

S'banken

Q3



Third quarter 2020

(Unaudited)

Sbanken ASA

Q3

Third quarter 2020 – Highlights Sbanken ASA

Annual lending growth

2.4 %
(3.6 %*)

Cost-to-income ratio

35.5 %
(35.4 %*)

ROE

12.2 %
(14.0 %*)

Net interest margin

1.66 %
(1.77 %*)

Loan loss ratio

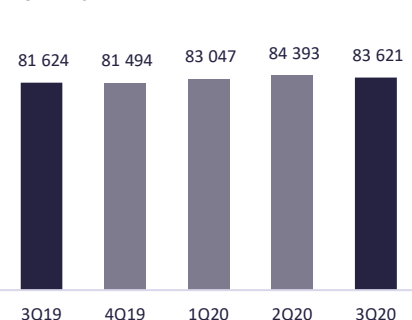
0.14 %
(0.18 %*)

CET1 ratio

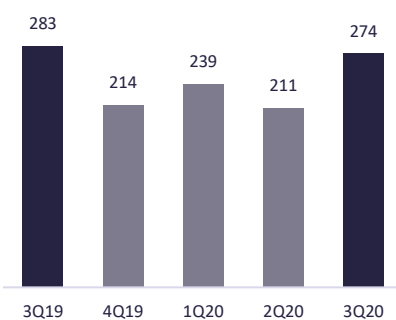
16.8 %**
(15.0 %*)

- Net interest margin up 15 bps from previous quarter
- Favouring profitable growth – strong competition within mortgages
- FuM increased to NOK 19.3bn – NCCF market share 25 %
- Proposed dividend authorisation up to NOK 3.15 per share

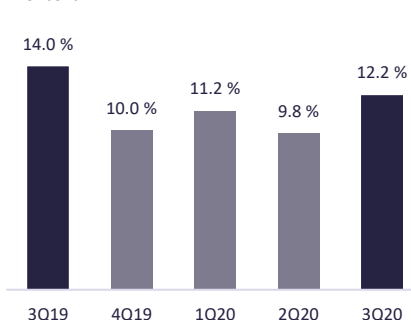
Total loans to customers
NOK million



Earnings before tax
NOK million



Return on equity
Per cent



* Comparable figure corresponding period last year.

** Including 70 per cent retained earnings for the first nine months of 2020 and 100 per cent retained earnings for 2019.

Key figures (group)

In NOK thousand	Reference	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Summary of income statement						
Net interest income		422 199	420 830	1 236 827	1 135 070	1 564 127
Net fee and commission income		43 825	63 821	134 749	161 395	214 924
Net other income		3 608	11 546	1 877	19 545	20 778
Total income		469 632	496 197	1 373 453	1 316 010	1 799 829
Other operating expenses		-166 801	-175 894	-520 589	-507 407	-727 239
Operating profit before loan losses		302 832	320 302	852 864	808 603	1 072 589
Loan losses		-28 384	-37 067	-128 911	-103 304	-153 149
Earnings before tax		274 448	283 235	723 953	705 299	919 440
Calculated tax		-62 616	-65 528	-162 273	-158 222	-209 388
Net profit		211 832	217 708	561 680	547 077	710 052
Profitability						
Return on equity	1	12.2 %	14.0 %	11.1 %	11.9 %	11.4 %
Net interest margin	2	1.66 %	1.77 %	1.68 %	1.64 %	1.68 %
Cost-to-income ratio	3	35.5 %	35.4 %	37.9 %	38.6 %	40.4 %
Earnings per share		1.90	1.96	5.00	4.90	6.34
Balance sheet figures (in NOK million)						
Total loan volume		83 621	81 624	83 621	81 624	81 494
Customer deposits		58 064	52 654	58 064	52 654	52 845
Deposit-to-loan ratio	4	70.6 %	65.8 %	67.8 %	64.7 %	64.8 %
Lending growth (gross) previous 12 months		2.4 %	3.6 %	2.4 %	3.6 %	2.9 %
Average total assets	5	101 349	94 410	98 348	92 640	92 913
Total assets, end of period		98 101	94 107	98 101	94 107	93 006
Book value per share		62.80	56.45	62.80	56.45	57.83
Losses and defaults						
Total loan loss (%)	6	0.14 %	0.18 %	0.21 %	0.17 %	0.19 %
Capital adequacy and leverage ratio						
Common equity Tier 1 capital ratio	7	16.8 %	15.0 %	16.8 %	15.0 %	15.6 %
Tier 1 capital ratio		18.6 %	16.5 %	18.6 %	16.5 %	17.5 %
Total capital ratio		20.9 %	18.6 %	20.9 %	18.6 %	19.9 %
Leverage ratio		6.9 %	6.3 %	6.9 %	6.3 %	6.7 %
Employment						
FTEs		333	359	333	359	370

References

1) Return to shareholders after tax (annualised) as a percentage of average shareholder equity in the period

2) Net interest income (annualised) as a percentage of average total capital

3) Operating expenses before loss as a percentage of total income

4) Average deposits from customers as a percentage of average loan volume

5) Average total assets in the period

6) Loan losses as a percentage of average loan volume in the period

7) The calculation includes 70 per cent retained earnings for the first nine months of 2020 and fully retained earnings for 2019 following the revised dividend proposal.

The first nine months of 2019 includes 70 per cent retained earnings. Full year 2019 includes 70.1 per cent retained earnings following the original dividend proposal.

Third Quarter Results

The Sbanken group recorded a profit before tax of NOK 274.4 million in the third quarter, compared with NOK 283.2 million in the third quarter of 2019. Net interest income increased to NOK 422.2 (420.8) million, while net fee and commission income decreased to NOK 43.8 (63.8) million due to effects from the coronavirus pandemic.

Total customer lending at quarter-end was NOK 83.6 (81.6) billion. The bank emphasised long-term profitable growth in its recent rate cut decisions, something which resulted in increased churn for lower yielding mortgages in the quarter. At quarter-end, mortgages with an average LTV of 53 per cent accounted for 95 per cent of overall customer lending. Return on equity in the third quarter was 12.2 (14.0) per cent.

Important events during the quarter

Following the outbreak of coronavirus in the first half-year, domestic business activity has picked up and unemployment has come down from elevated levels. The bank's operations have performed consistently well with the majority of staff working from home. Safe manning in the head office is tied with national and local health recommendations.

Norges Bank kept the key policy rate unchanged at zero per cent, a record low level. The average three-month NIBOR rate was 0.28 per cent, down 18 basis points from the previous quarter.

On 12 July, the bank's interest rate cut from May came into full effect for deposits, contributing positively to net interest margin.

The bank's volume of fixed rate mortgages increased to NOK 6.0 billion, securing predictable monthly payment schedules for many customers.

The majority of mortgage customers who in March and April opted for instalment deferrals, have now returned to normal repayment schedules. At the end of the quarter, 700 customers remained on payment holidays with a combined volume of NOK 1.6 billion.

In July, the Ministry of Finance ruled in favour of Sbanken in its application to exempt the parent company from the leverage ratio buffer requirement of 2 per cent. The decision improves the group's capital flexibility going forward.

To further enable customers to make conscious investment decisions, low-carbon designation has been introduced for mutual fund savings, adding to the bank's existing green leaf ethical labelling. Out of 482 fund options, 15 are designated as both low-carbon and top ethical standard.

Sbanken was placed number one for the 12th consecutive year on EPSIs annual customer satisfaction survey, being the only bank to achieve a score above 80. The result solidifies Sbanken's position as the Norwegian bank with the most satisfied customers.

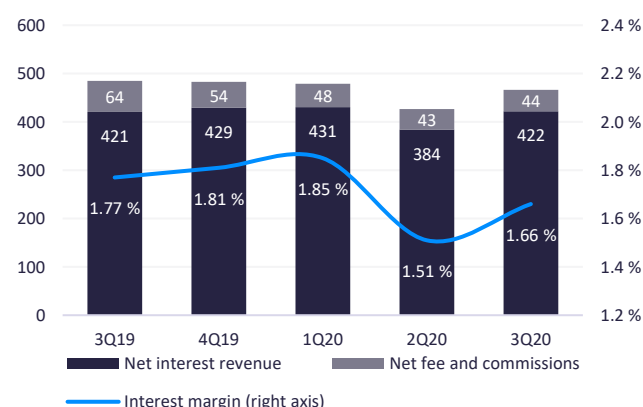
Operating income

Operating income amounted to NOK 469.6 (496.2) million, following an increase in net interest income of NOK 1.4 million, a decrease in net fee and commission income of NOK 20.0 million and a decrease in other operating income of NOK 7.9 million from the third quarter of 2019.

Net interest income increased to NOK 422.2 (420.8) million. The net interest margin was 1.66 per cent, down from 1.77 per cent in the third quarter of 2019. Compared to the previous quarter, net interest income increased by NOK 38.2 million as the effect of early effectuated lending rate cuts abated.

Net fee and commission income decreased to NOK 43.8 (63.8) million, primarily as a result of reduced revenues from card transactions as foreign travel activity among customers remained low.

Net interest and fee and commission income
NOK million



Repricing of loan and credit products led to a decrease in the effective lending rate to 2.07 per cent, compared to 2.94 per cent in the third quarter of 2019, and 2.37 per cent in the previous quarter.

Average effective interest rate by product group

	3Q19	4Q19	1Q20	2Q20	3Q20
Mortgages	2.71 %	2.94 %	2.98 %	2.23 %	1.99 %
Car loans	5.23 %	5.48 %	5.70 %	5.55 %	5.46 %
Consumer loans	10.68 %	10.38 %	10.33 %	10.36 %	10.35 %
Other credit	11.03 %	11.40 %	11.81 %	12.21 %	11.58 %

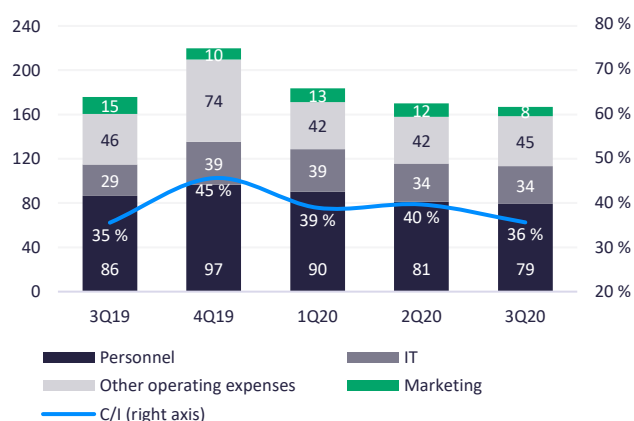
The effective funding rate in the quarter decreased to 0.42 per cent, compared with 1.15 per cent in the third quarter of 2019. The funding rate decreased by 43 basis points from the previous quarter, a result of reduced money market rates and repricing of deposits.

Operating expenses

Operating expenses amounted to NOK 166.8 (175.9) million in the quarter. Compared to the third quarter of 2019, the main differences were lower payroll expenses and reduced marketing spend. Marketing costs decreased to NOK 8.3 million from NOK 15.4 million in the third quarter of 2019.

The cost-to-income ratio was 35.5 per cent in the quarter, compared to 35.4 per cent in the third quarter of 2019.

Operating expenses
NOK million



Impairments and losses

Loan losses amounted to NOK 28.4 (31.7) million in the quarter, equivalent to a loan loss ratio of 0.14 per cent. Loan loss ratio for unsecured loans fell to 310 basis points, while secured loans remained low at 2 basis points.

Total expected credit losses amounted to NOK 358.9 million at the end of the quarter, of which NOK 51.5 million related to secured loans and NOK 307.3 million to unsecured loans.

Taxes

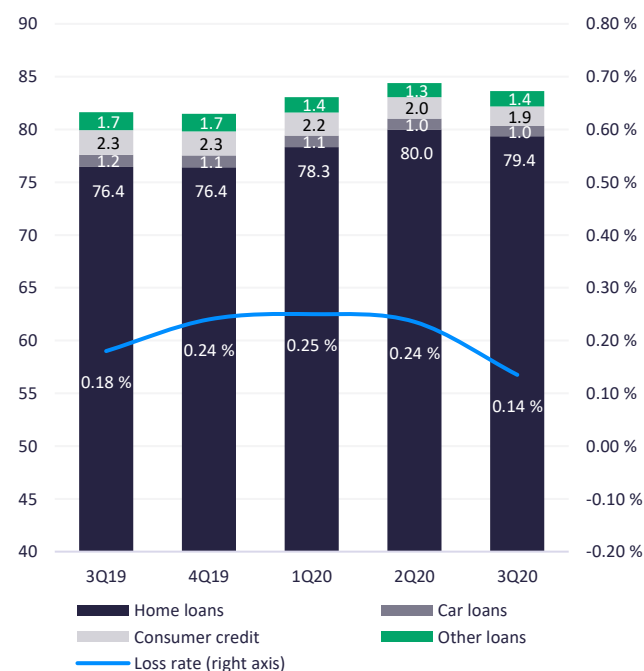
The estimated tax expense amounted to NOK 62.6 (65.5) million, corresponding to an effective tax rate of 22.8 (23.1) per cent.

Loans to and deposits from customers

At the end of the quarter, loans to customers totalled NOK 83.6 (81.6) billion. Lending growth over the past 12 months was 2.4 per cent. Mortgage volume decreased by 0.8 per cent from the previous quarter as the bank emphasised long-term profitable growth in the rate cut announced 8 May. The volume of fixed rate mortgages increased to NOK 6.0 billion, up from 2.9 billion at the end of the previous quarter.

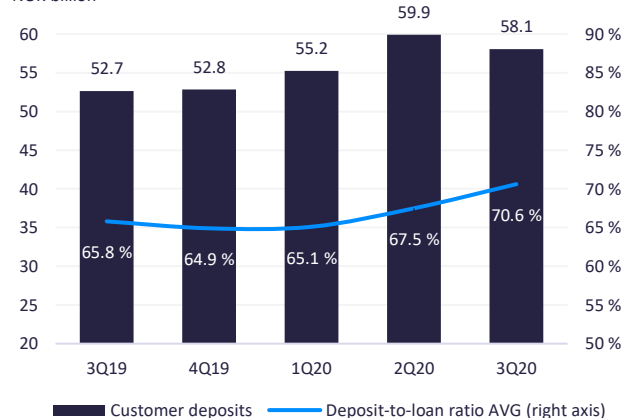
Outstanding consumer loans amounted to NOK 1.9 (2.3) billion at quarter-end, a 7.8 per cent reduction from the end of the previous quarter. The volume of other credit products (account credit, credit cards and custody account loans) was NOK 1.4 (1.7) billion.

Loans to customers
NOK billion



Customer deposits increased to NOK 58.1 (52.7) billion, a 10.3 per cent increase from the third quarter of 2019. At quarter-end, the bank had close to 7 500 SME customers with combined deposits of NOK 1.4 billion.

Customer deposits
NOK billion

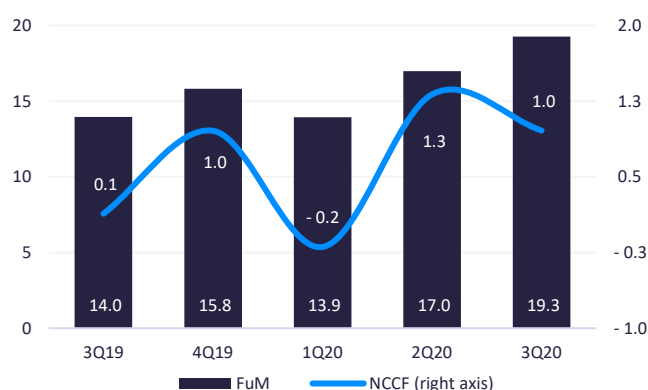


Savings

Funds under management increased with NOK 2.3 billion during the quarter, ascribed both to inflow of customers' funds and improved market sentiment. At quarter-end, Sbanken's market share in retail fund savings had increased to 7.6 per cent, up from 7.2 per cent at the end of the previous quarter.

Net client cash flow in the quarter was positive in the amount of NOK 960 million, corresponding to a 25.4 percentage market share of Norwegian retail fund inflows. This was mainly attributable to the bank's high share of fixed savings agreements, contributing a record high average inflow of NOK 115 million per month.

Customers' investment in mutual funds (FuM)
NOK billion



Comments on the results for the first nine months of 2020

Sbanken recorded a net profit after tax of NOK 561.7 million in the first nine months of 2020, compared with NOK 547.1 million in the corresponding period of 2019.

Net interest income increased by 9.0 per cent to NOK 1 236.8 (1 135.1) million as a result of increased mortgage lending and improved net interest margin. Net fee and commission income decreased to NOK 134.7 (161.4) million, primarily a result of reduced income from card transactions abroad.

Operating expenses increased by 2.6 per cent to NOK 520.6 (507.4) million.

Loan losses amounted to NOK 128.9 (103.3) million, corresponding to a loan loss ratio of 0.21 (0.17) per cent.

Capital adequacy, leverage ratio and risk factors

On 31 August, Sbanken exercised its right to call additional Tier 1 capital and subordinated Tier 2 capital with maturity dates 12 October. The issues were refinanced in June and August at considerably improved terms.

Sbanken currently has a regulatory CET1 requirement of 12.5 per cent and a capital ratio target of 13.0 per cent. At quarter-end, Sbanken had a CET1 capital ratio of 16.8 per cent, a 0.9 percentage points increase from the second quarter of 2020. Tier 1 capital ratio was 18.6 per cent and total capital ratio was 20.9 per cent, while the leverage ratio was 6.9 per cent. The capital ratios include 70 per cent of retained earnings for the first nine months of 2020 and 100 per cent of retained earnings for 2019, following the Board's revised dividend proposal to not distribute 2019 dividend in the second quarter. Retained earnings accounted for a 0.4 percentage point increase in the CET1 capital ratio, while a reduction in risk-weighted assets accounted for a 0.5 percentage point increase.

Sbanken's financial risk mainly consists of credit risk, market risk and liquidity risk. The credit risk comprises of lending to the public primarily in the form of mortgages, car loans and unsecured credit products. Sbanken has a high-quality lending portfolio predominately composed of mortgages with a moderate loan-to-value ratio (LTV). At quarter-end, the average LTV was 52.8 per cent, down from 52.9 per cent in the previous quarter. Mortgage lending accounted for 94.9 per cent of the gross lending portfolio.

Sbanken is exposed to market risks such as interest rate risk, share price risk and credit spread risk. The exposure to share price risk amounted to NOK 187.6 million at the end of the quarter, of which NOK 134.2 million related to the valuation of the bank's shares in VN Norge AS (Visa) and NOK 39.5 million to the valuation of the bank's shares in Vipps AS. The majority of lending provided by Sbanken has variable interest rates. Interest rate swaps are used

to reduce interest rate risk that arises with fixed rate mortgages. All deposits have variable interest rates, while capital market funding mainly uses three-month NIBOR as reference rate. At quarter-end, Sbanken had a liquidity portfolio of NOK 12.1 billion in interest-bearing securities issued by sovereigns, municipalities and financial institutions. The corresponding credit spread risk was estimated at NOK 205.2 million.

At the end of the quarter, Sbanken had a liquidity coverage ratio (LCR) of 216 per cent, against a minimum requirement of 100 per cent. The net stable funding ratio (NSFR) was 141 per cent.

Sbanken had outstanding capital market funding amounting to NOK 28.0 billion at quarter-end. Sbanken Boligkreditt AS' total nominal issue of covered bonds amounted to NOK 33.5 billion. At the end of the quarter, Sbanken had a deposit-to-loan ratio of 69.7 per cent, compared to 71.3 per cent in the previous quarter and 64.7 per cent in the third quarter of 2019. 94.1 per cent of deposits were covered by the existing Deposit Guarantee Fund (NOK 2.0 million) and 85.1 per cent by the harmonised EU Deposit Guarantee Scheme (EUR 0.1 million).

Sbanken ASA has a long-term credit rating of A3 with a stable outlook from Moody's, last confirmed 8 June 2020. Covered bonds issued by Sbanken Boligkreditt AS have a long-term rating of Aaa from Moody's.

Macroeconomic and regulatory developments

Following the outbreak of coronavirus COVID-19 in March, the easing of containment measures has boosted economic activity, but also led to a recent increase in infection rates. While the economic outlook is improving, there still persists uncertainty regarding the development going forward.

In the September monetary policy report, Norges Bank projects that the key policy rate will remain at the current level of zero per cent over the next two years, followed by a gradual rise.

Following the sharp decline in the first half-year of 2020, Norges Bank projects mainland GDP to contract by 3.6 per cent in 2020 as a whole. GDP growth is thereafter forecasted to increase to 3.7 per cent in 2021.

Registered unemployment fell to 3.7 per cent at quarter-end, compared to 4.8 per cent in the previous quarter and 10.6 per cent at the end of the first quarter of 2020. Unemployment is forecasted to average approximately 5 per cent for 2020, before falling to below 3 per cent by 2022.

Norwegian housing prices rose by 2.5 per cent in the quarter, while rolling 12-month price growth increased to 5.8 per cent. Norges Bank projects housing prices to increase by 3.7 per cent in 2020 and 5.2 per cent in 2021. Credit growth for households is forecasted at just below 5 per cent for 2020.

The Ministry of Finance decided not to extend the temporary increase in the mortgage regulation's flexibility quota beyond 30 September 2020. In September, the FSA published proposed changes to the residential mortgage regulation, effective from 2021. Certain public stakeholders have questioned the need for tighter mortgage regulation, including a reduction in maximum loan to gross income and a reduced flexibility quota. A final decision is expected in the fourth quarter.

Subsequent events

The Board of Directors has decided to call an Extraordinary General Meeting on 16 December to consider an authorisation for the Board to decide distribution of dividend for 2019. The authorisation proposes a dividend limit of up to NOK 3.15 per share, corresponding to 49.6 per cent of net profit for 2019, and that the authorisation shall apply from 1 January 2021 until the Annual General Meeting of 2021.

Outlook

The outlook for the Norwegian economy has improved somewhat after the sharp downturn in the first half-year of 2020, but there still persists uncertainty regarding the development going forward.

Record-low key policy rate puts downward pressure on the bank's interest rate margin. In the medium term, key policy and money market rates are expected to remain at current levels. The full effects on net interest margin is dependent on changes in funding rates and competition.

The bank is continuing to grow its market share within savings, countering the negative effect of reduced fee income from card transactions during the pandemic.

With a conservative balance sheet and prudent credit risk practices, the bank expects the average loss level to remain below 0.20 per cent going forward.

The bank is on track to reach its year-end employment and cost targets. Combined with an improved loan loss outlook, this provides a strong foundation for the bank to deliver attractive returns in the coming quarters.

Bergen, 12 November 2020

The Board of Directors of Sbanken ASA



Niklas Midby
(Chair)



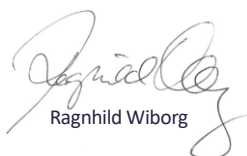
Mai-Lill Ibsen



August Baumann



Hugo Maurstad



Ragnhild Wiborg



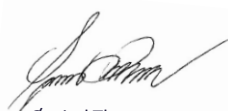
Cathrine Klouman



Sarah Lunde Mjåtvedt



Stein Zahl-Pettersen



Øyvind Thomassen
(CEO)

Income statement

(Sbanken group)

In NOK thousand	Note	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Interest income from financial instruments using the effective interest method	12	526 727	694 259	1 874 489	1 974 011	2 719 164
Other interest income	12	0	0	0	0	0
Interest expense	12	-104 528	-273 429	-637 662	-838 941	-1 155 037
Net interest income		422 199	420 830	1 236 827	1 135 070	1 564 127
Commission and fee income	13	84 746	97 119	249 956	254 978	344 607
Commission and fee expense	13	-40 921	-33 298	-115 207	-93 583	-129 683
Net commission and fee income		43 825	63 821	134 749	161 395	214 924
Net gain/(loss) on financial instruments	14	3 578	11 421	1 847	19 420	20 553
Other income		30	125	30	125	225
Other operating income		3 608	11 546	1 877	19 545	20 778
Personnel expenses	15	-79 155	-86 742	-250 615	-246 345	-342 921
Administrative expenses	15,20	-71 071	-74 203	-220 743	-220 571	-303 070
Depreciation and impairment of fixed and intangible assets		-16 575	-14 950	-49 231	-40 491	-81 249
Profit before loan losses		302 832	320 302	852 864	808 603	1 072 589
Loan losses	8	-28 384	-37 067	-128 911	-103 304	-153 149
Profit before tax		274 448	283 235	723 953	705 299	919 440
Tax expense	16	-62 616	-65 528	-162 273	-158 222	-209 388
Profit for the period		211 832	217 708	561 680	547 077	710 052
Attributable to						
Shareholders		202 956	209 357	533 828	524 000	678 080
Additional Tier 1 capital holders	11	8 876	8 351	27 852	23 077	31 972
Profit for the period		211 832	217 708	561 680	547 077	710 052

Earnings per share, see note 21.

Statement of comprehensive income

(Sbanken group)

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Profit for the period	211 832	217 708	561 680	547 077	710 052
Other comprehensive income:					
Net change in fair value of financial instruments at fair value through other comprehensive income (OCI)	-3 143	-15 262	2 455	2 488	-7 226
Tax effect	726	3 780	-553	-671	1 570
Other comprehensive income that can be reclassified to profit or loss after tax	-2 417	-11 482	1 902	1 817	-5 656
Actuarial gains (losses)	0	0	0	0	1 371
Tax effect	0	0	0	0	-343
Other comprehensive income that can-not be reclassified to profit or loss after tax	0	0	0	0	1 028
Total components of other comprehensive income (after tax)	-2 417	-11 482	1 902	1 817	-4 628
Total comprehensive income for the period	209 415	206 226	563 582	548 894	705 424
Attributable to					
Shareholders	200 539	197 875	535 730	525 817	673 452
Additional Tier 1 capital holders	11 8 876	8 351	27 852	23 077	31 972
Total comprehensive income for the period	209 415	206 226	563 582	548 894	705 424

Balance sheet

(Sbanken group)

In NOK thousand	Note	30.09.20	30.09.19	31.12.19
Assets				
Cash and receivables with central bank	5	397 484	581 892	1 587 606
Loans to and receivables from credit institutions	5	888 298	1 108 269	286 802
Loans to customers	5, 6, 7, 17, 18	83 266 268	81 354 441	81 233 217
Net loans to customers, central bank and credit institutions		84 552 050	83 044 602	83 107 625
Commercial paper and bonds at fair value through OCI	17, 19	12 070 728	10 214 745	9 087 319
Equity and funds	17, 18, 19	208 732	169 089	171 680
Derivatives	19	849 677	265 675	201 975
Intangible assets		119 326	158 627	135 376
Deferred tax assets	16	16 814	16 489	17 915
Property, plant and equipment		135 404	152 039	164 782
Other assets		91 873	56 381	88 588
Advance payment and accrued income		56 189	29 446	30 425
Total assets		98 100 793	94 107 095	93 005 685
Liabilities				
Loans and deposits from central bank	17,18	2 250 000	0	0
Loans and deposits from credit institutions	17, 18	808 480	0	0
Deposits from customers	17, 18	58 064 313	52 653 797	52 844 881
Debt securities issued	10, 17, 18	27 978 475	32 769 320	31 304 025
Derivatives		55 336	0	0
Taxes payable	16	163 690	160 130	208 769
Pension commitments		27 494	30 797	27 494
Other liabilities		442 182	1 079 950	834 679
Subordinated loans	10, 17, 18	898 751	774 544	899 438
Total liabilities		90 688 722	87 468 537	86 119 287
Equity				
Share capital		1 068 693	1 068 693	1 068 693
Share premium		2 625 895	2 625 895	2 625 895
Additional Tier 1 capital	11	701 139	605 505	705 858
Other equity		3 016 344	2 338 465	2 485 952
Total equity		7 412 071	6 638 558	6 886 398
Total liabilities and equity		98 100 793	94 107 095	93 005 685

Subsequent events

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Statement of changes in equity

(Sbanken group)

In NOK thousand	Share capital	Share premium	Additional Tier 1 capital	Actuarial gains and losses	Changes in fair value of financial instruments at fair value through OCI	Other equity	Total equity
Balance sheet as at 01.01.19	1 068 693	2 625 895	504 978	-18 806	-17 428	2 036 035	6 199 367
Profit for the period to other equity (01.01.19 to 30.09.19)						524 000	524 000
Profit for the period to Tier 1 capital holders (01.01.19 to 30.09.19)			23 077				23 077
Payments to Tier 1 capital holders (01.01.19 to 30.09.19)			-22 550				-22 550
Issue of Tier 1 capital			100 000				100 000
Actuarial gains and losses for the period (01.01.19 to 30.09.19)				0			0
Net change in fair value of financial instruments available for sale (01.01.19 to 30.09.19)					1 817		1 817
Payments related to share incentive program						-131	-131
Paid dividend to shareholders						-187 021	-187 021
Balance sheet as at 30.09.19	1 068 693	2 625 895	605 505	-18 806	-15 611	2 372 883	6 638 558
Profit for the period to other equity (01.10.19 to 31.12.19)						154 080	154 080
Profit for the period to Tier 1 capital holders (01.10.19 to 31.12.19)			8 895				8 895
Payments to Tier 1 capital holders (01.10.19 to 31.12.19)			-8 542				-8 542
Issue of Tier 1 capital			100 000			-148	99 852
Actuarial gains and losses for the period (01.10.19 to 31.12.19)				1 028			1 028
Net change in fair value of financial instruments at fair value through other comprehensive income (OCI) (01.10.19 to 31.12.19)					-7 473		-7 473
Payments related to share incentive program						0	0
Balance sheet as at 31.12.19	1 068 693	2 625 895	705 858	-17 778	-23 084	2 526 815	6 886 398
Profit for the period to other equity (01.01.20 to 30.09.20)						533 828	533 828
Profit for the period to Tier 1 capital holders (01.01.20 to 30.09.20)			25 634				25 634
Payments to Tier 1 capital holders (01.01.20 to 30.09.20)			-30 353				-30 353
Issue of Tier 1 capital			400 000			-800	399 200
Redeem of Tier 1 capital			-400 000				-400 000
Actuarial gains and losses for the period (01.01.20 to 30.09.20)				0			0
Net change in fair value of financial instruments at fair value through other comprehensive income (OCI) (01.01.20 to 30.09.20)					1 902		1 902
Payments related to share incentive program						-4 538	-4 538
Paid dividend to shareholders						0	0
Balance sheet as at 30.09.20	1 068 693	2 625 895	701 139	-17 778	-21 182	3 055 305	7 412 071

Statement of cash flows

(Sbanken group)

In NOK thousand	Note	Jan-Sep 20	Jan-Sep 19	2019
Cash flows from operating activities				
Net payments on loans to customers	6	-2 174 532	-2 425 726	-2 349 722
Interest received on loans to customers	12	1 761 979	1 808 935	2 492 549
Net receipts on deposits from customers	17, 18	5 219 432	3 124 758	3 315 842
Interest paid on deposits from customers	12	-283 962	-314 539	-484 240
Net receipts/payments from buying and selling financial instruments at fair value	17, 18, 19	-3 008 609	1 212 806	2 128 975
Interest received from commercial paper and bonds	12	123 294	138 368	189 369
Receipts of collateral related to derivatives used in hedge accounting		586 432	69 073	36 671
Net receipts/payments on deposits from credit institutions and central bank		2 250 000	0	0
Interest paid on deposits from credit institutions	12	-6 714	-418	-969
Interest received on loans to credit institutions and central bank	12	6 268	15 844	22 050
Receipts related to commissions and fees	13	251 198	254 677	335 032
Payments related to commissions and fees	13	-103 491	-97 292	-132 072
Payments related to administrative expenses	15	-226 186	-227 020	-309 880
Payments related to personnel expenses	15	-273 575	-248 280	-312 767
Taxes paid	16	-207 156	-207 036	-209 035
Other receipts/payments		-68 690	64 759	35 635
Net cash flows from operating activities		3 845 688	3 168 909	4 757 438
Cash flows from investment activities				
Invested in associated company		-367	0	-1 765
Payments on the acquisition of fixed assets		-619	-2 233	-4 021
Payments on the acquisition of intangible assets		-8 618	-60 135	-69 040
Net cash flows from investment activities		-9 604	-62 368	-74 826
Cash flows from financing activities				
Receipts on share capital and share premium net of issuing cost	EQ	0	0	0
Paid dividend to shareholders	EQ	0	-187 021	-187 021
Receipts on subordinated loans	10	500 000	125 000	250 000
Payments on matured and redeemed subordinated loans	10	-500 000	0	0
Interest paid on subordinated loans	12	-23 222	-18 029	-25 052
Receipts on issued additional Tier1 capital	11	400 000	100 000	200 000
Payments on matured and redeemed additional Tier1 capital		-400 000	0	0
Interest paid on additional Tier 1 capital	EQ	-30 352	-22 550	-31 092
Receipts on issued bonds and commercial paper	10	2 419 834	4 175 000	4 800 000
Payments on matured and redeemed bonds and commercial paper	10	-6 370 000	-5 759 175	-7 814 867
Interest paid on issued bonds and commercial paper	12	-420 970	-452 154	-622 721
Net cash flows from financing activities		-4 424 710	-2 038 929	-3 430 753
Total net cash flow		-588 626	1 067 612	1 251 859
Cash at the beginning of the period		1 874 408	622 549	622 549
Cash at the end of the period		1 285 782	1 690 161	1 874 408
Change in cash		-588 626	1 067 612	1 251 859
Cash				
Cash and receivables with central bank		397 484	581 892	1 587 606
Loans to credit institutions		888 298	1 108 269	286 802
Total cash		1 285 782	1 690 161	1 874 408

EQ = Statement of changes in equity.

Notes

(Sbanken group)

Note 1 - Accounting principles and critical accounting estimates and judgment

The quarterly financial statement for the Sbanken group has been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and adopted by the EU. A description of the accounting principles applied in the preparation of the financial statements appears in the annual report for 2019.

The quarterly financial statements of Sbanken ASA is prepared in accordance with the Norwegian regulations on annual accounts for banks, sections 1-6 ("simplified IFRS") and IAS 34. Simplified IFRS permits recognition of provisions for dividend and group contribution through profit and loss and as a liability at the balance sheet date. A full application of IFRS would require the proposition to remain part of the equity until approved by the general meeting. For Sbanken ASA there are no other differences between the use of simplified IFRS and full IFRS.

When preparing the financial statements, management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the critical accounting estimates and areas where judgment is applied appears in note 2 in the annual report for 2019.

Following the outbreak of coronavirus COVID-19, Sbanken ASA has relied on the following assessments/assumptions in connection with the estimation of expected credit losses (ECL) on loans to customers, in addition to the principles described in Note 2 to the 2019 annual report:

1) Migration between stages as a result of granted instalment deferral

Sbanken ASA has offered all its mortgage customers instalment free periods of up to six months. It is the bank's assessment that an instalment deferral in itself will not result in a migration from Stage 1 to Stage 2. Furthermore, a customer that is granted instalment deferral for up to six months is not in itself deemed to be an adequate indication of a significant increase in credit risk, unless the bank has previous observations that indicate an increased credit risk for the customer. Related to the outbreak of the COVID-19 pandemic, the bank has at quarter-end approximately 700 outstanding instalment deferrals for mortgages, with a combined lending volume of NOK 1.6 billion. This is down from 2 600 instalment deferrals, with a combined lending volume of NOK 6.0 billion as at 30 June 2020.

2) Macroeconomic assumptions

As described in the 2019 annual report, the bank considers forward-looking information both when assessing whether the credit risk of an asset has increased significantly since initial recognition, and in order to arrive at an unbiased ECL estimate. Recognised ECL is calculated by probability weighting estimated ECL under the different scenarios. Three different scenarios have been used in the calculation (expected, optimistic and pessimistic), and the projection period is set to three years. After the projection period, there are not assumed to be any differences between the different scenarios. The process for assessing forward-looking information and applying the different scenarios is based on projections obtained from Norges Bank, in addition to the bank's annual ICAAP process.

In connection with the assessment of forward-looking information for Q3 2020, the bank has used projections set out in Norges Bank's Monetary Policy Report 3/20 (September 2020).

In Note 2 to the 2019 annual report, the bank has presented a sensitivity analysis on the impact of housing prices on ECL. This analysis has been updated for Q3 2020 (shown below).

In NOK thousand				
House price changes	Change in stage 1	Change in stage 2	Change in stage 3	Total change in expected credit loss (ECL)
10 % increase	-856	-3 547	-4 832	-9 235
5 % increase	-486	-2 098	-2 817	-5 401
5 % reduction	592	2 797	3 488	6 877
10 % reduction	1 291	6 309	8 034	15 633
20 % reduction	3 022	16 057	19 845	38 924
30 % reduction	5 199	28 943	34 244	68 387
40 % reduction	7 842	44 441	50 944	103 227
60 % reduction	14 520	82 042	88 609	185 171

3) Granting of credit

In connection with the COVID-19 outbreak, the bank has introduced more stringent criteria for the granting of consumer loans to customers assigned to the weakest risk classes. No changes have been made to the credit granting criteria for customers applying for mortgages.

New and revised standards effective from 1 January 2020

Sbanken ASA has applied the new accounting standards effective from 1 January 2020, including changes in IAS 1 and IAS 8 regarding materiality and changes in IFRS 9 and IFRS 7 relating to hedge accounting as a result of the IBOR-reform.

New and revised standards effective from 1 January 2021 or later

Standards and interpretations that will enter into force for the annual periods beginning 1 January 2021 or later have not been used in the preparation of the accounts. For Sbanken ASA no new standards will have material effect.

Note 2 - Segments

No segment information has been prepared, as the entire operation of the Sbanken group is deemed to constitute one segment, the "Private Consumer Market", under IFRS 8. Sbanken group launched an SME (small and medium entities) offering late June 2019. At present, neither the customer base nor the revenues or costs from the SME offering constitutes a separate reporting segment. Hence in the supervisory activities performed by the board and management, the customer base is not divided into different business segments that are followed up over time.

For information purposes the deposits from customers related to SME are NOK 1.4 billion at 30.09.20.

Note 3 - Capital adequacy

The capital adequacy regulations are intended to improve institutions' risk management and achieve closer concordance between risk and capital. The applicable regulations for Norwegian banks are adapted to the EU's capital adequacy regulations for credit institutions and investment firms (CRD IV/CRR).

Sbanken ASA uses the standard method to establish the risk-weighted volume credit risk and the standardised approach (changed from basic method in Q4 19) to establish the risk-weighted volume for operational risk. At the balance sheet date no exposure was included in the risk-weighted volume for market risk. The group mainly engages in banking business and the bank's wholly owned subsidiary, Sbanken Boligkreditt AS, is fully consolidated. There are no differences between solvency and accounting consolidation.

In NOK thousand	30.09.20		30.09.19		31.12.19	
	Nominal exposure	Risk-weighted volume	Nominal exposure	Risk-weighted volume	Nominal exposure	Risk-weighted volume
Central governments	1 029 816	0	1 328 905	0	2 232 664	0
Regional governments	2 437 124	298 125	1 520 362	185 012	902 805	64 881
Multilateral Development Banks	619 019	0	629 559	0	627 533	0
Institutions	1 405 845	234 366	1 530 915	245 328	732 265	85 333
Retail	9 054 780	3 682 966	10 006 743	4 378 967	9 756 799	4 246 600
Secured by mortgages on immovable property	95 793 503	29 991 066	91 891 835	28 909 612	89 475 944	29 015 590
Exposures in default	331 352	382 479	445 550	534 052	466 999	584 212
Covered bonds	8 013 770	801 377	7 030 026	703 003	6 624 238	662 424
Equity	222 616	226 006	169 089	406 999	171 680	174 695
Other items	237 380	237 380	178 771	178 771	192 523	192 523
Total credit risk, standardised method ¹	119 145 205	35 853 765	114 731 755	35 541 744	111 183 450	35 026 258
Credit value adjustment risk (CVA)		54 211		40 523		31 257
Operational risk		2 546 153		2 794 674		2 546 153
Total risk-weighted volume		38 454 129		38 376 941		37 603 668
Capital base						
Share capital		1 068 693		1 068 693		1 068 693
Share premium		2 625 895		2 625 895		2 625 895
Other equity		2 482 516		1 814 466		1 807 872
Additional Tier 1 capital		701 139		605 505		705 858
Profit for the period		533 828		524 000		678 080
Total booked equity		7 412 071		6 638 558		6 886 398
Additional Tier 1 capital instruments included in total equity		-701 139		-605 505		-705 858
Common equity Tier 1 capital instruments		6 710 932		6 033 053		6 180 540
<i>Deductions</i>						
Goodwill, deferred tax assets and other intangible assets		-89 494		-118 970		-101 531
Value adjustment due to the requirements for prudent valuation (AVA)		-12 277		-10 350		-9 257
Dividends payable		0		0		-203 052
Profit for the period, not eligible ²⁾		-533 828		-303 749		0
Common equity Tier 1 capital		6 075 333		5 599 984		5 866 700
Additional Tier 1 capital		700 000		600 000		700 000
Tier 1 capital		6 775 333		6 199 984		6 566 700
Tier 2 capital		900 000		775 000		900 000
Own funds (primary capital)		7 675 333		6 974 984		7 466 700
Capital requirements						
Minimum requirements - common equity Tier 1 capital	4.5%	1 730 436	4.5%	1 726 962	4.5%	1 692 165
Capital conservation buffer	2.5%	961 353	2.5%	959 424	2.5%	940 092
Systemic risk buffer	3.0%	1 153 624	3.0%	1 151 308	3.0%	1 128 110
Countercyclical capital buffer	1.0%	384 541	2.0%	767 539	2.5%	940 092
Additional Tier 1 capital	1.5%	576 812	1.5%	575 654	1.5%	564 055
Tier 2 capital	2.0%	769 083	2.0%	767 539	2.0%	752 073
Total minimum and buffer requirements own funds (primary capital)	14.5%	5 575 849	15.5%	5 948 426	16.0%	6 016 587
<i>Available common equity Tier 1 capital after buffer requirements</i>		1 845 379		994 751		1 166 241

Available own funds (primary capital)	2 099 485	1 026 558	1 450 113
Capital ratio %			
Common equity Tier 1 capital	15.8%	14.6%	15.6%
Additional Tier 1 capital	1.8%	1.6%	1.9%
Tier 2 capital	2.3%	2.0%	2.4%
Total capital ratio	20.0%	18.2%	19.9%
Capital ratio % (including interim profits ³⁾)			
Common equity Tier 1 capital	16.8%	15.0%	16.1%
Additional Tier 1 capital	1.8%	1.6%	1.9%
Tier 2 capital	2.3%	2.0%	2.4%
Total capital ratio	20.9%	18.6%	20.4%

¹⁾ The specification is according to EBA reporting framework.

²⁾ No external interim audit performed in 2020. The first nine months of 2019 included 70 per cent of net profit for the first half-year due to external interim audit.

³⁾ Including 70 per cent of the profit for the interim period of both 2020 and 2019. Year-end 2019 include fully retained earnings for 2019, as no dividend has been distributed per 30 September 2020.

Note 4 - Leverage Ratio

The leverage ratio requirements is a supplement to the risk-weighted minimum capital requirements and states that the capital base in financial institutions shall also comprise a defined percentage of the value of the company's assets and off-balance-sheet liabilities, calculated without risk weighting. The capital ratio target consists of Tier 1 capital and the exposure target follows the rules in the Commission Delegated Regulation (EU) 2015-62. The minimum leverage ratio requirement for Norwegian banks and credit institutions is three per cent and a buffer requirement of two per cent.

The table below shows the calculation for the bank, on the basis of existing rule proposals and with conversion factors based on the current standardised approach, subject to a floor of 10 per cent.

In NOK thousand		30.09.20	30.09.19	31.12.19
Derivatives at market value		41 197	11 225	134
Potential future exposure on derivatives		71 350	48 050	48 458
Off-balance sheet commitments		6 339 343	6 229 206	5 886 915
Loans and advances and other assets		97 119 290	93 682 793	92 668 332
Regulatory adjustments included in Tier 1 capital		0	0	0
Total leverage exposure		103 571 180	99 971 274	98 603 839
Tier 1 capital		6 775 333	6 199 984	6 566 700
Leverage ratio %		6.5 %	6.2 %	6.7 %
Leverage ratio % (including interim profits¹⁾)		6.9 %	6.3 %	6.9 %
Leverage Ratio requirements				
Minimum requirements	3.0%	3 107 135	2 999 138	2 958 115
Buffer requirements	2.0%	2 071 424	1 999 425	1 972 077
Total minimum and buffer requirements (Tier 1 capital)	5.0%	5 178 559	4 998 564	4 930 192
Available Tier 1 capital after minimum and buffer requirements		1 596 774	1 201 420	1 636 508
Available Tier 1 capital after minimum and buffer requirement (including interim profits ¹⁾)		1 970 464	1 347 969	1 839 560

¹⁾ Including 70 per cent of the profit for the interim period of both 2020 and 2019. Year-end 2019 include fully retained earnings for 2019, as no dividend has been distributed per 30 September 2020.

Note 5 – Maximum exposure to credit risk

Credit risk is defined as the risk of loss resulting from a counterparty not fulfilling its obligations, and any pledged collateral not covering the outstanding claim. The Bank's maximum credit exposure is the book value of financial assets and any associated off-balance sheet liabilities. The following table shows the Bank's maximum credit risk exposure to financial instruments by measurement category.

30.09.20			
In NOK thousand	Gross carrying amounts	Off-balance sheet amounts	Maximum exposure to credit risk
Cash and receivables with central bank	397 484	0	397 484
Loans to and receivables from credit institutions	888 298	0	888 298
Loans to and receivables from central bank and credit institutions	1 285 782	0	1 285 782
Loans to customers, secured	74 572 285	16 885 182	91 457 467
Loans to customers, unsecured	3 084 264	5 031 068	8 115 332
Loans to and receivables from customers	77 656 549	21 916 250	99 572 799
Shares in associated company	2 377	0	2 377
Other financial assets with credit risk	148 062	0	148 062
Financial instruments at amortised cost (gross)	79 092 770	21 916 250	101 009 020
Commercial paper and bonds	12 070 728	0	12 070 728
Financial instruments at fair value through other comprehensive income	12 070 728	0	12 070 728
Equity and funds	206 355	0	206 355
Derivatives	849 677	0	849 677
Loans to customers, secured	5 964 347	0	5 964 347
Financial instruments at fair value through profit and loss	7 020 379	0	1 056 032
Gross exposure with credit risk	98 183 877	21 916 250	114 135 780
Impairment	-354 628	-4 233	-358 861
Total net exposure with credit risk	97 829 249	21 912 017	119 741 266
Other assets without credit risk	271 544	n/a	n/a
Total assets	98 100 793	n/a	n/a

31.12.19			
In NOK thousand	Gross carrying amounts	Off-balance sheet amounts	Maximum exposure to credit risk
Cash and receivables with central bank	1 587 606	0	1 587 606
Loans to and receivables from credit institutions	286 802	0	286 802
Loans to and receivables from central bank and credit institutions	1 874 408	0	1 874 408
Loans to customers, secured	77 664 471	13 490 073	91 154 544
Loans to customers, unsecured	3 665 720	4 970 975	8 636 695
Loans to and receivables from customers	81 330 191	18 461 048	99 791 239
Shares in associated company	2 010	0	2 010
Other financial assets with credit risk	119 012	0	119 012
Financial instruments at amortised cost (gross)	83 325 621	18 461 048	101 786 669
Commercial paper and bonds	9 087 319	0	9 087 319
Financial instruments at fair value through other comprehensive income	9 087 319	0	9 087 319
Shares and funds	169 669	0	169 669
Derivatives	201 975	0	201 975
Loans to customers, secured	164 062	0	164 062
Financial instruments at fair value through profit and loss	535 706	0	371 644
Gross exposure with credit risk	92 948 646	18 461 048	111 245 632
Impairment	-261 036	-3 207	-264 243
Total net exposure with credit risk	92 687 610	18 457 841	111 145 451
Other assets without credit risk	318 075	n/a	n/a
Total assets	93 005 685	n/a	n/a

Note 6 - Loans to customers

Gross carrying amount				
30.09.20				
In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Opening balance gross carrying amount (before transfers) 01.01.20	76 018 582	4 914 417	561 254	81 494 253
Transfers to Stage 1 (12-months ECL)	846 725	-840 824	-5 901	0
Transfers to Stage 2 (Lifetime ECL - not impaired)	-1 591 280	1 600 909	-9 629	0
Transfers to Stage 3 (Lifetime ECL - impaired)	-54 598	-157 800	212 398	0
New financial assets originated	28 661 943	378 881	6 174	29 046 998
Financial assets that have been derecognised	-25 452 524	-1 308 031	-166 497	-26 927 052
Changes in interest accrual	-32 367	-4 174	-2 414	-38 955
Other movements	45 652	0	0	45 652
Closing balance gross carrying amount 30.09.20	78 442 133	4 583 378	595 385	83 620 896

Gross carrying amount				
31.12.19				
In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Opening balance gross carrying amount (before transfers) 01.01.19	75 625 127	3 114 808	472 802	79 212 737
Transfers to Stage 1 (12-months ECL)	770 258	-763 795	-6 463	0
Transfers to Stage 2 (Lifetime ECL - not impaired)	-2 741 876	2 746 826	-4 950	0
Transfers to Stage 3 (Lifetime ECL - impaired)	-148 269	-153 744	302 013	0
New financial assets originated	26 190 832	888 685	62 065	27 141 582
Financial assets that have been derecognised	-23 686 974	-923 544	-265 679	-24 876 197
Changes in interest accrual	9 484	5 181	1 466	16 131
Other movements	0	0	0	0
Closing balance gross carrying amount 31.12.19	76 018 582	4 914 417	561 254	81 494 253

Lending by geographical area				
In NOK thousand	30.09.20		31.12.19	
	Percentage	Gross lending	Percentage	Gross lending
Eastern Norway ex. Oslo	44.2%	36 968 660	43.4%	35 339 386
Oslo	19.9%	16 672 445	19.4%	15 845 516
Southern Norway	2.2%	1 841 120	2.2%	1 828 660
Western Norway	22.1%	18 514 101	23.2%	18 875 595
Central Norway	4.8%	4 021 666	4.9%	3 971 184
Northern Norway	6.7%	5 602 904	6.9%	5 633 912
Total gross lending by geographical area	100.0%	83 620 896	100.0%	81 494 253

Note 7 – Credit risk exposure and collateral

The bank's customer exposures comprises the bulk of the bank's total credit exposure. A high percentage of the bank's lending is collateralised. Collateral in the private retail market essentially comprise fixed property and vehicles.

The table below shows the relationship between total credit exposure and the associated collateral distributed to exposure class. Lending secured by mortgages and cars includes the percentage distributed of exposure relating to the various loan-to-value levels. The property values on which the calculations are based are updated in the last month of each quarter and are therefore representative of the current market value. The calculation of loan-to-value does not take into account any additional collateral.

In NOK thousand	30.09.20			31.12.19		
	Distribution as percentage	Gross carrying amounts	Unutilised credit lines	Distribution as percentage	Gross carrying amounts	Unutilised credit lines
Loan-to-value, secured loans						
0 % - 40 %	27.2%	21 557 638	4 111 495	25.1%	19 145 110	3 716 644
40 % - 60 %	33.2%	26 321 488	3 036 874	33.0%	25 242 904	3 014 107
60 % - 80 %	29.6%	23 456 484	812 306	28.9%	22 113 068	1 097 259
80 % - 90 %	6.7%	5 277 960	131 956	9.0%	6 841 169	168 514
90 % - 100 %	1.7%	1 372 306	70 561	2.0%	1 517 024	92 461
> 100 %	1.7%	1 376 548	109 352	2.1%	1 567 307	142 996
Mortgages, secured by fixed property	100.0%	79 362 424	8 272 544	100.0%	76 426 582	8 231 981
< 50 %	12.2%	116 100	0	14.5%	162 905	0
50 % - 80 %	30.0%	286 005	0	39.0%	437 399	0
80 % - 100 %	25.9%	246 780	0	27.1%	303 782	0
> = 100 %	31.9%	303 887	0	19.4%	217 181	0
Car loans, secured	100.0%	952 772	0	100.0%	1 121 267	0
Custody account credit, secured	100.0%	221 436	135 387	100.0%	280 684	103 304
Loan and funding commitments, secured loans		0	8 477 251		0	5 154 788
Total loans to customers, secured		80 536 632	16 885 182		77 828 533	13 490 073

The table below shows the percentage allocation of exposures for mortgages for various loan-to-value levels. Where the entire exposure in the table above is placed at a related loan-to-value level, the relative share of the loan exposure at each level is shown in the table below.

In NOK thousand	30.09.20		31.12.19	
	Distribution as percentage	Gross carrying amounts	Distribution as percentage	Gross carrying amounts
Loan-to-value, Mortgages (relative distribution)				
0 % - 85 %	99.25%	78 763 614	99.11%	75 747 469
85 % - 100 %	0.43%	337 650	0.51%	391 291
> 100 %	0.33%	261 160	0.38%	287 822
Mortgages, secured by fixed property	100.0%	79 362 424	100.0%	76 426 582

In NOK thousand	30.09.20		31.12.19	
	Distribution as percentage	Gross carrying amounts	Distribution as percentage	Gross carrying amounts
Distribution by type of security object, Mortgages				
Apartment	24.7%	19 616 506	23.6%	18 011 831
Detached house	52.0%	41 292 649	53.3%	40 737 098
Semidetached house	19.7%	15 623 853	19.9%	15 171 175
Vacation home	3.6%	2 829 416	3.3%	2 506 478
Total Mortgages secured by fixed property	100.0%	79 362 424	100.0%	76 426 582

Note 8 - Loan losses

Expected credit loss (ECL) - Loans to customers				
January - September 2020				
In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Opening balance ECL 01.01.20	18 615	77 120	168 508	264 243
<i>Changes in PDs/LGDs/EADs on existing portfolio:</i>				
Transfers to Stage 1	1 525	-11 706	-864	-11 045
Transfers to Stage 2	-2 199	19 362	-1 672	15 491
Transfers to Stage 3	-753	-11 818	48 571	36 000
Changes in PDs/LGDs/EADs on existing portfolio, with no transfers	3 980	20 665	71 197	95 842
<i>Other changes:</i>				
New financial assets originated	4 869	10 360	1 618	16 847
Financial assets that have been derecognised	-4 050	-14 740	-19 625	-38 415
Financial assets that have been derecognised through sale of portfolio			-20 102	-20 102
Changes to model assumption and methodologies	0	0	0	0
Other movements	0	0	0	0
Closing balance ECL 30.09.20	21 987	89 243	247 631	358 861
Specification of ECL				
In NOK thousands	30.09.20			
ECL On-balance sheet amounts 30.09.20	20 398	87 949	246 281	354 628
ECL Off-balance sheet amounts 30.09.20	1 589	1 294	1 350	4 233
Closing balance ECL 30.09.20	21 987	89 243	247 631	358 861
Specification of ECL				
In NOK thousands	30.09.20			
Secured loans	2 185	8 354	40 990	51 529
Unsecured loans	19 802	80 889	206 641	307 332
Total	21 987	89 243	247 631	358 861
ECL by geographical area				
In NOK thousands	30.09.20			
Eastern Norway ex. Oslo	127 758			
Oslo	50 135			
Southern Norway	14 373			
Western Norway	111 036			
Central Norway	24 570			
Northern Norway	30 989			
Total	358 861			

Sbanken ASA has no expected credit loss related to loans to central bank, credit institutions and commercial paper and bonds.

Specification of loan losses					
In NOK thousands	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Changes in ECL, stage 1	489	732	-3 372	-625	-1 555
Changes in ECL, stage 2	-5 023	-9 067	-12 124	-31 534	-39 396
Changes in ECL, stage 3	-14 563	-11 290	-79 122	-44 964	-28 226
Write-offs	-9 345	-17 565	-34 522	-26 813	-85 789
Recoveries of previously written off loans	58	123	229	632	1 817
Net cost of loan losses in the period	-28 384	-37 067	-128 911	-103 304	-153 149

Expected credit loss (ECL) - Loans to customers

January - December 2019

In NOK thousand	Stage 1, 12-months ECL	Stage 2, Lifetime ECL (not impaired)	Stage 3, Lifetime ECL (impaired)	Total
Opening balance ECL 01.01.19	17 059	37 724	140 283	195 066
<i>Changes in PDs/LGDs/EADs on existing portfolio:</i>				
Transfers to Stage 1	455	-5 156	-1 337	-6 038
Transfers to Stage 2	-3 752	9 957	-550	5 655
Transfers to Stage 3	-1 315	-5 921	63 059	55 823
Changes in PDs/LGDs/EADs on existing portfolio, with no transfers	-379	515	16 507	16 643
<i>Other changes:</i>				
New financial assets originated	8 926	27 618	16 258	52 802
Financial assets that have been derecognised	-3 851	-7 132	-17 081	-28 064
Financial assets that have been derecognised through sale of portfolio			-51 984	-51 984
Changes to model assumption and methodologies	1 472	19 515	3 353	24 340
Other movements	0	0	0	0
Closing balance ECL 31.12.19	18 615	77 120	168 508	264 243

Specification of ECL

In NOK thousands	31.12.19			
ECL On-balance sheet amounts 31.12.19	17 382	76 241	167 413	261 036
ECL Off-balance sheet amounts 31.12.19	1 233	879	1 095	3 207
Closing balance ECL 31.12.19	18 615	77 120	168 508	264 243

In NOK thousands	31.12.19			
Secured loans	2 396	11 934	40 472	54 802
Unsecured loans	16 218	65 186	128 037	209 441
Total	18 615	77 120	168 508	264 243

ECL by geographical area

In NOK thousands	31.12.19
Eastern Norway ex. Oslo	90 424
Oslo	40 387
Southern Norway	10 919
Western Norway	83 188
Central Norway	17 142
Northern Norway	22 183
Total	264 243

Sbanken ASA has no expected credit loss related to loans to central bank, credit institutions and commercial paper and bonds.

Note 9 – Credit-impaired assets and overdue loans

Credit-impaired assets		30.09.20					
In NOK thousand	Principal type of collateral held	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Net exposure	Provisioning ratio after collateral
Loans to customers:							
Mortgages	Residential property	245 691	-35 310	210 381	209 071	1 310	96.4%
Car Loans	Vehicle	11 234	-5 083	6 151	6 143	8	99.8%
Custody account credits	Listed securities	0	0	0	0	0	Na
Unsecured loans	None	338 460	-205 888	132 572	0	132 572	60.8%
Total credit-impaired assets		595 385	-246 281	349 104	215 214	133 890	64.8%

	Credit-impaired (Gross carrying amount)
30.09.2020	
Mortgages - Loan to value	
0 % - 40 %	14 449
40 % - 60 %	53 767
60 % - 80 %	116 917
80 % - 90 %	24 891
90 % - 100 %	365
> 100 %	35 302
Total	245 691

Overdue loans - age distribution

The table below shows the carrying value of overdue loans and overdrawn amounts on credits allocated by number of days after maturity. The table provides an analysis of exposure where there is inadequate ability or propensity to pay, rather than overdue amounts attributable to a delay in transferring funds. Based on this and the bank's internal routines for monitoring overdue exposure, the default must exceed NOK 800 for more than 6 days to be included in the second table below.

Credit-impaired loans	
In NOK thousand	30.09.20
Overdue loans - more than 90 days	587 202
Other credit-impaired assets	8 183
Total	595 385

Overdue loans		30.09.20			
In NOK thousand	7-30 days	31 - 60 days	61 - 90 days	More than 90 days	Total
Mortgages	628 702	130 391	50 020	240 624	1 049 737
Car loans	19 697	5 205	2 074	11 234	38 210
Other loans	104 336	39 913	10 433	335 344	490 026
Loans to customers	752 735	175 509	62 527	587 202	1 577 973

Credit-impaired assets

31.12.19

In NOK thousand	Principal type of collateral held	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held	Net exposure	Provisioning ratio after collateral
Loans to customers:							
Mortgages	Residential property	251 016	-36 484	214 532	210 342	4 190	89.7%
Car Loans	Vehicle	10 299	-3 897	6 402	5 445	957	80.3%
Custody account credits	Listed securities	0	0	0	0	0	Na
Unsecured loans	None	299 939	-127 033	172 906	0	172 906	42.4%
Total credit-impaired assets		561 254	-167 413	393 840	215 787	178 053	48.5%

31.12.2019	Credit-impaired (Gross carrying amount)
Mortgages - Loan to value	
0 % - 40 %	16 880
40 % - 60 %	46 630
60 % - 80 %	110 896
80 % - 90 %	30 056
90 % - 100 %	9 003
> 100 %	37 551
Total	251 016

Credit-impaired loans

In NOK thousand	31.12.19
Overdue loans - more than 90 days	554 630
Other credit-impaired assets	6 624
Total	561 254

Overdue loans

31.12.19

In NOK thousand	7-30 days	31 - 60 days	61 - 90 days	More than 90 days	Total
Mortgages	1 014 289	258 307	34 481	247 004	1 554 081
Car loans	36 533	11 497	2 580	10 299	60 909
Other loans	147 543	60 007	27 154	297 327	532 031
Loans to customers	1 198 365	329 811	64 215	554 630	2 147 021

Note 10 - Debt securities issued and subordinated loan

Carried at amortised cost:

In NOK thousand	Currency	30.09.20	30.09.19	31.12.19
Bonds issued	NOK	27 978 475	32 769 320	31 304 025
Subordinated loans	NOK	898 751	774 544	899 438
Total debt securities issued and subordinated loans		28 877 226	33 543 864	32 203 463

Specification of bonds and subordinated loans as at 30.09.20:

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying value
Bonds						
NO0010793029	Sbanken ASA	401 000	NOK	Floating	01.03.21	401 072
NO0010835325	Sbanken ASA	500 000	NOK	Floating	06.09.21	500 215
NO0010862048	Sbanken ASA	750 000	NOK	Floating	09.10.22	749 749
NO0010874878	Sbanken ASA	1 000 000	NOK	Floating	10.02.23	996 917
NO0010886757	Sbanken ASA	600 000	NOK	Floating	26.09.23	601 462
Total bonds		3 251 000				3 249 415
Reclassified from subordinated loan and hybrid capital to bonds ¹						
NO0010746464	Sbanken ASA	125 000	NOK	Floating	12.10.20	125 000
NO0010746456	Sbanken ASA	228 700	NOK	3M Nibor+4.1 %	12.10.20	228 700
Total reclassified to bonds		353 700				353 700
Total bonds and reclassified to bonds		3 604 700				3 603 115
Covered bonds ²						
NO0010745342	Sbanken Boligkreditt AS	4 669 000	NOK	Floating	14.10.21	4 662 951
NO0010786999	Sbanken Boligkreditt AS	7 000 000	NOK	Floating	27.04.22	7 016 725
NO0010790603	Sbanken Boligkreditt AS	7 000 000	NOK	Floating	10.02.23	7 019 071
XS1813051858	Sbanken Boligkreditt AS	500 000	EURO	Fixed	26.04.23	5 676 613
Total covered bonds						24 375 360
Total bonds and covered bonds						27 978 475

¹ On the 31st of August 2020 Sbanken ASA exercised its right to call ISIN 0010746464 and ISIN 001010746456 with maturity dates 12 October 2020. As the loans do not qualify as subordinated loans and hybrid capital after being called, the loans are reclassified as bonds.

² All covered bond loans have "soft bullet" with the possibility of extending the maturity by one year.

Subordinated loans

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity ³	Carrying value
NO0010786767	Sbanken ASA	150 000	NOK	Floating	02.03.27	149 875
NO0010847205	Sbanken ASA	125 000	NOK	Floating	21.03.29	125 000
NO0010871502	Sbanken ASA	125 000	NOK	Floating	19.12.29	124 849
NO0010885197	Sbanken ASA	350 000	NOK	Floating	17.06.30	349 300
NO0010891922	Sbanken ASA	150 000	NOK	Floating	28.08.30	149 727
Total subordinated loans		900 000				898 751

³ First possible call date for the issuer is 5 years before date of maturity. The loan agreement has covenants to qualify as Tier 2 capital.

Changes of debt securities and subordinated loans:

	31.12.19	January- September 2020				30.09.20
		Issued	Matured	Redeemed	Other adjustments	
Bonds (nominal)	3 032 000	2 050 000	-210 000	-1 621 000	353 700	3 604 700
Covered Bonds (nominal)	28 013 000	0	-1 486 000	-3 053 000	0	23 474 000
Subordinated loans (nominal)	900 000	500 000	0	-375 000	-125 000	900 000
Total	31 945 000	2 550 000	-1 696 000	-5 049 000	228 700	27 978 700

Note 11 - Additional Tier 1 capital (hybrid capital)

In NOK thousand	Currency	30.09.20	30.09.19	31.12.19
Additional Tier 1 capital	NOK	700 000	600 000	700 000
Total Additional Tier 1 capital		700 000	600 000	700 000

Specification of additional Tier 1 capital as at 30.09.20:

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying amounts
Additional Tier 1 capital						
NO0010786759	Sbanken ASA	100 000	NOK	3M Nibor + 3.6 %	Perpetual ¹	100 000
NO0010847213	Sbanken ASA	100 000	NOK	3M Nibor + 3.6 %	Perpetual ²	100 000
NO0010871494	Sbanken ASA	100 000	NOK	3M Nibor + 3.15 %	Perpetual ³	100 000
NO0010885205	Sbanken ASA	300 000	NOK	3M Nibor + 3.10 %	Perpetual ⁴	300 000
NO0010891914	Sbanken ASA	100 000	NOK	3M Nibor + 3.0 %	Perpetual ⁵	100 000
Total additional Tier 1 capital		700 000				700 000

¹ The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first being 02 March 2022.

² The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first being 23 March 2024.

³ The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first being 19 December 2024.

⁴ The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first being 17 June 2025.

⁵ The Tier1 capital is perpetual with an option for the issuer to redeem the capital at specific dates, the first being 28 August 2025.

Change of additional Tier 1 capital

	January - September 2020					30.09.20
	31.12.19	Issued	Matured	Redeemed	Other adjustments	
Additional Tier 1 capital	700 000	400 000	0	-171 300	-228 700	700 000
Total	700 000	400 000	0	-171 300	-228 700	700 000

As at 30 September 2020, NOK 1.39 million in accrued interest is related to additional Tier 1 capital.

This has been recognised against the additional Tier 1 capital and the carried value including accrued interest is NOK 701.4 million.

Note 12 - Net interest income

Net interest income

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Loans to and receivables from credit institutions and central bank	616	7 374	6 268	15 844	22 050
Loans to customers ¹	500 739	636 851	1 748 264	1 820 165	2 508 329
Commercial paper and bonds ²	25 372	50 034	119 957	138 002	188 784
Total interest income	526 727	694 259	1 874 489	1 974 011	2 719 164
Loans and deposits from credit institutions and central bank	-4 121	-34	-6 714	-418	-969
Deposits from customers	-22 510	-108 335	-223 912	-314 541	-429 738
Debt securities issued	-56 573	-164 835	-337 361	-458 989	-636 412
Subordinated loans	-4 699	-6 826	-19 753	-18 647	-26 083
Other interest expenses	-16 625	6 601	-49 922	-46 346	-61 835
Total interest expenses	-104 528	-273 429	-637 662	-838 941	-1 155 037
Net interest income	422 199	420 830	1 236 827	1 135 070	1 564 127

¹ Interest income in Jan-Sep 2020 of TNOK 23 465 are related to mortgages measured at fair value through profit and loss.

² Investments are recognised at fair value.

Interest income from loans to customers:

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Mortgages	395 756	513 034	1 408 751	1 461 033	2 024 221
Car loans	13 654	15 032	44 156	46 007	61 631
Consumer loans	50 698	62 736	163 003	173 691	234 185
Other loans ³	40 631	45 779	132 354	139 434	188 292
Total interest income from loans to customers	500 739	636 581	1 748 264	1 820 165	2 508 329

³ Credit card, account credit and custody account credit.

Note 13 - Net commission and fee income

Net commission and fee income

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Payment processing	6 868	7 228	20 407	21 701	29 962
Card and interbank	43 671	66 204	129 116	163 837	216 146
Mutual funds and securities	33 320	22 639	97 656	66 432	94 453
Other commission income	887	1 048	2 777	3 008	4 045
Total commission and fee income	84 746	97 119	249 956	254 978	344 607
Payment processing	-5 461	-8 440	-15 573	-25 277	-33 911
Card and interbank	-13 900	-16 026	-41 569	-42 436	-50 886
Mutual funds and securities	-20 009	-7 192	-55 991	-21 435	-38 880
Other commission expenses	-1 551	-1 640	-2 074	-4 435	-6 005
Total commission and fee expenses	-40 921	-33 298	-115 207	-93 583	-129 683
Net commission and fee income	43 825	63 821	134 749	161 395	214 924

Note 14 - Net gain (loss) on financial instruments

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
1) Realisation of financial instruments at fair value through other comprehensive income					
Gain/(loss) by realisation of financial instruments:	-71	4 790	-4 339	2 884	3 035
Total gain/(loss) by realisation of financial instruments at fair value through other comprehensive income	-71	4 790	-4 339	2 884	3 035
2) Financial instruments at fair value through profit and loss					
Realised gain/ (loss) from shares and funds	0	0	0	0	0
Unrealised gain/(loss) from shares and funds	1 481	6 898	15 514	12 099	17 496
Gain/(loss) on derivatives (used in hedge accounting)	1 124	127	539	-1 070	-176
Unrealised gain/(loss) on derivatives	-12 519	0	-44 392	0	0
Unrealised gain/(loss) from fixed rate loans	19 310	0	45 652	0	0
Total gain/(loss) on financial instruments at fair value through profit and loss	9 396	7 025	17 313	11 029	17 320
3) Financial instruments at amortised cost					
Gain (loss) by repurchase of own bonds/commercial paper at amortised cost	-6 846	-365	-15 925	-13 112	-13 597
Total gain (loss) on financial instruments at amortised cost	-6 846	-365	-15 925	-13 112	-13 597
4) Currency					
Net gain (loss) on currency items	1 099	-30	4 798	-905	-1 921
Total gain (loss) on currency items	1 099	-30	4 798	-905	-1 921
5) Dividends:					
Dividends from investments in shares and funds	0	0	0	19 524	19 524
Total dividends	0	0	0	19 524	19 524
6) Result from associated company					
Result from associated company	0	0	0	0	-3 808
Total from associated company	0	0	0	0	-3 808
Total gain (loss) on financial instruments recognised through profit and loss	3 578	11 421	1 847	19 420	20 553

Note 15 - Operating expenses

Other administrative expenses

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Properties and premises ¹	-749	-557	-1 539	-2 234	-3 505
IT	-34 214	-28 527	-107 274	-79 207	-118 040
Advertising and marketing	-8 262	-15 371	-33 111	-54 522	-64 652
Temporary employment agencies	-3 869	-5 729	-13 359	-16 033	-22 536
Consultants and other external services	-11 438	-10 999	-30 406	-31 242	-43 453
Telephone and postage	-3 979	-3 976	-10 862	-10 764	-14 109
Other operating expenses	-8 560	-9 043	-24 192	-26 569	-36 774
Total administrative expenses	-71 071	-74 203	-220 743	-220 571	-303 070

¹ After the introduction of IFRS 16, rental costs are recognised as depreciation and interest expenses.

Personnel expenses

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Wages	-60 476	-66 850	-191 267	-195 806	-270 019
<i>Capitalised as intangible assets</i>	<i>1 696</i>	<i>1 873</i>	<i>6 048</i>	<i>16 241</i>	<i>19 418</i>
Pension costs	-6 134	-7 157	-17 533	-18 180	-26 049
Payroll tax	-12 046	-11 268	-39 429	-38 889	-52 689
Other personnel expenses	-2 195	-3 340	-8 434	-9 711	-13 583
Total personnel expenses	-79 155	-86 742	-250 615	-246 345	-342 921

In the first nine months of 2020, NOK 10.6 million (NOK 0.0 mill in Q3 20) in severance pay and provisions related to changes in personnel was recognised.

Note 16 - Tax expense

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Specification of tax expense:					
Taxes payable	60 666	65 476	161 725	158 130	208 769
Change in deferred tax	1 950	52	548	92	563
Correction of taxes payable previous year	0	0	0	0	56
Total tax expense	62 616	65 528	162 273	158 222	209 388
Reconciliation of the tax expense:					
Profit before tax	274 448	283 235	723 953	705 299	919 440
-from Sbanken ASA	171 963	235 189	502 154	548 466	711 187
-from Sbanken Boligkreditt AS	105 223	51 465	231 209	166 706	223 597
- from group transactions related to own debt and hybrid capital	-2 740	-3 419	-9 411	-9 873	-15 344
Expected tax expense at nominal rate of 25 % Sbanken ASA	42 991	58 797	125 539	137 117	177 797
Expected tax expense at nominal rate of 22 % Sbanken Boligkreditt AS	23 149	11 322	50 866	36 675	49 191
Total expected tax expense	66 140	70 120	176 404	173 792	226 988
Tax effect from non-deductible expenses and tax-exempt income	0	0	0	0	446
Tax effect from tax-exempt income from shareholdings and funds (realised and unrealised)	-822	-1 748	-4 330	-7 777	-9 178
Tax effect from costs recognised against interest to Tier 1 capital holders	-2 821	-2 844	-9 033	-7 941	-10 943
Other differences	119	0	-768	148	2 019
Correction of taxes payable previous year	0	0	0	0	56
Total tax expense	62 616	65 528	162 273	158 222	209 388
Effective tax rate	22.8%	23.1%	22.4%	22.4%	22.8%

Note 17 - Classification of financial instruments

In NOK thousand	Financial instruments at fair value through profit and loss	Financial instruments at fair value through OCI	Financial instruments carried at amortised cost	Total
30.09.20				
Financial assets				
Cash and receivables with central bank	0	0	397 484	397 484
Loans to and receivables from credit institutions	0	0	888 298	888 298
Loans to customers	5 964 347	0	77 301 921	83 266 268
Commercial paper and bonds	0	12 070 728	0	12 070 728
Equity and funds ¹	206 355	0	2 377	208 732
Derivatives ²	849 677	0	0	849 677
Other assets	0	0	148 062	148 062
Total financial assets	7 020 379	12 070 728	78 738 142	97 829 249
Financial liabilities				
Loans and deposits from central bank	0	0	2 250 000	2 250 000
Loans and deposits from credit institutions	0	0	808 480	808 480
Deposits from customers	0	0	58 064 313	58 064 313
Debt securities issued ³	0	0	27 978 475	27 978 475
Derivatives	55 336	0	0	55 336
Subordinated loans	0	0	898 751	898 751
Other liabilities	0	0	442 182	442 182
Total financial liabilities	55 336	0	90 442 201	90 497 537
¹ Shares in associated company are recognised using the equity method and put under the category amortised cost. ² Including derivatives used as hedging instruments. ³ Including hedged liabilities.				

In NOK thousand	Financial instruments at fair value through profit and loss	Financial instruments at fair value through OCI	Financial instruments carried at amortised cost	Total
31.12.19				
Financial assets				
Cash and receivables with central bank	0	0	1 587 606	1 587 606
Loans to and receivables from credit institutions	0	0	286 802	286 802
Loans to customers	164 062	0	81 069 155	81 233 217
Commercial paper and bonds	0	9 087 319	0	9 087 319
Shares and funds ¹	169 669	0	2 010	171 680
Derivatives ²	201 975	0	0	201 975
Other assets	0	0	119 013	119 013
Total financial assets	535 706	9 087 319	83 064 586	92 687 612
Financial liabilities				
Loans and deposits from credit institutions	0	0	0	0
Deposits from customers	0	0	52 844 881	52 844 881
Debt securities issued ³	0	0	31 304 025	31 304 025
Subordinated loans	0	0	899 438	899 438
Other liabilities	0	0	834 679	834 679
Total financial liabilities	0	0	85 883 023	85 883 023
¹ Shares in associated company are recognised using the equity method and put under the category amortised cost. ² Including derivatives used as hedging instruments. ³ Including hedged liabilities.				

Note 18 - Fair value of financial instruments at amortised cost

Recognised at amortised cost		
	Carrying value	Fair value
	30.09.20	30.09.20
Assets		
Cash and receivables with central bank	397 484	397 484
Loans to and receivables from credit institutions	888 298	888 298
Loans to customers	77 301 921	77 301 921
Equity and funds	2 377	2 377
Other assets	148 062	148 062
Total financial assets at amortised cost	78 738 142	78 738 142
Liabilities		
Loans and deposits from central bank	2 250 000	2 250 000
Loans and deposits from credit institutions	808 480	808 480
Deposits from customers	58 064 313	58 064 313
Debt securities issued	27 978 475	28 083 252
Subordinated loans	898 751	903 516
Other liabilities	442 182	442 182
Total financial liabilities at amortised cost	90 442 201	90 551 743

30.09.20	Level 1	Level 2	Level 3	Total
Cash and receivables with central bank		397 484		397 484
Loans to and receivables from credit institutions			888 298	888 298
Loans to customers			77 301 921	77 301 921
Shares and funds			2 377	2 377
Other assets			148 062	148 062
Total financial assets at amortised cost		397 484	78 340 658	78 738 142
Liabilities				
Loans and deposits from central bank			2 250 000	2 250 000
Loans and deposits from credit institutions			808 480	808 480
Deposits from customers			58 064 313	58 064 313
Debt securities issued		28 083 252	0	28 083 252
Subordinated loan		903 516	0	903 516
Other liabilities			442 182	442 182
Total financial liabilities at amortised cost		28 986 768	61 564 975	90 551 743

Recognised at amortised cost

	Carrying value	Fair value
	31.12.19	31.12.19
Assets		
Cash and receivables with central bank	1 587 606	1 587 606
Loans to and receivables from credit institutions	286 802	286 802
Loans to customers	81 069 155	81 069 155
Shares and funds	2 010	2 010
Other assets	119 013	119 013
Total financial assets at amortised cost	83 064 586	83 064 586
Liabilities		
Loans and deposits from credit institutions	0	0
Deposits from customers	52 844 881	52 844 881
Debt securities issued	31 304 025	31 443 080
Subordinated loans	899 438	909 105
Other liabilities	834 679	834 679
Total financial liabilities at amortised cost	85 883 023	86 031 745

31.12.19	Level 1	Level 2	Level 3	Total
Cash and receivables with central bank		1 587 606		1 587 606
Loans to and receivables from credit institutions			286 802	286 802
Loans to customers			81 069 155	81 069 155
Shares and funds			2 010	2 010
Other assets			119 013	119 013
Total financial assets at amortised cost		1 587 606	81 476 980	83 064 586
Liabilities				
Loans and deposits from credit institutions			0	0
Deposits from customers			52 844 881	52 844 881
Debt securities issued		31 443 080	0	31 443 080
Subordinated loan		909 105	0	909 105
Other liabilities			834 679	834 679
Total financial liabilities at amortised cost		32 352 185	53 679 560	86 031 745

Note 19 - Financial instruments at fair value

Fair value of financial instruments (in NOK thousand)

In NOK thousand	30.09.20		31.12.19	
Assets:	Carrying value	Fair value	Carrying value	Fair value
Equity and funds	206 355	206 355	169 669	169 669
Commercial paper and bonds	12 070 728	12 070 728	9 087 319	9 087 319
Derivatives	849 677	849 677	201 975	201 975
Loans to customers (fixed rate)	5 964 347	5 964 347	164 062	164 062
Total financial assets at fair value	19 091 107	19 091 107	9 623 025	9 623 025
Liabilities:				
Derivatives	55 336	55 336	0	0
Total financial liabilities at fair value	55 336	55 336	0	0

30.09.2020				
In NOK thousand	Level 1	Level 2	Level 3	Total
Equity and funds	0	32 595	173 760	206 355
Commercial paper and bonds	618 070	11 452 658	0	12 070 728
Derivatives at fair value through profit and loss (asset)	0	849 677	0	849 677
Loans to customers (fixed rate)	0	0	5 964 347	5 964 347
Total	618 070	12 334 930	6 138 107	19 091 107
Derivatives at fair value through profit and loss (liability)	0	55 336	0	55 336
Total	0	55 336	0	55 336

Financial instruments measured at fair value Level 3

In NOK thousand	Loans to customers	Shares and funds	Total
Opening balance at 1 January 2020	164 062	158 401	322 463
Net gain/(loss) on financial instruments (unrealised)	45 652	15 359	61 011
New loans/exits	5 754 633	0	5 754 633
Sale	0	0	0
Settlement	0	0	0
Transferred from Level 1 or Level 2	0	0	0
Transferred to Level 1 or Level 2	0	0	0
Other	0	0	0
Closing balance at 30 September 2020	5 964 347	173 760	6 138 107

There were no transfers of financial instruments between Level 1 and Level 2 in the period January to September 2020.

Information about fair value of securities at Level 3:

Shares in Vipps AS

Sbanken has used the same value as year-end 2019 for calculating the fair value of the shares in Vipps AS at 30 September 2020, adjusted for a liquidity and general uncertainty discount of 20 %.

Shares in VN Norge AS

Sbanken has used the same value as year-end 2019 for calculating the fair value of the shares in VN Norge AS at 30 September 2020, but adjusted for movements in currency and share price of Visa Inc. The total value has been adjusted for a liquidity and general uncertainty discount of 20 %.

Sensitivity analysis regarding shares in VN Norge:

Parameter	Effect in NOK
Shift in exchange rate of NOK/USD of +/- 10 %	+/- 6.1 mill
Shift in share price of Visa Inc. of +/- 10 %	+/- 6.1 mill
Shift in liquidity discount on shares in VN Norge AS of +/- 10 basis points	+/- 13.3 mill

Fixed rate loans

Principles related to fair value of fixed rate loans are described in the annual report for 2019.

31.12.2019

In NOK thousand	Level 1	Level 2	Level 3	Total
Shares and funds	0	11 268	158 401	169 669
Commercial paper and bonds	627 533	8 459 786	0	9 087 319
Derivatives at fair value through profit and loss (asset)	0	201 975	0	201 975
Loans to customers (fixed rate)	0	0	164 062	164 062
Total	627 533	8 673 029	322 463	9 623 025
Derivatives at fair value through profit and loss (liability)		0		0
Total	0	0	0	0

Financial instruments measured at fair value Level 3

In NOK thousand	Loans to customers	Shares and funds	Total
Opening balance at 1 January 2019	0	143 504	143 504
Net gain/(loss) on financial instruments (unrealised)	0	14 897	14 897
Acquisitions/exits	164 062	0	164 062
Sale	0	0	0
Settlement	0	0	0
Transferred from Level 1 or Level 2	0	0	0
Transferred to Level 1 or Level 2	0	0	0
Other	0	0	0
Closing balance at 31 December 2019	164 062	158 401	322 463

There were no transfers of financial instruments between Level 1 and Level 2 in the period January to December 2019.

Note 20 - Information about related parties

Assets and liabilities to Sbanken Boligkreditt AS

In NOK thousand	30.09.20	30.09.19	31.12.19
Receivable related to overdraft facility with Sbanken Boligkreditt AS	2 758 186	2 380 290	2 897 390
Sbanken Boligkreditt AS's deposit in Sbanken ASA	1 641 891	1 992 384	1 701 897
Sbanken ASA's ownership of covered bonds issued by Sbanken Boligkreditt AS	10 032 860	2 028 813	2 006 575
Sbanken ASA's ownership of subordinated loan issued by Sbanken Boligkreditt AS	325 000	325 000	325 000
Sbanken ASA's ownership of additional Tier 1 capital issued by Sbanken Boligkreditt	225 000	225 000	225 000

Transactions with Sbanken Boligkreditt AS

In NOK thousand	01.01.20 - 30.09.20	01.01.19 - 30.09.19	01.01.19 - 31.12.19
Sale of services in line with service agreement	6 188	5 103	6 808
Interest on overdraft facility	32 282	30 459	48 364
Interest on deposit	1 125	885	1 290
Interest on covered bonds issued by Sbanken Boligkreditt AS	45 132	12 657	23 898
Interest on subordinated loan issued by Sbanken Boligkreditt AS	8 304	8 994	12 330
Share of result related to ownership of additional Tier 1 capital in Sbanken Boligkreditt AS	9 410	9 873	13 411

All numbers in the income statement and the balance sheet between Sbanken ASA and Sbanken Boligkreditt AS are eliminated in the group financial statements.

Transactions with related parties are based on the arm's length principle.

Note 21 - Earnings per share

In NOK	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Profit for the period to shareholders	202 956 000	209 357 000	533 828 000	524 000 000	678 080 000
Number of shares (weighted average)	106 869 333	106 869 333	106 869 333	106 869 333	106 869 333
Earnings per share (basic)	1.90	1.96	5.00	4.90	6.34
Earnings per share (diluted)	1.90	1.96	5.00	4.90	6.34

The earnings-per-share ratio shows the return to the group's ordinary shareholders. Accrued interest paid to hybrid capital investors, has been excluded from the profit in the calculation of earnings per share for the period.

Note 22 - Subsequent events

There have not been any significant events subsequent to 30.09.20 that affect the financial statements for Q3 2020.

Income statement

(Sbanken ASA)

In NOK thousand	Note	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Interest income from financial instruments using the effective interest method		361 023	492 779	1 324 775	1 388 038	1 920 230
Other interest income		0	0	0	0	0
Interest expense		-52 208	-124 635	-332 118	-434 926	-592 746
Net interest income		308 815	368 144	992 657	953 111	1 327 485
Commission and fee income		84 746	97 119	249 956	254 978	344 607
Commission and fee expense		-40 921	-33 298	-115 207	-93 583	-129 683
Net commission and fee income		43 825	63 821	134 749	161 395	214 924
Net gain/(loss) on financial instruments		8 702	11 496	13 262	34 064	37 479
Other income		2 206	1 849	6 218	5 228	7 032
Other operating income		10 908	13 345	19 480	39 292	44 512
Personnel expenses		-79 065	-86 650	-250 341	-246 025	-342 506
Administrative expenses		-69 078	-73 548	-216 957	-218 543	-301 034
Depreciation and impairment of fixed and intangible assets		-16 574	-14 950	-49 231	-40 491	-81 249
Profit before loan losses		198 831	270 164	630 357	648 740	862 132
Loan losses		-26 867	-34 975	-128 204	-100 275	-150 945
Profit before tax		171 964	235 190	502 154	548 466	711 187
Tax expense		-40 069	-54 986	-113 477	-123 483	-163 408
Profit for the period		131 895	180 204	388 677	424 982	547 780
Attributable to						
Shareholders		123 019	171 853	360 825	401 905	515 808
Additional Tier 1 capital holders		8 876	8 351	27 852	23 077	31 972
Profit for the period		131 895	180 204	388 677	424 982	547 780

Statement of comprehensive income

(Sbanken ASA)

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Profit for the period	131 895	180 204	388 677	424 982	547 780
Other comprehensive income:					
Net change in fair value of financial instruments at fair value through other comprehensive income (OCI)	48 248	-13 507	49 794	-401	-9 754
Tax effect	-12 063	3 377	-12 449	-6	2 332
Other comprehensive income that can be reclassified to profit or loss after tax	36 185	-10 130	37 345	-407	-7 422
Actuarial gains (losses)	0	0	0	0	1 371
Tax effect	0	0	0	0	-343
Other comprehensive income that can not be reclassified to profit or loss after tax	0	0	0	0	1 028
Total components of other comprehensive income (after tax)	36 185	-10 130	37 345	-407	-6 394
Total comprehensive income for the period	168 080	170 074	426 022	424 575	541 386
Attributable to					
Shareholders	159 204	161 723	398 170	401 498	509 414
Additional Tier 1 capital holders	8 876	8 351	27 852	23 077	31 972
Total comprehensive income for the period	168 080	170 074	426 022	424 575	541 386

Balance sheet

(Sbanken ASA)

In NOK thousand	Note	30.09.20	30.09.19	31.12.19
Assets				
Cash and receivables with central bank		397 484	581 892	1 587 606
Loans to and receivables from credit institutions		3 646 342	3 488 402	3 184 035
Loans to customers		44 800 149	47 755 168	46 867 863
Net loans to customers, central bank and credit institutions		48 843 974	51 825 462	51 639 504
Commercial paper and bonds at fair value through OCI		22 077 600	11 599 996	11 007 483
Equity investments and funds		440 648	399 335	403 902
Commercial paper and bonds at amortised cost		325 582	325 979	326 044
Shares in subsidiary		1 699 880	1 699 880	1 699 880
Derivatives		1 519	0	134
Intangible assets		119 326	158 627	135 376
Deferred tax assets		0	11 368	12 409
Property, plant and equipment		135 404	152 039	164 782
Other assets		92 575	56 950	89 168
Advance payment and accrued income		56 189	29 446	30 425
Total assets		73 792 697	66 259 083	65 509 106
Liabilities				
Loans and deposits from central bank		2 250 000	0	0
Loans and deposits from credit institutions		1 641 891	2 246 151	1 701 739
Deposits from customers		58 064 313	52 653 797	52 844 881
Debt securities issued		3 603 115	3 593 719	3 033 344
Derivatives		55 336	0	0
Taxes payable		118 899	115 137	162 305
Deferred tax		472	0	0
Pension commitments		27 494	30 797	27 494
Other liabilities		420 324	729 070	515 916
Subordinated loans		898 751	774 544	899 438
Total liabilities		67 080 595	60 143 215	59 185 117
Equity				
Share capital		1 068 693	1 068 693	1 068 693
Share premium		2 625 895	2 625 895	2 625 895
Additional Tier 1 capital		701 139	605 505	705 858
Other equity		2 316 375	1 815 775	1 923 543
Total equity		6 712 102	6 115 868	6 323 989
Total liabilities and equity		73 792 697	66 259 083	65 509 106

Expected credit losses (ECL) relate to Sbanken ASA with exception of a provision of NOK 6.5 million in Sbanken Boligkreditt AS, please refer to note 8 in the financial statements for the Sbanken group. For information regarding related parties, refer to note 20 in the financial statements for the Sbanken group.

Statement of changes in equity

(Sbanken ASA)

In NOK thousand	Share capital	Share premium	Additional Tier 1 capital	Actuarial gains and losses	Changes in fair value of financial instruments at fair value through OCI	Other equity	Total equity
Balance sheet as at 01.01.19	1 068 693	2 625 895	504 978	-18 806	-3 523	1 623 758	5 800 996
Profit for the period to other equity (01.01.19 to 30.09.19)						401 905	401 905
Profit for the period to Tier 1 capital holders (01.01.19 to 30.09.19)			23 077				23 077
Payments to Tier 1 capital holders (01.01.19 to 30.09.19)			-22 550				-22 550
Issue of Tier 1 capital			100 000				100 000
Actuarial gains and losses for the period (01.01.19 to 30.09.19)				0			0
Net change in fair value of financial instruments available for sale (01.01.19 to 30.09.19)					-407		-407
Payments related to share incentive program						-131	-131
Paid dividend to shareholders						-187 021	-187 021
Balance sheet as at 30.09.19	1 068 693	2 625 895	605 505	-18 806	-3 930	1 838 511	6 115 868
Profit for the period to other equity (01.10.19 to 31.12.19)						113 903	113 903
Profit for the period to Tier 1 capital holders (01.10.19 to 31.12.19)			8 895				8 895
Payments to Tier 1 capital holders (01.10.19 to 31.12.19)			-8 542				-8 542
Issue of Tier 1 capital			100 000			-148	99 852
Actuarial gains and losses for the period (01.10.19 to 31.12.19)				1 028			1 028
Net change in fair value of financial instruments at fair value through other comprehensive income (OCI) (01.10.19 to 31.12.19)					-7 015		-7 015
Balance sheet as at 31.12.19	1 068 693	2 625 895	705 858	-17 778	-10 945	1 952 266	6 323 989
Profit for the period to other equity (01.01.20 to 30.09.20)						360 825	360 825
Profit for the period to Tier 1 capital holders (01.01.20 to 30.09.20)			25 634				25 634
Payments to Tier 1 capital holders (01.01.20 to 30.09.20)			-30 353				-30 353
Issue of Tier 1 capital			400 000			-800	399 200
Redeem of Tier 1 capital			-400 000				-400 000
Actuarial gains and losses for the period (01.01.20 to 30.09.20)				0			0
Net change in fair value of financial instruments at fair value through other comprehensive income (OCI) (01.01.20 to 30.09.20)					37 345		37 345
Payments related to share incentive program						-4 538	-4 538
Balance sheet as at 30.09.20	1 068 693	2 625 895	701 139	-17 778	26 400	2 307 753	6 712 102

Statement of Cash Flows

(Sbanken ASA)

In NOK thousand	Note	Jan-Sep 20	Jan-Sep 19	2019
Cash flows from operating activities				
Net payments on loans to customers		1 938 252	-3 229 563	-2 390 604
Interest received on loans to customers		1 108 880	1 170 180	1 608 598
Net receipts on deposits from customers		5 219 432	3 124 758	3 315 842
Interest paid on deposits from customers		-283 962	-314 539	-484 240
Payments/receipts on loans to/deposits from group company		109 529	984 744	-76 860
Interest received on loans to group company		32 282	29 574	47 074
Net receipts/payments from buying and selling financial instruments at fair value		-11 049 407	658 307	1 041 078
Interest received from commercial paper and bonds		189 632	166 126	232 514
Net receipts/payments on deposits from central bank		2 250 000	0	0
Interest paid on deposits from credit institutions		-7 839	-418	-969
Interest received on loans to credit institutions and central bank		4 619	15 559	21 425
Receipts related to commissions and fees		251 198	254 677	335 032
Payments related to commissions and fees		-103 491	-97 292	-132 072
Payments related to administrative expenses		-222 542	-224 652	-307 299
Payments related to personnel expenses		-273 297	-247 954	-312 349
Taxes paid		-156 806	-164 652	-156 397
Other receipts/payments		-63 959	66 066	38 093
Net cash flows from operating activities		-1 057 479	2 190 921	2 778 866
Cash flows from investment activities				
Capital increase in subsidiary		0	0	0
Invested in Additional Tier 1 capital in subsidiary		0	0	0
Invested in associated company		-367	0	-1 765
Payments on the acquisition of fixed assets		-619	-2 233	-4 021
Payments on the acquisition of intangible assets		-8 618	-60 135	-69 040
Net cash flows from investment activities		-9 604	-62 368	-74 826
Cash flows from financing activities				
Receipts on share capital and share premium net of issuing cost		0	0	0
Paid dividend to shareholders		0	-187 021	-187 021
Receipts on subordinated loans		500 000	125 000	250 000
Payments on matured and redeemed subordinated loans		-500 000	0	
Interest paid on subordinated loans		-23 222	-18 029	-25 052
Receipts on issued additional Tier1 capital		400 000	100 000	200 000
Payments on matured and redeemed additional Tier1 capital		-400 000	0	
Interest paid on additional Tier 1 capital		-30 352	-22 550	-31 092
Receipts on issued bonds and commercial paper		2 403 700	725 000	850 000
Payments on matured and redeemed bonds and commercial paper		-1 833 750	-1 558 433	-2 262 390
Interest paid on issued bonds and commercial paper		-37 905	-58 679	-80 398
Net cash flows from financing activities		478 471	-894 712	-1 285 953
Total net cash flow		-588 612	1 233 841	1 418 087
Cash at the beginning of the period		1 874 250	456 163	456 163
Cash at the end of the period		1 285 638	1 690 004	1 874 250
Change in cash		-588 612	1 233 841	1 418 087
Cash				
Cash and receivables with central bank		397 483	581 892	1 587 606
Loans to credit institutions		888 155	1 108 112	286 644
Total cash		1 285 638	1 690 004	1 874 250

Capital adequacy

(Sbanken ASA)

In NOK thousand	30.09.20		30.09.19		31.12.19	
	Nominal exposure	Risk-weighted volume	Nominal exposure	Risk-weighted volume	Nominal exposure	Risk-weighted volume
Central governments	1 004 133	0	1 166 858	0	2 196 679	0
Regional governments	2 432 809	287 340	1 515 241	172 210	897 299	51 115
Multilateral Development Banks	619 019	0	629 559	0	627 533	0
Institutions	31 641 390	3 344 955	35 541 387	3 754 084	35 513 006	3 724 152
Retail	9 054 780	3 682 966	10 006 743	4 378 967	9 756 799	4 246 600
Secured by mortgages on immovable property	57 411 281	16 523 305	58 378 214	17 123 162	55 183 361	16 950 279
Exposures in default	247 454	298 582	359 897	448 399	394 229	511 442
Covered bonds	18 046 325	1 804 632	8 577 324	857 732	8 580 387	858 039
Equity	2 479 993	2 483 383	1 868 969	2 106 879	1 871 560	1 874 575
Other items	237 612	237 612	179 340	179 340	193 103	193 103
Total credit risk, standardised method¹⁾	123 174 796	28 662 775	118 223 532	29 020 773	115 213 956	28 409 305
Credit value adjustment risk (CVA)		10 313		0		611
Operational risk		2 214 005		2 462 797		2 214 005
Total risk-weighted volume		30 887 093		31 483 570		30 623 921
Capital base						
Share capital		1 068 693		1 068 693		1 068 693
Share premium		2 625 895		2 625 895		2 625 895
Other equity		1 955 550		1 413 870		1 407 735
Additional Tier 1 capital		701 139		605 505		705 858
Profit for the period		360 825		401 905		515 808
Total booked equity		6 712 102		6 115 868		6 323 989
Additional Tier 1 capital instruments included in total equity		-701 139		-605 505		-705 858
Common equity Tier 1 capital instruments		6 010 963		5 510 363		5 618 131
<i>Deductions</i>						
Goodwill, deferred tax assets and other intangible assets		-89 494		-118 970		-101 531
Value adjustment due to the requirements for prudent valuation (AVA)		-22 516		-11 995		-11 409
Dividends payable		0		0		-203 052
Profit for the period, not eligible ²⁾		-360 825		-266 245		0
Common equity Tier 1 capital		5 538 128		5 113 153		5 302 139
Additional Tier 1 capital		700 000		600 000		700 000
Tier 1 capital		6 238 128		5 713 153		6 002 139
Tier 2 capital		900 000		775 000		900 000
Own funds (primary capital)		7 138 128		6 488 153		6 902 139
Capital requirements						
Minimum requirements - common equity Tier 1 capital	4.5%	1 389 919	4.5%	1 416 761	4.5%	1 378 076
Capital conservation buffer	2.5%	772 177	2.5%	787 089	2.5%	765 598
Systemic risk buffer	3.0%	926 613	3.0%	944 507	3.0%	918 718
Countercyclical capital buffer	1.0%	308 871	2.0%	629 671	2.5%	765 598
Additional Tier 1 capital	1.5%	463 306	1.5%	472 254	1.5%	459 359
Tier 2 capital	2.0%	617 742	2.0%	629 671	2.0%	612 478
Total minimum and buffer requirements own funds (primary capital)	14.5%	4 478 628	15.5%	4 879 953	16.0%	4 899 827
<i>Available common equity Tier 1 capital after buffer requirements</i>		<i>2 140 549</i>		<i>1 335 125</i>		<i>1 474 149</i>
<i>Available own funds (primary capital)</i>		<i>2 659 500</i>		<i>1 608 200</i>		<i>2 002 311</i>
Capital ratio %						
Common equity Tier 1 capital		17.9%		16.2%		17.3%
Additional Tier 1 capital		2.3%		1.9%		2.3%
Tier 2 capital		2.9%		2.5%		2.9%

Total capital ratio	23.1%	20.6%	22.5%
Capital ratio % (including interim profits³)			
Common equity Tier 1 capital	18.6%	16.6%	18.0%
Additional Tier 1 capital	2.3%	1.9%	2.3%
Tier 2 capital	2.9%	2.5%	2.9%
Total capital ratio	23.8%	21.0%	23.2%

¹) The specification is according to EBA reporting framework.

²) No external interim audit performed in 2020. The first nine months of 2019 included 70 per cent of net profit for the first half-year due to external interim audit.

³) Including 70 per cent of the profit for the interim period of both 2020 and 2019. Year-end 2019 include fully retained earnings for 2019, as no dividend has been distributed per 30 September 2020.

Leverage Ratio (Sbanken ASA)

In NOK thousand		30.09.20	30.09.19	31.12.19
Derivatives market value		1 519	0	134
Potential future exposure on derivatives		23 300	0	408
Off-balance sheet commitments		31 383 681	35 977 865	35 377 024
Loans and advances and other assets		73 671 382	66 100 456	65 373 596
Regulatory adjustments included in Tier 1 capital		0	0	0
Total leverage exposure		105 079 882	102 078 321	100 751 162
Tier 1 capital		6 238 128	5 713 153	6 002 139
Leverage ratio %		5.9 %	5.6 %	6.0 %
Leverage ratio % (including interim profits¹)		6.1 %	5.7 %	6.2 %
Leverage Ratio requirements				
Minimum requirements	3.0%	3 152 396	3 062 350	3 022 535
Buffer requirements ²⁾	0.0%	0	2 041 566	2 015 023
Total minimum and buffer requirements (Tier 1 capital)	3.0%	3 152 396	5 103 916	5 037 558
<i>Available Tier 1 capital after minimum and buffer requirements</i>		3 085 732	609 237	964 581
<i>Available Tier 1 capital after minimum and buffer requirement (including interim profits¹)</i>		3 286 408	718 282	1 167 632

¹) Including 70 per cent of the profit for the interim period of both 2020 and 2019. Year-end 2019 include fully retained earnings for 2019, as no dividend has been distributed per 30 September 2020.

²) In July, the Norwegian Ministry of Finance ruled in favour of Sbanken in its application to exempt its parent company from the leverage ratio buffer requirement of 2 per cent.

Debt securities issued and subordinated loans

(Sbanken ASA)

Carried at amortised cost:

In NOK thousand	Currency	30.09.20	30.09.19	31.12.19
Commercial paper issued	NOK	0	0	0
Bonds issued	NOK	3 603 115	3 593 719	3 033 345
Subordinated loans	NOK	898 751	774 544	899 438
Total debt securities issued and subordinated loans		4 501 866	4 368 263	3 932 783

Specification of bonds and subordinated loans as at 30.09.20:

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity	Carrying value
Bonds						
NO0010793029	Sbanken ASA	401 000	NOK	Floating	01.03.21	401 072
NO0010835325	Sbanken ASA	500 000	NOK	Floating	06.09.21	500 215
NO0010862048	Sbanken ASA	750 000	NOK	Floating	09.10.22	749 749
NO0010874878	Sbanken ASA	1 000 000	NOK	Floating	10.02.23	996 917
NO0010886757	Sbanken ASA	600 000	NOK	Floating	26.09.23	601 462
Total bonds		3 251 000				3 249 415
Reclassified from subordinated loan and hybrid capital to bonds ¹						
NO0010746464	Sbanken ASA	125 000	NOK	Floating	12.10.20	125 000
NO0010746456	Sbanken ASA	228 700	NOK	3M Nibor+4.1 %	12.10.20	228 700
Total reclassified to bonds		353 700				353 700
Total bonds and reclassified to bonds		3 604 700				3 603 115

¹ On the 31st of August 2020 Sbanken ASA exercised its right to call ISIN 0010746464 and ISIN 001010746456 with maturity dates 12 October 2020. As the loans do not qualify as subordinated loans and hybrid capital after being called, the loans are reclassified as bonds.

Subordinated loans

ISIN	Issuing company	Nominal value	Currency	Interest	Maturity ²	Carrying value
NO0010786767	Sbanken ASA	150 000	NOK	Floating	02.03.27	149 875
NO0010847205	Sbanken ASA	125 000	NOK	Floating	21.03.29	125 000
NO0010871502	Sbanken ASA	125 000	NOK	Floating	19.12.29	124 849
NO0010885197	Sbanken ASA	350 000	NOK	Floating	17.06.30	349 300
NO0010891922	Sbanken ASA	150 000	NOK	Floating	28.08.30	149 727
Total subordinated loans		900 000				898 751

² First possible call date for the issuer is 5 years before date of maturity. The loan agreement has covenants to qualify as Tier 2 capital.

Changes of debt securities and subordinated loans:

		January-September 2020				
	31.12.19	Issued	Matured	Redeemed	Other adjustments	30.09.20
Bonds (nominal)	3 032 000	2 050 000	-210 000	-1 621 000	353 700	3 604 700
Subordinated loans (nominal)	900 000	500 000	0	-375 000	-125 000	900 000
Total	3 932 000	2 550 000	-210 000	-1 996 000	228 700	4 504 700

Net interest income

(Sbanken ASA)

Net interest income

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Loans to and receivables from credit institutions and central bank	7 566	16 317	36 901	46 019	69 790
Loans to customers ¹	306 911	410 643	1 106 475	1 173 907	1 614 576
Commercial paper and bonds ²	46 545	65 820	181 398	168 112	235 865
Total interest income	361 023	492 779	1 324 775	1 388 038	1 920 230
Loans and deposits from credit institutions and central bank	-4 564	-359	-7 839	-1 303	-2 258
Deposits from customers	-22 510	-108 335	-223 912	-314 541	-429 738
Debt securities issued	-5 209	-18 723	-34 888	-57 096	-76 880
Subordinated loans	-4 699	-6 826	-19 753	-18 647	-26 083
Other interest expenses	-15 226	9 608	-45 726	-43 339	-57 786
Total interest expenses	-52 208	-124 635	-332 118	-434 926	-592 746
Net interest income	308 815	368 144	992 657	953 111	1 327 485

¹ Interest income in Jan-Sep 20 of TNOK 590 830 are related to mortgages measured at fair value through OCI and TNOK 23 465 are related to mortgages measured at fair value through profit and loss.

² Interest income in Jan-Sep 20 of TNOK 8 304 are related to commercial paper and bonds at amortised cost. The rest relates to investments measured at fair value through OCI.

Classification of financial instruments

(Sbanken ASA)

In NOK thousand	Financial instruments at fair value through profit and loss	Financial instruments at fair value through OCI ¹	Financial instruments carried at amortised cost	Total carrying value	Total fair value
30.09.20					
Financial Assets					
Cash and receivables with central bank			397 484	397 484	397 484
Loans to and receivables from credit institutions			3 646 342	3 646 342	3 646 342
Loans to customers	5 964 347	28 363 978	10 471 824	44 800 149	44 800 149
Commercial paper and bonds		22 077 600	0	22 077 600	22 077 600
Equity investments and funds ^{2 and 3}	438 271		2 377	440 648	440 648
Commercial paper and bonds at amortised cost			325 582	325 582	328 748
Shares in subsidiary			1 699 880	1 699 880	1 699 880
Derivatives	1 519			1 519	1 519
Other assets			148 764	148 764	148 764
Total financial assets	6 404 137	50 441 578	16 692 253	73 537 968	73 541 134
Financial liabilities					
Loans and deposits from central bank			2 250 000	2 250 000	2 250 000
Loans and deposits from credit institutions			1 641 891	1 641 891	1 641 891
Deposits from customers			58 064 313	58 064 313	58 064 313
Debt securities issued			3 603 115	3 603 115	3 606 848
Derivatives	55 336			55 336	55 336
Subordinated loans			898 751	898 751	903 516
Other liabilities			420 324	420 324	420 324
Total financial liabilities	55 336	0	66 878 394	66 933 730	66 942 228

¹ Mortgages and earned interest that may be sold to Sbanken Boligkreditt AS are measured at fair value through other comprehensive income.

² Shares in associated company are recognised using the equity method and allocated to the category amortised cost.

³ Sbanken ASAs holdings of Tier 1 capital issued by others are measured at fair value through profit and loss.

In NOK thousand	Financial instruments at fair value through profit and loss	Financial instruments at fair value through OCI ¹	Financial instruments carried at amortised cost	Total carrying value	Total fair value
31.12.19					
Financial Assets					
Cash and receivables with central bank			1 587 606	1 587 606	1 587 606
Loans to and receivables from credit institutions			3 184 035	3 184 035	3 184 035
Loans to customers	164 062	34 334 730	12 369 071	46 867 863	46 867 863
Commercial paper and bonds		11 007 483	0	11 007 483	11 007 483
Shares and funds ^{2 and 3}	401 892		2 010	403 902	403 902
Commercial paper and bonds at amortised cost			326 044	326 044	331 799
Shares in subsidiary			1 699 880	1 699 880	1 699 880
Derivatives	134			134	134
Other assets			119 593	119 593	119 593
Total financial assets	566 088	45 342 213	19 288 239	65 196 540	65 202 295
Financial liabilities					
Loans and deposits from credit institutions			1 701 739	1 701 739	1 701 739
Deposits from customers			52 844 881	52 844 881	52 844 881
Debt securities issued			3 033 344	3 033 344	3 039 975
Subordinated loans			899 438	899 438	909 105
Other liabilities			515 916	515 916	515 916
Total financial liabilities	0	0	58 995 318	58 995 318	59 011 616

¹ Mortgages and earned interest that may be sold to Sbanken Boligkreditt AS are measured at fair value through other comprehensive income.

² Shares in associated company are recognised using the equity method and allocated to the category amortised cost.

³ Sbanken ASAs holdings of Tier 1 capital issued by others are measured at fair value through profit and loss.

Financial instruments at fair value (Sbanken ASA)

Fair value of financial instruments (in NOK thousand)

In NOK thousand	30.09.20		31.12.19	
Assets:	Carrying value	Fair value	Carrying value	Fair value
Equity investments and funds	438 271	438 271	401 892	401 892
Commercial paper and bonds	22 077 600	22 077 600	11 007 483	11 007 483
Loans to customers	34 328 325	34 328 325	34 498 792	34 498 792
Derivatives	1 519	1 519	134	134
Total financial assets at fair value	56 845 715	56 845 715	45 908 301	45 908 301
Liabilities:				
Derivatives	55 336	55 336	0	0
Total financial liabilities at fair value	55 336	55 336	0	0

30.09.2020				
In NOK thousand	Level 1	Level 2	Level 3	Total
Equity investments and funds	0	264 511	173 760	438 271
Commercial paper and bonds	618 070	21 459 530	0	22 077 600
Loans to customers	0	0	34 328 325	34 328 325
Derivatives	0	1 519	0	1 519
Total	618 070	21 725 560	34 502 085	56 845 715
Derivatives at fair value through profit and loss (liability)		55 336		55 336
Total		55 336		55 336

Financial instruments measured at fair value Level 3

In NOK thousand	Loans to customers	Shares and funds	Total
Opening balance at 1 January 2020	34 498 792	158 401	34 657 193
Net gain/(loss) on financial instruments (unrealised)	45 652	15 359	61 011
Net new loans/exits	20 153 180	0	20 153 180
Sale (to Sbanken Boligkreditt AS)	-20 369 299	0	-20 369 299
Settlement	0	0	0
Transferred from Level 1 or Level 2	0	0	0
Transferred to Level 1 or Level 2	0	0	0
Other	0	0	0
Closing balance at 30 September 2020	34 328 325	173 760	34 502 085

There have been no transfers of financial instruments between Level 1 and Level 2 in the period January to September 2020.

31.12.2019

In NOK thousand	Level 1	Level 2	Level 3	Total
Shares and funds	0	243 491	158 401	401 892
Commercial paper and bonds	627 533	10 379 950	0	11 007 483
Loans to customers	0	0	34 498 792	34 498 792
Derivatives	0	134	0	134
Total	627 533	10 623 575	34 657 193	45 908 301

Derivatives at fair value through profit and loss (liability)		0		0
Total		0		0

Financial instruments measured at fair value Level 3

In NOK thousand	Loans to customers	Shares and funds	Total
Opening balance at 1 January 2019	32 144 454	143 504	32 287 958
Net gain/(loss) on financial instruments (unrealised)	0	14 897	14 897
Net new loans/exits	16 077 338	0	16 077 338
Sale (to Sbanken Boligkreditt AS)	-13 723 000	0	-13 723 000
Settlement	0	0	0
Transferred from Level 1 or Level 2	0	0	0
Transferred to Level 1 or Level 2	0	0	0
Other	0	0	0
Closing balance at 31 December 2019	34 498 792	158 401	34 657 193

There have been no transfers of financial instruments between Level 1 and Level 2 in the period January to December 2019.

Alternative performance measures

(Sbanken group)

Sbanken discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS. Such performance measures are commonly used by analysts, investors and other stakeholders to evaluate the performance of the bank in isolation or relative to the financial industry. The measures are provided to give an enhanced insight into the operations, financing and future prospects of the Bank.

Interest rate measures

Interest rate measures are presented to provide enhanced insight into the underlying performance of net interest income. These measures are commonly used by industry analysts to calculate performance and projections for banks. For interim periods the interest income and expense figures are annualised using the number of interest bearing days in the period to the total number of interest bearing days in the year.

Average total assets is calculated based on daily observations of the total balance divided by the number of days in the period.

Net interest margin is calculated as annualised net interest income divided by average total assets. The measure reflects the margin between interest paid and interest received. It is an important measure to evaluate the profitability of the Bank's lending operations.

Effective lending rate is calculated as annualised interest income divided by average total assets. The measure reflects the average interest rate received on the Bank's assets.

Effective funding rate is calculated as annualised interest expense divided by average total assets. The measure reflects the average interest rate paid on the Bank's liabilities.

Average effective interest rate by product group is calculated as annualised interest income divided by average lending for each product respectively. The average lending is calculated based on daily observations over the number of days in the period.

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Net interest income (annualised)	1 679 616	1 669 596	1 652 112	1 517 584	1 564 127
Average total assets	101 349 436	94 409 808	98 347 563	92 639 741	92 912 687
Net interest margin	1.66 %	1.77 %	1.68 %	1.64 %	1.68 %
Interest income (annualised)	2 100 776	2 771 767	2 503 879	2 633 707	2 719 164
Average total assets	101 349 436	94 409 808	98 347 563	92 639 741	92 912 687
Effective lending rate	2.07 %	2.94 %	2.55 %	2.84 %	2.93 %
Interest expense (annualised)	421 161	1 084 798	851 767	1 121 661	1 155 037
Average total assets	101 349 436	94 409 808	98 347 563	92 639 741	92 912 687
Effective funding rate	0.42 %	1.15 %	0.87 %	1.21 %	1.24 %

Profit related measures

Profit related measures are provided for enhanced insight into the underlying performance of the business. Cost-to-income ratio and Return on Equity are commonly used by analysts and investors to evaluate the financial performance of banks and the banking industry.

Operating income is the sum of net interest income, net commission and fee income and other operating income.

Operating expenses is the sum of personnel expenses, administrative expenses and depreciation and impairment of fixed and intangible assets.

Cost-to-income ratio is calculated as operating expense divided by operating income. The measure reflects the operating efficiency of the Bank.

Return on Equity (ROE) is calculated as profit for the period attributable to shareholders as a percentage of average shareholder equity in the period. Tier-1 capital and related accrued interest have been excluded from the ROE calculation. For interim periods the profit for the period is annualised using the number of days in the period to the total number of days in the year. The average equity is calculated using a linear average over the reporting period.

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Operating expense	166 801	175 894	520 589	507 407	727 239
Operating income	469 632	496 197	1 373 453	1 316 010	1 799 829
Cost-to-income ratio	35.5 %	35.4 %	37.9 %	38.6 %	40.4 %
Operating expense	n/a	n/a	n/a	n/a	727 239
Adjustment one-off	n/a	n/a	n/a	n/a	-33 300
Operating expense adjusted	n/a	n/a	n/a	n/a	693 939
Operating income	n/a	n/a	n/a	n/a	1 799 829
Cost-to-income ratio adjusted	n/a	n/a	n/a	n/a	38.6 %
Profit for the period attributable to shareholders (annualised)	807 410	830 597	713 069	700 585	678 080
Average equity	6 611 340	5 930 812	6 445 736	5 865 920	5 939 664
Return on equity	12.2 %	14.0 %	11.1 %	11.9 %	11.4 %
Profit for the period attributable to shareholders (annualised)	n/a	n/a	n/a	n/a	678 080
Adjustment one off (loan loss, operating expense and tax effect)	n/a	n/a	n/a	n/a	38 583
Adjustment one off (annualised)	n/a	n/a	n/a	n/a	716 663
Profit for the period attributable to shareholders (annualised) adjusted	n/a	n/a	n/a	n/a	716 663
Average equity	n/a	n/a	n/a	n/a	5 939 664
Return on equity adjusted	n/a	n/a	n/a	n/a	12.1 %

Other performance measures

Other performance measures are presented as they are commonly used by analysts and investors to evaluate the performance of the loan book and the funding mix of banks.

Growth, e.g loan growth, is calculated as a percentage by subtracting the period end balance from the period start balance and dividing by the period start balance.

Average loan volume is calculated based on daily observations of gross loans to customers divided by the number of days in the period.

Loss rate is calculated as the loan losses of the period divided by the average loan volume of the period. The measure is commonly used by banks and industry analysts to indicate the performance and quality of the lending book. For interim periods the loan losses for the period is annualised using the number of days in the period to the total number of days in the year.

Loss rate (adj.) is calculated as the loan losses of the period adjusted for income from sold portfolio of non-performing loans, divided by the average loan volume in the period. The measure is presented to provide a better understanding of the underlying performance of the lending book.

Average deposit-to-loan ratio is calculated as average deposits from customers in the period divided by average loans to customers in the period. The average is based on daily observations. The measure reflects the average amount of customer lending funded by customer deposits and is commonly used by banks and industry analysts.

Deposit-to-loan ratio is calculated as deposits from customers divided by loans to customers at the end of the period. The measure reflects the average amount of customer lending funded by customer deposits and is commonly used by banks and industry analysts.

LTV (Loan-to-Value) is calculated as the loan amount divided by the estimated value of the property. When calculating a weighted average of LTV for the entire loan book, the credit balance of mortgages and the credit limit of home equity credit lines are used as weights. The LTV is provided as a measure of lending risk exposure.

In NOK thousand	Q3 20	Q3 19	Jan-Sep 20	Jan-Sep 19	2019
Loan losses (annualised)	112 920	147 060	172 195	138 118	153 149
Average loan volume	83 547 506	80 683 414	83 378 359	79 297 240	79 897 657
Loss rate	0.14 %	0.18 %	0.21 %	0.17 %	0.19 %
Loan losses	n/a	n/a	n/a	n/a	153 149
Adjustment one-off sale	n/a	n/a	n/a	n/a	-17 400
Loan losses (adj.)	n/a	n/a	n/a	n/a	135 749
Loan losses (annualised) adj.)	n/a	n/a	n/a	n/a	135 749
Average loan volume	n/a	n/a	n/a	n/a	79 897 657
Loss rate (adj.)	n/a	n/a	n/a	n/a	0.17 %
Average deposits from customers	58 980 306	53 129 113	56 503 335	51 315 443	51 737 333
Average loans to customers	83 547 506	80 683 414	83 378 359	79 297 240	79 897 657
Average deposit-to-loan ratio	70.6 %	65.8 %	67.8 %	64.7 %	64.8 %
Deposits from customers	58 064 313	52 653 797	58 064 313	52 653 797	52 844 881
Loans to customers	83 266 268	81 354 441	83 266 268	81 354 441	81 233 217
Deposit-to-loan ratio	69.7 %	64.7 %	69.7 %	64.7 %	65.1 %
LTV (Loan-to-value)	52.8 %	53.5 %	52.8 %	53.5 %	54.3 %

The liquidity requirements are intended to guarantee satisfactory liquidity management by ensuring that the institutions have sufficient liquid assets to cover their liabilities on maturity and have stable and long-term financing at all times. The Liquidity Coverage Ratio (LCR) is intended to ensure that institutions can convert sufficient assets to cash to cover expected net liquidity outflows over the next 30 days in stressed situations in the money and capital markets. The Net Stable Funding Ratio (NSFR) is intended to ensure that less liquid assets are financed over the long term.

LCR (Liquidity Coverage Ratio)

In NOK thousand	30.09.20		31.12.19	
	Carrying value	Value LCR	Carrying value	Value LCR
Level 1 - assets exclusive of covered bonds	2 953 902	2 953 902	3 949 991	3 949 991
Level 1 covered bonds	6 933 540	6 448 192	5 876 307	5 464 966
Level 2A - assets	2 463 834	2 094 259	848 395	721 136
Level 2B - assets	0	0	0	0
Excess liquid asset amount		-1 650 014		0
Assets ineligible as "liquid assets"	85 749 517		82 330 991	
Total assets	98 100 793	9 846 339	93 005 685	10 136 093
Net outflows		4 558 664		4 020 627
LCR %		216 %		252 %

S'banken

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