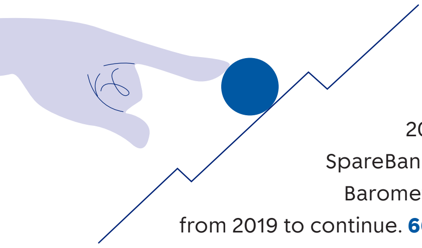
Annual Report 2020

SpareBank 1 SR-BANK

Milestones in the past year

Q1



At the start of 2020, the companies in SpareBank 1 SR-Bank's Business Barometer expect the upturn from 2019 to continue. **66% of the companies expect higher turnover.**

Norway closes down on 12 March. SpareBank 1 SR-Bank's main priorities are to protect life and health by preventing the spread of infection and ensuring the safe and stable operation of the group. Branches close their doors to drop-in visitors and employees start working from home. SR-Bank remains open to customers via agreed meetings, the telephone, chat and in digital channels.

The government announces crisis packages for a hard hit business sector on 15 March. SpareBank 1 SR-Bank follows up by taking immediate steps to accept applications for liquidity loans in order to help companies through a demanding period and contribute to saving jobs.

In the wake of 12 March, SpareBank 1 SR-Bank receives an average of **220 applications for interest-only periods a day**. Despite the high demand from customers, its investments in technology and robotisation over many years enable the group to cope with the numerous customer enquiries. **The robots process 50 FTEs of work.**

Q2

On 22 April 2020, SpareBank 1 SR-Bank **releases an extraordinary profit** warning. The group's impairment on loans and financial liabilities is expected to be around NOK 560 million for the first quarter of 2020 due to changed market conditions for offshore-related activities

SpareBank 1 SR-Bank announces that **interest rates for loans and deposits will be cut** on 7 May. We have never before seen an interest rate market with such low prices. There is considerable uncertainty about developments going forward and low activity in the Norwegian economy. Money market rates have recently fallen and have continued to fall after Norges Bank set its key policy rate to 0%.

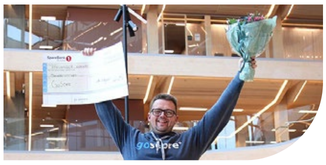
The board of SpareBank 1 SR-Bank adopts **the group's first climate strategy**. This commits the group to complying with the goals set in the Paris Agreement.

2020 is a very different year, this is also noticeable from the customer's behaviour and finances. The bank receives **60% more mortgage applications in the second quarter of 2020** than the year before. It is young customers aged 25-34 in particular who are active in the housing market.

Contents

Q3

SpareBank 1 SR-Bank ForretningsPartner, a wholly owned subsidiary of SpareBank 1 SR-Bank, continues to grow as it **takes over Fast Solutions**. Following the acquisition, the company has 180 employees and has grown turnover from NOK 0 to more than NOK 170 million in 5 years.



Goscore wins the Gründerhub Award 2020 and collects NOK 250,000. Goscore's concept is to make credit rating customers easier and better for banks and financial institutions.

Every year, the Governance Group ranks the 100 largest companies on the Oslo Børs based on their reporting on environmental conditions, social conditions and governance (ESG). To achieve top marks in the ranking, a company must set specific targets for sustainability that must fit with other reporting on strategy, risk and result attainment. **SpareBank 1 SR-Bank scores a B+.**

The Covid-19 outbreak and spring fall in oil prices continue to present challenges for companies. **SpareBank 1 SR-Bank's Business Barometer indicates that next year may see major differences between industries.** The main index of the Business Barometer for Southern Norway for October 2020 climbs to 50 – from 44 in the survey for May.

Q4

SpareBank 1 SR-Bank appoints Benedicte Schilbred Fasmer the group's new CEO. She takes over from Arne Austreid who is stepping down as planned at the end of the year.

Norway is hit by a second wave of infections. The group reintroduces stricter Covid-19 measures with branches closed to drop-in visitors, more working from home and no work travel between different branches. This is to help prevent the spread of infection in communities.

SpareBank 1 and DNB join forces to acquire Uni Micro, one of Norway's leading actors within ERP and financial management systems, and thus seek a technology partnership within accounting.

SpareBank 1 SR-Bank supports **new climate measures for developing more climate-friendly shipping**. The bank signs up to the Poseidon Principles initiative, a global framework in which banks have come together to encourage their shipping customers to abide by good responsible environmental standards.

POSEIDON PRINCIPLES

Highlights

(Figures in NOK millions)	**2020**	2019
Net interest income	4,142	3,987
Net commissions and other operating income	1,396	1,416
Net income from financial investments	699	1,127
Total operating costs	2,386	2,478
Operating profit before impairment losses	**3,851**	4,052
Impairments on loans and financial liabilities	2,030	235
Pre-tax profit	**1,821**	3,817

Key figures

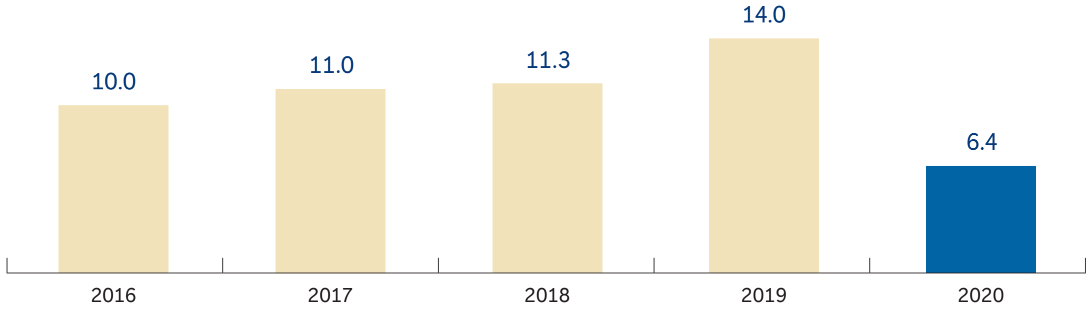
	2020	2019
Profitability		
Return on equity %	6.4	14.0
Cost/income ratio	38.3	37.9
Average interest margin %	1.50	1.61
Balance sheet figures		
Gross loans to customers	219,181	207,114
Gross loans to customers, incl. SpareBank 1 Boligkreditt	219,181	211,357
Deposits from customers	118,170	103,106
Lending growth including SpareBank 1 Boligkreditt	3.7%	4.9%
Deposit growth	14.6%	4.3%
Total assets 31 Dec	287,049	255,895
Financial strength		
Common Equity Tier 1 capital ratio [1]	18.3	17.0
Tier 1 capital ratio [1]	19.9	18.6
Capital ratio [1]	21.7	20.4
Leverage ratio	7.8	7.8
Tier 1 capital	24,127	22,626
Liquidity		
Liquidity coverage ratio (LCR)	157%	155%
Deposit-to-loan ratio	53.9%	49.8%
Deposit coverage ratio including SpareBank 1 Boligkreditt	53.9%	48.8%
Branches and staffing		
No. of FTEs, incl. temps	1,332	1,352
No. of branches	34	33
SpareBank 1 SR-Bank share		
Market price at year end	91.00	100.00
Earnings per share	6.22	12.22
Dividend per share [1] [2]		5.50
Effective yield on share %	-9.0	17.2

[1] A decision was made in April 2020 not to pay a dividend for 2019 at this time. The figures reported as at 31 December 2019 have not been restated. The board exercised its special authorisation from April 2020 and at the board meeting on 10 February 2021 approved a dividend of NOK 5.50 per share for the 2019 financial year. The dividend of NOK 5.50 was taken account of in the capital ratio.

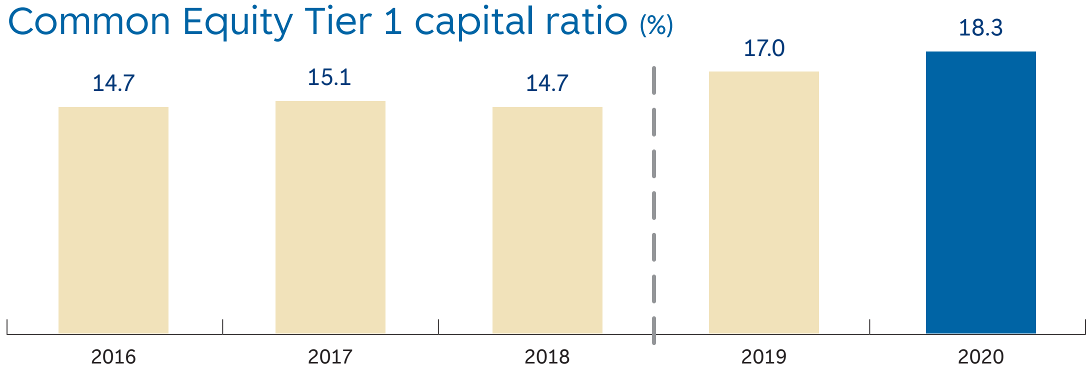
[2] The board will ask the annual general meeting for special authorisation to approve payment of a dividend for the 2020 financial year of up to NOK 3.10, in line with the applicable regulations. The potential dividend of NOK 3.10 has not been taken account of in the capital ratio.

Please also refer to the complete overview of key figures and definitions on pages 19 and 144.

Return on equity (%)

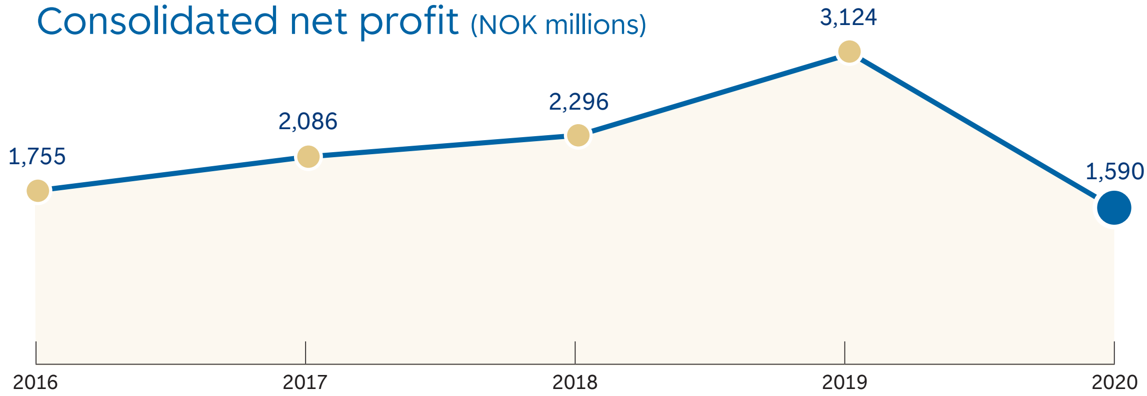


Common Equity Tier 1 capital ratio (%)

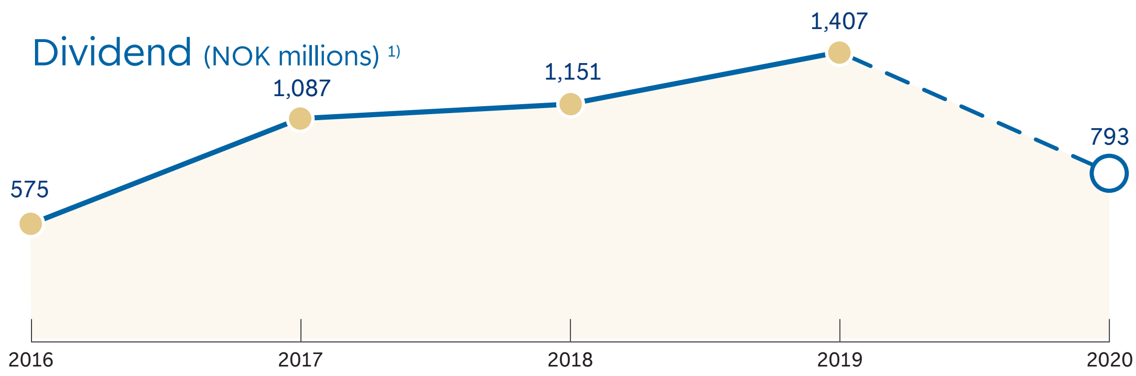


Historical capital ratio figures are based on the capital adequacy rules and regulations up to and including 2018, when the so-called Basel I floor applied.

Consolidated net profit (NOK millions)



Dividend (NOK millions) 1)



1) In April 2020, the board received special authorisation to decide on the payment of a dividend at a later date and at the board meeting on 10 February 2021 it exercised this authorisation and approved a dividend of NOK 5.50 per share for the 2019 financial year.
The board will ask the annual general meeting for special authorisation to approve payment of a dividend for the 2020 financial year of up to NOK 3.10, in line with the applicable regulations.

A very different year

The year 2020 can rightly be described as a year that was totally different than what was expected.

SpareBank 1 SR-Bank started the year by presenting the Business Barometer in the first week of January. The barometer is produced on the basis of responses from around 800 companies with activities in Southern Norway. The conclusion was that 2020 could be a very good year driven by increased exports and more oil activity. That is not how things turned out. The news of an unknown virus which was spreading resulted in society having to be shut down. When the price of oil fell too, optimism also disappeared. The contours of a year that could prove difficult could be seen as early as the end of February. And it was.

Despite the fact that it was very difficult year and the annual financial statements had to endure historically high impairment losses, we have coped better than expected. Net profit for the year of NOK 1,590 million gave a return on equity of 6.4%, after total impairment losses of NOK 2,030 million. We have the ability to absorb substantial impairment losses without charging equity thanks to a robust and diversified operating model.
The group's operating profit before impairment losses and income from financial investments increased by NOK 227 million compared with 2019 and ended the year at NOK 3,152 million in 2020. The good improvement in performance in underlying operations was largely due to increased net interest income and reduced cost levels.

We have been committed to being there for our customers at what is a challenging time. We have been able to help a substantial number of customers who found themselves in difficult situations. Expert and motivated employees combined with modern technology and digital tools ensured that our customers had access to all of our products and services throughout the year. And that in a year when most of the group's operations were run by staff working from home and branches were partially closed. It is with great satisfaction and pride that I can say that we have managed to maintain good operations in all parts of the group in a demanding year.

We continue to grow. Our position outside Rogaland, which has long been our main market, has become clearer. The growth in lending of NOK 7.8 billion can largely be attributed to our aggressive efforts in Vestland, Agder and Oslo. The growth in Rogaland is more subdued, but in line with the development in the region. This is part of our strategy and ambition to position ourselves as a financial services group for the whole of Southern Norway. EiendomsMegler 1 experienced better activity in the housing market than expected. SpareBank 1 SR-Bank ForretningsPartner reaped the benefits of several acquisitions in the past few years in the form of a substantial increase in turnover. The demand from customers needing mortgages was good.

Our membership of the UN Environment Programme Finance Initiative UN Environment Programme Finance Initiative (UNEP FI) obligates us to reduce the group's direct and indirect CO2 emissions in line with Norway's national obligations under the Paris Agreement. We are already well on our way to achieving this. In 2020, we cut our direct CO2 emissions by 364 tonnes CO2e, down from 701 tonnes CO2e in 2019. We also adopted a revised sustainability strategy and a new climate strategy in 2020 that have been adapted to the goals of the Paris Agreement. In 2020, we started using a new framework for ESG scoring our corporate customers with exposures of more than NOK 50 million, and during the course of the year, 220 credit exposures received an ESG score based this on agreement.

We are financially strong and have a diversified business model. In 2020, the Common Equity Tier 1 capital ratio was 18.3%, which is well above the regulatory requirement and our own target. In the calculation of the capital ratio,

account has been taken of the dividend set aside for the 2019 financial year and the withheld profit for the 2020 financial year. We are committed to complying with the authorities' requirements, at the same time as being over-capitalised over time is not a goal in itself. We still intend to pay out a dividend to our owners of up to 50% of the group's annual profit over time.

We have long experience of cyclical fluctuations and that makes us even more capable of handling the future in a good, prepared manner. As the new CEO, from 1 January 2021, I believe that the group's capable employees and enterprising customers will together lay the foundations for continued growth and restructuring. Our market area, Southern Norway, is home to more than half of Norway's population. The people who live and work here are enterprising individuals who have always sought out opportunities. Enterprising individuals who have always been able to think big and set off into the unknown. Together with our customers, these are the values that continue to drive us forward.

Benedicte Schilbred Fasmer
CEO

SpareBank 1 SR-Bank

The group, strategy and objectives

SpareBank 1 SR-Bank ASA aims to be a financial services group for the whole of Southern Norway. A group that puts money to work and thus creates profitability and value for our customers, owners and society.

SpareBank 1 SR-Bank's objectives are to stimulate growth and development. The group puts money to work and helps people and companies realise their projects and dreams. The group wants to stimulate the creation of more jobs and viable companies, while looking out for future generations by basing its operations on sustainability.

SpareBank 1 SR-Bank is Norway's second largest financial services group and has a national distribution network. The group has a physical presence in Rogaland, Vestland, Agder, Oslo and Viken. The group's head office is in Stavanger and its strongest foothold is in Rogaland County. Its ambition is to achieve further profitable growth, including outside the group's traditional market areas. The group established its first branch in Oslo in 2018, and two further new branches were opened in the Oslo region in 2020. Its efforts outside Southern and Western Norway resulted in lending growth of NOK 6 billion in 2020. The largest proportion of the bank's total lending growth now comes from outside Rogaland County.

Business areas

SpareBank 1 SR-Bank is a fully fledged financial services group offering traditional banking services such as loans, insurance and savings products, securities trading, accounting services and estate agency services for both retail and corporate customers.

The group's main focus areas are the retail market, the corporate market and the public sector market. SpareBank 1 SR-Bank had more than 350,000 customers and exceeded NOK 219 billion in gross loans in 2020.

In 2019, SpareBank 1 SR-Bank acquired the start-up company Monner. SpareBank 1 SR-Bank aims to use Monner to become a national bank for entrepreneurs. Going forward, Monner will deliver a comprehensive range of services designed for entrepreneurial companies, as well as products and services for private investors via Monner's digital platform.

EiendomsMegler 1 SR-Eiendom enjoys a strong market position in Rogaland and has ambitions to grow in all of the counties in Southern and Western Norway. The company provides services for both private and corporate customers.

SpareBank 1 SR-Bank ForretningsPartner provides accounting and advice services for corporate customers and helps to ensure a more complete range of services for such customers. SpareBank 1 SR-Bank ForretningsPartner AS had nine offices at year end 2020: three in Rogaland, three in Bergen, two in Agder, and one in Oslo, as well as around 2,600 customers.

The subsidiary SR-Forvaltning provides SR-Bank funds and its ambition is to become the largest fund management company outside Oslo. In 2019, SR-Bank Fondene became SpareBank 1 SR-Bank's recommended fund and during 2020 the capital under management increased from NOK 12.5 billion to NOK 13.5 billion at the end of the year.

A long-term mindset for more than 180 years

The customers have driven SpareBank 1 SR-Bank forward since 1839. SpareBank 1 SR-Bank's greatest competitive advantage is that we are a bank that stands at the intersection between a commercial bank and a savings bank with historic roots in many local savings banks. The bank believes that the employees' knowledge and understanding of the distinctive characteristics of the many local market areas, combined with SpareBank 1 SR-Bank's capacity as a limited liability savings bank to raise capital, is a competitive advantage.
In 1976, Sparebanken Rogaland (SR-Bank) was established as an amalgamation of 22 local savings banks. Ever since then, SpareBank 1 SR-Bank has felt an innate need to grow geographically, and also to enter into new industries and focus on innovation. Throughout its history, the group has been involved in upturns and downturns in the Norwegian economy and learned from these economic fluctuations. Sectoral, geographic and financial diversification has equipped the group well for the years ahead.

SpareBank 1 SR-Bank's largest owner is Sparebankstiftelsen SR-Bank. The group was converted from an equity certificate bank to a public limited company (limited liability

savings bank) with effect from 1 January 2012. The Sparebankstiftelsen SR-Bank foundation was established at the same time. The purpose of the foundation is to manage the shares it received upon its formation and to exercise and maintain a substantial, long-term and stable ownership interest in SpareBank 1 SR-Bank. The foundation can distribute the surplus just as savings banks have traditionally done and donates to non-profit projects in the group's market area.

SpareBank 1 SR-Bank's goal is to produce financial results that provide a good, stable return on equity and a competitive return in the form of dividends and a higher SRBANK share price for owners.

The group is benefiting from economies of scale. It collaborates with other independent Norwegian banks on the development of IT solutions and digital services, marketing and purchasing through SpareBank 1 Gruppen.

Macro trends

The need to restructure has been a constant feature of the last few years. Changes in customer behaviour are one of the most important drivers behind restructuring and innovation for SpareBank 1 SR-Bank. Recently, the greatest changes in operations have involved digitalisation, although the group is now seeing sustainability also become an important new driver of change.

At the same time, the group can see that corporate customers, especially within the petroleum and export industries are characterised by growth and optimism. The group wants to help ensure that companies take advantage of good times to restructure and diversify their businesses. The banking market is experiencing increased competition and pressure on margins, as well as steadily stricter regulatory requirements with which the group must deal.

Sustainability as a priority area

SpareBank 1 SR-Bank must have an active relationship to sustainability throughout its entire organisation. The board approved a sustainability strategy in 2020 and this is subject to continuous development. The group is making progress towards its goal of ranking among the top 30% of the companies on the Oslo Børs within the area of sustainability. Assessments conducted by third parties show that the group is already performing well within the area of ESG (sustainability) with an ESG rating of 77 that is classifies it as an outperformer. In 2019, the group also launched its first green home mortgage bond.

Our strategic goals

A relationship bank for Southern Norway.

The group's overarching goal is to achieve profitable customer growth. This will be achieved by taking a clear position as a future-oriented relationship bank for Southern Norway. Increasing the geographic spread of its operations makes the group less vulnerable to fluctuations in local markets.

Focusing on a combination of technology and people

SpareBank 1 SR-Bank's strategy is to combine technology and people. Competent employees build strong relationships with customers and there is the potential to reach even more customers with the aid of digital tools. The group's employees are a key driver behind growth and profitability in combination with good digital solutions and intelligent decision-making support.

SpareBank 1 SR-Bank is continuously changing in order to rationalise and adapt our organisational structure to the customers' behaviour. In order to realise the group's goals, employees must be able to adapt their skills in step with the constant changes to, and renewal of, the business model. This means that every employee in the group has to update their knowledge and adopt new solutions quickly. The organisation needs to be efficient and well-run and have a future-oriented, dynamic profile with great capacity to adapt.

Customer services

Customers' perceptions of SpareBank 1 SR-Bank are formed in every interaction and meeting with the group, and the sum of these help to build the SpareBank 1 SR-Bank brand. All customer interactions should be a positive experience. Profitable growth is generated by looking after existing customers while striving to recruit new long-term customer relationships. The organisation must have a 'customer first' mentality at all levels.

One means in the fight for customer relationships is the overall range of customer services the group can offer. In addition to their purely financial value, strategic stakes in subsidiaries also provide opportunities to enrich the business model and strengthen the group's overall competitiveness.

The group believes that it has a social responsibility to show customers how money works in society and prepare them for future developments. The group wants to help customers make good choices that will ensure them a secure financial future by providing good advice and through other communication. The group has 35 branches. The self-service channels and the fact that customers can meet us in person at branches or contact us on the phone, via chat and on Facebook mean that the group is always available to the customer. The SpareBank 1 Alliance's innovation work is steadily expanding the options available to customers via the bank's digital channels.

In 2020, the group continued to streamline and optimise its business models within both the corporate market and the retail market, especially by simplifying and automating customer and work processes. The work on digitalising credit processes and establishing new customer relationships is ongoing. In 2020, 55% of new product sales to retail customers took place digitally and more than 1,300 companies have used the bank's "Start a company" solution to create a new company. The bank's chatbot, Banki, has responded to 250,000 customer enquiries from retail customers and 28% of these enquiries were forwarded to an adviser.

Profitability

SpareBank 1 SR-Bank will focus on profitable customer growth in 2021. The group will take a strategic approach to cost effectiveness with the goal of achieving a ranking among the top 50% of comparable financial services groups in a Nordic benchmark with respect to return on equity and cost/income ratio. This goal will be achieved by increasing income from profitable lending growth and clear growth in other income.

Clear requirements are set for lending in the corporate market. The companies that receive financing must have a long-term perspective and the group must know the owners and management of the company well. Financing linked to shipping and offshore is managed by a central specialist environment.

SpareBank 1 SR-Bank's creates value by assuming recognised and acceptable risk. The group therefore invests substantial resources in developing risk management systems, processes and skills in line with leading international practices.

Innovation and development/diversification

SpareBank 1 SR-Bank is experimenting with, and testing out, new services to reach out to new and existing customers. The group is creating synergies that will benefit customers and society in the form of new products, competence, access to capital and ideas. This is being done via an ecosystem with an internal focus on innovation and development combined with a focus on entrepreneurial companies and investments in new companies. SpareBank 1 SR-Bank is also helping to build start-up companies through Gründerhub.

Foundation

PURPOSE
Our aim is to stimulate growth and development

VISION
The customer's first choice

POSITION
The bank for enterprising people

VALUES
Prudence and respect – committed and efficient

SpareBank 1 SR-Bank Group

SpareBank 1 SR-BANK

Wholly owned subsidiaries

EiendomsMegler 1 SR-Eiendom AS
Sales of homes and commercial properties
190

SR-Boligkreditt AS
Mortgage company - issuer of covered bonds (home mortgages)
1

SR-Forvaltning AS
Fund management and portfolio management
13

FinStart Nordic AS **
Investment portfolio FinTech
15

SpareBank 1 SR-Bank ForretningsPartner *
Accounting and advice
154

Monner AS
Digital loan platform for small businesses
16

Part-owned companies

BN Bank 35.0%
Commercial bank with offices in Oslo and Trondheim

SpareBank 1 Gruppen 19.5%
Holding company for the products companies in the SpareBank 1 Alliance

SpareBank 1 Kreditt 17.7%
Credit card company, based in Trondheim

SpareBank 1 Næringskreditt 15.6%
Mortgage company - issuer of covered bonds (commercial property mortgages)

SpareBank 1 Betaling *** 19.8%
The company behind the mobile payment solution

SpareBank 1 Gjelds-informasjon 18.3%
Retrieves debt information directly from financial institutions

= no. of FTEs

* SpareBank 1 SR-Bank ForretningsPartner took over Fast Solutions with effect from 1 September 2020.
** The number of FTES in FinStart Nordic includes FTEs in its subsidiaries.
*** Owns 22% of Vipps AS.

Organisation

CEO
Benedicte Schilbred Fasmer

CFO
Inge Reinertsen

Compliance
Signe Helliesen

HR and Business Support
Gro Tveit

Risk Management
Frode Bø

Communications and Sustainability
Thor-Christian Haugland

Retail Market
Jan Friestad

Corporate Market
Tore Medhus

Strategy, Innovation and Development
Glenn Sæther

Customer Services and Marketing
Ella Skjørestad

Employees

SpareBank 1 SR-Bank's vision is to be ***"the customer's first choice"***. This requires everyone in the group to see things from the customer's perspective and deliver good solutions that benefit the customer.

Employees are the group's most important resource and it is constantly working on facilitating professional development, well-being and engagement in the organisation. Employees and managers have to be performing at their best in line with the group's strategy in order to create added value for customers, directly, and owners, indirectly. Continuous changes in customer behaviour and ever more digitalisation means that employees have to systematically update their skills to achieve the group's goals.

We have managers and staff who are genuinely interested in the customer, the market, the industries our customers operate in, and which consumer trends are influencing the customer's relationship with the group. The executive management group is adapting the organisation and operations to current and future customer behaviour and is doing so in cooperation with the employees.

Skills recruitment

SpareBank 1 SR-Bank strives to be an attractive employer in order to attract and maintain the right expertise for the future.

At year end 2020, the group had 1,332 full-time equivalents (FTEs), of whom 1,283 were permanent employees. The number of FTEs in the group fell by 20 in 2020, although SpareBank 1 ForretningsPartner increased its staff numbers due to the acquisition of Fast Solutions. The reduction in FTEs was due to natural churn.

The year 2020 has been a special one. At a time when most things were put on hold, including recruitment, it became even more important to be aware of the expertise the group already has and to highlight development opportunities for our employees. The churn in the company was low.

In 2020, SpareBank 1 SR-Bank has joined a new trainee scheme – Trainee SØRVEST – and has taken on a trainee. This represents a good opportunity to attract new and important expertise, and to contribute to a unique transition for capable students from their student to their working life through a systematic and well-thought through programme.

The market for recruitment is good and SpareBank 1 SR-Bank is regarded as an attractive place to work.

Change and skills

The group endeavours to develop and strengthen the skills of managers and employees in a planned manner such that everyone can deliver on the strategy set out for the next period at all times. We are determined to ensure that individual employees can improve their everyday practices, acquire new skills and learn from colleagues. We have focused on strategically important subject areas such as management, sustainability, money laundering and privacy, and have delivered courses, seminars and collections digitally.

Annual goals and performance reviews set out clear expectations vis-à-vis delivery and results. Permanent employees undergo employee appraisal and development interviews every year and in 2020 64% of the interviews were documented as approved. Far more employees had employee appraisal and development interviews without the documentation necessarily being completed.

The group provides good career development opportunities. We put together an internal pool of good candidates for vacant positions. Managers have a special responsibility for achieving results, managing and implementing changes, and employee development.

Working environment

The year 2020 turned out to be a very different one, including with respect to the working environment. From March onwards, a large proportion of the staff had to work from home. Employee surveys designed with Covid-19 and

working from home in mind were prepared to safeguard the employees in this situation. The responses rate for both surveys were well over 80%. The surveys were open such that the HR department could follow up the employees afterwards. The surveys show that the vast majority of employees handled working from home well. Most of the employees said that they were just as motivated regarding the work as before the Covid-19 situation and mastered the technological tools well. Naturally enough, the thing they missed most was the social interaction.

HSE

The group takes a systematic approach to health, safety and the environment, primarily via the cooperation with the chief safety representative, HSE manager and line management. A special risk assessment was conducted regarding the extensive use of working from home. The risk assessment, as well as the feedback in employee surveys, resulted in an intense focus on ergonomics in relation to working from home in 2020. The chief safety representative has distributed desks, chairs and other ergonomic aids on loan. Information materials have been produced and yoga classes (on video) and measures for physical activity offered to all employees. At the same time, the group systematically worked on infection control in all locations to protect both employees and customers from infection by Covid-19 and to do our bit for the community effort to keep infections down. The group saw lower sick leave than normal in 2020. In addition to the ordinary work on reducing sick leave, the extensive use of working from home and infection reducing measures may of course be impacting sick leave beyond Covid-19. The average healthy rate in 2020 was 96.9%.

The group's life phase policy enables employees to remain in work their entire professional life and ensures that their conditions are adjusted during their various life phases. This applies, for example, to employees with small children and ensuring that employees are looked after if they experience a life crisis. The life phase policy also encourages the group's seniors who want to follow the group's development to stay in work longer. The average retirement age in 2020 was 64.8, a drop of 0.8 years compared with 2019.

Diversity and equal opportunities

Gender equality is one of SpareBank 1 SR-Bank's three prioritised Sustainable Development Goals. We have a diversity and equal opportunities committee, which is an advisory body tasked with proposing measures to achieve our diversity and equal opportunities goals.
In 2020, the diversity and equal opportunities committee produced guidelines for diversity in the group.
In SpareBank 1 SR-Bank, diversity is about creating an inclusive working environment in which we acknowledge each other. We do this through building a culture in which a sense of belonging and the experience of it contributes to a feeling of being valued.

SpareBank 1 SR-Bank's goal is to improve the gender balance in the top three levels of management with the aim of achieving a 50% gender balance in 10 years per business area (35% in 3 years and 40% in 5 years).
In order for the group to achieve its objectives, thorough consideration must be given to diversity, equal opportunities and the equal pay situation in the relevant department in all recruitment and the relevant candidates' potential impact on these must be discussed.

Gender balance is also an important factor requiring consideration in connection with nominations to management programmes. The group also aims to ensure equal pay for equal work and equal performance, irrespective of gender. In 2020, an equal pay pot of NOK 1,000,000 was distributed to a prioritised target group to equalise pay differences that can be attributed to gender. All employees who go on maternity leave are entitled to salary evaluation in advance of, or during, leave. We also move employees who have been on parental leave for longer than 5 months up an extra step on the pay scale when they return to work.

Diversity and equal opportunities	2019 Parent bank	2019 Group	**2020 Parent bank**	**2020 Group**
Total no. of FTEs	984	1,190	944	1,146
Percentage of women	54%	54%	54%	53%
Percentage of men	46%	46%	46%	47%
Employees under 30	8%	9%	8%	9%
Employees 30-50	52%	55%	54%	55%
Employees over 50	39%	36%	38%	36%
Women employed part-time	7.4%	8.0%	6.6%	7.2%
Men employed part-time	1.1%	1.1%	0.9%	0.8%
Proportion of women by position level				
Management level 1	0%	0%	0%	0%
Management levels 2 and 3	37%	35%	37%	37%
Management level 4	42%	40%	40%	37%
Age distribution managers				
Managers under 30	1%	1%	4 %	3%
Managers 30-50	57%	57%	54%	58%
Managers over 50	42%	42%	42%	39%
Age distribution board members				
Board members under 30	0%	0%	0%	0%
Board members 30-50	25%	25%	25%	25%
Board members over 50	75%	75%	75%	75%
Percentage of women on the board of directors	50%	50%	50%	50%
Average Salary				
Women	652,729	628,344	663,154	644,113
Men	820,012	785,513	817,799	791,883
Women’s wages relative to men by position level				
Management level 1				
Management levels 2 and 3	78%	77%	77%	79%
Management level 4	92%	91%	95%	94%
Parental leave taken, average number of weeks				
Women	37.0	37.0	41.6	41.3
Men	13.0	13.0	17.0	16.0
Sick leave				
Total	3.78%	3.50%	3.22%	3.04%
Women	5.41%	5.25%	4.71%	4.49%
Men	1.98%	1.63%	1.59%	1.48%
Work absence due to child illness (day’s work)				
Women	292.3	364.9	730.0	808.0
Men	167.2	173.2	443.0	460.0

Management level 1 corresponds to the CEO, management level 2 is the group executive management team, and management level 3 is the divisional management teams. SpareBank 1 SR-Bank ForretningsPartner AS, FinStart Nordic AS and Monner AS are not included in the figures.
Absences due to sick children increased sharply in 2020 due to a higher number of days of absence because of the pandemic.

Cooperation with employee organisations and the safety service

The group cooperates constructively with both employee organisations and the safety service. They both provide appropriate help based on their missions in order to ensure that the group can achieve its goals.

Employee compensation

The group’s strategy is to practise a competitive compensation model that allows the group to attract the skills of the future and retain capable employees. The group’s compensation model consists of three elements: fixed salary, variable pay and other employee benefits. The variable compensation scheme is intended to encourage extraordinary performance and results and has been designed in line with the group’s strategies, business goals and values.

Business areas

Retail market

SpareBank 1 SR-Bank is the leader in the retail market in Southern and Western Norway with 350,000 retail customers older than 13. Three branches have also been opened in the period 2018-2020 to serve customers in Oslo.

The market share in Southern and Western Norway was around 20% at the end of 2020. In addition to retail customers, the division serves almost 10,000 small business and farming customers, as well as around 3,500 clubs and associations.

A complete range of good digital services, a modern customer service centre, and a well-developed network of branches provide our customers with fast, easy access to financial services and expertise via all channels.

Corporate market

The corporate market division has 18,700 corporate customers in five regional business units and two specialist units: one for the energy and maritime sector and one for the public sector.

SpareBank 1 SR-Bank is a total provider of financial products and services for corporate customers, which are currently being supplemented with a specialist unit within international cash management (ICM). We are constantly striving to put more digital sales and self-service solutions in place for corporate customers.

Capital market

SpareBank 1 SR-Bank Markets is the region's leading securities firm.

Its activities include own account and customer trading in interest rate instruments and foreign exchange, providing advice and facilitating debt and equity funding, as well as administrative securities services. Its primary mission is to serve customers in collaboration with the group's other business areas and help combine special expertise with knowledge and an understanding of the local region.

Strategy, innovation and development

The group's strategy and IT development work has been collected in the strategy, innovation and development business area. The idea is to ensure that in the future more attention is paid to all of the group's development work and that it has more muscle. The business area is also responsible for the results of SpareBank 1 SR-Bank's FinStart Nordic innovation venture. The company was established as a wholly owned subsidiary and is intended to contribute to the development and growth of innovative financial technology companies.

Customer services and marketing

The business area is responsible for the development of the group's brands and customer journeys, including the ecosystem surrounding the customer and the group's value chain. The area is responsible for the development of the group's products, services, channels, marketing, and CRM activities.

Subsidiaries

EiendomsMegler 1 SR-Eiendom AS

EiendomsMegler 1 SR-Eiendom AS is the leading real estate agent in the group's market area and the largest company in the nationwide EiendomsMegler 1 chain. Its business operations consist of brokering commercial property and selling holiday homes, new builds and used homes.

SR-Forvaltning AS

SR-Forvaltning AS is licensed to provide active portfolio management and securities management services. SR-Forvaltning expanded operations in autumn 2018 by establishing more new securities funds. At the start of 2021, the company manages eight securities funds, of which three are unit trusts, two bond funds and three balanced funds. SR-Forvaltning also manages discretionary portfolios for SpareBank 1 SR-Bank ASA's pension fund, as well as for external customers based on discretionary mandates. The external customer base comprises pension funds, public and private enterprises, and affluent individuals. 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.

SpareBank 1 SR-Bank ForretningsPartner AS

The company was established in the first quarter of 2015 and has since its start-up grown from NOK 0 to almost NOK 176 million in 2020. At the beginning of 2021, the company had nine branches (three in Rogaland, three in Vestland, two in Agder and one in Oslo) and around 2,600 customers. Since its start-up, the company has gained a solid market position in Rogaland, Vestland and Agder within accounting services and is experiencing a good influx of new customers who need modern, efficient accounting services. Business areas within advice and payroll/HR are also growing and the company is experiencing good demand in this area in the market.

SR-Boligkreditt AS
SR-Boligkreditt AS is a wholly owned subsidiary and was established in the second quarter of 2015. The purpose of the company is to purchase home mortgages from SpareBank 1 SR-Bank and to fund this by issuing covered bonds. SR-Boligkreditt AS enables SpareBank 1 SR-Bank to diversify and optimise its funding. Moody's has given SR-Boligkreditt AS its best rating, Aaa.

FinStart Nordic AS
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
Monner AS is a payment company and a registered loan arranger that was acquired by SpareBank 1 SR-Bank ASA on 1 July 2019. In December 2020, Monner AS's licence was expanded to cover payment initiation service provider (PISP) services and account information service provider (AISP) services under the PSD2 regulations. Monner AS has two business areas, Monner Crowd and Monner Gründer. Monner Crowd arranges direct loans from private investors (people and limited liability companies) to small and medium-sized Norwegian companies via its proprietary digital platform. Monner Gründer was also launched in 2020 December. Monner Gründer will enable SpareBank 1 SR-Bank to deliver innovative banking and administrative services to entrepreneurs and start-ups. Monner Gründer will launch a number of new services during 2021.

Part-owned companies

SpareBank 1 Gruppen AS
SpareBank 1 Gruppen AS is owned by:
- SpareBank 1 SR-Bank ASA (19.5%)
- SpareBank 1 Nord-Norge (19.5%)
- SpareBank 1 SMN (19.5%)
- SpareBank 1 Østlandet (12.4%)
- Samarbeidende Sparebanker AS (19.5%)
- Norwegian Confederation of Trade Unions (LO) and affiliated trade unions (9.6%).

SpareBank 1 Gruppen AS owns 100% of the shares in:
- SpareBank 1 Forsikring AS
- ODIN Forvaltning AS
- SpareBank 1 Factoring AS
- Mohdi Finans AS
- SpareBank 1 Spleis AS
- Fremtind Forsikring AS (65%)
- LO Favør AS (49%)

SpareBank 1 Utvikling DA
SpareBank 1 Utvikling DA is responsible for alliance processes and the delivery of services to the SpareBank 1 Alliance. It also develops and delivers things such as common IT/mobile phone solutions, branding and marketing concepts, business concepts, products and services, expertise, analyses, processes, best practice solutions and purchasing. SpareBank 1 SR-Bank owned a 18.0% stake in SpareBank 1 Banksamarbeidet at year end 2020. The companies in SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA together constitute what is called the alliance.

The SpareBank 1 Alliance's banks and LO also own direct stakes in the following companies:
- BN Bank ASA
- SpareBank 1 Boligkreditt AS
- SpareBank 1 Kreditt AS
- SpareBank 1 Næringskreditt AS
- SpareBank 1 Markets AS
- SpareBank 1 Betaling AS
- SpareBank 1 Bank og Regnskap AS
- SpareBank 1 Gjeldsinformasjon AS

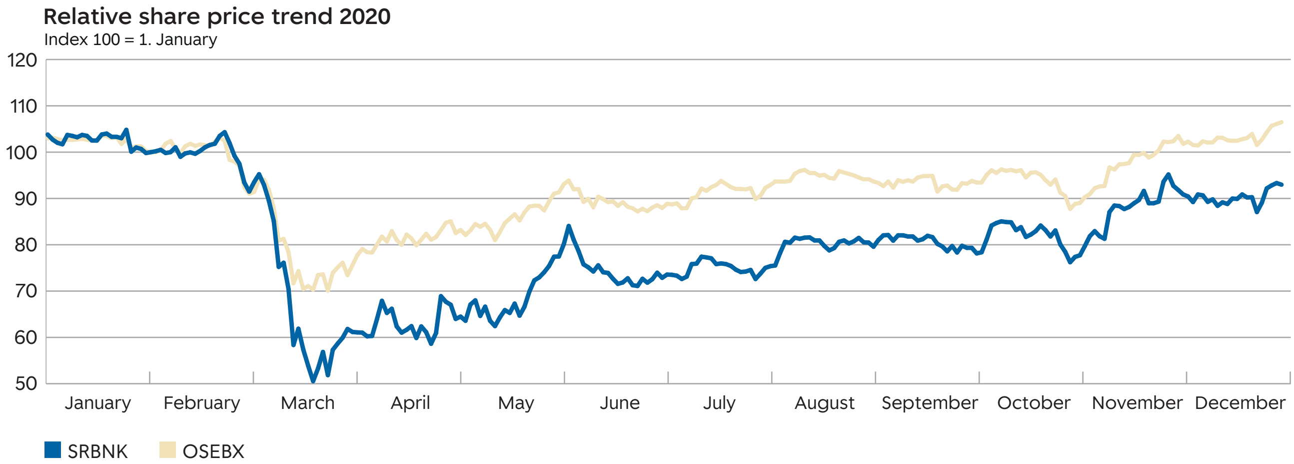
SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS
SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS are licensed mortgage companies and issue covered bonds in the bank's home mortgage and commercial property portfolios, respectively, that have been bought from the owner banks. 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.

At year end 2020, SpareBank 1 Boligkreditt AS's total loan volume amounted to NOK 208.6 billion. At the end of the fourth quarter of 2020, SpareBank 1 SR-Bank ASA had not sold any loans to SpareBank 1 Boligkreditt AS (NOK 4.2 billion). The bank's stake in the company was reduced to 0% in December 2020 in accordance with the share of the sold volume at that time.

At year end 2020, SpareBank 1 Næringskreditt AS's total loan volume amounted to NOK 10.4 billion. As at year end 2020, SpareBank 1 SR-Bank ASA had not sold any loans to SpareBank 1 Næringskreditt AS. The bank owned 15.6% of the company at year end 2020.

BN Bank ASA
SpareBank 1 SR-Bank and the other savings banks in the SpareBank 1 Alliance acquired Glitnir Bank ASA in the fourth quarter of 2008. It has since been renamed BN Bank ASA. SpareBank 1 SR-Bank owns a 35.0% stake.

The SR-Bank share



Facts about our share

SpareBank 1 SR-Bank ASA converted from an equity certificate bank to a limited liability savings bank on 1 January 2012. (Former equity certificate holders received one share for each equity certificate they held at the time of the conversion.)

The share capital amounts to NOK 6,393,777,050 divided into 255,751,082 shares, each with a nominal value of NOK 25.

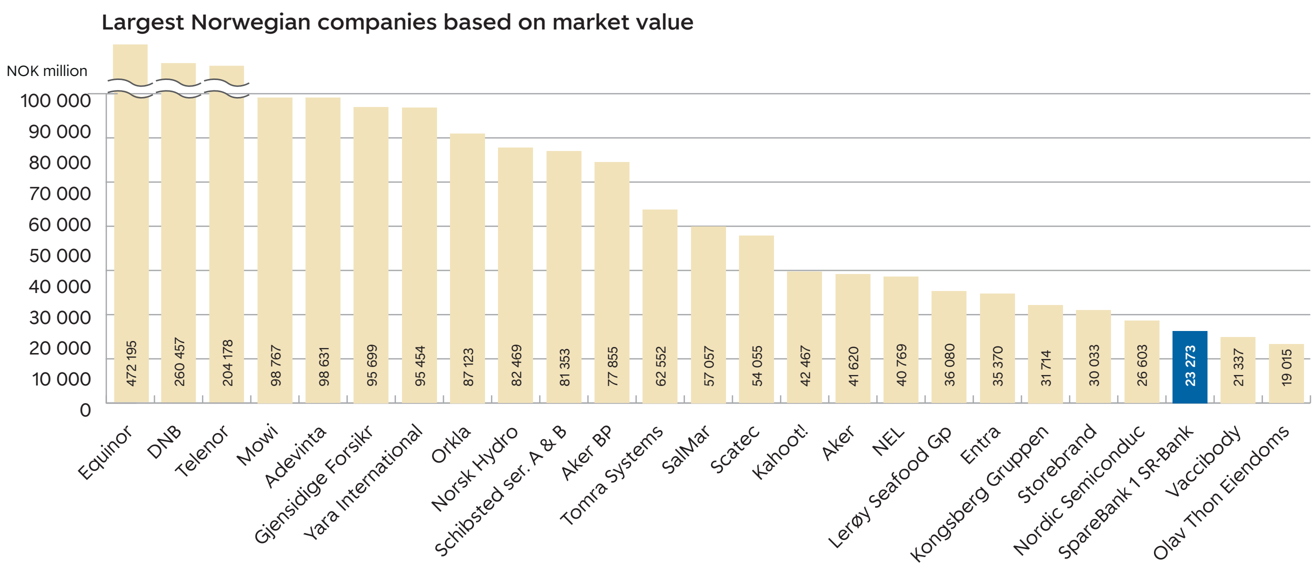
The ticker code on the Oslo Børs is “SRBNK”. “SRBNK” is included in the Oslo Børs’s main index OSEBX, OSEAX All-share index and OSE40 Financials/OSE4010 Banks sector index. The liquidity segment is Match. SRBNK is also included in the “MSCI Global Small Cap index”.

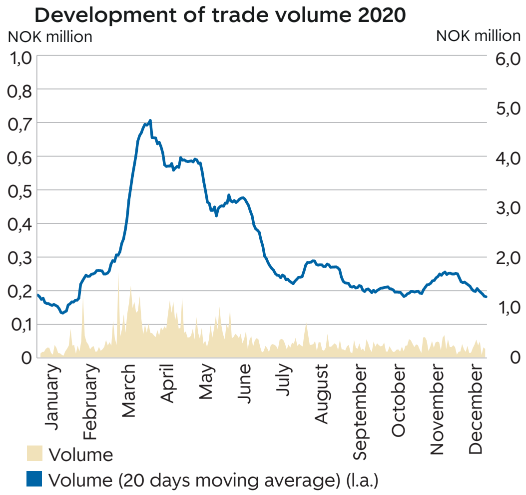
Facts about Sparebankstiftelsen SR-Bank

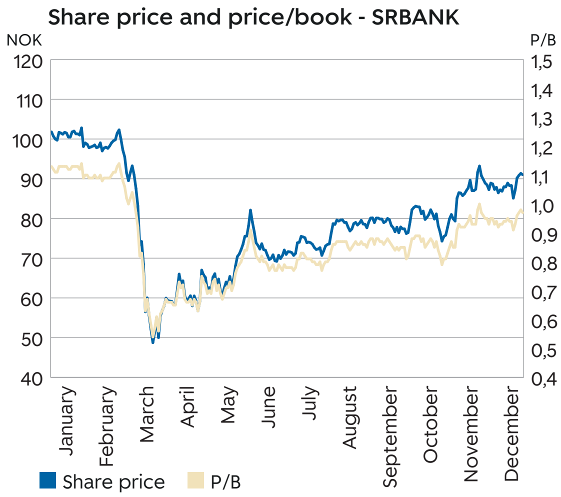
The Sparebankstiftelsen SR-Bank foundation was established as part of the conversion. The purpose of the foundation is to manage the shares received upon its formation and to exercise and maintain a substantial, long-term and stable ownership interest in SpareBank 1 SR-Bank ASA. Ownership should be exercised in accordance with the generally accepted principles of corporate governance and within the limits and guidelines adopted by the general meeting. The ownership interest must represent at least 25% of shares issued.

The foundation can distribute its surplus and, in line with savings bank traditions, donates to publicly beneficial projects in Rogaland, Agder, and Vestland.

As at 31 December 2020, the foundation owned 72,419,305 shares, equivalent to 28.3% of shares issued.







Dividend policy

SpareBank 1 SR-Bank ASA's financial goal for its activities is to achieve results that provide a good, stable return on the bank's equity, thus creating value for the owners in the form of competitive dividends and a higher share price.

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 net profit for the year as dividends.

The parent company's profit was NOK 1,070 million, equivalent to NOK 4.2 per share. Consolidated earnings per share was NOK 6.2. In line with SpareBank 1 SR-Bank's dividend policy, various factors have been taken into consideration in determining the dividend, including, in particular, financial strength and the Tier 1 capital ratio. The group's target is a Common Equity Tier 1 capital ratio of 16.7%, including a 1.0 percentage point management buffer.

The board will ask the annual general meeting for a new special authorisation that will enable it to decide to distribute a dividend of up to NOK 3.10 for the 2020 annual financial statements at a later date. This corresponds to a payout rate of around 50.0% of consolidated earnings per share.

Investor policy

It is crucial for SpareBank 1 SR-Bank ASA to maintain the confidence of the investor market by disclosing accurate, relevant and timely information about the group's performance and results. Market information is generally provided via quarterly investor presentations, websites, press releases and financial statements. Regular presentations are also made to international partners, rating agencies, lenders and investors.

It is in SpareBank 1 SR-Bank's own interests to publish current financial analyses of the highest possible quality. All analysts are treated equally at all times regardless of their recommendations and views on the bank's share. At the end of 2020, 12 brokerage houses officially covered the SRBNK shares. Updated contact information for these is available at all times on: www.sr-bank.no/ir.

Information addresses

SpareBank 1 SR-Bank publishes information for the market online at: www.sr-bank.no.

Other links to financial information: www.oslobors.no (Oslo Børs)

2021 financial calendar

General meeting:	28 April 2021
First quarter:	6 May 2021
Second quarter:	11 August 2021
Third quarter:	28 October 2021

Market value:

NOK 23.3 billion

Largest owner:

Sparebankstiftelsen SR-Bank

Dividend 2019:

5.50 per share

Ownership

SpareBank 1 SR-Bank ASA aims to ensure the good liquidity of its share and that it has a good range of owners who represent customers, regional investors and Norwegian and international investors.

The share price fell from NOK 100.00 to NOK 91.00 in 2020. This is a reduction of 9.0%. The Oslo Børs Benchmark Index rose by 4.6% in the same period.

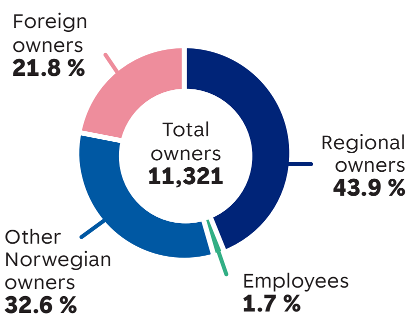
There were 13,113 (11,321) owners of SRBNK at year end 2020. The percentage owned by companies and individuals based abroad was 21.8%, and the percentage owned by companies and individuals resident in Rogaland, Agder, and Vestland was 43.9%. The 20 largest shareholders owned a total of 58.7% of the shares. The bank owned 23,112 treasury shares. Group employees owned a total of 1.7% of the shares at the end of the year.

Credit rating

Moody's Investor Services rates SpareBank 1 SR-Bank A1 long-term and P-1 short-term, while Fitch Ratings rates it A- long-term and F2 short-term.

The table below shows the 20 largest shareholders as at 31 December 2020:

20 largest owners as at 31 December 2020		No. of shares	Stake %
1	Sparebankstiftelsen SR-Bank	72,419,305	28.30%
2	National Insurance Scheme Fund	21,078,112	8.20%
3	Brown Brothers Harriman & Co, USA	6,612,187	2.60%
4	SpareBank 1-stiftinga Kvinnherad	6,226,583	2.40%
5	State Street Bank and Trust Co, USA	6,005,407	2.30%
6	Vpf Nordea Norge Verdi	4,933,097	1.90%
7	Danske Invest Norske Instit. II	3,550,817	1.40%
8	Odin Norge	3,423,133	1.30%
9	Verdipapirfondet Alfred Berg Gambak	3,311,467	1.30%
10	Pareto Aksje Norge	3,193,790	1.20%
11	J.P. Morgan Chase Bank N.A., USA	2,887,077	1.10%
12	Clipper AS	2,211,000	0.90%
13	Verdipapirfondet Alfred Berg Norge	2,012,771	0.80%
14	KLP Aksjenorge Index	1,988,704	0.80%
15	State Street Bank and Trust Co, USA	1,934,397	0.80%
16	JPMorgan Bank Luxembourg	1,812,377	0.70%
17	Westco AS	1,797,687	0.70%
18	Pareto Invest AS	1,712,275	0.70%
19	The Bank of New York Mellon, Ireland	1,685,603	0.70%
20	Norwegian Armed Forces' Personnel Service	1,625,811	0.60%
Total 20 largest		**150,421,600**	**58.8%**



Key figures	2020	2019	2018	2017	2016
Market price 31 Dec, NOK	91,00	100.00	89.20	87.00	60.75
Dividend per share, NOK [5) 6)]	-	5.50	4.50	4.25	2.25
Direct return [1)]	-	5.5%	5.0%	4.9%	3.7%
Effective return [2)]	-9,0 %	17.2%	7.4%	46.9%	58.4%
Book equity per share, NOK [3)]	95,97	89.90%	82.27	77.24	71.54
Earnings per share, NOK	6,22	12.22	8.98	8.16	6.87
Payout ratio, net [4)]	-	45%	50%	52%	33%
No. of shares issued 31 Dec	255 751 082	255,751,082	255,751,082	255,751,082	255,751,082
Treasury shares 31 Dec	23 112	91,311	85,206	206,757	108,983
No. of outstanding shares 31 Dec	255 727 970	255,659,771	255,665,876	255,544,325	255,642,099

[1)] Dividend as a percentage of market price at year end.
[2)] Appreciation during the year plus dividend paid as a percentage of market price at the beginning of the year.
[3)] Equity divided by number of shares issued.
[4)] Dividend as a percentage of the consolidated net profit for the year.
[5)] A decision was made in April 2020 not to pay a dividend for 2019 at this time. The figures reported as at 31 December 2019 have not been restated. The board exercised its special authorisation from April 2020 and at the board meeting on 10 February 2021 approved a dividend of NOK 5.50 per share for the 2019 financial year.
[6)] The board will ask the annual general meeting for special authorisation to approve payment of a dividend for the 2020 financial year of up to NOK 3.10, in line with the applicable regulations.

Sustainability

Driving force behind the green shift

SpareBank 1 SR-Bank wants to be a driving force behind, and facilitator of, the necessary transition to a low-emission society in order to achieve the targets set out in the Paris Agreement. The group's activities should contribute to cutting greenhouse gas emissions at both a national and a global level by facilitating and setting requirements for customers, suppliers and partners.

The United Nations Environment Programme Finance Initiative (UNEP FI) launched the Principles for Responsible Banking in 2019. These are designed to ensure that the banking industry is a driving force behind achieving the SDGs and the Paris Agreement. SpareBank 1 SR-Bank signed up to the principles when they were launched and has thus committed itself to cutting its direct and indirect CO_2 emissions in line with the national obligations under the Paris Agreement. The group has committed itself to carrying out and implementing measures that support the principles over 4 years from when it became a signatory and up to the end of 2023.

This involves adapting the group's strategy to fit the Paris goals, and assessing which measures have the greatest impact in achieving the goals. The group must also work with its customers and clients to contribute to more sustainable operations. Stakeholder engagement is an important principle along with corporate governance, reporting and transparency.

In 2020, SpareBank 1 SR-Bank adopted a revised sustainability strategy and a new climate strategy for the group that fit the goals of the Paris Agreement. In order to assess where the group has the greatest positive and negative impacts through its core activities, an impact analysis was carried out in line with tools prepared by UNEP FI in 2020. The analysis and results are discussed in the section on responsible finance.

The focus in 2021 will be on defining specific targets for reducing greenhouse gas emissions in line with the Paris Agreement and continuing to implement the UN Principles for Responsible Banking.

Our stakeholders and key sustainability themes

The group strives to be specific and concise in its sustainability work and conducted a materiality analysis in 2018. The purpose of the analysis is to identify which topics within sustainability the group will prioritise. SpareBank 1 SR-Bank's sustainability work and strategy are based on this materiality analysis. The themes covered by the analysis included the environment, social conditions and governance, i.e. ESG factors.
Read more about the results from the materiality analysis on page 4 in the document "Sustainability in SpareBank 1 SR-Bank" (PDF).

SpareBank 1 SR-Bank is constantly engaging with and gaining input from customers and other stakeholders. It is important to keep the materiality analysis up to date and understand and take into account the requirements of consumers, investors and the authorities. The engagement during the year heavily impacted by the Covid-19 situation in the country. The places where the group naturally used to meet customers had to change in 2020. SpareBank 1 SR-Bank managed, among other things, to maintain a good dialogue with employees, owners, authorities, competitors, partners, suppliers, special interest organisations, the media, rating agencies and analysts throughout the year.

Read more about the engagement with local communities on themes within sustainability on page 5 in the document "Sustainability in SpareBank 1 SR-Bank" (PDF).

SpareBank 1 SR-Bank's sustainability strategy

The group's revised sustainability strategy and associated new climate strategy were adopted by the board in May 2020. The strategy's goal is for SpareBank 1 SR-Bank to be an organisation that takes a proactive approach to sustainability in all of it operations and takes responsibility for contributing to solutions to the climate and environmental challenges society faces. The climate strategy is based on a strategic evaluation of the group's exposure to climate risk and how developments in this area will affect the group in the run up to 2030.

The group wants to support the Paris Agreement in line with Norway's goal of cutting CO_2 emissions by up to 50% by 2030. The group must help and require corporate customers and suppliers to each have an active plan for how they can reduce their CO_2 emissions. The group will also draw up specific targets for cutting greenhouse gas emissions in line with the Paris Agreement and Norway's commitments to limit global warming to well below 2 degrees Celsius by 2050.

The sustainability strategy is integrated into the corporate strategy along with the corresponding business plan and provides direction for the group's work on sustainability. The sustainability strategy must be seen in conjunction with other governing documents, such as the code of conduct, credit strategy, and other relevant policies and standards in the group. Sustainability is included in the documentation and set of routines associated with credit and investments/management.

See a detailed overview of governing documents concerning sustainability and how they are incorporated into the group on page 8 in the document "Sustainability in SpareBank 1 SR-Bank" (PDF).

UN Sustainable Development Goals

The group's sustainability work is based on the 17 UN Sustainable Development Goals (SDGs). The group has identified three SDGs where it can have the greatest impact through its core business. The SDGs the group particularly focuses on are SDG 5 Gender equality, SDG 8 Decent work and economic growth and SDG 13 Climate action. The SDGs are anchored in the sustainability strategy and targets have been drawn up with specific measures for each of these SDGs. These measures will be implemented during the defined strategy period, which lasts until the end of 2021.

Read more about the group's targets and the work on these during 2020 on page 9 in the document "Sustanability in SpareBank 1 SR-Bank" (PDF).

Responsible finance

During the year, SpareBank 1 SR-Bank closely followed developments regarding the EU Sustainable Finance Action Plan, including the EU taxonomy. The EU taxonomy will be a particular area of focus in 2021 and the group is working on classifying lending activities. The focus in 2021 will also be on further developing the expertise of corporate advisers within sustainability and the climate. A targeted training programme will provide corporate advisers with the knowledge they need to maintain a good dialogue with customers about sustainability and solutions for them.

Responsible credit

SpareBank 1 SR-Bank's credit strategy stresses that corporate customers must have a long-term perspective and their companies must be comply with applicable laws and regulations, which include environmental considerations and human rights. SpareBank 1 SR-Bank's "Standard for sustainability in the corporate market" provide guidance on the sort of customers the group wants, what is expected of customers, and the group's lending. The main points from the standard are included in the group's credit policy guidelines. SpareBank 1 SR-Bank will not finance controversial weapons, pornographic material, cryptocurrencies, coal power, coal mining or nuclear power. The extraction of tar sand, heavy crude, shale gas and/or shale oil will not be financed either. All employees who are in contact with corporate customers must be familiar with our "Standard for sustainability in the corporate market" and review them annually.

Corporate market portfolio

The group exercises major influence through its credit portfolio, of which corporate customers make up about 40%. The group's corporate market portfolio is well-diversified. The group mainly finances small and medium-sized Norwegian enterprises, with an emphasis on commercial property.

SpareBank 1 SR-Bank aims to increase the proportion of companies contributing to the increased use of renewable energy.

In 2020, SpareBank 1 SR-Bank's green loans accounted for 1.3% of the total portfolio.

Renewable/green exposure	1.3%

* Only includes significant customer exposures in the corporate portfolio
* The account managers have tried to define the exposures based on the taxonomy (without using technical criteria)
* Estimated based on reported figures for 2020, not audited internally

The corporate market mapped its loan portfolio in 2020. The analysis was carried out on three levels: CO2 emissions, positive and negative impacts, and climate risk. An emissions analysis was conducted that estimated CO2 emissions associated with SpareBank 1 SR-Bank's loans in the corporate market, by sector. The analysis indicates that total CO2 emissions in the corporate portfolio are moderate, although there is a higher impact within two sectors in particular: energy, oil and gas, and shipping and other transport.

The corporate portfolio's climate risk (physical, transitional and liability risk) was also mapped at a sector level in 2020.

The analysis shows that more than three quarters of the bank's corporate portfolio is considered to be in industries with overall low climate risk. The analysis shows that the above industries with high and medium climate risk account for 11.6% of SpareBank 1 SR-Bank's exposure , while the exposure to industries deemed to have a slightly elevated risk is 12.1%. The remaining 76.3% of exposure is deemed to derive from industries with low climate risk.

The group has completed an impact analysis for the loan portfolios in both the corporate market and the retail market using tools developed by UNEP FI. The analysis indicates SpareBank 1 SR-Bank's current positive and negative impacts on the economy, environment and social conditions. SpareBank 1 SR-Bank's core activities stimulate a healthy and inclusive economy. The group has a positive impact by contributing to money-transfer solutions and access to housing for retail customers by stimulating economic growth and new jobs in the corporate market. The group has a negative impact in three areas: resource efficiency, the climate and biodiversity. The impact in these areas can be seen in the analysis through financing for vehicles, mortgages and sectors generally associated with higher greenhouse gas emissions. The analysis concludes that SpareBank 1 SR-Bank has a positive impact within several social aspects, although it must continue to focus on the environmental aspects.

These analyses provide a basis for setting separate targets for the credit portfolio in 2021.

In 2020, SpareBank 1 SR-Bank signed up to the Poseidon Principles, a global framework in which banks work together to encourage their shipping customers to abide by good responsible environmental standards. SpareBank 1 SR-Bank was the 19th bank to sign up to this global framework and to achieving 50% lower greenhouse gas emissions from shipping by 2050. The group has committed itself to collecting data on its customers' emissions on an annual basis and to publishing aggregated data. A great deal of weight will be given to environmental standards when new loans are granted within the shipping industry.

Furthermore, all new credit exposures in 2020 within shipping included a RSRS clause. The Responsible Ship Recycling Standards (RSRS) are about the responsible disposal of vessels and mobile offshore units.

ESG scoring of the corporate portfolio

The group has developed a methodological framework for assessing sustainability (ESG scores) that will be used for corporate customers with credit exposures in excess of NOK 50 million. ESG scoring includes questions related to a customer's awareness and guidelines for areas such as HSE, corruption, human rights and the environment. The assessment includes three questions that directly target a customer's climate risk: both physical risk and transitional risk. There were additional questions for selected industries like property, aquaculture, shipping and offshore, and oil and gas. Besides this, customers that calculate their CO2 emissions are encouraged to report them. ESG scoring is a long-term approach to managing and reporting industry-specific climate risk and sustainability. The scoring and assessment carried out at the customer level is used to assess the group's sustainability risk and as a tool for advisers in the dialogue with customers. The corporate market has an action plan for customers with a low ESG score, which will be followed up by an adviser.

The framework was implemented in the organisation in 2020. Corporate advisers complete a training programme that includes both e-learning and case discussions. The discussions were used for sparring with colleagues, sharing good stories and becoming confident regarding both the ESG scoring tool and dialogue. Sustainability has thus become a topic in customer meetings. In 2020, a total of 220 credit exposures were ESG scored using the assessment form.

In 2021, the priority will be to develop the assessment form further, continue implementation and develop a training programme for the staff.

Green mortgage bonds

SpareBank 1 SR-Bank has a programme for green bonds. The programme is a framework for the loans that qualify for issuance of a green bond. SpareBank 1 SR-Bank issued its first green mortgage bond linked to a portfolio of mortgages with high energy efficiency ratings in 2019. Given the market conditions, no new bonds were issued in 2020. For more information about green bonds, see: www.sparebank1.no/nb/sr-bank/om-oss/investor/finansiell-info/gjeldsinvestorer.html

Green products and green innovation

Offering customers green products and services is an important contribution to the green shift. Green products are defined as savings and credit agreements that contain conditions concerning whether the investment object is sustainable in a climate and environmental sense.

In 2020, the group carried out extensive assessments related to green products and services. A green mortgage has been developed for the retail market. This will be launched in January 2021. The group has, via SR-Forvaltning, assessed the opportunities for green product development and will, in line with SR-Forvaltning's climate strategy, establish its own green equities fund. SpareBank 1 SR-Bank offers green car loans to retail customers. These are designed for electric car owners. The smart car insurance car app is intended to encourage greener driving behaviour. It is delivered by the insurance company Fremtind. SpareBank 1 SR-Bank also offers a green loan for agriculture, which is primarily designed for investments in solar panel systems. Given the low electricity prices and Covid-19 situation, this product was used very little in 2020.

What	Sum total product	Green products as a % of total product portfolio*
Green car loans	76,000,000	3%
Green car insurance	59,000,000	13%

* Green car loans: Total car loan portfolio, loan volume
* Green car insurance: of total car insurance, measured by premiums written

Products and innovation with social aspect

SpareBank 1 SR-Bank wants to be a future-oriented relationship bank. This means that the group must look after its customers. The customer relationship must be broadly based, and the customer must come first at all stages. The impact analysis the group conducted in 2020 concludes that SpareBank 1 SR-Bank contributes positively to making money-transfer solutions available to everyone and that the group helps to make home ownership achievable for retail customers by stimulating economic growth and new jobs in the corporate market. SpareBank 1 SR-Bank gives customers the opportunity to purchase their own home by providing relevant products and services with good terms. The group's advisers spend every day looking for good bespoke solutions for customers. Among other things, SpareBank 1 SR-Bank uses its flexibility quota on customers in the process of establishing themselves and buying their first home, as well as on existing customers who have ended up in a difficult economic situation. Loans with beneficial rates for young customers account for 30.6% of the total mortgage portfolio. SpareBank 1 SR-Bank offers LO members, through cooperation with LOfavør, advantageous terms on mortgages for young people and first-time buyers, as well as on ordinary mortgages. Together these loans account for 26% of the mortgage portfolio.

Responsible asset management

SpareBank 1 SR-Bank's recommended savings products are administered by the group's wholly owned management company, SR-Forvaltning. In 2020, SR-Forvaltning prepared and adopted a new climate strategy and has its own "Standard for responsible investments", which conforms to SpareBank 1 SR-Bank's sustainability strategy. The standard was further developed in 2020 to provide a more detailed description of active ownership.

The three equities funds were analysed in 2020, using a tool developed by Blomberg that indicates CO2 intensity (million tonnes CO2/million NOK turnover), with the following results: SR-Bank Verden 16.86, SR-Bank Utbytte 25.54 and SR-Bank Norge 24.34. The analysis came closer to a quantification since there was an increase in the proportion of companies reporting their emissions, from 32% to 74% from 2019 to 2020.

Upcoming regulations, such as the disclosure regulations, which provide rules for the disclosure of sustainability information in the financial sector, and the classification regulations, which provide a framework for a classification system for sustainable economic activities, have been monitored closely throughout 2020. SR-Forvaltning is actively working to adapt to the new requirements. SR-Forvaltning also focused heavily on operationalising the UN Principles for Responsible Investment (PRI) in the management throughout the year.

SR-Forvaltning continuously works on responsible investment within asset management. The work has three pillars: exclusions, ESG integration and active ownership.

None of the companies SR-Forvaltning invests in may be involved in the production of controversial weapons and they must not contribute to serious human rights violations or serious climate and environmental destruction. This is checked carefully. In addition to this, SR-Forvaltning does not invest in companies that produce tobacco or pornography, or that are involved in gambling, coal production or oil sands.

ESG integration means that an analysis of the relevant ESG factors is conducted for all companies that are being considered for new investments. The relevant ESG factors depend on the company. They could be water consumption, workers' rights, board composition, corruption risk, CO2 emissions and much more. SR-Forvaltning uses data and analysis from Sustainalytics in addition to its own analysis work.

Active ownership is important for an asset manager. As a shareholder, SR-Forvaltning has a direct impact on how the company operates. SR-Forvaltning votes for its shareholdings in general meetings and uses voting services from ISS Proxy Voting Services and their "Sustainability Proxy Voting Guidelines" as a basis for casting its votes, which take ESG factors into account. The system is set up such that votes are basically cast for all the positions in the equities funds. SR-Forvaltning cast votes in 68 out of 74 meetings (92%) in 2020. SR-Forvaltning did not cast votes in the other eight meetings due to technical challenges related to voting in some countries. SR-Forvaltning continues its dialogue with the portfolio companies if there is an elevated risk associated with an ESG factor. Given this, the initiative was taken to engage in investor dialogues with four different portfolio companies in 2020.

Responsible investments in SpareBank 1 SR-Bank

Besides investments made via SR-Forvaltning, SpareBank 1 SR-Bank makes direct investments in shares and bonds within given limits. The "Standard for responsible investments in SpareBank 1 SR-Bank" conforms with the group's sustainability strategy and ESG factors must be assessed. Active ownership is practised where appropriate.

Funds offered via share savings accounts

SpareBank 1 SR-Bank mainly recommends funds managed by SR-Forvaltning, although it offers funds from a number of managers through the share savings account scheme. The SpareBank 1 Alliance developed guidelines together with the Governance Group (TGG) and produced a labelling scheme for sustainability in 2020. The labelling scheme is intended to make it easier for customers to choose sustainable funds and will be launched in SpareBank 1 SR-Bank's online bank in the first quarter of 2021. The fund platform also offers several fund products with a green profile. SR-Bank Fondene (funds offered by the subsidiary SR-Forvaltning) scored a B (on a scale of A-F) cased on the guidelines developed by TGG.

Climate risk (TCFD)

Climate change and associated adaptations constitute a risk that must be managed by the board and executive management team. The group is closely monitoring political developments and will stay up to date at all times with regards to the basis on which political decisions are made. SpareBank 1 SR-Bank complies with the recommendations of the Task-Force for Climate related Financial Disclosures (TCFD) with respect to reporting on climate risk.

SpareBank 1 SR-Bank's approach to climate risk:

SpareBank 1 SR-Bank must identify and follow up risks that could affect customers and business areas. The group conducts annual stress tests and financial representations that show that the group is well-equipped to deal with the financial consequences of major downturns, as well as any restructuring risk related to less activity in the petro-maritime industries.

Deep and broad expertise in how climate change and climate policy might impact various sectors over time will be important when it comes to ensuring the group's loan portfolio has acceptable climate risk exposure. One important measure in 2020 was to increase the level of knowledge about climate risk among all of the group's employees. A training programme for sustainability and the climate has been designed and launched. The employees have learned about, and gained an understanding of, climate risk and how it affects the financial services industry. The advisers in the corporate market have received further training so that they can engage with customers about measures and solutions that will contribute to customers cutting their climate risk.

The board and group executive management team
Climate risk was explicitly discussed by both the board and the executive management team on several occasions throughout 2020. The revised sustainability strategy and associated new climate strategy were adopted by the board in May 2020. The sustainability strategy was integrated into the group strategy and its status is monitored regularly by both the executive management team and the board throughout the year based on established routines.

The board receives annual reports on the group's development within sustainability and the climate. Events related to sustainability and the climate are also included in the monthly report from SpareBank 1 SR-Bank's CEO to the board.

The executive management team has established a multidisciplinary sustainability team that provides advice on sustainability and climate-related cases. The sustainability strategy and matters to do with climate risk are also discussed in the executive management team's strategy subgroup. Relevant expert resources have given talks to the executive management team in order to improve their expertise in climate risk and they have also taken internal e-learning course on, among other things, climate risk.

Climate strategy
A strategic evaluation was conducted of the group's exposure to climate risk and how developments in this area will affect the group in the run up to 2030. Both a risk-based assessment and a strategic assessment have been conducted based on four scenarios that take into account the extent to which we achieve the global climate target and whether we are successful at restructuring in Norway. The risk-based assessment takes account of how the group will be affected in the various scenarios and the potential financial consequences they could have. The strategic assessment looks at which scenario the group should be working towards from a strategic and business perspective. SpareBank 1 SR-Bank will work to achieve a "Paris scenario".

For more information about the sustainability strategy and the scenarios please see the sustainability strategy here: https://www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/Barekraftstrategi_og_klimas-trategi_2020_040620.pdf

Please refer to SpareBank 1 SR-Bank's CDP report for 2020, with a score of B, for specific risks and opportunities described with different time horizons. Especially chapter 2 Risks and opportunities.

Risk management and measurement
Climate risk is an integral part of the group's risk management processes. Following the group's scenario work in connection with the sustainability strategy, further work involving stress testing the portfolio in various industries in relation to the scenario work will be carried out in 2021.

SpareBank 1 SR-Bank will be indirectly exposed to climate risk with respect to the industries the group finances. SpareBank 1 SR-Bank uses a recognised method for the qualitative assessment of industry climate risk based on direct impacts, policy impacts and impacts through preference changes. Expertise in how climate change and climate policy might impact various sectors over time is required to ensure that the climate risk to which the group's loan portfolio is exposed is acceptable. This is also vital in order to engage with and provide advice to key customers on their strategies going forward.
One important job in the corporate market in 2020 was implementing ESG scores at a customer level, which is used in climate and credit risk assessments. The group has particularly prioritised following up the four business sectors assessed as having the highest risk. This work will continue in the group's corporate market division in 2021. The group is also closely following developments regarding the EU Sustainable Finance Action Plan, including the EU taxonomy. The EU taxonomy will be a particular area of focus in 2021 and the group is working on classifying lending activities.

Measurement and targets
Measures have been drawn up and prioritised that will strengthen the group's efforts towards achieving a Paris-aligned strategy. These are measures that will both reduce the group's climate risk and contribute to exploiting the business opportunities inherent in the green shift.
The measures deal with financing, capital allocation and expertise.

The group reports greenhouse gas emissions in line with the GHG Protocol. In 2020, the group also conducted an analysis to estimate the CO2 emissions associated with the loan portfolio in the corporate market. Total CO2 emissions per industry in Norway[1] compared with how much has been loaned per industry in Norway[2]. In addition, account was taken of various capital structures and financing sources within the various industries[3] to estimate the proportion of emissions from lending activities.

CO2 emissions in the corporate market's loan portfolio

1	2	3	4	5	6
INDUSTRY	**SR-Bank's lending to industries (MNOK)**	**SR-Bank's share of total financing for industries**	**Total emissions to air per industry (1000 tonnes CO2e)**	**Industry's share of total emissions**	**Estimated emissions via corporate portfolio (1000 tonnes CO2e)**
Aquaculture	2,841	1.70%	367	1%	6
Industry	2,830	0.90%	7,039	12%	61
Agriculture/forestry	5,372	3.50%	588	1%	21
Service sector	13,458	4.30%	454	1%	19
Wholesale and retail trade, hotels and restaurants	3,547	1.40%	1,129	2%	16
Energy, oil and gas	3,846	5.70%	19,454	34%	1,105
Building and construction	4,482	4.00%	1,912	3%	77
Power and water supply	1,175	0.40%	1,844	3%	8
Real estate	31,507	1.60%	103	0%	2
Shipping and other transport	13,092	4.60%	23,275	41%	1,066
Public sector and financial services	2,275	2.30%	253	0%	6
Total emissions	**84,425**	**2.10%**	**56,418**	**100%**	**2,387**
The corporate portfolio's share of CO2 emissions					**4.20%**

Column 2 figures from SpareBank 1 SR-Bank. Column 3 SpareBank 1 SR-Bank's loans categorised according to Statistics Norway table 08116 and adjusted for capital structure. Column 4 figures from Statistics Norway table 09288. Column 5 as a percentage. The calculation has been developed to provide a rough estimate and does not take account of variations in emissions within different industries, which is why inaccuracies may occur in column 6.

[1] Statistics Norway's table 09288 describes greenhouse gas emissions by industry
[2] Statistics Norway's table 08116 describes loans by industry
[3] Based on the report from Menon Economics (2017), 'Who finances Norway?', multiples have been developed to take account of capital structure

The emissions analysis plus the analyses discussed in the section on the "Corporate market portfolio" provide the basis for setting our targets for the credit portfolio in 2021.

Sustainability integrated into SpareBank 1 SR-Bank's operations

Combating money laundering and terrorist financing

Ensuring that the industry is not exploited for financial crime through the misuse of the services and products being offered is part of the financial services industry's social mission. SpareBank 1 SR-Bank prepares an annual assessment of the risk of money laundering and terrorist financing linked to its operations, along with the associated risk mitigation measures.

A wide range of key people in the group are involved in producing the risk assessment before it is considered by the board. Group guidelines for anti-money laundering and sanctions have been drawn up and are available to all employees and external parties on the group's website. Managers have to confirm on an annual basis that they take a conscious approach towards the risk associated with money laundering and terrorist financing, and that they are familiar with the guidelines and policy that is anchored in the group guidelines for anti-money laundering and sanctions. SpareBank 1 SR-Bank also has an extensive framework of guidelines intended to prevent the group being used for money laundering, tax evasion or terrorist financing. The framework is there to ensure that the group complies with the statutory requirements in various processes through established routines, customer measures, electronic monitoring, sanctions regulations, and procedures for internal control. The group has committed to complying with the framework and guidelines in the Wolfsberg principles for combatting financial crime. The Wolfsberg principles establish requirements for, for example, transparency in customer transactions and how information on these is monitored and managed in line with the authorities' requirements.

The Financial Supervisory Authority of Norway conducted supervisory inspections of two of the bank's subsidiaries in 2020. The internal audit function conducted three audits in the group focused on money laundering in 2020. One audit of the bank's compliance with the anti-money laundering regulations and two audits of the bank's subsidiaries.

In 2021, the group will continue to prioritise compliance with the Money Laundering Act, continually adapt to any tightening of the rules by the Financial Supervisory Authority of Norway and provide required and relevant training for employees.

Ethics and anti-corruption

SpareBank 1 SR-Bank's code of conduct and anti-corruption policy are intended to contribute to, among other things, fighting corruption, extortion, bribery, money laundering, fraud, terrorist financing, and the financing of other criminal activities. The code of conduct is intended to make people aware of the potential dilemmas and ensure that all of our employees maintain high ethical standards.

SpareBank 1 SR-Bank focuses on the board, management and employees receiving good training in our ethical framework and has established an anti-corruption e-learning course. It is vital that the board and executive management group, as well as advisers, have a good understanding of our ethical framework and this is part of the continuous work of ensuring the group develops an ethical culture and ways of doing business. SpareBank 1 SR-Bank's code of conduct can be found here: www.sparebank1.no/content/dam/SB1/bank/sr-bank/om-oss/Samfunn/Etiske_retningslinjer.pdf.

A specific anti-corruption policy has been produced and risk analyses are conducted based on working meetings with purchasing, accounting and employees in both the retail and corporate markets. The guidelines for anti-corruption and impartiality have been incorporated into the purchasing and credit policy, and partners and suppliers are sent a sustainability appendix which includes the anti-corruption guidelines.

The group has its own ethics committee, which regularly assesses whether the code of conduct satisfies the expectations and requirements of customers, suppliers and society as a whole. The ethics committee has representatives from several business areas and two meetings were held during 2020.

All employees must sign the code of conduct every year. Annual refreshers on ethics are also provided via the authorisation scheme for financial advisers. The anti-corruption work includes ensuring new employees read and sign the code of conduct. This is also included as a topic in Ethics Week.

The group has zero tolerance of corruption and compliance assessments are conducted in relation to compliance with the anti-corruption policy. The group review specific transactions and activities, planned and existing business connections, and various categories and groups of employees. The assessments take a risk-based approach, and the inspections include financial and non-financial control actions. Reporting lines have been established and any measures are followed up in line with existing routines.

The group has whistleblowing routines for anonymous, written and verbal reports. SpareBank 1 SR-Bank has established an external notification agreement with the law firm EY in which the information will be treated confidentially by dedicated case managers in EY.

Theme	No. of	Stake
Board members of SpareBank 1 SR-Bank ASA that have been aware of the code of conduct, including anti-corruption	8	100%
Board members of SpareBank 1 SR-Bank ASA that have received training in anti-corruption	8	100%
Permanent employees who have signed the code of conduct	1,148	*
Permanent employees who have completed anti-money laundering training**	1,053	95.5%
Permanent employees who completed anti-corruption training	232	***
Corruption related incidents***		Not relevant

* All permanent employees, except those on long-term sick leave, other leave or similar, have signed the code of conduct.

** A total of eight learning modules were assigned to between 185 and 1,115 employees according to their position. The average completion rate is 95.5%

** All managers and corporate advisers complete extended anti-corruption training.

*** Since there were no corruption related incidents, no employees were punished, no supplier agreements were terminated due to corruption, and there were no court cases related to corruption in which the company or an employee was involved.

* ForretningsPartner is not included in permanent employees

Board members have completed a separate anti-corruption training programme and are directly involved in the work on formulating and quality assuring the group's code of conduct each year. Besides the board, managers and some key personnel take a special training course in anti-corruption.

Personal data protection and information security

SpareBank 1 SR-Bank's security and privacy strategy is to ensure the confidentiality, integrity and availability of information between the customer and the bank. SpareBank 1 SR-Bank has a large customer base and is therefore a stakeholder that processes customer information and personal data on a large scale. The personal data rules, which consist of the EU's General Data Protection Regulation (GDPR) and Norwegian Personal Data Act, provide strong protections for privacy. The regulations give customers more rights, and routines and procedures in the quality management system have been drawn up to safeguard these rights. Furthermore, SpareBank 1 SR-Bank's privacy statement ensures individuals have a right to information about how the group processes personal information in an easily accessible manner.

SpareBank 1 SR-Bank has formalised and incorporated definitions of roles and responsibilities for information security and privacy. A quality management system has been established with the group's governing documents for information security and privacy. Risk management processes have been established to constantly identify and monitor risks. The processes are designed to ensure compliance with internal requirements, acts and regulations and that risks are mapped and managed. These processes cover both information security and privacy risks. Risk mitigation measures are registered, followed up, and reported via a dedicated measures database.

Both proactive and reactive measures are taken to prevent, detect, investigate and manage security incidents. These include established contingency plans, regularly conducting emergency response exercises, on-call arrangements and crisis teams tasked with efficiently managing major incidents. The group has a dedicated incident response team that monitors and follows up security incidents and discrepancies relating to the use of IT systems in the group 24/7.

SpareBank 1 SR-Bank has implemented a number of technical safety barriers and puts employees through regular information security and privacy training in order to avoid unwanted incidents. These are tangible, concrete measures that are designed to prevent human and technical errors. Should unwanted incidents and discrepancies related to information security and privacy nevertheless occur, these are registered, followed up and reported via a dedicated incident database. The incident database ensures that the group learns from discrepancies and avoids repeating similar ones.

Regular audits of both our organisation and external suppliers are conducted to ensure that the group's information security and privacy requirements are being properly addressed throughout the value chain.
During 2020, the group reported 19 breaches of personal data security to the Norwegian Data Protection Authority. The authority did not issue instructions or impose fines for any of these breaches in 2020. This was due to the fact that the breaches were not considered serious, that the group practises effective and robust event management, and that adequate measures were implemented to correct errors and prevent future breaches.

Responsible information, communication and marketing

SpareBank 1 SR-Bank offers products and services that have a major impact on companies' and individuals' finances, including loan and credit agreements, savings, pensions and insurance products. This comes with a serious responsibility to help customers make informed choices when entering into agreements with the group. In line with the group's product management policy, customer segments should only be offered appropriate products and the products must be marketed in line with the requirements for good marketing practices. When determining how good marketing practices should be understood in each instance, the group refers to the special requirements for honesty and good business practices that apply to financial institutions, as well as any special disclosure obligations that apply, for example for the marketing of credit agreements. Among other things, the products' properties and terms and conditions must be clearly stated and be understandable to the customer group at which the marketing is targeted.

Guidelines ensure customers' interests and investor protection are safeguarded when they are being sold products and services. Credit policy guidelines, routines, and guidelines for the securities firm's activities, product and distribution strategy for financial instruments have been established, and routines, processes and work descriptions have been operationalised. Training is also provided via the authorisation scheme for financial advisers (AFR), training programmes via VPFF and VPF, and internal specialist days and training modules from SPAMA.

The group's product management policy requires that all new products and services, as well as material changes to these, must be risk assessed by relevant professional environments, approved by risk management and compliance, and passed by the executive management group. A standardised product, process and system scoring (PoPS) process has been established to meet this requirement, with weekly formalised case management meetings in which all relevant technical groups in the group participate. The process is intended to ensure that customer interests are adequately safeguarded in all new and changed products and services. The same risk assessment and decision-making process applies in the case of significant changes to customer-related processes, including communication and marketing. More than 150 change cases were formally processed in the group's PoPs process in 2020.

One unwanted incident was registered. This concerned a breach of paragraph 16.3 of the Financial Institutions Regulations regarding linking to Finansportalen. No other adverse events involving a failure to comply with the regulations or voluntary guidelines for product and service information, labelling and marketing were recorded in 2020.

Environmental responsibility in own operations

As a responsible financial services group, SpareBank 1 SR-Bank takes a proactive approach to environmental and climate challenges. The group are constantly striving to be a resource-saving and environmentally efficient organisation by setting requirements for our own organisation, suppliers, and partners.

SpareBank 1 SR-Bank's move into its new head office, Finansparken, was completed in January 2020 and employees from the group's previous three head offices now work under the same roof. Finansparken has achieved BREEAM-NOR Outstanding certification and is one of Europe's largest wooden commercial buildings. The park outside has been landscaped with more than 50 species of plants, at least 30 of which are new to the area. This results in a rich fauna of insects and birdlife, both in the park and on the roof, which is covered in enriched sedum.

In 2018, SpareBank 1 SR-Bank registered energy and climate accounts based on the international "Corporate Accounting and Reporting Standard" for the first time. This standard was developed by the Greenhouse Gas Protocol Initiative – the GHG Protocol. The climate accounts show tonnes CO2e that are direct and indirect emissions related to the group. These are greenhouse gas emissions that come from consumption due to, for example, travel, waste management, and energy use. Based on the climate accounts, the group identified which sources impact the external environment and implemented concrete measures to minimise them. In 2020, a working group carried out extensive work to assess environmental certification of the entire group with the aim of cutting its greenhouse gas emissions. This work will remain a priority in 2021.

The climate accounts for 2020 show a reduction in CO2 emissions from 2019 to 2020. The group's CO2 emissions in 2019 were 701 tonnes CO2e compared with 337 tonnes CO2e in 2020. The greenhouse gas emissions were categorised as follows in 2020:

- Scope 1: 35.2 tonnes CO2e
- Scope 2: 192.7 tonnes CO2e
- Scope 3: 109.8 tonnes CO2e
- Total: 337.7 tonnes CO2e

Annual greenhouse gas emissions

Category	2018	2019	2020	% change from previous year
Transport total	**62.5**	**69.1**	**35.2**	**-49.1%**
Petrol	24.7	23.0	13.8	-39.9%
Diesel (NO)	37.8	46.1	21.4	-53.7%
Scope 1 total	**62.5**	**69.1**	**35.2**	**-49.1%**
Electricity total	**291.7**	**183.7**	**192.5**	**4.8%**
Electricity Nordic mix	291.7	183.7	192.5	4.8%
Electric cars total	**0.2**	**0.3**	**0.2**	**-7.2%**
Electric cars Nordic	0.2	0.3	0.2	-7.2%
Scope 2 Emissions	**291.9**	**184.0**	**192.7**	**4.8%**
Waste total	**17.5**	**15.1**	**5.7**	**-62.5%**
Residual waste, incinerated	16.3	14.3	3.5	-72.5%
Paper waste, recycled	0.8	0.6	0.3	-54.1%
Glass waste, recycled	0.1	-	-	-27.6%
Metal waste, recycled	-	-	-	100.0%
Organic waste, recycled	0.2	0.1	0.2	70.3%
Plastic waste, recycled	-	-	-	495.0%
EE waste, recycled	-	-	-	-65.4%
Hazardous waste, recycled	-	-	-	-100.0%
Hazardous waste, incinerated	-	-	1.3	100.0%
Residual waste, recycled	-	-	0.2	100.0%
Wood waste, incinerated	-	-	-	100.0%
Cardboard waste, recycled	-	-	-	100.0%
Business journeys, total	**564.1**	**432.8**	**104.2**	**-75.9%**
Air travel	-	-	104.2	100.0%
Continental/Nordic, RF	564.1	432.8	-	-100.0%
Scope 3 Emissions	**581.6**	**447.9**	**109.8**	**-75.5%**
Total	**936.0**	**701.0**	**337.7**	**-51.8%**
Percentage change	100.0%	-25.1%	-51.8%	

Key figures – energy and climate indicators

Name	Unit	2018	2019	2020	% change from the previous year
Total emissions (S1+S2+S3) (tCO2e)		936.0	701.0	337.7	-51.8%
tCO2e/turnover (S1+2+3)		0.2	0.1	0.1	-49.6%
tCO2e/FTEs (S1+S2+S3)		0.7	-	-	-
kgCO2e/heated floor space (S1+S2+S3)		20.7	17.9	9.9	-44.9%
Turnover	NOK millions	5,450.0	6,530.0	6,237.0	-4.5%
Heated floor space	m^2	45,200.0	39,191.0	34,254.0	-12.6%

* Electric Car Nordic is reported as estimated km consumption based on the agreement with the leasing company.

* The waste figures are for the head office in Finansparken.

* The following offices are included in the energy consumption: Fana, Åsane, Sotra, Stord, Husnes, Kopervik, Åkrehamn, Jørpeland, Hundvåg, Mariero, Madla, Bryne, Egersund, Ålgård, Nærbø, Sandnes, Sola, Randaberg, Varhaug, Farsund, Flekkefjord, Grimstad, Kristiansand, Lyngdal, Mandal, Bergsmauet 2, Øvre Strandgate 52, Bjergsted Terrasse, Domkirkeplassen and the head office, Finansparken.

Between 2018 and 2020, the group's greenhouse gas emissions were cut from 936 tonnes to 337.7 tonnes. Given the Covid-19 situation, estimating the reduction the group would have achieved had this situation not occurred is difficult. The reduction in greenhouse gas emissions from 2019 to 2020 was mainly due to flights. A project aimed at reducing flights taken by the group was started in 2020. This work was impacted by the Covid-19 situation and it was not appropriate to continue the work in 2020. The group has established a working group to assess which measures should be continued after the Covid-19 situation normalises. Sustainability and the climate are high on the agenda in this assessment, and it will, therefore, deal with reducing greenhouse gas emissions.

The group's head office was gathered under the same roof in 2020. Finansparken has contributed to substantial reductions in energy consumption, although because the group still owns the old head office in Bjergsted, this reduction will not be visible in the group's climate accounts for 2020. The old head office in Bjergsted accounted for 723,291 kWh in 2020. A significant reduction in energy use is, therefore, expected once this building is sold.

Work will continue on cutting our greenhouse gas emissions through previously established working groups in 2021. Power generated by one of the power plants in Lysefjord will be purchased to ensure that the group has zero market-based emissions.

Sustainable purchasing

Sustainable purchasing involves suppliers' awareness of their supply chain and the work they do to reduce their negative impact on the environment, social conditions and conduct throughout their company's supply chain. SpareBank 1 SR-Bank ASA's largest purchasing categories are marketing, IT systems, property operation, external consultants, and contracted personnel.

In 2020, the focus was on implementing the framework developed in 2019. The framework assesses the likelihood of negative impacts on the environment, social conditions and governance (ESG). Suppliers are required to have guidelines for sustainability, and these must be translated into action.

SpareBank 1 SR-Bank ASA and SpareBank 1 Utvikling DA, which accounts for around 80% of SpareBank 1 SR-Bank ASA's purchases, have assessed 254 suppliers based on the framework. These suppliers deliver services to the savings banks and companies. In 2020, we assessed the risk associated with the suppliers' likelihood of having a negative impact on the environment, social conditions and conduct. Based on this assessment, suppliers with an elevated risk of having a negative impact are monitored in order to ensure that they take a systematic and practical approach to their work on sustainability. This applies to both existing and new suppliers. If shortcomings are identified, the purchasing department engages with the supplier to ensure that the requirements are met.

The second phase of the assessment process was carried out in 2020 and 91 suppliers of SpareBank 1 Utvikling DA and five of SpareBank 1 SR-Bank ASA were followed up more closely. The suppliers were assessed in relation to their negatives impacts and contacted with questions regarding their guidelines for the environment, social conditions and conduct in commerce, documentation of their environmental management systems and which factors with the greatest negative impact on environmental and social conditions had been identified. 43 suppliers of SpareBank 1 Utvikling DA were flagged for further follow-up. Outside the central agreements, five of SpareBank 1 SR-Bank ASA's local agreements were assessed as having an elevated risk and were routinely followed up. All 48 suppliers responded to the questions and returned the requested information.

The suppliers identified as having an elevated risk included goods suppliers, suppliers of cleaning and canteen services, hardware, merchandising and gift items, office suppliers and larger suppliers of consulting services in countries with challenges linked to social conditions. 158 of the suppliers were assessed as having a low risk. These are not currently being followed up.

The follow-up of the suppliers will continue in 2021. Suppliers and categories that require further follow-up are identified based on the supplier monitoring. Evaluations and further developing the work on sustainable purchasing, as well as improving systems, are on the activity plan for the period up to 2023.

As in SpareBank 1 Utvikling DA, SpareBank 1 SR-Bank ASA is following up suppliers using the same framework tool and guidelines.

Stimulating new jobs

SpareBank 1 SR-Bank is interested in innovation and creating growth in skills-based jobs. Gründerhub is one of the group's initiatives for creating the jobs of the future. A large number of applications have been received every year since its inception. Almost 300 entrepreneurs have undergone training in the Gründerhub programme since it started. They have represented companies with a good spread within technology, social entrepreneurship and sustainability. This has created around 340 new jobs through 270 companies. The group presented NOK 550,000 in awards to entrepreneurs through Sparebankstiftelsen SR-Bank as a means of encouraging entrepreneurship in 2020.

Community support

As part of our activities, the group supports measures that are based on good living conditions, contributing to growth and development, and a desire for enterprising people to get more back for their efforts. In 2020, the group contributed NOK 18 million in the form of grants and sponsorship agreements to various organisations, clubs and associations. SpareBank 1 SR-Bank's activities within community engagement and sponsorship are an extension of the group's day-to-day work. The aim is to start initiatives that can make a positive difference in our local areas, achieve a clearer position in the market with the group's sponsorship strategy, and to link sponsorships closely to the group's sustainability goals. In the future, the group wants to focus on gender equality in its sponsorship work. Among other things, the group has signed agreements with both Avaldsnes Elite AS and Viking FK's women's team.

SpareBank 1 SR-Bank's largest shareholder is Sparebankstiftelsen SR-Bank with its stake of 28.3%. Sparebankstiftelsen SR-Bank keeps the savings bank tradition alive. The Foundation may allocate profits, in the form of dividends from SpareBank 1 SR-Bank, for the distribution of gifts for generally beneficial purposes. This is to be done in line with the foundation's vision of "Creating Values Together" as well as the foundation's values of "Together we are to create, enrich and develop healthy communities". This reinforces the bank's local presence and local engagement. In 2020, NOK 116 million was distributed to 646 recipients in Rogaland, Vestland and Agder. Together with Sparebankstiftelsen SR-Bank, the group helps talented young people develop through G9alt Talentutvikling. G9alt Talentutvikling is a foundation that distributes up to NOK 800,000 to talented young people in Rogaland, Vestland and Agder. In 2020, the full amount, NOK 800,000, was distributed.

Group executive management

Benedicte Schilbred Fasmer

CEO

Benedicte Schilbred Fasmer (1965) took up her post as CEO in January 2021.
She has an MSc in Economics and Business Administration from the Norwegian School of Economics and Business Administration. Her previous experience from various executive management positions includes Fremtind Forsikring, DNB, Sparebanken Vest, Rieber & Søn and Citibank.

Board appointments:
Independent board member and chair of the risk committee of Vocalink Ltd., UK, and board member in SpareBank 1 Gruppen AS and SpareBank 1 Utvikling DA. She is also on the UN High-Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI panel).

Number of shares*: 2,500

Inge Reinertsen

CFO

Inge Reinertsen (1971) became CFO in 2010.
Reinertsen has an MBA from the Norwegian School of Economics in Bergen. He has experience from various management positions in the SpareBank 1 SR-Bank Group and has worked for the group since 2001.

Board appointments:
Chair of the boards of SR-Boligkreditt AS, Bjergsted Terrasse 1 AS and SR-Forvaltning AS. Board member of SpareBank 1 Næringskreditt, Monner AS, SpareBank 1 Pensjonskasse, FinStart Nordic AS and SpareBank 1 Markets AS.

No. of shares*: 92,686

Ella Skjørestad

EXECUTIVE VICE PRESIDENT, CUSTOMER SERVICES AND MARKETING

Skjørestad (1980) took up her post as Executive VP Customer Services and Marketing in 2018.
She holds a master's degree in Comparative Politics from the University of Bergen.
Skjørestad has previous experience from Storebrand and Storebrand Direct.
She joined SpareBank 1 SR Bank in June 2010 as head of marketing in the retail banking market and since then has held positions such as marketing director and director of customer services retail market.

Board appointments:
Board member of Monner AS, EiendomsMegler 1 SR-Eiendom AS, SpareBank 1 ForretningsPartner AS and Fremtind Service AS.

No. of shares*: 8,830

Frode Bø

EXECUTIVE VICE PRESIDENT, RISK MANAGEMENT

Bø (1968) became EVP, Risk Management in 2006.
He holds a Bachelor of Management and has also completed a master's degree programme in operational auditing and risk management at BI Norwegian Business School.
Bø's previous experience includes working at Kværner and Mobil Exploration Norway. He has worked for SpareBank 1 SR-Bank since 2001. Until 2016, he was also 1st amanuensis II at the University of Stavanger at the Department of Industrial Economics, Risk Management and Planning.

No. of shares*: 17,896

* No. of shares in SpareBank 1 SR-Bank as at 31 December 2020. The figures also include shares belonging to immediate family members and companies in which the person has a determining influence.

Gro Tveit

EXECUTIVE VICE PRESIDENT, HUMAN RESOURCES AND BUSINESS SUPPORT

Tveit (1969) became EVP, HR and Business Support in 2018. She has a bachelor's degree in accounting and auditing from the University of Stavanger and Hedmark District College. Tveit also has additional qualifications within management and strategy from BI Norwegian Business School. She was previously the Finance Director at SpareBank 1 SR-Bank, who she joined in 2001. Previous work experience from Halliburton AS and Fjaler Sparebank.

Board appointments: Board member of Finansparken Bjergsted AS and deputy chair of the board of SpareBank 1 SR-Banks Pensjonskasse.

No. of shares*: 20,774

Signe Helliesen

EXECUTIVE VICE PRESIDENT, COMPLIANCE

Helliesen (1976) assumed her position as EVP, Compliance in 2019. Helliesen graduated in business economics from the Norwegian School of Economics (NHH) in Bergen and also holds an Executive MBA in Technology and Innovation of Finance, Fintech from NHH. Helliesen has experience from EY. She has worked for SpareBank 1 SR-Bank since 2008.

Board appointments: Deputy member of the board of the Norwegian Securities Dealers Association.

No. of shares*: 745

Glenn Sæther

EXECUTIVE VICE PRESIDENT, STRATEGY, INNOVATION AND DEVELOPMENT

Sæther (1966) became EVP, Strategy, Innovation and Development in 2018. He was previously EVP, Business Support and Development. He graduated in Economics and Business Administration from BI Norwegian Business School and has previous experience from Sandnes Municipality, Webcenter Unique ASA, and Helse Vest RHF. He has worked for SpareBank 1 SR-Bank since 2005.

Board appointments: Chair of the board of FinStart Nordic AS and board member of SpareBank 1 SR-Bank ForretningsPartner AS, Monner AS and Vester AS.

No. of shares*: 30,509

Jan Friestad

EXECUTIVE VICE PRESIDENT, RETAIL MARKET

Friestad (1966) became EVP, Retail Market in 2011. He holds a degree in economics and business administration from Stavanger University College and has also taken various Master of Management courses within marketing strategy and management at BI Norwegian Business School. He has worked for SpareBank 1 SR-Bank since 1988.

Board appointments: Chair of the boards of EiendomsMegler 1 SR-Eiendom AS, SpareBank 1 Kreditt AS, and SpareBank 1 Forvaltning AS. Board member of SpareBank 1 Betaling AS and deputy member of the board of Vipps AS.

No. of shares*: 49,853

* No. of shares in SpareBank 1 SR-Bank as at 31 December 2020. The figures also include shares belonging to immediate family members and companies in which the person has a determining influence.

Tore Medhus

EXECUTIVE VICE PRESIDENT, CORPORATE MARKET

Medhus (1965) became EVP, Corporate Market in 2000. He holds a Master of Business and Marketing from Oslo Business School/ BI. He has previous experience from Elcon Finans, Forende Credit Finans and Telenor. Medhus has worked for SpareBank 1 SR-Bank since 1994.

Board appointments: Chair of the board of SpareBank 1 ForretningsPartner AS and Monner AS. Deputy chair of the board of BN Bank. Board member of FinStart Nordic AS and SpareBank 1 Factoring AS.

No. of shares*: 58,666

Thor-Christian Haugland

EXECUTIVE VICE PRESIDENT, COMMUNICATIONS AND SUSTAINABILITY

Haugland (1963) became EVP, Communications in 2005. He was educated at Stavanger University College, the University of Salford and BI Norwegian Business School in economics, communications and management. He has experience from Radisson SAS and Brødrene Pedersen AS. He has also around 20 years' experience from various positions in SpareBank 1 SR-Bank.

Board appointments: Member of the boards of Odin Forvaltning AS, Monner AS, FinStart Nordic AS and Nordic Edge AS.

No. of shares*: 29,193

* No. of shares in SpareBank 1 SR-Bank as at 31 December 2020. The figures also include shares belonging to immediate family members and companies in which the person has a determining influence.

Board of directors

Dag Mejdell

CHAIR OF THE BOARD, CHAIR OF THE REMUNERATION COMMITTEE AND OBSERVER ON THE RISK COMMITTEE.

Dag Mejdell (1957) has extensive experience from various management positions in business, most recently as the CEO of Posten Norge AS from 2006 to 2016. From 2000 to 2005 he was the CEO of Dyno Nobel ASA and before that he worked for Dyno ASA for 19 years, the last three of which were as the CEO. Mejdell holds a 4-year degree in Economics and Business Administration from the Norwegian School of Economics in Bergen. Chair of the board of SpareBank 1 SR-Bank ASA since June 2016.

Other positions: Chair of the boards of Norsk Hydro ASA, Mestergruppen AS, Visolit New Finco AS and International Post Corporation CV and deputy chair of SAS AB.

No. of board meetings in 2020:
22 of 22.

No. of shares*: 30,000

Ingrid Riddervold Lorange

BOARD MEMBER AND MEMBER OF THE RISK COMMITTEE

Ingrid Riddervold Lorange (1969) is the CEO of Siva SF. She has extensive and wide-ranging experience from a range of management posts at Telenor, where she was most recently CEO of Telenor Global Shared Services. Lorange has board experience from a range of board positions in the Telenor Group. Lorange graduated in business economics from the BI Norwegian Business School. Board member of SpareBank 1 SR-Bank ASA since April 2020.

No. of board meetings in 2020:
16 of 16 (member of the board since April 2020)

Number of shares*: 0

Kate Henriksen

BOARD MEMBER, CHAIR OF THE AUDIT COMMITTEE AND MEMBER OF THE REMUNERATION COMMITTEE

Kate Henriksen (1960) is the CEO of Miles Bergen AS. She was formerly the divisional director, retail market, at Sparebanken Vest. Henriksen studied Business Administration at the Norwegian School of Economics and Business Administration. She has also studied information technology and automation at Bergen College of Engineering. Board member of SpareBank 1 SR-Bank ASA since June 2015.

No. of board meetings in 2020:
21 of 22

No. of shares*: 0

Tor Dahle

BOARD MEMBER, CHAIR OF THE RISK COMMITTEE AND MEMBER OF THE AUDIT COMMITTEE

Tor Dahle (1952) is the general manager at Sparebankstiftelsen SR-Bank. He has experience from various management positions at SpareBank 1 SR-Bank ASA, including as CFO and more recently as Managing Director at SR-Investering AS. Dahle trained as a business economist at the Norwegian School of Economics. Board member of SpareBank 1 SR-Bank ASA since June 2013.

No. of board meetings in 2020:
22 out of 22

Number of shares*:
72,457,858

* No. of shares in SpareBank 1 SR-Bank as at 31 December 2020. The figures also include shares belonging to immediate family members and companies in which the person has a determining influence.

Trine Sæther Romuld

BOARD MEMBER AND MEMBER OF THE AUDIT COMMITTEE

Trine Sæther Romuld (1968) is the CFO & COO of Salmar ASA. Romuld has extensive experience from a range of leadership roles in seafood, oil services, consultancy and the audit industry with both Norwegian and international firms. Additionally, Romuld has significant experience as a board member and chairman of audit committees for listed companies. Romuld is a state authorised auditor (NHH). Board member of SpareBank 1 SR-Bank ASA since April 2020.

No. of board meetings in 2020:
15 of 16 (member of the board since April 2020)

Number of shares*: 0

Jan Skogseth

BOARD MEMBER AND MEMBER OF THE RISK COMMITTEE

Jan Skogseth (1955) was the CEO of Aibel AS from 2008 until 2017. He has 35 years of experience from the oil, gas and renewables industries, from oil companies and from oil industry supplies, nationally and internationally. He graduated from South Dakota School of Mines & Technology with an MSc in Mechanical Engineering. Board member of SpareBank 1 SR-Bank ASA since April 2017.

Other positions: Chair of the board of Gassco AS, and member of the boards of Scatec ASA and PSW Technology AS.

No. of board meetings in 2020:
18 of 22

Number of shares*: 10 000

Kristian Kristensen

EMPLOYEE REPRESENTATIVE BOARD MEMBER

Kristian Kristensen (1982) is the deputy chair of the Finance Sector Union of Norway SpareBank 1 SR-Bank. He holds a bachelor's degree in marketing communication from BI Norwegian Business School and has taken courses in technological change and social development at NTNU and digital business understanding and sustainability as a competitive advantage at BI Norwegian Business School. Board member of SpareBank 1 SR-Bank ASA since June 2016.

Other positions: Member of the board of the Finance Sector Union of Norway, Rogaland division.

No. of board meetings in 2020:
22 out of 22

Number of shares*: 3,673

Sally Lund-Andersen

EMPLOYEE-ELECTED BOARD MEMBER AND MEMBER OF THE REMUNERATION COMMITTEE

Sally Lund-Andersen (1961) is the head group employee representative at SpareBank 1 SR-Bank ASA. Board member of SpareBank 1 SR-Bank ASA since January 2012.

Other positions: Chair of the Finance Sector Union of Norway, Rogaland division and permanent observer on the board of SpareBank 1 Utvikling DA.

No. of board meetings in 2020:
22 out of 22

Number of shares*: 2,850

* No. of shares in SpareBank 1 SR-Bank as at 31 December 2020. The figures also include shares belonging to immediate family members and companies in which the person has a determining influence.

Corporate governance

The board of directors and executive management team of SpareBank 1 SR-Bank annually review the corporate governance principles and how they are functioning in the group. The formal requirements for this report follow from section 3-3b of the Accounting Act and the Oslo Børs's requirements concerning complying with, or explaining deviations from, the Norwegian Code of Practice for Corporate Governance.

1. Implementation and reporting on corporate governance

There are no significant deviations between the Code of Practice and SpareBank 1 SR-Bank's compliance with it. Two deviations are described below, one under section 3 and one under section 14.

SpareBank 1 SR-Bank's objectives are to stimulate growth and development. It is the very foundation of the company's business model. SpareBank 1 SR-Bank will help to create profitability and value for its owners, customers and communities. SpareBank 1 SR-Bank's vision is: "The customer's first choice". The values that will support our vision are: "Prudence and respect. Committed and efficient." SpareBank 1 SR-Bank ASA shall be characterised by high ethical standards and good corporate governance.

SpareBank 1 SR-Bank's corporate governance must ensure proper management and provide increased assurance that stated goals and strategies will be realised. Good corporate governance in SpareBank 1 SR-Bank includes the values, objectives and overarching principles according to which the company is governed and controlled in order to protect the interests of its various stakeholders. The governance structure is a prerequisite for creating long-term value for owners, customers and employees. It must also ensure that SpareBank 1 SR-Bank is sustainable over time.

SpareBank 1 SR-Bank particularly focuses on:
- a structure that ensures goal-oriented and independent management and control
- systems that ensure good measurability and accountability
- effective risk management
- comprehensive information and effective communication
- the equal treatment of shareholders
- compliance with legislation, regulations and ethical standards

As part of the management structure, SpareBank 1 SR-Bank has a hierarchy of governing documentation with four levels. The company's government documents are available to all employees. The governing documents define the frameworks and principles that are implemented and addressed by the operational processes:

- Level 1: Corporate governance principles
- Level 2: Policies
- Level 3: Standards and business requirements
- Level 4: Routines, process and job descriptions

Level 1: Corporate governance principles

SpareBank 1 SR-Bank's corporate governance principles constitute the highest level of corporate governance in the group. These principles, agreed by the board, set out the overarching framework for the management of all operations.

SpareBank 1 SR-Bank's corporate governance principles comprise:

- Regulations guidance through laws, regulatory, guidelines, etc.
- The company's articles of association, available on www.sr-bank.no
- The management model, see page 39 of the annual report
- Strategic and financial goals, objectives and values, see page 8 of the annual report for more details
- Instructions for the board of directors and CEO, available on www.sr-bank.no
- Code of conduct
- Principles for sustainability
- Frameworks and authorities

Code of conduct

SpareBank 1 SR-Bank must have high ethical standards. The group's ethical guidelines describe what is expected of anyone who represents SpareBank 1 SR-Bank. The guidelines regulate how employees of SpareBank 1 SR-Bank are expected to conduct themselves in relation to customers, suppliers, competitors, and everyone else. The code of conduct states that employees of the group shall show respect and consideration, and that all communication shall be open, honest and clear and in accordance with the norms, statutes and rules that apply in society when employees are identified as representing the organisation.

SpareBank 1 SR-bank's code of conduct deals with, among other things, impartiality and relationships with customers, suppliers and competitors, as well as relevant personal financial issues. No form of discrimination or harassment is accepted. SpareBank 1 SR Bank's customer service must be known for its high level of integrity, availability and transparency, and must comply with good business practices. SpareBank 1 SR-Bank wants to be a responsible company that treats all suppliers and competitors with respect and competes fairly and in accordance with the competition regulations. SpareBank 1 SR-Bank does not accept any form of corruption or misuse of inside information.

SpareBank 1 SR-Bank will seek to avoid conflicts of interest. All employees must be bear in mind that conflicts of interest can arise in connection with their work for the group and actively seek to identify these. They should seek to identify such conflicts of interest through initial investigations as early in the process as possible and must follow the group's procedures, routines and guidelines for this. When conflicts of interest arise, we will be transparent about them and seek to resolve them in a proper manner. The group's code of conduct is available from www.sr-bank.no.

All suspected misconduct must be reported in line with SpareBank 1 SR-Bank's rules and procedures for whistleblowing. All reports must be treated with respect and be taken seriously, and reprisals due to reports will not be accepted. In addition to the routines for internal whistleblowing, a channel has been set up for the submission of anonymous electronic reports to an external party.

The code of conduct is available on www.sr-bank.no.

Sustainability
SpareBank 1 SR-Bank takes a proactive approach to sustainability and responsibility for the environmental challenges society faces. The group will not, directly or indirectly, participate in violations of human and labour rights, corruption, serious environmental harm or other actions that could be considered unethical. This applies both internally and in relation to society as a whole. Our responsibilities encompass products and services, consultancy and sales, investment and credit decisions, marketing, procurement, corporate governance and business administration. SpareBank 1 SR-Bank has established standards and guidelines for safeguarding these responsibilities. Our internal work on HSE, ethics and environmental efficiency are also encompassed by our definition of sustainability.

The group's sustainability work is based on the 17 UN Sustainable Development Goals. The group also backs the UN Global Compact's Ten Principles (human rights, labour standards, environment and anti-corruption).
Read more on page 20 of the annual report and on www.sr-bank.no.

Level 2: Policies/overarching guidelines
Policies and overarching guidelines are drawn up to address legal requirements and support the group's corporate governance within key areas such as risk management, product and service management, anti-money laundering, privacy, outsourcing and information security, etc.
All governing documents at this level must be approved by the board. The documents specify key overarching principles for a business area or specialist area and are formulated with a scope and format that are designed for a broad group of recipients in the group.

Level 3: Standards and business requirements
Standards and business requirements contain requirements and guidance for a business or subject area. Standards and business requirements clarify and detail the group's overarching principles in more detailed requirements that make operationalisation possible in detailed routines.

Documents at this level are approved by EVPs for their respective responsibilities.

Level 4: Routines, processes and job descriptions
Detailed routines, processes and work descriptions linked to a business area or subject area. Operationalise requirements and principles in other governing documentation and are presented in a written, readily accessible format (how, when and by whom).

Deviations from the Code of Practice: None

2. Business
SpareBank 1 SR-Bank's purpose is to manage the funds controlled by the group in a prudent manner and it can carry out all normal bank business and bank services in accordance with the applicable legislation. SpareBank 1 SR-Bank can also provide investment services within the framework of the licences it holds at any given time. SpareBank 1 SR-Bank's business is explained in its articles of association, which are available on www.sr-bank.no. The group's goals and main strategies are described in the annual report.

Deviations from the Code of Practice: None

3. Equity and dividends
The board of directors assesses the capital situation on an ongoing basis in light of the company's objectives, strategies and approved risk profile. Please see the group's risk and capital management report (Pillar 3) for more information about the capital adequacy regulations, the principles SpareBank 1 SR-Bank applies as a basis for assessing its capital requirements, and more details about the elements that make up the group's capital ratio. The report is available on www.sr-bank.no.

The board considers the group to be well capitalised in relation to current regulatory requirements.

Dividend
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 net profit for the year as dividends.

Share buyback
At its meeting on 23 April 2020, the general meeting authorised the board to acquire and register liens on the bank's own shares for up to 10% of the bank's share capital. The shares must be acquired in the securities market via the Oslo Børs. Each share can be purchased at a price of between NOK 1 and NOK 150. The authorisation is valid for 12 months from the date it is adopted by the general meeting.

Issuance of Tier 1 capital instruments and subordinated loans
At its meeting on 24 April 2020, the general meeting authorised the board to issue Tier 1 capital instruments and raise subordinated loans, together or individually, distributed as follows:

Hybrid Tier 1 capital:
NOK 3,000,000,000 or the equivalent amount in a foreign currency.
Perpetual subordinated loans:
NOK 3,000,000,000 or the equivalent amount in a foreign currency.
Dated subordinated loans:
NOK 3,000,000,000 or the equivalent amount in a foreign currency.

The authority applies for 18 months from adoption by the general meeting.

Capital increases
The general meeting on 23 April 2020 authorised the board to increase the company's share capital by up to NOK 639,377,700 if necessary, to ensure an optimal capital structure by issuing a maximum of 25,575,108 shares, each with a nominal value of NOK 25, ref. section 10-14 of the Public Limited Liability Companies Act. The authorisation is valid for 12 months from the date it is adopted by the general meeting.

Deviations from the Code of Practice:
It follows from the Code of Practice that authorisations to increase capital should be justified and limited to defined purposes. The board fundamentally agrees with this but believes there is a need for a certain degree of flexibility. As long as the authorisations are clearly limited in terms of time and scope, and in reality only adjust and streamline the capital structure of the bank, it should be up to the board to make such decisions rather than having to hold an extraordinary general meeting.

4. Equal treatment of shareholders and transactions with close associates

SpareBank 1 SR-Bank has one class of share. All shares have equal voting rights. In the event of an increase in share capital, existing shareholders have pre-emptive rights, unless special circumstances dictate that these rights can be waived. Such waiver must, should one be applicable, be in the common interests of the company and its shareholders. This would ensure full transparency with respect to this, and the shareholders would receive the same information about it at the same time via a stock exchange announcement and on www.sr-bank.no. Any buyback of shares must be carried out in the market at market prices.

Largest shareholder
Sparebankstiftelsen SR-Bank is SpareBank 1 SR-Bank's largest shareholder with a stake of 28.3%. The foundation was established on 1 January 2012 when SpareBank 1 SR-Bank was converted into a public limited company. Pursuant to the foundation's articles of association, its purpose is to manage the shares that were transferred to the foundation upon its establishment and to exercise and maintain a significant long-term and stable stake in SpareBank 1 SR-Bank. The ownership interest must represent at least 25% of the outstanding shares of SpareBank 1 SR-Bank.

Transactions with close associates
The instructions issued to the board stipulate that the board shall ensure that the company complies with sections 3-8 and 3-9 of the Public Limited Liability Companies Act in agreements between the company and the parties listed therein. The board shall obtain the opinion of an independent third party when entering into agreements between the company and shareholders, board members or members of the group executive management team, or any close associates of these. Board members must notify the board if they have a substantial, direct interest in an agreement entered into by the company or another company in the SpareBank 1 SR-Bank Group. The same applies if the agreement is entered into by a company outside the SpareBank 1 SR-Bank Group in which the board member is an owner, board member, or executive employee.

Deviations from the Code of Practice: None

5. Shares and negotiability

The bank's shares are listed on the Oslo Børs with the ticker SRBNK and are freely negotiable. The articles of association contain no restrictions on the negotiability of shares.

Deviations from the Code of Practice: None

6. General meetings

General meeting:
The supreme authority in SpareBank 1 SR-Bank is the general meeting, which represents the bank's shareholders. Pursuant to the articles of association, the annual general meeting must be held before the end of April each year. The notice and registration form must be sent to shareholders and published on www.sr-bank.no by no later than 21 days before the date of the meeting. Procedures for voting and submitting proposals must be specified in the notice.
The chair of the board, at least one representative of the nomination committee, and the auditor take part in the general meeting. Other board members are free to attend. The CEO and chief financial officer take part from the executive management team. The minutes of general meetings are available on www.sr-bank.no.

In general, resolutions require a simple majority. Decisions about disposals of shares, mergers, demergers, sales of a substantial part of SpareBank 1 SR-Bank's operations or issuing shares in the company require the approval of at least two thirds of the votes and share capital represented at the general meeting.

Voting procedures allow for separate votes for each candidate to the various bodies. It is possible for shareholders to issue a proxy to others. A person is also appointed to act as a proxy who can vote for shareholders. To the extent possible, the proxy form is designed in such a way that it allows for voting on each agenda item and for each candidate standing for election.

Deviations from the Code of Practice: None

7. Nomination committee

The nomination committee comprises up to five members that are elected by the general meeting for a period of 2 years. Sparebankstiftelsen SR-Bank must also be represented on the nomination committee. The nomination committee provides detailed recommendations to the general meeting concerning the election of the chair and members of the board and the chair and members of the nomination committee. The recommendation should provide pertinent information about the candidates' background and independence. The nomination committee also proposes the remuneration for members of the bodies mentioned above. The general meeting determines the nomination committees' remuneration. An overview of the nomination committee's members and how to submit contributions to the nomination committee can be found on www.sr-bank.no.

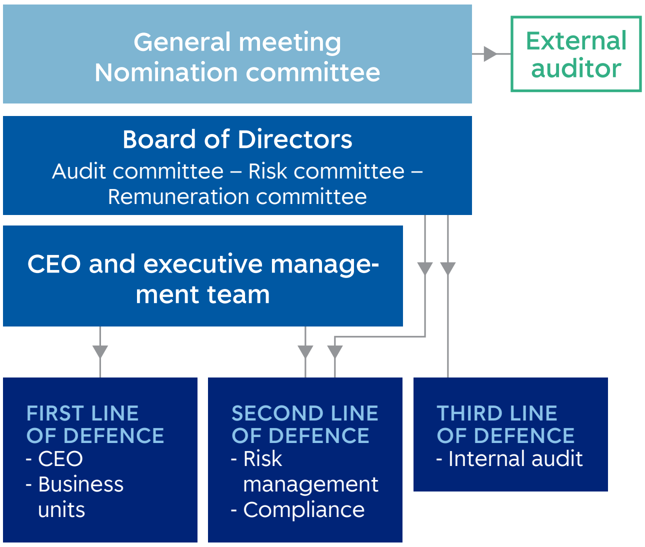
Deviations from the Code of Practice: None

8. Board of directors, composition and independence

The board is elected by the general meeting for up to 2 years at a time. The board consists of up to eight members, including two employee representatives. No members of the group executive management team are members of the board. The composition of the board should be such that it can protect the interests of the shareholder community. A suitability assessment is made when board members are being elected that takes into account the need for continuity and independence. Ensuring the board has a balanced composition is also important. The combined expertise of the elected board members must satisfy all the requirements concerning qualifications, including any statutory ones. Both genders shall be represented by at least 40% of the board members, ref. section 6-11a of the Public Limited Liability Companies Act, and the members must be independent of the company's executive management team.

As at 31 December 2020, the board had eight members, including two employee representatives. Three of the board's shareholder-elected members were women, as was one employee representative. All board members are independent of the bank's executive management team and important business connections. The individual board members' backgrounds are described in the presentation of the board in the annual report and on www.sr-bank.no. The presentation of the board also details the board members' participation in board meetings in 2020. Board members are encouraged to own shares in the company. The presentation of the board includes the number of shares in SpareBank 1 SR-Bank ASA owned by the board members and close associates as at 31 December 2020.

Governing bodies in SpareBank 1 SR-Bank



Deviations from the Code of Practice: None

9. The work of the board of directors

The work of the board follows an annual plan for the board established in accordance with the stipulated instructions for the board. The instructions for the board are available on www.sr-bank.no and provide detailed rules for the board's work and procedures, including which matters should be considered by the board, and rules for convening and conducting board meetings. The board has also established instructions for the CEO that are also available on www.sr-bank.no.

Some 22 board meetings were held in 2020. Of these, 11 were all-day meetings and 11 were shorter Teams meetings, usually for considering credit cases and the ongoing Covid-19 situation.

The board annually conducts an evaluation of its working method and competence and discusses improvements to the organisation and execution of the board's work. The self-assessment report is available to the nomination committee.

The board has established three permanent board committees, which consist of members of the company's board and are described in more detail below. The committees make no decisions but supervise, on behalf of the board, the executive management team's work and prepare matters for the board's consideration within their areas of responsibility. The committees are free to draw on resources in the group and on resources, advice and recommendations from sources outside the group.

Audit committee
The audit committee consists of three members. The composition of the committee satisfies the Code of Practice's independence and competence requirements. The audit committee must ensure that the group has an independent and effective external auditor and satisfactory financial reporting in accordance with the law and regulations. The audit committee held eight meetings in 2020.

Risk committee
The risk committee consists of three members and an observer. The committee is tasked with ensuring that the group's risk and capital management underpins the group's strategic development and goal attainment, while ensuring financial stability and prudent asset management. The risk committee held five meetings in 2020.

Remuneration committee
The remuneration committee consists of three members. One of the members must be the employee-elected board member. The committee is tasked with doing the preparatory work for the annual review of the group's remuneration packages and the CEO's contract and terms by the whole board. The remuneration committee held seven meetings in 2020.

The committees' mandate is available at www.sr-bank.no.

Deviations from the Code of Practice: None

10. Risk management and internal control

SpareBank 1 SR-Bank's core activity is to create value by taking conscious and acceptable risks. The group therefore invests significant resources in the further development of risk management systems and processes in line with leading international practice.

Risk and capital management in SpareBank 1 SR-Bank should create financial and strategic added value through:

- a good risk culture characterised by a high awareness of risk management and the group's core values
- a good understanding of which risks drive earnings
- pricing activities and products in line with their underlying risk, insofar as this is possible
- having adequate financial strength based on a chosen risk profile and simultaneously striving for optimal capital allocation to the various business areas
- utilising diversification effects
- preventing single events seriously damaging the group's financial position

The framework is described in more detail in note 6 to the annual financial statements, as well as in SpareBank 1 SR-Bank's Pillar III document, which is available on www.sr-bank.no.

The annual manager's verification process is carried out as part of risk management and internal control in SpareBank 1 SR-Bank, in accordance with the CRR/CRD IV regulations. The purpose of the manager's verification process is to assess whether risk management and internal control are being satisfactorily carried out in SpareBank 1 SR-Bank. The internal control is based on the EBA Guidelines on Internal Governance (GL11) and the COSO framework – a recognised and widely used framework for designing, implementing and evaluating good risk management and internal control.

The board sets the group's risk profile, the overall limits, authorities and guidelines for risk management, and ensures that the group has a satisfactory capital base based on the risk borne by the group and regulatory requirements. The company's overall risk exposure and risk trends are monitored via periodic risk reports for the company's executive management team and board. General risk monitoring and reporting is performed by the risk management department, which is independent of the business units.

The group's economics and finance department prepares financial reports for SpareBank 1 SR-Bank and ensures that the reporting complies with applicable laws, accounting standards, set accounting policies and the board's guidelines. Financial reporting is quality assured through established processes and control measures.

SpareBank 1 SR-Bank focuses on independence in management and control, and this responsibility is divided between the different roles in the organisation.

First line of defence
The CEO bears overall responsibility for ensuring that the group's risk management complies with frameworks adopted by the board. Business units are responsible for overall risk management within their business area.

Second line of defence (general risk reporting and follow-up)
The risk management and compliance departments are independent of the business units and report directly to the CEO. The risk management department bears overall responsibility for the ongoing development of the risk management framework, including risk models and risk management systems. The department is also responsible for independently monitoring and reporting risk exposure. The compliance department bears overall responsibility for the framework, monitoring and reporting on regulatory compliance.

Third line of defence (independent confirmation)
The internal audit function ensures that the risk management process is result-oriented, effective and functioning as intended. The group's internal audit function has been outsourced, and this ensures that the function has the required independence, competence and capacity. The internal audit function reports to the board. The internal audit function's reports and recommendations on improving the group's risk management are reviewed on an ongoing basis in the group.

Deviations from the Code of Practice: None.

11. Remuneration of the board of directors

The remuneration of the board's members and subcommittees is fixed by the general meeting based on the recommendations of the nomination committee. Board members' remuneration is not linked to financial performance or similar factors. None of the board members, other than the employee representatives, have responsibilities for the company beyond their board duties. Information about all remuneration paid to the individual board members is presented in note 21 to the annual financial statements.

Deviations from the Code of Practice: None

12. Remuneration of executive personnel

SpareBank 1 SR-bank has established a remuneration scheme that applies to all employees.

The group's remuneration scheme shall be consistent with the group's overarching objectives, risk tolerance and long-term interests and shall help to promote and provide incentives for good management and control of the group's risk, discourage excessive or unwanted risk taking, and help to avoid conflicts of interest, and shall comply with the applicable regulations. The total remuneration shall be competitive, but the group shall not be a wage leader. It shall ensure that the group attracts, develops and retains competent employees over time. The scheme will ensure a reward model that is perceived to be fair, predictable and future-oriented and motivating. Fixed salaries shall make up the main element of the total remuneration, which shall also consist of variable pay, pensions and benefits in kind.

The board's guidelines for the remuneration of executive personnel are disclosed in note 21.

Deviations from the Code of Practice: None

13. Information and communications

SpareBank 1 SR-Bank has dedicated pages on the company's website (www.sr-bank.no) for investor information. The bank makes every effort to ensure that correct, relevant and timely information about the group's performance and results inspires investor market confidence. All price sensitive information is published in both Norwegian and English. Stock exchange notices, annual and interim reports, presentation materials and webcasts are available on the company's website.

Information for the market is distributed via quarterly investor presentations. Regular presentations are made to international partners, lenders and investors. All reporting is based on transparency and the equal treatment of market players in the securities market. The group's financial calendar is published on www.sr-bank.no.

Deviations from the Code of Practice: None

14. Take-overs

The board of SpareBank 1 SR-Bank ASA will deal with any takeover bid in accordance with the principle of the equal treatment of shareholders. At the same time, the board will ensure that shareholders receive the most comprehensive information possible in all situations that affect the interests of shareholders. When acquiring shares in a financial institution involving any stake of more than 10% of the share capital, consent must be applied for from the Financial Supervisory Authority of Norway. In connection with SpareBank 1 SR-Bank receiving permission to convert to a public limited company, a condition was set that Sparebankstiftelsen SR-Bank would maintain an ownership stake that would amount to at least 25% of the shares issued in SpareBank 1 SR-Bank.

Deviations from the Code of Practice:
The board has not established explicit general principles for handling take-over bids. The reason for this is the Financial Institutions Act's restrictions on ownership of financial institutions and the licensing conditions in connection with the conversion to ASA. The board endorses the Code of Practice's wording on this point.

15. Auditor

The external auditor presents an annual audit plan to the audit committee and board.

The audit committee recommends the election of an auditor to the board. The board holds at least one annual meeting with the auditor without the executive management team being present. The audit committee makes recommendations to the board concerning approval of the external auditor's fees. The board then presents the proposals concerning fees to the general meeting for approval.

The external auditor shall provide the audit committee with a report on the main elements of the audit of the previous financial year, including, in particular, any material weaknesses identified with respect to internal control relating to the financial reporting process.

Deviations from the Code of Practice: None

Report on corporate governance pursuant to section 3-3b of the Accounting Act.

The report complies with the requirements of the act.

1. SpareBank 1 SR-Bank ASA complies with the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NCGB). The Code of Practice is available on www.nues.no
2. Any deviations from the Code of Practice are commented on in the board's report on corporate governance.

3. Point 10 of the report provides a description of the main elements of the internal control and risk management systems associated with financial reporting processes.
4. SpareBank 1 SR-Bank has no articles of association that deviate from chapter 5 of the Public Limited Liability Companies Act that deals with general meetings.
5. An account is provided of the composition of the board and its working committees, and a description is provided of the main elements of the guidelines and mandates for these bodies in points 8 and 9 of the report.
6. An account of the provisions of the articles of association that regulate the appointment and replacement of board members is provided in point 8 of the report.
7. An account of the provisions of the articles of association and authorities that empower the board to decide that the enterprise will buy back or issue its own shares is provided in point 3 of the report.

Governing bodies in SpareBank 1 SR-Bank

	Shares as at 31 Dec 2020 (1	Shares as at 31 Dec 2019 (1
Board of Directors		
Members		
Dag Mejdell, Oslo (chair)	30,000	30,000
Kate Henriksen, Bergen	0	0
Ingrid Riddervold Lorange, Oslo	0	
Trine Sæther Romuld, Hafrsfjord	0	
Tor Dahle, Stavanger	72,457,858	72,456,358
Jan Skogseth, Sandnes	10,000	6,100
Sally Lund-Andersen, Haugesund (employee representative)	2,850	2,016
Kristian Kristensen, Randaberg (employee representative)	3,674	3,203
Board's Risk Committee		
Tor Dahle, Stavanger (chair)	72,457,858	72,456,358
Jan Skogseth, Sandnes	10,000	6,100
Trine Sæther Romuld, Hafrsfjord	0	
Dag Mejdell, Oslo (observer)	30,000	30,000
Board's audit committee		
Kate Henriksen, Bergen (chair)	0	0
Ingrid Riddervold Lorange, Oslo	0	0
Tor Dahle, Stavanger	72,457,858	72,456,358
Board's remuneration committee		
Dag Mejdell, Oslo (chair)	30,000	30,000
Kate Henriksen, Bergen	0	0
Sally Lund-Andersen	2,850	2,016
Nomination committee		
Per Trygve Sekse, Sandnes (chair)	1,625	1,625
Kirsti Tønnessen, Stavanger		0
Gunn-Jane Håland, Stavanger	1,096	1,096
Tore Heggheim, Hafrsfjord (represents Sparebankstiftelsen SR-Bank which owns 72,419,305 shares)	0	0
Torbjørn Gjelstad, Oslo	0	0

	Shares as at 31 Dec 2020 (1	Shares as at 31 Dec 2019 (1
Executive Management		
Benedicte Schilbred Fasmer, Chief Executive Officer	2,500	
Inge Reinertsen, Chief Financial Officer	92,686	88,023
Jan Friestad, Executive Vice President, Retail Market	49,853	45,250
Tore Medhus, Executive Vice President, Corporate Market	58,666	53,670
Glenn Sæther, Executive Vice President, Strategy, Innovation and Development	30,509	26,749
Ella Skjørestad, Executive Vice President, Customer Services and Marketing	8,830	5,967
Gro Tveit, Executive Vice President, HR and Business Support	20,774	20,303
Frode Bø, Executive Vice President, Risk Management	17,896	17,425
Signe Helliesen, Executive Vice President Compliance	745	274
Thor-Christian Haugland, Executive Vice President Communications and Sustainability	29,193	25,402
External auditor		
PricewaterhouseCoopers (PwC)	0	0
Internal auditor		
Ernst & Young (EY)	0	0

1) Number of shares owned in SpareBank 1 SR-Bank ASA, including shares belonging to immediate family members and companies in which the person has a determining influence.

Report of the Board of Directors

SpareBank 1 SR-Bank ASA achieved a consolidated pre-tax profit of NOK 1,821 million in 2020. The net profit for the year was NOK 1,590 million, a reduction of NOK 1,534 million from NOK 3,124 million for 2019. The return on equity after tax was 6.4%, compared with 14.0% in 2019. Given the prevailing circumstances in 2020 with Covid-19 and the closing down of Norway for longer periods, the board is very satisfied with the results.

Solid efforts by employees, good credit work and good relationships with customers were important drivers behind a good result. Our market position as one of Southern Norway's leading financial services groups and the country' second largest Norwegian owned bank was further strengthened by a net increase of 4,800 retail customers aged 13 and older and more than 2,500 new corporate customers. SpareBank 1 SR-Bank grew its market shares for branches outside Rogaland in 2020. Unfortunately, the group's owners saw a negative return of 9% in 2020 and any decision about paying a dividend has been postponed until the first quarter of 2021 on the recommendation of the authorities.

Lending, including loans sold to SpareBank 1 Boligkreditt AS, rose by 3.7% in 2020. Deposits from customers grew by 14.6% in 2020. The deposit coverage ratio, measured as deposits as a percentage of total loans, was 53.9% at year end 2020, compared with 49.8% in 2019.

Net interest income rose to NOK 4,142 million in 2020, compared with NOK 3,987 million in 2019. Net interest income as a percentage of average total assets decreased to 1.50% in 2020, from 1.61% in 2019. The increase in net interest income was mainly due to increased lending and deposit volumes.

Net commissions and other operating income totalled NOK 1,396 million in 2020, down from NOK 1,416 million in 2019. The reduction was primarily attributable to lower commissions from SpareBank 1 Boligkreditt AS and less income from money transfer services. The net return on financial investments amounted to NOK 699 million in 2020, compared with NOK 1,127 million in 2019. Income from ownership interests decreased by NOK 212 million to NOK 663 million in 2020. The most important reason for this was the lower profit contribution, inclusive of the merger effects, from SpareBank 1 Gruppen AS.

The group's operating costs were NOK 2,386 million in 2020, compared with NOK 2,478 million in 2019, a reduction of NOK 92 million (-3.7%) from 2019. Personnel costs decreased by NOK 36 million (-2.4%) to NOK 1,436 million. The main reason for the cost reduction was the NOK 103 million decrease in bonus provisions. Other operating costs were reduced by NOK 56 million (-5.6%) to NOK 950 million. The cost/income ratio, measured as operating costs as a percentage of operating income, increased from 37.9% in 2019 to 38.3% in 2020.

The group's net impairments on loans and financial liabilities amounted to NOK 2 030 million compared with NOK 235 million in 2019. 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 exposures. Closely monitoring customers and preventive work remain important tools for maintaining a good risk profile in the group's loan portfolio in order to reduce future losses.

The allocation of the year's profit is based on the parent bank's distributable profit of NOK 1,070 million for 2020. The board will ask the general meeting for special authorisation to distribute dividends of up to NOK 793 million, equivalent to NOK 3.10 per share. Until the special authorisation to distribute dividends is exercised, NOK 1,070 million will be allocated to other equity and increasing the group's financial strength.

The Common Equity Tier 1 capital ratio increased from 17.0% at the start of the year to 18.3% at year end 2020. The Tier 1 capital ratio (including hybrid Tier 1 capital) increased in the same period to 18.6% to 19.9%. At year end 2020, SpareBank 1 SR-Bank ASA is in a sound financial position and the group has a good starting point for further developing its good position in Southern Norway. The board has set a target for the Common Equity Tier 1 capital ratio of 16.7%, which will apply from year end 2020. This includes a 1.0-percentage point management buffer.

Nature of the business

The SpareBank 1 SR-Bank Group consists of the parent bank, SpareBank 1 SR-Bank ASA, and subsidiaries.

The most important subsidiaries are:
EiendomsMegler 1 SR-Eiendom AS, SR-Forvaltning AS, SR-Boligkreditt AS, SpareBank 1 SR-Bank ForretningsPartner AS, FinStart Nordic AS and Monner AS.

SpareBank 1 SR-Bank ASA's head office is in Stavanger and it has 34 branches in the counties of Rogaland, Vestland, Agder and Oslo. The group's primary activities are selling and procuring a wide range of financial products and services, investments services, leasing, estate agency and accounting services.

Group's performance

SpareBank 1 SR-Bank ASA recorded good progress in all of the group's business areas in 2020. The bank's position as the market leader in Rogaland was strengthened in both the retail market and the corporate market, and at the same time the group strengthened its positions in Vestland and the Agder counties. SpareBank 1 SR-Bank ASA has within the space of a few years also become a challenger for established financial service groups in Oslo. The capital market division has established itself as the leading expert environment in its field in Southern Norway and Vestland. The group's position in the estate agency market has helped EiendomsMegler 1 become the largest chain of estate agents in Norway. EiendomsMegler 1 SR-Eiendom AS is the market leader in Rogaland and Agder, and strengthened its position in Vestland in 2020.

The group's subsidiaries and its strategic stakes in the SpareBank 1 Alliance's product companies make a significant contribution to SpareBank 1 SR-Bank ASA's earnings.

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 will help many get through the crisis. Lower interest rates are having a positive impact on the housing market and contributing to good demand for mortgages from retail customers. Even though the period has been, and still is, challenging, in our experience, the group's corporate customers are creative and solution oriented. For its part, the group is providing advice in order to find good solutions for customers, including payment holidays. It is important during these peculiar times to remain close to customers and be there for customers in bad times too.

The stock markets started the year with a marked fall in March/April 2020 as a result of the uncertainty surrounding the impact of Covid-19. The market turbulence decreased during the year and the Oslo Børs ended 2020 up 4.6%. Capital losses from securities totalled NOK 141 million for the full year. This was due to a combination of capital losses including hedging instruments totalling NOK 92 million from the fixed income portfolio due to spread widening and capital losses of NOK 49 million from the portfolio of shares and equity certificates.

Impairments on loans and financial liabilities totalled NOK 2,030 million in 2020, compared with NOK 235 million in 2019. This resulted in impairment losses as a percentage of gross loans, including loans sold to the mortgage companies, amounting to 0.94%. The impairment losses on loans in 2020 largely involved individual exposures within oil-related activities. The board regards the quality of the loan portfolio and risk management as good.

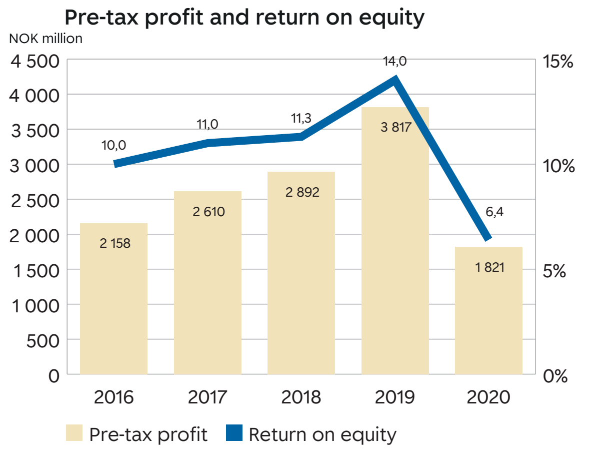
Developments in the group's market areas

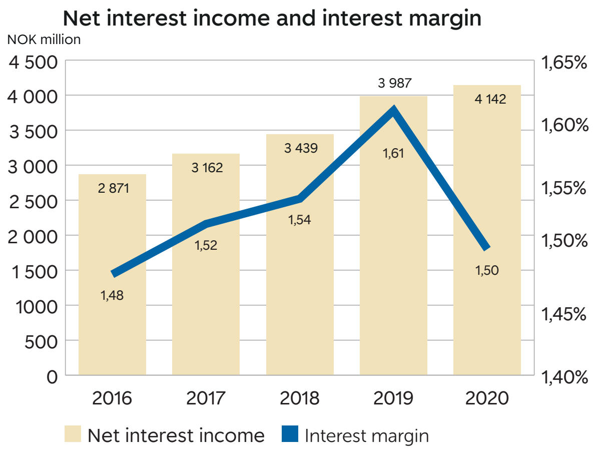
Households remain optimistic about the development of the Norwegian economy, although the effects of Covid-19 result in variations between industries. In the National Budget for 2021, Mainland Norway's gross domestic product (GDP) is expected to grow by around 4.4%, which is sharply up after a fall of 3.1% in 2020 due to Covid-19.

Demographic development trends are very important for the group's framework conditions. The group's market area has seen high migration and population growth for a long time now. The percentage of people with a disability is also significantly lower than the national average. The population is relatively young in and around the larger cities and along the coast of Southern Norway and Vestland, as well as Oslo. Statistics Norway's population growth forecasts indicate that growth in Rogaland, Vestland and Oslo will remain above the national average in the longer term as well.

According to the Norwegian Labour and Welfare Administration (NAV) the unemployment rate in Norway was 3.8% at the end of December 2020. In Rogaland, the unemployment rate was 3.5%, in Vestland it was 3.6%, in Agder 3.2%, and in Oslo 5.7%.

Earnings performance





Net interest income

The group's net interest income totalled NOK 4,142 million in 2020 (NOK 3,987 million), an increase of NOK 155 million. Some NOK 225 million of the increase was attributable to higher lending and deposit volumes, while changes in margins, seen in isolation, reduced net interest income by NOK 8 million. The reduction in interest income due to changes in margins was the result of a NOK 49 million rise in the corporate market and a NOK 57 million decrease in the retail market. The reduction in the retail market was primarily due to interest rate cuts in the second quarter of 2020, where lending rates were cut faster than deposit rates. Reduced interest income in the retail market due to early interest rate reductions for lending amounted to around NOK 80 million in the first and second quarters of 2020.

Other operating income

Net commissions and other operating income totalled NOK 1,396 million in 2020 (NOK 1,416 million).

Income from money transfer services amounted to NOK 248 million (NOK 271 million), which was NOK 23 million less than in 2019. The reduction was 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 16 million to NOK 208 million for 2020 (NOK 192 million) due to good sales and a larger portfolio. Income from estate agency services amounted to NOK 396 million (NOK 399 million), a reduction of NOK 3 million from 2019, while the pre-tax profit increased by NOK 44 million due to good costs control. 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 18 million to NOK 72 million in 2020 (NOK 90 million) due to a combination of high non-recurring income in 2019, as well as less activity in 2020 due to the Covid-19 outbreak. Income from SpareBank 1 SR-Bank ForretningsPartner AS amounted to NOK 154 million (NOK 126 million), an increase of NOK 28 million, of which the acquisition of Fast Solutions AS accounted for NOK 19 million. Commissions from SpareBank 1 Boligkreditt AS were down NOK 19 million to NOK 14 million in 2020 (NOK 33 million). The reduction in commissions from SpareBank 1 Boligkreditt AS was primarily due to the group buying back NOK 4.2 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.

Operating costs

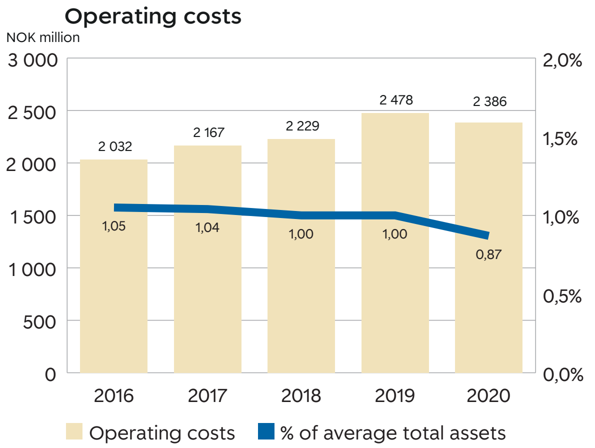
The group's operating costs were NOK 2,386 million in 2020 (NOK 2,478 million), a reduction of NOK 92 million (-3.7%) compared with 2019.

The group's profit was significantly lower due to the low oil prices and the Covid-19 situation, and the bonus provisions for 2020 were NOK 103 million lower than in 2019. Adjusted for the lower bonus provisions, the group's operating costs increased by NOK 11 million (0.5%) from 2019.

Personnel costs amounted to NOK 1,436 million in 2020, a reduction of NOK 36 million (-2.4%) from 2019. Excluding bonus provisions, personnel costs increased by NOK 67 million (4.8%) from 2019 to 2020. In addition to ordinary wages growth, around NOK 27 million of the increased personnel costs was due to a higher number of FTEs linked to the acquisitions of Agder Økonomi AS, Fast Solutions AS and Monner AS, as well as the establishment of branches in Oslo and new start-ups in FinStart Nordic AS.

Other operating costs amounted to NOK 950 million in 2020, a reduction of NOK 56 million from 2019. As a consequence of the Covid-19 outbreak, costs linked to travel, training, hospitality and meeting activities decreased by more than NOK 30 million compared with the same period last year. Costs linked to marketing decreased by NOK 17 million, while ICT costs increased by NOK 9 million in the same period. Depreciation rose by NOK 51 million from 2019 to NOK 188 million in 2020 (NOK 137 million). NOK 20 million of the increase in depreciation was attributable to depreciation on the new head office in Finansparken, and NOK 15 million to impairment losses 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 66 million to NOK 213 million (NOK 279 million), of which NOK 18 million resulted from the reduction in rental costs due to the co-location in Finansparken, NOK 29 million resulted from the reduced use of external consultants, and NOK 16 million was due to reduced costs in EiendomsMegler 1 SR-Eiendom AS.

The group's cost/income ratio, costs measured as a percentage of income, was 38.3% for 2020 (37.9%). Excluding income from financial investments, the cost/income ratio was 43.1% in 2020 (45.9%).



Impairments on loans and non-performance

The group's net impairments on loans and financial liabilities amounted to NOK 2,030 million in 2020, an increase of NOK 1,795 million from 2019. NOK 92 million in previous impairment losses were reversed in 2019 following a legally enforceable judgement in which SpareBank 1 SR-Bank was awarded damages. The group's impairments on loans and financial liabilities, including loans sold to SpareBank 1 Boligkreditt AS, amounted to 0.94% of gross loans as at year end 2020 (0.11%).

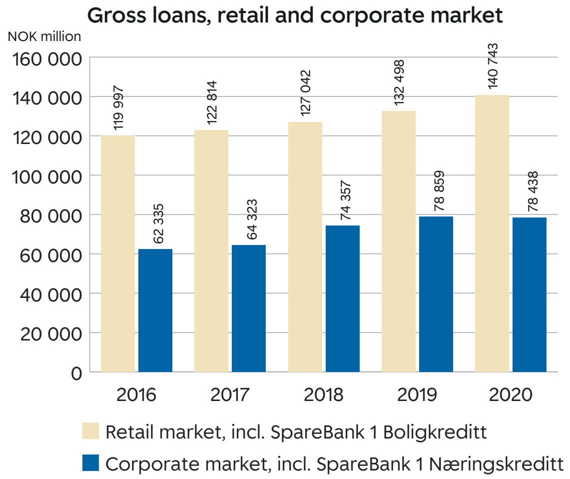
The high impairment losses were a consequence of the continued challenging market conditions, especially for offshore-related activities. Higher impairment losses have therefore been required for some exposures. Changes have been made to lending limits in the corporate market division in order to reduce 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 exposures 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. For more information about accounting policies and estimates associated with impairment losses, see note 2 and note 3 in the annual report.

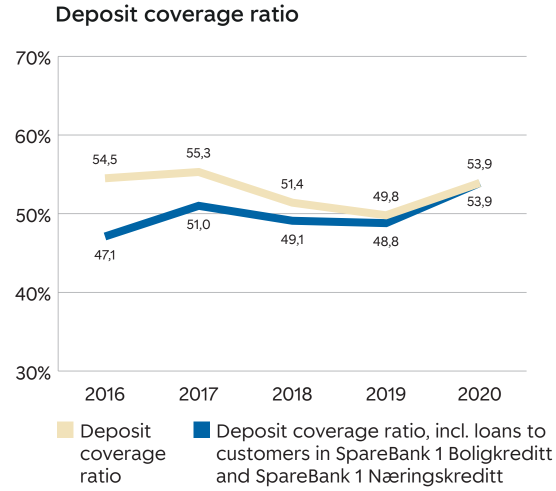
Closely monitoring customers and prevention work are important measures actively employed by the group to maintain its good risk profile in the group's loan portfolio. As a result of the low oil prices and Covid-19 outbreak, this work was intensified from the middle of March 2020 and remains ongoing. 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.

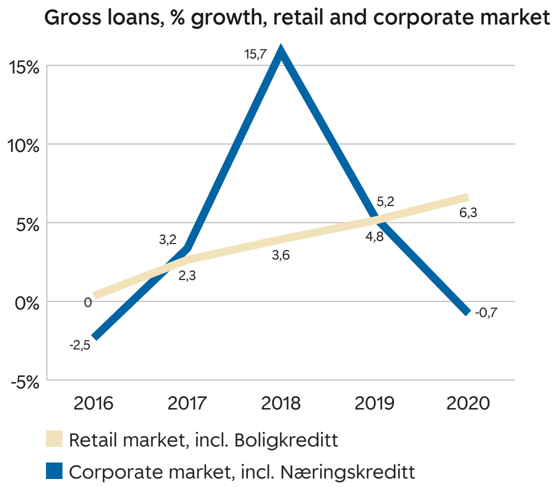
The group's loans and financial liabilities are classified into three groups: Stage 1, Stage 2 and Stage 3. Stage 3 is used for loans and financial liabilities that have seen a significant rise in credit risk since being granted and where there is objective evidence of a loss event on the balance sheet 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 4,991 million at year end 2020 (NOK 3,232 million), of which provisions as a percentage of gross exposures amounted to 34.6% (28.4%). The increase in Stage 3 from the third quarter of 2020 to the fourth quarter of 2020 was due to individual impairment losses on a couple of larger exposures within the offshore segment. The lower loan loss provision ratio in the fourth quarter of 2020 was due to the fact that new individual impairment losses made in the fourth quarter of 2020 needed a lower loan loss provision ratio. 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 a larger exposure within offshore-related activity, which is now off the group's loan books. Gross loans and financial liabilities classified as Stage 3 corresponded to 1.90% (1.32%) of gross loans and financial liabilities.

Balance sheet

The group's total assets recognised on the balance sheet increased from NOK 255.9 billion to NOK 287.0 billion in 2020. The increase was primarily due to lending growth and the buyback of lending portfolios from SpareBank 1 Boligkreditt AS. At the end of the year, SpareBank 1 SR-Bank had no loans (NOK 0.0 billion) that had been sold to SpareBank 1 Boligkreditt AS, compared with NOK 4.2 billion at the end of 2019. If the loan portfolios of the part-owned mortgage companies are taken into account, lending growth amounted to 3.7% and total loans NOK 219.2 billion at year end 2020 (NOK 211.4 billion). Retail market lending rose by 6.3% and lending to the corporate market and public sector decreased by 0.7%. The distribution between loans to the retail market (including SpareBank 1 Boligkreditt AS) and the corporate market/public sector was 62.5% and 37.5%, respectively, at the end of 2020, compared with 60.9% and 39.1% in 2019.







Deposits from customers increased by 14.6% in 2020 (4.3%) to NOK 118.2 billion (NOK 103.1 billion). Excluding deposits from customers in the public sector, deposits from customers have increased by 12.0% in the past 12 months. Deposits from the corporate market and public sector accounted for 54.8% (53.1%) of the group's customer deposits at year end 2020.

At year end 2020, the deposit coverage ratio, measured as deposits as a percentage of gross loans, was 53.9% (49.8%). In a highly competitive market, the group has maintained both a good deposit coverage ratio and strengthened its long-term funding. The liquidity coverage ratio (LCR), which measures the group's liquidity coverage in a serious, 30-day stress scenario, was 157% at year end 2020 (155%). In addition to ordinary customer deposits, the group had NOK 27.1 billion (NOK 24.5 billion) under management, primarily through SR-Forvaltning AS and ODIN Forvaltning AS.

Business areas

Retail market division

The retail market division's contribution before impairment losses amounted to NOK 1,699 million in 2020 (NOK 1,633 million). The result was NOK 66 million higher than in 2019. Net interest income, inclusive of commissions from SpareBank 1 Boligkreditt, increased by NOK 52 million compared with 2019. Net commissions, excluding commissions from SpareBank 1 Boligkreditt AS, increased by NOK 5 million in the same period. Reduced activity as a result of Covid-19, particularly in relation to travel, resulted in lower commissions in the area of payments. Income increased by NOK 16 million in relation to the distribution of insurance and investment services.

Activity in the housing market increased during the second half of 2020 and the retail market division continued to grow well in new market areas. Low deposit rates also resulted in greater activity in the savings and investment markets. A year end 2020, lending growth in the past 12 months was 6.3%. Deposit growth in the last 12 months was 9.8%.

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 90.4% at the end of 2020 (89.3%). The IRB risk weighting for home mortgages was 20.1% at year end 2020 (21.9%), 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.

Costs were reduced by NOK 9 million (-1.5%) compared with 2019. 2020 was characterised by changes to operations related to the Covid-19 outbreak. The group's infrastructure and flexible employees made it possible to maintain customer services and good operations from home offices for parts of the year.

The division's net impairments on loans and financial liabilities increased by NOK 65 million to NOK 89 million in 2020 (NOK 24 million), primarily due to increased IFRS 9 impairment losses.

The stronger housing market in the third quarter of 2020 continued to strengthen in the fourth quarter of 2020. Towards the end of 2020, stricter restrictions were imposed because of Covid-19. Bank branches were closed to walk-in customers and most of the employees started working from home offices again. The lockdown is expected to have little impact on the housing market. The Covid-19 pandemic is expected to continue affecting operations in the retail market division in the first half of 2021 and reduce income from payments and travel-related activities.

Corporate market division

The corporate market division's contribution before impairment losses was NOK 2,113 million in 2020 (NOK 2,037 million), NOK 76 million higher than in 2019. The increased profit before impairment losses was primarily due to increased interest income and reduced costs.

The division's lending growth in the past 12 months was 0.8%. The negative net growth was largely attributable to more redemption towards the end of 2020, as well as changes and restructuring in the offshore portfolio. The division continues to diversify its portfolio from a geographical perspective and 56% of the corporate market's loan portfolio comprises customers with addresses outside Rogaland. The division's deposits have increased by 21.1% (NOK 10.5 billion) in the past 12 months. Around half of the net growth was from public sector customers, geographically spread out across the entire market area.

The quality of the corporate market portfolio is considered good, although challenges remain within the offshore/platform segment. The proportion of exposures with a probability of default of less than 2.5% through a full loss cycle was 81.7% of the portfolio at year end 2020 (81.0%). The property sector portfolio represents the group's largest concentration in a single sector and accounted for 14.3% (15.9%) 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 exposures 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 and at the same time the upper limit for exposure in major exposures has been reduced. This is intended to help improve the group's robustness in order to provide it with financial leeway in new challenging situations.

Impairments on loans and financial liabilities amounting to NOK 1,941 million were recognised in 2020 (NOK 211 million). The high level of impairment losses was due to several exposures 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. NOK 92 million in previous impairment losses were reversed in 2019 following a legally enforceable judgement in which SpareBank 1 SR-Bank was awarded damages. The division's pre-tax profit was NOK 172 million in 2020 (NOK 1,826 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 will 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

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 220 million in 2020 (NOK 200 million). The income generated is recognised as income in the business areas to which the customers are assigned, primarily the corporate market division. In 2020, income of NOK 80 million was recognised in the business areas (NOK 79 million). Costs amounted to NOK 70 million in 2020 (NOK 66 million), while the pre-tax profit was NOK 70 million (NOK 55 million).

The negative effects the Covid-19 outbreak had on transaction volumes gradually decreased over the second half of 2020. SR-Bank Markets expects this trend to continue and is expecting normalisation in summer 2021.

Subsidiaries

The subsidiaries' products and services enable the group to offer a broader range to customers and enhance the bank's earnings basis. Good teamwork and joint marketing make the group a one-stop provider of financial products and services.

EiendomsMegler 1 SR-Eiendom AS is well represented throughout the group's entire market area and has 40 branches from Grimstad in the south-east to Bergen in the north. It is the leading estate agent in Rogaland and Agder, and is also increasing its market share in Vestland. The company achieved a pre-tax profit of NOK 49.9 million (NOK 6.0 million). In 2020, 6,707 (6,441) properties were sold with a total value of around NOK 21.1 billion (NOK 21.7 billion). The supply of new assignments was satisfactory given the extraordinary market situation due to the Covid-19 outbreak.

The housing market was heavily affected by the Covid-19 outbreak in March and April 2020. 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 in particular saw positive developments in the form of significantly greater interest in, and higher sales of, holiday properties, both on the coast and in the mountains.

SR-Forvaltning AS is an investment firm licensed to provide active management and fund management services. Pre-tax profit was NOK 19.3 million in 2020 (NOK 25.4 million). The company saw positive net subscriptions of NOK 320 million in 2020. New subscriptions were heavily affected by the Covid-19 outbreak in February and March but recovered well from April. Savings agreement business grew particularly well, both in terms of volume and numbers. The assets under management at year end 2020 amounted to NOK 13.5 billion (NOK 12.5 billion).

SpareBank 1 SR-Bank ForretningsPartner AS achieved a pre-tax profit of NOK 21.0 million in 2020 (NOK 10.7 million). The result includes depreciation of intangible assets amounting to NOK 2.9 million (NOK 2.5 million). The results for 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.

SpareBank 1 SR-Bank ForretningsPartner AS had nine offices at year end 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-Boligkreditt AS is a wholly owned subsidiary and was established in 2015. The purpose of the company is to purchase home mortgages from SpareBank 1 SR-Bank ASA and finance this by issuing covered bonds. SR-Boligkreditt AS enables SpareBank 1 SR-Bank ASA to diversify and optimise its funding. Moody's has given SR-Boligkreditt AS its best rating, Aaa. SR-Boligkreditt AS achieved a pre-tax profit of NOK 811.2 million in 2020 (NOK 582.7 million). At year end 2020, the company had issued covered bonds with a nominal value of NOK 75.4 billion and bought loans worth NOK 85.6 billion from SpareBank 1 SR-Bank.

FinStart Nordic AS achieved a pre-tax result of NOK -113.1 million in 2020 (NOK 27.3 million). The deficit was due to restructuring costs in 2020 and negative value changes in the investment portfolio from the former SR-Investering AS. This portfolio is mainly offshore and oil-related, where the effect of low oil prices combined with the Covid-19 outbreak reduced the value of the portfolio by a total of NOK 58.6 million in 2020. The total decrease in value in FinStart Nordic AS's portfolio was NOK 66.4 million in 2020, while in 2019 there was a positive change in value in the securities of NOK 54.8 million. A new Fintech investment portfolio has after the first phase of Covid-19 developed positively as far as most of the investments are concerned, despite somewhat reduced growth and a more demanding market for raising external capital.

Monner AS posted a deficit of NOK 17.4 million in 2020 (deficit of NOK 14.0 million). The negative result was in line with expectations and due to the company being in a development phase, which means that costs from products and market development will be higher than earnings. Income decreased in 2020 due to the Covid-19 outbreak, although this was largely compensated for through cost-saving measures. The market recovered in the autumn of 2020 and income was rising at year end 2020. In 2020, the company launched new functionality aimed at providing more assistance to investors and companies and sees good opportunities for further growth in 2021.

Associated companies and joint ventures

SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS

SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS are licensed mortgage companies and issue covered bonds in the bank's home mortgage and commercial property portfolios, respectively, that have been bought from 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 achieved a pre-tax profit of NOK 168 million in 2020 (NOK 225 million). The decrease in the result was primarily due to increased commission costs and NOK 19 million in increased impairment losses. At year end 2020, the company's total lending volume amounted to NOK 208.6 billion (NOK 191.3 billion). At the end of the fourth quarter of 2020, SpareBank 1 SR-Bank ASA had not sold any loans to SpareBank 1 Boligkreditt AS (NOK 4.2 billion). The bank's stake in the company was reduced to 0% in December 2020 in accordance with the share of the sold volume at that time.

SpareBank 1 Næringskreditt AS achieved a pre-tax profit of NOK 76 million in 2020 (NOK 80 million). At year end 2020, the company's total lending volume amounted to NOK 10.4 billion (NOK 10.3 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 year end 2020. The stake consists of A shares proportionate to the volume sold and B shares that follow the same ownership structure as in BN Bank ASA.

SpareBank 1 Alliance

The SpareBank 1 Alliance's purpose is to acquire 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 also helps to secure the participating banks' value creation for the benefit of their own regions and the banks' owners.

The SpareBank 1 banks run the alliance through their ownership of, and participation in, SpareBank 1 Utvikling DA. The development and organisation of the product companies are organised through the banks' ownership of the holding company SpareBank 1 Gruppen AS.

SpareBank 1 Gruppen AS is owned by SpareBank 1 SR-Bank ASA (19.5%), SpareBank 1 Nord-Norge (19.5%), SpareBank 1 SMN (19.5%), SpareBank 1 Østlandet (12.4%), Samarbeidende Sparebanker AS (19.5% – owned by 11 savings banks in Southern Norway), and the Norwegian Confederation of Trade Unions (LO) and affiliated trade unions (9.6%).

SpareBank 1 Gruppen AS owns 100% of the shares in SpareBank 1 Forsikring AS, ODIN Forvaltning AS, SpareBank 1 Factoring AS, Modhi Finance AS, and SpareBank 1 Spleis AS.
SpareBank 1 Gruppen AS also owns 49% 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 year end 2020.

The merger between SpareBank 1 Skadeforsikring and DNB Forsikring was completed with accounting effect from 1 January 2019, with SpareBank 1 Skadeforsikring 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.
SpareBank 1 Gruppen AS made a pre-tax profit of NOK 1,817 million in 2020 (NOK 1,581 million). The controlling interest's share of the net profit for the year amounted to NOK 995 million (NOK 1,303 million). The result was strongly influenced by the Covid-19 outbreak. Fremtind Forsikring posted a good result in 2020 due to the recognition of income from a reinsurer that offset high payouts on travel insurance. In addition, it saw high liquidation gains and also lower claim rates. SpareBank 1 Forsikring achieved a weak financial result as a result of a write-down of the company's property portfolio. The result for 2019 included NOK 596 million in write-ups of properties.

SpareBank 1 Utvikling DA

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

BN Bank ASA

BN Bank ASA is a nationwide bank with its head office in Trondheim. BN Bank ASA achieved a pre-tax profit of NOK 467 million in 2020 (NOK 435 million). Net interest income increased by NOK 40 million and income from financial investments increased by NOK 21 million from 2019 to 2020. The growth in income was partially offset by impairment losses, which increased by NOK 37 million from 2019. The bank is owned by the banks in the SpareBank 1 Alliance. SpareBank 1 SR-Bank ASA's stake was 35.02% at year end 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 16 million in 2020 (NOK 99 million). The lower result in 2020 was primarily attributable to the reduced use of credit cards following the Covid-19 outbreak and the sum of interest income, commissions and transaction income decreasing by a total of NOK 125 million, while commission costs were reduced by NOK 15 million compared with 2019.

SpareBank 1 Betaling AS

The SpareBank 1 banks jointly own SpareBank 1 Betaling AS. SpareBank 1 SR-Bank ASA's stake is 19.8%.
SpareBank 1 Betaling AS holds a 22.04% stake in VBB AS, the company formed by the merger of Vipps AS, BankID AS and Bank Axept AS in autumn 2018. SpareBank 1 Betaling AS posted a pre-tax result of NOK -9 million for 2020 (NOK -58 million). The negative profit contribution was due to its share of the operating loss in VBB AS.

Events after the balance sheet date

No material events have been registered after 31 December 2020 that affect the interim financial statements as prepared.

Dividend provisions as at 31 December 2020 have been allocated to the result for 2019.

Accounting policies

Please refer to note 2 for a description of the accounting policies applied in the parent company's and consolidated financial statements.
The same accounting policies are applied in interim and annual financial statements.

Corporate governance

Corporate governance in SpareBank 1 SR-Bank ASA is based on, among other things, the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance. This comprises the objectives and overriding principles according to which the group is governed and controlled, to secure the interests of shareholders, customers and other stakeholders. Governance of the group's activities shall ensure prudent asset management and greater assurance that publicly declared goals and strategies are reached and realised. You can read more about corporate governance on page 36 in the chapter "Corporate governance".

Risk management

SpareBank 1 SR-Bank ASA's core activity is to create value by taking conscious and acceptable risks. The group therefore invests significant resources in the further development of risk management systems and processes in line with leading international practice.

Risk and capital management in SpareBank 1 SR-Bank ASA should create financial and strategic added value through:

- a good risk culture characterised by a high awareness of risk management and the group's core values
- a good understanding of which risks drive earnings
- pricing activities and products in line with their underlying risk, insofar as this is possible
- having adequate financial strength based on a chosen risk profile and simultaneously striving for optimal capital allocation to the various business areas
- utilising diversification effects
- preventing single events seriously damaging the group's financial position

The group's risk is quantified, inter alia, by computing expected losses and risk-adjusted capital so it can cover any unexpected losses. Expected losses describe the amount the group statistically expects to lose during a 12-month period, while risk-adjusted capital describes how much capital the group believes it needs to cover the actual risk to which the group is exposed.

The most important risks the group is exposed to are credit risk, market risk, liquidity risk, operational risk, compliance risk and ownership risk.

Credit risk

Credit risk is managed via the framework procedures for granting credit, monitoring exposures and portfolio management. The general credit strategy stipulates that the group shall have a moderate risk profile.

The quality of the corporate market portfolio is good, although challenges remain within the offshore/platform segment.

The proportion of exposures with a probability of default of less than 2.5% through a full loss cycle is rising and now amounts to 81.7% of the portfolio. The portfolio in the property sector represents the group's greatest concentration in a single sector. A large portion of this portfolio consists of financing commercial properties for leasing. The portfolio is characterised by long-term leases and financially solid tenants.

The quality of the retail market portfolio is considered to be very good with a low risk of losses. Most of the portfolio is secured by mortgages on real estate, and the LTV is, for the most part, moderate. This implies that potential losses are limited as long as the values are not significantly impaired.

Market risk

Market risk is managed on the basis of conservative limits for positions in interest instruments and currencies, as well as investments in shares and bonds. The board reviews and approves the limits at least once a year.

Part of the group's market risk is linked to investments in bonds and certificates. At the end of 2020, the group's holdings of liquid assets in the form of bonds and certificates totalled NOK 39.9 billion. Quantification of the risk associated with falls in value in the liquidity portfolio measured at fair value is calculated based on the Financial Supervisory Authority of Norway's model for risk-based supervision of market risk.

Risk activities relating to trading in foreign exchange, interest rate instruments and securities arise within the limits, authorities and credit lines for counterparties that are adopted at any time. SpareBank 1 SR-Bank ASA assumes, to a limited extent, the interest rate and foreign exchange risk in connection with trading activities for own account. As far as possible, income from operations is generated in the form of customer margins in order to ensure earnings are as stable and reliable as possible.

The group's market risk exposure is deemed moderate.

Liquidity risk

The bank's framework for managing liquidity risk shall reflect the bank's conservative risk profile. Liquidity risk shall be low. The group's lending is financed primarily by customer deposits and long-term securities issued, including the sale of home mortgage portfolios to SpareBank 1 Boligkreditt AS. The liquidity risk is restricted by diversifying securities issued in terms of markets, funding sources, instruments and maturity periods.

SpareBank 1 SR-Bank ASA had very good liquidity at year end 2020 and believes it will continue to have good access to long-term funding at competitive prices. 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[1] was NOK 46.7 billion at year end 2020 and would cover normal operations for 24 months in the event of closed markets. NOK 21.0 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 24.2 billion in residential mortgages ready for covered bond funding.

The group's liquidity situation is very good, and the group has continued to enjoy a high proportion of long-term funding in the last 12 months. The group's net stable funding ratio[2] (NSFR) at year end 2020 as 123% (118%).

Operational risk

The group uses a systematic process to identify and quantify operational risks that the group is exposed to at any time. The analysed risk exposure in 2020 remained within the board's adopted limits for maximum allowable exposure at all times.

Adverse events are registered and systematically analysed to avoid repetitions and learn lessons. No single events occurred in 2020 that had significant financial consequences.

Compliance

SpareBank 1 SR-Bank ASA's goal is to have good processes to ensure compliance with legislation and regulations. The board adopts the group's compliance policy that describes the main principles for responsibility and organisation.

Compliance risk is the risk of the group incurring public sanctions/penalties or financial loss as a result of a failure to comply with legislation and regulations. The compliance function is tasked with identifying and preventing risks related to compliance with external and internal regulations. Compliance conducts risk assessments that provide a basis for control plans and recommending measures. Observations from control activities are reported to the board and group executive management team semi-annually. Compliance is involved in the efforts to ensure responsible product and service management through participation in the group's approval process for new products, systems and services. Compliance also conducts training activities and advises the organisation on regulations.

In 2020, there was a particularly heavy focus on compliance with the frameworks established for MiFID II, AML (Money Laundering Act), data protection (GDPR) and tax reporting abroad (FATCA/CRS). The group's code of conduct clarifies the principles with which the bank and employees must comply. Among other things, they emphasise the group's work on sustainability and zero tolerance for corruption. Furthermore, the group has carried out several major compliance projects to ensure that regulatory changes and requirements are being addressed, including the introduction of the new quality system called "The Guide". This is a tool that translates legal requirements and guidance from the board and executive management team into operational requirements for what will apply in the group.

Ownership risk

Ownership risk is the risk that SpareBank 1 SR-Bank ASA bears if it suffers negative results from stakes in strategically owned companies and/or the need to inject fresh capital into these companies. Owned companies are defined as companies where SpareBank 1 SR-Bank ASA has a significant stake and influence. SpareBank 1 SR-Bank is mainly exposed to owner risk through its stakes in:

- SpareBank 1 Gruppen AS (19.5%)
- SpareBank 1 Næringskreditt AS (15.6)
- BN Bank ASA (35.0%)
- SpareBank 1 Kreditt AS (17.7%)
- SpareBank 1 Bank og Regnskap AS (20.0%)
- SpareBank 1 Betaling AS (19.8%)
- SpareBank 1 Gjeldsinformasjon AS (18.3%)
- Vester AS (42.8%)
- Kapp Securities AS (42.9%)
- MyRent AS (25.9%)
- Just Technologies AS (21.4%)

Corporate social responsibility and sustainability

SpareBank 1 SR-Bank ASA's goal is to be an organisation that takes a proactive approach to sustainability and responsibility for the environmental challenges society faces. The bank will not, directly or indirectly, participate in violations of human and labour rights, corruption, serious environmental harm or other actions that could be considered unethical. This applies both internally and in relation to society as a whole. Sustainability is included in the documentation and routine work associated with credit lines and investments/management, and be incorporated into the group's strategy. A sustainability strategy, general sustainability guidelines, and sustainability guidelines for the corporate market has been developed. In 2020, sustainability was further incorporated into governing documents and guidelines. Please see the sustainability report for more information.

1 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 funding during the period.

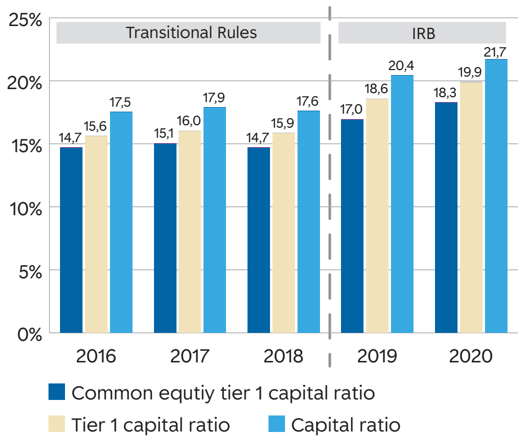
2 NSFR is calculated in accordance with guidelines from the Financial Supervisory Authority of Norway and is calculated as available stable funding relative to necessary stable funding.

Capital management

Capital management shall ensure that SpareBank 1 SR-Bank ASA balances the relationship between:

- Effective funding and capital allocation in relation to the group's strategic objectives and adopted business strategy
- Competitive returns on equity
- Satisfactory capital ratio on the basis of the adopted risk profile and the regulations issued by the authorities, as well as the demands of market players at any time
- Competitive terms and ample access to long-term funding from the capital markets
- Exploitation of growth opportunities in the group's defined market area.

Capital ratio



A capital plan is drawn up every year to ensure long-term, effective capital management. These projections take into account both expected developments in the coming years and a situation involving a serious economic recession over several years. Various stress tests are carried out of both individual factors and scenario analyses where the group is exposed to a range of negative macroeconomic events over several years. In addition, SpareBank 1 SR-Bank has prepared contingency plans for dealing with such crises as effectively as possible should they nevertheless arise. SpareBank 1 SR-Bank ASA is in a solid financial position. At year end 2020, the Common Equity Tier 1 capital ratio was 18.3% (17.0%) while the Tier 1 capital ratio was 19.9% (18.6%) and the capital ratio was 21.7% (20.4%).

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. The systemic risk buffer requirement increased 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' exposures 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 were 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 year end 2020, SpareBank 1 SR Bank ASA met its total requirement for a Common Equity Tier 1 capital ratio of 15.2% by a good margin. The requirement includes an increased systemic risk buffer, a reduced countercyclical capital buffer, a Pillar 2 premium and 1.0% 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.

SpareBank 1 SR-Bank ASA's internal target for its Common Equity Tier 1 capital ratio was 16.7% by the end of 2020. 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.

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 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.

On 20 January 2021, the Ministry of Finance said in a press release that it "expects that Norwegian banks which, after a careful assessment and based on the ESRB's recommendation, find grounds for distributing profits, will keep total distributions within a maximum of 30% of cumulative annual profits for the years 2019 and 2020, until 30 September 2021."

Based on this, on 1 February 2021, the board of SpareBank 1 SR-Bank exercised the special authorisation given to it by the annual general meeting in April 2020 and approved a dividend of NOK 5.50 for the 2019 annual financial statements. Furthermore, the board will ask the annual general meeting for a new special authorisation that will enable it to decide to distribute a dividend of up to NOK 3.10 for the 2020 annual financial statements at a later date.

External audit

The group's external auditor is PricewaterhouseCoopers AS (PwC).

Internal audit

Internal audits are carried out by EY. Internal audits report directly to the board.

Employees and working environment

SpareBank 1 SR-Ban ASA's employees are its most important resources for creating value for the benefit of its customers, the region and the bank. The group's organisational and working environment surveys for 2020 show that employees are satisfied and have a good relationship with the group as an employer. The surveys are reviewed and followed up in all units in order to ensure a positive development and strengthen a healthy working environment characterised by a long-term approach, openness, honesty and security in line with the group's basic values.

You can read more about the measures being taken to ensure we have the right expertise, good working environments, and gender equality in the chapter on "Employees" on page 12, and in more detail in note 21 "Remuneration statement, personnel costs and benefits for executive personnel and elected representatives".

The bank's share

The share price for the bank's share (SRBNK) was NOK 91.00 at year end 2020. This represents a reduction of 9.0% since year end 2019. The main Oslo Børs index rose by 4.6% in the same period. The SRBNK share was traded more frequently in 2020 with 5.3% (4.7%) of outstanding SRBNK shares being traded.

There were 13,113 shareholders at year end 2020 (11,321). The proportion owned by foreign companies and individuals was 21.8%, while 43.9% were resident in Rogaland, Agder, and Vestland. The 20 largest shareholders owned a total of 58.8% of the shares. The bank holds 23,112 treasury shares, while group employees owned 1.7%.

Going concern

Financial strength improved in 2020 and the market outlook appears to be good. Together with implemented and planned measures, this contributes to a good prospect of further progress for the group in 2021. The annual financial statements have been prepared on the assumption that the group is a going concern.

Allocation of profit for the year/dividend

SpareBank 1 SR-Bank ASA's financial goal for its activities is to achieve results that provide a good, stable return on the bank's equity, thus creating value for the owners in the form of competitive dividends and a higher share price. Consideration is 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 net profit for the year as dividends.

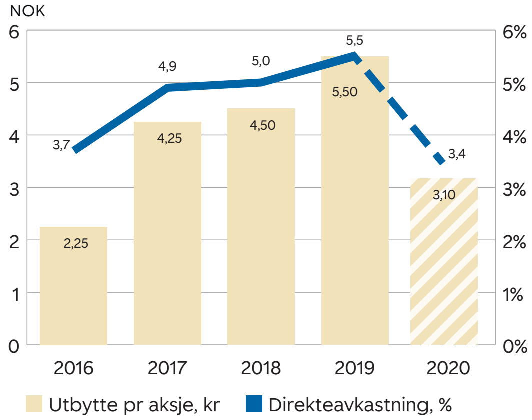
The dividend paid is based on the parent bank's distributable profit, which was NOK 1,070 million in 2020, equivalent to NOK 4.20 per share. In line with the dividend policy, various factors are taken into consideration when proposing dividends, with particular weight being attached to capital requirements and the Tier 1 capital ratio. The board will ask the annual general meeting for a new special authorisation that will enable it to decide to distribute a dividend of up to NOK 3.10 for the 2020 annual financial statements at a later date.

The board proposes the following allocations for financial year 2020:

	NOK millions
Parent company net profit for the year	1,070
Distributable	1,070
Dividend (NOK 0.00 per share)	0
Retained earnings	1,070
Total	**1,070**

In the opinion of the board, following the proposed allocations and other completed and planned actions, SpareBank 1 SR-Bank ASA's financial strength will be good, and it will have sufficient flexibility to support the group's planned activities for the future.

Utbytte pr aksje [1] og direkteavkastning [2]



[1] In April 2020, the board received special authorisation to decide on the payment of a dividend at a later date and at the board meeting on 10 February 2021 it exercised this authorisation and approved a dividend of NOK 5.50 per share for the 2019 financial year. The board will ask the annual general meeting for special authorisation to approve payment of a dividend for the 2020 financial year of up to NOK 3.10, in line with the applicable regulations.

[2] Dividend per share as apercentage of share price as at the end of the year

New CEO from 1 January 2021

After 10 years as the CEO, Arne Austreid stepped down as planned on 31 December 2020. During this period, the group has developed further through major technological changes, geographical expansion and ventures within new business areas. Arne Austreid is handing over a solid financial services group to Benedicte Schilbred Fasmer, who started in the position on 1 January 2021. Benedicte Schilbred Fasmer has 25 years of management experience from the financial services, industry and shipping. The board would like to take this opportunity to thank Arne Austreid for his good leadership and major contribution over 10 years as the CEO.

Outlook for 2020

The Covid-19 pandemic and the shutdown of Norway in March 2020 meant 2020 was a turbulent year. The pandemic is still ongoing and is creating persistent uncertainty concerning developments both in Norway and the global economy. However, that uncertainty has now been significantly reduced, partly due to the fact that several vaccines have been approved and vaccination programmes have started in both Norway and internationally.

Norway has seen positive development since spring 2020 and the economy improved after the lockdown in March. However, less international demand and low to medium oil prices are expected to affect economic development for several years to come. The global economy experienced a sharp decline in 2020. At year end 2020, the IMF expects a moderate correction and growth in the global economy of 5.5% in 2021.

Continued higher unemployment and lower wages growth than in recent years are expected in Norway. The housing market and private consumption are being stimulated by low mortgage rates, and good demand for loans is expected in the retail market. Lower levels of investment and less demand for loans are expected in the business sector in 2021. 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, 3.7% GDP growth is expected for Mainland Norway in 2021. The Norwegian Petroleum Directorate expects oil investments on the Norwegian Continental Shelf to fall by 7% in 2021 due to low oil prices and the Covid-19 outbreak. Prices of imported goods rose in 2020 because of the weakened NOK exchange rate at the start of 2020. Statistics Norway expects price inflation, adjusted for energy and taxes, to be 2.2% in 2021.

Norges Bank cut its policy rate three times by a total of 1.50 percentage points to 0% in the first half of 2020. In the same period, the bank implemented interest rate reductions totalling 1.25 percentage points. The rate 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 2021 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. In April 2020, the board received special authorisation to decide on the payment of a dividend at a later date and it has exercised this authorisation and approved a dividend of NOK 5.50 per share for the 2019 financial year. Financial strength further increased in 2020 due to the profit being temporarily withheld. The board will ask the annual general meeting for special authorisation to approve payment of a dividend for the 2020 financial year of up to NOK 3.10 at a later date, in line with the applicable regulations.

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.

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 services 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 about how the group's employees have coped with their new work situation and helped customers in a difficult period and would like to thank all employees for their good efforts and good cooperation in 2020.

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 2021 are also expected to be somewhat affected by the economic situation, although to less of a degree than in 2020.

A good mutual relationship between the region's inhabitants, the business sector and the bank are important for growth in the group's market area. The board would like to thank the group's customers, owners and other partners for their loyal support of SpareBank 1 SR-Bank ASA in 2020 and assure them that it will make every effort to ensure that this teamwork continues.

Stavanger 11 March 2021

Dag Mejdell
Chair of the board

Kate Henriksen

Tor Dahle

Ingrid Riddervold Lorange

Trine Sæther Romuld

Jan Skogseth

Sally Lund-Andersen
Employee representative

Kristian Kristensen
Employee representative

Benedicte Schilbred Fasmer
Chief Executive Officer

Annual financial statements

INCOME STATEMENT

Parent bank 2019	Parent bank 2020	(Figures in NOK millions)	Note	Group 2020	Group 2019
4,038	3,525	Interest income amortised cost	18	6,238	7,053
2,001	1,726	Interest income other	18	715	690
2,489	1,940	Interest expense amortised cost	18	2,511	3,113
181	13	Interest costs other	18	300	643
3,369	**3,298**	**Net interest income**		**4,142**	3,987
974	934	Commissions	19	1,501	1,516
108	107	Commission costs	19	111	111
12	10	Other operating income	19	6	11
878	**837**	**Net commissions and other operating income**		**1,396**	1,416
31	57	Dividends		57	31
1,023	836	Income from ownership interests	38	663	875
183	-98	Net income/loss from financial investments	20	-21	221
1,237	**795**	**Net income from financial investments**		**699**	1,127
5,484	**4,930**	**Total net income**		**6,237**	6,530
1,092	1,029	Personnel costs	21	1,436	1,472
808	755	Other operating costs	22	950	1,006
1,900	**1,784**	**Total operating costs**		**2,386**	2,478
3,584	**3,146**	**Operating profit before impairment losses**		**3,851**	4,052
237	2,003	Impairments on loans and financial liabilities	10	2,030	235
3,347	**1,143**	**Pre-tax profit**		**1,821**	3,817
569	73	Tax cost	24	231	693
2,778	**1,070**	**Net profit for the year**		**1,590**	3,124
2,738	982	Shareholders' share of the profit		1,503	3,084
40	88	Hybrid capital owners' share of the profit		88	40
	-	Non-controlling interests		-1	
2,778	**1,070**	**Net profit for the year**		**1,590**	3,124
		Statement of Comprehensive Income			
-5	-10	Actuarial gains/losses on pensions		-7	-4
1	3	Tax effect of actuarial gains/losses on pensions		2	1
-4	**-7**	**Total items not reclassified through profit or loss**		**-5**	-3
-3	5	Change in ECL 12 months		-	-
		Basis swap spread	27	47	12
		Tax effect basis swap spread	27	-12	-2
		Share of other comprehensive income in associated companies and joint ventures		12	19
-3	**5**	**Total items that can be reclassified through profit or loss**		**47**	29
-7	**-2**	**Year's comprehensive income**		**42**	26
2,771	**1,068**	**Total comprehensive income**		**1,632**	3,150
		Earnings per share			
10.87	4.18	Earnings per share [1)]	21, 40	6.22	12.22
10.86	4.18	Diluted earnings per share [2)]	21, 40	6.22	12.22

[1)] Result year-to-date/average no. of outstanding shares

[2)] Result year-to-date/average no. of outstanding shares + bonus shares

BALANCE SHEET

Parent bank				Group	
2019	**2020**	(Figures in NOK millions)	Note	**2020**	2019
		Assets			
104	68	Cash and receivables from the central bank	36	68	104
11,790	25,304	Loans to and receivables from financial institutions	7	12,589	3,142
133,107	131,792	Loans to customers	8, 11, 13	216,966	205,688
31,435	36,978	Certificates and bonds	13, 26	39,921	32,792
6,272	8,971	Financial derivatives	27	8,672	5,933
564	596	Equities, units and other equity interests	28	908	920
2,336	2,246	Investments in ownership interests	38	4,523	4,180
7,315	7,346	Investments in group companies	38	-	-
-	-	Intangible assets	29	298	273
379	1,002	Deferred tax asset	24	1,015	420
355	295	Tangible fixed assets	30	994	1,087
682	915	Lease rights	31	346	398
573	414	Other assets	32	749	958
194,912	**215,927**	**Total assets**		**287,049**	255,895
		Liabilities			
2,547	4,218	Debt to financial institutions	7	4,144	2,264
103,323	118,394	Deposits from customers	33	118,170	103,106
54,257	52,148	Securities issued	34	127,163	116,164
7,407	13,115	Financial derivatives	27	6,825	4,530
1,078	669	Payable tax	24	835	1,228
688	936	Liabilities associated with lease rights	31	365	395
1,005	831	Other liabilities	35, 23	1,000	1,249
2,125	2,154	Subordinated loan capital	37	2,154	2,125
172,430	**192,465**	**Total liabilities**		**260,656**	231,061
		Equity			
6,394	6,394	Share capital	40	6,394	6,394
1,587	1,587	Share premium reserve		1,587	1,587
1,407	1,407	Allocated dividend [1)]		1,407	1,407
1,850	1,850	Hybrid capital	40	1,850	1,850
		Non-controlling interests		5	
11,244	12,224	Other equity		15,150	13,596
22,482	**23,462**	**Total equity**		**26,393**	24,834
194,912	**215,927**	**Total liabilities and equity**		**287,049**	255,895

[1)] A decision was made in April 2020 not to pay a dividend for 2019 at this time. The figures reported as at 31 December 2019 have not been restated. The board exercised its special authorisation from April 2020 and at the board meeting on 10 February 2020 approved a dividend of NOK 5.50 per share for the 2019 financial year.

Stavanger 11 March 2021

Dag Mejdell
Chair of the board

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Sally Lund-Andersen
Employee representative

Kristian Kristensen
Employee representative

Benedicte Schilbred Fasmer
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

(Figures in NOK millions)

Parent bank	Share capital	Share premium reserve	Hybrid capital	Other equity	Total equity
Equity 31 Dec 2018	6,394	1,587	550	11,071	19,602
Net profit for the year				2,778	2,778
Actuarial gains/losses after tax on pension schemes				-4	-4
Change in ECL [1] 12 months				-3	-3
Year's comprehensive income				2,771	2,771
Hybrid capital			1,300		1,300
Interest hybrid capital after tax				-40	-40
Dividends in 2018, final determination in 2019				-1,151	-1,151
Trade in treasury shares				-	-
Transactions with shareholders				-1,151	-1,151
Equity 31 Dec 2019	6,394	1,587	1,850	12,651	22,482
Net profit for the year				1,070	1,070
Actuarial gains/losses after tax on pension schemes				-7	-7
Change in ECL [1] 12 months				5	5
Year's comprehensive income				1,068	1,068
Hybrid capital					-
Interest hybrid capital				-88	-88
Trade in treasury shares				1	1
Transactions with shareholders				1	1
Equity 31 Dec 2020	**6,394**	**1,587**	**1,850**	**13,631**	**23,462**

[1] ECL - expected credit loss

Group	Share capital	Share premium fund reserve	Hybrid capital	Non-controlling interests	Other equity	Total equity
Equity 31 Dec 2018	6,394	1,587	550		13,054	21,585
Net profit for the year					3,124	3,124
Actuarial gains/losses after tax on pension schemes					-3	-3
Basis swap spread after tax					10	10
Share of other comprehensive income from associated companies					19	19
Year's comprehensive income					3,150	3,150
Hybrid capital			1,300			1,300
Interest hybrid capital after tax					-40	-40
Corrected equity in associated companies					-10	-10
Dividends in 2018, final determination in 2019					-1,151	-1,151
Trade in treasury shares					-	-
Transactions with shareholders					-1,151	-1,151
Equity 31 Dec 2019	6,394	1,587	1,850		15,003	24,834
Net profit for the year				-1	1,591	1,590
Actuarial gains/losses after tax on pension schemes					-5	-5
Basis swap spread after tax					35	35
Share of other comprehensive income from associated companies					12	12
Year's comprehensive income				-1	1,633	1,632
Hybrid capital					-	-
Interest hybrid capital					-88	-88
Non-controlling interest				6	-6	-
Transactions against equity in subsidiaries and associated companies					14	14
Trade in treasury shares					1	1
Transactions with shareholders					1	1
Equity 31 Dec 2020	**6,394**	**1,587**	**1,850**	**5**	**16,557**	**26,393**

STATEMENT OF CASH FLOW

(Figures in NOK millions)

Parent bank 2019	Parent bank 2020		Note	Group 2020	Group 2019
-972	558	Change in loans to customers	8	-12,068	-15,008
5,353	4,646	Interest receipts from loans to customers		6,405	7,122
4,204	15,071	Change in deposits from customers	33	15,064	4,292
-1,262	-865	Interest payments on deposits from customers		-861	-1,255
-7,457	-10,181	Change in receivables and deposits with financial institutions	7	-5,901	-686
139	-38	Interest on receivables and debt to financial institutions		-389	-351
-3,620	-5,543	Change in certificates and bonds	26	-7,129	-3,452
556	502	Interest receipts from certificates and bonds		505	538
870	860	Commission receipts		1,438	1,371
60	-14	Capital gains from sale of trading		5	49
-1,646	-1,660	Payments for operations		-2,372	-2,097
-779	-1,078	Paid tax	24	-1,225	-896
117	3,381	Other cash flow from operating activities		4,183	-58
-4,437	**5,639**	**A Net change in liquidity from operations**		**-2,345**	-10,431
-128	-37	Investments in tangible fixed assets	30	-47	-379
-	6	Receipts from sale of tangible fixed assets	30	6	-
-1,804	-252	Long-term investments in equities		-257	-656
361	266	Receipts from sales of long-term investments in equities		305	378
1,053	854	Dividends from long-term investments in equities		271	760
-518	**837**	**B Net change in liquidity from investments**		**278**	103
13,800	5,802	Increase in securities issued	34	25,367	24,823
-7,466	-9,923	Repayment – securities issued	34	-20,387	-12,455
-1,243	-779	Interest payments on securities issued		-1,356	-1,885
-	-	Borrowing and sale of own subordinated loans	37	-	-
-800	-	Repayments - subordinated loans	37	-	-800
-90	-49	Interest payments on subordinated loans		-49	-90
1,300	-	Increase in hybrid capital issued	40	-	1,300
-52	-88	Interest payments on debt established by issuing hybrid capital		-88	-52
-38	-69	Lease payments	31	-47	-46
-1,151	-	Dividend to shareholders		-	-1,151
4,260	**-5,106**	**C Net change in liquidity from financing**		**3,440**	9,644
-695	**1,370**	**A+B+C Net change in cash and cash equivalents in the year**		**1,373**	-684
1,463	768	Cash and cash equivalents 1 Jan		779	1,463
768	**2,138**	**Cash and cash equivalents 31 Dec**		**2,152**	779
		Specification of cash and cash equivalents			
104	68	Cash and receivables from the central bank		68	104
664	2,070	Receivables from financial institutions at call		2,084	675
768	**2,138**	**Cash and cash equivalents 31 Dec**		**2,152**	779

Cash and cash equivalents include cash and deposits in the central bank, and that part of total loans to and deposits in financial institutions that relate to pure placements in financial institutions. The statement of cash flow shows how the parent bank and group generated liquid assets and how these were applied.

NOTE 1 GENERAL INFORMATION

The SpareBank 1 SR-Bank Group consists of the parent bank, SpareBank 1 SR-Bank ASA ("the bank") and the following companies:

Subsidiaries - Ownership 100%
SR-Boligkreditt AS
EiendomsMegler 1 SR-Eiendom AS
FinStart Nordic AS with subsidiaries FinStart SPV I to SPV X
SpareBank 1 SR-Bank ForretningsPartner AS
SR-Forvaltning AS
Finansparken Bjergsted AS
Bjergsted Terrasse 1 AS
Rygir Industrier AS with subsidiaries (acquired assets)
Monner AS

Investments in second tier subsidiaries	Ownership interest in % 31 Dec
Beaufort AS	68.5
Willow Labs AS	100.0
Jærmegleren AS	100.0

Investments in associated companies	Ownership interest in % 31 Dec
SpareBank 1 Næringskreditt AS	15.6
BN Bank ASA	35.0
SpareBank 1 Kreditt AS	17.7
SpareBank 1 Bank og Regnskap AS	20.0
SpareBank 1 Betaling AS	19.8
SpareBank 1 Gjeldsinformasjon AS	18.3

Investments in associated companies in the FinStart Nordic Group	Ownership interest in % 31 Dec
Vester AS	42.8
Kapp Securities AS	42.9
MyRent AS	26.0
Just Technologies AS	21.4

Investments in joint ventures	Ownership interest in %
SpareBank 1 Gruppen AS	19.5
SpareBank 1 Utvikling DA	18.0

Distribution of ownership interests in companies where the management structure is regulated in agreement between the owners (percentage of ownership)	SpareBank 1 Gruppen AS	BN Bank ASA
SpareBank 1 SR-Bank	19.5	35.0
SpareBank 1 SMN	19.5	35.0
SpareBank 1 Nord-Norge	19.5	10.0
Samarbeidende Sparebanker	19.5	
SpareBank 1 Østlandet	12.4	10.0
SpareBank 1 BV		5.0
SpareBank 1 Østfold Akershus		2.5
SpareBank 1 Telemark		2.5
Norwegian Confederation of Trade Unions (LO)	9.6	

Some alliance companies are classified as associated companies despite the stake being smaller than 20%. This is because the ownership structure and strategic cooperation between the owner banks in SpareBank 1 Gruppen AS give SpareBank 1 SR-Bank significant influence in these companies.

The bank's head office is in Stavanger and it has 34 branches in Rogaland, Agder, Vestland and Oslo. Some of the branches share premises with EiendomsMegler 1 SR-Eiendom AS.
All subsidiaries have head offices in Stavanger, except for FinStart Nordic AS and Monner AS, which have head offices in Oslo.

The group's primary activities are selling and procuring a wide range of financial products and services, investments services, accounting services, and leasing and estate agency.

The consolidated financial statements were approved by the board on 11 March 2021. The annual general meeting is the bank's supreme authority.

NOTE 2 ACCOUNTING POLICIES
BASIS FOR PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The parent bank's financial statements and the consolidated financial statements for 2020 for SpareBank 1 SR-Bank ('the group') have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. This includes interpretations from the IFRS Interpretations Committee (IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).

SpareBank 1 SR-Bank is a public limited company registered in Norway with its headquarters in Stavanger. SpareBank 1 SR-Bank is listed on the Oslo Børs.

The basis for measurement used in both the parent bank's and the consolidated financial statements is acquisition cost, with the following modifications: financial derivatives, parts of financial assets, and parts of financial liabilities are recognised at fair value with value changes through profit or loss.

Preparing financial statements in accordance with IFRS requires the use of estimates. Furthermore, applying international reporting standards requires management to use its judgement. Areas that involve a great deal of discretionary estimates, a high degree of complexity, or areas where assumptions and estimates are significant for the parent bank's and the consolidated financial statements are described in note 3.

The annual financial statements are presented in accordance with IFRS and interpretations that are obligatory for annual financial statements presented as at 31 December 2020.
The annual financial statements have been prepared on the assumption that the group is a going concern.

New and revised standards that were applied in 2020:
No new standards, amendments to the standards or interpretations that materially affected the accounts of the group or the parent company were adopted from 1 January 2020.

New standards and interpretations that have not been adopted yet:

A number of new standards, amendments to standards and interpretations will be compulsory in future annual financial statements. There are no standards or interpretations that have not entered into force which are expected to have a material impact on the group's financial statements.

Presentation currency

The presentation currency is the Norwegian krone (NOK), which is also the group's presentation currency. The functional currency of parent company and all major subsidiaries is the Norwegian crown (NOK). All figures are in NOK millions unless otherwise stated.

Subsidiaries

Subsidiaries' assets are valued using the cost method of accounting in the bank's financial statements. Investments are assessed at the acquisition cost of the shares assuming that no write-downs have been necessary.

Dividends, group contributions and other distributions are recognised as income in the year that they are approved by the annual general meeting. If the dividend or group contribution exceeds the share of the retained profit after the acquisition, the amount in excess represents a repayment on invested capital, but is, pursuant to IAS 27, recognised as income in the year that it is paid.

Consolidation

The consolidated financial statements include all subsidiaries. Subsidiaries are all entities (including structured entities) controlled by the group. Control over a unit occurs when the group is exposed to variability in the return from the unit and has the ability to influence this return through its power over the unit. Subsidiaries are consolidated from the day control arises and deconsolidated when control ceases.

The acquisition method is used for acquisitions of business. The remuneration paid is measured at the fair value of the assets transferred, liabilities assumed and equity instruments issued. The fair value of all assets or liabilities according to the agreement on conditional consideration are also included in the remuneration. Identifiable assets, liabilities and contingent liabilities are recognised at their fair value on the acquisition date. Minority interests in the acquired business are measured from time to time at either fair value or their share of the net assets of the acquired business.

Costs linked to the acquisition are recognised as costs or activated as they are incurred.

When an acquisition occurs in multiple steps, the assets from previous acquisitions must be revalued at fair value on the date the check is made and the change in value recognised.

Conditional consideration is measured at fair value on the acquisition date. The treatment of subsequent changes in the fair value of conditional consideration depends on whether the conditional consideration is classified as an asset, liability or equity. Assets and liabilities that are not financial assets or liabilities (i.e. outside the scope of IFRS 9) are measured at fair value with changes through profit or loss. Financial assets or liabilities are measured at fair value and changes must, in accordance with IFRS 9, be recognised or presented in other comprehensive income (OCI). No new measurement is made of conditional consideration that is classified as equity and subsequent settlements are recognised against equity.

Intra-group transactions, intra-company balances and unrealised profit between group companies are eliminated. Unrealised losses are also eliminated. Reported figures from subsidiaries are, if necessary, restated so they correspond with the group's accounting policies.

The minority interest's (non-controlling owner's) share of the group's profit is presented on a separate line under net profit for the period in the income statement. Their share of the minority's equity is shown as a separate item.

IFRS 9 Financial Instruments

Financial assets

According to IFRS 9, financial assets must be classified into three measurement categories: fair value with changes through profit or loss, fair value with changes through OCI and amortised cost. The measurement category must be determined upon initial recognition of the asset. Financial assets are classified on the basis of the contractual terms and conditions for the financial assets and business model used to manage the portfolio, or groups of portfolios, of which the assets are a part.

Financial assets with contractual cash flows that are only payments of interest and the principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows should initially be measured at amortised cost. Instruments with contractual cash flows that are only payments of interest and the principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows and sales, should initially be measured at fair value with changes through OCI, with interest income, currency translation effects, and any impairment losses presented in the ordinary income statement. Changes recognised through OCI must be reclassified to the income statement upon the sale or other disposal of the assets.

Instruments that are initially measured at amortised cost or at fair value with changes through OCI can be designated at fair value through profit or loss if this eliminates or substantially reduces an accounting mismatch.

Other financial assets must be measured at fair value with changes through profit or loss. This includes derivatives, equity instruments and other cash flow instruments that are not only payments of normal interest (time value of money, credit spread and other normal margins linked to loans and receivables) and the principal, and instruments that are held in a business model in which the main purpose is not the reception of contractual cash flows. SpareBank 1 SR-Bank has chosen to measure investments in shares that are not held for trading purposes at fair value through profit or loss.

Financial liabilities

As a general rule, financial liabilities should be measured at amortised cost with the exception of financial derivatives measured at fair value, financial instruments included in a trading portfolio, and financial liabilities it has been decided to recognise at fair value with changes through profit or loss.

A financial asset and a financial liability can be offset and the net amount presented on the balance sheet if there is a right to offset the recognised amounts and the intent is to settle them on a net basis or to realise the asset and settle the liability at the same time.

Hedge accounting

SpareBank 1 SR-Bank carries out hedging accounting in line with the rules for hedging assets. Hedging accounting is carried out when this is in line with the bank's risk management strategy. Hedging accounting requires documentation that the hedging is in line with the bank's risk management, that there is a financial relationship between the hedging object and the hedging instrument, and that credit risk cannot be the dominant element in this context. Please refer to note 27.

Recognition and derecognition of financial assets and liabilities

Financial assets and liabilities are recognised on the trading day, that is, when the bank becomes a party to the instruments' contractual terms.

Financial assets are derecognised when the contractual rights to cash flows from the financial asset have expired or when the rights to the cash flows from the asset have been transferred in such a way that the risk and return related to ownership have substantially been transferred.

Financial liabilities are derecognised when the contractual terms have been settled, cancelled or expired.

Modified assets and liabilities

If modifications or changes to the terms of an existing financial asset or liability are made, the instrument is treated as a new financial asset if the renegotiated terms differ materially from the old terms. If the terms differ significantly, the old financial asset or liability is derecognised and a new financial asset or liability is recognised. In general, a loan is considered to be a new financial asset if new loan documentation is issued, while a new credit process is being issued with new loan terms.

If the modified instrument is not considered to be significantly different from the existing instrument, the instrument is considered to be a continuation of the existing instrument. In the case of a modification recognised as a continuation of existing instruments, the new cash flows are discounted using the instrument's original effective interest rate and any difference between the existing book value is recognised in profit and loss.

Change in ownership interests in subsidiaries without loss of control

Transactions with minority interests (non-controlling owners) in subsidiaries that do not result in loss of control are treated as equity transactions. In the event of further acquisitions, the difference between the remuneration and the shares' proportional share of the carrying amount for net assets in the subsidiary is recognised against the equity of the parent company's owners. Gains or losses from sales to minority interests are similarly recognised against equity.

Disposal of subsidiaries

In the event of a loss of control, any remaining ownership interest is measured at fair value with changes recognised through profit or loss. Fair value will thereafter constitute the acquisition cost for further accounting, as an investment in an associated company, joint venture or financial asset. Amounts that were previously recognised in other comprehensive income relating to this company are treated as if the group had disposed of underlying assets and liabilities. This could entail amounts that have previously been recognised in other comprehensive income being reclassified to the income statement.

Associated companies

Associated companies are entities in which the group has a significant interest but not control. Normally, significant influence arises when the group has a stake of between 20% and 50% of the voting capital. Investments in associated companies are recognised in accordance with the cost method of accounting in the bank's financial statements and the equity method in the consolidated financial statements.

New investments are recognised at acquisition cost in the consolidated financial statements. Investments in associated companies include goodwill identified at the time of the acquisition, reduced by any possible later impairment losses.

The group's share of profits or losses in associated companies are recognised and added to the book value of the investments. The group's share of the other comprehensive income in the associated company is recognised in other comprehensive income in the group and is also supplemented with the carrying amount for the investments. The group does not recognise the share of any loss if this means that the capitalised amount of the investment will be negative (including unsecured receivables on the unit) unless the group has incurred obligations or made payments on behalf of the associated company.

Joint arrangements

Under IFRS 11, investments in joint arrangements must be classified as either a joint operation or a joint venture, depending on the contractual rights and obligations of each investor. SpareBank 1 SR-Bank has assessed its joint arrangements and determined that they are joint ventures. Joint ventures are recognised using the equity method in the group and the cost method in the financial statements.

When the equity method is used joint ventures are recognised at their original acquisition cost. The carrying amount is thereafter adjusted to recognise the share of the results after the acquisition and the share of other comprehensive income. When the group's share of a loss in a joint venture exceeds the capitalised amount (including other long-term investments that are in reality part of the group's net investment in the venture), no further loss is recognised unless liabilities have been assumed or payments have been made on behalf of the joint venture.

Unrealised gains from transactions between the group and its joint ventures are eliminated in relation to the ownership interest in the venture. Unrealised losses are also eliminated unless the transaction gives evidence of a fall in value on the transferred asset. Amounts reported from joint ventures are, if necessary, restated to ensure they correspond with the accounting policies of the group.

Loans

Loans are classified based on two business models. Loans with contractual cash flows that are only payments of interest and the principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows should initially be measured at amortised cost. Loans with contractual cash flows that are only payments of interest and the principal on given dates and that are held in a business model for the purpose of receiving contractual cash flows and sales, should initially be measured at fair value with changes through OCI, with interest income, currency translation effects, and any impairment losses presented in the ordinary income statement. Changes recognised through OCI must be reclassified to the income statement upon the sale or other disposal of the assets.

Loans with variable rates are measured at amortised cost in accordance with IFRS 9. The amortised cost is the acquisition cost minus repayments on the principal, taking into account transaction costs, plus or minus cumulative amortisation using the effective interest method, and less any amount for impairment in value or exposure to loss. The effective interest rate is the interest that exactly discounts estimated future cash receipts and payments over the expected life of the financial instrument up to the loan's gross recognised amount.

Home mortgages that qualify for sale to mortgage credit companies are held both to receive contractual cash flows and for sale in the parent bank. These are therefore measured at fair value over the OCI, with interest income and any impairment losses presented in the ordinary result. The business model at the consolidated level involves such home mortgages being held to receive cash flows and thus measurement at amortised cost.

Fixed-rate loans to customers are earmarked upon initial recognition at fair value with changes through profit or loss, in accordance with IFRS 9. Gains and losses resulting from changes in fair value are recognised through profit or loss as a change in value. Accrued interest and premiums/discounts are recognised as interest. The bank uses the fair value option for measuring fixed-rate loans, as this largely eliminates inconsistencies in measuring other comparable instruments in the balance sheet.

Sales of loans

The bank has concluded an agreement concerning the sale of loans with good security and collateral in real estate to SpareBank 1 Næringskreditt AS. The bank's agreement concerning the sale of loans with good security and collateral in real estate to SpareBank 1 Boligkreditt AS ended on 31 December 2020. In line with the administration contract between the bank and financial institutions, the bank administers the loans and maintains the contact with customers. The bank receives a fee in the form of commissions for the duties involved in administering the loans. The agreement between the bank and the mortgage companies involved the bank transferring practically all of the risk and benefits of ownership associated with the sold loans. The sales are treated as pure sales and the loans are fully removed from the bank's balance sheet. This is described in note 9.

The bank has concluded an agreement concerning the sale of loans with good security and collateral in real estate to SR-Boligkreditt AS. In line with the administration contract between the bank and mortgage companies, the bank administers the loans and maintains the contact with customers. The bank receives a fee in the form of commissions for the duties involved in administering the loans. The remuneration will be recognised as income as settlements are made. The sales are treated as pure sales and the loans are fully eliminated from the bank's balance sheet.

Impairment losses on loans

According to IFRS 9 , loss provisions must be recognised based on expected credit losses (ECL). The general model for impairment losses on financial assets in IFRS 9 applies to financial assets measured at amortised cost or at fair value with changes through OCI, and which had no incurred losses upon initial recognition. In addition, there are also loan exposures, financial guarantee contracts and unused credit lines that are not measured at fair value through profit or loss, and changes to lease agreements are also included.

The measurement of expected losses in the general model depends on whether or not the credit risk has increased significantly since initial recognition. Upon initial recognition and when the credit risk has not increased significantly after initial recognition, 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 losses are calculated based on the present value of all cash flows over the remaining lifetime, i.e. the difference between the contractual cash flows under the contract and the cash flow that the bank expects to receive, discounted at the effective interest rate on the instrument.

In the case of corporate customers, the customer's entire exposure is deemed in default if one of the customer's loan accounts is in default. For retail customers, all accounts in the same product area will be deemed in default if one of the customer's loan accounts is in default.

In addition to the general model, there are separate principles for issued, including renegotiated loans treated as new ones, and purchased loans where there is objective evidence of a loss upon initial recognition. For these, an effective interest rate shall be calculated taking into account the expected credit loss, and for changes in expected cash flows, the change shall be discounted using the initially fixed effective interest rate and recognised in the income statement. For these assets, there is no need to monitor whether there has been a significant increase in credit risk after initial recognition, as expected losses over the entire lifetime will nevertheless be considered.

More detailed description of the bank's impairment model

An impairment estimate is prepared each quarter based on data in the bank's data warehouse, which contains a history of account and customer data for the entire credit portfolio. The loss estimates are calculated on the basis of the 12-month and lifelong probability of default (PD), loss given default (LGD) and exposure at default (EAD). The data warehouse contains a history of observed PD and LGD. This provides the basis for producing good estimates of future values for PD and LGD. In line with IFRS 9, the bank groups its loans into three stages.

Stage 1:

This is the starting point for all financial assets covered by the general loss model. All assets that do not have a significantly higher credit risk, defined as lifetime probability of default, than they did upon initial recognition will have a loss provision equal to 12 months' expected losses. This category will contain all assets that have not been transferred to stages 2 or 3.

Stage 2:
Stage 2 of the loss model applies to assets that have seen a significant rise in credit risk since initial recognition, but that do not have objective evidence of a loss event. For these assets, the loss provision must cover expected losses over the entire lifetime. As far as the demarcation with stage 1 is concerned, the bank bases its definition of a significant degree of credit deterioration on the extent to which the exposure's calculated probability of default (PD) has increased significantly. An increase in PD of more than 150% cent and which results in a PD higher than 0.6% 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. Exposures subject to repayment relief may, based on an individual assessment, also be regarded as having experienced a significant increase in credit risk. An exposure migrates to a lower stage when the conditions for the original migration no longer exist.

Stage 3:
Stage 3 of the loss model applies to assets that have seen a significant increase in credit risk since being granted and where there has been an objective event that results in reduced future cash flow for servicing the exposure. Objective evidence may be default, bankruptcy, insolvency or other significant financial difficulties. For these assets the loss provision must cover expected losses over the lifetime.

Non-performing exposures

The total exposure to a customer is considered to be in default (non-performing) and included in the group's summaries of defaulted exposures when an instalment or interest is 90 days past due, a line of credit is overdrawn for 90 days or more, or the customer is bankrupt.

Realised losses

When it is highly probable that the losses are final, the losses are classified as realised losses. Realised losses that are covered by earlier specific loss provisions are recognised against the provisions. Realised losses without cover by way of loss provisions and over or under coverage in relation to previous loss provisions are recognised through profit or loss.

Repossessed assets

As part of the handling of non-performing loans and guarantees, the group acquires, in some cases, assets that have been lodged as security for such exposures. At the time of takeover, the assets are valued at their assumed realisation value and the value of the loan exposure is adjusted accordingly. Repossessed assets that are to be realised are classified as operations that will be sold and holdings or fixed assets held for sale are recognised in accordance with the relevant IFRS standards (normally IAS 16, IAS 38, IFRS 9 or IFRS 5).

Financial leases

Financial leases are recognised on the balance sheet under the main item "Net lending to customers" and recognised in accordance with the amortised cost principle. All fixed income during the expected term of the lease is included when calculating the lease's effective interest.

The group has no sale and lease back contracts covering property, plant and equipment.

Securities

Other financial assets must be measured at fair value with changes through profit or loss. This includes derivatives, equity instruments and other cash flow instruments that are not only payments of normal interest (time value of money, credit spread and other normal margins linked to loans and receivables) and the principal, and instruments that are held in a business model in which the main purpose is not the reception of contractual cash flows. SpareBank 1 SR-Bank has chosen to measure investments in shares that are not held for trading purposes at fair value through profit or loss.

Derivatives and hedging

Derivatives consist of currency and interest rate instruments. Derivatives are recognised at fair value through profit or loss. The fair value of derivatives includes the value of counterparty credit risk (CVA).

The group uses derivatives for operational and accounting (funding) hedging purposes to minimise the interest rate risk in fixed-rate instruments (fixed-rate funding and fixed-rate loans), bonds (assets and liabilities), and certificates (assets and liabilities). The efficiency of the hedging is assessed and documented both when the initial classification is made and on an ongoing basis. When fair value hedging is used the hedging instrument is recognised at fair value, but as far as the hedged item is concerned changes in fair value linked to the hedged risk are recognised through profit and loss and against the hedged item. When a basis swap is designated as a hedging instrument for hedging a specifically identified loan, changes in the value of the hedging instrument linked to changes in the "basis spread" are recognised through OCI. See note 27 for further information.

Goodwill

Goodwill is the positive difference between the cost of acquiring a business and the fair value of the bank's share of the net identifiable assets in the business at the time of acquisition. Goodwill on the acquisition of subsidiaries is classified as intangible assets. Goodwill on the acquisition of shares in associated companies and joint ventures is included in the investment and tested for depreciation as part of the book (carrying) value of the investment. Goodwill is not subject to amortisation, but is subject to annual impairment testing with the purpose of identifying any indications that impairment may have occurred, in accordance with IAS 36. Any assessment of a fall in value is measured at the lowest level in the undertaking where goodwill is followed up for internal management purposes. Write-downs of goodwill cannot be reversed. In those cases where the cost of acquiring a business is lower than the fair value of the bank's share of net identifiable assets at the time of acquisition, so-called badwill, the difference is immediately recognised as income and included in income from ownership interests.

Tangible fixed assets

Tangible fixed assets comprise buildings, plots of land and operating equipment. Buildings and operating equipment are recognised at cost less depreciation and write-downs. Plots of land are recognised at cost price less write-downs. Plots of land are not depreciated. The cost price includes all direct costs related to the acquisition of the asset.

Depreciation is on a straight-line basis in order to allocate the cost price, less possible residual value, over the useful life of the operating equipment.

IFRS 16 Leases

The group has entered into leases for premises and tangible fixed assets that affect the group's accounting and results in almost all leases being capitalised. The group has recognised a right-of-use asset and a financial liability for all of its leases, with a few practical exceptions. The group has chosen to use the exemptions for short-term leases (12 months or less), low value leases and components that are not rent, meaning that these are not included in the calculation. The income statement is also affected by the total cost usually being higher in the first few years of a lease and lower in later years. Operating costs will also be replaced with interest and depreciation. Cash flows from operations increase because payments for the lease liability's principal will be classified as a financing activity. That part of payments that are interest can be presented as cash flow from operations. In some cases, the group is the lessor and the accounting in relation to this does not change significantly. Information about leases is provided in note 31.

Operations/assets that will be sold

These items on the balance sheet contain the group's assets it has decided to sell. The items include assets and liabilities relating to repossessed properties and property companies that are to be syndicated and disposed of by selling parts to customers. The item is valued at the lowest value of the carrying amount and fair value minus sales costs.

Funding

Funding is initially recognised at the cost at which it is raised, which is the fair value of the proceeds received after deducting transaction costs. Funding is thereafter measured at amortised cost, and any discount/premium is accrued over the term of the borrowing. Fixed-rate funding is subject to hedging, which results in measurement at fair value with discounting according to the applicable interest curve, though not taking into account changes in own credit spreads. Deposits from customers and financial institutions are measured at amortised cost.

Pensions

SpareBank 1 SR-Bank group has two types of pension schemes: defined benefit based and defined contribution based. The group has both covered and uncovered defined benefit pension schemes. The covered defined benefit pension scheme was, until 31 December 2015, covered by the group's pension fund. In addition to the pension liabilities covered by the pension fund, the group has uncovered pension liabilities that cannot be covered by the assets in the collective schemes. The covered defined benefit pension scheme was closed to new members from and including 1 April 2011 and to existing members from 1 January 2016.

Defined benefit scheme

A defined benefit scheme is defined as a scheme that is not a defined contribution scheme.

A defined benefit scheme will typically define an amount an employee will receive from and including the date of retirement, usually dependent of age, number of years worked and pay.

The liability that must be recognised for the defined benefit scheme is the present value of the liability on the balance sheet date, with deductions for the fair value of the pension assets. The gross liability is calculated by an independent actuary using the unit credit method during calculations. The gross liability is discounted to the present value using the interest rate on high quality corporate bonds with almost the same term to maturity as the payment horizon of the liability.

Gains and losses that occur with the recalculation of the liability due to experience gains and losses, and changes in actuarial assumptions, are recognised against equity via the comprehensive income statement in the period they arise. The effects of changes in the schemes' plans are recognised immediately.

Defined contribution scheme

In the case of defined contribution plans, the company pays a fixed contribution to an insurance company. The company has no legal or self-imposed obligation to inject further assets if there proves to be insufficient assets to pay all employees the benefits linked to their earnings in this or earlier periods. The subscriptions are recognised as a payroll cost. Any pre-paid subscription is recognised as an asset (pension asset) to the extent that the subscription can be refunded or reduces future subscription payments.

Contingent liabilities

The group issues financial liabilities such as guarantees, loan exposures, and unused credit lines as part of its ordinary business. Gross latent liabilities are specified in note 8. Impairment losses on guarantees, loan commitments and unused credit facilities are made as part of the assessment of IFRS 9 and in accordance with the same policies, and are reported as liabilities on the balance sheet. Individual impairment losses are made on financial liabilities that have had a significant increase in credit risk since the grant and where there is an objective event that results in reduced future cash flow for servicing the exposure. Objective evidence may be default, bankruptcy, insolvency or other significant financial difficulties.

Provisions are made for other uncertain liabilities if it is more probable than not that the liability will materialise and the financial consequences can be reliably calculated. Information is disclosed about contingent liabilities that do not satisfy the criteria for balance sheet recognition if they are significant.

Provisions are made for restructuring costs when the group has a contractual or legal obligation, payment is probable and the amount can be estimated, and the size of the obligation can be estimated with sufficient reliability.

Subordinated loans and hybrid capital issued

Subordinated loans are classified as subordinated loan capital on the balance sheet and are measured at amortised cost such as other long-term loans. The bank uses fair value hedging for measuring fixed-rate loans.

Hybrid Tier 1 capital instruments which are perpetual, and where the group has a unilateral right not to pay interest to investors under certain conditions, do not satisfy the definition of financial liabilities under IAS 32. Such bonds are classified as equity on the balance sheet (hybrid capital) and the interest rate is presented as a reduction in other equity.

Dividends

Dividends are recognised as equity in the period prior to being approved by the annual general meeting.

Interest income and interest costs

Interest income and interest costs related to financial assets and financial liabilities that are measured at amortised cost, or debt instruments that are measured at fair value through OCI, are recognised continuously in the income statement in accordance with the effective interest rate method. The effective interest rate is the interest rate that results in the present value of the expected cash flow over the expected life of a financial asset or liability being equal to the book value (before provisions for losses) of the respective financial asset or liability. In calculating the effective interest rate, the cash flow effect stated in the agreement is estimated, but without taking into account future credit losses. The calculation thus takes into account fees, transaction costs, premiums and discounts.

Interest income for assets measured at amortised costs is calculated using their gross book value unless there is objective evidence of a loss in relation to the asset.

Interest income for assets for which there is objective evidence of a loss and interest costs for financial liabilities are calculated on their net book values.

Interest income and costs related to financial instruments measured at amortised costs or fair value are classified as interest income and interest costs, respectively. A breakdown of interest income and costs measured at amortised cost and fair value is provided in note 18. Other changes in value are classified as income from financial instruments.

Commissions and commission costs

Commissions and commission costs are generally accrued in line with the delivery/receipt of a service. Fees relating to interest-bearing instruments are not recognised as commissions, but are included in the calculation of the effective interest rate and recognised accordingly through profit or loss. Advisory/consultancy fees are accrued in accordance with the signed agreement, typically at the time the service is delivered.

The same applies to day-to-day management services. Fees and charges related to the sale or brokerage of financial instruments, properties or other investment objects that do not generate balance sheet items in the consolidated financial statements, are recognised when the transaction is completed.

Transactions and balance sheet items in foreign currency

Transactions involving foreign currencies are converted into Norwegian krone using the exchange rates at the time of the transactions. Gains and losses related to executed transactions, or to the conversion of holdings of balance sheet items in currency on the balance sheet date are recognised in the income statement. Gains and losses on non-monetary items are included in the income statement in the same way as the corresponding balance sheet item.

The exchange rate on the balance sheet date is used when converting balance sheet items.

Taxes

Taxes consist of payable tax and deferred tax. Payable tax is the estimated tax on the year's taxable profit.

Payable tax for the period is calculated according to the tax laws and regulations enacted or substantively enacted on the balance sheet date.

Deferred taxes are accounted for using the liability method in accordance with IAS 12. Deferred tax assets or liabilities are calculated based on all the temporary differences, which are the differences between the book values of assets and liabilities for accounting purposes and for taxation purposes. Nonetheless, no deferred tax liability or benefit is calculated on goodwill that does not provide tax-related deductions, or on initially recognised items that affect either the accounting or taxable result.

Deferred tax assets are calculated for tax loss carry forwards. Assets with deferred tax are included only to the extent that future taxable profits are expected to make it possible to exploit the related tax benefit.

Cash flow statement

The statement of cash flow shows cash flows grouped by source and application area. Cash is defined as cash, deposits in central banks, and deposits in financial institutions with no period of notice. The statement of cash flow is prepared using the direct method.

Segment reporting

A business segment is part of an entity that is engaged in providing individual products or services that are subject to risks and returns that are different from those of other business segments. A geographic market (segment) is a part of a business that supplies products and services within a limited geographic area that is subject to risks and returns that are different from other geographic markets. As regards segment reporting, the group executive management team is considered to be supreme decision-making authority. The figures in the segment reporting are based on internal reporting to group executive management team.

Events after the balance sheet date

The financial statements are published after the board has approved them. The general meeting and the regulatory authorities may refuse to approve the published financial statements subsequent to this but they cannot change them.

Events that take place before the date on which the financial statements are approved for publication, and which affect conditions that were already known on the balance sheet date, will be incorporated into the pool of information that is used when making accounting estimates and are thereby fully reflected in the financial statements. Events that were not known on the balance sheet date will be reported if they are material.

The financial statements have been prepared on the basis of a going concern assumption.

The board's proposed dividend is specified in the board of directors' report and note 41. The proposed divided is classified as equity until it has finally been approved.

NOTE 3 CRITICAL ESTIMATES AND JUDGEMENTS CONCERNING USE OF THE ACCOUNTING POLICIES

Given both the variable oil prices and the ongoing Covid-19 situation, 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 and financial liabilities

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

The group's risk classification systems are described under financial risk management.

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

Individual impairment losses 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 exposures based on expected credit loss (ECL). The measurement of the provisions for expected losses on exposures that are not individually impaired depends on whether or not the credit risk has increased significantly since initial recognition. Upon initial recognition and when the credit risk has not increased significantly after initial recognition, 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: an upturn scenario, a base scenario and an adverse scenario, respectively. The upturn scenario is based on data from a historically representative period of strong economic expansion and the base scenario and adverse scenario are based on internally prepared prognoses and stress tests linked to the group's periodic internal capital adequacy assessment process (ICAAP) for various given scenarios. The mutual weighting of the scenarios is considered and determined by a specially established internal working group composed of people at a management level. The choice of scenarios and their weighting are regularly reviewed (at least once a year) by this working group. As at 31 December 2020, the base scenario's weighting was 65%, the upturn scenario's 17.5% and the adverse scenario's 17.5%. The weighting is the same for all portfolios and reflects the uncertainty surrounding economic development going forward. In order to illustrate the associated weighting sensitivity, a simulation of the effects of a more conservative scenario weighting was conducted in which the weighting of the base scenario was reduced to 50% and the adverse scenario and upturn scenario were both increased to 25%. Such a change in the scenario weighting would, seen in isolation, increase the group's expected impairment losses for exposures without individual impairment by NOK 108 million. Please also see note 6.

Sensitivity calculations (NOK millions)	**Weighting used in the fourth quarter of 2020**	**Corporate market**	**Retail market**	**SR-Boligkreditt**	**Total group**
ECL in the upturn scenario	17.5%	157	31	7	**195**
ECL in the base scenario	65.0%	487	51	17	**555**
ECL in the adverse scenario	17.5%	1,949	260	146	**2,355**
ECL with applied scenario weighting (including overall management discretion):					
Upturn = 17.5% Basic = 65% Downturn = 17.5%		685	84	38	**807**
Alternative scenario weighting I					
Upturn = 25% Basic =50% Downturn = 25%		770	98	47	**915**
Alternative scenario weighting II					
Upturn = 33.3% Basic =33.3% Downturn = 33.3%		865	114	56	**1,035**
Alternative scenario weighting III					
Upturn = 0% Basic =60% Downturn = 40%		1,072	134	68	**1,274**

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 throughout 2020. The group has provided advice in order to find good solutions for customers, including by granting payment holidays and providing assistance with applications for the use of various support schemes.
The group's assessments of critical estimates and judgements concerning use of the accounting policies are challenging but are currently considered to be the best estimate of the consequences the Covid-19 situation will have for the group.

Fair value of financial derivatives and other financial instruments

The fair value of derivatives is determined by using valuation methods where the price of the underlying instrument, for example, interest rate or currency rate, is obtained from the market. When measuring financial instruments for which observable market data is not available, the group makes assumptions with regard to what market actors would base their valuation on for equivalent financial instruments. Valuations require the extensive use of discretion, including when calculating liquidity risk, credit risk and volatility. Any change in the aforementioned factors will affect the fair value determined for the group's financial instruments. For more information see note 25 on the classification of financial instruments. In the case of options, volatility will be either observed implicit volatility or calculated volatility based on historical price movements for the underlying object.

NOTE 4 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 return profile of the assets, and it is divided between the retail market (including self-employed people), the corporate market, capital market and subsidiaries of significant importance. Account trading/staff/support includes all staff departments and treasury area in the parent bank. The activity in SR-Boligkreditt is divided between the segments retail market and account trading/staff/support in the parent bank. Commissions from SpareBank 1 Boligkreditt are reported under the item "Net commissions and other income".

Reporting per business area:

(Figures in NOK millions)

2020	Retail market	Corporate market	Capital market	Own account trading/ staff/ support [2]	Eiendoms-Megler 1	Forretnings-partner	Other business	Elimi-nations	SR-Bank Group
Interest income	2,267	2,527	141	2,111	2	-	2	-97	6,953
Interest costs	505	456	90	1,867	-	-	12	-119	2,811
Net interest income [1]	**1,762**	**2,071**	**51**	**244**	**2**	**-**	**-10**	**22**	**4,142**
Commissions	599	322	3	11	405	170	102	-111	1,501
Commission costs	72	30	1	55	-	-	37	-84	111
Other operating income	1	-	-	10	-	-	35	-40	6
Net commissions and other operating income	**528**	**292**	**2**	**-34**	**405**	**170**	**100**	**-67**	**1,396**
Dividends	-	-	-	57	-	-	-	-	57
Income from ownership interests	-	-	-	836	-	-	-4	169	663
Net income/loss from financial investments	-	-8	87	-115	-	-	-41	56	-21
Net income from financial investments	**-**	**-8**	**87**	**778**	**-**	**-**	**-45**	**-113**	**699**
Personnel costs	427	198	58	345	240	123	49	-4	1,436
Administration costs	74	7	9	370	34	10	13	-	517
Other operating costs	90	37	3	170	83	16	82	-48	433
Total operating costs	**591**	**242**	**70**	**885**	**357**	**149**	**144**	**-52**	**2,386**
Operating profit before impairment losses	**1,699**	**2,113**	**70**	**103**	**50**	**21**	**-99**	**-106**	**3,851**
Impairments on loans and financial liabilities	89	1,941	-	-	-	-	-	-	2,030
Pre-tax profit	**1,610**	**172**	**70**	**103**	**50**	**21**	**-99**	**-106**	**1,821**
Net interest income									
Net external interest income	1,739	2,071	51	267	-	-	-	14	4,142
Net internal interest income	23	-	-	-23	2	-	-10	8	-
Net interest income	1,762	2,071	51	244	2	-	-10	22	4,142
Balance sheet									
Gross loans to customers	140,743	74,853	252	3,681	-	-	-	-348	219,181
Impairment losses on loans	-210	-2,005	-	-	-	-	-	-	-2,215
Certificates/bonds/financial derivatives	-	-45	4,485	51,092	-	-	19	-6,958	48,593
Other assets	8,220	-6,080	1,751	34,391	212	214	1,482	-18,700	21,490
Total assets	**148,753**	**66,723**	**6,488**	**89,164**	**212**	**214**	**1,501**	**-26,006**	**287,049**
Deposits from customers	58,907	60,400	14	-926	-	-	-	-225	118,170
Other liabilities and equity [1]	89,846	6,323	6,474	90,090	212	214	1,501	-25,781	168,879
Total liabilities and equity	**148,753**	**66,723**	**6,488**	**89,164**	**212**	**214**	**1,501**	**-26,006**	**287,049**
Total loans sold to SpareBank 1 Boligkreditt	**-**								**-**

2019	Retail market	Corporate market	Capital market	Own account trading/ staff/ support [2]	Eiendoms-Megler 1	Forretnings-partner	Other business	Elimi-nations	SR-Bank Group
Interest income	2,290	2,687	71	2,819	3	1	3	-131	7,743
Interest costs	603	718	44	2,515	-	1	9	-134	3,756
Net interest income [1]	**1,687**	**1,969**	**27**	**304**	**3**	**-**	**-6**	**3**	**3,987**
Commissions	617	330	8	18	396	133	99	-85	1,516
Commission costs	77	27	1	47	-	-	35	-76	111
Other operating income	1	-	-	11	-	-	18	-19	11
Net commissions and other operating income	**541**	**303**	**7**	**-18**	**396**	**133**	**82**	**-27**	**1,416**
Dividends	-	-	-	31	-	-	-	-	31
Income from ownership interests	-	2	-	1,021	-	-	22	-170	875
Net income/loss from financial investments	5	24	87	77	-	-	27	1	221
Net income from financial investments	**5**	**26**	**87**	**1,129**	**-**	**-**	**49**	**169**	**1,127**
Personnel costs	424	208	53	407	250	101	33	-4	1,472
Administration costs	82	20	10	386	40	7	10	-	555
Other operating costs	94	33	3	185	103	14	50	-32	451
Total operating costs	**600**	**261**	**66**	**978**	**393**	**122**	**93**	**-35**	**2,478**
Operating profit before impairment losses	**1,633**	**2,037**	**55**	**437**	**6**	**11**	**32**	**-159**	**4,052**
Impairments on loans and financial liabilities	24	211	-	-	-	-	-	-	235
Pre-tax profit	**1,609**	**1,826**	**55**	**437**	**6**	**11**	**32**	**-159**	**3,817**
Net interest income									
Net external interest income	1,637	1,969	27	354	-	-	-	-	3,987
Net internal interest income	50	-	-	-50	3	-	-6	3	-
Net interest income	1,687	1,969	27	304	3	-	-6	3	3,987
Balance sheet									
Gross loans to customers	128,255	75,457	71	3,695	-	-	-	-364	207,114
Impairment losses on loans	-154	-1,265	-	-	-	-	-	-7	-1,426
Certificates/bonds/financial derivatives	-	-	3,538	38,821	-	-	7	-3,641	38,725
Other assets	-2,060	3,571	2,158	20,755	175	200	1,699	-15,016	11,482
Total assets	**126,041**	**77,763**	**5,767**	**63,271**	**175**	**200**	**1,706**	**-19,028**	**255,895**
Deposits from customers	53,736	49,893	23	-330	-	-	-	-216	103,106
Other liabilities and equity [1]	72,305	27,870	5,744	63,601	175	200	1,706	-18,812	152,789
Total liabilities and equity	**126,041**	**77,763**	**5,767**	**63,271**	**175**	**200**	**1,706**	**-19,028**	**255,895**
Total loans sold to SpareBank 1 Boligkreditt	**4,243**								**4,243**

[1] Net interest income and other liabilities contain allocated arrangements between the segments. 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 interest applied on intercompany receivables are eliminated in the parent bank.

[2] Interest income in the segment is the internal charging of the funding costs.

The group primarily operates in a geographical area bounded by Oslo in the south-east and Bergen in the north-west. In addition to the segment notes, important asset classes (loans and deposits) are segmented geographically in separate notes under loans and deposits. Geographical distribution is based on the customer's branch.

	Rogaland		Agder		Vestland		Oslo/Viken		SR-Bank Group	
Geographic distribution	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Net interest income	3,256	3,167	325	307	416	432	145	81	4,142	3,987
Net commissions and other operating income	992	1,027	168	164	208	208	27	17	1,396	1,416
Net income from financial investments	750	1,058	6	1	6	13	-62	55	699	1,127
Operating costs	1,926	2,021	160	167	195	219	105	71	2,386	2,478
Operating profit before impairment losses	**3,071**	3,231	**339**	305	**435**	434	**6**	82	**3,851**	4,052
Impairments on loans and financial liabilities	2,004	183	26	40	-1	11	-	1	2,030	235
Pre-tax profit	**1,067**	3,048	**313**	265	**436**	423	**5**	81	**1,821**	3,817
Gross loans to customers	159,725	154,415	20,609	19,207	28,835	26,618	10,011	6,874	219,181	207,114
Impairment provisions on loans	-2,141	-1,323	-64	-67	-9	-33	-2	-3	-2,215	-1,426
Certificates/bonds/financial derivatives	48,594	38,725	-	-	-	-	-	-	48,593	38,725
Other assets	18,750	11,483	1,147	-260	963	-389	630	649	21,490	11,482
Total assets	**224,928**	203,300	**21,692**	18,880	**29,789**	26,196	**10,640**	7,520	**287,049**	255,895
Deposits from customers	94,590	88,607	5,904	5,279	11,702	8,009	5,973	1,212	118,170	103,106
Other liabilities and equity	130,338	114,693	15,788	13,601	18,086	18,187	4,667	6,308	168,879	152,789
Total liabilities and equity	**224,928**	203,300	**21,692**	18,880	**29,789**	26,196	**10,640**	7,520	**287,049**	255,895
Total loans sold to SpareBank 1 Boligkreditt	**-**	3,438	**-**	384	**-**	362	**-**	59	**-**	4,243

NOTE 5 CAPITAL ADEQUACY

(Figures in NOK millions)

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 of the regulations came into effect 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 31 December 2020 was 14.2%. 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 4.5% and a countercyclical buffer of 1.0%. As a result of Covid-19 situation, the countercyclical buffer was reduced by 1.5% points in March 2020. The Financial Supervisory Authority of Norway has also set an individual Pillar 2 requirement of 1.7%.

SpareBank 1 SR-Bank's internal target for its Common Equity Tier 1 capital ratio was 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 internal target includes a 1.0-percentage point management buffer.

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	
2019	**2020**		**2020**	2019
6,394	6,394	Share capital	6,394	6,394
1,587	1,587	Premium reserve	1,587	1,587
1,407	1,407	Allocated dividend	1,407	1,407
1,850	1,850	Hybrid capital	1,850	1,850
11,244	12,224	Other equity	15,150	13,596
		Non-controlling interests	5	
22,482	**23,462**	**Book equity**	**26,393**	24,834

Parent bank			Group	
2019	**2020**		**2020**	2019
		Tier 1 capital		
-	-	Deferred tax, goodwill and other intangible assets	-364	-354
-1,407	-1,407	Deduction for allocated dividend [1)]	-1,407	-1,407
-226	-52	Deduction in expected losses IRB less loss provisions	-146	-357
-1,850	-1,850	Hybrid capital that cannot be included in CET 1 capital	-1,850	-1,850
-	-	Deduction for CET 1 capital in essential investments in financial institutions	-246	-23
-164	-151	Deduction for CET 1 capital in not essential investments in financial institutions	-154	-153
-43	-50	Value adjustment due to requirements concerning proper valuation	-50	-46
18,792	**19,952**	**CET 1 capital**	**22,176**	20,644
1,850	1,850	Hybrid capital	1,951	1,982
20,642	**21,802**	**Tier 1 capital**	**24,127**	22,626
		Tier 2 capital		
2,097	2,097	Term subordinated loan capital	2,252	2,283
-43	-43	Deduction for essential investments in financial institutions	-43	-43
2,054	**2,054**	**Tier 2 capital**	**2,209**	2,240
22,696	**23,856**	**Net primary capital**	**26,336**	24,866
		Credit risk Basel II		
20,515	16,932	SME	16,935	20,522
22,824	20,779	Specialised enterprises	23,130	25,215
4,655	6,413	Other corporations	6,529	4,767
1,065	1,007	Mass market SME	1,311	1,342
14,018	12,286	Mass market - mortgage on real estate	31,178	31,289
2,272	2,695	Other mass market	2,692	2,352
11,006	11,086	Equity positions	-	-
76,355	**71,198**	**Total credit and counterparty risk IRB**	**81,775**	85,487
13	33	States and central banks	43	25
18	153	Local and regional authorities, state-owned enterprises	308	73
2,978	4,212	Institutions	1,580	1,196
8,517	8,425	Enterprises	8,984	8,795
2,854	3,358	Mass market	4,020	3,678
-	-	Mass market - mortgage on real estate	931	1,115
2,035	9,219	Covered bonds	2,095	2,317
6,029	6,029	Equity positions	6,436	5,475
2,588	4,284	Other assets	4,902	3,653
25,032	**35,713**	**Total credit and counterparty risk standard method**	**29,299**	26,327
236	121	Credit value adjustment risk (CVA)	334	487
7,067	7,171	Operational risk	9,854	9,443
108,690	**114,203**	**Risk weighted balance**	**121,262**	121,744
4,891	5,139	Minimum requirement Common Equity Tier 1 capital 4.5%	5,457	5,478
		Buffer requirement		
2,717	2,855	Capital conservation buffer 2.5%	3,032	3,044
3,261	5,139	Systemic risk buffer 4.5%	5,457	3,652
2,717	1,142	Countercyclical buffer 1.0%	1,213	3,044
8,695	9,136	Total buffer requirement to common equity Tier 1 capital ratio	9,701	9,740
5,206	**5,677**	**Available common equity Tier 1 capital ratio after buffer requirement**	**7,018**	5,426
17.29%	17.47%	Common equity Tier 1 capital ratio, IRB	18.29%	16.96%
18.99%	19.09%	Tier 1 capital ratio, IRB	19.90%	18.58%
20.88%	20.89%	Capital ratio, IRB	21.72%	20.42%
10.03%	7.44%	Leverage ratio	7.79%	7.77%

[1)] A decision was made in April 2020 not to pay a dividend for 2019 at this time. The figures reported as at 31 December 2019 have not been restated. The board exercised its special authorisation from April 2020 and at the board meeting on 10 February 2021 approved a dividend of NOK 5.50 per share for the 2019 financial year.

NOTE 6 FINANCIAL RISK MANAGEMENT

Risk and capital management in SpareBank 1 SR-Bank should create financial and strategic added value through:

- a good risk culture characterised by a high awareness of risk management and the group's core values
- a good understanding of which risks drive earnings
- pricing activities and products in line with their underlying risk, insofar as this is possible
- having adequate financial strength based on a chosen risk profile and simultaneously striving for optimal capital allocation to the various business areas
- utilising diversification effects
- preventing single events seriously damaging the group's financial position

SpareBank 1 SR-Bank bases its risk and capital management on the following general principles:

- The group's risk and capital management framework must be documented and based on the best international practices
- The group must have a management and control structure that promotes prudent, independent management and control
- The risk and capital management shall form an integral part of the management and decision process in the group
- Risk and capital management in the group shall support the group's strategic development and achievement of objectives while ensuring financial stability and sound management of assets
- The group must have a good risk culture characterised by a high awareness of risk and capital management
- The board must approve the group's desired risk profile on at least an annual basis
- SpareBank 1 SR-Bank shall have a willingness to assume risk that provides a sufficient buffer in relation to the group's risk capability, and that no single events can seriously damage the group's financial position
- The risk identification process must be implemented regularly, look forwards, and cover all significant areas of risk
- Quantification of risk must be based on recognised methods and be sufficiently conservative to properly take account of any weaknesses in the model
- Thorough analyses must be carried out of the identified risks in order to understand the risks' effects on income, costs and losses
- Based on the risk analysis, effective management and control measures shall be established for the individual risks based on the risk analysis. Measures that reduce probability shall take precedence over measures that reduce consequences
- The group must prepare a minimum 5-year financial prognosis at least once a year, and this must as a minimum cover expected financial developments, as well as a period involving a serious financial setback. The serious financial setback must be severe, but realistic.
- Return on economic capital shall be one of the most important strategic result measurements for the internal control of SpareBank 1 SR-Bank. Risk-adjusted returns must provide the basis for determining the credit-based framework for EAD between the CM and RM, respectively
- The group must carry out comprehensive, periodic risk follow-up and reporting
- The group shall, insofar as it is possible, price activities and products in line with the underlying risk to ensure the right level of risk is assumed
- The group must draw up robust recovery plans so it can manage critical situations in the best possible way should they arise
- The group must have clear, unambiguous definitions of the various types of risk

SpareBank 1 SR-Bank is exposed to various types of risk:

Credit risk: the risk of loss resulting from the customer's inability or unwillingness to fulfil his obligations

Liquidity risk: the risk that the group is unable to refinance its debt or does not have the ability to fund increases in assets without significant additional costs

Market risk: the risk of loss due to changes in observable market variables such as interest rates, foreign exchange rates and securities markets

Operational risk: the risk of losses due to weak or inadequate internal processes or systems, human error or external incidents

Climate risk: the risk of financial losses and financial instability as a result of physical climate change and society's response to it.

Ownership risk: the risk of SpareBank 1 SR-Bank suffering negative results from stakes in strategically owned companies or of the group having to inject fresh equity into these companies. Owned companies are defined as companies where SpareBank 1 SR-Bank has a significant stake and influence

Compliance risk: the risk of the group incurring public sanctions/penalties or financial loss as a result of a failure to comply with legislation and regulations

Business risk: the risk of unexpected income and cost variations due to changes in external factors such as market conditions or government regulations

Reputation risk: the risk of a failure in earnings and access to capital because of lack of trust and reputation in the market, i.e. customers, counterparties, stock market and authorities

Strategic risk: the risk of losses resulting from the wrong strategic decisions

Concentration risk: the risk of an accumulation of exposure to an individual customer, sector or geographical area arising

Risk exposure in SpareBank 1 SR-Bank

The risk management department is independent of the business units and reports directly to the CEO. The department is responsible for the ongoing development of the risk management framework, including risk models and risk management systems. The department is also responsible for independently monitoring and reporting risk exposure.

SpareBank 1 SR-Bank is exposed to various types of risk. The general framework for managing the most important types of risk is described below:

Credit risk is managed via the framework procedures for granting credit, monitoring exposures and portfolio management. The group's credit strategy comprises overarching credit strategy limits to ensure a diversified portfolio and a satisfactory risk profile. The main focus when granting credit must be on the customer's ability to service the debt and good security cannot be allowed to compensate for a weak/inadequate ability to service the debt.

The strategic credit limits set requirements and limitations related to overall loss profile and portfolio quality, respectively. The group particularly focuses on the concentration risk associated with exposure to large individual customers and certain industries. In order to avoid undesirable concentration risk, the strategic credit limits also set restrictions in relation to exposure and risk profile at a portfolio level, and for different industries and individual customers. These restrictions are additional to the limits stipulated by the Regulation regarding Major Exposures. The group's credit policy guidelines stipulate minimum requirements that apply to all types of financing, except exposures granted as part of the exercise of special credit hedging authorities. In addition to the general credit policy guidelines, a set of more specific credit policy guidelines related to sectors or segments that can entail a special risk have been prepared.

There must be a particular emphasis on ensuring that the customer's activities comply with the applicable laws and regulations, and that they have a long-term perspective. The group's sustainability policy is reflected in its general credit policy guidelines, including the requirement that all financing must satisfy the group's policies relating to environmental, social and corporate governance. The group also has guidelines that support the group's anti-money laundering (AML) policy.

The board is responsible for the group's granting of loans and credit, but delegates the responsibility to the CEO, within certain limits. The CEO then delegates these within his own authority. Delegated credit authority is linked to an exposure's probability of default and security cover. The authority is personal. The credit review routines regulate in detail all factors related to the granting of credit by the group and follow-up of exposures.

The group utilises credit models for risk classification, risk pricing and portfolio management. The risk models are based on three main components:

1. **Probability of default (PD):** Customers are classified into default classes based on the probability of them defaulting during a period of 12 months, based on a long-term outcome in a complete loss cycle. The probability of default is calculated on the basis of historical series of data for financial key figures related to earnings and deterioration, as well as the basis of non-financial criteria such as conduct and age. When funding commercial property for leasing, a special credit model must be used internally that calculates the probability of default based on the expected cash flow from the leasing activities combined with behavioural criteria. Nine default classes (A – I) are used to classify the customers according to the probability of default. The group has two additional default classes (J and K) for customers with defaulted and/or written-down exposures.
2. **Exposure at default (EAD):** This is an estimate of what the group's exposure will be were a customer to default. This exposure consists of lending volume, guarantees and approved, but not drawn limits respectively. Approved, but not drawn facilities of a retail market customer has a conversion factor equal to 1. This means that the limit is assumed 100% withdrawn given default. For the corporate market, approved but not drawn facilities are multiplied by a conversion factor that varies between 60-90%, depending on the customer's probability of default. For guarantees, the conversion factor is an authority-set parameter set to 1 for loan guarantees and 0.5 for other warranties.
3. **Loss given default (LGD):** This is an estimate of how much the group can potentially lose if the customer defaults on his obligations. The assessment takes into account, among other things, the value of underlying collateral, degree of recovery on unsecured part of the exposure, degree of recovery before realisation and collection costs. The group determines the realisation value of collateral based on statistical data over time, as well as expert assessments in cases where statistical data do not provide an adequate basis. Realisation values are set so that they reflect an assumed realisation value in a recession based on a conservative assessment. Seven different classes are used (1-7) for classifying exposures in relation to loss given default.

The group continuously develops and tests the risk management system and the credit granting process to ensure that it is of high quality over time. Quantitative validation is intended to ensure that the estimates used for the probability of default, exposure at default and loss given default are always of adequately good quality. Analyses are carried out to assess the models' ability to rank the customers according to risk (discrimination ability), and the ability to determine the correct level for the risk parameters. In addition, the stability of the models' estimates and the models' cyclical sensitivity are analysed. The quantitative validation will be supplemented by more qualitative assessments in some cases. This is especially true if the amount of statistical data is limited.

In addition to the credit risk in the lending portfolio, the group has credit risk through its exposure in the liquidity reserve portfolio. This portfolio consists mainly of low risk certificates and bonds that qualify for loans from Norges Bank.

For further information please see notes 7-13.

Liquidity riskis managed via the group's general liquidity strategy, which is reviewed and adopted by the board at least once a year. Liquidity management is based on conservative limits and reflects the group's moderate risk profile. The group's treasury department is responsible for liquidity management, while the risk management and compliance department monitor and report on the utilisation of limits in accordance with the liquidity strategy.

The group's lending is mainly funded by customer deposits and long-term securities debt. The liquidity risk is restricted by diversifying securities debt in terms of markets, funding sources, instruments and maturity periods.

For further information see notes 16 and 17.

Market risk is managed through the market risk strategy, which defines the group's willingness to assume risk. The strategy and the associated specification of the necessary risk ceilings, reporting procedures and authorities are reviewed and adopted by the board at least once a year.

Market risk in SpareBank 1 SR-Bank primarily relates to the group's long-term investments in securities. In addition, the group is exposed to some market risk through trading activities in interest rate and currency markets, as well as from activities that underpin ordinary funding and lending activities. The group's market risk is measured and monitored on the basis of conservative limits that are renewed and approved by the board at least once a year. The size of the limits is determined on the basis of stress tests and analyses of negative market movements. The group's exposure to market risk is moderate.

Interest rate risk is the risk of losses incurred due to changes in interest rates. The group's interest rate risk is regulated by limits for maximum value change following a change in the interest rate level of 1 percentage point. The interest rate exposures for the group's instruments are mostly short-term and the group's interest rate risk is low.

Currency risk is the risk of losses due to fluctuations in foreign exchange rates. The group measures currency risk on the basis of net positions in the different currencies in which the group has exposure. Currency risk is regulated by nominal limits for maximum aggregate currency positions and maximum positions within individual currencies. The scope of the group's trading in foreign currency is modest and the currency rate risk is considered low.

Price risk is the risk of losses that arise following changes in the value of the group's bonds, certificates, and equity instruments. The spread risk is defined as the risk of changes in the market value of bonds as a result of general changes in the credit spreads. Credit spread risk expresses the potential loss in the bond portfolios beyond the bankruptcy risk. Quantification of the risk-adjusted capital for spread risk in the bond portfolios is calculated based on the Financial Supervisory Authority of Norway's model for risk-based supervision of market risk in insurance companies. The group's risk exposure to this type of risk is regulated by limits for maximum investments in the different portfolios.

For more information see notes 14, 15 and 27.

Operational risk is managed via a risk strategy that is set annually by the board and which defines the group's willingness to assume risk. The strategy includes specific limits for permissible risk exposure and qualitative criteria for which events will, regardless, be deemed to be within the board's defined willingness to assume risk.

The group has a dynamic approach to operational risk management and conducts periodic analyses to detect weaknesses and new or changed risks. Adverse events that occur are registered and systematically followed up to learn lessons and avoid repetitions. Furthermore, all major change initiatives undergo a standardised risk assessment process to prevent changes introducing unwanted risks. Risk mitigation measures are assessed and implemented on an ongoing basis.

Climate risk is a relatively new concept in the context of risk, and processes for managing climate risk are still being developed in the group. An overall assessment of climate risk exposure at an industry level is being conducted in the corporate market portfolio and a climate risk report has been prepared in SpareBank 1 SR-Bank. The assessments distinguish between physical climate risk and restructuring risk. An analysis based on various climate scenarios and an analysis of CO2 emissions in the corporate market portfolio were also carried out. At the same time, the corporate market division has introduced sustainability assessments as part of the process for granting any exposures of more than NOK 50 million.

Ownership risk is managed through active board participation in a number of the part-owned companies. SpareBank 1 SR-Bank is mainly exposed to ownership risk in SpareBank 1 Gruppen AS (19.5%), BN Bank ASA (35.0%), SpareBank 1 Utvikling DA (18.0%), SpareBank 1 Næringskreditt AS (15.6%), SpareBank 1 Kreditt AS (17.7%), SpareBank 1 Betaling AS (19.8%), SpareBank 1 Bank og Regnskap AS (20.0%) and SpareBank 1 Gjeldsinformasjon AS (18.4%).

Compliance risk is managed by implementing the framework for compliance provided by the bank's compliance policy. The framework is intended to ensure that the group does not incur public sanctions/penalties or financial loss as a result of a failure to comply with legislation and regulations. The group's compliance policy is adopted by the board and describes the main principles for responsibility and organisation in relation to complying with legal requirements and rules.

The group must have very little tolerance for compliance risk. This means that regulations must be interpreted from a conservative perspective. The group will be able to challenge but not breach established or new framework conditions, and the framework for compliance must be tailored to the scope of the group.

SpareBank 1 SR-Bank is cognisant of the need to have good processes to ensure compliance with legislation and regulations. The focus of compliance shall form an integral part of the management and decision process in the group.

SpareBank 1 SR-Bank's compliance function is organised independently of the business units. The department bears overall responsibility for the framework, monitoring and reporting within the area. The EVP for compliance reports directly to the CEO and the board. The investment firm and subsidiaries have their own compliance officers where this is required.

NOTE 7 FINANCIAL INSTITUTIONS - RECEIVABLES AND LIABILITIES

(Figures in NOK millions)

Parent bank			Group	
2019	**2020**		**2020**	2019
		Loans to and receivables from financial institutions		
664	2,070	Receivables at call	2,084	675
8,664	12,983	At call	254	5
2,462	10,251	With agreed maturities or notice	10,251	2,462
11,790	**25,304**	**Total**	**12,589**	3,142
11,126	23,234	NOK	10,519	2,478
664	2,070	Currency	2,070	664
11,790	**25,304**	**Total**	**12,589**	3,142
		Debt to financial institutions		
1,646	288	At call	214	1,363
901	3,930	With agreed maturities or notice	3,930	901
2,547	**4,218**	**Total**	**4,144**	2,264
2,258	4,041	NOK	3,967	1,975
289	177	Currency	177	289
2,547	**4,218**	**Total**	**4,144**	2,264
		Received securities that can be sold or mortgaged		
		Resale agreements		
1,582	9,375	Certificates and bonds	9,375	1,582
1,582	**9,375**	**Total received securities**	**9,375**	1,582
-	-	**Of which received securities that are sold or mortgaged**	-	-
-	**-**	**Certificates and bonds**	**-**	-

Securities that are bought due to a resale agreement are not recognised since the risks and rewards of ownership of the assets have not been transferred. Such transactions generally involve interest-bearing securities. Received securities, including collateral, are recognised off the balance sheet independent of whether the group is allowed to sell or mortgage the security. When received securities are sold, the group will recognise a liability on the balance sheet. The balance sheet item “Loans to and receivables from financial institutions” includes receivables with resale agreements.

NOTE 8 LOANS AND OTHER FINANCIAL LIABILITIES TO CUSTOMERS

(Figures in NOK millions)

Parent bank			Group	
2019	**2020**		**2020**	2019
84,804	82,740	Loans at amortised cost	209,527	198,166
40,763	41,563	Loans at fair value through OCI		
8,948	9,654	Loans at fair value through profit or loss	9,654	8,948
134,515	**133,957**	**Gross loans**	**219,181**	207,114
-1,415	-2,178	- Impairment losses at amortised cost	-2,215	-1,426
7	13	- Home mortgages at fair value through OCI		
133,107	**131,792**	**Net loans**	**216,966**	205,688
		Distribution by market		
52,504	52,801	Retail market	137,074	124,392
82,350	81,574	Corporate market	82,525	83,061
405	418	Public sector	418	405
-744	-836	Net corporate accounts currency [1]	-836	-744
134,515	**133,957**	**Gross loans**	**219,181**	207,114
-1,415	-2,178	- Impairment losses at amortised cost	-2,215	-1,426
7	13	- Home mortgages at fair value through OCI		
133,107	**131,792**	**Net loans**	**216,966**	205,688
		Of which subordinated loan capital		
43	43	Primary capital	43	43
43	**43**	**Subordinated loan capital recognised as lending**	**43**	43
2,185	**2,181**	**Loans to employees**	**2,994**	2,843
99	-	Of which loans in SpareBank 1 Boligkreditt	-	125
881	1,603	Of which loans in SR Boligkreditt	2,119	1,094
		The terms are one percentage point lower than the standardised rate set by the Ministry of Finance.		
		Loans sold to mortgage companies		
72,881	85,509	Loans sold to SR-Boligkreditt	-	-
44	51	Received commissions from SR-Boligkreditt	-	-
4,243	-	Loans sold to SpareBank 1 Boligkreditt	-	4,243
33	14	Received commissions from SpareBank 1 Boligkreditt	14	33
		Total exposure by probability of default (PD) [1] [2] [3]		
76,843	75,853	0.00 - 0.50%	156,864	145,733
59,988	61,079	0.50 - 2.50%	70,951	69,159
12,180	12,985	2.50 - 5.00%	13,706	12,900
7,279	5,567	5.00 - 99.9%	6,398	8,078
3,359	5,031	Exposures in default	5,038	3,366
159,649	**160,515**	**Total exposure**	**252,957**	239,236
-15,383	-17,795	Unused credit lines for customers	-24,962	-22,322
-9,751	-8,763	Guarantees	-8,814	-9,800
134,515	**133,957**	**Gross loans**	**219,181**	207,114

Parent bank			Group	
2019	**2020**	**Gross loans by probability of default (PD)** [1) 2) 3)]	**2020**	2019
65,786	64,702	0.00 - 0.50%	138,591	127,712
51,176	51,187	0.50 - 2.50%	60,978	60,317
8,908	9,749	2.50 - 5.00%	10,462	9,633
6,204	4,631	5.00 - 99.9%	5,458	7,003
2,441	3,688	Exposures in default	3,692	2,449
134,515	**133,957**	**Gross loans**	**219,181**	207,114
		Expected annual average net impairment losses by probability of default PD [2) 3) 4)]		
11	11	0.00 - 0.50%	14	13
90	89	0.50 - 2.50%	90	92
62	66	2.50 - 5.00%	67	63
118	83	5.00 - 99.9%	84	119
21	16	Exposures in default	16	21
302	**265**	**Total**	**271**	308
		Gross loans to customers by industry		
2,503	2,904	Aquaculture	2,909	2,508
3,009	2,829	Industry	2,881	3,043
5,104	5,199	Agriculture/forestry	5,481	5,324
11,296	14,286	Service sector	14,421	11,326
3,338	3,204	Wholesale and retail trade, hotels and restaurants	3,339	3,460
3,921	2,544	Energy, oil and gas	2,544	3,921
3,956	4,235	Building and construction	4,421	4,116
841	1,129	Power and water supply	1,129	841
33,659	31,419	Real estate	31,430	33,668
11,980	11,227	Shipping and other transport	11,372	12,111
2,404	2,180	Public sector and financial services	2,180	2,404
82,011	**81,156**	**Total industry**	**82,107**	82,722
52,504	52,801	Retail market	137,074	124,392
134,515	**133,957**	**Gross loans**	**219,181**	207,114
-1,415	-2,178	- Impairment losses at amortised cost	-2,215	-1,426
7	13	- Home mortgages at fair value through OCI		
133,107	**131,792**	**Loans to customers**	**216,966**	205,688
		Financial liabilities [5)]		
9,751	8,763	Guarantees customers	8,814	9,800
15,383	17,795	Unused credit lines for customers	24,962	22,322
5,733	9,473	Approved loan exposures	9,473	5,733
30,867	**36,031**	**Gross financial liabilities**	**43,249**	37,855
		Other pledged guarantees and liabilities		
1,248	7,220	Unused credit lines for financial institutions	-	-
589	75,385	Guarantees others	589	589
9	35	Letters of credit	35	9
1,846	**82,640**	**Total other pledged guarantees and liabilities**	**624**	598

(Note 8 cont.)

Parent bank			Group	
2019	**2020**	**Expected annual average impairment losses by sector and industry [2) 3)]**	**2020**	2019
6	10	Aquaculture	10	6
19	17	Industry	17	19
5	4	Agriculture/forestry	4	5
68	61	Service sector	61	68
30	26	Wholesale and retail trade, hotels and restaurants	26	30
22	10	Energy, oil and gas	10	22
16	21	Building and construction	21	16
2	2	Power and water supply	2	2
92	74	Real estate	74	92
21	19	Shipping and other transport	19	21
1	1	Public sector and financial services	1	1
282	**245**	**Total industry**	**245**	282
20	**20**	**Retail market**	**26**	26
302	**265**	**Total**	**271**	308
		Gross loans by geographic area		
75,966	72,801	Rogaland	133,239	129,687
22,486	22,899	Vestland	34,775	31,585
12,266	12,570	Agder	21,079	19,271
15,841	15,552	Oslo/Viken	19,177	18,043
4,132	2,950	International	3,120	4,264
3,824	7,185	Other	7,791	4,264
134,515	**133,957**	**Gross loans**	**219,181**	207,114
		Loans to and receivables from customers related to financial leases [8)]		
		Gross investments related to financial leases		
1,778	1,813	Up to 1 year	1,813	1,778
4,373	4,490	Between 1 to 5 years	4,490	4,373
864	657	Later than 5 years	657	864
7,015	**6,961**	**Total**	**6,961**	7,015
		Net investments related to financial leases		
1,549	1,662	Up to 1 year	1,662	1,549
4,046	4,273	Between 1 to 5 years	4,273	4,046
830	639	Later than 5 years	639	830
6,425	**6,574**	**Total**	**6,574**	6,425

(Note 8 cont.)

Gross loans to customers by industry, with incremental impairment losses and net loans

Parent bank

2020	**Gross loans at amortised cost**	**Stage 1**	**Stage 2**	**Stage 3**	**Loans at fair value**	**Net loans**
Aquaculture	2,872	-14	-15	-	32	2,875
Industry	2,747	-17	-11	-83	82	2,718
Agriculture/forestry	2,582	-2	-6	-6	2,617	5,185
Service sector	13,730	-59	-72	-128	556	14,027
Wholesale and retail trade, hotels and restaurants	2,959	-24	-28	-16	245	3,136
Energy, oil and gas	2,544	-14	-9	-705	-	1,816
Building and construction	3,942	-18	-21	-12	293	4,184
Power and water supply	1,125	-4	-3	-	4	1,122
Real estate	31,170	-100	-75	-62	249	31,182
Shipping and other transport	11,100	-23	-37	-454	127	10,713
Public sector and financial services	2,180	-	-	-	-	2,180
Total industry	76,951	-275	-277	-1,466	4,205	**79,138**
Retail market	5,789	-13	-54	-93	47,012	**52,641**
Adjustment for fair value through OCI					13	**13**
Loans to customers	82,740	-288	-331	-1,559	51,230	**131,792**

2019	**Gross loans at amortised cost**	**Stage 1**	**Stage 2**	**Stage 3**	**Loans at fair value**	**Net loans**
Aquaculture	2,476	-3	-2	-	27	2,498
Industry	2,959	-7	-17	-81	50	2,904
Agriculture/forestry	2,932	-1	-5	-3	2,172	5,095
Service sector	10,815	-36	-81	-57	481	11,122
Wholesale and retail trade, hotels and restaurants	3,125	-10	-36	-10	213	3,282
Energy, oil and gas	3,921	-7	-86	-195	-	3,633
Building and construction	3,703	-8	-14	-22	253	3,912
Power and water supply	835	-1	-1	-	6	839
Real estate	33,394	-52	-64	-62	265	33,481
Shipping and other transport	11,884	-12	-53	-360	96	11,555
Public sector and financial services	2,404	-	-	-	-	2,404
Total industry	78,448	-137	-359	-790	3,563	80,725
Retail market	6,356	-7	-22	-100	46,148	52,375
Adjustment for fair value through OCI					7	7
Loans to customers	84,804	-144	-381	-890	49,718	133,107

(Note 8 cont.)

Gross loans to customers by industry, with incremental impairment losses and net loans

Group **2020**	**Gross loans at amortised cost**	**Stage 1**	**Stage 2**	**Stage 3**	**Loans at fair value**	**Net loans**
Aquaculture	2,901	-14	-15	-	8	2,880
Industry	2,871	-17	-11	-83	10	2,770
Agriculture/forestry	4,366	-2	-6	-6	1,115	5,467
Service sector	14,304	-59	-73	-128	117	14,161
Wholesale and retail trade, hotels and restaurants	3,309	-24	-28	-16	30	3,271
Energy, oil and gas	2,544	-14	-9	-705	-	1,816
Building and construction	4,368	-18	-21	-12	53	4,370
Power and water supply	1,127	-4	-3	-	2	1,122
Real estate	31,287	-100	-75	-62	143	31,193
Shipping and other transport	11,348	-23	-37	-454	24	10,858
Public sector and financial services	2,180	-	-	-	-	2,180
Total industry	80,605	-275	-278	-1,466	1,502	**80,088**
Retail market	128,922	-23	-79	-94	8,152	**136,878**
Loans to customers	209,527	-298	-357	-1,560	9,654	**216,966**

2019						
Aquaculture	2,504	-3	-2	-	4	2,503
Industry	3,041	-7	-17	-81	2	2,938
Agriculture/forestry	4,542	-1	-5	-4	782	5,314
Service sector	11,236	-36	-82	-57	90	11,151
Wholesale and retail trade, hotels and restaurants	3,436	-10	-36	-10	24	3,404
Energy, oil and gas	3,921	-7	-86	-195	-	3,633
Building and construction	4,085	-8	-14	-22	31	4,072
Power and water supply	839	-1	-1	-	2	839
Real estate	33,512	-52	-64	-62	156	33,490
Shipping and other transport	12,096	-12	-53	-360	15	11,686
Public sector and financial services	2,404	-	-	-	-	2,404
Total industry	81,616	-137	-360	-791	1,106	81,434
Retail market	116,550	-9	-28	-101	7,842	124,254
Loans to customers	198,166	-146	-388	-892	8,948	205,688

Gross loans by risk class

	2020				2019			
Parent bank	**Stage 1**	**Stage 2**	**Stage 3**	**Gross loans**	**Stage 1**	**Stage 2**	**Stage 3**	**Gross loans**
A-C	64,186	71	196	64,453	64,127	87	4	64,218
D-F	45,243	5,475	803	51,521	47,928	5,071	27	53,026
G-I	9,887	5,387	298	15,572	8,385	6,587	125	15,097
J-K	4	-	2,407	2,411	-	-	2,174	2,174
Total gross loans	119,320	10,933	3,704	**133,957**	120,440	11,745	2,330	134,515
Group								
A-C	137,812	251	196	138,259	125,948	159	4	126,111
D-F	53,486	7,070	807	61,363	55,807	6,415	27	62,249
G-I	10,068	6,751	311	17,130	8,636	7,802	125	16,563
J-K	4	-	2,425	2,429	-	-	2,191	2,191
Total gross loans	201,370	14,072	3,739	**219,181**	190,391	14,376	2,347	207,114

(Note 8 cont.)

Gross loans and financial liabilities, incremental distribution

Parent bank

	2020				2019 [9]			
Gross loans – corporate market	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross loans 1 Jan	70,387	9,602	2,022	82,011	65,812	10,018	1,754	77,584
Transferred to (from) Stage 1	-6,025	5,496	529	-	-3,586	3,559	27	-
Transferred to (from) Stage 2	1,984	-2,832	848	-	2,410	-2,457	47	-
Transferred to (from) Stage 3	23	-	-23	-	42	15	-57	-
Net increase/(decrease) balance existing loans	5,031	1,976	117	7,124	-1,190	644	-	-546
New issued or purchased financial assets	23,703	1,044	766	25,513	20,601	1,187	297	22,085
Derecognised financial assets	-26,220	-6,376	-896	-33,492	-13,701	-3,365	-46	-17,112
Gross loans 31 Dec	68,883	8,910	3,363	**81,156**	70,388	9,601	2,022	82,011
Gross loans – retail market								
Gross loans 1 Jan	50,052	2,144	308	52,504	53,371	2,217	371	55,959
Transferred to (from) Stage 1	-1,200	1,083	117	-	-1,136	1,101	35	-
Transferred to (from) Stage 2	613	-692	79	-	615	-651	36	-
Transferred to (from) Stage 3	4	4	-8	-	54	5	-59	-
Net increase/(decrease) balance existing loans	8,322	253	29	8,604	2,913	177	-	3,090
New issued or purchased financial assets	25,818	490	121	26,429	19,866	530	26	20,422
Derecognised financial assets	-33,171	-1,260	-305	-34,736	-25,631	-1,235	-101	-26,967
Gross loans 31 Dec	50,438	2,022	341	**52,801**	50,052	2,144	308	52,504
Gross loans – total								
Gross loans 1 Jan	120,440	11,745	2,330	134,515	119,183	12,235	2,125	133,543
Transferred to (from) Stage 1	-7,225	6,579	646	-	-4,722	4,660	62	-
Transferred to (from) Stage 2	2,597	-3,524	927	-	3,025	-3,108	83	-
Transferred to (from) Stage 3	27	4	-31	-	96	20	-116	-
Net increase/(decrease) balance existing loans	13,352	2,230	146	15,728	1,723	821	-	2,544
New issued or purchased financial assets	49,521	1,534	887	51,942	40,467	1,717	323	42,507
Derecognised financial assets	-59,392	-7,635	-1,201	-68,228	-39,332	-4,600	-147	-44,079
Gross loans 31 Dec	119,320	10,933	3,704	**133,957**	120,440	11,745	2,330	134,515
Gross financial liabilities [6] [7]								
Financial liabilities 1 Jan	27,537	2,446	884	30,867	28,975	4,028	801	33,804
Net increase/(decrease) in period	5,300	-501	365	5,164	-1,438	-1,582	83	-2,937
Financial liabilities 31 Dec	32,837	1,945	1,249	**36,031**	27,537	2,446	884	30,867

(Note 8 cont.)

Group

Gross loans – corporate market	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 [9] Stage 1	2019 [9] Stage 2	2019 [9] Stage 3	2019 [9] Total
Gross loans 1 Jan	71,004	9,696	2,022	82,722	66,379	10,100	1,754	78,233
Transferred to (from) Stage 1	-6,067	5,538	529	-	-3,628	3,601	27	-
Transferred to (from) Stage 2	2,026	-2,874	848	-	2,445	-2,493	48	-
Transferred to (from) Stage 3	23	-	-23	-	42	15	-57	-
Net increase/(decrease) balance existing loans	5,087	1,981	117	7,185	-1,332	746	-	-586
New issued or purchased financial assets	24,062	1,077	766	25,905	21,223	1,220	296	22,739
Derecognised financial assets	-26,422	-6,387	-896	-33,705	-14,125	-3,493	-46	-17,664
Gross loans 31 Dec	69,713	9,031	3,363	**82,107**	71,004	9,696	2,022	82,722
Gross loans – retail market								
Gross loans 1 Jan	119,387	4,680	325	124,392	109,304	4,189	379	113,872
Transferred to (from) Stage 1	-2,312	2,186	126	-	-2,155	2,116	39	-
Transferred to (from) Stage 2	1,575	-1,671	96	-	1,323	-1,363	40	-
Transferred to (from) Stage 3	8	6	-14	-	55	5	-60	-
Net increase/(decrease) balance existing loans	12,359	386	31	12,776	-918	243	-	-675
New issued or purchased financial assets	57,816	1,393	129	59,338	44,524	1,314	32	45,870
Derecognised financial assets	-57,176	-1,939	-317	-59,432	-32,746	-1,824	-105	-34,675
Gross loans 31 Dec	131,657	5,041	376	**137,074**	119,387	4,680	325	124,392
Gross loans – total								
Gross loans 1 Jan	190,391	14,376	2,347	207,114	175,683	14,289	2,133	192,105
Transferred to (from) Stage 1	-8,379	7,724	655	-	-5,783	5,717	66	-
Transferred to (from) Stage 2	3,601	-4,545	944	-	3,768	-3,856	88	-
Transferred to (from) Stage 3	31	6	-37	-	97	20	-117	-
Net increase/(decrease) balance existing loans	17,447	2,366	148	19,961	-2,250	989	-	-1,261
New issued or purchased financial assets	81,878	2,470	896	85,244	65,747	2,534	328	68,609
Derecognised financial assets	-83,599	-8,326	-1,213	-93,137	-46,871	-5,317	-151	-52,339
Gross loans 31 Dec	201,370	14,072	3,739	**219,181**	190,391	14,376	2,347	207,114
Gross financial liabilities [6] [7]								
Financial liabilities 1 Jan	34,272	2,698	885	37,855	33,825	4,224	802	38,851
Net increase/(decrease) in period	5,517	-490	367	5,394	447	-1,526	83	-996
Financial liabilities 31 Dec	39,789	2,208	1,252	**43,249**	34,272	2,698	885	37,855

Forbearance on gross loans and financial liabilities, incremental distribution

Forbearance per stage	2020 Stage 1	2020 Stage 2	2020 Stage 3	2020 Total	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
Loans	-	2,390	2,989	5,379	-	4,252	1,881	6,133
Financial liabilities	-	526	985	1,511	-	856	784	1,640
Forbearance 31 Dec	-	2,916	3,974	**6,890**	-	5,108	2,665	7,773

[1] Loans to customers with a positive balance on corporate accounts
[2] PD = probability of default
[3] The expected average annual net impairment loss is the amount that the parent bank and the group statistically expect to lose on the lending portfolio over a 12-month period. The calculations are based on a long-term average over an economic cycle.
[4] In the event of an impairment, all the loan capital is moved to the default class irrespective of earlier classification.
[5] Financial liabilities not on the balance sheet that are the basis for impairment losses.
[6] Other financial liabilities include guarantees, unused credit lines and loan exposures.
[7] Financial liabilities provide the basis for impairment losses under IFRS 9. See also note 10.
[8] Included in loans to customers
[9] The movements in loans from 1 January to 31 December have been changed due to the updated basis.

NOTE 9 LOANS SOLD TO SPAREBANK 1 BOLIGKREDITT AND SPAREBANK 1 NÆRINGSKREDITT

Loans sold to SpareBank 1 Boligkreditt

SpareBank 1 Boligkreditt is owned by the savings banks that make up the SpareBank 1 alliance and shares premises with SpareBank 1 Næringskreditt in Stavanger. The bank owned a 2.2% stake until 31 December 2020, but this was changed to 0% on 31 December 2020 (2.2% as at 31 December 2019). The purpose of the mortgage company is to ensure the alliance banks access to stable, long-term funding for home mortgages at competitive prices. Covered bonds issued by SpareBank 1 Boligkreditt have an Aaa rating from Moody's. SpareBank 1 Boligkreditt also issues bonds with a lower rating that are not covered bonds. SpareBank 1 Boligkreditt acquires loans with collateral in housing and issues covered bonds in accordance with the regulations established for this in 2007. As part of the alliance, the bank can offer SpareBank 1 Boligkreditt the opportunity to buy loans and the bank sells loans to SpareBank 1 Boligkreditt as part of its funding strategy. Loans sold to SpareBank 1 Boligkreditt were secured by collateral in housing up to a ceiling of 75% of their valuation. The sold loans are legally owned by SpareBank 1 Boligkreditt and the bank had, apart from the right to administer them and receive commissions, as well as the right to take over fully or partially written down loans (at the written down value), no right to use the loans. The agreement with SpareBank 1 Boligkreditt was terminated on 31 December 2020 and no loans had been transferred to SpareBank 1 Boligkreditt as at 31 December 2020 (NOK 4.2 billion as at 31 December 2019). The bank administered the sold loans and received commissions based on the net return on the loans the bank has sold less the company's costs up to 31 December 2020.

Loans sold to SpareBank 1 Næringskreditt

SpareBank 1 Næringskreditt was established in 2009 and has a licence from the Financial Supervisory Authority of Norway to operate as a mortgage company that issues covered bonds. The bank owned a 15.6% stake as at 31 December 2020 (15.6% as at 31 December 2019). The stake consists of A shares proportionate to the volume sold and B shares that follow the same ownership structure as in BN Bank. Cover bonds issued by SpareBank 1 Næringskreditt have an Aaa rating from Moody's. The company is owned by savings banks that are part of the SpareBank 1 alliance and shares premises with SpareBank 1 Boligkreditt in Stavanger. The purpose of the mortgage company is to ensure the alliance banks access to stable, long-term funding for commercial property at competitive prices. SpareBank 1 Næringskreditt acquires loans with collateral in commercial property and issues covered bonds in accordance with the regulations established for this in 2007. As part of the SpareBank 1 alliance, the bank can offer the company the opportunity to buy loans, but no loans had been sold by the bank as at 31 December 2020. Any loans sold to SpareBank 1 Næringskreditt are secured by collateral in commercial properties up to a ceiling of 60% of their valuation. Any loans sold are legally owned by SpareBank 1 Næringskreditt and the bank has, apart from the right to administer them and receive commissions for this and the right to take over fully or partially written down loans (at the written down value), no right to use the loans. At the end of December 2020, the value of sold loans amounted to NOK 0 billion (NOK 0 billion). The bank administers the sold loans and receives commissions based on the net return on the loans the bank has sold less the company's costs.

NOTE 10 IMPAIRMENTS ON LOANS AND FINANCIAL LIABILITIES

(Figures in NOK millions)

Parent bank **Impairments on loans and financial liabilities**	**1 Jan 2020**	**Change in impairment losses on loans on loans**	**Change in impairment losses on financial liabilities**	**Total 31 Dec 2020**
Impairment losses after amortised cost - corporate market	1,397	738	125	2,260
Impairment losses at amortised cost - retail market	94	1	1	96
Home mortgages at fair value through OCI	54	24	-	78
Total impairments on loans and financial liabilities	1,545	763	126	**2,434**
Presented as:				
Impairment losses on loans	1,415	763	-	2,178
Impairment losses on financial liabilities	130	-	126	256
Total impairments on loans and financial liabilities	1,545	763	126	**2,434**

Impairments on loans and financial liabilities	**1 Jan 2019**			**Total 31 Dec 2019**
Impairment losses after amortised cost - corporate market	1,168	206	23	1,397
Impairment losses at amortised cost - retail market	94	-	-	94
Home mortgages at fair value through OCI	60	-6	-	54
Total impairments on loans and financial liabilities	1,322	200	23	**1,545**
Presented as:				
Impairment losses on loans	1,215	200	-	1,415
Impairment losses on financial liabilities	107	-	23	130
Total impairments on loans and financial liabilities	1,322	200	23	**1,545**

	2020				2019			
impairment losses on loans – corporate market	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance 1 Jan	135	354	780	1,269	201	331	523	1,055
Changes 1 Jan - 31 Dec								
Transferred to (from) Stage 1	-14	14	-	-	-22	22	-	-
Transferred to (from) Stage 2	56	-59	3	-	82	-84	2	-
Transferred to (from) Stage 3	4	-	-4	-	-	3	-3	-
Net new measurement of impairment losses	38	120	16	174	-129	132	17	20
New issued or purchased loans	99	31	7	137	45	31	3	79
Loans that have been derecognised	-46	-178	-16	-240	-42	-81	-6	-129
Changes due to modifications that have not resulted in derecognition	-	-	-	-	-	-	-	-
Realised losses in the period	-	-	1,110	1,110	-	-	88	88
Realised losses on exposures previously written down in the period	-	-	-385	-385	-	-	-48	-48
Changes to models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	-59	-59	-	-	204	204
Total impairment losses on loans	272	282	1,452	**2,006**	135	354	780	1,269

Impairment losses on loans – retail market								
Balance 1 Jan	9	27	110	146	24	29	108	161
Changes 1 Jan - 31 Dec								
Transferred to (from) Stage 1	-1	1	-	-	-1	1	-	-
Transferred to (from) Stage 2	5	-7	2	-	5	-6	1	-
Transferred to (from) Stage 3	-	-	-	-	1	-	-1	-
Net new measurement of impairment losses	-2	26	3	27	-19	7	6	-6
New issued or purchased loans	7	9	5	21	3	4	3	10
Loans that have been derecognised	-2	-7	-8	-17	-4	-8	-7	-19
Changes due to modifications that have not resulted in derecognition	-	-	-	-	-	-	-	-
Realised losses in the period	-	-	40	40	-	-	34	34
Realised losses on exposures previously written down in the period	-	-	-10	-10	-	-	-12	-12
Changes to models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	-35	-35	-	-	-22	-22
Total impairment losses on loans	16	49	107	**172**	9	27	110	146

Impairment losses on loans – total	2020 Stage 1	Stage 2	Stage 3	Total	2019 Stage 1	Stage 2	Stage 3	Total
Balance 1 Jan	144	381	890	1,415	225	360	631	1,216
Changes 1 Jan - 31 Dec								
Transferred to (from) Stage 1	-15	15	-	-	-23	23	-	-
Transferred to (from) Stage 2	61	-66	5	-	87	-90	3	-
Transferred to (from) Stage 3	4	-	-4	-	1	3	-4	-
Net new measurement of impairment losses	36	146	19	201	-148	139	23	14
New issued or purchased loans	106	40	12	158	48	35	6	89
Loans that have been derecognised	-48	-185	-24	-257	-46	-89	-13	-148
Changes due to modifications that have not resulted in derecognition	-	-	-	-	-	-	-	-
Realised losses in the period	-	-	1,150	1,150	-	-	122	122
Realised losses on exposures previously written down in the period	-	-	-395	-395	-	-	-60	-60
Changes to models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	-94	-94	-	-	182	182
Total impairment losses on loans	288	331	1,559	**2,178**	144	381	890	1,415

Impairment losses on financial liabilities	2020 Stage 1	Stage 2	Stage 3	Total	2019 Stage 1	Stage 2	Stage 3	Total
Balance 1 Jan	21	82	27	130	31	57	19	107
Changes 1 Jan - 31 Dec								
Transferred to (from) Stage 1	-2	2	-	-	-4	4	-	-
Transferred to (from) Stage 2	10	-10	-	-	6	-6	-	-
Transferred to (from) Stage 3	-	-	-	-	-	-	-	-
Net new measurement of impairment losses	3	12	11	26	-15	34	1	20
New issued or purchased loans	16	4	1	21	9	3	-	12
Loans that have been derecognised	-5	-43	-1	-49	-6	-10	-1	-17
Changes due to modifications that have not resulted in derecognition	-	-	-	-	-	-	-	-
Realised losses in the period	-	-	-	-	-	-	-	-
Realised losses on exposures previously written down in the period	-	-	-	-	-	-	-	-
Changes to models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	128	128	-	-	8	8
Total impairment losses on financial liabilities	43	47	166	**256**	21	82	27	130
Of which impairment losses in the corporate market	42	46	166	254	20	82	27	129
Of which impairment losses in the retail market	1	1	-	2	1	-	-	1

Group Impairments on loans and financial liabilities	1 Jan 2020	Change in impairment losses on loans on loans	Change in impairment losses on financial liabilities	Total 31 Dec 2020
Impairment losses after amortised cost - corporate market	1,396	738	125	2,259
Impairment losses at amortised cost - retail market	160	51	1	212
Home mortgages at fair value through OCI	-	-	-	-
Total impairments on loans and financial liabilities	1,556	789	126	**2,471**
Presented as:				
Impairment losses on loans	1,426	789	-	2,215
Impairment losses on financial liabilities	130	-	126	256
Total impairments on loans and financial liabilities	1,556	789	126	**2,471**

Impairments on loans and financial liabilities	1 Jan 2019			Total 31 Dec 2019
Impairment losses after amortised cost - corporate market	1,168	205	23	1,396
Impairment losses at amortised cost - retail market	166	-6	-	160
Home mortgages at fair value through OCI	-	-	-	-
Total impairments on loans and financial liabilities	1,334	199	23	**1,556**
Presented as:				
Impairment losses on loans	1,227	199	-	1,426
Impairment losses on financial liabilities	107	-	23	130
Total impairments on loans and financial liabilities	1,334	199	23	**1,556**

	2020				2019			
impairment losses on loans – corporate market	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance 1 Jan	134	355	780	1,269	200	331	523	1,054
Changes 1 Jan - 31 Dec								
Transferred to (from) Stage 1	-14	14	-	-	-22	22	-	-
Transferred to (from) Stage 2	56	-59	3	-	82	-84	2	-
Transferred to (from) Stage 3	4	-	-4	-	-	3	-3	-
Net new measurement of impairment losses	38	120	16	174	-129	132	17	20
New issued or purchased loans	99	31	7	137	45	31	3	79
Loans that have been derecognised	-45	-179	-16	-240	-42	-80	-6	-128
Changes due to modifications that have not resulted in derecognition	-	-	-	-	-	-	-	-
Realised losses in the period	-	-	1,110	1,110	-	-	88	88
Realised losses on exposures previously written down in the period	-	-	-385	-385	-	-	-48	-48
Changes to models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	-59	-59	-	-	204	204
Total impairment losses on loans	272	282	1,452	**2,006**	134	355	780	1,269

Impairment losses on loans – retail market								
Balance 1 Jan	12	33	112	157	29	36	108	173
Changes 1 Jan - 31 Dec								
Transferred to (from) Stage 1	-1	1	-	-	-2	2	-	-
Transferred to (from) Stage 2	6	-8	2	-	7	-9	2	-
Transferred to (from) Stage 3	1	-	-1	-	1	-	-1	-
Net new measurement of impairment losses	-2	41	4	43	-22	8	7	-7
New issued or purchased loans	12	17	5	34	5	6	3	14
Loans that have been derecognised	-2	-9	-9	-20	-6	-10	-7	-23
Changes due to modifications that have not resulted in derecognition	-	-	-	-	-	-	-	-
Realised losses in the period	-	-	40	40	-	-	34	34
Realised losses on exposures previously written down in the period	-	-	-10	-10	-	-	-12	-12
Changes to models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	-35	-35	-	-	-22	-22
Total impairment losses on loans	26	75	108	**209**	12	33	112	157

Impairment losses on loans – total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	2020				2019			
Balance 1 Jan	146	388	892	1,426	229	367	631	1,227
Changes 1 Jan - 31 Dec								
Transferred to (from) Stage 1	-15	15	-	-	-24	24	-	-
Transferred to (from) Stage 2	62	-67	5	-	89	-93	4	-
Transferred to (from) Stage 3	5	-	-5	-	1	3	-4	-
Net new measurement of impairment losses	36	161	20	217	-151	140	24	13
New issued or purchased loans	111	48	12	171	50	37	6	93
Loans that have been derecognised	-47	-188	-25	-260	-48	-90	-13	-151
Changes due to modifications that have not resulted in derecognition	-	-	-	-	-	-	-	-
Realised losses in the period	-	-	1,150	1,150	-	-	122	122
Realised losses on exposures previously written down in the period	-	-	-395	-395	-	-	-60	-60
Changes to models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	-94	-94	-	-	182	182
Total impairment losses on loans	298	357	1,560	**2,215**	146	388	892	1,426

Impairment losses on financial liabilities	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance 1 Jan	21	82	27	130	31	57	19	107
Changes 1 Jan - 31 Dec								
Transferred to (from) Stage 1	-2	2	-	-	-4	4	-	-
Transferred to (from) Stage 2	10	-10	-	-	6	-6	-	-
Transferred to (from) Stage 3	-	-	-	-	-	-	-	-
Net new measurement of impairment losses	3	12	11	26	-15	35	1	21
New issued or purchased loans	16	4	1	21	9	3	-	12
Loans that have been derecognised	-5	-43	-1	-49	-6	-11	-1	-18
Changes due to modifications that have not resulted in derecognition	-	-	-	-	-	-	-	-
Realised losses in the period	-	-	-	-	-	-	-	-
Realised losses on exposures previously written down in the period	-	-	-	-	-	-	-	-
Changes to models/risk parameters	-	-	-	-	-	-	-	-
Other movements	-	-	128	128	-	-	8	8
Total impairment losses on financial liabilities	43	47	166	**256**	21	82	27	130
Of which impairment losses in the corporate market	42	46	166	254	20	82	27	129
Of which impairment losses in the retail market	1	1	-	2	1	-	-	1

NOTE 11 CREDIT RISK EXPOSURE FOR EACH INTERNAL RISK CLASS

(Figures in NOK millions)

Probability of default (PD) [1]	Average unsecured exposure	Total exposures	Average unsecured exposure	Total exposures
Parent bank	**2020**		2019	
0.00 - 0.50%	26.1%	75,853	25.5%	76,843
0.50 - 2.50%	27.0%	61,079	29.1%	59,988
2.50 - 5.00%	31.6%	12,985	35.1%	12,180
5.00 - 99.9%	33.6%	5,567	40.3%	7,279
Non-performing and written down	50.2%	5,031	57.3%	3,359
Total [2]		**160,515**		159,649
Group				
0.00 - 0.50%	17.6%	156,864	17.1%	145,733
0.50 - 2.50%	25.2%	70,951	26.8%	69,159
2.50 - 5.00%	30.8%	13,706	33.8%	12,900
5.00 - 99.9%	30.9%	6,398	37.3%	8,078
Non-performing and written down	50.1%	5,038	57.0%	3,366
Total [2]		**252,957**		239,236

[1] PD = probability of default 12 months PIT (Point In Time)

[2] Gross loans, guarantees customers and unused credits.

NOTE 12 MAXIMUM CREDIT RISK EXPOSURE

(Figures in NOK millions)

Maximum exposure to credit risk for balance sheet components, including derivatives. Exposure is shown gross before assets pledged as security and permitted offsetting.

Parent bank			Group	
2019	**2020**		**2020**	2019
		Assets		
11	1	Receivables from the central bank	1	11
11,790	25,304	Loans to and receivables from financial institutions	12,589	3,142
133,107	131,792	Loans to and receivables from customers	216,966	205,688
31,435	36,978	Certificates and bonds	39,921	32,792
6,272	8,971	Derivatives	8,672	5,933
182,615	**203,046**	**Total credit risk exposure balance sheet items**	**278,149**	247,566
		Financial guarantees and loan exposures		
9,751	8,763	Guarantees customers	8,814	9,800
589	75,385	Guarantees others	589	589
1,248	7,220	Unused credit lines for financial institutions	-	-
15,383	17,795	Unused credit lines for customers	24,962	22,322
5,733	9,473	Loan exposures	9,473	5,733
32,704	**118,636**	**Total financial guarantees and loan exposures**	**43,838**	38,444
215,319	**321,682**	**Total credit risk exposure**	**321,987**	286,010

Credit risk exposure related to financial assets by geographic area

Parent bank			Group	
2019	**2020**	**Banking operations**	**2020**	2019
102,914	186,245	Rogaland	158,619	152,980
14,964	15,820	Agder	25,102	22,675
27,538	28,751	Vestland	41,321	37,226
20,289	24,082	Oslo/Viken	26,262	21,310
7,238	15,146	International	15,132	7,202
4,669	5,689	Other	6,958	5,892
177,612	**275,733**	**Total banking operations**	**273,394**	247,285
		Market activities		
11,089	10,331	Norway	12,782	11,779
18,905	24,019	Europe/Asia/Africa	24,511	19,572
1,441	2,628	North America/Oceania	2,628	1,441
31,435	**36,978**	**Total market activities**	**39,921**	32,792
6,272	**8,971**	**Derivatives**	**8,672**	5,933
215,319	**321,682**	**Total by geographic area**	**321,987**	286,010

NOTE 13 CREDIT QUALITY PER CLASS OF FINANCIAL ASSET

(Figures in NOK millions)

The bank manages the credit quality of financial assets in accordance with its internal credit rating guidelines. The table shows the credit quality per class of asset for loan-related assets on the balance sheet, based on the customer's probability of default in % (PD).

Parent bank

2020	0.00 - 0.50%	0.50 - 2.50%	2.50 - 5.00%	5.00 - 99.99%	Exposures in default	Impairment losses	Total
Net loans							
Loans to and receivables from financial institutions	25,304	-	-	-	-	-	25,304
Loans to and receivables from customers							
- Retail market	39,845	10,712	800	1,110	334	-159	52,642
- Corporate market	24,864	40,471	8,947	3,520	3,354	-2,006	79,150
Total net loans	**90,013**	**51,183**	**9,747**	**4,630**	**3,688**	**-2,165**	**157,096**
Financial investments							
Norwegian government bonds	-	-	-	-	-	-	-
Listed certificates and bonds	36,749	46	21	156	6	-	36,978
Unlisted certificates and bonds	-	-	-	-	-	-	-
Total financial investments	**36,749**	**46**	**21**	**156**	**6**	**-**	**36,978**
Total loan-related assets	**126,762**	**51,229**	**9,768**	**4,786**	**3,694**	**-2,165**	**194,074**

2019							
Net loans							
Loans to and receivables from financial institutions	11,790	-	-	-	-	-	11,790
Loans to and receivables from customers							
- Retail market	39,944	10,206	891	1,085	378	-141	52,363
- Corporate market	25,786	41,009	8,027	5,124	2,065	-1,267	80,744
Total net loans	77,520	51,215	8,918	6,209	2,443	-1,408	144,897
Financial investments							
Norwegian government bonds	316	-	-	-	-	-	316
Listed certificates and bonds	30,711	93	-	100	-	-	30,904
Unlisted certificates and bonds	173	-	-	30	12	-	215
Total financial investments	31,200	93	-	130	12	-	31,435
Total loan-related assets	108,720	51,308	8,918	6,339	2,455	-1,408	176,332

Group

2020	0.00 - 0.50%	0.50 - 2.50%	2.50 - 5.00%	5.00 - 99.99%	Exposures in default	Impairment losses	Total
Net loans							
Loans to and receivables from financial institutions	12,589						12,589
Loans to and receivables from customers							
- Retail market	112,853	20,466	1,511	1,908	348	-209	136,877
- Corporate market	25,791	40,476	8,941	3,547	3,340	-2,006	80,089
Total net loans	**151,233**	**60,942**	**10,452**	**5,455**	**3,688**	**-2,215**	**229,555**
Financial investments							
Norwegian government bonds	-	-	-	-	-	-	-
Listed certificates and bonds	39,673	46	21	156	6	-	39,902
Unlisted certificates and bonds	-	-	-	19	-	-	19
Total financial investments	**39,673**	**46**	**21**	**175**	**6**	**-**	**39,921**
Total loan-related assets	**190,906**	**60,988**	**10,473**	**5,630**	**3,694**	**-2,215**	**269,476**

2019							
Net loans							
Loans to and receivables from financial institutions	3,142	-	-	-	-	-	3,142
Loans to and receivables from customers							
- Retail market	101,207	19,299	1,614	1,878	394	-159	124,233
- Corporate market	26,492	41,027	8,021	5,126	2,056	-1,267	81,455
Total net loans	130,841	60,326	9,635	7,004	2,450	-1,426	208,830
Financial investments							
Norwegian government bonds	316	-	-	-	-	-	316
Listed certificates and bonds	32,068	93	-	100	-	-	32,261
Unlisted certificates and bonds	173	-	-	30	12	-	215
Total financial investments	32,557	93	-	130	12	-	32,792
Total loan-related assets	163,398	60,419	9,635	7,134	2,462	-1,426	241,622

Classification of financial investments:
Bonds are allocated to SpareBank 1 SR-Bank's estimated PD based on external ratings. If a security has an official rating, this must be applied, but if no official rating exists, an internal model is used as the basis for risk classification. The list below illustrates the relationship between SpareBank 1 SR-Bank's PD and Standard & Poor's rating matrix (Long-Term Credit Ratings).

Bank's risk classification	S&P rating
PD 0.00% - 0.50%	AAA to BBB-
PD 0.50% - 2.50%	BB+ to BB-
PD 2.50% - 5.00%	B
PD 5.00 - 99.99%	B and lower

NOTE 14 MARKET RISK RELATED TO INTEREST RATE RISK

(Figures in NOK millions)

The table specifies the effect on the result of a positive parallel shift in the interest rate curve of 1 percentage point at the end of the last 2 years before tax if all financial instruments are measured at fair value.

Parent bank 2019	Parent bank 2020		Group 2020	Group 2019
-39	-52	Certificates and bonds	-56	-41
-36	-24	Fixed-rate loans to customers	-24	-36
-17	-25	Other loans and deposits	-115	-116
74	79	Securities issued	153	140
1	-8	Other	-8	1
-17	**-30**	**Total interest rate risk**	**-50**	-52
		Maturity bands		
2	-12	0-3 months	-32	-33
5	-4	3-6 months	-4	5
2	2	6-9 months	2	2
2	1	9 - 12 months	1	2
-3	2	12-18 months	2	-3
2	-1	18-24 months	-1	2
-26	-14	2-10 years	-14	-26
-1	-4	10+ years	-4	-1
-17	**-30**	**Total interest rate risk**	**-50**	-52
		Currency		
-9	-7	NOK	-27	-44
3	-13	EUR	-13	3
-7	-6	USD	-6	-7
-1	-1	CHF	-1	-1
-3	-3	Other	-3	-3
-17	**-30**	**Total interest rate risk**	**-50**	-52

Interest rate risk arises because the group's assets and liabilities may be subject to different fixed-rate periods. Interest rate instrument trading must at all times comply with the adopted limits and authorities. The group's limits define quantitative targets for maximum potential loss by a parallel shift in the yield curve of one percentage point. The limit is NOK 85 million divided between NOK 50 million and NOK 35 million on the total balance of Treasury and SR-Bank Markets, respectively. The commercial risk is quantified and monitored continuously. In practice the bank balance sheet is fluid and all of the interest rate risk on the bank ledger is materialised, from an accounting perspective, through profit or loss within a year. For floating loans and deposits, a statutory duty of disclosure is assumed when calculating exposure to interest rate risk. Interest rate risk in maturity bands over 12 months is mainly associated with fixed-rate loans with associated interest rate swaps, which are posted at fair value through profit or loss. Fair value classification means that the effect on the result of a parallel shift in the interest rate curve is immediately incorporated into the result and equity. The interest risk table shows that an immediate parallel shift (increase) of the interest rate curve of 1 percentage point in all currencies would result in an overall reduced profit effect of NOK 50 million before tax, which corresponds to an equity effect of NOK 38 million after tax.

NOTE 15 MARKET RISK RELATED TO CURRENCY RISK

(Figures in NOK millions)

The table shows net foreign currency exposure including financial derivatives as at 31 December, calculated in accordance with the CRR/CRD IV regulations that refer to CRR article 352 (EU) no. 575/2013.

Parent bank 2019	Parent bank 2020		Group 2020	Group 2019
		Currency		
64	56	EUR	56	64
25	39	USD	39	25
1	6	CHF	6	1
2	1	GBP	1	2
-2	-	SEK	-	-2
6	16	DKK	16	6
2	4	Other	4	2
98	**122**	**Total**	**122**	98
2.9	3.7	Effect on result of 3% change before tax	3.7	2.9

Currency risk arises when differences exist between the group's assets and liabilities in the individual currency. Currency trading must at all times comply with the adopted limits and authorities. The group's limits define quantitative targets for the maximum net exposure in currency, measured in NOK. The commercial risk is quantified and monitored continuously. The group has defined limits for the net exposure in each currency, as well as limits for aggregated net currency exposure (expressed as the highest of the sum of long and short positions). The overnight price risk for spot trading in currencies must not exceed NOK 175 million per individual currency, and NOK 225 million in aggregate.

NOTE 16 LIQUIDITY RISK

(Figures in NOK millions)

The table shows cash flows including contractual interest maturity.

Parent bank [1)]

2020	**Upon request**	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Debt to financial institutions	1,018	3,200	-	-	-	4,218
Deposits from customers	118,394	-	-	-	-	118,394
Securities issued	-	960	12,639	34,102	5,225	52,926
Liability related to lease rights	-	-	69	257	1,002	1,328
Subordinated loan capital	-	8	30	90	2,181	2,309
Total liabilities	**119,412**	**4,168**	**12,738**	**34,449**	**8,408**	**179,175**
Derivatives						
Contractual cash flows out		-24,837	-18,528	-70,244	-28,031	-141,640
Contractual cash flows in		24,238	17,778	69,052	28,015	139,083
2019						
Debt to financial institutions	2,547	-	-	-	-	2,547
Deposits from customers	103,323	-	-	-	-	103,323
Securities issued	-	6,542	3,670	42,365	3,568	56,145
Liability related to lease rights	-	-	68	258	542	868
Subordinated loan capital	-	14	48	197	2,159	2,418
Total liabilities	105,870	6,556	3,786	42,820	6,269	165,301
Derivatives						
Contractual cash flows out	-	-25,890	-13,779	-69,018	-23,445	-132,132
Contractual cash flows in	-	25,532	13,449	67,858	23,744	130,583

Group [1]

2020	Upon request	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Debt to financial institutions	944	3,200	-	-	-	4,144
Deposits from customers	118,170	-	-	-	-	118,170
Securities issued	-	1,036	20,894	75,860	29,994	127,784
Liability related to lease rights	-	-	49	153	191	393
Subordinated loan capital	-	8	30	90	2,181	2,309
Total liabilities	**119,114**	**4,244**	**20,973**	**76,103**	**32,366**	**252,800**
Derivatives						
Contractual cash flows out		-24,826	-10,634	-45,239	-6,293	-86,992
Contractual cash flows in		24,094	10,386	44,381	6,099	84,960
2019						
Debt to financial institutions	2,264	-	-	-	-	2,264
Deposits from customers	103,106	-	-	-	-	103,106
Securities issued	-	6,669	14,084	77,072	22,215	120,040
Liability related to lease rights	-	-	49	172	267	488
Subordinated loan capital	-	14	48	197	2,159	2,418
Total liabilities	105,370	6,683	14,181	77,441	24,641	228,316
Derivatives						
Contractual cash flows out	-	-25,856	-8,744	-45,230	-7,858	-87,688
Contractual cash flows in	-	25,263	7,946	42,900	7,222	83,331

[1] Also see note 6 financial risk management.

NOTE 17 MATURITY ANALYSIS OF ASSETS AND DEBT/LIABILITIES

(Figures in NOK millions)

Parent bank

2020	On request [1]	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Assets						
Cash and receivables from the central bank	67	1	-	-	-	68
Loans to and receivables from financial institutions	22,101	2,324	861	18	-	25,304
Gross loans to customers	14,802	2,773	5,868	47,865	62,649	133,957
- Impairment losses after amortised cost	-2,178	-	-	-	-	-2,178
- Home mortgages at fair value through OCI	13	-	-	-	-	13
Loans to customers	**12,637**	**2,773**	**5,868**	**47,865**	**62,649**	**131,792**
Certificates and bonds	-	2,874	3,483	30,621	-	36,978
Financial derivatives	2,965	124	335	2,907	2,640	8,971
Equities, units and other equity interests	596	-	-	-	-	596
Investments in ownership interests	2,246	-	-	-	-	2,246
Investments in group companies	7,346	-	-	-	-	7,346
Deferred tax asset	1,002	-	-	-	-	1,002
Tangible fixed assets and intangible assets	295	-	-	-	-	295
Lease rights	915	-	-	-	-	915
Other assets	414	-	-	-	-	414
Total assets	**50,584**	**8,096**	**10,547**	**81,411**	**65,289**	**215,927**
Liabilities						
Debt to financial institutions	1,018	3,200	-	-	-	4,218
Deposits from customers	118,394	-	-	-	-	118,394
Securities issued	-	757	12,302	29,670	9,419	52,148
Financial derivatives	2,879	796	1,281	5,071	3,088	13,115
Payable tax	669	-	-	-	-	669
Liability related to lease rights	-	17	52	256	611	936
Other liabilities	831	-	-	-	-	831
Subordinated loan capital	-	-	-	-	2,154	2,154
Total liabilities	**123,791**	**4,770**	**13,635**	**34,997**	**15,272**	**192,465**

(Note 17 cont.)

Group

2020	Upon request [1]	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years	Total
Assets						
Cash and receivables from the central bank	67	1	-	-	-	68
Loans to and receivables from financial institutions	9,386	2,324	861	18	-	12,589
Gross loans to customers	14,802	2,729	5,883	48,198	147,569	219,181
- Impairment losses after amortised cost	-2,215	-	-	-	-	-2,215
- Home mortgages at fair value through OCI	-	-	-	-	-	-
Loans to customers	**12,587**	**2,729**	**5,883**	**48,198**	**147,569**	**216,966**
Certificates and bonds at fair value	-	3,574	3,775	32,572	-	39,921
Financial derivatives	2,964	124	335	2,836	2,413	8,672
Equities, units and other equity interests	908	-	-	-	-	908
Investments in ownership interests	4,523	-	-	-	-	4,523
Investments in group companies	-	-	-	-	-	-
Deferred tax asset	1,015	-	-	-	-	1,015
Tangible fixed assets and intangible assets	1,292	-	-	-	-	1,292
Lease rights	346	-	-	-	-	346
Other assets	749	-	-	-	-	749
Total assets	**33,837**	**8,752**	**10,854**	**83,624**	**149,982**	**287,049**
Liabilities						
Debt to financial institutions	944	3,200	-	-	-	4,144
Deposits from customers	118,170	-	-	-	-	118,170
Securities issued	-	757	20,198	71,334	34,874	127,163
Financial derivatives	2,879	796	361	2,129	660	6,825
Payable tax	835	-	-	-	-	835
Liability related to lease rights	-	13	36	153	163	365
Other liabilities	1,000	-	-	-	-	1,000
Subordinated loan capital	-	-	-	-	2,154	2,154
Total liabilities	**123,828**	**4,766**	**20,595**	**73,616**	**37,851**	**260,656**

[1] Overdraft facilities and operating credits (including flexi loans) are included in the "upon request" interval. Non-financial assets and liabilities have for presentation purposes been added to the "upon request" column. Deposits have been added to the "upon request" column but there is no expectation that all deposits would have to be settled within a short space of time.

NOTE 18 NET INTEREST INCOME

(Figures in NOK millions)

Parent bank							Group					
2019			**2020**				**2020**			2019		
Measured at fair value	Measured at amortised cost	Total	**Measured at fair value**	**Measured at amortised cost**	**Total**		**Total**	**Measured at amortised cost**	**Measured at fair value**	Total	Measured at amortised cost	Measured at fair value
						Interest income						
-	130	130	-	103	103	Interest on receivables from financial institutions	42	42	-	83	83	-
1,546	3,719	5,265	1,293	3,256	4,549	Interest on lending to customers	6,309	6,004	305	7,034	6,767	267
455	101	556	433	69	502	Interest on certificates and bonds	505	95	410	538	115	423
-	88	88	-	97	97	Interest on written down loans	97	97	-	88	88	-
2,001	4,038	6,039	**1,726**	**3,525**	**5,251**	**Total interest income**	**6,953**	**6,238**	**715**	7,743	7,053	690
						Interest costs						
-76	67	-9	91	50	141	Interest on debt to financial institutions	432	54	378	434	48	386
-	1,262	1,262	-	865	865	Interest on deposits from customers	861	861	-	1,255	1,255	-
276	967	1,243	-80	858	778	Interest on securities issued	1,356	1,436	-80	1,885	1,609	276
-19	109	90	2	47	49	Interest on subordinated loan capital	49	47	2	90	109	-19
-	72	72	-	88	88	Fee to the Norwegian Banks Guarantee Fund	100	100	-	78	78	-
-	12	12	-	32	32	Interest on lease rights	13	13	-	14	14	-
181	2,489	2,670	**13**	**1,940**	**1,953**	**Total interest costs**	**2,811**	**2,511**	**300**	3,756	3,113	643
1,820	1,549	3,369	**1,713**	**1,585**	**3,298**	**Net interest income**	**4,142**	**3,727**	**415**	3,987	3,940	47

NOTE 19 NET COMMISSIONS AND OTHER OPERATING INCOME

(Figures in NOK millions)

Parent bank			Group	
2019	**2020**		**2020**	2019
94	100	Guarantee commissions	99	93
9	8	Securities trading	8	9
-	-	Management	98	97
124	128	Brokerage commissions	96	92
77	65	Commissions from mortgage companies	14	34
352	332	Money-transfer services	330	351
191	206	Insurance services	206	191
-	-	Fee accounting	154	126
127	95	Other commissions	100	124
-	-	Property sales	396	399
974	**934**	**Total commissions**	**1,501**	1,516
84	87	Money-transfer services	87	84
24	20	Other commission costs	24	27
108	**107**	**Total commission costs**	**111**	111
8	10	Operating income from investment properties	6	7
4	-	Other operating income	-	4
12	**10**	**Total other operating income**	**6**	11
878	**837**	**Net commissions and other operating income**	**1,396**	1,416

NOTE 20 NET INCOME/LOSSES FROM FINANCIAL INSTRUMENTS

(Figures in NOK millions)

Parent bank			Group	
2019	2020		2020	2019
70	-107	Net gain/loss on equity instruments	-49	111
-137	37	Net gain/loss on bonds and certificates	29	-156
141	-121	Net derivatives, bonds and certificates	-121	141
-	-47	Net counterparty risk, inclusive of CVA	-47	-
-1	19	Net derivatives, fixed-rate	19	-1
-8	-2	Net derivatives, debt	-3	5
-18	-10	Net derivatives, basis swap spread	13	-10
136	133	Net gain currency	138	131
183	**-98**	**Net income/loss from financial investments**	**-21**	221

NOTE 21 REMUNERATION STATEMENT, PERSONNEL COSTS AND BENEFITS FOR EXECUTIVE PERSONNEL AND ELECTED REPRESENTATIVES

Information about the remuneration scheme

The Financial Institutions Act and the Financial Institutions Regulations regulate remuneration schemes for financial companies. The company shall disclose information about its remuneration scheme, including information on the main principles for determining remuneration, criteria for determining possible variable remuneration, and quantitative information on remuneration for executive personnel, employees with significant tasks for the company's risk exposure, employee representatives and employees with control tasks.

Disclosure of information about the company's remuneration scheme, including the board's statement of salary determination and other remuneration to executive personnel, is given in this note in accordance with applicable rules.

SpareBank 1 SR-Bank's remuneration policy

SpareBank 1 SR-Bank has an established remuneration scheme that applies to all employees. The guidelines cover fixed salaries, variable remuneration and employee benefits (pensions, insurance cover and other employee benefits).

The group's remuneration scheme shall:

- be consistent with the group's overall objectives, risk tolerance and long-term interests
- help promote and encourage good management and control of the group's risk
- counter overly high or undesirable risk taking
- help to avoid conflicts of interest
- comply with the Financial Business Regulations, chapter 15

The total remuneration shall be competitive, but the group shall not be a wage leader. It shall ensure that the group attracts, develops and retains competent employees over time. The arrangements will ensure a reward model that is perceived to be fair, predictable and future-oriented and motivating.

Variable remuneration shall reflect/be associated with extraordinary results that employees, departments, divisions and the group deliver. Variable remuneration shall be built up under the group's vision, strategic position and value base, as well as prevent the employee from incurring undesirable risks in accordance with the regulations.

Separate special arrangements for variable remuneration for SR-Bank Markets and its subsidiaries have been adopted, based on adaptation to industry standards.

Decision process

The board of SpareBank 1 SR-Bank has a remuneration committee consisting of the chairman, one board member and one elected board member.

The remuneration committee prepares matters for the board and is mainly responsible for:

- Annually reviewing and proposing the total salary and remuneration for the CEO.
- Annually reviewing and proposing the variable remuneration scheme for the executive management team, including the CEO, including the bonus providing parameters.
- Annually considering and proposing the group's remuneration scheme, including strategy and guiding principles for variable remuneration.
- Advising the CEO on matters relating to salary and other remuneration and other personnel-related issues for the group's executive personnel.
- Ensuring that the practice of the group's remuneration arrangements are reviewed annually by an independent control function.
- Preparing proposed guidelines for determining pay and other remuneration foe executive personnel, as well as ensuring that a report is prepared each year that provides an overall overview of paid and earned pay and remuneration covered by the guidelines (ref. section 6-16(a) and (b) of the Public Limited Liability Companies Act).
- Considering other conditions as determined by the board and/or remuneration committee.
- Evaluating remuneration schemes in relation to reputation risk.
- Ensuring that the group has succession systems and will review the status of management development and successor planning at the executive management level at least once a year.

Guidelines for the coming financial year

Performance bonus

SpareBank 1 SR-Bank (parent bank) and SR-Forvaltning have a collective performance bonus scheme. The performance bonus is related to the group's financial results and is determined as an equal percentage of salary and can amount to a maximum of 10% of fixed salary. The performance bonus is determined by the board. For employees who have earned individual variable remuneration, the performance bonus is paid according to the same principles that apply to the individual scheme for the individual employee. For employees who do not have an individual variable remuneration scheme, the performance bonus is paid in full in cash.

CEO's remuneration
The CEO's total remuneration consists of a fixed salary (main component), variable remuneration, benefits in kind, and pension and insurance plans. The CEO's fixed salary and variable remuneration are set annually by the board based on the recommendation of the remuneration committee.

Assessment of the fixed salary is based on results achieved, stock price development, reputation considerations and wage developments in comparable positions.

Variable remuneration for 2021 will be set based on the achievement of objectives related to the following main criteria: long-term financial targets, financial and non-financial targets related to the financial year, the group's achieved result bonus, and a discretionary bonus element after review by the board.

The CEO can receive performance bonuses on a par with other employees. Any variable remuneration, including performance bonuses, may amount to up to 40% of fixed salary including holiday pay. No performance-based benefits are paid over and above the aforementioned schemes. Variable remuneration is not included in pensionable salary. Variable remuneration cannot be awarded to the CEO if no performance bonus is paid.

The CEO may also receive benefits in kind to the extent that the benefits are related to the CEO's function in the group and are in line with market practice in general.

A defined contribution pension agreement has been entered into for the CEO for salary above 12G. The contribution rate above 12G is 30%. For salary below 12G, the CEO is part of the occupational defined contribution pension scheme with contribution rates of 7% of pensionable income up to 7.1G, and 22% of pensionable income between 7.1G and 12G (G = National Insurance basic amount). The agreed retirement age for the CEO is 65. A disability pension insurance policy has also been taken out for salary above 12G for the CEO.

The CEO has no other agreements concerning termination benefits if he leaves his post prior to reaching retirement age.

Remuneration to other members of the group executive management team
The CEO determines the fixed remuneration of the group executive management team based on the limits discussed by the remuneration committee and guidelines adopted by the board. The remuneration is fixed based on an assessment of performance and conditions in the market for the various areas and should promote good performance and ensure that the group achieves strategic goals. The remuneration arrived at must not damage the group's reputation nor shall the group be a market leader.

The variable component of the remuneration to the group executive management team follows the same measurement as the CEO. The EVP, Risk Management, EVP, HR and Business Support and EVP, Compliance do not receive variable remuneration beyond a performance bonus.
Benefits in kind can be offered to the group executive management team members to the extent that benefits are linked to each function in the group and are in line with market practice in general.

The pension scheme should be seen in the context of other remuneration and should provide competitive terms. New members of the group executive management team have after 2011 been included in the defined contribution pension scheme with a retirement age of 70 and pension basis limited to 12G. The deposit rates are 7% of the pension basis up to 7.1G, and 22% of the pension basis between 7.1G and 12G. Four members of the group executive management team currently have this pension scheme. Members of the group executive management team who have a retirement age of 62 years, and are between the ages of 62 and 67, are entitled to a pension equivalent to 70% of pensionable income in the form of service pension. From the age of 67, they will receive a supplementary retirement pension which, together with the SpareBank 1 SR-Bank's pension fund, pension from the National Insurance Scheme and statutory early retirement pension (AFP), will constitute 70% of pensionable pay, assuming full earning period.

No members of the group executive management team have an agreement concerning termination benefits upon leaving his/her post prior to reaching retirement age.

Goal structure 2021
The board shall annually discuss and adopt the group's remuneration scheme including a strategy and guiding principles for variable remuneration. For the financial year 2021, the board has resolved that the following criteria shall be decisive for the group executive management team including the CEO: 3-year measurement related to returns on equity after tax against targets and returns measured against comparable financial institutions. 1-year measurement related to selected goals related to financial and non-financial key strategic goals at group and/or division level. In addition to this, an assessment will also be made relating to the individual's performance of his/her own role. For the CEO, the board in this assessment will emphasise the ability to change management in accordance with strategy and value base. In order for a bonus to be achieved, selected thresholds related to liquidity, solvency and return must be achieved.

Maximum bonus achievement is 40% of fixed salary for 2021. Earned bonus shares, taking into account tax deductions, will be distributed in full the year after the year of employment with a 1-year lock-in period for a third, 2 years for a third and 3 years for a third.

Separate rules for the remuneration for executive personnel, employees with important tasks for the company's risk exposure, employees with control tasks and elected representatives
SpareBank 1 SR-Bank has adopted its own guidelines for executive personnel, employees with important tasks for the company's risk exposure, employees with control tasks and employee representatives. In addition to variable remuneration

for the CEO and group executive management team, only employees with special schemes receive variable remuneration other than performance bonus.
As set out in the Financial Institutions Act and the Financial Institutions Regulations, the group has defined who is covered by the separate rules based on the defined criteria.

The remuneration is fixed based on an assessment of performance and conditions in the market for the various areas and should promote good performance and ensure that the group achieves strategic goals. The remuneration arrived at must not damage the group's reputation nor shall the group be a market leader. The remuneration should ensure that the group has the ability to attract and retain employees with the desired expertise and experience.

The remuneration paid to employees with supervision duties must be independent of the results of the operations they supervise. Employees with control functions do not receive variable remuneration beyond performance bonuses.

Variable remuneration to executive personnel, employees with important tasks for the company's risk exposure and employee representatives are measured on performance over 2 years.

Of the variable remuneration for the CEO, executive personnel and risk-takers, a proportion equal to 50% of earned variable remuneration, taking into account tax deductions, will be paid in the form of shares in SpareBank 1 SR-Bank. These will be subject to lock-in periods of 1 year for one third, 2 years for the second third, and 3 years for the final third. That part of the variable remuneration that is paid in shares can be reduced if subsequent performance and developments indicate it was based on incorrect assumptions.

The CEO and executive management team are able to participate in private placements/share saving programmes for employees on an equal footing with other employees.

Report on executive pay policy in the preceding financial year
The board confirms that the guidelines provided in last year's statement on executive personnel pay for 2020 have been followed.

Overview of remuneration to employees covered by the regulations in section 15 of the Financial Institutions Regulations for the 2020 financial year

(Amounts in NOK thousands)	No. of	Other remune-ration	Of which variable remuneration*
1. Executive personnel	11	24,683	6,162
2. Other executive personnel and employees with duties of significant importance to the enterprise's risk exposure	58	75,272	22,363
3. Employees responsible for independent control functions	7	6,663	1,120
4. Elected representatives	1	765	237
	77	**107,383**	**29,882**

* Earned 2019 and paid 2020.

Personnel costs

(Figures in NOK millions)

Parent bank 2019	Parent bank 2020		Group 2020	Group 2019
791	729	Salaries	1,055	1,093
100	110	Pension costs (note 23)	129	117
143	140	National insurance costs	190	188
58	50	Other personnel costs	62	74
1,092	**1,029**	**Total personnel costs**	**1,436**	1,472
954	961	Average no. of employees	1,374	1,331
901	900	No. of FTEs as at 31 Dec	1,283	1,260
962	962	No. of employees as at 31 Dec	1,378	1,373
107,340	46,061	Outstanding no. of shares from bonus share programme	46,061	108,270
		Outstanding fund units from the bonus programme	120	358

Remuneration to group executive management team

(Figures in NOK thousands)

2020		Salary [1]	Other remune-ration [1]	Accrued bonus current year [1]	Total benefits	Accrued pension rights	Pension costs	Loans	Number of shares [2]	Outstanding number of shares from bonus share programme
Arne Austreid	Chief Executive Officer	4,044	225	-	4,269	34,680	1,745	-	115,468	1 241
Inge Reinertsen	Chief Financial Officer	2,339	293	-	2,632	13,655	761	9,000	92,686	733
Tore Medhus	Executive Vice President, Corporate Market	2,342	148	-	2,490	19,120	735	2,003	58,666	733
Jan Friestad	Executive Vice President, Retail Market	2,368	183	-	2,551	3,454	164	6,051	49,853	722
Glenn Sæther	Executive Vice President, Strategy, Innovation and Development	2,078	294	-	2,372	11,469	954	8,551	30,509	627
Thor-Christian Haugland	Executive Vice President, Communications and Sustainability	1,798	249	-	2,047	12,512	622	7,840	29,193	585
Frode Bø [3]	Executive Vice President, Risk Management	2,011	473		2,484	15,371	835	1,067	17,896	
Ella Skjørestad	Executive Vice President, Customer Services and Marketing	1,782	259	-	2,041	779	163	4,056	8,830	309
Gro Tveit [3]	Executive Vice President, Human Resources and Business Support	1 838	457		2,295	2,440	168	5,009	20,774	
Signe Helliesen [3]	Executive Vice President, Compliance	1,318	402		1,720	1,018	166	3,511	745	
2019										
Arne Austreid	Chief Executive Officer	4,044	237	1,047	5,328	30,904	3,484	1,600	107,998	3,683
Inge Reinertsen	Chief Financial Officer	2,250	300	605	3,155	11,334	751	9,000	88,023	2,189
Tore Medhus	Executive Vice President, Corporate Market	2,250	164	669	3,083	16,166	723	2,171	53,670	2,189
Jan Friestad	Executive Vice President, Retail Market	2,231	196	587	3,014	3,315	164	5,976	45,250	2,155
Glenn Sæther	Executive Vice President, Strategy, Innovation and Development	1,992	300	544	2,836	9,111	991	8,567	26,749	1,872
Thor-Christian Haugland	Executive Vice President, Communications and Sustainability	1,725	279	475	2,479	10,641	612	5,868	25,402	1,697
Frode Bø [3]	Executive Vice President, Risk Management	1,942	462		2,404	13,076	787	495	17,425	
Ella Skjørestad	Executive Vice President, Customer Services and Marketing	1,696	272	465	2,433	739	163	4,235	5,967	683
Gro Tveit [3]	Executive Vice President, Human Resources and Business Support	1,712	536		2,248	2,335	168	5,295	20,303	
Signe Helliesen [3]	Executive Vice President, Compliance and AML	1,247	403		1,650	968	168	3,668	274	

For further information on the remuneration of executive personnel, reference is made to the board's statement on the remuneration of executive personnel.

[1] Benefits are recognised as costs in the current year.

[2] No. of shares the person owns in SpareBank 1 SR-Bank as at 31 December. The figures also include shares belonging to immediate family members and known companies in which the person has a controlling influence, ref. section 1-2 of the Limited Liability Companies Act.

[3] Employees with control functions do not receive variable remuneration beyond performance bonuses.

Remuneration of the board

(Figures in NOK thousands)

2020		Fees	Other remune-ration	Loans	No. of shares [4]
Dag Mejdell	Chair of the board, chair of the remuneration committee and observer on the risk committee	675	12	-	30,000
Kate Henriksen	Board member, chair of the audit committee and member of the remuneration committee	334	-	-	-
Tor Dahle [5]	Board member, chair of the risk committee and member of the audit committee	353	613	-	72,457,858
Jan Skogseth	Board member and member of the risk committee	315	-	1,650	10 000
Ingrid Riddervold Lorange (from 23 April 2020)	Board member and member of the risk committee	210	-	-	-
Trine Sæther Romuld (from 23 April 2020)	Board member and member of the audit committee	207	-	1,070	-
Birthe Cecilie Lepsøe (until 23 April 2020)	Board member	121	-		
Therese Log Bergjord (until 23 April 2020)	Board member	103	-		
Sally Lund-Andersen	Employee-elected board member and member of the remuneration committee	300	1,027	2,713	2,850
Kristian Kristensen	Employee representative board member	275	754	2,613	3,674

2019					
Dag Mejdell	Chair of the board	658	6	-	30,000
Kate Henriksen	Board member	327	-	-	-
Birthe Cecilie Lepsøe	Board member	357	-	-	-
Tor Dahle [5]	Board member	327	600	896	72,456,358
Therese Log Bergjord	Board member	302	-	-	2,000
Jan Skogseth	Board member	307	-	1,945	6,100
Sally Lund-Andersen	Board member (employee representative)	292	956	2,888	2,016
Kristian Kristensen	Board member (employee representative)	267	730	2,810	3,203

[4] Number of shares the person owns in SpareBank 1 SR-Bank as at 31 December. The figures also include shares belonging to immediate family members and known companies in which the person has a controlling influence, ref. section 1-2 of the Limited Liability Companies Act. In addition to this, the shares of the institution the individual representative was elected on behalf of are included.

[5] Tor Dahle is the general manager of Sparebankstiftelsen SR-Bank.

NOTE 22 OTHER OPERATING COSTS

(Figures in NOK millions)

Parent bank 2019	Parent bank 2020		Group 2020	Group 2019
343	346	IT costs	373	363
73	56	Marketing	73	90
81	57	Other administrative costs	72	102
106	138	Depreciation (notes 29, 30 and [31])	169	129
-	-	Impairment losses (notes 29, 30 and 31)	11	8
-	8	Scrapping and loss of tangible fixed assets	8	-
30	25	Operating costs real estate	31	35
44	10	Rent premises	26	44
88	70	External fees	80	105
		Assignment costs real estate	50	68
43	45	Other operating costs	57	62
808	**755**	**Total other operating costs**	**950**	1,006

Fees for external auditor - specification of audit fees

(Figures in NOK thousands)

Parent bank 2019	Parent bank 2020		Group 2020	Group 2019
2,999	2,518	Statutory audit	4,919	4,649
22	30	Tax advice [1]	284	110
225	554	Other certification services	890	809
4,042	3,526	Other non-auditing services [1]	4,278	4,318
7,288	**6,628**	**Total**	**10,371**	9,886
75	6	[1] Fees for Advokatfirmaet PricewaterhouseCoopers that are included in tax advice and other non-auditing services	6	75

All figures are inclusive of VAT

NOTE 23 PENSIONS

SpareBank 1 SR-Bank Group has, as at 31 December 2020, defined benefit based and defined contribution based pension schemes for its employees. The company's and group's pension schemes comply with the requirements of the Mandatory Occupational Pension Act.

The group previously had a funded 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 defined benefit scheme.

Paid-up policies will be managed by the pension fund, which from 1 January 2016 became 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.

In addition to the pension liabilities linked to paid-up policies that are managed via the pension fund, the group has uncovered pension liabilities. The liabilities apply to people that were not enrolled in the insurance schemes, supplementary pensions in excess of 12G (G = the National Insurance basic amount), ordinary early retirement pensions and statutory early retirement pension (AFP).

The AFP scheme, which applies with effect from 1 January 2011, should be regarded as a defined benefit multi-company scheme, but will be recognised as a defined contribution scheme until adequate reliable information is available to allow the bank and the group to recognise their proportional shares of the pension costs, the pension liabilities and the pension funds in the scheme. Thus, the bank's and the group's liabilities are not recognised on the balance sheet as liabilities as at 31 December 2020.

The following economic assumptions are made when calculating pension liabilities:

	2020	2019
Discount rate	1.70%	2.30%
Expected return on assets	1.70%	2.30%
Future salary growth rate	2.25%	2.25%
Adjustment of NI basic amount (G)	2.00%	2.00%
Pension adjustment	0.00%	0.50%
Adjustment of paid-up policies	0.00%	0.50%
Employer's NI contribution/financial tax	19.10%	19.10%
Voluntary retirement before 45 – unfunded scheme	5.00%	5.00%
Voluntary retirement after 45 – unfunded scheme	2.00%	2.00%
The remaining average accrual time (in number of years) for members of the unfunded defined benefit plans has been calculated as approx.	6.80	8.06
The average life expectancy (no. of years) for a person who turns 65 on the balance sheet date is as follows:		
Man	21.70	21.60
Woman	24.90	24.80
The average life expectancy (no. of years) for a person who 20 years after the balance sheet date turns 65 is as follows:		
Man	23.50	23.40
Woman	26.80	26.70
The mortality table that has been adjusted for opening mortality and the decline in the mortality rate.	K2013BE	K2013BE
Disability	IR73	IR73

The pension liabilities are calculated annually by an independent actuary using a straight line accrual method. The present value of the defined benefits are determined by discounting estimated future payments by a discount rate based on the interest rate for a bond issued by the company with a high credit rating (corporate bond or covered bond rate) in the same currency and with a maturity that is almost the same as the maturity of the related pension liabilities. Use of the corporate bond rate as the basis for the discount rate requires the existence of corporate bonds with long maturities and high quality in the same currency, as well as a deep market for such bonds. Market players have asserted that the covered bond market is sufficiently deep and that pricing in the market is reliable. Analyses conducted by an actuary, Gabler AS, and the bank's own analyses, which take into account interest rate swap agreements, support the assertion that a deep and liquid market exists for corporate bonds with a high credit rating, concentrated on covered bonds. The Norwegian covered bond market has become better developed after the financial crisis and has a high credit rating. The bank and the group have therefore chosen the covered bond rate as their discount rate for calculating pension liabilities.

(Figures in NOK millions)

Parent bank 2019	2020		Group 2020	2019
		Capitalised liabilities		
-	-	Pension benefits – funded scheme	-	-
176	197	Pension benefits – unfunded scheme	204	187
176	**197**	**Total capitalised liabilities**	**204**	187
		Costs charged to income statement		
1	-1	Pension benefits – funded scheme	-1	1
12	16	Pension benefits – unfunded scheme	16	13
13	**15**	**Total costs charged to income statement**	**15**	14
		Pension liabilities related to defined benefit pensions		
1,306	1,291	Present value pension liabilities 1 Jan	1,328	1,344
7	7	Pension benefits accrued in the period	7	8
29	23	Interest costs on pension liabilities	24	29
		Effect of recalculation:		
-2	-85	- Change in financial assumptions	-87	-3
-4	90	- Experience gains and losses	90	-5
-45	-43	Payments/redemption from fund	-44	-45
1,291	**1,283**	**Present value pension liabilities 31 Dec**	**1,318**	1,328
1,143	1,118	of which fund-based	1,147	1,173
148	166	of which not fund-based	171	155
		Pension assets		
1,197	1,206	**Pension assets 1 Jan**	1,234	1,225
25	21	Interest income	21	25
24	97	Actual return on assets in relation to booked interest income	98	24
5	4	Employer's NI contributions	4	5
-44	-43	Payments/redemption from fund	-44	-45
1,206	**1,285**	**Pension assets 31 Dec**	**1,313**	1,234
		Net pension liabilities on the balance sheet		
1,291	1,283	Present value pension liabilities 31 Dec	1,318	1,328
1,206	1,285	Pension assets 31 Dec	1,313	1,234
85	**-2**	**Net pension liabilities 31 Dec**	**5**	94
63	167	Upper limit for capitalisation of the asset [1)]	167	63
28	32	Employer's NI contributions	32	30
176	**197**	**Net pension liabilities on the balance sheet**	**204**	187
		Pension costs for the period		
7	7	Accrued defined benefit-based pensions	7	8
29	23	Interest costs on pension liabilities	24	29
-25	-21	Interest income	-22	-25
-	4	Other changes	4	
11	**13**	**Net defined benefit-based pension costs without employer's NI contributions**	**13**	12
2	2	Accrued employer's NI contributions	2	2
13	**15**	Net defined benefit-based pension costs recognised through profit or loss	**15**	14
86	95	Contribution based pension costs and joint AFP scheme	114	103
100	**110**	**Pension costs in the period recognised in the income statement**	**129**	117

[1)] The group has overcoverage (the value of the pension funds exceeds the calculated pension liabilities) related to the closed defined benefit pension scheme which has not been capitalised since the overcoverage does not entail financial benefits in the future in the form of reduced premium payments or repayments.

Composition of the group's pension assets

	2020	2019
Real estate	-	-
of shares	304	282
Other assets	1,009	952
Total pension assets	**1,313**	1,234

Development during the last 5 years for the group's defined benefit pension plan	**2020**	2019	2018	2017	2016
Present value pension liabilities 31 Dec	1,318	1,328	1,344	1,594	1,521
Pension assets 31 Dec	1,313	1,234	1,255	1,256	1,204
Net pension liabilities	**5**	94	119	338	317

Sensitivity in calculation of pension liabilities when weighted assumptions change as follows:

		Effect on pension liabilities	
	Change in assumption	Increase in assumption	Reduction in assumption
Discount rate	0.50%	-7.5%	8.5%
Wage growth	0.50%	0.4%	-0.4 %
Pension adjustment	0.25%	4.1%	0.0%
Expected lifetime	1 year	4.1%	-4.1%

The sensitivity analysis above is based on a change in one of the assumptions, given that all other assumptions remain constant. This is improbable in practice and changes in some of the assumptions may correlate. Sensitivity calculations are executed using the same method as actuarial calculations for calculating the pension liabilities on the balance sheet.

NOTE 24 TAX

(Figures in NOK millions)

Parent bank 2019	Parent bank 2020		Group 2020	Group 2019
3,347	1,143	Pre-tax profit	1,821	3,817
-1,124	-842	Permanent differences [1]	-769	-1,057
-107	-48	Group contribution	5	-77
2,201	2,434	Change in temporary differences	2,295	2,232
-5	-10	- of which recognised directly against equity	-7	-5
4,312	**2,677**	**Tax base/taxable income for the year**	**3,345**	4,910
1,078	669	Of which payable tax	835	1,228
27	12	Tax effect of group contribution	1	-
-550	-606	Change in deferred tax	-593	-549
13	-2	Tax payable on hybrid capital booked against equity	-12	13
1	-	Excess/insufficient payable tax allocation in previous years	-	1
569	**73**	**Total tax cost**	**231**	693
		Explanation of why the tax cost for the year is not 25% of the year's pre-tax profit		
837	286	Tax on pre-tax profit	451	954
-281	-211	Tax on permanent differences [1]	-193	-271
-1	-	Change in deferred tax from previous years	-13	-4
13	-2	Payable tax recognised directly against equity	-14	13
1	-	Excess/insufficient tax allocation in previous years	-	1
569	**73**	**Calculated tax cost**	**231**	693
		Deferred tax asset		
-520	134	- deferred tax asset that reverses in more than 12 months	-1,174	-564
-	12	- deferred tax asset that reverses within 12 months	-1	-
-520	**146**	**Total deferred tax asset**	**-1,175**	-564
		Deferred tax		
115	-1,148	- deferred tax that reverses in more than 12 months	160	144
27	-	- deferred tax that reverses within 12 months		-
141	**-1,148**	**Total deferred tax**	**160**	144
-379	**-1,002**	**Net deferred tax/deferred tax asset**	**-1,015**	-420
		Change in deferred tax		
-525	-623	Year's change in deferred tax on the balance sheet	-595	-544
-	-	Change in deferred tax acquisition	-14	-7
-26	15	Change in deferred tax for group contributions on the balance sheet	15	-
1	2	- of which change not recognised in income statement	1	2
-550	**-606**	**- of which change recognised in income statement**	**-593**	-549
		Specification of temporary differences		
79	44	Gains and loss account	44	79
-1,888	-4,365	Differences related to financial items	-4,399	-1,988
-	-	Loans	-	-2
-176	-197	Pension liabilities	-204	-186
10	7	Accounting provisions	71	9
369	484	Leasing operating equipment	479	368
-16	-30	Tangible fixed assets	-12	41
107	48	Group contribution paid	-	-
-	-	Deficit to carry forward	-39	-2
-1,515	**-4,009**	**Total temporary differences**	**-4,060**	-1,681
25%	25%	Tax rate applied	22-25%	22-25%

[1] Includes tax-exempted dividends, non-tax-deductible costs, net tax-exempt gains on the realisation of equities in the European Economic Area (EEA), and tax allowances for profit attributable to associated companies (the percentage of the profit is extracted as it has already been taxed in the individual company).

NOTE 25 CLASSIFICATION OF FINANCIAL INSTRUMENTS

(Figures in NOK millions)

Parent bank

2020	Recognised at fair value	Financial derivatives as hedging instru-ments	Financial assets and liabilities assessed at amortised cost	Total
Assets				
Cash and receivables from the central bank			68	68
Loans to and receivables from financial institutions			25,304	25,304
Loans to customers	51,217		80,575	131,792
Certificates and bonds	30,663		6,315	36,978
Financial derivatives	4,865	4,106		8,971
Equities, units and other equity interests	596			596
Total assets	**87,341**	**4,106**	**112,262**	**203,709**
Liabilities				
Debt to financial institutions			4,218	4,218
Deposits from customers			118,394	118,394
Securities issued [1)]			52,148	52,148
Financial derivatives	10,384	2,731		13,115
Subordinated loan capital [1)]			2,154	2,154
Total liabilities	**10,384**	**2,731**	**176,914**	**190,029**
2019				
Assets				
Cash and receivables from the central bank			104	104
Loans to and receivables from financial institutions			11,790	11,790
Loans to customers	49,711		83,396	133,107
Certificates and bonds	25,780		5,655	31,435
Financial derivatives	3,667	2,605		6,272
Equities, units and other equity interests	564			564
Total assets	79,722	2,605	100,945	183,272
Liabilities				
Debt to financial institutions			2,547	2,547
Deposits from customers			103,323	103,323
Securities issued [1)]			54,527	54,527
Financial derivatives	5,905	1,502		7,407
Subordinated loan capital [1)]			2,125	2,125
Total liabilities	5,905	1,502	162,522	169,929

[1)] Securities and subordinated loans issued contain secured debt.

(Note 25 cont.)

Information about fair value

Parent bank

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

Listed price in an active market for an identical asset or liability (level 1). Valuation based on observable factors other than listed price (used in level 1) either direct (price) or indirect (deduced from prices) for the asset or liability (level 2). Valuation based on factors not obtained from observable markets (non-observable assumptions) (level 3).

2020	**Valuation according to prices in an active market**	**Valuation according to observable market data**	**Valuation according to factors other than observable market data**	**Total**
Assets				
Loans to customers			51,217	51,217
Certificates and bonds	16,062	14,601		30,663
Financial derivatives		8,971		8,971
Equities, units and other equity interests	506	27	63	596
Liabilities				
Financial derivatives		13,115		13,115

No transfers between levels 1 and 2.

2019				
Assets				
Loans to customers			49,711	49,711
Certificates and bonds	17,060	8,720		25,780
Financial derivatives		6,272		6,272
Equities, units and other equity interests	438	27	99	564
Liabilities				
Financial derivatives		7,407		7,407

No transfers between levels 1 and 2.

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

Parent bank 2020	**Loans to customers**	**Equities, units and other equity interests**
Balance 1 Jan	49,711	99
Additions/disposals	1,304	1
Transferred from or to measurement according to prices in an active market or observable market data		
Change in value [2]	202	-37
Balance 31 Dec	**51,217**	**63**
Nominal value/cost price	50,983	7
Fair value adjustment	234	56
Balance 31 Dec	**51,217**	**63**

Parent bank 2019		
Balance 1 Jan	53,508	80
Additions/disposals	-3,714	-
Transferred from or to measurement according to prices in an active market or observable market data		
Change in value [2]	-83	19
Balance 31 Dec	**49,711**	**99**
Nominal value/cost price	49,679	6
Fair value adjustment	32	93
Balance 31 Dec	**49,711**	**99**

Group

2020	**Recognised at fair value**	**Financial derivatives as hedging instru-ments**	**Financial assets and liabilities assessed at amortised cost**	**Total**
Assets				
Cash and receivables from the central bank			68	68
Loans to and receivables from financial institutions			12,589	12,589
Loans to customers	9,654		207,312	216,966
Certificates and bonds	32,746		7,175	39,921
Financial derivatives	5,707	2,965		8,672
Equities, units and other equity interests	908			908
Total assets	**49,015**	**2,965**	**227,144**	**279,124**
Liabilities				
Debt to financial institutions			4,144	4,144
Deposits from customers			118,170	118,170
Securities issued [1]			127,163	127,163
Financial derivatives	3,945	2,880		6,825
Subordinated loan capital [1]			2,154	2,154
Total liabilities	**3,945**	**2,880**	**251,631**	**258,456**

2019				
Assets				
Cash and receivables from the central bank			104	104
Loans to and receivables from financial institutions			3,142	3,142
Loans to customers	8,948		196,740	205,688
Certificates and bonds	26,269		6,523	32,792
Financial derivatives	3,425	2,508		5,933
Equities, units and other equity interests	920			920
Total assets	39,562	2,508	206,509	248,579
Liabilities				
Debt to financial institutions			2,264	2,264
Deposits from customers			103,106	103,106
Securities issued [1]			116,164	116,164
Financial derivatives	4,368	162		4,530
Subordinated loan capital [1]			2,125	2,125
Total liabilities	4,368	162	223,659	228,189

[1] Securities and subordinated loans issued contain secured debt.
[2] Changes are recognised in net income from financial instruments.

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:

Listed price in an active market for an identical asset or liability (level 1). Valuation based on observable factors other than listed price (used in level 1) either direct (price) or indirect (deduced from prices) for the asset or liability (level 2). Valuation based on factors not obtained from observable markets (non-observable assumptions) (level 3).

2020	Valuation according to prices in an active market	Valuation according to observable market data	Valuation according to factors other than observable market data	Total
Assets				
Loans to customers			9,654	9,654
Certificates and bonds	17,623	15,123		32,746
Financial derivatives		8,672		8,672
Equities, units and other equity interests	506	27	375	908
Liabilities				
Financial derivatives		6,825		6,825

No transfers between levels 1 and 2.

2019				
Assets				
Loans to customers			8,948	8,948
Certificates and bonds	17,549	8,720		26,269
Financial derivatives		5,933		5,933
Equities, units and other equity interests	438	27	455	920
Liabilities				
Financial derivatives		4,530		4,530

No transfer between levels 1 and 2.

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

Group 2020	Loans to custo-mers	Equities, units and other equity interests
Balance 1 Jan	8,948	455
Additions	2,400	61
Disposals	-1,896	-40
Transferred from or to measurement according to prices in an active market or observable market data	-	-
Change in value [2)]	202	-101
Balance 31 Dec	**9,654**	**375**
Nominal value/cost price	9,420	296
Fair value adjustment	234	79
Balance 31 Dec	**9,654**	**375**

Group 2019		
Balance 1 Jan	8,240	431
Additions	1,996	56
Disposals	-1,205	-80
Transferred from or to measurement according to prices in an active market or observable market data		
Change in value [2)]	-83	48
Balance 31 Dec	**8,948**	**455**
Nominal value/cost price	8,916	277
Fair value adjustment	32	178
Balance 31 Dec	**8,948**	**455**

The merger between SpareBank 1 Skadeforsikring and DNB Forsikring was completed with accounting effect from 1 January 2019, with SpareBank 1 Skadeforsikring as the company doing the taking over. SpareBank 1 Gruppen owns 65% of Fremtind Forsikring and DNB 35%. DNB's increase in its stake in Fremtind Forsikring from 20% to 35% in 2019 increased SpareBank 1 Gruppen's equity at a group level by around NOK 4.7 billion. The majority interest's (the SpareBank 1 banks and the Norwegian Confederation of Trade Unions (LO)) share of this increase was around NOK 2,400 million. SpareBank 1 SR-Bank's share of this increase (19.5%) amounted to NOK 460 million and was recognised as income in the first quarter of 2019. On 2 September 2019, Fremtind Forsikring was granted permission by the Financial Supervisory Authority of Norway to operate life insurance activities through its wholly owned subsidiary Fremtind Livsforsikring. The individual personal risk insurance cover from SpareBank 1 Forsikring AS and DNB Livsforsikring, as well as the personal risk insurance cover paid for by companies from SpareBank 1 Forsikring AS, were transferred to Fremtind Livsforsikring 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 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'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 (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 received dividends of NOK 195 million in the second quarter of 2020. The dividends were recognised in the parent bank.

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

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

Parent bank

Fair value of financial instruments at amortised cost	**Carrying amount 2020**	**Fair value 2020**	Carrying amount 2019	Fair value 2019
Assets				
Cash and receivables from the central bank	68	68	104	104
Loans to and receivables from financial institutions	25,304	25,304	11,790	11,790
Loans to customers [1]	80,575	80,575	83,396	83,396
Certificates and bonds [3]	6,315	6,329	5,655	5,672
Total assets at amortised cost	**112,262**	**112,276**	100,945	100,962
Liabilities				
Debt to financial institutions	4,218	4,218	2,547	2,547
Deposits from customers [1]	118,394	118,394	103,323	103,323
Securities issued [3]	52,148	52,286	54,257	54,543
Subordinated loan capital [3]	2,154	2,158	2,125	2,139
Total liabilities at amortised cost	**176,914**	**177,056**	162,252	162,552

Group

Fair value of financial instruments at amortised cost				
Assets				
Cash and receivables from the central bank	68	68	104	104
Loans to and receivables from financial institutions	12,589	12,589	3,142	3,142
Loans to customers [1]	207,312	207,312	196,740	196,740
Certificates and bonds [3]	7,175	7,191	6,523	6,511
Total assets at amortised cost	**227,144**	**227,160**	206,509	206,497
Liabilities				
Debt to financial institutions	4,144	4,144	2,264	2,264
Deposits from customers [1]	118,170	118,170	103,106	103,106
Securities issued [3]	127,163	127,156	116,164	116,453
Subordinated loan capital [3]	2,154	2,158	2,125	2,139
Total liabilities at amortised cost	**251,631**	**251,628**	223,659	223,962

[1] Customer loans and deposits at amortised cost amount to book value best estimate at fair value.
[2] Changes are recognised in net income from financial instruments.
[3] Fair value is mainly determined based on observable prices in an active market.

NOTE 26 CERTIFICATES AND BONDS

(Figures in NOK millions)

Parent bank			Group	
2019	**2020**	**Certificates and bonds**	**2020**	2019
25,780	30,663	Certificates and bonds at fair value	32,746	26,269
5,655	6,315	Certificates and bonds at amortised cost	7,175	6,523
31,435	**36,978**	**Total certificates and bonds**	**39,921**	32,792
		Government		
200	-	Nominal value	-	200
209	-	Book value	-	209
		Other public issuers		
2,041	2,930	Nominal value	3,230	2,041
2,073	2,982	Book value	3,282	2,073
		Covered bonds		
19,492	16,672	Nominal value	17,172	20,480
19,689	16,804	Book value	17,307	20,675
		Other financial enterprises		
		including multilateral development banks		
9,113	16,438	Nominal value	18,565	9,462
9,263	16,963	Book value	19,085	9,627
		Non-financial enterprises		
220	256	Nominal value	274	227
201	229	Book value	247	208
31,066	**36,296**	**Total certificates and bonds at nominal value**	**39,241**	32,410
31,435	**36,978**	**Total certificates and bonds**	**39,921**	32,792

NOTE 27 FINANCIAL DERIVATIVES

General description:
The fair value of financial derivatives is determined using valuation methods where the price of the underlying object, for example interest and currency rates, are obtained from the market. If the group's risk position is relatively neutral, normal rates will be used in pricing. A neutral risk position means, for example, that the interest rate risk within a re-pricing interval is approximately zero. Otherwise, the relevant purchase or sales price is used to assess the net position. The credit valuation adjustment (CVA) for derivative transactions is assessed on the basis of the net positive market values per counterparty. The CVA risk for counterparties that regularly exchange collateral and Norwegian municipalities is considered marginal. For other counterparties, the CVA calculation is based on the probability of default compared with the remaining term to maturity of the derivative positions and loss given default.

The group hedges fixed-rate loans. Each hedge is documented with a reference to the group's risk management strategy, a clear identification of the item being hedged, the hedging instrument used, a description of the hedged risk, a description of why hedging is regarded as highly probable and a description of how and when the group shall determine the efficiency of the hedge during the accounting period and that it is expected to be very effective during the next accounting period. The group has defined the hedged risk as value changes linked to the NIBOR component of the hedged fixed interest rates in NOK and value changes linked to the LIBOR components of the hedged fixed interest rates in foreign currencies.

When a basis swap is designated as a hedging instrument for hedging a specifically identified loan, changes in the value of the hedging instrument linked to changes in the "basis spread" are recognised through OCI.

As at 31 December 2020, the net fair value of the hedging instruments was NOK 4,071 million (NOK 4,109 million in assets and NOK 38 million in liabilities). The corresponding figures for 2019 were NOK 2,346 million (NOK 2,508 million in assets and NOK 162 million in liabilities). There was no ineffective result for hedging instruments in 2020.

Central clearing and ISDA agreements with CSA supplements regulate the counterparty risk through payments of margins in relation to exposure limits. Such agreements represent a contract sum of NOK 232.8 billion and security of NOK 2,965 million and NOK 2,880 million has been pledged and received as at 31 December 2020. The group has no financial instruments that are booked net.

Group

(Figures in NOK millions)

	2020			2019		
		Fair value			Fair value	
At fair value through profit or loss	Contract amount	Assets	Liabilities	Contract amount	Assets	Liabilities
Currency instruments						
Currency futures (forwards)	4,347	130	82	7,341	167	61
Currency swaps	22,727	173	732	23,647	292	562
Currency swaps (basis swap)	44,584	377	1,110	44,781	167	915
Currency swaps (basis swap hedging)	15,937	55	375	7,545	-22	155
Currency options	180	10	10	-	-	-
Total currency instruments	**87,775**	**745**	**2,309**	83,314	604	1,693
Interest rate instruments						
Interest rate swaps	70,348	853	1,598	57,453	466	662
Other interest rate contracts	693	-	-	43	-	-
Total interest rate instruments	**71,041**	**853**	**1,598**	57,496	466	662
Interest rate instruments, hedging						
Interest rate swaps	96,599	4,109	38	88,447	2,508	162
Total interest rate instruments, hedging	**96,599**	**4,109**	**38**	88,447	2,508	162
Collateral						
Collateral	-	2,965	2,880	-	2,355	2,013
Total collateral	**-**	**2,965**	**2,880**	-	2,355	2,013
Total currency instruments	87,775	745	2,309	83,314	604	1,693
Total interest rate instruments	167,640	4,962	1,636	145,943	2,974	824
Total collateral	-	2,965	2,880	-	2,355	2,013
Total currency and interest rate instruments	**255,415**	**8,672**	**6,825**	229,257	5,933	4,530
Counterparty risk:						
Netting agreements		1,695			668	
Taking into account collateral		5,845			4,368	
Total exposure to financial derivatives		**1,132**			897	

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.

	2020		2019	
Interest rate instruments	**Contract amount**	**Weighted maturity**	Contract amount	Weighted maturity
CIBOR DKK (6 months)	931	5.4	822	6.4
EURIBOR EUR (3 months)	69,423	5.3	46,567	5.8
EURIBOR EUR (6 months)	241	6.6	611	10.0
LIBOR USD (1 month)	1,340	2.0	879	3.0
LIBOR USD (3 months)	16,183	2.5	11,444	3.2
LIBOR USD (6 months)	577	1.3	528	2.3
NIBOR NOK (1 month)	59	6.2	65	7.2
NIBOR NOK (3 months)	54,553	4.9	35,986	5.5
NIBOR NOK (6 months)	755	5.0	465	6.1
STIBOR SEL (3-month)	233	3.6	-	
Total interest rate instruments	**144,295**		97,367	
Currency instruments				
EURIBOR EUR (3 months) to LIBOR USD (3 months)	11,397	3.0	7,356	3.8
EURIBOR EUR (3 months) to NIBOR NOK (3 months)	37,328	4.4	29,367	5.5
EURIBOR EUR (3.month) to STIBOR SEK (3-month)	212	1.3	-	
LIBOR USD (3 months) to NIBOR NOK (3 months)	5,683	2.3	2,137	3.1
LIBOR USD (6 months) to FIXED NOK	256	5.6	266	6.4
Total currency instruments	**54,876**		39,126	
Total exposure to financial derivatives	**199,171**		136,493	

Fair value interest rate risk 2020	**Carrying amount**	**Accumulated fair value adjustment of the hedged item**	**Value changes used for calculating hedge in-effectiveness**
Hedging instrument			
Interest rate swaps			-1,521
Hedged item			
Debt securities issued	97,886	3,553	1,525

Hedged item	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Debt securities issued	649	16,245	50,974	26,786	94,654

Fair value interest rate risk 2019	**Carrying amount**	**Accumulated fair value adjustment of the hedged item**	**Value changes used for calculating hedge in-effectiveness**
Hedging instrument			
Interest rate swaps			-837
Hedged item			
Debt securities issued	88,336	1,793	845

Hedged item	**Less than 3 months**	**3 - 12 months**	**1 - 5 years**	**More than 5 years**	**Total**
Debt securities issued	4,919	6,498	53,902	21,224	86,543

NOTE 28 EQUITIES, UNITS AND OTHER EQUITY INTERESTS

(Figures in NOK millions)

Parent bank 2019	Parent bank 2020		Group 2020	Group 2019
		At fair value through profit or loss		
234	275	- Listed	275	234
155	169	- Securities funds	169	155
49	62	- Hybrid capital	62	49
126	90	- Unlisted	402	482
564	**596**	**Total equities, units and other equity interests**	**908**	920

Equities, units and other equity interests are classified as fair value through profit or loss.

Investments in equities, units and other equity interests

Parent bank (Amounts in NOK 1000)	**The company's share capital**	**Stake in %**	**No. of equities/ units**	**Acquisition cost**	**Book value/ market value**
At fair value through profit or loss					
Sandnes Sparebank	230,149	15.1%	3,485,009	149,476	259,285
Solstad Offshore ASA	74,872	2.1%	1,597,416	5,974	15,335
Listed companies				**155,450**	**274,620**
SR-Bank Kreditt			408	407	407
SR-Bank 80 A			23,753	23,753	29,973
SR-Bank Norge D			19,435	19,435	26,615
SR-Bank 20 A			49,401	49,401	53,994
SR-Bank Verden D			43,557	43,557	57,762
Securities funds				**136,553**	**168,751**
Hybrid capital				**61,547**	**62,468**
SpareBank 1 Markets	529,221	5.6%	176,341	37,102	20,000
VN Norge AS					60,608
Other unlisted companies				15,983	9,654
Total unlisted companies				**53,085**	**90,262**
Total at fair value through profit or loss equities, units and other equity interests				**406,635**	**596,101**

Group					
At fair value through profit or loss					
Listed companies, parent bank				**155,450**	**274,620**
Securities funds, parent bank				**136,553**	**168,751**
Hybrid capital, parent bank				**61,547**	**62,468**
Total unlisted companies, parent bank				**53,085**	**90,262**
HitecVision Asset Solutions, L.P.		1.19		24,200	25,590
HitecVision Private Equity IV LP		2.00		22,058	15,404
Offshore Merchant Partners Asset Yield Fund, LP		1.31		39,508	44,050
SR PE-Feeder III KS		36.45		26,145	30,334
SR PE-Feeder IV AS		25.21		11,826	18,229
Optimarin AS		14.75		23,588	28,346
Boost AI AS		11.92		8,333	70,000
Other unlisted companies in subsidiaries				162,974	79,800
Total unlisted in subsidiaries				**318,632**	**311,753**
Total unlisted in group				**371,717**	**402,015**
Total at fair value through profit or loss equities, units and other equity interests				**725,267**	**907,854**

NOTE 29 INTANGIBLE ASSETS

(Figures in NOK millions)

Group [1)]

2020	**Total**	**Goodwill**	**Customer contracts**	**Research and development**
Acquisition cost 1 Jan 2020	282	254	19	9
Additions	32	10	3	19
Disposals	-	-	-	-
Acquisition cost 31 Dec 2020	314	264	22	28
Accumulated depreciation and impairment 1 Jan 2020	9	-	9	-
Year's disposals	-	-	-	-
Year's depreciation and impairment losses	7	-	3	4
Accumulated depreciation and impairment 31 Dec 2020	16	-	12	4
Intangible assets 31 Dec 2020	**298**	264	10	24
Distribution of intangible fixed assets				
SR-Forvaltning – acquisition of 33.3% of the shares in May 2009	20	20	-	-
SpareBank 1 SR-Bank ForretningsPartner AS – acquisition of accounting firm	126	116	10	-
Activated R&D costs in subsidiaries	24	-	-	24
SpareBank 1 SR-Bank ASA – acquisition of 100% of the shares in Monner in 2019	128	128	-	-
Intangible assets 31 Dec 2020	**298**	264	10	24
2019				
Acquisition cost 1 Jan 2019	105	89	16	-
Additions	180	165	6	9
Disposals	3	-	3	-
Acquisition cost 31 Dec 2019	282	254	19	9
Accumulated depreciation and impairment 1 Jan 2019	10	-	10	-
Year's disposals	3	-	3	-
Year's depreciation and impairment losses	2	-	2	-
Accumulated depreciation and impairment 31 Dec 2019	9	-	9	-
Intangible assets 31 Dec 2019	273	254	10	9
Distribution of intangible fixed assets				
SR-Forvaltning – acquisition of 33.3% of the shares in May 2009	20	20	-	-
SpareBank 1 SR-Bank ForretningsPartner AS – acquisition of accounting firm	117	107	10	-
Activated R&D costs in subsidiaries	9	-	-	9
SpareBank 1 SR-Bank ASA – acquisition of 100% of the shares in Monner in 2019	127	127	-	-
Intangible assets 31 Dec 2019	273	254	10	9

In 2019, SpareBank 1 SR-Bank increased goodwill on the balance sheet due to the acquisition of Agder Økonomi and Monner. The total purchase price exceeds identifiable assets less debt. The total purchase price amounts to NOK 174 million and the table below shows the goodwill added in 2019 due to the acquisitions.

Cost price	174	174
Assets and liabilities identified as :		
Customer contracts	6	6
Trade receivables	7	7
Bank deposits	15	15
Liabilities	-19	-19
Total	9	9
Goodwill added	165	165

Goodwill is the difference between identifiable assets inclusive of excess values and the cost price of the identifiable assets. The elements in the goodwill item relate to future earnings in the company supported by the calculations of the present value of expected future earnings, which document a future economic benefit from acquiring the company. The goodwill item's elements are valued annually and written down if a there is a basis for this following a concrete assessment.

[1)] There are no intangible assets in the parent bank.

NOTE 30 TANGIBLE FIXED ASSETS

(Figures in NOK millions)

Parent bank				Group		
Buildings and real estate	Machinery, fixtures, and vehicles	Total	2020	Total	Machinery, fixtures, and vehicles	Buildings and real estate [1]
143	510	653	Acquisition cost 1 Jan 2020	1,497	631	866
-	44	44	Additions	52	48	4
-6	-1	-7	Adjustment of cost price	-7	-1	-6
4	10	14	Disposals [2]	15	11	4
133	543	676	Acquisition cost 31 Dec 2020	1,527	667	860
38	260	298	Accumulated depreciation and impairment 1 Jan 2020	410	354	56
3	82	85	Year's depreciation	118	90	28
-	-	-	Year's impairment losses	7	7	-
1	1	2	Year's disposals [2]	2	1	1
40	341	381	Accumulated depreciation and impairment 31 Dec 2020	533	450	83
93	**202**	**295**	**Tangible fixed assets 31 Dec 2020**	**994**	**217**	**777**
242			**Fair value [1]**			**995**
			2019			
146	723	869	Acquisition cost 1 Jan 2019	1,456	830	626
24	104	128	Additions	384	117	267
27	317	344	Disposals [2]	343	316	27
143	510	653	Acquisition cost 31 Dec 2019	1,497	631	866
63	503	566	Accumulated depreciation and impairment 1 Jan 2019	657	590	67
2	72	74	Year's depreciation	87	79	8
-	-	-	Year's impairment losses	8	-	8
27	315	342	Year's disposals [2]	342	315	27
38	260	298	Accumulated depreciation and impairment 31 Dec 2019	410	354	56
105	250	355	Tangible fixed assets 31 Dec 2019	1,087	277	810
244			Fair value [1]			1,042

[1] Finansparken Bjergsted was completed in 2019, and is included at its construction cost at fair value. Fair values of other buildings are determined by appraisal.

[2] Included in the year's disposals for 2020 is NOK 8 million related to decommissioned operating assets. The corresponding figure for 2019 was NOK 342 million.

Collateral

The group has not mortgaged/pledged or accepted any other disposal restrictions on its tangible fixed assets.

Reassessments/depreciation

The group does not make regular revaluations of tangible fixed assets. In connection with the initial implementation of IFRS, buildings were valued at cost less accumulated depreciation in accordance with current Norwegian legislation. Percentage rate of depreciation is 10% to 33% for machinery, equipment and vehicles, and 2% for bank buildings, investment property and other real estate.

Buildings and real estate

Of the total book value of buildings and real estate in the group, NOK 714 million is for use in the banking business. The fair value of buildings is determined by appraisal.

NOTE 31 LEASE RIGHTS AND LEASE LIABILITIES

(Figures in NOK millions)

Pursuant to IFRS 16, lessees must capitalise a right-to-use asset and a lease liability for each of their leases, with a few practical exceptions:

SpareBank 1 SR-Bank has taken advantage of the following practical exceptions:

- exception for low value assets
- exception for short-term leases (12 months and shorter)
- omitting including components that are not leases

Leases are identified based on the following criteria:

- identifiable asset
- right to receive all the financial benefits from the use of a specific asset during the lease period
- right to control the use of the asset

Measurement and recognition

The lease liability is measured as the present value of the agreed lease payments. The lease period represents the period that cannot be cancelled. In addition to this, extension options are included in the lease period if it is reasonably safe to assume that the option will be exercised. The same applies if there is an option to shorten the lease period and it is reasonably safe that the option will be exercised.

In subsequent measurements, the lease liability is measured at amortised cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments arising from changes in an index, or if the bank changes its assessment of whether it will exercise extension or termination options. When the lease liability is remeasured in this way, a corresponding adjustment of the capitalised right-of-use asset is made, or is recognised through profit or loss if the recognised value of the right-of-use asset has been reduced to zero.

Lease payments in the measurement consist of fixed lease payments and variable leases based on interest rates or indices on the startup date. In addition to this, costs incurred by early termination of the lease must be included in the lease payments if it is reasonably certain that early termination will take place. Likewise, the price for exercising any purchase option must be included if it is reasonably safe to assume that the option will be exercised.

The right-of-use asset is measured as the lease liability plus any paid advance lease payment, direct acquisition costs and provisions for costs upon returning the property to the landlord. Provisions for costs upon returning the property must be recognised as a separate liability on the balance sheet and not be included in the lease liability. In subsequent periods, the right-of-use asset is measured using an acquisition model.

When calculating the lease liability, options that are expected to be exercised are taken into account and options that are not expected to be exercised are excluded.

The short-term or low value agreements not included in the IFRS 16 calculation amounted to NOK 0.9 million in annual rent in 2020.

Recognition and discount rate

IFRS 16 refers to two different methods for determining the discount rate for lease payments:

- implicit interest rate
- the lessee's marginal loan rate if the implicit interest rate cannot be easily determined

The group uses implicit interest rate calculations for leased vehicles. For all other leases its uses the marginal loan rate. The marginal loan rate is defined as the interest rate a lessee in a similar environment would have to pay to borrow, over a similar period and with equivalent security, an equivalent amount necessary to acquire property with a value equivalent to the right-of-use asset.

The group's leases mainly consist of leases for buildings with different terms and option structures. When calculating a lease liability, extension options are included in the lease period when it is reasonably probable that the option will be exercised.

Parent bank 2019	Parent bank 2020		Group 2020	Group 2019
		Balance sheet		
682	915	Lease rights	346	398
688	936	Liabilities associated with lease rights	365	395
		Income Statement		
32	53	Amortisation of lease rights	44	39
-	-	Write-down of lease rights	4	-
12	32	Interest on lease rights liabilities	13	14
44	**84**	**Total costs pursuant to IFRS 16**	**62**	**53**
		Effects of IFRS 16		
38	70	Reduction in operating costs pursuant to IAS 17	32	48
44	84	Increase in costs pursuant to IFRS 16	62	53
-6	**-14**	**Changes to pre-tax profit**	**-30**	**-5**
		Lease rights		
	682	Lease rights 31 Dec	398	
	275	Adjustment of calculations previous years	20	
293	957	Lease rights 1 Jan	418	390
421	54	Additions in the period	43	47
-	43	Disposals in the period	67	-
32	53	Depreciation	44	39
-	-	Impairment losses	4	-
682	**915**	**Lease rights at the end of the period**	**346**	398
		Liabilities associated with lease rights		
	688	Liabilities associated with lease rights 31 Dec	395	
	275	Adjustment of calculations previous years	20	
293	963	Liabilities associated with lease rights 1 Jan	415	390
421	54	Additions in the period	51	37
0	43	Disposals in the period	67	0
38	69	Instalments in the period	47	46
12	32	Interest rate	13	14
688	**936**	**Lease liabilities at the end of the period**	**365**	395

NOTE 32 OTHER ASSETS

(Figures in NOK millions)

Parent bank			Group	
2019	**2020**		**2020**	2019
15	4	Income earned but not received	15	24
18	9	Prepaid costs	17	50
3	4	Over funding of pension liabilities	4	3
200	200	Paid in capital SR-Bank Pension Fund	200	200
93	23	Unsettled trades	23	93
244	174	Other assets	490	588
573	**414**	**Total other assets**	**749**	958

NOTE 33 DEPOSITS FROM CUSTOMERS

(Figures in NOK millions)

Parent bank			Group	
2019	**2020**		**2020**	2019
85,465	102,059	Deposits from and liabilities to customers, at call	101,835	85,264
17,858	16,335	Deposits from and liabilities to customers with agreed maturity	16,335	17,842
103,323	**118,394**	**Total deposits from customer**	**118,170**	103,106
		Deposits by sector and industry		
269	457	Aquaculture	457	269
1,195	1,499	Industry	1,499	1,195
1,206	1,309	Agriculture/forestry	1,309	1,206
11,808	14,561	Service sector	14,337	11,591
2,538	3,753	Wholesale and retail trade, hotels and restaurants	3,753	2,538
1,331	1,679	Energy, oil and gas	1,679	1,331
1,779	2,340	Building and construction	2,340	1,779
550	984	Power and water supply	984	550
6,517	6,559	Real estate	6,559	6,517
2,265	1,952	Shipping and other transport	1,952	2,265
25,490	29,902	Public sector and financial services	29,902	25,490
54,948	**64,995**	**Total industry**	**64,771**	54,731
48,375	**53,399**	**Retail market**	**53,399**	48,375
103,323	**118,394**	**Total deposits by sector and industry**	**118,170**	103,106
		Deposits by geographic area		
73,526	80,587	Rogaland	80,363	73,309
8,962	10,602	Agder	10,602	8,962
11,649	13,557	Vestland	13,557	11,649
5,479	10,636	Oslo/Viken	10,636	5,479
1,856	1,382	International	1,382	1,856
1,851	1,630	Other	1,630	1,851
103,323	**118,394**	**Total deposits by geographic area**	**118,170**	103,106

NOTE 34 SECURITIES ISSUED

(Figures in NOK millions)

Parent bank NOK	Parent bank Currency	Parent bank Total		Group Total	Group Currency	Group NOK
-	1,204	1,204	Other long-term borrowing	1,204	1,204	-
21,133	29,411	50,544	Bonds and certificates [1]	50,544	29,411	21,133
-	-	-	Covered bonds [1]	75,015	56,842	18,173
400	-	400	Senior non-preferred bonds	400	-	400
21,533	**30,615**	**52,148**	**Total securities issued**	**127,163**	**87,457**	**39,706**

Maturity date of securities issued

NOK	Currency	**Total**	**Maturity**	**Total**	Currency	NOK
4,412	8,649	13,061	2021	20,957	16,542	4,415
4,337	6,129	10,466	2022	20,568	11,227	9,341
3,589	2,496	6,085	2023	17,412	8,822	8,590
3,461	10,321	13,782	2024	19,202	15,741	3,461
2,196	1,260	3,456	2025	18,275	10,076	8,199
3,538	110	3,648	2026	9,005	5,467	3,538
-	389	389	2027	8,427	8,427	-
-	1,261	1,261	2028 and maturity after	13,317	11,155	2,162
21,533	**30,615**	**52,148**	**Total securities issued**	**127,163**	**87,457**	**39,706**

[1] Own certificates and bonds have been deducted.

Group **Change in securities issued**	**Balance sheet 31 Dec 2020**	**Issued 2020**	**Matured/rede-emed 2020**	**Exchange rate and other changes 2020**	**Balance sheet 31 Dec 2019**
Other long-term borrowing, nominal value	1,203	-	-1,183	-38	2,424
Bonds and certificates, nominal value	49,051	5,402	-8,740	1,843	50,546
Covered bonds, nominal value	72,495	19,565	-10,464	2,802	60,592
Senior non-preferred bonds, nominal value	399	399	-	-	-
Value adjustments and accrued interest	4,015			1,413	2,602
Total securities issued	**127,163**	25,366	-20,387	6,020	116,164

NOTE 35 OTHER DEBT AND OTHER LIABILITIES

(Figures in NOK millions)

Parent bank 2019	Parent bank **2020**	**Other liabilities**	Group **2020**	Group 2019
176	197	Pension liabilities (note 23)	204	187
130	256	Impairment losses on financial liabilities	256	130
109	90	Accounts payable	109	134
37	38	Tax deducted	56	52
91	4	Unsettled trades	4	91
189	122	Other liabilities	148	211
78	82	Accrued holiday pay	116	108
195	42	Other accrued costs	107	336
1,005	**831**	**Total other liabilities**	**1,000**	1,249
		Security pledged		
16,312	23,709	Securities prepared for pledges of security in Norges Bank	23,709	16,312
900	728	Security pledged year end	728	900

Ongoing legal disputes

The group is a party in a number of court cases with a total financial scope that is not considered to be significant, inasmuch as the group has made loss provisions in those cases where it is assumed more likely than not that the group will incur a loss as a result of the cases.

NOTE 36 RESTRICTED FUNDS

(Figures in NOK millions)

Parent bank 2019	Parent bank 2020		Group 2020	Group 2019
37	38	Tax deducted	56	52
37	**38**	**Total restricted funds**	**56**	52

NOTE 37 SUBORDINATED LOAN CAPITAL

(Figures in NOK millions)

Parent bank 2019	Parent bank 2020	Principal		Terms	Maturity	First due date	Group 2020	Group 2019
				Non-perpetual				
703	702	700	NOK	3-month NIBOR + 1.45% p.a.	2029	2024	702	703
629	627	625	NOK	3-month NIBOR + 1.52% p.a.	2028	-	627	629
300	300	300	NOK	3-month NIBOR + 1.45% p.a.	2028	2023	300	300
493	525	50	EUR	6 month Euribor + 1.725% p.a.	2030	.	525	493
2,125	**2,154**			**Total non-perpetual**			**2,154**	2,125
2,125	**2,154**			**Total subordinated loan capital**			**2,154**	2,125

Subordinated loan capital in foreign currencies are included in the group's total currency position so that there is no currency risk associated with the loans. Of a total of NOK 2,154 million in subordinated loan capital, NOK 2,097 million counts as term subordinated loan capital. Capitalised costs associated with borrowing are reflected in the calculation of amortised cost.

Change in subordinated loans	Balance 31 Dec 2020	Issued/sale own 2020	Matured/ redeemed 2020	Exchange rate and other changes 2020	Balance 31 Dec 2019
Dated subordinated loan capital, nominal value	2,149	-	-	31	2,118
Value adjustments and interest	5			-2	7
Total subordinated loan capital	**2,154**	-	-	29	2,125

[1)] This note is identical for the parent bank.

NOTE 38 INVESTMENTS IN OWNERSHIP INTERESTS

Subsidiaries, associated companies and joint ventures

Company	Acquisition date	Registered head office	Ownership in % [1]
Investments in subsidiaries			
Shares held by the parent bank			
EiendomsMegler 1 SR-Eiendom	1990	Stavanger	100.00
SR-Forvaltning	2001	Stavanger	100.00
FinStart Nordic Group	2005	Oslo	100.00
SpareBank 1 SR Bank ForretningsPartner	2015	Stavanger	100.00
Finansparken Bjergsted	2014	Stavanger	100.00
Rygir Industrier Group	2012	Stavanger	100.00
SR-Boligkreditt	2015	Stavanger	100.00
Bjergsted Terrasse	2019	Stavanger	100.00
Monner	2019	Oslo	100.00
Shares owned by subsidiaries			
Jærmegleren	2007	Stavanger	100.00
Beaufort Solutions	2019	Oslo	68.48
Willow Labs	2020	Oslo	100.00
Investments in associated companies			
SpareBank 1 Boligkreditt [2]	2005	Stavanger	0.00
SpareBank 1 Næringskreditt	2009	Stavanger	15.63
BN Bank	2008	Trondheim	35.02
SpareBank 1 Kreditt	2012	Trondheim	17.67
SpareBank 1 Betaling	2015	Oslo	19.77
SpareBank 1 Bank og Regnskap	2018	Trondheim	20.00
SpareBank 1 Gjeldsinformasjon	2020	Oslo	18.26
Investments in associated companies in the FinStart Nordic Group			
Vester	2018	Oslo	42.77
Kapp Securities	2018	Oslo	42.86
Just Technologies	2018	Oslo	21.39
MyRent	2020	Oslo	25.93
Investments in joint ventures			
SpareBank 1 Gruppen	1996	Oslo	19.50
SpareBank 1 Utvikling	2004	Oslo	18.00

[1] Voting rights and ownership share are equal in all companies
[2] Stake changed from 2.21% to 0% as at 31 December 2020

Subsidiaries

Shares in subsidiaries parent bank

Investments are recognised at the parent bank's acquisition cost. These items are fully consolidated in the consolidated financial statements.

(Figures in NOK thousands) 2020	The company's share capital	Ownership interest in %	No. of equities	Nominal value	Assets	Liabilities	Total income	Total costs	The company's result for the year	Book value
SR-Boligkreditt	6,000,000	100.00	6,000,000	6,000,000	95,200,552	88,561,113	841,648	3,376	632,690	6,000,150
Total investments in credit institutions				**6,000,000**	**95,200,552**	**88,561,113**	**841,648**	**3,376**	**632,690**	**6,000,150**
EiendomsMegler 1 SR-Eiendom	1,500	100.00	150	1,500	212,337	107,534	406,795	356,908	38,783	97,205
FinStart Nordic Group	75,000	100.00	6,700	67,000	426,727	70,259	-63,678	49,397	-88,761	353,975
SR-Forvaltning	6,000	100.00	6,000	6,000	60,420	21,320	61,368	42,033	14,450	29,018
SpareBank 1 SR Bank ForretningsPartner	1,300	100.00	13,000	1,300	214,030	62,846	169,967	148,960	15,095	120,125
Rygir Industrier Group	14,400	100.00	90,000	14,400	240,848	77,105	18,304	-407	19,473	117,050
Finansparken Bjergsted	76,000	100.00	8,000	76,000	663,436	238,789	25,799	23,045	2,147	456,416
Bjergsted Terrasse	3,000	100.00	3,000,000	3,000	50,345	46,845	71	9,035	-6,993	3,000
Monner	45,056	100.00	4,505,646,926	45,056	58,825	10,184	3,942	21,329	-12,631	169,320
Total other investments				**214,256**	**1,926,967**	**634,882**	**622,567**	**650,299**	**-18,436**	**1,346,109**
Total investments in subsidiaries parent bank				**6,214,256**	**97,127,519**	**89,195,995**	**1,464,215**	**653,675**	**614,254**	**7,346,259**

2019	The company's share capital	Ownership interest in %	No. of equities	Nominal value	Assets	Liabilities	Total income	Total costs	The company's result for the year	Book value
SR-Boligkreditt	6,000,000	100.00	6,000,000	6,000,000	77,930,579	71,473,830	584,403	3,316	454,505	6,000,150
Total investments in credit institutions				6,000,000	77,930,579	71,473,830	584,403	3,316	454,505	6,000,150
EiendomsMegler 1 SR-Eiendom	1,500	100.00	150	1,500	175,378	107,930	398,921	392,907	4,519	97,205
FinStart Nordic Group	67,000	100.00	6,700	67,000	503,116	62,733	56,678	29,468	28,375	340,725
SR-Forvaltning	6,000	100.00	6,000	6,000	62,640	20,009	62,801	37,368	18,933	29,018
SpareBank 1 SR Bank ForretningsPartner	1,300	100.00	13,000	1,300	199,739	63,650	133,323	122,636	7,510	120,125
Rygir Industrier Group	14,400	100.00	90,000	14,400	253,265	129,112	-7,745	12,123	-17,384	131,050
Finansparken Bjergsted	76,000	100.00	8,000	76,000	756,304	303,804	-85	4,108	-3,340	433,016
Bjergsted Terrasse	3,000	100.00	3,000,000	3,000	49,685	38,823	12,022	2,522	7,604	3,000
Monner	30,056	100.00	3,005,646,926	30,056	80,967	12,445	1,403	8,303	3,859	160,820
Total other investments				199,256	2,081,094	738,506	657,318	609,435	50,076	1,314,959
Total investments in subsidiaries parent bank				6,199,256	80,011,673	72,212,336	1,241,721	612,751	504,581	7,315,109

Investments in associated companies and joint ventures

(Figures in NOK millions)

Parent bank 2019	Parent bank 2020		Group 2020	Group 2019
2,099	2,336	Carrying amount 1 Jan	4,180	3,713
237	-57	Additions/disposals	-78	280
-	-33	Recognised value adjustment	-12	-
-	-	Equity changes	23	10
-	-	Share of profit/loss	663	875
-	-	Dividend paid	-253	-698
2,336	**2,246**	**Carrying amount 31 Dec**	**4,523**	4,180
-	-	Share of profit from SpareBank 1 Gruppen	534	712
-	-	Share of profit from SpareBank 1 Boligkreditt	2	6
-	-	Share of profit from SpareBank 1 Næringskreditt	9	12
-	-	Share of profit from BN Bank	121	109
-	-	Profit share from SpareBank 1 Utvikling	2	-2
-	-	Share of profit from SpareBank 1 Kreditt	2	13
-	-	Share of profit from SpareBank 1 Bank og Regnskap	-2	-
-	-	Share of profit from SpareBank 1 Betaling	-2	3
-	-	Profit share in the FinStart Nordic Group	-3	22
663	195	Dividend from SpareBank 1 Gruppen	-	-
-	5	Dividend from SpareBank 1 Boligkreditt	-	-
9	16	Dividend from SpareBank 1 Næringskreditt	-	-
26	-	Dividend from SpareBank 1 Kreditt	-	-
	37	Dividend from BN Bank	-	-
698	**253**	**Total income**	**663**	875

Investments in all the companies are assessed using the cost method in the parent bank and the equity method in the group. Investments in joint ventures and associated companies in the group as at 31 December 2020 include goodwill amounting to NOK 67 million (2019: NOK 67 million).

The group's ownership interests in associated companies and joint ventures

(Figures in NOK millions)

2020		Assets	Liabilities	Income	Costs	Profit or loss	Carrying amount 31 Dec	Stake in %	No. of shares
SpareBank 1 Gruppen	Oslo	21,150	18,309	4,791	4,439	534	2,229	19.50	381,498
SpareBank 1 Utvikling	Oslo	195	166	282	276	2	29	18.00	-
SpareBank 1 Boligkreditt	Stavanger	-	-	4	1	2	-	0.00	-
BN Bank	Trondheim	12,526	10,933	292	102	121	1,558	35.02	4,943,072
SpareBank 1 Næringskreditt	Stavanger	1,875	1,549	15	2	9	326	15.63	2,537,657
SpareBank 1 Kreditt	Trondheim	1,030	855	77	58	2	175	17.67	510,296
SpareBank 1 Betaling	Oslo	153	1	-1	-	-2	152	19.77	3,661,853
SpareBank 1 Bank og Regnskap	Trondheim	2	1	-	-	-2	1	20.00	20,000
SpareBank 1 Gjeldsinformasjon	Oslo	1	-	-	-	-	1	18.26	85,302,090
Other investments						-3	52		
Total		**36,932**	**31,814**	**5,460**	**4,878**	**663**	**4,523**		

2019		Assets	Liabilities	Income	Costs	Profit or loss	Carrying amount 31 Dec	Stake in %	No. of shares
SpareBank 1 Gruppen	Oslo	18,244	16,124	5,032	4,727	712	1,674	19.50	381,498
SpareBank 1 Utvikling	Oslo	194	167	247	246	-2	27	18.00	
SpareBank 1 Boligkreditt	Stavanger	5,428	5,157	13	2	6	248	2.21	1,679,661
BN Bank	Trondheim	11,177	9,673	265	100	109	1,469	35.02	4,943,072
SpareBank 1 Næringskreditt	Stavanger	1,784	1,456	17	2	12	330	15.63	2,537,657
SpareBank 1 Kreditt	Trondheim	1,037	855	98	47	13	182	17.83	514,974
SpareBank 1 Betaling	Oslo	153	1	-11	-	3	153	19.77	3,661,853
SpareBank 1 Bank og Regnskap	Trondheim	14	-	1	1	-	15	20.00	20,000
Other investments						22	82		
Total		38,031	33,433	5,662	5,125	875	4,180		

NOTE 39 MATERIAL TRANSACTIONS WITH CLOSE ASSOCIATES

(Figures in NOK millions)

Close associates means associated companies, joint ventures and subsidiaries and people close to executive personnel and members of the board. The bank's outstanding balances with executive personnel and members of the board are shown in note 21.

Subsidiaries **2020**	**Loans 31 Dec**	**Deposits 31 Dec**	**Receiv-ables**	**Liabilities**	**Interest income**	**Interest costs**	**Comm-issions**	**Other operating income**	**Operating costs**
EiendomsMegler 1	-	54	-	-	6	6	-	8	9
SR-Forvaltning	-	50	-	-	-	-	34	6	-
FinStart Nordic	50	-	-	-	1	-	-	-	-
SpareBank 1 SR Bank ForretningsPartner	-	38	-	-	1	-	-	2	9
SR-Boligkreditt [1)]	12,729	74	667	6,291	83	2	51	1	-
Rygir Industrier Group	65	18	-	-	4	-	-	-	-
Finansparken Bjergsted	232	35	640	650	6	-	-	-	44
Bjergsted Terrasse	-	1	42	-	-	-	-	-	-
Monner	-	27	-	-	-	-	-	-	-
Total subsidiaries	**13,076**	**297**	**1,349**	**6,941**	**101**	**8**	**85**	**17**	**62**

[1)] Transferred loans, sold NOK 70,200 million and bought NOK 2,000 million.

2019									
EiendomsMegler 1	-	15	-	-	5	3	5	2	1
SR-Forvaltning	-	53	-	-	-	1	32	1	-
FinStart Nordic	32	-	-	-	1	-	-	-	-
SpareBank 1 SR Bank ForretningsPartner	-	27	-	-	-	-	-	-	7
SR-Boligkreditt [1)]	8,752	283	763	2,878	96	15	44	-	-
Rygir Industrier Group	88	34	-	-	3	-	1	-	-
Finansparken Bjergsted	240	51	399	401	5	2	-	-	4
Bjergsted Terrasse	-	7	32	-	-	-	-	-	12
Monner	-	24	-	-	-	-	-	-	-
Total subsidiaries	9,112	494	1,194	3,279	110	21	82	3	24

[1)] Transferred loans, sold NOK 40,100 million and bought NOK 1,000 million.

Associated companies and joint ventures

2020	**Loans 31 Dec**	**Deposits 31 Dec**	**Interest income**	**Interest costs**	**Comm-issions**	**Other opera-ting income**	**Operating costs**
SpareBank 1 Gruppen	961	-	22	-	293	-	8
SpareBank 1 Utvikling	-	-	-	-	-	-	202
SpareBank 1 Boligkreditt [2)]	-	-	2	-	14	-	-
SpareBank 1 Næringskreditt	-	-	-	-	-	-	-
SpareBank 1 Kreditt	878	-	25	-	53	-	-
Total associated companies and joint ventures	**1,839**	**-**	**49**	**-**	**360**	**-**	**210**

[2)] Transferred loans, sold NOK 1,870 million and bought NOK 4,723 million. As at 31 December 2020, no loans had been sold to SpareBank 1 Boligkreditt.

2019							
SpareBank 1 Gruppen	1,420	-	20	-	276	-	7
SpareBank 1 Utvikling	-	-	-	-	-	-	207
SpareBank 1 Boligkreditt [2)]	-	667	-	6	33	-	-
SpareBank 1 Næringskreditt	-	87	-	2	-	-	-
SpareBank 1 Kreditt	878	-	29	-	55	-	-
Total associated companies and joint ventures	2,298	754	49	8	364	-	214

[2)] Transferred loans, sold NOK 1,560 million and bought NOK 4,670 million.

Transactions with close associates of the group executive management team [1)]

There were no transactions with close associates of the group executive management team.

Transactions with close associates of the board [1)]

There were no transactions with close associates of the board.

[1)] Including transactions with close associates and companies in which close associates are key personnel.

NOTE 40 SHARE CAPITAL AND OWNERSHIP STRUCTURE

Share capital

SpareBank 1 SR-Bank's share capital amounts to NOK 6,393,777,050 divided into 255,751,082 shares, each with a nominal value of NOK 25. The share capital (formerly equity share capital) was raised in the following manner and on the following dates:

Year		Change in share capital	Total share capital	No. of equities
1994	Public issue	744.0	744.0	7,440,000
2,000	Private placement with employees	5.0	749.0	7,489,686
2001	Private placement with employees	4.8	753.8	7,538,194
2004	Bonus issue	150.8	904.6	9,045,834
2005	Bonus issue/split	226.1	1,130.7	22,614,585
2007	Private placement	200.0	1,330.7	26,613,716
2007	Bonus issue/split	443.5	1,774.2	70,969,909
2008	Dividend issue	91.7	1,866.0	74,638,507
2008	Private placement with employees	6.6	1,872.6	74,903,345
2009	Bonus issue/split	374.5	2,247.1	89,884,014
2009	Private placement	776.2	3,023.3	120,933,730
2010	Private placement with employees	7.8	3,031.1	121,243,427
2010	Private placement with Kvinnherad	151.7	3,182.8	127,313,361
2012	Conversion limited savings bank	1,804.4	4,987.2	199,489,669
2012	Private placement	1,406.5	6,393.8	255,751,082

Besides the share capital, the equity consists of the share premium reserve, hybrid capital and other equity.

Dividend policy

SpareBank 1 SR-Bank's financial goal for its activities is to achieve results that provide a good, stable return on the bank's equity, thus creating value for the owners in the form of competitive dividends and a higher share price. 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 net profit for the year as dividends.

Trading in own shares in 2020 (Figures in NOK thousands)	**No. of equities**	**Nominal value**
Holding as at 31 Dec 2019	91,311	2,283
Traded in 2020	-68,199	-1,705
Holding as at 31 Dec 2020	**23,112**	**578**

20 largest shareholders as at 31 December 2020

Shareholder	of shares	% ratio
Sparebankstiftelsen SR-Bank	72,419,305	28.3%
National Insurance Scheme Fund	21,078,112	8.2%
Brown Brothers Harriman & Co, USA	6,612,187	2.6%
SpareBank 1-stiftinga Kvinnherad	6,226,583	2.4%
State Street Bank and Trust Co, USA	6,005,407	2.3%
Vpf Nordea Norge Verdi	4,933,097	1.9%
Danske Invest Norske Instit. II	3,550,817	1.4%
Odin Norge	3,423,133	1.3%
Verdipapirfondet Alfred Berg Gambak	3,311,467	1.3%
Pareto Aksje Norge	3,193,790	1.2%
J.P. Morgan Chase Bank N.A., USA	2,887,077	1.1%
Clipper AS	2,211,000	0.9%
Verdipapirfondet Alfred Berg Norge	2,012,771	0.8%
KLP Aksjenorge Index	1,988,704	0.8%
State Street Bank and Trust Co, USA	1,934,397	0.8%
JPMorgan Bank Luxembourg	1,812,377	0.7%
Westco AS	1,797,687	0.7%
Pareto Invest AS	1,712,275	0.7%
The Bank of New York Mellon, Ireland	1,685,603	0.7%
Norwegian Armed Forces' Personnel Service	1,625,811	0.6%
Total 20 largest	150,421,600	58.8%
Other shareholders	105,329,482	41.2%
Shares issued	**255,751,082**	**100.0%**

The total number of shareholders as at 31 December 2020 was 13,113. This is 1,792 more than at year end 2019. The proportion of shares held by shareholders residing in Rogaland, Agder and Vestland was 43.9%, and the proportion held by foreign shareholders was 21.8%. Please also see the overview of shareholders on the board and supervisory board. For more information about SpareBank 1 SR-Bank's share please refer to the special section in the annual report.

20 largest shareholders as at 31 December 2019

Shareholder	of shares	% ratio
Sparebankstiftelsen SR-Bank	72,419,305	28.3%
National Insurance Scheme Fund	19,650,845	7.7%
State Street Bank and Trust Co, USA	14,306,844	5.6%
SpareBank 1-stiftinga Kvinnherad	6,226,583	2.4%
Vpf Nordea Norge Verdi	3,873,936	1.5%
Danske Invest Norske Instit. II	3,843,345	1.5%
Odin Norge	3,241,248	1.3%
J.P. Morgan Chase Bank N.A., USA	2,898,345	1.1%
Morgan Stanley & Co Int, UK	2,699,201	1.1%
Pareto Aksje Norge	2,406,025	0.9%
Clipper AS	2,211,000	0.9%
Verdipapirfondet Alfred Berg Gambak	1,991,707	0.8%
KLP Aksjenorge Index	1,874,547	0.7%
Arctic Funds plc, Ireland	1,794,087	0.7%
Verdipapirfondet DNB Norge	1,750,049	0.7%
Verdipapirfondet Alfred Berg Norge	1,741,511	0.7%
State Street Bank and Trust Co, USA	1,703,706	0.7%
Norwegian Armed Forces' Personnel Service	1,599,656	0.6%
Danske Invest Norske Aksjer Inst.	1,596,703	0.6%
J.P. Morgan Bank Luxembourg S.A.	1,587,834	0.6%
Total 20 largest	149,416,477	58.4%
Other shareholders	106,334,605	41,6%
Shares issued	**255,751,082**	**100.0%**

The total number of shareholders as at 31 December 2019 was 11,321. This is 517 more than at year end 2018. The proportion of shares held by shareholders residing in Rogaland, Agder and Vestland was 42.9%, and the proportion held by foreign shareholders was 27.9%. Please also see the overview of shareholders on the board and supervisory board. For more information about SpareBank 1 SR-Bank's share, please refer to the special section in the annual report.

Hybrid capital
(Figures in NOK millions)

Group [1]	Principal		Terms	Maturity	First maturity date	2020	2019
Hybrid capital	150	NOK	3-month NIBOR + 3.20%	No due date	2022	150	150
Hybrid capital	400	NOK	3-month NIBOR + 3.50%	No due date	2023	400	400
Hybrid capital	450	NOK	3-month NIBOR + 3.50%	No due date	2024	450	450
Hybrid capital	250	NOK	3-month NIBOR + 3.35%	No due date	2024	250	250
Hybrid capital	600	NOK	3-month NIBOR + 3.25%	No due date	2025	600	600
Total hybrid capital						**1,850**	1,850

Change of hybrid capital	Balance sheet 31 Dec 2020	Issued 2020	Matured/ redeemed 2020	Exchange rate and other changes 2020	Balance sheet 31 Dec 2019
Total hybrid capital	1,850	-	-	-	1,850

[1] This note is identical for the parent bank.

NOTE 41 EVENTS AFTER THE BALANCE SHEET DATE

No material events have been registered after 31 December 2020 that affect the annual financial statements as prepared.

In April 2020, the board received special authorisation to decide on payment of a dividend of up to NOK 5.50 per share for the 2019 financial year. At the board meeting on 10 February 2021, the board exercised its special authorisation and approved payment of a dividend of NOK 5.50 per share for the 2019 financial year, which will total NOK 1,407 million. Financial strength further increased in 2020 due to the profit being temporarily withheld. The board will ask the annual general meeting for special authorisation to approve payment of a dividend for the 2020 financial year of up to NOK 3.10, in line with the applicable regulations.

To the General Meeting of Sparebank 1 SR-Bank ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sparebank 1 SR-Bank ASA, which comprise:

- The financial statements of the parent company Sparebank 1 SR-Bank ASA (the Company), which comprise the balance sheet as at 31 December 2020, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The consolidated financial statements of Sparebank 1 SR-Bank ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The company's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or events that qualified as new Key Audit Matters. Our areas of focus are therefore unchanged from 2018.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of loans to customers	
Loans to customers represents a considerable part of the Group's total assets. The bank's procedures and control systems related to credit rating and their monitoring process are central to the valuation of loans. The framework is complex and includes a considerable volume of data and judgemental parameters. The use of estimates may affect profit before tax. Estimates may also affect the compliance with the Capital Requirements Regulation due to the risk classification of loans. We focused on this area due to the significance of the impairment considerations for the value of loans in the financial statements, and the fact that the use of judgement has a potential to affect the profit for the period. Furthermore there is an inherent risk of errors because of the complexity and quantity of data involved in the modelling. Assessment of write down is based on a model based framework including elements that require management to use their best estimate. The framework is complex and includes significant amount of data and judgemental parameters. The use of models to determine expected credit losses entails judgement, specifically with respect to:	We addressed and tested controls related to valuation of loans to customers. The objective of these controls are to identify whether loans have objective evidence of impairment, and how the impairment losses should be calculated when objective evidence exists. We concluded that we could rely on these controls in our audit. Throughout 2020, we held meetings with the credit and legal department in the bank. The financial statement show that total non-performing and impaired loans are at a somewhat lower level compared to last year. In these meetings, we challenged the bank's assessments, including possible impairment indicators on loans where there is not yet objective evidence that impairment exists. This included loans that were assessed by the bank and loans selected based on industry, size, risk and haphazardly. We assured that the bank had particular attention on loans in the petroleum related industry. For loans where objective evidence exists, we challenged the bank and examined the relevance and the reasonableness of the assumptions and the method used in the calculation of realisable value. Our procedures indicate that the bank's assumptions and methods were reasonable. Our audit also includes tests aimed towards the company's financial reporting systems which are relevant to the financial reporting. The company utilizes external service providers to operate some of its central core IT systems. We have utilized auditor of the external service organizations to assess and evaluate the design and effectiveness of such controls, and to test established controls to ensure the integrity of the IT systems relevant for financial reporting. In this

- classification of the various credit portfolios by risk and asset type;
- identification of impaired loans or loans presenting a significant increase in credit risk;
- how the loans are categorised in stages;the use of parameters such as the probability of default and loss given default and scenarios.

According to accounting standards, the bank shall assess, at the end of each reporting period, whether there is objective evidence that impairment exists for the loans. If there are, the losses should be calculated as the residual of the book value less the present value of future cash flows. Both assessments involve significant judgements.

In our audit, we gave special attention to:

- Managements' process to identify loans with objective evidence that impairment exists.
- Managements' process to monitor engagements that are particularly exposed due to the decline in the petroleum related industry.
- Management's assumptions used in calculating the impairment amount for loans where impairment exists.

Refer to note 6, 8, 10, 11, 12, 13 and 14 in the annual report for a description of the group's credit risk and managements process related to impairment of loans to customers and assumptions for valuation.

regard, the above mentioned auditor have submitted an ISAE 3402 type 2 report. The auditor's testing included, among other things, the assessment of whether key calculation made by the core systems were in line with expectations, including the evaluation of interest rate calculations and amortization. The tests also included data integrity, as was modifications and changes in access and restricted access to the systems. To determine whether we could use the information received by the other auditors as a basis for our assessments, we assured the auditor's competence and objectivity and reviewed the reports sent and considered possible nonconformities and measures. We also carried out tests ourselves towards access controls to IT systems and segregation of duties where necessary for the sake of our own specific audit procedures. Our assessments and tests support our assumption that data handled and calculations made by the company's external core system were reliable. This was a necessary basis for our audit.

We performed credit assessments for a sample of loans, where we evaluated whether objective evidence for impairment losses exist. We also assessed the realisable value the bank had calculated. These values are calculated by using internal and external appraisals. The financial statement show that the loan loss provision ratios is somewhat increased this year. The loan-loss provision ratio is defined as individual write-downs in percent of non-performing and impaired loans. The results of our testing of individual impairment losses show that management had used reasonable assumptions in the calculation of the impairment amounts.

For loans considered on a collective basis the calculation is based on a framework model. We tested the model and considered the relevance and the reasonableness of important assumptions used in the calculation.

As for the internal control environment, we obtained a detailed understanding of the processes and tested the controls associated with:

- the calculation and methodologies used;
- whether the Management-approved internal models worked as intended;
- the reliability of the sources of the data used for calculation purposes;

Our testing of the internal controls did not give any indication of material misstatements in the model or non-compliance with IFRS. The financial statement show that the loan-loss provision ratio, measured as collective impairment losses in percent of gross loans, is stable compared to last year. The level of collective losses were among other things compared to other comparable banks and analysed towards the bank's other loan portfolio. We concluded that the assumptions used in the calculation of the impairment amounts were reasonable.

We satisfied ourselves that disclosures regarding valuation of loans and guarantees, appropriately describes risks in the portfolio, and that the disclosures are in accordance with the requirements.

Completeness and valuation of derivatives

Derivatives consist mainly of interest- and currency instruments. The bank uses derivatives to reduce interest and exchange risk related to fixed-rate funding and loans to customers, bonds (assets and liabilities) and certificates (assets and liabilities). The bank has also a significant trade of derivatives on behalf of customers. There is a risk of errors in the financial statements if derivatives are not accurately registered in the banks systems.

Derivatives are measured at fair value, and the valuation techniques depends partly on management judgement as described in note 27. The use of assumptions (interest rates and credit spread) can therefore potentially affect the income statement.

Refer to notes 2, 3, 6, 14, 15, 16, 25, 26 and 27 for a more complete description of the Groups risk governance and use of derivatives.

The bank has established processes and controls to ensure accurate registration and measurement of derivative contracts.

We tested the bank's control over the entering into and closing of derivative contracts, including the registration in the banks systems. Our audit also includes tests to ensure that the bank reconciles transactions with counterparties on a daily basis. Furthermore, we have tested the banks methodology and controls regarding pricing models. We concluded that we could rely on these controls in our audit.

Interest and exchange curves were on a daily basis fed into the bank's portfolio system as basis for pricing of derivatives. We tested the pricing by recalculating the pricing of different derivatives by using the same interest and exchange curves as the bank. We compared these prices to external sources. The result of our testing show that management used reasonable assumptions when calculating the fair value of the derivatives.

We satisfied ourselves that disclosures regarding derivatives were appropriate.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 11 March 2021
PricewaterhouseCoopers AS

Torbjørn Larsen
State Authorised Public Accountant

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

To the Board of Directors in SpareBank 1 SR-Bank

Report on SpareBank 1 SR-Bank's sustainability reporting

We have undertaken a limited assurance engagement of SpareBank 1 SR-Bank's sustainability reporting. SpareBank 1 SR-Bank's sustainability reporting comprises GRI Index for 2020 and measurements and reporting of key performance indicators for sustainability per 01 January – 31. December 2020.

> SpareBank 1 SR-Bank's GRI Index is an overview of which principles, aspects and indicators from The Global Reporting Initiative guidelines that SpareBank 1 SR-Bank uses to measure and report on sustainability, together with a reference to where material sustainability information is reported. SpareBank 1 SR-Bank's GRI Index for 2020 is part of SpareBank 1 SR-Bank's annual report for 2020. Our limited assurance engagement comprises whether SpareBank 1 SR-Bank has developed a GRI Index for 2020 and whether disclosures are presented according to the Standards published by The Global Reporting Initiative (www.globalreporting.org/standards) (criteria).
>
> Key performance indicators for sustainability are indicators for sustainability performance that SpareBank 1 SR-Bank's GRI Index for 2020 refer to, and that SpareBank 1 SR-Bank measure and control. Key performance indicators for sustainability are available and included in SpareBank 1 SR-Bank's annual report 2020. SpareBank 1 SR-Bank has prepared the key performance indicators. Our limited assurance engagement comprises the basis for the measurements, the calculations of the measurements, and whether key performance indicators are presented according to the Standards published by The Global Reporting Initiative (www.globalreporting.org/standards) (criteria).

Tasks and responsibilities of management
Management is responsible for SpareBank 1 SR-Bank's sustainability reporting and that the reporting is developed in accordance with the Standards published by The Global Reporting Initiative. Their responsibility includes developing, implementing and maintaining internal controls that ensure the reporting of the GRI Index and key performance indicators for sustainability.

Our independence and quality control
We are independent of the company in accordance with applicable laws and regulations and the Code of Ethics for Professional Accountants (IESBA Code) and with the ethical requirements that are relevant to our independent statement, and we have fulfilled our ethical obligations in accordance with these requirements and IESBA Code. We use ISQC 1 - Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and maintains a comprehensive quality control system including documented policies and procedures of the ethical standards, professional standards and applicable legal and regulatory claim.

The Auditors responsibilities
Our responsibility is to express a limited assurance conclusion on SpareBank 1 SR-Bank's sustainability reporting based on the procedures we have performed and the evidence we have obtained. We have performed our work and will issue our statement in accordance with the Standard

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on Assurance Engagements ISAE 3000: “Assurance engagements other than audits or review of historical financial information".

Our work involves performing procedures to obtain evidence that SpareBank 1 SR-Bank’s sustainability reporting is developed in accordance with the Standards published by The Global Reporting Initiative. The procedures selected depend on our judgement, including assessments of the risks that the sustainability reporting as a whole are free from material misstatement, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the subject matter. Therefore, we design procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our control also includes an assessment of whether the applied criteria are appropriate and an assessment of the overall presentation of the subject matter.

The procedures performed include meetings with representatives from SpareBank 1 SR-Bank that are responsible for the key areas covered by the sustainability reporting, including credit, HR, procurement, risk and compliance, to evaluate internal controls and procedures related to sustainability reporting; collecting and reviewing relevant information that supports the presentation of key performance indicators; evaluating the completeness and accuracy of the key performance indicators; and controlling the calculations of key performance indicators based on an assessment of the risk that the key performance indicators contain information that is incorrect.

In our opinion, sufficient evidence has been obtained and we consider that our work provides an appropriate basis to form our conclusion.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that

> SpareBank 1 SR-Bank’s GRI Index is not developed and presented, in all material respects, in accordance with the requirements of the Standards published by The Global Reporting Initiative; and
>
> Key performance indicators for sustainability are not developed, measured and reported, in all material aspects, in accordance with the requirements of the Standards published by The Global Reporting Initiative.

Stavanger, 11 March 2021
PricewaterhouseCoopers AS

Torbjørn Larsen
State authorized public accountant

(This translation from Norwegian has been made for information purposes only)

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Statement by the Board of Directors and CEO

We hereby confirm that the financial statements for the period 1 January to 31 December 2020 have, to the best of our knowledge, been prepared pursuant to applicable accounting standards, and that the information provided presents a true and fair picture of the company's and the group's assets, liabilities, financial positions and profit as a whole.

We also confirm that the board of directors' report provides a true and fair presentation of the performance, result and position of the company and group, together with a description of the most important risk and uncertainty factors that the company and the group face.

Stavanger 11 March 2021

Dag Mejdell Chair of the board	Kate Henriksen	Tor Dahle
Ingrid Riddervold Lorange	Trine Sæther Romuld	Jan Skogseth
Sally Lund-Andersen Employee representative	Kristian Kristensen Employee representative	Benedicte Schilbred Fasmer Chief Executive Officer

GRI Index SpareBank 1 SR-Bank 2020

GENERAL INFORMATION

GRI indicator	Description	Location in the report (chapter, page)	Reporting directly in the index
Organisational profile			
102-1	Name of the organisation		SpareBank1 SR-Bank
102-2	Most important brands, products and/or services	SpareBank 1 SR-Bank (8)	
102-3	Location of the organisation's head office		Stavanger
102-4	Number of countries in which the organisation operates		Norway
102-5	Ownership and legal form of business organisation	SpareBank 1 SR-Bank (8, 9)	
102-6	Description of the markets served by the organisation	SpareBank 1 SR-Bank (8)	
102-7	Size and scope of the organisation	SpareBank 1 SR-Bank (8) Employees (12) Annual financial statements (58, 59)	
102-8	Total number of employees by type of employment, employment contract and region, broken down by gender	Employees (14)	
102-9	Description of the organisation's supply chain	Report of the Board of Directors (48, 49, 50)	
102-10	Significant changes during the reporting period regarding the size, structure or ownership		No major changes
102-11	Description of whether and how the precautionary principle is used within the organisation		SpareBank 1 SR-Bank is a member of the Global Compact and thus has committed to practising the "precautionary principle".
102-12	External initiatives, charters or principles in the financial, environmental or social area that the organisation supports or has acceded to	Sustainability (20, 21, 22, 23)	UN Global Compact, UNEP Finance Initiative, Responsible Ship Recycling standard, Poseidon Principles, PRI
102-13	Membership in industry organisations or other associations, and national/international lobby organisations	Sustainability (20, 21, 22, 23)	UN Global Compact, UNEP Finance Initiative, Responsible Ship Recycling standard, Poseidon Principles, PRI, Finance Norway
Strategy and analysis			
102-14	Statement from the CEO	The CEO's article – A very different year (6, 7)	
Ethics and integrity			
102-16	The organisation's values, principles, standards and norms of behaviour	Sustainability (26)	
Governance			
102-18	The organisation's management structure, including the highest authority and committees who are responsible for decision-making on financial, environmental and social topics	SpareBank 1 SR-Bank (11)	

GRI indicator	Description	Location in the report (chapter, page)	Reporting directly in the index
Stakeholder engagement			
102-40	Stakeholder groups that the organisation is in dialogue with	Sustainability Our stakeholders and key sustainability themes (20)	
102-41	Percentage of employees who are covered by collective bargaining agreements		64% of employees are members of a trade union 83.2% of employees covered by collective bargaining agreements (ForretningsPartner and Monner AS are not included in the figures)
102-42	Description of how the organisation chooses relevant stakeholders	Sustainability Our stakeholders and key sustainability themes (20)	
102-43	Approach to stakeholder engagement, including frequency of engagement by type and stakeholder group	Sustainability Our stakeholders and key sustainability themes (20)	
102-44	Important topics and questions raised through stakeholder dialogue and the organisation's response	Sustainability Our stakeholders and key sustainability themes (20)	
Practices for reporting			
102-45	Overview of all the units that are encompassed by the organisation's annual financial statements or similar documents	Annual financial statements (62)	
102-46	Description of the process for defining the report's content and limitations, as well as the implementation of the reporting principles	Sustainability (20)	
102-47	List of all the topics that have been identified as material		- Financial crime - Ethics and anti-corruption - Privacy and information security - Guidelines for responsible lending
102-48	Change of historical data from earlier reports		None
102-49	Significant changes from the previous report with regard to the scope of the content, limitation of the report or the measurement methods		None
102-50	Reporting period		1 January 2020 - 31 December 2020
102-51	Date of publication for the previous report		23 February 2020
23102-52	Reporting frequency		Annually
102-53	Contact person for questions about the report or its content		Thor-Christian Haugland
102-54	Reporting level		*This report has been prepared in accordance with the GRI Standards: core option*
102-55	GRI Index		Annual Report 2020, p. 141
102-56	Current practices for external verification of the reporting		The report is verified by PWC

SPECIFIC INFORMATION

GRI indicator	Description	Location in the report (chapter, page)	Reporting directly in the index
Financial performance			
103-1	Description and limitation of material topic(s)	Sustainability Climate risk (23, 24)	See GRI 102-47
103-2	Description of the management system that covers material topic(s)	Report of the Board of Directors (51) Sustainability Climate risk (23, 24)	
103-3	Evaluation of the management system	Corporate governance (39)	
201-1	Direct financial value created and distributed	Annual financial statements (58)	
201-2	Financial implications, risks and opportunities due to climate change	Sustainability Climate risk (23, 24)	
Indirect financial impacts			
103-1	Description and limitation of material topic(s)	Sustainability (20)	
103-2	Description of the management system that covers material topic(s)	Sustainability (20, 21)	
103-3	Evaluation of the management system	Sustainability (20, 21)	
203-2	Significant, indirect financial impacts of the organisation's operations	Sustainability Stimulating new jobs (30) Community support (30)	
Ethics and anti-corruption			
103-1	Description and limitation of material topic(s)	Sustainability Ethics and anti-corruption (26)	
103-2	Description of the management system that covers material topic(s)	Sustainability Ethics and anti-corruption (26)	
103-3	Evaluation of the management system	Sustainability Ethics and anti-corruption (26)	
205-2	Communication and training about anti-corruption policies	Sustainability Ethics and anti-corruption (26)	
205-3	Confirmed incidents of corruption and corrective actions	Sustainability Ethics and anti-corruption (26)	No registered cases of corruption
Reduce greenhouse gas emissions			
103-1	Description and limitation of material topic(s)	Sustainability Environmental responsibility in own operations (27, 28, 29)	
103-2	Description of the management system that covers material topic(s)	Sustainability Environmental responsibility in own operations (27, 28, 29)	
103-3	Evaluation of the management system	Sustainability Environmental responsibility in own operations (27, 28, 29)	
305-1 305-2 305-3	Greenhouse gas emissions	Sustainability Environmental responsibility in own operations (27, 28, 29)	

GRI indicator	Description	Location in the report (chapter, page)	Reporting directly in the index
Sustainable purchasing			
103-1	Description and limitation of material topic(s)	Sustainability Sustainable purchasing (29, 30)	
103-2	Description of the management system that covers material topic(s)	Sustainability Sustainable purchasing (29, 30)	
103-3	Evaluation of the management system	Sustainability Sustainable purchasing (29, 30)	
308-2	Significant actual and potential negative environmental impacts of work practices in the supply chain and actions taken.	Sustainability Sustainable purchasing (29, 30)	
414-2	Significant actual and potential negative social impacts in the supply chain and actions taken	Sustainability Sustainable purchasing (29, 30)	
Training and education			
103-1	Description and limitation of material topic(s)	Employees (12, 13)	
103-2	Description of the management system that covers material topic(s)	Employees (12, 13)	
103-3	Evaluation of the management system	Employees (12, 13)	
404-2	Programmes for personal development and lifelong learning that develop the employee's value in the labour market	Employees (12)	
404-3	Percentage of employees who receive regular performance and career development reviews	Employees (12)	
Diversity and equality			
103-1	Description and limitation of material topic(s)	Employees (13, 14)	
103-2	Description of the management system that covers material topic(s)	Employees (13, 14)	
103-3	Evaluation of the management system	Employees (13, 14)	
405-1	Diversity of governance bodies and in different employee categories	Employees (14)	
405-2	Pay differences between men and women	Employees (14)	
Responsible marketing of products and services			
103-1	Description and limitation of material topic(s)	Sustainability Responsible information, communication and marketing (27	
103-2	Description of the management system that covers material topic(s)	Sustainability Responsible information, communication and marketing (27	
103-3	Evaluation of the management system	Sustainability Responsible information, communication and marketing (27	
417-2	Incidents of non-compliance concerning product and service information and labelling	Sustainability Responsible information, communication and marketing (27	
417-3	Incidents of non-compliance concerning marketing communications	Sustainability Responsible information, communication and marketing (27	

GRI indicator	Description	Location in the report (chapter, page)	Reporting directly in the index
Privacy and information security			
103-1	Description and limitation of material topic(s)	Sustainability Privacy and information security (26, 27)	
103-2	Description of the management system that covers material topic(s)	Sustainability Privacy and information security (26, 27)	
103-3	Evaluation of the management system	Sustainability Privacy and information security (26, 27)	
418-1	Number of documented complaints related to breaches of privacy or losses of customer data	Sustainability Privacy and information security (26, 27)	
Responsible credit			
103-1	Description and limitation of material topic(s)	Responsible lending (21, 22)	
103-2	Description of the management system that covers material topic(s)	Sustainability Responsible lending (21, 22)	
103-3	Evaluation of the management system	Sustainability Responsible lending (21, 22)	
FS7	Monetary value of products and services designed to deliver a specific social benefit	Sustainability Products and innovation with social aspect (22, 23)	
FS8	Monetary value of products and services designed to deliver a specific environmental benefit	Sustainability Green products and green innovation (22)	
Responsible investments and requirements for financial suppliers			
103-1	Description and limitation of material topic(s)	Sustainability Responsible asset management (23)	
103-2	Description of the management system that covers material topic(s)	Sustainability Responsible asset management (23)	
103-3	Evaluation of the management system	Sustainability Responsible asset management (23)	
FS10	Percentage and number of companies held in the organisation's portfolio with which the reporting organisation has interacted on environmental or social issues.	Sustainability Responsible asset management (23)	
FS11	Percentage of assets subject to positive and negative environmental or social screening	Sustainability Responsible asset management (23)	

Key figures last 5 years

(Figures in NOK millions)

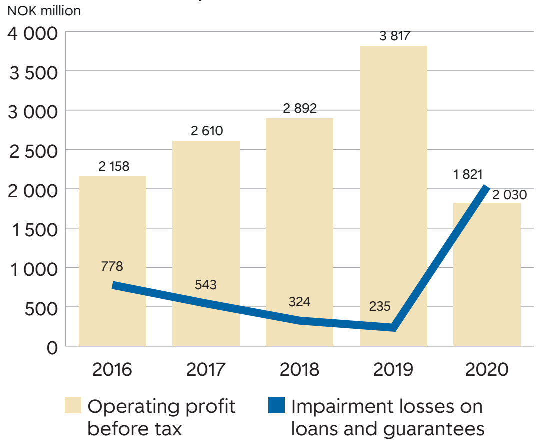
SpareBank 1 SR-Bank Group	2020	2019	2018	2017	2016
Summary of results					
Net interest income	4,142	3,987	3,439	3,162	2,871
Net commissions and other operating income	1,396	1,416	1,437	1,524	1,443
Net income from financial investments	699	1,127	569	634	654
Total net income	**6,237**	6,530	5,445	5,320	4,968
Total operating costs	2,386	2,478	2,229	2,167	2,032
Operating profit before impairment losses	**3,851**	4,052	3,216	3,153	2,936
Impairments on loans and financial liabilities	2,030	235	324	543	778
Pre-tax profit	**1,821**	3,817	2,892	2,610	2,158
Tax cost	231	693	596	524	403
Net profit for the year	**1,590**	3,124	2,296	2,086	1,755
Balance sheet figures					
Lending to retail market	137,074	124,392	113,879	104,299	91,171
Lending to retail market, incl. SB1 Boligkreditt	137,074	128,635	122,756	118,413	115,348
Lending to corporate market	82,525	83,061	78,725	67,883	66,497
Lending to corporate market, incl. SB1 Næringskreditt	82,525	83,061	79,142	68,352	67,014
Retail market deposits	53,399	48,375	45,650	44,258	42,908
Corporate market deposits	64,771	54,731	53,164	51,126	43,000
Lending growth in retail market, excl. SB1 Boligkreditt %	10.2	9.2	9.2	14.4	4.5
Lending growth in corporate market, excl. SB1 Næringskreditt %	-0.6	5.5	16.0	2.1	-0.3
Percentage growth in retail market deposits	10.4	6.0	3.1	3.1	1.9
Percentage growth in corporate market deposits [1]	18.3	2.9	4.0	18.9	-9.2
Total assets	287,049	255,895	234,061	216,618	193,408
Average total assets	275,235	247,923	223,838	207,562	194,264
Impairments on loans and loans in Stage 3 [2]					
Impairment losses as a % of gross loans	0.95	0.12	0.18	0.33	0.50
incl. loans SB1 Boligkreditt and SB1 Næringskreditt	0.94	0.11	0.17	0.29	0.42
Loans and financial liabilities in Stage 3 as a % of gross loans and financial liabilities.	1.90	1.32	1.27		
incl. loans SB1 Boligkreditt and SB1 Næringskreditt	1.90	1.30	1.22		
Non-performing exposures as a % of gross loans				0.32	0.68
incl. loans SB1 Boligkreditt and SB1 Næringskreditt				0.30	0.59
Other impaired exposures as a % of gross loans				0.91	0.72
incl. loans SB1 Boligkreditt and SB1 Næringskreditt				0.83	0.62
Equity					
Share capital	6,394	6,394	6,394	6,394	6,394
Share premium reserve	1,587	1,587	1,587	1,587	1,587
Other equity	16,562	15,003	13,054	11,758	10,307
Hybrid capital	1,850	1,850	550	150	
Total equity	**26,393**	24,834	21,585	19,889	18,288
Profitability, financial strength and staffing					
Return on equity %	6.4	14.0	11.3	11.0	10.0
Cost/income ratio	38.3	37.9	40.9	40.7	40.9
Operating costs as a % of average total assets	0.87	1.00	1.00	1.04	1.05
Average interest margin	1.50	1.61	1.54	1.52	1.48
Common Equity Tier 1 capital ratio [3]	18.29	16.96	14.72	15.05	14.70
Tier 1 capital ratio [3]	19.90	18.58	15.85	16.04	15.63
Capital ratio [3]	21.72	20.42	17.60	17.88	17.52
No. of FTEs	1,283	1,260	1,178	1,142	1,127

[1] From 2019 includes deposits corporate market net consolidated accounts currency. The historical figures have been correspondingly restated.

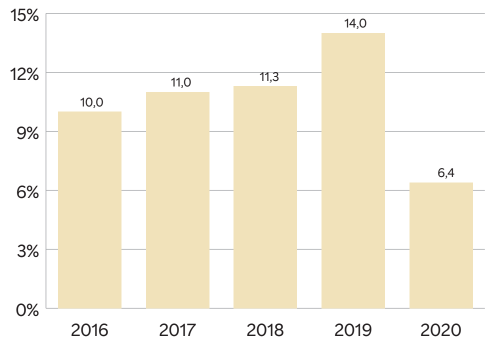
[2] Loans and financial liabilities in Stage 3 as a % of gross loans. Figures prior to 1 January 2018 are total non-performing and impaired exposures pursuant to IAS 39 as a % of gross loans.

[3] Historical capital ratio figures in the group are based on the capital adequacy rules and regulations before 2019, when the so-called Basel I floor applied. A decision was made in April 2020 not to pay a dividend for 2019 at this time. The figures reported as at 31 December 2019 have not been restated. The board exercised its special authorisation from April 2020 and at the board meeting on 10 February 2021 approved a dividend of NOK 5.50 per share for the 2019 financial year.

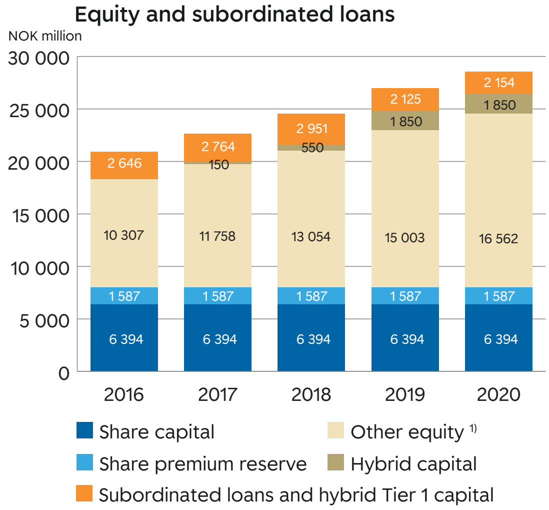
Profit and impairment losses



Return on equity

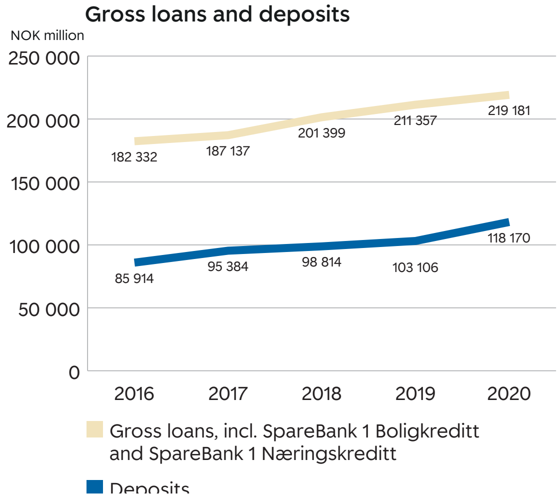


Equity and subordinated loans

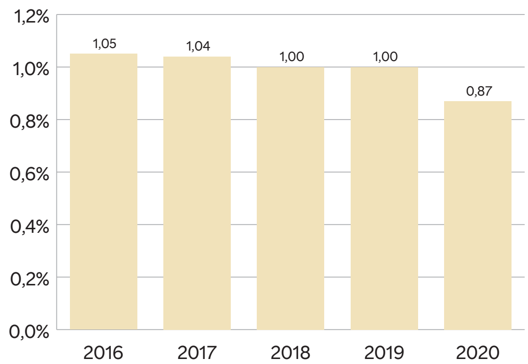


1) Of which non-controlling interest's NOK 5 million

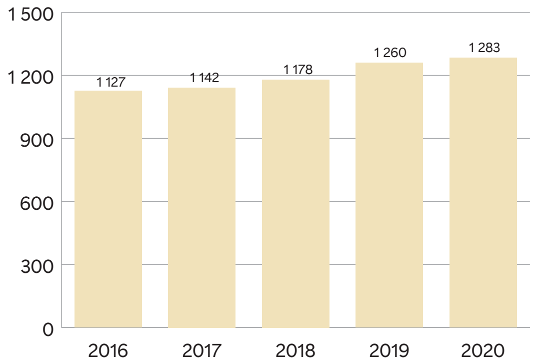
Gross loans and deposits



Operating costs as % of average total assets



FTEs, Group



Our aim is to stimulate growth and development

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