Q2

Quarterly report 2020

Interim Financial Statements Q2 2020

Key figures SpareBank 1 SR-Bank Group (MNOK)

MAIN FIGURES	01.01 - 30.06 2020	2019	Q2 2020	Q2 2019	Year 2019
Net interest income	2.107	1.906	1.026	968	3.987
Net commission and other income	690	725	344	384	1.416
Net income on financial investments	269	1.016	297	340	1.127
Total income	**3.066**	**3.647**	**1.667**	**1.692**	**6.530**
Total operating costs	**1.162**	**1.185**	**570**	**602**	**2.478**
Operating profit before impairments	**1.904**	**2.462**	**1.097**	**1.090**	**4.052**
Impairments on loans and financial commitments	1.391	30	831	-19	235
Pre-tax profit	**513**	**2.432**	**266**	**1.109**	**3.817**
Tax expense	36	386	10	209	693
Profit after tax	**477**	**2.046**	**256**	**900**	**3.124**
BALANCE SHEET					
Gross loans to customers	214.432	198.626			207.114
Gross loans to customers including SB1 BK [2]	218.630	207.513			211.357
Deposits from customers	111.170	102.693			103.106
Total assets	278.715	246.462			255.895
Average total assets	269.266	241.421			247.923
Selected key figures (for further key figures see page 46 of the interim report)					
Return on equity [1]	3,7 %	18,8 %	4,0 %	16,2 %	14,0 %
Cost ratio [1]	37,9 %	32,5 %	34,2 %	35,6 %	37,9 %
Combined weighted total average spread for lending and deposits [1]	1,57 %	1,59 %	1,50 %	1,58 %	1,61 %
Balance growth					
Growth in loans [1]	8,0 %	11,0 %			7,8 %
Growth in loans incl SB1 BK [1) 2)]	5,4 %	7,3 %			4,9 %
Growth in deposits [1]	8,3 %	-3,0 %			4,3 %
Solidity					
Common equity Tier 1 capital ratio [5]	18,3 %	14,4 %			17,0 %
Tier 1 capital ratio [3) 5)]	19,9 %	15,8 %			18,6 %
Capital ratio [3) 5)]	21,8 %	17,5 %			20,4 %
Tier 1 capital [3) 5)]	24.299	22.068			22.626
Risk weighted balance [3]	121.918	139.545			121.744
Leverage ratio	7,8 %	7,6 %			7,8 %
Liquidity					
Liquidity Coverage Ratio (LCR) [4]	159 %	154 %			155 %
Deposit-to-loan ratio [1]	51,8 %	51,7 %			49,8 %
Deposit-to-loan ratio, incl loans SB1 BK [1) 2)]	50,8 %	49,5 %			48,8 %
Impairments on loans and financial commitments [1]					
Impairment ratio [1]	1,32 %	0,03 %			0,12 %
Impairment ratio, incl. loans SB1 BK and [1) 2)]	1,29 %	0,03 %			0,11 %
Loans and financial commitments in Stage 3 [1]					
Loans and financial commitments in Stage 3, % of gross loans and financial commitments [1]	1,87 %	1,23 %			1,32 %
Loans and financial commitments in Stage 3, % of gross loans and financial commitments, incl. loans SB1 BK [1) 2)]	1,84 %	1,19 %			1,30 %

SpareBank 1 SR-Bank share	30.06.20	31.12.19	31.12.18	31.12.17	31.12.16
Market price	69,90	100,00	89,20	87,00	60,75
Market capitalisation (MNOK)	17.877	25.575	22.813	22.250	15.537
Book equity per share(including dividends) (group) [1]	91,32	89,90	82,27	77,24	71,54
Earnings per share, NOK	1,87	12,22	8,98	8,16	6,87
Dividends per share [5]	n.a.	5,50	4,50	4,25	2,25
Price / Earnings per share [1]	18,74	8,18	9,93	10,66	8,84
Price / Book equity [1]	0,77	1,11	1,08	1,13	0,85
Effective return [6]	-30,1 %	17,2 %	7,4 %	46,9 %	58,4 %

1) Defined as alternative performance targets (APMs), see the appendix to the interim report
2) SpareBank 1 Boligkreditt is abbreviated to SB1 BK
3) The capital ratio figures prior to 31 December 2019 are based on the historical capital adequacy rules and regulations, when the so-called Basel I floor applied
4) High quality liquid assets divided by total net cash outflows in a 30-day, serious stress scenario
5) A decision was made in April 2020 not to pay dividend for 2019 at this time. The change has been incorporated in Q1-2020. The figures as at 31 December 2019 are not changed
6) Percentage change in the market price in the last period, including paid share dividend

A result marked by good operations but high impairments

Q2 2020

- Pre-tax profit: NOK 266 million (NOK 1,109 million)
- Net profit for the quarter: NOK 256 million (NOK 900 million)
- Return on equity after tax: 4.0% (16.2%)
- Earnings per share: NOK 1.00 (NOK 3.52)
- Net interest income: NOK 1,026 million (NOK 968 million)
- Net commissions and other operating income: NOK 344 million (NOK 384 million)
- Net income from financial investments: NOK 297 million (NOK 340 million)
- Operating costs: NOK 570 million (NOK 602 million)
- Impairments on loans and financial liabilities: NOK 831 million (NOK -19 million)
  (Q2 2019 in brackets)

H1 2020

- Pre-tax profit: NOK 513 million (NOK 2,432 million)
- Net profit for the quarter: NOK 477 million (NOK 2,046 million)
- Return on equity after tax: 3.7% (18.8%)
- Earnings per share: NOK 1.87 (NOK 8.00)
- Net interest income: NOK 2,107 million (NOK 1,906 million)
- Net commissions and other operating income: NOK 690 million (NOK 725 million)
- Net income from financial investments: NOK 269 million (NOK 1,016 million)
- Operating costs: NOK 1,162 million (NOK 1,185 million)
- Impairments on loans and financial liabilities: NOK 1,391 million (NOK 30 million)
- Total lending growth over last 12 months: 5.4% (7.3%)
- Growth in deposits over last 12 months: 8.3% (-3.0%)
- Common Equity Tier 1 capital ratio: 18.3% (14.4%)
- Tier 1 capital ratio[1]: 19.9% (15.8%)
  (H1 2019 figures in brackets)

Financial performance – Q2 2020

The group made a pre-tax profit of NOK 266 million in the second quarter of 2020 (NOK 1,109 million), NOK 19 million higher than in the previous quarter. The results for the second quarter of 2020 were again heavily impacted by the effects of both low oil prices and the Covid-19 outbreak. This especially affected impairments, which amounted to NOK 831 million in the second quarter of 2020, NOK 271 million higher than in the previous quarter. The high impairments were a consequence of the continued challenging market conditions, especially for offshore-related activities. However, underlying operations in the quarter were good, also due to income from financial investments that increased by NOK 325 million from the first quarter of 2020. The group's operating profit before impairments was NOK 1,097 million, an improvement of NOK 290 million on the first quarter of 2020. NOK 340 million was recognised as income in the first quarter of 2020 in connection with the establishment of Fremtind Livsforsikring AS. The operating result before both impairments and the merger income from Fremtind in the first quarter thus increased by NOK 630 million from the first quarter of 2020 to the second quarter of 2020. The increase in operating profit before both impairments and the merger income from Fremtind was primarily attributable to increased income from financial instruments and increased ordinary income from ownership interests. The group posted a total return on equity after tax of 4.0% for the second quarter of 2020, compared with 3.4% for the previous quarter.

[1] On 23 April 2020, the annual general meeting approved the board's proposal that no dividend be paid out for 2019. At the same meeting, the board was authorised to make a decision about the distribution of a dividend, at some later point in time, of up to NOK 5.50 per share based on the bank's approved annual financial statements for 2019. The authorisation remains valid until the next ordinary general meeting in 2021. Historical capital ratio figures are based on the capital adequacy rules and regulations when the so-called Basel I floor applied.

Net interest income totalled NOK 1,026 million in the second quarter of 2020 (NOK 968 million). The NOK 55 million decrease since the last quarter was primarily due to lower interest margins because of the rate cuts in the second quarter of 2020, where lending rates in the retail market were cut faster than the rates for deposits. The average interest margin (net interest income as a percentage of average total assets) was 1.50% (1.58%), down from 1.64% in the first quarter of 2020. The lower average interest margin was primarily due to increased average total assets, but also due to lower interest income.

Net commissions and other operating income was NOK 344 million in the second quarter of 2020 (NOK 384 million), NOK 2 million lower than in the previous quarter. Income from EiendomsMegler 1 SR-Eiendom AS increased by NOK 19 million from the previous quarter to NOK 104 million in the second quarter of 2020 (NOK 108 million) due to more activity in the property market. Income from SpareBank 1 SR-Bank Forretningspartner AS[2] was NOK 42 million in the second quarter of 2020, an increase of NOK 1 million compared with the first quarter of 2020. Income from money transfer services fell by NOK 8 million from the previous quarter, of which NOK 4 million was due to delayed income for 2019 from Visa Norge AS, which was recognised in the first quarter of 2020. Income from facilitation/customer fees fell by NOK 7 million from the previous quarter due to less activity because of the Covid-19 outbreak.

Net income from financial investments increased to NOK 297 million in the second quarter of 2020 (NOK 340 million), an improvement of NOK 325 million compared with the previous quarter. Income from ownership interests amounted to NOK 145 million in the second quarter of 2020, a reduction of NOK 97 million since the first quarter of 2020. The reduction was due to the fact that the first quarter of 2020 included NOK 340 million in income received in connection with the establishment of Fremtind Livsforsikring AS. Excluding this income, income from ownership interests increased by NOK 243 million from the first quarter of 2020 to the second quarter of 2020, of which NOK 223 million was due to the increased profit share from SpareBank 1 Gruppen AS. The higher profit share from SpareBank 1 Gruppen AS in the second quarter of 2020 was attributable to good results in both Fremtind Forsikring AS and SpareBank 1 Forsikring due to income from reinsurers in connection with Covid-19 claims, liquidation gains and higher realised gains from rolling over forward exchange contracts.

Income from financial investments amounted to NOK 135 million, an increase of NOK 405 million from the previous quarter, where changes in equity and equity certificate prices amounted to NOK 148 million, while changes in bond prices, including derivatives, amounted to NOK 272 million. The capital gains on interest and currency trading were NOK 15 million lower than in the previous quarter due to a combination of NOK 43 million in increased income from interest and currency trades, which were offset by NOK 112 million in reduced changes in value for basis swaps and also a negative change in value in other derivatives.

Operating costs amounted to NOK 570 million in the second quarter of 2020 (NOK 602 million), a reduction of NOK 22 million from the last quarter. Personnel costs were NOK 18 million lower, NOK 6 million of which was due to the 4% reduction in the employer's National Insurance contribution rate in May and June 2020, while canteen, meeting and other employee event costs were NOK 4 million lower than in the previous quarter, due to Covid-19 adaptations. Other operating costs were NOK 4 million lower than in the first quarter due to less activity because of Covid-19.

Impairments on loans and financial liabilities amounted to NOK 831 million for the second quarter of 2020 (NOK -19 million), an increase of NOK 271 million from the first quarter of 2020. The high impairments were a consequence of the continued challenging market conditions, especially for offshore-related activities. Greater impairments have therefore been required for some commitments in the second quarter of 2020 as well. Significantly lower impairments on loans and financial liabilities are now expected going forward, while a high level of uncertainty remains in the market. Impairments amounted to NOK -19 million in the second quarter of 2019 due to the reversal of NOK 92 million in earlier impairments.

Financial performance – H1 2020

The group made a pre-tax profit of NOK 513 million in the first half of 2020 (NOK 2,432 million), NOK 1,919 million lower than in the first half of 2019. The group's operating profit for the first half of 2020 was heavily impacted by both low oil prices and the Covid-19 outbreak. This has resulted in increased impairments

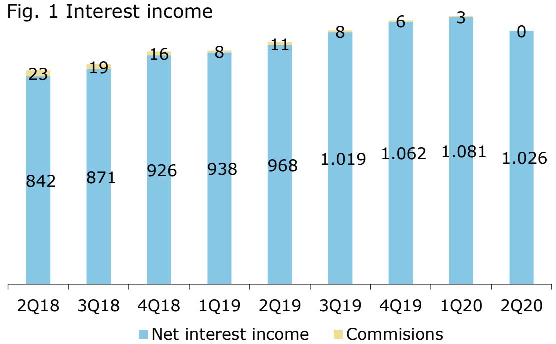
[2] In June 2020, SpareBank 1 Regnskapshuset SR changed its name to SpareBank 1 SR-Bank Forretningspartner.

and lower income from financial investments. The group's operating profit before impairments and income from financial investments increased by NOK 189 million from NOK 1,446 million to NOK 1,635 million. The good improvement in performance in underlying operations was largely due to increased net interest income and reduced cost levels. The group's return on equity after tax for the first half of 2020 was 3.7% (18.8%).

Net interest income

The group's net interest income totalled NOK 2,107 million for the first half of 2020 (NOK 1,906 million), an increase of NOK 201 million from the first half of 2019. Around NOK 85 million of the increase was due to increased loan and deposit volumes, while around NOK 80 million was due to expanded margins. NOK 109 million of the increase in interest income due to increased margins came in the corporate market, while income in the retail market fell by NOK 29 million due to heavy pressure on margins and interest rate cuts in the second quarter of 2020, where lending rates were reduced faster than deposit rates. Reduced net interest income in the retail market due to early rate adjustments on lending rates, amounted to around NOK 80 million in the first half of 2020.

Fig. 1 Interest income



Net interest income was negatively affected by NOK 10 million in total increased charges for the deposit guarantee fund and the crisis management fund compared with the same period last year.

The average interest margin was 1.57% in the first half of 2020 compared with 1.59% in the first half of 2019. The reduction was due to higher average total assets. A large proportion of the group's balance sheet is in foreign currency and this increased due to the weakening of the Norwegian kroner in the first half of 2020.

Net commissions and other operating income

Net commissions and other operating income totalled NOK 690 million in the first half of 2020 (NOK 725 million).

Table 1, Commission and other income

	30.06.20	30.06.19
Payment facilities	130	128
Savings/placements	96	99
Insurance products	101	94
Commission income real estate broking	189	207
Guarantee commission	48	46
Arrangement- and customer fees	33	61
Commission income SpareBank 1 SR-Bank Forretningspartner	83	65
Commission income SB1 Boligkreditt	3	19
Other	7	6
Total commission and other income	690	725

Income from estate agency services fell by NOK 18 million to NOK 189 million in the first half of 2020 (NOK 207 million) due to less activity in the market, especially in March and April 2020 because of the Covid-19 outbreak. Customer fees fell by NOK 28 million to NOK 33 million in the first half of 2020 (NOK 61 million) due to a combination of high non-recurring income in the first half of 2019, as well as less activity in the first half of 2020 due to the Covid-19 outbreak. Income from SpareBank 1 SR-Bank Forretnings-partner AS rose by NOK 18 million to NOK 83 million in the first half of 2020 (NOK 65 million), in part due to the acquisition of Agder Økonomi in the second quarter of 2019. Commissions from SpareBank 1 Boligkreditt AS amounted to NOK 3 million in the first half of 2020 (NOK 19 million). The NOK 16 million reduction since the first half of 2019 was mainly due to the group buying back NOK 4.7 billion in loans from SpareBank 1 Boligkreditt AS in the last 12 months, and early rate adjustments on interest rates in the retail market in the first and second quarter of 2020.

Net income from financial investments

Net income from financial investments in the first half of 2020 totalled NOK 269 million (NOK 1,016 million).

Table 2, Income on investment securities

	30.06.20	30.06.19
Dividends	17	27
Investment income, associates	387	762
Income from financial instruments	-135	227
- Capital gains/losses on securities	*-176*	*100*
- Captail gains/losses interest/currency	*41*	*127*
Total income on investment securities	269	1.016

In the first half of 2020, NOK 17 million (NOK 19 million) was received in dividends from Sandnes Sparebank. NOK 8 million was also received in dividends from VN Norge AS (Visa) in the first half of 2019.

Income from ownership interests amounted to NOK 387 million in the first half of 2020, a reduction of NOK 375 million from the first half of 2019. The most important reasons for the reduction was the lower profit share from SpareBank 1 Gruppen AS, including merger effects from Fremtind.

Table 3, Income from ownership interests

The share of net profit after tax	30.06.20	30.06.19
SpareBank 1 Gruppen AS	-7	224
-Merger effects Fremtind	340	460
SpareBank 1 Boligkreditt AS	1	5
SpareBank 1 Næringskreditt AS	3	6
BN Bank ASA	50	51
SpareBank 1 Kreditt AS	2	8
SpareBank 1 Betaling AS	-2	10
Other	0	-2
Total income from ownership interes	387	762

The profit share after tax from SpareBank 1 Gruppen AS decreased by a total of NOK 351 million from the first half of 2019 to the first half of 2020, of which NOK 120 million was due to the lower recognised effects of the merger in the first half of 2020. NOK 460 million was recognised as effects from the Fremtind Forsikring AS merger in the first half of 2019, while the effects of the Fremtind Forsikring AS merger recognised in the first half of 2020 were NOK 340 million. The underlying profit contribution from SpareBank 1 Gruppen AS decreased by NOK 231 million from the first half of 2019 to NOK -7 million in the first half of 2020. The deficit in the first half of 2020 was due in large part to the Covid-19 situation. Significant insurance provisions/payments on travel insurance claims have been made, which were partially offset by income from reinsurers linked to Covid-19 claims. The company also experienced a negative financial return on financial instruments. In the first half of 2019, the profit contribution from SpareBank 1 Gruppen AS included NOK 116 million in write-ups of properties in the life insurance company in SpareBank 1 Gruppen AS.

The profit share from BN Bank ASA decreased by NOK 1 million to NOK 50 million in the first half of 2020. In the second quarter of 2019, the group increased its stake in BN Bank ASA from 23.5% to 35.0%, and, in isolation, this contributed to a higher profit share. The underlying pre-tax profit in BN Bank ASA in the first half of 2020 was NOK 9 million lower than in the same period last year. This was due to NOK 42 million in increased impairments on loans and a NOK 9 million reduction in income from financial investments as a result of Covid-19. The increased impairments and a lower financial return were offset by NOK 44 million in increased net interest income.

The profit share from SpareBank 1 Kreditt AS decreased by NOK 6 million to NOK 2 million in the first half of 2020. The company's pre-tax profit fell by NOK 44 million from the first half of 2019 to NOK 11 million in the first half of 2020. The lower profit was due to a combination of lower interest income, commissions and transaction income.

Net income from financial instruments amounted to NOK -135 million (NOK 227 million), a reduction of NOK 362 million from the first half of 2019 to the first half of 2020. Capital losses from securities amounted to NOK 176 million (NOK 100 million in capital gains), while capital gains from interest and currency trading amounted to NOK 41 million (NOK 127 million).

The capital losses on securities amounting to NOK 176 million (capital gains of NOK 100 million) were attributable to a combination of capital losses including hedging instruments totalling NOK 82 million (capital gains of NOK 19 million) from the fixed income portfolio due to spread widening, and capital losses of NOK 94 million (capital gains of NOK 81 million) from the portfolio of shares and equity certificates. NOK 31 million of the capital losses on shares and equity certificates was due to a fall in the value of the investment in Sandnes Sparebank (increase of NOK 35 million), NOK 71 million was due to a fall in the value of the investments in FinStart Nordic AS (increase of NOK 23 million), and NOK 5 million was due to a fall in the value of the investments in SR-Fondene (increase of NOK 11 million) in the first half of 2020. The shares in Visa Norge AS increased in value by NOK 16 million in the first half of 2020. The fall in the value of the investments in FinStart Nordic AS was primarily linked to the former SR-Investering AS's portfolio, and was a consequence of both low oil prices and Covid-19, which negatively impacted the Private Equity investment portfolio. This proportion of the portfolio is primarily invested in the oil industry and is being negatively affected by the low oil prices.

The capital gains from interest and currency trading amounted to NOK 41 million in the first half of 2020 (NOK 127 million). Capital gains from customer and own account trading amounted to NOK 61 million (NOK 61 million), positive effects from basis swaps amounted to NOK 16 million (NOK 40 million), while the sum of hedging recognition and other IFRS effects was NOK -36 million in the first half of 2020 (NOK 26 million).

Operating costs

The group's operating costs for the first half of 2020 amounted to NOK 1,162 million (NOK 1,185 million), a reduction of NOK 23 million (-1.9%) from the first half of 2019.

Table 4, Operating expenses

	30.06.20	30.06.19
Personnel expenses	678	701
IT expenses	190	181
Marketing	38	39
Other administrative expenses	42	51
Depreciation	83	60
Operating expenses from real estate	16	16
Other operating expenses	115	137
Total operating expenses	1.162	1.185

The main reason for the low growth in costs, NOK 53 million, was the decrease in bonus provisions. The group's profit was significantly lower due to the low oil prices and the Covid-19 situation and there was no basis for making provisions for bonuses in the first half of 2020. Adjusted for the lower bonus provisions, the group's operating costs increased by NOK 30 million (2.7%) from the first half of 2019.

Personnel costs amounted to NOK 678 million in the first half of 2020. This was a reduction of NOK 23 million (-3.3%) from the first half of 2019. Excluding bonus provisions, personnel costs increased by NOK 30 million (4.6%) from the first half of 2019 to the first half of 2020. The acquisition of Agder Økonomi AS and Monner AS, as well as the establishment of the Oslo branch and new companies in FinStart Nordic AS, increased personnel costs, exclusive of bonuses, by a total of NOK 21 million, while for the parent bank otherwise they increased by NOK 15 million. The reduced activity in EiendomsMegler 1 AS resulted in a reduction of NOK 6 million in personnel costs, exclusive of bonus provisions. From the end of the second quarter of 2019 to the end of the second quarter of 2020, the number of permanent FTEs in the group increased by 27. All of the increase occurred in the subsidiaries, primarily Monner AS and FinStart Nordic AS as a consequence of the establishments of new companies.

Otherwise, the costs for the first half of 2020 were NOK 484 million, on a par with the first half of 2019. Depreciation increased by NOK 23 million to NOK 83 million (NOK 60 million), of which NOK 11 million was due to depreciation related to the new head office in Finansparken. Other depreciation increased as a result of the high level of investment in 2019. Other operating costs fell by NOK 22 million to NOK 115 million (NOK 137 million), of which NOK 9 million resulted from the reduction in rental costs due to the co-location in Finansparken, NOK 9 million resulted from the reduced use of external consultants, and NOK 5 million was due to the reduced costs in EiendomsMegler 1 SR-Eiendom AS due to less activity.

The group's cost/income ratio, costs measured as a percentage of income, was 37.9% for the first half of 2020 (32.5%). Excluding income from financial investments, the cost/income ratio was 41.5% in the first half of 2019 (45.0%).

Impairments on loans and financial liabilities, and loans and financial liabilities in Stage 3

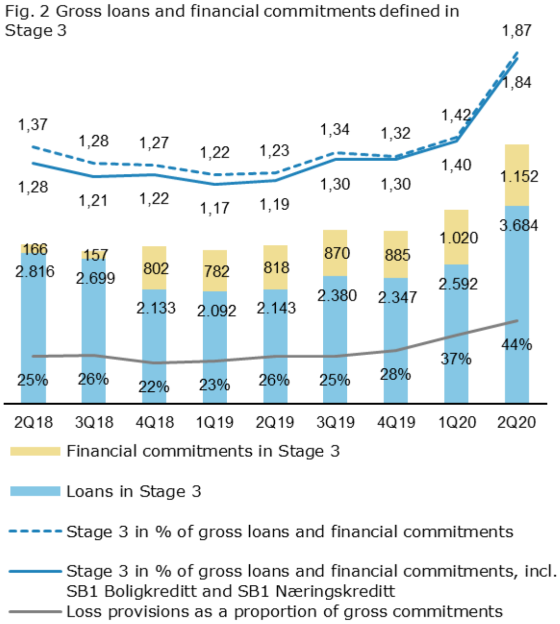
The group's net impairments on loans and financial liabilities amounted to NOK 1,391 million in the first half of 2020, an increase of NOK 1,361 million from the first half of 2019. NOK 92 million in previous impairments were reversed in the first half of 2019 following a legally enforceable judgement in which SpareBank 1 SR-Bank was awarded damages. The group's impairments on loans and financial liabilities, including loans sold to SpareBank 1 Boligkreditt AS, amounted to 1.53% of gross loans in the first half of 2020 (0.03%).

The high impairments were a consequence of the continued challenging market conditions, especially for offshore-related activities. Greater impairments have therefore been required for some commitments. Significantly lower impairments on loans and financial liabilities are now expected going forward, while a high level of uncertainty remains in the market. Changes have been made to lending limits in the corporate market division in order to reduce the unsystematic risk in the bank's loan portfolio. A number of restrictions relating to industries will be introduced in order to reduce exposure in volatile industries, while the upper limits for exposure in major commitments will be reduced, as will the permissible number of customers with exposure above a certain level. This is intended to help improve the group's robustness to give it financial leeway in the event of crises. For more information about accounting policies and estimates associated with impairments, see note 2 in the 2019 annual report and note 1 and note 2 in this interim report.

Closely monitoring customers and prevention work are important measures actively employed by the group to maintain its good risk profile in the group's loan portfolio. As a result of the low oil prices and Covid-19 outbreak, this work was intensified from the middle of March 2020 and during the second quarter of 2020. The group's corporate market division has, in cooperation with SpareBank 1 SR-Bank Forretningspartner AS, worked closely and proactively with customers. The focus has been on finding good solutions for customers, including payment holidays. The application process for payment holidays had already been fully automated in the retail division. Applications for payment holidays from retail customers were therefore processed efficiently and on an ongoing basis. The sum of all this work across the group has been to help ensure that customers come through both the Covid-19 situation and low oil prices in the best possible manner, and to ensure that the loan portfolio's risk profile remains good going forward.

The group's loans and financial liabilities are classified into three groups: Stage 1, Stage 2 and Stage 3. Stage 3 is used for loans and financial liabilities that have seen a significant rise in credit risk since being granted and where there is objective evidence of a loss event on the balance sheet date. The loss provision must cover expected losses over their lifetime for these loans and financial liabilities. Gross loans and financial liabilities classified as Stage 3 amounted to NOK 4,836 million at the end of the second quarter of 2020 (NOK 2,961 million), of which loss provisions as a proportion of gross commitments was 44.4% (25.7%). A large proportion of the increase in Stage 3 from the fourth quarter of 2019 to the second quarter of 2020 was due to exchange rate effects. Gross loans and financial liabilities defined as Stage 3 corresponded to 1.87% (1.23%) of gross loans and financial commitments, and 1.84% (1.19%) inclusive of loans sold to SpareBank 1 Boligkreditt AS.

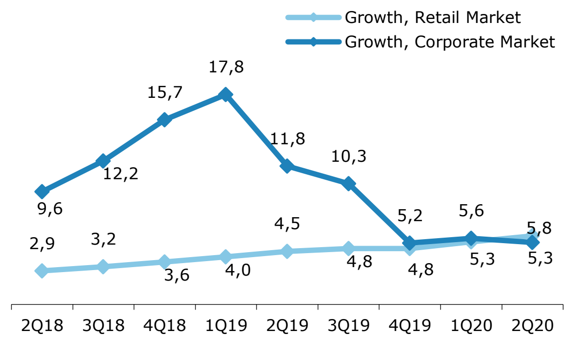
Fig. 2 Gross loans and financial commitments defined in Stage 3



Loans to and deposits from customers

Gross loans amounted to NOK 214.4 billion at the end of the second quarter of 2020 (NOK 198.6 billion). Inclusive of loans totalling NOK 4.2 billion (NOK 8.9 billion) sold to SpareBank 1 Boligkreditt AS, gross loans amounted to NOK 218.6 billion at the end of the second quarter of 2020 (NOK 207.5 billion). Gross lending growth, inclusive of the mortgage company, was 5.4% in the last 12 months (7.3%). The effect of exchange rate fluctuations accounted for NOK 1.4 billion (0.7%) of the NOK 11.1 billion growth in gross loans over the last 12 months.

Fig. 3 12 month lending growth (percentage)



Loans to the retail market accounted for 60.9% of total loans (inclusive of loans sold to SpareBank 1 Boligkreditt AS) at the end of the second quarter of 2020 (60.5%).

The group's total loan exposure of NOK 218.6 billion (NOK 207.5 billion) included a majority of commitments with a probability of default of less than 0.5%. These commitments accounted for 64.2% (63.4%) of the portfolio. The total lending portfolio primarily consisted of commitments of less than NOK 10 million. These accounted for 66.7% (66.2%) of loan exposure and 98.3% (98.3%) of customers. 20.1% (20.3%) of the total loan exposure was to customers with loans in excess of NOK 100 million.

Over the last 12 months, deposits from customers rose by 8.3% (-0.3%) to NOK 111.2 billion (NOK 102.7 billion). Excluding deposits from customers in the public sector, deposits from customers have increased by 9.4% in the last 12 months. At the end of the second quarter of 2020, deposits from the corporate market and public sector accounted for 51.2% (51.8%) of the group's customer deposits. At end of the second quarter of 2020, the deposit coverage ratio, measured as deposits as a percentage of gross loans, was 51.8% (51.7%).

In addition to ordinary customer deposits, the group also has capital under management in alternative investment products. These amounted to NOK 23.4 billion at the end of the second quarter of 2020 (NOK 23.0 billion). This management is primarily performed by SR-Forvaltning AS and ODIN Forvaltning AS.

Business areas

SpareBank 1 SR-Bank ASA is split into different business areas, which are defined on the basis of their form of distribution, products, and customers. The reporting format is based on the risk and return profile of the assets and is split into the retail market (including the self-employed and farming), corporate market, capital market, and subsidiaries of significant importance. The retail market division's result and balance sheet items include the figures from SR-Boligkreditt AS.

Retail market division[3]

The retail market division's contribution before impairments on loans was NOK 800 million in the first half of 2020 (NOK 787 million), NOK 13 million higher than for the same period last year. Net interest income, inclusive of commissions from SpareBank 1 Boligkreditt AS, increased by NOK 11 million compared with the first half of 2019. Commissions, excluding commissions from SpareBank 1 Boligkreditt AS, increased by NOK 13 million from the first half of 2019. Interest income was heavily influenced by a significant fall in money market rates, early rate adjustments on interest rates and the normal warning period for deposit rates. Commissions increased mainly due to increased insurance commissions.

Table 5, Retail market

	30.06.20	30.06.19
Interest income	819	790
Commission and other income	259	263
Income on investment securities	1	3
Total income	1.079	1.056
Total operating expenses	279	269
Operating profit before impairments	800	787
Impairments on loans and financial commitments	76	22
Pre-tax profit	724	765

The mortgage market saw high levels of activity in the second quarter of 2020, with a strong market focus on mortgage rates. Activity related to home buying started weakly because of Covid-19, but ended up at a good overall level for the quarter. The greater focus on Bergen and Oslo produced results with good net growth in the number of mortgage customers.

Lending growth in the last 12 months, measured at the end of the second quarter of 2020, was 5.7%, while deposit growth in the last 12 months was 9.1% at the same point in time. The quality of the retail market portfolio is considered to be very good with a low risk of losses, but there are still some challenges within the offshore/rig-segment. The proportion of loan exposure (including the portfolios in SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS) within a loan-to-value ratio of 85% amounted to 86.9% at the end of the second quarter of 2020 (89.0%). The IRB risk weighting[4] for home mortgages was 21.1% at the end of the quarter (21.6%), reflecting a solid, stable portfolio. So far, the Covid-19 outbreak has not affected the quality of the retail market portfolio to any appreciable extent, although the outbreak does represent an uncertainty factor in relation to developments going forward.

The Covid-19 outbreak resulted in a serious economic recession and major changes to operations. However, operations and customers services were restored to normal during the second quarter of 2020. Unemployment has fallen, while activity in the housing market increased in the latter part of the quarter. Meanwhile, the fall in activity, especially that associated with the travel industry, resulted in lower credit card commissions.

Corporate market division [2]

The corporate market division's contribution before impairment losses was NOK 1,112 million in the first half of 2020 (NOK 985 million), NOK 127 million higher than in the same period last year. The improved result before impairment losses was mainly due to higher interest rates as a result of an increased lending volume and higher lending and deposit margins.

[3] The interest on intercompany receivables for the retail market division and the corporate market division is determined on the basis of expected observable market interest rates (NIBOR) plus expected additional costs in connection with the group's long-term funding (credit premium). Differences between the group's actual funding costs and the applied interest on intercompany receivables are eliminated at the group level.

[4] The IRB rules define residential mortgage loans as commitments secured by collateral in residential/real property where the collateral in the real property amounts to at least 30%. The figures include portfolios in mortgage companies (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).

Table 6, Corporate market

	30.06.20	30.06.19
Interest income	1.085	939
Commission and other income	150	164
Income on investment securities	-10	2
Total income	1.225	1.105
Total operating expenses	113	120
Operating profit before impairments	1.112	985
Impairments on loans and financial commitments	1.315	8
Pre-tax profit	-203	977

The division's lending growth in the last 12 months was 5.0%. The effect of exchange rate fluctuations accounted for NOK 1.2 billion (1.6 percentage points) of the NOK 3.7 billion growth in the division's loans over the last 12 months. The net growth mainly came in customers outside Rogaland and 55% of the corporate market loan portfolio is made up of customers with an address outside Rogaland. The division's deposits have increased by 9.0% in the last 12 months.

The quality of the corporate market portfolio is considered to be good. The proportion of commitments with a probability of default of less than 2.5% through a full loss cycle was 84.1% of the portfolio at the end of the second quarter of 2020 (78.1%). The increase was due to underlying positive migration in the portfolio and the growth in lending mainly occurred in the medium and low risk commitment categories. The property sector portfolio represents the group's largest concentration in a single sector and accounted for 14.6% (16.1%) of total loan exposure, inclusive of retail customers. A large portion of this portfolio consisted of financing commercial properties for leasing.

Market conditions for oil-related activities have deteriorated further due to the Covid-19 outbreak and this has resulted in higher individual impairment losses. However, to date, no significant negative change has been registered in the quality of the rest of the corporate market portfolio, although the situation for commitments within exposed industries is being carefully monitored. Changes have been made to the internal regulations in order to reduce the risk premium going forward. A number of restrictions relating to industries will be introduced in order to reduce exposure in volatile industries, while the upper limits for exposure in major commitments will be reduced, as will the permissible number of customers with exposure above a certain level. This is intended to help improve the group's robustness to give it financial leeway in the event of crises.

Impairments on loans and financial liabilities amounting to NOK 1,315 million were recognised in the first half of 2020 (NOK 8 million). The high level of loss provisions is due to a number of commitments in the offshore sector where low oil price has resulted in reduced activity, poorer prospects and an increased risk of major restructuring. Given the Covid-19 situation and the uncertainty associated with economic developments, there has also been a need to increase IFRS 9 provisions. NOK 92 million in previous impairments were reversed in the first half of 2019 following a legally enforceable judgement in which SpareBank 1 SR-Bank was awarded damages. The division's pre-tax result in the first half of 2020 amounted to NOK -203 million (NOK 977 million).

The market has been impacted by Covid-19 and low oil prices since the middle of March 2020. The government has taken steps to prop up the business sector, and liquidity loans and cash support for companies may help many get through the crisis. Even though the period has been, and still is, challenging, in our experience, the group's customers are creative and solution oriented. For its part, the group is providing advice in order to find good solutions for customers, including payment holidays. It is important during these peculiar times to remain close to customers and be there for customers in bad times too.

The existing digital solutions have proven to be even more relevant during this period, while modifications and innovations have also been implemented in a short space of time. Many advice meetings have been conducted digitally.

Capital market division [5]

Securities activities are organised under the SR-Bank Markets brand and include customer and own account trading in fixed income instruments, foreign exchange and corporate finance services.

SR-Bank Markets' operating income amounted to NOK 117 million in the first half of 2020 (NOK 113 million). The income generated is recognised as income in the business areas to which the customers are assigned, primarily the corporate market division. NOK 53 million was recognised as income in the business areas in the first half of 2020 (NOK 47 million). Costs

[5] The capital market division serves customers throughout the group and customer income is now recognised, in its entirety, in the business area to which the customer belongs.

amounted to NOK 28 million in the first half of 2020 (NOK 31 million), while the pre-tax profit was NOK 36 million in the same period (NOK 35 million).

Table 7, Capital market

	30.06.20	30.06.19
Interest income	30	14
Commission and other income	53	46
Income on investment securities	34	53
Total income	117	113
- allocated to Corporate market	53	47
Total income after allocation	64	66
Total operating expenses	28	31
Pre-tax profit	36	35

Income from own account trading developed positively in the second quarter of 2020. SR-Bank Markets expects a somewhat lower business volume going forward due to the Covid-19 situation, as well as less activity in the regional business sector due to the fall in oil prices.

Subsidiaries

EiendomsMegler 1 SR-Eiendom AS

The company achieved a turnover of NOK 193 million in the first half of 2020 (NOK 206 million) and a pre-tax profit of NOK 25.8 million (NOK 18.5 million). The improvement in the result was primarily down to reduced costs due to strong cost control and some reduction in the number of FTEs. In the first half of 2020, 3,181 (3,372) properties were sold with a total value of around NOK 9.8 billion (NOK 11.0 billion). The supply of new assignments was satisfactory given the extraordinary market situation due to the Covid-19 outbreak.

Overall, the company is the largest actor in estate agency services in the counties of Rogaland, Vestland and Agder, with a stable market share of just under 20% in this market area.

The housing market was impacted by the Covid-19 outbreak in the first half of 2020. The latter half of March and April were weak months with significant falls in both sales and the supply of new assignments. However, activity increased significantly in May and June throughout the market area. In isolation, June saw an increase of more than 30% in the number of sold used homes and holiday properties. The market for holiday properties has in particular seen positive developments in the form of significantly greater interest in and higher sales of holiday properties than last year, both on the coast and in the mountains.

The housing market in Vestland County is still characterized by high sales and moderate price development. The housing market in Agder is stable, although prices and sales developed positively. In Rogaland, the housing market developed positively in May and June and has been surprisingly unaffected by low oil prices and a somewhat uncertain outlook for the level of activity in the oil and gas industry. The market is balanced with stable prices and relatively long selling times. The positive trend in the used homes market is expected to continue in the third quarter of 2020.

There is a large supply of planned homes in the market area. In the Stavanger area, there has been an imbalance between supply and demand that has had a negative impact on the market over time. The Covid-19 outbreak, as well as the uncertainty surrounding future activity in the supply industry for the oil industry has also had a dampening effect on this market since the middle of March 2020. The market for new homes is expected to remain demanding in the second half of 2020.

The situation within commercial property has also been affected by the Covid-19 outbreak and uncertain prospects within the oil industry. The number of contracts that have been signed has fallen significantly throughout the market area, both in the transaction market and the rental market. Some improvement is expected in the second half of 2020, albeit at a lower level than normal.

SpareBank 1 SR-Bank Forretningspartner AS [6]

SpareBank 1 SR-Bank Forretningspartner AS achieved a turnover of NOK 94 million for the first half of 2020 (NOK 69 million) and a pre-tax profit of NOK 14.8 million (NOK 7.0 million). The result includes depreciation of intangible assets amounting to NOK 1.4 million (NOK 1.1 million). The results in the first half of 2020 were affected to some extent by the Covid-19 outbreak, with lower turnover and higher losses on receivables in the second quarter of 2020 than would be expected in a normal situation. The company has maintained stable operations during the period and has had a high level of customer-oriented activity. The company will continuously monitor the market situation and its effects on the company's financial performance.

[6] In June 2020, SpareBank 1 Regnskapshuset SR changed its name to SpareBank 1 SR-Bank Forretningspartner.

SpareBank 1 SR-Bank Forretningspartner AS had seven offices at the end of the second quarter of 2020: three in Rogaland, three in Bergen and one in Agder, as well as around 2,600 customers. The company enjoys solid market positions within accounting services in Agder, Vestland, and Rogaland. Business areas within advice and payroll/HR are also growing, and the company is experiencing good demand for these types of services. The company expends a lot of resources on development activities, both on streamlining work processes and customer-related services.

SR-Forvaltning AS

The company achieved a turnover of NOK 45.7 million in the first half of 2020 (NOK 46.5 million) and made a pre-tax profit of NOK 9.9 million (NOK 11.6 million). The company achieved positive net subscriptions of NOK 180 million during the first half of 2020. New subscriptions were heavily affected by the Covid-19 outbreak in February and March, but improved well during April, May and June. The SR-Bank funds have increased new savings agreements this year by more than 30%, both in volume and number. The assets under management at the end of the second quarter of 2020 amounted to NOK 12.3 billion. At the start of 2020, the company had NOK 12.4 billion under management.

In 2019, SR-Forvaltning AS expanded operations by establishing several new securities funds. The company manages eight securities funds, of which three are unit trusts, two bond funds and three balanced funds. The company also manages discretionary portfolios for SpareBank 1 SR-Bank ASA's pension fund, as well as for public and private enterprises and high-net-worth individuals based on discretionary mandates. Since its start-up in 1999, the company has produced a good, long-term, risk-adjusted return for its customers, in both absolute and relative terms.

SR-Forvaltning AS's investment philosophy is long-term and value-oriented. The company primarily invests in companies with a low share price in relation to book value and earnings, and which pay solid dividends.

SR-Boligkreditt AS

The company made a pre-tax profit of NOK 349.4 million in the first half of 2020 (NOK 314.4 million). Net interest income increased by NOK 45.3 million from the same period last year, while the positive effects of basis swaps amounted to NOK 64.9 million, compared with NOK 50.5 million in positive basis swap effects in the first half of 2019. The increase in net interest income is primarily attributable to the increase in mortgages bought from SpareBank 1 SR-Bank.

The company's purpose is to purchase residential mortgages from SpareBank 1 SR-Bank ASA, and it funds this by issuing covered bonds. SR-Boligkreditt AS enables the parent bank to diversify and optimise its funding. Moody's has given SR-Boligkreditt AS its best rating, Aaa. At the end of the second quarter of 2020, the company had issued covered bonds with a nominal value of NOK 82.4 billion (NOK 60.9 billion) and bought loans worth NOK 77.0 billion (NOK 63.1 billion) from SpareBank 1 SR-Bank ASA.

FinStart Nordic AS

The company posted a pre-tax result of NOK -86.9 million in the first half of 2020 (NOK 10.3 million). The deficit was primarily due to the former SR-Investering AS's investment portfolio, where the portfolio mainly is within offshore and oil related industry. Effect of low oil prices combined with the Covid-19 outbreak has reduced the value of the portfolio. As a consequence of this, the company has implemented extraordinary impairments of securities totalling NOK 74.8 million. The first half of 2019 saw a positive return on securities amounting to NOK 22.6 million. A new Fintech investment portfolio has so far developed stably despite somewhat reduced growth and a more demanding market for raising external capital.

Costs in FinStart Nordic AS increased by NOK 4.8 million from the first half of 2019 to NOK 16.7 million in the first half of 2020 due to an increase in the number of portfolio companies. The subsidiary Beaufort Solutions AS increased its employee numbers and activity in the first half of 2020. The subsidiary Willow Labs AS was established in the second quarter of 2020. Investments were also made in two new portfolio companies in the first half of 2020: "Z-Data", which is a platform for integration, data exchange and payment assignments following the introduction of PSD 2, and the rental platform, "MyRent", that links the bank closer to customers in the home rental market.

FinStart Nordic AS was established as an external startup factory and represents part of the group's venture within strategic innovation and development. The company combines corporate venture capital and the development of its own innovative companies by investing in, or starting up, innovative financial technology companies (Fintech). It is intended to strengthen the group's capacity for innovation and development in a market where the bank's activities are increasingly subject to competition from new actors. The company also manages an existing portfolio from the former SR-Investering AS, which is primarily invested in the oil industry.

Monner AS

Monner AS is a payment company and a registered loan arranger that was acquired by SpareBank 1 SR-Bank on 1 July 2019. Monner AS arranges direct loans from private investors (people and limited liability companies) to small and medium-sized Norwegian companies via its proprietary digital platform. At the end of the second quarter of 2020, the company had arranged loans totalling NOK 223 million for Norwegian enterprises. Ownership of Monner AS will enable the group to help entrepreneurs throughout the whole of Norway succeed by delivering comprehensive services to companies in their startup and growth phases. The company's main product is people-financed growth loans for companies. Monner AS launched a savings account for investors in the first half of 2020 in cooperation with SpareBank 1 SR-Bank ASA and this has been well received despite modest marketing. Relevant products for entrepreneurs and investors will be launched continuously throughout the year.

In the first half of 2020, Monner AS posted a deficit of NOK 8.2 million (NOK -7.1 million). The negative result was in line with expectations and due to the company being in a development phase, which means that costs from products and market development will be higher than earnings. Income fell in the first half of 2020 due to the Covid-19 outbreak. The company has introduced cost cutting measures and launched new functionality to assist investors and companies with loans via the platform. At the same time, the company see significant opportunities for helping companies both through and after this crisis.

Associated companies

SpareBank 1 Alliance

The SpareBank 1 Alliance is Norway's second largest financial group and is a banking and product partnership in which the SpareBank 1 banks in Norway cooperate in order to keep them strong and independent. The purpose of the alliance is to procure and provide competitive financial services and products, and to exploit economies of scale in the form of lower costs and/or higher quality. The alliance is run through its ownership and participation in SpareBank 1 Utvikling DA, while the development and operation of product companies is organised through the banks' ownership of the holding company SpareBank 1 Gruppen AS.

SpareBank 1 Gruppen AS

SpareBank 1 Gruppen AS owns 100% of the shares in SpareBank 1 Forsikring AS, ODIN Forvaltning AS, SpareBank 1 Factoring AS, Conecto AS, Modhi Finance AS, and SpareBank 1 Spleis AS. SpareBank 1 Gruppen AS also owns 51% of the shares in LO Favør AS and 65% of the shares in Fremtind Forsikring AS. SpareBank 1 SR-Bank ASA owned a 19.5% stake in SpareBank 1 Gruppen AS at the end of the second quarter of 2020.

The merger between SpareBank 1 Skadeforsikring AS and DNB Forsikring AS was completed with accounting effect from 1 January 2019, with SpareBank 1 Skadeforsikring AS as the company doing the taking over. SpareBank 1 Gruppen AS owns 65% of the new company and DNB ASA 35%.

On 2 September 2019, Fremtind Forsikring AS was granted permission by the Financial Supervisory Authority of Norway to operate life insurance activities through its wholly owned subsidiary Fremtind Livsforsikring AS. The individual personal risk insurance cover from SpareBank 1 Forsikring AS and DNB Livsforsikring AS, as well as the personal risk insurance cover paid for by companies from SpareBank 1 Forsikring AS, were transferred to Fremtind Livsforsikring AS on 1 January 2020.

A total value of NOK 6.25 billion was assumed for the personal risk area. The merger resulted in increased equity for SpareBank 1 Gruppen AS at a group level. The controlling interest's (the SpareBank 1 banks and the Norwegian Federation of Trade Unions) share of this increase was NOK 1.7 billion. SpareBank 1 SR-Bank ASA's share of this increase (19.5%) was NOK 340 million and was recognised as income in the first quarter of 2020. SpareBank 1 Gruppen AS (parent company) received a tax-free gain of approximately NOK 937 million as a result of this merger. As a consequence of this, SpareBank 1 SR-Bank ASA received dividends of NOK 195 million in the second quarter of 2020, which were recognised in the parent bank.

SpareBank 1 Gruppen AS made a pre-tax profit of NOK 29.7 million in the first half of 2020 (NOK 1,434 million). The majority interest's share of the result amounted to NOK -35.0 million. The result was heavily influenced by the Covid-19 outbreak, with significant insurance provisions/payments on travel insurance claims and a negative financial return, although account has been taken of income from reinsurers of NOK 203 million linked to Covid-19 claims. The result for the first half of 2019 included NOK 596 million in write-ups of properties.

SpareBank 1 Utvikling DA

SpareBank 1 Utvikling DA delivers business platforms and common management and development services to the alliance banks. The company contributes to joint activities that provide the banks with benefits in the form of economies of scale and expertise. The company also owns and manages the alliance's intellectual property rights under common brand name: SpareBank 1. SpareBank 1 SR-Bank ASA owned a 18.0% stake in SpareBank 1 Utvikling DA at the end of the second quarter of 2020.

SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS

SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS are licensed mortgage companies that issue covered bonds secured by residential mortgage or commercial real estate portfolios sold by the owner banks. The companies are owned by the savings banks that make up the SpareBank 1 Alliance and help ensure the owner banks have access to stable, long-term funding at competitive rates.

SpareBank 1 Boligkreditt AS posted a pre-tax result of NOK 97 million for the first half of 2020 (NOK 173 million). The reduced profit is primarily attributable to a negative result of NOK 112 million (NOK -34 million) from financial instruments as a result of the Covid-19 outbreak and NOK 18 million in increased impairment losses. At the end of the second quarter of 2020, the company's total lending volume amounted to NOK 202.4 billion (NOK 190.6 billion), NOK 4.2 billion (NOK 8.9 billion) of which were residential mortgages bought from SpareBank 1 SR-Bank ASA. The bank owned 2.2% of the company at the end of the second quarter of 2020. The stake was updated at year end 2019 in line with the proportion of sold volume at the same point in time.

SpareBank 1 Næringskreditt AS made a pre-tax profit of NOK 38 million in the first half of 2020 (NOK 38 million). At the end of the second quarter of 2020, the company's total lending volume amounted to NOK 10.1 billion (NOK 10.0 billion). SpareBank 1 SR-Bank ASA has not sold any loans to SpareBank 1 Næringskreditt AS. The bank owned 15.6% of the company at the end of the second quarter of 2020. The stake was updated at year end 2019 as part of the company's ordinary reallocation of its capital.

BN Bank ASA

BN Bank ASA is a nationwide bank with its head office in Trondheim. BN Bank ASA made a pre-tax profit of NOK 196 million in the first half of 2020 (NOK 205 million). The underlying pre-tax profit in BN Bank ASA for the first half of 2020 was NOK 9 million lower than in the same period last year because of the Covid-19 outbreak. Impairments on loans increased by NOK 42 million, income from financial investments fell by NOK 9 million, while net interest income increased by NOK 44 million.

The bank is owned by the banks in the SpareBank 1 Alliance. SpareBank 1 SR-Bank ASA's stake was 35.02% at the end of the second quarter of 2020.

SpareBank 1 Kreditt AS

SpareBank 1 Kreditt AS is owned by the SpareBank 1 banks. SpareBank 1 SR-Bank ASA owns a stake of 17.7%. The company provides credit card solutions for the SpareBank 1 banks and achieved a pre-tax profit of NOK 15 million in the first half of 2020 (NOK 59 million). The lower profit was mainly a result of the sum of interest income, commissions and transaction income falling by a total of NOK 50 million while commission costs increased by NOK 1 million compared with the first half of 2019.

SpareBank 1 Betaling AS

The SpareBank 1 banks jointly own SpareBank 1 Betaling AS. SpareBank 1 SR-Bank ASA's stake is 19.8%. SpareBank 1 Betaling AS holds a 22.04% stake in VBB AS, the company formed by the merger of Vipps AS, BankID AS and Bank Axept AS in autumn 2018.

SpareBank 1 Betaling AS posted a pre-tax result of NOK -9 million for the first half of 2020 (NOK -24 million). The negative profit contribution was due to its share of the operating loss in VBB AS.

Funding and liquidity

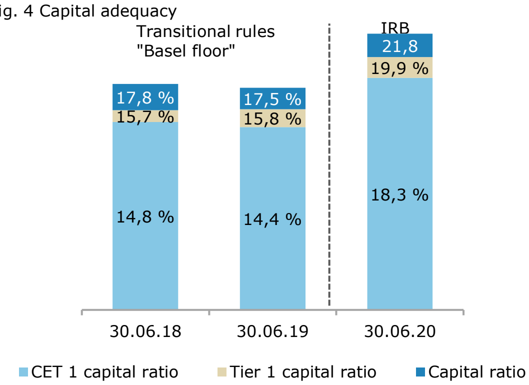
SpareBank 1 SR-Bank ASA had very good liquidity at the end of the second quarter of 2020 and believes it will continue to have good access to long-term funding at competitive prices. Funding costs have increased for banks in general due to the Covid-19 outbreak, although this is not expected to have a material effect on the group's funding costs. The group strives to achieve an even maturity structure for funding and believes it is important to have good relations with Norwegian and international investors and banks. The liquidity buffer[7] was NOK 33.3 billion at the end of the second quarter of 2020, and would cover normal operations for 25 months in the event of closed markets. NOK 18.6 billion of the bank's external funding will fall due in the next 12 months. In addition to the liquidity buffer, the bank has NOK 17.3 billion in residential mortgages ready for covered bond funding.

The group has continued to enjoy a high proportion of long-term funding in the last 12 months. The group's net stable funding ratio (NSFR[8]) was 122% at the end of the second quarter of 2020 (121%) and this confirms the group's good funding situation. SpareBank 1 SR-Bank ASA has an A1 long-term rating and a P-1 short-term rating from Moody's.

Capital adequacy[9]

The Common Equity Tier 1 capital ratio was 18.3% at the end of the second quarter of 2020 (14.4%). The higher Common Equity Tier 1 capital ratio is due to a combination of good results in 2019, where the entire profit has been retained by the bank without the payment of a dividend, and the implementation of new capital adequacy rules in Norway from 31 December 2019.

Fig. 4 Capital adequacy



The EU's capital adequacy regulations (CRR/CRD IV) were incorporated into the EEA agreement in March 2019, and the implementation of the regulations came into effect in Norway on 31 December 2019. On 11 December 2019, the Ministry of Finance announced that it intended to increase the systemic risk buffer requirement from 3.0% to 4.5% with effect from 31 December 2020. Since this buffer requirement is directed at structural vulnerabilities and other systemic risks in the Norwegian economy, it will only apply to banks' commitments in Norway, unlike previous buffer requirements that apply to all operations. At the same time, floors for risk weightings for residential mortgages and loans for commercial properties are being introduced of 20% and 35%, respectively.

A countercyclical capital buffer requirement applies in Norway in the range of 0-2.5 percentage points in the form of Common Equity Tier 1 capital. The purpose of the countercyclical capital buffer is to make the banks more solid and robust in relation to lending losses. The capital buffer requirement increased to 2.5 percentage points at year end 2019. As a result of the Covid-19 situation, the countercyclical buffer requirement was reduced by 1.5 percentage points to 1.0% with effect from March 2020.

The Pillar 2 premium is an institution-specific premium intended to ensure that Norwegian banks have adequate capital to cover the risk associated with operations, including risks not covered by the regulatory minimum requirement. In its latest assessment in 2018, the Financial Supervisory Authority of Norway set an individual Pillar 2 premium of 1.7 percentage points, down from the 2.0 percentage points set in 2016. The new Pillar 2 premium applied from 31 March 2019.

At the end of the second quarter of 2020, SpareBank 1 SR-Bank ASA met its total Common Equity Tier 1 capital ratio requirement of 13.7%, inclusive of the reduced countercyclical buffer, Pillar 2 premium and management buffer. Banks classified as systemically important financial institutions are also subject to a special capital buffer requirement. SpareBank 1 SR-Bank ASA has not been identified as a systemically important financial institution.

The board of SpareBank 1 SR-Bank has reassessed distribution of the profit for the financial year 2019 based on the Covid-19 crisis. On 23 April 2020, the annual general meeting approved the board's proposal that no dividend be paid out for 2019 at this time. However, the board has received authorisation from

[7] Liquidity buffer: cash, short-term investments, and drawing rights in Norges Bank (bonds, including covered bonds). Assuming deposits and lending remain unchanged and no new borrowing during the period.

[8]NSFR is calculated in accordance with guidelines from the Financial Supervisory Authority of Norway and is calculated as available stable funding relative to necessary stable funding.

[9] Historical capital ratio figures are based on the capital adequacy rules and regulations when the so-called Basel I floor applied.

the general meeting to make a decision about the distribution of a dividend, at some later point in time, of up to NOK 5.50 per share based on the bank's approved annual financial statements for 2019. The authorisation remains valid until the next ordinary general meeting in 2021. The decision is in line with the recommendations of the Financial Supervisory Authority of Norway, Norwegian Ministry of Finance and European Central Bank (ECB). The change was incorporated into the first quarter of 2020 and resulted in Common Equity Tier 1 capital increasing by NOK 1.4 billion and the Common Equity Tier 1 capital ratio by 1.1 percentage points. The figures as at 31 December 2019 have not been restated.

At the end of the second quarter of 2020, SpareBank 1 SR-Bank ASA's Common Equity Tier 1 capital ratio target was 15.2%. The target includes a 1.0-percentage point management buffer. In the event of an increase in the systemic risk buffer on 31 December 2020, SpareBank 1 SR-Bank's new target for the Common Equity Tier 1 capital ratio will be 16.7%, inclusive of a management buffer of 1.0 percentage points. The group has thus maintained its original capital target even though the countercyclical capital buffer was reduced by 1.5 percentage points to 1.0% with effect from March 2020.

The Tier 1 capital ratio was 19.9% (15.8%), while the total capital ratio was 21.8% (17.5%) at the end of the second quarter of 2020. This is well above the required capital ratio of 17.1%.

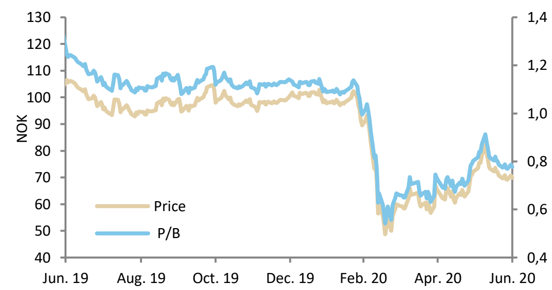
New crisis management directive and MREL

The EU Bank Recovery and Resolution Directive (BRRD) came into effect in Norway on 1 January 2019. Based on this regulation, the group will have to meet a minimum requirement for own funds and eligible liabilities (MREL). SpareBank 1 SR-Bank ASA's individual requirement was announced by the Financial Supervisory Authority of Norway on 23 December 2019 and is NOK 33.7 billion. The requirement applies from 31 March 2020. The requirement for lower priority (senior non-preferred debt) must be met by 1 January 2024 and can be phased by SpareBank 1 SR-Bank ASA including debt issued before 1 January 2020 up to this date, provided that it meets the general requirements for eligible liabilities. At the end of the second quarter of 2020, SpareBank 1 SR-Bank ASA was carrying senior debt due after 30 June 2021 amounting to NOK 37.9 billion and the requirement has therefore been met by a good margin.

The bank's share

The price of the bank's share (SRBANK) was NOK 69.90 at the end of the second quarter of 2020. This represents an increase of 18.1% since the end of the first quarter of 2020. The main Oslo Børs index increased by 12.5% in the same period. 11.0% of outstanding SRBANK shares were traded in the second quarter of 2020 (5.3%).

Fig 5. Development in Price/Book



There were 13,140 (10,955) shareholders of SRBANK at the end of the second quarter of 2020. The proportion owned by foreign companies and individuals was 23.0% (28.7%), while 44.1% (43.0%) were resident in Rogaland, Agder, and Vestland. The 20 largest shareholders owned a combined total of 58.5% (58.2%) of the shares. The bank held 15,738 treasury shares, while group employees owned 1.7% (1.5%).

The table below shows the 20 largest shareholders as at 30 June 2020:

Table 8, 20 largest shareholders	Number of shares (1,000)	%
Sparebankstiftelsen SR-Bank	72.419	28,3 %
Folketrygdfondet	21.180	8,3 %
Brown Brothers Harriman & Co, U.S.A.	6.612	2,6 %
State Street Bank and Trust Co, U.S.A.	6.493	2,5 %
SpareBank 1-stiftinga Kvinnherad	6.227	2,4 %
Vpf Nordea Norge Verdi	4.986	1,9 %
Danske Invest Norske Instit. II	3.723	1,5 %
Odin Norge	3.423	1,3 %
Pareto Aksje Norge	3.221	1,3 %
JPMorgan Chase Bank N.A., U.S.A.	2.898	1,1 %
Clipper AS	2.211	0,9 %
Verdipapirfondet Alfred Berg Gambak	2.132	0,8 %
KLP Aksjenorge Indeks	1.971	0,8 %
Verdipapirfondet Alfred Berg Norge	1.862	0,7 %
Westco AS	1.799	0,7 %
Arctic Funds plc, Irland	1.749	0,7 %
State Street Bank and Trust Co, U.S.A.	1.746	0,7 %
Pareto Invest AS	1.727	0,7 %
Forsvarets Personellservice	1.625	0,6 %
Danske Invest Norske Aksjer Inst.	1.558	0,6 %
Total 20 largest	149.563	58,5 %

The group established a share savings arrangement for the group's employees in 2019, and the scheme has been continued in 2020. All permanent employees have an opportunity to purchase shares for a specified savings amount, limited to a maximum of NOK 3,000 per employee per month, at a 30% discount and with a lock-in period of 2 years. More than 800 of the group's almost 1,200 employees have signed a regular savings agreement for the share savings scheme in 2020.

Accounting policies

Please refer to notes 1 and 2 for a description of the accounting policies and judgements applied in the parent company's and consolidated financial statements. The same accounting policies are applied in interim and annual financial statements. For more information about this see notes 1 and 2.

Events after the balance sheet date

No material events have been registered after 30 June 2020 that affect the interim financial statements as prepared.

Outlook

Considerable uncertainty remains about how both the Norwegian and the global economy will develop because of continued low oil prices and the ongoing Covid-19 situation, although the level of uncertainty did decrease somewhat in Norway in the last quarter. Norway enjoyed a positive trend in the second quarter of 2020 and the economy appears to be improving following the lockdown in March. However, lower international demand and low oil prices are expected to mark economic development for several years to come. At the time of writing, a sharp downturn is expected in the global economy according to the IMF, with negative growth of -3% in 2020. 5.8% growth is expected in 2021.

The combination of a substantial fall in oil prices and the Covid-19 outbreak is still expected to result in lower economic activity in Norway. Higher unemployment and lower wages growth than in recent years, are expected. The housing market and private consumption have been significantly stimulated through much lower mortgage rates, and the overall effect for these sectors has been positive. Lower levels of investment and less demand for loans are expected in the business sector in 2020. The Norwegian state is particularly well-equipped to contribute financially, and extensive measures aimed at both the private sector and business will mitigate the effects of the Covid-19 outbreak. The overall ripple effects are expected to result in lower growth in the mainland economy. According to the latest forecasts from Statistics Norway, a 3.9% reduction in GDP is expected for Mainland Norway in 2020, before it rises again by 4.3% in 2021. The Norwegian Petroleum Directorate expects oil investments on the Norwegian Continental Shelf to fall by 10% in 2020 due to low oil prices and the Covid-19 outbreak. Inflation was low throughout 2019. Price inflation adjusted for energy and taxes was 1.8% in 2019. Prices of imported goods are expected to increase during 2020 because of the weakened NOK exchange rate at the start of 2020. Based on this, Statistics Norway expects price inflation, adjusted for energy and taxes, to rise to 2.6% in 2020.

In March 2020, Norges Bank cut its policy rate twice, by a total of 1.25 percentage points. Such a large and rapid reduction in the policy rate has never been seen before in Norway. In May 2020, Norges Bank cut its policy rate by a further 0.25 percentage points to 0%. Following the rate adjustments, the bank cut its rates by up to 1.25 percentage points. The rates cuts were implemented with shorter periods of notice for lending. The market now expects the policy rate to remain stable for the next year and gradually rise again in the autumn of 2021 when the effects of the Covid-19 outbreak are expected to diminish.

The group's long-term return on equity target is a minimum of 12%. The target will be achieved through profitable lending growth, moderate impairment losses, growth in other operating income, gains from financial investments, and greater cost-effectiveness. As a consequence of the Covid-19 outbreak and the economic challenges within the energy sector due to low oil prices, the return on equity for 2020 is expected to be lower than the long-term target.

The group's target for its Common Equity Tier 1 capital ratio is 16.7% by year end 2020. SpareBank 1 SR-Bank ASA is a solid, profitable group and has in recent years increased its financial strength in line with the authorities' requirements. This was achieved through earnings via a business model involving good breadth in earnings and efficient operations. On 23 April 2020, financial strength was further boosted by the general meeting approving the board's proposal that no dividend be paid out for 2019 at this time.

SpareBank 1 SR-Bank ASA's dividend policy remains unchanged, with an expected dividend of around 50% of the profit for the year. Consideration must be given to financial needs, including capital adequacy requirements and the group's targets and strategic plans, when determining the annual dividend. Unless capital requirements dictate otherwise, the goal of the board is to distribute approximately half of the annual net profit for the period as dividends.

The group is actively working to create sustainable development. The sustainability strategy will clarify and provide guidance for SR-Bank's work on sustainability, and support staff and managers in decisions and daily work. As part of this strategy, SR Boligkreditt AS's first green bond was issued in autumn 2019.

SpareBank 1 SR-Bank ASA is a proactive financial group with strong distribution. As Norway's second largest Norwegian-owned bank, the group provides financial muscle for growth, value creation, and profitability for customers, society, and our owners. The group is a bank for the whole of Southern Norway, in which the Oslo region is a focus area. The further build-up of the Oslo branch is proceeding according to plan. Having a presence in this market is important with respect to geographical diversification and creating a greater basis for growth, and thus earnings.

For a long time, the group has been systematically working to increase efficiency through digitalisation and automation, both internally and in relation to customers. This enabled almost all of the group's employees to work from home following the Covid-19 outbreak in March 2020, at the same time as customers and all important internal functions were addressed in an efficient and satisfactory manner.

The group is well-equipped to tackle the ripple effects of both low oil prices and the Covid-19 outbreak. The group's results for 2020 are expected to be heavily affected by the economic situation. The board stresses that, given its solid financial position, the group is very well equipped to tackle crises, and this will help to ensure that the SpareBank 1 SR-Bank ASA remains a solid financial group after the Covid-19 outbreak ends as well.

Stavanger, 5 August 2020
The Board of Directors of SpareBank 1 SR-Bank ASA

Parent bank						Note	Group				
2019	Q2 2019	Q2 2020	01.01.19 - 30.06.19	01.01.20 - 30.06.20	**Income statement (MNOK)**		01.01.20 - 30.06.20	01.01.19 - 30.06.19	Q2 2020	Q2 2019	2019
4.038	977	896	1.903	2.004	Interest income amortised cost		3.520	3.290	1.568	1.690	7.053
2.001	489	447	951	965	Interest income other		379	330	184	171	690
2.489	604	468	1.161	1.175	Interest expenses amortised cost		1.526	1.447	610	750	3.113
181	43	17	77	27	Interest expenses other		266	267	116	143	643
3.369	819	**858**	1.616	**1.767**	**Net interest income**		**2.107**	1.906	**1.026**	968	3.987
974	261	220	492	461	Commission income		740	774	368	412	1.516
108	28	23	49	50	Commission expenses		52	51	24	29	111
12	2	2	3	5	Other operating income		2	2	-	1	11
878	235	**199**	446	**416**	**Net commission and other income**		**690**	725	**344**	384	1.416
31	8	17	27	17	Dividend income		17	27	17	8	31
1.023	406	836	1.023	836	Income from investment in associates		387	762	145	226	875
183	23	36	165	-180	Net gains/losses on financial instruments	13	-135	227	135	106	221
1.237	437	**889**	1.215	**673**	**Net income on financial investments**		**269**	1.016	**297**	340	1.127
5.484	1.491	**1.946**	3.277	**2.856**	**Total income**		**3.066**	3.647	**1.667**	1.692	6.530
1.092	270	245	523	495	Personnel expenses	14	678	701	330	357	1.472
497	122	117	241	240	Administrative expenses		270	271	130	137	555
311	72	69	147	148	Other operating costs		214	213	110	108	451
1.900	464	**431**	911	**883**	**Total operating costs**		**1.162**	1.185	**570**	602	2.478
3.584	1.027	**1.515**	2.366	**1.973**	**Operating profit before impairments**		**1.904**	2.462	**1.097**	1.090	4.052
237	-20	**820**	27	**1.379**	Impairments on loans and financial commitments	3 and 4	**1.391**	30	**831**	-19	235
3.347	1.047	**695**	2.339	**594**	**Pre-tax profit**	12	**513**	2.432	**266**	1.109	3.817
569	159	**-26**	311	**-46**	Tax expense		**36**	386	**10**	209	693
2.778	888	**721**	2.028	**640**	**Profit after tax**		**477**	2.046	**256**	900	3.124
2.738	878	697	2.014	591	Shareholders' share of the profit		428	2.032	232	890	3.084
40	10	24	14	49	Hybrid capital owners' share of the profit		49	14	24	10	40
2.778	888	**721**	2.028	**640**	**Profit after tax**		**477**	2.046	**256**	900	3.124
					Other comprehensive income						
-5	-26	-48	-85	-116	Unrecognised actuarial gains and losses		-116	-85	-48	-26	-4
1	7	12	21	29	Deferred tax concerning changed estimates/pension plan changes		29	21	12	7	1
-3	-	-7	-	-7	Change in ECL[1] 12 months		-	-	-	-	-
-	-	-	-	-	Basisswap spread		28	18	-9	14	12
-	-	-	-	-	Deferred tax concerning basiswap spread		-7	-5	2	-4	-2
-7	-19	**-43**	-64	**-94**	**Total items not reclassified through profit or loss**		**-66**	-51	**-43**	-9	7
-	-	-	-	-	Share of profit associated companies and joint ventures		1	-3	5	1	19
-	-	**-**	-	**-**	**Total items reclassified through profit or loss**		**1**	-3	**5**	1	19
-7	-19	**-43**	-64	**-94**	**Other comprehensive income**		**-65**	-54	**-38**	-8	26
2.771	869	**678**	1.964	**546**	**Total comprehensive income**		**412**	1.992	**218**	892	3.150
					Earnings per share (group)		1,86	8,00	1,00	3,52	12,22

[1] ECL - Expected credit loss

Balance sheet

Parent bank					Group		
31.12.19	30.06.19	30.06.20	Balance sheet (MNOK)	Note	30.06.20	30.06.19	31.12.19
104	725	645	Cash and balances with central banks		645	725	104
11.790	5.028	9.313	Balances with credit institutions		8.752	3.417	3.142
133.107	134.497	135.171	Loans to customers	4, 8	211.779	197.319	205.688
31.435	32.860	40.712	Certificates and bonds		38.921	32.035	32.792
6.272	5.493	10.336	Financial derivatives	10	10.229	5.304	5.933
564	580	551	Shares, ownership stakes and other securities	17	860	976	920
2.336	2.704	2.523	Investment in associates		4.502	4.344	4.180
7.315	7.154	7.345	Investment in subsidiaries		-	-	-
1.989	1.115	2.189	Other assets	5	3.027	2.342	3.136
194.912	190.156	**208.785**	**Total assets**	12	**278.715**	246.462	255.895
2.547	3.000	3.529	Balances with credit institutions		3.414	1.387	2.264
103.323	102.854	111.381	Deposits from customers	7	111.170	102.693	103.106
54.257	52.984	50.154	Listed debt securities	11	127.966	111.086	116.164
7.407	5.967	16.475	Financial derivatives	10	6.976	3.636	4.530
2.771	1.540	2.074	Other liabilities	6	1.809	1.857	2.872
2.125	2.709	2.177	Subordinated loan capital	11	2.177	2.709	2.125
172.430	169.054	**185.790**	**Total liabilities**		**253.512**	223.368	231.061
6.394	6.394	6.394	Share capital		6.394	6.394	6.394
1.587	1.587	1.587	Premium reserve		1.587	1.587	1.587
1.407	-	-	Proposed dividend [1)]		-	-	1.407
1.850	1.250	1.850	Hybrid capital		1.850	1.250	1.850
11.244	9.843	12.524	Other equity		14.895	11.817	13.596
	2.028	640	Profit/loss at period end		477	2.046	
22.482	21.102	**22.995**	**Total equity**		**25.203**	23.094	24.834
194.912	190.156	**208.785**	**Total liabilities and equity**	12	**278.715**	246.462	255.895

[1)] A decision was made in April 2020 not to pay dividend for 2019 at this time. The change has been incorporated in Q1-2020. The figures as at 31 December 2019 are not changed

Statement of changes in equity

SpareBank 1 SR-Bank Group (Amounts in NOK million)	Share-capital	Premium reserve	Hybrid-capital	Other equity *	Total equity
Equity as at 31.12.2018	6.394	1.587	550	13.054	21.585
Profit after tax				3.124	3.124
Unrecognised actuarial gains and losses after tax				-3	-3
Basisswap spread after tax				10	10
Share of profit associated companies and joint ventures				19	19
Year's comprehensive income				3.150	3.150
Hybrid capital			1.300		1.300
Interest on hybridcapital after tax				-40	-40
Adjusted equity accosiates				-10	-10
Dividend 2018, resolved in 2019				-1.151	-1.151
Trade in treasury shares					
Transactions with shareholders				-1.151	-1.151
Equity as at 31.12.2018	**6.394**	**1.587**	**1.850**	**15.003**	**24.834**
Profit after tax				477	477
Unrecognised actuarial gains and losses after tax				-87	-87
Basisswap spread after tax				21	21
Share of profit associated companies and joint ventures				1	1
Year's comprehensive income				412	412
Hybrid capital					-
Interest on hybridcapital				-49	-49
Adjusted equity in accosiated companies				4	4
Dividend 2019, resolved in 2020					-
Trade in treasury shares				2	2
Transactions with shareholders				2	2
Equity as at 30.06.2020	**6.394**	**1.587**	**1.850**	**15.372**	**25.203**

* Fund for unrealised gains is included in other equity from 2019

Cash flow statement

Parent bank				Group		
2019	01.01.19 - 30.06.19	01.01.20 - 30.06.20	**Cash flow statement**	01.01.20 - 30.06.20	01.01.19 - 30.06.19	2019
-972	-2.234	-3.120	Change in gross lending to customers	-6.646	-6.521	-15.008
5.353	2.547	2.599	Interest receipts from lending to customers	3.577	3.335	7.122
4.204	3.735	8.058	Change in deposits from customers	8.064	3.879	4.292
-1.262	-573	-567	Interest payments on deposits from customers	-565	-570	-1.255
-7.457	538	4.548	Change in receivables and deby from credit institutions	2.292	-1.063	-686
139	-5	138	Interest on receivables and debt to financial institutions	-150	-193	-351
-3.620	-5.045	-9.277	Change in certificates and bonds [1)]	-6.129	-2.695	-3.452
556	264	294	Interest receipts from commercial paper and bonds	294	251	538
870	349	432	Commission receipts	725	622	1.371
60	34	-28	Capital gains from sale of trading	-39	11	49
-1.646	-802	-819	Payments for operations	-1.171	-1.083	-2.097
-779	-779	-1.078	Taxes paid	-1.224	-896	-896
117	-891	8.118	Other accruals [1)]	1.901	-890	-58
-4.437	-2.862	**9.298**	**A Net change in liquidity from operations**	**929**	-5.813	-10.431
-128	-77	-27	Investments in tangible fixed assets	-24	-191	-379
-	-	-	Receipts from sale of tangible fixed assets	-	-	-
-1.804	-1.667	-237	Change in long-term investments in equities	-246	-647	-656
361	17	1	Receipts from sales of long-term investments in equities	36	30	378
1.053	1.049	853	Dividends from long-term investments in equities	270	725	760
-518	-678	**590**	**B Net cash flow, investments**	**36**	-83	103
13.800	11.405	1.067	Debt raised by issuance of securities	14.477	18.914	24.823
-7.466	-5.863	-8.728	Repayments - issued securities	-12.881	-10.706	-12.455
-1.243	-531	-608	Interest payments on securities issued	-963	-830	-1.885
-	-	-	Additional subordinated loan capital issued	-	-	-
-800	-229	-	Repayments - additional capital instruments	-	-229	-800
-90	-47	-29	Interest payments on subordinated loans	-29	-47	-90
1.300	700	-	Increase in debt established by issuing hybrid capital	-	700	1.300
-52	-21	-49	Interest payments on debt established by issuing hybrid capital	-49	-21	-52
-38	-17	-35	Lease payments	-22	-22	-46
-1.151	-1.151	-	Dividend to share holders	-	-1.151	-1.151
4.260	4.246	**-8.382**	**C Net cash flow, financing**	**533**	6.608	9.644
-695	706	**1.506**	**A+B+C Net cash flow during the period**	**1.498**	712	-684
1.463	1.463	768	Cash and cash equivalents as at 1 January	779	1.463	1.463
768	2.169	**2.274**	**Cash and cash equivalents at the end of the period**	**2.277**	2.175	779
			Cash and cash equivalents specified			
104	725	645	Cash and balances with central banks	645	725	104
664	1.444	1.629	Balances with credit institutions	1.632	1.450	675
768	2.169	**2.274**	**Cash and cash equivalents**	**2.277**	2.175	779

[1)] Changes in loans to customers, as well as changes in certificates and bonds, include the increase in exchange rates.

The cash and cash equivalents includes cash and claims on central banks, plus the share of the total of claims on credit institutions that pertains to placement solely in credit institutions. The cash flow statement shows cash provided and used by the parent bank and the group.

Notes to the financial statements

(in MNOK)

Note 1 Accounting policies

1.1 Basis of preparation

These interim financial statements for SpareBank 1 SR-Bank ASA cover the period 1 January - 30 June 2020. The interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements are unaudited. These interim financial statements were prepared in accordance with the applicable IFRS standards and IFRIC interpretations.

The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for 2019.

New standards and interpretations that have not been adopted yet

IASB issued amendments to IFRS 9 and IFRS 7 in September 2019. These changes are compulsory from 2020, but can be implemented early in 2019 financial statements. The group has chosen to implement the changes early. The group's decision to implement the changes early means that its hedging relationships can be continued unaffected by IBOR reform. IBOR reform is an ongoing process in which reference rates used in receivables, loans, and derivatives are exchanged with new interest rates. Information due to the early implementation is provided in note 10.

There are no standards or interpretations that have not been adopted yet, that are expected to have any material effects on the Groups financial statements.

Impairments on loans and financial liabilities

The group has calculated loss provisions pursuant to the IFRS 9 regulations from and including 1 January 2018. Prior to the reporting for the fourth quarter of 2019, only minor adjustments were made in the model. Following this period, account has been taken of the special situation that has arisen in connection with the Covid-19 outbreak in the assessment of expected credit losses. The following explains the policies that have been applied and the changes that have been made in the second quarter of 2020. Please also refer to note 2 in the annual report for 2019. The calculations follow the normal procedures for data. The scenarios on which the calculations are based have been continued unchanged, although their weightings have been changed to reflect the changed economic conditions. As a consequence of this, as well as the development of individual impairment losses, the targeted premiums for exposed commitments within individual industries have been phased out. The same is true in relation to the overriding the model-calculated loss provisions through management judgement that were carried out in the first quarter of 2020. The group is following the same principles for migration between the stages as those that applied as at 31 December 2019. An increase in PD of more than 150 per cent and which results in a PD higher than 0.6 per cent is considered a significant change in credit risk. In addition, overdrafts or arrears of at least 30 days will always be considered a significant increase in credit risk. Commitments subject to repayment relief may, based on an individual assessment, also be regarded as having experienced a significant increase in credit risk. No negative migration from Stage 1 to Stage 2 has been observed as a consequence of payment postponements in healthy portfolios. The assessments that have been made at a group level are the best current estimate of the long-term consequences the Covid-19 situation may have for the bank's portfolio. Otherwise, please refer to notes 2, 3, 4 and 8 in the financial statements for the second quarter of 2020.

Note 2 Critical estimates and judgements concerning use of the accounting policies

The preparation of the consolidated financial statements entails the group executive management making estimates, judgements and assumptions that affect the effect of the application of the accounting policies and thus the amounts recognised for assets, liabilities, income and costs. Note 3 of the annual financial statements for 2019 explains in more detail the use of critical estimates and judgements when applying the accounting policies.

Given both the low oil prices and the ongoing Covid-19 situation, considerable uncertainty remains about how both the Norwegian and the global economy will develop, and the picture is changing continuously. This means that is a great deal of uncertainty surrounding critical estimates.

Impairments on loans

The group's assessment of critical estimates and judgements concerning the use of the accounting policies has not changed since 31 December 2019, although the situation surrounding the Covid-19 virus has been included in the assessment in the first quarter of 2020.

The group assesses its entire corporate market portfolio annually. High-risk commitments in the corporate market portfolio are evaluated on a quarterly basis. Loans to retail customers are subject to evaluation when they are in default for more than 90 days after they fall due; larger commitments in default are evaluated on a quarterly basis.

The group's risk classification systems are described under financial risk management in the annual report.

The group carries out an impairment if there is objective evidence that can be identified for an individual commitment, and the objective evidence entails a reduction in future cash flows for servicing the commitment. Objective evidence may be default, bankruptcy, insolvency or other significant financial difficulties.

Individual impairments are calculated as the difference between the loan's book (carrying) value and the present value of future cash flows based on the effective interest rate at the time of the calculation of the initial individual impairment. Account is taken of subsequent changes in interest rates for loan agreements with variable rates if these changes affect the expected cash flow.

According to IFRS 9, loss provisions are recognised for all commitments based on expected credit loss (ECL). The measurement of the provisions for expected losses on commitments that are not individually impaired depends on whether or not the credit risk has increased significantly since initial capitalisation. Upon initial capitalisation and when the credit risk has not increased significantly after initial capitalisation, provisions must be made for 12 months' expected losses. If the credit risk has increased substantially after initial recognition, provisions must be made for expected losses over the entire lifetime. Expected credit loss is calculated on the basis of the present value of all cash flows over the remaining expected lifetime.

A probability weighting average is calculated for three different scenarios: a strong economic expansion, a normal economic situation and a recession, respectively. The strong economic expansion scenario is based on data from a historically representative period of strong economic expansion, while the normal economic situation scenario and recession scenario were based on internally prepared prognoses and stress tests produced in connection with the group's annual internal capital adequacy assessment process (ICAAP). The mutual weighting of the scenarios is considered and determined by a specially established internal working group composed of people at a management level.

Note 2 Critical estimates and judgements concerning use of the accounting policies (continued)

The choice of scenarios and their weighting are regularly reviewed (at least once a year) by this working group. As at 30 June 2020, the normal economic situation scenario was weighted 60%, the recession scenario 40% and the strong economic expansion scenario is currently weighted 0%. The weighting is the same for all portfolios and has been significantly changed in the second quarter of 2020 in order to reflect the expected weaker economic development going forward. In order to illustrate the sensitivity associated with the weighting, a simulation has been conducted of the effect of a more conservative scenario weighting in which the weighting of the recession scenario was increased by 10 percentage points (from 40% to 50%) with a corresponding downwards adjustment of the normal economic situation scenario's weighting (from 60% to 50%). Such a change in the scenario weighting would increase the group's expected impairment losses for commitments without individual impairment by NOK 91 million.

Sensitivity Calculations (NOK millions)	Weighting used in Q2-20	Corporate market	Retail market	SR-Boligkreditt	Total Group
ECL in a strong economic expansion scenario	0 %	105	38	3	**146**
ECL in a normal economic expansion scenario	60 %	395	42	6	**443**
ECL in a recession economic expansion scenario	40 %	1.121	183	47	**1.351**
ECL with the applied scenario weighting:					
Strong economic expansion = 0% Normal economic situation = 60% Recession = 40%		685	98	23	**806**
ECL with previously applied scenario weighting [1]:					
Strong economic expansion = 25% Normal economic situation = 65% Recession = 10%		395	55	10	**460**
ECL with alternative scenario weighting:					
Strong economic expansion = 0% Normal economic situation = 50% Recession = 50%		758	112	27	**897**
Strong economic expansion = 10% Normal economic situation = 50% Recession = 40%					
Høykonjunktur =10% Normalkonjunktur = 50% Lavkonjunktur = 40%		656	98	22	**776**

[1] Does not include industry-related premiums or management judgement and thus reflects only the isolated effect of the changed scenario weighting.

Closely monitoring customers and prevention work are important measures that the group actively employs to maintain its good risk profile in the group's loan portfolio. As a result of the low oil prices and Covid-19 outbreak, this work was intensified at the end of the first quarter of 2020 and continued in the second quarter of 2020. The group has provided advice in order to find good solutions for customers, including by granting payment holidays and providing assistance with applications for the use of various support schemes.

The group's assessments of critical estimates and judgements concerning use of the accounting policies are challenging but are currently considered to be the best estimate of the long-term consequences the Covid-19 situation will have for the group.

Note 3 Impairments on loans and financial commitments recognised in the income statement

Parent bank				Group		
01.01.19 - 31.12.19	01.01.19 - 30.06.19	01.01.20 - 30.06.20		01.01.20 - 30.06.20	01.01.19 - 30.06.19	01.01.19 - 31.12.19
200	76	1.214	Change in impairments on loans	1.226	80	199
23	-13	132	Change in impairments on financial commitments	132	-13	23
122	58	45	Actual loan losses on commitments	45	58	122
3	5	-2	Change in accrued interest	-2	4	2
-	-	1	Change in assets taken over for the period	1	-	-
-111	-99	-11	Recoveries on commitments previously written-off	-11	-99	-111
237	27	**1.379**	**The period's net impairments on loans and financial commitments**	**1.391**	30	235

Note 4 Impairments on loans and financial commitments recognised in the balance sheet

Parent Bank

2020 Impairments on loans and financial commitments	01.01.2020	Changes in impairments on loans	Changes in impairments on financial commitments	Total 30.06.2020
Impairments after amortised cost, corporate market	1.397	1.168	130	2.695
Impairments after amortised cost, retail market	94	11	-	105
Mortgages at FVOCI [1]	54	36	-	90
Total impairments on loans and financial commitments	1.545	1.215	130	**2.890**
Presented as				
Impairments on loans	1.415	1.215	-	2.630
Impairments on financial commitments	130	-	130	260
Total impairments on loans and financial commitments	1.545	1.215	130	**2.890**

2019 Impairments on loans and financial commitments	01.01.2019			Total 30.06.2019
Impairments after amortised cost, corporate market	1.168	71	-13	1.226
Impairments after amortised cost, retail market	94	-2	-	92
Mortgages at FVOCI [1]	60	7	-	67
Total impairments on loans and financial commitments	1.322	76	-13	1.385
Presented as				
Impairments on loans	1.215	76	-	1.291
Impairments on financial commitments	107	-	-13	94
Total impairments on loans and financial commitments	1.322	76	-13	1.385

Group

2020 Impairments on loans and financial commitments	01.01.2020	Changes in impairments on loans	Changes in impairments on financial commitments	Total 30.06.2020
Impairments after amortised cost, corporate market	1.396	1.169	130	2.695
Impairments after amortised cost, retail market	160	58	-	218
Mortgages at FVOCI [1]	-	-	-	-
Total impairments on loans and financial commitments	1.556	1.227	130	**2.913**
Presented as				
Impairments on loans	1.426	1.227	-	2.653
Impairments on financial commitments	130	-	130	260
Total impairments on loans and financial commitments	1.556	1.227	130	**2.913**

2019 Impairments on loans and financial commitments	01.01.2019			Total 30.06.2019
Impairments after amortised cost, corporate market	1.168	72	-13	1.227
Impairments after amortised cost, retail market	166	8	-	174
Mortgages at FVOCI [1]	-	-	-	-
Total impairments on loans and financial commitments	1.334	80	-13	1.401
Presented as				
Impairments on loans	1.227	80	-	1.307
Impairments on financial commitments	107	-	-13	94
Total impairments on loans and financial commitments	1.334	80	-13	1.401

[1] FVOCI - Fair value other comprehensive income

Note 4 Impairments on loans and financial commitments recognised in the balance sheet (continued)

Parent Bank

	01.01.2020 - 30.06.2020				01.01.2019 - 30.06.2019			
Impairments recognised on loans per stage	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Impairments on loans 01.01	144	381	890	1.415	225	360	630	1.215
Changes 01.01 - 30.06.								
Transfer to (from) stage 1	-4	4	-	-	-61	59	2	-
Transfer to (from) stage 2	49	-54	5	-	10	-30	20	-
Transfer to (from) stage 3	-	5	-5	-	-	-	-	-
Net new measurement of impairments	14	173	16	203	63	-54	-4	5
New issued or purchased loan	48	19	2	69	41	15	1	57
Loans that have been derecognised	-22	-123	-20	-165	-27	-47	-7	-81
Changes due to modifications that have not resulted in derecognition	-	-	-	-	-	-	-	-
Actual loan losses on commitments	-	-	45	45	-	-	58	58
Actual loan losses on commitments for which provisions have been made	-	-	-12	-12	-	-	-40	-40
Changes to models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	1.075	1.075	-	-	77	77
Impairments on loans 30.06	229	405	1.996	**2.630**	251	303	737	1.291

Impairments recognised on financial commitments per stage	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Impairments on financial commitments 01.01.	21	82	27	130	31	57	19	107
Changes 01.01 - 30.06.								
Transfer to (from) stage 1	-1	1	-	-	-7	6	1	-
Transfer to (from) stage 2	11	-11	-	-	1	-2	1	-
Transfer to (from) stage 3	-	-	-	-	-	-	-	-
Net new measurement of impairments	-3	14	1	12	1	-16	-	-15
New issued or purchased loan	10	2	-	12	9	1	-	10
Loans that have been derecognised	-2	-14	-1	-17	-4	-4	-	-8
Changes due to modifications that have not resulted in derecognition	-	-	-	-	-	-	-	-
Actual loan losses on commitments	-	-	-	-	-	-	-	-
Actual loan losses on commitments for which provisions have been made	-	-	-	-	-	-	-	-
Changes to models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	123	123	-	-	-	-
Impairments on financial commitments 30.06.	36	74	150	**260**	31	42	21	94

Note 4 Impairments on loans and financial commitments recognised in the balance sheet (continued)

Group

	01.01.2020 - 30.06.2020				01.01.2019 - 30.06.2019			
Impairments recognised on loans per stage	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Impairments on loans 01.01	146	388	892	1.426	229	367	631	1.227
Changes 01.01 - 30.06.								
Transfer to (from) stage 1	-4	4	-	-	-63	61	2	-
Transfer to (from) stage 2	51	-56	5	-	11	-31	20	-
Transfer to (from) stage 3	-	6	-6	-	-	-	-	-
Net new measurement of impairments	15	183	16	214	64	-52	-4	8
New issued or purchased loan	49	21	3	73	43	16	2	61
Loans that have been derecognised	-22	-125	-21	-168	-29	-48	-7	-84
Changes due to modifications that have not resulted in derecognition	-	-	-	-	-	-	-	-
Actual loan losses on commitments	-	-	45	45	-	-	58	58
Actual loan losses on commitments for which provisions have been made	-	-	-12	-12	-	-	-40	-40
Changes to models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	1.075	1.075	-	-	77	77
Impairments on loans 30.06	235	421	1.997	**2.653**	255	313	739	1.307

Impairments recognised on financial commitments per stage	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Impairments on financial commitments 01.01.	21	82	27	130	31	57	19	107
Changes 01.01 - 30.06.								
Transfer to (from) stage 1	-1	1	-	-	-7	6	1	-
Transfer to (from) stage 2	11	-11	-	-	1	-2	1	-
Transfer to (from) stage 3	-	-	-	-	-	-	-	-
Net new measurement of impairments	-3	14	1	12	1	-16	-	-15
New issued or purchased loan	10	2	-	12	9	1	-	10
Loans that have been derecognised	-2	-14	-1	-17	-4	-4	-	-8
Changes due to modifications that have not resulted in derecognition	-	-	-	-	-	-	-	-
Actual loan losses on commitments	-	-	-	-	-	-	-	-
Actual loan losses on commitments for which provisions have been made	-	-	-	-	-	-	-	-
Changes to models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	123	123	-	-	-	-
Impairments on financial commitments 30.06.	36	74	150	**260**	31	42	21	94

Note 5 Other assets

Parent bank					Group		
31.12.19	30.06.19	30.06.20			30.06.20	30.06.19	31.12.19
-	-	-	Intangible assets		281	138	273
379	-	479	Deferred tax assets		496	-	420
355	344	338	Tangible fixed assets		1.049	947	1.087
682	295	939	Leases receivables	(Note 18)	399	404	398
15	103	8	Income earned but not received		17	112	24
18	19	12	Prepaid expences		21	29	50
3	1	3	Over funding of pension liabilities		3	1	3
200	200	200	Capital contribution SR-Pensjonskasse		200	200	200
93	4	-	Unsettled trades		-	4	93
244	149	210	Other assets		561	507	588
1.989	1.115	**2.189**	**Total other assets**		**3.027**	2.342	3.136

Note 6 Other liabilities

Parent bank					Group		
31.12.19	30.06.19	30.06.20			30.06.20	30.06.19	31.12.19
273	223	234	Accrued expenses and prepaid revenue		330	297	444
-	143	-	Deferred tax liability		-	123	-
176	253	296	Pension liabilities		307	264	187
130	94	260	Impairments on financial commitments		260	94	130
1.078	287	-	Taxes payable		93	365	1.228
91	-	-	Unsettled trades		-	-	91
688	297	952	Lease liabilities	(Note 18)	409	406	395
335	243	332	Other liabilities		410	308	397
2.771	1.540	**2.074**	**Total other liabilities**		**1.809**	1.857	2.872

Note 7 Customer deposits

Parent bank				Group		
31.12.19	30.06.19	30.06.20		30.06.20	30.06.19	31.12.19
269	316	345	Fishing/Fish farming	345	316	269
1.195	1.037	1.292	Industry	1.292	1.037	1.195
1.206	1.237	1.317	Agriculture/forestry	1.317	1.237	1.206
11.808	11.252	12.740	Service industry	12.529	11.091	11.591
2.538	2.109	3.058	Retail trade, hotels and restaurants	3.058	2.109	2.538
1.331	1.004	1.638	Energy, oil and gas	1.638	1.004	1.331
1.779	1.351	1.833	Building and construction	1.833	1.351	1.779
550	539	350	Power and water supply/	350	539	550
6.517	6.886	6.345	Real estate	6.345	6.886	6.517
2.265	2.053	2.074	Shipping and other transport	2.074	2.053	2.265
25.490	25.527	26.152	Public sector and financial services	26.152	25.527	25.490
54.948	53.311	**57.144**	**Total corporate sector**	**56.933**	53.150	54.731
48.375	49.543	**54.237**	**Retail customers**	**54.237**	49.543	48.375
103.323	102.854	**111.381**	**Deposits from customers**	**111.170**	102.693	103.106

Note 8 Loans and other financial commitments to customers

Parent bank				Group		
31.12.19	**30.06.19**	**30.06.20**	**Gross loans to customers by industry**	**30.06.20**	**30.06.19**	**31.12.19**
2.503	1.745	2.665	Fishing/Fish farming	2.670	1.750	2.508
3.009	3.039	2.764	Industry	2.799	3.057	3.043
5.104	4.952	5.130	Agriculture/forestry	5.368	5.140	5.324
11.296	11.513	13.081	Service industry	13.094	11.626	11.326
3.338	3.172	3.851	Retail trade, hotels and restaurants	3.963	3.277	3.460
3.921	3.528	4.701	Energy, oil and gas	4.701	3.528	3.921
3.956	3.941	4.279	Building and construction	4.431	4.092	4.116
841	759	1.059	Power and water supply	1.059	759	841
33.659	33.310	31.834	Real estate	31.842	33.324	33.668
11.980	12.824	13.160	Shipping and other transport	13.306	12.943	12.111
2.404	2.508	2.228	Public sector and financial services	2.228	2.508	2.404
82.011	81.291	**84.752**	**Total corporate sector**	**85.461**	82.004	82.722
52.504	54.486	**53.033**	**Retail customers**	**128.971**	116.622	124.392
134.515	135.777	**137.785**	**Gross loans**	**214.432**	198.626	207.114
-1.415	-1.291	-2.630	- Impairments after amortised cost	-2.653	-1.307	-1.426
7	11	16	- Mortgages at FVOCI [2]	-	-	-
133.107	134.497	**135.171**	**Loans to customers**	**211.779**	197.319	205.688
			Financial commitments [1]			
9.751	10.082	10.572	Guarantees customers	10.619	10.157	9.800
15.383	17.574	16.939	Unused credit lines for customers	24.226	23.485	22.322
5.733	7.913	9.749	Approved loan commitments	9.749	7.913	5.733
30.867	35.569	**37.260**	**Total financial commitments**	**44.594**	41.555	37.855
			Other guarantees issued and liabilities			
1.248	3.110	19.299	Unused credit lines for financial institutions	-	-	-
589	589	588	Guarantees other	588	589	589
9	6	5	Letters of credit	5	6	9
1.846	3.705	**19.892**	**Total other guarantees issued and liabilities**	**593**	595	598

[1] Financial liabilities not on the balance sheet that are the basis for impairments

[2] FVOCI - Fair value other comprehensive income

Note 8 Loans and other financial commitments to customers (continued)

Parent bank

2020 **Loans to customers by industry and stages**	**Gross loans at amortised cost**	**Stage 1**	**Stage 2**	**Stage 3**	**Loans at fair value**	**Net loans 30.06.2020**
Fishing/Fish farming	2.640	-5	-5	-	25	2.655
Industry	2.711	-11	-15	-94	53	2.644
Agriculture/forestry	2.784	-2	-7	-3	2.346	5.118
Service industry	12.590	-48	-79	-104	491	12.850
Retail trade, hotels and restaurants	3.622	-22	-58	-6	229	3.765
Energy, oil and gas	4.701	-7	-33	-1.070	-	3.591
Building and construction	4.012	-13	-22	-13	267	4.231
Power and water supply	1.055	-3	-1	-	4	1.055
Real estate	31.596	-86	-96	-55	238	31.597
Shipping and other transport	13.063	-17	-40	-548	97	12.555
Public sector and financial services	2.228	-	-	-	-	2.228
Total corporate sector	81.002	-214	-356	-1.893	3.750	**82.289**
Retail customers	6.176	-15	-49	-103	46.857	**52.866**
Mortgages at FVOCI [1)]					16	16
Loans to customers	87.178	-229	-405	-1.996	50.623	**135.171**

2019 **Loans to customers by industry and stages**	**Gross loans at amortised cost**	**Stage 1**	**Stage 2**	**Stage 3**	**Loans at fair value**	**Net loans 30.06.2019**
Fishing/Fish farming	1.722	-4	-1	-10	23	1.730
Industry	2.977	-12	-26	-14	62	2.987
Agriculture/forestry	2.835	-2	-3	-4	2.117	4.943
Service industry	10.961	-52	-75	-68	552	11.318
Retail trade, hotels and restaurants	2.974	-17	-37	-8	198	3.110
Energy, oil and gas	3.528	-14	-29	-95	-	3.390
Building and construction	3.660	-11	-22	-14	281	3.894
Power and water supply	753	-1	-1	-	6	757
Real estate	33.054	-74	-58	-51	256	33.127
Shipping and other transport	12.705	-22	-22	-371	119	12.409
Public sector and financial services	2.508	-	-	-	-	2.508
Total corporate sector	77.677	-209	-274	-635	3.614	80.173
Retail customers	6.290	-42	-29	-102	48.196	54.313
Mortgages at FVOCI [1)]					11	11
Loans to customers	83.967	-251	-303	-737	51.821	134.497

Note 8 Loans and other financial commitments to customers (continued)

Group

2020 **Loans to customers by industry and stages**	**Gross loans at amortised cost**	**Stage 1**	**Stage 2**	**Stage 3**	**Loans at fair value**	**Net loans 30.06.2020**
Fishing/Fish farming	2.666	-5	-5	-	4	2.660
Industry	2.797	-11	-15	-94	2	2.679
Agriculture/forestry	4.515	-2	-7	-3	853	5.356
Service industry	13.007	-48	-79	-104	87	12.863
Retail trade, hotels and restaurants	3.936	-22	-58	-6	27	3.877
Energy, oil and gas	4.701	-7	-33	-1.070	-	3.591
Building and construction	4.399	-13	-22	-13	32	4.383
Power and water supply	1.057	-3	-1	-	2	1.055
Real estate	31.692	-86	-96	-55	150	31.605
Shipping and other transport	13.290	-17	-41	-548	16	12.700
Public sector and financial services	2.228	-	-	-	-	2.228
Total corporate sector	84.288	-214	-357	-1.893	1.173	**82.997**
Retail customers	120.729	-21	-64	-104	8.242	**128.782**
Loans to customers	205.017	-235	-421	-1.997	9.415	**211.779**

[1] FVOCI - Fair value other comprehensive income

2019 **Loans to customers by industry and stages**	**Gross loans at amortised cost**	**Stage 1**	**Stage 2**	**Stage 3**	**Loans at fair value**	**Net loans 30.06.2019**
Fishing/Fish farming	1.746	-3	-1	-10	4	1.736
Industry	3.055	-12	-27	-14	2	3.004
Agriculture/forestry	4.417	-2	-3	-4	723	5.131
Service industry	11.534	-52	-75	-68	92	11.431
Retail trade, hotels and restaurants	3.251	-17	-37	-9	26	3.214
Energy, oil and gas	3.528	-14	-29	-95	-	3.390
Building and construction	4.061	-11	-22	-14	31	4.045
Power and water supply	757	-1	-1	-	2	757
Real estate	33.164	-74	-58	-51	160	33.141
Shipping and other transport	12.928	-22	-22	-371	15	12.528
Public sector and financial services	2.508	-	-	-	-	2.508
Total corporate sector	80.949	-208	-275	-636	1.055	80.885
Retail customers	109.328	-47	-38	-103	7.294	116.434
Loans to customers	190.277	-255	-313	-739	8.349	197.319

Note 8 Loans and other financial commitments to customers (continued)

Parent bank

Gross loans per stage	**01.01.2020 - 30.06.2020** Stage 1	Stage 2	Stage 3	Total	**01.01.2019 - 30.06.2019** Stage 1	Stage 2	Stage 3	Total
Gross loans 01.01.	120.439	11.746	2.330	134.515	119.183	12.235	2.125	133.543
Transfer to (from) stage 1	-2.137	2.127	10	-	-2.320	2.248	72	-
Transfer to (from) stage 2	1.954	-2.015	61	-	2.178	-2.269	91	-
Transfer to (from) stage 3	3	25	-28	-	15	11	-26	-
Net increase/(decrease) balance existing loans	7.265	-9.288	9	-2.014	3.030	390	117	3.537
Originated or purchased during the period	25.646	382	27	26.055	26.323	573	13	26.909
Loans that have been derecognised	-28.573	6.562	1.240	-20.771	-25.870	-2.077	-265	-28.212
Gross loans 30.06.	124.597	9.539	3.649	**137.785**	122.539	11.111	2.127	135.777

Financial commitments per stage [1) 2)]	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial commitments 01.01.	27.537	2.446	884	30.867	28.975	4.028	801	33.804
Net increase / (decrease) during period	6.159	-31	265	6.393	3.201	-1.452	16	1.765
Financial commitments 30.06.	33.696	2.415	1.149	**37.260**	32.176	2.576	817	35.569

Group

Gross loans per stage	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross loans 01.01.	190.391	14.376	2.347	207.114	175.683	14.289	2.133	192.105
Transfer to (from) stage 1	-2.772	2.762	10	-	-3.110	3.030	80	-
Transfer to (from) stage 2	2.925	-2.991	66	-	2.657	-2.750	93	-
Transfer to (from) stage 3	3	32	-35	-	16	10	-26	-
Net increase/(decrease) balance existing loans	8.307	-15.865	11	-7.547	1.694	415	117	2.226
Originated or purchased during the period	40.085	676	27	40.788	38.921	915	16	39.852
Loans that have been derecognised	-39.844	12.663	1.258	-25.923	-32.903	-2.384	-270	-35.557
Gross loans 30.06.	199.095	11.653	3.684	**214.432**	182.958	13.525	2.143	198.626

Financial commitments per stage [1) 2)]	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial commitments 01.01.	34.272	2.698	885	37.855	33.825	4.224	802	38.851
Net increase / (decrease) during period	6.554	-82	267	6.739	4.107	-1.419	16	2.704
Financial commitments 30.06.	40.826	2.616	1.152	**44.594**	37.932	2.805	818	41.555

1) Other financial liabilities include guarantees, undrawn credit and loan commitments

2) Financial liabilities provide the basis for impairment losses under IFRS 9

Note 9 Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU's capital requirements for banks and securities undertakings (CRD IV/CRR). SpareBank 1 SR-Bank has permission from the Financial Supervisory Authority of Norway to use internal measurement methods (Internal Rating Based Approach) for quantifying credit risk. The use of IRB requires the bank to comply with extensive requirements relating to organisation, expertise, risk models and risk management systems.

The EU's capital adequacy regulations (CRR/CRD IV) were incorporated into the EEA agreement in March 2019, and the implementation regulations became effective in Norway on 31 December 2019.

The total minimum common equity tier 1 capital ratio requirement for SpareBank 1 SR-Bank, inclusive of the countercyclical buffer and Pillar 2 premium, as at 30 June 2020 was 12.7%. The requirement consists of a 4.5% minimum requirement plus other buffer requirements, which consist of a capital conservation buffer of 2.5%, a systemic risk buffer of 3.0% and a countercyclical buffer of 1.0%. As a result of the Covid-19 situation, the countercyclical buffer requirement was reduced by 1.5 percentage points to 1.0% with effect from March 2020. The Financial Supervisory Authority of Norway has also set an individual Pillar 2 requirement of 1.7%.

Investments in associated companies and joint ventures are recognised in the group using the equity method and in accordance with the cost method in the parent bank. The investments are treated identically for the purposes of determining the capital adequacy ratio except for the group's investments in SpareBank 1 Boligkreditt, SpareBank 1 Næringskreditt, BN Bank and SpareBank 1 Kreditt. A proportionate consolidation is carried out for the group's capital adequacy.

Parent bank				Group		
31.12.19	**30.06.19**	**30.06.20**		**30.06.20**	**30.06.19**	**31.12.19**
6.394	6.394	6.394	Share capital	6.394	6.394	6.394
1.587	1.587	1.587	Premium reserve	1.587	1.587	1.587
1.407	-	-	Allocated to dividend	-	-	1.407
1.850	1.250	1.850	Hybrid capital [1)]	1.850	1.250	1.850
11.244	9.843	12.524	Other equity	14.895	11.817	13.596
-	2.028	640	Profit for the period	477	2.046	-
22.482	21.102	**22.995**	**Total book equity**	**25.203**	23.094	24.834
			Tier 1 capital			
-	-	-44	Deferred taxes, goodwill and other intangible assets	-354	-155	-310
-1.407	-	-	Deduction for allocated dividends [1)]	-	-	-1.407
-226	-226	-83	Deduction for expected losses on IRB, net of write-downs	-181	-322	-357
-1.850	-1.250	-1.850	Hybrid capital that cannot be included in common equity tier 1 capital	-1.850	-1.250	-1.850
	-1.014	-320	Profit for the period that cannot be included in total Tier 1 capital	-238	-1.023	
-	-	-	Deduction for CET 1 capital in essential investments in financial institutions	-66	-44	-67
-164	-164	-164	Deduction for CET 1 capital in not essential investments in financial institutions	-152	-161	-153
-43	-43	-65	Value adjustment due to requirements concerning proper valuation	-46	-42	-46
18.792	18.405	**20.469**	**Total Common equity Tier 1 capital**	**22.316**	20.097	20.644
1.850	1.250	1.850	Hybrid capital	1.983	1.413	1.982
-	558	-	Tier 1 capital instruments	-	558	-
20.642	20.213	**22.319**	**Total Tier 1 capital**	**24.299**	22.068	22.626
			Tier 2 capital			
2.097	2.097	2.097	Term subordinated loan capital	2.282	2.392	2.283
-43	-43	-43	Deduction for essential investments in financial institutions	-43	-43	-43
2.054	2.054	**2.054**	**Total Tier 2 capital**	**2.239**	2.349	2.240
22.696	22.267	**24.373**	**Net primary capital**	**26.538**	24.417	24.866

Note 9 Capital adequacy (continued)

Parent bank				Group		
31.12.19	30.06.19	30.06.20	**Credit risk Basel II**	30.06.20	30.06.19	31.12.19
20.515	22.361	18.246	SME	18.250	22.368	20.522
22.824	23.464	21.086	Specialised enterprises	23.402	25.422	25.215
4.655	6.691	5.344	Other corporations	5.463	6.771	4.767
1.065	1.064	1.049	Mass market SME	1.338	1.354	1.342
14.018	14.330	13.482	Mass market - mortgage on real estate	31.057	29.859	31.289
2.272	2.131	2.648	Other mass market	2.783	2.193	2.352
11.006	11.028	11.536	Equity positions	-	-	-
76.355	81.069	**73.391**	**Total credit and counterparty risk IRB**	**82.293**	87.967	85.487
13	14	31	States and central banks	50	21	25
18	16	349	Local and regional authorities, state-owned enterprises	501	119	73
2.978	1.827	1.662	Institutions	1.563	1.592	1.196
8.517	9.104	9.526	Enterprises	9.880	9.534	8.795
2.854	2.916	3.395	Mass market	4.064	3.719	3.678
-	-	-	Mass market - mortgage on real estate	1.003	1.545	1.115
2.035	2.420	2.377	Covered bonds	2.367	2.582	2.317
6.029	6.029	6.029	Equity positions	6.199	5.342	5.475
2.588	1.198	3.083	Other assets	3.758	2.464	3.653
25.032	23.524	**26.452**	**Total credit and counterparty risk standard method**	**29.385**	26.918	26.327
236	181	365	Credit value adjustment risk (CVA)	798	583	487
7.067	6.534	7.067	Operational risk	9.442	8.757	9.443
-	-	-	Transitional scheme	-	15.320	-
108.690	111.308	**107.275**	**Risk weighted balance**	**121.918**	139.545	121.744
4.891	5.009	4.827	Minimum requirement for common equtiy Tier 1 capital ratio 4.5 %	5.486	6.280	5.478
			Buffer requirement			
2.717	2.783	2.682	Capital conservation buffer 2.5 %	3.048	3.489	3.044
3.261	3.339	3.218	Systemic risk buffer 3.0 %	3.658	4.186	3.652
2.717	2.226	1.073	Countercyclical capital buffer 1.0 %	1.219	2.791	3.044
8.695	8.348	6.973	Total buffer requirement to common equity Tier 1 capital ratio	7.925	10.466	9.740
5.206	5.048	**8.669**	**Available common equity Tier 1 capital ratio after buffer requireme**	**8.905**	3.352	5.426
17,29 %	16,54 %	19,08 %	Common equity Tier 1 capital ratio, IRB	18,30 %	16,18 %	16,96 %
18,99 %	18,16 %	20,81 %	Tier 1 capital ratio, IRB	19,93 %	17,76 %	18,58 %
20,88 %	20,00 %	22,72 %	Capital ratio, IRB	21,77 %	19,66 %	20,42 %
10,03 %	9,97 %	10,30 %	Leverage Ratio	7,83 %	7,64 %	7,77 %
			Capital ratio [2]		17,50 %	
			Tier 1 capital ratio [2]		15,81 %	
			Common equity Tier 1 capital ratio [2]		14,40 %	

[1] A decision was made in April 2020 not to pay dividend for 2019 at this time. The change has been incorporated in Q1-2020. The historical figures are not changed

[2] The capital ratio figures prior to 31 December 2019 are based on the capital adequacy rules and regulations, when the so-called Basel I floor applied

Note 10 Financial derivatives

Group

At fair value through profit and loss	Contract amount 30.06.20	Fair value at 30.06.20 Assets	Liabilities
Currency instruments			
Currency futures (forwards)	6.452	398	126
Currency swaps	29.926	532	446
Currency swaps (basis swaps)	46.871	543	861
Currency swaps (basis swaps hedging)	7.503	29	251
Currency options	193	3	3
Total currency instruments	**90.945**	**1.505**	**1.687**
Interest rate instruments			
Interest rate swaps	70.036	1.100	1.978
Other interest rate contracts	696	348	348
Total interest rate instruments	**70.732**	**1.448**	**2.326**
Interest rate instruments, hedging			
Interest rate swaps	105.508	4.127	32
Total interest rate instruments, hedging	**105.508**	**4.127**	**32**
Security			
Security		3.149	2.931
Totalt security		**3.149**	**2.931**
Total currency and interest rate instruments			
Total currency instruments	90.945	1.505	1.687
Total interest rate instruments	176.240	5.575	2.358
Total collateral		3.149	2.931
Total financial derivatives	**267.185**	**10.229**	**6.976**
Counterparty risk:			
Netting agreements		2.608	
Considered collateral		6.080	
Total exposure to financial derivatives		**1.541**	

Counterparty risk associated with derivatives is reduced via ISDA agreements and CSA supplements. The CSA supplement regulates the counterparty risk through payments of margins in relation to exposure limits.

IBOR reform

Reforming and alternatives to IBOR rates have become a priority area for governments around the world in recent years. However, there is uncertainty surrounding which methods will used for any changes and when they will be introduced. All of SpareBank 1 SR-Bank's interest rate derivatives use IBOR rates as a reference, and may thus be affected by changes. The most important positions are in EURIBOR and NIBOR. The bank is monitoring developments in the market closely, and is participating in several projects to monitor the changes and facilitate any changes. The table below shows nominal amount and weighted average remaining maturity for derivatives in hedging relationships that may be affected by IBOR reform, categorised by the relevant IBOR rate.

Note 10 Financial derivatives (continued)

Interest rate instruments	Contract amount	Weighted maturity
CIBOR DKK (6 months)	924	6,0
EURIBOR EUR (3 months)	66.903	5,8
EURIBOR EUR (6 months)	787	9,6
LIBOR USD (1 month)	975	2,5
LIBOR USD (3 months)	15.299	2,9
LIBOR USD (6 months)	586	1,8
NIBOR NOK (1 month)	60	6,7
NIBOR NOK (3 months)	46.185	5,4
NIBOR NOK (6 months)	755	5,5
STIBOR SEL (3 months)	115	4,1
Total interest rate instruments	**132.589**	
Currency instruments		
EURIBOR EUR (3 months) to LIBOR USD (3 months)	8.185	3,3
EURIBOR EUR (3 months) to NIBOR NOK (3 months)	31.536	4,8
LIBOR USD (3 months) to NIBOR NOK (3 months)	2.254	2,5
LIBOR USD (6 months) to FIXED NOK	260	5,9
Total currency instruments	**42.235**	
Total exposure to financial derivatives	**174.824**	

Note 11 Securities issued and subordinated loan capital

Group

Change in debt raised through securities issued	Balance as at 30.06.20	Issued/ sale own 2020	Past due/ redeemed 2020	FX rate- and other changes 2020	31.12.19
Other long-term borrowing	1.376		-1.183	135	2.424
Bonds and certificates, nominal value	122.574	14.477	-11.698	8.657	111.138
Adjustments and accrued interests	4.016			1.414	2.602
Total debt raised through securities issued	**127.966**	14.477	-12.881	10.206	116.164

Change in additional Tier 1 and Tier 2 capital instruments	Balance as at 30.06.20	Issued/ sale own 2020	Past due/ redeemed 2020	FX rate- and other changes 2020	31.12.19
Term subordinated loan capital, nominal value	2.172			54	2.118
Tier 1 capital instruments, nominal value	-				-
Adjustments and accrued interests	5			-2	7
Total additional Tier 1 and Tier 2 capital instruments	**2.177**	-	-	52	2.125

The nominal value of the net outstanding covered bonds in SR-Boligkreditt is NOK 82.4 billion as of 30 June 2020.

Note 12 Segment reporting

The executive management team has assessed which segments are reportable based on the form of distribution, products and customers. The primary reporting format is based on the risk and returnprofile of the assets, and it is divided between the retail market (including self-employed people), the corporate market, the capital market and subsidiaries of significant importance. Staff/support covers all staff departments and treasury functions in the bank. The activities in SR-Boligkreditt AS are divided between the retail market and own account trading/staff/support in the parent bank segments. Commision income from SpareBank 1 Boligkreditt are reported under 'Net commissions and other income'.

	SpareBank 1 SR-Bank Group 01.01.20 - 30.06.20								
Income statement	**Retail Market**	**Corporate Market**	**Capital Market**	**Staff/ Support**	**Eiendoms- Megler 1**	**Forretnings- partner**	**Other activities**	**Elimi- nations**	**Total**
Interest income	1.144	1.373	50	1.402	1	-	1	-72	3.899
Interest expense	325	288	21	1.233	-	-	7	-82	1.792
Net interest income [1)]	**819**	**1.085**	**29**	**169**	**1**	**-**	**-6**	**10**	**2.107**
Commission income	295	161	-	4	193	92	50	-55	740
Commission expenses	36	11	-	27	-	-	19	-41	52
Other operating income	-	-	-	5	-	-	17	-20	2
Net commission and other income	**259**	**150**	**-**	**-18**	**193**	**92**	**48**	**-34**	**690**
Dividend income	-	-	-	17	-	-	-	-	17
Income from investment in associates	-	-	-	836	-	-	-	-449	387
Net gains/losses on financial instruments	1	-10	35	-152	-	-	-51	42	-135
Net income on investment securities	**1**	**-10**	**35**	**701**	**-**	**-**	**-51**	**-407**	**269**
Personnel expenses	191	89	22	193	103	63	19	-2	678
Administrative expenses	40	5	5	190	18	6	7	-1	270
Other operating expenses	48	19	1	83	47	8	34	-26	214
Total operating expenses	**279**	**113**	**28**	**466**	**168**	**77**	**60**	**-29**	**1.162**
Operating profit before losses	**800**	**1.112**	**36**	**386**	**26**	**15**	**-69**	**-402**	**1.904**
Impairments on loans and financial commitments	76	1.315	-	-	-	-	-	-	1.391
Pre-tax profit	**724**	**-203**	**36**	**386**	**26**	**15**	**-69**	**-402**	**513**
Net interest income									
External net interest income	819	1.085	30	169	1	-	1	2	2.107
Internal net interest income	-	-	-	-	-	-	-	-	-
Net interest income	**819**	**1.085**	**30**	**169**	**1**	**-**	**1**	**2**	**2.107**
Balance sheet									
Loans to customers	132.516	78.423	375	3.488	-	-	-	-370	214.432
Impairments on loans	-216	-2.437	-	-	-	-	-	-	-2.653
Certificates/bonds/financial derivatives	-	-45	5.700	57.687	-	-	6	-14.198	49.150
Other assets	11.352	29.537	1.796	-19.947	201	209	1.467	-6.829	17.786
Total assets	**143.652**	**105.478**	**7.871**	**41.228**	**201**	**209**	**1.473**	**-21.397**	**278.715**
Deposits from customers	59.748	52.706	48	-1.122	-	-	-	-210	111.170
Other debt and equity [1)]	83.904	52.772	7.823	42.350	201	209	1.473	-21.187	167.545
Total debt and equity	**143.652**	**105.478**	**7.871**	**41.228**	**201**	**209**	**1.473**	**-21.397**	**278.715**
Loans sold to SpareBank 1 Boligkreditt	**4.198**	**-**							**4.198**

[1)] Other liabilities contains allocated arrangements between the segments. The interest on intercompany receivables for the retail market division and the corporate market division is determined on the basis of expected observable market interest rates (NIBOR) plus expected additional costs in connection with the group's long-term funding (credit premium). Deviations between the Group's actual funding costs and the applied interest on intercompany receivables are eliminated in the parent bank.

Note 12 Segment reporting (continued)

Income statement	Retail Market	Corporate Market	Capital Market	Staff/ Support	Eiendoms-Megler 1	Regnskap-huset	Other activities	Elimi-nations	Total
	SpareBank 1 SR-Bank Group 01.01.19 - 30.06.19								
Interest income	1.063	1.261	42	1.306	2	-	2	-56	3.620
Interest expense	273	322	28	1.143	-	-	5	-57	1.714
Net interest income [1)]	**790**	**939**	**14**	**163**	**2**	**-**	**-3**	**1**	**1.906**
Commission income	298	177	-1	18	206	67	49	-40	774
Commission expenses	35	13	-	22	-	-	18	-37	51
Other operating income	-	-	-	3	-	-	6	-7	2
Net commission and other income	**263**	**164**	**-1**	**-1**	**206**	**67**	**37**	**-10**	**725**
Dividend income	-	-	-	27	-	-	-	-	27
Income from investment in associates	-	2	-	1.021	-	-	-	-261	762
Net gains/losses on financial instruments	3	-	53	161	-	-	16	-6	227
Net income on investment securities	**3**	**2**	**53**	**1.209**	**-**	**-**	**16**	**-267**	**1.016**
Personnel expenses	183	93	24	222	114	50	17	-2	701
Administrative expenses	39	10	5	187	22	4	4	-	271
Other operating expenses	47	17	2	82	53	6	16	-10	213
Total operating expenses	**269**	**120**	**31**	**491**	**189**	**60**	**37**	**-12**	**1.185**
Operating profit before losses	**787**	**985**	**35**	**880**	**19**	**7**	**13**	**-264**	**2.462**
Impairments on loans and financial commitments	22	8	-	-	-	-	-	-	30
Pre-tax profit	**765**	**977**	**35**	**880**	**19**	**7**	**13**	**-264**	**2.432**
Net interest income									
External net interest income	790	939	14	163	2	-	2	-4	1.906
Internal net interest income	-	-	-	-	-	-	5	-5	-
Net interest income	**790**	**939**	**14**	**163**	**2**	**-**	**7**	**-9**	**1.906**
Balance sheet									
Loans to customers	120.721	74.705	198	3.260	-	-	-	-270	198.614
Individual loss provisions	-176	-1.131	-	-	-	-	-	-	-1.307
Certificates/bonds/financial derivatives	-	-	2.544	40.070	-	-	11	-5.286	37.339
Other assets	-1.989	3.307	1.122	16.417	187	198	1.342	-8.768	11.816
Total assets	**118.556**	**76.881**	**3.864**	**59.747**	**187**	**198**	**1.353**	**-14.324**	**246.462**
Deposits from customers	54.765	48.348	21	-279	-	-	-	-162	102.693
Other debt and equity [1)]	63.791	28.533	3.843	60.026	187	198	1.353	-14.162	143.769
Total debt and equity	**118.556**	**76.881**	**3.864**	**59.747**	**187**	**198**	**1.353**	**-14.324**	**246.462**
Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	**8.887**	**-**							**8.887**

Note 13 Net income/losses from financial instruments

Parent bank 01.01.19 - 31.12.19	Parent bank 01.01.19 - 30.06.19	Parent bank 01.01.20 - 30.06.20		Group 01.01.20 - 30.06.20	Group 01.01.19 - 30.06.19	Group 01.01.19 - 31.12.19
70	45	-124	Net gains/losses on equity instruments	-94	81	111
-137	7	190	Net gains/lossses for bonds and certificates	190	-15	-156
141	34	-272	Net derivatives bonds and certificates	-272	34	141
-	1	-50	Net counterparty risk, inclusive of CVA	-50	1	-
-1	1	23	Net derivatives other assets	23	1	-1
-8	1	1	Net derivatives liabilities	-9	24	5
-18	8	-21	Net derivatives basis swap spread	16	40	-10
136	68	73	Net gain currency	61	61	131
183	165	**-180**	**Net income/losses from financial instruments**	**-135**	227	221

Note 14 Pensions

The SpareBank 1 SR-Bank group has two types of pension scheme: defined benefit-based and contribution benefit-based pension schemes. For more information about the accounting treatment of the schemes see note 1 above and note 24 to the annual financial statements for 2019.

The group previously had a secured defined benefit pension scheme covered by the group's pensions fund. This scheme was wound up in 2015 and employees who were in the defined benefit scheme were issued a paid-up policy for their earned rights in the defin

Paid-up policies will be managed by the pension fund, which from 1 January 2016 was set as a paid-up fund. A framework agreement has been established between SpareBank 1 SR-Bank and the pension fund that covers things such as financing, capital management, etc. Because of the responsibilities SpareBank 1 SR-Bank still has, future liabilities will have to be incorporated in the financial statements. The board of the pension fund must consist of representatives of the group and pension scheme participants in accordance with the pension fund's articles of association.

The following economic assumptions have been used to calculate the obligations for the defined benefit-based pension scheme:

Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q1 2020	Parent bank and group
2,20 %	1,90 %	2,30 %	1,70 %	1,40 %	Discount rate
2,20 %	1,90 %	2,30 %	1,70 %	1,40 %	Expected return on assets
2,75 %	2,25 %	2,25 %	2,25 %	2,25 %	Forecast salary increase
2,50 %	2,00 %	2,00 %	2,00 %	2,00 %	National Insurance scheme's basic amount
0,80 %	0,70 %	0,50 %	0,50 %	0,50 %	Pension adjustment
0,80 %	0,70 %	0,50 %	0,50 %	0,50 %	Paid-up policy adjustment

Change in pension obligations (NOK million):

Parent bank 2019	Parent bank Q2 2019	Parent bank Q2 2020	Parent bank 01.01.19 - 30.06.19	Parent bank 01.01.20 - 30.06.20		Group 01.01.20 - 30.06.20	Group 01.01.19 - 30.06.19	Group Q2 2020	Group Q2 2019	Group 2019
164	225	246	164	176	Net pension obligations opening balance	187	175	257	236	175
-30	26	48	114	179	Actuarial liabilities and losses recognised in comprehensive income	179	114	48	26	-30
13	3	3	6	6	Net pension cost	6	7	3	4	17
-2	-	-	-	-	Company contributions	-	-	-	-	-2
-4	-1	-1	-2	-2	Payments from operations	-2	-3	-1	-2	-7
35	-	-	-29	-63	Upper limit for capitalisation of the asset	-63	-29	-	-	34
176	253	**296**	253	**296**	**Net pension obligations closing balance**	**307**	264	**307**	264	187

Note 15 Sale of loans

In 2010, in association with the other owners of Sparebank 1 Boligkreditt, Sparebank 1 SR-Bank entered into an agreement to establish a liquidity facility for SpareBank 1 Boligkreditt. This implies that the banks undertake to buy mortgage bonds limited to a total value equal to 12 months' maturities in SpareBank 1 Boligkreditt. Each owner is primarily liable for its share of the need, secondarily for twice the amount of the primary liability under the same agreement. The bonds can be deposited with Norges Bank and represent, therefore, no significant increase in the bank's inherent risk.

SpareBank 1 SR-Bank has concluded agreements concerning the sale of loans with good security and collateral in real estate to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. For more information about the accounting treatment of the agreements see note 2 and note 9 in the 2019 annual financial statements.

SpareBank 1 SR-Bank has also concluded an agreement concerning the sale of loans with good security and collateral in real estate to its subsidiary SR-Boligkreditt AS. Such loans are derecognised from the parent bank's balance sheet, but are recognised in the consolidated financial statements, see note 2 in the 2019 annual financial statements.

Note 16 Liquidity risk

Liquidity risk is the risk that the group is not able to refinance its debt or is not able to finance an increase in assets. The bank's framework for managing liquidity risk shall reflect the bank's conservative risk profile. The board has adopted internal limits such that the bank has as balanced a maturity structure for its borrowing as possible. Stress testing is conducted for the various terms of maturity for bank-specific crises, system crises and combinations of these. A contingency plan has also been put in place to manage liquidity crises. The average remaining term to maturity in the portfolio of senior bond funding and covered bonds was 4.1 years at the end of the second quarter of 2020. The total LCR was 159 % at the end of the secondt quarter, and the average total LCR was 146 % in the quarter. The LCR in NOK and EUR at the end of the quarter was 102 % and 1.171 %, respectively.

Note 17 Information about fair value

Group

The table below shows financial instruments at fair value according to their valuation method. The different levels are defined as follows:

Level 1: Listed price in an active market for an identical asset or liability

Level 2: Valuation based on observable factors other than listed price (used in level 1) either direct (price) or indirect (deduced from prices)

Level 3: Valuation based on factors not obtained from observable markets (non-observable assumptions)

Fair value 30.06.2020	Level 1	Level 2	Level 3	**Total**
Assets				
Net lending to customers [1)			9.415	**9.415**
Commercial paper and bonds	18.116	14.160		**32.276**
Financial derivatives		10.229		**10.229**
Equities, units and other equity interests	410	27	423	**860**
Liabilities				
Financial derivatives		6.976		**6.976**
No transfers between levels 1 and 2				

[1)] Net lending to customers in parent bank, level 3 50.607

Note 17 Information about fair value (continued)

Fair value 30.06.2019	Level 1	Level 2	Level 3	Total
Assets				
Net lending to customers			8.349	**8.349**
Commercial paper and bonds	17.189	8.535		**25.724**
Financial derivatives		5.304		**5.304**
Equities, units and other equity interests	463	27	486	**976**
Liabilities				
Financial derivatives		3.636		**3.636**
No transfers between levels 1 and 2				
[1] Net lending to customers in parent bank, level 3			57.029	

Change in holding during the financial year of assets valued on the basis of factors other than observable market data

Group	Loans to customers	Shares, ownership stakes and other securities
Balance 01.01	8.948	455
Additions	951	51
Disposals	-813	-37
Transferred from or to measurement according to prices in an active market or observable market data		
Change in value [1]	329	-46
Balance 30.06.2020	**9.415**	**423**
Nominal value/cost price	9.054	291
Fair value adjustment	361	132
Balance 30.06.2020	**9.415**	**423**

[1] Value changes are recognised in net income from financial instruments

Other assets are measured using various methods such as last known transaction price, earnings per share, dividend per share, EBITDA and discounted cash flows.

Fixed-rate loans are measured on the basis of the interest rate agreed with the customer. Loans are discounted using the applicable interest curve, having taken into account a market premium, which is adjusted for the profit margin. The conducted sensitivity analyses indicate an increase in the discount rate of 10 basis points would have a negative effect on the result amounting to NOK 30 million.

Fair value of financial instruments at amortised cost

Group	Balance 30.06.2020	Fair value 30.06.2020
Assets		
Cash and balances with central banks	645	645
Balances with credit institutions [1]	8.752	8.752
Loans to customers [1]	202.364	202.364
Certificates and bond	6.645	6.655
Total assets at amortised cost	**218.406**	**218.416**
Liabilities		
Balances with credit institutions [1]	3.414	3.414
Deposits from customers [1]	111.170	111.170
Listed debt securities	127.966	127.675
Subordinated loan capital	2.177	2.181
Total liabilities at amortised cost	**244.727**	**244.440**

[1] Loans and deposits at amortised cost, amount to book value best estimate at fair value.

Note 18 Leases

On 1 January 2019, the SpareBank 1 SR-Bank Group introduced the new IFRS 16 standard for leases. Pursuant to IFRS 16, lessees must capitalise a right-to-use asset and a lease liability for each of their leases. For more inrofamtion about the accounting treatment of the schemes see note 31 to the annual statements of 2019.

Parent Bank				Group		
2019	01.01.19 - 30.06.19	01.01.20 - 30.06.20		01.01.20 - 30.06.20	01.01.19 - 30.06.19	2019
			Balance			
682	295	939	Lease rights	399	404	398
688	297	952	Liabilities associated with lease rights	409	406	395
			Income Statement			
32	14	26	Depreciations on lease rights	23	19	39
12	5	15	Interests on lease liabilities	9	6	14
44	19	**41**	**Total IFRS 16 costs**	**32**	25	53
			Effects of IFRS 16			
38	16	34	Reduction in operating costs pursuant to IAS 17	19	21	48
44	19	41	Increase in costs pursuant to IFRS 16	32	25	53
-6	-3	**-7**	**Changes to pre-tax profit**	**-13**	-4	-5
			Changes in lease rights and liabilities associated with lease rights			
		682	Lease rights 31.12.	398		
		275	Adjustment of calculations previous years	20		
293	293	957	Lease rights 01.01.	418	390	390
421	16	8	Additions in the period	4	33	47
32	14	26	Depreciations	23	19	39
682	295	**939**	**Lease rights at the end of the periode**	**399**	404	398
		688	Liabilities associated with lease rights 31.12.	395		
		275	Adjustment of calculations previous years	20		
293	293	963	Liabilities associated with lease rights 01.01.	415	390	390
421	16	8	Additions in the period	4	33	37
38	17	34	Instalments in the period	19	23	46
12	5	15	Interest rate	9	6	14
688	297	**952**	**Liabilities associated with lease rights, at the end of the period**	**409**	406	395

Note 19 Events after the balance sheet date

No material events have been registered after 30 June 2020 that affect the consolidated financial statements as prepared.

STATEMENT PURSUANT TO SECTION 5-6 OF THE SECURITIES TRADING ACT

Statement by the Board of Directors and Chief Executive Officer

We hereby confirm that the half-year financial statements for the period 1 January to 30 June 2020 have, to the best of our knowledge, been prepared pursuant to IAS 34 Interim Financial Reporting and that the information provided presents a true and fair picture of the company's and the group's assets, liabilities, financial positions and profit as a whole.

We hereby also confirm that, to the best of our knowledge, the half-year financial statements provide a true and fair overview of developments, the financial performance and important events during the accounting period and their effect on the half-year financial statements, the most important risk and uncertainty factors that the group faces in the next accounting period and material transactions with close associates.

Stavanger, 5 august 2020
The Board of Directors of SpareBank 1 SR-Bank ASA

Dag Mejdell (Chair)	Ingrid Riddervold Lorange	Kate Henriksen
Tor Dahle	Trine Sæther Romuld	Jan Steffen Skogseth
	Sally Lund-Andersen (Employee representative)	Kristian Kristensen (Employee representative)
		Arne Austreid (Chief Executive Officer)

Quarterly income statement

SpareBank 1 SR-Bank Group, MNOK	**Q2 2020**	**Q1 2020**	**Q4 2019**	**Q3 2019**	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**	**Q2 2018**
Interest income	1.752	2.147	2.120	2.003	1.861	1.759	1.690	1.586	1.544
Interest expense	726	1.066	1.058	984	893	821	764	715	702
Net interest income	**1.026**	1.081	1.062	1.019	968	938	926	871	842
Commission income	368	372	383	359	412	362	370	370	390
Commission expenses	24	28	31	29	29	22	20	22	24
Other operating income	-	2	7	2	1	1	-	1	4
Net commission and other income	**344**	346	359	332	384	341	350	349	370
Dividend income	17	-	-	4	8	19	-	-	1
Income from investment in associates	145	242	15	98	226	536	113	94	102
Net gains/losses on financial instrument	135	-270	7	-13	106	121	-45	81	110
Net income on financial investments	**297**	-28	22	89	340	676	68	175	213
Total income	**1.667**	1.399	1.443	1.440	1.692	1.955	1.344	1.395	1.425
Personnel expenses	330	348	396	375	357	344	330	322	326
Administrative expenses	130	140	152	132	137	134	137	126	132
Other operating costs	110	104	130	108	108	105	109	94	114
Total operating cost	**570**	592	678	615	602	583	576	542	572
Operating profit before impairments	**1.097**	807	765	825	1.090	1.372	768	853	853
Impairments on loans and financial commitments	831	560	139	66	-19	49	92	59	99
Pre-tax profit	**266**	247	626	759	1.109	1.323	676	794	754
Tax expense	10	26	141	166	209	177	149	160	137
Profit after tax	**256**	221	485	593	900	1.146	527	634	617
Profitability									
Return on equity per quarter [1]	4,0 %	3,4 %	8,3 %	10,5 %	16,2 %	21,2 %	10,1 %	12,6 %	12,3 %
Cost percentage [1]	34,2 %	42,3 %	47,0 %	42,7 %	35,6 %	29,8 %	42,9 %	38,9 %	40,1 %
Combined weighted total average spread for lending and deposits [1]	1,50 %	1,64 %	1,64 %	1,61 %	1,58 %	1,60 %	1,59 %	1,53 %	1,52 %
Balance sheet figures from quarterly accounts									
Gross loans to customers	214.432	212.161	207.114	203.575	198.626	196.468	192.105	183.014	178.927
Gross loans to customers including SB1 BK and SB1 NK [2]	218.630	216.354	211.357	209.854	207.513	205.406	201.399	196.445	193.474
Growth in loans over last 12 months [1]	8,0 %	8,0 %	7,8 %	11,2 %	11,0 %	12,7 %	11,3 %	9,5 %	8,5 %
Growth in loans incl SB1 BK and SB1 NK [1] [2]	5,4 %	5,3 %	4,9 %	6,8 %	7,3 %	8,7 %	7,6 %	6,1 %	5,0 %
Deposits from customers	111.170	105.545	103.106	102.181	102.693	98.991	98.814	100.320	105.824
Growth in deposits over last 12 months [1]	8,3 %	6,6 %	4,3 %	1,9 %	-3,0 %	-0,6 %	3,6 %	1,7 %	6,1 %
Total assets	278.715	278.639	255.895	251.604	246.462	241.926	234.061	226.023	223.954
Average total assets	275.917	264.959	256.488	251.291	245.009	237.959	231.062	225.472	221.838
Impairments on loans and financial commitments									
Impairment ratio, annualized [1]	1,56 %	1,07 %	0,27 %	0,13 %	-0,04 %	0,10 %	0,20 %	0,13 %	0,22 %
Impairment ratio, including loans SB1 BK and SB1 NK [1] [2]	1,53 %	1,05 %	0,26 %	0,13 %	-0,04 %	0,10 %	0,18 %	0,12 %	0,21 %

[1] Defined as alternative performance targets (APMs), see the appendix to the interim report

[2] SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are abbreviated to SB1 BK and SB1 NK

Quarterly income statement (continued)

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Loans and financial commitments in Stage 2 and Stage 3 [1)]									
Loans and financial commitments in Stage 3 in % of gross loans and financial commitments [1)]	1,87 %	1,42 %	1,32 %	1,34 %	1,23 %	1,22 %	1,27 %	1,28 %	1,37 %
Loans and financial commitments in Stage 3 in % of gross loans and fin. commitments, including loans SB1 BK and SB1 NK [1) 2)]	1,84 %	1,40 %	1,30 %	1,30 %	1,19 %	1,17 %	1,22 %	1,21 %	1,28 %
Loans and financial commitments in Stage 2 in % of gross loans and financial commitments [1)]	5,51 %	6,67 %	6,97 %	7,39 %	6,80 %	6,85 %	8,02 %	8,67 %	8,14 %
Loans and financial commitments in Stage 2 in % of gross loans and fin. commitments, including loans SB1 BK og SB1 NK [1) 2)]	5,42 %	6,56 %	6,85 %	7,20 %	6,56 %	6,60 %	7,71 %	8,18 %	7,63 %
Solidity									
Common equity Tier 1 capital ratio [3) 5)]	18,3 %	17,7 %	17,0 %	14,2 %	14,4 %	14,7 %	14,7 %	14,7 %	14,8 %
Tier 1 capital ratio [3) 5)]	19,9 %	19,2 %	18,6 %	15,6 %	15,8 %	16,0 %	15,9 %	16,0 %	15,7 %
Capital ratio [3) 5)]	21,8 %	21,0 %	20,4 %	17,3 %	17,5 %	17,7 %	17,6 %	17,8 %	17,8 %
Tier 1 capital [3)]	24.299	24.182	22.626	22.149	22.068	21.475	20.743	20.613	19.959
Net primary capital	26.538	26.421	24.866	24.498	24.417	23.759	23.038	23.026	22.571
Risk weighted balance [3)]	121.918	125.780	121.744	141.712	139.545	134.649	130.869	129.216	126.826
Leverage ratio	7,8 %	7,9 %	7,8 %	7,5 %	7,6 %	7,7 %	7,7 %	7,7 %	7,5 %
Liquidity									
Liquidity Coverage Ratio (LCR) [4)]	146 %	135 %	173 %	153 %	154 %	172 %	167 %	151 %	157 %
Deposit-to-loan ratio [1)]	51,8 %	49,7 %	49,8 %	50,2 %	51,7 %	50,4 %	51,4 %	54,8 %	59,1 %
Deposit-to-loan ratio, incl loans SB1 BK and NK [1) 2)]	50,8 %	48,8 %	48,8 %	48,7 %	49,5 %	48,2 %	49,1 %	51,1 %	54,7 %
Branches and staff									
Number of branches	34	33	33	34	34	35	36	36	36
Number of man-years	1.255	1.272	1.260	1.250	1.228	1.192	1.178	1.176	1.153
Number of man-years including temps	1.323	1.336	1.352	1.309	1.322	1.256	1.251	1.266	1.230
SpareBank 1 SR-Bank share									
Market price at end of quarter	69,90	59,20	100,00	99,15	103,90	99,40	89,20	99,00	86,40
Market capitalisation	17.877	15.140	25.575	25.358	26.573	25.422	22.813	25.319	22.097
Number of shares issued, millions	255,75	255,75	255,75	255,75	255,75	255,75	255,75	255,75	255,75
Book equity per share(including dividends) [1)]	91,32	90,55	89,90	87,60	85,44	86,55	82,27	80,02	77,28
Earnings per share, NOK (annualised)	1,00	0,86	1,90	2,32	3,52	4,48	2,06	2,48	2,41
Price/earnings per share [1)]	17,46	17,21	13,16	10,68	7,38	5,54	10,81	9,98	8,96
Price / Book equity (group) [1)]	0,77	0,65	1,11	1,13	1,22	1,15	1,08	1,24	1,12
Annualised turnover rate in quarter [6)]	11,0 %	9,4 %	4,7 %	3,6 %	5,3 %	5,3 %	8,4 %	6,1 %	6,1 %
Effective return [7)]	18,1 %	-40,8 %	0,9 %	-4,6 %	9,1 %	11,4 %	-9,9 %	14,6 %	5,2 %

1) Defined as alternative performance targets (APMs), see the appendix to the interim report

2) SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are abbreviated to SB1 BK and SB1 NK

3) Historical capital ratio figures prior to 31.12.2019, are based on the capital adequacy rules and regulations when the so-called Basel I floor applied

4) High quality liquid assets divided by total net cash outflows in a 30-day, serious stress scenario

5) A decision was made in April 2020 not to pay dividend for 2019 at this time. The change has been incorporated in Q1-2020. The historical figures are not changed

6) Annualised turnover of the share during the period, measured as a percentage of the number of outstanding shares

7) Percentage change in the market price in the last period, including paid share dividend

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2020 Financial Calendar

Preliminary annual results for 2019	Wednesday 5 February
Annual General Meeting	Thursday 23 April
Ex-dividend	Friday 24 April
Q1 2020	Thursday 7 May
Q2 2020	Thursday 6 August
Q3 2020	Thursday 29 October
Q4 2020	Thursday 4 February 2021