



Q3 2021

**Interim financial
statements**

Business concept, vision, values and goals

On 01.06.2021, SpareBank 1 BV and Sparebanken Telemark merged with SpareBank 1 BV as the takeover bank. At the same time, the merged bank changed its name to SpareBank 1 Sørøst-Norge. The Group had 539 FTEs as at 30.09.2021. The business idea, vision/values and goals of the takeover bank have been continued. The new bank's strategy will be decided by the Board of Directors in the fourth quarter of 2021.

Business idea

Business areas

SpareBank 1 Sørøst-Norge aims to contribute to value creation in local communities by providing a wide range of financial services, as well as relevant advice to individuals and businesses.

We aim to offer a broad range of high-quality, competitive products in all of our business areas. Each business area must provide good advice and maintain an active focus on sales. Our sales and advice must be based on expertise, quality and ethical standards in line with the best traditions of the savings bank industry.

Market area

SpareBank 1 Sørøst-Norge's geographical market area includes Vestfold og Telemark County, as well as the former Buskerud County with centres of gravity around Kongsberg and Drammen.

SpareBank 1 Sørøst-Norge's registered business address is in Tønsberg, and it has offices offering advice in Kongsberg, Nedre Eiker, Drammen, Lier, Holmestrand, Horten, Tønsberg, Færder, Sandefjord, Larvik, Bamble, Porsgrunn, Skien, Ulefoss, Lunde, Bø and Notodden.

Resource management

Within the priority areas described in the business concept, our resources must be employed to yield the best return on capital for the benefit of our equity certificate holders, customers, employees and region.

Vision, values and goals

Vision

Together we create value.

Our core values

Customer first – together we are best.

Our values

Learning – engaged – close.

Main strategic objective

The Group's main strategic objective is to create value for our customers and the region of which the Group is a part. We want to help local initiatives, companies and people thrive so that together we can contribute to growth and development. This will also create value for our owners and employees.

Contents

| | |
|--|-------|
| Business areas | p. 4 |
| Board of Directors' Interim Report | p. 7 |
| Summary of results and key figures | p. 17 |
| Income statement | p. 19 |
| Statement of financial position | p. 20 |
| Results from quarterly financial statements | p. 21 |
| Change in equity | p. 22 |
| Cash flow statement | p. 25 |
| Notes to the financial statements | |
| 1. Accounting policies | p. 28 |
| 2. Critical accounting estimates and discretionary valuations | p. 28 |
| 3. Merger of SpareBank 1 BV and Sparebanken Telemark on 01.06.2021 | p. 29 |
| 4. Capital adequacy | p. 33 |
| 5. Segment information | p. 36 |
| 6. Losses on loans and guarantees | p. 38 |
| 7. Impairment provisions for loans and guarantees | p. 39 |
| 8. Loans to customers by Stages 1, 2 and 3 | p. 42 |
| 9. Lending to customers by sector and industry | p. 44 |
| 10. Transfer of financial assets | p. 44 |
| 11. Financial derivatives | p. 45 |
| 12. Liquidity risk | p. 45 |
| 13. Net commission and other income | p. 46 |
| 14. Net result from financial investments | p. 47 |
| 15. Measuring fair value of financial instruments | p. 48 |
| 16. Other assets | p. 51 |
| 17. Deposits from customers by sector and industry | p. 51 |
| 18. Securities issued | p. 52 |
| 19. Subordinated loan capital | p. 53 |
| 20. Other liabilities | p. 53 |
| 21. Equity certificate holders and distribution of equity certificates | p. 54 |
| 22. Equity certificates and ownership fractions | p. 56 |
| 23. Pro forma results from the quarterly financial statements | p. 57 |
| 24. Pro forma statement of financial position figures from the quarterly financial statements | p. 58 |
| 25. Events after the statement of financial position date | p. 58 |
| Declaration from the Board of Directors and the CEO | p. 59 |
| Statements concerning future events | p. 60 |
| Audit statement | p. 63 |

Business areas

Retail market

SpareBank 1 Sørøst-Norge is a major bank in our region with branches in 17 locations, as well as extremely good digital and self-service solutions. The Bank currently has 135,000 active customers in the retail market who have borrowed a total of NOK 67.5 billion in mortgages (including the volume in SpareBank 1 Boligkreditt AS) and have NOK 30.2 billion in deposits. In order to diversify the Bank's sources of income, there is a strong focus on increasing income from off-balance sheet items, including through insurance and savings products. SpareBank 1 Eiendomsmegling also has a presence at almost all of the Bank's 17 branches.

The Bank's market area is considered attractive for inwards migration and is growing strongly. Based on, among other things, customer surveys, the Bank is well-positioned for further profitable growth.

The Bank's new organisation came into force on 01.06.2021 and the assignment of staff to positions was completed in September. The retail market was fully focused on daily operations and serving customers during the implementation of the merger.

Sustainability

The Bank wants to help customers play their part in achieving the Paris Agreement's climate goals. In the second quarter, the Bank launched a further two green loan products to add to the existing product designed for existing energy efficient homes. These loan products offer better terms and conditions for customers that upgrade an existing home and make it more energy efficient or build an extra energy efficient home. The terms and conditions for both loans will be adapted to the EU's taxonomy for sustainability and are part of the Bank's strategy for cutting emissions in the loan portfolio. The Bank has chosen not to raise lending rates for green mortgages along with the general rise in interest rates on lending in order to reinforce its focus on sustainability. The feedback the Bank has received on the pricing framework in which green mortgages offer more favourable financial terms and conditions has been positive.

Mortgage customers

As in the rest of Norway, third quarter growth in house prices in the Bank's market area was generally weaker.

The Bank expects continued strong competition for mortgage customers, especially at a time when market rates are expected to rise. The Bank's mortgage portfolio is characterised by few departures and very low defaults.

Pro forma lending growth for the past 12 months was 5.3% at the end of the third quarter, and pro forma deposit growth in the same period was 4.6%. For the quarter seen in isolation, lending and deposits grew by 1.3% and 0.0%. General lending growth in the market in the past 12 months was 5.1%.

Savings

Customer holdings in funds and shares are at a high level, helped by strong price rises and the increasing popularity of saving via funds. The Bank's new digital savings guide has been welcomed by customers and usage has grown by around 40% in the last half-year. In order to adapt to new regulatory requirements within savings, the Bank's business model has been changed in relation to saving via funds to make it clearer which costs accrue to the fund manager and what accrues to the Bank. A lot of resources have been put into good communication with the customers and at the end of the quarter more than 90% of customers had signed a new customer agreement. This work will be completed during the summer.

Own Pension Account (OPA)

The Bank has been very busy in relation to Own Pension Accounts. Thanks to good technical solutions in the online bank, customers can obtain a good overview of their entire pension situation, both from the National Insurance Scheme and occupational service pensions, plus they can choose which bank they want to use as their provider. At the end of the quarter, around 1,050 customers had chosen the Bank as their provider.

Insurance

Insurance portfolio growth continues to increase in both non-life and personal insurance portfolios. Premiums for non-life insurance grew by 6% in the past 12 months, while personal insurance grew by 14%. Good chats with advisers about financial security, as well as relevant external initiatives, are regarded as the main reasons for our success in personal insurance sales.

Data and customer insights

Advanced data methods and testing various models

for segmenting customer groups have provided us with good insights into the Bank's customer portfolio in the past year. These insights are important in our ongoing strategy work, including when designing customer journeys and utilising adviser capacity. The objective is to remain proactive by taking relevant initiatives, creating good customer experiences and having efficient work processes.

Corporate market

SpareBank 1 Sørøst-Norge is an important actor in our region when it comes to offering financial services and products for SMEs. Lending to SMEs amounts to around NOK 20 billion and is an important priority area for the Bank. The Bank's ambitions are to achieve profitable growth and, in the longer term, apply for IRBa approval. IRBa approval would further strengthen the Bank's credit work, and by more correctly pricing risk it will be better able to meet the competition from other IRBa banks in our region.

The business sector in the Bank's region is very varied, with industry, power, trade, technology and the public sector being especially important. The region has little direct exposure to oil and offshore activities.

The Bank has seen strong growth in the corporate market. At the same time, losses have been low and well within what we could expect in a bank of our size. Norges Banks regional survey shows that business in the region (Region South) is optimistic about the future and expects increased investment and employment. The Bank expects to grow in line with the general growth in credit in the non-financial sector.

Sustainability

The Bank wants to help customers play their part in achieving the Paris Agreement's climate goals. In connection with this, a special digital tool has been introduced to assess the risks and opportunities associated with sustainability and business loans. This is used for all new loan applications. The assessments include climate/environment, social conditions and corporate governance, as well as industry-specific questions and some general questions that all customers are asked.

Credit

Lending growth has been high in the past 3 years, with some variation between the different regions. The plan is to slow lending growth among corporate customers somewhat going forward and to focus on SME customers in our region.

Insurance

Income from off-balance sheet products is important

in order to diversify the composition of income, and income from both non-life insurance and personal insurance in the corporate market is an important focus area. Knowing the Bank's corporate customers improves the Bank's ability to offer customers bespoke solutions within credit, leasing and insurance.

Subsidiaries

Apart from Z-Eiendom AS (55%) and EiendomsMegler 1 Telemark AS (51%), the Bank owns 100% of the shares in all of its subsidiaries and subsidiaries of these.

EiendomsMegler 1 BV and EiendomsMegler 1 Telemark provide services within commercial real estate brokerage, property settlement, advice, and purchases and sales of holiday homes, new builds and used homes. The company offers a broad range of services, everything from digital house sales ("Lettsolgt") to farm valuations and sales. EiendomsMegler 1 BV and EiendomsMegler 1 Telemark contribute with interaction and personal customer service. Both real estate brokerage companies are part of the national EiendomsMegler 1 chain, which has been a market leader in Norway for years.

The Bank's brokerage company saw good activity in the quarter. The extensive use of digital solutions for electronic property settlements and deed packages, eSigning all types of documents, and digital prospectuses in connection with the pandemic produced good results.

In the period up to 30.09.2021, EiendomsMegler 1 BV brokered 1,476 properties with a combined value of NOK 5,032 million, of which 152 units were new homes. Correspondingly, EiendomsMegler 1 Telemark had brokered 913 properties with a combined value of NOK 2,112 million, of which 103 units were new homes. Z-Eiendom AS, which is co-located with the Bank in Tønsberg and on Nøtterøy, brokered 464 properties with a combined value of NOK 1,784 million.

SpareBank 1 Regnskapshuset Sørøst-Norge AS is a strategic focus area. Linking banking and accounting will simplify the everyday lives of customers. Everything to do with a company's finances will be gathered in one place because the accounting division offers bookkeeping and advice, as well as a simple and flexible accounts programme. 100% of the shares in Regnskapsdata Kongsberg AS were acquired on 01.01.2021. The new subsidiary employed around 15 FTEs and its annual turnover was approximately NOK 14 million in 2020. It was merged into the parent company in May 2021.

Interim report from the Board of Directors for Q3



The SpareBank 1 Sørøst-Norge Group

On 01.06.2021, SpareBank 1 BV and Sparebanken Telemark merged with SpareBank 1 BV as the takeover bank. At the same time, the merged bank changed its name to SpareBank 1 Sørøst-Norge. SpareBank 1 Sørøst-Norge is a proactive financial services group whose market area covers Vestfold og Telemark County, as well as the lower portion of the former Buskerud County. Its head office is Sandefjord. Including its subsidiaries, the Group employs around 539 FTEs.

The Group's main activity consists of the parent bank, as well as the wholly owned subsidiaries EiendomsMegler 1 BV AS and SpareBank 1 Regnskapshuset Sørøst-Norge AS. In addition, the Bank owns 55% of Z-Eiendom AS and 51% of EiendomsMegler 1 Telemark. The companies have branches in Kongsberg, Nedre Eiker, Drammen, Lier, Holmestrand, Horten, Tønsberg, Færder, Sandefjord, Larvik, Bamble, Porsgrunn, Skien, Ulefoss, Lunde, Bø and Notodden.

The boards of SpareBank 1 Sørøst-Norge and SpareBank 1 Modum have approved a letter of intent concerning a merger. The goal is to create a powerful bank in the banks' market areas and be well-positioned for the future. The plan is to carry out the legal merger on 01.04.2022, assuming the banks' supervisory boards agree, 16.12.2021, and the Financial Supervisory Authority of Norway and the Norwegian Competition Authority give their approval. Annual synergies in the range of NOK 20 million have been defined in relation to the planned merger. These will be fully phased in 2024. In addition, approximately NOK 50 million will be incurred in costs in 2022/2023 related to the merger transaction, technical merger and restructuring packages.

The interim financial statements have been prepared in accordance with IAS 34 Interim reporting.

The comments and figures below refer to the Group unless explicitly stated otherwise. Figures in brackets relate to the corresponding period last year.

Figures from the transferring bank (Sparebanken Telemark) are included in the official accounts with effect from 01.06.2021. Pro forma financial statements have been prepared for 2021 and 2020 to improve comparability¹. Added/less value has been incorporated into the pro forma figures from 2021. Please refer to Note 3 concerning the merger of SpareBank 1 BV and Sparebanken Telemark, as well as to the separate pro forma income statements and statements of financial position in Notes 23 and 24.

Highlights from the pro forma financial performance and balance sheet performance as at 30.09.2021 are shown below, with the pro forma figures as at 30.09.2020 in brackets.

1) The pro forma figures for 2020 represent the combined income statement and statement of financial position without calculation of added/less value

Highlights (pro forma) for the period 01.01.2021 to 30.09.2021

- Ordinary profit after tax of NOK 779 million (NOK 635 million)
- Net interest income of NOK 817 million (NOK 825 million)
- Profit contributions from SpareBank 1 Gruppen and BN Bank ASA of NOK 93 million and NOK 27 million, respectively
 - Of which, the gain from the spinoff of SpareBank 1 Forvaltning AS amounted to NOK 27 million
- Higher operating expenses were mainly due to merger-related one-time costs of NOK 62 million
- Losses on loans and guarantees of NOK 84 million (NOK 81 million)
 - Of which the accounting effect of the merger was NOK 89 million
- Negative goodwill recognised through profit or loss of NOK 151 million
- Return on equity of 11.1% (9.7%)
- Lending and deposit growth so far this year of 5.4% (7.0%) and 7.6% (7.7%), respectively
- Lending and deposit growth in the past 12 months of 6.2% (9.0%) and 7.4% (7.5%), respectively

Some of the highlights and figures that refer to the official accounting and consolidated figures are shown below. Figures in brackets relate to the corresponding period last year for the takeover bank.

Highlights for the period 01.01.2021 to 30.09.2021

- Merger completed on 01.06.2021
- Ordinary profit after tax of NOK 644 million (NOK 397 million)
- Negative goodwill recognised through profit or loss of NOK 151 million
- Net interest income of NOK 620 million (NOK 492 million)
- Losses on loans and guarantees NOK 78 million (NOK 33 million)
 - Of which the accounting effect of the merger was NOK 89 million
- Profit contributions from SpareBank 1 Gruppen and BN Bank ASA of NOK 82 million and NOK 22 million, respectively
- Return on equity of 11.5% (10.2%)
- Common Equity Tier 1 capital ratio, proportional consolidation, 18.1% (18.7%)

Third quarter highlights

- Ordinary profit after tax of NOK 269 million (NOK 153 million)
- Net interest income of NOK 277 million (NOK 161 million)
- Losses on loans and guarantees NOK -35 million (NOK -11 million)
- Profit contributions from SpareBank 1 Gruppen and BN Bank ASA in the third quarter of NOK 45 million and NOK 9 million, respectively
 - Of which, the gain from the spinoff of SpareBank 1 Forvaltning AS amounted to NOK 27 million
- Return on equity of 11.2% (11.7%)

Financial performance

Cumulative figures as at 30.09.2021 unless explicitly stated otherwise.

Income statement

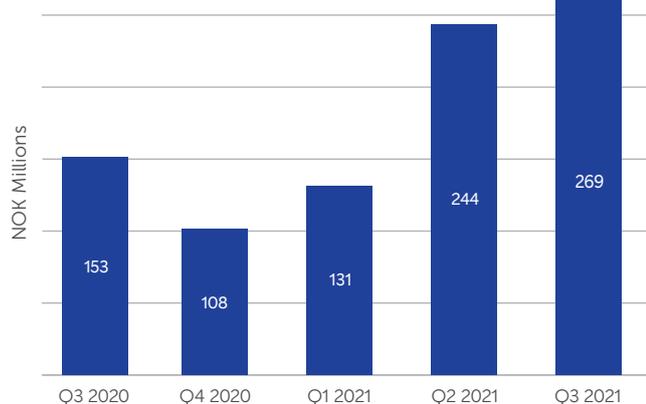
The SpareBank 1 Sørøst-Norge Group posted a profit from ordinary operations before losses of NOK 833 million (NOK 528 million). Profit after tax was NOK 644 million (NOK 397 million), which represents 1.56% (1.35%) of average total assets. The Group's annualised return on equity was 11.5% (10.2%).

Earnings per equity certificate (weighted average as at 30.09.2021) in the parent bank were NOK 4.20 (2.78) and in the Group NOK 4.32 (3.33).

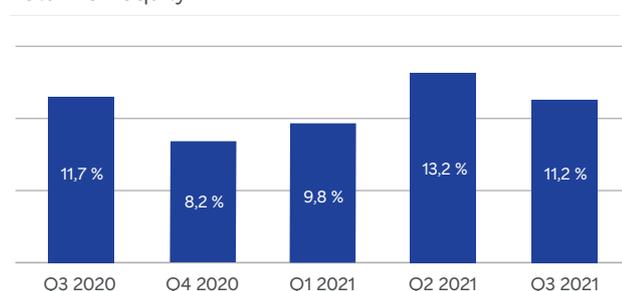
The dividend for 2021 will be based on official accounts and not pro forma accounts. Given this, earnings per equity certificate as at 30.09.2021 amounted to NOK 3.10 in parent bank and NOK 3.19 in the Group.

Quarterly performance of profit after tax and return on equity:

Profit after tax



Return on equity

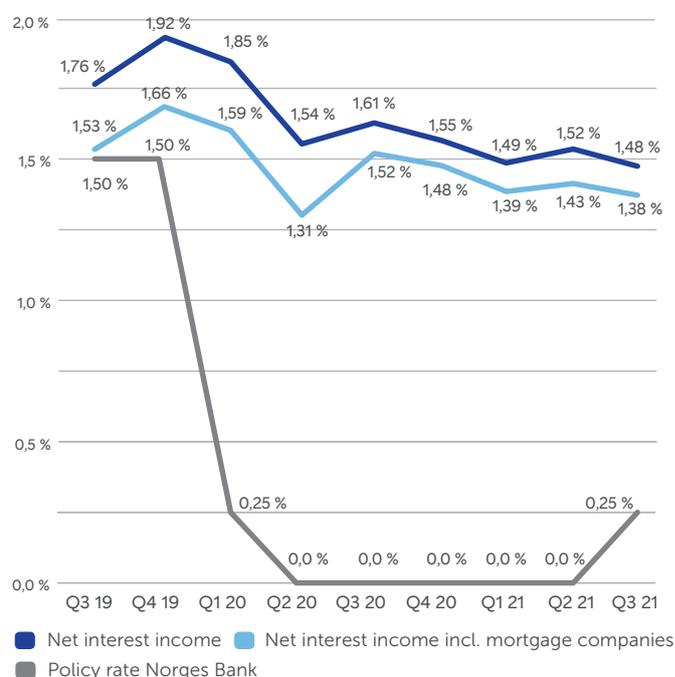


Net interest income

Net interest income amounted to NOK 620 million (NOK 492 million). Net interest income annualised as a percentage of average total assets was 1.50% (1.66%). The reduction in net interest income is mainly attributable to Norges Bank lowering its policy rate to 0.0% in the second quarter of 2020, which in turn resulted in substantially weakened margins and greater competition for mortgages. In September 2021, Norges Bank decided to raise the policy rate to 0.25%. As a result, the Bank has decided to increase lending rates by up to 0.25 percentage points. The changes to lending rates will take effect from 12.11.2021 for existing loans to retail customers and from 15.10.2021 for existing loans to corporate customers, while NIBOR loans will be adjusted on an ongoing basis during the period. The interest rate for some deposit products has also been increased by 0.20-0.25 percentage points.

At the end of the quarter, the Bank had transferred mortgages worth NOK 23,599 million (NOK 12,680 million) to SpareBank 1 Boligkreditt AS, and NOK 1,614 million (NOK 716 million) to SpareBank 1 Næringskreditt AS. Earnings from these loan portfolios are shown under net commission income and amounted to NOK 150 million (NOK 90 million).

Quarterly change in net interest income:



Net commission and other income:

Net commission and other income totalled NOK 504 million (NOK 354 million).

Net commission income

Net commission income amounted to NOK 335 million (NOK 223 million). The commissions from SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS accounted for NOK 150 million (NOK 90 million) of this.

Other operating income

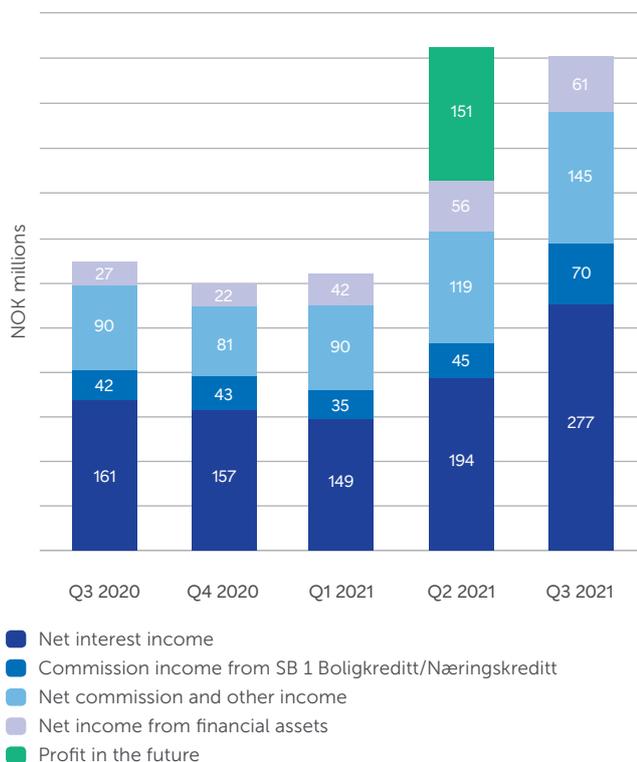
Other operating income amounted to NOK 169 million (NOK 131 million).

Net income from financial assets

Net income from financial assets amounted to NOK 310 million (NOK 112 million). The main items as at 30.09.2021 consist of NOK 33 million (NOK 22 million) in dividends received, NOK 104 million (NOK 83 million) in net profit from ownership interests, and net profit from other financial investments of NOK 173 million (NOK 7 million). The latter item includes NOK 151 million in recognised negative goodwill related to the merger with Sparebanken Telemark.

The net result from ownership interests includes the results from SpareBank 1 Gruppen AS and BN Bank ASA of NOK 81.7 million (NOK 70.0 million) and NOK 22.1 million (NOK 12.5 million), respectively. Indirect ownership interests in these companies increased from 2.97% and 5.00% to 4.44% and 7.46%, respectively, in connection with the merger.

Quarterly change in income (NOK millions):



SpareBank 1 Forvaltning AS

In the second quarter, ODIN Forvaltning was spun off into a new 'savings group' owned by SpareBank 1 Forvaltning AS. On 01.07.2021, SpareBank 1 Kapitalforvaltning AS and SpareBank 1 Verdipapirservice AS were acquired by SpareBank 1 Forvaltning AS. The SpareBank 1 Alliance has thus consolidated its savings products into a single 'savings group'.

Ownership in SpareBank 1 Forvaltning AS has been transferred to the owner banks via the distribution of shares from Samarbeidende Sparebanker AS. The transactions have been recognised through profit or loss and amounted to NOK 26.6 million in the Group and NOK 38.2 million in the parent bank. SpareBank 1 Sørøst-Norge owned 7,1% of SpareBank 1 Forvaltning AS at the end of the period.

Income from ownership interests, SpareBank 1 Gruppen

SpareBank 1 Gruppen ASA posted a record profit before tax of NOK 2.8 billion at the end of the third quarter and NOK 2.2 billion after tax, of which the majority's share amounted to NOK 1.5 billion. The return on equity was 20.2% at the end of the third quarter. SpareBank 1 Sørøst-Norge recognised NOK 81.7 million in income from SpareBank 1 Gruppen. This includes income recognition related to SpareBank 1 Forvaltning of NOK 26.6 million. In addition, NOK 8.3 million was recognised as income in connection with the Bank's sale of part of its shares in Samarbeidende Sparebanker AS and stake in Samarbeidende Sparebanker Utvikling DA to SpareBank 1 Helgeland.

The Fremtind Forsikring Group posted a profit before tax of NOK 2,408 million (NOK 923 million). Its profit after tax was NOK 1,837 million (NOK 715 million). The improved profit was mainly attributable to a significantly improved insurance result, although its financial result was also better than it was for the same period last year. The insurance result amounted to NOK 2,008 million (NOK 711 million) at the end of the third quarter. This represents an improvement of no less than NOK 1,485 million compared with last year, which was impacted by a high claims ratio within travel insurance and major provisions in Fremtind Livsforsikring in connection with the portfolios taken over from DNB Forsikring og SpareBank 1 Forsikring. The insurance result also includes income recognition of reserves of NOK 160 million linked to the portfolio transferred from DNB Liv. Net financial income amounted to NOK 401 million (NOK 212 million), which is NOK 190 million higher than last year. Premiums have increased by NOK 548 million in the year to date, which represents annualised growth of 5.7%.

SpareBank 1 Forsikring's profit before tax amounted to NOK 293 million (NOK 127 million). Its profit after tax was NOK 254 million (NOK 86 million). All profit components saw improvements. The risk result amounted to NOK 96 million (NOK 41 million). An improvement of NOK 68 million from last year, where the administration result improved by NOK 2 million. The interest result amounted to NOK 599 million (NOK -72 million). The value of properties in the collective portfolio has been adjusted by NOK 216 million in the year to date. At the same time last year, the value of properties in the collective portfolio was adjusted by NOK -317 million.

SpareBank 1 Factoring posted a profit before tax of NOK 51 million (NOK 54 million).

The Modhi Group (activities within debt recovery and debt administration services) posted a profit before tax of NOK 127 million (NOK -2 million). Its profit after tax was NOK 90 million (NOK -5 million). Assets in the portfolio have been written up by NOK 89 million in the year to date, while last year they were written down by NOK 36 million due to the Covid-19 crisis.

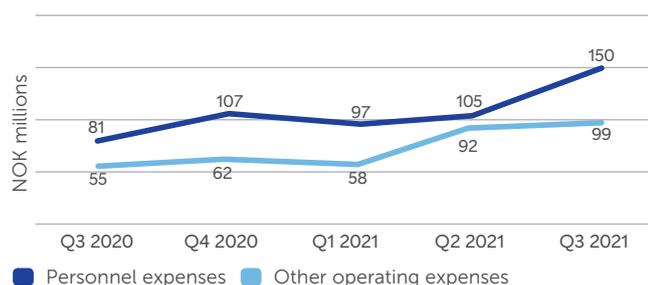
Income from ownership interests, BN Bank ASA

BN Bank ASA's profit for the year to date amounted to NOK 356 million (NOK 250 million). SpareBank 1 Sørøst-Norge owns 7.5% of BN Bank ASA. SpareBank 1 Sørøst-Norges recognised income from BN Bank's profit amounted to NOK 22.1 million at the end of the third quarter.

Operating expenses

Total operating expenses were NOK 601 million (NOK 429 million). Operating expenses as a percentage of total operating income for the Group came to 41.9% (44.9%). The corresponding cost-income ratio for the parent bank was 36.5% (41.6%).

Quarterly change in operating expenses:



| Merger-related one-time costs 2021 (NOK millions) | As at | As at |
|--|------------------------|-------------------------|
| | 30.09.2021 Official | 30.09.2021 Pro forma |
| Personnel expenses | 19 | 19 |
| Other operating expenses | 22 | 43 |
| Total | 41 | 62 |

Personnel expenses

Personnel expenses amounted to NOK 352 million (NOK 252 million). Of which, merger-related one-time costs amounted to approximately NOK 19 million. This mainly consisted of a change in the pension provisions for the newly appointed CEO and severance pay for the former CEO.

The number of FTEs at the end of the quarter was 539.1 (347.1), of which the parent bank employs 380.4 (235.0). The increase is related to the merger with Sparebanken Telemark with effect from 01.06.2021, as well as the acquisition of Regnskapsdata Kongsberg AS on 01.01.2021.

Other operating expenses

Other operating expenses were NOK 249 million (NOK 177 million). Of which, merger-related one-time costs

amounted to approximately NOK 22 million. These were mainly related to transaction expenses/ legal fees.

Losses and impairment provisions

Losses charged as costs amounted to NOK 78 million (NOK 33 million).

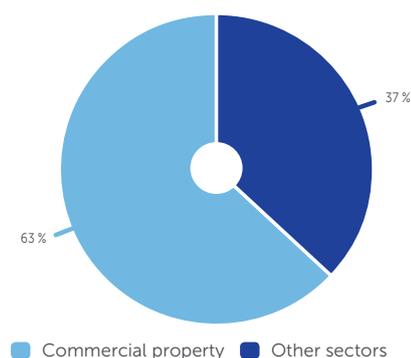
In connection with the opening balance as at 01.06.2021, loans in Stage 1 were measured at fair value, which was equivalent to their nominal value, in line with IFRS 9. When calculating lending in SpareBank 1 Sørøst-Norge, IFRS 9 requires that an impairment provision be made amounting to 12 months' expected credit losses, which amounted to NOK 89 million. This corresponds to Sparebanken Telemark's impairment provision as at 31.05.2021 (prior to the merger).

Losses on loans and guarantees in the quarter resulted in net income recognition of NOK 35 million, NOK 23.5 million of which was due to the positive effect of the change in scenario weights for the corporate market portfolio. In addition, there was a reduction in the model-generated loss provisions, mainly as a result of changes in expected credit loss (ECL) due to positive developments in the corporate market portfolio.

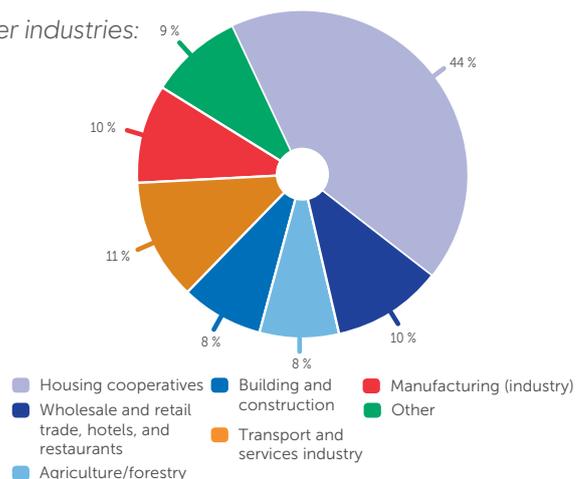
Loss provisions for loans and guarantees amounted to NOK 259 million (NOK 167 million), which is equivalent to 0.42% (0.51%) of gross lending on the balance sheet.

Mortgages for retail customers account for around 77% (82%) of the Bank's total lending.

CM – volume in commercial property and other industries:



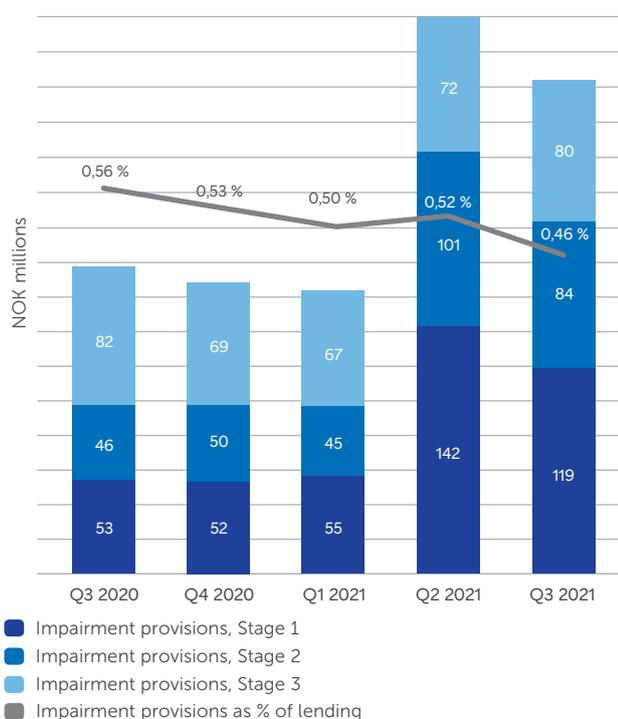
Other industries:



The Bank's credit risk increased as a result of the Covid-19 outbreak and abrupt shutdown of the Norwegian economy from 12.03.2020. The Bank's model for calculating expected credit losses was not designed to be able to estimate on the basis of a sharp negative shift in general conditions since the model is largely based on historical data. Given this, the Bank has since the start of the Covid-19 pandemic conducted comprehensive quarterly reviews of the retail and corporate market portfolios with an emphasis on the most vulnerable industries. Customers with weak operations and liquidity have been identified and individual impairment provisions have been made. Few exposures requiring individual impairment provisions were identified in 2021. The PD and LGD levels in the IFRS model have not been recalibrated, although the loss assessments were based on a review of the portfolio. In the third quarter, the remaining 60% of the Bank's corporate customers have submitted audited accounting figures for 2020. These figures will be included in the model calculations as they become available and the estimates for the risk of losses in the portfolio will thus again be based, to a greater extent, on updated publicly available information.

In addition to expanded individual loss assessments, the Bank assessed the model's scenario weights in this quarter as well. Based on the full reopening of society and thus a reduction in the risk picture, the corporate market weights were changed from 80/20/0 at the end of the second quarter (probability of normal/worst/best scenario, respectively) to 80/15/5, while the retail market weights remained unchanged at 80/15/5. The effect on the result of the change in scenario weights resulted in a reversal of expected credit loss of NOK 23.5 million. Please see the more detailed comments in Notes 2 and 7.

Quarterly change in impairment provisions:



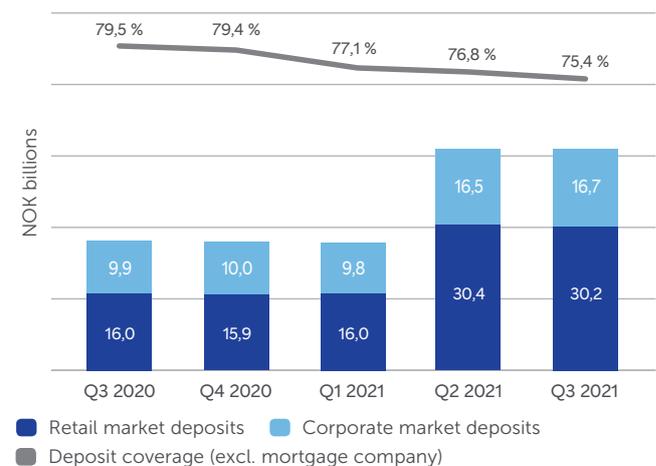
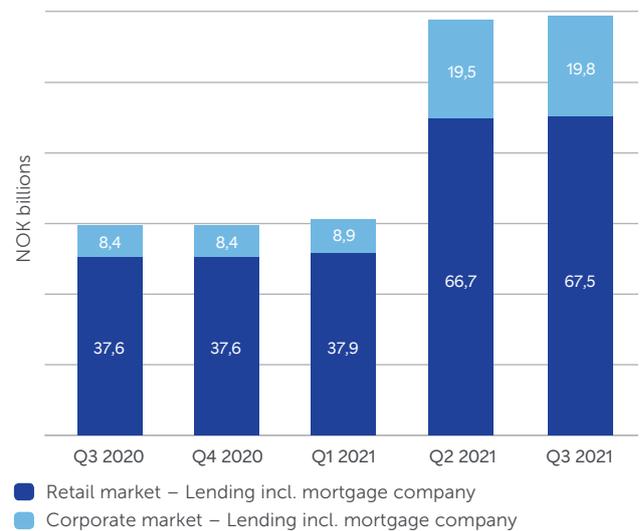
Statement of financial position performance

The Group's total assets amounted to NOK 74,432 million (NOK 40,076 million). The Group's business capital (total assets including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS) amounted to NOK 99,645 million (53,472 million).

Lending and deposit performance

Gross lending (including the volume transferred to SpareBank 1 Boligkreditt AS/SpareBank 1 Næringskreditt AS) amounted to NOK 87,383 million. The past 12 months have seen lending growth of 6.2% (pro forma). Some NOK 3,403 million, equivalent to 5.3%, of the growth came in the retail market and NOK 1,713 million, equivalent to 9.5%, in the corporate market. The retail market's share of lending (including SpareBank 1 Boligkreditt AS) at the end of the quarter was 77% (82%).

Quarterly change in loans and deposits:



At the end of the quarter, the Group had a deposit volume of NOK 46,888 million (25,914 million) with deposit growth of 7.4% (pro forma) in the past 12 months. Some NOK 1,340 million, equivalent to 4.6%, of the growth came in the retail market and NOK 1,886 million, equivalent to 12.7%, in the corporate market. The Group had a deposit coverage ratio of 75.4%, compared with

79.5% at the same time last year. Including the volume transferred to SpareBank 1 Boligkreditt AS/SpareBank 1 Næringskreditt AS, the deposit coverage ratio amounted to 53.7% (56.4%). The retail market's share of deposits at the end of the quarter was 64% (62%).

Liquidity

The Bank's liquidity situation at the end of the quarter is good. The Bank's liquidity portfolio was valued at NOK 6,421 million and its LCR at 143% (153%) as at 30.09.2021. The Bank aims to keep its liquidity risk low. In a normal market, SpareBank 1 Sørøst-Norge's goal is to be able to maintain ordinary operations for a minimum of 12 months without access to new external financing. As at 30.09.2021, the Bank was well above this target.

At the end of the quarter, mortgages totalling NOK 23,599 million had been transferred to SpareBank 1 Boligkreditt AS. As at 30.09.2021, the Bank has a portfolio of loans approved for transfer to SpareBank 1 Boligkreditt AS worth NOK 21.8 billion. In addition, the Bank had transferred loans to SpareBank 1 Næringskreditt AS worth NOK 1,614 million as at 30.09.2021. In 2021, the Group's target is to increase the average time to maturity of its bond debt to a minimum of 3.0 years. At the end of the quarter, the average term to maturity was 3.0 (3.1) years.

In the fourth quarter of 2020, the Financial Supervisory Authority of Norway set the Bank's MREL requirement at 31.8% of the adjusted calculation basis. This will be gradually phased in by 01.01.2024. The Board of Directors expects the Financial Supervisory Authority of Norway to set a new MREL requirement for SpareBank 1 Sørøst-Norge in fourth quarter of 2021.

Given the new Pillar 2 requirement in connection with the merger, the Bank has calculated a new MREL requirement at 32.6% of the adjusted calculation basis, which corresponds to convertible debt (SNP) of NOK 5,126 million calculated as at 30.09.2021. At the end of the

quarter, the Bank had issued convertible debt (SNP) of NOK 1,550 million.

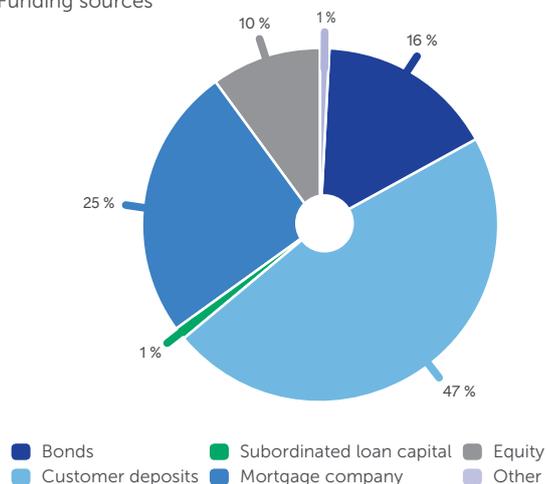
SpareBank 1 Sørøst-Norge has an issuer rating from Moody's of A2 with a positive outlook; see Moody's latest credit analysis dated 03.06.2021. The positive outlook reflects Moody's view of the merger between SpareBank 1 BV and Sparebanken Telemark and further issuance of senior non-preferred bonds, which will provide better protection for depositors and other senior debt.

Equity Capital adequacy

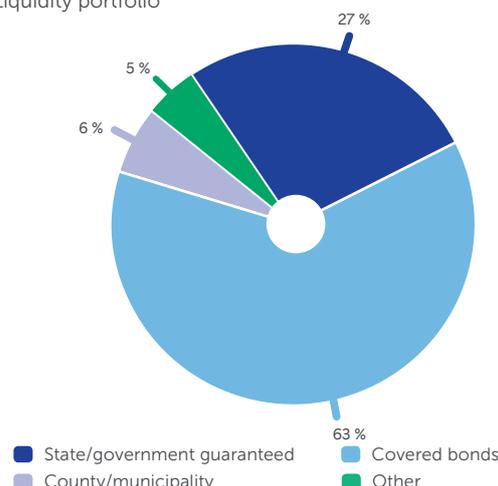
When calculating capital adequacy, SpareBank 1 Sørøst-Norge uses the standard method for calculating credit risk and the basic method for operational risk.

In light of the Covid-19 pandemic, the Ministry of Finance decided on 13.03.2020 to reduce the countercyclical buffer from 2.5% to 1% with immediate effect. Based on this, the regulatory requirement for Common Equity Tier 1 capital in Pillar 1 is 11%. In connection with the merger, the Financial Supervisory Authority of Norway set a Pillar 2 requirement for the Bank of 2.3%, applicable from 01.06.2021. This requirement will apply until the Financial Supervisory Authority of Norway sets a new Pillar 2 requirement. The Board of Directors is going to start work on a new internal capital adequacy assessment process (ICAAP). The assessment must be submitted to the Financial Supervisory Authority of Norway by no later than 12 months after the merger has been completed. The total regulatory requirement for the Common Equity Tier 1 capital ratio before the management buffer is 13.3%. The Group's target for the Common Equity Tier 1 capital ratio is a minimum of 16.0%, although this will be increased to 17.0% in light of the increase in the requirements for the systemic risk buffer and countercyclical buffer in 2022. The high proportion of fully-vaccinated people among the public has led to the reopening of society.

Funding sources



Liquidity portfolio



Activity in the Norwegian economy has therefore picked up following the sharp fall last year. Unemployment has fallen and there is solid activity in the Norwegian economy. Therefore, on 17.06.2021, the Ministry of Finance decided to increase the countercyclical buffer by 0.5 percentage points to 1.5% with effect from 30.06.2022.

At the end of the quarter, the Common Equity Tier 1 capital ratio was 18.1% (18.7%), inclusive of 50% of the profit as at 30.09.2021. The leverage ratio was 8.4% (8.5%) at the end of the quarter. The regulatory requirement for the leverage ratio is 5.0%.

On 10.12.2020, the Financial Supervisory Authority of Norway published a circular on assessing what exposures should be considered high risk. The Financial Supervisory Authority of Norway's interpretation of the current CRR rules indicates that property development projects constructed for the purpose of resale at a profit should be regarded as speculative investments and be risk weighted at 150%. These regulations were implemented by both banks in the previous three quarters. In the current quarter, construction projects with documented binding pre-sales of at least 50% of the exposure are risk-weighted by 100%, ref. Circular 2/2021 from the Financial Supervisory Authority of Norway.

An expanded SME discount will be introduced in connection with the approved banking package in CRR 2/CRD V. Preliminary calculations estimate the effect will be an increase in the Common Equity Tier 1 capital ratio of 0.6 percentage points. There remains some uncertainty about when the rules in the banking package will be enacted in the EEA agreement and come into force in Norway.

Quarterly change in capital adequacy (proportional consolidation):



Transactions with close associates

Apart from the completed merger between SpareBank

1 BV and Sparebanken Telemark, the Group has not carried out any transactions with close associates that had a significant impact on the company's position or results during the reporting period.

Merger synergies

In connection with the merger between SpareBank 1 BV and Sparebanken Telemark, the banks announced on 30.11.2020 that total income and cost synergies of between NOK 75 million and NOK 120 million had been defined, and these will be fully phased in by the end of 2024. It is estimated that total transaction costs and implementation costs for realising synergies will amount to NOK 110-130 million. Since 30.11.2020, the number of FTEs in the parent bank has been reduced by 16.

The revision of the work on synergies estimates that the total remaining synergies are somewhere in the range of NOK 80-90 million per year, which will be fully phased in by the end of 2024.

An estimated NOK 80 million of one-time costs remain in relation to the previously communicated amount of NOK 110-130 million, which will be incurred in full in 2022. This amount does not include the change in pension provisions and the severance pay for the CEO and former CEO, respectively.

Covid-19

Infection rates have been low in the Bank's areas in the third quarter. The reopening of society is underway and a very high proportion of the population has been vaccinated. This positive trend has reduced unemployment. Even though the infection rate is falling and the proportion of people who have been vaccinated is rising, some uncertainty remains concerning how the ongoing pandemic will spread and how long it will last. Infection rates have increased in some parts of the country. The high rates of vaccination among the population limits the spread of the pandemic while at the same time vaccination provides a high degree of protection from serious illness for the vaccinated. The number of hospital admissions has increased, although they still at a low level compared to previous periods with high infection rates and hospital capacity is not under threat. It is uncertain how things will develop during the rest of autumn and winter. The colder weather, possible weakening of immunity over time and potential mutation of the virus could provide better conditions for the virus in relation to infection rates. The low interest rates and support measures established by the government are having a positive impact for those corporate and retail customers who have been hit hardest by the pandemic. Developments in the Bank's corporate market portfolio support the positive development in society in general. The reopening of society has led to strong growth in household demand for goods and services from companies.

Future outlook

The Norwegian economy continued to develop positively in the third quarter. Expansive fiscal and monetary policies combined with high vaccination rates among the public have led to a sharp rise in activity in the Norwegian economy after the dramatic economic downturn in the spring of last year. Strong growth in commodity prices for oil and gas is also stimulating the Norwegian economy. Although the Norwegian krone exchange rate has strengthened, it remains relatively weak from a longer perspective. Norges Banks regional survey shows that business in our region (Region South) is optimistic about the future and planning for increased investment and employment. Unemployment in Vestfold og Telemark County, measured as the proportion of completely unemployed people registered with NAV, has fallen and was 2.7% at the end of September.

Compared with periods prior to Covid-19 and taking into account the fact that both the national and global economies have seen a sharp downturn in the real economy, there have been strikingly few bankruptcies in the business sector. This can be explained by the comprehensive economic measures taken by the authorities. Credit quality in the Bank's lending portfolio is stable. The overall impression for the business sector is positive. However, some uncertainty remains about future developments due to an increase in the Norwegian krone exchange rate, higher goods and labour costs and possible stricter local measures due to higher infection rates.

As expected, Norges Bank raised its policy rate to 0.25% at its monetary policy meeting on 22.09.2021. A further hike in the policy rate is expected at the monetary policy meeting in December. Increasing the policy rate

could result in a more moderate house price trend due to a slight rise in lending rates. House prices have grown strongly in the Bank's market area in the past 12 months, although the seasonally adjusted trend in the third quarter was flat in line with other regions.

While higher interest rates and potential increases in wealth tax may have a dampening effect on future price developments, house prices in our market areas are still at a much lower level than in, for example, Oslo, although there are considerable differences in the price picture in rural areas and in larger cities. Therefore, the Bank expects continued moderate positive growth in house prices in our market area.

A large proportion of business in the county is export-oriented, where the Norwegian krone exchange rate is important in terms of competitiveness. A weak exchange rate throughout the Covid-19 pandemic has helped to ensure that companies have managed to meet the economic challenges in a positive way.

A number of commodity prices have risen sharply recently. This could impact both households and companies. Among other things, electricity prices have significantly increased. Higher commodity prices have led to higher inflation. Labour shortages in some sectors may also affect wage inflation. Over time, this may lead to a change in Norges Bank's projected path of interest rates in that the policy rate may be hiked by more than current expectations. The household debt situation means that interest rates will probably be raised cautiously.

The Bank is based in attractive market areas that border each other. High house prices in Oslo combined with the possibility of an increase in working from home mean that many are considering settling elsewhere. Figures from the property market in the third quarter appear to support this. Although the migration pattern could change with fewer people settling in Oslo, it remains the case that many are moving from rural areas into urban areas. SpareBank 1 Sørøst-Norge has a total of 17 branches spread across cities and towns in areas seeing growth. The business sector in the Bank's market areas is well diversified with the varied composition of the sectors in our regions represented by the public sector, industry, power, technology, research and trade.

The objective of the merger with SpareBank 1 Modum is to strengthen the Bank's position in the Drammen region. The merger will also contribute to stronger professional and expert environments, provide a basis for better terms in the capital markets as a result of increased scale, improve profitability and, through the savings bank foundations, strengthen the savings bank's position in the local market.

A general increase in market interest rates will improve the Bank's net interest income and earnings. The Group's target for its return on equity is 11% in 2024. The target will be achieved through profitable growth, efficient operations and good cost control. The Bank's ambition is to apply for IRBa approval in the longer term.

Sandefjord, 09.11.2021

The Board of Directors of SpareBank 1 Sørøst-Norge

Finn Haugan
Chair of the Board

Anne Berg Behring
Deputy Chair

Elisabeth Haug

Heine Wang

Jan Erling Nilsen

Hanne Myhre Gravdal
Employee representative

Frede Christensen
Employee representative

Per Halvorsen
CEO

Interim financial statements

A decorative graphic at the bottom of the page consists of two overlapping circles. The larger circle on the left is a vibrant blue, and the smaller circle on the right is a lighter, pale blue. They overlap in the bottom right corner of the page.

Summary of results and key figures (Group)

| (Amounts in NOK millions) | 30.09.2021 | % | 30.09.2020 | % | 31.12.2020 | % |
|---|-------------------|---|-------------------|-------------|-------------------|-------------|
| Net interest income | 620 | 1.50 | 492 | 1.66 | 649 | 1.63 |
| Net commission and other income | 504 | 1.22 | 354 | 1.19 | 477 | 1.20 |
| Net income from financial assets | 310 | 0.75 | 112 | 0.38 | 134 | 0.34 |
| Total net income | 1,434 | 3.47 | 957 | 3.23 | 1,260 | 3.17 |
| Total operating expenses | 601 | 1.45 | 429 | 1.45 | 599 | 1.51 |
| Operating profit before losses/profit before losses and tax | 833 | 2.01 | 528 | 1.78 | 661 | 1.66 |
| Losses on loans and guarantees | 78 | 0.19 | 33 | 0.11 | 31 | 0.08 |
| Profit before tax | 755 | 1.83 | 495 | 1.67 | 630 | 1.59 |
| Tax expense | 112 | 0.27 | 98 | 0.33 | 125 | 0.32 |
| Profit after tax | 644 | 1.56 | 397 | 1.34 | 505 | 1.27 |
| Total other comprehensive income recognised as equity | 2 | 0.00 | 2 | 0.01 | 2 | 0.00 |
| Total comprehensive income | 645 | 1.56 | 399 | 1.35 | 507 | 1.28 |
| | 30.09.2021 | 30.09.2021 with pro forma figures for 2020 | 30.09.2020 | | 31.12.2020 | |
| Profitability | | | | | | |
| Return on equity, profit before other comprehensive income ¹ | 11.5% | | 10.2% | | 9.7% | |
| Return on equity, comprehensive income | 11.5% | | 10.3% | | 9.7% | |
| Cost-income ratio ² | 41.9% | | 44.9% | | 47.6% | |
| Cost-income ratio excl. financial investments | 53.5% | | 50.8% | | 53.2% | |
| Statement of financial position figures | | | | | | |
| Gross lending to customers | 62,171 | | 32,585 | | 32,586 | |
| Gross lending to customers incl. SpareBank 1 Boligkreditt/Næringskreditt | 87,383 | | 45,982 | | 45,999 | |
| Deposits from customers | 46,888 | | 25,914 | | 25,864 | |
| Deposit coverage | 75.4% | | 79.5% | | 79.4% | |
| Liquidity coverage ratio (LCR), liquidity reserve | 143.0% | | 153.0% | | 189.0% | |
| Lending growth incl. SpareBank 1 Boligkreditt/Næringskreditt past 12 months | | 6.2% | 6.0% | | 3.9% | |
| Deposit growth in the past 12 months | | 7.4% | 5.9% | | 5.8% | |
| Total assets | 74,432 | | 40,076 | | 40,455 | |
| Business capital (incl. SpareBank 1 Boligkreditt/Næringskreditt) | 99,645 | | 53,472 | | 53,868 | |

| | 30.09.2021 | 30.09.2021 with pro forma figures for 2020 | 30.09.2020 | 31.12.2020 |
|---|-------------------|--|-------------------|-------------------|
| Losses | | | | |
| Loss rate on lending ³ | 0.16% | | 0.10% | 0.10% |
| Loans in Stage 3 as % of gross lending | 0,47 % | | 0.66% | 0.61% |
| Losses (incl. SpareBank 1 Boligkreditt/Næringskreditt) | | | | |
| Loss rate on lending ³ (incl. Sparebank 1 Boligkreditt/Næringskreditt) | 0.12% | | 0.07% | 0.07% |
| Loans in Stage 3 as % of gross lending (incl. SpareBank 1 Boligkreditt/Næringskreditt) | 0.33% | | 0,47 % | 0.43% |
| Financial strength in terms of proportional consolidation | | | | |
| Capital adequacy ratio | 20.8% | | 21.9% | 22.0% |
| Tier 1 capital ratio | 19.1% | | 20.0% | 20.0% |
| Common Equity Tier 1 capital ratio | 18.1% | | 18.7% | 18.8% |
| Net primary capital | 10,183 | | 5,676 | 5,744 |
| Tier 1 capital | 9,345 | | 5,162 | 5,233 |
| Common Equity Tier 1 capital | 8,865 | | 4,834 | 4,907 |
| Basis for calculation | 48,977 | | 25,871 | 26,156 |
| Leverage ratio, proportional consolidation | 8.4% | | 8.5% | 8.6% |
| Offices and staffing | | | | |
| Number of bank branches | 17 | | 10 | 10 |
| Number of brokerage offices | 16 | | 10 | 10 |
| Number of accounting offices | 5 | | 5 | 5 |
| Number of FTEs, parent bank (avg. YTD) | 301 | | 235 | 235 |
| Number of FTEs, group (avg. YTD) | 442 | | 343 | 345 |
| Equity certificates | | | | |
| | 30.09.2021 | | 30.09.2020 | 31.12.2020 |
| Equity certificate fractions | 60.27% | | 54.69% | 54.69% |
| Market price | 53.00 | | 35.30 | 41.30 |
| Market value (NOK millions) | 6,291 | | 2,227 | 2,606 |
| Book equity per certificate (parent bank) | 46.91 | | 42.56 | 43.39 |
| Book equity per certificate (Group) | 48.27 | | 44.60 | 45.62 |
| Earnings per equity certificate (parent bank) ⁴ | 4.20 | | 2.78 | 3.62 |
| Earnings per equity certificate (Group) ⁴ | 4.32 | | 3.33 | 4.34 |
| Dividend per equity certificate | - | | - | 1.90 |
| Price/earnings per equity certificate (parent bank) | 12.62 | | 12.69 | 11.42 |
| Price/earnings per equity certificate (Group) | 12.26 | | 10.61 | 9.52 |
| Price/book equity (parent bank) | 1.13 | | 0.83 | 0.95 |
| Price/book equity (Group) | 1.10 | | 0.79 | 0.91 |

1. The profit after tax as a percentage of average equity (OB+CB)/2, excl. hybrid capital.

2. Total operating expenses as percentage of total operating income.

3. Net losses as a percentage of average gross lending so far this year.

4. Adjusted profit (see section on 'The Bank's equity certificates') multiplied by equity certificate ratio and divided by the average number of outstanding equity certificates.

5. As a % of average total assets

Consolidated Income Statement IFRS

| Parent bank | | | | | Group | | | | | | |
|---------------------------|-------------|-------------|----------------|----------------|--|--------------|----------------|----------------|-------------|-------------|----------------|
| 31.12. 2020 | Q3 2020 | Q3 2021 | 30.09. 2020 | 30.09. 2021 | | Note | 30.09. 2021 | 30.09. 2020 | Q3 2021 | Q3 2020 | 31.12 .2020 |
| (Amounts in NOK millions) | | | | | | | | | | | |
| 96 | 18 | 25 | 78 | 64 | Interest income - assets measured at fair value | | 64 | 78 | 25 | 18 | 96 |
| 883 | 198 | 349 | 692 | 777 | Interest income - assets measured at amortised cost | | 776 | 692 | 348 | 198 | 884 |
| 331 | 55 | 97 | 278 | 220 | Interest expenses | | 220 | 278 | 96 | 55 | 331 |
| 648 | 161 | 277 | 493 | 620 | Net interest income | | 620 | 492 | 277 | 161 | 649 |
| 331 | 91 | 161 | 237 | 355 | Commission income | | 355 | 237 | 161 | 91 | 331 |
| 19 | 6 | 10 | 14 | 20 | Commission expenses | | 20 | 14 | 10 | 6 | 19 |
| 9 | 3 | 2 | 9 | 4 | Other operating income | | 169 | 131 | 63 | 47 | 165 |
| 320 | 88 | 153 | 231 | 339 | Net commission and other income | 13 | 504 | 354 | 214 | 133 | 477 |
| 67 | - | - | 58 | 128 | Dividends | | 33 | 22 | - | - | 31 |
| 2 | - | - | 2 | 11 | Net result from ownership interests | | 104 | 83 | 54 | 23 | 101 |
| 2 | 4 | 4 | 7 | 170 | Net result from other financial investments ¹⁾ | | 173 | 7 | 7 | 4 | 2 |
| 70 | 4 | 4 | 67 | 310 | Net income from financial assets | 3, 14 | 310 | 112 | 61 | 27 | 134 |
| 1,039 | 253 | 434 | 791 | 1,269 | Total net income | | 1,434 | 957 | 553 | 320 | 1,260 |
| 250 | 52 | 105 | 170 | 236 | Personnel expenses | | 352 | 252 | 150 | 81 | 359 |
| 213 | 50 | 90 | 159 | 227 | Other operating expenses | | 249 | 177 | 99 | 55 | 240 |
| 463 | 102 | 196 | 329 | 463 | Total operating expenses | | 601 | 429 | 249 | 136 | 599 |
| 576 | 150 | 239 | 462 | 806 | Profit before losses and tax | | 833 | 528 | 303 | 184 | 661 |
| 35 | (11) | (35) | 36 | 78 | Losses on loans and guarantees | 6, 7 | 78 | 33 | (35) | (11) | 31 |
| 541 | 161 | 274 | 426 | 729 | Profit before tax | | 755 | 495 | 339 | 194 | 630 |
| 121 | 39 | 69 | 93 | 106 | Tax expense | | 112 | 98 | 70 | 41 | 125 |
| 420 | 122 | 206 | 333 | 623 | Profit before other comprehensive income | | 644 | 397 | 269 | 153 | 505 |
| - | - | - | - | - | Controlling interest's share of profit | | 641 | 396 | 267 | 153 | 503 |
| - | - | - | - | - | Non-controlling interest's share of profit | | 3 | 1 | 1 | 1 | 1 |
| 3 | (1) | 1 | 2 | 2 | <i>Items reversed through profit or loss, net after tax</i> Change in value of loans classified at fair value | | 2 | 2 | 1 | (1) | 3 |
| (1) | - | - | - | - | <i>Items not reversed through profit or loss, net after tax</i> Estimation difference, IAS 19 Pensions | | - | - | - | - | (1) |
| 2 | (1) | 1 | 2 | 2 | Total other comprehensive income recognised as equity | | 2 | 2 | 1 | (1) | 2 |
| 422 | 121 | 206 | 335 | 624 | Total comprehensive income | | 645 | 399 | 269 | 153 | 507 |
| - | - | - | - | - | Controlling interest's share of total comprehensive income | | 642 | 398 | 268 | 152 | 505 |
| - | - | - | - | - | Non-controlling interest's share of total comprehensive income | | 3 | 1 | 1 | 1 | 1 |
| 3.62 | 1.01 | 1.03 | 2.78 | 4.20 | Earnings and diluted result per equity certificate before other comprehensive income | | 4.32 | 3.33 | 1.34 | 1.28 | 4.34 |

1) Of which, recognised negative goodwill related to the merger amounted to NOK 151 million in the second quarter of 2021.

Consolidated Statement of Financial Position

| Parent bank | | | | | Group | | |
|---------------|---------------|---------------|---|---------|---------------|---------------|---------------|
| 31.12.2020 | 30.09.2020 | 30.09.2021 | (Amounts in NOK millions) | Note | 30.09.2021 | 30.09.2020 | 31.12.2020 |
| 101 | 100 | 112 | Cash and receivables from central banks | | 112 | 100 | 101 |
| 1,035 | 517 | 2,021 | Loans to and receivables from financial institutions | | 2,021 | 569 | 1,074 |
| 32,464 | 32,464 | 61,984 | Net lending to customers | 5. 8. 9 | 61,946 | 32,434 | 32,444 |
| 4,433 | 4,463 | 6,429 | Certificates, bonds and other securities at fair value | | 6,429 | 4,463 | 4,433 |
| 1,372 | 1,422 | 2,266 | Shareholdings and other equity interests | | 2,266 | 1,422 | 1,372 |
| 37 | 38 | 69 | Ownership interests in Group companies | | - | - | - |
| 485 | 485 | 858 | Interests in joint ventures and associated companies | | 1,089 | 694 | 713 |
| 74 | 83 | 226 | Tangible assets | | 263 | 111 | 102 |
| - | - | - | Goodwill | | 34 | 25 | 25 |
| 11 | 9 | 7 | Deferred tax assets | | 7 | 10 | 12 |
| 169 | 231 | 165 | Other assets | 16 | 266 | 249 | 180 |
| 40,182 | 39,812 | 74,137 | Total assets | | 74,432 | 40,076 | 40,455 |
| 200 | 200 | 150 | Deposits from and liabilities to financial institutions | 18 | 150 | 200 | 200 |
| 25,903 | 25,948 | 46,928 | Deposits from customers | 17 | 46,888 | 25,914 | 25,864 |
| 7,909 | 7,508 | 16,053 | Liabilities from the issuance of securities | 18 | 16,053 | 7,508 | 7,909 |
| 121 | 107 | 143 | Tax payable | | 150 | 113 | 125 |
| 372 | 459 | 542 | Other liabilities | 20 | 593 | 512 | 421 |
| 401 | 401 | 703 | Subordinated loan capital | 19 | 703 | 401 | 401 |
| 34,905 | 34,623 | 64,520 | Total liabilities | | 64,537 | 34,648 | 34,919 |
| 947 | 947 | 1,778 | Equity share capital | | 1,778 | 947 | 947 |
| 1,026 | 1,026 | 2,777 | Share premium fund | | 2,777 | 1,026 | 1,026 |
| 645 | 537 | 645 | Risk equalisation fund | | 645 | 537 | 645 |
| 7 | 7 | 7 | Endowment fund | | 7 | 7 | 7 |
| 2,261 | 2,072 | 3,423 | Sparebankens Fond | | 3,423 | 2,072 | 2,261 |
| 22 | 27 | 23 | Fund for unrealised gains | | 23 | 27 | 22 |
| 250 | 250 | 350 | Hybrid capital | | 350 | 250 | 250 |
| 120 | - | - | Other equity | | 250 | 173 | 378 |
| - | 323 | 615 | Unallocated | | 633 | 386 | - |
| - | - | - | Non-controlling interest's share | | 10 | 2 | 2 |
| 5,277 | 5,189 | 9,617 | Total equity | | 9,895 | 5,428 | 5,537 |
| 40,182 | 39,812 | 74,137 | Liabilities and equity | | 74,432 | 40,076 | 40,455 |

Results from quarterly financial statements

| Group | | | | | | | | | |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| (Amounts in NOK millions) | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 | Q3 2019 |
| Interest income | 373 | 262 | 205 | 210 | 215 | 247 | 308 | 317 | 294 |
| Interest expenses | 96 | 68 | 56 | 53 | 55 | 95 | 129 | 129 | 122 |
| Net interest income | 277 | 194 | 149 | 157 | 161 | 152 | 180 | 187 | 172 |
| Commission income | 161 | 109 | 85 | 94 | 91 | 70 | 76 | 77 | 79 |
| Commission expenses | 10 | 6 | 4 | 5 | 6 | 4 | 4 | 4 | 4 |
| Other operating income | 63 | 62 | 44 | 34 | 47 | 45 | 39 | 32 | 35 |
| Net commission and other income | 214 | 164 | 125 | 123 | 133 | 111 | 110 | 105 | 110 |
| Dividends | 0 | 22 | 10 | 9 | 0 | 7 | 15 | 7 | - |
| Net result from ownership interests | 54 | 34 | 17 | 18 | 23 | 21 | 38 | 4 | 11 |
| Net result from other financial investments | 7 | 150 | 16 | (6) | 4 | 50 | (47) | 5 | (8) |
| Net income from financial assets | 61 | 206 | 42 | 22 | 27 | 78 | 7 | 16 | 3 |
| Total net income | 553 | 565 | 317 | 302 | 320 | 341 | 297 | 308 | 285 |
| Personnel expenses | 150 | 105 | 97 | 107 | 81 | 81 | 90 | 101 | 77 |
| Other operating expenses | 99 | 92 | 58 | 62 | 55 | 59 | 63 | 67 | 58 |
| Total operating expenses | 249 | 198 | 154 | 170 | 136 | 140 | 154 | 167 | 135 |
| Profit before losses and tax | 303 | 368 | 162 | 133 | 184 | 201 | 143 | 141 | 150 |
| Losses on loans and guarantees | (35) | 111 | 2 | (3) | (11) | 17 | 27 | (4) | 2 |
| Profit before tax | 339 | 256 | 160 | 135 | 194 | 185 | 116 | 144 | 148 |
| Tax expense | 70 | 13 | 29 | 28 | 41 | 35 | 22 | 32 | 36 |
| Profit before other comprehensive income | 269 | 244 | 131 | 108 | 153 | 150 | 94 | 112 | 112 |
| Parent bank | | | | | | | | | |
| Earnings per equity certificate (quarter in isolation) | 1.03 | 2.24 | 0.91 | 0.84 | 1.01 | 1.23 | 0.55 | 0.97 | 0.82 |
| Diluted earnings per equity certificate (quarter in isolation) | 1.03 | 2.24 | 0.91 | 0.84 | 1.01 | 1.23 | 0.55 | 0.97 | 0.82 |

Change in equity as at Q3 2021

| Group | Owner- ship interest ¹ | Share premium fund | Risk equali- sation fund | Endow- ment fund | Spare- bankens Fond | Fund for unrealised gains | Hybrid capital | Other equity | Not distrib- uted | Non- controlling interest's share | Total equity |
|--|---|--------------------------|-----------------------------------|---------------------|---------------------------|---------------------------------|-------------------|-----------------|-------------------------|--|-----------------|
| (Whole NOK millions) | | | | | | | | | | | |
| Equity as at 31.12.2019 | 947 | 1,026 | 537 | 7 | 2,072 | 25 | 250 | 328 | - | 1 | 5,193 |
| Employee equity certificate savings scheme | - | - | - | - | - | - | - | - | - | - | - |
| Interest expenses on subordinated bonds reclassified as equity | - | - | - | - | - | - | - | - | (10) | - | (10) |
| Additional Tier 1 capital issued | - | - | - | - | - | - | 100 | - | - | - | 100 |
| Buy-back and maturity of additional Tier 1 capital | - | - | - | - | - | - | (100) | - | - | - | (100) |
| Dividend from 2019, for payment in 2020 | - | - | - | - | - | - | - | (153) | - | (1) | (153) |
| Change in carrying amount of subsidiaries, joint ventures and associated companies | - | - | - | - | - | - | - | (2) | - | - | (2) |
| Profit before other comprehensive income | - | - | - | - | - | - | - | - | 396 | 1 | 397 |
| <i>Items reversed through profit or loss:</i> | | | | | | | | | | | |
| Change in value of loans classified at fair value | - | - | - | - | - | 2 | - | - | - | - | 2 |
| Equity as at 30.09.2020 | 947 | 1,026 | 537 | 7 | 2,072 | 27 | 250 | 173 | 386 | 2 | 5,428 |
| Equity as at 31.12.2019 | 947 | 1,026 | 537 | 7 | 2,072 | 25 | 250 | 328 | | 1 | 5,193 |
| Employee equity certificate savings scheme | - | - | - | - | - | - | - | - | - | - | - |
| Interest expenses on subordinated bonds reclassified as equity | - | - | - | - | - | - | - | (9) | - | - | (9) |
| Additional Tier 1 capital issued | - | - | - | - | - | - | 100 | - | - | - | 100 |
| Buy-back and maturity of additional Tier 1 capital | - | - | - | - | - | - | (100) | - | - | - | (100) |
| Dividend from 2019, for payment in 2020 | - | - | - | - | - | - | - | (153) | - | (1) | (153) |
| Change in carrying amount of joint ventures and associated companies | - | - | - | - | - | - | - | (1) | - | - | (1) |
| Profit before other comprehensive income | - | - | 109 | - | 189 | (6) | - | 212 | - | 1 | 505 |
| <i>Items reversed through profit or loss:</i> | | | | | | | | | | | |
| Change in value of loans classified at fair value | - | - | - | - | - | 3 | - | - | - | - | 3 |
| <i>Items not reversed through profit/loss:</i> | | | | | | | | | | | |
| Estimation difference, IAS 19 Pensions | - | - | - | - | - | - | - | - | - | - | (1) |
| Equity as at 31.12.2020 | 947 | 1,026 | 645 | 7 | 2,261 | 22 | 250 | 378 | - | 2 | 5,537 |

| | Owner- ship interest ¹ | Share premium fund | Risk equali- sation fund | Endow- ment fund | Spare- bankens Fond | Fund for unrealised gains | Hybrid capital | Other equity | Not distrib- uted | Non- controlling interest's share | Total equity |
|---|---|--------------------------|-----------------------------------|---------------------|---------------------------|---------------------------------|-------------------|-----------------|-------------------------|--|-----------------|
| Equity as at 31.12.2020 | 947 | 1,026 | 645 | 7 | 2,261 | 22 | 250 | 378 | | 2 | 5,537 |
| Equity added from the merger with Sparebanken Telemark, as well as bond issue SpareBank 1 BV. | 831 | 1,751 | - | - | 1,162 | - | 100 | - | - | 5 | 3,849 |
| Interest expenses on subordinated bonds reclassified as equity | - | - | - | - | - | - | - | - | (8) | - | (8) |
| Dividend for 2020 for payment in 2021 | - | - | - | - | - | - | - | (120) | - | (1) | (121) |
| Change in carrying amount of joint ventures and associated companies | - | - | - | - | - | - | - | (8) | - | - | (8) |
| Profit before other comprehensive income | - | - | - | - | - | - | - | - | 641 | 3 | 644 |
| <i>Items reversed through profit or loss:</i> | | | | | | | | | | | |
| Change in value of loans classified at fair value | - | - | - | - | - | 2 | - | - | - | - | 2 |
| Equity at 30.09.2021 | 1,778 | 2,777 | 645 | 7 | 3,423 | 23 | 350 | 250 | 633 | 10 | 9,895 |

1. The equity share capital has been deducted 3,000 in own holdings

Parent bank

| (Whole NOK millions) | Owner- ship interest ¹ | Share premium fund | Risk equali- sation fund | Endow- ment fund | Spare- banks Fond | Fund for unrealised gains | Hybrid capital | Other equity | Not distrib- uted | Total equity |
|---|--------------------------------------|--------------------------|-----------------------------------|------------------------|-------------------------|---------------------------------|-------------------|-----------------|-------------------------|-----------------|
| Equity as at 31.12.2019 | 947 | 1,026 | 537 | 7 | 2,072 | 25 | 250 | 153 | - | 5,017 |
| Employee equity certificate savings scheme | - | - | - | - | - | - | - | - | - | - |
| Interest expenses on subordinated bonds reclassified as equity | - | - | - | - | - | - | - | - | (10) | (10) |
| Additional Tier 1 capital issued | - | - | - | - | - | - | 100 | - | - | 100 |
| Buy-back and maturity of additional Tier 1 capital | - | - | - | - | - | - | (100) | - | - | (100) |
| Dividend for 2019 for payment in 2020 | - | - | - | - | - | - | - | (153) | - | (153) |
| Profit before other comprehensive income | - | - | - | - | - | - | - | - | 333 | 333 |
| <i>Items reversed through profit or loss:</i> | | | | | | | | | | |
| Change in value of loans classified at fair value | - | - | - | - | - | 2 | - | - | - | 2 |
| Equity as at 30.09.2020 | 947 | 1,026 | 537 | 7 | 2,072 | 27 | 250 | - | 323 | 5,189 |
| Equity as at 31.12.2019 | 947 | 1,026 | 537 | 7 | 2,072 | 25 | 250 | 153 | - | 5,017 |
| Employee equity certificate savings scheme | - | - | - | - | - | - | - | - | - | - |
| Interest expenses on subordinated bonds reclassified as equity | - | - | - | - | - | - | - | (9) | - | (9) |
| Additional Tier 1 capital issued | - | - | - | - | - | - | 100 | - | - | 100 |
| Buy-back and maturity of additional Tier 1 capital | - | - | - | - | - | - | (100) | - | - | (100) |
| Dividend for 2019 for payment in 2020 | - | - | - | - | - | - | - | (153) | - | (153) |
| Profit before other comprehensive income | - | - | 109 | - | 189 | (6) | - | 129 | - | 420 |
| <i>Items reversed through profit or loss:</i> | | | | | | | | | | |
| Change in value of loans classified at fair value | - | - | - | - | - | 3 | - | - | - | 3 |
| <i>Items not reversed through profit/loss:</i> | | | | | | | | | | |
| Estimation difference, IAS 19 Pension adjustment | - | - | - | - | - | - | - | - | - | (1) |
| Equity as at 31.12.2020 | 947 | 1,026 | 645 | 7 | 2,261 | 22 | 250 | 120 | - | 5,277 |
| Equity as at 31.12.2020 | 947 | 1,026 | 645 | 7 | 2,261 | 22 | 250 | 120 | - | 5,277 |
| Equity added from the merger with Sparebanken Telemark, as well as bond issue SpareBank 1 BV. | 831 | 1,753 | - | - | 1,162 | - | 100 | - | - | 3,846 |
| Interest expenses on subordinated bonds reclassified as equity | - | - | - | - | - | - | - | - | (8) | (8) |
| Dividend for 2020 for payment in 2021 | - | - | - | - | - | - | - | (120) | - | (120) |
| Profit before other comprehensive income | - | - | - | - | - | - | - | - | 623 | 623 |
| <i>Items reversed through profit or loss:</i> | | | | | | | | | | |
| Change in value of loans classified at fair value | - | - | - | - | - | 2 | - | - | - | 2 |
| Equity at 30.09.2021 | 1,778 | 2,777 | 645 | 7 | 3,423 | 23 | 350 | - | 615 | 9,617 |

1. The equity share capital has been deducted 3,000 in own holdings

Cash flow statement

The direct method is no longer used for the cash flow statement, the indirect method is now used. The historic figures are from the former SpareBank 1 BV only. The figures for 2021 concern SpareBank 1 Sørøst-Norge where the cash flow from the merged bank is from and including June. OB liquidity holdings at as 01.06.2021 from the former Telemark and as at 01.01.2021 from the former BV.

| Parent bank | | | | Group | | |
|--------------|----------------|----------------|--|----------------|----------------|--------------|
| 31.12.2020 | 30.09.2020 | 30.09.2021 | (Amounts in NOK millions) | 30.09.2021 | 30.09.2020 | 31.12.2020 |
| | | | Cash flow from operating activities | | | |
| 541 | 426 | 729 | Profit for the year before tax | 757 | 495 | 630 |
| - | - | - | Net profit from joint ventures | (104) | (83) | (101) |
| - | - | (151) | Negative goodwill through profit or loss | (151) | - | - |
| (4) | (3) | - | Loss/gain from fixed assets | - | (3) | (4) |
| 2 | 3 | 21 | Depreciation and impairments | 24 | 9 | 9 |
| 35 | 36 | 78 | Impairment of loans | 78 | 33 | 31 |
| (119) | (96) | (128) | Tax payable | (132) | (102) | (115) |
| (1,085) | (1,075) | (3,358) | Change in lending and other assets | (3,364) | (1,057) | (1,056) |
| 1,439 | 1,485 | 2,311 | Change in deposits from customers | 2,317 | 1,450 | 1,439 |
| - | - | 19 | Change in loans to and receivables from financial institutions | 19 | - | - |
| (304) | (334) | (576) | Change in certificates and bonds | (576) | (334) | (304) |
| 51 | (32) | 37 | Change in other receivables | (41) | (34) | 10 |
| (73) | 244 | (18) | Change in other current liabilities | (8) | 252 | (14) |
| 483 | 655 | (1,035) | Net cash flow from operating activities | (1,181) | 628 | 526 |
| | | | Cash flow from investing activities | | | |
| (6) | (5) | (3) | Investments in property, plant and equipment | (7) | (14) | (48) |
| 8 | 5 | 3 | Sales of property, plant and equipment | 20 | 5 | 8 |
| (67) | (61) | (168) | Investments in shares, equity certificates and units | (74) | (25) | (68) |
| 79 | 25 | 152 | Sales of shares, equity certificates and units | 152 | 25 | 78 |
| 14 | (35) | (16) | Net cash flow from investing activities | 90 | (9) | (30) |
| | | | Cash flow from financing activities | | | |
| 1,675 | 875 | 2,850 | Increase in financial borrowing | 2,850 | 875 | 1,677 |
| (1,971) | (1,814) | (2,107) | Repayment of financial borrowing | (2,107) | (1,814) | (1,971) |
| (40) | (40) | 52 | Borrowing, subordinated loans | 52 | (40) | (40) |
| (154) | (154) | (123) | Dividends/endowments paid | (123) | (154) | (153) |
| (490) | (1,132) | 672 | Net cash flow from financing activities | 672 | (1,133) | (487) |
| 7 | (513) | (380) | Total change in cash and cash equivalents in the year | (418) | (513) | 9 |
| 824 | 824 | 2,018 | Cash and cash equivalents OB | 2,056 | 824 | 861 |
| 832 | 312 | 1,638 | Cash balance at end of the period | 1,638 | 312 | 870 |
| 7 | (513) | (380) | Net change in cash and cash equivalents in the year | (418) | (513) | 9 |
| | | | Cash and cash equivalents, specified | | | |
| 101 | 100 | 112 | Cash and receivables from central banks | 112 | 100 | 101 |
| 731 | 212 | 1,526 | Current receivables from financial institutions | 1,526 | 212 | 769 |
| 832 | 312 | 1,638 | Cash and cash equivalents | 1,638 | 312 | 870 |

Cash flow from interest received, interest payments and dividends received

| 31.12.2020 | 30.09.2020 | 30.09.2021 | (Amounts in NOK millions) | 30.09.2021 | 30.09.2020 | 31.12.2020 |
|------------|------------|------------|---|------------|------------|------------|
| 914 | 771 | 800 | Interest received on loans to customers | 800 | 771 | 913 |
| (176) | (155) | (102) | Interest paid on deposits from customers | (102) | (155) | (177) |
| 12 | 10 | 7 | Interest received on loans to and receivables from financial institutions | 7 | 10 | 12 |
| (1) | (1) | - | Interest paid on loans to and receivables from financial institutions | - | (1) | (1) |
| 58 | 48 | 37 | Interest received on certificates and bonds | 37 | 48 | 58 |
| (134) | (105) | (99) | Interest paid on certificates and bonds | (99) | (105) | (134) |
| 69 | 58 | 128 | Dividends from investments | 33 | 22 | 31 |
| 742 | 628 | 772 | Net cash flow from interest received, interest payments and dividends received | 676 | 591 | 703 |

Notes to the financial statements



Note 1 – Accounting policies

The interim report for SpareBank 1 Sørøst-Norge covers the period 01.01.-30.09.2021. The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and in line with the same accounting policies and calculation methods applied in the annual financial statements for 2020.

For a detailed description of the accounting policies that have been applied, please see Note 2 in the Bank's official annual financial statements for 2020.

Note 2 – Critical accounting estimates and discretionary valuations

In preparing consolidated financial statements, the management makes estimates and discretionary assessments, as well as assumptions that affect the impact of applying the accounting policies.

This will therefore affect the reported amounts for assets, liabilities, income and expenses.

In the financial statements for 2020, Note 3 'Critical estimates and assessments regarding the use of accounting policies', gives more details of significant estimates and assumptions.

The IFRS 9 loss model is based on multiple input factors from the portfolios, where the events have occurred as of the statement of financial position date but where there is some natural delay before updated information

is entered into the model. Because of this delay factor, the Bank has conducted detailed, quarterly reviews of the corporate market portfolio in order to identify and make loss provisions for individual exposures. PD/LGD levels cannot be recalibrated in the model as per 30.09.2021.

In addition to expanded individual loss assessments, the Bank assessed the model's scenario weightings in this quarter as well. Based on a reduction in the risk picture and the full reopening of society, the CM weights from the second quarter were changed from 80/20/0 to 80/15/5 while the RM weights remained unchanged at 80/15/5. Please see the more detailed comments in Note 7 and the Board of Directors' Interim Report.

Note 3 – Merger of SpareBank 1 BV and Sparebanken Telemark on 01.06.2021

The merger of SpareBank 1 BV and Sparebanken Telemark was completed on 01.06.2021, with accounting effect from the same date. SpareBank 1 BV is the takeover bank and has changed its name to SpareBank 1 Sørøst-Norge. The merger was treated in line with the acquisition method in line with IFRS 3. The Bank's head office is currently in Tønsberg, although it will move to Fokserød in Sandefjord during the second quarter of 2022.

On 30 November 2020, the boards of the banks adopted an internal agreement on a possible merger between SpareBank 1 BV and Sparebanken Telemark. The merger was based on two solid and well-run banks being seen as having potential that could be exploited to further optimise their comparative advantages by forming SpareBank 1 Sørøst-Norge. This region (the former counties of Buskerud, Vestfold and Telemark) has a population of 750,000 and a very dynamic and expansive business sector. The intention behind the merger is to form a powerful bank that will strengthen the banks' positions with customers, produce greater returns for the owners, and, not least, create secure and attractive jobs within banking and finance in the region. The new bank also wants to strengthen and secure the banks' positions in the respective local communities via a decentralised organisational model, which together with the four strong and important local savings bank foundations is intended to underpin the Bank's identity.

The merger plan was approved by the boards of directors of both banks on 22.02.2021. The merger plan received the final approval of the banks' supervisory boards on 25.03.2021, and on 21.05.2021, the Financial Supervisory Authority of Norway granted the necessary permissions for the merger. Completion of the merger was approved for 01.06.2021.

The final merger plan set the exchange ratio at 60% for SpareBank 1 BV and 40% for Sparebanken Telemark, equivalent to an exchange ratio of 3.41 per equity certificate. The remuneration for the takeover of Sparebanken Telemark's business was settled in the form of new equity certificates in SpareBank 1 Sørøst-Norge.

In connection with the merger, the equity capital was increased by NOK 676.3 million through the issuance of 45,089,995 new equity certificates, of which 37,116,986 equity certificates were for the former equity certificate holders of Sparebanken Telemark and 7,973,009 equity certificates were for Sparebankstiftelsen Telemark – Grenland as remuneration for the business taken over from Sparebanken Telemark. These equity certificates were issued with a nominal value of NOK 15 per equity certificate and at a price of NOK 39.31 per equity certificate. The price corresponded to the 3-month volume weighted price as at 17.02.2021 less the proposed dividend of NOK 1.90 per equity certificate in SpareBank 1 BV.

A NOK 157.5 million increase in equity was also registered by converting primary capital to equity capital through the issuance of 10,498,569 new equity certificates for SpareBank 1 Stiftelsen BV at a price of NOK 41.49 per equity certificate.

Following the issuance of new equity certificates, total equity share capital will amount to NOK 1,780.3 million divided into NOK 118,689,917 equity certificates with a nominal value of NOK 15 per equity certificate.

The fair value of the 45,089,995 equity certificates that were issued as remuneration for the equity certificate holders in Sparebanken Telemark and Sparebankstiftelsen Telemark – Grenland amounts to NOK 47.80 per equity certificate, which corresponds to the selling price on 31.05.2021. The difference between the fair value of the remuneration for the equity certificate holders in Telemark before the merger and their share of net equity pursuant to the acquisition analysis amounts to negative goodwill ('badwill') and was recognised through profit or loss at the time of completion (01.06.2021) in line with IFRS 3.

The table below shows the remuneration, fair value of assets and liabilities from Sparebanken Telemark, as well as the calculation of negative goodwill as at 01.06.2021 (completion date).

| Remuneration | Quantity | Price (NOK) | Remuneration (NOK millions) |
|--|-------------------|-------------|-----------------------------|
| Ownership interest – Sparebanken Telemark | 37,116,986 | 39.31 | 1,459.1 |
| Ownership interest – Sparebankstiftelsen Telemark – Grenland | 7,973,009 | 39.31 | 313.4 |
| Total remuneration | 45,089,995 | - | 1,772.5 |

Amounts in NOK millions

| Fair value of identifiable assets and liabilities | PARENT BANK Telemark | | | GROUP Telemark | | |
|--|----------------------|----------------------|-----------------------------------|----------------|----------------------|-----------------------------------|
| | 31.05.2021 | Added/ less value | Fair value as at 01.06.2021 | 31.05.2021 | Added/ less value | Fair value as at 01.06.2021 |
| Cash and receivables from central banks | 13 | - | 13 | 13 | - | 13 |
| Loans to and receivables from financial institutions | 1,382 | - | 1,382 | 1,382 | - | 1,382 |
| Net lending to and receivables from customers | 26,241 | 46 | 26,287 | 26,225 | 46 | 26,271 |
| Interest-bearing securities | 1,420 | - | 1,420 | 1,420 | - | 1,420 |
| Financial derivatives | 64 | - | 64 | 64 | - | 64 |
| Shares, equity certificates and units | 880 | - | 880 | 880 | - | 880 |
| Interests in group companies | 29 | 4 | 32 | - | - | - |
| Ownership interests in joint ventures and associated companies | 108 | 279 | 387 | 272 | 115 | 387 |
| Tangible assets | 131 | 42 | 173 | 144 | 44 | 188 |
| Goodwill | - | - | - | - | - | - |
| Deferred tax assets | 17 | (22) | (5) | 23 | (23) | - |
| Other assets | 40 | - | 40 | 61 | - | 61 |
| Total assets | 30,327 | 349 | 30,675 | 30,484 | 183 | 30,667 |
| Deposits from financial institutions | 147 | - | 147 | 147 | - | 147 |
| Deposits from customers | 18,715 | - | 18,715 | 18,707 | - | 18,707 |
| Liabilities from the issuance of securities | 7,291 | - | 7,291 | 7,291 | - | 7,291 |
| Financial derivatives | 30 | - | 30 | 30 | - | 30 |
| Subordinated loan capital | 250 | - | 250 | 250 | - | 250 |
| Other liabilities | 239 | - | 239 | 234 | - | 234 |
| Total liabilities | 26,672 | - | 26,672 | 26,659 | - | 26,659 |
| Net assets | 3,654 | 349 | 4,003 | 3,825 | 183 | 4,008 |
| Hybrid capital (additional Tier 1 capital) | 100 | - | 100 | 100 | - | 100 |
| Minority | - | - | - | 5 | - | 5 |
| Net equity for distribution to equity certificate holders and community capital | 3,554 | 349 | 3,903 | 3,720 | 183 | 3,903 |

The calculated equity based on a closing price as at 31.05.2021 of NOK 47.80 and an exchange ratio of 40 TM/60 BV.

| | | |
|-------------------------------------|------------|------------|
| | 3,752 | 3,752 |
| Calculated negative goodwill | 151 | 151 |

The fact that the remuneration for the equity certificate holders was lower than the value-adjusted equity capital gave rise to negative goodwill that was recognised through profit or loss on the date of the merger, 01.06.2021.

Note 3 – Merger of SpareBank 1 BV and Sparebanken Telemark on 01.06.2021

Amounts in NOK millions

| | Parent bank | | | Group | | |
|--|------------------------------|-------------------|---------------------------------|------------------------------|-------------------|---------------------------------|
| | Spare- banken Telemark | SpareBank 1 BV | SpareBank 1 Sørøst- Norge | Spare- banken Telemark | SpareBank 1 BV | SpareBank 1 Sørøst- Norge |
| Opening balance 01.06.2021 | | | | | | |
| Assets | | | | | | |
| Cash and receivables from central banks | 13 | 96 | 109 | 13 | 96 | 109 |
| Loans to and receivables from financial institutions | 1,382 | 1,195 | 2,577 | 1,382 | 1,243 | 2,625 |
| Gross lending to and receivables from customers | 26,303 | 34,196 | 60,500 | 26,287 | 34,169 | 60,457 |
| Impairment provisions | (16) | (137) | (153) | (16) | (137) | (153) |
| Net lending to and receivables from customers | 26,287 | 34,059 | 60,346 | 26,271 | 34,032 | 60,304 |
| Interest-bearing securities | 1,420 | 4,255 | 5,675 | 1,420 | 4,255 | 5,675 |
| Financial derivatives | 64 | 79 | 143 | 64 | 79 | 143 |
| Shares, equity certificates and units | 880 | 1,332 | 2,203 | 880 | 1,332 | 2,203 |
| Interests in group companies | 32 | 37 | 69 | - | - | - |
| Ownership interests in joint ventures and associated companies | 387 | 477 | 865 | 387 | 735 | 1,123 |
| Tangible assets | 173 | 70 | 243 | 188 | 87 | 275 |
| Goodwill | - | - | - | - | 34 | 34 |
| Deferred tax assets | (5) | 11 | 7 | - | 12 | 12 |
| Other assets | 40 | 99 | 140 | 61 | 124 | 185 |
| Total assets | 30,675 | 41,710 | 72,376 | 30,667 | 42,030 | 72,688 |
| Liabilities | | | | | | |
| Deposits from financial institutions | 147 | - | 147 | 147 | - | 147 |
| Deposits from customers | 18,715 | 27,051 | 45,767 | 18,707 | 27,015 | 45,722 |
| Liabilities from the issuance of securities | 7,291 | 8,409 | 15,699 | 7,291 | 8,409 | 15,699 |
| Financial derivatives | 30 | 85 | 115 | 30 | 85 | 115 |
| Subordinated loan capital | 250 | 401 | 651 | 250 | 401 | 651 |
| Other liabilities | 239 | 380 | 619 | 234 | 443 | 677 |
| Total liabilities | 26,672 | 36,326 | 62,998 | 26,659 | 36,352 | 63,011 |
| Equity | | | | | | |
| Equity share capital | 1,090 | 947 | 1,780 | 1,090 | 947 | 1,780 |
| Own holding | - | - | (3) | - | - | (3) |
| Share premium fund | 98 | 1,026 | 2,777 | 98 | 1,026 | 2,777 |
| Risk equalisation fund | 489 | 645 | 645 | 489 | 645 | 645 |
| Endowment fund | - | 7 | 7 | - | 7 | 7 |
| Fund for unrealised gains | 4 | 21 | 21 | 4 | 21 | 21 |
| Hybrid capital (additional Tier 1 capital) | 100 | 250 | 350 | 100 | 250 | 350 |
| Sparebankens Fond | 1,873 | 2,261 | 3,423 | 1,873 | 2,261 | 3,423 |
| Other equity | 349 | 227 | 227 | 349 | 520 | 520 |
| Negative goodwill | - | - | 151 | - | - | 151 |
| Minority interests | - | - | - | 5 | 1 | 7 |
| Total equity | 4,003 | 5,384 | 9,378 | 4,008 | 5,678 | 9,677 |
| Total liabilities and equity | 30,675 | 41,710 | 72,376 | 30,667 | 42,030 | 72,688 |
| Off-balance sheet items: | | | | | | |
| Portfolio transferred to mortgage companies | 11,853 | 13,232 | 25,086 | 11,853 | 13,232 | 25,086 |

Note 3 – Merger of SpareBank 1 BV and Sparebanken Telemark on 01.06.2021

The pro forma results for the period 01.01.2021-30.09.2021 represent the results of both banks consolidated as if the merger had occurred with accounting effect from 01.01.2021.

There were no significant eliminations between the banks during this period meaning that the results for the period was just consolidated.

Negative goodwill was recognised in the pro forma results from 01.01.2021 and the added value on buildings was written off for the entire period.

Amounts in NOK millions

| Pro forma results 01.01-30.09.2021 | Parent bank | Group |
|--|--------------------|--------------|
| Interest income | 1,112 | 1,112 |
| Interest expenses | 296 | 295 |
| Net interest income | 816 | 817 |
| Commission income | 452 | 453 |
| Commission expenses | 29 | 27 |
| Other operating income | 6 | 193 |
| Net commission and other income | 430 | 620 |
| Dividends | 178 | 40 |
| Net result from ownership interests in joint ventures and associated companies | - | 120 |
| Net result from other financial investments | 178 | 178 |
| Net result from financial investments | 356 | 338 |
| Total net income | 1,602 | 1,775 |
| Personnel expenses | 297 | 429 |
| Other operating expenses | 309 | 336 |
| Total expenses | 606 | 764 |
| Profit before losses and tax | 995 | 1,010 |
| Losses on loans and guarantees | 84 | 84 |
| Profit before tax | 911 | 926 |
| Tax expense | 141 | 147 |
| Ordinary profit | 770 | 779 |

Note 4 – Capital adequacy

When calculating capital adequacy, SpareBank 1 Sørøst-Norge uses the standard method for calculating credit risk and the basic method for operational risk.

On 13.03.2020, the Ministry of Finance decided to reduce the countercyclical buffer from 2.5% to 1% with immediate effect. Based on this, the regulatory requirement for Common Equity Tier 1 capital is a minimum of 11%. In connection with the merger, the Financial Supervisory Authority of Norway set a Pillar 2 requirement for the Bank of 2.3%, applicable from 01.06.2021. This requirement will apply until the Financial Supervisory Authority of Norway sets a new Pillar 2 requirement. The Board of Directors will start work on a new internal capital adequacy assessment process (ICAAP) as soon as possible. The assessment must be submitted to the Financial Supervisory Authority of Norway by no later than 12 months after the merger has been completed. The current total requirement for Common Equity Tier 1 capital is thus 13.3%. The Group's target for the Common Equity Tier 1 capital ratio is a minimum of 16.0%.

At the end of the quarter, the Common Equity Tier 1 capital ratio was 18.1% (18.7%), inclusive of 50% of the profit as at 30.09.2021. The leverage ratio was 8.4% (8.5%) at the end of the quarter. The regulatory requirement for the leverage ratio is 5.0%.

On 10.12.2020, the Financial Supervisory Authority of Norway published a circular on assessing exposures that should be considered high risk. The Financial Supervisory Authority of Norway's interpretation of the current CRR rules indicates that property development projects constructed for the purpose of resale at a profit should be regarded as speculative investments and be risk weighted at 150%. These regulations were implemented by both banks in the previous two quarters. In the current quarter, construction projects with documented binding pre-sales of at least 50% of the exposure are risk-weighted by 100%, ref. Circular 2/2021 from the Financial Supervisory Authority of Norway.

Extended consolidation for owner companies in the Samarbeidende Sparebanker grouping

Under the CRD IV rules, SpareBank 1 Sørøst-Norge is currently below the materiality threshold for reporting fully consolidated capital adequacy. Consequently, capital adequacy is not worked out at a consolidated level. The Bank has carried out proportional consolidation of interests in the cooperative group since 2018.

The provision applies to interests in other financial institutions engaged in the activities to which the cooperation relates; see Financial Institutions Act, section 17-13.

Proportional consolidation

| Amounts in NOK millions | 30.09.2021 | 30.09.2020 | 31.12.2020 |
|------------------------------------|------------|------------|------------|
| Primary capital | | | |
| Common Equity Tier 1 capital | 8,865 | 4,834 | 4,907 |
| Tier 1 capital | 9,345 | 5,162 | 5,233 |
| Primary capital | 10,183 | 5,676 | 5,744 |
| Basis for calculation | 48,977 | 25,871 | 26,156 |
| Capital adequacy | | | |
| Common Equity Tier 1 capital ratio | 18.1% | 18.7% | 18.76% |
| Tier 1 capital ratio | 19.1% | 20.0% | 20.01% |
| Capital adequacy | 20.8% | 21.9% | 21.96% |
| Leverage ratio | 8.4% | 8.5% | 8.6% |

The following companies are included in proportional consolidation:

- SpareBank 1 Boligkreditt AS (11.1%)
- SpareBank 1 Næringskreditt AS (13.0%)
- SpareBank 1 Kreditt AS (9.5%)
- SpareBank 1 SMN Finans AS (11.5%)
- BN Bank ASA (7.5%)

Parent bank

| | 30.09.2021 | 30.09.2020 | 31.12.2020 |
|--|--------------|--------------|--------------|
| Primary capital | | | |
| Equity share capital | 1,778 | 947 | 947 |
| Share premium fund | 2,777 | 1,026 | 1,026 |
| Risk equalisation fund | 645 | 537 | 645 |
| Sparebankens Fond | 3,423 | 2,072 | 2,261 |
| Fund for unrealised gains/losses | 23 | 27 | 22 |
| Endowment fund | 7 | 7 | 7 |
| Allocated dividend classified as equity | - | - | 120 |
| Other equity (IAS pensions and interest paid on hybrid capital) | (8) | (10) | - |
| Profit for the period | 623 | 333 | - |
| Total capitalised equity (excluding hybrid capital) | 9,267 | 4,939 | 5,027 |
| Value adjustments on shares and bonds measured at fair value (AVA) | (10) | (8) | (8) |
| Deduction for non-material interests in the financial sector | (82) | (997) | (956) |
| Deduction for material interests in the financial sector | (804) | - | - |
| Dividends allocated for distribution, classified as equity | - | - | (120) |
| Profit for the period | (623) | (333) | - |
| Interim profit included in Tier 1 capital | 311 | 242 | - |
| Total Common Equity Tier 1 capital | 8,060 | 3,844 | 3,944 |
| Hybrid capital | 350 | 250 | 250 |
| Total Tier 1 capital | 8,410 | 4,094 | 4,194 |
| Supplementary capital in excess of Tier 1 capital | | | |
| Time-limited primary capital | 650 | 400 | 400 |
| Deduction for non-material interests in the financial sector | - | (5) | (5) |
| Net primary capital | 9,060 | 4,489 | 4,589 |

| | | | |
|---|---------------|---------------|---------------|
| Risk-weighted basis for calculation | | | |
| Assets not included in the trading portfolio | 36,942 | 18,315 | 18,735 |
| Operational risk | 3,001 | 1,920 | 1,945 |
| CVA surcharge (counterparty risk derivatives) | 76 | 107 | 79 |
| Total basis for calculation | 40,018 | 20,342 | 20,759 |
| Capital adequacy ratios | | | |
| Common Equity Tier 1 capital | 20.1% | 18.9% | 19.0% |
| Tier 1 capital | 21.0% | 20.1% | 20.2% |
| Capital adequacy | 22.6% | 22.1% | 22.1% |
| Leverage ratio | 11.0% | 10.0% | 10.2% |
| Buffer requirements | | | |
| Capital conservation buffer (2.50%) | 1,000 | 509 | 519 |
| Countercyclical buffer (1.0%) | 400 | 200 | 208 |
| Systemic risk buffer (3.00%) | 1,201 | 610 | 623 |
| Total buffer requirement for Common Equity Tier 1 capital | 2,601 | 1,319 | 1,349 |
| Minimum requirement for Common Equity Tier 1 capital (4.50%) | 1,801 | 915 | 934 |
| Available Common Equity Tier 1 capital in excess of minimum requirement | 3,658 | 1,610 | 1,659 |

| | 30.09.2021 | 30.09.2020 | 31.12.2020 |
|---|---------------|---------------|---------------|
| Governments and central banks | 52 | - | - |
| Local and regional authorities | 84 | 59 | 59 |
| Publicly owned companies | 10 | 10 | 10 |
| Institutions | 252 | 191 | 164 |
| Companies | 4,370 | 3,108 | 2,118 |
| Mass market | 4,861 | 3,017 | 2,760 |
| Mortgaged against residential and holiday property | 15,116 | 8,293 | 8,240 |
| Mortgaged against commercial property | 6,777 | 1,800 | 2,252 |
| Exposures past due | 312 | 118 | 75 |
| High-risk exposures | 1,677 | - | 1,280 |
| Covered bonds | 628 | 326 | 296 |
| Receivables from institutions and companies with short-term ratings | 305 | 42 | 146 |
| Shares in mutual funds | 58 | 36 | 43 |
| Equity items | 2,171 | 1,178 | 1,160 |
| Other exposures | 270 | 137 | 133 |
| Total credit risk | 36,942 | 18,315 | 18,734 |

Note 5 – Segment information

The segment information is related to the way in which the Group is managed and followed up internally by the business through performance and capital reporting, proxies and procedures.

customers, which include the parent bank and subsidiaries related to real estate and accounting services. Other operations mainly include subsidiaries that manage properties.

The reporting of segments is divided into the following areas: Retail market (RM) and corporate market (CM)

Group 30.09.2021

| (Amounts in NOK millions) | RM | CM | Other operations | Group eliminations | Total |
|---------------------------------|------------|------------|------------------|--------------------|------------|
| Profit | | | | | |
| Net interest income | 376 | 244 | - | - | 620 |
| Net commission and other income | 624 | 195 | - | (5) | 814 |
| Operating expenses | 437 | 170 | 7 | (12) | 601 |
| Profit before losses | 563 | 269 | (6) | 7 | 833 |
| Losses on loans and guarantees | 14 | 64 | - | - | 78 |
| Profit before tax | 550 | 205 | (6) | 7 | 755 |

| (Amounts in NOK millions) | RM | CM | Other operations | Group eliminations | Total |
|---|---------------|---------------|------------------|--------------------|---------------|
| Statement of financial position | | | | | |
| Net lending to customers | 44,325 | 17,659 | - | (38) | 61,946 |
| Other assets | - | - | 12,372 | 115 | 12,487 |
| Total assets per segment | 44,325 | 17,659 | 12,372 | 76 | 74,432 |
| Deposits from and liabilities to customers | 31,072 | 15,857 | - | (41) | 46,888 |
| Other equity and liabilities | - | - | 27,427 | 117 | 27,544 |
| Total equity and liabilities per segment | 31,072 | 15,857 | 27,427 | 76 | 74,432 |

Group 30.09.2020

| (Amounts in NOK millions) | RM | CM | Other operations | Group eliminations | Total |
|---------------------------------|------------|------------|------------------|--------------------|------------|
| Profit | | | | | |
| Net interest income | 300 | 193 | - | (1) | 492 |
| Net commission and other income | 349 | 116 | - | - | 466 |
| Operating expenses | 307 | 122 | 3 | (3) | 429 |
| Profit before losses | 343 | 186 | (3) | 2 | 528 |
| Losses on loans and guarantees | 7 | 27 | - | - | 33 |
| Profit before tax | 336 | 160 | (3) | 2 | 495 |

| (Amounts in NOK millions) | RM | CM | Other subsidiaries | Non-reportable segments | Total |
|---|---------------|--------------|--------------------|-------------------------|---------------|
| Statement of financial position | | | | | |
| Net lending to customers | 24,943 | 7,521 | - | (31) | 32,434 |
| Other assets | - | - | 7,522 | 121 | 7,642 |
| Total assets per segment | 24,943 | 7,521 | 7,522 | 90 | 40,076 |
| Deposits from and liabilities to customers | 16,553 | 9,395 | - | (34) | 25,914 |
| Other equity and liabilities | - | - | 14,076 | 86 | 14,162 |
| Total equity and liabilities per segment | 16,553 | 9,395 | 14,076 | 52 | 40,076 |

Group 31.12.2020

| (Amounts in NOK millions) | RM | CM | Other operations | Group eliminations | Total |
|---------------------------------|------------|------------|------------------|--------------------|------------|
| Profit | | | | | |
| Net interest income | 389 | 242 | 18 | - | 649 |
| Net commission and other income | 371 | 114 | 128 | (2) | 611 |
| Operating expenses | 412 | 165 | 25 | (3) | 599 |
| Profit before losses | 348 | 191 | 121 | 1 | 661 |
| Losses on loans and guarantees | 7 | 23 | - | - | 31 |
| Profit before tax | 341 | 168 | 121 | 1 | 630 |

| (Amounts in NOK millions) | RM | CM | Other subsidiaries | Non-reportable segments | Total |
|---|---------------|--------------|--------------------|-------------------------|---------------|
| Statement of financial position | | | | | |
| Net lending to customers | 24,475 | 7,229 | 739 | - | 32,444 |
| Other assets | - | - | 8,038 | (26) | 8,012 |
| Total assets per segment | 24,566 | 7,266 | 8,777 | (26) | 40,455 |
| Deposits from and liabilities to customers | 16,132 | 9,281 | 480 | (29) | 25,864 |
| Other equity and liabilities | - | - | 14,588 | 4 | 14,592 |
| Total equity and liabilities per segment | 24,566 | 7,266 | 15,068 | (26) | 40,455 |

Note 6 – Losses on loans and guarantees

| Parent bank | | | (Amounts in NOK millions) | Group | | |
|-------------|------------|------------|---|------------|------------|------------|
| 31.12.2020 | 30.09.2020 | 30.09.2021 | | 30.09.2021 | 30.09.2020 | 31.12.2020 |
| - | - | 89 | Effects of merger with Sparebanken Telemark ¹⁾ | 89 | - | - |
| 11 | 11 | (22) | Change in impairment provisions in the period, Stage 1 | (22) | 11 | 11 |
| 8 | 5 | (4) | Change in impairment provisions in the period, Stage 2 | (4) | 5 | 8 |
| (9) | 10 | (2) | Change in impairment provisions in the period, Stage 3 | 6 | - | (13) |
| 25 | 8 | 14 | Losses for the period with previous impairments | 6 | 15 | 24 |
| 2 | 1 | 5 | Losses for the period without previous impairments | 5 | 1 | 2 |
| - | - | (2) | Previously recognised impairments at start of period. | (2) | - | - |
| (1) | 1 | (1) | Other corrections/amortisation of impairments | (1) | 1 | (1) |
| 35 | 36 | 78 | Losses on loans and guarantees in the period | 78 | 33 | 31 |

1) The loss cost at the end of the quarter amounted to NOK 78 million. In connection with the opening balance as at 01.06.2021 (see Note 3), loans and guarantees in Stage 1 were measured at fair value, equivalent to amortised cost. Upon initial recognition in the merged bank, the loans were reassessed and loss provisions of NOK 89 million were made in Stage 1. This corresponds to Sparebanken Telemark's impairment provision as at 31.05.2021 (prior to the merger).

Note 7 – Impairment provisions for loans and guarantees

(Amounts in NOK millions)

| Impairment provisions for loans and guarantees (figures for the parent bank and the Group are virtually identical) | Group | | | Total |
|--|------------|-----------|-----------|------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| 31.12.2020 | 52 | 50 | 69 | 172 |
| Recognised through profit or loss in connection with the recognition of loans in Stage 1 upon the merger | 89 | - | - | 89 |
| Recognised gross on the balance sheet in connection with the recognition of loans in Stage 2 upon the merger | - | 38 | - | 38 |
| Change in recognised gross on the balance sheet in connection with the recognition of loans in Stage 3 upon the merger | - | - | 5 | 5 |
| Impairment provisions transferred to Stage 1 | 18 | (18) | - | - |
| Impairment provisions transferred to Stage 2 | (9) | 10 | (1) | - |
| Impairment provisions transferred to Stage 3 | (1) | (2) | 3 | - |
| New financial assets issued or purchased | 35 | 6 | 3 | 44 |
| Increase in existing loans | (12) | 32 | 39 | 59 |
| Reduction in existing loans | (32) | (17) | (23) | (71) |
| Financial assets that have been deducted | (22) | (15) | (9) | (46) |
| Changes due to recognised impairments (recognised losses) | - | - | (6) | (6) |
| 30.09.2021 | 119 | 84 | 80 | 283 |
| - reversal of impairment provisions related to fair value through OCI | (25) | - | - | (25) |
| Capitalised impairment provisions as at 30.09.2021 | 95 | 84 | 80 | 259 |
| Of which, impairment provisions for capitalised loans | 74 | 78 | 73 | 225 |
| Of which, impairment provisions for unused credits and guarantees | 21 | 6 | 7 | 34 |
| Of which: impairment provisions, retail market - amortised cost | 6 | 32 | 23 | 62 |
| Of which: impairment provisions, corporate market - amortised cost | 88 | 52 | 57 | 197 |

Sensitivity analysis – loss model

The model calculates impairments on exposures in three different scenarios where the probability of the individual scenario occurring is weighted. The base scenario for the IFRS 9 calculations is mainly based on the benchmark trajectory of the Monetary Policy Report from Norges Bank and contains expectations regarding macroeconomic factors such as unemployment, GDP growth, interest rates, house prices, etc.

At the same time, the loss model is based on multiple input factors from the portfolios, where the events have occurred as of the statement of financial position date but where there is some natural delay before updated information is entered into the model. Because of this delay factor, the Bank has conducted an expanded review of our CM portfolio in order to identify and make provisions for individual commitments and industries that we believe will experience specific problems making it through the crisis. PD/LGD levels cannot be recalibrated in the model as at 30.09.2021.

In addition to expanded individual loss assessments, the Bank changed the model's scenario weighting

based on an assessment. As at 30.09.2021, the scenario weights have been changed back to those in use as at 31.03.2020.

The table below shows the sensitivity associated with a 10-percentage point reduction in probability of the normal case and corresponding 10 percentage point increase in probability of the worst case. Such a change would result in impairment provisions increasing by approximately NOK 65 million, which illustrates the sensitivity of a moderate deterioration in national and/or regional macroeconomic factors.

At the turn of the year, internal simulations were carried out for changes to weighted PD. The simulation shows that, given the Bank's scenario weighting as at 31.12.2020, impairment provisions increase by around NOK 10 million for every 10% increase in weighted PD. These indicate that adjustments to the scenarios have about the same effect as similar adjustments to PD levels.

Scenario weights used as at 30.09.2021

| (Amounts in NOK millions) | Weight RM/CM | RM | CM | Total |
|---|--------------|-----------|------------|------------|
| Scenario 1 (normal case) | 80%/80% | 43 | 109 | 153 |
| Scenario 2 (worst case) | 15%/15% | 44 | 82 | 126 |
| Scenario 3 (best case) | 5%/5% | 1 | 4 | 5 |
| Total estimated IFRS 9 provisions | | 89 | 195 | 284 |
| - reversal of impairment provisions related to fair value through OCI | | (25) | - | (25) |
| Capitalised impairment provisions for the parent bank as at 30.09.2021 | | 64 | 195 | 259 |

Change in IFRS 9 impairment provisions in the event of a change in weight:

| (Amounts in NOK millions) | Weight RM/CM | RM | CM | Total |
|---------------------------|--------------|-----------|-----------|-----------|
| Scenario 1 (normal case) | 70%/70% | (5) | (14) | (19) |
| Scenario 2 (worst case) | 25%/25% | 29 | 55 | 84 |
| Scenario 3 (best case) | 5%/5% | - | - | - |
| Total | | 24 | 41 | 65 |

| Scenario weighting used during the year | 30.09.2021 Weight RM/CM | 30.09.2020 Weighting RM/ CM | 31.12.2020 Weighting RM/ CM |
|--|------------------------------------|--|--|
| Scenario 1 (Normal case) | 80%/80% | 80%/80% | 80%/80% |
| Scenario 2 (worst case) | 15%/15% | 15%/20% | 15%/20% |
| Scenario 3 (best case) | 5%/5% | 5%/0% | 5%/0% |

(Amounts in NOK millions)

| Impairment provisions for loans and guarantees | Group | | | Total |
|---|-----------|-----------|-----------|------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| 01.01.2020 | 42 | 42 | 82 | 165 |
| Impairment provisions transferred to Stage 1 | 9 | (9) | - | - |
| Impairment provisions transferred to Stage 2 | (5) | 5 | - | - |
| Impairment provisions transferred to Stage 3 | - | (2) | 3 | - |
| New financial assets issued or purchased | 24 | 7 | 3 | 34 |
| Increase in existing loans | 10 | 21 | 28 | 59 |
| Reduction in existing loans | (14) | (7) | (13) | (35) |
| Financial assets that have been deducted | (12) | (10) | (5) | (27) |
| Changes due to recognised impairments (recognised losses) | - | - | (15) | (15) |
| 30.09.2020 | 53 | 46 | 82 | 181 |
| - reversal of impairment provisions related to fair value through OCI | (14) | - | - | (14) |
| Capitalised impairment provisions as at 30.09.2020 | 39 | 46 | 82 | 167 |
| Of which, impairment provisions for capitalised loans | 27 | 44 | 80 | 152 |
| Of which, impairment provisions for unused credits and guarantees | 12 | 2 | 2 | 15 |
| Of which: impairment provisions, retail market - amortised cost | 1 | 19 | 23 | 44 |
| Of which: impairment provisions, corporate market - amortised cost | 37 | 27 | 59 | 123 |

| Impairment provisions for loans and guarantees | Group | | | Total |
|---|-----------|-----------|-----------|------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| 01.01.2020 | 42 | 42 | 82 | 165 |
| Impairment provisions transferred to Stage 1 | 7 | (7) | - | - |
| Impairment provisions transferred to Stage 2 | (4) | 4 | - | - |
| Impairment provisions transferred to Stage 3 | - | (2) | 3 | - |
| New financial assets issued or purchased | 25 | 13 | 2 | 40 |
| Increase existing loans | 10 | 22 | 33 | 64 |
| Reduction existing loans | (11) | (8) | (17) | (36) |
| Financial assets that have been deducted | (16) | (14) | (8) | (39) |
| Changes due to recognised impairments (recognised losses) | - | - | (24) | (24) |
| 31.12.2020 | 52 | 50 | 69 | 172 |
| - reversal of impairment provisions related to fair value through OCI | (15) | - | - | (15) |
| Capitalised impairment provisions as at 31.12.2020 | 38 | 50 | 69 | 157 |
| Of which, impairment provisions for capitalised loans | 28 | 46 | 69 | 143 |
| Of which, impairment provisions for unused credits and guarantees | 10 | 4 | - | 14 |
| Of which: impairment provisions, retail market - amortised cost | 1 | 21 | 25 | 48 |
| Of which: impairment provisions, corporate market - amortised cost | 36 | 29 | 44 | 109 |

Note 8 – Loans to customers by Stages 1, 2 and 3

(Amounts in NOK millions)

| Loans to customers by Stages 1, 2 and 3 | Group | | | Total |
|---|---------------|--------------|------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| 01.01.2021 | 28,478 | 2,246 | 198 | 30,922 |
| Effects of merger with Sparebanken Telemark | 23,696 | 1,061 | 102 | 24,859 |
| Loans transferred to Stage 1 | 832 | (823) | (9) | - |
| Loans transferred to Stage 2 | (1,579) | 1,593 | (13) | - |
| Loans transferred to Stage 3 | (50) | (36) | 86 | - |
| New financial assets issued or purchased | 18,847 | 519 | 14 | 19,380 |
| Increase in existing loans | 620 | 208 | 4 | 832 |
| Reduction in existing loans | (2,264) | (114) | (28) | (2,406) |
| Financial assets that have been deducted | (13,476) | (809) | (46) | (14,331) |
| Changes due to recognised impairments (recognised losses) | - | - | (12) | (12) |
| Changes due to receipts for previous impairments (recognised) | - | - | (7) | (7) |
| 30.09.2021 | 55,104 | 3,844 | 290 | 59,238 |
| Impairment provisions as % of gross lending | 0.22% | 2.19% | 27.55% | 0.48% |

| Loans to customers by Stages 1, 2 and 3 | Group | | | Total |
|---|---------------|--------------|------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | |
| 01.01.2020 | 27,431 | 1,947 | 258 | 29,636 |
| Loans transferred to Stage 1 | 555 | (555) | - | - |
| Loans transferred to Stage 2 | (738) | 754 | (16) | - |
| Loans transferred to Stage 3 | (14) | (41) | 55 | - |
| New financial assets issued or purchased | 12,053 | 402 | 16 | 12,471 |
| Increase in existing loans | 346 | 73 | 2 | 421 |
| Reduction in existing loans | (1,204) | (110) | (36) | (1,350) |
| Financial assets that have been deducted | (9,697) | (543) | (34) | (10,274) |
| Changes due to recognised impairments (recognised losses) | - | - | (30) | (30) |
| 30.09.2020 | 28,733 | 1,927 | 215 | 30,874 |
| Impairment provisions as % of gross lending | 0.18% | 2.40% | 38.30% | 0.59% |

(Amounts in NOK millions)

| | Group | | | |
|---|----------------|----------------|----------------|---------------|
| Loans to customers by Stages 1, 2 and 3 | Stage 1 | Stage 2 | Stage 3 | Total |
| 01.01.2020 | 27,431 | 1,947 | 258 | 29,636 |
| Loans transferred to Stage 1 | 583 | (581) | (2) | - |
| Loans transferred to Stage 2 | (1,058) | 1,074 | (16) | - |
| Loans transferred to Stage 3 | (20) | (45) | 65 | - |
| New financial assets issued or purchased | 14,485 | 616 | 23 | 15,125 |
| Increase existing loans | 305 | 41 | 1 | 347 |
| Reduction existing loans | (1,120) | (142) | (54) | (1,316) |
| Financial assets that have been deducted | (12,128) | (665) | (40) | (12,832) |
| Changes due to recognised impairments (recognised losses) | - | - | (37) | (37) |
| 31.12.2020 | 28,478 | 2,246 | 198 | 30,922 |
| Impairment provisions as % of gross lending | 0.18% | 2.22% | 34.91% | 0.55% |

Note 9 – Loan to customers by sector and industry

| Parent bank | | | | Group | | |
|---------------|---------------|---------------|--|---------------|---------------|---------------|
| 31.12.2020 | 30.09.2020 | 30.09.2021 | (Amounts in NOK millions) | 30.09.2021 | 30.09.2020 | 31.12.2020 |
| 24,967 | 24,935 | 43,950 | Employees, etc. | 43,950 | 24,935 | 24,967 |
| 5,170 | 5,272 | 11,729 | Property management/business services, etc. | 11,691 | 5,227 | 5,141 |
| 619 | 590 | 2,391 | Property management housing cooperatives | 2,391 | 590 | 619 |
| 383 | 313 | 759 | Wholesale and retail trade/hotels and restaurants | 759 | 313 | 383 |
| 215 | 202 | 582 | Agriculture/forestry | 582 | 202 | 215 |
| 278 | 327 | 589 | Building and construction | 589 | 327 | 278 |
| 370 | 391 | 830 | Transport and service Industries | 830 | 391 | 370 |
| 327 | 330 | 728 | Production (manufacturing) | 728 | 330 | 327 |
| 1 | 1 | 10 | Public administration | 10 | 1 | 1 |
| 286 | 268 | 641 | Abroad and others | 641 | 268 | 286 |
| 32,616 | 32,630 | 62,209 | Gross lending | 62,170 | 32,585 | 32,586 |
| 8,252 | 8,498 | 19,896 | - Of which, measured at amortised cost | 19,857 | 8,453 | 8,223 |
| 22,700 | 22,421 | 39,381 | - Of which, measured at fair value through OCI | 39,381 | 22,421 | 22,700 |
| 1,664 | 1,711 | 2,932 | - Of which, measured at fair value | 2,932 | 1,711 | 1,664 |
| (151) | (166) | (225) | - Impairment provisions for loans | (225) | (152) | (143) |
| 32,464 | 32,464 | 61,984 | Net lending | 61,946 | 32,434 | 32,444 |
| 32,616 | 32,630 | 62,209 | Gross lending | 62,170 | 32,585 | 32,586 |
| 12,660 | 12,680 | 23,599 | Gross lending transferred to SB1 Boligkreditt | 23,599 | 12,680 | 12,660 |
| 752 | 716 | 1,614 | Gross lending transferred to SB1 Næringskreditt | 1,614 | 716 | 752 |
| 46,028 | 46,027 | 87,421 | Gross lending including SB1 Boligkreditt and Næringskreditt | 87,383 | 45,982 | 45,999 |

Note 10 – Transfer of financial assets

SpareBank 1 Sørøst-Norge and other owners have agreed to establish a liquidity facility for SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. This means that the banks commit to buy bonds issued by the company up to a total value of 12 months' term to maturity. Each owner is principally liable for its share of the requirement, and secondarily for twice the primary liability under the same agreement.

The bonds can be deposited with Norges Bank, so carry no significant added risk for SpareBank 1 Sørøst-Norge. The Bank has signed an agreement for the legal sale of loans with high security and collateral in real estate to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. For more information on the accounting treatment of the agreements, see Note 2 and Note 9 to the annual financial statements for 2020.

Note 11 – Financial derivatives

| (Amounts in NOK millions) | 30.09.2021 | | | 30.09.2020 | | | 31.12.2020 | | |
|---|----------------|------------|-------------|----------------|------------|-------------|----------------|------------|-------------|
| | Contract-total | Fair value | | Contract-total | Fair value | | Contract-total | Fair value | |
| | | Assets | Liabilities | | Assets | Liabilities | | Assets | Liabilities |
| Derivatives - hedging | | | | | | | | | |
| Received/paid in collateral | - | - | 49 | - | - | 91 | - | - | 62 |
| Hedging of customer-related assets at fair value through profit or loss | 2,832 | 14 | 27 | 1,555 | - | 50 | 1,560 | 4 | 36 |
| Hedging of fixed income securities | 305 | 14 | 20 | 365 | 11 | 25 | 365 | 10 | 25 |
| Hedging fixed-rate borrowing | 4,250 | 83 | 7 | 3,150 | 150 | - | 3,050 | 111 | - |
| Total derivatives at fair value hedging | 7,387 | 111 | 103 | 5,070 | 161 | 166 | 4,975 | 125 | 123 |

Note 12 – Liquidity risk

Liquidity risk is the risk that the Bank may be unable to meet its payment obligations, and/or the risk of not being able to finance the desired growth in assets. SpareBank 1 Sørøst-Norge draws up an annual liquidity strategy which addresses the Bank's liquidity risk, among other things.

The Bank's liquidity risk is covered by the Bank's liquidity reserve/buffer. The main objective of SpareBank 1 Sørøst-Norge is to maintain the viability of the Bank in a normal situation, without external funding, for 12 months. The Bank should also be able to survive a minimum of 150 days in a 'highly stressed' situation where

there is no access to funding from the capital markets. The Bank exercises daily governance according to the above goals. A contingency plan for dealing with liquidity crises has also been established.

The remaining time to maturity for the Bank's unsecured bond debt including SNP was 3.0 (3.1) years at the end of the quarter.

The liquidity coverage ratio (LCR) was 143% (153%) at the end of the quarter and the average LCR has been 161% (196%) so far in 2021.

Note 13 – Net commission income and other income

| Parent bank | | | | Group | | |
|-------------|------------|------------|---|------------|------------|------------|
| 31.12.2020 | 30.09.2020 | 30.09.2021 | (Amounts in NOK millions) | 30.09.2021 | 30.09.2020 | 31.12.2020 |
| | | | Commission income | | | |
| 7 | 5 | 6 | Guarantee commission | 6 | 5 | 7 |
| 1 | 1 | 1 | Interbank commission | 1 | 1 | 1 |
| 8 | 6 | 7 | Credit brokerage | 7 | 6 | 8 |
| 20 | 15 | 22 | Securities trading and management | 22 | 15 | 20 |
| 100 | 75 | 100 | Payment services | 100 | 75 | 100 |
| 55 | 41 | 61 | Insurance services | 61 | 41 | 55 |
| 6 | 4 | 8 | Other commission income | 8 | 4 | 6 |
| 133 | 90 | 150 | Commission from Boligkreditt and Næringskreditt | 150 | 90 | 133 |
| 331 | 237 | 355 | Total commission income | 355 | 237 | 331 |
| | | | Commission expenses | | | |
| 1 | 1 | 1 | Interbank fees | 1 | 1 | 1 |
| 12 | 9 | 12 | Payment services | 12 | 9 | 12 |
| 7 | 5 | 7 | Other commission expenses | 7 | 5 | 7 |
| 19 | 14 | 20 | Total commission expenses | 20 | 14 | 19 |
| 312 | 223 | 335 | Net commission income | 335 | 223 | 312 |
| | | | Other operating income | | | |
| - | - | 1 | Operating income from real estate | 2 | - | - |
| 4 | 5 | - | Profit from the sale of fixed assets | - | 10 | 8 |
| 5 | 3 | 3 | Other operating income | - | 2 | 3 |
| - | - | - | Operating income from estate agency business | 126 | 90 | 115 |
| - | - | - | Operating income from accounting firms | 41 | 29 | 38 |
| 9 | 9 | 4 | Total other operating income | 169 | 131 | 165 |
| 320 | 231 | 339 | Net commission and other income | 504 | 354 | 477 |

Note 14 – Net result from other financial investments

| Parent bank | | | (Amounts in NOK millions) | Group | | |
|-------------|------------|------------|---|------------|------------|------------|
| 31.12.2020 | 30.09.2020 | 30.09.2021 | | 30.09.2021 | 30.09.2020 | 31.12.2020 |
| (1) | (1) | 23 | Net change in value of shares, etc. measured at fair value | 26 | (1) | (1) |
| 8 | 10 | (13) | Net change in value of bonds/certificates measured at fair value | (13) | 10 | 8 |
| (19) | (14) | 2 | Net change in value of financial derivatives measured at fair value | 2 | (14) | (19) |
| 13 | 11 | 8 | Exchange rate gains/losses on currency | 8 | 11 | 13 |
| - | - | 151 | Negative goodwill recognised through profit or loss upon the merger with Sparebanken Telemark | 151 | - | - |
| 2 | 7 | 170 | Net result from other financial investments | 173 | 7 | 2 |

Note 15 – Measuring fair value of financial instruments

Financial instruments at fair value are classified at different levels.

Level 1: Valuation based on quoted prices on an active market. The fair value of financial instruments traded on active markets is based on the market price at the statement of financial position date. A market is considered to be active if the market prices are easily and regularly available from a stock exchange, dealer, broker, economic grouping, pricing service or regulatory authority, and these prices represent actual and regularly occurring market transactions at arm's length. The category includes listed shares and units in mutual funds, treasury bills, government bonds and certificates that are traded in active markets.

Level 2: Valuation based on observable market data. Level 2 consists of instruments which are valued using information other than quoted prices, but where prices are directly or indirectly observable for the assets or liabilities, and also include listed prices in inactive markets.

- These valuation methods maximise the use of observable data where it is available and rely as little as possible on the Bank's own estimates.
- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on the observable rate curve.
- The fair value of bonds and certificates (assets and liabilities) is calculated as the present value of the estimated cash flow based on the observable yield curve, including an indicated credit spread on the issuer from a reputable brokerage firm or Reuters/Bloomberg pricing services.
- This category includes bonds, certificates, equity instruments, own securities issued measured at fair value, and derivatives.

Level 3: Valuation based on other than observable data. If no valuation is available in relation to level 1 and 2, valuation methods based on non-observable information are used.

- Fair value of fixed rate loans: The Bank uses the base rate/reference rate on the loans, and discounts using its own swap curve to calculate the funding margin. The Bank has no 'day 1 profit'. For valuations at later dates, the Bank reads in reads customer interest and adjusts for funding and customer margins. Swap interest will be charged on the discount date. This is then compared with the swap rate on the calculation date taking account of the remaining term to maturity. Changes to the customer margin (administrative mark-up, mark-up for anticipated losses and return on equity) in the term of the loan are not assessed/taken into account.
- Equity investments are valued at fair value under the following conditions:
 1. Price at the time of the last capital increase or last sale between independent parties, adjusted for changes in market conditions since the capital increase/sale.
 2. Fair value based on expected future cash flows for the investment.
- On the remaining financial instruments, fair value is determined on the basis of value estimates obtained from external parties.
- This category includes other equity instruments, loans at fair value over extended profit and the Bank's own fixed rate loans.
- The fair value of mortgages is understood to be:
 - Loans in loss category 1 - the nominal value of the loan (not equal to amortised cost). Loan in loss category 2, and 3 - the loan's nominal value decreases by the expected losses (= amortised cost). Loans in loss category 3K - the loan's nominal value decreases by individual impairment provisions (= amortised cost)

The Group's assets and liabilities measured at fair value as at 30.09.2021

| Assets (Amounts in NOK millions) | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|---------------|
| Financial assets at fair value | | | | |
| - Fixed-rate loans | - | - | 2,932 | 2,932 |
| - Loans at fair value through OCI *) | - | - | 39,381 | 39,381 |
| - Bonds and certificates | 204 | 6,225 | - | 6,429 |
| - Equity Instruments | 205 | - | 2,061 | 2,266 |
| - Derivatives | - | 111 | - | 111 |
| Total assets | 409 | 6,337 | 44,374 | 51,120 |
| Liabilities | | | | |
| Financial liabilities at fair value | | | | |
| - Securities issued at fair value | - | 4,014 | - | 4,014 |
| - Derivatives | - | 103 | - | 103 |
| Total liabilities | - | 4,117 | - | 4,117 |

The Group's assets and liabilities measured at fair value as at 30.09.2020

| Assets (Amounts in NOK millions) | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|----------------|---------------|
| Financial assets at fair value | | | | |
| - Fixed-rate loans | - | - | 1,711 | 1,711 |
| - Loans at fair value through OCI | - | - | 22,421 | 22,421 |
| - Approved loans to Boligkreditt | 210 | 4,248 | - | 4,458 |
| - Bonds and certificates | 224 | - | 1,198 | 1,422 |
| - Equity Instruments | - | 161 | - | 161 |
| - Derivatives | 434 | 4,409 | 25,330 | 30,173 |
| Total assets | 433 | 4,535 | 24,861 | 29,829 |
| Liabilities | | | | |
| Financial liabilities at fair value | | | | |
| - Securities issued at fair value | - | 2,877 | - | 2,877 |
| - Derivatives | - | 166 | - | 166 |
| Total liabilities | - | 3,043 | - | 3,043 |

The Group's assets and liabilities measured at fair value as at 31.12.2020

| Assets (Amounts in NOK millions) | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|------------|--------------|---------------|---------------|
| Financial assets at fair value | | | | |
| - Fixed-rate loans | - | - | 1,664 | 1,664 |
| - Loans at fair value through OCI | - | - | 22,700 | 22,700 |
| - Bonds and certificates | 208 | 4,218 | - | 4,425 |
| - Equity Instruments | 214 | - | 1,158 | 1,372 |
| - Derivatives | - | 125 | - | 125 |
| Total assets | 421 | 4,343 | 25,522 | 30,286 |
| Liabilities | | | | |
| Financial liabilities at fair value | | | | |
| - Securities issued at fair value | - | 2,825 | - | 2,825 |
| - Derivatives | - | 123 | - | 123 |
| Total liabilities | - | 2,947 | - | 2,947 |

Changes in instruments classified as Level 3 as at 30.09.2021

| (Amounts in NOK millions) | Fixed rate loans | Shares at fair value through profit or loss | Lending at fair value through OCI |
|--|------------------|---|-----------------------------------|
| Opening balance 01.01.2021 | 1,664 | 1,158 | 22,700 |
| Supply from merger with Sparebanken Telemark | 1,444 | 866 | 14,852 |
| Additions | 270 | 127 | 15,601 |
| Disposals | (446) | (91) | (13,772) |
| Net gain/loss on financial instruments | - | - | - |
| Closing balance 30.09.2021 | 2,932 | 2,061 | 39,381 |

Changes in instruments classified as Level 3 as at 30.09.2020

| (Amounts in NOK millions) | Fixed rate loans | Shares at fair value through profit or loss | Lending at fair value through OCI |
|--|------------------|---|-----------------------------------|
| Opening balance 01.01.2020 | 1,774 | 1,178 | 21,307 |
| Additions | 240 | 18 | 10,490 |
| Disposals | (303) | (1) | (9,377) |
| Net gain/loss on financial instruments | - | 3 | - |
| Closing balance 30.09.2020 | 1,711 | 1,198 | 22,421 |

Changes in instruments classified as Level 3 as at 31.12.2020

| (Amounts in NOK millions) | Fixed rate loans | Shares at fair value through profit or loss | Lending at fair value through OCI |
|--|------------------|---|-----------------------------------|
| Opening balance 01.01.2020 | 1,774 | 1,178 | 21,307 |
| Additions | 297 | - | 12,662 |
| Disposals | (408) | (8) | (11,269) |
| Net gain/loss on financial instruments | - | (12) | - |
| Closing balance 31.12.2020 | 1,664 | 1,158 | 22,700 |

Note 16 – Other assets

| Parent bank | | | (Amounts in NOK millions) | Group | | |
|-------------|------------|------------|---|------------|------------|------------|
| 31.12.2020 | 30.09.2020 | 30.09.2021 | | 30.09.2021 | 30.09.2020 | 31.12.2020 |
| 23 | 21 | 27 | Prepaid, unaccrued costs, and accrued income not yet received | 122 | 36 | 31 |
| 20 | 48 | 27 | Other assets | 32 | 51 | 24 |
| 125 | 161 | 111 | Derivatives and other financial instruments at fair value | 111 | 161 | 125 |
| 169 | 231 | 165 | Total other assets | 266 | 249 | 180 |

Note 17 – Deposits from customers by sector and industry

| Parent bank | | | (Amounts in NOK millions) | Group | | |
|---------------|---------------|---------------|---|---------------|---------------|---------------|
| 31.12.2020 | 30.09.2020 | 30.09.2021 | | 30.09.2021 | 30.09.2020 | 31.12.2020 |
| 15,885 | 15,967 | 30,181 | Employees, etc. | 30,181 | 15,967 | 15,885 |
| 3,269 | 3,314 | 6,313 | Property management/business services, etc. | 6,272 | 3,280 | 3,230 |
| 22 | 22 | 317 | Property management housing cooperatives | 317 | 22 | 22 |
| 1,073 | 929 | 1,787 | Wholesale and retail trade/hotels and restaurants | 1,787 | 929 | 1,073 |
| 223 | 235 | 398 | Agriculture/forestry | 398 | 235 | 223 |
| 716 | 580 | 1,118 | Building and construction | 1,118 | 580 | 716 |
| 1,673 | 1,596 | 2,696 | Transport and service Industries | 2,696 | 1,596 | 1,673 |
| 385 | 308 | 668 | Production (manufacturing) | 668 | 308 | 385 |
| 1,858 | 2,210 | 2,148 | Public administration | 2,148 | 2,210 | 1,858 |
| 799 | 787 | 1,303 | Abroad and others | 1,303 | 787 | 799 |
| 25,903 | 25,948 | 46,928 | Total deposits | 46,888 | 25,914 | 25,864 |

Note 18 – Securities debt

SpareBank 1 Sørøst-Norge issues and redeems securities issued as part of its liquidity management. The refinancing requirement has also been partly funded by the transfer of the loan portfolio to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS.

Only figures for the Group are shown as the parent bank's figures are identical.

| (Amounts in NOK millions) | 30.09.2021 | 30.09.2020 | 31.12.2020 |
|--|---------------|--------------|--------------|
| Loans from financial institutions, nominal value | 150 | 200 | 200 |
| Bond debt, senior unsecured, nominal value | 14,403 | 7,361 | 7,794 |
| Bond debt, SNP, nominal value | 1,550 | - | - |
| Value adjustments and accrued interest | 100 | 147 | 115 |
| Total interest-bearing securities | 16,203 | 7,708 | 8,109 |

Change in financial borrowing

| (Amounts in NOK millions) | 30.09.2021 | Merger 01.06.2021 portfolio Sparebanken Telemark | Issued | Due/ redeemed | 31.12.2020 |
|--|---------------|--|--------------|------------------|--------------|
| Loans from financial institutions, nominal value | 150 | 150 | - | (200) | 200 |
| Bond debt, senior unsecured, nominal value | 14,403 | 7,216 | 1,300 | (1,907) | 7,794 |
| Bond debt, SNP, nominal value | 1,550 | - | 1,550 | - | - |
| Value adjustments and accrued interest | 100 | 75 | - | - | 115 |
| Total interest-bearing securities | 16,203 | 7,441 | 2,850 | (2,107) | 8,109 |

Note 19 – Subordinated loan capital

Only figures for the Group are shown as the parent bank's figures are identical.

| (Amounts in NOK millions) | 30.09.2021 | 30.09.2020 | 31.12.2020 |
|--|------------|------------|------------|
| Subordinated loan capital | 702 | 400 | 400 |
| Value adjustments and accrued interest | 1 | 1 | 1 |
| Total subordinated loan capital | 703 | 401 | 401 |

Change in subordinated loan capital

| (Amounts in NOK millions) | 30.09.2021 | Merger 01.06.2021 portfolio Sparebanken Telemark | Issued | Due/ redeemed | 31.12.2020 |
|--|------------|--|------------|------------------|------------|
| Subordinated loan capital | 702 | 250 | 150 | (98) | 400 |
| Value adjustments and accrued interest | 1 | - | - | - | 1 |
| Total subordinated loan capital | 703 | 250 | 150 | (98) | 401 |

Note 20 – Other liabilities

| Parent bank | | | (Amounts in NOK millions) | Group | | |
|-------------|------------|------------|---|------------|------------|------------|
| 31.12.2020 | 30.09.2020 | 30.09.2021 | | 30.09.2021 | 30.09.2020 | 31.12.2020 |
| 41 | 29 | 35 | Accrued expenses and unaccrued income received | 56 | 45 | 59 |
| 14 | 15 | 34 | Provisions for guarantees | 34 | 15 | 14 |
| 75 | 65 | 127 | Pension liabilities | 127 | 65 | 75 |
| 119 | 183 | 243 | Other liabilities | 273 | 220 | 150 |
| 123 | 166 | 103 | Derivatives and other financial instruments at fair value | 103 | 166 | 123 |
| 372 | 459 | 542 | Total other liabilities | 593 | 512 | 421 |

Note 21 – Equity certificate holders and distribution of equity certificates

In connection with the merger between SpareBank 1 BV and Sparebanken Telemark, the equity capital was increased by NOK 676.3 million through the issuance of 45,089,995 new equity certificates, of which 37,116,986 equity certificates were for the former equity certificate holders of Sparebanken Telemark and 7,973,009 equity certificates were for Sparebankstiftelsen Telemark – Grenland as remuneration for the business taken over from Sparebanken Telemark.

A NOK 157.5 million increase in equity was also registered by converting primary capital to equity capital through the issuance of 10,498,569 new equity certificates for SpareBank 1 Stiftelsen BV, see Note 3 for further details.

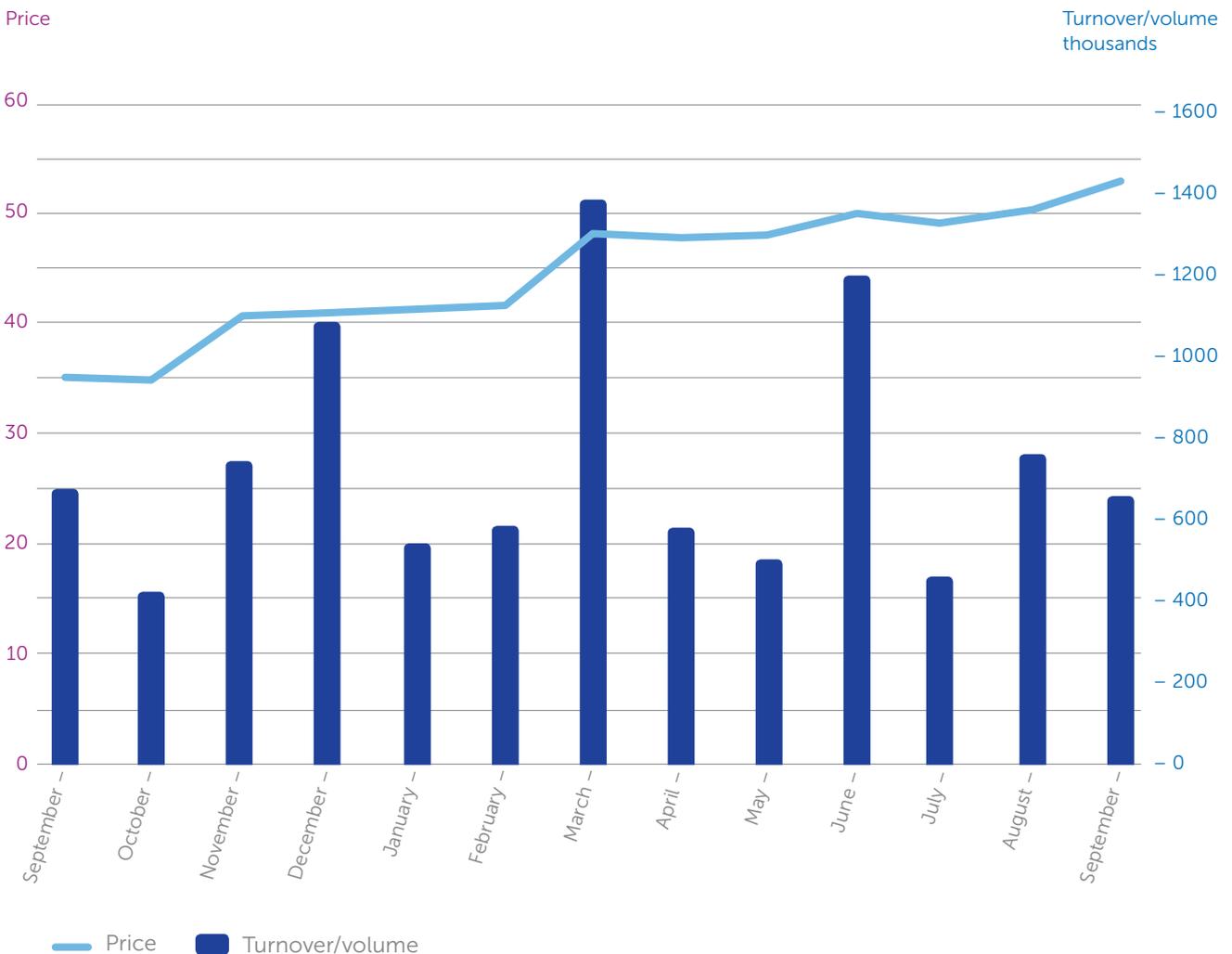
Following the issuance of new equity certificates, total equity share capital will amount to NOK 1,780.3 million divided into NOK 118,689,917 equity certificates with a nominal value of NOK 15 per equity certificate. SpareBank 1 Sørøst-Norge owned 188,826 equity certificates at the end of the quarter. The equity certificates are evidence of all the equity certificates that SpareBank 1 BV owned in Sparebanken Telemark and vice versa prior to the merger.

There were 5,758 equity certificate holders as at 30.09.2021.

20 largest equity certificate holders

| | Quantity | Share |
|--|--------------------|---------------|
| SpareBank 1 Stiftelsen BV | 24,141,356 | 20.3% |
| Sparebankstiftelsen Telemark-Grenland | 18,910,174 | 15.9% |
| Sparebankstiftelsen Nøtterøy-Tønsberg | 10,925,503 | 9.2% |
| Sparebankstiftelsen Telemark-Holla og Lunde | 10,273,723 | 8.7% |
| VPF Eika Egenkapitalbevis | 3,708,504 | 3.1% |
| Spesialfondet Borea utbytte | 2,522,795 | 2.1% |
| Pareto Invest AS | 1,649,236 | 1.4% |
| Landkreditt Utbytte | 1,100,000 | 0.9% |
| Melesio Invest AS | 1,077,150 | 0.9% |
| Catilina Invest AS | 962,032 | 0.8% |
| Wenaasgruppen AS | 907,432 | 0.8% |
| DNB NOR Bank AS | 871,720 | 0.7% |
| Sanden AS | 707,494 | 0.6% |
| Foretakskonsulenter AS | 621,230 | 0.5% |
| Aars AS | 530,843 | 0.4% |
| Skogen Investering AS | 520,000 | 0.4% |
| Salt Value AS | 514,607 | 0.4% |
| Elgar Kapital AS | 476,000 | 0.4% |
| Hausta Investor AS | 420,000 | 0.4% |
| Babord AS | 401,266 | 0.3% |
| Total for 20 largest shareholders | 81,241,065 | 68.4% |
| SpareBank 1 Sørøst-Norge (own equity certificates) | 188,826 | 0.2% |
| Other owners | 37,260,026 | 31.4% |
| Issued equity certificates | 118,689,917 | 100.0% |

Change in prices September 2020 - September 2021



Dividend policy

SpareBank 1 Sørøst-Norge's goal is to achieve financial results that provide equity certificate holders with a good, stable and competitive return in the form of dividends and increases in the price of the equity certificate.

The annual profit will be distributed between the equity capital and community capital in line with their proportion of the Bank's equity.

SpareBank 1 Sørøst-Norge assumes that around 50% of the owner capital's share of the annual profit will be paid out as cash dividends.

In order to maintain stable ownership fractions over time, as a general rule, dividend funds amounting to around 50% of the primary capital's share of the profit will be transferred to SpareBank 1 Stiftelsen BV and Sparebankstiftelsen Telemark-Grenland.

When determining the level of dividends, the Group's financial strength must be taken into account, including its expected financial performance in a normalised market situation, future capital requirements, external framework conditions, the Group's goals and strategic plans.

Note 22 – Equity certificates and ownership fractions

Earnings per equity certificate

Earnings per equity certificate are calculated by dividing the portion of the profit/loss assigned to the company's equity certificate holders (minus own equity certificates) by a weighted average of the number of equity certificates over the year.

Diluted earnings per equity certificate

In the calculation of diluted earnings per equity certificate, the weighted average number of issued ordinary equity certificates in circulation is adjusted for the effect of converting potential equity certificates which could lead to dilution. The Bank has no potential equity certificates that could cause dilution as at 30.09.2021. Diluted earnings per equity certificate is therefore equal to earnings per equity certificate.

Parent bank

| Equity certificate fraction Amounts in NOK millions | 30.09.2021 |
|--|--------------|
| Equity share capital | 1,780 |
| Share premium fund | 2,777 |
| Risk equalisation fund, excl. other equity | 645 |
| Total equity certificate holders' capital | 5,203 |
| Sparebankens Fond, excl. other equity | 3,423 |
| Endowment fund | 7 |
| Total community-owned capital | 3,429 |
| Equity excl. dividends, gifts, hybrid capital and other equity | 8,632 |
| Ownership fraction | 60.3% |
| Community capital | 39.7% |

| Parent bank (amounts in NOK millions) | 30.09.2021 |
|--|------------|
| Based on profit divided between equity certificate holders and community capital | 611 |
| Number of equity certificates issued (weighted average 01.01.-30.09.2021) | 87,723,428 |
| Earnings per equity certificate (NOK) | 4.20 |
| Market price (NOK) | 53.00 |
| Nominal Value (NOK) | 15.00 |
| Adjusted profit | |
| Income statement | 623 |
| - corrected for interest on additional Tier 1 capital recognised directly against equity | (8) |
| - corrected for FUG | (4) |
| Adjusted profit | 611 |

Note 23 – Pro forma results from the quarterly financial statements

Group

| (Amounts in NOK millions) | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| Interest income | 373 | 372 | 367 | 373 | 378 | 430 | 532 | 538 |
| Interest expenses | 96 | 98 | 101 | 96 | 97 | 179 | 239 | 235 |
| Net interest income | 277 | 274 | 265 | 277 | 281 | 251 | 293 | 303 |
| Commission income | 161 | 149 | 144 | 159 | 152 | 117 | 127 | 133 |
| Commission expenses | 10 | 9 | 9 | 10 | 10 | 8 | 9 | 9 |
| Other operating income | 63 | 73 | 57 | 51 | 63 | 71 | 51 | 48 |
| Net commission and other income | 214 | 213 | 193 | 200 | 204 | 179 | 169 | 172 |
| Dividends | - | 24 | 16 | 16 | - | 12 | 24 | 11 |
| Net result from ownership interests | 54 | 41 | 25 | 28 | 34 | 32 | 58 | 6 |
| Net result from other financial investments | 7 | 149 | 22 | (13) | 4 | 63 | (59) | 10 |
| Net income from financial assets | 61 | 214 | 63 | 31 | 39 | 107 | 23 | 27 |
| Total net income | 553 | 701 | 521 | 509 | 524 | 536 | 485 | 502 |
| Personnel expenses | 150 | 136 | 142 | 159 | 121 | 122 | 135 | 154 |
| Other operating expenses | 99 | 138 | 98 | 106 | 95 | 97 | 104 | 107 |
| Total operating expenses | 249 | 275 | 241 | 265 | 216 | 218 | 239 | 261 |
| Profit before losses and tax | 303 | 427 | 280 | 244 | 308 | 318 | 247 | 241 |
| Losses on loans and guarantees | (35) | 107 | 13 | (15) | (2) | 30 | 52 | (6) |
| Profit before tax | 339 | 320 | 268 | 259 | 310 | 287 | 194 | 247 |
| Tax expense | 70 | 27 | 50 | 55 | 66 | 55 | 35 | 53 |
| Profit before other comprehensive income | 269 | 293 | 217 | 204 | 244 | 232 | 159 | 194 |

1) Defined as alternative performance targets (APMs pro forma) – see the appendix to the interim financial statements

Note 24 – Pro forma statement of financial position figures from the quarterly financial statements

| Group | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| (Amounts in NOK millions) | Q3 2021 | Q2 2021 | Q1 2021 | Q4 2020 | Q3 2020 | Q2 2020 | Q1 2020 | Q4 2019 |
| Profitability | | | | | | | | |
| Return on equity ¹⁾ | 11.2% | 12.7% | 9.6% | 9.1% | 11.1% | 10.9% | 7.5% | 9.3% |
| Net interest income, excl. interest on subordinated bonds ¹⁾ | 1.48% | 1.52% | 1.53% | 1.58% | 1.61% | 1.49% | 1.79% | 1.86% |
| Cost-income ratio ¹⁾ | 45.1% | 39.1% | 46.2% | 52.0% | 41.2% | 40.7% | 49.2% | 52.0% |
| Statement of financial position figures | | | | | | | | |
| Gross lending to customers incl. transfers to mortgage companies ¹⁾ | 87,383 | 86,174 | 84,428 | 82,927 | 82,267 | 80,786 | 79,017 | 76,862 |
| Gross lending to customers on the balance sheet | 62,171 | 61,051 | 59,359 | 58,128 | 58,289 | 56,909 | 55,420 | 54,153 |
| Loans transferred to mortgage companies | 25,212 | 25,123 | 25,068 | 24,799 | 23,978 | 23,877 | 23,598 | 22,710 |
| Lending growth in the past 12 months ¹⁾ | 6.2% | 6.7% | 6.8% | 7.9% | 9.0% | 8.7% | 8.5% | 6.0% |
| Deposits from customers | 46,888 | 46,872 | 43,675 | 43,579 | 43,662 | 43,962 | 40,999 | 40,532 |
| Deposit coverage on the balance sheet ¹⁾ | 75.4% | 76.8% | 73.6% | 75.0% | 74.9% | 77.3% | 74.0% | 74.8% |
| Deposit coverage, incl. mortgage companies ¹⁾ | 53.7% | 54.4% | 51.7% | 52.6% | 53.1% | 54.4% | 51.9% | 52.7% |
| Deposit growth in the past 12 months ¹⁾ | 7.4% | 6.6% | 6.5% | 7.5% | 7.5% | 8.5% | 5.9% | 9.0% |
| Total assets | 74,432 | 73,765 | 70,680 | 70,155 | 69,160 | 69,181 | 66,460 | 65,074 |
| Total assets, incl. mortgage companies ¹⁾ | 99,645 | 98,888 | 95,749 | 94,954 | 93,138 | 93,058 | 90,058 | 87,784 |
| Equity excl. hybrid capital | 9,545 | 9,287 | 9,092 | 8,947 | 8,742 | 8,508 | 8,274 | 8,338 |
| Staffing | | | | | | | | |
| Number of FTEs | 539.1 | 529.5 | 533.5 | 523.9 | 519.9 | 516.5 | 516.9 | 515.3 |
| <i>of which parent bank</i> | 380.4 | 385.4 | 384.5 | 385.9 | 383.9 | 381.8 | 382.6 | 377.6 |

1) Defined as alternative performance targets (APMs pro forma) – see the appendix to the interim financial statements

Note 25 – Events after the statement of financial position date

No events with a material bearing on the financial statements have occurred since the statement of financial position date.

Declaration from the Board of Directors and the CEO

We declare that, to the best of our knowledge and belief, the interim accounts for the period 01.01.2021 to 30.09.2021 have been prepared in accordance with IAS 34 'Interim reporting', and that the information in the financial statements gives a true picture of the Bank's and the Group's assets, liabilities, financial position and results as a whole.

We also declare that, to the best of our knowledge and belief, the interim report provides an accurate summary of key events in the accounting period and their influence on preliminary annual financial statements, the major risk and uncertainty factors facing the business in the coming accounting period, and significant transactions with close associates.

Sandefjord, 09.11.2021

The Board of Directors of SpareBank 1 Sørøst-Norge

Finn Haugan
Chair

Anne Berg Behring
Deputy Chair

Elisabeth Haug

Heine Wang

Jan Erling Nilsen

Hanne Myhre Gravdal
Employee representative

Frede Christensen
Employee representative

Per Halvorsen
CEO

Statements concerning future events

The report contains statements about future circumstances that reflect the executive management team's current view of certain future events and potential financial performance.

Although SpareBank 1 Sørøst-Norge believes that the expectations expressed in such statements about the future are reasonable, there can be no guarantee that the expectations will prove to have been correct. Results could therefore vary greatly from those assumed in the statements regarding future circumstances.

Important factors that can cause such differences for SpareBank 1 Sørøst-Norge include, but are not limited to:

- (i) macroeconomic developments,
- (ii) changes in the market, and
- (iii) changes in interest rates.

This report does not mean that SpareBank 1 Sørøst-Norge undertakes to revise these statements on future matters beyond that which is required by applicable law or applicable stock exchange rules if and when circumstances arise that will cause changes compared with the situation on the date when the statements were made.



Audit statement





KPMG AS
Sørkedalsveien 6
Postboks 7000 Majorstuen
0306 Oslo

Telephone +47 04063
Fax +47 22 60 96 01
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the Board of Directors of SpareBank 1 Sørøst-Norge

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying consolidated interim balance sheet of SpareBank 1 Sørøst-Norge as of 30 September 2021, the income statement, the statement of changes in equity and the cash flow statement for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of the entity as at 30 September 2021, and its financial performance and its cash flows for the nine-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Oslo, 9 November 2021
KPMG AS

Svein Arthur Lyngroth
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Offices in:

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautorisererte revisorer - medlemmer av Den norske Revisorforening

| | | | |
|---------|--------------|--------------|-----------|
| Oslo | Elverum | Mo i Rana | Stord |
| Alta | Finnsnes | Molde | Straume |
| Arendal | Hamar | Skien | Tromsø |
| Bergen | Haugesund | Sandefjord | Trondheim |
| Bodø | Knarvik | Sandnessjøen | Tynset |
| Drammen | Kristiansand | Stavanger | Ålesund |

SpareBank 1

SØRØST-NORGE

KONGSBERG · NEDRE EIKER · DRAMMEN · LIER · HOLMESTRAND
HORTEN · TØNSBERG · FÆRDER · SANDEFJORD · LARVIK · BAMBLE · PORSGRUNN
SKIEN · ULEFOSS · LUNDE · BØ · NOTODDEN

