.03. 2021	31.03. 2020(1)	31.12. 2020(1)
<b>Minimum capital requirements</b>							
4.50 %	4.50 %	4.50 %	Minimum Tier 1 capital requirements		4.50 %	4.50 %	4.50 %
2.50 %	2.50 %	2.50 %	Conservation buffer		2.50 %	2.50 %	2.50 %
3.00 %	3.00 %	3.00 %	Systemic risk buffer		3.00 %	3.00 %	3.00 %
1.00 %	1.00 %	1.00 %	Counter-cyclical buffer		1.00 %	1.00 %	1.00 %
2.00 %	2.00 %	2.00 %	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	8 102	8 472	CET1 requirements, incl. Pilar 2		10 245	9 692	10 137
9 370	9 037	9 450	Tier1 Capital requirements, incl. Pilar 2		11 428	10 810	11 307
10 662	10 284	10 753	Total capital requirements, incl. Pilar 2		13 004	12 301	12 867
2 245	2 131	2 633	Above CET1 requirements, incl. Pilar 2		2 202	1 914	2 067
2 351	2 571	2 930	Above Tier1 Capital requirements, incl. Pilar 2		2 338	2 207	2 008
2 559	3 133	3 177	Above total capital requirements, incl. Pilar 2		2 370	2 574	1 998

PARENT BANK			NOK million	GROUP		
31.12. 2020	31.03. 2020	31.03. 2021		31.03. 2021	31.03. 2020(1)	31.12. 2020(1)
12 136	11 839	12 651	<b>Total equity</b>	14 022	13 215	13 752
			<b>Tier 1 capital</b>			
-1 075	-1 375	-1 275	Equity not eligible as common equity tier 1 capital	-1 319	-1 375	-1 111
-219	-44	-57	Share of profit not eligible as common equity tier 1 capital	-57	-44	-219
-41	-30	-45	Deductions for intangible assets and deferred tax assets	-53	-30	-48
-42	-46	-45	Deductions for additional value adjustments	-29	-32	-31
			Proportion of common equity tier 1 capital from Brage Finans AS		366	
			Deductions for internal eliminations from Brage Finans AS		-380	
-113	-111	-124	Other deductions	-117	-114	-138
<b>10 646</b>	<b>10 233</b>	<b>11 105</b>	<b>Total common equity tier 1 capital</b>	<b>12 447</b>	<b>11 606</b>	<b>12 204</b>
			<b>Other tier 1 capital</b>			
1 075	1 375	1 275	Hybrid capital	1 319	1 375	1 111
			Proportion of tier 1 capital Brage Finans AS		36	
<b>11 721</b>	<b>11 608</b>	<b>12 380</b>	<b>Total tier 1 capital</b>	<b>13 766</b>	<b>13 017</b>	<b>13 315</b>
			<b>Additional capital supplementary to tier 1 capital</b>			
1 600	1 900	1 650	Subordinated loan capital	1 708	1 900	1 649
			Proportion of net subordinated capital Brage Finans AS		49	
-100	-91	-100	Deductions from additional capital	-100	-91	-100
<b>1 500</b>	<b>1 809</b>	<b>1 550</b>	<b>Total additional capital</b>	<b>1 608</b>	<b>1 858</b>	<b>1 549</b>
<b>13 221</b>	<b>13 417</b>	<b>13 930</b>	<b>Net subordinated capital</b>	<b>15 374</b>	<b>14 875</b>	<b>14 864</b>
			<b>Minimum requirement for subordinated capital Basel II calculated according to standard method</b>			
25	125	22	Engagements with local and regional authorities	23	125	25
1 913	1 163	1 098	Engagements with institutions	459	788	513
3 824	3 738	3 326	Engagements with enterprises	4 938	3 775	5 164
4 787	5 000	4 735	Engagements with mass market	7 556	6 238	7 151
34 598	36 713	36 726	Engagements secured in property	52 812	52 575	51 991
1 025	1 250	774	Engagements which have fallen due	850	1 350	1 125
4 075	13	4 219	Engagements which are high risk	4 219	13	4 075
5 612	6 150	5 188	Engagements in covered bonds	1 239	1 313	1 338
4 813	4 138	5 051	Engagements in collective investment funds	1 724	2 350	1 750
563	638	489	Engagements, other	617	725	638
<b>61 233</b>	<b>58 925</b>	<b>61 628</b>	<b>Capital requirements for credit and counterparty risk</b>	<b>74 437</b>	<b>69 250</b>	<b>73 768</b>
<b>13</b>	<b>13</b>		<b>Capital requirements for position, currency and product risk</b>		<b>13</b>	<b>13</b>
<b>3 350</b>	<b>3 351</b>	<b>3 530</b>	<b>Capital requirements for operational risk</b>	<b>4 360</b>	<b>4 041</b>	<b>4 175</b>
<b>25</b>	<b>38</b>	<b>14</b>	<b>CVA addition</b>	<b>14</b>	<b>38</b>	<b>25</b>
<b>64 620</b>	<b>62 326</b>	<b>65 172</b>	<b>Risk-weighted balance (calculation basis)</b>	<b>78 811</b>	<b>73 341</b>	<b>77 980</b>
			Proportionate share of calculation basis Brage Finans AS		2 179	
			Deductions for internal eliminations Brage Finans AS		-969	
			Risk weighted balance after proportionate consolidation	78 811	74 551	77 980
16.5 %	16.4 %	17.0 %	Common equity tier 1 capital ratio, %	15.8 %	15.6 %	15.7 %
18.1 %	18.6 %	19.0 %	Tier 1 capital ratio, %	17.5 %	17.5 %	17.1 %
20.5 %	21.5 %	21.4 %	Total capital ratio, %	19.5 %	20.0 %	19.1 %
8.1 %	7.8 %	8.8 %	Leverage ratio	9.2 %	8.9 %	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	Q1 2020	Q1 2021		Q1 2021	Q1 2020	31.12. 2020
			<b>NOK million</b>			
			<i>Interest income from financial instruments at amortised cost</i>			
68	30	19	Interest on receivables from credit institutions	2	7	13
1 363	414	216	Interest on loans given to customers	599	915	2 820
			Interest on certificates and bonds			
<b>1 431</b>	<b>444</b>	<b>236</b>	<b>Total interest from financial instruments at amortised cost</b>	<b>600</b>	<b>922</b>	<b>2 833</b>
			<i>Interest income from financial instruments at fair value</i>			
175	39	40	Interest on loans given to customers (fixed rate loans)	40	39	175
231	89	33	Interest on certificates and bonds	48	107	259
<b>406</b>	<b>128</b>	<b>73</b>	<b>Total interest from financial instruments at fair value via profit or loss</b>	<b>88</b>	<b>145</b>	<b>434</b>
			<i>Interest income from financial instruments at fair value via OCI</i>			
390	173	141	Interest on loans given to customers (mortgages)			
<b>390</b>	<b>173</b>	<b>141</b>	<b>Total interest from financial instruments at fair value via OCI</b>			
<b>2 227</b>	<b>745</b>	<b>450</b>	<b>Total interest income</b>	<b>689</b>	<b>1 067</b>	<b>3 267</b>
			<b>Interest expenses</b>			
			<b>NOK million</b>			
			<i>Interest expenses from financial instruments at amortised cost</i>			
37	13	6	Interest on liabilities to credit institutions	5	13	36
447	187	64	Interest on customer deposits	64	187	447
233	100	35	Interest on issued securities	136	311	758
54	16	8	Interest on subordinated loans	8	16	54
		9	Interest on senior non-preferred loans	9		
53	13	14	Fees to the Norwegian Banks Guarantee Fund and other interest expenses	16	15	59
<b>824</b>	<b>329</b>	<b>136</b>	<b>Interest expenses from financial instruments at amortised cost</b>	<b>238</b>	<b>542</b>	<b>1 354</b>
<b>824</b>	<b>329</b>	<b>136</b>	<b>Total interest expenses</b>	<b>238</b>	<b>542</b>	<b>1 354</b>

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

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

As a result of covid-19, the macro situation changed significantly in 2020, which improved at the end of the year. In Q1 2021, there have been a further improvements in several parameters. The Group's loss provision in Q1 2021 is based on new assumptions.

IFRS9 model based losses, includes variables in a macro model. The macro model looks to the current PD level, and shows the expected development in the next 12 months. 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 this expected development. Extensive government measures have contributed to relative few negative effects on the bank's corporate portfolio. Expected negative effects has not been reflected in the corporates accounts for 2020, and have not affected the PD score so far. The Bank has made an assessment of the macro variables impact on the corporate portfolio, and adjusted the expected PD for the next 12 months. As a result, reduction in model based losses are lower than it would have been if the macro model's prediction has been followed without adjustments.

The following macro variables have been used when calculating impairment losses, as of March 31 2021.



	2021	2022	2023	2024	2025
Housing price %	10.1	3.0	1.2	2.2	2.2
Housing price region %	8.1	2.4	1.0	1.8	1.8
Unemployment %	4.5	4.2	4.0	3.8	3.8
Oil prices, USD	65.6	62.2	59.0	56.9	56.9
Key interest rate	0.1	0.5	1.0	1.3	1.3
Import-weighted exchange rate	107.3	106.4	106.5	106.2	106.2
USD	8.4	8.4	8.4	8.4	8.4
CPI	2.8	1.1	1.5	1.7	1.7

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

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

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

GROUP		31.03.2021			
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		49	109	180	10
Loan loss provisions, RM		10	22	37	7
<b>Total</b>		<b>59</b>	<b>131</b>	<b>217</b>	<b>17</b>

PARENT BANK		31.03.2021			
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		49	108	179	10
Loan loss provisions, RM		5	12	20	4
<b>Total</b>		<b>54</b>	<b>120</b>	<b>199</b>	<b>14</b>

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

PARENT BANK			NOK million	GROUP		
31.12. 2020	31.03. 2020	31.03. 2021		31.03. 2021	31.03. 2020	31.12. 2020
			<b>Loss expense on loans during the period</b>			
58	47	-6	Period's change in write-downs stage 1	-8	49	61
26	72	-8	+Period's change in write-downs stage 2	-8	72	23
-3	14	2	+Period's change in write-downs stage 3	3	16	-2
8	1	2	+ Period's confirmed loss	2	1	8
4	0	2	+ Recognised as interest income	2	0	4
12	3	2	- Period's recoveries relating to previous losses	2	3	12
-1	0	0	+ Change in write-downs an guarantees	0	0	-1
	-75		+ Adjustments related to government support measures		-75	
<b>81</b>	<b>56</b>	<b>-10</b>	<b>Loss expenses during the period</b>	<b>-11</b>	<b>61</b>	<b>83</b>

GROUP	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2021</b>	<b>101</b>	<b>149</b>	<b>217</b>	<b>468</b>
<b>Transfers</b>				
Transferred to stage 1	16	-14	-2	0
Transferred to stage 2	-3	4	-1	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	9	14	0	23
Losses on deducted loans *	-5	-17	-2	-25
Losses on older loans and other changes	-24	7	3	-15
<b>Provisions for loan losses as at 31.03.2021</b>	<b>93</b>	<b>141</b>	<b>217</b>	<b>451</b>
Provisions for loan losses	80	125	214	419
Provisions for guarantees and undrawn credits	12	17	3	32
<b>Total provision for losses as at 31.03.2021</b>	<b>93</b>	<b>141</b>	<b>217</b>	<b>451</b>

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

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

PARENT BANK	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
<b>NOK million</b>				
<b>Provisions for loan losses as at 01.01.2021</b>	<b>94</b>	<b>145</b>	<b>217</b>	<b>456</b>
<b>Transfers</b>				
Transferred to stage 1	15	-13	-2	0
Transferred to stage 2	-3	4	-1	0
Transferred to stage 3	0	-1	1	0
Losses on new loans	8	14	0	22
Losses on deducted loans *	-4	-16	-3	-23
Losses on older loans and other changes	-22	5	2	-15
<b>Provisions for loan losses as at 31.03.2021</b>	<b>88</b>	<b>138</b>	<b>216</b>	<b>442</b>
Provisions for loan losses	76	121	213	409
Provisions for losses on guarantees and undrawn credits	12	17	3	32
<b>Total provision for losses as at 31.03.2021</b>	<b>88</b>	<b>138</b>	<b>216</b>	<b>442</b>

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

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



GROUP	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Overrule	Total
<b>NOK million</b>					
<b>Provisions for loan losses as at 01.01.2020</b>	<b>39</b>	<b>126</b>	<b>231</b>		<b>396</b>
<b>Transfers</b>					
Transferred to stage 1	24	-23	-2		0
Transferred to stage 2	-2	4	-2		0
Transferred to stage 3	0	-1	1		0
Losses on new loans	9	16	1		26
Losses on deducted loans	-3	-10	-8		-21
Losses on older loans and other changes	22	86	20	-75	53
<b>Provisions for loan losses as at 31.03.2020</b>	<b>88</b>	<b>199</b>	<b>242</b>	<b>-75</b>	<b>455</b>
Provisions for loan losses	70	185	237	-75	417
Provisions for guarantees and undrawn credits	18	14	5		37
<b>Total provision for losses as at 31.03.2020</b>	<b>88</b>	<b>199</b>	<b>242</b>	<b>-75</b>	<b>455</b>

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

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

PARENT BANK	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Overrule	Total
<b>NOK million</b>					
<b>Provisions for loan losses as at 01.01.2020</b>	<b>37</b>	<b>120</b>	<b>230</b>		<b>387</b>
<b>Transfers</b>					
Transferred to stage 1	22	-21	-2		0
Transferred to stage 2	-2	4	-2		0
Transferred to stage 3	0	-1	1		0
Losses on new loans	8	16	1		25
Losses on deducted loans *	-3	-10	-7		-20
Losses on older loans and other changes	23	82	19	-75	48
<b>Provisions for loan losses as at 31.03.2020</b>	<b>84</b>	<b>191</b>	<b>241</b>	<b>-75</b>	<b>440</b>
Provisions for loan losses	66	177	236	-75	403
Provisions for losses on guarantees and undrawn credits	18	14	5		37
<b>Total provision for losses as at 31.03.2020</b>	<b>84</b>	<b>191</b>	<b>241</b>	<b>-75</b>	<b>440</b>

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

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

## 6. NON-PERFORMING LOANS

All commitments in Stage 3 are defined as being in default. A new definition of default was implemented on 1 January 2021. Under the new definition, payment default is based on a minimum amount of NOK 1 000 for pretail customers and NOK 2 000 for corporate customers. However, a new relative limit of 1 percent of the customer's commitment has also been introduced. Both conditions must be met before a default can be said to exist.

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

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

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

New contagion and quarantine rules have also been introduced, which means that if a joint loan is defaulted, co-borrowers will be tainted, and there will be a quarantine period of three 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*	31.03. 2020*	31.03. 2021				31.03. 2021	31.03. 2020*	31.12. 2020*
961	1 129	891	<b>Total non-performing loans (step 3)</b>			946	1 186	1 009
217	241	216	Impairment losses in stage 3			217	242	218
744	888	675	<b>Net non-performing loans</b>			729	944	791
22.6 %	21.3 %	24.2 %	Provisioning non-performing loans			22.9 %	20.4 %	21.6 %
1.52 %	1.78 %	1.40 %	Total non-performing loans in % of gross loans			0.84 %	1.10 %	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 31.03.2021			Total impairment losses as of 31.03.2021	Stage 3	Stage 2	Stage 1	
5	7	27	39	Retail customers	50	28	13	9		
0	0	0	0	Public administration	0	0	0	0		
2	0	3	6	Primary Industry	6	3	0	2		
2	6	3	12	Manufacturing industry	12	3	6	2		
17	35	55	107	Real estate development	106	55	34	17		
2	8	13	23	Building and construction industry	23	13	8	2		
44	62	88	195	Property management	193	88	61	44		
1	0	1	2	Transport	2	1	0	1		
3	9	12	23	Retail trade	23	12	8	3		
1	3	2	6	Hotel and restaurants	5	2	3	1		
1	2	0	4	Housing cooperatives	4	0	2	1		
3	3	11	16	Financial/commercial services	16	11	3	3		
6	3	1	10	Social services	10	1	3	6		
<b>88</b>	<b>138</b>	<b>216</b>	<b>442</b>	<b>Total impairment losses on loans, guarantees and undrawn credit</b>	<b>451</b>	<b>217</b>	<b>141</b>	<b>93</b>		
76	121	213	409	Impairment losses on lending	419	214	125	80		
12	17	3	32	Impairment losses on unused credits and guarantees	32	3	17	12		
<b>88</b>	<b>138</b>	<b>216</b>	<b>442</b>	<b>Total impairment losses</b>	<b>451</b>	<b>217</b>	<b>141</b>	<b>93</b>		

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

## 8. MIGRATION OF GROSS LOANS

NOK million GROSS LOANS	Amortised cost				Fair value	GROUP Total gross loans incl. accrued interest
	Stage 1	Stage 2	Stage 3	Gross loans		
<b>Gross loans as at 01.01.2021</b>	<b>95 757</b>	<b>9 697</b>	<b>977</b>	<b>106 431</b>	<b>5 575</b>	<b>112 006</b>
Transferred to stage 1	1 596	-1 570	-26	0	0	0
Transferred to stage 2	-1 533	1 548	-15	0	0	0
Transferred to stage 3	-43	-46	90	0	0	0
Net change on present loans	-4 323	160	-53	-4 217	0	-4 217
New loans	17 103	1 235	5	18 343	222	18 565
Derecognised loans	-11 378	-1 304	-75	-12 758	-297	-13 055
Change in value during the period					-80	-80
<b>Gross loans as at 31.03.2021</b>	<b>97 178</b>	<b>9 720</b>	<b>902</b>	<b>107 800</b>	<b>5 420</b>	<b>113 220</b>

NOK million GROSS LOANS	Amortised cost				Fair value	GROUP Total gross loans incl. accrued interest
	Stage 1	Stage 2	Stage 3	Gross loans		
<b>Gross loans as at 01.01.2020</b>	<b>89 466</b>	<b>10 710</b>	<b>839</b>	<b>101 016</b>	<b>5 689</b>	<b>106 704</b>
Transferred to stage 1	1 752	-1 729	-23	0		0
Transferred to stage 2	-2 390	2 410	-21	0		0
Transferred to stage 3	-164	-72	235	-0		-0
Net change on present loans	432	27	1	460		92
New loans	12 051	681	9	12 741	276	13 188
Derecognised loans	-10 376	-1 335	-44	-11 756	-419	-11 977
Change in value during the period					-1	
<b>Gross loans as at 31.03.2020</b>	<b>90 772</b>	<b>10 692</b>	<b>998</b>	<b>102 462</b>	<b>5 545</b>	<b>108 007</b>

NOK million GROSS LOANS	Amortised cost	Fair value through other comprehensive income		Fair value	PARENT BANK Total gross loans incl. accrued interest
<b>Gross loan as at 01.01.2021</b>	<b>40 832</b>		<b>16 735</b>	<b>5 575</b>	<b>63 142</b>
Transferred to stage 1	0		-0	0	0
Transferred to stage 2	0		0	0	0
Transferred to stage 3	0		0	0	0
Net change on present loans	-3 959		526	0	-3 433
New loans	6 744		7 892	222	14 858
Derecognised loans	-2 015		-4 772	-297	-7 084
Change in value during the period				-80	-80
<b>Gross loan as as 31.03.2021</b>	<b>41 601</b>		<b>20 382</b>	<b>5 420</b>	<b>67 403</b>

NOK million GROSS LOANS	Amortised cost	Fair value through other comprehensive income		Fair value	PARENT BANK Total gross loans incl. accrued interest
<b>Gross loan as at 01.01.2020</b>	<b>39 106</b>		<b>21 751</b>	<b>5 689</b>	<b>66 545</b>
Transferred to stage 1	0		-	0	0
Transferred to stage 2	0		0	0	0
Transferred to stage 3	-0		-	-	-0
Net change on present loans	504		169	-	672
New loans	2 323		3 369	447	6 138
Derecognised loans	-2 232		-7 118	-222	-9 571
Change in value during the period				-368	-368
<b>Gross loan as as 31.03.2020</b>	<b>39 701</b>		<b>18 171</b>	<b>5 545</b>	<b>63 417</b>

## 9. CUSTOMER DEPOSITS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.2020	31.03.2020	31.03.2021		31.03.2021	31.03.2020	31.12.2020
29 834	28 477	29 973	Retail customers	29 975	28 478	29 836
9 078	8 486	9 991	Public administration	9 992	8 486	9 079
660	726	685	Primary industry	685	726	660
1 474	1 902	1 397	Manufacturing industry	1 397	1 902	1 474
709	556	760	Real estate development	711	547	655
1 402	1 204	1 341	Building and construction industry	1 341	1 204	1 402
3 031	3 007	3 061	Property management	3 061	3 007	3 031
595	582	488	Transport	488	582	595
1 541	1 005	1 383	Retail trade	1 383	1 005	1 542
214	117	183	Hotel and restaurant	183	117	214
189	184	188	Housing cooperatives	188	184	189
4 303	5 087	4 264	Financial/commercial services	4 264	5 087	4 303
6 832	6 178	7 105	Social services	7 106	6 179	6 832
20	153	48	Accrued interests	48	153	20
<b>59 883</b>	<b>57 665</b>	<b>60 865</b>	<b>Total deposits from customers</b>	<b>60 822</b>	<b>57 658</b>	<b>59 833</b>

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

## 10. LOANS TO CUSTOMERS BY SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.2020	31.03.2020	31.03.2021		31.03.2021	31.03.2020	31.12.2020
25 956	26 942	29 784	Retail customers	74 381	70 773	73 662
567	531	568	Public administration	569	531	567
1 181	1 079	1 203	Primary industry	1 304	1 141	1 272
806	911	778	Manufacturing industry	838	941	861
4 146	5 624	4 605	Real estate development	4 562	5 575	4 104
1 365	1 358	1 433	Building and construction industry	1 679	1 546	1 623
19 270	17 089	19 032	Property management	19 082	17 100	19 303
507	561	489	Transport	582	633	590
1 288	1 546	1 041	Retail trade	1 164	1 622	1 395
369	317	389	Hotel and restaurant	412	339	399
1 281	1 281	1 341	Housing cooperatives	1 342	1 281	1 281
864	842	1 174	Financial/commercial services	1 405	984	1 094
5 428	5 172	5 448	Social services	5 749	5 323	5 707
112	164	118	Accrued interests	150	217	147
<b>63 142</b>	<b>63 417</b>	<b>67 403</b>	<b>Total gross loans</b>	<b>113 220</b>	<b>108 007</b>	<b>112 007</b>
418	403	409	Impairment losses on lending	419	417	429
<b>62 724</b>	<b>63 014</b>	<b>66 993</b>	<b>Total net loans</b>	<b>112 801</b>	<b>107 590</b>	<b>111 577</b>

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

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





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

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.03.2020	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
<b>Assets recognized at amortised cost</b>								
4 708		4 708		Cash and receivables from central banks	4 708		4 708	
6 085		6 085		Loans to credit institutions	2 314		2 314	
39 312			39 312	Net loans to customers (floating interest rate)	102 044			102 044
<b>Assets recognized at fair value</b>								
5 545			5 545	Net loans to customers (fixed interest rate)	5 545			5 545
18 156			18 156	Net loans to customers (mortgages)				
21 504		21 504		Bonds and certificates	19 349		19 349	
172	4		168	Shares	172	4		168
1 324		1 324		Financial derivatives	6 193		6 193	
<b>96 806</b>	<b>4</b>	<b>33 620</b>	<b>63 181</b>	<b>Total financial assets</b>	<b>140 325</b>	<b>4</b>	<b>32 563</b>	<b>107 757</b>
<b>Liabilities recognized at amortised cost</b>								
11 197		11 197		Liabilities to credit institutions	11 105		11 105	
57 665			57 665	Deposits from customers	57 658			57 658
16 070		15 642		Liabilities from issue of securities	56 508		56 011	
1 905		1 802		Subordinated loan capital	1 905		1 802	
<b>Liabilities recognized at fair value</b>								
838		838		Financial derivatives	838		838	
<b>87 674</b>		<b>29 479</b>	<b>57 665</b>	<b>Total financial liabilities</b>	<b>128 014</b>		<b>69 756</b>	<b>57 658</b>

### Movement level 3

#### GROUP

NOK million	Net loans to customers	Of which credit risk	Shares
<b>Recognized value as at 01.01.2020</b>	<b>5 689</b>	<b>13</b>	<b>184</b>
Acquisitions Q1	276		13
Of which, transferred from level 1 or 2	-		
Change in value recognized during the period	-1	1	-2
Disposals Q1	-419		
Reclassified as associated company			-26
<b>Recognized value as at 31.03.2020</b>	<b>5 545</b>	<b>14</b>	<b>168</b>
Acquisitions Q2-Q4	975		38
Of which, transferred from level 1 or 2			
Change in value recognized during the period	129	11	1 811
Disposals Q2-Q4	-1 073		-1 857
Reclassified as associated company			
<b>Recognized value as at 31.12.2020</b>	<b>5 575</b>	<b>25</b>	<b>160</b>
Acquisitions Q1	222		1
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-80	8	2
Disposals Q1	-297		-
Reclassified as associated company			
<b>Recognized value as at 31.03.2021</b>	<b>5 420</b>	<b>33</b>	<b>163</b>

#### PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares
<b>Recognized value as at 01.01.2020</b>	<b>27 422</b>	<b>13</b>	<b>183</b>
Acquisitions Q1	-3 301		13
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-1	1	-2
Disposals Q1	-419		
Reclassified as associated company			-26
<b>Recognized value as at 31.03.2020</b>	<b>23 701</b>	<b>14</b>	<b>168</b>
Acquisitions Q2-Q4	4 552		38
Of which, transferred from level 1 or 2			
Change in value recognized during the period	129	11	1 811
Disposals Q2-Q4	-6 077		-1 857
Reclassified as associated company			
<b>Recognized value as at 31.12.2020</b>	<b>22 304</b>	<b>25</b>	<b>160</b>
Acquisitions Q1	3 868		1
Of which, transferred from level 1 or 2			
Change in value recognized during the period	-80	8	2
Disposals Q1	-297		
Reclassified as associated company			
<b>Recognized value as at 31.03.2021</b>	<b>25 796</b>	<b>33</b>	<b>163</b>

### Sensitivity analysis

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

#### GROUP / PARENT BANK

NOK million	31.03.2021	31.03.2020	31.12.2020
Loans to customers	21	20	20
- of which loans to corporate market (CM)	2	3	2
- of which loans to retail market (RM)	19	17	18



## 12. FINANCIAL DERIVATIVES, COLLATERAL RECEIVED AND OFFSETTING

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

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

GROUP						31.03.2021
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	1 544	539	1 006	-597	408	
Derivatives - liabilities	-673	-539	-135	145	11	
<b>Net</b>	<b>871</b>	<b>0</b>	<b>871</b>	<b>-452</b>	<b>419</b>	

GROUP						31.03.2020
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	6 193	226	5 967	-4 823	1 144	
Derivatives - liabilities	-838	-226	-612	587	-25	
<b>Net</b>	<b>5 354</b>	<b>0</b>	<b>5 354</b>	<b>-4 235</b>	<b>1 119</b>	

PARENT BANK						31.03.2021
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	641	339	302	-106	196	
Derivatives - liabilities	-474	-339	-135	145	11	
<b>Net</b>	<b>167</b>	<b>0</b>	<b>167</b>	<b>39</b>	<b>207</b>	

PARENT BANK						31.03.2020
NOK million	Book value	Financial instruments	Financial derivatives - presented as net	Delivered/received collateral	Net	
Derivatives - assets	1 324	226	1 098	-551	547	
Derivatives - liabilities	-838	-226	-612	587	-25	
<b>Netto</b>	<b>486</b>	<b>0</b>	<b>486</b>	<b>36</b>	<b>521</b>	

### 13. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

#### Debt securities Group

NOK million	31.03.2021	31.03.2020	31.12.2020
Bonds, nominal value	54 667	55 597	55 989
Value adjustments	568	769	735
Accrued interest	122	142	161
<b>Debt incurred due to issuance of securities</b>	<b>55 356</b>	<b>56 508</b>	<b>56 885</b>

#### Change in debt securities - Group

NOK million	31.12.2020	Issued	Matured/ Redeemed	Other changes during the period	31.03.2021
Bonds, nominal value	55 989	5 180	-4 760	-1 742	54 667
Value adjustments	735			-167	568
Accrued interest	161			-40	122
<b>Debt incurred due to issuance of securities</b>	<b>56 885</b>	<b>5 180</b>	<b>-4 760</b>	<b>-1 949</b>	<b>55 356</b>

#### Debt securities - Parent bank

NOK Million	31.03.2021	31.03.2020	31.12.2020
Bonds, nominal value	13 757	15 712	13 899
Value adjustments	106	247	184
Accrued interest	94	110	66
<b>Debt incurred due to issuance of securities</b>	<b>13 956</b>	<b>16 070</b>	<b>14 149</b>

#### Change in debt securities - Parent bank

NOK million	31.12.2020	Issued	Matured/ Redeemed	Other changes during the period	31.03.2021
Bonds, nominal value	13 899	0	0	-142	13 757
Value adjustments	184			-79	106
Accrued interest	66			28	94
<b>Debt incurred due to issuance of securities</b>	<b>14 149</b>	<b>0</b>	<b>0</b>	<b>-192</b>	<b>13 956</b>

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

NOK million	31.12.2020	Issued	Matured/ Redeemed	Other changes during the period	31.03.2021
Subordinated loans	1 650	0	0		1 650
Accrued interest	3			0	3
<b>Total subordinated loan capital</b>	<b>1 653</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 653</b>

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

NOK million	31.12.2020	Issued	Matured/ Redeemed	Other changes during the period	31.03.2021
Non-preferred senior debt	2 000	1 000	0	0	3 000
Value adjustments	2			1	1
Accrued interest	0			2	2
<b>Total non-preferred senior debt</b>	<b>2 002</b>	<b>1 000</b>	<b>0</b>	<b>3</b>	<b>3 004</b>

#### 14. EQUITY CERTIFICATE HOLDERS

The 20 largest equity certificate holders as at 31.03.2021 were as follows:

	<b>Number of EC</b>	<b>Share of EC-CAP. %</b>	<b>NAME</b>	<b>Number of EC</b>	<b>Share of EC-CAP. %</b>
1.	7 988 679	51.00	11. Carl Krogh Arnet	100 000	0.64
2.	723 017	4.62	12. Investor AS	100 000	0.64
3.	450 000	2.87	13. Ottersland AS	100 000	0.64
4.	417 309	2.66	14. MP Pensjon PK	85 523	0.55
5.	300 000	1.92	15. Lombard Int Assurance S.A.	82 131	0.52
6.	186 000	1.19	16. Apriori Holding AS	72 575	0.46
7.	179 388	1.15	17. Varodd AS	70 520	0.45
8.	174 209	1.11	18. Gunnar Hillestad	67 425	0.43
9.	151 092	0.96	19. Geir Bergskaug	66 239	0.42
10.	105 872	0.68	20. Birkenes Sparebank	66 000	0.42
<b>Total - 10 largest certificate holders</b>	<b>10 675 566</b>	<b>68.15</b>	<b>Total - 20 largest certificate holders</b>	<b>11 485 979</b>	<b>73.33</b>

As of 1 January 2021, the ownership ratio was 17.3 percent. Hybrid capital, classified as equity, has been excluded when calculating the ownership ratio. As of 31 March 2021, the ownership ratio was 16.1 percent.

The equity certificate capital amounted to NOK 783 197 200 distributed over 15 663 944 equity certificates, each with a nominal value of NOK 50. At the reporting date, Sparebanken Sør owned none of its own equity certificates.

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

## **Credit risk**

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

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

## **Market risk**

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

## **Liquidity risk**

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

## **Operational risk**

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

## **Business risk**

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

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

## Quarterly trend in results

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
<b>Profit (NOK million)</b>					
Net interest income	451	467	472	449	525
Net commission income	87	97	91	89	70
Net income from financial instruments	8	37	14	59	-69
Other operating income	29	59	40	56	-12
<b>Total net income</b>	<b>575</b>	<b>659</b>	<b>617</b>	<b>653</b>	<b>515</b>
Total operating expenses before losses	242	260	226	240	232
<b>Operating profit before losses</b>	<b>334</b>	<b>399</b>	<b>391</b>	<b>413</b>	<b>283</b>
Losses on loans, guarantees and undrawn credits	-11	-30	6	46	61
<b>Profit before taxes</b>	<b>345</b>	<b>430</b>	<b>384</b>	<b>367</b>	<b>221</b>
Tax expenses	71	90	80	79	58
<b>Profit for the period</b>	<b>274</b>	<b>339</b>	<b>304</b>	<b>288</b>	<b>164</b>

### Profit as % of average assets

Net interest income	1.25 %	1.29 %	1.32 %	1.25 %	1.61 %
Net commission income	0.24 %	0.27 %	0.25 %	0.25 %	0.21 %
Net income from financial instruments	0.02 %	0.10 %	0.04 %	0.16 %	-0.21 %
Other operating income	0.08 %	0.16 %	0.11 %	0.16 %	-0.04 %
<b>Total net income</b>	<b>1.60 %</b>	<b>1.83 %</b>	<b>1.72 %</b>	<b>1.82 %</b>	<b>1.58 %</b>
Total operating expenses before losses	0.67 %	0.72 %	0.63 %	0.67 %	0.71 %
<b>Operating profit before losses</b>	<b>0.93 %</b>	<b>1.11 %</b>	<b>1.09 %</b>	<b>1.15 %</b>	<b>0.87 %</b>
Losses on loans, guarantees and undrawn credit	-0.03 %	-0.08 %	0.02 %	0.13 %	0.19 %
<b>Profit before taxes</b>	<b>0.96 %</b>	<b>1.19 %</b>	<b>1.07 %</b>	<b>1.02 %</b>	<b>0.68 %</b>
Tax expenses	0.20 %	0.25 %	0.22 %	0.22 %	0.18 %
<b>Profit for the period</b>	<b>0.76 %</b>	<b>0.94 %</b>	<b>0.85 %</b>	<b>0.80 %</b>	<b>0.50 %</b>

### Key figures, income statement

Return on equity after tax (adjusted for hybrid capital)	8.4 %	10.4 %	9.6 %	8.8 %	5.0 %
Costs as % of income	42.0 %	39.4 %	36.6 %	36.8 %	45.1 %
Costs as % of income, excl. net income from financial instruments	42.6 %	41.7 %	37.5 %	40.4 %	39.8 %

### Key figures, balance sheet

Total assets	139 047	142 126	146 227	141 566	142 001
Average total assets	146 000	143 700	142 400	142 000	129 600
Net loans to customers	112 801	111 577	110 564	109 049	107 590
Growth in loans as %, last 12 mths.	4.8 %	4.9 %	4.6 %	3.9 %	4.5 %
Customer deposits	60 822	59 833	60 494	60 055	57 658
Growth in deposits as %, last 12 mths.	5.5 %	3.3 %	2.7 %	0.2 %	0.2 %
Deposits as % of net loans	53.9 %	53.6 %	54.7 %	55.1 %	53.6 %
Equity (incl. hybrid capital)	14 022	13 752	13 750	13 474	13 215
Losses on loans as % of net loans, annualised	-0.04 %	0.07 %	0.02 %	0.17 %	0.23 %

### Other key figures

Liquidity reserves (LCR), Group	168 %	173 %	152 %	126 %	156 %
Liquidity reserves (LCR), Group- EUR	376 %	107 %	106 %	172 %	198 %
Liquidity reserves (LCR), Parent Bank	163 %	154 %	147 %	152 %	189 %
Common equity tier 1 capital ratio	15.8 %	15.7 %	15.7 %	15.7 %	15.6 %
Tier 1 capital ratio	17.5 %	17.1 %	17.5 %	17.6 %	17.5 %
Total capital ratio	19.5 %	19.1 %	19.6 %	19.7 %	20.0 %
Common equity tier 1 capital	12 447	12 204	12 029	11 823	11 606
Tier 1 capital	13 766	13 315	13 440	13 234	13 017
Net subordinated capital	15 374	14 864	14 989	14 793	14 875
Leverage ratio	9.2 %	8.9 %	8.8 %	9.1 %	8.9 %
Number of branches	35	35	35	34	34
Number of FTEs in banking operations	445	442	440	436	434

### Key figures, equity certificates

Equity certificate ratio	16.1 %	17.3 %	17.3 %	17.3 %	17.2 %
Number of equity certificates issued	15 663 944	15 663 944	15 663 944	15 663 944	15 663 944
Profit per equity certificate (Parent Bank)	5.0	2.5	2.0	2.3	3.6
Profit per equity certificate (Group)	2.7	3.6	3.2	2.9	1.6
Dividend last year per equity certificate (Parent Bank)	14.0	14.0	0.0	0.0	0.0
Dividend paid last period per equity certificate	10.4	-	-	-	-
Book equity per equity certificate	130.7	140.0	136.4	133.3	130.2
Price/book value per equity certificate	1.00	0.82	0.75	0.74	0.66
Listed price on Oslo Stock Exchange at end of period	131.0	114.5	102.5	98.8	86.0



# Key figures Group 2015-2020

Income statement (NOK million)	31.12. 2020	31.12. 2019	31.12. 2018	31.12. 2017	31.12. 2016	31.12. 2015
Net interest income	1 914	1 926	1 729	1 679	1 565	1 544
Net commission income	347	344	318	312	293	300
Net income from financial instruments	40	24	2	88	224	-66
Other operating income	143	74	23	18	28	14
<b>Total net income</b>	<b>2 444</b>	<b>2 368</b>	<b>2 072</b>	<b>2 097</b>	<b>2 110</b>	<b>1 792</b>
Total operating expenses before losses	958	918	884	811	787	817
<b>Operating profit before losses</b>	<b>1 486</b>	<b>1 450</b>	<b>1 188</b>	<b>1 286</b>	<b>1 323</b>	<b>975</b>
Losses on loans and guarantees	83	-17	-36	20	50	97
<b>Profit before taxes</b>	<b>1 403</b>	<b>1 467</b>	<b>1 224</b>	<b>1 266</b>	<b>1 273</b>	<b>878</b>
Tax expenses	307	342	285	282	284	231
<b>Profit for the period</b>	<b>1 096</b>	<b>1 125</b>	<b>939</b>	<b>984</b>	<b>989</b>	<b>647</b>
<b>Profit as a percentage of average assets</b>						
Net interest income	1,36 %	1,53 %	1,46 %	1,53 %	1,49 %	1,58 %
Net commission income	0,25 %	0,27 %	0,27 %	0,28 %	0,28 %	0,31 %
Net income from financial instruments	0,03 %	0,02 %	0,00 %	0,08 %	0,21 %	-0,07 %
Other operating income	0,10 %	0,06 %	0,02 %	0,02 %	0,03 %	0,01 %
<b>Total net income</b>	<b>1,74 %</b>	<b>1,88 %</b>	<b>1,75 %</b>	<b>1,92 %</b>	<b>2,01 %</b>	<b>1,83 %</b>
Total operating expenses before losses	0,68 %	0,73 %	0,75 %	0,74 %	0,75 %	0,83 %
<b>Operating profit before losses</b>	<b>1,06 %</b>	<b>1,15 %</b>	<b>1,00 %</b>	<b>1,17 %</b>	<b>1,26 %</b>	<b>0,99 %</b>
Losses on loans and guarantees	0,06 %	-0,01 %	-0,03 %	0,02 %	0,05 %	0,10 %
<b>Profit before taxes</b>	<b>1,00 %</b>	<b>1,17 %</b>	<b>1,03 %</b>	<b>1,16 %</b>	<b>1,21 %</b>	<b>0,90 %</b>
Tax expenses	0,22 %	0,27 %	0,24 %	0,26 %	0,27 %	0,24 %
<b>Profit for the period</b>	<b>0,78 %</b>	<b>0,89 %</b>	<b>0,79 %</b>	<b>0,90 %</b>	<b>0,94 %</b>	<b>0,66 %</b>
<b>Key figures, income statement</b>						
Return on equity after tax (adjusted for hybrid capital)	8,4 %	9,5 %	8,5 %	9,7 %	11,3 %	8,4 %
Costs as % of income	39,2 %	38,8 %	42,7 %	38,7 %	37,3 %	45,6 %
Costs as % of income, excl. net income from financial instruments	39,9 %	39,2 %	42,7 %	40,4 %	41,7 %	44,0 %
<b>Key figures, balance sheet</b>						
Total assets	142 126	129 499	121 125	114 310	105 455	101 334
Average total assets	140 400	125 900	118 600	109 500	104 950	98 000
Net loans to customers	111 577	106 334	102 942	97 518	90 928	88 387
Grows in loans as %, last 12 mths.	4,9 %	3,3 %	5,6 %	7,2 %	2,9 %	9,2 %
Customer deposits	59 833	57 949	56 537	55 580	51 562	48 349
Growth in deposits as %, last 12 mths.	3,3 %	2,5 %	1,7 %	7,8 %	6,6 %	0,2 %
Deposits as % of net loans	53,6 %	54,5 %	54,9 %	57,0 %	56,7 %	54,7 %
Equity (incl. hybrid capital)	13 752	13 081	11 845	11 108	10 051	8 263
Losses on loans as % of net loans, annualised	0,07 %	-0,01 %	-0,17 %	0,02 %	0,05 %	0,11 %
Gross non-performing loans (over 90 days) as % of gross lending	0,29 %	0,27 %	0,21 %	0,28 %	0,30 %	0,47 %
<b>Other key figures</b>						
Liquidity reserves (LCR), Group	173 %	148 %	159 %	139 %	128 %	108 %
Liquidity reserves (LCR), Group- EUR	107 %	1168 %	4727 %	3105 %		
Liquidity reserves (LCR), Parent Bank	154 %	140 %	180 %	134 %	119 %	71 %
Common equity tier 1 capital ratio	15,7 %	15,7 %	14,8 %	14,9 %	14,7 %	12,7 %
Tier 1 capital ratio	17,1 %	17,6 %	16,6 %	16,7 %	16,0 %	13,5 %
Total capital ratio	19,1 %	20,3 %	18,7 %	18,9 %	17,9 %	15,5 %
Common equity tier 1 capital	12 204	11 356	10 517	9 890	9 114	7 700
Tier 1 capital	13 315	12 767	11 591	10 965	9 939	8 210
Net total primary capital	14 864	14 686	13 096	12 347	11 121	9 388
Leverage ratio	8,9 %	9,3 %	9,1 %	9,2 %	8,6 %	7,0 %
Number of branches	35	34	34	34	34	40
Number of FTEs in banking operations	442	429	434	432	439	449
<b>Key figures, equity certificates</b>						
Equity certificate ratio before profit distribution	17,3 %	17,2 %	17,9 %	18,7 %	19,8 %	13,5 %
Number of equity certificates issued	15 663 944	15 663 944.0	15 663 944	15 663 944	15 663 944	4 768 674
Profit per equity certificate (Parent Bank)	10,5	9,3	7,7	8,9	8,5	10,6
Profit per equity certificate (Group)	11,3	11,7	10,1	11,2	10,7	17,6
Dividend last year per equity certificate (Parent Bank)	14,0	8,0	6,0	6,0	6,0	9,0
Book equity per equity certificate	140,0	128,5	123,2	120,0	115,2	219,0
Price/book value per equity certificate	0,8	0,9	0,8	0,9	0,8	0,6
Listed price on Oslo Stock Exchange at end of period	114,5	110,0	96,9	104,0	91,3	139,0

# Calculations

	Q1	Q4	Q3	Q2	Q1	31.12.
NOK million	2021	2020	2020	2020	2020	2020
<b>Return on equity adjusted for hybrid capital</b>						
Profit after tax	274	339	304	288	164	1 096
Interest on hybrid capital	-10	-13	-13	-25	-18	-69
<b>Profit after tax, incl. interest on hybrid capital</b>	<b>264</b>	<b>329</b>	<b>291</b>	<b>263</b>	<b>146</b>	<b>1 018</b>
Opening balance, equity	13 752	13 750	13 215	13 215	13 081	13 081
Opening balance, hybrid capital	-1 075	-1 375	-1 375	-1 375	-1 375	-1 375
<b>Opening balance, equity excl. hybrid capital</b>	<b>12 677</b>	<b>12 375</b>	<b>11 840</b>	<b>11 840</b>	<b>11 706</b>	<b>11 706</b>
Closing balance, equity	14 022	13 752	13 750	13 475	13 215	13 752
Closing balance, hybrid capital	-1 275	-1 075	-1 375	-1 375	-1 375	-1 075
<b>Closing balance, equity excl. hybrid capital</b>	<b>12 746</b>	<b>12 677</b>	<b>12 375</b>	<b>12 100</b>	<b>11 840</b>	<b>12 677</b>
Average equity	13 887	13 751	13 482	13 345	13 148	13 416
<b>Average equity excl. Hybrid capital</b>	<b>12 712</b>	<b>12 526</b>	<b>12 107</b>	<b>11 970</b>	<b>11 773</b>	<b>12 191</b>
Return on equity	8.0 %	9.8 %	9.0 %	8.7 %	5.0 %	8.2 %
<b>Return on equity, excl. hybrid capital</b>	<b>8.4 %</b>	<b>10.4 %</b>	<b>9.6 %</b>	<b>8.8 %</b>	<b>5.0 %</b>	<b>8.4 %</b>
<b>Net interest income, incl. interest on hybrid capital</b>						
Net interest income, incl. interest on hybrid capital	451	467	472	449	525	1 914
Interest on hybrid capital	-10	-13	-13	-25	-18	-69
<b>Net interest income, incl. interest on hybrid capital</b>	<b>441</b>	<b>455</b>	<b>459</b>	<b>424</b>	<b>507</b>	<b>1 845</b>
Average total assets	146 000	143 700	142 400	142 000	135 000	140 400
<b>As percentage of total assets</b>	<b>1.23 %</b>	<b>1.26 %</b>	<b>1.28 %</b>	<b>1.20 %</b>	<b>1.51 %</b>	<b>1.31 %</b>
<b>Profit from ordinary operations (adjusted earnings)</b>						
Net interest income, incl. interest on hybrid capital	441	455	459	424	507	1 845
Net commission income	87	97	91	89	70	347
Share of profit from associated companies	29	57	40	52	-14	136
Other operating income	0	2	-1	4	2	7
Operating expenses	242	260	226	240	232	958
<b>Profit from ordinary operations (adjusted earnings), before tax</b>	<b>316</b>	<b>350</b>	<b>364</b>	<b>329</b>	<b>334</b>	<b>1 377</b>
Losses on loans, guarantees and undrawn credits	-11	-30	6	46	61	31
<b>Profit excl. finance and adjusted for non-recurring items</b>	<b>327</b>	<b>380</b>	<b>357</b>	<b>283</b>	<b>273</b>	<b>1 346</b>
Tax (25 %) adjusted for tax, share of profit associated companies	74	81	79	58	72	303
<b>Ordinary operations /adjusted earnings after losses and tax</b>	<b>252</b>	<b>299</b>	<b>278</b>	<b>225</b>	<b>201</b>	<b>1 043</b>
Average equity, excl. hybrid capital	12 712	12 526	12 107	11 970	11 773	12 191
<b>Return on equity, profit excl. finance and adjusted for non-recurring items</b>	<b>8.0 %</b>	<b>9.5 %</b>	<b>9.1 %</b>	<b>7.6 %</b>	<b>6.9 %</b>	<b>8.6 %</b>
<b>Average interest rates/margins</b>						
Average lending rate RM (return)	2.08 %	2.12 %	2.19 %	2.48 %	3.31 %	
Average lending rate CM (return)	2.85 %	2.74 %	2.80 %	3.37 %	4.11 %	
Average deposit rate RM	0.35 %	0.39 %	0.44 %	0.91 %	1.11 %	
Average deposit rate CM	0.48 %	0.47 %	0.44 %	0.70 %	1.41 %	
Average 3-month NIBOR	0.45 %	0.38 %	0.28 %	0.47 %	1.67 %	
Lending margin RM (lending rate - 3-month NIBOR)	1.63 %	1.74 %	1.91 %	2.01 %	1.64 %	
Lending margin CM (lending rate - 3-month NIBOR)	2.40 %	2.36 %	2.52 %	2.90 %	2.44 %	
Deposit margin RM (3-month NIBOR - deposit rate)	0.10 %	-0.01 %	-0.16 %	-0.44 %	0.56 %	
Deposit margin CM (3-month NIBOR - deposit rate)	-0.03 %	-0.09 %	-0.16 %	-0.23 %	0.26 %	
<b>Interest-rate margin (lending rate - deposit rate)</b>						
Interest-rate margin RM	1.73 %	1.73 %	1.74 %	1.57 %	2.20 %	
Interest-rate margin CM	2.36 %	2.27 %	2.36 %	2.67 %	2.70 %	

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