

# Together we achieve the impossible



# Interim Financial Statements Q4 2017

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## Key figures SpareBank 1 SR-Bank Group (MNOK)

MAIN FIGURES	01.01 - 31.12				
	2017	2016	Q4 2017	Q4 2016	
Net interest income	3.162	2.871	819	733	
Net commission and other income	1.524	1.443	367	355	
Net income on financial investments	634	654	204	139	
<b>Total income</b>	<b>5.320</b>	<b>4.968</b>	<b>1.390</b>	<b>1.227</b>	
<b>Total operating costs</b>	<b>2.167</b>	<b>2.032</b>	<b>570</b>	<b>540</b>	
<b>Operating profit before impairment losses</b>	<b>3.153</b>	<b>2.936</b>	<b>820</b>	<b>687</b>	
Impairment losses on loans and guarantees	543	778	120	162	
<b>Pre-tax profit</b>	<b>2.610</b>	<b>2.158</b>	<b>700</b>	<b>525</b>	
Tax expense	524	403	141	96	
<b>Profit after tax</b>	<b>2.086</b>	<b>1.755</b>	<b>559</b>	<b>429</b>	
<b>BALANCE SHEET</b>					
Gross loans to customers	172.554	157.638			
Gross loans to customers including SB1 BK and SB1 NK <sup>4)</sup>	187.137	182.332			
Deposits from customers	95.384	85.913			
Total assets	216.618	193.408			
Average total assets	207.562	194.264			
<b>Selected key figures</b> (for further key figures see page 34 of the interim report)					
Return on equity <sup>1)</sup>	11,0 %	10,0 %	11,4 %	9,5 %	
Cost ratio <sup>2)</sup>	40,7 %	40,9 %	41,0 %	44,0 %	
Combined weighted total average spread for lending and deposits <sup>3)</sup>	1,52 %	1,5 %	1,50 %	1,50 %	
<b>Balance growth</b>					
Growth in loans	9,5 %	1,6 %			
Growth in loans incl SB1 BK and SB1 NK <sup>4)</sup>	2,6 %	-0,9 %			
Growth in deposits	11,0 %	-3,9 %			
<b>Solidity</b>					
Common equity Tier 1 capital ratio	15,1 %	14,7 %			
Tier 1 capital ratio	16,0 %	15,6 %			
Capital ratio	17,9 %	17,5 %			
Tier 1 capital	19.278	18.227			
Risk weighted balance	120.160	116.651			
Leverage ratio	7,4 %	7,3 %			
<b>Liquidity</b>					
Liquidity Coverage Ratio (LCR) <sup>5)</sup>	168 %	174 %			
Deposit-to-loan ratio	55,3 %	54,5 %			
<b>Losses and non-performing commitments</b>					
Impairment losses ratio	0,33 %	0,50 %	0,28 %	0,41 %	
Impairment losses ratio, including loans SB1 BK and SB1 NK <sup>4)</sup>	0,29 %	0,42 %	0,26 %	0,35 %	
Non-performing commitments, percentage of gross loans	0,32 %	0,68 %	0,32 %	0,68 %	
Non-performing commitments, percentage of gross loans, incl. loans SB1 BK and NK <sup>4)</sup>	0,30 %	0,59 %	0,30 %	0,59 %	
Other doubtful commitments, percentage of gross loans	0,91 %	0,72 %	0,91 %	0,72 %	
Other doubtful commitments, percentage of gross loans, incl. loans SB1 BK and NK <sup>4)</sup>	0,83 %	0,62 %	0,83 %	0,62 %	
<b>SpareBank 1 SR-Bank share</b>					
	<b>31.12.17</b>	<b>31.12.16</b>	<b>31.12.15</b>	<b>31.12.14</b>	<b>31.12.13</b>
Market price	87,00	60,75	39,30	52,50	60,25
Market capitalisation	22.250	15.537	10.051	13.427	15.409
Book equity per share (including dividends) (group)	77,24	71,54	66,14	60,28	55,00
Earnings per share, NOK	8,16	6,87	6,83	8,20	7,28
Dividends per share	4,25	2,25	1,50	2,00	1,60
Price / Earnings per share	10,66	8,84	5,75	6,40	8,28
Price / Book equity (group)	1,13	0,85	0,59	0,87	1,10
Effective return <sup>6)</sup>	46,9 %	58,4 %	-21,3 %	-10,2 %	66,0 %

<sup>1)</sup> Ordinary result available to shareholders for the period as a percentage of average equity, exclusive of other core equity

<sup>2)</sup> Total operating costs as a percentage of total operating income

<sup>3)</sup> Net interest income as a percentage of average total assets

<sup>4)</sup> SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are abbreviated to SB1 BK and SB1 NK

<sup>5)</sup> High quality liquid assets divided by total net cash outflows in a 30-day, serious stress scenario

<sup>6)</sup> Percentage change in the market price in the last period, including paid share dividend

## Strong result with significant income growth, good cost control and lower losses

### Q4 2017

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- Pre-tax profit: NOK 700 million (NOK 525 million)
  - Net profit for the quarter: NOK 559 million (NOK 429 million)
  - Return on equity after tax: 11.4% (9.5%)
  - Earnings per share: NOK 2.18 (NOK 1.68)
  - Net interest income: NOK 819 million (NOK 733 million)
  - Net commissions and other operating income: NOK 367 million (NOK 355 million)
  - Net income from financial investments: NOK 204 million (NOK 139 million)
  - Operating costs: NOK 570 million (NOK 540 million)
  - Impairment losses on loans: NOK 120 million (NOK 162 million)
- (Figures for Q4 2016 are shown in brackets)*

### Preliminary annual result for 2017

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- Pre-tax profit: NOK 2,610 million (NOK 2,158 million)
  - Net profit for the year: NOK 2,086 million (NOK 1,755 million)
  - Return on equity after tax: 11.0% (10.0%)
  - Earnings per share: NOK 8.16 (NOK 6.87)
  - Net interest income: NOK 3,162 million (NOK 2,871 million)
  - Net commissions and other operating income: NOK 1,524 million (NOK 1,443 million)
  - Net income from financial investments: NOK 634 million (NOK 654 million)
  - Operating costs: NOK 2,167 million (NOK 2,032 million)
  - Normalised growth in costs:<sup>1</sup> 0.1% (-3.5%)
  - Impairment losses on loans: NOK 543 million (NOK 778 million)
  - Total lending growth over last 12 months: 2.6% (-0.9%)
  - Growth in deposits over last 12 months: 11.0% (-3.9%)
  - Common equity tier 1 capital ratio: 15.1% (14.7%)
  - Tier 1 capital ratio: 16.0% (15.6%)
  - The board proposes a dividend of NOK 4.25 (NOK 2.25)
- (As at 31 December 2016 in brackets)*

### Financial performance - Q4 2017

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The group's pre-tax profit was NOK 700 million (NOK 525 million), NOK 50 million lower than in the third quarter of 2017. The return on equity after tax for the quarter was 11.4% (9.5%) compared with 12.9% in the third quarter of 2017. The reduction in the result compared with the previous quarter is largely attributable to the rise in costs due to the high level of activity and increased cost provisions regarding reorganisation costs and bonuses in the fourth quarter, as well as the lower commissions and other operating income.

Net interest income was stable, and totalled NOK 819 million (NOK 733 million) in the fourth quarter of 2017

compared with NOK 820 million in the preceding quarter. The average interest margin (net interest income as a percentage of average total assets) was 1.50% (1.50%) compared with 1.54% in the third quarter of 2017. The slightly lower net interest margin in the fourth quarter of 2017 was primarily due to the higher average total assets in the quarter.

Net commissions and other operating income was NOK 367 million in the fourth quarter of 2017 (NOK 355 million), NOK 19 million lower than in the third quarter of 2017. The reduction was due to a combination of changes in a number of items totalling NOK 25 million that were largely a result of seasonal fluctuations and lower income from repossessed assets. Commissions

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<sup>1</sup> The normalised growth in costs does not include costs from EiendomsMegler 1 and Regnskapshuset SR. Financial activity tax, bonuses, restructuring costs, termination costs linked to tenancy agreements and costs from repossessed assets are also excluded from the calculation.

from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt amounted to NOK 36 million (NOK 30 million), NOK 3 million lower than in the third quarter of 2017, while income from EiendomsMegler 1 and Regnskapshuset SR increased by a total of NOK 9 million from the third quarter of 2017.

Net income from financial investments rose by NOK 6 million to NOK 204 million (NOK 139 million) in the fourth quarter of 2017. The increase from the preceding quarter is primarily attributable to NOK 27 million in increased income from ownership interests due to an increase in the share of the profits from SpareBank 1 Gruppen. Net income from financial instruments fell by NOK 19 million compared with the third quarter of 2017, primarily due to lower increases on the value of securities.

Operating costs rose by NOK 40 million from the previous quarter to NOK 570 million (NOK 540 million) in the fourth quarter of 2017. Personnel costs rose by NOK 21 million compared with the previous quarter, NOK 10 million of which was due to provisions for reorganisation costs, while NOK 13 million was due to provisions for bonuses. Other operating costs rose by NOK 19 million compared with the third quarter of 2017, of which NOK 10 million was due to the termination of tenancy agreements from vacated offices, where the future cost was recognised in its entirety in the fourth quarter of 2017. The remainder of the rise in costs was a consequence of the high level of activity in the quarter, with costs for ICT, marketing and other administration costs increasing compared with the previous period. Compared with the fourth quarter of 2016, costs rose by NOK 30 million. This rise was largely due to personnel costs with NOK 12 million due to the higher level of activity in EiendomsMegler 1 and Regnskapshuset SR, NOK 5 million due to higher personnel costs because of the financial activity tax that was introduced on 1 January 2017, and NOK 11 million due to higher bonus provisions.

Impairment losses on loans were NOK 120 million (NOK 162 million) compared with NOK 124 million in the third quarter of 2017.

### **Preliminary annual result for 2017**

The group's pre-tax profit for 2017 was NOK 2,610 million (NOK 2,158 million), up NOK 452 million compared with 2016. Lower impairment losses on loans account for NOK 235 million of the increase. The return on equity for the year was 11.0% (10.0%) while the cost/income ratio dropped to 40.7% for

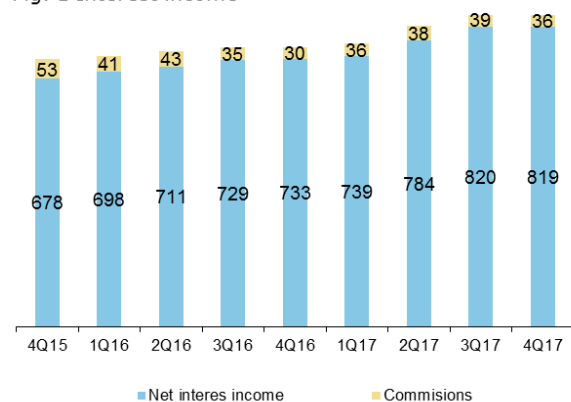
2017, compared with 40.9% in 2016. The board is proposing payment of a dividend of NOK 4.25 per share, which is in line with the group's dividend policy.

The preliminary annual result for 2017 was characterised by higher income and lower impairment losses on loans. Rises in interest income and commissions and other operating income made positive contributions, while higher costs due to the increased level of activity moderated the growth in the result. Besides the financial activity tax, the rise in costs was due in part to the costs associated with the technological investments the group has made in the last year in internal skills development and on further automating standardised processes by using, among other things, robots.

### **Net interest income**

The group's net interest income amounted to NOK 3,162 million in 2017 (NOK 2,871 million). Net interest income must be viewed in the context of commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Commissions from these companies amounted to NOK 149 million in 2017 (NOK 149 million). The combined total of net interest income and commissions increased by NOK 291 million compared with 2016. The increase was due to a combination of increased lending and deposit volumes, as well as lower funding costs due to a 33-basis point reduction in the 3-month NIBOR during 2017. Interest rate increases for parts of the home mortgage portfolio that took effect from January 2017 also made a positive contribution.

Fig. 1 Interest income



The average net interest margin rose to 1.52% in 2017 compared with 1.48% in 2016.

### **Net commissions and other operating income**

Net commissions and other operating income totalled NOK 1,524 million in 2017 (NOK 1,443 million). The

NOK 81 million increase from 2016 is largely attributable to income from estate agency services increasing by NOK 41 million to NOK 389 million in 2017 (NOK 348 million) due to the improvement in housing market activity in the Stavanger region.

Table 1, Commission and other income

	31.12.17	31.12.16
Payment facilities	262	252
Savings/placements	198	185
Insurance products	208	198
Commission income real estate broking	389	348
Guarantee commission	107	114
Arrangement- and customer fees	93	101
Accounting services SpareBank 1 Regnskapshuset SR	96	81
Commission income SB1 Boligkreditt and SB1 Næringskreditt	149	149
Other	22	15
<b>Total commission and other income</b>	<b>1.524</b>	<b>1.443</b>

Income from SpareBank 1 Regnskapshuset SR increased by NOK 15 million to NOK 96 million in 2017 (NOK 81 million), in part as a result of the acquisition of Regnskaps Partner Bergen with effect from 1 January 2017.

Commissions from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt amounted to NOK 149 million in 2017, which is on a par with 2016. The group bought back NOK 10 billion in loans from SpareBank 1 Boligkreditt in 2017.

Other commissions increased by 2.9% from 2016, with money-transfer services, insurance, savings and investments making positive contributions due to increased income.

### Net income from financial investments

Net income from financial investments amounted to NOK 634 million in 2017 (NOK 654 million).

Table 2, Income on investment securities

	31.12.17	31.12.16
Dividends	11	110
Investment income, associates	425	384
Income from financial instruments	198	160
- Capital gains/losses on securities	127	53
- Capital gains/losses interest/currency	71	107
<b>Total income on investment securities</b>	<b>634</b>	<b>654</b>

Dividends amounted to NOK 11 million (NOK 110 million). In 2016, dividends included NOK 94 million in

<sup>2</sup> Basis swaps are derivatives contracts that are entered into in connection with long-term funding in international capital markets where the currency is converted to Norwegian kroner. These are hedging instruments and seen over the instruments'

a received cash payment in connection with the sale of Visa Europe Ltd to Visa Inc.

Income from ownership interests rose by NOK 41 million from NOK 384 million in 2016 to NOK 425 million in 2017.

Table 3, Income from ownership interests

The share of net profit after tax	31.12.17	31.12.16
SpareBank 1 Gruppen	349	318
SpareBank 1 Boligkreditt	-25	-14
SpareBank 1 Næringskreditt	13	22
BN Bank	70	61
SpareBank 1 Kredittkort	15	23
SpareBank 1 Betaling	-14	-29
Other	17	3
<b>Total income from ownership interests</b>	<b>425</b>	<b>384</b>

The share of the net profit from SpareBank 1 Gruppen increased by NOK 31 million compared with 2016. The improved result was primarily due to the high financial income in SpareBank 1 Forsikring resulting due to good returns on the equities portfolio and rises in the value of properties. Other companies in the group delivered good results and improvements on 2016, with the exception of SpareBank 1 Skadeforsikring, which saw a weaker result in 2017 due to higher claims and cost/income ratios.

The share of the net profit from SpareBank 1 Boligkreditt decreased by NOK 11 million compared with 2016. The reduction and the negative profit contribution were primarily due to the negative effects of basis swaps.<sup>2</sup> The group's share of the negative effects of basis swaps increased by NOK 4 million from NOK -50 million in 2016 to NOK -54 million in 2017.

The share of the net profit from SpareBank 1 Kredittkort fell by NOK 8 million from 2016, which was due to a combination of lower transaction income due to EU regulations, as well as increased costs in connection with the takeover of the portfolio of the Norwegian Confederation of Trade Unions (LO).

Net income from financial instruments amounted to NOK 198 million in 2017 (NOK 160 million). Capital gains on securities amounted to NOK 127 million (NOK 53 million), while capital gains from interest and currency trading amounted to NOK 71 million (NOK 107 million).

term of maturity the changes in market value are zero. The accounting effects will therefore be reversed over time, unless the instrument is redeemed.

The capital gains on securities amounting to NOK 127 million (NOK 53 million) were due to a combination of capital losses of NOK 152 million (capital losses of NOK 156 million) in the interest portfolio, which were counteracted by positive effects totalling NOK 143 million (NOK 158 million) from hedging instruments, as well as capital gains of NOK 136 million (NOK 51 million) from the portfolio of shares and equity certificates. Of the NOK 136 million in capital gains on shares and equity certificates, NOK 51 million was due to the higher share price for Sandnes Sparebank, NOK 13 million was due to increases in the value of investments in funds under the direction of SR-Forvaltning, NOK 19 million was profit from the sale of the equities desk to SpareBank 1 Markets, NOK 15 million was from recognition of shares in Visa Norge, and NOK 6 million was due to the increase in the value of the investment in SpareBank 1 Østlandet (formerly Sparebanken Hedmark). The stake in SpareBank 1 Østlandet was sold in the second quarter of 2017.

Capital gains from interest and currency trading amounted to NOK 71 million (NOK 107 million), of which capital gains from customer and own account trading amounted to NOK 104 million (NOK 137 million), while the negative effects of basis swaps<sup>2</sup> amounting to NOK 32 million (NOK 15 million in negative effects) and the sum of hedging recognition and other negative IFRS effects of NOK -1 million (NOK 15 million in negative effects) pulled in the opposite direction.

### Operating costs

The group's operating costs amounted to NOK 2,167 million in 2017, an increase of NOK 135 million (6.6%) from 2016.

Table 4, Operating expenses

	31.12.17	31.12.16
Personnel expenses	1.263	1.166
IT expenses	317	321
Marketing	73	74
Other administrative expenses	88	69
Depreciation	74	81
Operating expenses from real estate	34	35
Other operating expenses	318	286
<b>Total operating expenses</b>	<b>2.167</b>	<b>2.032</b>

Personnel costs rose by NOK 97 million (8.3%) from 2016 to NOK 1,263 million in 2017. NOK 34 million of the increase was due to higher activity in EiendomsMegler 1 and Regnskapshuset SR. NOK 10 million was set aside for reorganisation costs in 2017, bonus provisions increased by NOK 31 million, while NOK 34 million of the increase resulted from the 5%

financial activity tax on personnel costs that was introduced on 1 January 2017.

Other operating costs increased by NOK 38 million (4.4%) to NOK 904 million in 2017. NOK 11 million of the increase was due to higher costs in EiendomsMegler 1 due to the improved activity in the housing market in the Stavanger region, while NOK 10 million was due to the termination of tenancy agreements, where the future cost was recognised in its entirety in the fourth quarter of 2017. The remainder of the rise in costs primarily came from higher administration costs due to, among other things, the group's investments in further digital development and automating standardised work processes using robots.

The group practises good cost control, and the normalised total growth in costs in 2017 was NOK 0.9 million (0.1%). This is well within the target of a maximum of 2.0% normalised growth in costs in 2017. The group constantly focuses on keeping costs down. For example, in 2017 the costs associated with owned and leased premises were reduced by NOK 11 million due to a reduction in the number of branches, while costs from the depreciation of fixed assets were reduced by NOK 10 million compared with 2016. Costs associated with technological development, automation and robotisation processes rose, while ordinary ICT operating costs fell in the last year. The combination of reduced costs due to completed rationalisation measures and higher costs from further development means that overall the group practises good cost control, which provides a basis for efficient, competitive operations going forward as well. The group's cost/income ratio, costs measured as a percentage of income, was reduced to 40.7% in 2017 (40.9%).

### Impairment losses on loans and non-performance

The group's net impairment losses on loans were reduced by NOK 235 million to NOK 543 million in 2017 (NOK 778 million). This corresponds to impairments as a percentage of gross loans of 0.33% (0.50%). Inclusive of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, the write-down as a percentage of gross loans corresponded to 0.29% (0.42%). The impairment losses on loans in 2017 largely involved individual commitments within oil-related activities.

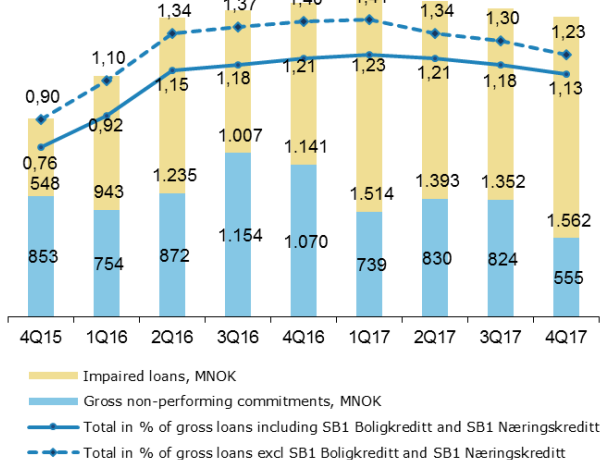
Closely monitoring customers and preventive work remain important tools for maintaining a good risk



profile in the group's loan portfolio in order to reduce future losses.

Gross non-performing commitments amounted to NOK 555 million at year-end 2017 (NOK 1,070 million). This corresponded to 0.32% (0.68%) of gross loans, or 0.30% (0.59%) inclusive of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. The portfolio of impaired (not non-performing) loans totalled NOK 1,562 million (NOK 1,141 million). This corresponded to 0.91% (0.72%) of gross loans, or 0.83% (0.62%) inclusive of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Total non-performing and impaired loans at year-end 2017 came to NOK 2,117 million (NOK 2,211 million). Measured as a percentage of gross loans, this represents a reduction in the last 12 months from 1.40% to 1.23%, and a reduction from 1.21% to 1.13% inclusive of loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.

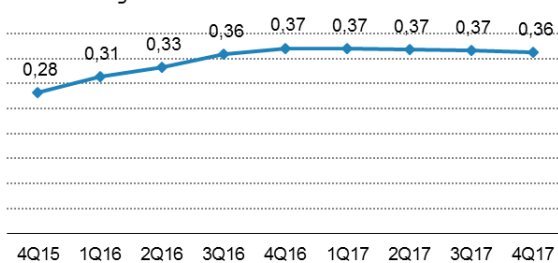
Fig 2. Impaired loans and gross non-performing commitments



The loan loss provision ratios, measured as individual write-downs as a percentage of non-performing and impaired loans, were 24% (26%) and 33% (28%) at year-end 2017. The provision ratio will vary over time depending on valuations of commitments' collateral.

Collective impairment losses on loans increased by NOK 2 million in the last 12 months. The loan loss provision ratio, measured as collective impairment losses as a percentage of gross loans, inclusive of the volume sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, was 0.36% at year-end 2017 (0.37%).

Fig. 3 Collective impairment losses as % of gross loans including loans sold to SB1 Boligkreditt and SB1 Næringskreditt



IFRS 9 Financial Instruments will replace the current IAS 39 Financial Instruments: Recognition and Measurement from 1 January 2018. This will affect, among other things, how the group will assess the need for impairment losses. According to the current rules under IAS 39, impairment losses must only be made when objective evidence exists that a loss event has happened after initial recognition. According to IFRS 9 though, impairment losses must be recognised based on expected credit losses (ECL). SpareBank 1 SR-Bank has, in cooperation with other SpareBank 1 banks, been working on models, as well as clarifications concerning valuation, classification, etc., for the last couple of years. The group has worked on preparing for, and impact assessments concerning, the effects of implementation. Preliminary calculations indicate that the increased need for loss provisions will be in the range of NOK 100-150 million. This will result in an expected negative effect on common equity tier 1 capital of between 9 and 13 points. SpareBank 1 SR-Bank will, by the end of February 2018, make a decision about whether or not to make use of the transitional rules for capital adequacy in its implementation of IFRS 9. Please also see note 42 on IFRS 9 Financial Instruments in the annual financial statements for 2016.

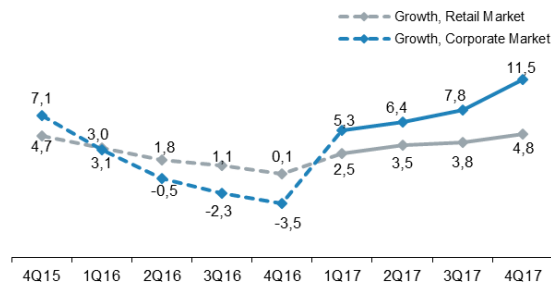
For more information about the implementation of IFRS 9 please see note 1 of the interim financial statements and note 42 in the consolidated annual financial statements for 2016.

### Loans to and deposits from customers

Gross loans at year-end 2017 amounted to NOK 172.5 billion (NOK 157.6 billion). Including loans totalling NOK 14.6 billion (NOK 24.7 billion) sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt, gross loans amounted to NOK 187.1 billion at year-end 2017 (NOK 182.3 billion). Gross lending growth, inclusive of the mortgage companies, over the last 12 months was 2.6% (-0.9%).



Fig. 4 12 month lending growth (%)



\* Following the merger with the parent bank on 1 January 2017, the volume from SR-Finans is included in the figures from and including the first quarter of 2017. This results in a break in the historical figures.

Loans to the retail market accounted for 63.1% (63.0%) of total loans (inclusive of loans sold to SpareBank 1 Boligkreditt) at year-end 2017.

The group's total loan exposure of NOK 187.1 billion (NOK 182.3 billion) included a majority of commitments with a probability of default of less than 0.5%. These commitments represented 60.3% (60.5%) of the portfolio. The total lending portfolio primarily consisted of commitments of less than NOK 10 million. These accounted for around 68.8% (69.1%) of loan exposure and 98.4% (98.6%) of customers. 17.8% (17.9%) of the total loan exposure was to customers who had loans in excess of NOK 100 million.

Deposits from customers have risen by 11.0% in the last 12 months (-3.9%) to NOK 95.4 billion (NOK 85.9 billion). Deposits primarily increased due to larger deposits from public sector customers. At year-end 2017, deposits from the corporate market and public sector accounted for 53.6% (50.1%) of the group's customer deposits. The deposit coverage ratio at year-end 2017, measured as deposits as a percentage of gross loans, was 55.3% (54.5%).

In addition to ordinary customer deposits, the group also has capital under management in alternative investment products. This increased to NOK 21.3 billion (NOK 17.4 billion) at year-end 2017, due in part to good new sales in connection with the establishment of share savings accounts for the group's customers. This management is primarily performed by SR-Forvaltning and ODIN Forvaltning.

<sup>3</sup> The interest on intercompany receivables for the retail market division and the corporate market division is determined on the basis of expected observable market interest rates (NIBOR) plus expected additional costs in connection with the group's long-term funding (credit

## Business areas

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

SR-Finans was merged into the parent bank with effect from 1 January 2017 and is included in the divisions' results and balances from the same date. The comparisons with last year in the comments and figures below are therefore based on historical financial statements from before the merger. The segment note (note 12) has been modified and contains comparable figures in which the results and balances from SR-Finans are included in the divisions' results and balances from 1 January 2016.

### Retail market division<sup>3</sup>

On 1 January 2017, SpareBank 1 SR-Finans's former retail market customers were transferred to the retail market division. Employees linked to the retail market in SR-Finans were transferred to the parent bank's retail market division.

Table 5, Retail market

	31.12.17	31.12.16
Interest income	1.544	1.183
Commission and other income	654	629
Income on investment securities	8	10
Total income	2.206	1.822
Total operating expenses	608	571
Operating profit before losses	1.598	1.251
Impairment losses on loans	63	32
Pre-tax profit	1.535	1.219

The retail market division's contribution before impairment losses on loans amounted to NOK 1,598 million in 2017 (NOK 1,251 million). The result was NOK 347 million higher than in 2016 due to the merger with SR-Finans, higher interest margins, and increased commissions. Costs rose by NOK 37 million (6.5%) in 2017, primarily due to the merger and 5% financial activity tax.

premium). Differences between the group's actual funding costs and the applied interest on intercompany receivables are eliminated at the group level.

The number of product sales increased by 14% from 2016, while sales growth in digital surfaces amounted to 40%. The growth in sales contributed to commissions, exclusive of commissions from SpareBank 1 Boligkreditt, rising by 3.3% compared with 2016. The highest growth was in insurance, savings and investments, and the division achieved strong growth in insurance sales and investment volumes. The focus on share savings accounts is deemed to have been a success and has contributed to increased volumes in the area of savings.

The unemployment rate in the region continued to fall in the fourth quarter of 2017 and the fall in house prices has slowed. Lending growth over the last 12 months was 5.0% at year-end 2017, inclusive of the volume transferred from SR-Finans. Exclusive of the effects of the merger, the 12-month lending growth was 3.1%. Deposits have grown by 3.1% in the last 12 months. Greater optimism in the business sector has generally not yet resulted in greater demand for mortgages.

The quality of the retail market portfolio is considered to be very good with a low risk of losses. The proportion of loan exposure (including the portfolios in SpareBank 1 Boligkreditt and SR-Boligkreditt) within a loan-to-value ratio of 85% amounted to 89.0% (89.6%) at year-end 2017. The IRB risk weighting for home mortgages was 21.6% (22.3%) at year-end 2017, and reflected a solid, stable portfolio.

The proportion of non-performing commitments over 30 days was 0.39% of total lending at year-end 2017 (0.20%). The increase from 2016 was due to loans transferred from SR-Finans being included in the retail market division's portfolio from the first quarter of 2017, and these loans naturally having a higher rate of non-performance. Impairment losses on loans rose to NOK 63 million in 2017 (NOK 32 million) and were especially associated with consumer financing via a distribution agreement that has now ended.

### **Corporate market division<sup>3</sup>**

On 1 January 2017, SpareBank 1 SR-Finans's former corporate customers were transferred to the corporate market division. Employees linked to the corporate market in SR-Finans were transferred to the parent bank's corporate market division.

Table 6, Corporate market

	31.12.17	31.12.16
Interest income	1.475	1.308
Commission and other income	316	305
Income on investment securities	6	26
Total income	1.796	1.639
Total operating expenses	268	234
Operating profit before losses	1.529	1.405
Impairment losses on loans	480	654
Pre-tax profit	1.049	751

The corporate market division's contribution before impairment losses on loans was NOK 1,529 million in 2017 (NOK 1,405 million), NOK 124 million higher than in 2016. The higher result was due in part to the merger with SR-Finans and increased net interest margins. Costs increased by NOK 34 million from 2016 to 2017, primarily due to the increase in employees in connection with the merger, the 5% financial activity tax, and increased operating costs linked to SR-Finans.

The division's lending growth in the last 12 months, inclusive of the volume transferred from SR-Finans, was 11.0%. Exclusive of the effect of the merger, lending growth in the last 12 months was 2.0%. The division's deposits have risen by 23.2% over the last 12 months. Deposits largely increased in the first half of 2017 due to increased deposits from new public sector customers.

The quality of the corporate market portfolio is considered to be good. The proportion of commitments with a probability of default of less than 2.5% through a full loss cycle was 72.4% (75.0%) of the portfolio at year-end 2017. The property sector portfolio represents the group's largest concentration in a single sector and accounted for 14.7% (15.2%) of total loan exposure, including retail customers. A large portion of this portfolio consisted of financing commercial properties for leasing. The portfolio is characterised by long-term leases and financially solid tenants.

Net individual impairment losses of NOK 482 million and a NOK 2 million reduction in collective impairment losses were recognised in 2017, compared with NOK 510 million in individual impairment losses and NOK 144 million in collective impairment losses in 2016. The division's ordinary pre-tax profit was NOK 298 million higher than at the same time in 2016.

### **Capital market division<sup>4</sup>**

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

Table 7, Capital market

	31.12.17	31.12.16
Interest income	38	46
Commission and other income	83	90
Income on investment securities	80	39
Total income	201	175
- allocated to Corporate Market	63	46
Total income after allocation	138	129
Total operating expenses	75	81
Operating profit before losses	63	48

SR-Bank Markets's pre-tax profit was NOK 63 million in 2017, NOK 15 million higher than in 2016. The income generated is recognised as income in the business areas to which the customers are assigned, primarily the corporate market division.

Prior to the allocation of customer income to other business areas, SR-Bank Markets achieved operating income of NOK 201 million in 2017. This represents an increase of NOK 26 million from 2016 and is primarily attributable to a rise in the value of the bank's bond portfolio in 2017. Income from sales of equities and bonds ceased in the fourth quarter of 2017 due to the equities desk being sold to SpareBank 1 Markets. Corporate finance completed a number of projects in 2017 and achieved a result on a par with 2016.

The pre-tax profit before the allocation of customer income amounted to NOK 126 million in 2017, an increase of NOK 32 million from 2016.

The equities desk was sold to SpareBank 1 Markets in the fourth quarter of 2017. As settlement, SpareBank 1 SR-Bank received a stake in SpareBank 1 Markets and a cooperation agreement was entered into that covers a number of areas.

### **Subsidiaries**

#### **EiendomsMegler 1 SR-Eiendom AS**

The company's pre-tax profit amounted to NOK 26.7 million in 2017 (NOK 16.2 million). The improved result was largely due to the better housing market in the Stavanger region with a higher number of sales in 2017.

<sup>4</sup> The capital market division serves customers throughout the group and customer income is now recognised, in its entirety, in the business area to which the customer belongs.

In 2017, 6,565 (6,042) properties were sold with a total value of around NOK 20.6 billion (NOK 19 billion). The supply of new assignments has been good and, overall, was 13% higher than in 2016.

There have been and still are, significant differences in the regional markets, both with respect to price and turnover times. The housing market in Bergen is still good, although there has been a weak downwards trend in both house prices and the number of sales. The market in the Agder counties is stable with respect to sales and prices fell marginally in 2017. In Rogaland, the growth in the number of sales has levelled off and the number of sales per month at year-end 2017 is now at about the same level as in 2016. House prices in the Stavanger region are stable and on a par with the prices 12 months ago.

The total market grew by 7,7% in Rogaland, while it was stable in Agder and fell slightly in Hordaland. Compared with 2016, the number of sales of used homes and holiday homes increased by around 2.2% in 2017.

The supply of new homes is good and sales in Rogaland are improving considerably. The supply of new homes in Bergen is good, while in Kristiansand the level of supply is high and the market is somewhat demanding.

There was a good supply of commercial property for both lease and sale. The vacancy rate for office premises in the Stavanger region stabilised in 2017. Activity in the lease market has increased and steadily more tenants are looking for premises suitable for the anticipated level of activity going forward. The levels of activity in Bergen are still good within both the sale and leasing of commercial properties and the company has established itself as a leading player in commercial estate agency in the Bergen region.

#### **SpareBank 1 Regnskapshuset SR AS**

SpareBank 1 Regnskapshuset SR achieved a pre-tax profit of NOK 3.5 million in 2017 (NOK 1.6 million). The result includes depreciation of intangible assets of NOK 1.9 million (NOK 1.6 million).

The company was established in 2015 and has since its start-up grown from NOK 0 to almost NOK 100 million in annual turnover. At year-end 2017, the

company has seven offices, four in Rogaland and three in Bergen, and more than 1,600 customers.

Since its start-up, Regnskapshuset has gained a solid market position in Rogaland and Hordaland and is experiencing a good influx of new customers who want modern, efficient accounting services. Customers are demanding cloud-based and automated services, and in the future the company will offer bespoke IT solutions for customers irrespective of industry/size. At the same time, the company is currently expending a lot of resources on the robotisation of work process and will, besides using its own resources, capitalise on the expertise SpareBank 1 SR-Bank has as a leading actor in this area. New business areas within advice and payroll/HR are being built up as the company is experiencing great demand for these types of service.

#### **SR-Forvaltning AS**

Pre-tax profit was NOK 33.5 million in 2017 (NOK 28.1 million). The company saw good customer growth in 2017, especially with respect to discretionary mandates. The assets under management at year-end 2017 amounted to NOK 11.0 billion (NOK 9.5 billion).

SR-Forvaltning is licensed to provide active management and securities management services. The management company has three securities funds: SR-Utbytte, SR-Kombinasjon and SR-Rente, which were launched around 4 years ago. In 2017, the equity fund SR-Utbytte produced a return of 18.05% (benchmark 18.21%), the bond fund SR-Rente produced 4.69% (benchmark 0.67%), and the combination fund SR-Kombinasjon produced 12.17%, which is 3.01 percentage points better than its respective benchmark of 9.16%.

The company also manages portfolios for SpareBank 1 SR-Bank's pension fund, as well as external customers on the basis of discretionary mandates. The external customer base comprises pension funds, public and private enterprises, and affluent individuals. Since its start-up in 1999, the company has produced a good, long-term, risk-adjusted return for its customers, in both absolute and relative terms.

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

#### **SR-Boligkreditt AS**

The company achieved a pre-tax profit of NOK 272.8 million in 2017 (NOK 113.1 million). The improved result was due to net interest income rising by NOK

226.4 million from 2016. Net interest income primarily increased due to the increase in mortgages bought from SpareBank 1 SR-Bank and the increase must therefore be viewed in the context of the development of net interest income in the retail market division in SpareBank 1 SR-Bank. Net income from financial investments fell by NOK 59.7 million due to the negative effects of basis swaps, which amounted to NOK 99.0 million in 2017, compared with the negative effects of basis swaps in 2016 which amounted to NOK 27.4 million.

SR-Boligkreditt was established in 2015 and its purpose is to purchase home mortgages from SpareBank 1 SR-Bank and it funds this by issuing covered bonds. SR-Boligkreditt enables SpareBank 1 SR-Bank to diversify and optimise its funding. Moody's has given SR-Boligkreditt its best rating, Aaa.

At year-end 2017, the company had issued covered bonds with a nominal value of NOK 39.6 billion and bought loans worth NOK 40.8 billion from SpareBank 1 SR-Bank.

#### **Associated companies**

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##### **SpareBank 1 Alliance**

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

##### **SpareBank 1 Gruppen AS**

SpareBank 1 Gruppen owns all of the shares in SpareBank 1 Forsikring, SpareBank 1 Skadeforsikring, ODIN Forvaltning, SpareBank 1 Medlemskort, SpareBank 1 Gruppen Finans and Conecto. SpareBank 1 SR-Bank owned a 19.5% stake in SpareBank 1 Gruppen at year-end 2017.

SpareBank 1 Gruppen achieved a pre-tax profit of NOK 2,210 million in 2017 (NOK 2,019 million). The improved result was primarily due to the high financial income in SpareBank 1 Forsikring resulting due to good returns on the equities portfolio and rises in the value of properties. Other companies in the group

delivered good results and improvements on 2016, with the exception of SpareBank 1 Skadeforsikring, which saw a weaker result in 2017 due to higher claims and cost/income ratios.

#### **SpareBank 1 Banksamarbeidet DA**

SpareBank 1 Banksamarbeidet is responsible for alliance processes and the delivery of services to the SpareBank 1 Alliance. It also develops and delivers things such as common IT/mobile phone solutions, branding and marketing concepts, business concepts, products and services, expertise, analyses, processes, best practice solutions and purchasing. SpareBank 1 SR-Bank owned a 18.0% stake in SpareBank 1 Banksamarbeidet at year-end 2017.

#### **SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS**

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

SpareBank 1 Boligkreditt achieved a pre-tax result of NOK -239 million in 2017 (NOK -146 million). The negative result was primarily due to the negative effects of basis swaps, which increased by NOK 89 million from NOK -300 million in 2016 to NOK -389 million in 2017. At year-end 2017, the company's total lending volume amounted to NOK 177.7 billion (NOK 174.5 billion), NOK 14.1 billion (NOK 24.2 billion) of which were home mortgages bought from SpareBank 1 SR-Bank. At the end of 2017 the bank owned 8.0% of the company. The stake was updated at year-end 2017 in line with the proportion of sold volume at the same point in time.

SpareBank 1 Næringskreditt achieved a pre-tax profit of NOK 79 million in 2017 (NOK 112 million). At year-end 2017, the company's total lending volume amounted to NOK 9.9 billion (NOK 11.0 billion), NOK 0.5 billion (NOK 0.5 billion) of which were loans bought from SpareBank 1 SR-Bank. At the end of 2017 the bank owned 19.2% of the company.

#### **BN Bank ASA**

BN Bank is a nationwide bank with its head office in Trondheim. The bank is owned by the banks in the

SpareBank 1 Alliance. SpareBank 1 SR-Bank owns a 23.5% stake. BN Bank achieved a pre-tax profit of NOK 395 million in 2017 (NOK 348 million). The improved result was largely due to higher interest income and lower losses compared with 2016.

#### **SpareBank 1 Kredittkort AS**

SpareBank 1 Kredittkort is owned by the SpareBank 1 banks. SpareBank 1 SR-Bank owns a stake of 17.9%. The company provides credit card solutions for the SpareBank 1 banks and achieved a pre-tax profit of NOK 112 million in 2017 (NOK 172 million). The reduction in the result was due to a combination of lower transaction income due to EU regulations and higher costs in connection with the takeover of the portfolio of Norwegian Confederation of Trade Unions (LO).

#### **SpareBank 1 Betaling AS/Vipps AS**

The SpareBank 1 banks jointly own SpareBank 1 Betaling. SpareBank 1 SR-Bank's stake is 19.7%. SpareBank 1 Betaling was behind the mobile phone payment solution mCASH. In the autumn of 2017, the company became the second largest owner of Vipps with a stake of 25%. This payment solution will continue to build on the expertise accumulated in both Vipps and mCash. The partnership will better equip SpareBank 1 to face the competition from major international players in the market for mobile phone payment solutions.

SpareBank 1 Mobilbetaling posted a pre-tax loss of NOK -34 million in 2017 (NOK -135 million). The loss was due to operating costs and expensed investment costs.

#### **Funding and liquidity**

SpareBank 1 SR-Bank had very good liquidity at year-end 2017 and believes it will continue to have good access to long-term funding at competitive prices. The group strives to achieve an even maturity structure for funding and believes it is important to have good relations with Norwegian and international investors and banks. The liquidity buffer<sup>5</sup> was NOK 32.3 billion at year-end 2017 and would cover normal operations for 32 months in the event of closed markets. NOK 10.9 billion of the bank's external funding will fall due in the next 12 months. In addition to the liquidity buffer, the bank has NOK 19.7 billion in home mortgages ready for covered bond funding.

<sup>5</sup> Liquidity buffer: cash, short-term investments, and drawing rights in Norges Bank (bonds including covered bonds).

Assuming deposits and lending remain unchanged and no new borrowing during the period.

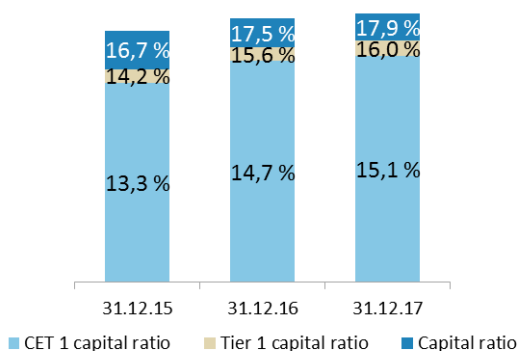
The group has in the last year continued to enjoy a high proportion of long-term funding. The group's net stable funding ratio (NSFR<sup>6</sup>) at year-end 2017 was 119% (118%), and confirms a very good liquidity situation.

The bank's ratings at Moody's and Fitch Ratings are A1 (outlook negative) and A- (outlook stable), respectively.

### Capital adequacy

At year-end 2017, the common equity tier 1 capital ratio was 15.1%, up from 14.7% at the same time in 2016.

Fig. 5 Capital adequacy



All capital adequacy figures are based on the transitional rule (Basel I floor) that states that the capital requirement for using internal methods cannot be less than 80% of the capital requirement according to the Basel I regulations.

There is a countercyclical capital buffer requirement in Norway in the range of 0-2.5% in the form of common equity tier 1 capital. The purpose of the countercyclical capital buffer is to make the banks more solid and robust in relation to lending losses. The capital buffer requirement increased from 1.5 percentage points to 2.0 percentage points from 31 December 2017.

The Pillar 2 premium is an institution-specific premium intended to ensure that Norwegian banks have adequate capital to cover the risk associated with operations, including risks not covered by the regulatory minimum requirement. The Financial Supervisory Authority of Norway has in its assessment of the group stipulated a Pillar 2 premium of 2.0%.

The total common equity tier 1 capital ratio requirement for SpareBank 1 SR-Bank, inclusive of the countercyclical buffer and Pillar 2 premium, as at 31 December 2017 was 14.0 %. This requirement is met by a good margin. Banks classified as systemically important financial institutions are also subject to a special capital buffer requirement. SpareBank 1 SR-Bank has not been identified as a systemically important financial institution.

SpareBank 1 SR-Bank's long-term goal is to achieve a common equity tier 1 capital ratio of 15.0%, which includes a management buffer of 1 percentage point. The target will be maintained through good profitability, balanced growth and competitive dividends.

The tier 1 capital ratio was 16.0% (15.6%), while the total capital ratio rose to 17.9% from 17.5%, well within the capital adequacy requirement of 17.5%.

### The bank's share

The bank's share price (SRBANK) was NOK 87.00 at year-end 2017. This represents an increase of 43.2% since year-end 2016. The main Oslo Stock Exchange index rose by 19.1% in the same period. 4.7% (12.9%) of outstanding SRBANK shares were traded in the fourth quarter of 2017. On 1 June 2017, the SR-Bank share was included in the main index of the Oslo Stock Exchange.

Fig 6. Development in Price/Book



There were 10,834 (10,428) shareholders of SRBANK at year-end 2017. The proportion owned by foreign companies and individuals was 23.5% (19.1%), whilst 44.7 (49.9%) were owned by residents of Rogaland, the Agder counties and Hordaland. The 20 largest shareholders owned a combined 56.6% (56.9%) of the shares. The bank holds 206,757 treasury shares, while group employees owned 1.6% (1.8%).

<sup>6</sup> NSFR is calculated in accordance with guidelines from the Financial Supervisory Authority of Norway and is calculated as available stable funding relative to necessary stable funding.

The table below shows the 20 largest shareholders as at 31 December 2017:

Table 8, 20 largest shareholders	Number of shares (1,000)	%
Sparebankstiftelsen SR-Bank	72.419	28,3 %
Folketrygdfondet	16.988	6,6 %
State Street Bank and Trust Co, U.S.A.	8.913	3,5 %
SpareBank 1-stiftinga Kvinnherad	6.227	2,4 %
Vpf Nordea Norge Verdi	5.958	2,3 %
Danske Invest Norske Instit. II	3.575	1,4 %
Verdipapirfondet DNB Norge (IV)	3.539	1,4 %
Odin Norge	3.506	1,4 %
State Street Bank and Trust Co, U.S.A.	3.025	1,2 %
Clipper AS	2.565	1,0 %
Pareto Aksje Norge	2.224	0,9 %
KAS Bank NV, Nederland	1.935	0,8 %
Danske Invest Norske Aksjer Inst.	1.902	0,7 %
Morgan Stanley and Co Intl plc, U.K.	1.886	0,7 %
JPMorgan Chase Bank N.A., U.S.A.	1.881	0,7 %
KLP Aksjenorge Indeks	1.811	0,7 %
Westco AS	1.663	0,7 %
Pareto AS	1.641	0,6 %
Vpf Nordea Norge Avkastning	1.640	0,6 %
Forsvarets Personellservice	1.514	0,6 %
<b>Total 20 largest</b>	<b>144.810</b>	<b>56,6 %</b>

### Accounting policies

Please refer to note 1 for a description of the accounting policies applied in the parent company's and consolidated financial statements. The same accounting policies are applied in interim and annual financial statements.

### Events after the balance sheet date

No material events have been registered after 31 December 2017 that affect the interim financial statements as prepared.

### Outlook

Moderate to increasing growth is expected in the global economy in 2018 and 2019. Growth in the Norwegian economy is good and activities in oil-related operations are showing signs of improvement. Investments in the petroleum sector fell by around 10% in 2017. The Norwegian Petroleum Directorate is expected a weak increase in oil investments of around 1.5% in 2018, and a further marked increase of 15% in 2019.

The total level of activity in Rogaland was subdued in 2017 but is expected to rise in coming years. Both oil companies and the supply industry are now reporting better prospects with higher sales, new investments and more hiring. Export-oriented industries are experiencing growth due to a weak Norwegian kroner and greater competitiveness. The building and

construction industry is seeing the positive effects of an improving local housing market and moderately increasing activity is expected in this sector going forward. Continued, stable activity is expected within most sectors in Hordaland and the Agder counties.

Unemployment in Norway has been gradually falling and was 2.6% in January 2018. In Rogaland, unemployment has fallen from 5.0% a year ago to 3.3% in January 2018. Unemployment also fell in Hordaland and Agder. EiendomsMegler 1 is reporting higher activity in the housing market, with the total market in Rogaland growing by 7.7% in the last year. The market was stable in Agder and fell slightly in Hordaland. The figure for the rise in house prices in Norway over the last 12 months turned from 12.8% as per December 2016 to -2.1% as per December 2017, while the fall in prices in Stavanger turned from -2.6% as per December 2016 into growth of 0.0% as per December 2017. There are some uncertainty concerning the development of transaction volumes and house prices in the groups market area going forward. The combination of lower unemployment in the group's market area and the fact that the fall in house prices seen in the Stavanger region has now turned around means that going forward the group expects lending volumes to rise moderately by 4-6% in 2018.

The group's long-term return on equity target is at least 12%. The group also has a common equity tier 1 capital ratio target of 15%. SpareBank 1 SR-Bank is a solid, profitable group and has in recent years increased its financial strength in line with the authorities' requirements. This was achieved through earnings via a business model involving good breadth in earnings and efficient operations.

The group's prognoses take account of the fact that the group will in 2018 have to make impairments that exceed the average in an economic cycle. Some of the bank's customers in the oil industry are still experiencing a demanding market. At the same time, unemployment and house prices have developed better than previously forecast and the majority of the bank's customers have now switched from pessimism to optimism. Given this, the need for impairments in 2018 is expected to amount to around NOK 400-500 million. The board would like to stress that a certain level of uncertainty is associated with all assessments of future conditions.

The group is investing in new technology and employee skills to give even better customer experiences, increase efficiency and sales. The results



of this investment include the provision of new payment services via the merger of Vipps, BankAsept and Bank ID. At the same time, customers will experience better availability and service levels thanks to the development of our own chat robot. In addition SpareBank 1 SR-Bank was first bank in Norway with a digital solution for consent-based loan applications. As part of its development of new technology, the group has established FinStart Nordic, a wholly owned subsidiary. FinStart Nordic will invest in companies involved in development and innovation work that will contribute to give the bank a competitive edge. The group wants to strengthen its focus on customers in

the central Eastern Norway region and will in the beginning of 2018 establish its own branch in Oslo that will serve large corporate and retail customers. Together with customer growth, correct risk pricing for loans, and cost control, this will ensure the group is competitive going forward.

Stavanger, 6 February 2018

The Board of Directors of SpareBank 1 SR-Bank ASA

## Income Statement

Parent bank				Note	Group			
Q4 2016	Q4 2017	01.01.16 - 31.12.16	01.01.17 - 31.12.17		01.01.17 - 31.12.17	01.01.16 - 31.12.16	Q4 2017	Q4 2016
				<b>Income statement (MNOK)</b>				
1.203	1.212	4.868	4.863	Interest income	5.747	5.563	1.463	1.400
581	517	2.407	2.095	Interest expense	2.585	2.692	644	667
622	<b>695</b>	2.461	<b>2.768</b>	<b>Net interest income</b>	<b>3.162</b>	2.871	<b>819</b>	733
264	268	1.054	1.069	Commission income	1.597	1.511	384	372
17	18	68	76	Commission expenses	79	72	19	18
1	3	5	8	Other operating income	6	4	2	1
248	<b>253</b>	991	<b>1.001</b>	<b>Net commission and other income</b>	<b>1.524</b>	1.443	<b>367</b>	355
4	0	109	9	Dividend income	11	110	0	5
224	19	776	500	Income from investment in associates	425	384	154	78
95	40	145	238	Net gains/losses on financial instruments	198	160	50	56
323	<b>59</b>	1.030	<b>747</b>	<b>Net income on financial investments</b>	<b>634</b>	654	<b>204</b>	139
1.193	<b>1.007</b>	4.482	<b>4.516</b>	<b>Total income</b>	<b>5.320</b>	4.968	<b>1.390</b>	1.227
214	253	854	952	Personnel expenses	1.263	1.166	333	293
119	117	411	428	Administrative expenses	478	464	128	133
81	85	269	296	Other operating costs	426	402	109	114
414	<b>455</b>	1.534	<b>1.676</b>	<b>Total operating costs</b>	<b>2.167</b>	2.032	<b>570</b>	540
779	<b>552</b>	2.948	<b>2.840</b>	<b>Operating profit before impairment losses</b>	<b>3.153</b>	2.936	<b>820</b>	687
118	120	684	542	Impairment losses on loans and guarantees	543	778	120	162
661	<b>432</b>	2.264	<b>2.298</b>	<b>Pre-tax profit</b>	<b>2.610</b>	2.158	<b>700</b>	525
102	111	343	439	Tax expense	524	403	141	96
559	<b>321</b>	1.921	<b>1.859</b>	<b>Profit after tax</b>	<b>2.086</b>	1.755	<b>559</b>	429
				<b>Other comprehensive income</b>				
131	28	-62	-12	Unrecognised actuarial gains and losses	-12	-62	28	143
-33	-7	15	3	Deferred tax concerning changed estimates/pension plan changes	3	15	-7	-36
98	21	-47	-9	<b>Total items not reclassified through profit or loss</b>	<b>-9</b>	<b>-47</b>	<b>21</b>	<b>107</b>
0	9	-62	9	Change in value of financial assets available for sale	9	-62	9	0
0	0	0	0	Share of profit associated companies and joint ventures	8	-7	8	27
0	9	-62	9	<b>Total items reclassified through profit or loss</b>	<b>17</b>	<b>-69</b>	<b>17</b>	<b>27</b>
98	30	-109	0	<b>Other comprehensive income</b>	<b>8</b>	<b>-116</b>	<b>38</b>	<b>134</b>
657	351	1.812	1.859	<b>Total comprehensive income</b>	<b>2.094</b>	1.639	<b>597</b>	563
				<b>Earnings per share (group)</b>	<b>8,16</b>	<b>6,87</b>	<b>2,18</b>	<b>1,68</b>

## Balance sheet

Parent bank		Note	Group	
31.12.16	31.12.17		31.12.17	31.12.16
		<b>Balance sheet (MNOK)</b>		
1.079	207	Cash and balances with central banks	207	1.079
10.138	1.607	Balances with credit institutions	1.608	4.334
120.252	130.579	Loans to customers	171.237	156.372
22.042	32.203	Certificates, bonds and other fixed-income securities	31.909	21.024
5.057	6.033	Financial derivatives	5.541	4.315
433	507	Shares, ownership stakes and other securities	717	596
22	0	Business available for sale	0	22
2.884	2.363	Investment in associates	3.953	4.460
3.713	4.853	Investment in subsidiaries	0	0
698	724	Other assets	1.446	1.206
166.318	<b>179.076</b>	<b>Total assets</b>	<b>216.618</b>	193.408
2.140	4.538	Balances with credit institutions	2.335	1.583
86.183	95.635	Deposits from customers	95.384	85.913
54.079	51.307	Listed debt securities	90.497	80.275
2.711	5.013	Financial derivatives	3.787	2.515
1.999	1.770	Other liabilities	1.962	2.188
2.646	2.764	Subordinated loan capital	2.764	2.646
149.758	<b>161.027</b>	<b>Total liabilities</b>	<b>196.729</b>	175.120
6.394	6.394	Share capital	6.394	6.394
1.587	1.587	Premium reserve	1.587	1.587
575	1.087	Proposed dividend	1.087	575
52	43	Fund for unrealised gains	43	52
0	150	Hybrid capital	150	0
7.952	8.788	Other equity	10.628	9.680
0	0	Profit/loss at period end	0	0
16.560	<b>18.049</b>	<b>Total equity</b>	<b>19.889</b>	18.288
166.318	<b>179.076</b>	<b>Total liabilities and equity</b>	<b>216.618</b>	193.408

## Statement of changes in equity

<b>SpareBank 1 SR-Bank Group</b> (Amounts in NOK million)	Share- capital	Premium reserve	Hybrid- capital	Other equity	Reserve for unrealised gains	Total equity
Equity as of 31.12.2015	6.394	1.587		8.770	163	16.914
Profit after tax				1.866	-111	1.755
Unrecognised actuarial gains and losses after tax				-47		-47
Change in value of financial assets available for sale				-62		-62
Share of profit associated companies and joint ventures				-7		-7
Total items not reclassified through profit or loss				1.750	-111	1.639
Adjusted equity accosiates				121		121
Dividend 2015, resolved in 2016				-384		-384
Purchase/sale of own shares				-2		-2
Items reclassified through profit or loss	0	0		-386	0	-386
<b>Equity as of 31.12.2016</b>	<b>6.394</b>	<b>1.587</b>		<b>10.255</b>	<b>52</b>	<b>18.288</b>
Profit after tax				2.095		2.095
Unrecognised actuarial gains and losses after tax				-9		-9
Change in value of financial assets available for sale				9		9
Share of profit associated companies and joint ventures				8		8
Total items not reclassified through profit or loss				2.103	-9	2.094
Hybrid capital			150	-2		148
Adjusted equity accosiates				-58		-58
Dividend 2016, resolved in 2017				-575		-575
Purchase/sale of own shares				-8		-8
Items reclassified through profit or loss	0	0		-583	0	-583
<b>Equity as of 31.12.2017</b>	<b>6.394</b>	<b>1.587</b>	<b>150</b>	<b>11.715</b>	<b>43</b>	<b>19.889</b>

## Cash flow statement

Parent bank			Group	
01.01.16 - 31.12.16	01.01.17 - 31.12.17	Cash flow statement	01.01.17 - 31.12.17	01.01.16 - 31.12.16
16.959	-10.609	Change in gross lending to customers	-14.916	-2.448
4.256	4.313	Interest receipts from lending to customers	5.199	5.095
-3.448	9.451	Change in deposits from customers	9.470	-3.530
-839	-829	Interest payments on deposits from customers	-823	-835
-1.963	9.279	Change in receivables and debt from credit institutions	738	-1.837
-491	-593	Interest on receivables and debt to financial institutions	-776	-629
-1.728	-10.196	Change in certificates and bonds	-10.901	-1.510
443	445	Interest receipts from commercial paper and bonds	446	422
991	1.016	Commission receipts	1.540	1.445
60	-25	Capital gains from sale of trading	-43	59
-1.495	-1.550	Payments for operations	-2.039	-1.990
-544	-621	Taxes paid	-683	-637
-481	3.908	Other accruals	3.696	369
11.720	3.989	<b>A Net change in liquidity from operations</b>	<b>-9.092</b>	-6.026
-85	-50	Investments in tangible fixed assets	-158	-167
0	8	Receipts from sale of tangible fixed assets	8	0
-1.090	-2.145	Change in long-term investments in equities	-158	-168
368	919	Receipts from sales of long-term investments in equities	756	376
886	509	Dividends from long-term investments in equities	387	681
79	-759	<b>B Net cash flow, investments</b>	<b>835</b>	722
8.395	5.382	Debt raised by issuance of securities	16.303	29.255
-15.813	-10.256	Repayments - issued securities	-9.471	-19.332
-835	-519	Interest payments on securities issued	-737	-1.075
0	930	Additional subordinated loan capital issued	930	0
-746	-825	Repayments - additional capital instruments	-825	-746
-132	-103	Interest payments on subordinated loans	-102	-132
	150	Increase in debt established by issuing hybrid capital	150	
-384	-511	Dividend to share holders	-511	-384
-9.515	-5.752	<b>C Net cash flow, financing</b>	<b>5.737</b>	7.586
2.284	-2.522	<b>A+B+C Net cash flow during the period</b>	<b>-2.520</b>	2.282
1.109	3.393	Cash and cash equivalents as at 1 January	3.393	1.111
3.393	871	Cash and cash equivalents as at 31 March	873	3.393
		<b>Cash and cash equivalents specified</b>		
1.079	207	Cash and balances with central banks	207	1.079
2.314	664	Balances with credit institutions	666	2.314
3.393	871	<b>Cash and cash equivalents</b>	<b>873</b>	3.393

The cash and cash equivalents includes cash and claims on central banks, plus the share of the total of claims on credit institutions that pertains to placement solely in credit institutions. The cash flow statement shows cash provided and used by SpareBank 1 SR-Bank and SpareBank 1 SR-Bank Group.

# Notes to the financial statements

(in MNOK)

## Note 1 Accounting policies

### 1.1 Basis of preparation

These interim financial statements for SpareBank 1 SR-Bank ASA cover the period 1 January - 31 December 2017. The interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements are unaudited. These interim financial statements were prepared in accordance with the applicable IFRS standards and IFRIC interpretations.

The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for 2016.

### Merger SpareBank 1 SR-Bank and SpareBank 1 SR-Finans AS

On 1 January 2017, SpareBank 1 SR-Bank ASA merged with its subsidiary SpareBank 1 SR-Finans AS. The merger has no effect on the comparable figures in the consolidated financial statements. As far as the parent bank is concerned, it has been decided that the financial statements for 2016 will not be restated since the figures are immaterial. The 2017 and 2016 figures for the parent bank will therefore not be directly comparable. Note 12 Segment Reporting has been reworked to reflect the new reporting structure and shows the segment at a consolidated level for 2016 as well.

### Application of IFRIC 21 for reporting

IFRIC 21 Levies regulates the recognition of obligations to pay levies that fall within the scope of IAS 37 Provisions. The interpretation deals with what events trigger levies being recognised as a liability.

Following the introduction of the standard, there has been some debate about whether or not the annual charge for the Norwegian Banks Guarantee Fund for 2015 and 2016 should have been charged as a cost in its entirety in the first quarter. On 19 September 2016, the Ministry of Finance laid down a new Regulation relating to withdrawing from the Norwegian Banks Guarantee Fund. The Regulation means that banks do not have to book the entire levy for the guarantee fund in the first quarter and will come into force on 1 January 2017. Pending the Financial Supervisory Authority of Norway's Regulation, SpareBank 1 SR-Bank continued its previous practice in 2016 by accruing the levy on a monthly basis.

### New standards and interpretations that have not been adopted yet

A number of new standards, amendments to standards and interpretations will be compulsory in future annual financial statements. Among those the group has chosen not to apply early are the most important standards, IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases.

IFRS 9 Financial Instruments will replace IAS 39 from 1 January 2018. SpareBank 1 SR-Bank has, in cooperation with other SpareBank 1 banks, been working on models, as well as clarifications concerning valuation, classification, etc., for the last couple of years. The group has worked on preparing for, and impact assessments concerning, the effects of implementation. Preliminary calculations indicate that the increased need for loss provisions will be in the range of NOK 100-150 million. This will result in an expected negative effect on common equity tier 1 capital of between 9 and 13 points. SpareBank 1 SR-Bank will, by the end of February 2018, make a decision about whether or not to make use of the transitional rules for capital adequacy in its implementation of IFRS 9. Please also see note 42 on IFRS 9 Financial Instruments in the annual financial statements for 2016.

The group has analyzed the effects of IFRS 15 Revenue from Contracts and IFRS 16 Leases, and do not expect these to have any material effect.

### 1.2 Critical accounting estimates and judgements

The preparation of the consolidated financial statements entails the group executive management making estimates, judgements and assumptions that affect the effect of the application of the accounting policies and thus the amounts recognised for assets, liabilities, income and costs. Note 3 of the annual financial statements for 2015 explains in more detail the use of critical estimates and judgements when applying the accounting policies.

## Note 2 Impairment losses on loans and guarantees recognised in the income statement

Parent bank			Group	
01.01.16 - 31.12.16	01.01.17 - 31.12.17		01.01.17 - 31.12.17	01.01.16 - 31.12.16
234	56	Change in individual impairment losses provisions for the period	56	277
147	0	Change in collective impairment loss provisions for the period	1	158
6	8	Amortised cost	8	6
126	262	Actual loan losses on commitments for which provisions have been made	262	142
178	231	Actual loan losses on commitments for which no provision has been made	231	208
0	1	Change in assets taken over for the period	1	0
-7	-16	Recoveries on commitments previously written-off	-16	-13
<b>684</b>	<b>542</b>	<b>The period's net losses / (reversals) on loans and advances</b>	<b>543</b>	<b>778</b>

## Note 3 Impairment losses on loans and guarantees recognised in the balance sheet

Parent bank			Group	
31.12.16	31.12.17		31.12.17	31.12.16
288	522	Provisions for Individual impairment losses at start of period	595	318
0	74	Provisions for Individual impairment losses at start of period SR-Finans	0	0
33	163	Increases in previous provisions for individual impairment losses	163	33
-46	-23	Reversal of provisions from previous periods	-23	-51
380	175	New provisions for individual impairment losses	175	443
-7	3	Amortised cost	4	-7
-126	-262	Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-262	-141
<b>522</b>	<b>652</b>	<b>Provisions for individual impairment losses at period end</b>	<b>652</b>	<b>595</b>
<b>304</b>	<b>493</b>	<b>Net losses</b>	<b>493</b>	<b>350</b>

## Note 4 Non-performing and impaired loans

Parent bank			Group	
31.12.16	31.12.17		31.12.17	31.12.16
		<b>Non-performing loans and advances</b>		
917	555	Gross non-performing loans above 90 days	555	1.070
231	135	Provisions for Individual impairment losses	135	275
<b>686</b>	<b>420</b>	<b>Net non-performing loans and advances</b>	<b>420</b>	<b>795</b>
<b>25 %</b>	<b>24 %</b>	<b>Loan loss provision ratio</b>	<b>24 %</b>	<b>26 %</b>
		<b>Other problem commitments</b>		
1.069	1.562	Problem commitments	1.562	1.141
291	517	Provisions for Individual impairment losses	517	320
<b>778</b>	<b>1.045</b>	<b>Net other problem commitments</b>	<b>1.045</b>	<b>821</b>
<b>27 %</b>	<b>33 %</b>	<b>Loan loss provision ratio</b>	<b>33 %</b>	<b>28 %</b>



## Note 5 Other assets

Parent bank			Group	
31.12.16	31.12.17		31.12.17	31.12.16
0	0	Intangible assets	96	89
354	329	Tangible fixed assets	572	495
10	11	Income earned but not received from SpareBank 1 Bolig- and Næringskreditt	11	10
30	14	Prepaid expenses	18	32
9	1	Over funding of pension liabilities	1	9
200	200	Capital contribution SR-Pensjonskasse	200	200
46	0	Unsettled trades	0	46
49	169	Other assets	548	325
<b>698</b>	<b>724</b>	<b>Total other assets</b>	<b>1.446</b>	1.206

## Note 6 Other debt, guarantees and other liabilities

Parent bank			Group	
31.12.16	31.12.17		31.12.17	31.12.16
203	260	Accrued expenses and prepaid revenue	337	283
315	417	Deferred tax	393	360
351	383	Pension liabilities	402	378
88	13	Other specified provisions	13	5
621	393	Taxes payable	487	681
146	0	Unsettled trades	0	146
275	304	Other liabilities	330	335
<b>1.999</b>	<b>1.770</b>	<b>Total other liabilities</b>	<b>1.962</b>	2.188
<b>Guarantees issued (amounts guaranteed)</b>				
9.759	9.043	Guarantees customers	9.120	9.835
588	588	Guarantees other	588	588
<b>10.347</b>	<b>9.631</b>	<b>Total guarantees</b>	<b>9.708</b>	10.423
<b>Other liabilities</b>				
5.371	5.000	Unused credit lines for financial institutions	0	0
19.154	18.978	Unused credit lines for customers	22.712	21.037
1.558	4.824	Approved loan commitments	4.749	1.650
23	45	Letters of credit	45	23
<b>26.106</b>	<b>28.847</b>	<b>Total other liabilities</b>	<b>27.506</b>	22.710

## Note 7 Customer deposits by sector and industry

Parent bank			Group	
31.12.16	31.12.17		31.12.17	31.12.16
1.166	1.200	Agriculture/forestry	1.200	1.166
460	464	Fishing/Fish farming	464	460
1.226	1.310	Mining/extraction	1.310	1.226
1.305	1.144	Industry	1.144	1.305
1.968	2.183	Power and water supply/building and construction	2.183	1.968
2.529	2.262	Retail trade, hotels and restaurants	2.262	2.529
2.084	1.989	Foreign trade shipping, pipeline transport and other transport activities	1.989	2.084
5.640	6.249	Real estate	6.249	5.640
9.710	9.005	Service industry	8.755	9.440
17.923	25.969	Public sector and financial services	25.969	17.923
44.011	<b>51.775</b>	<b>Total corporate sector</b>	<b>51.525</b>	43.741
42.908	<b>44.246</b>	<b>Retail customers</b>	<b>44.246</b>	42.908
5	12	Accrued interests corporate sector and retail customers	12	5
-741	-399	Net cooperate accounts currency	-399	-741
86.183	<b>95.635</b>	<b>Deposits from customers</b>	<b>95.384</b>	85.913

## Note 8 Loans by sector and industry

Parent bank			Group	
31.12.16	31.12.17		31.12.17	31.12.16
4.199	4.711	Agriculture/forestry	4.833	4.549
506	860	Fishing/Fish farming	860	755
4.535	4.874	Mining/extraction	4.876	4.780
2.320	3.617	Industry	3.632	2.914
2.808	3.560	Power and water supply/building and construction	3.666	3.533
2.358	2.895	Retail trade, hotels and restaurants	2.984	2.885
9.189	9.941	Foreign trade shipping, pipeline transport and other transport activities	10.015	9.766
27.115	27.034	Real estate	27.042	27.269
6.318	8.418	Service industry	8.428	8.441
1.749	1.869	Public sector and financial services	1.869	1.897
61.097	<b>67.779</b>	<b>Total corporate sector</b>	<b>68.204</b>	66.789
60.523	<b>64.099</b>	<b>Retail customers</b>	<b>104.299</b>	91.171
132	116	Unallocated (excess value fixed interest loans and amort. lending fees)	116	118
272	297	Accrued interests corporate sector and retail customers	334	301
-741	-399	Net cooperate accounts currency	-399	-741
121.283	<b>131.892</b>	<b>Gross loans</b>	<b>172.554</b>	157.638
-434	-639	- Individual impairment losses provisions	-639	-590
-597	-674	- Collective impairment losses provisions	-678	-676
120.252	<b>130.579</b>	<b>Loans to customers</b>	<b>171.237</b>	156.372

## Note 9 Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU's capital requirements for banks and securities undertakings (CRD IV/CRR).

SpareBank 1 SR-Bank has permission from the Financial Supervisory Authority of Norway to use internal measurement methods (Internal Rating Based Approach) for quantifying credit risk. The use of IRB requires the bank to comply with extensive requirements relating to organisation, expertise, risk models and risk management systems.

All capital ratio figures are based on the transitional rule (Basel I floor) that states that the capital requirement for using internal methods cannot be less than 80 per cent of the capital requirement according to the Basel I regulations.

The total minimum common equity tier 1 capital ratio requirement for SpareBank 1 SR-Bank, inclusive of the countercyclical buffer and Pillar 2 premium, as at 31 December 2017 was 14.0%. The requirement consists of a 4.5% minimum requirement plus other buffer requirements, which consist of a capital conservation buffer of 2.5%, a systemic risk buffer of 3.0% and a countercyclical buffer of 2.0%. The Financial Supervisory Authority of Norway has also set an individual Pillar 2 requirement of 2.0%.

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

Parent bank			Group	
31.12.16	31.12.17		31.12.17	31.12.16
6.394	6.394	Share capital	6.394	6.394
1.587	1.587	Premium reserve	1.587	1.587
575	1.087	Allocated to dividend	1.087	575
52	43	Reserve for unrealised gains	43	52
0	150	Hybrid capital	150	0
7.952	8.788	Other equity	10.628	9.680
16.560	18.049	<b>Total book equity</b>	<b>19.889</b>	18.288
<b>Tier 1 capital</b>				
0	0	Deferred taxes, goodwill and other intangible assets	-116	-94
-575	-1.087	Deduction for allocated dividends	-1.087	-575
-210	-277	Deduction for expected losses on IRB, net of write-downs	-337	-263
0	-150	Hybrid capital that cannot be included in common equity tier 1 capital	-150	0
0	0	financial institutions	-72	-163
-36	-42	Value adjustment due to requirements concerning proper valuation	-38	-50
15.739	16.493	<b>Total Common equity Tier 1 capital</b>	<b>18.089</b>	17.143
0	150	Hybrid capital	392	0
791	797	Tier 1 capital instruments	797	1.084
16.530	17.440	<b>Total Tier 1 capital</b>	<b>19.278</b>	18.227
<b>Tier 2 capital</b>				
1.778	1.897	Term subordinated loan capital	2.254	2.276
-60	-43	Deduction for essential investments in financial institutions	-43	-60
1.718	1.854	<b>Total Tier 2 capital</b>	<b>2.211</b>	2.216
18.248	19.294	<b>Net primary capital</b>	<b>21.489</b>	20.443

**Note 9 Capital adequacy (continued)**

Parent bank		Credit risk Basel II	Group	
31.12.16	31.12.17		31.12.17	31.12.16
17.228	19.218	SME	19.220	17.231
18.176	20.724	Specialised enterprises	21.916	19.471
6.435	6.735	Other corporations	6.868	6.785
997	1.115	Mass market SME	1.303	1.194
15.599	16.019	Mass market - mortgage on real estate	27.026	25.899
1.992	1.905	Other mass market	1.942	2.027
10.439	9.387	Equity positions	0	0
<b>70.866</b>	<b>75.103</b>	<b>Total credit and counterparty risk IRB</b>	<b>78.275</b>	72.607
68	51	States and central banks	51	68
269	118	Local and regional authorities, state-owned enterprises	140	333
3.400	1.803	Institutions	1.864	2.169
3.324	8.903	Enterprises	9.474	7.446
546	1.838	Mass market	2.531	2.058
0	0	Mass market - mortgage on real estate	1.353	2.506
1.400	2.330	Covered bonds	2.686	1.817
2.938	4.029	Equity positions	5.036	4.950
824	916	Other assets	1.678	1.726
<b>12.769</b>	<b>19.988</b>	<b>Total credit and counterparty risk standard method</b>	<b>24.813</b>	23.073
415	562	Credit value adjustment risk (CVA)	933	701
5.458	5.591	Operational risk	7.430	7.054
0	0	Transitional scheme	8.709	13.216
<b>89.508</b>	<b>101.244</b>	<b>Risk weighted balance</b>	<b>120.160</b>	116.651
4.028	4.556	Minimum requirement for common equity Tier 1 capital ratio 4,5 % Buffer requirement	5.407	5.249
2.238	2.531	Capital conservation buffer 2,5 %	3.004	2.916
2.685	3.037	Systemic risk buffer 3 %	3.605	3.500
1.343	2.025	Countercyclical capital buffer 2,0 %	2.403	1.750
6.266	7.593	Total buffer requirement to common equity Tier 1 capital ratio	9.012	8.166
5.446	4.344	Available common equity Tier 1 capital ratio after buffer requirement	3.670	3.728
20,39 %	19,06 %	Capital ratio	17,88 %	17,52 %
18,47 %	17,23 %	Tier 1 capital ratio	16,04 %	15,63 %
1,92 %	1,83 %	Tier 2 capital ratio	1,84 %	1,90 %
17,58 %	16,29 %	Common equity Tier 1 capital ratio	15,05 %	14,70 %
20,39 %	19,06 %	Capital ratio, IRB	19,28 %	19,76 %
18,47 %	17,23 %	Tier 1 capital ratio, IRB	17,30 %	17,62 %
17,58 %	16,29 %	Common equity Tier 1 capital ratio, IRB	16,23 %	16,57 %
9,17 %	9,13 %	Leverage Ratio	7,37 %	7,28 %

## Note 10 Financial derivatives

### Group

At fair value through profit and loss	Contract amount	Fair value at 31.12.17	
	31.12.17	Assets	Liabilities
<b>Currency instruments</b>			
Currency forward contracts	3.839	76	31
Currency swaps	53.373	1.441	99
Currency options	49	0	0
<b>Total currency instruments</b>	<b>57.261</b>	<b>1.517</b>	<b>130</b>
<b>Interest rate instruments</b>			
Interest rate swaps(including cross-currency)	52.929	902	974
Other interest rate contracts	96	1	1
<b>Total interest rate instruments</b>	<b>53.025</b>	<b>903</b>	<b>975</b>
<b>Hedging / Interest rate instruments</b>			
Interest rate swaps (including cross currency)	76.316	1.330	250
<b>Total hedging / Interest rate instruments</b>	<b>76.316</b>	<b>1.330</b>	<b>250</b>
<b>Security</b>			
Security		1.140	2.245
<b>Total security</b>		<b>1.140</b>	<b>2.245</b>
<b>Accrued interests</b>			
Accrued interests		651	187
<b>Total accrued interests</b>		<b>651</b>	<b>187</b>
<b>Total currency and interest rate instruments</b>			
Total currency instruments	57.261	1.517	130
Total interest rate instruments	129.341	2.233	1.225
		1.140	2.245
Total accrued interests		651	187
<b>Total financial derivatives</b>	<b>186.602</b>	<b>5.541</b>	<b>3.787</b>

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

## Note 11 Issuance of unsecured debt and additional capital instruments

### Group

Change in debt raised through issuance of securities	Balance as at 31.12.17	Issued/ sale own 2017	Past due/ redeemed 2017	FX rate- and other changes	31.12.16
				2017	
	2.336	1.125		121	1.090
Bonds and certificates, nominal val	86.148	15.178	-9.471	3.905	76.536
Adjustments	1.292			-658	1.950
Accrued interests	721			22	699
<b>Total debt raised through issuance of securities</b>	<b>90.497</b>	<b>16.303</b>	<b>-9.471</b>	<b>3.390</b>	<b>80.275</b>

Change in additional Tier 1 and Tier 2 capital instruments	Balance as at 31.12.17	Issued/ sale own 2017	Past due/ redeemed 2017	FX rate- and other changes	31.12.16
				2017	
Term subordinated loan capital, nominal amount	1.916	925	-825	38	1.778
Perpetual subordinated loan capital, nominal amount	0				0
Tier 1 capital instruments, nominal amount	797	5		1	791
Adjustments	42			-26	68
Accrued interests	9				9
<b>Total additional Tier 1 and Tier 2 capital instruments</b>	<b>2.764</b>	<b>930</b>	<b>-825</b>	<b>13</b>	<b>2.646</b>

The nominal value of the net outstanding covered bonds in SR-Boligkredit is NOK 39.2 billion as of 31 december 2017.

## Note 12 Segment reporting

The executive management team has assessed which segments are reportable based on the form of distribution, products and customers. The primary reporting format is based on the risk and return profile of the assets, and it is divided between the retail market (including self-employed people), the corporate market, the capital market and subsidiaries of significant importance. Staff/support covers all staff departments and treasury functions in the bank. The activities in SR-Boligkreditt AS are divided between the retail market and own account trading/staff/support in the parent bank segments. Commission income from Sparebank 1 Boligkreditt and SpareBank 1 Næringskreditt are reported under 'Net commissions and other income'. On 1 January 2017, SR-Finans was merged into the parent bank and the accounting figures for 2016 were distributed on the basis of estimates of 38% for the retail market and 62% for the corporate market in order to produce comparable figures.

SpareBank 1 SR-Bank Group 01.01.17 - 31.12.17								
Income statement (MNOK)	Retail Market	Corporate Market	Capital Market	Staff/Support	Eiendoms-Megler 1	Other activities	Eliminations	Total
Interest income	1.992	1.922	135	1.724	2	3	-31	5.747
Interest expense	448	447	97	1.617	0	4	-28	2.585
<b>Net interest income <sup>1)</sup></b>	<b>1.544</b>	<b>1.475</b>	<b>38</b>	<b>107</b>	<b>2</b>	<b>-1</b>	<b>-3</b>	<b>3.162</b>
Commission income <sup>1)</sup>	697	340	24	7	389	199	-59	1.597
Commission expenses	44	25	4	29	0	35	-58	79
Other operating income	0	0	0	8	0	0	-2	6
<b>Net commission and other income</b>	<b>654</b>	<b>316</b>	<b>20</b>	<b>-14</b>	<b>389</b>	<b>164</b>	<b>-5</b>	<b>1.524</b>
Dividend income	2	0	0	7	0	2	0	11
Income from investment in associates	0	9	0	490	0	0	-74	425
Net gains/losses on financial instruments	6	-3	80	61	0	14	40	198
<b>Net income on investment securities</b>	<b>8</b>	<b>6</b>	<b>80</b>	<b>558</b>	<b>0</b>	<b>16</b>	<b>-34</b>	<b>634</b>
Personnel expenses	415	201	53	284	226	88	-4	1.263
Administrative expenses	99	32	16	282	37	12	0	478
Other operating expenses	94	35	6	162	101	54	-26	426
<b>Total operating expenses</b>	<b>608</b>	<b>268</b>	<b>75</b>	<b>728</b>	<b>364</b>	<b>154</b>	<b>-30</b>	<b>2.167</b>
<b>Operating profit before losses</b>	<b>1.598</b>	<b>1.529</b>	<b>63</b>	<b>-77</b>	<b>27</b>	<b>25</b>	<b>-12</b>	<b>3.153</b>
Change in individual write-downs in the period	59	482	0	0	0	0	0	541
Change in group write-downs in the period	4	-2	0	0	0	0	0	2
<b>Pre-tax profit</b>	<b>1.535</b>	<b>1.049</b>	<b>63</b>	<b>-77</b>	<b>27</b>	<b>25</b>	<b>-12</b>	<b>2.610</b>
<b>Net interest income <sup>1)</sup></b>								
External net interest income	1.549	1.475	38	102	0	0	-2	3.162
Internal net interest income	-5	0	0	5	2	-1	-1	0
Net interest income	1.544	1.475	38	107	2	-1	-3	3.162
				0				
<b>Balance sheet (MNOK)</b>				0				
Loans to customers	108.700	61.060	293	2.668	0	0	-167	172.554
Individual loss provisions	-93	-546	0	0	0	0	0	-639
Group loss provisions	-67	-611	0	0	0	0	0	-678
Certificates/bonds/financial derivatives	0	0	2.393	37.081	0	11	-2.035	37.450
Other assets	-490	1.440	169	11.327	173	1.020	-5.708	7.931
<b>Total assets</b>	<b>108.050</b>	<b>61.343</b>	<b>2.855</b>	<b>51.076</b>	<b>173</b>	<b>1.031</b>	<b>-7.910</b>	<b>216.618</b>
Deposits from customers	49.239	46.009	9	377	0	0	-250	95.384
Other debt and equity <sup>1)</sup>	58.811	15.334	2.846	50.699	173	1.031	-7.660	121.234
<b>Total debt and equity</b>	<b>108.050</b>	<b>61.343</b>	<b>2.855</b>	<b>51.076</b>	<b>173</b>	<b>1.031</b>	<b>-7.910</b>	<b>216.618</b>
<b>Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt</b>	<b>14.114</b>	<b>469</b>						<b>14.583</b>

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

Note 12 Segment reporting (continued)

SpareBank 1 SR-Bank Group 01.01.16 - 31.12.16								
	Retail Market	Corporate Market	Capital Market	Staff/Support	Eiendoms-Megler 1	Other activities	Eliminations	Total
<b>Income statement (MNOK)</b>								
Interest income	1.781	1.983	30	1.941	2	3	-177	5.563
Interest expense	507	526	-16	1.848	0	0	-174	2.692
<b>Net interest income <sup>1)</sup></b>	<b>1.274</b>	<b>1.457</b>	<b>46</b>	<b>93</b>	<b>2</b>	<b>3</b>	<b>-3</b>	<b>2.871</b>
Commission income	668	331	48	10	348	167	-61	1.511
Commission expenses	44	35	4	17	0	30	-58	72
Other operating income	0	0	0	5	0	0	-1	4
<b>Net commission and other income</b>	<b>624</b>	<b>296</b>	<b>44</b>	<b>-2</b>	<b>348</b>	<b>137</b>	<b>-3</b>	<b>1.443</b>
Dividend income	5	0	2	103	0	0	-1	110
Income from investment in associates	0	18	0	758	0	0	-392	384
Net gains/losses on financial instruments	7	11	37	61	0	-1	45	160
<b>Net income on investment securities</b>	<b>12</b>	<b>29</b>	<b>39</b>	<b>922</b>	<b>0</b>	<b>-1</b>	<b>-348</b>	<b>654</b>
Personnel expenses	400	196	54	237	205	79	-4	1.166
Administrative expenses	89	31	16	283	35	11	-1	464
Other operating expenses	103	41	11	134	94	22	-3	402
<b>Total operating expenses</b>	<b>592</b>	<b>268</b>	<b>81</b>	<b>654</b>	<b>334</b>	<b>112</b>	<b>-8</b>	<b>2.032</b>
<b>Operating profit before losses</b>	<b>1.318</b>	<b>1.514</b>	<b>48</b>	<b>358</b>	<b>16</b>	<b>27</b>	<b>-346</b>	<b>2.936</b>
Change in individual write-downs in the period	39	581	0	0	0	0	0	620
Change in group write-downs in the period	6	152	0	0	0	0	0	158
<b>Pre-tax profit</b>	<b>1.273</b>	<b>781</b>	<b>48</b>	<b>358</b>	<b>16</b>	<b>27</b>	<b>-346</b>	<b>2.158</b>
<b>Net interest income <sup>1)</sup></b>								
External net interest income	1.319	1.531	46	-26	0	3	-2	2.871
Internal net interest income	-45	-74	0	119	2	0	-1	0
Net interest income	1.274	1.457	46	93	2	3	-3	2.871
<b>Balance sheet (MNOK)</b>								
Loans to customers	95.820	59.264	379	2.183	0	0	-8	157.638
Individual loss provisions	-65	-442	0	0	0	0	-83	-590
Group loss provisions	-64	-612	0	0	0	0	0	-676
Certificates/bonds/financial derivatives	0	0	2.222	25.098	0	9	-1.990	25.339
Other assets	15	960	71	18.490	148	789	-8.776	11.697
<b>Total assets</b>	<b>95.706</b>	<b>59.170</b>	<b>2.672</b>	<b>45.771</b>	<b>148</b>	<b>798</b>	<b>-10.857</b>	<b>193.408</b>
Deposits from customers	47.754	37.355	4	1.072	0	0	-272	85.913
Other debt and equity <sup>1)</sup>	47.952	21.815	2.668	44.699	148	798	-10.585	107.495
<b>Total debt and equity</b>	<b>95.706</b>	<b>59.170</b>	<b>2.672</b>	<b>45.771</b>	<b>148</b>	<b>798</b>	<b>-10.857</b>	<b>193.408</b>
<b>Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt</b>	<b>24.177</b>	<b>517</b>						<b>24.694</b>



## Note 13 Net income/losses from financial instruments

Parent bank			Group	
01.01.16 - 31.12.16	01.01.17 - 31.12.17		01.01.17 - 31.12.17	01.01.16 - 31.12.16
8	92	Net gains/losses on equity instruments	136	51
-146	-140	Net gains/losses for bonds and certificates	-152	-156
158	143	Net derivatives bonds and certificates	143	158
2	2	Net counterparty risk, inclusive of CVA	2	2
-25	-2	Net derivatives other assets	-2	-24
12	-28	Net derivatives liabilities	-1	7
12	67	Net derivatives basis swap spread	-32	-15
124	104	Net gain currency	104	137
145	238	<b>Net income/losses from financial instruments</b>	<b>198</b>	<b>160</b>

## Note 14 Pensions

The SpareBank 1 SR-Bank group has two types of pension scheme: defined benefit-based and contribution benefit-based pension schemes. For more information about the accounting treatment of the schemes see note 1 above and note 24 to the annual financial statements for 2016.

A decision was taken at the board meeting in June 2015 that employees who were members of the defined benefit scheme had to transfer to a defined contribution pension scheme from 1 January 2016. Upon transitioning to a contribution based pension scheme from 1 January 2016, employees who were in the defined benefit scheme received a paid-up policy for their earned rights from the defined benefit scheme.

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

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

Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Parent bank and group
2,60 %	2,40 %	2,40 %	2,40 %	2,40 %	Discount rate
2,60 %	2,40 %	2,40 %	2,40 %	2,40 %	Expected return on assets
2,50 %	2,50 %	2,50 %	2,50 %	2,50 %	Forecast salary increase
2,25 %	2,25 %	2,25 %	2,25 %	2,25 %	National Insurance scheme's basic amount
2,00 %	1,60 %	1,60 %	1,60 %	1,60 %	Pension adjustment
1,60 %	1,60 %	1,60 %	1,60 %	1,60 %	Paid-up policy adjustment

Change in pension obligations (NOK million):

Parent bank					Group			
Q4 2016	Q4 2017	01.01.16 - 31.12.16	01.01.17 - 31.12.17		01.01.17 - 31.12.17	01.01.16 - 31.12.16	Q4 2017	Q4 2016
480	410	238	351	Net obligations opening balance	378	263	427	518
0	0	0	10	Merger SR-Finans	0	0	0	0
-131	-28	62	12	Actuarial liabilities and losses recognised in comprehensive income	12	62	-28	-143
3	5	22	17	Net pension cost	18	23	5	2
0	-1	0	-1	Company contributions	-1	0	-1	0
0	0	36	0	Transfer from premium fund to contribution fund	0	38	0	0
-1	-3	-7	-6	Payments from operations	-5	-8	-1	1
0	0	0	0	Curtailments included in the income statement	0	0	0	0
351	383	351	383	<b>Net pension obligations closing balance</b>	<b>402</b>	<b>378</b>	<b>402</b>	<b>378</b>

## Note 15 Sale of loans

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

SpareBank 1 SR-Bank has concluded agreements concerning the sale of loans with good security and collateral in real estate to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. For more information about the accounting treatment of the agreements see note 2 and note 9 in the 2016 annual financial statements.

SpareBank 1 SR-Bank has also concluded an agreement concerning the sale of loans with good security and collateral in real estate to its subsidiary sheet, but are recognised in the consolidated financial statements, see note 2 in the annual financial statements for 2016.

## Note 16 Liquidity risk

Liquidity risk is the risk that the group is not able to refinance its debt or is not able to finance an increase in assets. The bank's framework for managing liquidity risk shall reflect the bank's conservative risk profile. The board has adopted internal limits such that the bank has as balanced a maturity structure for its borrowing as possible. Stress testing is conducted for the various terms of maturity for bank-specific crises, system crises and combinations of these. A contingency plan has also been put in place to manage liquidity crises. The average remaining term to maturity in the portfolio of senior bond funding and covered bonds was 3.5 years at the end of the fourth quarter of 2017. The total LCR was 168% at the end of the fourth quarter, and the average total LCR was 176% in the quarter. The LCR in NOK and EUR at the end of the quarter was 81% and 7,893%, respectively.

## Note 17 Information about fair value

### Group

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

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

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

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

<b>Fair value 31.12.2017</b>	Level 1	Level 2	Level 3	<b>Total</b>
<b>Assets</b>				
Net lending to customers			7.610	<b>7.610</b>
Commercial paper and bonds at fair value	21.711	6.992		<b>28.703</b>
Financial derivatives		5.541		<b>5.541</b>
Equities, units and other equity interests	419	27	271	<b>717</b>
Operations that will be sold				<b>-</b>
<b>Liabilities</b>				
Financial derivatives		3.787		<b>3.787</b>

No transfers between levels 1 and 2

**Note 17 Information about fair value (continued)**

Fair value 31.12.16	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Net lending to customers			9.336	9.336
Commercial paper and bonds at fair value	13.343	5.490		18.833
Financial derivatives		4.315		4.315
Equities, units and other equity interests	266	133	197	596
Operations that will be sold			22	22
<b>Liabilities</b>				
Financial derivatives		2.515		2.515
No transfers between levels 1 and 2				

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

Group	Loans to customers	Shares, ownership stakes and other securities	Business available for sale
Balance 01.01	9.336	197	22
Additions	996	58	
Disposals	-2.687	-31	-22
Transferred from or to measurement according to prices in an active market or observable market data			
Change in value <sup>1)</sup>	-35	47	
<b>Balance 31.12</b>	<b>7.610</b>	<b>271</b>	<b>0</b>
Nominal value/cost price	7.433	231	0
Fair value adjustment	177	40	0
<b>Balance 31.12</b>	<b>7.610</b>	<b>271</b>	<b>0</b>

<sup>1)</sup> Value changes are recognised in net income from financial instruments

Sparebanken Hedmark completed its acquisition of Bank 1 Oslo Akershus in the second quarter of 2016. As far as SpareBank 1 SR-Bank is concerned, this means that its previous stake in Bank 1 Oslo Akershus has been realised with settlement in equity certificates in Sparebanken Hedmark. The analysis environment in SpareBank 1 Gruppen has conducted a valuation of Sparebanken Hedmark. The valuation is based on a combination of two methods: multiple pricing and the dividend discounting model. The valuation is used by all of the SpareBank 1 banks with stakes in Sparebanken Hedmark. The merger between Sparebanken Hedmark and Bank 1 Oslo Akershus was completed in April 2017 and the bank subsequently changed its name to SpareBank 1 Østlandet. In June 2017, SpareBank 1 Østlandet was listed on the stock exchange and stocks were sold.

SpareBank 1 SR-Bank is a member of Visa Norge FLI. Visa Norge FLI is, as a group member of Visa Europe, also a shareholder in Visa Europe Ltd. In November 2015, an agreement was announced concerning the sale of Visa Europe Ltd to Visa Inc. The transaction significantly increased the equity in Visa Norge IFS. SpareBank 1 SR-Bank's ownership interests in Visa Norge IFS are considered a financial asset in the available for sale category (AFS investment) and must therefore be recognised at fair value as long as this can be reliably measured. The remuneration consists of shares in Visa Inc., a cash settlement and a postponed cash payment. On 31 December 2015, the estimated value of the shares resulted in income in other comprehensive income of NOK 95 million. SpareBank 1 SR-Bank received the cash settlement in the second quarter of 2016. This amounted to NOK 94 million, compared with the amount calculated at the end of 2015 of NOK 72 million. The cash settlement was posted as dividends via the income statement in the second quarter of 2016. In the fourth quarter of 2017, a further proportion of shares with a value of NOK 19 million were recognised, where NOK 15 million was recognised through profit or loss. SpareBank 1 SR-Bank still has an ownership item linked to the postponed cash payment and shares in Visa Norge totalling NOK 60 million. This item is posted in other comprehensive income and after the switch to IFRS 9 in 2018 will have no effect on the result upon realisation.

The transaction in which the SpareBank 1 Alliance's mCASH payment solution was merged with Vipps AS was completed in the third quarter of 2017. Following the transaction, SpareBank 1 SR-Bank owns 19.7 % of SpareBank 1 Betaling AS, which in turn owns 25% of Vipps AS. The value of the stake provided the basis for the transaction with Vipps AS and the analysis group in SpareBank 1 Gruppen has conducted an evaluation of the stake. The evaluation was based on a business case that was produced in connection with the negotiations surrounding Vipps and the expected value of the stake as an independent company. The value calculated is considered to be almost equal to SpareBank 1 SR-Bank's share of the equity in SpareBank 1 Betaling AS following the transaction, and the group has recognised income of NOK 4 million in the year-to-date 2017 due to the transaction. SpareBank 1 SR-Bank's ownership interest in SpareBank 1 Betaling AS is included in the group as an associated company.

### Note 17 Information about fair value (continued)

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

Fixed-rate loans are measured on the basis of the interest rate agreed with the customer. Loans are discounted using the applicable interest curve, having taken into account a market premium, which is adjusted for the profit margin. The conducted sensitivity analyses indicate an increase in the discount rate of 10 basis points would have a negative effect on the result amounting to NOK 22 million.

#### Fair value of financial instruments at amortised cost

Group	Balance	Fair value
	31.12.2017	31.12.2017
<b>Assets</b>		
Cash and balances with central banks	207	207
Balances with credit institutions	1.608	1.608
Loans to customers <sup>1)</sup>	163.627	163.627
Certificates and bond held to maturity	3.206	3.229
<b>Total assets at amortised cost</b>	<b>168.648</b>	<b>168.671</b>
<b>Liabilities</b>		
Balances with credit institutions	2.335	2.335
Deposits from customers <sup>1)</sup>	95.384	95.384
Listed debt securities	90.497	91.279
Subordinated loan capital	2.764	2.652
<b>Total liabilities at amortised cost</b>	<b>190.980</b>	<b>191.650</b>

<sup>1)</sup> Loans to customers and deposits at amortised cost, amount to book value best estimate at fair value.

### Note 18 Events after the balance sheet date

No material events that have influence on the prepared interim financial statements have been registered after 31 December 2017.

## Quarterly income statement

SpareBank 1 SR-Bank Group, MNOK	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Interest income	1.463	1.455	1.437	1.392	1.400	1.384	1.379	1.400	1.408
Interest expense	644	635	653	653	667	655	668	702	730
<b>Net interest income</b>	<b>819</b>	<b>820</b>	<b>784</b>	<b>739</b>	<b>733</b>	<b>729</b>	<b>711</b>	<b>698</b>	<b>678</b>
Commission income	384	407	417	389	372	365	405	369	388
Commission expenses	19	22	19	19	18	18	17	19	17
Other operating income	2	1	2	1	1	0	1	2	1
<b>Net commission and other income</b>	<b>367</b>	<b>386</b>	<b>400</b>	<b>371</b>	<b>355</b>	<b>347</b>	<b>389</b>	<b>352</b>	<b>372</b>
Dividend income	0	2	4	5	5	0	97	8	1
Income from investment in associates	154	127	81	63	78	90	112	104	110
Net gains/losses on financial instrument	50	69	58	21	56	141	-4	-33	-124
<b>Net income on financial investments</b>	<b>204</b>	<b>198</b>	<b>143</b>	<b>89</b>	<b>139</b>	<b>231</b>	<b>205</b>	<b>79</b>	<b>-13</b>
<b>Total income</b>	<b>1.390</b>	<b>1.404</b>	<b>1.327</b>	<b>1.199</b>	<b>1.227</b>	<b>1.307</b>	<b>1.305</b>	<b>1.129</b>	<b>1.037</b>
Personnel expenses	333	312	312	306	293	282	296	295	114
Administrative expenses	128	111	127	112	133	115	114	102	125
Other operating costs	109	107	109	101	114	89	104	95	129
<b>Total operating cost</b>	<b>570</b>	<b>530</b>	<b>548</b>	<b>519</b>	<b>540</b>	<b>486</b>	<b>514</b>	<b>492</b>	<b>368</b>
<b>Operating profit before impairment losses</b>	<b>820</b>	<b>874</b>	<b>779</b>	<b>680</b>	<b>687</b>	<b>821</b>	<b>791</b>	<b>637</b>	<b>669</b>
Impairment losses on loans and guarantees	120	124	131	168	162	161	305	150	192
<b>Pre-tax profit</b>	<b>700</b>	<b>750</b>	<b>648</b>	<b>512</b>	<b>525</b>	<b>660</b>	<b>486</b>	<b>487</b>	<b>477</b>
Tax expense	141	140	134	109	96	126	80	101	35
<b>Profit after tax</b>	<b>559</b>	<b>610</b>	<b>514</b>	<b>403</b>	<b>429</b>	<b>534</b>	<b>406</b>	<b>386</b>	<b>442</b>

### Profitability

Return on equity per quarter <sup>1)</sup>	11,4 %	12,9 %	11,0 %	8,7 %	9,5 %	12,2 %	9,4 %	9,0 %	10,6 %
Cost percentage <sup>2)</sup>	41,0 %	37,7 %	41,3 %	43,3 %	44,0 %	37,2 %	39,4 %	43,6 %	35,5 %
Combined weighted total average spread for lending and deposits <sup>3)</sup>	1,50 %	1,54 %	1,52 %	1,53 %	1,50 %	1,48 %	1,48 %	1,44 %	1,40 %

### Balance sheet figures from quarterly accounts

Gross loans to customers	172.554	167.105	164.958	159.843	157.638	157.352	156.738	155.172	155.190
Gross loans to customers including SB1 Bolig- and Næringskreditt	187.137	185.150	184.317	183.182	182.332	183.042	183.438	183.939	183.896
Growth in loans over last 12 months <sup>4)</sup>	9,5 %	6,2 %	5,2 %	3,0 %	1,6 %	3,6 %	4,3 %	7,2 %	9,6 %
Growth in loans incl SB1 Bolig- and Næringskreditt	2,6 %	1,2 %	0,5 %	-0,4 %	-0,9 %	0,1 %	1,1 %	2,9 %	5,4 %
Deposits from customers	95.384	98.602	99.758	93.125	85.914	87.240	89.633	87.023	89.444
Growth in deposits over last 12 months	11,0 %	13,0 %	11,3 %	7,0 %	-3,9 %	-2,0 %	-1,3 %	1,2 %	9,8 %
Total assets	216.618	215.309	212.879	200.182	193.408	193.219	196.763	194.763	192.049
Average total assets	217.202	211.111	207.389	195.967	194.963	195.489	192.792	194.300	192.315

### Losses and non-performing commitments

Impairment losses ratio, annualized <sup>5)</sup>	0,28 %	0,30 %	0,32 %	0,42 %	0,41 %	0,41 %	0,78 %	0,39 %	0,50 %
Impairment losses ratio, including loans SB1 Bolig- and Næringskreditt	0,26 %	0,27 %	0,29 %	0,37 %	0,35 %	0,35 %	0,66 %	0,33 %	0,42 %
Non-performing commitments as a percentage of total loans	0,32 %	0,49 %	0,50 %	0,46 %	0,68 %	0,73 %	0,56 %	0,49 %	0,55 %
Non-performing commitments as a percentage of total loans, including loans SB1 Bolig- and Næringskreditt	0,30 %	0,45 %	0,45 %	0,40 %	0,59 %	0,63 %	0,48 %	0,41 %	0,46 %
Other doubtful commitments as a percentage of total loans	0,91 %	0,81 %	0,84 %	0,95 %	0,72 %	0,64 %	0,78 %	0,61 %	0,35 %
Other doubtful commitments as a percentage of total loans, including loans Bolig- and Næringskreditt	0,83 %	0,73 %	0,76 %	0,83 %	0,62 %	0,55 %	0,67 %	0,51 %	0,30 %

See next page for definition of key figures

**Quarterly income statement (continued)**

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
<b>Solidity</b>									
Common equity Tier 1 capital ratio	15,1 %	14,8 %	14,7 %	14,7 %	14,7 %	13,8 %	13,5 %	13,4 %	13,3 %
Tier 1 capital ratio	16,0 %	15,8 %	15,7 %	15,6 %	15,6 %	14,7 %	14,4 %	14,3 %	14,2 %
Capital ratio	17,9 %	17,7 %	17,9 %	17,5 %	17,5 %	17,1 %	16,8 %	16,8 %	16,7 %
Tier 1 capital	19.278	19.214	18.938	18.482	18.227	17.552	17.266	16.955	16.882
Net primary capital	21.489	21.515	21.623	20.744	20.443	20.386	20.139	19.853	19.933
Risk weighted balance	120.160	121.818	120.683	118.410	116.651	119.118	119.705	118.527	119.124
Leverage ratio	7,4 %	7,2 %	7,2 %	7,1 %	7,3 %	6,7 %	6,4 %	6,4 %	6,3 %
<b>Liquidity</b>									
Liquidity Coverage Ratio (LCR) <sup>6)</sup>	168 %	212 %	212 %	200 %	174 %	123 %	173 %	130 %	128 %
Deposit-to-loan ratio	55,3 %	59,0 %	60,5 %	58,3 %	54,5 %	55,4 %	57,2 %	56,1 %	57,6 %
<b>Branches and staff</b>									
Number of branches	36	36	36	36	36	47	49	49	49
Number of man-years	1.142	1.148	1.120	1.141	1.127	1.154	1.148	1.169	1.161
Number of man-years including temps	1.218	1.225	1.181	1.187	1.172	1.207	1.182	1.194	1.190
<b>SpareBank 1 SR-Bank share</b>									
Market price at end of quarter	87,00	85,75	71,50	64,25	60,75	45,60	41,20	40,60	39,30
Market capitalisation	22.250	21.931	18.286	16.432	15.537	11.662	10.537	10.383	10.051
Number of shares issued, millions	255,75	255,75	255,75	255,75	255,75	255,75	255,75	255,75	255,75
Book equity per share (including dividends)	77,24	75,07	72,72	72,91	71,54	69,36	67,16	67,68	66,14
Earnings per share, NOK (annualised)	2,18	2,39	2,01	1,58	1,68	2,09	1,59	1,51	1,73
Price/earnings per share	9,98	8,97	8,89	10,17	9,04	5,45	6,48	6,72	5,68
Price / Book equity (group)	1,13	1,14	0,98	0,88	0,85	0,66	0,61	0,60	0,59
Annualised turnover rate in quarter <sup>7)</sup>	4,7 %	4,2 %	8,6 %	15,1 %	12,9 %	3,1 %	2,5 %	4,6 %	3,4 %
Effective return <sup>8)</sup>	1,5 %	19,9 %	14,8 %	5,8 %	33,2 %	10,7 %	5,2 %	3,3 %	-7,3 %

**Key figure definitions**

<sup>1)</sup> Ordinary result available to shareholders for the period as a percentage of average equity, exclusive of other core equity

<sup>2)</sup> Total operating costs as a percentage of total operating income

<sup>3)</sup> Net interest income as a percentage of average total assets

<sup>4)</sup> High growth in loans in 2015 is attributable to a buy-back of loans from SpareBank 1 Boligkreditt AS

<sup>5)</sup> Impairment losses on loans as a percentage of average gross loans, annualised

<sup>6)</sup> High quality liquid assets divided by total net cash outflows in a 30-day, serious stress scenario

<sup>7)</sup> Annualised turnover of the share during the period, measured as a percentage of the number of outstanding shares

<sup>8)</sup> Percentage change in the market price in the last period, including paid share dividend

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### Executive Management

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### 2018 Financial Calendar

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Preliminary annual results for 2017	Wednesday 7 February
Annual General Meeting	Thursday 19 April
Ex-dividend	Friday 20 April
Dividend payment date	Friday 27 April
Q1 2018	Thursday 26 April
Q2 2018	Thursday 8 August
Q3 2018	Thursday 25 October