2018

ANNUAL REPORT

We are together

Together we create value

Learning – Engaged – Close

SPAREBANK 1 BV
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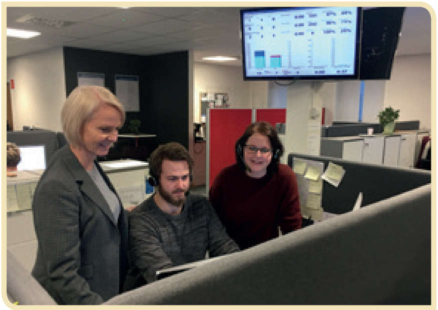
SpareBank 1 BV

PHOTO: SPAREBANK 1

Important events 2018

January

SpareBank 1 BV introduces robot technology as part of the provision of services to customers with the use of our new chatbot "Sammie". The aim of the chatbot is to be able to offer customer service 24 hours a day.



SpareBank 1 Regnskapshuset BV starts daily operations in the Bank's premises at Nøtterøy and Kongsberg.

February

As the first bank in Norway, SpareBank 1 gives its customers the opportunity to view their current accounts from other banks in their mobile bank. In the first instance this applies to accounts from other banks in the Alliance.

March

The SpareBank 1 BV Group presents record results for 2017. Total earnings before tax was NOK 628.4 million (NOK 509 million after tax).

April

The Norwegian Competition Authority approves merger between Vipps, BankID Norge and BankAxept. Together these companies establish the Nordic region's largest fintech environment for payment and identification. SpareBank 1 BV is one of the banks that are owners of Vipps.

May

SpareBank 1 is named as the industry winner for general insurance on the Norwegian Customer Barometer both with regard to customer satisfaction and loyalty. In the bank category, SpareBank 1 takes a good third place.

June

The Board adopts a new coordinated defined contribution pensio scheme for all employees in the parent bank. This is an important milestone following the merger between SpareBank 1 Nøtterøy-Tønsberg and SpareBank 1 BV, which came into force in January 2017.

The Board of Directors approves a credit facility of NOK 75 million for innovation that will be used for the development of new services for customers, as well as for development and growth in the region.

August

The Bank receives an official rating from Moody's. The rating was A2, which is in line with expectations and at the same level as comparable banks.

September

SpareBank 1 Gruppen and DNB sign a final merger agreement between their general insurance companies, and thus become the country's third largest insurance company.

The Bank introduces two new high-interest savings products MesterSpar and Generasjon-Spar. These are very well received in the market.

October

A digital milestone for the corporate market will be achieved when it is possible to establish businesses on the Internet.

Seven of ten loan applications initiated by the customer digitally and over 90 per cent of funds savings and the establishment of share savings accounts are done over the Internet in the fourth quarter.

November

SpareBank 1 BV enters into strategic cooperation with the fintech company Auka, and buys shares for NOK 15 million in the company. This will create new good solutions for our customers locally, and is one of the results of our investment in innovation.

AUKA

EiendomsMegler 1 BV and Spare-Bank 1 BV start a pilot project for electronic real estate settlement, which will make the settlement process much simpler for the customer.

December

For the tenth year in a row, Eiendoms-Megler 1 is Norway's largest real estate agent. Every fifth house sold in Norway is sold via this this real estate company.

SpareBank 1 BV ranks as number one in DNB Market's bank report.

Key figures

Group figures	2018	2017	2016	2015	2014
Income Statement (NOK thousands)					
Net interest income	592,916	560,415	402,736	346,399	320,663
Other income	605,914	651,369	380,116	301,569	445,370
Operating costs	466,182	598,764	440,290	401,431	390,539
Earnings before losses	732,648	613,021	342,563	246,537	375,494
Losses on loans and guarantees	650	591	(54,409)	16,649	70,482
Annual profit before other profit/loss items	596,086	508,738	307,659	176,034	250,110
Balance sheet (NOK thousands)					
Gross lending	29,531,949	27,457,896	19,459,614	18,498,195	17,654,932
Gross lending, including transfer of SpareBank 1 Boligkreditt and Næringskreditt	41,854,035	38,672,363	27,650,475	26,041,760	24,780,160
Loss provisions on loans	157,466	159,503	120,466	130,363	123,624
Deposits from customers	22,138,580	21,001,966	14,959,755	13,646,286	13,773,921
Total assets	36,580,907	34,470,875	24,412,085	23,197,188	22,852,055
Average total assets	35,597,263	32,941,821	23,792,866	22,951,058	22,443,131
Average equity *)	4,381,997	3,926,779	2,754,175	2,301,420	2,126,247
Key figures (%)					
Net interest income	1.67	1.70	1.69	1.51	1.43
Operating costs	1.31	1.82	1.85	1.75	1.74
Annual profit before other profit/loss items	1.67	1.54	1.29	0.77	1.11
Cost-income ratio	38.9	49.4	56.2	62.0	51.0
Cost-income ratio excl. financial investments	42.4	62.0	64.3	61.8	60.6
Loss rate on lending	0.00	0.00	(0.29)	0.09	0.42
Default percentage(net)	0.54	0.56	0.63	0.76	0.64
Deposit coverage	75.0	76.5	76.9	73.8	78.0
Total rate of return	1.67	1.54	1.29	0.77	1.11
Return on equity	13.6	13.0	11.2	7.6	11.8
Capital adequacy ratio*)	20.0	19.6	20.3	18.1	15.8
Tier 1 capital ratio*)	17.9	18.3	19.3	17.7	15.5
Common equity tier 1 capital*)	16.7	17.3	17.8	16.4	14.7
Growth in deposits***)	5.4	40.4	9.6	(0.9)	(0.5)
Growth in gross lending, including transfer of SpareBank 1 Boligkreditt and Næringskreditt***)	8.2	39.9	6.2	5.1	4.7
Return on equity certificates ****) (NOK, parent bank)	4.98	4.03	3.73	1.36	2.02
Price of equity certificates 31.12****)	35.6	33.9	27.5	19.1	26.0

* Parent bank figures * Equity excl. Hybrid capital *** Pro forma growth in 2017 is 5.1% deposits and 6.9% gross loans
**** Historical figures have been updated in accordance with issue per December 2015

Definitions:

Net interest income – Net interest income as a percentage of average total assets.
Operating costs – Personnel costs, data costs, ordinary depreciation and other operating costs as a percentage of average total assets
Cost-income ratio – Operating costs as a percentage of net income
Loss rate on lending – Loan provisions on loans and guarantees as a percentage of average gross lending

Default percentage – Net non-performing loans (over 90 days) as a percentage of gross loans
Total rate of return – Profit after losses and tax as a percentage of average total assets.
Return on equity – Earnings before other profit and loss items as a percentage of average equity
Capital adequacy ratio – Net primary capital as a percentage of the calculation basis
Tier 1 capital ratio – Tier 1 capital as a percentage of the calculation basis

Together we create value

SpareBank 1 BV can look back on 2018 as a year with significant financial and market success, and is at the top of comparable groups, with regard to yield and development.

2018 was a very good year for SpareBank 1 BV Many new customers have chosen us during the year that has passed and today the Group has approx. 74,000 retail customers and approximately 10,000 corporate customers. We have strengthened our market share in all the 10 towns in which we are established throughout the year that has passed. This makes us both humble and proud.

A very good Income statement

The income statement is the best ever. It has made it possible to deliver solid dividends to our equity certificate holders, and contribute to socially useful purposes. In addition, it is a pleasure to note that the Bank's equity certificates have had a good increase in value and return through 2018.

All of the Bank's subsidiaries have delivered a solid performance. Both EiendomsMegler 1 BV AS and Spare-Bank 1 Regnskapshuset BV AS have delivered good results and invested in solutions we will reap the benefit of in the years ahead.

The associated companies in SpareBank 1 Gruppen, Banksamarbeidet DA and Samarbeidende Sparebanker, also deliver very good results, and contribute to our bank's cost effectiveness and enhanced competitiveness in our area.

Compliance with our vision and values

The success in the Group comes after several years of compliance with the vision «Together we create value», with our customers, owners, employees and the local community. Through an adopted future perspective in the organisation, we have focused on the performance that is required and the position we need to develop in the market in order to succeed over a longer period of time.

Our values of Learning, Engaged and Close have had a key role in the work throughout the Group. We have invested in new customer solutions, skills development, new staff, distribution, innovation and systematic brand building. Always with an emphasis on the message: «We are together» with our customers in their daily life.

Sustainable local communities

We shall contribute to creating value by being close to customers and local communities, and supporting good initiatives and commercial development in the local communities where we are represented. We have belief in our market area and exciting development opportunities going forward.

In 2018 the work with sustainability has been given increased focus in the Group, and we have conducted a materiality analysis in the GRI standard as the basis for our further action plan and strategy.

SpareBank 1 BV will also in the future have a strong focus on sustainability, and create good specific measures and strategies in line with the results of this analysis.

Equipped for the future

The financial sector is experiencing radical changes in framework conditions. These are driven by new technology, new regulations and new competition. Both as the cause of these drivers and customers' general increased expectations that require new solutions both digitally and in relation to our customers. Therefore a considerable effort has been made – both of a financial and operational nature –to equip our own bank and together with our alliance partners for the future.

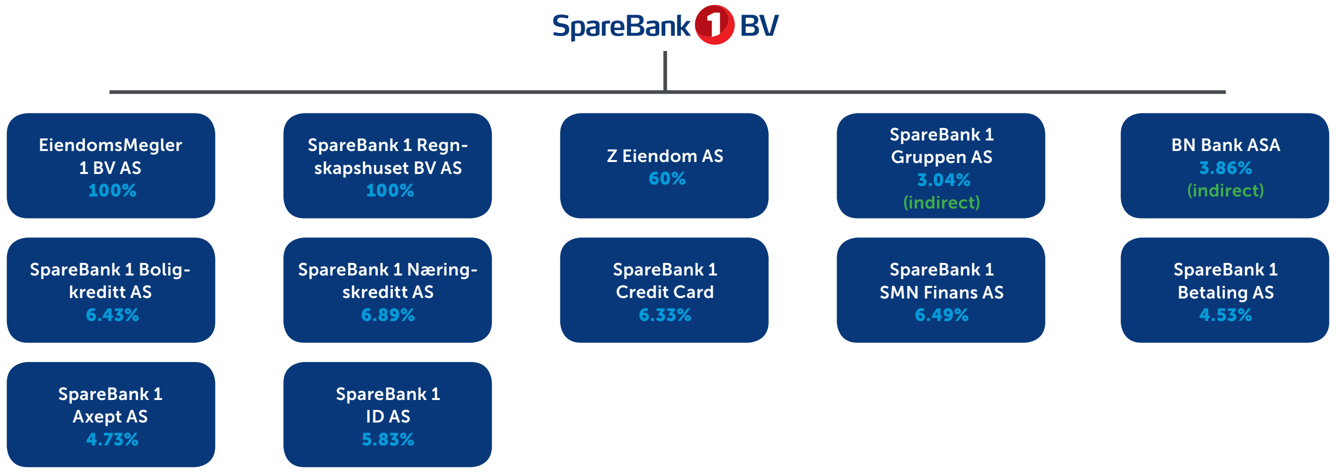
We shall continue to invest in new technology and competencies, and be equipped for the future by being close and present locally and at the same time providing the best digital solutions.

Rune Fjeldstad
(CEO)

SpareBank 1 BV
– Strategic and financial targets

SpareBank 1 BV aims to contribute to value creation in local communities by providing a wide range of financial services, as well as relevant advice to individuals and businesses.

The Financial Group SpareBank 1 BV



The Group

SpareBank 1 BV is a regional financial institution with a geographical market area that covers Buskerud, centred around Kongsberg and Drammen, and Vestfold from Holmestrand in the north to Larvik in the south.

The Group has registered office and business address in Tønsberg, and branches in Drammen, Mjøndalen, Lier, Kongsberg, Holmestrand, Horten, Tønsberg, Nøtterøy, Sandefjord and Larvik.

SpareBank 1 BV offers traditional banking services such as loans, insurance and savings products in addition to accounting services and estate agency services for both private and corporate customers.

SpareBank 1 BV is part of the SpareBank 1 Alliance. The Alliance is a banking-, product and service cooperation between 14 independent, locally-rooted Norwegian banks.

The purpose of this cooperation is to deliver attractive products and services with a focus on good customer experiences that contribute to the SpareBank 1 banks competitiveness and profitability. The Bank achieves economies of scale through this cooperation, for example in IT development.

The Bank has a long and proud history, and is a result of a number of local mergers. In Buskerud, the Bank has roots from Sandsvær SpareBank, which was established in 1883, while in Vestfold the roots stem from Nøtterø Sogns Sparebank and Sandeherreds Sparebank, which were established in 1857 and 1859 respectively.

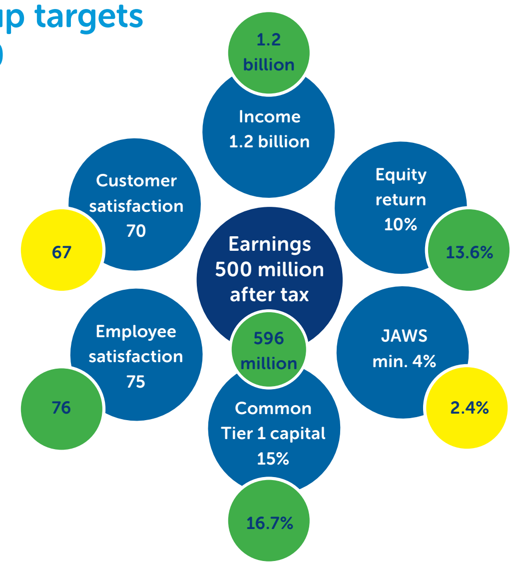
The largest equity certificate holders in the Bank are SpareBank 1 Stiftelsen BV and Sparebankstiftelsen Nøtterøy-Tønsberg. The purpose of these foundations is to manage the equity capital certificates that were added through the establishment, and to exercise and maintain a substantial, long-term and stable ownership of SpareBank 1 BV.

Local, close and digital

Sparebank 1 BV shall be a solid and ambitious local player, which creates values in the region of which the Group is a part. The aim is to deliver good customer experiences with a combination of a local presence, solid consultancy expertise, knowledge of the market areas and good accessibility both physical and through good digital solutions.

The Group's strengths are built on proximity to customers, as well as speedy and effective decision-making processes. The company thus manages to maintain and increase its market shares in the region.

Group targets 2020



Earnings in 2018 compared with the target for 2020 (blue circles). SpareBank 1 BV aims to create financial results which provide a good and stable return on equity, and provide a competitive return in the form of dividends and capital appreciation on the Bank's equity certificates.

Stakeholders

The Group's main strategic objective is to create value for its customers and the region of which the Group is a part. We want to promote local initiatives, companies and people living in the region so that together we can contribute to growth and development. This will also create value for the owners and employees of the business.

Through working purposefully towards and together with the Group's various stakeholders, the Group will develop, and make a positive contribution to value creation in the community.

Vision and values

The Group's vision is: «Together we create value»
This is done through the Group's values:

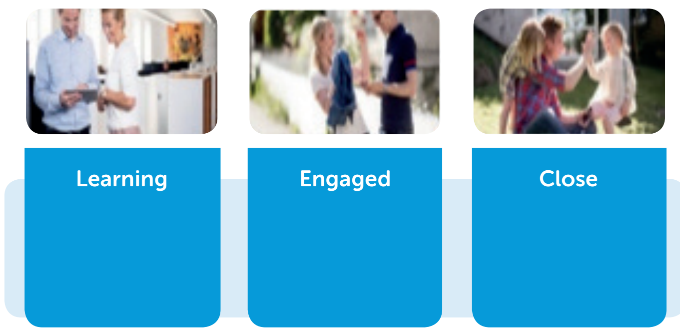
The Group has specified its values and the importance they have for all stakeholders:

How should the owners perceive the Group?
- That the company is innovative, adaptable and understands your needs.
- That the company is energetic, visible and acts professionally.
- That the company keeps shareholders informed and creates and maintains relationships.

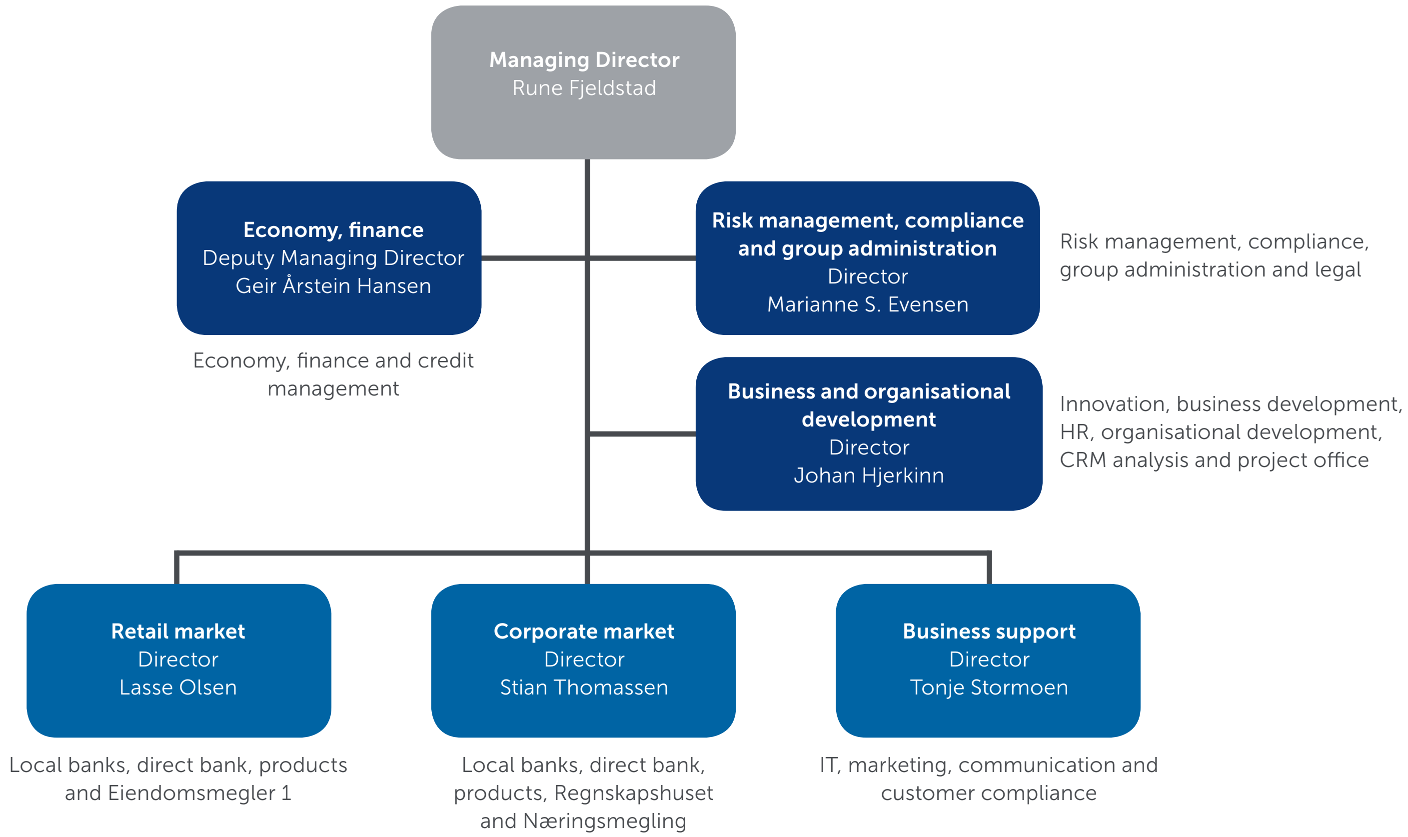
How should customers experience the Group's values?
- The Group's employees are interested in their customers and, therefore, find the best solutions.
- The company's employees enjoy helping their customers and take relevant initiatives.
- The Group and its employees are present and keep to their promises.

How should society experience the Group?
- The fact that they are interested and updated on local developments, and encourage interaction.
- The fact that the Group exercises corporate social responsibility, is visible and participates in the relevant arenas in the local community.
- The company supports local culture, residential- and industrial and commercial development.

What doe these values mean for the Group's employees?
- Employees are learning by quickly acquiring new knowledge, sharing with others and are confident in trying and practicing.
- Employees are engaged by taking the initiative, awarding recognition and producing results.
- Employees are close by being involving and helpful towards colleagues.



Organisation and management



Presentation of the group management

Rune Fjeldstad (1962)

- Managing Director

Rune Fjeldstad has been the managing director of SpareBank 1 BV since May 2015. He has a Master's degree in Economics and Master of Management from the Norwegian Business School BI. He has previously held executive positions in Sparebanken NOR, Postbanken and several of the division director positions in DNB. He was also Group CEO of Nets and then a partner in the consulting firm Bene Agere.

He has board experience from 20 or so companies both nationally and internationally. He has current directorships in BN Bank, EiendomsMegler 1, Næringsmegling AS, SpareBank 1 Betaling AS, SpareBank 1 Samspar AS and is deputy board member of VBB AS (Vipps, Bankaxept, BankID).

Number of equity certificates in BV: 61,736

Geir Årstein Hansen (1959)

- Deputy Managing Director

Geir Årstein Hansen has a Master's degree in economics from the Norwegian School of Business BI in Bergen (NHH), with additional education from BI in strategic change management and high performance management.

He has worked in the Bank since 1988 in various managerial positions, in many business areas. Before this he has worked in real estate and education. He has extensive board experience and is currently Chairman of the Board of Z-Eiendom AS and Deputy Board Member of Samarbeidende Sparebanker AS, Samarbeidende Sparebanker Utvikling DA, Samarbeidende Sparebanker Bankinvest and SpareBank 1 Samspar AS.

Number of equity certificates in BV: 8,126

Marianne Sommero Evensen (1970)

- Director risk management, compliance and group administration

Marianne Sommerro Evensen is a government authorised auditor from the Norwegian School of Economics in Bergen (NHH). She has worked in the Bank since 2003, and had several managerial positions and as sector advisor for the corporate market, project management, risk, compliance and group management.

She has previously had 10 years of experience from auditing and consulting activities in KPMG and Møller & co, both as manager and sector advisor. She has board experience as current Secretary to the Group Board of Directors and previously as a Board member of a financial undertaking. Has currently no directorships.

Number of equity certificates in BV: 6,236

Lasse Olsen (1975)

- Director Retail Market

Lasse Olsen is a qualified economist from the Norwegian Business School BI with specialisation in information technology and management.

He has worked in the Bank since 2008 and has held various management positions in the retail market division. He has 15 years of experience from the banking and finance sectors, including asset management, special consultant and bank manager. He took up the position as Director of the Retail Market in November 2015.

He is currently Chairman of the Board of EiendomsMegler 1 BV.

Number of equity certificates in BV: 16,025

Stian Thomassen (1976)

- Director Corporate Market

Stian Thomassen has a Master of Economics and Master of Business and Economics (MBE) from the Norwegian School of Business BI, as well as Authorised Financial Analyst/Certified European Financial Analyst (AFA/CEFA) and Executive MBA from the Norwegian School of Economics in Bergen (NHH).

He has extensive experience from Nordea in various managerial positions including as bank manager for the large corporate customer department in the corporate market, before he came to SpareBank 1 BV in 2016.

Today he is Chairman of the Board of SpareBank 1 Regnskapshuset BV and a Board member of EiendomsMegler 1 Næringsmegling AS.

Number of equity certificates in BV: 8,695

Tonje Stormoen (1965)

- Director Business Support

Tonje Stormoen has a Bachelor in Business Management from the Norwegian School of Business BI, with specialisation in marketing and international management. She has additional education in change management and project management.

She has held several previous managerial positions, including various executive positions in Intrum Justitia AS, Branch Bank Manager, head of business development and Marketing Director of SpareBank 1 Nøtterøy-Tønsberg. She has been employed in SpareBank 1 BV from 2017.

She has board experience from various companies in real estate, finance, media and debt recovery. Has currently no directorships.

Number of equity certificates in BV: 8,282

Johan Hjerkinn (1970)

- Director business and organisation development

Johan Hjerkinn has a Master's degree in Economics from the Norwegian School of Economics (NHH) in Bergen, as well as the NHH Executive Programme "Strategic business understanding."

He has 20 years of banking experience from Postbanken BA (1996-99) and DNB (1999-17), of which 15 years as manager with responsibility for strategy and major change projects in DNB. He has been employed by SpareBank 1 BV since May 2017.

Board member of Netaxept AS (2004-08). He has currently no directorships.

Number of equity certificates in BV: 12,408

Presentation of the Board of Directors

Øyvind Birkeland (1955)

- Chairman of the Board

Lives in Larvik. Has a Master's degree in Business and Economics. He has broad experience from banking operations and management over almost 30 years, and has been manager of Sparebanken Vestfold, Gjensidige NOR and DNB. He has solid expertise in strategy, structural change, financing and organisational development.

Heine Wang (1963)

- Deputy Chair

Lives at Nøtterøy. Is a qualified lawyer. He has held various directorships, including as former president of NHO. He is the CEO of Nokas, a business he has helped to build up, which currently has a turnover of about NOK 5 billion and 9,000 employees in six countries. He has been a Board member of SpareBank 1 Nøtterøy-Tønsberg since 2015 and Deputy Chairman since 2016 until the merger with SpareBank 1 BV.

Kristin Søia Barkost (1954)

- Board Member

Lives in Kongsberg. Bachelor of business administration. Since 1979, has had key roles in finance, accounts and administration in several companies associated with the Kongsberg Group, and has been Director of Group Accounting in Kongsberg Gruppen ASA. Today she is HSE Manager in the same company. She was a Board member of Sandsvær Sparebank from April 2008 until the merger in the same year, and has been a Board member of Sparebank 1 BV since November 2008.

Janne Sølvi Weseth (1979)

- Board Member

Lives in Kongsberg. Has a Bachelor of Business Administration with specialisation in accounting, taxes and duties. In addition, she has education in management competence at Board level from the Norwegian School of Business BI. She has previously been CFO of Global Geo Services ASA. Today she works in Kongsberg Defence & Aerospace, division Aerostructure as Programme Manager. She has previously been finance manager in the same Division. She has been a Board member of SpareBank 1 BV since 2016.

Eric Sandtrø (1972)

- Board Member

Main shareholder and General Manager of the company Fjellsport AS. He started up his own distribution company (Norek) when he finished upper secondary school, a business that eventually became Komplett. He built up the company from 1992 and resigned as CEO of Komplett in 2007. The company had then grown to have a turnover of approximately NOK 2.7 billion, with operations in several European countries. Under his management Komplett was listed from 2000 to 2007. Sandtrø has considerable board experience, including from Sandefjord Lufthavn (Torp), Sandefjord Bredbånd KF (currently Deputy Chairman) and is also a member of the Board of Directors of Jollyroom Group AB and Bagaren och Kocken AB in Gothenburg.

Hanne Myhre Gravdal (1964)

- Board member employees' representative

Living in Sylling. Has a Bachelor's degree in Economics, and education in management competence at Board level from the Norwegian School of Business BI. She has worked in the banking sector for several companies since 1984, for example, as branch manager of Sparebanken Øst. She has been employed by SpareBank 1 BV since 2004, and works as senior investment advisor in the retail market. Board member of SpareBank 1 BV since April 2011.

Geir Arne Vestre (1964)

- Board member employees' representative

Lives at Nøtterøy. Has a Bachelor of Business Administration. He has worked in SpareBank 1 Nøtterøy-Tønsberg since 1989. He has broad experience from the majority of customer-related departments, and currently works in the corporate market as professional advisor in CM Credit. He has been a Board member of SpareBank 1 Nøtterøy-Tønsberg since 2008.

Our employees

– the most important capital in the fight for customers

With increasingly faster technological development and changes to customer behaviour, continuously new expertise and the development of existing employees are required in order to achieve the Group's targets. It is important to have a corporate culture where everyone challenges themselves and colleagues. Employees shall take responsibility, involve others and be concerned with continuous improvement.

Recruitment of competence

At the end of 2018, the Group had a total of 340 permanent employees, divided into 326.4 full-time equivalents. This is a decline of 18.5 full time equivalent positions in the Group from the end of 2017.

The number of FTEs has been reduced by 10.8 in the parent bank, while the subsidiaries had a reduction of 7.7 FTEs as of 31.12.

The Group finds that there is a good market for recruitment, and that SpareBank 1 BV is an attractive workplace.

Change and competence

Employees must be cultivated and developed if they are to be at their best. Then good nourishment is needed in the form of training and skills development under the direction of the Group. At the same time the Group's employees must also be committed and take responsibility for their own competence so as to keep pace with developments. Monthly follow-up interviews and the annual appraisal interview set clear expectations to delivery and results.

The Group is concerned to ensure continuous further development of its employees. In 2018, a management development programme was established, which will run over several years. The programme intends to strengthen management by focusing on subjects such as trust, communication, relationship-building, cooperation, motivation and change management. Work is also being systematically carried out to enhance the employees' formal expertise, including the implementation of various certifications.

The rapid development and change in customer behaviour requires an organisation that is both open for change and competent. This is how it is in SpareBank 1 BV.

The working environment

The Group's organisational survey has a high average score. It is also worth noting that the response rate is very good and lies at 92 %. The survey shows an increase in important parameters such as ability to carry through, willingness for change and commitment, as well as a high score on interaction. The survey will be reviewed in all departments, with the aim of strengthening a positive development of the working environment.

Health, safety and environment (HSE)

Work is being systematically carried out in respect of health, environment and safety in the Group, primarily through a Cooperative Committee (SAMU) including the Working Environment Committee (AMU) , and that has an operational focus on HSE work. The group is an IA- company (inclusive working life). The main focus has been on prevention, so that absence due to sickness remains low, which it has been in recent years. We work actively with those who are on long-term sick leave with follow-up and adaptation.

For 2018 total sickness absence was 4.1%, which is low compared with the industry. The Bank always has the aim for employees to feel that their health, safety and environment needs are safeguarded at all times.

No injuries of significance have been registered in 2018.

Equal opportunities

SpareBank 1 BV shall give employees equal opportunities for professional and personal development, salaries and career. In 2018 54% of the employees were women and 46% men. Average age is 46.9 years and the average length of service is 16.3 years. The percentage of women in management in SpareBank 1 BV in 2018 is 32%.

Cooperation with employee organisations

The Group has a constructive cooperation with the employee organisations. They contribute from each their standpoint in an appropriate manner, so that the Group shall achieve its targets.

Remuneration to the employees

SpareBank 1 BV has introduced a results-based reward system. The purpose of this is to build up under the objectives of the strategy for 2020 and motivate for targeted efforts in all units. The model is divided into two parts. Part 1 consists of pure profit-sharing, with equal amounts to all employees. Part 2 consists of an individual part. The awarding of variable salary takes place in relation to an assessment of both financial and non-financial targets.

Business areas

The retail market

SpareBank 1 BV has a solid position in the retail market. Knowledge of the Bank is on the increase throughout the entire market area. 1 of 4 private customers in the market area has a customer relationship with the Bank, and approximately 16% use the Bank as their main bank. The lending growth was 9% in 2018, while the general market growth was 5.4% in the preceding 12 months.

At the end of 2018, the Bank had about 74,000 active customers.

A combined offer of good digital services, a modern customer service centre and a well-developed branch network provides the customer with quick and easy access to financial services and competence in all channels.

Customers are pleased with the Group's deliveries, and customer satisfaction in 2018 is high. In order to ensure this in the future, we are focused on building even stronger customer relations. The Group must use customer data in a way that makes it easy to be a customer and take relevant initiatives in relation to the customer. This is both about the simplification of customers' everyday life and improving the efficiency of the Bank's processes; in both cases with digitalisation as a clear driver. Building strong customer relationships is about combining the best of two worlds; artificial intelligence, through smart technology and robotics, and emotional intelligence through personal contact with highly qualified employees.

Eiendomsmegler 1 BV and Z-eiendom AS had a total housing turnover of NOK 7.3 billion in 2018, divided into approx. 2,500 units.

There has been population growth in the Group's market area, which now represents about 450,000 inhabitants.

Corporate market

The corporate market's customer portfolio consists of about 8,000 active SMB customers. The major part of the lending portfolio is within the real estate industry. There is great focus on the interaction between business areas, so that the customer will be met with an integrated product range.

SpareBank 1 BV is a supplier of package solutions for financial services to businesses. Work is carried out continuously on putting in place more digital sales and self-service solutions for corporate customers.

1 of 4 corporate customers (SMB) in the market area has a customer relationship with the Bank.

The Bank has a solid market position in Kongsberg, Sandefjord and in Færder municipality, and has a challenger position in the other market areas. The Group has a sharp focus on capitalising on what is associated with the SpareBank 1 brand; Easy to deal with, accessible, important contributors and socially involved.

Innovation

SpareBank 1BV concentrates on innovation which will benefit customers locally. This is done both through joint development in the SpareBank 1 Alliance and through initiatives taken by the Bank. In 2018, the Board of Directors adopted a framework of NOK 75 million for local development of new future-oriented solutions and services. The innovation may take the form of participation in other companies, collaboration with entrepreneurs, other banks - or projects under our own management.

Subsidiaries

EiendomsMegler 1 BV AS

The company has a good position in the Group's market area, and is part of the national EiendomsMegler 1 chain, which has been the market leader in Norway for ten years in a row. The business activities consist of commercial real estate brokerage, property settlement, purchase and sale of holiday homes, new construction and resale homes.

SpareBank 1 Regnskapshuset BV AS

The company offers a broad range of services: accounting, payroll, annual reports and accounts and advisory services. The company focuses heavily on digitalisation, and offers several different systems adapted to various sectors.

Z-eiendom AS (60% ownership)

The company has a solid market share in the Tønsberg region. The business activities consist of brokerage of resale homes, new construction and holiday homes.

Imingen Holding AS

Larvik Marina AS

Sustainability

SpareBank 1 BV focuses on taking social, environmental and social considerations through its day-to-day operations. With its proximity to customers and good local knowledge, the Group contributes to social development through value creation and sustainable development.

New measures in 2018

In 2018 work with sustainability was given an increased focus, and a materiality analysis was conducted in the GRI (Global Reporting Initiative) standard. The process has surveyed relevant sustainability themes, identified internal and external stakeholders' expectations through surveys and interviews and, through analysis and internal seminars, identified a materiality matrix as a basis for a further action plan and strategy.

SpareBank 1 BV will also have a strong focus on sustainability going forward. In 2019, this shall be promoted in the strategy for the corporate market. At the same time, the result of the materiality analysis for sustainability is used to create good specific measures and strategies in line with what came out of this analysis.

Local supporter

SpareBank 1 BV has a comprehensive social involvement in its market area, with a focus on breadth as well as spread both geographically and in the form of different types of activities, measures and projects we engage in. This is primarily done through sponsorship and cooperation agreements with clubs /associations and events, and grants from the endowment fund. In 2018, the Bank also awarded a talent scholarship to young athletes, young artists and artists in local communities, as a means of helping them to develop their talent and participation.

Through this work, the company has contributed with significant funding and commitment both locally and regionally. Thus traditions are maintained that are founded in the savings bank philosophy, whereby SpareBank 1 BV contributes to the development of the society of which it is part.
As of 2018 the endowment fund grants were given via SpareBank 1 Stiftelsen BV and Sparebankstiftelsen Nøtterøy-Tønsberg. These foundations were established in connection with the merger between SpareBank 1 BV and SpareBank 1 Nøtterøy-Tønsberg.

Climate and environment

Environmental awareness shall characterize the Bank's operations. SpareBank 1 BV works to reduce the impact on the external environment through eco-friendly operations. SpareBank 1 BVs direct impact on the climate and the environment is primarily related to energy consumption, business travel and office waste. The Group wishes to promote a more eco-friendly conduct internally and among customers, and therefore offers a growing number of paperless services that reduce the impact on the environment.

Work is being continually carried out in developing ever more customer-friendly solutions. Where there is a need for dialogue with customers, electronic channels such as e-mail, SMS, chat and online meetings are used as much as possible. In June 2014 SpareBank 1 BV introduced electronic signature of housing loan applications. At the end of December 2018, electronic signature comprised 94% of the total signed housing mortgage applications, compared with 50% in 2017.

The Bank has print solutions in all offices which ensure that unauthorised parties do not gain access to confidential information, and that help to reduce paper use in the Group. SpareBank 1 BV has an agreement for the return of technological waste. This ensures a proper disposal of data stored on electronic media, and also gives an environmental benefit through reuse. The agreement meets international conventions and agreements that are intended to prevent countries in the third world being polluted and receiving products that cannot be recycled or destroyed in an environmentally secure manner.

A collaborative tool is used for meeting activities (Skype for Business), which provides video, audio and chat for all employees from their office space. The number of Skype for Business meetings has increased significantly from its introduction in 2015. As part of the SpareBank 1 Alliance, the Group has a common purchasing strategy with a strong environmental profile. The SpareBank 1 Group's purchasing policy requires that all purchase contracts include an attachment on corporate social responsibility. It includes a notification obligation from the supplier's side, and also requires them to follow up subcontractors. A breach of the provisions relating to corporate social responsibility is regarded as a breach of contract and may give grounds for cancellation of the agreement.

Energy and climate accounting

Sparebank 1 BV has reported on the consumption that leads to CO2 emissions, and re-calculated this to climate impact. Reporting is carried out in accordance with the international standard "The Greenhouse Gas Protocol (The GHG Protocol), which is developed by WRI (World Resources Institute) and WBCSD (World Business Council for Sustainable Development). This is the most usually applied method worldwide for measuring greenhouse gas emissions. ISO standard 14064-in is based on this. The purpose of this report is to present an overview of the organization's greenhouse gas emissions. This annual report enables the organization to measure the key figures and thus evaluate itself over time. These reports cover the entire group (parent bank and its subsidiaries).

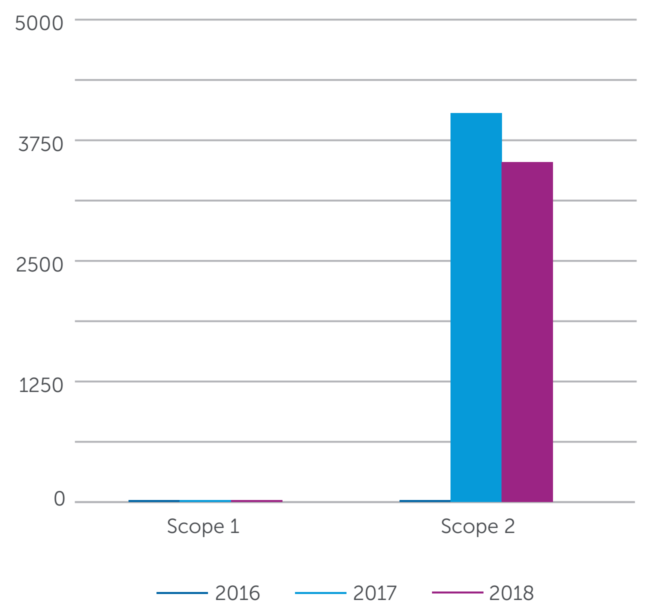
From 2017 to 2018 emissions have declined by a total of 12%. The decline is mainly due to the fact that Sparebank 1 BV has both reduced consumption of fuel, and reduced environmental impact related to power consumption.

The Annual Report - climate accounting (tCO2e)

Category	2017	2018	% changes from previous year
Transport			
Diesel (B 5)	1.3		-100.0%
Diesel (NO)		0.9	100.0%
Petrol	0.8	0.5	- 39.8%
Scope 1 Emissions	**2.1**	**1.4**	**-32.5%**
District heating/cooling the Nordic countries.			
District cooling Arendal		0.7	100.0%
District heating Norwegian mix	43.7	31.5	-28.0%
Electric cars			-
Electric car Nordic	0.1	0.1	-12.9%
Electricity *			-
Electricity Nordic mix	124.9	102.0	-18.3%
Scope 2 Emissions	**168.7**	**134.2**	**-20.4%**
Air travel			
Continental, RF	5.7	10.4	82.8%
Intercontinental, RF	-	-	-
Nordic, RF	19.8	22.4	12.9%
Waste			
Glass, recycling	-	-	-
Metal, recycling	-	-	-
Organic, recycling	0.1	0.1	-23.0
Paper, recycling	0.9	0.6	-30.7
Plastic, recycling	-	-	-
Residual waste, recycling	-	0.2	100.0%
Residual waste, incineration	18.8	13.0	-31.3
EE waste, recycling	-	-	-
Wooden waste, recycling	-	-	-
Business travel			
Mileage all duties	117.4	110.5	-5.9%
Mileage electric cars (NO)	-	0.4	100.0%
Scope 3 Emissions	**162.8**	**157.7**	**3.1**
Total	**333.5**	**293.3**	**-12.11%**
Percentage change	-	-12.11%	-
* Alternative calculation emissions from el (market-based approach)	660.3	655.2	-
Percentage change		-0.80.%	-

Name	Unit	2017	2018	% changes from previous year
Total energy consumption Scope 1+2 (MWh)		4,067.6	3,517.6	-13.5%
Total emissions (S1+S2+S3) (tCO2e)		333.5	293.3	-12.1%
kg CO2e (s1 + s2 + s3)/FTEs	number of FTEs	3,947.2	875.3	-77.8%

Annual energy consumption (Mwh) Scope 1 & 2



Annual greenhouse gas emissions per scope

Combating corruption and money laundering Anti-money laundering (AML)

Through its work with anti-money laundering, SpareBank 1 BV aims to prevent and identify transactions associated with proceeds from criminal offences or with links to acts of terrorism. The anti-money laundering work is governed through policy, company-specific guidelines and procedures for measures against money laundering and financing of terrorism. There is a high focus on training in and compliance with internal anti-money laundering policies and regulations. Annual training and updating for all employees in the area of anti-money laundering are incorporated in the Group's guidelines. For example, e-learning courses, knowledge tests and departmental case discussions will be conducted.

Throughout 2018, the Bank has strengthened its procedures with regard to risk classification and validation of existing and new customers. In addition, the anti-money laundering area has been given higher priority and the operative AML responsibility in the Group is now directly subordinate to a separate Compliance customer function. The electronic monitoring of transactions was outsourced to a joint AML unit in Banksamarbeidet DA in 2017, and they continuously conduct monitoring based on a company-specific risk assessment. The aforementioned measures have contributed to professionalising of the work, as well as an increased focus on and improved competence of employees within the AML area, and not least for combating identity theft, the black economy and financing of terrorism.

Fraud prevention measures:

SpareBank 1 BV follows the guidelines it shares with other banks in the SpareBank 1 Alliance in respect of fraud prevention measures. Work is being continually carried out in the Alliance to ensure that services on the Internet and mobile shall be secure, and to ensure that customers use these services in a secure manner. For example, the guidelines include advice for safe use of Internet banking and safe online trading, general netiquette and card safety rules, and recommended measures for customers to protect themselves from ID theft. These guidelines have been distributed and reviewed in the company, and are also published on SpareBank 1 BV's website. In addition, each year since 2015 ongoing training has been carried out on data security in the SpareBank 1 Alliance, in order to raise awareness of and competence in this subject. The Nanolearning platform "Passopp" means that employees receive e-mail on a monthly basis with useful tips on preventive measures.

This will also continue in 2019. The focus on fraud prevention measures has resulted in attempted Internet fraud being intercepted to a greater extent, and cases submitted to a common e-mail address in SpareBank 1.

Human rights

SpareBank 1 BV has not prepared separate guidelines in this area. The risk of a violation of human rights is small, since the company has its business operations in Norway and thus operates in accordance with applicable laws, regulations and conventions. In addition, this area is deemed to be covered by the Group's Code of Ethics that specifies the main principles for how the employees and elected representatives in the Group shall act and the attitudes that form the basis for decisions in given situations.

Ethical management

SpareBank 1 BV offers securities funds from several fund management companies, all of which are aware of their responsibility for sustainable investments and corporate social responsibility.

Our main fund provider, ODIN, actively uses its ownership rights to influence responsible business operations, and is interested in companies that create value over time. Long-term value creation requires that the companies in which it invests have a sustainable business model; that the companies' operations are conducted in accordance with the requirements that society sets to social and environmental conditions.

However, there is no predefined standard for the best sustainability method. SpareBank 1 has a requirement that funds providers shall have satisfactory guidelines linked to ESG (Environmental, Social and Governance) practice. As a minimum the producer must monitor and follow up violation of the Government Pension Fund of Norway's exclusion list.

Privacy protection

The introduction of the GDPR in Norway came into force on 20.7.2018. In this connection, the SpareBank 1 BV Group has participated in joint projects in the SpareBank 1 Alliance for adaptation to the new regulations. Deliveries have included changes to controls, framework, systems and processes. Customized training for all employees has also been conducted. The Chief Compliance Officer takes on the role of data protection officer and acts as contact person with the Norwegian Data Supervisory Authority. The project deliveries have given SpareBank 1 BV a quality enhancement and ensured high prioritisation of privacy protection.

Equity certificates in SpareBank 1 BV

The legal provisions for Equity certificates establish limits that are mainly similar to those that apply for shares in commercial banks.

Laws and regulations

The equity certificates are governed by Chapter 10 of the Norwegian Act on Financial Institutions. Equity certificates are freely negotiable and can be quoted on Oslo Stock Exchange. Stock Exchange listed equity certificates are obliged to be registered in the Norwegian Central Securities Depository (VPS). The equity certificate holders elect 38% of the representatives to the Bank's Supervisory Board.

Annual dividends from equity certificates may be distributed from the annual profit in accordance with the company's financial statements for the last financial year. The amount of the dividends is proposed by the Bank's Board of Directors and are approved by the Supervisory Board.

The current tax regulations mean that the dividend payment will be taxed. The basis for the taxation is the dividend in percentage minus a fixed percentage, the so-called dividend tax exemption.

Equity certificate as an equity instrument

An equity certificate is an equity instrument that the savings banks use to acquire equity capital. It has many similarities to shares. The difference is related primarily to the ownership of equity and to influence in the governing bodies. The return on equity certificates is divided into two sections, an annual cash dividend and price development of the equity certificate. Equity certificate capital is secured by any losses in the Bank in that it has priority over the SpareBanken's fund.

Earnings per equity certificate for 2018 was NOK 4.98. Based on the Bank's dividend policy, the Board of Directors proposes to pay a dividend of NOK 2.95 per equity certificate for 2018. The equalization reserve is credited with NOK 2.03 per equity certificate.

Dividends and investor policy

SpareBank 1 BV aims to achieve results that deliver a good return on the Bank's equity. This will ensure its owners a competitive, stable, long-term return in terms of dividends and higher prices for its equity certificates.

Each year's profit will be distributed proportionately between equity share capital and the primary capital fund based on their relative share of the bank's equity.

The bank's policy is that a minimum 50% of the equity certificate holders' share of each year's profit should be paid out as a cash dividend.

The following factors will be considered in determining the level of the total annual dividend from the bank:

- The bank's financial strength
- Financial performance
- External conditions
- Long-term goal of stable ownership fractions

Financial calendar for 2019

- Ex-dividend date: 29 March
- Q1/2019 9 May
- Q2/2019 13 August
- Q3/2019 8 November

Dividends last three years

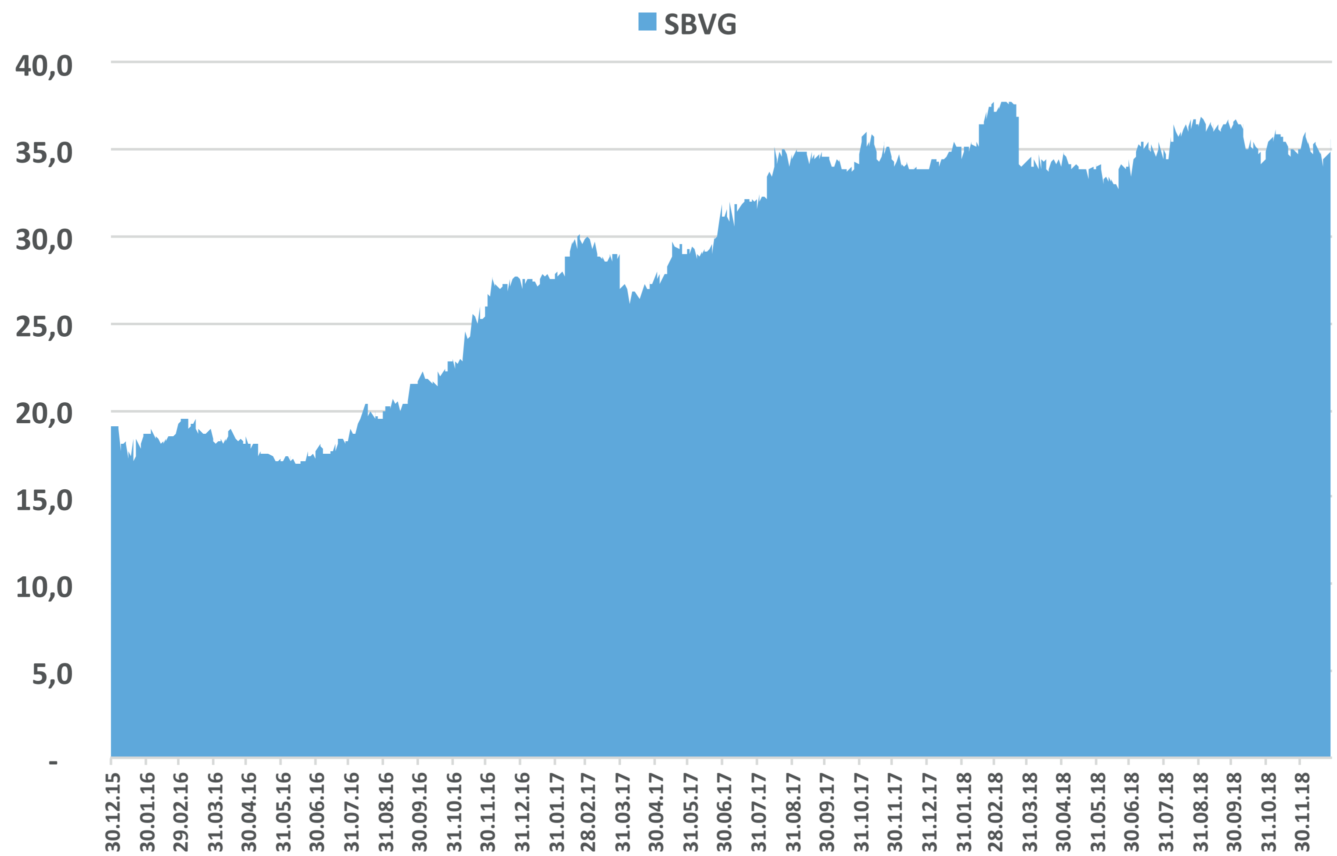
Year	Dividends	Price 31.12	Direct return
2016	1.87	27.5	6.8%
2017	2.40	33.9	7.1%
2018	2.95	35.6	8.3%

Ownership

At the end of 2018, 4.938 holders of equity certificates were registered. The 10 largest equity certificate holders are:

Name	Quantity	%
Sp. 1 Stiftelsen BV	15,642,787	24.79
Sparebankstiftelsen NT	10,925,503	17.31
Pareto AS	1,450,368	2.30
Verdipapirfondet Eika	1,347,748	2.14
Bergen Kom. Pensjonsk.	935,614	1.48
Wenaasgruppen AS	810,000	1.28
Melesio Capital Nye AS	802,211	1.27
DNB NOR Bank AS	725,000	1.15
Catilina Invest AS	689.950	1.09
Landkreditt Utbytte	550,000	0.87

Price performance during the last three years



Information to the market

Clear, easily understood and timely information supports the relationship of trust between the owners, the Board of Directors and management and ensures that the Bank's stakeholders have an ongoing opportunity to both assess and relate to the Bank. Therefore, the Bank's information policy emphasises the importance of an extensive dialogue with the Bank's various stakeholders, where openness, predictability and transparency are in focus. In addition, the Bank attaches importance to correct, relevant and up-to-date information about the Bank's performance and earnings creating trust in relation to the investor market. Information to the market is provided through quarterly interim reports and semi-annual investor presentations. All interim reports, press releases and presentations can be found on www.s1bv.no.

Stock Exchange listing

SpareBank 1 BV equity certificates are listed on Oslo Børs under ticker code SBVG.

A further specification of the equity certificates is provided in a separate note.

The Supervisory Board and auditing of accounts

Supervisory Board

Chair: Lars Ole Bjørnsrud
Deputy Chair: Tom Mellow

Employee-elected representatives:

Lars Ole Bjørnsrud
Bjørn Hoffstad
Knut Holter
Thale Knudsen
Tom Mello
Kjell E. Nilsen
Kristin Storhaug
Ingebjørg Tollnes
Inger Joh. Toset

Equity certificate holders' representatives:

Vigdis Askjem
Petter Bjærtnes
Torben Hedegart
Bjørn R. Hellevammen
Iver A. Juel
Åsmund Skår
Thor Strand
Ole Vinje
Grete E. Øvrum

Employee representatives:

Inger Kristin Eide
Thomas Engen
Henning Pedersen
Stine Skinlo
Tom Sørensen
Fredrik Thorsen

Auditor

KPMG AS
represented by Auditor Svein Arthur Lyngroth

Annual Report by the Board of Directors 2018

Annual Report 2018

The SpareBank 1 BV Group is a regional business with its market area in Nedre Buskerud and Vestfold.

The group's main activity consists of the parent bank, as well as the wholly-owned subsidiaries Eiendoms-Megler 1 BV AS and SpareBank 1 Regnskapshuset BV AS. It also owns 60% of Z-Eiendom AS. The companies are located in Kongsberg, Mjøndalen, Drammen, Lier, Norway, Horten, Tønsberg, Vestfold, Sandefjord and Larvik.

SpareBank 1 BV is listed on Oslo Børs and therefore presents the parent company and consolidated accounts in accordance with the international accounting standards "IFRS" (International Financial Reporting Standards).

The comments and figures below refer to the group unless explicitly stated otherwise. Figures in brackets relate to the corresponding period last year.

Main features of the year 2018

- Good return on equity
- Increased earnings from ordinary operations
- Reduced income from financial assets.
- Non-recurring income relating to pensions and sale of property.
- Low losses on loans and guarantees:
- Good growth in lending volume.
- Good financial strength and liquidity.

General framework conditions

International economy

In contrast to 2017, there was reduced growth in the global economy in 2018 and somewhat increased uncertainty about development going forward. There was somewhat lower economic growth for Norway's trading partners as a result of a less expansive monetary and fiscal policy, among other factors. An increased focus on trade barriers, especially between the United States and China, and the unresolved situation around Brexit are part of the reason for the increased level of uncertainty.

In the United States growth continued to pick up through 2018. Unemployment fell further from a historically low level, inflation was somewhat higher than previously, and wage growth increased somewhat. Growth has been supported by an expansive fiscal policy. As a result of a high level of activity in the US economy, the US Central Bank (FED) raised the key interest rate on four occasions. The FED has thus raised interest rates nine times from the bottom level which remained unchanged during the period from 2008 to 2015. In addition to a higher level of interest rates, the FED tightened by reducing the securities balance which increased considerably after the financial crisis due to the securities purchase programme.

The growth in the Eurozone has previously picked up after the extremely expansive monetary policy finally took effect. However, in 2018 the growth declined somewhat again. During the year, there has been considerable uncertainty related to the UK's withdrawal from the EU and the budget situation in Italy

In the autumn the European Central Bank (ECB) announced that the securities purchase program was coming to an end. The purchases were halved from EUR 30 billion to EUR 15 billion per month after September and the program was terminated at the end of the year. According to the ECB, the key interest rate will be changed at the earliest in the autumn of 2019.

Norwegian economy

Norwegian mainland economy was strengthened through 2018. GDP growth for mainland Norway ended according to Norges Bank at 2.4% (2.0% in 2017). Growth was strongest in the first half of the year. The second half of the year was marked by reduced agricultural production after a dry summer, lower oil prices and weaker growth prospects.

The labour market improved further through 2018. Employment increased and unemployment was further reduced. Inflation rose as a result of higher electricity prices. Business investments also increased last year, and Norges Bank's regional networks indicated good growth and a positive growth outlook. For the first time since the oil price drop in 2014, investments in the oil sector made a positive contribution, whereas housing investments were reduced after a period of strong growth. The housing price growth has developed moderately throughout the year. Debt growth in households was somewhat lower, but still exceeds income growth. This result in an increased debt burden in the household sector.

A higher level of activity in the Norwegian economy, capacity utilisation close to normal level and inflation around target were the main reasons behind Norges Bank's decision to increase its key interest rate from 0.50% to 0.75% per cent in September. This was the first interest hike since 2011. The Executive Board of Norges Bank has indicated a gradual rise in interest rates going forward, but that they want to proceed carefully in setting interest rates following a long period of low interest rates.

In monetary policy the inflation target was reduced from 2.5% to 2.0%. The change was carried out on the basis of an expected lower phasing in of oil income in the Norwegian economy. This means that Norway now has the same level of inflation target as most other comparable countries.

Developments in the market and business area for SpareBank 1 BV

The Bank's opportunities for results and growth are largely dependent on the general development within SpareBank 1 BV's primary market and business area in nedre Buskerud and Vestfold fylke. The regions have over many years had net in-migration and forecasts indicate that this trend will continue. The infrastructure within the Bank's areas is being continuously improved. From Oslo, there is now a good extended road network towards the Bank's market areas in Drammen/Kongsberg and through the Vestfold region. In addition, Sandefjord airport, with daily departures to Copenhagen, is important for business and industry in the region. Nedre Buskerud and Vestfold are attractive market areas for banking and financial activities. All the major financial players are established in our regions and there is great competition in our local market areas.

The Bank's market area has had a stable development in housing prices through 2018 and unemployment continues to be at a low level.

Financial performance

Income statement

The SpareBank 1 BV Group had a net profit from ordinary operations before losses of NOK 732.6 million (613.0 million). Earnings after tax was NOK 596.1 million (508.7 million), which represents 1.67% (1.54%) of average total assets. The group's annualised return on equity was 13.6% (13.0%).

The group's return on equity was heavily affected in 2018 by gains from the sale of the bank's four business premises for NOK 90.7 million and income recognition from winding up pension schemes worth NOK 102.2 million. In 2017, recognised negative goodwill related to the merger amounted to NOK 88.6 million and costs associated with the technical merger/restructuring NOK 40.7 million. These items made up the group's annualised return on equity of 9.9% (9.9%).

Earnings per equity certificate in the parent bank were NOK 4.98 (4.03).

Net interest income

Net interest income amounted to NOK 592.9 million (560.4 million). Net interest income as a percentage of average total assets was 1.67% (1.70%).

At the end of the year, the bank had transferred mortgages worth NOK 11,740 million (11,066 million) to SpareBank 1 Boligkreditt AS, and NOK 582 million (149 million) to SpareBank 1 Næringskreditt AS. Earnings from these loan portfolios are shown under net commission income and amounted to NOK 94.9 million (100.3 million).

Higher money market rates had a negative impact on net interest income and commission from SpareBank 1 Boligkreditt AS.

Based on increased money market rates and the increase in Norges Bank's key interest rate in September, SpareBank 1 BV increased interest rates on deposits and loans by up to 0.25 percentage points. The interest rate changes took full effect from 22 October in the corporate market and from 19 November in the retail market.

Net commission and other income

Net commission and other income totalled NOK 506.7 million (405.6 million).

Net commission income

Net commission income amounted to NOK 266.2 million (263.4 million).

Other operating income

Other operating income amounted to NOK 240.5 million (142.2 million). The increase from last year includes gains from the sale of the bank's four business premises amounting to NOK 90.7 million.

The bank's business premises on Nøtterøy (parent bank), in Sandefjord (subsidiary), in Horten (subsidiary) and in Kongsberg (subsidiary) were sold off in 2018. The sales produced a total accounting gain of NOK 12.7 million in the parent bank and NOK 90.7 million in the Group. NOK 38 million of the total group profit was recognised in the parent bank in connection with the disposal of the three office buildings in 2016.

Net income from financial assets

Net income from financial assets amounted to NOK 99.2 million (245.8 million). Last year's figures include recognised negative goodwill relating to the 2017 merger of NOK 88.6 million. The key items in 2018 consist of dividends of NOK 32.0 million (18.9 million), net income from ownership interests of NOK 47.8 million (66.1 million), and a positive value adjustment related to the merger of Vipps AS, BankAxept AS and Bank ID Norge AS of NOK 24.6 million.

Operating costs
Total operating costs were NOK 466.2 million (598.8 million). Operating costs as a percentage of total operating income (excl. financial investments) for the group came to 42.4% (62.0%). The corresponding cost ratio for the parent bank was 38.3% (56.7%).

Personnel costs
Personnel costs amounted to NOK 237.4 million (349.4 million).

In connection with the board's decision to align the bank's pension plans, the bank's three closed defined-benefit schemes, and a defined-contribution scheme, have been wound up. The coordination will contribute to increased predictability in pension costs in the future.

The new terms for all employees in the parent bank applicable from 1 September are as follows:
- Salaries up to 12 G 7.0%
- Supplement for salaries from 7.1 - 12 G 15.0%

NOK 102.2 million was recognised as income from the winding up of pension schemes in 2018. The parent bank recognised NOK 24.1 million in costs relating to restructuring costs/severance packages in 2017.

Other operating costs
Other operating costs amounted to NOK 228.8 million (249.3 million). Costs of NOK 16.6 million related to the technical merger were recognised in 2017.

Losses and loss provisions
Net losses on loans and guarantees amounted to NOK 0.7 million (0.6 million) as at 31 December. Net losses as a percentage of average gross lending amounted to 0.00% (0.00%).

A new loss model (IFRS 9) was implemented from 1 January 2018. The implementation means that historical figures will not be directly comparable. Please refer to additional details in Notes 2, 3, 8, 11 and Note 40 to the financial statements for 2018.

Balance sheet performance
The group's total assets amounted to NOK 36,581 million. This represents an increase of NOK 2,110 million over the last 12 months. The group's business capital (total assets including loans transferred to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS) amounted to NOK 48,903 million (45,685 million).

Lending and deposit development
Gross lending (including volume transferred to Boligkreditt AS/SpareBank 1 Næringskreditt AS) amounted to NOK 41,854 million. In the last 12 months there has been an increase of NOK 3,182, equivalent to 12%. The growth was made up of NOK 2,835 million, or 9.0%, in the retail market and NOK 347 million, or 4.8%, in the corporate market. The retail market's share of lending (including SpareBank 1 Boligkreditt) at the end of the year was 82% (81%)

At the end of the year, the group had a deposit volume of NOK 22,139 million (21,002 million) with deposit growth of 5.4% in the last 12 months. The growth was made up of NOK 1,072 million, or 8.7%, in the retail market and NOK 64 million, or 0.7%, in the corporate market. Deposits from the local government sector have decreased by more than NOK 500 million in the last 12 months. The group had deposit coverage of 75.0%, compared with 76.5% at the same time last year. Including the volume transferred to SpareBank 1 Boligkreditt AS/SpareBank 1 Næringskreditt AS, deposit coverage amounts to 52.9% (54.3%). The retail market's share of deposits at the end of the year was 60% (58%).

Subsidiaries

Excluding parent bank eliminations	EiendomsMegler 1 BV AS		Z-Eiendom AS		Imingen Holding group		SB 1 Regnskapshuset BV AS		Larvik Marina AS		**Total subsidiaries**	
NOK millions	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	31.12.2018	31.12.2017	**31.12.2018**	**31.12.2017**
Operating income	82.1	75.7	29.7	26.1	37.7	12.7	36.0	36.2	0.2	0.4	**185.7**	**150.9**
Operating costs	(73.0)	(73.0)	(25.7)	(22.6)	(0.9)	(8.1)	(32.9)	(35.1)	(0.9)	(0.7)	**(133.4)**	**(139.6)**
Financial items	(1.1)	0.2	-	-	-	-	(0.4)	(0.4)	(0,6)	(0.3)	**(2.2)**	**(0.4)**
Earnings before tax	8.0	2.9	3.9	3.5	36.9	4.5	2.8	0.6	(0,6)	(1.3)	**50.2**	**11.0**

Apart from Z-Eiendom AS, the bank has a 100% ownership interest in all of its subsidiaries and subsidiaries of these. The bank's stake in Z-Eiendom AS is 60%.

EiendomsMegler 1 BV AS includes the joint venture EiendomsMegler 1 Næringsmegling AS (the brokerage business is owned 50/50 with SpareBank 1 Telemark).

Imingen Holding AS managed three of the bank's four business buildings via separate limited companies. These companies (Imingen Horten AS, Imingen Sandefjord AS and Imingen Kongsberg AS) were sold in the first half of 2018. For the accounting implications, refer to the previous section on "Net commission and other income".

SpareBank 1 Regnskapshuset BV AS has accounting offices in Larvik, Sandefjord, Vestfold, Drammen and Kongsberg.

Larvik Marina AS is an acquired real estate operation.

Liquidity
The bank's liquidity situation at the end of the quarter is good. The bank has a liquidity portfolio of NOK 3,846 million as at 31 December 2018. The bank aims to keep the liquidity risk at a low level. SpareBank 1 BV's goal is to be able to maintain ordinary operations for a minimum of 12 months without access to external financing in a normal market. As at 31 December 2018, the bank is well above this target.

At the end of the year, mortgage loans totalling NOK 11,740 million had been transferred to SpareBank 1 Boligkreditt AS, an increase of NOK 674 million from the start of year. As at 31 December 2018, the bank has a portfolio of loans approved for transfer to SpareBank 1 Boligkreditt AS worth NOK 9,800 million.

In 2018, the group's target was to increase the average time to maturity of its bond debt from 2.75 years to 2.9 years. At the end of the year, the average term to maturity was 2.9 years.

SpareBank 1 BV received an official rating from Moody's in August 2018. Moody's has given the bank an issuer rating of A2 with a stable outlook. Further information about the rating from Moody's can be found on the bank's website. Moody's produced a new credit analysis of the bank in January 2019. The new analysis maintains the rating of A2 with a stable outlook. SpareBank 1 BV was upgraded to bank group 2 by Nordic Bond Pricing in the third quarter of 2018.

Equity
Capital adequacy
In May 2015, SpareBank 1 BV applied to use the advanced IRB method to calculate its regulatory capital coverage for credit risk. In June 2018, the Financial Supervisory Authority of Norway gave its response to the application and its overall conclusion was that SpareBank 1 BV does not meet the requirements for IRB authorisation. The refusal was justified by the fact that the Bank's business portfolio is too small (cf. the Bank's stock exchange notice dated 21 June 2018).

SpareBank 1 BV uses the standard method for calculating credit risk and the basic method for operational risk.

At the end of the fourth quarter, the regulatory requirement for common equity tier 1 capital is a minimum of 12%. In September, the Financial Supervisory Authority of Norway set new Pillar 2 requirements for SpareBank 1 BV of 1.9% from 31.12.2018, but at least NOK 457 million above the minimum requirement and buffer requirements in Pillar 1. The total requirement for common equity tier 1 capital is thus 13.9%. The group's 2018 target for common equity tier 1 capital ratio was a minimum of 15%. At the end of the year, the common equity tier 1 capital ratio was 16.7%.

In December 2018, the Financial Supervisory Authority of Norway increased the countercyclical buffer requirement from 2.0% to 2.5%, effective from 31 December 2019. Based on this the Board decided in January 2019 to increase the group's target for common equity tier 1 capital to 15.5%.

From 2018 the full phasing-in of the transitional provisions under CRD IV will be completed. The allowance for non-essential investments in the financial sector has thus been phased in 100% from 31.12.2018 (80% in 2017).

From 2018 the bank is applying the rules on capital requirements to complete proportionate consolidation of ownership interests in the cooperating group; cf. Financial Institutions Act, Section 17-13. Common equity tier 1 capital with proportional consolidation amounts to 16.7%. The leverage ratio amounted to 8.2% at the end of the year.

For further information, see Note 5.

Equity certificates
As at 31.12.2018, the Bank has an equity share capital of NOK 946,520,295 consisting of 63,101,353 equity certificates at face value NOK 15. Price of the equity certificates at year-end was NOK 35.60 on the Oslo Stock Exchange. The Bank has a market making agreement with SpareBank 1 Markets AS, which entails, for example, that the company shall provide prices for a limited number of equity certificates in at least 85% of the opening hours on the Oslo Stock Exchange. The number of equity certificate holders at 31.12.2018 was 4,938 compared with 4,179 per 31.12.2017.

Allocation of the annual result

SpareBank 1 BV aims to achieve results that deliver a good return on the Bank's equity. This will ensure its owners a competitive, stable, long-term return in terms of dividends and higher prices for its equity certificates.

Each year's profit will be distributed proportionately between equity share capital and the primary capital fund based on their relative share of the bank's equity. In determining the size of the annual dividend account is taken of the Bank's financial strength, earnings performance, external framework conditions and long-term goal of stable ownership fractions.

The bank's policy is that a minimum 50% of the equity certificate holders' share of each year's profit should be paid out as a cash dividend. The parent bank's profit forms the basis for the distribution of dividends. Based on the current dividend policy, the bank's board recommends a cash dividend for 2018 of NOK 2.95 per equity certificate and provisions for the risk equalisation fund corresponding to NOK 2.03 per equity certificate.

The Board of Directors proposes that the parent bank's profit at the disposal of SpareBank 1 BV, NOK 548,575,880, be used as follows:

Coverage of paid interest to hybrid capital investors	NOK 11,543,167
Coverage implementation effect of IFRS 9	NOK 2,361,257
Transferred from fund for unrealised gains	NOK (6,991,125)
Transferred to the Sparebanken fund	NOK 227,555,379
Transferred to the equalisation fund NOK 2.03 per equity certificate	NOK 127,958,211
Dividend payment in 2019 NOK 2.95 per equity certificate	NOK 86,148,991

According to the Board's assessment SpareBank1 BV, after the proposed allocations and other implemented capital measures, has good financial strength and flexibility to support the Group's planned activities going forward.

In accordance with the Financial Institutions Act Norway section 10-17, SpareBank 1 BV has calculated the corrected annual result in the company accounts to NOK 541,662,581. Based on the corrected subordinated capital as at 01.01.18, the share of corrected annual profit allocated to equity certificate holders (57.99%) is estimated at NOK 4.98 per equity certificate.

Corporate Governance Policy

Corporate governance in SpareBank 1 BV covers the values, goals and general principles in accordance with which the group is managed and controlled to protect the interests of the equity certificate holders, depositors, employees and other groups. The group's corporate governance must ensure proper asset management and provide extra assurance that the declared goals and strategies are achieved and realised.

The Group has the following main principles for corporate governance:
- A structure that ensures goal-oriented and independent management and control
- Systems that ensure measurement and accountability
- Effective risk management
- Complete information and effective communication to reinforce the relationship of trust between the supervisory board, board and executive management team
- Equal treatment of equity certificate holders and a balanced relationship with other stakeholders
- Compliance with laws, rules and ethical standards

The Group's corporate governance policy is based on the «Norwegian code of practice for corporate governance».

In accordance with section 3-3b of the Norwegian Accounting Act, the bank has prepared a separate report that deals with the policies and practice related to the corporate governance policy. The report is published on the Bank's website www.s1bv.no, under "About us/ Investor/corporate governance".

Risk management

The core business of SpareBank 1 BV is to achieve value creation through taking conscious and acceptable risk. The group works systematically to develop risk management systems and processes in line with leading practice.

SpareBank 1 BV shall produce financial and strategic added value by:
- having a strong risk culture characterised by high awareness of risk management and the Group's core values.
- having a good understanding of the risks that are drivers for earnings, costs and losses.
- to the greatest possible extent price services and products in line with the underlying risk.
- having an adequate financial strength in relation to long-term strategic goals, initiative and the chosen risk profile, while aiming at an optimal capital allocation in the different business areas.
- exploiting synergy and diversification effects.
- avoiding unexpected individual incidents being able to seriously damage the group's financial position

The Group's risk is quantified amongst other things through calculations of expected loss and risk-adjusted capital in order to be able to cover unexpected losses. Expected losses describe the amount one must statistically expect to lose during a 12-month period. The risk-adjusted capital describes how much capital the group believes it needs to cover the actual risk the group is exposed to.

The most significant risks in the Group are discussed in more detail below.

Credit risk

Credit risk is managed through the framework for credit granting, loan monitoring and portfolio management. The overall credit strategy stipulates that the Group shall have a moderate risk profile.

The focus in recent years on improving risk management and profitability in the credit portfolio in the corporate market has resulted in credit risk being reduced and lying at a satisfactory level. In the Buskerud and Vestfold region, the level of activity in business and industry has increased and unemployment is low. Based on this it is expected that the risk in the corporate market portfolio will remain stable and that the level of default and loss will remain at a moderate to low level.

The quality of the retail market portfolio is very good and 2018 is characterised by a stable development in the loan to asset value ratio and risk profile. Most of the portfolio is secured by collateral in real estate, and borrowing is generally moderate compared with secured values. This indicates a limited loss potential as long as these values are not significantly reduced.

Liquidity risk

The liquidity risk is managed through the framework and the risk profile is defined as low. The Group's lending is primarily financed by customer deposits and long-term securities debt, as well as by the sale of residential mortgage portfolios to SpareBank 1 Boligkreditt AS. The liquidity risk is limited in that the securitised debt is distributed between different markets, funding sources, instruments and maturities.

At the end of 2018, SpareBank 1 BV had good liquidity and assumes continued good access to long-term financing at competitive prices. The Group seeks to achieve an even maturity structure on loans and emphasises good relationships with investors and banks. The liquidity buffer was NOK 5.3 billion at the end of 2018, and covers normal operations for 18 months with closed markets. The Bank's maturity on financing of debt from other sources the next 12 months amounts to NOK 1.8 billion. In addition to the liquidity buffer, the Bank has NOK 9.8 billion in mortgages cleared for covered bond financing.

During the last year, the Group has continued a high percentage of long-term financing. Net Stable Funding Ratio 2 at the end of 2018 was 139% (138%) for the group.

Market risk

The management of market risk is based on conservative limits for positions in the interest rate market, as well as investments in shares and bonds. The limits are reviewed and approved by the Board of Directors annually.

In the quantification of risk related to impairment of liquidity and the trading portfolio SpareBank 1 BV distinguishes between systematic risk (market risk) and non-systematic risk (default risk). Default risk associated with the above-mentioned portfolio is quantified as credit risk.

Risk activities relating to currency trading, interest rates and securities take place within the applicable adopted limits, authorisations and credit lines of counterparties. SpareBank1 BV takes limited interest rate and foreign exchange positions in connection with trading activities. The Bank's income is created to the greatest possible extent in the form of customer margins. This is to contribute to a stable earnings profile. The Group's risk exposure within the area of market risk is considered to be low.

Operational risk

The process for the management of operational risk in SpareBank 1 BV shall ensure as much as possible that no single events caused by operational risk can seriously damage the Group's financial position. Risk management is based on knowledge and understanding of what creates and drives the operational risk in the group, and shall to the greatest possible extent unify efficient processes with the desired level of risk exposure.

The group uses a systematic process to identify and quantify operational risks to which the group is exposed at any given time. Processes have further been established for continuous improvement, including the development of the organisation's expertise, innovation and capability, special systems for reporting of undesired events and structured follow-up of improvement measures. This contributes to the fact that SpareBank 1 BV remains a robust and profitable organisation over time, through correct prioritisation and continuous improvement

Owner risk
Ownership risk is the risk that SpareBank 1 BV may incur negative results from ownerships in strategically owned companies and/or has to supply new equity to these companies.

Sparebank 1 BV has ownership risk primarily through indirect equity stakes in Sparebank 1 Gruppen AS (3.04%) and BN Bank ASA (3.86%), as well as direct ownership interests in SpareBank 1 Boligkreditt AS (6.43%), Sparebank 1 Næringskreditt AS (6.89%), Sparebank 1 Kredittkort AS (6.33%), Sparebank 1 SMN Finans AS (6.49%), Sparebank 1 Betaling AS (4.53%), SpareBank 1 Axept AS (4.73%) and SpareBank 1 ID AS (5.83%).

Compliance
SpareBank 1 BV works constantly to establish and have good processes to ensure compliance with applicable laws and regulations. SpareBank 1 BV's compliance function is organisationally independent of the business units. The department has overall responsibility for the framework, monitoring and reporting within the area.

Capital management
The capital goal for common equity tier 1 capital has been recently set at 15.5%. The Bank's goal for common equity tier 1 capital is 1.1 percentage points above the minimum regulatory requirements given the Pillar II buffer of 1.9 %. The Financial Supervisory Authority of Norway will revise the Group's Pillar II buffer in 2020.
Capital management shall ensure:
- An effective funding and capital allocation in relation to the Group's strategic objectives and adopted business strategy
- Competitive return on equity
- A satisfactory capital adequacy based on the chosen risk profile and the current requirements from the authorities and market players
- Competitive terms and a long-term good access to borrowing in the capital markets
- Exploitation of growth opportunities in the Group's defined market area

An annual capital plan is drawn up to ensure long-term and effective capital management. These forecasts take into account the expected development in the next few years, as well as a situation with a serious economic decline over several years. An important tool for analysing a situation with a serious economic decline, is the use of stress tests. There will be stress tests of individual factors and scenario analyses where the group is exposed to various negative macro-economic events over several years.

SpareBank 1 BV has also drawn up contingency plans for liquidity and capital adequacy in order to be able to the greatest possible extent to deal with such crises if they arise.

The Bank reports capital adequacy according to the Standard method.

At the end of 2018, SpareBank 1 BV has a solid financial position. Reference is made to the section on capital adequacy.

Please refer to the information in the Pillar 3 document, which is published on the Bank's website.

Corporate social responsibility and other matters
Information about the Group's work to meet its corporate social responsibility is described in separate themed chapters in the annual report (Chapter 5 and Chapter 7). Here can be found information about the working environment, equal opportunities, research and development activities, as well as measures relating to the external environment.

The going concern assumption
The Bank has good solvency and Tier 1 capital, and the Bank's capital adequacy ratio lies above the internal target and the authorities' minimum requirements. The annual financial statements and the consolidated financial statements have been prepared under the going concern assumption. The Bank's operations and position compared with the Bank's short-term and long-term prognoses for the years to come, form the basis for this.

Outlook for the future
The board is very pleased with both the consolidated results and the results for the core business for 2018.

The group has good solvency and liquidity at the end of the year.

The Norwegian economy is expected to grow well in 2019. However, some uncertainty still exists with respect to the long-term effects of the international instability and the lower growth rate in Europe. Interest rates in Norway are expected to rise slightly in 2019, while credit growth is expected to slow somewhat in relation to the last few years.

Continued low unemployment with stable housing markets are expected in the group's market areas, while the local business sector is optimistic about the prospects for growth next year. Based on this and the bank's performance in the last few years, lending growth in the retail market is expected to be somewhat above market growth nationally, while moderate growth is expected in the corporate market.

Losses are expected to be relatively low in 2019.

SpareBank 1 BV's return on equity target remains at a minimum of 10%.

Thanks
The Board of Directors would like to thank the Group's employees and representatives for their excellent efforts and positive cooperation in 2018.

The interaction between residents, businesses and the bank is important for the development of the Group's market area. In this context, the Board of Directors would like to thank the Group's customers, owners and other partners for their excellent support of SpareBank 1 BV in 2018. The Bank will attach importance to continuing the good cooperation in 2019.

Tønsberg, 7 March 2019
The Board of Directors of SpareBank 1 BV

Øyvind Birkeland Chair of the Board	Heine Wang Deputy Chair	Eric Sandtrø
Janne Sølvi Weseth	Kristin Søia Barkost	Hanne Myhre Gravdal (Employee representative)
Geir A. Vestre Employee representative	Rune Fjeldstad (Managing Director)	

Annual financial statements

Income statement

Parent bank 2017	Parent bank 2018	(NOK thousands)	Note	Group 2018	Group 2017
	124,073	Interest income - assets measured at fair value	17	124,073	
	819,505	Interest income - assets measured at amortised cost	17	819,349	
866,649	-	Interest income	17	-	866,553
305,856	349,855	Interest costs	17	350,506	306,137
560,793	**593,723**	**Net interest income**	17	**592,916**	**560,415**
278,140	281,605	Commission income	18	281,605	278,140
14,715	15,372	Commission costs	18	15,372	14,715
7,112	18,789	Other operating income	18	240,473	142,173
270,536	**285,022**	**Net commission and other income**		**506,706**	**405,598**
111,745	76,586	Dividends	19	31,988	18,858
1,129	42,571	Net income from ownership interests	19	47,816	66,139
159,816	21,136	Net income from other financial investments	19	19,405	160,775
272,690	**140,293**	**Net income from financial assets**	19	**99,208**	**245,772**
1,104,019	**1,019,039**	**Total net income**		**1,198,830**	**1,211,785**
247,985	132,153	Personnel costs	20	237,426	349,420
223,036	204,310	Other operating costs	21	228,756	249,343
471,021	**336,463**	**Total operating costs**		**466,182**	**598,764**
632,998	**682,576**	**Earnings before losses and tax**		**732,648**	**613,021**
4,566	1,250	Losses on loans and guarantees	11	650	591
628,432	**681,326**	**Earnings before tax**		**731,998**	**612,430**
100,488	132,750	Tax costs	23	135,912	103,692
527,943	**548,576**	**Earnings before other profit/loss items**		**596,086**	**508,738**
-	-	Majority share of profit		594,891	507,679
-	-	Minority share of profit		1,195	1,059
		Items reversed through profit/loss			
5,231	-	*Change in fair value of investments available for sale*		-	5,231
-	-	*Change in carrying value JVs/associates/subsidiaries*		-	(3,592)
		Items not reversed through profit/loss			
(5,945)	3,458	*Estimation difference, IAS 19 Pensions*		3,404	(5,897)
(714)	**3,458**	**Total other profit/loss items recognised in equity**		**3,404**	**(4,258)**
527,229	**552,034**	**Total profit/loss**		**599,490**	**504,480**
-	-	Majority share of profit		598,295	503,421
-	-	Minority share of profit		1,195	1,059
4.03	**4.98**	Earnings before other profit/loss items per equity certificate	37	**5.40**	**3.84**

Balance sheet

Parent bank				Group	
31.12.2017	31.12.2018	(NOK thousands)	Note	31.12.2018	31.12.2017
100,501	98,026	Cash and receivables from central banks		98,026	100,501
1,263,969	(992,490)	Loans to and receivables from credit institutions	7	1,024,799	1,281,731
26,214,959	27,032,045	*Gross lending to customers measured at amortised cost*		27,003,852	26,189,894
1,268,002	2,528,098	*Gross lending to customers measured at fair value*		2,528,098	1,268,002
27,482,961	29,560,142	Total gross lending to customers	8,9,10,11	29,531,949	27,457,896
-	(162,041)	- Loss provisions on loans	8,9,10,11	(157,466)	-
(70,928)	-	- Individual write-downs on loans	8,9,10,11	-	(66,953)
(92,550)	-	- Write-downs on groups of loans	8,9,10,11	-	(92,550)
27,319,483	**29,398,101**	**Net lending to customers**		**29,374,483**	**27,298,393**
3,816,234	4,033,240	Certificates, bonds and other securities at fair value	24	4,033,240	3,816,234
1,138,447	1,320,974	Stocks, shares and other equity interests	27	1,320,974	1,138,447
137,215	36,682	Ownership interests in group companies	35	-	-
391,414	391,414	Ownership interests in joint ventures and associated companies	35	530,270	519,635
73,518	24,841	Tangible assets	29	34,919	151,625
-	-	Goodwill	28	24,654	24,654
35,960	11,911	Deferred tax assets	23	12,633	38,334
83,697	109,904	Other assets	30	126,910	101,320
34,360,440	**36,417,583**	**Total assets**		**36,580,907**	**34,470,875**
111,984	-	Deposits from credit institutions	7	-	111,984
21,039,523	22,162,337	Deposits from customers	31	22,138,580	21,001,966
7,860,773	8,756,890	Debt from the issuance of securities	32	8,756,890	7,860,773
93,211	115,816	Tax payable	23	118,418	105,321
353,864	245,410	Other liabilities	33.22	273,328	378,584
496,686	445,258	Subordinated loan capital	34	445,258	496,686
29,956,041	**31,725,711**	**Total debt**		**31,732,473**	**29,955,314**
946,194	946,516	Equity share capital	37.38	946,516	946,194
1,025,989	1,026,427	Share premium fund		1,026,427	1,025,989
281,336	411,299	Risk equalisation fund		411,299	281,336
6,540	6,540	Endowment fund		6,540	6,540
1,626,054	1,855,062	Sparebankens fund		1,855,062	1,626,054
16,870	9,879	Fund for unrealised gains		9,879	16,870
350,000	250,000	Hybrid capital		250,000	350,000
151,415	186,149	Other equity		341,129	261,184
-	-	Minority share		1,581	1,393
4,404,399	**4,691,873**	**Total equity**	5	**4,848,433**	**4,515,560**
34,360,440	**36,417,583**	**Debt and equity**		**36,580,907**	**34,470,875**

Equity statement

Group

(NOK thousands)	Ownership interest [1]	Share premium fund	Risk equalisation fund	Endowment fund	Spare-Banken fund	Fund for unrealised gains	Hybrid capital	Other equity	Minority share	Total equity
Equity at 31.12.2016	**321,363**	**210,455**	**126,038**	**15,312**	**2,020,114**	**11,557**	**300,000**	**172,425**	**-**	**3,177,264**
Equity added from merger with SpareBank 1 Nøtterøy-Tønsberg	624,831	815,534	(148)	-	(587,852)	-	50,000	60	1,463	903,888
Unpaid interest on subordinated bonds reclassified as equity	-	-	-	-	-	-	-	(11,682)	-	(11,682)
Dividends from 2016, paid in 2017	-	-	(9,553)	-	-	-	-	(40,065)	-	(49,618)
Charged/credited to endowment fund	-	-	-	(8,772)	-	-	-	-	-	(8,772)
Value changes	-	-	-	-	(82)	82	-	-	-	-
Recognition of negative goodwill through profit/loss	**-**	**-**	**65,664**	**-**	**22,904**	**-**	**-**	**-**	**-**	**88,568**
Earnings before other profit/loss items	**-**	**-**	**102,869**	**-**	**173,382**	**-**	**-**	**142,861**	**1,059**	**420,170**
Items reversed through profit/loss:										
Change in fair value of investments available for sale	-	-	-	-	-	5,231	-	-	-	5,231
Change in carrying value JVs/ associates/subsidiaries	-	-	-	-	-	-	-	(2,463)	(1,129)	(3,592)
Items not reversed through profit/ loss:										
Estimation difference, IAS 19 Pensions	-	-	(3,534)	-	(2,411)	-	-	49	-	(5,897)
Equity at 31.12.2017	**946,194**	**1,025,989**	**281,336**	**6,540**	**1,626,054**	**16,870**	**350,000**	**261,184**	**1,393**	**4,515,560**
Equity at 31.12.2017	**946,194**	**1,025,989**	**281,336**	**6,540**	**1,626,054**	**16,870**	**350,000**	**261,184**	**1,393**	**4,515,560**
Implementation effect of IFRS 9								(2,361)		(2,361)
Interest costs on subordinated bonds reclassified as equity	-	-	-	-	-	-	-	(11 543)	-	(11 543)
Subordinated bond maturity	-	-	-	-	-	-	(100,000)	-	-	(100,000)
Dividends from 2017, for payment 2018	-	-	-	-	-	-	-	(151,443)	(1,043)	(152,486)
Employee equity certificate savings scheme	321	438	-	-	-	-	-	28	-	787
Change in carrying value JVs/ associates/subsidiaries	-	-	-	-	-	-	-	(1,050)	36	(1,014)
Earnings before other profit/loss items	**-**	**-**	**127,958**	**-**	**227,555**	**(6,991)**	**-**	**246,369**	**1,195**	**596,086**
Items reversed through profit/loss:										
Estimation difference, IAS 19 Pensions	-	-	2,005	-	1,453	-	-	(54)	-	3,404
Equity at 31.12.2018	**946,516**	**1,026,427**	**411,299**	**6,540**	**1,855,062**	**9,879**	**250,000**	**341,129**	**1,581**	**4,848,433**

Parent bank

(NOK thousands)	Ownership interest [1]	Share premium fund	Risk equalisation fund	Endowment fund	Spare-Banken fund	Fund for unrealised gains	Hybrid capital	Other equity	Total equity
Equity at 31.12.2016	**321,363**	**210,455**	**126,038**	**15,312**	**2,020,114**	**11,557**	**300,000**	**40,037**	**3,044,876**
Equity added from merger with SpareBank 1 Nøtterøy-Tønsberg	624,831	815,534	(148)	-	(587,852)	-	50,000	-	902,365
Unpaid interest on subordinated bonds reclassified as equity	-	-	-	-	-	-	-	(11,682)	(11,682)
Dividends from 2016, paid in 2017	-	-	(9,553)	-	-	-	-	(40,065)	(49,618)
Charged/credited to endowment fund	-	-	-	(8,772)	-	-	-	-	(8,772)
Value changes	-	-	-	-	(82)	82	-	-	-
Recognition of negative goodwill through profit/loss	**-**	**-**	**65,664**	**-**	**22,904**	**-**	**-**	**-**	**88,568**
Earnings before other profit/loss items	**-**	**-**	**102,869**	**-**	**173,382**	**-**	**-**	**163,125**	**439,376**
Items reversed through profit/loss:									
Change in fair value of investments available for sale	-	-	-	-	-	5,231	-	-	5,231
Items not reversed through profit/ loss:									
Estimation difference, IAS 19 Pension adjustment	-	-	(3,534)	-	(2,411)	-	-	-	(5,945)
Equity at 31.12.2017	**946,194**	**1,025,989**	**281,336**	**6,540**	**1,626,054**	**16,870**	**350,000**	**151,415**	**4,404,399**
Equity at 31.12.2017	**946,194**	**1,025,989**	**281,336**	**6,540**	**1,626,054**	**16,870**	**350,000**	**151,415**	**4,404,399**
Implementation effect of IFRS 9	-	-	-	-	-	-	-	(2,361)	(2,361)
Interest costs on subordinated bonds reclassified as equity	-	-	-	-	-	-	-	(11,543)	(11,543)
Subordinated bond maturity	-	-	-	-	-	-	(100,000)	-	(100,000)
Dividends from 2017, for payment 2018	-	-	-	-	-	-	-	(151,443)	(151,443)
Employee equity certificate savings scheme	321	438	-	-	-	-	-	28	787
Change in carrying value JVs/ associates/subsidiaries	-	-	-	-	-	-	-	-	-
Earnings before other profit/loss items	**-**	**-**	**127,958**		**227,555**	**-6,991**		**200,053**	**548,576**
Items reversed through profit/loss:									
Estimation difference, IAS 19 Pension adjustment	-	-	2,005	-	1,453	-	-	-	3,458
Equity at 31.12.2018	**946,516**	**1,026,427**	**411,299**	**6,540**	**1,855,062**	**9,879**	**250,000**	**186,149**	**4,691,873**

1) Equity share capital 31.12.2018 has been deducted 5' in own holdings

Cash flow statement

Parent bank			Group	
2017	2018	(NOK thousands)	2018	2017
628,432	681,326	Profit/loss for the year before tax	731,998	612,430
(55,289)	(158,056)	Dividends/endowments paid	(159,661)	(56,042)
(160,312)	29,094	Value changes to financial assets measured at fair value	29,094	(131,547)
10,668	6,516	Depreciation and impairments	8,192	22,207
4,566	1,250	Losses on loans	650	591
(93,211)	(103,547)	Taxes payable	(115,657)	(105,321)
334,854	456,583	Cash flow from operations before change in current assets and current liabilities	494,615	342,318
(2,033,880)	(2,076,709)	Change in lending/and other assets	(2,074,180)	(2,014,009)
1,025,609	1,123,353	Change in deposits from customers	1,137,153	1,014,618
(151,997)	(111,984)	Change in debt to credit institutions	(111,984)	(151,997)
(176,183)	(237,037)	Change in certificates and bonds	(237,037)	(176,183)
77,729	(26,207)	Change in other receivables	(25,590)	55,326
(36,982)	(114,404)	Change in other current liabilities	(110,022)	(44,889)
(960,850)	(986,405)	**A** Net cash flow from operations	(927,044)	(974,816)
		Cash flow from investment activities		
(6,896)	54,899	Change in tangible assets	121,253	(24,471)
(58,623)	(101,430)	Change in shares and ownership interests	(212,599)	(28,765)
(65,519)	(46,531)	**B** Net cash flow from investment activities	(91,346)	(53,236)
		Cash flow from financing activities		
1,240,102	922,081	Change in borrowing, securities	922,081	1,240,102
100,448	(51,555)	Change in borrowing, subordinated loans	(51,555)	100,448
(11,682)	(111,543)	Change in hybrid capital over equity	(111,543)	(11,682)
1,328,868	758,983	**C** Net cash flow from financing activities	758,983	1,328,868
302,498	**(273,954)**	**A + B + C Net change in cash and cash equivalents for the year**	**(259,407)**	**300,815**
1,061,972	1,364,470	Cash And Cash Equivalents OB *	1,382,232	1,081,417
1,364,470	1,090,516	Cash And Cash Equivalents CB *	1,122,825	1,382,232
302,498	**(273,954)**	**Net change in cash and cash equivalents for the year**	**(259,407)**	**300,815**

The cash flow analysis shows how the parent company and the Group have been transferred liquid funds and how they are used.
* A pro forma opening balance has been used for the merged bank in calculating the cash flow for 2017.

Notes to the financial statements

Note 1
General information

The SpareBank 1 BV Group is a regional business in banking, real estate and accounting services in its market area of Nedre Buskerud and Vestfold.

As of 31.12.2018, the group's main activity consists of the parent bank, as well as the wholly-owned subsidiaries Eiendoms-Megler 1 BV AS and SpareBank 1 Regnskaps-huset BV AS. It also owns 60% of Z-Eiendom AS. The companies are located in Kongsberg, Mjøndalen, Lier, Drammen, Holmestrand, Horten, Tønsberg, Nøtterøy, Sandefjord and Larvik.

For a complete corporate structure of subsidiaries, joint ventures and associated companies, see note 35.

SpareBank 1 BV is part of the SpareBank 1 Alliance.

SpareBank 1 BV is a supplier of package solutions for products and services within the areas of:
- Financing
- Savings and investment
- Insurance
- Payment services
- Real estate
- Accounting and financial advisory services

The consolidated financial statements were finally approved by the Board on 07.03.2019 and by the Supervisory Board on 28.03.2019.

A presentation of the Board of Directors can be found in Chapter 4, and presentation of the Bank's Supervisory Board can be found in Chapter 9.

Note 2
Accounting policies

The basis for the preparation of the annual financial statements

The parent company and consolidated accounts have been prepared in accordance with international accounting standards (IFRS), which are approved by the EU and approved in Norway pursuant to IFRS regulations and the Norwegian Accounting Act, for the financial years starting 1 January 2018 or later.
The parent company and consolidated financial statements have been prepared under the going concern assumption.

Change to accounting principles in 2018

IFRS 9 was implemented on 01.01.18. For more details of the effect of the implementation see note 40.

IFRS 9 introduced a change to IAS 1.82 with effect from 01.01.18. As a result of this change, interest income calculated using the effective interest method is presented separately in the income statement. This means that the interest income on financial assets measured at amortised cost and financial assets measured at fair value through the extended profit and loss are presented in the line "Interest income – assets measured at amortised cost". Interest income on financial assets measured at fair value through profit and loss are presented in the line "Interest income – assets measured at fair value". Comparative figures have not been restated.

IFRS 15 is a comprehensive framework for revenue recognition in accordance with IFRS that replaces almost all previous guidance on recognition, with the exception of financial instruments within the scope of IFRS 9. The standards came into force on 01.01.18. The Group has considered the impact of IFRS 15 Income from customer contracts and cannot see that this has had a significant impact.

IFRS standards and interpretations that are approved but not yet entered into force in 2018.

New and changed accounting standards and interpretations issued by IASB may affect the Group's future reporting. All possible effects of the new standards have not been reviewed but in the following the changes that may conceivably materially affect the Group's future reporting are discussed.

IFRS 16 Lease agreements

The implementation of IFRS 16 Lease agreements, with effect from 1 January 2019, will primarily affect the lessee's accounting and will result in the group's substantial leases being brought onto the balance sheet. The standard eliminates the current distinction between operational and financial leases and requires the calculation of a right-of-use asset (the right to use the leased asset) and a financial obligation to pay rent for significant leases.

SpareBank 1 BV will use the exemptions in IFRS 16 for short-term lease agreements (under 12 months) and lease agreements of low value (under 5,000 USD).

SpareBank 1 BV has chosen to apply IFRS 16 modified retrospectively and comparative figures will not be prepared. Assets and liabilities are thus set as equal as at 1 January 2019. The group has only fixed lease commitments. The present value of the lease liability is calculated by discounting the remaining lease payments by the bank's marginal loan rate (funding rate). Options to extend the lease period are included if these can with reasonable certainty be expected to be used. The present value of the option is then recognised in the lease liability and right of use.

The income statement will also be affected because operating costs will be replaced with interest on the lease liability and depreciation on the right of use. Interest costs are calculated using the discounted rate on the lease liability.

The lessor's accounting will remain essentially unchanged from IAS 17. The lessor will continue to recognise leases either as operational or financial leases depending on whether the lease essentially transfers risks and returns related to the ownership of the underlying asset to the lessee. SpareBank 1 BV has only operational leases at 31.12.2018.

Based on the leases entered into at the end of 2018, implementation of IFRS 16 will result in a «right-to-use» asset and lease liability that will be brought onto the balance sheet from 1 January 2019 at around NOK 90 million for the parent bank and around NOK 110 million for the group. The net effect on the result for 2019 will be around NOK 0.7 million for the parent bank and around NOK 0.9 million for the group.

Other changes to IFRS

IASB has published some new or changed standards that are not considered to have an impact on the group. This includes IFRS 3, IFRS 10, IFRS 14, IAS1, IAS 8 and IAS 28.

The following describes the most important accounting principles applied in the preparation of the parent bank accounts and consolidated accounts. These principles are used in the same manner in all the periods presented, unless otherwise stated in the description.

Reporting currency

The reporting currency is Norwegian kroner (NOK) which is also the Bank's functional currency. All amounts are stated in NOK 1,000s, unless otherwise specified.

Consolidation policies

The consolidated accounts include the Bank and its subsidiaries. Subsidiaries are all companies of which the Bank has control, i.e. full decision-making authority to govern a company's financial and operational policies with the intent to achieve benefits from the company's activities.

Subsidiaries are consolidated from the date the Bank takes over control, and consolidation is withdrawn from the date the Bank releases control.

All balances, income and expenses between group companies are eliminated in full.

With takeover of control in a company (concentration of undertakings) all identifiable assets and liabilities are measured at fair value in accordance with IFRS 3. A positive difference between the fair value of the purchase cost and fair value of identifiable assets and liabilities is recognised as goodwill. Any negative difference is recognised immediately. Recognition of goodwill after initial recognition is discussed under the section on intangible assets.

Ownership interests in companies where the Group has a controlling influence, together with others (joint venture), or a significant influence (associated companies) are valued according to the equity method.

In the parent bank's accounts investments in subsidiaries, joint venture companies and associated companies are recognised at historical cost. With any indication of impairment, a depreciation test is carried out.

Segment reporting

A business segment is a part of the business operations that delivers products or services that are subject to risks and returns that are different from other business areas. A geographical market (segment) is a part of the business operations that delivers products and services within a limited geographical area that is subject to risks and returns that are different from other geographical markets. SpareBank 1 BV currently reports according to the business segments.

Events after the balance sheet date

The financial statements are considered to be approved for publication when the Board of Directors has discussed them. The general meeting and regulatory authorities will then be able to refuse to approve the financial statements, but not change them.

Events occurring up to the time the financial statements are regarded as approved for publication and which involve issues which were already known at the balance sheet date will be included in the information that forms the basis for determination of accounting estimates and thus is fully reflected in the the financial statements. Events concerning matters which were not known at the balance sheet date, will be disclosed if they are significant.

Cash and cash equivalents

Cash and cash equivalents consist of cash and deposits in Norges Bank.

Financial instruments

IFRS 9 Financial instruments replaced IAS 39 Financial instruments – recognition and measurement from 1 January 2018. See Note 2 in the annual accounts for 2017 for principles applied in 2017 according to IAS 39.

IFRS 9 deals with the recognition, classification and measurement, impairment, derecognition and hedge accounting.

Transitional rules

IFRS 9 is applied retrospectively, with the exception of hedge accounting. Retrospective application means that the Bank shall create an opening balance at 1 January 2018 as if they always have applied the new principles. The comparative figures for 2017 are nevertheless not restated according to the new principles in line with the standard's requirements. The effects of the new policies in the opening balance for 2018 are therefore recorded against equity capital.

The Bank has chosen to continue hedging accounting according to IAS 39.

Classification and measurement

Financial assets

In accordance with IFRS 9 financial assets are classified in three categories:
- fair value with value changes through the income statement
- fair value with value changes through other comprehensive income (OCI) with and without reclassification
- amortised cost

For financial assets differentiation is made between debt instruments, derivatives and equity instruments. Debt instruments are all financial assets that are not derivatives or equity instruments.

Debt instruments
Debt instruments with contractual cash flows, which is only a payment of interest and principal on given dates, and which is held in a business model in order to receive contractual cash flows, are measured at amortised cost.

Debt instruments with contractual cash flows, which is only the payment of interest and principal on given dates and held in a business model, both in order to receive contractual cash flows and for sale are measured at fair value with changes in value over other comprehensive income (OCI), with interest income and any write-downs presented in the ordinary result. Value changes recognised over other comprehensive income (OCI) are to be reclassified as ordinary profit from the sale or disposal of the assets.

Other debt instruments shall be measured at fair value with value changes through the income statement. This applies to the debt instruments with cash flows that are not only the payment of normal interest and principal, and debt instruments that are held in a business model where the objective is not primarily receipt of contractual cash flows.

1. Loans to and receivables from credit institutions
Loans to and receivables from credit institutions are measured at amortised cost.

2. Loans to and receivables from customers with a variable interest rate
In Norway terms are what is normal for loans made to the retail market and to parts of the corporate market. The terms are normally standardised and apply equally for all loans of this type. The borrower's right to early redemption and the competition between banks means that the lenders' cash flow may differ little from what is defined as payment of interest and principal on given dates in IFRS 9.

Therefore, the Bank's assessment is that these lenders' terms are consistent with measurement and classification at amortised cost.

3. Loans to and receivables from customers with a variable interest rate secured by mortgages in residential property
Loans to and receivables from customers with a variable interest rate secured by mortgages in residential property (limited to parts of the portfolio ready for sale to SpareBank 1 Boligkreditt AS) is measured and classified at fair value with value changes through the income statement. This is because the business model's purpose is considered to be to receive contractual cash flows and sales.

4. Loans to and receivables from customers with a fixed interest rate
Loans to and receivables from customers with a fixed interest rate are measured and classified at fair value with value changes through the income statement (fair value option).

5. Interest-bearing securities
The Group's portfolio of interest-bearing securities includes both certificates and bonds. Interest-bearing securities are assessed and classified at fair value with value changes through the income statement.

Derivatives
All derivatives are measured in principle at fair value with value changes through the income statement, but derivatives designated as hedging instruments are accounted for in accordance with the principles for hedge accounting.

1. Hedge accounting
The Bank uses fair value hedging in order to manage its interest rate risk for liabilities on issuance of securities with fixed interest rates. The Bank assesses and documents the hedging efficiency, both at the initial classification and on an ongoing basis. With fair value hedging, the hedging instrument is recognised at fair value and the hedged item is recognised at amortised cost adjusted for changes in fair value of the hedged risk. Changes in these values are taken to income. The application of hedge accounting requires that the hedging is highly effective. Hedging is considered to be very efficient if it upon the signing of the product and in the term to maturity it can be expected that changes in fair value of the hedging instrument largely compensate for changes in fair value of the hedged item in relation to the risk that is hedged. With retrospective calculation of hedging efficiency, the fair value of the hedged instruments is measured and compared with the change in fair value of the hedged item.

Only hedging related to the Bank's funding activities is defined as "fair value hedging".

The Bank does not have any contracts that qualify for cash flow hedging.

Equity Instruments
Investments in equity instruments are measured and classified at fair value with value change through the income statement.

1. Shares, equity certificates and units
The Bank's share portfolio consists primarily of strategic long-term share investment. The available for sale category that existed in IAS 39 was not continued in IFRS 9. Shares etc. classified as available for sale according to IAS 39 are therefore measured at fair value with value changes through the income statement with effect from 01.01.18.

Financial liabilities
The Group's financial liabilities are recognised at amortised cost.

1. Deposits
Deposits from customers are measured at amortised cost.

2. Long-term borrowing (debt from the issuance of securities and deposits from credit institutions)
Loans are initially recognised at borrowing cost. This is the fair value of the consideration received less transaction costs.

Loans with variable interest rate are measured subsequently at amortised cost and any premium/discount will be accrued over the term.

Fixed interest loans that have been swapped to variable interest rate hedging are recognised (fair value hedging) with discounting according to the current yield curve.

Loss provisions on gross lending and guarantees
In accordance with IFRS 9 loss provisions are recognised based on expected credit losses (ECL). The general model for provisions for bad debts of financial assets in IFRS 9 applies for financial assets that are measured at amortised cost or at fair value with changes in value over other comprehensive income (OCI), and which did not have real loss on the initial balance sheet. In addition, loan offers and financial guarantee contracts that are not measured at fair value through the income statement are included.

The measurement of provisions for expected losses in the general model depends on whether the credit risk has increased materially since the initial balance sheet. With initial recognition on the balance sheet and when the credit risk has not increased materially after initial recognition on the balance sheet, allocation should be made for 12 months' expected loss. A 12-month expected loss is the loss that is expected to occur over the lifetime of the instrument, but that can be attributed to the events that will occur over the next 12 months. If the credit risk has increased significantly after initial recognition, allocation should be made for expected losses through the useful life.

Expected credit losses are calculated based on the present value of all cash flows over the remaining expected useful life, i.e. the difference between the contractual cash flows in accordance with the contract and the cash flow which the Bank expects to receive, discounted by the effective interest rate on the instrument.

Write-down model
The loss estimate is calculated on a monthly basis, and is based on data in the data warehouse, which has the history of account and customer data for the entire credit portfolio, loans, credit and guarantees. The loss estimates are calculated based on the 12-month and lifetime probability of the customer's default (probability of default – PD), the loan's loss in the event of default (loss given default – LGD) and the loan's exposure at default (exposure at default – EAD).

The data warehouse contains the history of observed default rate (PD) and observed loss (LGD). This will form the basis for creating good estimates of future values for PD and LGD.

The Bank considers the future-oriented information as macro-economic factors such as unemployment, GDP growth, interest rates, housing prices and financial projections in order to be able to provide future-oriented information that is as correct as possible. Expected term to maturity of loans is also included in the estimates for future-oriented information. Monthly reports are produced for validation and stress testing, which include the history of observed PD and LGD. These are important analyses for making good estimates of future PD and LGD that the ECL model requires. The stress tests include different scenarios for the main macroeconomic aggregates and how these can affect the estimates of PD, LGD, EAD, EL (expected loss) and UL (risk-adjusted capital) in both regulatory and economic credit models. The basic scenario from the stress tests is created on the basis of the baseline scenario from the monetary policy report from Norges Bank. This provides a basis for creating a basic scenario for IFRS 9-calculations.

The definition of default in stage 3 (see below) concurs with the internal risk management and capital adequacy calculations. Here, 90-days overdrafts are used as an important criterion for default. The criteria for significant increase in credit risk are described in stages 1 and 2 below. Significant increase in credit risk is measured for each individual loan. Loss provisions in stages 2 and 3 are calculated and reported in the groups of financial instruments. For the lending portfolio differentiation is made between the retail and corporate markets.

Stage 1
This is the starting point for all financial assets covered

by the general loss model. All of the assets which do not have any significantly higher credit risk than at initial recognition are given a provision for loss corresponding to the 12-month expected losses. All assets that have not been transferred to stage two or three.

The following criteria must be met to establish that there has not been a significant increase in credit risk:
- PD is less than doubled from approval, and/or
- PD < 1.25%

Stage 2
In stage 2 of the loss mode are assets which have had a significant increase in credit risk since initial recognition, but where there is no objective evidence of loss (risk rating is not J or K). For these assets provision shall be made for expected losses throughout the useful life. Limitation to stage 1 depends on whether there has been a significant increase in credit risk. Significant change to the credit risk will occur if payment is delayed by 30 days independent of the level of PD, or assets are linked to customers who have been set on the watchlist. As a rule, customers on the watchlist have a significant increase of credit risk if PD has at least doubled since approval, and PD is higher than 1.25%.

Thus, the following criteria must be met to establish that there has not been a significant increase in credit risk:
- PD is at least doubled since approval, and
- PD > 1.25 % or
- at least 30 days' overdue payment

Stage 3
In stage 3 of the loss model are assets which have had a significant increase in credit risk since approval, and where there is credit deterioration on the balance sheet date. For these assets provision must be made for expected losses throughout the useful life. The Bank has defined the existence of credit deterioration as when a loan is in default (risk class J or K). This definition is in line with the that which applies to internal risk management and regulatory capital adequacy calculation for IRB banks. Also see Note 8 for more detailed description and distribution of risk classes.

Default is defined as the following:
- 90 days' overdraft and amounts over NOK 1,000.
- Loss provisions/actual loss
- Bankruptcy/debt settlement

When it is highly probable that the losses will be finally classified as actual losses.

Recognition and derecognition of financial assets and liabilities
Financial assets and liabilities are recognised on the trade date, i.e. the date that the Bank becomes party to the instruments' contractual terms and conditions.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the rights to the cash flows from the asset are transferred in such a way that the risks and

returns related to the ownership are for the most part transferred.

Financial liabilities are derecognised when the contractual conditions have been met, cancelled or have expired.

Modified assets and liabilities
If modifications or changes are made to the terms of an existing financial asset or liability, the instrument is treated as a new financial asset if the renegotiated terms are significantly different from the previous terms. If the terms are substantially different, the old financial asset or liability is derecognised, and a new financial asset or liability is recognised. In general a loan is considered to be a new financial asset if new loan documentation is issued, at the same time as a new credit process is carried out with determination of new loan terms.

If the modified instrument is not considered to be significantly different from the existing instrument, it shall be regarded for accounting purposes as a continuation of the existing instrument. With a modification that is recorded as a continuation of an existing instrument, the new cash flows are discounted with the instrument's original effective interest rate and any difference compared with the existing carrying amount is taken to income.

Transfer of loan portfolios
The bank has signed an agreement for the legal sale of loans with high security and collateral in real estate to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. The Bank considers that practically all the risks and returns related to the sold loans have been transferred. All the transferred loans are derecognised on the Bank's balance sheet. In accordance with the management agreement entered into with these two companies in the Alliance, the Bank manages the loans and maintains customer contact. In addition to the sales price, the Bank receives a payment in the form of regular commission for the loans. Reference is made to more details in Note 9.

Tangible assets
Property, plant and equipment are initially recognised at cost and subsequently depreciated on a straight-line basis over the expected useful life according to IAS 16. In determining the depreciation plan, the individual assets are split to the extent necessary into components with different useful lives, and account is taken of the estimated residual value for the Bank's and the Group's assets. Land and art are not depreciated, but are periodically tested for impairment when fall in value is indicated. Property, plant and equipment that are depreciated, are subject to an impairment test in accordance with IAS 36, when circumstances indicate this.

The Bank does not have classified assets according to IAS 40 (investment property).

Intangible assets
Goodwill
Goodwill is the difference between the acquisition cost for the purchase of a business and the fair value of the Group's share of the net identifiable assets of the business at the acquisition date. Goodwill arising from the acquisition of a subsidiary is classified as an intangible asset. Goodwill is tested annually for impairment and is capitalized at acquisition cost with deduction for impairment. Write-down of goodwill is not reversed. Gains or losses on the sale of a business includes the carrying amount of goodwill of the sold business.

Pensions
Defined benefit schemes
Pension liabilities and costs for defined benefit pension schemes are calculated according to the insurance core principles of an independent actuary. Pension costs consist of the period's pension benefits earned for those employees who are included in the scheme, interest rates of net liabilities, as well as any plan changes. There will be a mark-up for both the employer's contributions and financial tax in the calculation of the annual pension cost and in the calculation of the net pension liabilities.

In calculating net liabilities (present value liabilities less the fair value of pension funds) there can arise actuarial gains and losses (estimated deviation) as a result of changes in assumptions or empirical deviation. Actuarial gains or losses are recognised over the extended profits/losses (other income and expenses) for the period in which they occur.

The Bank's collective defined benefit scheme was discontinued in 2018.

Defined contribution schemes
Defined contribution pension schemes means that the Bank does not promise future pension of a certain size, but pays an annual contribution to the employees' pension savings. The future pension will depend upon the size of the contribution and the annual return on pension savings. Payments for the scheme are expensed directly. Premiums for the contractual early retirement scheme (AFP) will also be treated as a defined contribution scheme.

Reference is made to Note 22 for a more detailed description of and changes to the Bank's pension schemes.

Unsecured liabilities
The Bank issues financial guarantees as part of its ordinary operations. Loss assessments take place as part of the assessment of losses on loans and according to the same principles, and are reported together with these.
Provisions are made for other unsecured liabilities if the balance of probabilities is that the liability is realised and the economic consequences can be calculated reliably.

Provisions for restructuring expenses when the Bank has a contractual or legal obligation.

Subordinated loans and subordinated bonds
Subordinated loans have priority after all other liabilities. Subordinated loans are classified as liabilities in the balance sheet and are measured at amortised cost in the same way as other long-term loans.

Subordinated bonds are classified as hybrid capital under equity. The interest expense on the subordinated bond is not presented as an interest expense in the income statement, but is recognised directly in equity with deduction for tax.

Dividends
Allocated dividends to the Bank's equity certificate holders are classified as equity until the date the dividend is finally determined by the Bank's Supervisory Board.

Interest income and expenses
Interest income and expenses related to assets and liabilities that are measured at amortised cost, are taken to income on a running basis based on the effective interest rate method. The effective interest rate is determined by discounting contractual cash flows within the expected term to maturity. All fees related to interest-bearing borrowings and loans are included in the calculation of the effective interest rate and are amortised over the expected term to maturity. For interest-bearing instruments that are measured at fair value, the interest rate will be classified as interest income or expense, whereas the effect of changes in value is classified as income/expenses from other financial investments or over OCI.

IFRS 9 introduced a change to IAS 1.82 with effect from 01.01.18. As a result of this change, interest income is calculated using the effective interest method presented separately in the income statement. This means that the interest income on financial assets measured at amortised cost and financial assets measured at fair value through the extended profit and loss are presented in the line «Interest income, amortised cost». Interest income on financial assets measured at fair value through profit and loss are presented in the line «Interest income – assets measured at fair value». Comparative figures have not been restated.

If a financial asset or a group of similar assets are written down as a result of value loss, the interest income is recorded through profit and loss by using the interest rate that future cash flows are discounted with to calculate the value loss.

Commission income and expenses
Commission income and expenses are generally recognised on an accruals basis in correlation with a service being provided. Fees relating to interest-bearing instruments are not recognised as commissions, but are included in the calculation of the effective interest rate and recognised accordingly. Fees for advisory services are earned in accordance with the agreement on advisory services, usually as the service is provided. The same applies for running management services. Fees and charges for the sale or brokerage of financial instruments, property or other investment objects that do not generate balance sheet items in the Bank's accounts, are taken to income when the transaction is completed.

Transactions and holdings in foreign currency
Transactions in foreign currency are converted to Norwegian kroner at the exchange rate on the transaction date. Gains and losses related to completed transactions, or to the conversion of holdings of monetary items on the balance sheet day, are recognised through profit or loss.

Tax
Tax recognised on the profit and loss account consists of the current tax (tax payable) and changes to deferred tax. Current tax is tax calculated on taxable income for the year.

Deferred tax is recognised according to the liability method in accordance with IAS 12. A liability or asset is calculated by deferred tax on temporary differences, which is the difference between the carrying amount and tax value of assets and liabilities. However, a liability or asset is not calculated on deferred tax for goodwill that does not provide tax deductions, nor on initially recognised items that neither affect the profit/loss for accounting purposes nor taxable profit/loss.

A deferred tax asset is calculated on carried forward tax losses. A deferred tax asset is recognised only to the extent that there are expected future taxable profits that make it possible to exploit the associated tax advantage.

Wealth tax is not considered as tax according to IAS 12 and is recognised as an operating expense.

Note 3
Important estimates and assessments regarding the use of accounting principles

Losses on loans and guarantees
The Bank reviews its entire corporate market portfolio annually. Large and risky loans, as well as defaulted and doubtful loans are examined on a quarterly basis. Loans that are in default over 30 days are regarded as doubtful loans.

Loans to individuals are reviewed when they are in default and no later than after 90 days, or if they have a particularly poor payment history.

The measurement of ECL (expected credit losses) in accordance with IFRS 9 requires assessment of when there has been a significant increase in credit risk and on determination of the level of impairment, especially with regard to the estimation of the amount and the date of future cash flows and security values. These estimates are driven by a number of factors where changes may result in different levels of loan loss provisions. Elements of the ECL model that contain assessments and estimates include:

- The internal PD model, which states the probability of default
- Criteria that evaluate whether there has been a significant increase in credit risk, so as to estimate the lifetime expected credit losses
- The use of future-oriented information on macro-economic factors, as well as weighting of various probabilities and how they might affect the estimates for PD, LGD and EAD.

Reference is made to Note 2 for a more detailed description of the principles/new loss model in accordance with IFRS 9.

Reference is made at the same time to Note 40 for more details of the effects related to the implementation of IFRS 9 as of 1 January 2018.

Fair value
Assets that are valued at fair value through the profit and loss account will normally be sold in active markets and the value will thus be able to be determined with reasonable certainty.

With the exception of a few shares, the Norwegian share market is not very liquid. Share prices will in most cases be the last traded price. In some cases where the liquidity is poor and there are greater unexplained price movements around year-end, the price could be determined as the volume-weighted average over a period of time, usually December.

Correspondingly, the fair values of assets and liabilities are recognised at amortised cost and as stated in the notes, may be estimates based on discounted expected cash flows, multiplier analyses or other calculation methods. These may be subject to considerable uncertainty.

Fair value derivatives
The fair value of derivatives is usually determined by using valuation models where the price of underlying factors, such as interest rates and currency, are obtained in the market. The volatility of options will either be observed implicit volatility or calculated volatility based on historical share price movements for the underlying. Where the Bank's risk position is approximately neutral, average share prices will be used. A neutral risk position means, for example,that the interest rate risk within a term constraint is virtually zero. In the opposite case, the relevant purchase or sales price is used to assess the net position.

For derivatives where the counterparty has a weaker credit rating than the Bank, the price will reflect an underlying credit risk.

Liquidity portfolio
The Bank's liquidity portfolio is classified and measured at fair value through the income statement in accordance with IFRS 9.4.1.4 based on the purpose of the portfolio. For the instruments where there are directly observable prices in the market, these are used for the valuation. The remaining part of the portfolio is valued by using the fair value of the estimated cash flow based on the observable yield curve, including an indicated credit spread on the issuer from a reputable brokerage firm or Reuters/Bloomberg pricing services.

Fixed rate loans
The fair value of fixed interest rate loans to customers is calculated as the fair value of the agreed cash flows discounted with an observable yield curve with the addition of a calculated margin.

Goodwill and other intangible assets
Write-down of goodwill is assessed annually, or more often if there are events or changed circumstances indicating possible impairment. For all assessment units, an assessment of the valuation is made to verify whether the value continues to be present. An assessment unit may include goodwill from several transactions and an impairment test is carried out on the total recognised goodwill in the assessment unit. Future cash flows are

based on historic-results, as well as budgets.

Pensions
Net pension liabilities and pension cost for the year is based on a number of estimates including; return on pension funds, future interest rate and inflation rates, wage development, turnover, development in the National Insurance Basic Rate and the general development of the number of people on disability benefit and life expectancy are of great importance.

The level of uncertainty is to a great extent related to gross liabilities and not to the net liability as stated in the balance sheet.

Financial assumptions used in all the schemes are in line with the Norwegian Accounting Standard's (NRS) guidance on pension assumptions. Reference is made in this connection to the note on pensions.

Note 4
Segment Information

The segment information is related to the way in which the group is managed and followed up internally by the business through performance and capital reporting, proxies and procedures.

The reporting of segments is divided into the following areas: Retail market (RM) and corporate market (CM) customers, which include the parent bank and subsidiaries related to real estate and accounting services. Other subsidiaries includes subsidiary companies that manage property.

Group eliminations are shown together with undivided operations in a separate column (non-reportable segments).

Group 31.12.2018 (NOK thousands)

Income statement	RM	CM	Other subsidiaries	Not reportable segments	Total
Net interest income	348,923	230,806	(638)	13,825	592,916
Net commission and other income	345,603	88,005	37,984	134,322	605,914
Operating costs	405,988	160,033	1,783	(101,622)	466,182
Earnings before losses	**288,538**	**158,778**	**35,563**	**249,769**	**732,648**
Losses on loans and guarantees	-1,317	1,713	-	254	650
Earnings before tax	**289,855**	**157,065**	**35,563**	**249,515**	**731,998**
Balance sheet					
Lending to customers	21,858,901	6,830,304	-	842,744	29,531,949
Individual write-downs on loans	(44,455)	(112,371)	-	(640)	(157,466)
Other assets	105,208	11,902	13,530	7,075,784	7,206,424
Total assets per segment	**21,919,654**	**6,729,835**	**13,530**	**7,917,887**	**36,580,907**
Deposits from and debt to customers	13,783,259	7,761,562	-	593,759	22,138,580
Other equity and liabilities	8,136,395	(1,031,727)	13,530	7,324,128	14,442,327
Total equity and debt per segment	**21,919,654**	**6,729,835**	**13,530**	**7,917,887**	**36,580,907**

Group 31.12.2017
(NOK thousands)

Income statement	RM	CM	Other subsidiaries	Not reportable segments	Total
Net interest income	335,308	216,724	(276)	8,660	560,415
Net commission and other income	333,837	89,527	13,043	214,962	651,369
Operating costs	403,074	159,371	8,848	27,471	598,764
Earnings before losses	**266,071**	**146,880**	**3,919**	**196,151**	**613,021**
Losses on loans and guarantees	4,901	-4,310	-	-	591
Earnings before tax	**261,170**	**151,190**	**3,919**	**196,151**	**612,430**
Balance sheet					
Lending to customers	19,657,722	7,075,899	-	724,275	27,457,896
Individual write-downs on loans	(14,659)	(52,294)	-	-	(66,953)
Group write-down on loans	32,689	(59,861)	-	-	(92,550)
Other assets	128,344	845,852	138,630	6,059,656	7,172,481
Total assets per segment	**19,738,718**	**7,809,596**	**138,630**	**6,783,931**	**34,470,875**
Deposits from and debt to customers	12,851,543	7,674,643	-	475,780	21,001,966
Other equity and liabilities	6,887,175	134,953	138,630	6,308,150	13,468,908
Total equity and debt per segment	**19,738,718**	**7,809,596**	**138,630**	**6,783,931**	**34,470,875**

Note 5
Capital adequacy

SpareBank 1 BV uses the standard method for calculating capital adequacy. This means that the capital requirement, in respect of credit risk, is calculated according to the standardised risk weights for the various exposure categories. Operational risk is calculated according to the basic method.

SpareBank 1 BV undertakes an annual revision of internal target figures, where the requirement to financial strength is one of the main areas. The target figures are available, both in terms of capital adequacy and common equity tier 1 capital ratio.

As of 31 December 2018, the requirement for capital conservation buffer is 2.5%, system buffer 3.0%, and a countercyclical buffer of 2.0%. These requirements are in addition to the common equity tier 1 capital requirement of 4.5%, meaning that the overall minimum requirement is 12.0%. The Financial Supervisory Authority of Norway has also established a specific Pillar 2 requirement for SpareBank 1 BV of 1.9%. Consequently, the Bank's minimum requirement for common equity tier 1 capital constitutes 13.9 %.

Extended consolidation for owner companies in the Samarbeidende Sparebanker grouping
Under the CRD IV rules, SpareBank 1 BV is currently below the materiality threshold for reporting fully consolidated capital adequacy.

Consequently, capital adequacy is not worked out at a consolidated level.

However, on the basis of the Financial Supervision Act, Section 4(3), the Financial Supervisory Authority of Norway has placed an extended consolidation requirement on the banks for owner companies in the Samarbeidende Sparebanker grouping for holdings below 10%. The requirement came into force on 1 January 2018. The provision applies to ownership interests in other financial institutions engaging in the activities to which the cooperation relates; cf. Financial Institution Act, Section 17-13. From 2018, the bank is applying the rule on proportional consolidation of ownership interests in the Samarbeidende Sparebanker grouping.

Proportional consolidation

	31.12.2018
Primary capital	
Common equity tier 1 capital	4,160,617
Tier 1 capital	4,470,112
Primary capital	4,988,542
Basis for calculation	24,917,577
Capital adequacy	
Common equity tier 1 capital ratio	16.70%
Tier 1 capital ratio	17.94%
Capital adequacy	20.02%
Unweighted tier 1 capital ratio (leverage ratio)	8.24%

The following companies are included in proportional consolidation:
SpareBank 1 Boligkreditt
SpareBank 1 Næringskreditt
SpareBank 1 Kredittkort AS
SpareBank 1 SMN Finans AS
SamSpar Bankinvest I AS (BN Bank)

Parent bank

Subordinated capital (NOK thousands)	31.12.2018	31.12.2017
Equity share capital	946,516	946,194
Share premium fund	1,026,427	1,025,989
Risk equalisation fund	411,299	281,336
Sparebankens fund	1,855,062	1,626,027
Fund for unrealised gains/losses	9,879	16,870
Endowment fund	6,540	6,540
Allocated dividend classified as equity	186,149	151,443
Total capitalised equity (excluding hybrid capital)	**4,441,873**	**4,054,400**
Value adjustments on stocks and bonds measured at fair value (AVA)	(7,950)	(6,288)
Allowance for non-material interests in the financial sector	(1,149,921)	(815,854)
Dividends allocated for distribution, classified as equity	(186,149)	(151,443)
Total common equity tier 1 capital	**3,097,853**	**3,080,815**
Hybrid capital	250,000	250,000
Subordinated bond	32,000	40,000
Allowance for non-material interests in the financial sector	(39,074)	(105,118)
Total tier 1 capital	**3,340,779**	**3,265,697**
Supplementary capital in excess of tier 1 capital		
Time-limited primary capital*	400,000	351,307
Allowance for non-material interests in the financial sector	(31,262)	(115,535)
Net primary capital	**3,709,517**	**3,501,469**
Risk-weighted basis for calculation		
Assets not included in the trading portfolio	16,105,698	16,339,576
Operational risk	1,758,783	1,480,869
CVA surcharge (counterparty risk derivatives)	27,459	29,275
Total basis for calculation	**17,891,940**	**17,849,720**
Common equity tier 1 capital	17.31%	17.26%
Tier 1 capital	18.67%	18.30%
Capital adequacy	20.73%	19.62%
Unweighted tier 1 capital (leverage ratio)	9.14%	9.36%
Buffer requirements		
Capital conservation buffer (2.50%)	447,299	446,243
Countercyclical buffer (2.00%/1.50%)	357,839	356,994
Systemic risk buffer (3.00%)	536,758	535,492
Total buffer requirement for common equity tier 1 capital	1,341,896	1,338,729
Minimum requirement for common equity tier 1 capital (4.50%)	805,137	803,237
Available common equity tier 1 capital beyond minimum requirement and buffer requirements	950,820	938,849

	31.12.2018	31.12.2017
Local and regional authorities	44,838	52,368
Publicly owned companies	18,171	20,374
Institutions	106,207	335,357
Companies	1,997,340	1,982,754
Mass market	2,581,078	2,575,512
Mortgaged against residential and holiday property	8,009,171	7,201,789
Mortgaged against commercial property	2,230,810	2,702,211
Overdue commitment	82,578	73,203
Bonds with preferential rights	255,003	236,556
Receivables on institutions and companies with short-term ratings	137,498	191,794
Shares in mutual funds	47,698	46,026
Equity items	528,815	680,376
Other commitments	66,491	241,256
Total credit risk	**16,105,698**	**16,339,576**

In the regulations relating to primary capital given in provisional regulations for subordinated bonds and subordinated loans taken out before the regulation's entry into force. During the period from 1 January 2015 to 31 December 2021 capital instruments that are taken up before 31 December 2011 and that do not meet the requirements contained in part B of the calculation regulation, can be included with the following shares:

2015: 70%
2016: 60%
2017: 50%
2018: 40%
2019: 30%
2020: 20%
2021: 10%

SpareBank 1 BV has subordinated bonds that are issued in accordance with the old regulations.

Note 6
Financial risk management

SpareBank 1 BV's risk and capital management shall produce financial and strategic added value by:
- having a strong risk culture characterised by high awareness of risk management and the Group's core values.
- having a good understanding of the risks that are drivers for earnings, costs and losses.
- to the greatest possible extent price services and products in line with the underlying risk.
- having an adequate financial strength in relation to long-term strategic goals, initiative and the chosen risk profile, while aiming at an optimal capital allocation in the different business areas.
- exploiting synergy and diversification effects.
- avoiding unexpected individual incidents being able to seriously damage the group's financial position

In order to ensure an effective and appropriate process for risk and capital management, the business management is based on the following framework:
- The Group's strategic goals
- Organisation and corporate culture
- Risk surveys
- Risk analysis
- Financial extrapolation and stress tests
- Risk strategies (determination of risk capacity and risk appetite)
- Capital management (including risk-adjusted return and capital requirement assessments)
- Reporting and follow-up
- Evaluation and measures
- Contingency plans
- Compliance

SpareBank 1 BV is exposed to various types of risk
The core business of the banking industry is to create value by assuming deliberate and acceptable risk. SpareBank 1 BV uses substantial resources to develop processes for comprehensive risk management in line with leading practice.

SpareBank 1 BV is exposed to various types of risk, the most important are listed below:

Credit risk: the risk of losses as a result of customers or other counterparties being unable or unwilling to fulfil their obligations.

Concentration risk: the risk of incurring an accumulation of exposure to an individual customer, branch or geographical area.

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

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

Operational risk: the risk of losses resulting from inadequate or failed internal processes or systems, human error or external events.

Compliance risk: the risk that the group incurs public sanctions/fines or financial losses due to failure to comply with laws and regulations.

Business risk: the risk of unexpected fluctuations in revenues and costs as a result of changes in external circumstances such as the market situation or government regulations.

Reputation risk: the risk of a drop in earnings and capital access due to a lack of confidence and reputation in the market, i.e. with customers, counterparties, the share market and/or authorities.

Strategic risk: the risk of losses resulting from erroneous strategic decisions.

Ownership risk: the risk that SpareBank 1 BV may incur negative results from ownerships in strategically owned companies and/or has to supply new equity to these companies.

Risk exposure in SpareBank 1 BV
The Group aims to have a moderate to low risk profile, as well as to have such a high quality in their risk calculation that no single events could damage the Bank's financial position to a serious extent. The Bank's risk profile is quantified by targets for risk-adjusted return, expected loss, capital requirements and regulatory requirements for capital adequacy.

The Group attaches importance to having a control and management structure that promotes targeted and independent management and control.

The risk groups that affect financial reporting to the greatest extent are described below in more detail. For further description of the risk situation and risk management, we refer to the Pillar III report and the report that deal with policies and practice related to corporate governance.

The reports are available on the Bank's website under investor relations (IR) https://www.sb1bv.no.

Credit risk

Credit risk is managed through the framework for credit approval, loan monitoring and portfolio management, which are reviewed and approved by the Board of Directors at least annually.

The Group's credit strategy consists of the overall credit-strategic limits to secure a diversified portfolio and a satisfactory risk profile. This includes limits for the probability of default, expected loss, risk-adjusted capital and the proportion of total lending exposure to the corporate market. In order to avoid unwanted concentration risk, the credit-strategic limits also set limitations related to exposure and risk profile at the portfolio level, and for various sectors and individual customers. These limits are in addition to the framework determined in the «Regulations relating to major exposures».

The credit policy guidelines determine the minimum requirements that apply to all types of financing, except for loans granted as part of the exercise of special credit hedging proxies. In addition to the general credit policy guidelines, a set of more specific credit policy guidelines have been prepared relating to the sectors or segments which may entail a special risk. For example, with respect to property loans, minimum requirements are set to equity, advance sales of housing projects and level of financing in relation to rental income from property for rent.

The Board of Directors is responsible for the Group's loan- and credit approvals, but delegates credit authorisation, within certain limits, to the Managing Director, who in turn can delegate these within his own authorisations. The delegated credit authorisations are personal and linked to the individual loan's likelihood of default and security coverage.

The Group uses the credit models for risk classification, risk pricing and portfolio management. The risk classification system is based on the following main components:

1. **Probability of default. (PD):** Customers are classified into default classes based on the probability of default during a 12-month period based on a long-term outcome. The probability of default is calculated on the basis of historical data series for financial key figures linked to earnings and consumption, as well as on the basis of non-financial criteria such as behaviour and age. In order to classify customers according to the probability of default, nine different default classes are used (A-I). In addition, the Group has two default classes (J and K) for customers with defaulted and/or written-down loans.

2. **Exposure at default (EAD):** This is a calculated amount that calculates the Group's probable exposure to the customer in the event of default. This exposure comprises lending volume, guarantees and approved undrawn facilities. Guarantees and approved undrawn facilities on customers are multiplied by a conversion factor.

3. **Loss Given Default (LGD):** This is an estimate of how much it is assumed that the Group could potentially lose if the client defaults on its obligations. The assessment takes into account the value of underlying securities and the costs the Group has incurred by collecting the defaulted commitment. The Group determines the realizable value of securities provided on the basis of its own experience over time, and so that, based on a conservative assessment, these reflect the assumed realisation value in a cyclical downturn. Seven different classes are used (1-7) for the classification of loans in accordance with the loss given default.

The Group carries out continuous further development and verification of the risk management system and credit approval process in order to ensure good quality over time. The quantitative validation shall ensure that the estimates used for the probability of default, exposure at default and loss given default maintain a sufficiently good quality. Analyses are conducted which assess the models' ability to rank customers according to risk (discrimination ability), and the ability to determine the correct level of risk parameters. In addition, stability is analysed in the models' estimates and the models' sensitivity to cyclical fluctuations. The quantitative validation is also supplemented by more qualitative assessments. In addition to the credit risk in the loan portfolio, the Group has credit risk through the liquidity portfolio. This portfolio consists primarily of securities with low risk which qualify for access to borrowing in Norges Bank.

Reference is made to Notes 7-14 for a more detailed description of the portfolio as at 31.12.2018.

Liquidity risk is managed through the Group's overall liquidity strategy that is revised and adopted by the Board of Directors at least annually. Liquidity management is based on frameworks and reflects the Group's agreed risk profile. The strategy establishes a framework for the size of the liquidity reserves and the duration of the time period that the Bank should be independent of new market financing.

The Group's lending is primarily financed by customer deposits and long-term securities debt. Liquidity reserves consist of cash, securities lodged as securities in Norges Bank, non-utilised committed credit facilities, housing loans that have been prepared for sale to SpareBank 1 Boligkreditt AS and listed securities. The sale of well secured home loans to SpareBank 1 Boligkreditt AS contributes to calming funding requirements and thus SpareBank 1 BV's liquidity risk. A separate contingency plan for liquidity has been established.

The Finance Department is responsible for day-to-day risk management, while the controller function in the Finance Department and the Department for Risk Management and Compliance monitors and reports to the Board of Directors the utilisation of limits in accordance with the liquidity strategy .

Reference is made to Note 16.

Market risk is managed through the strategy for market risk with specification of risk limits, reporting lines and authorisations are reviewed and approved by the Board of Directors at least annually. In determining the size of the limits and the calculation of capital requirements relating to market risk, stress tests and analyses of negative market movements are used.

Interest rate risk is the risk of loss arising with changes in interest rates. The Group's interest rate risk is regulated by limits for maximum value change by a change in interest rates of two per cent. Interest rate fixing on the Group's instruments is mainly short-term and the Group's interest rate risk is low.

Spread risk is defined as the risk of changes in market value of bonds as a result of general changes in credit spreads. The credit spread risk expresses the loss potential on the bond portfolio which affects bankruptcy risk.

Foreign exchange risk is the risk of loss from changes in foreign exchange rates. Since SpareBank 1 BV is a currency agent and the Group has entered into an agreement with SpareBank 1 SMN related to the delivery of foreign currency transactions to the Group's customers, currency risk will consist of guarantees provided to SpareBank 1 SMN for some of the Group's customers that have taken up currency loans or entered into agreements on currency derivatives, as well as a limited currency exposure in foreign currency notes in the Group's branches. Stricter requirements are established for advice and assessment of the customer's competence when guarantees for foreign currency loans are to be granted.

Exchange rate risk on securities is the risk of loss arising from changes in the value of bonds, certificates and equity instruments in which the Group has invested. The Group's risk exposure to this type of risk is regulated through limits for maximum investments in the various portfolios.

Reference is made to Notes 15,16 for a more detailed description of the portfolio as at 31.12.2018.

Operational risk is managed through the risk strategy that is determined annually by the Board of Directors to define the Group's risk appetite.

SpareBank 1 BV considers organisational culture to be the single most important factor in operational risk management. Organisational surveys are carried out regularly that measure the organisation's satisfaction and risk culture.

In order to ensure that it is managed according to a updated and relevant risk picture, the Group has a risk-based and dynamic approach to the management of operational risk, where risk analyses will be updated and risk-reducing measures will be implemented on an ongoing basis. In addition, annual documentation of operational risk in the Group is carried out in cooperation between the risk management unit and the process- and risk owners for the various business areas.

Ownership risk is the risk that SpareBank 1 BV may incur negative results from ownerships in strategically owned companies and/or has to supply new equity to these companies.

SpareBank 1 BV has ownership risk primarily through indirect equity stakes in SpareBank 1 Gruppen AS (3.04%) and BN Bank ASA (3.86%), as well as direct ownership interests in SpareBank 1 Boligkreditt AS (6.43%), Sparebank 1 Næringskreditt AS (6.89%), Sparebank 1 Kredittkort AS (6.33%), Sparebank 1 SMN Finans AS (6.49%), SpareBank 1 Betaling AS (4.53%), SpareBank 1 Axept AS (4.73%) and SpareBank 1 ID AS (5.83%).

Compliance risk is managed through the framework for compliance that is set out in the Bank's compliance policy and shall ensure that the Group does not incur public sanctions/fines or financial loss as a result of the lack of implementation and compliance with laws, and regulations. The Group's compliance policy is approved by the Board of Directors and describes the main principles for responsibility and organisation.

SpareBank 1 BV works constantly to establish and have good processes to ensure compliance with applicable laws and regulations. Focus areas are ongoing monitoring of compliance with the applicable regulations and ensuring that the Group has the best adaptation to future changes in the regulations.

SpareBank 1 BV's compliance function is organisationally independent of the business units. The department has overall responsibility for the framework, monitoring and reporting within the compliance area.

Note 7
Change in receivables from and liabilities to credit institutions

Parent bank			Group	
2017	2018	(NOK thousands)	2018	2017
958,969	687,490	Lending and receivables without agreed maturities or notice period	719,799	976,731
305,000	305,000	Lending and receivables with agreed maturities or notice period	305,000	305,000
1,263,969	**(992,490)**	**Total**	**1,024,799**	**1,281,731**

Interest rate method: floating

Parent bank			Group	
2017	2018	(NOK thousands)	2018	2017
-	-	Loans and deposits from credit institutions with no agreed maturity or notice period	-	-
111,984	-	Loans and deposits from credit institutions with agreed maturity or notice period	-	111,984
111,984	**-**	**Total**	**-**	**111,984**

Interest rate method: floating

Note 8
Lending to and receivables from customers

The Bank's credit portfolio to customers is distributed between the BM and PM segments. Loans are risk classified according to the IRB models that have been developed in the Sparebank 1 Alliance. Reference is made to Note 6 for a more detailed description of the risk classification system.

The Bank's experience with the risk classification model is good and the profile of the commitment distribution is supported by other commitment assessments. The portfolio appears as stable over time.

In connection with the implementation of a new loss model in accordance with IFRS 9, the portfolio is classified in 3 stages. For more details of loss provisions in accordance with IFRS 9 reference is made to Notes 2 and 40.

	Parent bank		Group	
Gross lending to and receivables from customers (NOK thousands)	**31.12.18**	**31.12.17**	**31.12.18**	**31.12.17**
Lowest risk	10,124,168	13,293,892	10,124,168	13,293,892
Low risk	8,471,648	6,224,273	8,471,648	6,224,273
Moderate risk	8,885,784	6,397,865	8,882,036	6,372,799
High risk	909,032	815,729	899,898	815,729
Very high risk	827,729	594,357	827,729	594,357
Default and impaired	341,781	156,846	326,470	156,846
Gross lending to and receivables from customers	**29,560,142**	**27,482,961**	**29,531,949**	**27,457,896**

Gross lending to and receivables from customers at amortised cost

		31.12.2018			**31.12.2017**
Parent bank	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
Lowest risk	8,841,495	10,900	-	8,852,395	12,611,832
Low risk	7,833,637	62,976	-	7,896,613	5,913,724
Moderate risk	7,431,610	851,028	-	8,282,638	6,166,113
High risk	570,412	282,667	-	853,079	797,953
Very high risk	336,775	475,842	-	812,617	568,491
Default and impaired	-	-	334,703	334,703	156,846
Gross lending to and receivables from customers at amortised cost	**25,013,929**	**1,683,413**	**334,703**	**27,032,045**	**26,214,959**

		31.12.2018			**31.12.2017**
Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
Lowest risk	8,841,495	10,900	-	8,852,395	12,611,832
Low risk	7,833,637	62,976	-	7,896,613	5,913,724
Moderate risk	7,427,862	851,028	-	8,278,890	6,141,047
High risk	561,277	282,667	-	843,944	797,953
Very high risk	336,775	475,842	-	812,617	568,491
Default and impaired	-	-	319,393	319,393	156,846
Gross lending to and receivables from customers at amortised cost	**25,001,046**	**1,683,413**	**319,393**	**27,003,852**	**26,189,894**

Gross lending to and receivables from customers at fair value (FVP & L (FVO)

Parent bank and Group	31.12.2018	31.12.2017
Lowest risk	1,271,773	682,060
Low risk	575,035	310,548
Moderate risk	603,146	231,753
High risk	55,953	17,776
Very high risk	15,112	25,866
Default and impaired	7,078	-
Gross lending to and receivables from customers at fair value	**2,528,098**	**1,268,003**

Guarantees		31.12.2018			31.12.2017
Parent bank and Group	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
Lowest risk	193,026	-	-	193,026	202,101
Low risk	183,902	11,533	-	195,435	156,941
Moderate risk	126,200	8,182	-	134,382	211,465
High risk	78,297	4,498	-	82,795	102,338
Very high risk	7,423	32,465	-	39,888	33,685
Default and impaired	-	-	10,017	10,017	10,738
Total guarantees	**588,849**	**56,677**	**10,017**	**655,543**	**717,269**

		31.12.2018			31.12.2017
Approvals (loans and guarantees)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	
Lowest risk	415,555	-	-	415,555	-
Low risk	440,361	-	-	440,361	-
Moderate risk	200,259	-	-	200,259	-
High risk	21,895	-	-	21,895	-
Very high risk	12,250	-	-	12,250	-
Default and impaired	-	-	200	200	-
Total approvals	**1,090,320**	**-**	**200**	**1,090,520**	**n/a**

Expected annual average net loss

Parent bank			Group	
2017	**2018**	**Distribution by risk group**	**2018**	**2017**
2,551	1,640	Lowest risk	1,640	2,551
3,749	3,651	Low risk	3,651	3,749
16,784	15,909	Moderate risk	15,909	16,784
10,252	8,641	High risk	8,641	10,252
19,311	21,098	Very high risk	21,098	19,311
7,353	9,061	Default and impaired	9,061	7,353
60,000	**60,000**	**Total**	**60,000**	**60,000**

Parent bank					Group			
2017		2018		**Loans distributed by geographic areas**	2018		2017	
Gross share	Lending	Gross share	Lending	(NOK thousands)	Lending	Gross share	Lending	Gross share
65.7%	18,049,326	62.9%	18,587,382	Vestfold	18,559,190	62.8%	18,024,262	65.6%
25.4%	6,979,216	26.6%	7,870,533	Buskerud	7,870,533	26.7%	6,979,216	25.4%
8.6%	2,359,184	10.1%	2,991,322	Rest of Norway	2,991,322	10.1%	2,359,184	8.6%
0.3%	95,234	0.4%	110,904	Abroad	110,904	0.4%	95,234	0.3%
100.0%	**27,482,961**	**100.0%**	**29,560,142**	**Total gross loans distributed by geographic areas**	**29,531,949**	**100.0%**	**27,457,896**	**100.0%**

Parent bank			Group	
2017	2018	**Exposures broken down by sector and industry**	2018	2017
22,080,010	23,565,885	Salaried staff, etc.	23,565,885	22,080,010
263,387	321,792	Agriculture and forestry	321,792	263,387
265,381	272,695	Industry and production	272,695	265,381
238,657	345,345	Building and construction	345,345	238,657
347,190	532,127	Wholesale and retail trade/hotels and restaurants	532,127	347,190
6,123,341	6,043,091	Property management and other business services	6,014,898	6,123,341
356,694	386,029	Transport and service Industries	386,029	356,694
-	-	Public administration	-	-
164,806	353,151	Abroad and others	353,151	164,806
29,839,466	**31,820,115**	**Total**	**31,791,922**	**21,706,964**

2017	2018	**Gross lending broken down by sector and industry**	2018	2017
20,336,290	22,496,782	Salaried staff, etc.	22,496,782	20,336,290
242,587	271,589	Agriculture and forestry	271,589	242,587
244,423	248,317	Industry and production	248,317	244,423
219,810	303,591	Building and construction	303,591	219,810
319,771	320,710	Wholesale and retail trade/hotels and restaurants	320,710	319,771
5,639,764	5,394,522	Property management and other business services	5,366,328	5,614,699
328,525	324,053	Transport and service Industries	324,053	328,525
-	-	Public administration	-	-
151,791	200,578	Abroad and others	200,578	151,791
27,482,961	**29,560,142**	**Total**	**29,531,949**	**27,457,896**

Note 9
Transfer of loans to SpareBank 1 Boligkreditt AS

The bank has signed an agreement for the legal sale of loans with high security and collateral in real estate to SpareBank 1 Boligkreditt AS. In accordance with the management agreement entered into with this company in the Alliance, the Bank manages the loans and maintains customer contact. The Bank receives remuneration in the form of commission for the obligations incurred for the management of the loans. The Bank has considered that the accounting implications are that most of the risk and benefits of ownership related to the sold loans are transferred. This means full derecognition. Received payment for loans that are transferred to SpareBank 1 Boligkreditt AS is equivalent to the book value, and is considered to be consistent with the loans' fair value on the date of transfer. The Bank recognises all rights and obligations created or retained by the transfer separately as assets or liabilities.

If the mortgage company receives losses on acquired loans, it has certain set-off rights in the commissions from all banks that have transferred loans. There is thus a limited remaining involvement related to the sold loans at the possible limited measure of loss against commission. However, this set-off right is regarded as not being of such a nature that it changes the conclusion that most of the risk and benefits of ownership are transferred. The Bank's maximum exposure to loss is represented by the highest amount that may be claimed under the agreement.

Mortgage companies can undertake further sales of loans that are acquired by the Bank, at the same time as the Bank's right to manage the customers and receive commission is included. If the Bank has not been able to serve the customers, the right to services and commission can fall away. In addition, the Bank can have an option to buy back loans under certain conditions.

SpareBank 1 Boligkreditt AS is owned by the savings banks that are part of the SpareBank 1 Alliance. The Bank has an ownership interest of 6.43% as of 31.12.2018 (6.24% as of 31.12.2017). SpareBank 1 Boligkreditt AS acquires loans secured by mortgages in residential property and issues covered bonds within the regulations for these established in 2007. Loans sold to SpareBank 1 Boligkreditt AS are secured by mortgages in residential property up to 75% of appraised value. Sold loans are legally owned by SpareBank 1 Boligkreditt AS and the Bank, in addition to the right to take charge of the management and receive commission, as well as the right to take over completely or partially written-down loans,has no right to the use of the loans. The Bank is in charge of the management of the sold loans and the Bank receives a commission based on the net value of the return on the loans the Bank has sold and the costs to the company.

Mortgages in residential property sold to SpareBank 1 Boligkreditt have increased by a net amount of NOK 674 million in 2018. There is a total of derecognised mortgages in residential property to Sparebank 1 Boligkreditt of NOK 11,740 million at the end of the financial year. The remaining involvement is as follows:

NOK millions	Book value of the asset	Fair value of the asset	Book value commitment	Fair value commitment	Maximum exposure to loss
Remaining involvement	0	0	0	0	22.9%

Together with the other owners of SpareBank 1 Boligkreditt, the Bank has entered into an agreement to establish a liquidity facility for SpareBank 1 Boligkreditt AS. This means that the banks commit to buy mortgage bonds in SpareBank 1 Boligkreditt up to a total value of twelve months' term to maturity. Each owner is principally liable for its share of the requirement, and secondarily for twice the primary liability under the same agreement. The bonds can be deposited with Norges Bank, so carry no significant added risk for the Bank. According to its internal guidelines, SpareBank 1 Boligkreditt holds liquidity for the next 12-months' term to maturity. This is deducted when assessing the banks' liability. It is therefore only if the company no longer has liquidity for the next 12-months' term to maturity that the Bank will report any commitments related to this.

Together with the other owners of SpareBank 1 Boligkreditt AS, the Bank has entered into an agreement to ensure that SpareBank 1 Boligkreditt AS at all times has a common equity tier 1 capital ratio at least equal to the requirements set by the authorities (including buffer requirements and the requirements for Pillar 2). If a satisfactory capital adequacy cannot be achieved in other ways, the shareholders shall provide sufficient core capital within 3 months after receiving a written request for this. The shareholders' obligation to provide such core capital is primarily pro rata (and not joint and several), and shall be in accordance with each shareholder's pro rata share of the shares in SpareBank 1 Boligkreditt AS, alternatively jointly and severally limited to double of that which the Bank's share of the shares should otherwise indicate.

Note 10
Age distribution of overdue loans

The table shows overdue instalments on loans divided by the number of days after the due date.

Group 2018 (NOK thousands)	Under 30 days	31 – 90 days	Over 91 days	Total
Lending to and receivables from customers				
The retail market	5,447	554	11,475	17,475
Corporate market	906	515	18,552	19,973
Total	6,353	1,069	30,027	37,448

Group 2017 (NOK thousands)	Under 30 days	31 – 90 days	Over 91 days	Total
Lending to and receivables from customers				
The retail market	1,714	532	11,048	13,293
Corporate market	15,630	334	2,055	18,019
Total	17,343	866	13,103	31,312

(Figures have not been prepared for the parent bank, since they are identical with the group figures)

Note 11
Losses on loans, guarantees etc.

2017	2018	(NOK thousands)	2018	2017
11,049		Change in the period in individual write-downs		7,074
(457)		Change in the period in guarantee provisions		(457)
(14,117)		Write-downs for the period on groups of loans		(14,117)
-	596	Change in the period in loss provisions, step 1	596	
-	(13,198)	Change in the period in loss provisions, step 2	(13,198)	
-	10,593	Change in the period in loss provisions, step 3	9,993	
7,880	4,469	Losses for the period with previous write-downs	4,469	7,880
1,405	(199)	Losses for the period with previous write-downs	(199)	1,405
(701)	(183)	Previously recognised write-downs at start of period.	(183)	(701)
(493)	(828)	Other corrections/amortisation of write-downs	(828)	(493)
4,566	**1,250**	**Losses for the period on loans and guarantees**	**650**	**591**
5,731	8,247	Interest income recognised on written down loans	8,247	5,731

	Parent bank			
Loan provisions on loans and guarantees	**Step 1**	**Step 2**	**Step 3**	**Total**
01.01.2018	**34,667**	**50,399**	**85,917**	**170,983**
Loss provisions transferred to Stage 1	7,120	(6,982)	(138)	-
Loss provisions transferred to step 2	(2,098)	7,494	(5,396)	-
Loss provisions transferred to step 3	(583)	(5,366)	5,949	-
New issued or purchased financial assets	17,641	4,577	285	22,502
Increase in measurement of loss	3,066	11,455	29,850	44,370
Reduction in measurement of loss	(14,853)	(12,935)	(4,774)	(32,562)
Financial assets that have been deducted	(9,697)	(11,440)	(11,313)	(32,451)
Changes due to recognised impairments (recognised losses)	-	-	(4,469)	(4,469)
Receipts for previous impairments (recognised)	-	-	600	600
Changes to the model/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
31.12.2018	**35,263**	**37,201**	**96,510**	**168,975**
Of which: loss provisions on capitalised loans	31,119	35,977	94,945	162,041
Of which: loss provisions on unused credits and guarantees	4,144	1,224	1,565	6,933
Of which: loss provisions, retail market	10,422	15,833	19,030	45,285
Of which: loss provisions, corporate market	24,841	21,369	77,480	123,690

	Group			
Loan provisions on loans and guarantees	**Step 1**	**Step 2**	**Step 3**	**Total**
01.01.2018	**34,667**	**50,399**	**81,942**	**167,008**
Loss provisions transferred to step 1	7,120	(6,982)	(138)	-
Loss provisions transferred to step 2	(2,098)	7,494	(5,396)	-
Loss provisions transferred to step 3	(583)	(5,366)	5,949	-
New issued or purchased financial assets	17,641	4,577	285	22,502
Increase in measurement of loss	3,066	11,455	29,250	43,770
Reduction in measurement of loss	(14,853)	(12,935)	(4,774)	(32,562)
Financial assets that have been deducted	(9,697)	(11,440)	(11,313)	(32,451)
Changes due to recognised impairments (recognised losses)	-	-	(4,469)	(4,469)
Receipts for previous impairments (recognised)	-	-	600	600
Changes to the model/risk parameters	-	-	-	-
Foreign exchange and other movements	-	-	-	-
31.12.2018	**35,263**	**37,201**	**91,935**	**164,400**
Of which: loss provisions on capitalised loans	31,119	35,977	90,370	157,466
Of which: loss provisions on unused credits and guarantees	4,144	1,224	1,565	6,933
Of which: loss provisions, retail market	10,422	15,833	19,030	45,285
Of which: loss provisions, corporate market	24,841	21,369	72,905	119,115

* From 2018, loss provisions in Stages 1 and 2 generally replace previous group write-downs.
Loss provisions in Stage 3 generally replace previous individual write-downs.

2017	**2018**	**Losses broken down by sector and industry**	**2018**	**2017**
2,054	(1,063)	Salaried staff, etc.	(1,063)	2,054
-	(24)	Agriculture and forestry	(24)	-
14,729	(4,027)	Industry and mining	(4,027)	14,729
(7,264)	4,220	Building and construction	4,220	(7,264)
2,851	(7,744)	Wholesale and retail trade/hotels and restaurants	(7,744)	2,851
21,463	(7,902)	Property management and other business services	(8,502)	17,488
3,456	5,625	Transport and service Industries	5,625	3,456
(32,721)	12,166	Abroad and others	12,166	(32,721)
4,566	**1,250**	**Losses on loans to customers**	**650**	**591**

2017	**Individual write-downs**	**2017**
45,562	Individual write-downs on loans and guarantees as of 1 January.	45,562
19,919	+ OB from Sparebank 1 Nøtterøy-Tønsberg	19,919
1,279	+ Increase in the individual write-downs in the period from previous recognised as loss	1,279
(11,896)	- Reversal of individual write-downs in the period	(11,896)
29,089	+ New individual write-downs in the period	25,114
(7,880)	- Realised losses during the period with previous individual write-downs	(7,880)
76,072	**Individual write-downs on loans and guarantees***	**72,097**
70,928	* Including write-downs on loans	66,953
5,144	* Including write-downs on guarantees	5,144

2017	**Group write-downs**	**2017**
80,505	Write-downs on groups of loans and guarantees as of 1 January	80,505
26,162	+ OB from Sparebank 1 Nøtterøy-Tønsberg	26,162
(14,117)	Increase (+)/Decrease (-) in group write-downs for the period	(14,117)
92,550	**Group write-downs at the end of period**	**92,550**

Default and doubtful loans	**2017**	**2016**	**2015**
Default loans	152,816	122.432	140,459
Other doubtful loans	124,825	59,035	291,533
Total doubtful loans	**277,641**	**181,467**	**431,992**
Individual write-downs on defaulted loans	21,667	20,853	29,054
Interest rates on the reversal of discounted write-downs			
Individual write-downs on not defaulted loans	50,430	24,709	84,584
Net default and doubtful loans	**205,544**	**135,905**	**318,354**

For default loans over 90 days the age distribution is as follows:

	2017
3 months to 6 months	50,934
6 months to 12 months	22,416
Over 12 months	79,467
Total	**152,816**

Note 12
Credit risk exposure for each internal risk rating

Parent bank and Group

(NOK thousands)	Historical default in %	Average unsecured exposure in %	Total amount	Average unsecured exposure in %	Total amount
		2018	2018	2017	2017
Lowest risk	-	0.00%	-	0.00%	-
Low risk	-	0.13%	39,630	0.25%	68,596
Moderate risk	-	0.81%	239,735	0.72%	198,026
High risk	-	1.11%	327,620	0.60%	165,931
Highest risk	-	0.34%	99,409	0.18%	49,617
Default and impaired	11.4%	0.14%	40,997	0.08%	22,347
Total			**747,391**		**504,518**

The note describes the Bank's total credit exposure in the lowest collateral class (unsecured exposure). Historical default as a percentage is based on the average unsecured exposure share in risk classes J and K, which are reserved for default and doubtful loans.

Note 13
The maximum credit risk exposure, not taking into account collateral security

The table below shows the maximum exposure to credit risk for the components in the balance sheet, including derivatives. Exposure is shown gross prior to any collateral security and allowed set-offs.

Parent bank			Group	
Gross exposure			Gross exposure	
2017	2018	(NOK thousands)	2018	2017
		Assets		
100,501	98,026	Cash and receivables from central banks	98,026	100,501
1,263,969	(992,490)	Loans to and receivables from credit institutions	1,024,799	1,281,731
29,839,466	31,820,115	Lending to and receivables from customers	31,791,922	29,814,401
5,444,705	5,782,310	Securities - at fair value	5,884,484	5,435,711
39,893	48,670	Derivatives	48,670	39,893
38,605	-	Securities - available for sale	-	38,605
153,282	97,986	Other assets	150,446	276,040
36,880,422	**38,839,597**	**Total assets**	**38,998,347**	**36,986,882**
		Liabilities		
		Contingent liabilities		
302,802	271,618	- Payment guarantees	271,618	302,802
377,515	349,044	- Contractual guarantees	349,044	377,515
18,740	16,185	- Loan guarantees	16,185	18,740
17,476	20,705	- Other guarantee liabilities	20,705	17,476
1,639,972	1,715,253	Unutilised credit facilities	1,715,253	1,639,972
2,356,505	**2,372,805**	**Total financial guarantees**	**2,372,805**	**2,356,505**
37,596,955	**39,497,149**	**Total credit risk exposure excluding. unutilised credit facilities**	**39,655,899**	**37,703,415**

2017	2018	Credit risk exposure relating to loans, broken down by country	2018	2017
		Credit exposure relating to loans, including. unutilised credit facilities		
29,674,660	29,449,005	Norway	29,420,812	29,649,595
164,806	111,137	Abroad	111,137	164,806
29,839,466	**29,560,142**	**Total**	**29,531,949**	**29,814,401**

With regard to credit exposure,only the loan item is divided by geographic area, ref. Note 8.

Collateral per security class

The table below shows the total value of collateral distributed per security class in the Bank's risk classification system. The value is calculated based on an average of the intervals within each class.

Parent bank and Group	Average percentage per class	2018	2017
Collateral class 1	120%	3,564,412	3,644,387
Collateral class 2	110%	4,729,625	4,476,624
Collateral class 3	90%	6,850,335	6,611,657
Collateral class 4	70%	8,593,927	7,237,449
Collateral class 5	50%	1,452,965	1,658,109
Collateral class 6	30%	133,177	165,375
Collateral class 7	10%	73,382	49,189
Total collateral from risk classification		**25,397,823**	**23,842,789**

Note 14
Credit quality per class of financial assets

The credit quality of financial assets is handled by the SpareBank 1 Alliance using its internal guidelines for credit ratings.

The table below shows the credit quality per class of assets for the loan-related assets in the balance sheet, based on the Bank's own credit rating system.

		Neither fallen due nor written down					Fallen due or individually written down	
2018 Parent bank	Notes	Lowest risk	Low risk	Moderate risk	High risk	Highest risk		Total
Loans to and receivables from credit institutions	7	(992,490)	-	-	-	-	-	**(992,490)**
Loans to and receivables from customers								
Retail market	8	8,852,177	6,903,581	5,855,368	388,665	423,259	73,731	**22,496,781**
Corporate market	8	1,271,012	1,571,376	2,831,224	645,592	524,951	219,206	**7,063,361**
Total gross lending		**11,115,679**	**8,474,957**	**8,686,592**	**1,034,257**	**948,210**	**292,937**	**30,552,632**
Financial investments								
Listed government bonds	24	205,160	-	-	-	-	-	**205,160**
Other listed bonds	24	90,607	2,447,153	210,559	-	-	-	**2,748,319**
Unlisted securities	24	221,766	10,493	833,277	-	-	-	**1,065,536**
Total financial investments		**517,533**	**2,457,646**	**1,043,836**	**-**	**-**	**-**	**4,019,015**
Accrued interest		**14,225**	**-**	**-**	**-**	**-**	**-**	**14,225**
Total financial investments		**531,758**	**2,457,646**	**1,043,836**	**-**	**-**	**-**	**4,033,240**
Total		**11,647,437**	**10,932,603**	**9,730,428**	**1,034,257**	**948,210**	**292,937**	**34,585,872**

		Neither fallen due nor written down					Fallen due or individually written down	
2017 Parent bank	Notes	Lowest risk	Low risk	Moderate risk	High risk	Highest risk		Total
Loans to and receivables from credit institutions	7	1,263,969	-	-	-	-	-	**1,263,969**
Loans to and receivables from customers								
Retail market	8	8,615,152	6,036,851	4,904,563	355,626	347,162	76,936	**20,336,290**
Corporate market	8	1,200,169	1,389,775	3,296,374	723,467	396,879	140,006	**7,146,671**
Total gross lending		**11,079,290**	**7,426,626**	**8,200,936**	**1,079,094**	**744,041**	**216,943**	**28,746,930**
Financial investments								
Listed government bonds	24	261,866	-	-	-	-	-	**261,866**
Other listed bonds	24	117,668	2,198,795	273,846	-	-	-	**2,590,309**
Unlisted securities	24	175,390	51,249	724,794	-	-	-	**951,433**
Total financial investments		**554,925**	**2,250,044**	**998,640**	**-**	**-**	**-**	**3,803,608**
Accrued interest		**12,626**	**-**	**-**	**-**	**-**	**-**	**12,626**
Total financial investments		**567,551**	**2,250,044**	**998,640**	**-**	**-**	**-**	**3,816,234**
Total		**11,646,840**	**9,676,670**	**9,199,576**	**1,079,094**	**744,041**	**216,943**	**32,563,164**

2018 Group	Notes	Neither fallen due nor written down: Lowest risk	Low risk	Moderate risk	High risk	Highest risk	Fallen due or individually written down	Total
Loans to and receivables from credit institutions	7	1,024,799	-	-	-	-	-	**1,024,799**
Loans to and receivables from customers								
Retail market	8	8,852,177	6,903,581	5,855,368	388,665	423,259	73,731	**22,496,781**
Corporate market	8	1,271,012	1,571,376	2,827,476	636,458	524,951	203,895	**7,035,168**
Total gross lending		**11,147,988**	**8,474,957**	**8,682,844**	**1,025,123**	**948,210**	**277,626**	**30,556,748**
Financial investments								
Listed government bonds	24	205,160	-	-	-	-	-	**205,160**
Other listed bonds	24	90,607	2,447,153	210,559	-	-	-	**2,748,319**
Unlisted securities	24	221,766	10,493	833,277	-	-	-	**1,065,536**
Total financial investments		**517,533**	**2,457,646**	**1,043,836**	**-**	**-**	**-**	**4,019,015**
Accrued interest		**14,225**	**-**	**-**	**-**	**-**	**-**	**14,225**
Total financial investments		**531,758**	**2,457,646**	**1,043,836**	**-**	**-**	**-**	**4,033,240**
Total		**11,679,746**	**10,932,603**	**9,726,680**	**1,025,123**	**948,210**	**277,626**	**34,589,988**

2017 Group	Notes	Neither fallen due nor written down: Lowest risk	Low risk	Moderate risk	High risk	Highest risk	Fallen due or individually written down	Total
Loans to and receivables from credit institutions	7	1,281,731	-	-	-	-	-	**1,281,731**
Loans to and receivables from customers								
Retail market	8	8,615,152	6,036,851	4,904,563	355,626	347,162	76,936	**20,336,290**
Corporate market	8	1,200,169	1,389,775	3,271,309	723,467	396,879	140,006	**7,121,606**
Total gross lending		**11,097,052**	**7,426,626**	**8,175,871**	**1,079,094**	**744,041**	**216,943**	**28,739,627**
Financial investments								
Listed government bonds	24	261,866	-	-	-	-	-	**261,866**
Other listed bonds	24	117,668	2,198,795	273,846	-	-	-	**2,590,309**
Unlisted securities	24	175,390	51,249	724,794	-	-	-	**951,433**
Total financial investments		**554,925**	**2,250,044**	**998,640**	**-**	**-**	**-**	**3,803,608**
Accrued interest		**12,626**	**-**	**-**	**-**	**-**	**-**	**12,626**
Total financial investments		**567,551**	**2,250,044**	**998,640**	**-**	**-**	**-**	**3,816,234**
Total		**11,664,602**	**9,676,670**	**9,174,511**	**1,079,094**	**744,041**	**216,943**	**32,555,861**

Note 15
Market risk related to interest rate risk

Market risk is the risk that the fair value or the Bank's future cash flows from financial instruments will fluctuate as a result of changes in interest rates, foreign exchange rates, market prices, or rates of equity instruments.

Interest rate risk is the probability that the changes in the market interest rate will affect cash flows or the fair value of the Bank's financial instruments. The Board of Directors has set limits for the Bank's interest rate exposure.

Continuous monitoring and reporting are carried out of the Bank's interest rate exposure. The Bank uses instruments to ensure that the exposure is within the defined limits. Effect on equity will be approximately equal to the calculations as specified in the table below.

Parent bank 2017	Parent bank 2018		Group 2018	Group 2017
Sensitivity of net interest cost	**Sensitivity of net interest cost**	**Increase in basis points**	**Sensitivity of net interest cost**	**Sensitivity of net interest cost**
(3,982)	(6,936)	+25	(6,936)	(3,982)
(7,963)	(13.872)	+50	(13,872)	(7,963)
(15,926)	(27,744)	+100	(27,744)	(15,926)
(31,852)	(55,489)	+200	(55,489)	(31,852)

The Bank's risk exposure is shown in Notes 12 and 13.

Method used for sensitivity analysis

BankRisk is a system for the management of interest rate risk and liquidity in banks. It has standard reports for the calculation of the interest rate and liquidity risk.

Calculations are made of duration, summaries etc. of bond holdings borrowing in bonds and investments and loans in the money market and interest rate swaps.

Note 16
The maturity analysis of assets and liabilities/liquidity risk

2018 Parent bank

(NOK million)	On request/ without any remaining term to maturity	Under 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and receivables from central banks	98	-	-	-	-	98
Loans to and receivables from credit institutions	-	687	305	-	-	992
Lending to and receivables from customers	-	2,721	361	2,081	24,397	29,560
Loss provisions for Stages 1 and 2	-	-	-	(67)	-	(67)
Loss provisions for Stage 3	-	-	(95)	-	-	(95)
Bonds/certificates - designated at fair value through the profit and loss account	-	14	193	3,783	43	4,033
Shares	1.749	-	-	-	-	1.749
Derivatives	-	40	4	13	(8)	49
Intangible assets	-	-	-	-	-	-
Property, plant and equipment	25	-	-	-	-	25
Tax asset	12	-	-	-	-	12
Other assets	-	61	-	-	-	61
Total assets	**1,884**	**3,523**	**768**	**5,810**	**24,432**	**36,418**
Of which foreign currency	3	-	-	-	-	-
Liabilities						
Liabilities to credit institutions	-	-	-	-	-	-
Deposits from and liabilities to customers	19,479	2,251	418	13	1	22,162
Debt from the issuance of securities	-	326	1,218	6,724	489	8,757
Derivatives	-	1	(1)	42	(3)	39
Liabilities at current tax	-	-	116	-	-	116
Other liabilities	-	137	20	-	50	207
Subordinated loan capital	-	5	-	440	-	445
Allocated dividend classified as equity	-	-	186	-	-	186
Allocated to gifts as equity	-	-	-	-	-	-
Hybrid capital as equity	-	-	150	100	-	250
Equity	4,256	-	-	-	-	4,256
Total liabilities and equity	**23,735**	**2,720**	**2,107**	**7,319**	**537**	**36,418**
Net liquid exposure on the balance sheet items	**(21,851)**	**803**	**(1,339)**	**(1,509)**	**23,895**	**-**

Repayment loans are distributed over time according to the current repayment plan. Granted lines of credit are grouped under the remaining term to maturity under 3 months.

2018 Group

(NOK million)	On request/ without any remaining term to maturity	Under 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and receivables from central banks	98	-	-	-	-	98
Loans to and receivables from credit institutions	33	687	305	-	-	1,025
Lending to and receivables from customers	-	2,692	361	2,081	24,397	29,531
Loss provisions for Stages 1 and 2	-	-	-	(67)	-	(67)
Loss provisions for Stage 3	-	-	(90)	-	-	(90)
Bonds/certificates - designated at fair value through the profit and loss account	-	14	193	3,783	43	4,033
Shares	-	-	-	-	-	1,851
Derivatives	-	40	4	13	(8)	49
Intangible assets	-	-	-	-	25	25
Property, plant and equipment	35	-	-	-	-	35
Tax asset	13	-	-	-	-	13
Other assets	-	78	-	-	-	78
Total assets	**2,030**	**3,511**	**773**	**5,810**	**24,457**	**36,581**
Liabilities						
Liabilities to credit institutions	-	-	-	-	-	-
Deposits from and liabilities to customers	19,456	2,251	418	13	1	22,139
Debt from the issuance of securities	-	326	1,218	6,724	489	8,757
Derivatives	-	1	(1)	42	(3)	39
Liabilities at current tax	-	-	118	-	-	118
Other liabilities	-	164	20	-	50	234
Subordinated loan capital	-	5	-	440	-	445
Allocated dividend classified as equity	-	-	186	-	-	186
Allocated to gifts as equity	-	-	-	-	-	-
Hybrid capital as equity	-	-	150	100	-	250
Equity	4,412	-	-	-	-	4,412
Total liabilities and equity	**23,868**	**2,747**	**2,109**	**7,319**	**537**	**36,581**
Net liquid exposure on the balance sheet items	**(21,838)**	**764**	**(1,336)**	**(1,509)**	**23,920**	**-**

Repayment loans are distributed over time according to the current repayment plan. Granted lines of credit are grouped under the remaining term to maturity under 3 months.

Liquidity risk – cash flows related to liabilities

2018 Parent bank

(NOK million)	On request/ without any remaining term to maturity	Under 3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities to credit institutions	-	-	-	-	-	-
Deposits from and liabilities to customers	19,479	2,251	418	13	1	22,162
Debt from the issuance of securities	-	326	1,218	6,724	489	8,757
Derivatives	-	1	(1)	42	(3)	39
Liabilities at current tax	-	-	116	-	-	116
Other liabilities	-	137	20	-	50	207
Subordinated loan capital	-	5	-	440	-	445
Hybrid capital as equity	-	-	150	100	-	250
Allocated dividend classified as equity	-	-	186	-	-	186
Allocated to gifts as equity	-	-	-	-	-	-
Total liabilities and equity	**19,479**	**2,720**	**2,107**	**7,319**	**537**	**32,162**

Liquidity risk – cash flows related to liabilities

2018 Group

(NOK million)	On request/ without any remaining term to maturity	Under 3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities to credit institutions	-	-	-	-	-	-
Deposits from and liabilities to customers	19,456	2,251	418	13	1	22,139
Debt from the issuance of securities	-	326	1,218	6,724	489	8,757
Derivatives	-	1	(1)	42	(3)	39
Liabilities at current tax	-	-	118	-	-	118
Other liabilities	-	164	20	-	50	234
Subordinated loan capital	-	5	-	440	-	445
Hybrid capital as equity	-	-	150	100	-	250
Allocated dividend classified as equity	-	-	186	-	-	186
Allocated to gifts as equity	-	-	-	-	-	-
Total liabilities and equity	**19,456**	**2,747**	**2,109**	**7,319**	**537**	**32,168**

Note 17
Net interest income

Parent bank			Group	
2017	2018	(NOK thousands)	2018	2017
		Interest income		
13,219	13,355	Interest and similar income from loans to and receivables from credit institutions	13,355	13,219
800,221	867,046	Interest and similar income from loans to and receivables from credit institutions	865,671	799,300
60,814	70,355	Interest and similar income from certificates, bonds and other interest-bearing securities	70,355	60,814
(7,605)	(7,177)	Other interest income and similar income	(5,959)	(6,779)
866,649	**943,578**	**Total interest income**	**943,422**	**866,553**
		Interest costs		
1,310	688	Interest and similar expenses on liabilities to financial institutions	688	1,310
153,406	163,988	Interest and similar costs of deposits from and liabilities to customers	163,937	153,367
118,116	156,478	Interest and similar expenses on issued securities	156,478	118,116
17,804	13,667	Interest and similar expenses on subordinated loan capital	13,667	17,804
15,220	15,033	Other interest expenses and similar expenses	15,735	15,541
305,856	**349,855**	**Total Interest expenses**	**350,506**	**306,137**
560,793	**593,723**	**Net interest income**	**592,916**	**560,415**

2017	2018	**Average interest rates and average interest-bearing assets and liabilities**	2018	2017
		Assets		
27,443,320	28,836,647	Average interest-bearing balance lending to customers	28,836,647	27,443,320
2.97%	3.01%	Average interest rate lending to customers	3.01%	2.97%
3,811,881	4,056,548	Average interest-bearing balance securities placements	4,056,548	3,811,881
1.74%	1.73%	Average interest rate securities placement	1.73%	1.74%
		Liabilities		
21,204,098	21,541,125	Average interest-bearing balance deposits	21,541,125	21,204,098
0.72%	0.76%	Average interest rate deposits	0.76%	0.72%
7,787,785	8,642,815	Average interest-bearing balance borrowing securities	8,642,815	7,787,785
1.86%	2.05%	Average interest rate borrowing securities	2.05%	1.86%

Note 18
Net commission and other income

Parent bank			Group	
2017	2018	(NOK thousands)	2018	2017
		Commission income		
6,984	6,655	Guarantee commission	6,655	6,984
1,384	1,249	Interbank commission	1,249	1,384
5,081	7,605	Credit brokerage	7,605	5,081
19,569	19,686	Securities trading and management	19,686	19,569
87,699	95,298	Payment services	95,298	87,699
50,160	49,190	Insurance services	49,190	50,160
6,945	7,070	Other commission income	7,070	6,945
100,317	94,852	Commission from Bolig- og Næringskreditt	94,852	100,317
278,140	**281,605**	**Total commission income**	**281,605**	**278,140**
		Commission costs		
1,767	1,384	Interbank fees	1,384	1,767
9,973	10,978	Payment services	10,978	9,973
2,976	3,010	Other commission costs	3,010	2,976
14,715	**15,372**	**Total commission costs**	**15,372**	**14,715**
263,424	**266,233**	**Total net commission income**	**266,233**	**263,424**
		Other income		
279	-	Operating income from real estate	240	1,725
(535)	12,738	Profit from the sale of fixed assets	90,726	(535)
7,368	6,051	Other operating income	4,608	5,138
-	-	Operating income from estate agency business	111,402	101,190
-	-	Operating income Regnskapshus	33,497	34,656
7,112	**18,789**	**Total other operating income**	**240,473**	**142,173**
270,536	**285,022**	**Total net commission and other income**	**506,706**	**405,598**

Note 19
Net income from financial assets

Parent bank			Group	
2017	2018	(NOK thousands)	2018	2017
111,745	**76,586**	**Total dividend from shares**	**31,988**	**18,858**
1,129	143,105	Dividends from subsidiaries	56,377	66,139
-	-	Income from ownership interests in joint ventures	(8,561)	-
-	(100,533)	Write-down of financial assets in subsidiaries	47,816	66,139
1,129	**42,571**	**Total net income from ownership interests**	**66,139**	**33,307**
88,568	**-**	**Recognition of negative goodwill**		**89,527**
		Net income from other financial investments:		
19,695	(16,704)	Bonds and certificates - at fair value through the profit and loss account	(16,704)	19,695
19,695	**(16,704)**	**Total income from bonds and certificates**	**(16,704)**	**19,695**
(1,467)	(2,756)	Net value changes of secured bonds and derivatives	(2,756)	(1,467)
8,309	3,709	Net value changes of secured fixed interest rate loans and derivatives	3,709	8,309
3,970	8,080	Net value changes of secured fixed interest rate deposits and other financial derivatives	8,080	3,970
10,812	**9,033**	**Total income from financial derivatives**	**9,033**	**10,812**
25,242	20,897	Shares - at fair value through profit/loss	20,897	25,242
11,603	698	Realised instruments available for sale	698	11,603
-	-	Write-down of instruments available for sale	(1,731)	-
36,845	**21,595**	**Total income from shares**	**19,864**	**36,845**
3,897	7,211	Net profit on transactions	7,211	3,897
3,897	**7,211**	**Total net income from foreign exchange trading**	**7,211**	**3,897**
272,690	**140,293**	**Net income from financial assets**	**99,208**	**245,772**

Note 20
Personnel costs and remuneration to executive employees and elected representatives

The Board's statement on the determination of salaries and other compensation for 2018 is in accordance with the regulations relating to financial undertakings section 15.2.

SpareBank 1 BV's compensation scheme
SpareBank 1 BV's compensation policy for 2018 was approved by the Board of Directors on 9 November 2017. The guidelines cover the parent bank of Sparebank 1 BV. Separate guidelines have been drawn up for the subsidiaries. The guidelines cover fixed salary, variable compensation and employee benefits (pensions, insurance and other benefits). There are special rules for executive employees.

SpareBank 1 BV's policy for compensation shall:
- contribute to targe achievement and desired behaviour
- help to attract and retain relevant competence
- promote and provide incentives for good management and control of the Bank's risk, counter high risk-taking and help to avoid conflicts of interest
- be in accordance with the Financial Undertakings Regulations chapter. 15

The compensation package shall be competitive and shall be based on the principle of equal pay, regardless of gender.

Compensation Committee
The Board of Directors of SpareBank 1 BV has established a compensation committee, which consists of three Board members, of which one is the employee representative. The Committee shall prepare cases for the Board of Directors and is primarily responsible for:
- review annually and propose total salary and other compensation for the Managing Director
- review annually the Group's policy for compensation incl. a model for performance-based bonus
- recommend the framework for performance-based bonuses
- ensure that the practice of the Group's compensation scheme is in accordance with the applicable regulations.

The Committee shall also be able to be used as an advisory body for the Managing Director in determining the conditions for the management team.

Recommended guidelines 2018/19
Compensation to the Managing Director
The compensation package to the Managing Director consists of fixed salary (the main element), variable compensation, benefits in kind and pension and insurance schemes. The Managing Director's fixed salary and variable compensation is determined annually by the Board of Directors following recommendation from the Compensation Committee. The assessment is based on results achieved on defined target areas in accordance with the balanced scorecard, individual achievement and wage development in comparable positions.

Variable compensation can be earned annually, but must be based on results and achieved targets over the last two years. The Managing Director can receive a performance-based bonus on a par with other employees, based on the approved model for performance-based bonuses. Benefits in kind follow the same practice as other executive employees.

A separate pension agreement has been entered into with the Managing Director. The pension agreement means a payout of pension of 70% of the annual salary without deduction until the age of 67, with the opportunity to resign from the age of 62 years. From the age of 67 the amount is shortened proportionately in relation to the number of qualifying years < 30 years. Calculated pension liabilities are invested in funds that have been pledged in favour of the Managing Director.

The Managing Director has a normal notice period of six months.

Model for performance-based bonuses
The model for performance-based bonuses (variable bonuses) applies to all employees of the parent bank. The result is assessed on the basis of prior established financial and non-financial criteria (weighted balanced scorecard). Variable compensation is based on a combination of the assessment of the Bank as a whole, the individual departments and the employee's target achievement. Total compensation can be a maximum of 10% of gross salary.

The model for performance-based bonuses is twofold The Board of Directors adopts the final framework based on an overall assessment of target achievement. The parameters for risk, liquidity and financial strength are also considered in the measurement of results and target achievement. 50% of the awarded framework is paid as bonus to all employees in the parent bank with an equal krone amount for all employees. The remaining 50% of the awarded framework is distributed as individual compensation, based on results and target achievement in accordance with the balanced scorecard for the team, department, or unit. The payment is made annually and in arrears after the annual accounts have been discussed by the Board of Directors.

Compensation to executive personnel
The chief executive of the individual business area is responsible for the management and control of risk in its own business through its management. Variable compensation to identified employees is based on a model for performance-based bonuses as discussed above, and covers a total of 18 persons for 2018 according to the Financial Supervisory Authority's circular on compensation schemes (15/2014). The basis for assessment of variable compensation is based on the company's results in a period of at least two years.

Employees with control functions (risk management and compliance) as well as employee representatives are included in the ordinary model for performance-based bonuses. Remuneration to employees with control functions is independent of the results in the business they control.

Half of the individual bonus will be paid out as salary in the first year. The remainder is distributed over three years, and is thus not at the free disposal of the individual. Total variable remuneration to identified employees follows the adopted model for performance-based bonuses including the rule of a maximum of 10% of gross salary. Total variable remuneration to executive personnel, including the Managing Director totalled NOK 1.825 million in 2018.

Severance schemes
Severance schemes for members of the group management can be arranged after further clarification between the Managing Director and the Board of Directors. The Directors of PM, BM and Business- and Organisational Development are given six months' severance pay with waiver of protection against dismissal. The Managing Director has a corresponding agreement for 12 months' severance pay, with the possibility for reduction to six months after the age of 59 subject to certain conditions.

Pensions
The Group has established a joint defined contribution pension scheme effective from 1 September 2018. Employees who have previously had defined benefit pensions have been given a separate compensation scheme. Annual contribution is calculated individually in order to give the same amount as the former defined benefit agreement would have had at the agreed retirement age.

Statement
The Board of Directors confirms that the guidelines for the determination of salaries and other remuneration for 2018 have been followed.

Parent bank			Group	
2017	2018	**Personnel costs**	2018	2017
175,074	158,251	Salary	242,348	257,356
20,517	(77,059)	Pension costs (Note 22)	(70,620)	25,883
52,394	50,962	Social costs	65,698	66,182
247,985	**132,153**	**Total personnel costs**	**237,426**	**349,420**
		Employees as at 31.12		
230	227	Average number of full-time equivalents	335	338
233	222	Number of full-time equivalents as of 31.12	326	345
241	228	Number of employees as of 31 December	340	357

For further information regarding related parties see Note 36.
For information relating to equity certificates owned by executive employees, the Board of Directors and members of the general assembly, see Note 38.

Loans and guarantees for employees and employee representatives:	2018	2017
Loans to employees of the parent bank	652,924	569,864
Loans to employees in subsidiaries	151,743	133,468

Remuneration to the Group executive management:

Specifications of benefits/loans

Group executive management 2018	Salary	Performance-based bonuses paid	Benefits in kind	Total remuneration	Accrued pension costs	Loans *	Number of equity certificates
Rune Fjeldstad**	2,830	137	72	3,039	3,408	5,974	61,736
Geir Årstein Hansen	1,526	77	226	1,829	421	1,827	8,126
Marianne Sommerro Evensen	1,110	77	38	1,225	307	3,610	6,236
Johan Hjerkinn	1,286	46	147	1,479	129	-	12,408
Stian Thomassen	1,596	76	136	1,808	121	-	8,695
Tonje Stormoen	1,056	64	73	1,193	55	2,458	8,282
Lasse Olsen	1,617	89	126	1,832	124	2,202	16,025
Total remuneration to the Group executive management	**11,021**	**566**	**818**	**12,405**	**4,565**	**16,071**	**121,508**

* Loans to executive employee follows the conditions for ordinary employee loans with an interest rate of 1.85% within a framework of NOK 5.00 million as at 31.12.18. Ordinary customer terms and conditions are followed outside this framework.
* The pension liability for Managing Director Rune Fjeldstad totalled NOK 14.4 million as of 31.12.18

The Board of Directors 2018	Fees	Loans	Number of equity certificates
Øyvind Birkeland, Chair	321	-	2,000
Heine Wang, Deputy Chair	226	-	-
Eric Sandtrø	171	-	15,000
Kristin Søia Barkost	165	-	-
Janne Sølvi Weseth	160	5,652	4,500
Hanne Myhre Gravdal, Member - employee representative	132	4,130	4,681
Geir Arne Western, Member - employee representative	145	1,940	2,783
Total remuneration to the Board of Directors	**1,320**	**11,722**	**28,964**

Supervisory Board 2018	Fees	Loans
Lars Ole Bjørnsrud, Chair	57	4,938
Other representatives Supervisory Board/Nomination Committee	106	22,078
Total remuneration to the Supervisory Board	**163**	**27,016**

Specifications of benefits/loans

Group executive management 2017	Salary	Performance-based bonuses paid	Benefits in kind	Total remuneration	Accrued pension costs	Loans *	Number of equity certificates
Rune Fjeldstad**	2,745	82	35	2,862	5,032	8,334	51,055
Geir Årstein Hansen	1,472	37	217	1,726	235	1,817	7,445
Marianne Sommerro Evensen	1,060	37	26	1,123	412	3,547	5,555
Johan Hjerkinn (employed 08.05.17)	744	-	80	824	61	-	6,000
Stian Thomassen	1,558	42	114	1,714	83	-	1,259
Tonje Stormoen	975	12	21	1,008	159	2,437	7,601
Lasse Olsen	1,551	42	116	1,709	86	1,698	15,344
Total remuneration to the Group executive management	**10,105**	**252**	**609**	**10,966**	**6,068**	**17,833**	**94,259**

* Loans to executive employees follow the conditions for ordinary employee loans with an interest rate of 1.83% within a framework of NOK 3.25 million as at 31.12.17. Ordinary customer terms and conditions are followed outside this framework.
** Pension cost for the Managing Director Rune Fjeldstad's pension consists primarily of a one-time effect related to the formal establishment of an individual pension agreement. Pension liabilities totalled NOK 10.4 million as of 31.12.17

The Board of Directors 2017	Fees	Loans	Number of equity certificates
Øyvind Birkeland, Chair	321	-	2,000
Heine Wang, Deputy Chair	226	-	-
Gisle Alf Dahn (left the Board of Directors in Q4 2017)	128	-	-
Eric Sandtrø (elected to the Board in Q4 2017)	22	-	-
Kristin Søia Barkost	165	-	-
Janne Sølvi Weseth	160	-	-
Hanne Myhre Gravdal, Member - employee representative	132	2,210	1,000
Geir Arne Western, Member - employee representative	145	1,949	2,375
Total remuneration to the Board of Directors	**1,299**	**4,159**	**3,375**

Supervisory Board 2017	Fees	Loans
Lars Ole Bjørnsrud, Chair	57	2,221
Other representatives Supervisory Board/Nomination Committee	245	22,078
Total remuneration to the Supervisory Board	**302**	**24,299**

Note 21
Other operating costs

Parent bank			Group	
2017	2018	(NOK thousands)	2018	2017
82,586	88,484	IT Expenses	95,072	89,765
16,970	17,633	Market costs	19,508	19,995
10,668	6,516	Ordinary depreciation (Note 29)	8,192	18,934
-	-	Write-down of goodwill (Note 28)	-	3,273
4,700	4,125	Wealth tax	4,125	4,700
38,581	34,943	Buildings/operating costs	41,302	34,878
69,532	52,609	Other operating costs	60,558	77,799
223,036	**204,310**	**Total operating costs**	**228,756**	**249,343**

		Auditor's fees (NOK thousands)		
873	680	Ordinary auditing	964	1,267
13	-	Other certification services	32	83
71	25	Tax advice	61	71
393	302	Other services in addition to auditing	339	527
1,351	**1,006**	**Total remuneration to external auditor ex. VAT**	**1,396**	**1,948**

Note 22
Pension liabilities

The Group is obliged to have an occupational pension scheme pursuant to the Act on Mandatory Occupational Pension. The Bank's pension scheme satisfies the requirements of this Act.

Sparebank 1 BV has had 3 collective, secured pension insurances in life insurance companies DNB Livsforsikring ASA and Sparebank 1 Livsforsikring AS. The schemes were discontinued in 2018 and replaced by the defined contribution pension scheme.

A compensation scheme has been established on the basis of a historical qualifying period within the discontinued defined-benefit schemes. The compensation scheme only applies to active employees and accrues until the age of 67, or until the employment relationship is terminated for other reasons than: illness, transition to work assessment allowance, or permanent disability. 104 employees are included in this scheme as at 31.12.2018.

A new contractual early retirement scheme (AFP) was established in 2010 as a replacement for the old one. The scheme is treated in the accounts as a defined contribution pension scheme, where the premium payments are recognised on an ongoing basis, and no provisions are made in the financial statements. Such as the joint scheme has established a financing structure linked to the new AFP, invoiced premiums are expected to increase in the years to come.

In addition, the Bank has pension obligations to 7 persons as at 31.12.2018 which are financed directly through operations.

The estimated liability at the balancing of the accounts is used for the measurement of accrued pension liabilities. Employer contributions on uninsured benefits are recognised on an ongoing basis. The companies' pension liabilities are greater than the pension funds. This under-financing is shown in the balance sheet as a provision for accrued expenses and liabilities.

As at 31.12.2018, the parent bank has a joint defined contribution pension scheme. The scheme which covers a total of 228 employees, is charged to operations and is compensated with;

Salaries up to 12 G:	7.0%
Addition for salaries between 7.1 and 12 G:	15.0%

As at 31.12.2018, the subsidiaries have defined contribution pensions, charged to operations, which covers 111 employees. These schemes vary in remuneration from 4.0% to 7.0% (between 0 and 7,1 G) and 4.0% to 25.1% (between 7.1 and 12 G).

Actuarial assumptions:

Parent bank and Group	2018	2017
Economic assumptions		
Discount rate (covered bonds)	2.60%	2.40%
Expected return on assets	2.60%	2.40%
Expected future wage development	2.75%	2.50%
Expected G-adjustment	2.50%	2.25%
Expected pension adjustment	2.00%	2.00%
Employer contributions	14.10%	14.10%
Financial tax (parent bank)	5.00%	5.00%
Demographic assumptions		
Voluntary retirement under 50 years	0.00%	0.00%
Voluntary retirement over 50 years	0.00%	0.00%
Average age of active	N/A	56.9 years
Used disability table	IR02/IR73	IR02/IR73
Used mortality table	K2013 BE/UM	K2013 BE/UM

Parent bank			Group	
2017	2018	(NOK thousands)	2018	2017
		Members		
274	115	Number of persons who are involved in the pension scheme	121	281
145	105	- of which active	107	148
129	10	- of which pensioners/not active	14	133
		Net pension liabilities on the balance sheet		
395,735	-	Present value pension liabilities in fund-based schemes	5,929	402,580
39,774	41,936	Present value other defined benefit schemes	41,936	39,774
(316,788)	(13,852)	Fair value of pension funds	(20,431)	(324,202)
-	13,852	Transferred final settlement closed schemes to other receivables	13,852	-
22,989	7,908	Accrued employer contributions/financial tax	7,816	22,909
141,710	**49,844**	**Net pension liabilities on the balance sheet**	**49,102**	**141,061**
		Accrued pension costs		
14,916	13,449	Defined-benefit pensions earned during the period	13,733	15,204
2,765	2,426	Net interest expenses pension liabilities	2,413	2,758
(4,010)	(102,226)	Effect of changes to scheme	(102,226)	(4,010)
3,919	3,126	Accrued employer contributions	3,164	3,959
17,591	**(83,225)**	**Net profit and loss account defined-benefit pension cost**	**(82,916)**	**17,910**
		Movement in net pension liabilities on the balance sheet		
59,417	57,644	Net pension liabilities on the balance sheet 1.1	58,745	60,739
76,066	83,993	Actuarial gains/losses recognised in other income and expenses as at 1.1	82,242	74,364
8,092	-	Merged net pension liabilities on the balance sheet as of 2.1	-	8,092
-	13,852	Transferred final settlement closed schemes to other receivables	13,852	-
17,591	(83,225)	Net profit and loss account defined-benefit pension cost	(82,916)	17,910
(27,383)	(17,807)	Amount paid to defined-benefit schemes	(18,279)	(27,923)
7,927	(4,611)	The year's actuarial gains/losses recognised in other income and expenses	(4,541)	7,879
141,710	**49,844**	**Net pension liabilities on the balance sheet 31.12**	**49,102**	**141,061**
		Movement in gross pension liability on the balance sheet (before e.c./financial tax)		
355,477	435,510	Gross pension liabilities on the balance sheet 1.1	442,356	362,862
70,556	-	Merged gross pension liabilities on the balance sheet as of 2.1	-	70,556
14,898	13,385	Pensions earned in the year	13,639	15,160
10,851	7,391	Interest on pension liabilities	7,557	11,044
(12,116)	(401,809)	Effect of changes to scheme	(401,809)	(12,116)
(15,062)	(8,668)	Pensions paid (incl. paid over operations)	(8,871)	(15,271)
10,906	(3,871)	Actuarial loss/(gain)	(5,003)	10,121
435,510	**41,938**	**Gross pension liability on the balance sheet (before e.c./financial tax)**	**47,869**	**442,356**
		Movement fair value of pension funds on the balance sheet		
241,521	316,787	Fair value of pension funds on the balance sheet 1.1	324,202	249,238
63,464	-	Merged fair value of pension funds on the balance sheet 2.1	-	63,464
-	(13,851)	Transferred final settlement closed schemes to other receivables	(13,851)	-
19,105	11,743	Paid to fund-based schemes	12,105	19,520
8,087	5,004	Net interest income from funds	5,152	8,262
(8,553)	(314,266)	Effect of changes to scheme	(314,266)	(8,553)
(11,133)	(5,416)	Paid pensions	(5,568)	(11,283)
4,297	-	Actuarial (loss)/gain	(1,193)	3,554
(316,788)	**-**	**Fair value of pension funds on the balance sheet 31.12**	**6,581**	**324,202**
	-	**Expected payment to defined-benefit schemes in 2019 (before e.c./financial tax)**	**468**	

Note 23
Tax

Parent bank			Group	
2017	2018	(NOK thousands)	2018	2017
628,432	681,326	Earnings before tax	731,998	612,430
4,700	4,125	Wealth tax	4,125	4,700
(7,927)	(4,611)	Items recognised directly in equity	(4,611)	(7,927)
(248,852)	(148,615)	+/- permanent differences	(173,627)	(219,712)
(22,802)	(87,555)	+/-change in temporary differences in accordance with specification	(102,806)	12,498
353,551	**444,670**	**Tax basis/taxable income**	**455,079**	**401,989**
88,388	111,168	Tax payable 25%	113,770	100,497
123	523	Withholding tax	523	123
4,700	4,125	Wealth tax 0.15%	4,125	4,700
93,211	**115,816**	**Tax payable on the balance sheet**	**118,418**	**105,321**
5,700	21,898	+/-change in deferred tax	25,701	(7,888)
1,982	(1,153)	Tax on items recognised directly in equity	(1,222)	6,664
(123)	(523)	Withholding tax	(523)	(123)
524	837	Too (much)/little tax set aside in previous years	(2,338)	524
105,188	**136,875**	**Tax costs incl. wealth tax**	**140,036**	**108,392**
4,700	4,125	Wealth tax	4,125	4,700
100,488	**132,750**	**Tax costs excl. wealth tax**	**135,912**	**103,692**

2017	2018	**Composition of the capitalized and profit and loss account deferred tax/deferred tax assets**	2018	2017
		Temporary differences on:		
(11,184)	(3,243)	Tangible assets	(4,280)	(13,269)
1,932	5,698	Profit/Loss Account	5,980	2,344
13,276	7,643	Value-adjusted fixed rate loans	7,643	13,276
(141,711)	54,454	Pension liabilities	(53,712)	(141,062)
39,278	17,649	Securities	17,649	39,278
(36,791)	(20,937)	Financial derivatives	(20,937)	(36,791)
(8,640)	-	Other temporary differences	1,145	(13,301)
-	-	Tax loss carried forward	(4,018)	(3,812)
(143,840)	**(47,644)**	**Total temporary differences**	**(50,531)**	**(153,337)**
(35,960)	**(11,911)**	**+ Deferred tax/- Deferred tax assets**	**(12,633)**	**(38,334)**

2017	2018	**Reconciliation of the profit and loss account accrued tax with earnings before tax**	2018	2017
157,108	170,332	25% of earnings before tax	183,000	153,108
(61,038)	(36,123)	Permanent differences	(42,376)	(53,833)
3,894	(2,296)	Tax on items recognised directly in equity	(2,374)	3,894
524	837	Too (much/little) tax set aside in previous years	(2,338)	524
100,488	**132,750**	**Tax on ordinary profit/loss**	**135,912**	**103,693**
15.87%	19.37%	Tax costs in percent	18.46%	16.80%

2017	2018	**Tax costs of total profit/loss**	2018	2017
100,488	132,750	Total tax costs profit/loss	135,912	103,692
(1,982)	(1,153)	Tax on estimated deviation pensions	1,153	(1,982)
98,505	**133,902**	**Total tax costs of total profit/loss**	**137,065**	**101,710**

Note 24
Certificates, bonds and other securities at fair value

General description
All bonds and certificates are designated at fair value through the profit and loss account

Parent bank		Certificates and bonds distributed by issuer sector	Group	
2017	2018	(NOK thousands)	2018	2017
		State		
250,000	250,000	- face value	250,000	250,000
261,866	256,798	- fair value	256,798	261,866
		Other public issuer		
327,000	314,000	- face value	314,000	327,000
329,879	315,156	- fair value	315,156	329,879
		Financial companies		
2,997,045	3,280,945	- face value	3,280,945	2,997,045
3,027,147	3,316,721	- fair value	3,316,721	3,027,147
		Non-financial companies		
183,000	130,000	- face value	130,000	183,000
184,716	130,340	- fair value	130,340	184,716
3,803,608	**4,019,015**	**Total certificates and bonds, fair value:**	**4,019,015**	**3,803,608**
12,626	**14,225**	**Accrued interest**	**14,225**	**12,626**
3,816,234	**4,033,240**	**Total certificates and bonds, including accrued interest:**	**4,033,240**	**3,816,234**

Certificates and bonds distributed by maturity

31.12.2018	< 6 months	6-12 months	1-3 years	3-5 years	< 5 years
State	-	-	51,638	205,160	-
Other public issuer	-	30,439	90,253	194,464	-
Financial companies	30,138	53,203	1,246,912	1,858,903	127,565
Non-financial companies	39,318	40,058	20,111	10,900	19,953

31.12.2017	< 6 months	6-12 months	1-3 years	3-5 years	< 5 years
State	-	-	53,466	-	208,400
Other public issuer	25,012	65,804	46,511	167,554	24,998
Financial companies	40,057	40,128	1,141,089	1,569,595	236,278
Non-financial companies	24,141	45,327	95,106	-	20,142

Parent bank		Certificates and bonds at fair value	Group	
2017	2018	(NOK thousands)	2018	2017
208,400	205,160	Valuation based on prices on an active market.	205,160	208,400
3,595,208	3,813,855	Valuation based on observable market data	3,813,855	3,595,208
-	-	Valuation based on other than observable market data.	-	-
3,803,608	**4,019,015**	**Certificates and bonds, trading purposes**	**4,019,015**	**3,803,608**

Certificates and bonds at fair value	Valuation based on prices in an active market.	Valuation based on observable market data	Valuation based on other than observable market data.	Total
Trading purpose				
Opening balance 01.01.2018	208,400	3,595,208	-	3,803,608
Purchase, sale in 2018	-	237,036	-	237,036
Value adjustment in 2018				
- value adjustment profit/loss account	(3,240)	(18,389)	-	(21,629)
Closing balance 31.12.2018	**205,160**	**3,813,855**	**-**	**4,019,015**

Note 25
Fair value of financial instruments

Parent bank					Group			
2017		2018		(NOK thousands)	2018		2017	
Change to fair value	Book value	Change to fair value	Book value		Book value	Change to fair value	Book value	Change to fair value
				Assets				
100,501	100,501	98,026	98,026	Cash and receivables from central banks	98,026	98,026	100,501	100,501
1,263,969	1,263,969	992,490	992,490	Loans to and receivables from credit institutions	1,024,799	1,024,799	1,281,731	1,281,731
26,214,594	26,214,594	27,032,045	27,032,045	Loans to and receivables from customers at amortised cost	27,003,852	27,003,852	26,189,529	26,189,529
1,268,367	1,268,367	2,528,098	2,528,098	Loans to and receivables from customers at fair value	2,528,098	2,528,098	1,268,367	1,268,367
3,816,234	3,816,234	4,033,240	4,033,240	Certificates, bonds and other securities at fair value	4,033,240	4,033,240	3,816,234	3,816,234
257,978	257,978	251,087	251,087	Shares, units and other securities at fair value through profit and loss	251,087	251,087	257,978	257,978
880,469	880,469	1,069,887	1,069,887	Shares, units and other securities available for sale	1,069,887	1,069,887	880,469	880,469
42,815	42,815	48,670	48,670	Derivatives	48,670	48,670	42,815	42,815
33,844,927	**33,844,927**	**36,053,543**	**36,053,543**	**Total assets**	**36,057,659**	**36,057,659**	**33,837,624**	**33,837,624**
				Liabilities				
111,984	111,984	-	-	Liabilities to credit institutions	-	-	111,984	111,984
20,220,041	20,220,041	21,499,904	21,499,904	Deposits from and liabilities to customers at amortised cost	21,476,147	21,476,147	20,182,483	20,182,483
819,483	819,483	662,433	662,433	Deposits from and liabilities to customers at fair value	662,433	662,433	819,483	819,483
5,916,233	5,916,233	6,434,239	6,434,239	Securities debt at amortised cost	6,434,239	6,434,239	5,916,233	5,916,233
1,944,540	1,944,540	2,322,651	2,322,651	Securities at fair value	2,322,651	2,322,651	1,944,540	1,944,540
54,302	54,302	39,080	39,080	Derivatives	39,080	39,080	54,302	54,302
496,686	496,686	445,258	445,258	Subordinated loan capital at amortised cost	445,258	445,258	496,686	496,686
29,563,269	**29,563,269**	**31,403,565**	**31,403,565**	**Total liabilities**	**31,379,808**	**31,379,808**	**29,525,711**	**29,525,711**
				Liabilities and guarantee commitments outside the balance sheet				
3,678,500	3,678,500	4,300,000	4,300,000	Liabilities (interest rate swaps)	4,300,000	4,300,000	3,678,500	3,678,500
717,340	717,340	657,552	657,552	Garantiansvar	657,552	657,552	717,340	717,340
242,658	242,658	217,085	217,085	Assets pledged as security	217,085	217,085	242,658	242,658

Financial instruments measured at amortised cost

The Bank's loans and borrowing can mainly not be traded in an active market. Transfers of funding loans, for example, to another party will require approval from each customer. The Bank's risk mark-up on loans is changed only with major changes in market conditions. Such loans are considered mainly to have variable interest rate terms. The Bank's credit mark-up for these loans was unchanged at the end of the year. The same margin would be used for new loans on the balance sheet date.

The Bank has adjusted the credit risk premium through 2018 for loans with reference-based terms as a result of volatility in credit spreads throughout the year. At the end of the year, the Bank has made a renewed assessment of the credit risk and considered that a re-pricing of the loans would have been made to the same margins. Customers can settle this type of loan at face value. Therefore, the Bank considers that loans with reference-based conditions recognised at amortised cost represent the best estimate of fair value.

Securities debt and subordinated loan capital valued at amortised cost represent the best estimate of fair value. The instruments have a variable interest rate and there are no changes in credit spreads.

Principles used to determine fair value of financial instruments that are not recognised at fair value:
Assets that are considered to have a fair market value equal to the book value

The book value is deemed to correspond to the fair value of financial assets and liabilities that are liquid or have a short term to maturity (less than three months).

Financial instruments measured at fair cost

Financial instruments at fair value are classified in different levels.

Level 1 Valuation based on quoted prices in an active market. The fair value of financial instruments traded on active markets is based on the market price at the balance sheet date. A market is considered to be active if the market prices are easily and regularly available from a stock exchange, dealer, broker, economic grouping, pricing service or regulatory authority, and these prices represent actual and regularly occurring market transactions at arm's length. The category includes listed shares and units in mutual funds, treasury bills, government bonds and certificates that are traded in active markets.

Level 2 Valuation based on observable market data. Level 2 consists of instruments which are valued using information other than listed prices, but where prices are directly or indirectly observable for the assets or liabilities, and also include listed prices in a non-active market.

- These valuation methods maximise the use of observable data where it is available and rely as little as possible on the bank's own estimates.
- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on the observable rate curve.
- The fair value of bonds and certificates (assets and liabilities) is calculated as the present value of the estimated cash flow based on the observable yield curve, including an indicated credit spread on the issuer from a reputable brokerage firm or Reuters/ Bloomberg pricing services.
- This category includes bonds, certificates, equity instruments, own securities debt at fair value, and derivatives.

Level 3: Valuation based on other than observable data. If no valuation is available in relation to level 1 and 2, valuation methods that are based on non-observable information are used.

- Fair value of fixed rate deposits and loans: The bank uses the base rate/reference rate on the loans, and discounts using its own swap curve to calculate the funding margin. The bank has no 'day 1 profit'. For valuations at later dates, the bank reads in reads customer interest and adjusts for funding and customer margins. The swap interest will be charged on the discount date. This is then compared with the swap rate on the calculation date taking account of the remaining term to maturity. Changes to the customer margin (administrative markup, markup for anticipated losses and return on equity) in the term of the loan are not assessed/taken into account.
- Equity investments are valued at fair value under the following conditions: 1. Price at the time of the last capital increase or last sale between independent parties, adjusted for changes in market conditions since the capital increase/sale. 2. Fair value based on expected future cash flows for the investment.
- On the remaining financial instruments, fair value is determined on the basis of value estimates obtained from external parties. For those unlisted shares where it is not possible to make a sufficiently reliable measurement of fair value, acquisition cost or impaired book value is used.
- This category includes other equity instruments, housing loans and the bank's own fixed rate loans.

The group's assets and liabilities measured at fair value as at 31.12.2018

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Fixed rate loans	-	-	1,686,961	1,686,961
- Approved loans to Boligkreditt	-	-	821,137	821,137
- Bonds and certificates	205,160	3,813,855	-	4,019,015
- Equity Instruments	251,087	-	-	251,087
- Derivatives	-	48,670	-	48,670
- Equity Instruments	18,130	-	1,051,757	1,069,887
Total assets	**474,377**	**3,862,525**	**3,559,855**	**7,896,757**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit/loss				
- Fixed rate deposits	-	-	-	-
- Securities at fair value	-	2,322,651	-	2,322,651
- Derivatives	-	39,080	-	39,080
Total liabilities	**-**	**2,361,731**	**-**	**2,361,731**

The group's assets and liabilities measured at fair value as at 31.12.2017

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Fixed rate loans	-	-	1,268,367	1,268,367
- Bonds and certificates	208,400	3,595,208	-	3,803,608
- Equity Instruments	257,978	-	-	257,978
- Derivatives	-	42,815	-	42,815
Financial assets available for sale				
- Equity Instruments	19,395	-	861,074	880,469
Total assets	**485,773**	**3,638,023**	**2,129,441**	**6,253,237**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit/loss				
- Fixed rate deposits	-	-	819,483	819,483
- Securities at fair value	-	1,944,540	-	1,944,540
- Derivatives	-	54,302	-	54,302
Total liabilities	**-**	**1,998,842**	**819,483**	**2,818,325**

Changes in instruments classified under Level 3 as at 31.12.2018

	Fixed rate loans	Shares at fair value through profit/loss	Shares available for sale	Fixed rate deposits	Approved loans to BoligKreditt
Opening balance 01.01.2018	1,268,367	-	861,074	819,483	-
Change as a result of the transition to IFRS 9	-	-	-	- 819,483	-
Increase	611,252	-	166,378	-	821,137
Decrease	(199,605)	-	(8,786)	-	-
Net gain/loss on financial instruments	6,947	-	33,091	-	-
Closing balance 31.12.2018	**1,686,961**	**-**	**1,051,757**	**-**	**821,137**

Changes in instruments classified under Level 3 as at 31.12.2017

	Fixed rate loans	Shares at fair value through profit/loss	Shares available for sale	Fixed rate deposits
Opening balance 1.1.2017	1,046,317	34,935	591,164	554,172
Added by merger with SpareBank 1 Nøtterøy-Tønsberg	447,872	34,571	200,774	74,744
Increase	87,470	444	70,464	814,081
Decrease	311,457	(66,765)	(11,566)	(622,455)
Net gain/loss on financial instruments	(1,835)	(3,185)	10,238	(1,059)
Closing balance 31.12.2017	**1,268,367**	**-**	**861,074**	**819,483**

Note 26
Financial derivatives

Financial derivatives

General description:
The table below shows the fair value of the Bank's financial derivatives recognised as assets and liabilities, as well as the nominal value of the contracts. Positive market value of the contracts is recognised as an asset, while the negative market value is recognised as liabilities. The contract volume, shows the size of the derivatives' underlying assets, and is the basis for the measurement of changes in the fair value of the Bank's derivatives. Derivative transactions are related to the ordinary banking operations and implemented to reduce risk related to the Bank's liquidity portfolio and the Bank's funding loans in the financial markets and to identify and reduce risk related to customer-related activities. Only hedging related to the Bank's funding activities is defined as "fair value hedging" in accordance with IFRS standard IAS 39.

Fair value hedging

Net losses related to hedging instruments at fair value hedging was NOK 24.5 million in 2018, compared with net loss of NOK 19.5 million in 2017. Net gains on the hedging objects related to the hedged risk was NOK 22.5 million in 2018, compared with net gains of NOK 26.2 million in 2017.

The Bank's Board of Directors has set limits for the maximum risk on the Bank's positions for the Bank's balance sheet. Procedures have been established to ensure that the stipulated positions are held.

Figures have not been prepared for the parent bank, since they are identical with the Group figures

Group

Securing of customer-related assets Att fair value through profit/loss	2018			2017		
	Contract sum	Fair value		Contract sum	Fair value	
Interest rate instruments		Assets	Liabilities		Assets	Liabilities
Interest rate swap agreements/swap	1,725,000	42,848	32,449	1,515,000	442	48,844
Total non-standardised contracts	1,725,000	**42,848**	**32,449**	**1,515,000**	**442**	**48,844**
Standardised interest rate contracts (futures)	-	-	-	-	-	-
Interest rate instruments	**1,725,000**	**42,848**	**32,449**	**1,515,000**	**442**	**48,844**

Hedging of funding loans **At fair value through profit/loss**						
	Contract sum	Fair value		Contract sum	Fair value	
Interest rate instruments		Assets	Liabilities		Assets	Liabilities
Interest rate swap agreements/swap (also covers cross currency)	2,575,000	5,822	6,631	2,163,500	39,451	5,459
Total non-standardised contracts	**2,575,000**	**5,822**	**6,631**	**2,163,500**	**39,451**	5,459
Standardised interest rate contracts (futures)	-	-	-	-	-	-
Interest rate instruments	**2,575,000**	**5,822**	**6,631**	**2,163,500**	**39,451**	5,459
Total interest rate instruments	**4,300,000**	**48,670**	**39,080**	**3,678,500**	**39,893**	**54,303**

	Fair value		Fair value	
Financial derivatives at fair value	Assets	Liabilities	Assets	Liabilities
Valuation based on prices on an active market.	-	-	-	-
Valuation based on observable market data	48,670	39,080	39,893	54,303
Valuation based on other than observable market data.	-	-	-	-
Financial derivatives at fair value	**48,670**	**39,080**	**39,893**	**54,303**

Note 27
Stocks, shares, bonds and other equity interests

General description
The Bank classifies and measures shares at fair value through the profit and loss account. If an active market cannot be found for a financial asset (or the asset is unlisted), the Group can calculate fair value using various valuation models. If the asset cannot be valued reliably, cost price is considered the most reliable approach, cf. IFRS 9. All bonds and certificates are designated at fair value through the profit and loss account

Parent bank		Shares and holdings	Group	
2017	2018	(NOK thousands)	2018	2017
257,977	251,087	Short-term investments	251,087	257,977
257,977	251,087	- at fair value through profit/loss	251,087	257,977
880,469	1,069,887	Long-term investments	1,069,887	880,469
	1,069,887	- at fair value through profit/loss	1,069,887	-
880,469	-	- available for sale	-	880,469
1,138,447	**1,320,974**	**Total shares and holdings**	**1,320,974**	**1,138,447**

Parent bank/Group

Short-term investments	Market value/ carrying value 2018	Market value/ carrying value 2017
Listed equity certificates	106,786	97,447
Listed shares	3,210	13,162
Unlisted shares/equity certificates	-	-
Mutual funds	28,122	38,559
Combination funds	12,011	8,952
Bond funds	100,958	99,857
At fair value through profit/loss parent bank/Group	**251,087**	**257,977**

Long-term investments	Market value/ carrying value 2018	Market value/ carrying value 2017
Unlisted shares/holdings within the SpareBank 1 Alliance	1,003,903	831,073
Miscellaneous other unlisted shares	65,984	49,396
At fair value through profit/loss parent bank/Group	**1,069,887**	**880,469**

Parent bank		Shares and holdings at fair value	Group	
2017	2018	(NOK thousands)	2018	2017
257,977	251,087	Valuation based on prices on an active market.	251,087	257,977
-	-	Valuation based on observable market data	-	-
-	-	Valuation based on other than observable market data.	-	-
257,977	**251,087**	**Shares, holdings short-term placement**	**251,087**	**257,977**
19,395	18,130	Valuation based on prices on an active market.	18,130	19,395
-	-	Valuation based on observable market data	-	-
861,074	1,051,757	Valuation based on other than observable market data.	1,051,757	861,074
880,469	**1,069,887**	**Shares, holdings long-term placement**	**1,069,887**	**880,469**

Shares and holdings at fair value	Valuation based on prices in an active market.	Valuation based on observable market data	Valuation based on other than observable market data	Total
Short-term placement				
Opening balance 01.01.2018	257,977	-	-	257,977
Purchase, sale in 2018	10,786	-	-	10,786
Value adjustment in 2018	-	-	-	-
- value adjustment profit/loss account	-17,676	-	-	-17,676
Closing balance 31.12.2018	**251,087**	**-**	**-**	**251,087**
Long-term placement				
Opening balance 01.01.2018	19,395	-	861,074	880,469
Purchase, sale in 2018	-	-	159,670	159,670
Value adjustment in 2018	-	-	-	-
- value adjustment profit/loss account	(1,265)	-	31,013	29,748
Closing balance 31.12.2018	**18,130**	**-**	**1,051,757**	**1,069,887**

Note 28
Goodwill

Parent bank			Group	
2017	2018	(NOK thousands)	2018	2017
		Goodwill		
-	-	Acquisition cost as of 1.1	36,512	29,554
-	-	OB from SpareBank 1 Nøtterøy-Tønsberg	-	6,958
-	-	Increase	-	89,527
-	-	Decrease	-	89,527
-	-	Acquisition cost as of 31.12	36,512	36,512
-	-	Accumulated impairment 1.1	11,858	8,585
-	-	Impairments for the year	-	3,273
-	-	Decrease	-	-
-	-	Accumulated impairment 31.12	11,858	11,858
-	**-**	**Goodwill on the balance sheet as of 31.12**	**24,654**	**24,654**

The amounts are stated as the difference between the identifiable assets, including added value in the acquired companies, and the cost price for the acquired company. Goodwill items relate to future earnings in the company and are supported by the net present value calculations of expected future earnings that document a future financial benefit through the purchase of the company.

2017	2018	The carrying amount consists of:	2018	2017
-	-	Merger between Eiendomsmegler 1 Vestfold and Eiendomsmegler 1 Buskerud in 2009	2,548	2,548
-	-	Acquisition of bookkeeping agencies - the subsidiary's purchase of 100% of the shares in 2013	15,148	15,148
-	-	Z Eiendom AS - from merger with SpareBank 1 Nøtterøy-Tønsberg in 2017	6,958	6,958
-	**-**	**Carrying amount 31.12**	**24,654**	**24,654**

2017	2018	Impairments for the year	2018	2017
-	-	Em1 NæringsMegling 1 AS - remaining goodwill in 50% of the company	-	3,273
-	**-**	**Impairments for the year**	**-**	**3,273**

Goodwill items are reviewed annually and are written down if there is a basis for it after a specific assessment.

Note 29
Tangible assets - property, plant and equipment

Parent bank				Group		
Buildings and other real estate	Machinery, fixtures and fittings and vehicles	Total	2018 (NOK thousands)	Buildings and other real estate	Machinery, fixtures and fittings and vehicles	Total
92,770	38,475	131,245	Acquisition cost or adjusted value as per 1.1.18	172,831	47,902	220,733
-	3,520	3,520	Increase	-	4,238	4,238
(80,123)	(4,411)	(84,534)	Decrease	(147,084)	(4,416)	(151,500)
12,647	**37,584**	**50,231**	**Acquisition cost or adjusted value as of 31.12.18**	**25,747**	**47,724**	**73,471**
(36,632)	(21,095)	(57,727)	Accumulated depreciation and impairment 01.01.18	(43,788)	(28,637)	(72,425)
(650)	(5,865)	(6,515)	Depreciation for the year	(1,608)	(6,584)	(8,192)
34,057	4,796	38,853	Depreciation related to discontinued assets	37,296	4,769	42,065
(3,225)	(22,164)	(25,389)	Accum. depreciation and impairment corrected for objects written down to 0 as of 31.12.18	(8,100)	(30,452)	(38,552)
9,422	**15,420**	**24,842**	**Carrying amount as of 31.12.18**	**17,647**	**17,272**	**34,919**

Parent bank				Group		
Buildings and other real estate	Machinery, fixtures and fittings and vehicles	Total	2017 (NOK thousands)	Buildings and other real estate	Machinery, fixtures and fittings and vehicles	Total
7,688	21,987	29,675	Acquisition cost or adjusted value as of 31.12.16	78,134	30,630	108,764
86,739	15,298	102,037	Acquisition cost at merger	87,228	16,082	103,310
94,427	**37,285**	**131,712**	**Acquisition cost or adjusted value as of 1.1.17**	**165,362**	**46,712**	**212,074**
	7,006	7,006	Increase	9,126	7,006	16,132
(1,657)	(5,816)	(7,473)	Decrease	(1,657)	(5,816)	(7,473)
92,770	**38,475**	**131,245**	**Acquisition cost or adjusted value as of 31.12.17**	**172,831**	**47,902**	**220,733**
(2,672)	(11,536)	(14,208)	Accumulated depreciation and impairment 31.12.16	(2,902)	(18,401)	(21,303)
(32,632)	(6,718)	(39,350)	Accumulated depreciation at merger	(32,632)	(6,718)	(39,350)
(35,304)	**(18,254)**	**(53,558)**	**Accumulated depreciation and impairment 1.1.17**	**(35,534)**	**(25,119)**	**(60,653)**
(3,121)	(7,546)	(10,667)	Depreciation for the year	(6,730)	(8,223)	(14,953)
1,793	4,705	6,498	Depreciation related to discontinued assets	1,793	4,705	6,498
(36,632)	(21,095)	(57,727)	Accum. depreciation and impairment corrected for objects written down to 0 as of 31.12.17	(40,471)	(28,637)	(69,108)
56,138	**17,380**	**73,518**	**Carrying amount as of 31.12.17**	**132,360**	**19,265**	**151,625**

The Bank has not mortgaged or accepted other disposal limitations for its fixed assets.

Gross value of fully depreciated assets still in use:
The gross value of fixed assets that are fully depreciated, is calculated to be obsolete. Obsolete fixed assets are valued as no longer being in use.

Revaluations:
The Bank has not carried out ongoing revaluations of fixed assets.

Liabilities:
As of 31.12.2018 the Bank has no binding agreements relating to the procurement of new fixed assets.

Note 30
Other assets

Parent bank			Group	
2017	2018	(NOK thousands)	2018	2017
14,958	40,245	Accounts receivable and advance payments	41,539	32,080
5,513	5,233	Accrued, not received income	19,191	3,227
19,895	9,940	Other prepaid not incurred costs	11,694	22,677
3,438	5,816	Appropriation- and internal accounts	5,816	3,443
39,893	48,670	Financial derivatives	48,670	39,893
83,697	**109,904**	**Total other assets**	**126,910**	**101,320**

Note 31
Deposits from customers

Parent bank					Group			
2017		2018			2018		2017	
Share	Deposits	Share	Deposits	(NOK thousands)	Share	Deposits	Deposits	Share
83.5%	17,559,699	85.7%	18,984,461	Deposits from and liabilities to customers with no agreed term to maturity	18,960,704	85.6%	17,522,142	83.4%
16.5%	3,479,824	14.3%	3,177,876	Deposits from and liabilities to customers with agreed term to maturity	3,177,876	14.4%	3,479,824	16.6%
100.0%	**21,039,523**	**100.0%**	**22,162,337**	**Total deposits from customers**	**22,138,580**	**100.00%**	**21,001,966**	**100.00%**
				Losses distributed by sector and industry				
58.4%	12,278,048	60.2%	13,350,242	Salaried staff, etc.	13,350,242	60.3%	12,278,048	58.5%
0.8%	163,346	0.8%	180,879	Agriculture/forestry	180,879	0.8%	163,346	0.8%
0.9%	196,224	0.9%	197,312	Production (manufacturing)	197,312	0.9%	196,224	0.9%
2.6%	538,476	2.7%	593,131	Building and construction	593,131	2.7%	538,476	2.6%
3.3%	698,895	3.4%	750,927	Merchandising/hotels and restaurants	750,927	3.4%	698,895	3.3%
11.9%	2,502,831	12.7%	2,822,879	Property management/business services, etc.	2,799,122	12.6%	2,465,274	11.7%
6.7%	1,404,558	5.4%	1,201,043	Transport and service Industries	1,201,043	5.4%	1,404,558	6.7%
11.6%	2,442,712	8.7%	1,930,624	Public administration	1,930,624	8.7%	2,442,712	11.6%
3.9%	814,433	5.1%	1,135,300	Abroad and others	1,135,300	5.1%	814,433	3.9%
100.0%	**21,039,523**	**100.0%**	**22,162,337**	**Total deposits broken down by sector and industry**	**22,138,580**	**100.0%**	**21,001,966**	**100.0%**
				Deposits distributed by geographic areas				
62.4%	13,132,107	60.0%	13,301,320	Vestfold	13,277,563	60.0%	13,094,550	62.3%
27.9%	5,877,422	28.0%	6,214,443	Buskerud	6,214,443	28.1%	5,877,422	28.0%
8.3%	1,737,551	10.6%	2,351,975	Rest of Norway	2,351,975	10.6%	1,737,551	8.3%
1.4%	292,443	1.3%	294,599	Abroad	294,599	1.3%	292,443	1.4%
100.0%	**21,039,523**	**100.0%**	**22,162,337**	**Total deposits distributed by geographic areas**	**22,138,580**	**100.0%**	**21,001,966**	**100.0%**

Note 32
Liabilities on issuance of securities

Parent bank					Group			
2017		2018			2018		2017	
Amount	Average interest rate%	Amount	Average interest rate%	(NOK thousands)	Amount	Average interest rate%	Amount	Average interest rate%
-		-		Certificate debt	-		-	
7,860,773	1.86%	8,756,890	2.04%	Bond debt	8,756,890	2.04%	7,860,773	1.86%
7,860,773		**8,756,890**		**Total debt from the issuance of securities**	**8,756,890**		**7,860,773**	
				Bond debt distributed by maturity				
961,496	12%	-	-	2018	-	-	961,496	12%
1,824,895	23%	1,494,304	17%	2019	1,494,304	17%	1,824,895	23%
1,457,756	19%	1,453,689	17%	2020	1,453,689	17%	1,457,756	19%
1,496,096	19%	1,997,731	23%	2021	1,997,731	23%	1,496,096	19%
1,299,418	17%	1,399,600	16%	2022	1,399,600	16%	1,299,418	17%
-	-	999,743	11%	2023	999,743	11%	-	-
582,841	7%	871,552	10%	2024	871,552	10%	582,841	7%
197,389	3%	489,466	6%	2027	489,466	6%	197,389	3%
40,882	1%	50,805	1%	Accrued interest	50,805	1%	40,882	1%
7,860,773		**8,756,890**		**Bond debt and other long-term borrowing**	**8,756,890**		**7,860,773**	
				Liabilities distributed by significant currencies				
7,860,773		8,756,890		NOK	8,756,890		7,860,773	
				Liabilities on issuance of securities at fair value				
-		-		Valuation based on prices on an active market.	-		-	
1,944,540		2,322,651		Valuation based on observable market data	2,322,651		1,944,540	
-		-		Valuation based on other than observable market data	-		-	
1,944,540		**2,322,651**		**Liabilities on issuance of securities at fair value**	**2,322,651**		**1,944,540**	

Note 33
Other liabilities

Parent bank			Group	
2017	2018	(NOK thousands)	2018	2017
141,711	49,844	Pension liabilities (Note 22)	49,102	141,644
5,144	6,933	Provisions for losses on guarantees (Note 11)	6,933	5,144
14,656	16,215	Accounts payable	20,681	16,507
66,861	77,857	Other liabilities	86,350	72,739
47,051	31,195	Accruals	34,364	50,825
15,840	16,044	Holiday pay	25,247	25,267
8,299	8,242	Employer contributions	11,569	12,156
54,302	39,080	Financial derivatives (Note 26)	39,080	54,302
353,864	**245,410**	**Total other liabilities and commitments**	**273,328**	**378,584**
		Provided guarantees, etc. (agreed guarantee amount)		
18,740	16,185	Loan guarantees	16,185	18,740
302,802	271,618	Payment guarantees	271,618	302,802
377,515	349,044	Contractual guarantees	349,044	377,515
17,476	20,705	Other guarantee liabilities	20,705	17,476
716,533	**657,552**	**Total provided guarantees**	**657,552**	**716,533**
		Other liabilities		
1,639,972	1,715,253	Unutilised credit facilities	1,715,253	1,639,972
2,710,369	**2,618,215**	**Total liabilities**	**2,646,133**	**2,735,089**
		Secured debt		
242,658	227,770	Securities	227,770	242,658

Note 34
Subordinated loan capital

Parent bank			Group	
2017	2018	(NOK thousands)	2018	2017
		Time-limited:		
100,000		2023 3 month Nibor + 2.45 (call option 2018)	-	100,000
100,000		2023 3 month Nibor + 2.25 (call option 2018)	-	100,000
250,000	250,000	2027 3 month Nibor + 1.50 (call option 2022)	250,000	250,000
	150,000	2028 3 month Nibor + 1.44 (call option 2023)	150,000	
10%	(1)	+ share premium/discount subordinated loans	(1)	10%
1,317	1,191	Accrued interest	1,191	1,317
451,307	**401,190**	**Total time-limited subordinated loans,**	**401,190**	**451,307**
40,000	40,000	2099, interest 8.25% (call option 2020)	40,000	40,000
2,586	1,274	+ share premium/discount subordinated loans	1,274	2,586
2,794	2,794	Accrued interest	2,794	2,794
45,379	**44,068**	**Total primary capital, perpetual**	**44,068**	**45,379**
496,686	**445,258**	**Total primary capital**	**445,258**	**496,686**
		Average interest rate NOK		
2.63%	2.71%	Average interest rate time-limited	2.71%	2.63%
8.25%	8.25%	Average interest rate perpetual	8.25%	8.25%

Note 35
Ownership interests in Group companies, joint ventures and associated companies

Subsidiaries	Type	Acquired	Registered office	Ownership interest	Voting share
EiendomsMegler 1 BV AS	Subsidiary	Jan. 2000	Sandefjord	100%	100%
Imingen Holding AS	Subsidiary	Nov. 2006	Kongsberg	100%	100%
Larvik Marina AS	Subsidiary	Jan. 2017	Nøtterøy	100%	100%
SpareBank 1 Regnskapshuset BV AS	Subsidiary	Sept. 2012	Drammen	100%	100%
Z Eiendom AS***	Subsidiary	Jan. 2017	Nøtterøy	60%	60%

JVS and TS	Type	Registered office	Ownership interest	Voting share
Samarbeidende Sparebanker AS*	JVS	Oslo	15.57%	10.00%
Samarbeidende Sparebanker Bankinvest AS**	JVS	Oslo	19.28%	19.28%
EiendomsMegler 1 Næringsmegling AS	JVS	Sandefjord	50.00%	50.00%

	Parent bank		Group		
Investments in JVS and TS	Bankinvest 1 (BN Bank)	Samarbeidende Sparebanker AS*	Bankinvest 1 (BN Bank)	Samarbeidende Sparebanker AS*	EiendomsMegler 1 Næringsmegling AS
Carrying amount 01.01	**41,751**	**349,663**	**117,970**	**400,365**	**1,300**
Merger with SpareBank 1 Nøtterøy-Tønsberg	-	-	-	-	-
Equity adjust./cap. increase	-	-	(137)	(1,006)	-
Eliminated dividends received 2018	-	-	-	44,598	-
Profit share 2018	-	-	10,809	45,184	384
Carrying amount 31.12	**41,751**	**349,663**	**128,641**	**399,945**	**1,684**

* Samarbeidende Sparebanker AS (SamSpar) is owned jointly by 10 participating savings banks. Please also refer to Chapter 4 of the annual report for a more detailed description of the Alliance cooperation.

** Samarbeidende Sparebanker AS is owned jointly by the 10 participating savings banks in SamSpar, as well as SpareBank 1 SR-Bank ASA. Please also refer to Chapter 4 of the annual report for a more detailed description of the Alliance cooperation.

*** The remaining 40% of Z Eiendom AS is owned by the individual employees in the company.

Note 36
Related parties

Loans to subsidiaries, associated companies and joint-venture companies are given at ordinary customer terms and conditions. Loans to other related parties also follow the Bank's other customer terms and conditions.

All figures are parent bank.

	Subsidiaries, associated companies and joint ventures	
Loans (NOK thousands)	2018	2017
Loans outstanding as at 1.1.	41,285	47,313
Net loans in the period	3,387	(6,028)
Outstanding loans as at 31.12.	**44,672**	**41,285**
Interest income	1,715	1,840
Losses on loans	600	3,975
Deposits (NOK thousands)	2018	2017
Deposits as of 1.1.	32,772	33,984
Net loans in the period	(4,555)	(1,212)
Deposits as of 31.12.	**28,217**	**32,772**
Interest costs	162	119
Issued guarantees	-	-

Note 37
Earnings per equity certificate and calculation of the EC fraction

Earnings per equity certificate are calculated by dividing the portion of the profit/loss for the year that is assigned to the company's equity certificate holders (minus own equity certificates) by a weighted average of the number of equity certificates over the year.

Earnings per equity certificate[1]

(NOK thousands)	31.12.2018	31.12.2017
Adjusted profit/loss for the year		
Profit for the year in accordance with the annual financial statements	548,576	527,943
-corrected for negative goodwill		(88,568)
- corrected for interest on subordinated bonds posted directly to equity	(11,543)	(11,682)
- corrected for revenue recognised through profit/loss - transferred to/from FUG	6,991	82
- adjusted for the implementation effect of IFRS 9	(2,361)	
Adjusted profit/loss for the year	**541,663**	**427,775**
Equity certificate holders' share 59,45% of corrected result	314,107	254,324
Profit/loss for the year that is attributable to the company's equity certificate holders	314,107	254,324
Number of equity certificates issued	63,101	63,101
Earnings per equity certificate	4.98	4.03
Par value	15.00	15.00

1. Ref. Act on financial institutions and financial groups, section 10-17.

Calculation of equity certificate fraction [2]

Adjusted primary capital	01.01.2018	01.01.2017
Subordinated capital in relation to the accounts	4,404,399	4,037,997
+ fund pension adjustment IAS 19	-	-
- fund for unrealised gains (FUG)	(16,870)	(11,557)
- subordinated bonds	(350,000)	(350,000)
- subordinated loan capital	-	-
- allocated dividends classified as equity	(151,443)	(49,618)
Total corrected primary capital	**3,886,086**	**3,626,822**
Equity certificate fraction		
Equity certificate capital	946,194	946,480
Share premium fund	1,025,989	1,027,616
Risk equalisation fund	281,336	182,150
Total equity certificate holders	**2,253,519**	**2,156,246**
Equity certificate fraction	57.99%	59.45%

2. Ref. Act on financial institutions and financial groups, section 10-17.

Proposed dividend for 2018

(NOK thousands)	31.12.2018
Proposed dividend prior to publication, not recognised as distribution to the owners in the period	**186,148**
Proposed dividend per equity certificate	NOK 2,95

Note 38
The equity certificate holders and the distribution of equity certificates

Dividend policy

SpareBank 1 BV aims to achieve results that deliver a good return on the bank's equity. This will ensure its owners a competitive, stable, long-term return in terms of dividends and higher prices for its equity certificates.

Each year's profit will be distributed proportionately between equity share capital and the primary capital fund based on their relative share of the bank's equity.

The bank assumes that a minimum of 50% of equity certificate holders' share of the profit/loss for any given year will be paid out as a cash dividend.

The following factors will be considered in determining the level of the total annual dividend from the bank:
- The bank's financial strength
- Financial performance
- External conditions
- Long-term goal of stable ownership fractions

Equity certificate holders

There were 4,938 equity certificate holders as at 31.12.2018 and the 20 largest were as follows:

	Quantity	%
1. SpareBank 1 Stiftelsen BV	15,642,787	24.79%
2. Sparbankstiftelsen Nøtterøy-Tønsberg	10,925,503	17.31%
3. Pareto AS	1,450,368	2.30%
4. Verdipapirfondet Eika	1,347,748	2.14%
5. Bergen Kommunale Pensjonskasse	935,614	1.48%
6. Wenaasgruppen AS	810,000	1.28%
7. Melesio Capital NYE AS	802,211	1.27%
8. DNB Bank ASA	725,000	1.15%
9. Catilina Invest AS	689,950	1.09%
10. Landkreditt Utbytte	550,000	0.87%
11. Sanden AS	540,000	0.86%
12. JAG Holding AS	505,606	0.80%
13. Salt Value AS	500,881	0.79%
14. Bess Jahres Stiftelse	417,312	0.66%
15. Foretakskonsulenter AS	411,230	0.65%
16. Espedal & Co AS	404,073	0.64%
17. Johansen Kjell Petter	362,000	0.57%
18. Sole Active AS	361,341	0.57%
19. Haugaland Kraft Pensjonskasse	332,367	0.53%
20. Verdipapirfondet Nordea Norge	325,000	0.52%
Total 20 largest equity certificate holders	38,038,991	60.28%
Other equity certificate holders	25,062,362	39.72%
Total number of equity certificates (par value NOK 15)	63,101,353	100.00%

The Bank's own holdings amounted to 305

Equity certificates owned by executive employees, the Board of Directors and Supervisory Board members

The Board of Directors	
Øyvind Birkeland	2,000
Janne Sølvi Weseth	4,500
Geir Vestre	2,783
Hanne Myhre Gravdal	4,681
Eric Sandtrø	15,000
The Supervisory Board:	
Ole Vinje	6,000
Bjørn Hellevammen	19,004
Iver A. Juel	271,215
Petter Bjertnæs (Pebje Holding AS)	176,752
Grete Evensen Øvrum (GEØ AS)	25,000
Torben Hedegart	24,750
Bjørn Hoffstad	9,613
Vigdis Askjem	6,176
Åsmund Skår	1,000
Kjell E. Nilsen	949
Thor Strand	499
Inger Kristin Eide	681
Thomas Engen	408
Henning Pedersen	681
Stine Skinlo	681
Fredrik Thorsen	408
Executive employees:	
Rune Fjeldstad	61,736
Geir A. Hansen	8,126
Marianne S. Evensen	6,236
Tonje Stormoen	8,282
Lasse Olsen	16,025
Stian Thomassen	8,695
Johan Hjerkinn	12,408

Note 39
IFRS 16.

The implementation of IFRS 16 Leases, with effect from 1 January 2019, will primarily affect the lessee's accounting and will result in the group's substantial leases being brought onto the balance sheet. The standard eliminates the current distinction between operational and financial leases and requires the calculation of a right-of-use asset (the right to use the leased asset) and a financial obligation to pay rent for significant leases.

IFRS 16 contains an option to omit calculating the right of use and the accompanying lease liability for leases if the lease is short term (under 12 months) or the value of the lease of the asset is low. The group will take advantage of this exemption.

SpareBank 1 BV has chosen to apply IFRS 16 modified retrospectively and comparative figures will not be prepared. The asset and liability are thus set as equal as at 1 January 2019. The group has only fixed lease commitments. The present value of the lease liability is calculated by discounting the remaining lease payments by the bank's marginal loan rate (funding rate). Options to extend the lease period are included if these can with reasonable certainty be expected to be used. The present value of the option is then recognised in the lease liability and right of use.

The income statement will also be affected because operating costs will be replaced with interest on the lease liability and depreciation on the right of use. The total cost will be higher the first few years of a lease (the interest rate element is greater then) and lower in subsequent years. Interest costs are calculated using the discounted rate on the lease liability. The lessor's accounting will remain essentially unchanged from IAS 17. The lessor will continue to recognise leases either as operational or financial leases depending on whether the lease essentially transfers risks and returns related to the ownership of the underlying asset to the lessee. SpareBank 1 BV only has operational leases, which will thus be retained on the balance sheet and recognised as income over the lease period as before.

Based on the leases entered into as at 31 December 2018, the implementation of IFRS 16 will result in a right-to-use asset and lease liability that will be brought onto the balance sheet from 1 January 2019 at around NOK 90 million for the parent bank and around NOK 110 million for the Group. The net effect on the result for 2019 will be around NOK 0.7 million for the parent bank and around NOK 0.9 million for the group.

Note 40
IFRS 9.

IFRS 9.

IFRS 9 Financial instruments replaced IAS 39 Financial instruments - recognition and measurement from 1 January 2018. IFRS 9 deals with the recognition, classification and measurement, impairment, derecognition and hedge accounting.

Transitional rules

IFRS 9 is applied retrospectively. The rules contained in IAS 39 for hedge accounting are continued. Retrospective application means that SpareBank 1 BV prepared an opening balance at 1 January 2018 as if they have always applied the new principles. This does not mean that the comparative figures for 2017 must be restated according to the new principles, and nor does the standard state that it is permitted to restate the comparative figures unless this can be done without the use of hindsight. The effects of the new policies in the opening balance for 2018 are recorded against equity capital.

Classification and measurement

Financial assets

In accordance with IFRS 9, financial assets are classified in three categories: fair market value with value changes through the income statement, fair value with value changes through other comprehensive income (OCI) and amortised cost. For financial assets differentiation is made between debt instruments, derivatives and equity instruments, whereof debt instruments are all financial assets that are not derivatives or equity instruments.

Financial assets that are debt instruments

Debt instruments with contractual cash flows only representing payment of interest and principal on given dates, and which are held in a business model in order to receive contractual cash flows, are measured at amortised cost. Most of the Group's lending is classified in this class.

Instruments with contractual cash flows only representing payment of interest and principal on given dates, and which are held in a business model for sale, are measured at fair value with value changes through profit/loss. The Group's housing loans that are to be sold to SpareBank 1 Boligkreditt are located in this class.

Instruments that in principle shall be measured at amortised cost or at fair value with value changes over OCI can be designated for measurement at fair value with value changes through the income statement if this eliminates or significantly reduces an accounting disparity. The Group's fixed rate loans are located in this category.

Instruments with contractual cash flows which only represent the payment of interest and principal on given dates, and which are held in a business model both in order to receive contractual cash flows and for sale, are measured at fair value with changes in value over OCI, with interest income, foreign currency conversion effects and any write-downs presented in the ordinary result. Value changes recognised over OCI shall be reclassified as profit/loss from the sale or other disposal of the assets.

Other debt instruments shall be measured at fair value with value changes through the income statement. This applies to instruments with cash flows that are not only the payment of normal interest and principal, and instruments that are held in a business model where the objective is not primarily receipt of contractual cash flows. The Group's portfolio of certificates and bonds is located in this class.

Derivatives and investments in equity instruments

All derivatives in the Group are measured at fair value with value changes through the income statement, but derivatives designated as hedging instruments are accounted for in accordance with the principles for hedge accounting.

Investments in equity instruments shall be measured on the balance sheet at their fair value. Value changes shall as a main rule be recorded in the ordinary result, but an equity instrument, which is not held for trading purposes and which is not a conditional payment of a business transfer, can be designated as measured at fair value with value changes through other income and expenses. All shares in the Group are either classified at fair value with value changes through the income statement, or are handled according to the equity method of accounting.

Financial liabilities

For financial liabilities the rules are mainly the same as in the previous IAS 39. A change from IAS 39 is that for financial liabilities that are determined to be recognised at fair value through the income statement, value changes resulting from the company's own credit risk are recognised in OCI, and not in the ordinary income statement as today, unless recognition in OCI creates or reinforces an accounting disparity. The Group has classified all liabilities and customer deposits at amortised cost.

Hedge accounting
IFRS 9 simplifies the requirements for hedge accounting in that the hedging effectiveness is more closely linked to the management's risk management. The requirements for a hedging effectiveness of 80–125 per cent have been removed and replaced by more qualitative requirements, including that there shall be a financial correlation between the hedging instrument and the hedging object, and that the credit risk should not dominate value changes in the hedging instrument. Hedging documentation is still required.

Write-down on loans
According to earlier rules, write-downs for losses should only take place when there was objective evidence that a loss event had occurred after the initial capitalization. In accordance with IFRS 9 loss provisions are recognised based on expected credit losses (ECL). The general model for write-downs of financial assets in IFRS 9 applies for financial assets that are measured at amortised cost, and which did not have real loss on the initial balance sheet. In addition, loan offers and financial guarantee contracts that are not measured at fair value through the income statement are included.

The measurement of provisions for expected losses in the general model depends on whether the credit risk has increased materially since the initial balance sheet. With initial recognition on the balance sheet and when the credit risk has not increased significantly after initial recognition on the balance sheet, allocation should be made for 12 months' expected loss. A 12-month expected loss is the loss that is expected to occur over the lifetime of the instrument, but that can be attributed to the events that will occur over the first 12 months. If the credit risk has increased significantly after initial recognition, allocation should be made for expected losses through the useful life. Expected credit losses are calculated based on the present value of all cash flows over the remaining expected useful life, i.e. the difference between the contractual cash flows in accordance with the contract and the cash flow which the Bank expects to receive, discounted by the effective interest rate on the instrument.

In addition to the general model, there are specific principles for issued, including renegotiated loans that are treated as a new, and bought loans where credit losses have been incurred at initial recognition on the balance sheet. An effective interest rate shall be calculated for these which includes expected credit losses, and with changes to future cash flows the change shall be discounted with the original established effective interest rate and recorded on the profit and loss account. Thus, for these assets there is no need to monitor whether there has been a significant increase in credit risk after initial recognition on the balance sheet when the expected loss over the useful life shall nevertheless be taken into account.

Recognition and derecognition of financial assets and liabilities
Financial assets and liabilities are recognised on the trade date, i.e. the date that the Bank becomes party to the instruments' contractual terms and conditions.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the rights to the cash flows from the asset are transferred in such a way that the risks and returns related to the ownership are for the most part transferred.

Financial liabilities are derecognised when the contractual conditions have been met, cancelled or have expired.

Modified assets and liabilities
If modifications or changes are made to the terms of an existing financial asset or liability, the instrument is treated as a new financial asset if the renegotiated terms are significantly different from the previous terms. If the terms are substantially different, the old financial asset or liability is derecognised, and a new financial asset or liability is recognised. In general a loan is considered to be a new financial asset if new loan documentation is issued, at the same time as a new credit process is carried out with determination of new loan terms.

If the modified instrument is not considered to be significantly different from the existing instrument, it shall be regarded for accounting purposes as a continuation of the existing instrument. With a modification that is recorded as a continuation of an existing instrument, the new cash flows are discounted with the instrument's original effective interest rate and any difference compared with the existing carrying amount is taken to income.

The introduction of IFRS 9 has resulted in the following changes to principles and effects
Below is a description of the various financial instruments and how they are classified according to IAS 39 and IFRS 9 with an associated description of the assessments used in the classification.

Instrument/item			
Assets	**Description**	**IAS 39***	**IFRS 9***
Current loans (loans at the so-called "current" interest rate, which can be changed by the Bank is within the official regulated deadlines)	Current conditions are normal terms and conditions in Norway for housing loans with variable interest rates and to parts of the corporate market, and the conditions are normally standardised and apply equally to all loans of this type. The borrower's right to early redemption and the competition between banks mean that the lenders' cash flow may differ little from what is defined as payment of interest and principal on given dates in IFRS 9. Therefore, the Bank's assessment is that these lenders' terms are consistent with measurement at amortised cost.	AC	AC
Loans to be sold to mortgage companies	SpareBank 1 BV transfers selected loans that qualify for transfer to mortgage companies. Therefore, these loans are held for sale.	AC	FVP&L
Fixed rate loans to customers	In accordance with IFRS 9 B4.1.12 (b), payment is a reasonable additional compensation for early redemption of a financial instrument consistent with the fact that the instrument's cash flows are only the payment of interest and principal. Discount is not an additional compensation for early redemption, but a deduction in the cash flows that would otherwise have been paid. As part of an instrument's contractual terms, therefore, the possibility of payment of discount means that the instrument shall be measured at fair value with value changes in the income statement.	FVP&L (FVO)	FVP&L (FVO)
Shares, not trading	The available for sale category that existed in IAS 39 is not continued in IFRS 9.	FVOCI (TFS)	FVP&L
Liquidity portfolio	The Bank's portfolio of interest-bearing securities is primarily held as liquidity reserves. The purpose of the liquidity reserves is in many cases to furnish collateral for ordinary loans in Norges Bank. There are varying degrees of turnover in the Group's liquidity portfolio. In many cases, the purpose of the portfolio is to furnish collateral for ordinary loans in Norges Bank. The fact that the portfolio is a liquidity portfolio does not necessarily mean that the Group intends to sell the instruments that are included in the portfolio, as the liquidity is secured through the provision of collateral and loans in Norges Bank instead of the sale of the instruments that are included in the portfolio. The portfolio is measured and monitored at fair value.	FVP&L	FVP&L
Other portfolios	The Bank's portfolio of interest-bearing securities in excess of the liquidity portfolio is defined as other interest rate portfolio. The purpose of this portfolio is to achieve a satisfactory return on the Bank's surplus liquidity. Any holdings of subordinated bond issues and perpetual capital securities from other financial institutions will be included in this portfolio. The portfolio is measured and monitored at fair value.	FVP&L	FVP&L
Liabilities			
Securities debt	The principles for the classification and measurement of financial liabilities are mainly as according to IAS 39.	AC	AC

* Explanation of table

OCI	Other Comprehensive Income (extended profit and loss account)
AC	Amortised cost
FVOCI	Fair value with value changes through OCI (with reclassification)
FVP&L	Fair value with value changes through the income statement (required)
FVP&L (FVO)	Fair value with value changes through the income statement due to fair value option
FVOCI (NOP&L)	Fair value with value changes through OCI without reclassification
FVOCIP&L	Fair value with changes from own credit risk over OCI and other fair value changes through profit/loss

Group Financial instruments	Note	Classification according to IAS 39	Classification according to IFRS 9	Carrying amount according to IAS 39	Carrying amount according to IFRS 9	Implement-ation effect
Cash and receivables from central banks		Amortised cost	Amortised cost	100,501	100,501	-
Loans to and receivables from credit institutions	7	Amortised cost	Amortised cost	1,281,731	1,281,731	-
Loans to and receivables from customers at fixed interest	8	Fair value option*	Fair value option*	1,268,003	1,268,003	-
Loans to and receivables from customers for sale	8	Amortised cost	Fair value through profit/loss	200,000	200,000	-
Other loans to and receivables from customers	8	Amortised cost	Amortised cost	25,830,390	25,830,390	-
Provisions for loans to and receivables from customers		Amortised cost	Amortised cost	159,503	161,864	(2,361)
Certificates and bonds	24	Fair value through profit/loss	Fair value through profit/loss	3,816,234	3,816,234	-
Financial derivatives	30	Fair value through profit/loss	Fair value through profit/loss	39,893	39,893	-
Stocks, shares and other equity interests	27	Available for sale	Fair value through profit/loss	38,605	38,605	-
Stocks, shares and other equity interests	27	Fair value through profit/loss (trading)	Fair value through profit/loss	257,977	257,977	-
Stocks, shares and other equity interests	27	Available for sale	Fair value through profit/loss	841,864	841,864	-
Liabilities to credit institutions	7	Amortised cost	Amortised cost	(111,984)	(111,984)	-
Deposits from and liabilities to customers	31	Amortised cost	Amortised cost	(20,182,483)	(20,182,483)	-
Deposits from and liabilities to customers with fixed interest rate	31	Fair value option*	Amortised cost	(819,483)	(817,919)	(1,564)
Debt from the issuance of securities	32	Amortised cost/hedge accounting	Amortised cost/hedge accounting	(7,860,773)	(7,860,773)	-
Financial derivatives	33	Fair value through profit/loss	Fair value through profit/loss	(54,302)	(54,302)	-
Subordinated loan capital	34	Amortised cost	Amortised cost	(496,687)	(496,687)	-
Total				**4,308,989**	**4,312,914**	**(,.925)**

Effects of the implementation of IFRS 9

Group Financial assets	Note	Carrying amount according to IAS 39 31 December 2017	Change as a result of the reclassification	Change as a result of a new measurement	Carrying amount according to IFRS 9 1 January 2018
Amortised cost					
Cash and receivables from central banks		100,501	-	-	100,501
Loans to and receivables from credit institutions	7	1,281,731	-	-	1,281,731
Lending to and receivables from customers	8	26,030,390	(200,000)	-	25,830,390
Certificates and bonds		-	-	-	-
Financial derivatives		-	-	-	-
Stocks, shares and other equity interests		-	-	-	-
Other financial assets		-	-	-	-
Total effect amortised cost		**27,312,121**	**(200,000)**	**-**	**27,112,121**
Fair value through profit/loss					
Cash and receivables from central banks		-	-	-	-
Loans to and receivables from credit institutions		-	-	-	-
Lending to and receivables from customers	8	1,268,003	200,000	-	1,468,003
Certificates and bonds	24	3,816,234	-	-	3,816,234
Financial derivatives	30	39,893	-	-	39,893
Stocks, shares and other equity interests	27	1,099,841	38,605	-	1,138,446
Other financial assets		-	-	-	-
Total fair value through profit/loss		**6,324,472**	**238,605**	**-**	**6,563,077**
Fair value through OCI with recycling					
Cash and receivables from central banks		-	-	-	-
Loans to and receivables from credit institutions		-	-	-	-
Lending to and receivables from customers		-	-	-	-
Certificates and bonds		-	-	-	-
Financial derivatives		-	-	-	-
Stocks, shares and other equity interests		-	-	-	-
Other financial assets		-	-	-	-
Total effect fair value through OCI with recycling		**-**	**-**	**-**	**-**
Fair value through OCI without recycling (equity instruments)					
Cash and receivables from central banks		-	-	-	-
Loans to and receivables from credit institutions		-	-	-	-
Lending to and receivables from customers		-	-	-	-
Certificates and bonds		-	-	-	-
Financial derivatives		-	-	-	-
Stocks, shares and other equity interests		-	-	-	-
Other financial assets		-	-	-	-
Total effect fair value through OCI without recycling		**-**	**-**	**-**	**-**
Fair value through OCI available for sale					
Cash and receivables from central banks		-	-	-	-
Loans to and receivables from credit institutions		-	-	-	-
Lending to and receivables from customers		-	-	-	-
Certificates and bonds		-	-	-	-
Financial derivatives		-	-	-	-
Stocks, shares and other equity interests	27	38,605	(3,.605)	-	-
Other financial assets		-	-	-	-
Total effect fair value through OCI available for sale		**38,605**	**(3,.605)**	**-**	**-**
Total financial assets		**33,675,198**	**-**	**-**	**33,675,198**

Group Financial liabilities	Note	Carrying amount according to IAS 39 31 December 2017	Change as a result of the reclassification	Change as a result of a new measurement	Carrying amount according to IFRS 9 1 January 2018
Amortised cost					
Deposits from and liabilities to credit institutions	7	(111,984)	-	-	(111,984)
Deposits from and liabilities to customers	31	(20,182,483)	(819,483)	1,564	(21,000,402)
Debt from the issuance of securities	32	(7,860,773)	-	-	(7,860,773)
Financial derivatives		-	-	-	-
Subordinated loan capital	34	(496,687)	-	-	(496,687)
Other financial liabilities		-	-	-	-
Total effect amortised cost		**(28,651,927)**	**(819,483)**	**1,564**	**(2,.469,846)**
Fair value through profit/loss					
Deposits from and liabilities to credit institutions		-	-	-	-
Deposits from and liabilities to customers	31	(819,483)	819,483	-	-
Debt from the issuance of securities		-	-	-	-
Financial derivatives	33	(54,302)	-	-	(54,302)
Subordinated loan capital		-	-	-	-
Other financial liabilities		-	-	-	-
Total fair value through profit/loss		**(873,785)**	**819,483**	**-**	**(54,302)**
Total financial liabilities		**(29,525,712)**	**-**	**1,564**	**(29,524,148)**

Change in loss provisions	Loss provision according to IAS 39 as of 31.12.17	Change as a result of the reclassification	Change as a result of a new measurement	Loss provision according to IAS 9 as of 01.01.18
Loans and receivables and financial instruments held to maturity under IAS 39 to be measured at amortised cost under IFRS 9	159,503	-	2,361	161,864
Debt instruments classified as available for sale under IAS 39 to be measured at amortised cost under IFRS 9	-	-	-	-
Total instruments measured at amortised cost under IFRS 9	**159,503**	**-**	**2,361**	**161,864**

Note 41
Events after the balance sheet date

There have been no events with a material bearing on the accounts after the balance sheet day.

Corporate Governance Policy

In accordance with section 3-3b of the Norwegian Accounting Act, the bank has prepared a separate report that deals with the policies and practice related to corporate governance. The report is referred to in a separate paragraph in the annual report, while the full report is published on the Bank's website www.s1bv.no under Investor/Corporate governance.

Statement by the Board of Directors and the Managing Director

We confirm that the annual accounts for the period 1 January to 31 December 2018, to the best of our knowledge, have been prepared in accordance with applicable accounting standards and that the information in the financial statements gives a true and fair view of the parent bank's and the Group's assets, liabilities, financial position and results as a whole and that information in the annual report provides a true and fair view of the financial performance and position of the parent bank and the group, along with a description of the most important risk and uncertainty factors faced by the Group.

Tønsberg, 7 March 2019
The Board of Directors of SpareBank 1 BV

Øyvind Birkeland Chair of the Board	Heine Wang Deputy Chair	Eric Sandtrø
Janne Sølvi Weseth	Kristin Søia Barkost	Hanne Myhre Gravdal (Employee representative)
Geir A. Vestre Employee representative	Rune Fjeldstad (Managing Director)	Ørjan Larsen Chief Financial Officer

Auditor's report 2018

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To the Board of Representatives of SpareBank 1 BV

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SpareBank 1 BV, which comprise:

- The financial statements of the parent company SpareBank 1 BV (the Company), which comprise the balance sheet as at 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of SpareBank 1 BV and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Expected credit loss on loans and guarantees that are not credit-impaired (Step 1 and 2)

Reference is made to note 2 of Accounting Policies, note 3 Critical estimates and assessments regarding the use of accounting principles, note 8 Loans to and receivables from customers, note 11 Losses on loans and guarantees, note 40 IFRS 9 and the Board of Directors' annual report, paragraph losses and loss provisions.

The Key Audit Matter	*How the matter was addressed in our audit*
Expected credit loss on loans and guarantees that are not credit-impaired amounts to MNOK 67 for the Company and MNOK 67 for the Group per 31.12.2018. This corresponds to 0.23 % of gross lending for the Company and 0.23% for the Group. IFRS 9 requires the Group to recognise and measure expected credit losses (ECL) on loans, receivables and guarantees. According to the previous regulations, IAS 39, only loss events that had occurred would be considered. IFRS 9 requires the bank to measure ECLs on a forward-looking basis already when establishing loans and guarantees. To determine the expected credit losses, management exercise judgment, particularly related to the following parameters; • Probability of default (PD) • Loss given default (LGD) • Exposure at default (EAD) • Definition of significant increase in credit risk • Identification and assessment of credit-impaired loans and guarantees including realisation values for collateral. SpareBank 1 BV has through a joint project in SpareBank 1 Alliance developed a model to calculate ECL, where they use data, such as PD, LGD and EAD as input in the calculation of expected credit losses. Due to the significant use of management's judgment in determining expected credit losses, we considered provisioning for ECL a key audit matter.	We gained an understanding of how the Group has implemented the new standard for recognition and measurement of expected credit losses and evaluated the accounting interpretations for compliance with IFRS 9. We have assessed the bank's definition of significant increase in credit risk and considered how it has been implemented in the model. We have obtained an assurance report from an independent auditor who has tested the SpareBank 1 Alliance model. Key aspects of the report include the following: • whether PD, LGD and EAD included in the model are calculated correctly • whether data input used in the model is correct, and • whether the model calculating expected credit losses are in accordance with the requirements in IFRS 9. We have assured ourselves of the independent auditor's competence and objectivity, as well as evaluated the report in order to assess possible deviations and consequences for our audit. In order to challenge management's judgments and parameters that have been used in calculations of expected credit losses, we have, among other things; • formed an understanding of how management follows up and approves the model's calculations, • assessed management's adjustments of output from the model, • assessed model-calculated expected credit losses against comparable banks and our knowledge of the industry.

2. Expected credit loss on credit-impaired loans and guarantees (step 3)

Reference is made to note 2 of Accounting Policies, note 3 Critical estimates and assessments regarding the use of accounting principles, note 8 Loans to and receivables from customers, note 11 Losses on loans and guarantees, note 40 IFRS 9 and the Board of Directors' annual report, paragraph losses and loss provisions.

The Key Audit Matter	*How the matter was addressed in our audit*
Expected credit losses on loans and guarantees that are credit-impaired are MNOK 95 for the Company and MNOK 90 for the Group as of 31.12.2018. This corresponds to 0.32% of gross lending for the Company and 0.31% of gross lending for the Group. For credit-impaired loans and guarantees, IFRS 9 requires an entity to measure the loss allowance at an amount equal to the lifetime expected credit losses. Determining the expected credit loss entails a high degree of management judgment. Key factors in management's estimates are: • identification of credit-impaired loans and guarantees • assumptions for determining the size and timing of expected cash flows including valuation of collaterals. Based on the size of the gross lending, inherent credit risk, the size of the provisions and the relevant estimates, we consider the expected credit losses to be a key audit matter.	We have formed an understanding of how the Group identifies and monitors loans and guarantees that are credit-impaired. We have challenged management's process for identifying credit-impaired loans and guarantees, including: • performed analysis against external data to identify additional credit-impaired loans and guarantees, and • tested a risk-based sample of loans and guarantees in order to assess whether they should have been treated as credit-impaired. For a selection of credit-impaired loans and guarantees, we have challenged management's judgment by; • assessing the size and timing of cash flows, • assessing the valuation of collaterals against internal and external valuations, and • assessing the bank's calculation of expected credit loss.

3. IT-systems and application controls

The Key Audit Matter	*How the matter was addressed in our audit*
SpareBank 1 BV is dependent on the IT infrastructure in the bank is functioning as intended. The bank uses a standard core system delivered and operated by an external service provider. Sound governance and control over the IT systems is critical to ensure accurate, complete and reliable financial reporting. Furthermore, the IT systems support regulatory compliance for financial reporting to authorities, which is central to licensed businesses.	In connection with our audit of the IT-system in the bank, we have gained an understanding of the control environment and tested that selected general IT controls are functioning as intended and support important application controls. In our control testing, we have focused on access management controls. The independent auditor of the external service provider has assessed and tested the effectiveness of internal controls related to the IT systems outsourced to external service provider. We have obtained the attestation report (ISAE 3402) from the independent auditor to evaluate

The system calculates interest rates on borrowing and lending and the bank's internal control systems are based on system-generated reports. Due to the importance of the IT systems for the bank's operations, the IT environment supporting the financial reporting process is considered a key audit matter.	whether the external service provider has satisfactory internal control in areas of significant importance to SpareBank 1 BV. We have assured ourselves of the independent auditor's competence and objectivity, as well as evaluated the report in order to assess possible deviations and consequences for our audit. We have requested the independent auditor of the service provider to test a selection of standard reports and application controls in the core-system to assess whether: • standard system reports contain all relevant data, and • the application controls, including controls related to interest rate-, annuity- and fee calculations, work as intended. We have used our IT audit specialist in the work to understand the control environment, test controls and examine the reports.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report - 2018
SpareBank 1 BV

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 7 March 2019
KPMG AS

Svein Arthur Lyngroth
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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