SpareBank 1 SR-BANK

Q3

Quarterly report 2020

Interim Financial Statements Q3 2020

Key figures SpareBank 1 SR-Bank Group (MNOK)

MAIN FIGURES	01.01 - 30.09 2020	2019	Q3 2020	Q3 2019	Year 2019
Net interest income	3.148	2.925	1.041	1.019	3.987
Net commission and other income	1.026	1.057	336	332	1.416
Net income on financial investments	459	1.105	190	89	1.127
Total income	**4.633**	**5.087**	**1.567**	**1.440**	**6.530**
Total operating costs	**1.757**	**1.800**	**595**	**615**	**2.478**
Operating profit before impairments	**2.876**	**3.287**	**972**	**825**	**4.052**
Impairments on loans and financial commitments	1.760	96	369	66	235
Pre-tax profit	**1.116**	**3.191**	**603**	**759**	**3.817**
Tax expense	134	552	98	166	693
Profit after tax	**982**	**2.639**	**505**	**593**	**3.124**
BALANCE SHEET					
Gross loans to customers	216.796	203.575			207.114
Gross loans to customers including SB1 BK [2]	220.186	209.854			211.357
Deposits from customers	113.248	102.181			103.106
Total assets	280.338	251.604			255.895
Average total assets	272.674	244.865			247.923
Selected key figures (for further key figures see page 45 of the interim report)					
Return on equity [1]	5,2 %	16,0 %	8,2 %	10,5 %	14,0 %
Cost ratio [1]	37,9 %	35,4 %	38,0 %	42,7 %	37,9 %
Combined weighted total average spread for lending and deposits [1]	1,54 %	1,60 %	1,48 %	1,61 %	1,61 %
Balance growth					
Growth in loans [1]	6,5 %	11,2 %			7,8 %
Growth in loans incl SB1 BK [1) 2)]	4,9 %	6,8 %			4,9 %
Growth in deposits [1]	10,8 %	1,9 %			4,3 %
Solidity					
Common equity Tier 1 capital ratio [5]	18,5 %	14,2 %			17,0 %
Tier 1 capital ratio [3) 5)]	20,2 %	15,6 %			18,6 %
Capital ratio [3) 5)]	22,0 %	17,3 %			20,4 %
Tier 1 capital [3) 5)]	24.489	22.149			22.626
Risk weighted balance [3]	121.494	141.712			121.744
Leverage ratio	7,9 %	7,5 %			7,8 %
Liquidity					
Liquidity Coverage Ratio (LCR) [4]	154 %	153 %			155 %
Deposit-to-loan ratio [1]	52,2 %	50,2 %			49,8 %
Deposit-to-loan ratio, incl loans SB1 BK [1) 2)]	51,4 %	48,7 %			48,8 %
Impairments on loans and financial commitments [1]					
Impairment ratio [1]	1,09 %	0,06 %			0,12 %
Impairment ratio, incl. loans SB1 BK and [1) 2)]	1,08 %	0,06 %			0,11 %
Loans and financial commitments in Stage 3 [1]					
Loans and financial commitments in Stage 3, % of gross loans and financial commitments [1]	1,59 %	1,34 %			1,32 %
Loans and financial commitments in Stage 3, % of gross loans and financial commitments, incl. loans SB1 BK [1) 2)]	1,57 %	1,30 %			1,30 %

SpareBank 1 SR-Bank share	**30.09.20**	**31.12.19**	**31.12.18**	**31.12.17**	**31.12.16**
Market price	77,40	100,00	89,20	87,00	60,75
Market capitalisation (MNOK)	19.795	25.575	22.813	22.250	15.537
Book equity per share(including dividends) (group) [1]	93,51	89,90	82,27	77,24	71,54
Earnings per share, NOK	3,84	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]	15,12	8,18	9,93	10,66	8,84
Price / Book equity [1]	0,83	1,11	1,08	1,13	0,85
Effective return [6]	-22,6 %	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 stronger result with growth and good underlying operations

Q3 2020

- Pre-tax profit: NOK 603 million (NOK 759 million)
- Net profit for the quarter: NOK 505 million (NOK 593 million)
- Return on equity after tax: 8.2% (10.5%)
- Earnings per share: NOK 1.97 (NOK 2.32)
- Net interest income: NOK 1,041 million (NOK 1,019 million)
- Net commissions and other operating income: NOK 336 million (NOK 332 million)
- Net income from financial investments: NOK 190 million (NOK 89 million)
- Operating costs: NOK 595 million (NOK 615 million)
- Impairments on loans and financial liabilities: NOK 369 million (NOK 66 million)

  (Q3 2019 in brackets)

As at 30 September 2020

- Pre-tax profit: NOK 1,116 million (NOK 3,191 million)
- Net profit for the quarter: NOK 982 million (NOK 2,639 million)
- Return on equity after tax: 5.2% (16.0%)
- Earnings per share: NOK 3.84 (NOK 10.32)
- Net interest income: NOK 3,148 million (NOK 2,925 million)
- Net commissions and other operating income: NOK 1,026 million (NOK 1,057 million)
- Net income from financial investments: NOK 459 million (NOK 1,105 million)
- Operating costs: NOK 1,757 million (NOK 1,800 million)
- Impairments on loans and financial liabilities: NOK 1,760 million (NOK 96 million)
- Total lending growth over past 12 months: 4.9% (6.8%)
- Growth in deposits over past 12 months: 10.8% (1.9%)
- Common Equity Tier 1 capital ratio[1)]: 18.5% (14.2%)
- Tier 1 capital ratio[1]: 20.2% (15.6%)

  (As at 30 September 2019 in brackets)

Financial performance – Q3 2020

The group made a pre-tax profit of NOK 603 million in the third quarter of 2020 (NOK 759 million), NOK 337 million higher than in the previous quarter, mainly due to reduced impairment losses in the third quarter of 2020. The results for the quarter continued to be impacted by the effects of both low oil prices and the Covid-19 outbreak, which resulted in, among other things, continued high impairment losses, although these were significantly lower than in the previous quarter. Underlying operations were good in the quarter. The group posted a total return on equity after tax of 8.2% for the third quarter of 2020 (10.5%), compared with 4.0% for the previous quarter.

Net interest income totalled NOK 1,041 million in the third quarter of 2020 (NOK 1,019 million), an increase of NOK 15 million from the previous quarter, around NOK 11 million of which was due to the third quarter having one more interest day. The average interest margin (net interest income as a percentage of average total assets) was 1.48% (1.61%), down from 1.50% in the second quarter of 2020. The lower average interest margin was due to reduced lending margins in the last quarter.

Net commissions and other operating income was NOK 336 million in the third quarter of 2020 (NOK 332 million), NOK 8 million lower than in the previous

[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 concerning the distribution, at some later point in time, of a dividend of up to NOK 5.50 per share based on the bank's approved annual financial statements for 2019. The authorisation will remain valid until the next ordinary general meeting in 2021. Historical capital ratio figures are based on the capital adequacy rules and regulations from when the so-called 'Basel I floor' applied.

quarter. Income from money transfer services decreased by NOK 7 million from the previous quarter to NOK 54 million in the third quarter of 2020 (NOK 77 million). EiendomsMegler 1 SR-Eiendom AS increased income by NOK 3 million from the previous quarter to NOK 107 million (NOK 91 million), while income from SpareBank 1 SR-Bank Forretningspartner AS decreased by NOK 9 million from the previous quarter to NOK 33 million in the third quarter of 2020 (NOK 29 million) due to natural seasonal fluctuations.

Net income from financial investments amounted to NOK 190 million in the third quarter of 2020 (NOK 89 million), a reduction of NOK 107 million compared with the previous quarter. Dividends decreased by NOK 16 million from the previous quarter to NOK 1 million (NOK 4 million), while income from financial instruments decreased by NOK 93 million from the previous quarter to NOK 42 million in the third quarter of 2020. Income from ownership interests rose by NOK 2 million from the previous quarter to NOK 147 million in the third quarter of 2020.

Income from financial instruments amounted to NOK 42 million, a reduction of NOK 93 million from the previous quarter. Price changes for securities amounted to NOK 36 million, of which price changes for equities and equity certificates amounted to NOK 38 million, while certificates and bonds including derivatives were reduced by NOK 2 million. The liquidity portfolio saw a high, positive change in value following spread contraction in the second quarter of 2020. Price changes for bonds, including derivatives, amounted to NOK 6 million, which represents a reduction from NOK 13 million in the previous quarter.

Operating costs amounted to NOK 595 million in the third quarter of 2020 (NOK 615 million), an increase of NOK 25 million from the previous quarter. Personnel costs increased by NOK 27 million, of which NOK 22 million was due to increased activity in EiendomsMegler 1 SR-Eiendom AS, and NOK 6 million was due to normal rate for employer's national insurance contributions in the third quarter of 2020. Other operating costs were reduced by NOK 2 million compared with the previous quarter.

Impairments on loans and financial liabilities were reduced by NOK 462 million to NOK 369 million in the third quarter of 2020 (NOK 66 million). Continued high impairment losses were a consequence of the continued challenging market conditions, especially for offshore-related activities. Higher impairment losses were therefore required for some commitments in the third quarter of 2020 as well.

Financial performance as at 30 September 2020

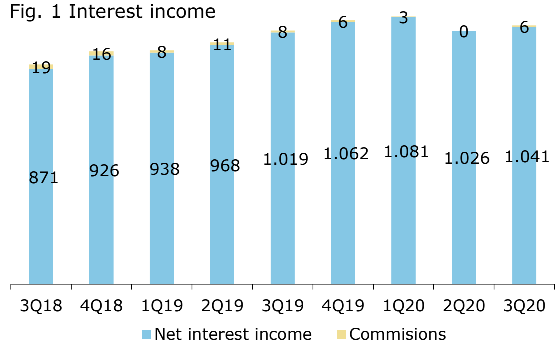
As at 30 September 2020, the group's pre-tax profit amounted to NOK 1,116 million (NOK 3,191 million), a reduction of NOK 2,075 million from the same period last year. The group's operating profit as at 30 September 2020 was strongly influenced by both low oil prices and the Covid-19 outbreak. This resulted in increased impairment losses and lower income from financial investments. The group's operating profit before impairment losses and income from financial investments increased by NOK 235 million from NOK 2,182 million to NOK 2,417 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 year to date was 5.2% (16.0%).

Net interest income

The group's net interest income totalled NOK 3,148 million as at 30 September 2020 (NOK 2,925 million), an increase of NOK 223 million. Around NOK 169 million of the increase was due to increased loan and deposit volumes, while around NOK 52 million was due to expanded margins. NOK 99 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 47 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 interest income in the retail market due to early interest rate reductions on lending amounted to around NOK 80 million in the first and second quarters of 2020.

Net interest income for the year to date was negatively affected by NOK 16 million in total increased charges for the deposit guarantee fund and the crisis management fund compared with the same period last year.

Fig. 1 Interest income



The average interest margin was 1.54% as at 30 September 2020, compared with 1.60% as at 30 September 2019. The reduction was primarily 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 weakened Norwegian kroner as at 30 September 2020.

Net commissions and other operating income

As at 30 September 2020, net commissions and other operating income totalled NOK 1,026 million (NOK 1,057 million).

Table 1, Commission and other income

	30.09.20	30.09.19
Payment facilities	184	205
Savings/placements	144	145
Insurance products	154	142
Commission income real estate broking	296	298
Guarantee commission	70	69
Arrangement- and customer fees	44	67
Commission income SpareBank 1 SR-Bank Forretningspartner	116	95
Commission income SB1 Boligkreditt	9	27
Other	9	9
Total commission and other income	1.026	1.057

Income from money transfer services amounted to NOK 184 million (NOK 205 million), which is NOK 21 million lower than as at 30 September 2019. This was primarily due to reduced card use abroad because of significantly less travel activity following the Covid-19 outbreak. Income from the insurance portfolio increased by NOK 12 million to NOK 154 million as at 30 September 2020 (NOK 142 million) due to good sales and a larger portfolio. Income from estate agency services amounted to NOK 296 million (NOK 298 million), a reduction of NOK 2 million from last year. The property market dropped sharply in March and April 2020 due to the Covid-19 outbreak, although activity improved during spring 2020 and EiendomsMegler 1 SR-Eiendom AS has seen good activity since May 2020. Customer fees fell by NOK 23 million to NOK 44 million as at 30 September 2020 (NOK 67 million) due to a combination of high non-recurring income in the same period in 2019 and low activity in the year to date 2020 due to the Covid-19 outbreak. Income from SpareBank 1 SR-Bank Forretningspartner AS amounted to NOK 116 million (NOK 95 million), an increase of NOK 21 million, of which the acquisition of Agder Økonomi accounted for NOK 12 million as at 30 September 2020. Commissions from SpareBank 1 Boligkreditt AS were down NOK 18 million to NOK 9 million as at 30 September 2020 (NOK 27 million). The reduction in commissions from SpareBank 1 Boligkreditt AS was primarily due to the group buying back NOK 2.9 billion in loans from SpareBank 1 Boligkreditt AS in the past 12 months, as well as early interest rate reductions for lending in the retail market in the first and second quarters of 2020.

Net income from financial investments

As at 30 September 2020, net income from financial investments amounted to NOK 459 million (NOK 1,105 million).

Table 2, Income on investment securities

	30.09.20	30.09.19
Dividends	18	31
Investment income, associates	534	860
Income from financial instruments	-93	214
- Capital gains/losses on securities	*-140*	*76*
- Captail gains/losses interest/currency	*47*	*138*
Total income on investment securities	459	1.105

As at 30 September 2020, dividends received amounted to NOK 18 million (NOK 31 million), NOK 11 million lower than for the same period last year.

Income from ownership interests amounted to NOK 534 million as at 30 September 2020 (NOK 860 million), a reduction of NOK 326 million from the same period in 2019. The most important reason for the reduction was the lower profit contribution from SpareBank 1 Gruppen AS, including lower merger effects from Fremtind.

Table 3, Income from ownership interests

The share of net profit after tax	30.09.20	30.09.19
SpareBank 1 Gruppen AS	107	264
-Merger effects Fremtind	340	460
SpareBank 1 Boligkreditt AS	2	6
SpareBank 1 Næringskreditt AS	7	9
BN Bank ASA	84	81
SpareBank 1 Kreditt AS	2	13
SpareBank 1 Betaling AS	-3	7
FinStart Nordic AS*	-4	20
Other	-1	0
Total income from ownership interests	534	860

** Companies in which FinStart Nordic AS owns stakes of between 20-50% must, because of accounting rules, be measured as associated companies in the consolidated financial statements.*

The profit contribution after tax from SpareBank 1 Gruppen AS decreased by a total of NOK 277 million from 30 September 2019 to 30 September 2020, of which NOK 120 million was due to the lower recognised merger effects as at 30 September 2020. The underlying profit contribution from SpareBank 1 Gruppen AS decreased by NOK 157 million from 30 September 2019 to NOK 107 million as at 30 September 2020 (NOK 264 million). The lower profit contribution for the year to date was due 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. As at 30 September 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 contribution from BN Bank ASA increased by NOK 3 million to NOK 84 million as at 30 September 2020. As at 30 September 2020, BN Bank ASA's pre-tax profit was NOK 3 million higher than for the same period last year. Net interest income increased by NOK 43 million and income from financial investments increased by NOK 19 million. The growth in income was partially offset by impairment losses, which increased by NOK 52 million.

The profit contribution from SpareBank 1 Kreditt AS amounted to NOK 2 million as at 30 September 2020 (NOK 13 million), NOK 11 million lower than in the corresponding period last year. The company's pre-tax profit fell by NOK 85 million from 30 September 2019 to NOK 12 million as at 30 September 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 -93 million (NOK 214 million), a reduction of NOK 307 million from 30 September 2019 to 30 September 2020. Capital losses from securities amounted to NOK 140 million (NOK 76 million in capital gains), while capital gains from interest and currency trading amounted to NOK 47 million (NOK 138 million).

The capital losses on securities amounting to NOK 140 million (capital gains of NOK 76 million) were attributable to a combination of capital losses including hedging instruments totalling NOK 84 million (capital gains of NOK 1 million) from the fixed income portfolio due to spread widening, and capital losses of NOK 56 million (capital gains of NOK 75 million) from the portfolio of equities and equity certificates. NOK 77 million of the capital losses on equities and equity certificates was due to a fall in the value of the investment in FinStart Nordic AS (increase of NOK 23 million), NOK 4 million was due to a fall in the value of the investments in Sandnes Sparebank (increase of NOK 23 million), while the shares in Visa Norge AS increased by NOK 27 million (NOK 13 million). As at 30 September 2020, investments in SR-Fondene saw a marginal increase in value (NOK 14 million). 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 47 million as at 30 September 2020 (NOK 138 million). Capital gains from customer and own account trading amounted to NOK 97 million (NOK 94 million), negative effects from basis swaps amounted to NOK 16 million (NOK 24 million in positive effects), while the sum of hedging recognition and other IFRS effects was NOK -34 million as at 30 September 2020 (NOK 20 million).

Operating costs

The group's operating costs amounted to NOK 1,757 million as at 30 September 2020 (NOK 1,800 million), a reduction of NOK 43 million (-2.4%) from 30 September 2019.

Table 4, Operating expenses

	30.09.20	30.09.19
Personnel expenses	1.035	1.076
IT expenses	285	272
Marketing	54	59
Other administrative expenses	57	72
Depreciation	142	100
Operating expenses from real estate	23	23
Other operating expenses	161	198
Total operating expenses	1.757	1.800

The main reason for the cost reduction by NOK 76 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 as at 30 September 2020. Adjusted for the lower bonus provisions, the group's operating costs increased by NOK 33 million (1.9%) from 30 September 2019.

Personnel costs amounted to NOK 1,035 million as at 30 September 2020, a reduction of NOK 41 million (-3.8%) from 30 September 2019. Excluding bonus provisions, personnel costs increased by NOK 35 million (1.9%) from 30 September 2019 to 30 September 2020. In addition to ordinary wages growth, personnel costs excluding bonus provisions increased as a consequence of a higher number of FTEs linked to the acquisitions of Agder Økonomi AS and Monner AS, the establishment of offices in Oslo and new start-ups in FinStart Nordic AS.

Other operating costs amounted to NOK 722 million as at 30 September 2020, a reduction of NOK 2 million from 30 September 2019. As a consequence of the Covid-19 outbreak, costs linked to travel, training, hospitality and meeting activities decreased by more than NOK 20 million compared with the same period last year. Costs linked to marketing decreased by NOK 5 million, while ICT costs increased by NOK 13 million in the same period. Depreciation increased by NOK 42 million from the same period last year to NOK 142 million as at 30 September 2020 (NOK 100 million). NOK 16 million of the increase in depreciation was attributable to depreciation on the new head office in Finansparken, and NOK 17 million to impairments linked to strategic projects and restructuring costs. Other depreciation increased due to the high level of investment in 2019. Other operating costs fell by NOK 37 million to NOK 161 million (NOK 198 million), of which NOK 13 million resulted from the reduction in rental costs due to the co-location in Finansparken, NOK 13 million resulted from the reduced use of external consultants, and NOK 7 million was due to the reduced costs in EiendomsMegler 1 SR-Eiendom AS.

The group's cost/income ratio, costs measured as a percentage of income, was 37.9% as at 30 September 2020 (35.4%). Excluding income from financial investments, the cost/income ratio was 42.1% as at 30 September 2020 (45.2%).

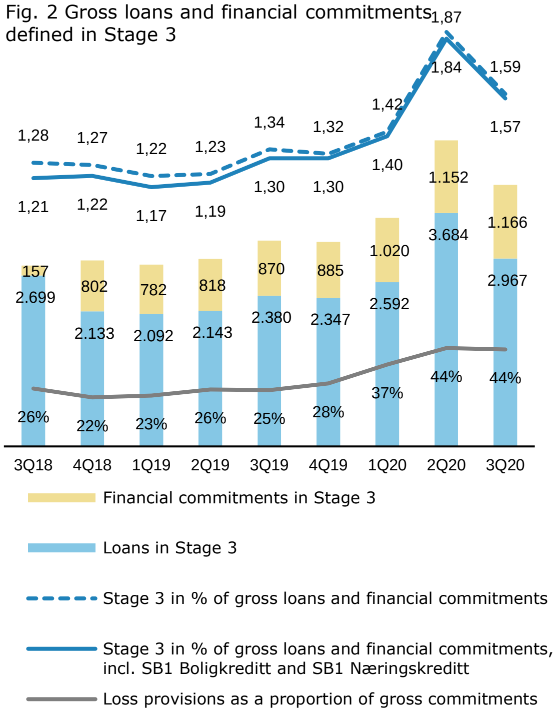
Impairments on loans and financial liabilities, and loans and financial liabilities in Stage 3

The group's net impairments on loans and financial liabilities amounted to NOK 1,760 million as at 30 September 2020, an increase of NOK 1,664 million from 30 September 2019. In the same period in 2019, NOK 92 million in previous impairment losses were reversed 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 1.08% of gross loans as at 30 September 2020 (0.06%).

The high impairment losses were a consequence of the continued challenging market conditions, especially for offshore-related activities. Higher impairment losses have therefore been required for some commitments. Changes have been made to lending limits in the corporate market division in order to reduce unsystematic risk in the bank's loan portfolio. A number of restrictions relating to industries have been introduced in order to reduce exposure in volatile industries, while the upper limits for exposure in major commitments has been reduced, as has the permissible number of customers with exposure above a certain level. This is intended to help improve the group's robustness in order to provide it with financial leeway in the event of crises. For more information about accounting policies and estimates associated with impairment losses, 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 remains ongoing. 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 interest-only periods (payment holidays). The application process for interest-only periods had already been fully automated in the retail division. Applications for interest-only periods 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.

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

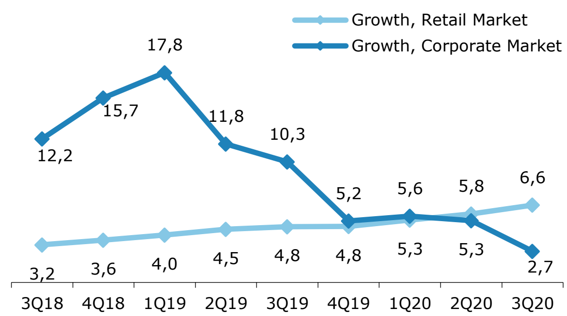


The group’s loans and financial liabilities are classified into three groups: Stage 1, Stage 2 and Stage 3. Stage 3 is used for loans and financial liabilities that have seen a significant rise in credit risk since being granted and where there is objective evidence of a loss event on the balance sheet 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 4,133 million at the end of the third quarter of 2020 (NOK 3,250 million), of which provisions as a percentage of gross commitments were 43.8% (25.4%). The reduction in Stage 3 from the second quarter of 2020 to the third quarter of 2020 was due to realisation of a loss on one commitment within offshore-related activity, which is now off the group’s loan books. Gross loans and financial liabilities classified as Stage 3 corresponded to 1.59% (1.34%) of gross loans and financial liabilities, and 1.57% (1.30%) inclusive of loans sold to SpareBank 1 Boligkreditt AS.

Loans to and deposits from customers

Gross loans amounted to NOK 216.8 billion at the end of the third quarter of 2020 (NOK 203.6 billion). Inclusive of loans totalling NOK 3.4 billion (NOK 6.3 billion) sold to SpareBank 1 Boligkreditt AS, gross loans amounted to NOK 220.2 billion at the end of the third quarter of 2020 (NOK 209.9 billion). Gross lending growth, inclusive of the mortgage company, was 4.9% in the past 12 months (6.8%). The effect of exchange rate fluctuations accounted for NOK 0.5 billion (0.2%) of the NOK 9.6 billion growth in gross loans over the past 12 months.

Fig. 3 12 month lending growth (percentage)



Loans to the retail market accounted for 61.7% of total loans (inclusive of loans sold to SpareBank 1 Boligkreditt AS) at the end of the third quarter of 2020 (60.5%).

The group’s total loan exposure of NOK 220.2 billion (NOK 209.9 billion) included a majority of commitments with a probability of default of less than 0.5%. These commitments accounted for 64.4% (62.7%) of the portfolio. The total lending portfolio primarily consisted of commitments of less than NOK 10 million. These accounted for 66.9% (66.3%) of loan exposure and 98.2% (98.3%) of total customers. Of the total loan exposure, 19.8% (20.4%) was to customers with loans in excess of NOK 100 million.

Over the past 12 months, deposits from customers rose by 10.8% (1.9%) to NOK 113.2 billion (NOK 102.2 billion). Excluding deposits from customers in the public sector, deposits from customers have increased by 9.7% in the past 12 months. At the end of the third quarter of 2020, deposits from the corporate market and public sector accounted for 53.0% (52.8%) of the group’s customer deposits. At end of the third quarter of 2020, the deposit coverage ratio, measured as deposits as a percentage of gross loans, was 52.2% (50.2%).

In addition to ordinary customer deposits, the group also has capital under management in alternative investment products. These amounted to NOK 25.3 billion at the end of the third quarter of 2020 (NOK 23.4 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 [2]

The retail market division's contribution before impairment losses amounted to NOK 1,245 million as at 30 September 2020 (NOK 1,216 million). This is NOK 29 million more than in the same period last year. Net interest income, inclusive of commissions from SpareBank 1 Boligkreditt AS, increased by NOK 28 million compared with 30 September 2019. Commissions, excluding commissions from SpareBank 1 Boligkreditt AS, increased by NOK 1 million in the same period. Significantly less travel activity contributed to lower commissions in the area of money transfers. Income from insurance and investment services increased.

Table 5, Retail market

	30.09.20	30.09.19
Interest income	1.284	1.236
Commission and other income	390	406
Income on investment securities	1	4
Total income	1.675	1.646
Total operating expenses	430	430
Operating profit before impairments	1.245	1.216
Impairments on loans and financial commitments	85	6
Pre-tax profit	1.160	1.210

Lending growth in the past 12 months was 6.5% at the end of the third quarter of 2020. The last quarter saw high activity within home financing. The ventures in Vestland and Oslo continue to provide good results. The growth in deposits over the past 12 months was 9.4%.

The quality of the retail market portfolio is considered to be very good with a low risk of losses and low defaults. 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 88.7% at the end of the third quarter of 2020 (89.4%). The IRB risk weightings[3] for home mortgages was 20.6% at the end of the quarter (20.9%), 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.

At the end of the third quarter of 2020, the division's costs were unchanged from the same period last year. The growth in costs decreased throughout the quarter.

The division's net impairments on loans and financial liabilities increased by NOK 79 million to NOK 85 million as at 30 September 2020, primarily due to increased IFRS 9 impairment losses.

The Covid-19 pandemic created a large negative downturn in the economy and major changes to operations. Operations and services largely normalised during the third quarter of 2020. Low interest rates are contributing to a stronger housing market and higher activity in Vestland and Southern Norway.

Corporate market division [2]

The corporate market division's contribution before impairment losses was NOK 1,613 million as at 30 September 2020 (NOK 1,502 million), NOK 111 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.

Table 6, Corporate market

	30.09.20	30.09.19
Interest income	1.598	1.449
Commission and other income	208	225
Income on investment securities	-16	16
Total income	1.790	1.690
Total operating expenses	177	188
Operating profit before impairments	1.613	1.502
Impairments on loans and financial commitments	1.675	90
Pre-tax profit	-62	1.412

[2] The interest on intercompany receivables for the retail market division and the corporate market division is fixed based on expected observable market interest rates (NIBOR) plus expected additional costs for 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.

[3] 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).

The division's lending growth in the past 12 months was 2.5%. 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 14.2% in the past 12 months.

The quality of the corporate market portfolio is considered good, although challenges remain within the offshore/platform segment. The proportion of commitments with a probability of default of less than 2.5% through a full loss cycle was 80.7% of the portfolio at the end of the third quarter of 2020 (80.3%). The property sector portfolio represents the group's largest concentration in a single sector and accounted for 14.3% (15.8%) 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 corporate market portfolio otherwise, although the situation for commitments within exposed industries is being carefully monitored. Changes have been made to the internal regulations in order to reduce unsystematic risk going forward. A number of restrictions relating to industries have been introduced in order to reduce exposure in volatile industries, while the upper limits for exposure in major commitments has been reduced, as has 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 1,675 million were recognised as at 30 September 2020 (NOK 90 million). The high level of loss provisions is due to a number of commitments in the offshore sector where low oil prices have 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. As at 30 September 2019, NOK 92 million in previous impairment losses were reversed following a legally enforceable judgement in which SpareBank 1 SR-Bank ASA was awarded damages. As at 30 September 2020, the division's pre-tax result amounted to NOK -62 million (NOK 1,412 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.

Capital market division [4]

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 165 million as at 30 September 2020 (NOK 148 million). The income generated is recognised as income in the business areas to which the customers are assigned, primarily the corporate market division. As at 30 September 2020, NOK 60 million had been recognised as income in the business areas (NOK 61 million). Costs amounted to NOK 45 million as at 30 September 2020 (NOK 48 million), while the pre-tax profit was NOK 60 million in the same period (NOK 39 million).

Table 7, Capital market

	30.09.20	30.09.19
Interest income	41	21
Commission and other income	62	61
Income on investment securities	62	66
Total income	165	148
- allocated to Corporate market	60	61
Total income after allocation	105	87
Total operating expenses	45	48
Pre-tax profit	60	39

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.

[4] 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.

Subsidiaries

EiendomsMegler 1 SR-Eiendom AS

As at 30 September 2020, the company's turnover was NOK 303 million (NOK 298 million) and it had achieved a pre-tax profit of NOK 40.9 million (NOK 18.6 million). The improved result was mainly due to a significantly better property market from and including May. Strong costs control and a reduction in the number of FTEs also had a favourable impact on the results.

As at 30 September 2020, 5,074 (4,948) properties had been sold with a total value of around NOK 15.5 billion (NOK 15.8 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 heavily affected by the Covid-19 outbreak in March and April. Activity increased from the beginning of May, primarily driven by the very low interest rates. Since then, the number of used homes and holiday homes sold has been the highest since the oil crisis in 2015. 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, both on the coast and in the mountains.

The housing market in Vestland County continues to see high sales and moderate price development. The housing market in Agder is functioning well, with prices and sales developing positively. In Rogaland, the housing market has developed positively since May and has been surprisingly unaffected by 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 fourth 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 going forward.

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. Both the rental and transaction market have seen some improvement since August. The positive trend is expected to continue in the fourth quarter of 2020, although at a lower level than normal.

SpareBank 1 SR-Bank Forretningspartner AS

SpareBank 1 SR-Bank Forretningspartner AS achieved a turnover of NOK 130.4 million as at 30 September 2020 (NOK 100.8 million) and a pre-tax profit of NOK 17.4 million (NOK 8.9 million). The result includes depreciation of intangible assets amounting to NOK 2.1 million (NOK 1.8 million). The results as at 30 September 2020 were affected to some extent by the Covid-19 outbreak, with lower turnover and higher losses on customer receivables 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.

SpareBank 1 SR-Bank Forretningspartner AS had nine offices at the end of the third quarter of 2020: three in Rogaland, three in Bergen, two in Agder, and one in Oslo, as well as around 2,600 customers. The company enjoys a solid market position within accounting services in Agder, Vestland and Rogaland, and also established offices in Kristiansand and Oslo with the acquisition of Fast Solutions AS on 1 September 2020. 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

As at 30 September 2020, the company's turnover was NOK 68.6 million (NOK 71.4 million) and it posted a pre-tax profit of NOK 14.4 million (NOK 17.9 million). The company has achieved positive net subscriptions of NOK 380 million in the year to date. New subscriptions were heavily affected by the Covid-19 outbreak in February and March, but recovered well from April. There has been a good increase in savings agreements, both in terms of volume and numbers. The assets under management at the end of the third quarter of 2020 amounted to NOK 12.9 billion. At the start of 2020, the company had NOK 12.4 billion in assets 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

As at 30 September 2020, the company's pre-tax profit was NOK 534.1 million (NOK 473.0 million). Net interest income increased by NOK 123.4 million from the same period last year, while the positive effects of basis swaps amounted to NOK 30.3 million, compared with NOK 50.6 million as at 30 September 2019. The increase in net interest income is primarily attributable to the increase in mortgages bought from SpareBank 1 SR-Bank ASA.

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 third quarter of 2020, the company had issued covered bonds with a nominal value of NOK 78.8 billion (NOK 62.5 billion) and bought loans worth NOK 83.4 billion (NOK 69.2 billion) from SpareBank 1 SR-Bank ASA.

FinStart Nordic AS

As at 30 September 2020, the company's pre-tax result was NOK -88.7 million (NOK 24.7 million). The deficit was primarily due to the former SR-Investering AS's investment portfolio, which is largely offshore and oil-related, and where the effect of low oil prices combined with the Covid-19 outbreak impacted the value of the portfolio. As a result, the company carried out an extraordinary write-down for securities totalling NOK 74.8 million in the first quarter of 2020. As at 30 September 2020, the total decrease in the value of the portfolio was NOK 66.1 million, while as at 30 September 2019 there was a positive increase in value of the securities of NOK 15.1 million and dividends received of NOK 27.9 million. A new Fintech investment portfolio has after the first wave of Covid-19 developed positively despite somewhat reduced growth and a more demanding market for raising external capital.

FinStart Nordic AS invests in, and contributes to the development and growth of, innovative financial technology companies. The aim is to strengthen and expand the group's existing value chains, digitalisation and streamlining of the core business, and financial return on the company portfolio. The company also manages an existing portfolio from the former SR-Investering AS, which is primarily invested in the oil industry.

Monner AS

As at 30 September 2020, Monner AS posted a deficit of NOK 12.7 million (NOK -12.5 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. Earnings have fallen due to the Covid-19 outbreak, although income is now rising again at the end of the third quarter of 2020. 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 sees significant opportunities for contributing to growth during and after this crisis.

Monner AS is a payment company and a registered loan arranger that was acquired by SpareBank 1 SR-Bank ASA 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 third quarter of 2020, the company had arranged loans totalling NOK 263 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 crowd-funded business loans for growth. The market for crowd-funded business loans grew well from the second quarter to the third quarter of 2020. Monner AS increased its arrangement of loans by around 50% during this period and set a new record in September.

The company is also experiencing good growth in the number of new investors, and has gained around 1,500 new savings account customers for its savings product which was launched in the first quarter of this year. Relevant products for entrepreneurs and investors are launched continuously throughout the year.

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 third 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 posted a pre-tax profit of NOK 1,054 million as at 30 September 2020 (NOK 1,721 million). The controlling interest's share of the profit amounted to NOK 549 million (NOK 1,354 million). The result was strongly influenced by the Covid-19 outbreak. 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. As at 30 September 2019, the results 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 third 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 profit of NOK 182 million as at 30 September 2020 (NOK 209 million). The reduced profit is primarily attributable to a negative result of NOK 106 million (NOK -90 million) from financial instruments as a result of the Covid-19 outbreak and NOK 13 million in increased impairment losses. At the end of the third quarter of 2020, the company's total lending volume amounted to NOK 206.0 billion (NOK 189.8 billion), NOK 3.4 billion (NOK 6.3 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 third 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 posted a pre-tax profit of NOK 57 million as at 30 September 2020 (NOK 56 million). At the end of the third quarter of 2020, the company's total lending volume amounted to NOK 10.3 billion (NOK 9.8 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 third 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. As at 30 September 2020, BN Bank ASA's pre-tax profit was NOK 328 million (NOK 325 million). Net interest income increased by NOK 43 million and income from financial investments increased by NOK 19 million. The growth in income was partially offset by impairment losses, which increased by NOK 52 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 third 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 posted a pre-tax profit of NOK 12 million as at 30 September 2020 (NOK 97 million). The lower profit was mainly a result of the sum of interest income, commissions and transaction income falling by a total of NOK 86 million while commission costs were reduced by NOK 3 million compared with the same period in 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 -14 million as at 30 September 2020 (NOK -35 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 third 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[5] was NOK 43.4 billion at the end of the third quarter of 2020, and would cover normal operations for 25 months in the event of closed markets. NOK 19.8 billion of the bank's external funding will come due in the next 12 months. In addition to the liquidity buffer, the bank has NOK 23.0 billion in residential mortgages ready for covered bond funding.

The group has continued to enjoy a high proportion of long-term funding in the past 12 months. The group's net stable funding ratio (NSFR[6]) was 123% at the end of the third quarter of 2020 (115%) 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 [7]

The Common Equity Tier 1 capital ratio was 18.5% at the end of the third quarter of 2020 (14.2%). The higher Common Equity Tier 1 capital ratio is due to a

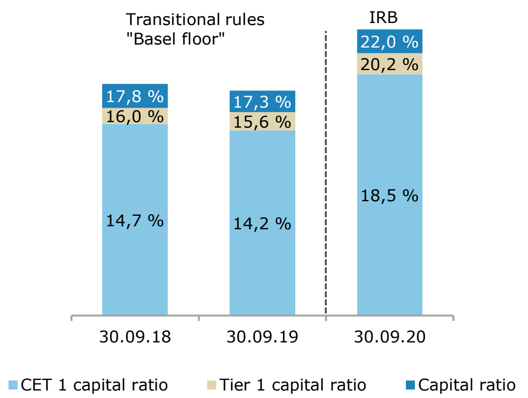
[5] Liquidity buffer: cash, short-term investments, and drawing rights in Norges Bank (bonds, including covered bonds). Assuming deposits and lending remain unchanged and no new borrowing during the period.

[6] 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.

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

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. On 24 September 2020, a decision was made to keep the capital requirement for the countercyclical buffer unchanged, and Norges Bank does not expect to recommend increasing the buffer requirement again until the first quarter of 2021 at the earliest.

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 third 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 ASA 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 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 will remain 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 fourth quarter of 2020, the authorities' requirement for Common Equity Tier 1 captial ratio will increase to 15.2% due to increased systemic risk buffer. The requirement includes 1,0 percentage points management buffer. SpareBank 1 SR-Bank ASA has an internal target of Common Equity Tier 1 capital ratio target at 16.7%. 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 20.2% (15.6%), while the total capital ratio was 22.0% (17.3%) at the end of the third quarter of 2020. This is well above the required capital ratio of 17.1%.

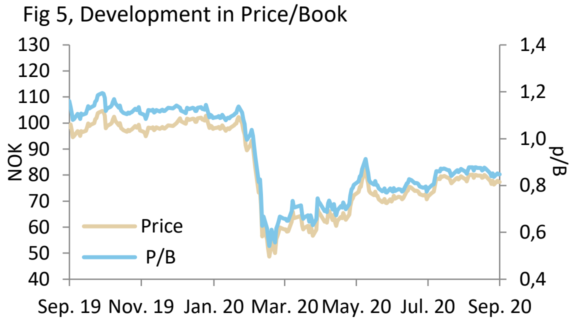
New crisis management directive and MREL

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). On 15 October 2020, the Ministry of Finance published a consultation paper on the introduction of BRRD2 in Norway, which entails a MREL subordination requirement of 27.4%. 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 third quarter of 2020, SpareBank 1 SR-Bank ASA was carrying senior debt due issued before 1 January 2020 that matures after 30 September 2021 amounting to NOK 37.6 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 77.40 at the end of the third quarter of 2020. This represents an increase of 10.7% since the end of the second quarter of 2020. The main Oslo Børs index increased by 7.7% in the same period. 6.1% of outstanding SRBANK shares were traded in the third quarter of 2020 (3.6%).

Fig 5, Development in Price/Book



There were 13,286 (11,318) shareholders of SRBANK at the end of the third quarter of 2020. The proportion owned by foreign companies and individuals was 22.3% (28.3%), while 44.1% (43.0%) were resident in Rogaland, Agder, and Vestland. The 20 largest shareholders owned a combined total of 58.8% (58.2%) of the shares. The bank held 21,532 treasury shares, while group employees owned 1.7% (1.5%).

The table below shows the 20 largest shareholders as at 30 September 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%
SpareBank 1-stiftinga Kvinnherad	6 227	2,4%
State Street Bank and Trust Co, U.S.A.	6 153	2,4%
Vpf Nordea Norge Verdi	5 232	2,0%
Danske Invest Norske Instit. II	3 696	1,4%
Odin Norge	3 423	1,3%
Pareto Aksje Norge	3 273	1,3%
JPMorgan Chase Bank N.A., U.S.A.	2 898	1,1%
Verdipapirfondet Alfred Berg Gambak	2 732	1,1%
Clipper AS	2 211	0,9%
KLP Aksjenorge Indeks	2 081	0,8%
Verdipapirfondet Alfred Berg Norge	1 922	0,8%
State Street Bank and Trust Co, U.S.A.	1 837	0,7%
Westco AS	1 799	0,7%
Forsvarets Personellservice	1 752	0,7%
Arctic Funds plc, Irland	1 749	0,7%
Pareto Invest AS	1 694	0,7%
Danske Invest Norske Aksjer Inst.	1 558	0,6%
Total 20 largest	150 448	58,8 %

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 September 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 has decreased somewhat in Norway in the second half of the year. Norway enjoyed a positive trend in the second and third quarters 2020 and the economy appears to have improved following the lockdown in March. However, lower international demand and low oil prices are expected to mark economic development for several years to come. As per the end of the third quarter of 2020, the IMF expects a sharp downturn in the global economy with negative growth of -4.4% in 2020. 5.2% growth is expected in 2021.

Higher unemployment and lower wages growth than in recent years are still expected. The housing market and private consumption have been stimulated through lower mortgage rates and levels of investment and less demand for loans are expected in the business sector in 2020. The Norwegian state is well-equipped to contribute financially and extensive measures aimed at both the private sector and business have mitigated 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 1.9% reduction in GDP is expected for Mainland Norway in 2020, before it rises again by 3.7% in 2021. The Norwegian Petroleum Directorate expects oil investments on the Norwegian Continental Shelf to fall by 3% in 2020 and a further 9% in 2021 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 in 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 be 3.1% in 2020 and 2.2% in 2021.

Norges Bank cut its policy rate three times by a total of 1.50 percentage points in the first half of 2020 to 0%. In the same period, the bank implemented interest rate reductions totalling 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 until the end of 2021 and gradually rise again during 2022 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 and 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.

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. 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 Board is very pleased with how the Group's employees have tackled their new work situation and helped customers during this difficult period.

The group is well-equipped to deal with 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. Solid underlying earnings made it possible to cover increased impairment losses through operations, at the same time as the Tier 1 capital ratio exceeds the target by 4.8 percentage points. In the opinion of the board, the bank is well-equipped to handle crises and will remain a sound, competitive financial services group when the effects of the Covid-19 pandemic and fall in oil prices diminish.

Stavanger, 28 October 2020
The Board of Directors of SpareBank 1 SR-Bank ASA

Income Statement

Parent bank						Note	Group				
2019	Q3 2019	Q3 2020	01.01.19 - 30.09.19	01.01.20 - 30.09.20	**Income statement (MNOK)**		01.01.20 - 30.09.20	01.01.19 - 30.09.19	Q3 2020	Q3 2019	2019
4.038	1.041	775	2.944	2.779	Interest income amortised cost		4.898	5.117	1.378	1.827	7.053
2.001	523	390	1.474	1.355	Interest income other		548	506	169	176	690
2.489	653	390	1.814	1.565	Interest expenses amortised cost		2.033	2.271	507	824	3.113
181	52	-26	129	1	Interest expenses other		265	427	-1	160	643
3.369	859	**801**	2.475	**2.568**	**Net interest income**		**3.148**	2.925	**1.041**	1.019	3.987
974	232	221	724	682	Commission income		1.105	1.133	365	359	1.516
108	29	30	78	80	Commission expenses		83	80	31	29	111
12	4	3	7	8	Other operating income		4	4	2	2	11
878	207	**194**	653	**610**	**Net commission and other income**		**1.026**	1.057	**336**	332	1.416
31	3	1	30	18	Dividend income		18	31	1	4	31
1.023	-	-	1.023	836	Income from investment in associates		534	860	147	98	875
183	-8	66	157	-114	Net gains/losses on financial instruments	13	-93	214	42	-13	221
1.237	-5	**67**	1.210	**740**	**Net income on financial investments**		**459**	1.105	**190**	89	1.127
5.484	1.061	**1.062**	4.338	**3.918**	**Total income**		**4.633**	5.087	**1.567**	1.440	6.530
1.092	278	250	801	745	Personnel expenses	14	1.035	1.076	357	375	1.472
497	118	114	359	354	Administrative expenses		396	403	126	132	555
311	71	73	218	221	Other operating costs		326	321	112	108	451
1.900	467	**437**	1.378	**1.320**	**Total operating costs**		**1.757**	1.800	**595**	615	2.478
3.584	594	**625**	2.960	**2.598**	**Operating profit before impairments**		**2.876**	3.287	**972**	825	4.052
237	73	369	100	1.748	Impairments on loans and financial commitments	3 and 4	1.760	96	369	66	235
3.347	521	**256**	2.860	**850**	**Pre-tax profit**	12	**1.116**	3.191	**603**	759	3.817
569	131	52	442	6	Tax expense		134	552	98	166	693
2.778	390	**204**	2.418	**844**	**Profit after tax**		**982**	2.639	**505**	593	3.124
2.738	379	186	2.393	777	Shareholders' share of the profit		915	2.614	487	582	3.084
40	11	18	25	67	Hybrid capital owners' share of the profit		67	25	18	11	40
2.778	390	**204**	2.418	**844**	**Profit after tax**		**982**	2.639	**505**	593	3.124
					Other comprehensive income						
-5	-55	99	-140	-17	Unrecognised actuarial gains and losses		-17	-140	99	-55	-4
1	14	-25	35	4	Deferred tax concerning changed estimates/pension plan changes		4	35	-25	14	1
-3	-3	-3	-3	4	Change in ECL[1)] 12 months		-	-	-	-	-
-	-	-	-	-	Basisswap spread		26	28	-2	10	12
-	-	-	-	-	Deferred tax concerning basiswap spread		-6	-7	1	-2	-2
-7	-44	**71**	-108	**-9**	**Total items not reclassified through profit or loss**		**7**	-84	**73**	-33	7
-	-	-	-	-	Share of profit associated companies and joint ventures		4	-3	3	-	19
-	-	**-**	-	**-**	**Total items reclassified through profit or loss**		**4**	-3	**3**	-	19
-7	-44	**71**	-108	**-9**	**Other comprehensive income**		**11**	-87	**76**	-33	26
2.771	346	**275**	2.310	**835**	**Total comprehensive income**		**993**	2.552	**581**	560	3.150
					Earnings per share (group)		3,84	10,32	1,98	2,32	12,22

[1)] ECL - Expected credit loss

Balance sheet

Parent bank				Note	Group		
31.12.19	**30.09.19**	**30.09.20**	**Balance sheet (MNOK)**		**30.09.20**	**30.09.19**	**31.12.19**
104	404	657	Cash and balances with central banks		657	404	104
11.790	8.022	18.139	Balances with credit institutions		7.248	1.898	3.142
133.107	133.283	131.415	Loans to customers	4, 8	214.490	202.223	205.688
31.435	34.680	35.495	Certificates and bonds		38.398	32.327	32.792
6.272	6.919	10.848	Financial derivatives	10	10.710	6.765	5.933
564	546	599	Shares, ownership stakes and other securities	17	915	904	920
2.336	2.704	2.517	Investment in associates		4.629	4.470	4.180
7.315	7.315	7.331	Investment in subsidiaries		-	-	-
1.989	1.247	2.454	Other assets	5	3.291	2.613	3.136
194.912	195.120	**209.455**	**Total assets**	12	**280.338**	251.604	255.895
2.547	1.279	558	Balances with credit institutions		466	976	2.264
103.323	102.411	113.476	Deposits from customers	7	113.248	102.181	103.106
54.257	55.435	50.646	Listed debt securities	11	129.032	113.792	116.164
7.407	8.951	17.382	Financial derivatives	10	7.892	5.044	4.530
2.771	2.877	1.955	Other liabilities	6	1.750	3.235	2.872
2.125	2.731	2.186	Subordinated loan capital	11	2.186	2.731	2.125
172.430	173.684	**186.203**	**Total liabilities**		**254.574**	227.959	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	9.787	12.577	Other equity		14.951	11.775	13.596
	2.418	844	Profit/loss at period end		982	2.639	
22.482	21.436	**23.252**	**Total equity**		**25.764**	23.645	24.834
194.912	195.120	**209.455**	**Total liabilities and equity**	12	**280.338**	251.604	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 31.12.2019	**6.394**	**1.587**	**1.850**	**15.003**	**24.834**
Profit after tax				982	982
Unrecognised actuarial gains and losses after tax				-13	-13
Basisswap spread after tax				20	20
Share of profit associated companies and joint ventures				4	4
Year's comprehensive income				993	993
Hybrid capital					-
Interest on hybridcapital				-67	-67
Adjusted equity in accosiated companies				3	3
Dividend 2019, resolved in 2020					-
Trade in treasury shares				1	1
Transactions with shareholders				1	1
Equity as at 30.09.2020	**6.394**	**1.587**	**1.850**	**15.933**	**25.764**

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

Cash flow statement

Parent bank				Group		
2019	01.01.19 - 30.09.19	01.01.20 - 30.09.20	**Cash flow statement**	01.01.20 - 30.09.20	01.01.19 - 30.09.19	2019
-972	-1.077	829	Change in gross lending to customers [1)]	-9.682	-11.470	-15.008
5.353	3.929	3.649	Interest receipts from lending to customers	5.012	5.176	7.122
4.204	3.292	10.153	Change in deposits from customers	10.142	3.367	4.292
-1.262	-903	-710	Interest payments on deposits from customers	-707	-900	-1.255
-7.457	-4.619	-7.354	Change in receivables and deby from credit institutions	746	-395	-686
139	19	44	Interest on receivables and debt to financial institutions	-271	-280	-351
-3.620	-6.865	-4.060	Change in certificates and bonds [1)]	-5.606	-2.987	-3.452
556	410	402	Interest receipts from commercial paper and bonds	401	390	538
870	650	621	Commission receipts	1.059	1.035	1.371
60	57	-33	Capital gains from sale of trading	-16	50	49
-1.646	-1.182	-1.245	Payments for operations	-1.728	-1.577	-2.097
-779	-779	-1.078	Taxes paid	-1.225	-896	-896
117	2.469	7.152	Other accruals [1)]	2.157	2.295	-58
-4.437	-4.599	**8.370**	**A Net change in liquidity from operations**	**282**	-6.192	-10.431
-128	-94	-31	Investments in tangible fixed assets	-51	-252	-379
-	-	-	Receipts from sale of tangible fixed assets	-	-	-
-1.804	-1.828	-243	Change in long-term investments in equities	-255	-662	-656
361	17	13	Receipts from sales of long-term investments in equities	51	72	378
1.053	1.053	854	Dividends from long-term investments in equities	271	757	760
-518	-852	**593**	**B Net cash flow, investments**	**16**	-85	103
13.800	13.800	2.097	Debt raised by issuance of securities	21.672	22.313	24.823
-7.466	-6.773	-8.801	Repayments - issued securities	-19.265	-13.968	-12.455
-1.243	-849	-689	Interest payments on securities issued	-1.163	-1.322	-1.885
-	-	-	Additional subordinated loan capital issued	-	-	-
-800	-229	-	Repayments - additional capital instruments	-	-229	-800
-90	-69	-39	Interest payments on subordinated loans	-39	-69	-90
1.300	700	-	Increase in debt established by issuing hybrid capital	-	700	1.300
-52	-35	-67	Interest payments on debt established by issuing hybrid capital	-67	-46	-52
-38	-	-51	Lease payments	-28	-	-46
-1.151	-1.151	-	Dividend to share holders	-	-1.151	-1.151
4.260	5.394	**-7.550**	**C Net cash flow, financing**	**1.110**	6.228	9.644
-695	-57	**1.413**	**A+B+C Net cash flow during the period**	**1.408**	-49	-684
1.463	1.463	768	Cash and cash equivalents as at 1 January	779	1.463	1.463
768	1.406	**2.181**	**Cash and cash equivalents at the end of the period**	**2.187**	1.414	779
			Cash and cash equivalents specified			
104	404	657	Cash and balances with central banks	657	404	104
664	1.002	1.524	Balances with credit institutions	1.530	1.010	675
768	1.406	**2.181**	**Cash and cash equivalents**	**2.187**	1.414	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 third 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 and their weighting were continued unchanged in the third quarter of 2020. The weighting was significantly changed in the second quarter of 2020 to reflect the changed economic conditions and as a consequence of this, as well as the development of individual impairment losses, the targeted premiums for exposed commitments within individual industries were phased out. The group is following the same principles for migration between the stages as those that applied previously. 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 third 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 September 2020, the normal economic situation scenario was weighted 60% and the recession scenario 40%, while the strong economic expansion scenario is currently weighted 0%. The weighting is the same for all portfolios and reflects 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 by 10 percentage points (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 93 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 %	113	39	3	**155**
ECL in a normal economic expansion scenario	60 %	409	43	7	**459**
ECL in a recession economic expansion scenario	40 %	1.152	183	55	**1.390**
ECL with the applied scenario weighting:					
Strong economic expansion = 0% Normal economic situation = 60% Recession = 40%		685	98	23	**806**
Isolated effect of changed scenario weighting - 1					
Strong economic expansion = 0% Normal economic situation = 50% Recession = 50%		74	14	5	**93**
Isolated effect of changed scenario weighting - 2					
Strong economic expansion = 10% Normal economic situation = 60% Recession = 30%		-104	-14	-5	**-123**
Isolated effect of changed scenario weighting - 3					
Strong economic expansion = 20% Normal economic situation = 60% Recession = 20%		-208	-29	-10	**-247**

* Exclusive overall management overlay

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 at the end of the first quarter of 2020 and continued in the second and third quarter of 2020. The group has provided advice in order to find good solutions for customers, including by granting interest- only periods 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 - 30.09.19**	**01.01.20 - 30.09.20**		**01.01.20 - 30.09.20**	**01.01.19 - 30.09.19**	**01.01.19 - 31.12.19**
200	129	868	Change in impairments on loans	880	125	199
23	-	132	Change in impairments on financial commitments	132	-	23
122	72	761	Actual loan losses on commitments	761	72	122
3	4	-2	Change in accrued interest	-2	4	2
-	-	2	Change in assets taken over for the period	2	-	-
-111	-105	-13	Recoveries on commitments previously written-off	-13	-105	-111
237	100	**1.748**	**The period's net impairments on loans and financial commitments**	**1.760**	96	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 commitment	Total 30.09.2020
Impairments after amortised cost, corporate market	1.397	824	131	2.352
Impairments after amortised cost, retail market	94	5	1	100
Mortgages at FVOCI [1)]	54	39	-	93
Total impairments on loans and financial commitments	1.545	868	132	**2.545**
Presented as				
Impairments on loans	1.415	868	-	2.283
Impairments on financial commitments	130	-	132	262
Total impairments on loans and financial commitments	1.545	868	132	**2.545**

2019 Impairments on loans and financial commitments	01.01.2019			Total 30.09.2019
Impairments after amortised cost, corporate market	1.168	143	-	1.311
Impairments after amortised cost, retail market	94	-5	-	89
Mortgages at FVOCI [1)]	60	-9	-	51
Total impairments on loans and financial commitments	1.322	129	-	1.451
Presented as				
Impairments on loans	1.215	129	-	1.344
Impairments on financial commitments	107	-	-	107
Total impairments on loans and financial commitments	1.322	129	-	1.451

Group

2020 Impairments on loans and financial commitments	01.01.2020	Changes in impairments on loans	Changes in impairments on financial commitment	Total 30.09.2020
Impairments after amortised cost, corporate market	1.396	825	131	2.352
Impairments after amortised cost, retail market	160	55	1	216
Mortgages at FVOCI [1)]	-	-	-	-
Total impairments on loans and financial commitments	1.556	880	132	**2.568**
Presented as				
Impairments on loans	1.426	880	-	2.306
Impairments on financial commitments	130	-	132	262
Total impairments on loans and financial commitments	1.556	880	132	**2.568**

2019 Impairments on loans and financial commitments	01.01.2019			Total 30.09.2019
Impairments after amortised cost, corporate market	1.168	143	-	1.311
Impairments after amortised cost, retail market	166	-18	-	148
Mortgages at FVOCI [1)]	-	-	-	-
Total impairments on loans and financial commitments	1.334	125	-	1.459
Presented as				
Impairments on loans	1.227	125	-	1.352
Impairments on financial commitments	107	-	-	107
Total impairments on loans and financial commitments	1.334	125	-	1.459

[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 - 30.09.2020				01.01.2019 - 30.09.2019			
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 - 30.09.								
Transfer to (from) stage 1	-7	7	-	-	-23	23	-	-
Transfer to (from) stage 2	56	-61	5	-	85	-91	6	-
Transfer to (from) stage 3	4	1	-5	-	-	2	-2	-
Net new measurement of impairments	6	146	22	174	-115	111	19	15
New issued or purchased loan	80	51	5	136	38	31	3	72
Loans that have been derecognised	-38	-144	-22	-204	-38	-64	-9	-111
Changes due to modifications that have not resulted in derecognition	-	-	-	-	-	-	-	-
Actual loan losses on commitments	-	-	761	761	-	-	72	72
Actual loan losses on commitments for which provisions have been made	-	-	-29	-29	-	-	-46	-46
Changes to models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	30	30	-	-	127	127
Impairments on loans 30.09	245	381	1.657	**2.283**	172	372	800	1.344

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 - 30.09.								
Transfer to (from) stage 1	-1	1	-	-	-4	4	-	-
Transfer to (from) stage 2	10	-10	-	-	8	-9	1	-
Transfer to (from) stage 3	-	-	-	-	-	-	-	-
Net new measurement of impairments	-2	21	1	20	-19	13	3	-3
New issued or purchased loan	13	7	-	20	9	3	-	12
Loans that have been derecognised	-5	-26	-	-31	-5	-5	-1	-11
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	-	-	2	2
Impairments on financial commitments 30.09.	36	75	151	**262**	20	63	24	107

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

Group

Impairments recognised on loans per stage	**01.01.2020 - 30.09.2020**				**01.01.2019 - 30.09.2019**			
	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 - 30.09.								
Transfer to (from) stage 1	-7	7	-	-	-23	23	-	-
Transfer to (from) stage 2	57	-62	5	-	87	-93	6	-
Transfer to (from) stage 3	4	1	-5	-	-	2	-2	-
Net new measurement of impairments	7	153	23	183	-117	112	18	13
New issued or purchased loan	83	55	5	143	38	32	3	73
Loans that have been derecognised	-39	-146	-23	-208	-40	-66	-8	-114
Changes due to modifications that have not resulted in derecognition	-	-	-	-	-	-	-	-
Actual loan losses on commitments	-	-	761	761	-	-	72	72
Actual loan losses on commitments for which provisions have been made	-	-	-29	-29	-	-	-46	-46
Changes to models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	30	30	-	-	127	127
Impairments on loans 30.09	251	396	1.659	**2.306**	174	377	801	1.352

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 - 30.09.								
Transfer to (from) stage 1	-1	1	-	-	-4	4	-	-
Transfer to (from) stage 2	10	-10	-	-	8	-9	1	-
Transfer to (from) stage 3	-	-	-	-	-	-	-	-
Net new measurement of impairments	-2	21	1	20	-19	13	3	-3
New issued or purchased loan	13	7	-	20	9	3	-	12
Loans that have been derecognised	-5	-26	-	-31	-5	-5	-1	-11
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	-	-	2	2
Impairments on financial commitments 30.09.	36	75	151	**262**	20	63	24	107

Note 5 Other assets

Parent bank					Group	
31.12.19	30.09.19	30.09.20		30.09.20	30.09.19	31.12.19
-	-	-	Intangible assets	295	264	273
379	-	410	Deferred tax assets	427	-	420
355	342	321	Tangible fixed assets	1.027	979	1.087
682	289	937	Leases receivables (Note 18)	398	399	398
15	10	14	Income earned but not received	25	26	24
18	18	11	Prepaid expences	16	25	50
3	1	3	Over funding of pension liabilities	3	1	3
200	200	200	Capital contribution SR-Pensjonskasse	200	200	200
93	200	358	Unsettled trades	358	200	93
244	187	200	Other assets	542	519	588
1.989	1.247	**2.454**	**Total other assets**	**3.291**	2.613	3.136

Note 6 Other liabilities

Parent bank					Group	
31.12.19	30.09.19	30.09.20		30.09.20	30.09.19	31.12.19
273	284	187	Accrued expenses and prepaid revenue	303	369	444
-	130	-	Deferred tax liability	-	111	-
176	310	199	Pension liabilities	209	321	187
130	107	262	Impairments on financial commitments	262	107	130
1.078	412	7	Taxes payable	143	528	1.228
91	710	-	Unsettled trades	-	710	91
688	292	954	Lease liabilities (Note 18)	409	404	395
335	632	346	Other liabilities	424	685	397
2.771	2.877	**1.955**	**Total other liabilities**	**1.750**	3.235	2.872

Note 7 Customer deposits

Parent bank					Group	
31.12.19	30.09.19	30.09.20		30.09.20	30.09.19	31.12.19
269	331	446	Aquaculture	446	331	269
1.195	1.013	1.378	Industry	1.378	1.013	1.195
1.206	1.235	1.363	Agriculture/forestry	1.363	1.235	1.206
11.808	10.994	13.652	Service industry	13.424	10.764	11.591
2.538	2.262	3.601	Retail trade, hotels and restaurants	3.601	2.262	2.538
1.331	1.312	1.430	Energy, oil and gas	1.430	1.312	1.331
1.779	1.482	1.926	Building and construction	1.926	1.482	1.779
550	577	408	Power and water supply/	408	577	550
6.517	6.585	6.399	Real estate	6.399	6.585	6.517
2.265	2.422	1.962	Shipping and other transport	1.962	2.422	2.265
25.490	25.818	27.704	Public sector and financial services	27.704	25.818	25.490
54.948	54.031	**60.269**	**Total corporate sector**	**60.041**	53.801	54.731
48.375	48.380	**53.207**	**Retail customers**	**53.207**	48.380	48.375
103.323	102.411	**113.476**	**Deposits from customers**	**113.248**	102.181	103.106

Note 8 Loans and other financial commitments to customers

Parent bank				Group		
31.12.19	**30.09.19**	**30.09.20**	**Gross loans to customers by industry**	**30.09.20**	**30.09.19**	**31.12.19**
2.503	1.841	2.837	Aquaculture	2.841	1.846	2.508
3.009	3.046	2.783	Industry	2.830	3.070	3.043
5.104	4.982	5.116	Agriculture/forestry	5.372	5.198	5.324
11.296	11.533	13.400	Service industry	13.458	11.630	11.326
3.338	3.253	3.417	Retail trade, hotels and restaurants	3.547	3.377	3.460
3.921	4.265	3.846	Energy, oil and gas	3.846	4.265	3.921
3.956	4.125	4.302	Building and construction	4.482	4.281	4.116
841	780	1.175	Power and water supply	1.175	780	841
33.659	33.140	31.494	Real estate	31.507	33.152	33.668
11.980	12.628	12.947	Shipping and other transport	13.092	12.760	12.111
2.404	2.508	2.275	Public sector and financial services	2.275	2.508	2.404
82.011	82.101	**83.592**	**Total corporate sector**	**84.425**	82.867	82.722
52.504	52.519	**50.094**	**Retail customers**	**132.371**	120.708	124.392
134.515	134.620	**133.686**	**Gross loans**	**216.796**	203.575	207.114
-1.415	-1.344	-2.283	- Impairments after amortised cost	-2.306	-1.352	-1.426
7	7	12	- Mortgages at FVOCI [2]	-	-	-
133.107	133.283	**131.415**	**Loans to customers**	**214.490**	202.223	205.688
			Financial commitments [1]			
9.751	10.145	9.309	Guarantees customers	9.370	10.202	9.800
15.383	15.953	17.076	Unused credit lines for customers	24.565	22.291	22.322
5.733	7.027	9.209	Approved loan commitments	9.209	6.983	5.733
30.867	33.125	**35.594**	**Total financial commitments**	**43.144**	39.476	37.855
			Other guarantees issued and liabilities			
1.248	-	8.939	Unused credit lines for financial institutions	-	-	-
589	589	589	Guarantees other	589	589	589
9	5	2	Letters of credit	2	5	9
1.846	594	**9.530**	**Total other guarantees issued and liabilities**	**591**	594	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 30.09.2020**
Aquaculture	2.808	-9	-9	-	29	2.819
Industry	2.718	-15	-14	-80	65	2.674
Agriculture/forestry	2.621	-2	-8	-5	2.495	5.101
Service industry	12.885	-51	-71	-160	515	13.118
Retail trade, hotels and restaurants	3.205	-21	-45	-8	212	3.343
Energy, oil and gas	3.846	-10	-27	-680	-	3.129
Building and construction	4.076	-12	-24	-13	226	4.253
Power and water supply	1.169	-3	-8	-	6	1.164
Real estate	31.262	-90	-84	-59	232	31.261
Shipping and other transport	12.844	-19	-67	-552	103	12.309
Public sector and financial services	2.275	-	-	-	-	2.275
Total corporate sector	79.709	-232	-357	-1.557	3.883	**81.446**
Retail customers	5.888	-13	-24	-100	44.206	**49.957**
Mortgages at FVOCI [1)]					12	12
Loans to customers	85.597	-245	-381	-1.657	48.101	**131.415**

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 30.09.2019**
Aquaculture	1.819	-3	-2	-10	22	1.826
Industry	2.991	-8	-17	-17	55	3.004
Agriculture/forestry	2.872	-2	-4	-4	2.110	4.972
Service industry	11.022	-34	-89	-146	511	11.264
Retail trade, hotels and restaurants	3.036	-9	-37	-5	217	3.202
Energy, oil and gas	4.265	-7	-57	-95	-	4.106
Building and construction	3.842	-6	-18	-15	283	4.086
Power and water supply	773	-1	-1	-	7	778
Real estate	32.885	-50	-81	-51	255	32.958
Shipping and other transport	12.526	-15	-47	-360	102	12.206
Public sector and financial services	2.508	-	-	-	-	2.508
Total corporate sector	78.539	-135	-353	-703	3.562	80.910
Retail customers	6.465	-37	-19	-97	46.054	52.366
Mortgages at FVOCI [1)]					7	7
Loans to customers	85.004	-172	-372	-800	49.623	133.283

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 30.09.2020**
Aquaculture	2.832	-9	-9	-	9	2.823
Industry	2.820	-14	-14	-80	10	2.722
Agriculture/forestry	4.303	-2	-9	-5	1.069	5.356
Service industry	13.338	-51	-72	-160	120	13.175
Retail trade, hotels and restaurants	3.519	-22	-45	-8	28	3.472
Energy, oil and gas	3.846	-10	-27	-680	-	3.129
Building and construction	4.432	-12	-24	-13	50	4.433
Power and water supply	1.173	-3	-8	-	2	1.164
Real estate	31.363	-90	-84	-59	144	31.274
Shipping and other transport	13.070	-19	-67	-552	22	12.454
Public sector and financial services	2.275	-	-	-	-	2.275
Total corporate sector	82.971	-232	-359	-1.557	1.454	**82.277**
Retail customers	124.136	-19	-37	-102	8.235	**132.213**
Loans to customers	207.107	-251	-396	-1.659	9.689	**214.490**

[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 30.09.2019**
Aquaculture	1.842	-3	-1	-10	4	1.832
Industry	3.068	-8	-17	-17	2	3.028
Agriculture/forestry	4.456	-2	-4	-4	742	5.188
Service industry	11.541	-34	-89	-146	89	11.361
Retail trade, hotels and restaurants	3.352	-9	-37	-5	25	3.326
Energy, oil and gas	4.265	-7	-58	-95	-	4.105
Building and construction	4.250	-6	-18	-15	31	4.242
Power and water supply	778	-1	-1	-	2	778
Real estate	32.994	-50	-81	-51	158	32.970
Shipping and other transport	12.745	-15	-47	-360	15	12.338
Public sector and financial services	2.508	-	-	-	-	2.508
Total corporate sector	81.799	-135	-353	-703	1.068	81.676
Retail customers	113.011	-39	-24	-98	7.697	120.547
Loans to customers	194.810	-174	-377	-801	8.765	202.223

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

Parent bank

	01.01.2020 - 30.09.2020				01.01.2019 - 30.09.2019			
Gross loans per stage	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**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	-3.784	3.467	317	-	-4.752	4.733	19	-
Transfer to (from) stage 2	2.413	-2.505	92	-	2.756	-2.883	127	-
Transfer to (from) stage 3	21	3	-24	-	3	16	-19	-
Net increase/(decrease) balance existing loans	2.830	611	-7	3.434	2.737	378	12	3.127
Originated or purchased during the period	35.118	1.445	74	36.637	33.031	1.485	21	34.537
Loans that have been derecognised	-36.830	-4.226	156	-40.900	-33.509	-3.164	86	-36.587
Gross loans 30.09.	120.207	10.541	2.938	**133.686**	119.449	12.800	2.371	134.620

Financial commitments per stage [1)2)]								
Financial commitments 01.01.	27.537	2.446	884	30.867	28.975	4.028	801	33.804
Net increase / (decrease) during period	4.283	165	279	4.727	483	-1.230	68	-679
Financial commitments 30.09.	31.820	2.611	1.163	**35.594**	29.458	2.798	869	33.125

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	-4.703	4.381	322	-	-5.551	5.530	21	-
Transfer to (from) stage 2	3.380	-3.485	105	-	3.505	-3.634	129	-
Transfer to (from) stage 3	21	10	-31	-	3	16	-19	-
Net increase/(decrease) balance existing loans	2.777	667	-7	3.437	-2.090	409	11	-1.670
Originated or purchased during the period	64.434	2.232	79	66.745	50.893	1.940	22	52.855
Loans that have been derecognised	-55.758	-4.894	152	-60.500	-36.206	-3.592	83	-39.715
Gross loans 30.09.	200.542	13.287	2.967	**216.796**	186.237	14.958	2.380	203.575

Financial commitments per stage [1)2)]								
Financial commitments 01.01.	34.272	2.698	885	37.855	33.825	4.224	802	38.851
Net increase / (decrease) during period	4.847	161	281	5.289	1.828	-1.227	68	669
Financial commitments 30.09.	39.119	2.859	1.166	**43.144**	35.653	2.997	870	39.520

[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 September 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	**30.09.19**	**30.09.20**		**30.09.20**	**30.09.19**	**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	12.577	Other equity	14.951	11.775	13.596
-	2.028	844	Profit for the period	982	2.639	-
22.482	21.102	**23.252**	**Total book equity**	**25.764**	23.645	24.834
			Tier 1 capital			
-	-	-	Deferred taxes, goodwill and other intangible assets	-320	-280	-310
-1.407	-	-	Deduction for allocated dividends [1)]	-	-	-1.407
-226	-226	-116	Deduction for expected losses on IRB, net of write-downs	-224	-371	-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	-422	Profit for the period that cannot be included in total Tier 1 capital	-491	-1.320	
-	-	-	Deduction for CET 1 capital in essential investments in financial institutions	-143	-44	-67
-164	-164	-164	Deduction for CET 1 capital in not essential investments in financial institutions	-152	-159	-153
-43	-43	-59	Value adjustment due to requirements concerning proper valuation	-65	-45	-46
18.792	18.405	**20.641**	**Total Common equity Tier 1 capital**	**22.519**	20.177	20.644
1.850	1.250	1.850	Hybrid capital	1.970	1.412	1.982
-	558	-	Tier 1 capital instruments	-	560	-
20.642	20.213	**22.491**	**Total Tier 1 capital**	**24.489**	22.149	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	**24.545**	**Net primary capital**	**26.728**	24.498	24.866

Note 9 Capital adequacy (continued)

Parent bank				Group		
31.12.19	**30.09.19**	**30.09.20**	**Credit risk Basel II**	**30.09.20**	**30.09.19**	**31.12.19**
20.515	22.361	17.594	SME	17.598	24.717	20.522
22.824	23.464	21.462	Specialised enterprises	23.880	24.997	25.215
4.655	6.691	5.798	Other corporations	5.914	6.230	4.767
1.065	1.064	1.065	Mass market SME	1.353	1.345	1.342
14.018	14.330	12.340	Mass market - mortgage on real estate	31.148	29.839	31.289
2.272	2.131	2.757	Other mass market	2.876	2.395	2.352
11.006	11.028	11.578	Equity positions	-	-	-
76.355	81.069	**72.594**	**Total credit and counterparty risk IRB**	**82.769**	89.522	85.487
13	14	31	States and central banks	38	13	25
18	16	39	Local and regional authorities, state-owned enterprises	198	81	73
2.978	1.827	3.739	Institutions	1.539	1.378	1.196
8.517	9.104	9.084	Enterprises	9.437	9.669	8.795
2.854	2.916	3.420	Mass market	4.088	3.833	3.678
-	-	-	Mass market - mortgage on real estate	957	1.427	1.115
2.035	2.420	1.899	Covered bonds	2.282	2.793	2.317
6.029	6.029	6.029	Equity positions	6.354	5.424	5.475
2.588	1.198	2.969	Other assets	3.639	2.412	3.653
25.032	23.524	**27.210**	**Total credit and counterparty risk standard method**	**28.532**	27.030	26.327
236	181	346	Credit value adjustment risk (CVA)	751	558	487
7.067	6.534	7.067	Operational risk	9.442	8.757	9.443
-	-	-	Transitional scheme	-	15.845	-
108.690	111.308	**107.217**	**Risk weighted balance**	**121.494**	141.712	121.744
4.891	5.009	4.825	Minimum requirement for common equtiy Tier 1 capital ratio 4.5 %	5.467	6.377	5.478
			Buffer requirement			
2.717	2.783	2.680	Capital conservation buffer 2.5 %	3.037	3.543	3.044
3.261	3.339	3.217	Systemic risk buffer 3.0 %	3.645	4.251	3.652
2.717	2.226	1.072	Countercyclical capital buffer 1.0 %	1.215	2.834	3.044
8.695	8.348	6.969	Total buffer requirement to common equity Tier 1 capital ratio	7.897	10.628	9.740
5.206	5.048	**8.847**	**Available common equity Tier 1 capital ratio after buffer requireme**	**9.155**	3.171	5.426
17,29 %	16,54 %	19,25 %	Common equity Tier 1 capital ratio, IRB	18,54 %	16,03 %	16,96 %
18,99 %	18,16 %	20,98 %	Tier 1 capital ratio, IRB	20,16 %	17,60 %	18,58 %
20,88 %	20,00 %	22,89 %	Capital ratio, IRB	22,00 %	19,46 %	20,42 %
10,03 %	9,97 %	10,45 %	Leverage Ratio	7,88 %	7,53 %	7,77 %
			Capital ratio [2)]		17,29 %	
			Tier 1 capital ratio [2)]		15,63 %	
			Common equity Tier 1 capital ratio [2)]		14,24 %	

[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 30.09.20	Fair value at 30.09.20 Assets	Liabilities
Currency instruments			
Currency futures (forwards)	5.722	322	106
Currency swaps	28.955	943	316
Currency swaps (basis swaps)	47.375	1.227	155
Currency swaps (basis swaps hedging)	8.017	314	-
Currency options	284	4	4
Total currency instruments	**90.353**	**2.810**	**581**
Interest rate instruments			
Interest rate swaps	71.012	1.051	1.974
Other interest rate contracts	696	348	348
Total interest rate instruments	**71.708**	**1.399**	**2.322**
Interest rate instruments, hedging			
Interest rate swaps	100.096	4.259	27
Total interest rate instruments, hedging	**100.096**	**4.259**	**27**
Security			
Security		2.242	4.962
Totalt security		**2.242**	**4.962**
Total currency and interest rate instruments			
Total currency instruments	90.353	2.810	581
Total interest rate instruments	171.804	5.658	2.349
Total collateral		2.242	4.962
Total financial derivatives	**262.157**	**10.710**	**7.892**
Counterparty risk:			
Netting agreements		2.025	
Considered collateral		7.204	
Total exposure to financial derivatives		**1.481**	

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)	931	5,7
EURIBOR EUR (3 months)	67.455	5,5
EURIBOR EUR (6 months)	241	6,9
LIBOR USD (1 month)	961	2,3
LIBOR USD (3 months)	15.111	2,7
LIBOR USD (6 months)	577	1,5
NIBOR NOK (1 month)	59	6,5
NIBOR NOK (3 months)	49.895	5,2
NIBOR NOK (6 months)	755	5,2
STIBOR SEL (3 months)	233	3,8
Total interest rate instruments	**136.218**	
Currency instruments		
EURIBOR EUR (3 months) to LIBOR USD (3 months)	8.113	3,0
EURIBOR EUR (3 months) to NIBOR NOK (3 months)	35.147	4,4
LIBOR USD (3 months) to NIBOR NOK (3 months)	2.413	2,3
LIBOR USD (6 months) to FIXED NOK	256	5,6
Total currency instruments	**45.929**	
Total exposure to financial derivatives	**182.147**	

Note 11 Securities issued and subordinated loan capital

Group

Change in debt raised through securities issued	**Balance as at 30.09.20**	**Issued/ sale own 2020**	**Past due/ redeemed 2020**	**FX rate- and other changes 2020**	**31.12.19**
Other long-term borrowing	1.335		-1.183	94	2.424
Bonds and certificates, nominal value	123.610	21.672	-18.083	8.883	111.138
Adjustments and accrued interests	4.087			1.485	2.602
Total debt raised through securities issued	**129.032**	21.672	-19.266	10.462	116.164

Change in additional Tier 1 and Tier 2 capital instruments	**Balance as at 30.09.20**	**Issued/ sale own 2020**	**Past due/ redeemed 2020**	**FX rate- and other changes 2020**	**31.12.19**
Term subordinated loan capital, nominal value	2.179			61	2.118
Tier 1 capital instruments, nominal value	-				-
Adjustments and accrued interests	7			-	7
Total additional Tier 1 and Tier 2 capital instruments	**2.186**	-	-	61	2.125

The nominal value of the net outstanding covered bonds in SR-Boligkreditt is NOK 78,8 billion as of 30 September 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 - 30.09.20								
Income statement	**Retail Market**	**Corporate Market**	**Capital Market**	**Staff/ Support**	**Eiendoms-Megler 1**	**Forretnings-partner**	**Other activities**	**Elimi-nations**	**Total**
Interest income	1.700	1.962	97	1.770	1	-	1	-85	5.446
Interest expense	416	364	56	1.552	-	-	10	-100	2.298
Net interest income [1)]	**1.284**	**1.598**	**41**	**218**	**1**	**-**	**-9**	**15**	**3.148**
Commission income	444	229	3	5	303	127	75	-81	1.105
Commission expenses	55	21	1	41	-	-	27	-62	83
Other operating income	1	-	-	7	-	-	26	-30	4
Net commission and other income	**390**	**208**	**2**	**-29**	**303**	**127**	**74**	**-49**	**1.026**
Dividend income	-	-	-	18	-	-	-	-	18
Income from investment in associates	-	-	-	836	-	-	-4	-298	534
Net gains/losses on financial instruments	1	-16	62	-146	-	-	-52	58	-93
Net income on investment securities	**1**	**-16**	**62**	**708**	**-**	**-**	**-56**	**-240**	**459**
Personnel expenses	305	143	36	261	173	89	32	-4	1.035
Administrative expenses	57	7	7	283	26	8	8	-	396
Other operating expenses	68	27	2	127	64	12	51	-25	326
Total operating expenses	**430**	**177**	**45**	**671**	**263**	**109**	**91**	**-29**	**1.757**
Operating profit before losses	**1.245**	**1.613**	**60**	**226**	**41**	**18**	**-82**	**-245**	**2.876**
Impairments on loans and financial commitments	85	1.675	-	-	-	-	-	-	1.760
Pre-tax profit	**1.160**	**-62**	**60**	**226**	**41**	**18**	**-82**	**-245**	**1.116**
Net interest income									
External net interest income	1.284	1.598	41	218	1	-	1	5	3.148
Internal net interest income	-	-	-	-	-	-	10	-10	-
Net interest income	**1.284**	**1.598**	**41**	**218**	**1**	**-**	**11**	**-5**	**3.148**
Balance sheet									
Loans to customers	135.898	77.274	372	3.614	-	-	-	-362	216.796
Impairments on loans	-213	-2.093	-	-	-	-	-	-	-2.306
Certificates/bonds/financial derivatives	-	-45	4.584	54.593	-	-	6	-10.030	49.108
Other assets	8.161	30.949	1.514	-8.777	224	214	1.440	-16.985	16.740
Total assets	**143.846**	**106.085**	**6.470**	**49.430**	**224**	**214**	**1.446**	**-27.377**	**280.338**
Deposits from customers	58.777	55.679	21	-1.001	-	-	-	-228	113.248
Other debt and equity [1)]	14.471	48.529	6.393	122.962	224	214	1.446	-27.149	167.090
Total debt and equity	**73.248**	**104.208**	**6.414**	**121.961**	**224**	**214**	**1.446**	**-27.377**	**280.338**
Loans sold to SpareBank 1 Boligkreditt	**3.390**	**-**							**3.390**

[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)

	SpareBank 1 SR-Bank Group 01.01.19 - 30.09.19								
Income statement	**Retail Market**	**Corporate Market**	**Capital Market**	**Staff/ Support**	**Eiendoms-Megler 1**	**Forretnings-partner**	**Other activities**	**Elimi-nations**	**Total**
Interest income	1.663	1.960	60	2.028	2	-	2	-92	5.623
Interest expense	427	511	39	1.810	-	-	7	-96	2.698
Net interest income [1]	**1.236**	**1.449**	**21**	**218**	**2**	**-**	**-5**	**3**	**2.925**
Commission income	463	244	-	16	298	98	73	-59	1.133
Commission expenses	57	19	-	34	-	-	26	-56	80
Other operating income	-	-	-	6	-	-	9	-11	4
Net commission and other income	**406**	**225**	**-**	**-12**	**298**	**98**	**56**	**-14**	**1.057**
Dividend income	-	-	-	31	-	-	-	-	31
Income from investment in associates	-	2	-	1.021	-	-	20	-183	860
Net gains/losses on financial instruments	4	14	66	127	-	-	18	-15	214
Net income on investment securities	**4**	**16**	**66**	**1.179**	**-**	**-**	**38**	**-198**	**1.105**
Personnel expenses	301	150	38	312	176	72	29	-2	1.076
Administrative expenses	58	13	8	280	31	6	6	1	403
Other operating expenses	71	25	2	122	75	9	34	-17	321
Total operating expenses	**430**	**188**	**48**	**714**	**282**	**89**	**67**	**-17**	**1.800**
Operating profit before losses	**1.216**	**1.502**	**39**	**671**	**18**	**9**	**22**	**-192**	**3.287**
Impairments on loans and financial commitments	6	90	-	-	-	-	-	-	96
Pre-tax profit	**1.210**	**1.412**	**39**	**671**	**18**	**9**	**22**	**-192**	**3.191**
Net interest income									
External net interest income	1.236	1.449	21	218	2	-	2	-3	2.925
Internal net interest income	-	-	-	-	-	-	7	-7	-
Net interest income	**1.236**	**1.449**	**21**	**218**	**2**	**-**	**9**	**-10**	**2.925**
Balance sheet									
Loans to customers	124.675	75.405	151	3.639	-	-	-	-295	203.575
Individual loss provisions	-149	-1.203	-	-	-	-	-	-	-1.352
Certificates/bonds/financial derivatives	-	-	2.841	44.442	-	-	2	-8.193	39.092
Other assets	-2.041	3.459	2.331	16.777	171	194	1.444	-12.046	10.289
Total assets	**122.485**	**77.661**	**5.323**	**64.858**	**171**	**194**	**1.446**	**-20.534**	**251.604**
Deposits from customers	53.718	48.745	23	-74	-	-	-	-231	102.181
Other debt and equity [1]	8.225	27.543	5.221	126.984	171	194	1.446	-20.361	149.423
Total debt and equity	**61.943**	**76.288**	**5.244**	**126.910**	**171**	**194**	**1.446**	**-20.592**	**251.604**
Loans sold to SpareBank 1 Boligkreditt	**6.279**	**-**							**6.279**

Note 13 Net income/losses from financial instruments

Parent bank 01.01.19 - 31.12.19	Parent bank 01.01.19- 30.09.19	Parent bank 01.01.20- 30.09.20		Group 01.01.20- 30.09.20	Group 01.01.19- 30.09.19	Group 01.01.19 - 31.12.19
70	39	-95	Net gains/losses on equity instruments	-56	75	111
-137	-39	173	Net gains/lossses for bonds and certificates	166	-60	-156
141	61	-250	Net derivatives bonds and certificates	-250	61	141
-	-1	-49	Net counterparty risk, inclusive of CVA	-49	-1	-
-1	3	22	Net derivatives other assets	22	3	-1
-8	-7	2	Net derivatives liabilities	-7	18	5
-18	2	-21	Net derivatives basis swap spread	-16	24	-10
136	99	104	Net gain currency	97	94	131
183	157	**-114**	**Net income/losses from financial instruments**	**-93**	214	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:

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

Change in pension obligations (NOK million):

Parent bank 2019	Parent bank Q3 2019	Parent bank Q3 2020	Parent bank 01.01.19 - 30.09.19	Parent bank 01.01.20 - 30.09.20		Group 01.01.20 - 30.09.20	Group 01.01.19 - 30.09.19	Group Q3 2020	Group Q3 2019	Group 2019
164	253	296	164	176	Net pension obligations opening balance	187	175	307	264	175
-30	55	-150	168	-34	Actuarial liabilities and losses recognised in comprehensive income	-34	169	-150	55	-30
13	4	3	10	9	Net pension cost	8	11	2	5	17
-2	-	-	-	-	Company contributions	-	-	-	-	-2
-4	-2	-1	-3	-3	Payments from operations	-3	-5	-1	-3	-7
35	-	51	-29	51	Upper limit for capitalisation of the asset	51	-29	51	-	34
176	310	**199**	310	**199**	**Net pension obligations closing balance**	**209**	321	**209**	321	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 third quarter of 2020. The total LCR was 154 % at the end of the third quarter, and the average total LCR was 147 % in the quarter. The LCR in NOK and EUR at the end of the quarter was 103 % and 988 %, 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 30.09.2020	Level 1	Level 2	Level 3	**Total**
Assets				
Net lending to customers [1]			9.689	**9.689**
Commercial paper and bonds	19.633	11.542		**31.175**
Financial derivatives		10.710		**10.710**
Equities, units and other equity interests	448	28	440	**916**
Liabilities				
Financial derivatives		7.892		**7.892**
No transfers between levels 1 and 2				

[1] Net lending to customers in parent bank, level 3 48.089

Note 17 Information about fair value (continued)

Fair value 30.09.2019	Level 1	Level 2	Level 3	**Total**
Assets				
Net lending to customers [1)]			8.765	**8.765**
Commercial paper and bonds	17.673	8.167		**25.840**
Financial derivatives		6.765		**6.765**
Equities, units and other equity interests	426	27	451	**904**
Liabilities				
Financial derivatives		5.044		**5.044**
No transfers between levels 1 and 2				
[1)] Net lending to customers in parent bank, level 3			49.616	

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	1.929	53
Disposals	-1.506	-38
Transferred from or to measurement according to prices in an active market or observable market data		
Change in value [1)]	318	-30
Balance 30.09.2020	**9.689**	**440**
Nominal value/cost price	9.339	292
Fair value adjustment	350	148
Balance 30.09.2020	**9.689**	**440**

[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 31 million.

Fair value of financial instruments at amortised cost

Group	**Balance 30.09.2020**	**Fair value 30.09.2020**
Assets		
Cash and balances with central banks	657	657
Balances with credit institutions [1)]	7.248	7.248
Loans to customers [1)]	204.801	204.801
Certificates and bond	7.223	6.655
Total assets at amortised cost	**219.929**	**219.361**
Liabilities		
Balances with credit institutions [1)]	466	466
Deposits from customers [1)]	113.248	113.248
Listed debt securities	129.032	129.412
Subordinated loan capital	2.186	2.188
Total liabilities at amortised cost	**244.932**	**245.314**

[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		
	01.01.19 -	01.01.20 -		01.01.20 -	01.01.19 -	
2019	30.09.19	30.09.20		30.09.20	30.09.19	2019
			Balance			
682	289	937	Lease rights	398	399	398
688	292	954	Liabilities associated with lease rights	409	404	395
			Income Statement			
32	20	38	Depreciations on lease rights	31	29	39
12	8	24	Interests on lease liabilities	11	10	14
44	28	**62**	**Total IFRS 16 costs**	**42**	39	53
			Effects of IFRS 16			
38	16	51	Reduction in operating costs pursuant to IAS 17	24	34	48
44	19	62	Increase in costs pursuant to IFRS 16	42	39	53
-6	-3	**-11**	**Changes to pre-tax profit**	**-18**	-5	-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	18	Additions in the period	11	38	47
32	20	38	Depreciations	31	29	39
682	289	**937**	**Lease rights at the end of the periode**	**398**	399	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	18	Additions in the period	11	38	37
38	25	51	Instalments in the period	28	34	46
12	8	24	Interest rate	11	10	14
688	292	**954**	**Liabilities associated with lease rights, at the end of the period**	**409**	404	395

Note 19 Events after the balance sheet date

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

Quarterly income statement

SpareBank 1 SR-Bank Group, MNOK	**Q3 2020**	**Q2 2020**	**Q1 2020**	**Q4 2019**	**Q3 2019**	**Q2 2019**	**Q1 2019**	**Q4 2018**	**Q3 2018**
Interest income	1.547	1.752	2.147	2.120	2.003	1.861	1.759	1.690	1.586
Interest expense	506	726	1.066	1.058	984	893	821	764	715
Net interest income	**1.041**	1.026	1.081	1.062	1.019	968	938	926	871
Commission income	365	368	372	383	359	412	362	370	370
Commission expenses	31	24	28	31	29	29	22	20	22
Other operating income	2	-	2	7	2	1	1	-	1
Net commission and other income	**336**	344	346	359	332	384	341	350	349
Dividend income	1	17	-	-	4	8	19	-	-
Income from investment in associates	147	145	242	15	98	226	536	113	94
Net gains/losses on financial instrument	42	135	-270	7	-13	106	121	-45	81
Net income on financial investments	**190**	297	-28	22	89	340	676	68	175
Total income	**1.567**	1.667	1.399	1.443	1.440	1.692	1.955	1.344	1.395
Personnel expenses	357	330	348	396	375	357	344	330	322
Administrative expenses	126	130	140	152	132	137	134	137	126
Other operating costs	112	110	104	130	108	108	105	109	94
Total operating cost	**595**	570	592	678	615	602	583	576	542
Operating profit before impairments	**972**	1.097	807	765	825	1.090	1.372	768	853
Impairments on loans and financial commitments	369	831	560	139	66	-19	49	92	59
Pre-tax profit	**603**	266	247	626	759	1.109	1.323	676	794
Tax expense	98	10	26	141	166	209	177	149	160
Profit after tax	**505**	256	221	485	593	900	1.146	527	634
Profitability									
Return on equity per quarter [1]	8,2 %	4,0 %	3,4 %	8,3 %	10,5 %	16,2 %	21,2 %	10,1 %	12,6 %
Cost percentage [1]	38,0 %	34,2 %	42,3 %	47,0 %	42,7 %	35,6 %	29,8 %	42,9 %	38,9 %
Combined weighted total average spread for lending and deposits [1]	1,48 %	1,50 %	1,64 %	1,64 %	1,61 %	1,58 %	1,60 %	1,59 %	1,53 %
Balance sheet figures from quarterly accounts									
Gross loans to customers	216.796	214.432	212.161	207.114	203.575	198.626	196.468	192.105	183.014
Gross loans to customers including SB1 BK and SB1 NK [2]	220.186	218.630	216.354	211.357	209.854	207.513	205.406	201.399	196.445
Growth in loans over last 12 months [1]	6,5 %	8,0 %	8,0 %	7,8 %	11,2 %	11,0 %	12,7 %	11,3 %	9,5 %
Growth in loans incl SB1 BK and SB1 NK [1][2]	4,9 %	5,4 %	5,3 %	4,9 %	6,8 %	7,3 %	8,7 %	7,6 %	6,1 %
Deposits from customers	113.248	111.170	105.545	103.106	102.181	102.693	98.991	98.814	100.320
Growth in deposits over last 12 months [1]	10,8 %	8,3 %	6,6 %	4,3 %	1,9 %	-3,0 %	-0,6 %	3,6 %	1,7 %
Total assets	280.338	278.715	278.639	255.895	251.604	246.462	241.926	234.061	226.023
Average total assets	280.147	275.917	264.959	256.488	251.291	245.009	237.959	231.062	225.472
Impairments on loans and financial commitments									
Impairment ratio, annualized [1]	0,68 %	1,56 %	1,07 %	0,27 %	0,13 %	-0,04 %	0,10 %	0,20 %	0,13 %
Impairment ratio, including loans SB1 BK and SB1 NK [1][2]	0,67 %	1,53 %	1,05 %	0,26 %	0,13 %	-0,04 %	0,10 %	0,18 %	0,12 %

[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)

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 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]	1,59 %	1,87 %	1,42 %	1,32 %	1,34 %	1,23 %	1,22 %	1,27 %	1,28 %
Loans and financial commitments in Stage 3 in % of gross loans and fin. commitments, including loans SB1 BK and SB1 NK [1) 2)]	1,57 %	1,84 %	1,40 %	1,30 %	1,30 %	1,19 %	1,17 %	1,22 %	1,21 %
Loans and financial commitments in Stage 2 in % of gross loans and financial commitments [1]	6,21 %	5,51 %	6,67 %	6,97 %	7,39 %	6,80 %	6,85 %	8,02 %	8,67 %
Loans and financial commitments in Stage 2 in % of gross loans and fin. commitments, including loans SB1 BK og SB1 NK [1) 2)]	6,13 %	5,42 %	6,56 %	6,85 %	7,20 %	6,56 %	6,60 %	7,71 %	8,18 %
Solidity									
Common equity Tier 1 capital ratio [3) 5)]	18,5 %	18,3 %	17,7 %	17,0 %	14,2 %	14,4 %	14,7 %	14,7 %	14,7 %
Tier 1 capital ratio [3) 5)]	20,2 %	19,9 %	19,2 %	18,6 %	15,6 %	15,8 %	16,0 %	15,9 %	16,0 %
Capital ratio [3) 5)]	22,0 %	21,8 %	21,0 %	20,4 %	17,3 %	17,5 %	17,7 %	17,6 %	17,8 %
Tier 1 capital [3]	24.489	24.299	24.182	22.626	22.149	22.068	21.475	20.743	20.613
Net primary capital	26.728	26.538	26.421	24.866	24.498	24.417	23.759	23.038	23.026
Risk weighted balance [3]	121.494	121.918	125.780	121.744	141.712	139.545	134.649	130.869	129.216
Leverage ratio	7,9 %	7,8 %	7,9 %	7,8 %	7,5 %	7,6 %	7,7 %	7,7 %	7,7 %
Liquidity									
Liquidity Coverage Ratio (LCR) [4]	154 %	159 %	135 %	155 %	153 %	154 %	172 %	167 %	151 %
Deposit-to-loan ratio [1]	52,2 %	51,8 %	49,7 %	49,8 %	50,2 %	51,7 %	50,4 %	51,4 %	54,8 %
Deposit-to-loan ratio, incl loans SB1 BK and NK [1) 2)]	51,4 %	50,8 %	48,8 %	48,8 %	48,7 %	49,5 %	48,2 %	49,1 %	51,1 %
Branches and staff									
Number of branches	35	34	33	33	34	34	35	36	36
Number of man-years	1.279	1.255	1.272	1.260	1.250	1.228	1.192	1.178	1.176
Number of man-years including temps	1.326	1.323	1.336	1.352	1.309	1.322	1.256	1.251	1.266
SpareBank 1 SR-Bank share									
Market price at end of quarter	77,40	69,90	59,20	100,00	99,15	103,90	99,40	89,20	99,00
Market capitalisation	19.795	17.877	15.140	25.575	25.358	26.573	25.422	22.813	25.319
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]	93,51	91,32	90,55	89,90	87,60	85,44	86,55	82,27	80,02
Earnings per share, NOK (annualised)	1,97	1,00	0,86	1,90	2,32	3,52	4,48	2,06	2,48
Price/earnings per share [1]	9,80	17,46	17,21	13,16	10,68	7,38	5,54	10,81	9,98
Price / Book equity (group) [1]	0,83	0,77	0,65	1,11	1,13	1,22	1,15	1,08	1,24
Annualised turnover rate in quarter [6]	6,1 %	11,0 %	9,4 %	4,7 %	3,6 %	5,3 %	5,3 %	8,4 %	6,1 %
Effective return [7]	10,7 %	18,1 %	-40,8 %	0,9 %	-4,6 %	9,1 %	11,4 %	-9,9 %	14,6 %

[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