



Q2 2021

Half-year 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 551 employees as at 30.06.2021. The business idea, vision/values and goals of the takeover bank have been continued. The content may be adjusted somewhat throughout the year in connection with ongoing strategy work in the newly merged bank.

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.

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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 65.2 billion in mortgages and have NOK 29.0 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's real estate brokers also have 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.

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.

Covid-19

Central and local infection protection guidelines resulted in some of the Bank's branches having to remain closed for parts of the quarter. The branches that were closed to the general public were however open for scheduled meetings with advisers. Good growth in the quarter shows that the situation has been handled satisfactorily and that the customers have received the services they needed either digitally or in person.

Mortgage customers

Despite expectations of higher interest rates, house prices remain strong. The Bank expects continued strong competition for mortgage customers, especially at a time when market rates might 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 5.6% at the end of the second quarter, and pro forma deposit growth in the same period was 3.6%. For the quarter seen in isolation, lending and deposits grew by 2.2% and 4.8%, respectively. 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, well helped by strong price rises, although saving via funds is also increasing. 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 half-year 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

As in the retail market, SpareBank 1 Sørøst-Norge is a key player in our region. Lending to small and medium-sized enterprises amounts to around NOK 20 billion. The Bank's ambition is to achieve profitable growth in our region and in the long term apply for IRBa approval. IRBa approval will 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 surveys shows that business in the region (Region South) is optimistic about the future and expects increased investment and employment. Lower lending growth is expected going forward.

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 will be 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.

Covid-19

The corporate market has fared well throughout the pandemic and there have been very few bankruptcies among our customers. Like retail customers, corporate customers have largely been serviced digitally throughout the pandemic, and with good results.

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 small and medium-sized enterprise 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 all 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 and especially in June. 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 first half of 2021, EiendomsMegler 1 BV brokered 1,033 properties with a combined value of NOK 3,515 million, of which 152 units were new homes. Similarly, EiendomsMegler 1 Telemark sold 601 properties with a combined value of NOK 1,365 million, of which 59 units were new homes. Z-Eiendom AS, which is co-located with the bank in Tønsberg and on Nøtterøy, brokered 313 properties with a combined value of NOK 1,177 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 book-keeping and advice, as well as a simple and flexible accounts programme. 100% of the shares in Regnskapsdata Kongsberg AS were acquired with effect from 01.01.2021. The new subsidiary had around 15 FTEs and an annual turnover of about NOK 14 million in 2020.

Interim report from the Board of Directors for H1



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 regional organisation with a market area covering the lower part of the former Buskerud County, as well as Vestfold and Telemark.

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. It also 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 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.

Given the merger data, the official accounts have been prepared using 5 months of results from the takeover bank (SpareBank 1 BV) and 1 month of results from the merged bank. Pro forma financial statements have been prepared for 2021 and 2020¹⁾ to improve comparability. 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 22 and 23.

Highlights from the pro forma financial performance and balance sheet performance for the first half of 2021 are shown below, with the pro forma first half of 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 first half-year

- Ordinary profit after tax NOK 510 million (NOK 457 million)
- Stable net interest income NOK 540 million (NOK 544 million)
- Positive results from SpareBank 1 Gruppen and BN Bank ASA of NOK 48 million and NOK 18 million, respectively
- Higher operating expenses generally related to the merger of NOK 40 million
- Losses on loans and guarantees NOK 120 million (NOK 83 million)

- Of which the accounting effect of the merger was NOK 89 million

- Of which ordinary losses on loans was NOK 31 million (NOK 63 million)

- Recognised negative goodwill of NOK 151 million
- Return on equity 11.2% (9.3%)
- Lending and deposit growth in the first half-year of 3.9 % (5.1%) and 7.6% (8.5%), respectively
- Lending and deposit growth in the past 12 months of 6.7% (8,7%) and 6.6% (8.5%), 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 of the first half-year

- Ordinary profit after tax NOK 375 million (NOK 244 million)
- Net interest income NOK 343 million (NOK 331 million)
- Losses on loans and guarantees was NOK 113 million (NOK 44 million)
 - Of which the accounting effect of the merger was NOK 89 million
- Positive results from SpareBank 1 Gruppen and BN Bank ASA of NOK 36 million and NOK 14 million, respectively
- Return on equity 10.3% (9.6%)
- Common Equity Tier 1 capital ratio, proportional consolidation, 18.0% (18.6%)

Second quarter highlights

- Merger completed on 01.06.2021
- Ordinary profit after tax NOK 244 million (NOK 150 million)
- Net interest income NOK 194 million (NOK 152 million)
- Losses on loans and guarantees was NOK 111 million (NOK 17 million)
 - Of which the accounting effect of the merger was NOK 89 million
- Recognised negative goodwill of NOK 151 million
- Establishment of SpareBank 1 Management with direct ownership of 4.6%
- Positive results from SpareBank 1 Gruppen and BN Bank ASA in the second quarter
- Return on equity 13.2% (11.9%)

Financial performance

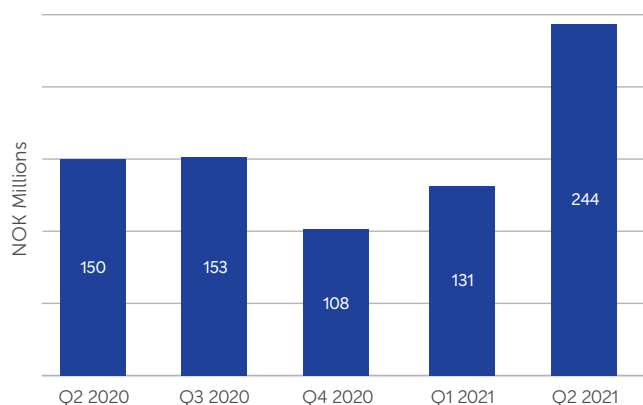
Cumulative figures as at 30.06 unless explicitly stated otherwise.

Profit

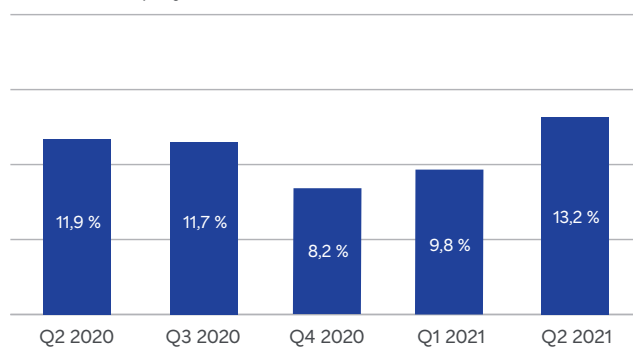
The SpareBank 1 Sørøst-Norge Group posted a profit from ordinary operations before losses of NOK 530 million (344 million). Profit after tax was NOK 375 million (NOK 244 million), which amounts to 1.67% (1.25%) as a % of average total assets. The Group's annualised return on equity was 10.3% (9.6%).

Quarterly performance of profit after tax and return on equity:

Profit after tax



Return on equity



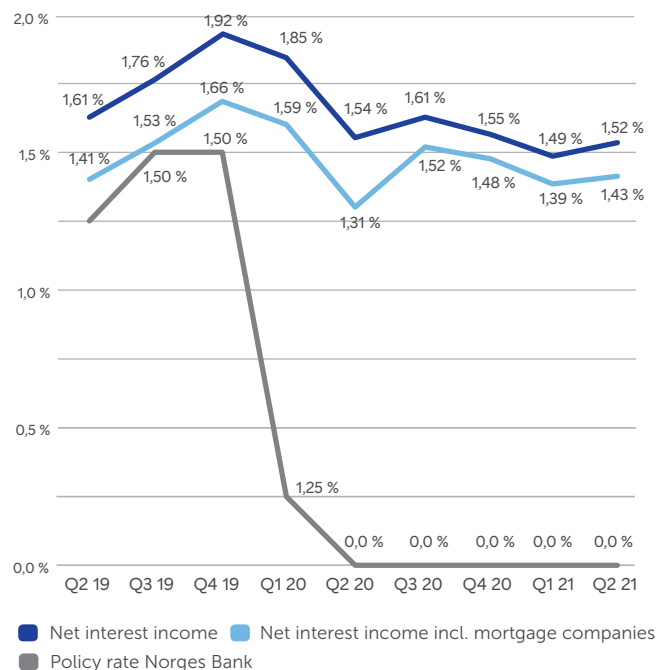
Earnings per equity certificate (weighted average first half-year) in the parent bank were NOK 3.41 (1.78) and in the Group NOK 3.05 (2.05).

Net interest income

Net interest income amounted to NOK 343 million (331 million). Net interest income annualised as a percentage of average total assets was 1.50% (1.70%). The reduction in the margin was mainly due to Norges Bank cutting its policy rate to 0.0% in the second quarter of 2020, which in turn resulted in significantly weakened deposit margins. Furthermore, the pressure on residential mortgage margins has been persistent due to strong competition.

At the end of the quarter, the Bank had transferred mortgages worth NOK 23,498 million (12,587 million) to SpareBank 1 Boligkreditt AS, and NOK 1,625 million (834 million) to SpareBank 1 Næringskreditt AS. Earnings from these loan portfolios are shown under net commission income and amounted to NOK 80 million (48 million).

Quarterly change in net interest income:



Net commission and other income:

Net commission and other income totalled NOK 290 million (221 million).

Net commission income

Net commission income amounted to NOK 184 million (137 million). The commissions from SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS accounted for NOK 80 million (NOK 48 million) of this.

Other operating income

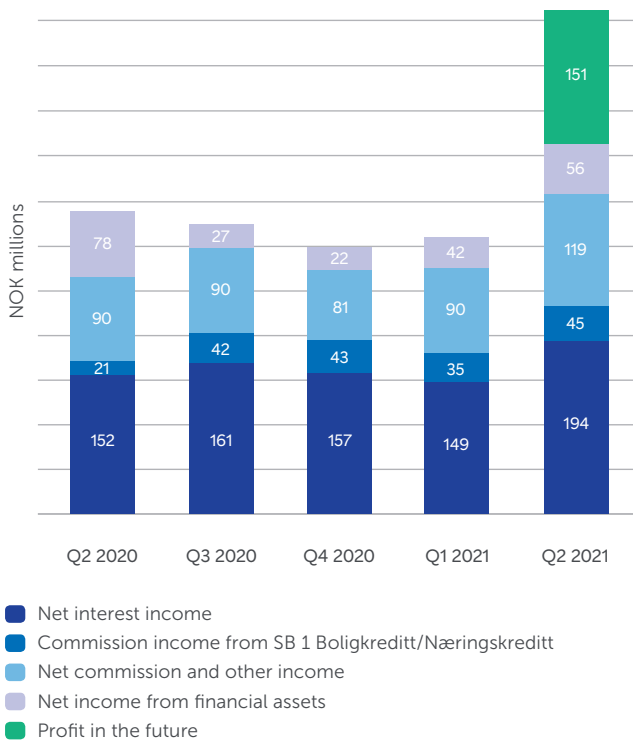
Other operating income amounted to NOK 106 million (84 million). The change from last year was due to increased income from subsidiaries.

Net income from financial assets

Net income from financial assets amounted to NOK 249 million (85 million). The main items in the first half of the year consist of NOK 33 million (NOK 22 million) in dividends received, NOK 50 million (NOK 60 million) in net profit from ownership interests, and net profit from other financial investments of NOK 166 million (NOK 3 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. In connection with the merger, the indirect ownership interest increased from 2.97% to 4.44%.

Quarterly change in income (NOK millions):



Operating expenses

Total operating expenses were NOK 352 million (293 million). Operating expenses as a percentage of total operating income for the Group came to 39.9% (46.0%). The corresponding cost-income ratio for the parent bank was 32.0% (42.1%).

Personnel expenses

Personnel expenses amounted to NOK 202 million (171 million). The weighted average number of FTEs in the Group increased by 39 compared with the same period last year. 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 with effect from 01.01.2021.

Other operating expenses

Other operating expenses amounted to NOK 150 million (122 million). Of which, transaction costs related to the merger accounted for around NOK 20 million.

Quarterly change in operating expenses:



Losses and impairment provisions

Recognised losses for the first half-year amounted to NOK 113 million (NOK 44 million).

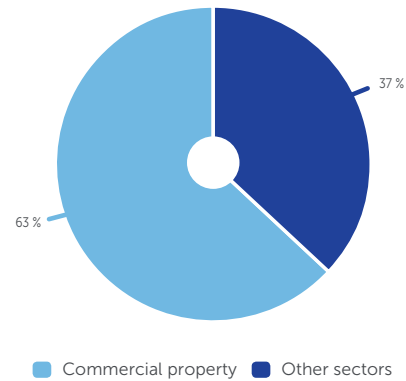
In connection with the opening balance as at 01.06.2021, loans in Stage 1 were measured at fair value, which was equivalent to their nominal value, in line with IFRS 9. When incorporating loans in SpareBank 1 Sørøst-Norge, IFRS 9 requires a loss provision to be made equivalent to 12 months of expected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

The loss cost excluding this IFRS 9 accounting effect amounted to NOK 24 million, of which NOK 10 million was recognised losses for the first half-year.

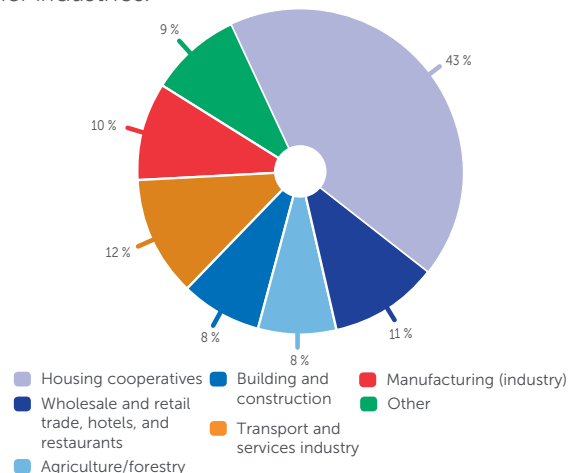
Loss provisions for loans and guarantees amounted to NOK 291 million (NOK 185 million), which is equivalent to 0.48% (0.57%) of gross lending on the balance sheet.

Mortgages for retail customers account for around 77% (82%) of the Bank's total lending. The Bank has no direct exposure to the oil sector and has relatively little direct loan exposure within industries such as hotels, restaurants, tourism, services and the transport sector. These industries have been especially hard hit by the pandemic.

CM – volume in commercial property and other industries:

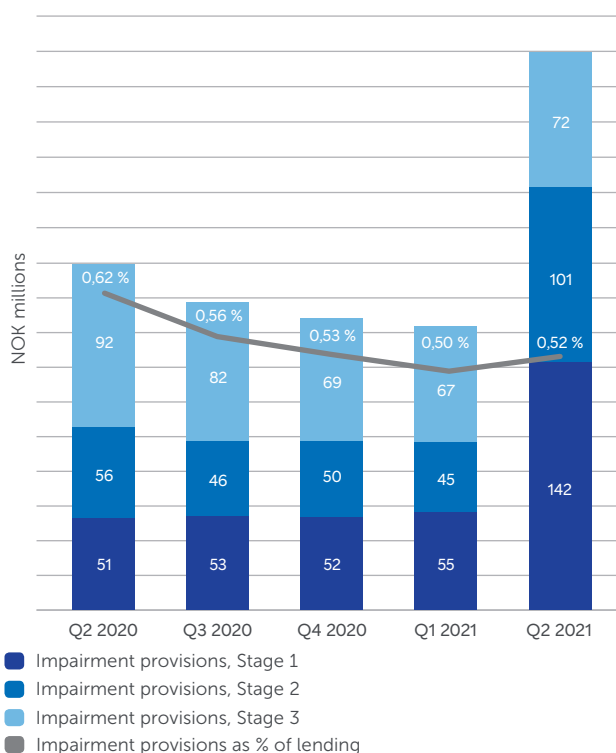


Corporate market – volume in commercial property and other industries:



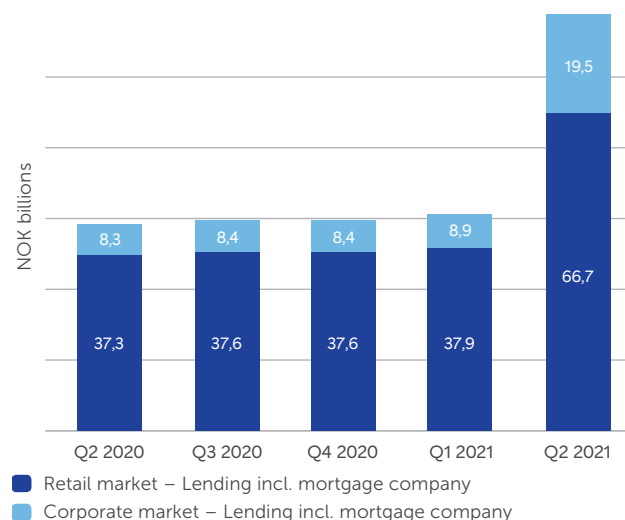
As a result of the Covid-19 outbreak and abrupt shut-down of the Norwegian economy from 12.03.2020, the credit risk picture has changed. The Bank's model for calculating expected credit losses was not designed to be able to estimate on the basis of a sharp negative shift in general conditions since the 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 the first half-year. 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 coming quarter, the remaining 60% of the Bank's corporate customers will submit revised 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.

Quarterly change in impairment provisions:



In addition to expanded individual loss assessments, the Bank assessed the model's scenario weighting in this quarter as well. Given the relatively unchanged risk picture, the weighting remained unchanged in the first half of 2021. Otherwise, please refer to Note 7.

Quarterly change in loans and deposits:



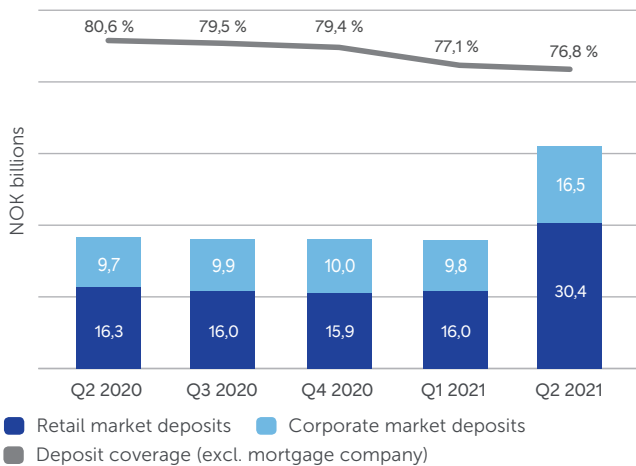
Statement of financial position performance

The Group's total assets amounted to NOK 73,765 million (NOK 40,494 million). The Group's business capital (total assets including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS) amounted to NOK 98,888 million (53,915 million).

Lending and deposit performance

Gross lending (including volume transferred to SpareBank 1 Boligkreditt AS/SpareBank 1 Næringskreditt AS) amounted to NOK 86,190 million. The past 12 months have seen an increase of NOK 6.7% (pro forma). The retail market grew by NOK 3,562 million, equivalent to 5.6%, while the corporate market grew by NOK 1,841 million, equivalent to 10.4%. The retail market accounted for 77% (82%) of lending (inclusive of SpareBank 1 Boligkreditt AS) at the end of the quarter.

At the end of the quarter, the Group had a deposit volume of NOK 46,872 million (25,948 million) with deposit growth of 6.6% (pro forma) in the past 12 months. Some NOK 1,064 million, equivalent to 3.6%, of the growth came in the retail market and NOK 1,845 million, equivalent to 12.6%, in the corporate market. The Group had a deposit coverage ratio of 76.8%, compared with 80.6% 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 54.4% (56.9%). The retail market's share of deposits at the end of the quarter was 65% (63%).



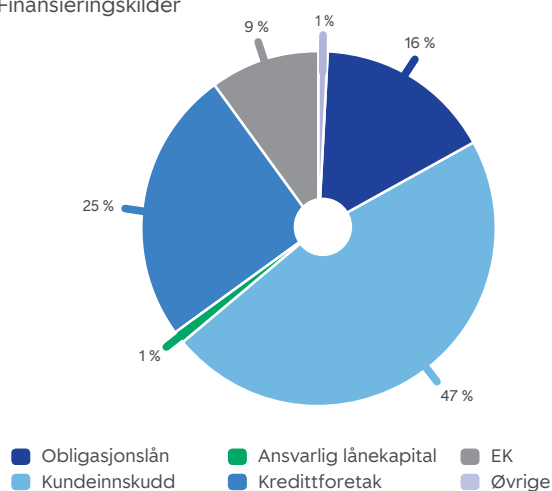
Liquidity

The Bank's liquidity situation at the end of the quarter was very good. The Bank's liquidity portfolio was valued at NOK 6,364 million and its LCR at 172.7% (211.0%) as at 30.06.2021. 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 30.06.2021, the Bank was well above this target.

At the end of the quarter, mortgages totalling NOK 23,498 million had been transferred to SpareBank 1 Boligkreditt AS. As at 30.06.2021, the Bank had a portfolio of loans approved for transfer to SpareBank 1 Boligkreditt AS worth NOK 21,224 million. The Bank had also transferred NOK 1,625 million of loans to SpareBank 1 Næringskreditt AS as at 30.06.2021.

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 3.1 years.

Finansieringskilder



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 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 the autumn of 2021. Given the new Pillar 2 requirement in connection with the merger, the Bank has calculated a new MREL requirement at 32.3% of the adjusted calculation basis, which corresponds to convertible debt (SNP) of NOK 4,921 million calculated as at 30.06.2021. As at the end of the first half-year, the Bank had issued convertible debt (SNP) of NOK 1,250 million.

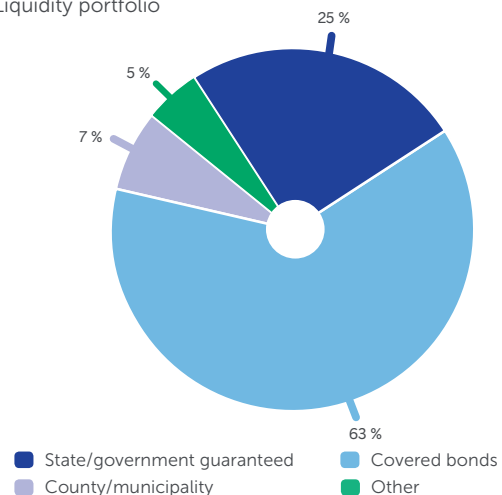
SpareBank 1 Sørøst-Norge has an issuer rating from Moody's of A2 with a positive outlook; see Moody's latest credit analysis dated 03.06.2021. The positive outlook reflects Moody's view of the merger between SpareBank 1 BV and Sparebanken Telemark and further issuance of senior non-preferred bonds, which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

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

Liquidity portfolio

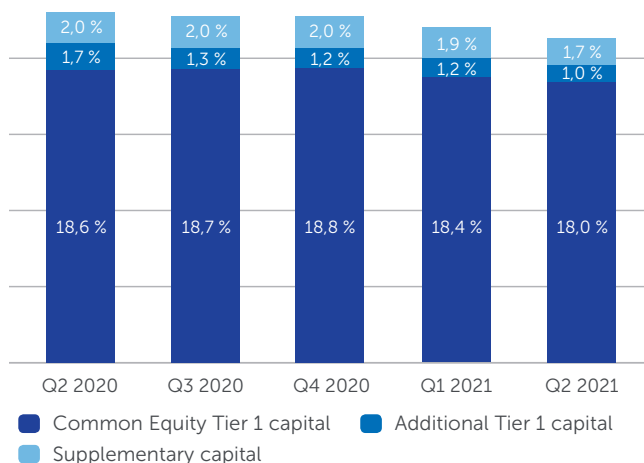


capital adequacy assessment process (ICAAP) as soon as possible. The assessment must be submitted to the Financial Supervisory Authority of Norway by no later than 12 months after the merger has been completed. The current total requirement for Common Equity Tier 1 capital is thus 13.3%. The Group's 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 18.0% (18.6%), including 50% of profit from the first half-year. The leverage ratio was 8.3% (8.6%) 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.

Quarterly change in capital adequacy (proportional consolidation):



Transactions with close associates

Apart from the merger commented on in the section below, 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 of SpareBank 1 BV and Sparebanken Telemark

SpareBank 1 BV and Sparebanken Telemark merged with legal effect on 01.06.2021. Both banks have attractive market areas, and the goal is to create a

powerful bank and be well-positioned for the future. In November 2020, estimated annual income and cost synergies in the range of NOK 75-120 million were announced to the market. These will be phased in gradually in the period up to 2024. It is currently estimated that transaction and implementation costs for realising synergies will amount to NOK 110-130 and these are expected to accrue in 2021-2022.

Covid-19

Infection rates have varied in the Bank's areas in the second quarter. Society is currently undergoing a controlled reopening. The unemployment rates in the region reflect this with some major differences. The general trend is positive thanks to the vaccination programme and simultaneous measures that have also reduced infection rates. 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, particularly in relation to the increase global spread of the Delta variant. This also means that in the longer term there also will be some uncertainty about the consequences the pandemic will have on the development of the Norwegian economy, including its impact on the Group's loss picture. 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. It is highly likely that it will be possible to successfully reopen society in 2021 and that this will result in a significant recovery of the Norwegian economy.

Future outlook

Increased infection rates in the first quarter resulted in strict measures being introduced in large parts of the county. Infection rates have decreased in line with vaccination rates increasing and the reopening of society has started. This has resulted in unemployment continuing to fall. At the end of the second quarter, the unemployment rate was 3.1% according to figures from NAV. Unemployment was generally higher in urban areas than in rural areas, which reflects the different business structures where urban areas have a larger proportion of people employed in service industries. Meanwhile, the vaccination programme is well underway and contributing to expectations of increased economic activity and lower unemployment in the second half of 2021. This is confirmed by Norges Bank's regional survey in June. Norges Bank's regional survey from March showed that business in Region South was optimistic about the future and expected output growth, increase real investment, improved profitability, and an increase in demand for labour.

Compared with periods prior to Covid-19 and taking into account the fact that both the national and global economies are weak, there are strikingly few

bankruptcies in the business sector. This can be explained by the comprehensive economic measures taken by the authorities. Reversing the packages of measures could change this picture. The quality of the credit in the Bank's lending portfolio is stable and is currently showing no indications of increased underlying risk.

Norges Bank kept the policy rate unchanged at its last interest rate meeting, although at the same time it communicated that in all likelihood the policy rate would rise during the second half-year, albeit at a cautious tempo. Increasing the policy rate could result in a more moderate house price trend due to a slight rise in lending rates. House prices in our market areas are now lower than in, for example, Oslo and we, therefore, expect moderate price growth despite a main scenario of higher mortgage rates. The main explanation for this is the prospect of negative real interest rates for a period going forward combined with wages growth and stable household purchasing power.

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 has helped to ensure that companies have managed to meet the economic challenges in a positive way. The exchange rate has recently strengthened and is back to the levels it was at prior to the Covid-19 pandemic. Less uncertainty in international financial markets, rises in oil prices, and expectations of a higher policy rate have probably helped to strengthen the Norwegian krone.

The Board of Directors underscores that uncertainty about how the economy will develop remains, although it assumes a main scenario in which the Norwegian economy enjoys a strong recovery in the second half of 2021. Important prerequisites for this are that the authorities get control over infection rates and the variants.

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. 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 urban areas experiencing growth. The business sector in the Bank's market areas is diversified with various strong regions represented by industry, power, technology, research and trade.

The goal of the merger is to contribute to stronger professional and expert environments and achieve better terms and conditions in the capital markets due to increased scale and improved profitability.

The Board of Directors believes that, following the integration of the merged banks, SpareBank 1 Sørøst-Norge has significantly strengthened its market position and expertise. The Bank is well equipped to meet regulatory challenges and competition in the market. The Board will continue to seek opportunities for structural growth.

Tønsberg, 11.08.2021

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
Managing Director



Interim financial statements

The background of the page is a solid dark blue. In the lower half, there are two large, overlapping circles. The circle on the right is a medium blue, and the circle on the left is a light beige or cream color. They overlap in the bottom center of the page.

Summary of results and key figures (Group)

(Amounts in NOK millions)	30.06.2021	%	30.06.2020	%	31.12.2020	%
Net interest income	343	1.50	331	1.70	649	1.63
Net commission and other income	290	1.26	221	1.13	477	1.20
Net income from financial assets	249	1.09	85	0.44	134	0.34
Total net income	882	3.85	637	3.26	1,260	3.17
Total operating expenses	352	1.53	293	1.50	599	1.51
Operating profit before losses/profit before losses and tax	530	2.31	344	1.76	661	1.66
Losses on loans and guarantees	113	0.49	44	0.22	31	0.08
Profit before tax	417	1.82	300	1.54	630	1.59
Tax expense	42	0.18	57	0.29	125	0.32
Profit after tax	375	1.64	244	1.25	505	1.27
Total other comprehensive income recognised as equity	1	-	3	0.01	2	-
Total comprehensive income	376	1.64	246	1.26	507	1.28
	30.06.2021		30.06.2020		31.12.2020	
		30.06.2021 with pro format figures for 2020				
Profitability						
Return on equity, profit before other comprehensive income ¹	10.3%		9.6%		9.7%	
Return on equity, comprehensive income	10.3%		9.7%		9.7%	
Cost-income ratio ²	39.9%		46.0%		47.6%	
Cost-income ratio excl. financial investments	55.6%		53.1%		53.2%	
Statement of financial position figures						
Gross lending to customers	61,051		32,180		32,586	
Gross lending to customers incl. SpareBank 1 Boligkreditt/Næringskreditt	86,174		45,601		45,999	
Deposits from customers	46,872		25,948		25,864	
Deposit coverage	76.8%		80.6%		79.4%	
Liquidity coverage ratio (LCR), liquidity reserve	172.7%		211.0%		189.0%	
Lending growth incl. SpareBank 1 Boligkreditt/Næringskreditt past 12 months	89.0%	6.7%	6.4%		3.9%	
Deposit growth in the past 12 months	80.6%	6.6%	5.1%		5.8%	
Total assets	73,765		40,494		40,455	
Business capital (incl. SpareBank 1 Boligkreditt/Næringskreditt)	98,888		53,915		53,868	

	30.06.2021	30.06.2020	31.12.2020	
Losses				
Loss rate on lending ³	0.24%	0.14%	0.10%	
Loans in Stage 3 as % of gross lending	0.46%	0.77%	0.61%	
Losses (incl. SpareBank 1 Boligkreditt/Næringskreditt)				
Loss rate on lending ³ (incl. SpareBank 1 Boligkreditt/Næringskreditt)	0.17%	0.10%	0.07%	
Loans in Stage 3 as % of gross lending (incl. SpareBank 1 Boligkreditt/Næringskreditt)	0.33%	0.54%	0.43%	
Financial strength in terms of proportional consolidation				
Capital adequacy ratio	20.8%	22.3%	22.0%	
Tier 1 capital ratio	19.0%	20.3%	20.0%	
Common Equity Tier 1 capital ratio	18.0%	18.6%	18.8%	
Net primary capital	10,076	5,678	5,744	
Tier 1 capital	9,231	5,169	5,233	
Common Equity Tier 1 capital	8,752	4,726	4,907	
Basis for calculation	48,538	25,445	26,156	
Leverage ratio, proportional consolidation	8.3%	8.6%	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)	260	235	235	
Number of FTEs, group (avg. YTD)	381	342	345	
Equity certificates				
	30.06.2021	30.06.2020	31.12.2020	31.12.2019
Equity certificate fractions	60.27%	54.69%	54.69%	56.15%
Market price	50.00	36.40	41.30	39.60
Market value (NOK thousands)	5,934	2,297	2,606	2,499
Book equity per certificate (parent bank)	45.89	41.55	43.39	42.19
Book equity per certificate (Group)	46.98	43.35	45.62	43.71
Earnings per equity certificate (parent bank) ⁴	3.41	1.78	3.62	4.43
Earnings per equity certificate (Group) ⁴	3.05	2.05	4.34	4.63
Dividend per equity certificate	-	-	1.90	2.42
Price/earnings per equity certificate (parent bank)	-	-	11.42	8.94
Price/earnings per equity certificate (Group)	-	-	9.52	8.56
Price/book equity (parent bank)	1.09	0.88	0.95	0.94
Price/book equity (Group)	1.06	0.84	0.91	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

Parent bank					Group						
31.12. 2020	Q2 2020	Q2 2021	30.06. 2020	30.06. 2021	(Amounts in NOK millions)	Note	30.06. 2021	30.06. 2020	Q2 2021	Q2 2020	31.12. 2020
96	27	20	61	39	Interest income - assets measured at fair value		39	61	20	27	96
883	219	242	494	428	Interest income - assets measured at amortised cost		428	494	242	219	884
331	94	68	223	124	Interest expenses		124	224	68	95	331
648	152	194	332	344	Net interest income		343	331	194	152	649
331	70	109	146	194	Commission income		194	146	109	70	331
19	4	6	8	10	Commission expenses		10	8	6	4	19
9	1	1	6	2	Other operating income		106	84	62	45	165
320	67	104	143	186	Net commission and other income		290	221	164	111	477
67	37	118	58	128	Dividends		33	22	22	7	31
2	1	11	2	11	Net result from ownership interests		50	60	34	21	101
2	50	150	3	166	Net result from other financial investments 1)	3, 13	166	3	150	50	2
70	88	279	63	306	Net income from financial assets		249	85	206	78	134
1,039	307	577	538	835	Total net income		882	637	565	341	1,260
250	54	66	118	131	Personnel expenses		202	171	105	81	359
213	52	85	109	137	Other operating expenses		150	122	92	59	240
463	106	151	227	268	Total operating expenses		352	293	198	140	599
576	201	426	311	567	Profit before losses and tax		530	344	368	201	661
35	18	111	46	113	Losses on loans and guarantees	7, 8	113	44	111	17	31
541	183	315	265	454	Profit before tax		417	300	256	185	630
121	33	10	54	37	Tax expense		42	57	13	35	125
420	151	306	211	417	Profit before other comprehensive income		375	244	244	150	505
-	-	-	-	-	Controlling interest's share of profit		373	243	242	149	503
-	-	-	-	-	Non-controlling interest's share of profit		2	1	2	1	1
3	2	2	3	1	<i>Items reversed through profit or loss, net after tax</i> Change in value of loans classified at fair value		1	3	2	2	3
(1)	-	-	-	-	<i>Items not reversed through profit or loss, net after tax</i> Estimation difference, IAS 19 Pensions		-	-	-	-	(1)
2	2	2	3	1	Total other comprehensive income recognised as equity		1	3	2	2	2
422	153	307	214	418	Total comprehensive income		376	246	246	152	507
-	-	-	-	-	Controlling interest's share of total comprehensive income		374	246	244	151	505
-	-	-	-	-	Non-controlling interest's share of total comprehensive income		2	1	2	1	1
3.62	1.23	2.24	1.78	3.41	Earnings and diluted result per equity certificate before other comprehensive income		3.05	2.05	1.77	1.21	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	30.06.2020	30.06.2021	(Amounts in NOK millions)	Note	30.06.2021	30.06.2020	31.12.2020
101	97	112	Cash and receivables from central banks		112	97	101
1,035	1,311	2,610	Loans to and receivables from financial institutions		2,612	1,367	1,074
32,464	32,028	60,846	Net lending to customers	5. 8. 9	60,804	32,006	32,444
4,433	4,624	6,277	Certificates, bonds and other securities at fair value		6,277	4,624	4,433
1,372	1,401	2,294	Shareholdings and other equity interests		2,294	1,401	1,372
37	38	76	Ownership interests in Group companies		-	-	-
485	485	858	Interests in joint ventures and associated companies		1,044	671	713
74	90	238	Tangible assets		273	111	102
-	-	-	Goodwill		34	25	25
11	9	7	Deferred tax assets		6	10	12
169	169	196	Other assets	15	311	182	180
40,182	40,252	73,512	Total assets		73,765	40,494	40,455
200	200	150	Deposits from financial institutions	17	150	200	200
25,903	25,976	46,907	Deposits from customers	16	46,872	25,948	25,864
7,909	7,976	15,715	Liabilities from the issuance of securities	17	15,715	7,976	7,909
121	67	73	Tax payable		81	72	125
372	460	602	Other liabilities	19	660	517	421
401	401	651	Subordinated loan capital	18	651	401	401
34,905	35,080	64,098	Total liabilities		64,128	35,113	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	28	23	Fund for unrealised gains		23	28	22
250	350	350	Hybrid capital		350	350	250
120	-	-	Other equity		258	176	378
-	205	412	Unallocated		369	237	-
-	-	-	Non-controlling interest's share		8	1	2
5,277	5,171	9,414	Total equity		9,637	5,381	5,537
40,182	40,252	73,512	Liabilities and equity		73,765	40,494	40,455

Consolidated results from the quarterly financial statements

Group

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

Parent bank

Earnings per equity certificate (quarter in isolation)	2.24	0.91	0.84	1.01	1.23	0.55	0.97	0.82
Diluted earnings per equity certificate (quarter in isolation)	2.24	0.91	0.84	1.01	1.23	0.55	0.97	0.82

Change in equity

Group												
(Whole NOK millions)	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 31.12.2019	947	1,026	537	7	2,072	25	250	328	-	1	5,193	
Interest expenses on subordinated bonds reclassified as equity	-	-	-	-	-	-	-	-	(6)	-	(6)	
Additional Tier 1 capital issued	-	-	-	-	-	-	100	-	-	-	100	
Buy-back and maturity of additional Tier 1 capital	-	-	-	-	-	-	-	-	-	-	-	
Dividend from 2019, for payment in 2020	-	-	-	-	-	-	-	(153)	-	(1)	(153)	
Change in carrying amount of subsidiaries, joint ventures and associated companies	-	-	-	-	-	-	-	1	-	-	1	
Profit before other comprehensive income	-	-	-	-	-	-	-	-	243	1	244	
<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	-	-	-	-	-	-	-	-	-	-	-	
Equity as at 30.06.2020	947	1,026	537	7	2,072	28	350	176	237	1	5,381	
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 distri- buted	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	-	-	-	-	-	-	-	-	(5)	-	(5)
Dividend for 2020 for payment in 2021	-	-	-	-	-	-	-	(120)	-	(1)	(121)
Change in carrying amount of joint ventures and associated companies	-	-	-	-	-	-	-	1	-	-	1
Profit before other comprehensive income	-	-	-	-	-	-	-	-	373	2	375
<i>Items reversed through profit or loss:</i>											
Change in value of loans classified at fair value	-	-	-	-	-	1	-	-	-	-	1
Equity as at 30.06.2021	1,778	2,777	645	7	3,423	23	350	258	369	8	9,637

1) The equity share capital has been deducted 3 in own holdings

Parent bank

(Whole NOK millions)	Owner- ship interest ¹	Share premium fund	Risk equal- isation fund	Endow- ment fund	Spare- bankens 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
Interest expenses on subordinated bonds reclassified as equity	-	-	-	-	-	-	-	-	(6)	(6)
Additional Tier 1 capital issued	-	-	-	-	-	-	100	-	-	100
Dividend for 2019 for payment in 2020	-	-	-	-	-	-	-	(153)	-	(153)
Profit before other comprehensive income	-	-	-	-	-	-	-	-	211	211
<i>Items reversed through profit or loss:</i>										
Change in value of loans classified at fair value	-	-	-	-	-	3	-	-	-	3
Equity as at 30.06.2020	947	1,026	537	7	2,072	28	350	-	205	5,171
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	-	-	-	-	-	-	-	-	(5)	(5)
Dividend for 2020 for payment in 2021	-	-	-	-	-	-	-	(120)	-	(120)
Profit before other comprehensive income	-	-	-	-	-	-	-	-	415	415
<i>Items reversed through profit or loss:</i>										
Change in value of loans classified at fair value	-	-	-	-	-	1	-	-	-	1
Equity as at 30.06.2021	1,778	2,780	645	7	3,423	23	350	-	410	9,414

1) The equity share capital has been deducted 3 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. Q2 concerns SpareBank 1 Sørøst-Norge where the cash flow from the merged bank is for the month of 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	30.06.2020	30.06.2021	(Amounts in NOK millions)	30.06.2021	30.06.2020	31.12.2020
			Cash flow from operating activities			
541	265	454	Period's profit before tax	417	300	630
-	-	-	Net profit from joint ventures	(50)	(60)	(101)
-	-	(151)	Negative goodwill through profit or loss	(151)	-	-
(4)	(4)	-	Loss/gain from fixed assets	6	(4)	(4)
2	11	12	Depreciation and impairments	15	12	9
35	46	113	Impairment of loans	113	46	31
(119)	(55)	(81)	Tax payable	(87)	(60)	(115)
(1,085)	(563)	(2,250)	Change in lending and other assets	(2,260)	(552)	(1,056)
1,439	1,513	2,289	Change in deposits from customers	2,341	1,513	1,439
-	-	16	Change in loans to and receivables from financial institutions	16	-	-
(304)	(495)	(423)	Change in certificates and bonds	(423)	(495)	(304)
51	4	27	Change in other receivables	(14)	3	10
(73)	107	(13)	Change in other current liabilities	(42)	118	(14)
483	829	(5)	Net cash flow from operating activities	(119)	821	526
			Cash flow from investing activities			
(6)	(4)	(2)	Investments in property, plant and equipment	(6)	(13)	(48)
8	1	-	Sales of property, plant and equipment	22	1	8
(67)	(39)	(133)	Investments in shares, equity certificates and units	(37)	(4)	(68)
79	21	80	Sales of shares, equity certificates and units	80	21	78
14	(22)	(55)	Net cash flow from investing activities	59	5	(30)
			Cash flow from financing activities			
1,675	450	1,850	Increase in financial borrowing	1,850	450	1,677
(1,971)	(884)	(1,460)	Repayment of financial borrowing	(1,460)	(884)	(1,971)
(40)	60	-	Borrowing, subordinated loans	-	60	(40)
(154)	(154)	(121)	Dividends/endowments paid	(121)	(153)	(153)
(490)	(528)	269	Net cash flow from financing activities	269	(527)	(487)
7	279	208	Total change in cash and cash equivalents in the year	208	299	9
824	824	2,018	Cash and cash equivalents OB	2,018	861	861
832	1 103	2,226	Cash balance at end of the period	2,226	1 160	870
7	279	208	Net change in cash and cash equivalents in the year	208	299	9
			Cash and cash equivalents, specified			
101	97	112	Cash and receivables from central banks	112	97	101
731	1 006	2,115	Current receivables from financial institutions	2,115	1,063	769
832	1,103	2,226	Cash and cash equivalents	2,226	1,160	870

Cash flow from interest received, interest payments and dividends received

31.12.2020	30.06.2020	30.06.2021	(Amounts in NOK millions)	30.06.2021	30.06.2020	31.12.2020
914	510	444	Interest received on loans to customers	443	510	913
(176)	(120)	(56)	Interest paid on deposits from customers	(57)	(120)	(177)
12	8	4	Interest received on loans to and receivables from financial institutions	4	8	12
(1)	-	-	Interest paid on loans to and receivables from financial institutions	-	-	(1)
58	37	23	Interest received on certificates and bonds	23	37	58
(134)	(93)	(57)	Interest paid on certificates and bonds	(57)	(93)	(134)
69	59	128	Dividends from investments	33	22	31
742	402	486	Net cash flow from interest received, interest payments and dividends received	389	364	703

Notes to the financial statements



Note 1 – Accounting policies

The interim report for SpareBank 1 Sørøst-Norge covers the period 01.01.-30.06.2021. 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 30.06.

In addition to expanded individual loss assessments, the Bank assessed the model's scenario weightings in this quarter as well. Given the relatively unchanged risk picture, the weighting from the first quarter has been maintained. 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 half of 2021.

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 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
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 01.01.2021-30.06.2021 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 01.01-30.06.2021	Parent bank	Group
Interest income	738.7	739.0
Interest expenses	199.5	199.1
Net interest income	539.2	539.9
Commission income	291.6	292.7
Commission expenses	18.9	17.1
Other operating income	4.0	129.8
Net commission and other income	276.6	405.3
Dividends	178.1	40.0
Net result from ownership interests in joint ventures and associated companies	-	65.7
Net result from other financial investments	173.8	171.3
Net result from financial investments	351.9	277.0
Total net income	1,167.7	1,222.3
Personnel expenses	191.9	278.4
Other operating expenses	219.0	236.6
Total expenses	411.0	515.0
Profit before losses and tax	756.7	707.2
Losses on loans and guarantees	119.8	119.8
Gains, losses and write-downs (-) of shares, equity certificates and units	-	-
Profit before tax	636.9	587.4
Tax expense	72.3	77.3
Ordinary profit	564.6	510.2

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 18.0% (18.6%), including 50% of profit from the first half-year. The leverage ratio was 8.3% (8.6%) 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	30.06.2021	30.06.2020	31.12.2020
Primary capital			
Common Equity Tier 1 capital	8,752	4,726	4,907
Tier 1 capital	9,231	5,169	5,233
Primary capital	10,076	5,678	5,744
Basis for calculation	48,538	25,445	26,156
Capital adequacy			
Common Equity Tier 1 capital ratio	18.0%	18.6%	18.8%
Tier 1 capital ratio	19.0%	20.3%	20.0%
Capital adequacy	20.8%	22.3%	22.0%
Leverage ratio	8.3%	8.6%	8.6%

The following companies are included in proportional consolidation:

- SpareBank 1 Boligkreditt
- SpareBank 1 Næringskreditt
- SpareBank 1 Kreditt AS
- SpareBank 1 SMN Finans AS
- BN Bank ASA

Parent bank

Primary capital	30.06.2021	30.06.2020	31.12.2020
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	28	22
Endowment fund	7	7	7
Allocated dividend classified as equity	-	-	120
Other equity (IAS pensions and interest paid on hybrid capital)	(5)	(6)	-
Profit for the period	417	211	-
Total capitalised equity (excluding hybrid capital)	9,064	4,822	5,027
Value adjustments on shares and bonds measured at fair value (AVA)	(10)	(30)	(8)
Deduction for non-material interests in the financial sector	(82)	(969)	(956)
Deduction for material interests in the financial sector	(867)	-	-
Dividends allocated for distribution, classified as equity	-	-	(120)
Profit for the period	(417)	(211)	-
Interim profit included in Tier 1 capital	208	153	-
Total Common Equity Tier 1 capital	7,896	3,765	3,944
Hybrid capital	350	350	250
Additional Tier 1 capital	-	-	-
Deduction for non-material interests in the financial sector	-	-	-
Total Tier 1 capital	8,246	4,115	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	8,896	4,510	4,589
Risk-weighted basis for calculation			
Assets not included in the trading portfolio	36,347	18,038	18,735
Operational risk	3,105	1,920	1,945
Position risk in the trading portfolio	-	-	-
CVA surcharge (counterparty risk derivatives)	79	90	79
Total basis for calculation	39,532	20,048	20,759
Common Equity Tier 1 capital	20.0%	18.8%	19.0%
Tier 1 capital	20.9%	20.5%	20.2%
Capital adequacy	22.5%	22.5%	22.1%
Leverage ratio	10.8%	10.1%	10.2%
Buffer requirements			
Capital conservation buffer (2.50%)	988	501	519
Countercyclical buffer (1.0%)	395	200	208
Systemic risk buffer (3.00%)	1,186	601	623
Total buffer requirement for Common Equity Tier 1 capital	2,570	1,303	1,349
Minimum requirement for Common Equity Tier 1 capital (4.50%)	1,779	902	934
Available Common Equity Tier 1 capital in excess of minimum requirement	3,548	1,559	1,659

	30.06.2021	30.06.2020	31.12.2020
Governments and central banks	52	-	-
Local and regional authorities	92	70	59
Publicly owned companies	10	10	10
Institutions	572	168	164
Companies	4,210	2,571	2,118
Mass market	4,950	2,950	2,760
Mortgaged against residential and holiday property	15,650	8,554	8,240
Mortgaged against commercial property	5,643	1,641	2,252
Exposures past due	273	154	75
High-risk exposures	1,726	-	1,280
Covered bonds	468	351	296
Receivables from institutions and companies with short-term ratings	204	201	146
Shares in mutual funds	57	35	43
Equity items	2,134	1,186	1,160
Other exposures	305	146	133
Total credit risk	36,347	18,038	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.

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

customers, which include the parent bank and subsidiaries related to real estate and accounting services. Other operations mainly include subsidiaries that manage properties and unallocated items from the corporate functions area.

Group 30.06.2021

(Amounts in NOK millions)	RM	CM	Other operations	Group eliminations	Total
Profit					
Net interest income	215	136	(7)	-	343
Net commission and other income	223	59	255	-	538
Operating expenses	244	93	15	-	352
Profit before losses	194	102	234	-	530
Losses on loans and guarantees	38	75	-	-	113
Profit before tax	156	27	234	-	417

(Amounts in NOK millions)	RM	CM	Other operations	Group eliminations	Total
Statement of financial position					
Net lending to customers	42,984	17,085	735	-	60,804
Other assets	-	-	12,849	112	12,961
Total assets per segment	42,984	17,085	13,584	112	73,765
Deposits from and liabilities to customers	30,896	15,472	503	-	46,872
Other equity and liabilities	-	-	26,781	112	26,894
Total equity and liabilities per segment	30,896	15,472	27,284	112	73,765

Group 30.06.2020

(Amounts in NOK millions)	RM	CM	Other operations	Group eliminations	Total
Profit					
Net interest income	183	130	18	-	331
Net commission and other income	167	58	84	(3)	306
Operating expenses	188	79	25	1	293
Profit before losses	162	109	77	(4)	344
Losses on loans and guarantees	11	32	-	-	44
Profit before tax	150	77	77	(4)	300

(Amounts in NOK millions)	RM	CM	Other operations	Group eliminations	Total
Statement of financial position					
Net lending to customers	24,043	7,172	796	(4)	32,006
Other assets	-	-	8,517	(30)	8,488
Total assets per segment	24,124	7,207	9,196	(34)	40,494
Deposits from and liabilities to customers	16,500	9,038	430	(19)	25,948
Other equity and liabilities	-	-	14,560	(15)	14,546
Total equity and liabilities per segment	24,124	7,207	9,196	(34)	40,494

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 operations	Group eliminations	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	30.06.2020	30.06.2021		30.06.2021	30.06.2020	31.12.2020	Q2 2021
-	-	89	Effects of merger with Sparebanken Telemark	89	-	-	89
11	10	-	Change in impairment provisions in the period, Stage 1	-	10	11	(2)
8	14	13	Change in impairment provisions in the period, Stage 2	13	14	8	18
(9)	13	(5)	Change in impairment provisions in the period, Stage 3	3	10	(13)	5
25	8	14	Losses for the period with previous impairments	6	8	24	1
2	1	4	Losses for the period without previous impairments	4	1	2	-
-	-	(1)	Previously recognised impairments at start of period.	(1)	-	-	-
(1)	1	(2)	Other corrections/amortisation of impairments	(2)	1	(1)	-
35	46	113	Losses on loans and guarantees in the period	113	44	31	111

- The loss cost at the end of the first half year amounted to NOK 113 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 is equivalent to the loss provisions that Sparebanken Telemark had 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	Group			Total
	Stage 1	Stage 2	Stage 3	
01.01.2021	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
Impairment provisions transferred to Stage 1	9	(9)	-	-
Impairment provisions transferred to Stage 2	(8)	8	(1)	-
Impairment provisions transferred to Stage 3	-	(1)	2	-
New financial assets issued or purchased	30	2	3	35
Increase existing loans	-	30	21	51
Reduction existing loans	(17)	(6)	(12)	(36)
Financial assets that have been deducted	(14)	(11)	(4)	(28)
Changes due to recognised impairments (recognised losses)	-	-	(6)	(6)
30.06.2021	142	101	72	315
- reversal of impairment provisions related to fair value through OCI	(24)	-	-	(24)
Capitalised impairment provisions as at 30.06.2021	118	101	72	291
Of which, impairment provisions for capitalised loans	88	91	68	247
Of which, impairment provisions for unused credits and guarantees	29	10	4	44
Of which: impairment provisions, retail market - amortised cost	6	36	23	65
Of which: impairment provisions, corporate market - amortised cost	111	65	50	226

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 per 30.06.2021.

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

based on an assessment. The scenario weighting has remained unchanged since 30.06.2020. Please see the overview below for information on how the scenario weighting has developed.

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 weight 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 weight used as at 30.06.2021	Weight RM/CM	RM	CM	Total
Scenario 1 (normal case)	80%/80%	44	116	160
Scenario 2 (worst case)	15%/20%	43	110	153
Scenario 3 (best case)	5%/0%	1	-	1
Total estimated IFRS 9 provisions		89	226	315
- reversal of impairment provisions related to fair value through OCI		(24)	-	(24)
Capitalised impairment provisions for the parent bank as at 30.06.2021		65	226	291

Change in IFRS 9 impairment provisions in the event of a change in weight:	Weight RM/CM	RM	CM	Total
Scenario 1 (normal case)	70%/70%	(6)	(14)	(20)
Scenario 2 (worst case)	25%/30%	29	55	84
Scenario 3 (best case)	5%/0%	-	-	-
Total		23	41	64

Scenario weighting used during the year	31.12.2019 Weight RM/CM	31.03.2020 Weight RM/CM	30.06.2020 Weight RM/CM	31.12.2020 Weight RM/CM	30.06.2021 Weight RM/CM
Scenario 1 (normal case)	80%/80%	80%/80%	80%/80%	80%/80%	80%/80%
Scenario 2 (worst case)	10%/10%	15%/15%	15%/20%	15%/20%	15%/20%
Scenario 3 (best case)	10%/10%	5%/5%	5%/0%	5%/0%	5%/0%

(Amounts in NOK millions)

	Group			
Impairment provisions for loans and guarantees	Stage 1	Stage 2	Stage 3	Total
01.01.2020	42	42	82	165
Impairment provisions transferred to Stage 1	4	(4)	-	-
Impairment provisions transferred to Stage 2	(4)	5	-	-
Impairment provisions transferred to Stage 3	-	(2)	2	-
New financial assets issued or purchased	14	5	-	19
Increase existing loans	12	23	25	60
Reduction existing loans	(8)	(5)	(5)	(18)
Financial assets that have been deducted	(7)	(7)	(4)	(19)
Changes due to recognised impairments (recognised losses)	-	-	(8)	(8)
30.06.2020	51	56	92	200
- reversal of impairment provisions related to fair value through OCI	(15)	-	-	(15)
Capitalised impairment provisions as at 30.06.2020	37	56	92	185
Of which, impairment provisions for capitalised loans	29	54	90	173
Of which, impairment provisions for unused credits and guarantees	7	2	2	11
Of which: impairment provisions, retail market - amortised cost	1	24	24	49
Of which: impairment provisions, corporate market - amortised cost	36	32	68	136

	Group			
Impairment provisions for loans and guarantees	Stage 1	Stage 2	Stage 3	Total
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	518	(514)	(4)	-
Loans transferred to Stage 2	(1,013)	1,023	(9)	-
Loans transferred to Stage 3	(18)	(32)	50	-
New financial assets issued or purchased	11,277	100	15	11,392
Increase existing loans	379	111	2	492
Reduction existing loans	(1,275)	(80)	(19)	(1,374)
Financial assets that have been deducted	(7,668)	(431)	(28)	(8,127)
Changes due to recognised impairments (recognised losses)	-	-	(19)	(19)
Changes due to receipts for previous impairments (recognised)	-	-	(6)	(6)
30.06.2021	54,374	3,483	282	58,139
Impairment provisions as % of gross lending	0.26%	2.90%	25.59%	0.54%

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	410	(410)	-	-
Loans transferred to Stage 2	(584)	600	(16)	-
Loans transferred to Stage 3	(15)	(42)	57	-
New financial assets issued or purchased	8,222	198	9	8,429
Increase existing loans	402	44	1	447
Reduction existing loans	(1,105)	(123)	(24)	(1,251)
Financial assets that have been deducted	(6,317)	(350)	(29)	(6,696)
Changes due to recognised impairments (recognised losses)	-	-	(9)	(9)
30.06.2020	28,444	1,865	247	30,556
Impairment provisions as % of gross lending	0.18%	3.00%	37.25%	0.65%

(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	30.06.2020	30.06.2021	(Amounts in NOK millions)	30.06.2021	30.06.2020	31.12.2020
24,967	24,668	43,176	Employees, etc.	43,176	24,668	24,967
5,170	5,250	11,520	Property management/business services, etc.	11,477	5,221	5,141
619	466	2,259	Property management housing cooperatives	2,259	466	619
383	355	771	Wholesale and retail trade/hotels and restaurants	771	355	383
215	212	568	Agriculture/forestry	568	212	215
278	330	574	Building and construction	574	330	278
370	362	843	Transport and service Industries	843	362	370
327	299	745	Production (manufacturing)	745	299	327
1	1	1	Public administration	1	1	1
286	265	638	Abroad and others	638	265	286
32,616	32,209	61,094	Gross lending	61,051	32,180	32,586
8,252	8,526	19,658	- Of which, measured at amortised cost	19,616	8,497	8,223
22,700	22,059	38,523	- Of which, measured at fair value through OCI	38,523	22,059	22,700
1,664	1,624	2,912	- Of which, measured at fair value through profit or loss	2,912	1,624	1,664
(151)	(181)	(248)	- Impairment provisions for loans	(247)	(173)	(143)
32,464	32,028	60,846	Net lending	60,804	32,006	32,444
32,616	32,209	61,094	Gross lending	61,051	32,180	32,586
12,660	12,587	23,498	Gross lending transferred to SB1 Boligkreditt	23,498	12,587	12,660
752	834	1,625	Gross lending transferred to SB1 Næringskreditt	1,625	834	752
46,028	45,630	86,217	Gross lending including SB1 Boligkreditt and Næringskreditt	86,174	45,601	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 – Derivatives

(Amounts in NOK millions)	30.06.2021			30.06.2020			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	-	8	42	-	-	57	-	-	62
Hedging of customer-related assets at fair value through profit or loss	2,782	10	46	1,530	-	52	1,560	4	36
Hedging of fixed income securities	330	14	22	415	9	27	365	10	25
Hedging fixed-rate borrowing	3,950	97	-	3,000	120	-	3,050	111	-
Total derivatives at fair value hedging	7,062	129	110	3,000	129	136	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 3.1 (3.0) years at the end of the quarter.

The liquidity coverage ratio (LCR) was 173% (211%) at the end of the quarter and the average LCR has been 183% (201%) so far in 2021.

Note 13 – Net result from other financial investments

Parent bank			(Amounts in NOK millions)	Group		
31.12.2020	30.06.2020	30.06.2021		30.06.2021	30.06.2020	31.12.2020
(1)	(5)	21	Net change in value of stocks, shares, etc. measured at fair value	21	(5)	(1)
8	8	(10)	Net change in value of bonds/certificates measured at fair value	(10)	8	8
(19)	(9)	1	Net change in value of financial derivatives measured at fair value	1	(9)	(19)
13	9	4	Exchange rate gains/losses on currency	4	9	13
-	-	151	Recognition of negative goodwill	151	-	-
2	3	166	Net result from other financial investments	166	3	2

Note 14 – 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 30.06.2021

Assets (Amounts in NOK millions)	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
- Fixed-rate loans	-	-	2,912	2,912
- Loans at fair value through OCI	-	-	38,523	38,523
- Bonds and certificates	205	6,072	-	6,277
- Equity Instruments	202	-	2,092	2,294
- Derivatives	-	129	-	129
Total assets	407	6,201	43,527	50,135
Liabilities				
Financial liabilities at fair value				
- Securities issued at fair value	-	4,014	-	4,014
- Derivatives	-	110	-	110
Total liabilities	-	4,124	-	4,124

The Group's assets and liabilities measured at fair value as at 30.06.2020

Assets (Amounts in NOK millions)	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
- Fixed-rate loans	-	-	1,624	1,624
- Loans at fair value through OCI	-	-	22,059	22,059
- Approved loans to Boligkreditt	-	-	-	-
- Bonds and certificates	210	4,407	-	4,617
- Equity Instruments	222	-	1,178	1,401
- Derivatives	-	129	-	129
Total assets	433	4,535	24,861	29,829
Liabilities				
Financial liabilities at fair value				
- Securities issued at fair value	-	2,873	-	2,873
- Derivatives	-	136	-	136
Total liabilities	-	3,010	-	3,010

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 30.06.2021

(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	142	91	8,684
Disposals	(338)	(24)	(7,713)
Net gain/loss on financial instruments	-	1	-
Closing balance 30.06.2021	2,912	2,092	38,523

Changes in instruments classified as Level 3 as at 30.06.2020

(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	92	-	7,015
Disposals	(242)	(1)	(6,264)
Net gain/loss on financial instruments	-	2	-
Closing balance 30.06.2020	1,624	1,178	22,059

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 15 – Other assets

Parent bank			(Amounts in NOK millions)	Group		
31.12.2020	30.06.2020	30.06.2021		30.06.2021	30.06.2020	31.12.2020
23	28	35	Prepaid, unaccrued costs, and accrued income not yet received	142	37	31
20	12	31	Other assets	40	16	24
125	129	129	Derivatives and other financial instruments at fair value	129	129	125
169	169	196	Total other assets	311	182	180

Note 16 – Deposits from customers by sector and industry

Parent bank			(Amounts in NOK millions)	Group		
31.12.2020	30.06.2020	30.06.2021		30.06.2021	30.06.2020	31.12.2020
15,885	16,292	30,397	Employees, etc.	30,397	16,292	15,885
3,269	3,055	5,969	Property management/business services, etc.	5,933	3,027	3,230
22	24	229	Property management housing cooperatives	229	24	22
1,073	847	1,764	Wholesale and retail trade/hotels and restaurants	1,764	847	1,073
223	195	370	Agriculture/forestry	370	195	223
716	613	1,071	Building and construction	1,071	613	716
1,673	1,592	2,733	Transport and service Industries	2,733	1,592	1,673
385	337	644	Production (manufacturing)	644	337	385
1,858	2,233	2,513	Public administration	2,513	2,233	1,858
799	790	1,218	Abroad and others	1,218	790	799
25,903	25,976	46,907	Total deposits	46,872	25,948	25,864

Note 17 – Total liabilities from the issuance of securities

(Amounts in NOK millions)	30.06.2021	30.06.2020	31.12.2020
Loans from financial institutions, nominal value	150	-	-
Bond debt, senior unsecured, nominal value	14,350	7,856	7,794
Bond debt, SNP, nominal value	1,250	-	-
Value adjustments and accrued interest	115	120	115
Total interest-bearing securities	15,865	7,976	7,909

Change in financial borrowing

(Amounts in NOK millions)	30.06.2021	Merger 01.06.2021 portfolio Sparebanken Telemark	Issued	Due/ redeemed	31.12.2020
Loans from financial institutions, nominal value	150	150	-	-	-
Bond debt, senior unsecured, nominal value	14,350	7,216	600	-1,260	7,794
Bond debt, SNP, nominal value	1,250	-	1,250	-	-
Value adjustments and accrued interest	115	75	-	-	115
Total interest-bearing securities	15,865	7,441	1,850	-1,260	7,909

Note 18 – Subordinated loan capital

(Amounts in NOK millions)	30.06.2021	30.06.2020	31.12.2020
Subordinated loan capital	650	400	400
Value adjustments and accrued interest	1	1	1
Total subordinated loan capital	651	401	401

Change in subordinated loan capital

(Amounts in NOK millions)	30.06.2021	Merger 01.06.2021 portfolio Sparebanken Telemark	Issued	Due/ redeemed	31.12.2020
Subordinated loan capital	650	250	-	-	400
Value adjustments and accrued interest	1	-	-	-	1
Total subordinated loan capital	651	250	-	-	401

No new subordinated loans were issued in the first half of 2021.

Note 19 – Other liabilities

Parent bank			(Amounts in NOK millions)	Group		
31.12.2020	30.06.2020	30.06.2021		30.06.2021	30.06.2020	31.12.2020
41	44	47	Accrued expenses and unaccrued income received	69	62	59
14	11	44	Provisions for guarantees	44	11	14
75	63	112	Pension liabilities	112	63	75
119	206	290	Other liabilities	327	244	150
123	136	110	Derivatives and other financial instruments at fair value	110	136	123
372	460	602	Total other liabilities	660	517	421

Note 20 – 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.

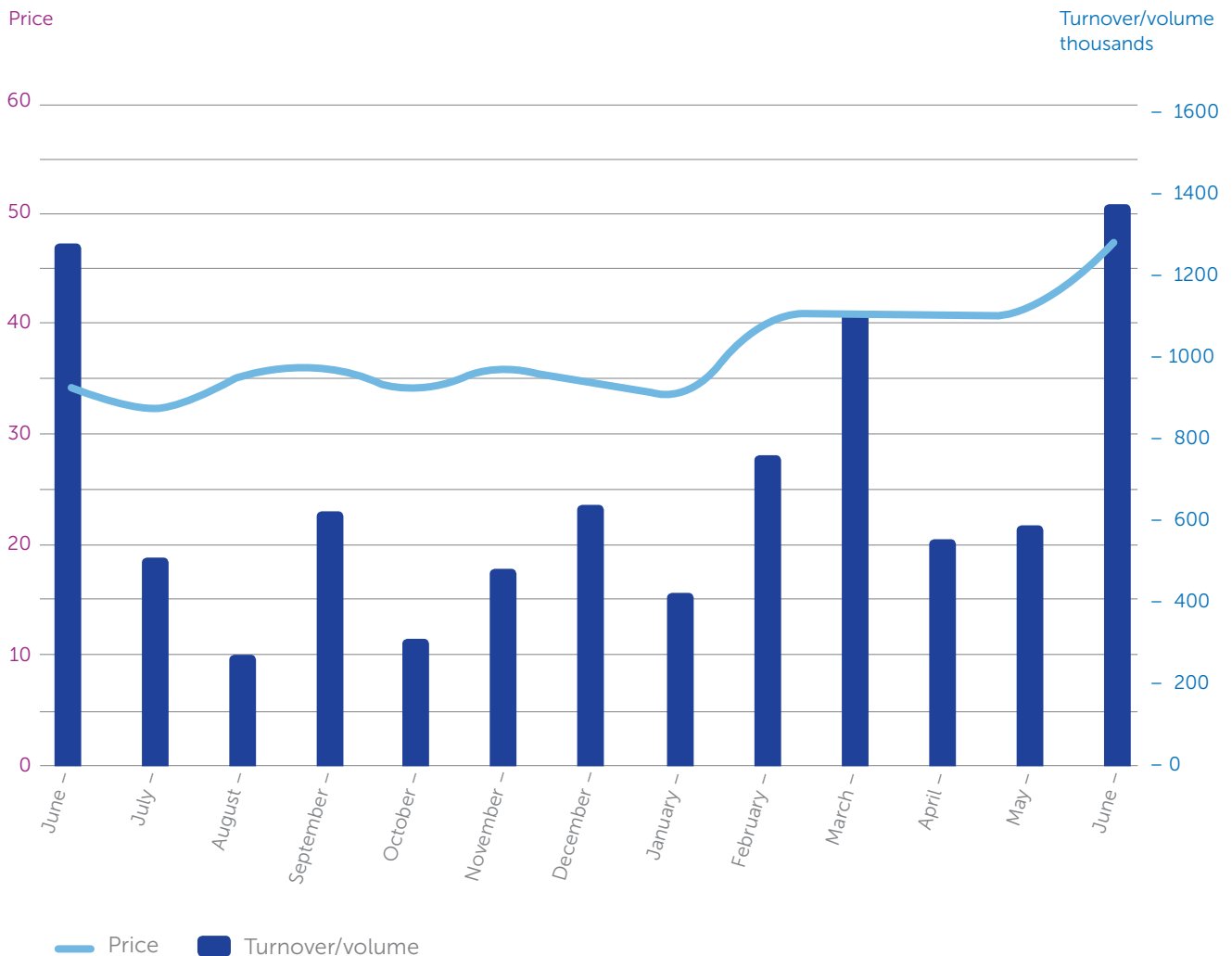
Following the issuance of new equity certificates, total equity share capital will amount to NOK 1,780.3 million divided into NOK 118,689,917 equity certificates with a nominal value of NOK 15 per equity certificate. SpareBank 1 Sørøst-Norge owned 188,826 equity certificates at the end of the quarter. 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 5,623 equity certificate holders as at 30.06.2021

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	3,680,435	3.1%
Spesialfondet Borea utbytte	2,195,626	1.8%
Pareto Invest AS	1,666,915	1.4%
Melesio Capital NYE AS	1,077,150	0.9%
Landkreditt Utbytte	1,000,000	0.8%
Catilina Invest AS	962,032	0.8%
DNB NOR Bank AS	908,995	0.8%
Wenaasgruppen AS	907,432	0.8%
Sanden AS	707,494	0.6%
Foretakskonsulenter AS	621,230	0.5%
Bergen Kommunale Pensjonskasse	550,000	0.5%
Aars AS	530,843	0.4%
Skogen Investering AS	514,169	0.4%
Elgar Kapital AS	500,581	0.4%
Morgen Stanley & Co. int.plc	475,171	0.4%
Pension scheme for pharmacy activities	462,395	0.4%
Total for 20 largest shareholders	81,011,224	68.3%
SpareBank 1 Sørøst-Norge (own equity certificates)	188,826	0.2%
Other owners	37,489,867	31.6%
Issued equity certificates	118,689,917	100.0%

Change in price June 2020 – June 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 21 – 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 30.06.2021. Diluted earnings per equity certificate is therefore equal to earnings per equity certificate.

Parent bank

Equity certificate fraction Amounts in NOK millions	30.06.2021
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	30.06.2021
Based on profit divided between equity certificate holders and community capital	409
Number of equity certificates issued (weighted average 01.01.-30.06.2021)	72,334,597
Earnings per equity certificate (NOK)	3.41
Market price (NOK)	50.00
Nominal Value (NOK)	15.00
	30.06.2021
Adjusted profit	
Profit	417
- corrected for interest on additional Tier 1 capital recognised directly against equity	-5
- corrected for FUG	-3
Adjusted profit	409

Note 22 – Consolidated results from the quarterly financial statements (pro forma)

Group

(Amounts in NOK millions)	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Interest income	372	367	373	378	430	532	538	500
Interest expenses	98	101	96	97	179	239	235	215
Net interest income	274	265	277	281	251	293	303	284
Commission income	149	144	159	152	117	127	133	135
Commission expenses	9	9	10	10	8	9	9	9
Other operating income	73	57	51	63	71	51	48	47
Net commission and other income	213	193	200	204	179	169	172	173
Dividends	24	16	16	-	12	24	11	-
Net result from ownership interests	41	25	28	34	32	58	6	16
Net result from other financial investments	149	22	(13)	4	63	(59)	10	(10)
Net income from financial assets	214	63	31	39	107	23	27	7
Total net income	701	521	509	524	536	485	502	464
Personnel expenses	136	142	159	121	122	135	154	116
Other operating expenses	138	98	106	95	97	104	107	93
Total operating expenses	275	241	265	216	218	239	261	209
Profit before losses and tax	427	280	244	308	318	247	241	255
Losses on loans and guarantees	107	13	(15)	(2)	30	52	(6)	9
Profit before tax	320	268	259	310	287	194	247	245
Tax expense	27	50	55	66	55	35	53	59
Profit before other comprehensive income	293	217	204	244	232	159	194	186

Note 23 – Consolidated statement of financial position figures from the quarterly financial statements (pro forma)

Group								
(Amounts in NOK millions)	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Profitability								
Return on equity ¹⁾	12.7%	9.6%	9.1%	11.1%	10.9%	7.5%	9.3%	8.9%
Net interest income, excl. interest on subordinated bonds ¹⁾	1.52%	1.53%	1.58%	1.61%	1.49%	1.79%	1.86%	1.75%
Cost-income ratio ¹⁾	39.1%	46.2%	52.0%	41.2%	40.7%	49.2%	52.0%	45.0%
Statement of financial position figures								
Gross lending to customers incl. transfers to mortgage companies ¹⁾	86,174	84,428	82,927	82,267	80,786	79,017	76,862	75,482
Gross lending to customers on the balance sheet	61,051	59,359	58,128	58,289	56,909	55,420	54,153	53,338
Loans transferred to mortgage companies	25,123	25,068	24,799	23,978	23,877	23,598	22,710	22,144
Lending growth 12% past 12 months ¹⁾	6.7%	6.8%	7.9%	9.0%	8.7%	8.5%	6.0%	5.2%
Deposits from customers	46,872	43,675	43,579	43,662	43,962	40,999	40,532	40,600
Deposit coverage on the balance sheet ¹⁾	76.8%	73.6%	75.0%	74.9%	77.3%	74.0%	74.8%	76.1%
Deposit coverage, incl. mortgage companies ¹⁾	54.4%	51.7%	52.6%	53.1%	54.4%	51.9%	52.7%	53.8%
Deposit growth in the past 12 months ¹⁾	6.6%	6.5%	7.5%	7.5%	8.5%	5.9%	9.0%	9.7%
Total assets	73,765	70,680	70,155	69,160	69,181	66,460	65,074	64,499
Total assets, incl. mortgage companies ¹⁾	98,888	95,749	94,954	93,138	93,058	90,058	87,784	86,643
Equity excl. hybrid capital	9,287	9,092	8,947	8,742	8,508	8,274	8,338	8,156
Staffing								
Number of FTEs	529.5	533.5	523.9	519.9	516.5	516.9	515.3	512.7
of which parent bank	385.4	384.5	385.9	383.9	381.8	382.6	377.6	374.7

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

Note 24 – 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. The ongoing pandemic means there is uncertainty associated with critical accounting estimates and discretionary valuations as at 30.06.2021.

In connection with this, please see in particular the discussions in the Board of Directors' Interim Report, Note 2 and Note 7.

Declaration from the Board of Directors and the CEO

We declare that, to the best of our knowledge and belief, the interim financial statements for the period 01.01.2021 to 30.06.2021 have been prepared in accordance with IAS 34 Interim Reporting, and that the information in the financial statements provides 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.

Tønsberg, 11.08.2021

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
Managing Director

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 Sør-Øst Norge

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying consolidated condensed interim balance sheet of SpareBank 1 Sør-Øst Norge as of 30 June 2021, the condensed income statements for the six-month period of 1 January 2021 - 30 June, the condensed statement of changes in equity and the condensed cash flow statement, 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 June 2021, and its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Oslo, 11 August 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.

Statsautoriserede 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

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