

FOURTH QUARTER 2017

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the impossible



HAND IN HAND WITH THE INCREDIBLE

SpareBank **1**
SR-BANK

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Information on the Internet

SpareBank 1 SR-Bank's homepage www.sr-bank.no

Financial Calendar

Preliminary annual results for 2017	07 February
Annual general meeting 2017	19 April
Ex-dividend date	20 April
Dividend payment date	27 April
First quarter 2018	26 April
Second quarter 2018	8 August
Third quarter 2018	25 October

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1. SpareBank 1 SR-Bank ASA

1.1 Financial highlights

Q4 2017

- Pre-tax profit: NOK 700 million (NOK 525 million)
- Profit after tax: 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 commission and other income: NOK 367 million (NOK 355 million)
- Net income on investment securities: NOK 204 million (NOK 139 million)
- Operating expenses: NOK 570 million (NOK 540 million)
- Impairment losses on loans and guarantees: NOK 120 million (NOK 162 million)
(Q4 2016 in parentheses)

31 December 2017

- Pre-tax profit: NOK 2,610 million (NOK 2,158 million)
- Profit after tax: 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 commission and other income: NOK 1,524 million (NOK 1,443 million)
- Net income from financial investments: NOK 634 million (NOK 654 million)
- Operating expenses: NOK 2,167 million (NOK 2,032 million)
- Normalised costs growth* of 0.1% (-3.5%)
- Impairment losses on loans and guarantees: NOK 543 million (NOK 778 million)
- Total lending growth over past 12 months: 2.6% (-0.9%)
- Growth in deposits over past 12 months: 11.0% (-3.9%)
- Tier 1 capital ratio: 16.0% (15.6%)
- CET 1 capital ratio: 15.1% (14.7%)
- The Board proposes a dividend of NOK 4,25 per share
(31 December 2016 in parentheses)

*Normalised costs growth does not include costs from EiendomsMegler 1 AS and Regnskapshuset SR AS. In addition financial activity tax, bonuses- and restructuring costs, termination costs linked to tenancy agreements and costs regarding acquired assets are excluded from the calculation.

Income statement

Financial results

MNOK	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	31.12 2017	31.12 2016
Net interest income	819	820	784	739	733	3.162	2.871
Net commission and other income	367	386	400	371	355	1.524	1.443
Net return on investment securities	204	198	143	89	139	634	654
Total income	1.390	1.404	1.327	1.199	1.227	5.320	4.968
Total operating expenses	570	530	548	519	540	2.167	2.032
Operating profit before losses	820	874	779	680	687	3.153	2.936
Losses on loans and guarantees	120	124	131	168	162	543	778
Operating profit before tax	700	750	648	512	525	2.610	2.158
Tax expense	141	140	134	109	96	524	403
Profit after tax	559	610	514	403	429	2.086	1.755

Key figures

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	31.12 2017	31.12 2016
Return on equity ¹⁾	11,4 %	12,9 %	11,0 %	8,7 %	9,5 %	11,0 %	10,0 %
Cost ratio ²⁾	41,0 %	37,7 %	41,3 %	43,3 %	44,0 %	40,7 %	40,9 %
Deposit-to-loan ratio	55,3 %	59,0 %	60,5 %	58,3 %	54,5 %	55,3 %	54,5 %
Growth in loans	9,5 %	6,2 %	5,2 %	3,0 %	1,6 %	9,5 %	1,6 %
Growth in loans incl. covered bond companies	2,6 %	1,2 %	0,5 %	-0,4 %	-0,9 %	2,6 %	-0,9 %
Growth in deposits	11,0 %	13,0 %	11,3 %	7,0 %	-3,9 %	11,0 %	-3,9 %
Average total assets, MNOK	217.202	211.111	207.389	195.967	194.963	207.562	194.264
Total assets, MNOK	216.618	215.309	212.879	200.182	193.408	216.618	193.408
Impairment losses ratio incl. loans from covered bond companies ³⁾	0,26	0,27	0,29	0,37	0,35	0,29	0,42
Capital ratio	17,9	17,7	17,9	17,5	17,5	17,9	17,5
Common Equity Tier 1 capital ratio	15,1	14,8	14,7	14,7	14,7	15,1	14,7
Share price	87,00	85,75	71,50	64,25	60,75	87,00	60,75
EPS (group)	2,18	2,39	2,01	1,58	1,68	8,16	6,87

¹⁾ Net profit as a percentage of average equity.

²⁾ Total operating expenses as a percentage of total operating income

³⁾ Net losses expressed as a percentage of average gross lending year to date, annualized

1.2 Business description: leading financial institution in Rogaland, Hordaland and Agder

The leading financial group in the southwest of Norway

Rogaland	
Population	472.000
Market share	36%
Year of establishment	1839
Market strategy	Market leader
Unemployment rate	3.3%*
Hordaland	
Population	520.000
Market share	6%
Year of establishment	2006
Market strategy	Entry/growth
Unemployment rate	2.9%*
Agder	
Population	301.000
Market share	8%
Year of establishment	2002
Market strategy	Growth
Unemployment rate	3.1%*

Source: Nav, SSB and SpareBank 1 SR-Bank
*Figures as at 31.01.2018



Figure 1.2.1: Operating areas

SpareBank 1 SR-Bank is Norway’s largest regional bank and the second largest Norwegian-owned bank (after DNB) with gross lending including covered bond companies of NOK 187.1 billion and market cap of NOK 22.3 billion as at 31 December 2017. Head office is in Stavanger. The market areas are the counties of Rogaland, Agder and Hordaland. SpareBank 1 SR-Bank ASA has 1 142 employees and provides a full range of products and services within financing, investments, money transfers, pensions as well as life and non-life insurance.

The customer-oriented activity is organized in three divisions: Retail Market, Corporate Market and Capital Market.

Retail Market

SpareBank 1 SR-Bank ASA is the leading retail customer bank in Rogaland, with about 275,000 retail customers and a market share in Rogaland of about 40 per cent. The division also serves agricultural clients, sole proprietorships and associations.

Corporate Market

SpareBank 1 SR-Bank ASA service about 14,000 customers in the business sector and public sector. These also include small businesses, agricultural customers, societies and associations. About 40 per cent of all businesses in the bank’s traditional market list SpareBank 1 SR-Bank ASA as their main bank.

Capital Market

The Capital Market division comprises securities activities, SR-Markets and the subsidiary SR-Forvaltning that manage customers’ and the bank’s own assets in the form of securities, mutual funds and properties. SR-Markets primarily serve the group’s customers and other selected customers in defined market areas in the country as a whole.

SRBANK's activities

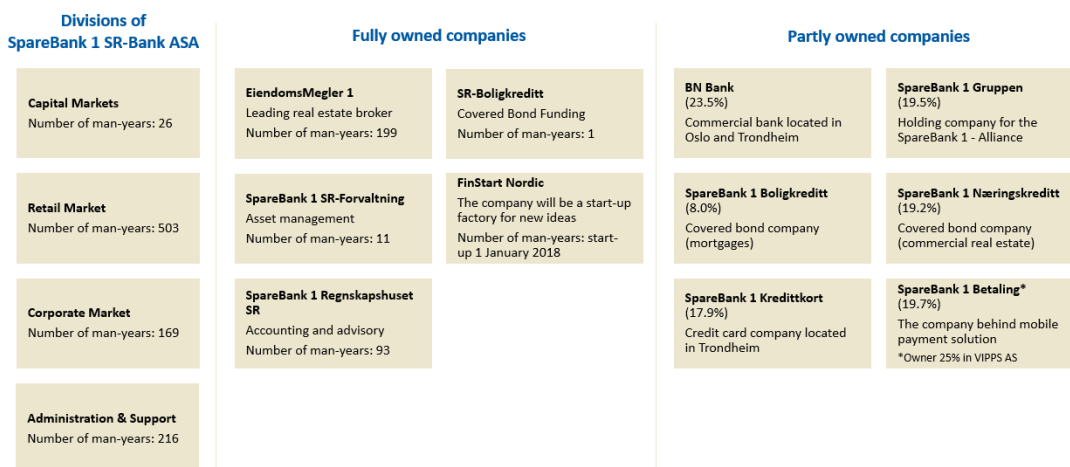


Figure 1.2.2: SpareBank 1 SR-Bank's activities

Segment operating profit (not including subsidiaries)*

Q4 2017

MNOK	Retail market		Corporate market		Capital market	
	2017	2016	2017	2016	2017	2016
Operating profit before tax 4th quarter only	365	284	283	241	4	19
Operating profit before tax as at 31 December	1.535	1.273	1.049	781	63	48
Gross loans to customers excl. SB1 Boligkreditt and SB1 Næringskreditt as at 31 December	108.700	95.820	60.060	59.264	293	379
Deposits from customers as at 31 December	49.239	47.754	46.009	37.355	9	4

*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.

Vision and strategy

Our vision: the customer's first choice

Objectives	Financial goals
<ul style="list-style-type: none">• SpareBank 1 SR-Bank's objectives are to stimulate growth and development• To provide a sustainable contribution to the wealth creation process through:<ul style="list-style-type: none">- A sustainable and profitable business model- An owner-friendly, stable dividend policy	<ul style="list-style-type: none">• Return on equity of 11% after tax in 2018. The longer term (2020) target is a minimum of 12%.• Top 50% return on equity and cost/income in a Nordic benchmark
Strategic goals	Strategic focus
<ul style="list-style-type: none">• Nearer to people and companies• We want to be nearer to people and companies than our competitors by understanding the people, companies and markets better than our competitors.• We want to learn what is important for our customers through a combination of close, personal relationships and the proper utilisation of customer data. We want to be an accessible, long-term partner whom the customers trust.	<ul style="list-style-type: none">• Portfolio quality• Managed and selective growth, greater product mix• Risk pricing• Portfolio management• Innovation, digitalisation and continuous streamlining - cost effectiveness• Capital efficiency• Diversified funding platform



Figure 1.2.3: Vision and strategy

Legal and organizational structure

SpareBank 1 SR-Banks's various management and control bodies have all been established with respect to Norwegian legislation. The figure below shows an overview of current management and control bodies:



Figure 1.2.4: Overview of management and control bodies

Annual General Meeting

Through the Annual General Meeting, the shareholders exercise the highest level of authority at SpareBank 1 SR-Bank ASA. The Ordinary General Meeting elects the members of the Nomination Committee, as well as approving the annual financial statements, including the allocation of a surplus or coverage of a deficit for a year.

Board of Directors

The Board of Directors consists of eight members and one deputy member, of which two members and one deputy member are elected by the employees.

The Board of Directors is responsible for the administration of the Bank's business. This includes making decisions on individual credit cases. The Board must ensure a satisfactory organisation of the Bank's operations, including ensuring that accounting and asset management are subjected to proper scrutiny.

Board committees

The Board of Directors has established a Remuneration Committee, an Audit Committee and a Risk Committee. The committees make no decisions but supervise, on behalf of the board, the executive management team's work and prepare matters for the board's consideration within their areas of responsibility. The committees are free to draw on resources in the group and on resources, advice and recommendations from sources outside the group. Instructions for the committees are established by the Board of Directors.

Organisation of SpareBank 1 SR-Bank ASA

The Bank's operational structure is illustrated in the figure below.

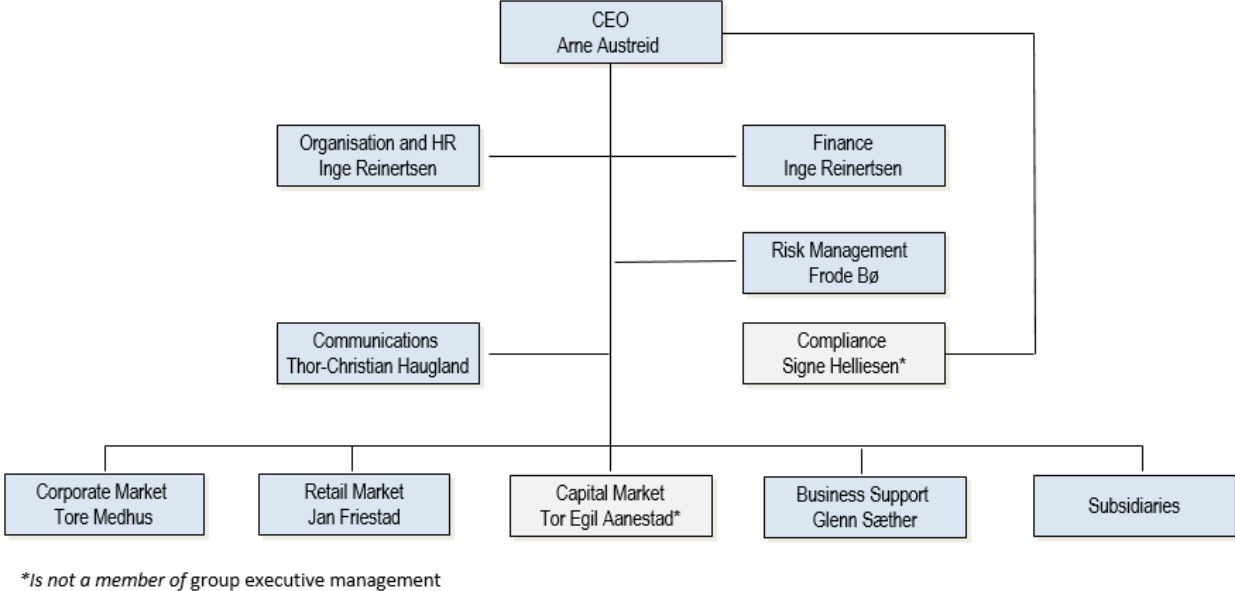


Figure 1.2.5: Organizational structure of SpareBank 1 SR-Bank

The SpareBank 1 Alliance

SpareBank 1 SR-Bank is one of the founding partners of the SpareBank 1 Gruppen (“the Alliance”) in 1996. Through participation in the Alliance, SpareBank 1 SR-Bank is linked together in an alliance of independent and locally anchored banks. The purpose of the Alliance is for members to develop, procure and supply competitive financial services and products and to exploit economies of scale in the form of lower costs and higher quality, so that customers get the best advice and the best services on competitive terms. As shown in the figure below the Alliance has a wide distribution all over Norway.

The SpareBank 1 Alliance – 2nd largest mortgage lender in Norway

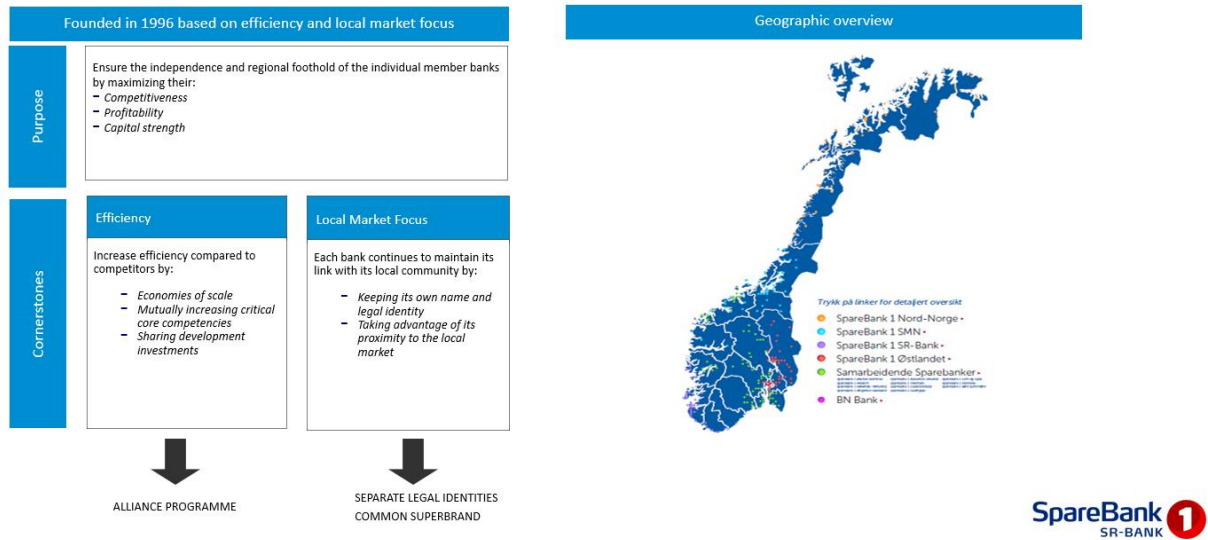


Figure 1.2.6: Geographic overview of the SpareBank 1 Alliance

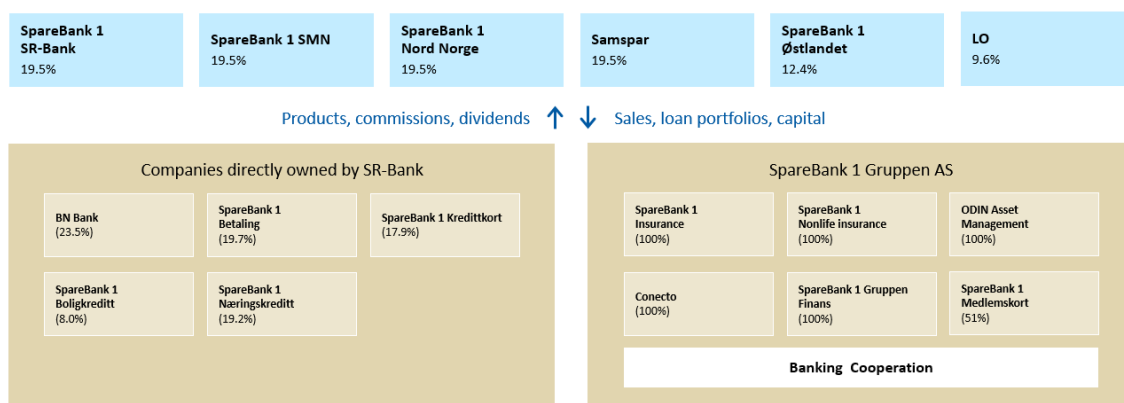
The member banks in the Alliance work in part through common projects and in part through the jointly owned holding company; SpareBank 1 Gruppen AS. In addition to SpareBank 1 SR-Bank, SpareBank 1 Gruppen AS is owned by SpareBank 1 Nord-Norge, SpareBank 1 SMN, SpareBank 1 Østlandet, Samarbeidende Sparebanker (14 local savings banks in southern Norway) and the Norwegian Confederation of Trade Unions (LO).

SpareBank 1 Gruppen AS owns all of the shares in SpareBank 1 Livsforsikring AS (life insurance), SpareBank 1 Forsikring AS (non-life insurance), ODIN Forvaltning AS (asset management), SpareBank 1 Medlemskort (membership cards) and SpareBank 1 Gruppen Finans Holding AS (collection of bad debts).

The banks that are part of the Alliance also jointly own the two covered bond companies SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, EiendomsMegler 1 (chain of real estate brokers), Alliansesamarbeidet SpareBank 1 Utvikling DA, SpareBank 1 Kredittkort, SpareBank 1 Betaling and the bank; BN Bank ASA.

The SpareBank 1 Alliance structure is illustrated below in figure 1.2.7.

SpareBank 1 Alliansen



Owners of the alliance

All credit decisions are made at the local banks

Economies of scale related to expenses, IT solutions, marketing and branding



Figure 1.2.7: Structure of SpareBank 1 Alliance as at 31 December 2017

More information on the SpareBank 1 Alliance can be found on www.sparebank1.no.

1.3 Shareholder information - SRBANK

SpareBank 1 SR-Bank's former Equity Certificates (EC) was listed on the Oslo stock exchange from 1994 until end 2011 under the ticker of ROGG. From 1 January 2012 the EC's were converted to ordinary shares. The share capital in SpareBank 1 SR-Bank is NOK 6,393,777,050 divided between 255,751,082, each with a nominal value of NOK 25.

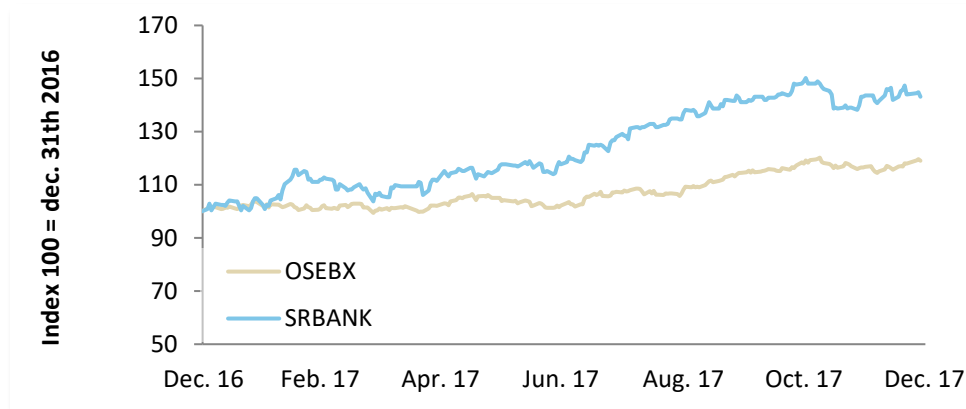


Figure 1.3.1: Relative performance; SRBANK vs OSEBX 2016 – 2017

The former ticker code ROGG was replaced by SRBANK and from 3 January 2012, SRBANK was included in the OSEAX All-Share index and sector index OSE40 Financials/OSE4010 Banks. Figure 1.3.1 shows the relative performance of SRBANK compared to OSEBX.

SpareBank 1 SR-Bank aims to ensure good liquidity in its shares and achieve a good diversity of shareholders who represent customers, regional interests, as well as Norwegian and international investors. Figure 1.3.2 shows how daily liquidity has developed in the period from December 2012 to December 2017. A general observation is that liquidity has increased after the conversion and issue of new shares. On 1 June 2017, the SR-Bank share was included in the Oslo Stock Exchange's main index.

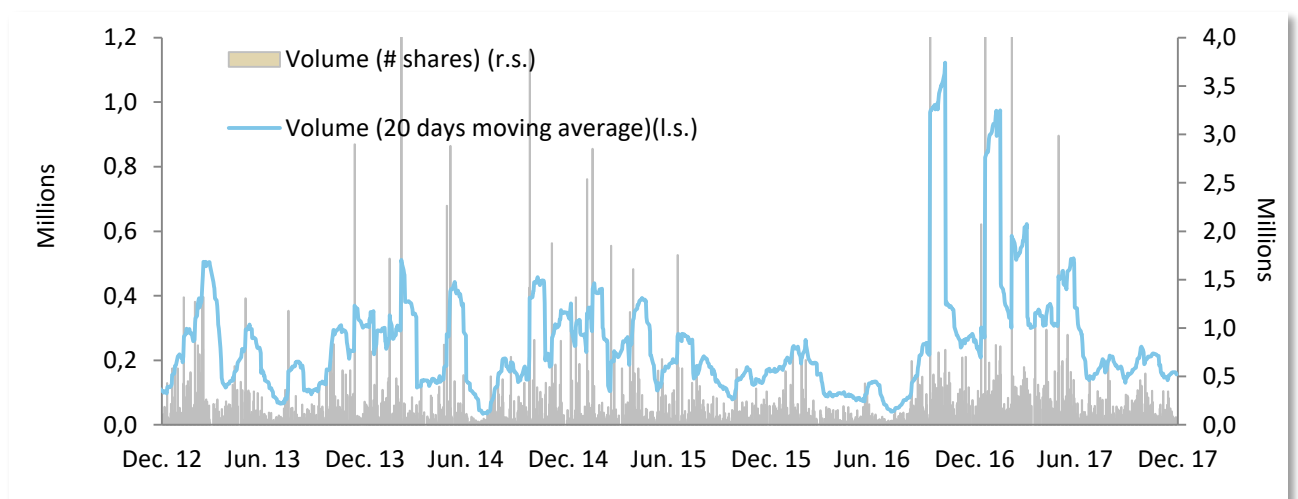


Figure 1.3.2 Development in liquidity; SRBANK 2012 – 2017

Figure 1.3.3 shows the share price movements and Price/Book development from December 2016 to December 2017.

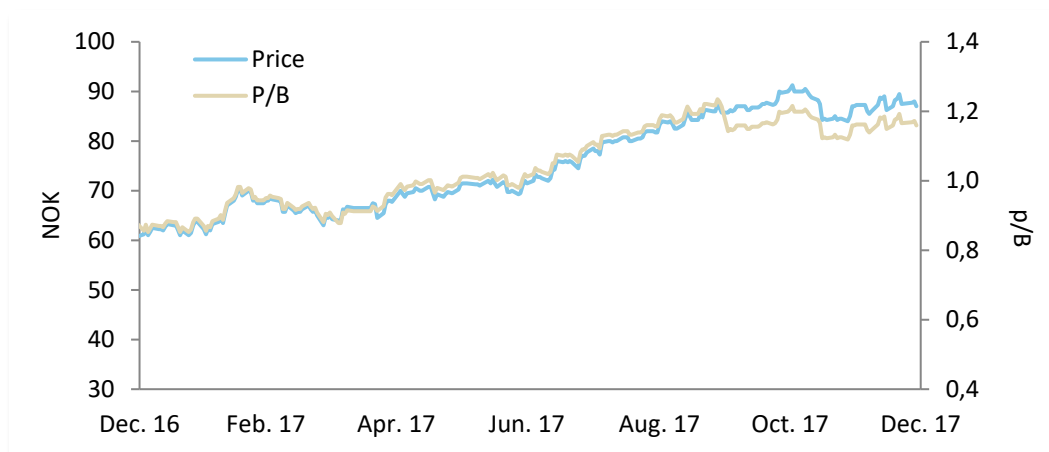


Figure 1.3.3: Share price and development in P/B; 2016 – 2017

Investor relations policy

It is crucial to SpareBank 1 SR-Bank that accurate, relevant and timely information about the group's development and result inspires confidence in the investor market. Information is conveyed to the market mainly through quarterly investor presentations, websites, press releases and accounting reports. Regular presentations are also held for international partners, lenders and investors, mainly in the domestic and European market.

It is in SpareBank 1 SR-Bank's own interest that financial analyses are published with the highest possible quality. All analysts, irrespective of their recommendations and viewpoints regarding the stock are treated equally. As of today the following financial analysts have official coverage of SRBANK:

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 Swedbank First Securities, Bengt Kirkøen +47 23 23 82 65 bk@swedbank.no
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Shareholder and dividend policy

Shareholder policy

SpareBank 1 SR-Bank's objective is to manage the bank's resources in such a manner that shareholders receive a yield in the form of dividends and a value increase which is competitive in relation to comparable investments.

Dividend policy

The financial objective of SpareBank 1 SR-Bank's operations is to achieve earnings that yield adequate, stable returns on the bank's equity, thereby creating value for owners through competitive returns in the form of dividends and share appreciation.

In determining the size of the annual dividend, considerations will be made toward the group's capital, including capital adequacy requirements and the group's goals and strategic plans. Unless capital requirements otherwise dictate, the goal of the board is that approximately half of the annual profit after tax is distributed.

Ownership structure as at 31 December 2017

Investor		Number	Stake
Sparebankstiftelsen SR-Bank		72.419.305	28,3%
Folketrygdfondet		16.987.715	6,6%
State Street Bank and Trust Co, U.S.A.	Nominee	8.913.352	3,5%
SpareBank 1-stiftinga Kvinnherad		6.226.583	2,4%
Vpf Nordea Norge Verdi		5.957.547	2,3%
Danske Invest Norske Instit. II		3.574.538	1,4%
Verdipapirfondet DNB Norge (IV)		3.539.205	1,4%
Odin Norge		3.506.393	1,4%
State Street Bank and Trust Co, U.S.A.	Nominee	3.024.820	1,2%
Clipper AS		2.565.000	1,0%
Pareto Aksje Norge		2.223.764	0,9%
KAS Bank NV, Nederland	Nominee	1.935.270	0,8%
Danske Invest Norske Aksjer Inst.		1.902.194	0,7%
Morgan Stanley and Co Intl plc, U.K.		1.885.627	0,7%
JPMorgan Chase Bank N.A., U.S.A.	Nominee	1.880.641	0,7%
KLP Aksjenorge Indeks		1.810.920	0,7%
Westco AS		1.662.987	0,7%
Pareto AS		1.640.867	0,6%
Vpf Nordea Norge Avkastning		1.639.620	0,6%
Forsvarets Personellservice		1.513.556	0,6%
<hr/>			
Top 5		110.504.502	43,2%
Top 10		126.714.458	49,5%
Top 20		144.809.904	56,6%

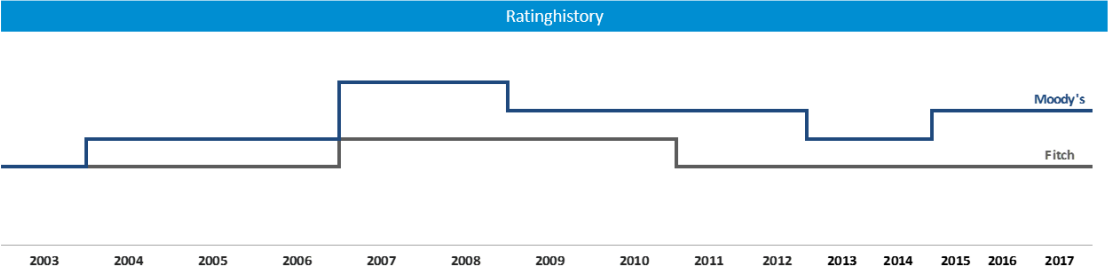
Table 1.3.1: 20 largest shareholders as at 31 December 2017

1.4 Credit ratings

Current credit rating status as at 31 December 2017 was as follows:

Rating

Moody's		Fitch	
Long-term debt	A1	Long-term IDR	A-
Outlook	Negative	Outlook	Stable
Updated	11 December 2017	Updated	26 January 2018



2. Financial results and balance sheet

Income statement

Financial results

<i>MNOK</i>	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	31.12 2017	31.12 2016
Interest income	1.463	1.455	1.437	1.392	1.400	5.747	5.563
Interest expense	644	635	653	653	667	2.585	2.692
Net interest income	819	820	784	739	733	3.162	2.871
Commission income	384	407	417	389	372	1.597	1.511
Commission expenses	19	22	19	19	18	79	72
Other operating income	2	1	2	1	1	6	4
Net commission and other income	367	386	400	371	355	1.524	1.443
Dividend income	0	2	4	5	5	11	110
Income from investment in associates	154	127	81	63	78	425	384
Net gains/losses on financial instruments	50	69	58	21	56	198	160
Net return on investment securities	204	198	143	89	139	634	654
Total income	1.390	1.404	1.327	1.199	1.227	5.320	4.968
Personnel expenses	333	312	312	306	293	1.263	1.166
Administrative expenses	128	111	127	112	133	478	464
Other operating expenses	109	107	109	101	114	426	402
Total operating expenses	570	530	548	519	540	2.167	2.032
Operating profit before losses	820	874	779	680	687	3.153	2.936
Losses on loans and guarantees	120	124	131	168	162	543	778
Operating profit before tax	700	750	648	512	525	2.610	2.158
Tax expense	141	140	134	109	96	524	403
Profit after tax from continuing operations	559	610	514	403	429	2.086	1.755

Key figures

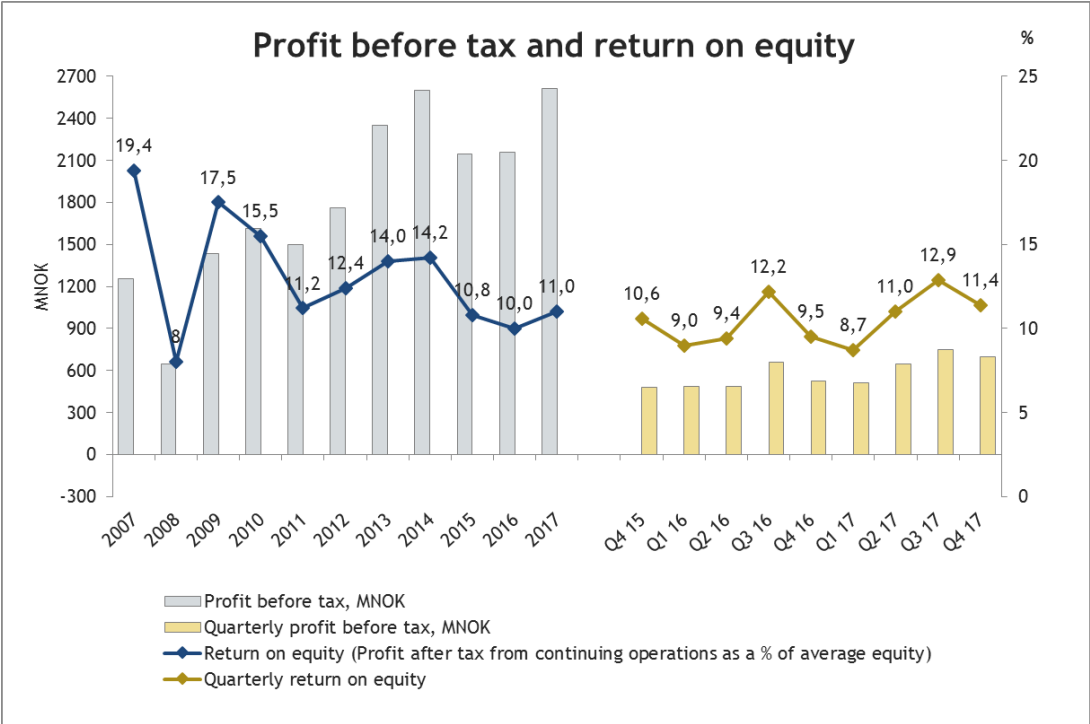
Key figures

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	31.12 2017	31.12 2016
Return on equity ¹⁾	11,4 %	12,9 %	11,0 %	8,7 %	9,5 %	11,0 %	10,0 %
Cost ratio ²⁾	41,0 %	37,7 %	41,3 %	43,3 %	44,0 %	40,7 %	40,9 %
Net interest margin	1,50 %	1,54 %	1,52 %	1,53 %	1,50 %	1,52 %	1,48 %
Gross loans to customers	172.554	167.105	164.958	159.843	157.638	172.554	157.638
Gross loans to customers incl. covered bond companies	187.137	185.150	184.317	183.182	182.332	187.137	182.332
Deposits from customers	95.384	98.602	99.758	93.125	85.914	95.384	85.914
Deposit-to-loan ratio	55,3 %	59,0 %	60,5 %	58,3 %	54,5 %	55,3 %	54,5 %
Growth in loans	9,5 %	6,2 %	5,2 %	3,0 %	1,6 %	9,5 %	1,6 %
Growth in loans incl. covered bond companies	2,6 %	1,2 %	0,5 %	-0,4 %	-0,9 %	2,6 %	-0,9 %
Growth in deposits	11,0 %	13,0 %	11,3 %	7,0 %	-3,9 %	11,0 %	-3,9 %
Average total assets	217.202	211.111	207.389	195.967	194.963	207.562	194.264
Total assets	216.618	215.309	212.879	200.182	193.408	216.618	193.408
Impairment losses ratio ³⁾	0,28	0,30	0,32	0,42	0,41	0,33	0,50
Impairment losses ratio incl. loans from covered bond companies	0,26	0,27	0,29	0,37	0,35	0,29	0,42
Non-performing commitments as a percentage of gross loans	0,32	0,49	0,50	0,46	0,68	0,32	0,68
Non-performing commitments as a percentage of gross loans incl. loans from covered bond companies	0,30	0,45	0,45	0,40	0,59	0,30	0,59
Other doubtful commitments as a percentage of gross loans	0,91	0,81	0,84	0,95	0,72	0,91	0,72
Other doubtful commitments as a percentage of gross loans incl. loans from covered bond companies	0,83	0,73	0,76	0,83	0,62	0,83	0,62
Capital ratio	17,9	17,7	17,9	17,5	17,5	17,9	17,5
Tier 1 capital ratio	16,0	15,8	15,7	15,6	15,6	16,0	15,6
Common Equity Tier 1 capital ratio	15,1	14,8	14,7	14,7	14,7	15,1	14,7
Tier 1 capital	19.278	19.214	18.938	18.484	18.227	19.278	18.227
Net primary capital	21.489	21.515	21.623	20.744	20.443	21.489	20.443
RWA	120.160	121.818	120.683	118.410	116.651	120.160	116.651
Number of branches	36	36	36	36	36	36	36
Man-years (permanent)	1.142	1.151	1.125	1.142	1.127	1.142	1.127
Share price	87,00	85,75	71,50	64,25	60,75	87,00	60,75
Market capitalisation	22.250	21.931	18.286	16.432	15.537	22.250	15.537
Book equity per share (including dividends) (group)	77,24	75,07	72,72	72,91	71,54	77,24	71,54
Earnings per share (group)	2,18	2,39	2,01	1,58	1,68	8,16	6,87
Dividends per share	4,25	n.a	n.a	n.a	2,25	4,25	2,25
Price / Earnings per share	9,98	8,97	8,89	10,17	9,04	10,66	8,84
Price / Book equity (group)	1,13	1,14	0,98	0,88	0,85	1,13	0,85

¹⁾ Net profit as a percentage of average equity.

²⁾ Total operating expenses as a percentage of total operating income

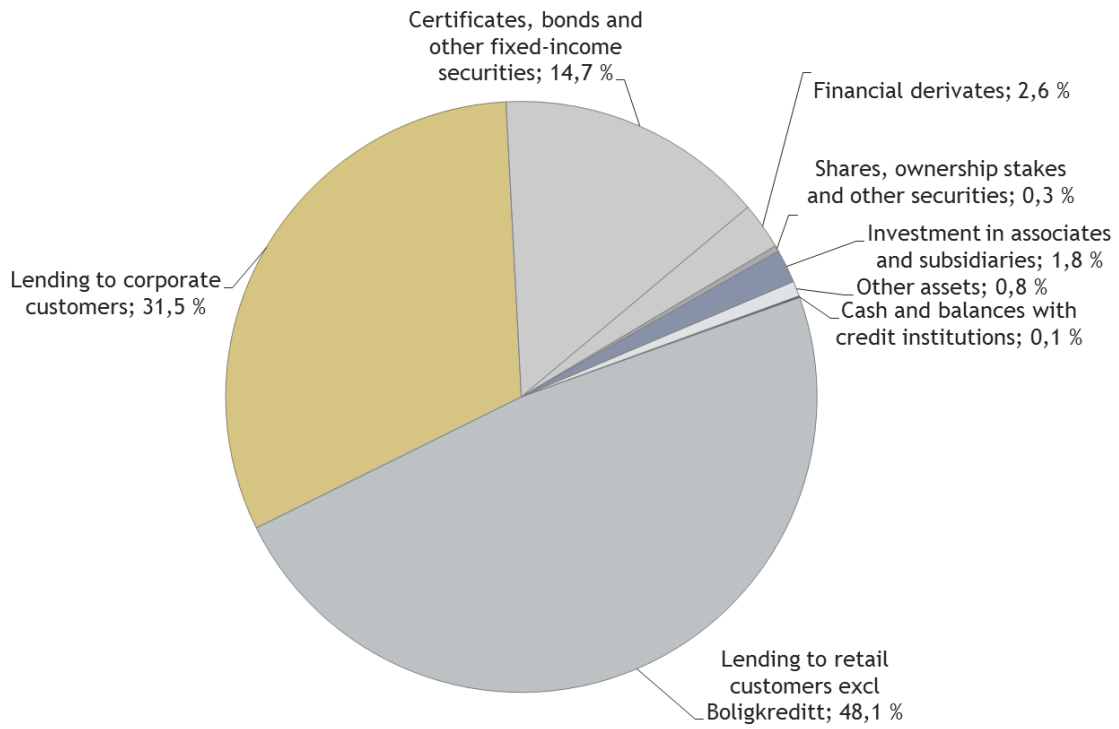
³⁾ Net losses expressed as a percentage of average gross lending year to date, annualized



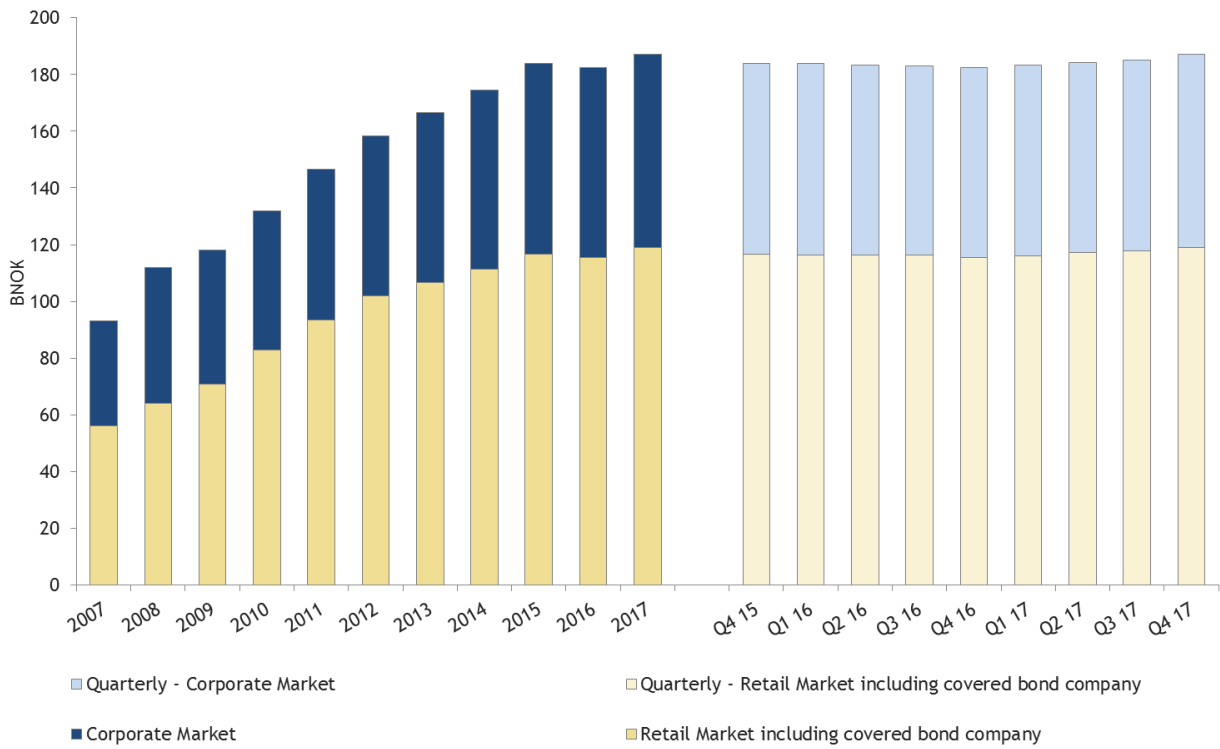
Balance sheet

<i>MNOK</i>	31.12 2017	30.09 2017	30.06 2017	31.03 2017	31.12 2016
Cash and balances with central banks	207	271	747	965	1.079
Balances with credit institutions	1.608	4.135	8.335	7.148	4.334
Net loans to customers	171.237	165.787	163.703	158.628	156.372
Certificates, bonds and other fixed-income sec.	31.909	29.579	28.451	22.078	21.024
Financial derivatives	5.541	3.960	5.354	4.329	4.315
Shares, ownership stakes and other securities	717	562	528	623	596
Business available for sale	0	0	22	22	22
Investment in associates	3.953	4.450	4.277	4.537	4.460
Other assets	1.446	6.565	1.462	1.852	1.206
Total assets	216.618	215.309	212.879	200.182	193.408
Balances with credit institutions	2.335	2.172	2.805	2.847	2.674
Deposits from customers	95.384	98.602	99.758	93.125	85.914
Listed debt securities	90.497	86.341	83.222	77.946	79.183
Financial derivatives	3.787	2.113	3.622	2.623	2.515
Other liabilities	1.962	3.586	1.633	2.338	2.188
Additional Tier 1 and Tier 2 capital instruments	2.764	3.161	3.105	2.671	2.646
Total liabilities	196.729	195.975	194.145	181.550	175.120
Share capital	6.394	6.394	6.394	6.394	6.394
Premium reserve	1.587	1.587	1.587	1.587	1.587
Proposed dividend	1.087	0	0	575	575
Fund for unrealised gains	43	52	52	52	52
Hybrid capital	150	150	150	0	0
Other equity	10.628	9.624	9.634	9.621	9.680
Profit/loss at period end	0	1.527	917	403	0
Total equity	19.889	19.334	18.734	18.632	18.288
Total liabilities and equity	216.618	215.309	212.879	200.182	193.408

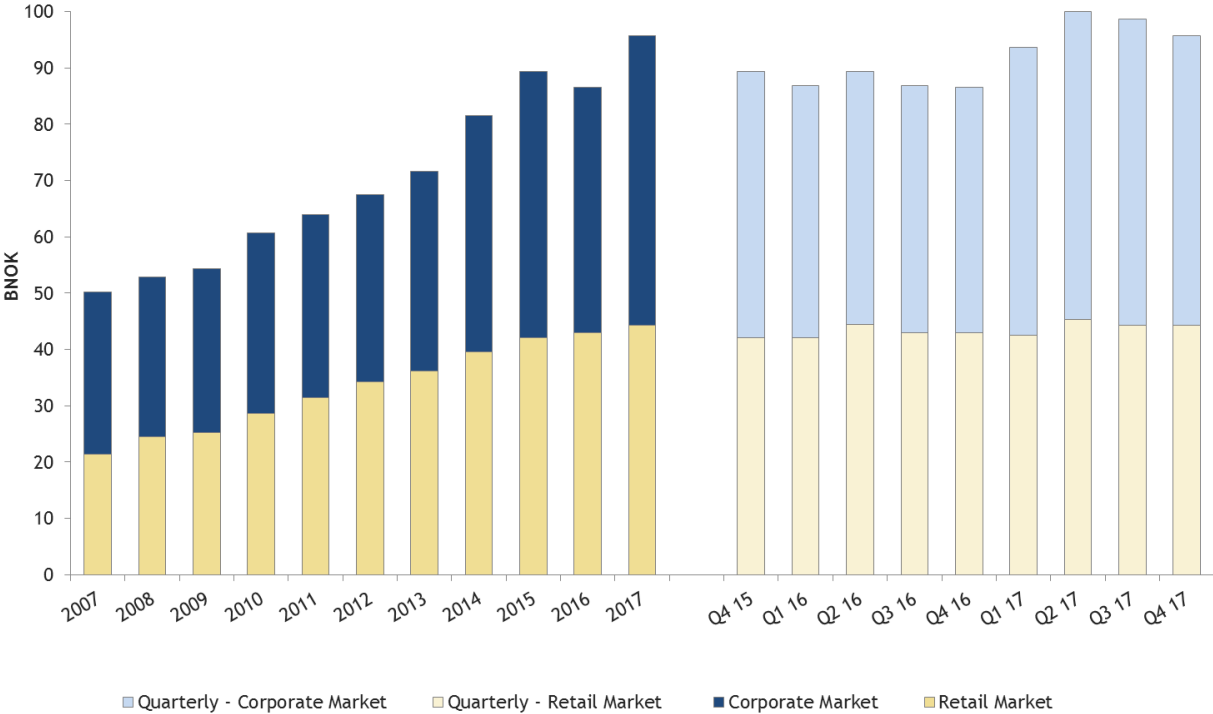
Total assets as at 31 December 2017:



Development in lending volume

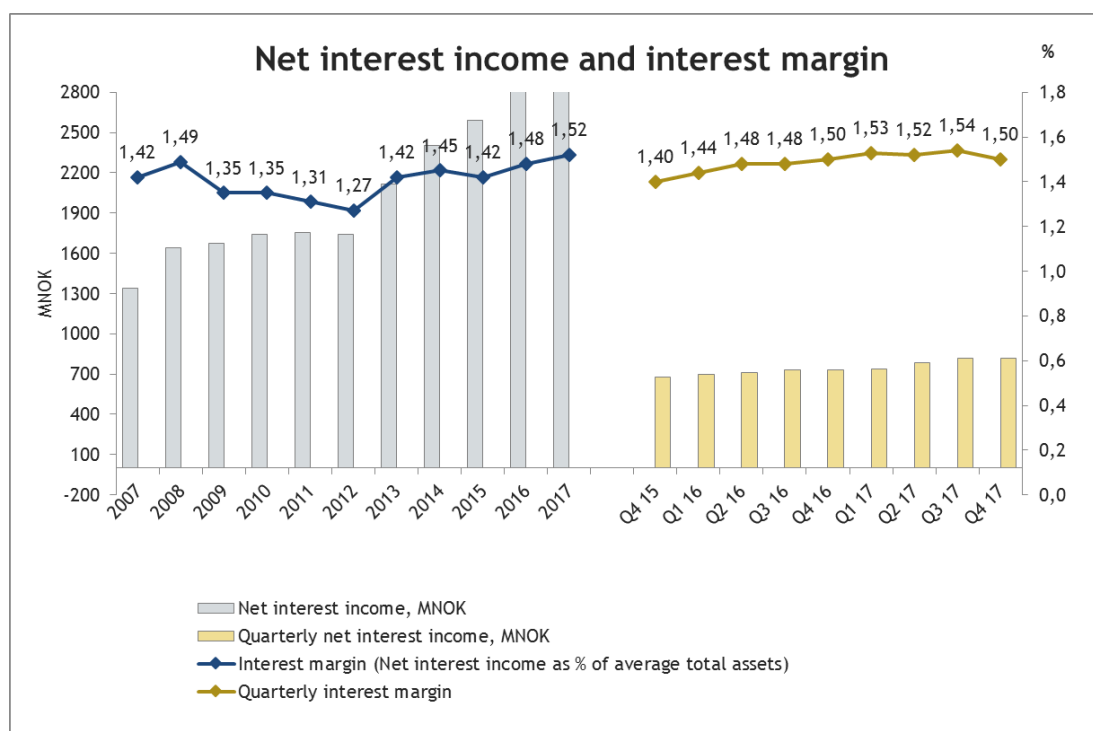


Development in deposit volume



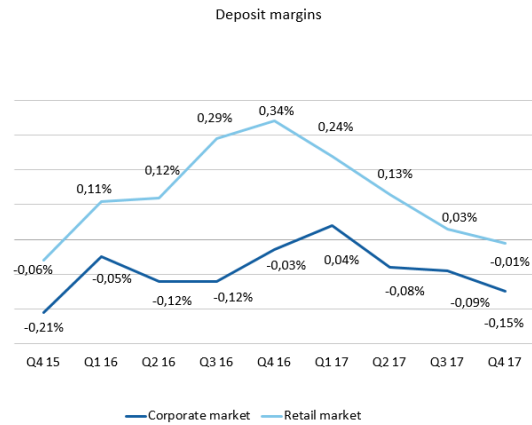
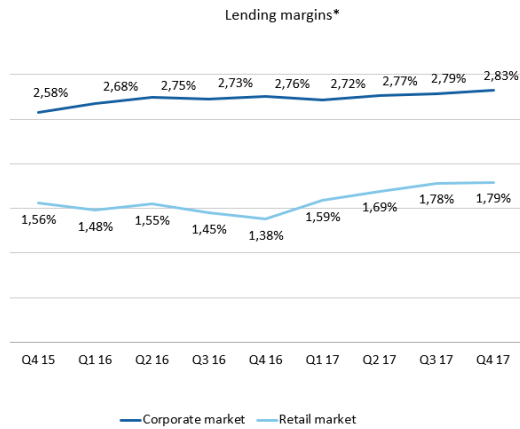
2.1 Net interest income

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	31.12 2017	31.12 2016
MNOK							
Interest income	1.463	1.455	1.437	1.392	1.400	5.747	5.563
Interest expense	644	635	653	653	667	2.585	2.692
Net interest income	819	820	784	739	733	3.162	2.871
As % of average total assets	1,50 %	1,54 %	1,52 %	1,53 %	1,50 %	1,52 %	1,48 %



Lending and deposit margins¹

Lending and deposit margins



*SpareBank 1 SR-Finans AS was merged into SpareBank 1 SR-Bank from 1 January 2017. The figures (lending margins) are therefore not entirely comparable.
 Definition: Average customer interest rate against 3-month moving average for 3-month NIBOR. Lending margins include loan portfolio in covered bond companies



¹ Definition margin: Average customer interest rate measured against 3-month moving average for 3-month NIBOR. Lending margins include loan portfolio in covered bond companies. SpareBank 1 SR-Finans AS was merged into SpareBank 1 SR-Bank from 1 January 2017. The figures (lending margins) are therefore not entirely comparable.

2.2 Net other operating income

	Q4	Q3	Q2	Q1	Q4	31.12	31.12
MNOK	2017	2017	2017	2017	2016	2017	2016
Net commission and other income	367	386	400	371	355	1.524	1.443
Net return on investment securities	204	198	143	89	139	634	654
Net other operating income	571	584	543	460	494	2.158	2.097
As % of total income	41 %	42 %	41 %	38 %	40 %	41 %	42 %

Net commission and other income

	Q4	Q3	Q2	Q1	Q4	31.12	31.12
MNOK	2017	2017	2017	2017	2016	2017	2016
Payment facilities	65	71	63	63	60	262	252
Savings/placements	47	51	49	51	45	198	185
Insurance products	52	52	52	52	50	208	198
Commission income from real estate broking	94	90	112	93	85	389	348
Guarantee commission	27	29	26	25	31	107	114
Arrangement fees	28	28	24	13	33	93	101
Accounting Services SpareBank 1 Regnskapshuset SR	23	18	27	28	18	96	81
Other	-5	8	9	10	3	22	15
Net commission and other income excl. covered bond companies	331	347	362	335	325	1.375	1.294
Commission income SB1 Boligkreditt and SB1 Næringskreditt	36	39	38	36	30	149	149
Net commission and other income incl. covered bond companies	367	386	400	371	355	1.524	1.443
As % of total income	26 %	27 %	30 %	31 %	29 %	29 %	29 %

Change in net commission and other income

	Q4		Q4
MNOK	2017	Change	2016
Net commission and other income	367	12	355
Payment facilities		5	
Savings/placements		2	
Insurance products		2	
Commission income from real estate broking		9	
Guarantee commission		-4	
Arrangement fees		-5	
Accounting Services SpareBank 1 Regnskapshuset SR		5	
Other		-8	
Commission income SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt		6	

Net return on investment securities

MNOK	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	31.12 2017	31.12 2016
Dividend	0	2	4	5	5	11	110
Investment income, associates	154	127	81	63	78	425	384
Securities gains/losses	24	46	32	25	50	127	53
- of which capital change in shares and certificates	44	57	28	7	42	136	51
- of which capital change in certificates and bonds	-70	-41	-34	-7	-44	-152	-156
- of which derivatives; bonds and certificates	50	30	38	25	52	143	158
Currency/interest gains/losses	26	23	26	-4	6	71	107
- of which currency customer- and own-account trading	35	24	28	17	39	104	137
- of which value change basis swap spread	-5	-4	-7	-16	-16	-32	-15
- of which counterparty risk derivatives including CVA	0	1	0	1	1	2	2
- of which other IFRS-effects	-4	2	5	-6	-18	-3	-17
Net return on investment securities	204	198	143	89	139	634	654
As % of total income	15 %	14 %	11 %	7 %	11 %	12 %	13 %

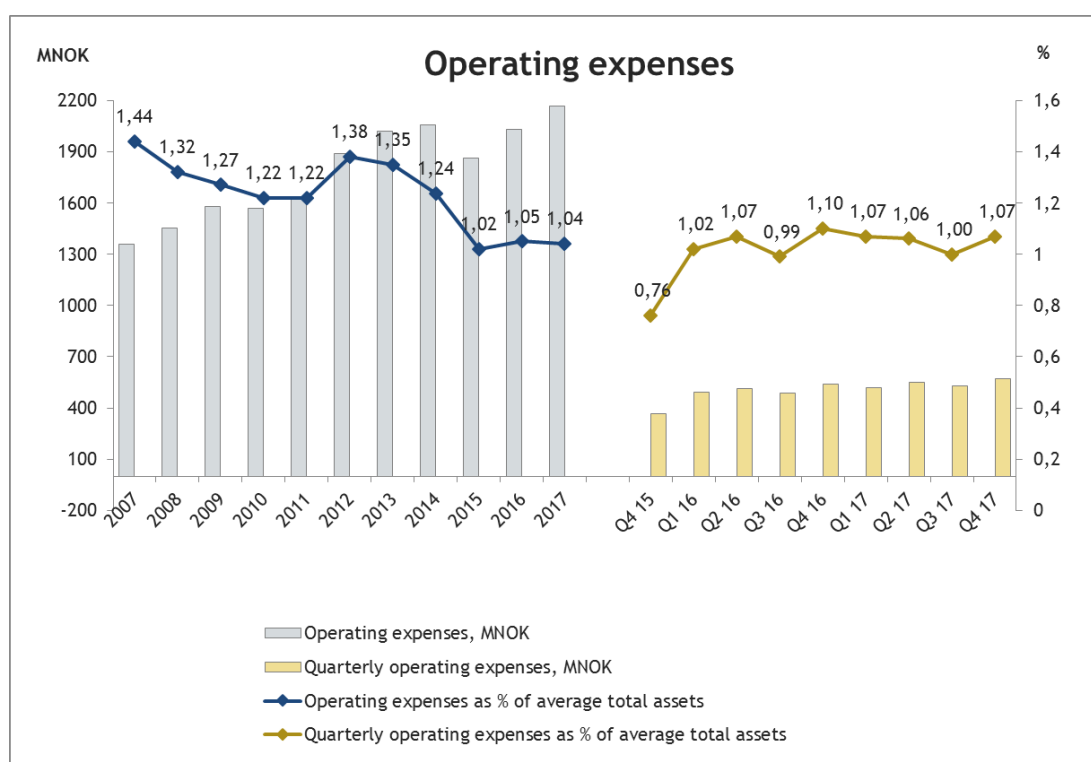
Change in net return on investment securities

MNOK	Q4 2017	Change	Q4 2016
Net return on investment securities	204	65	139
Dividend		-5	
Investment income, associates		76	
Securities gains/losses		-26	
- of which capital change in shares and certificates		2	
- of which capital change in certificates and bonds		-26	
- of which derivatives; bonds and certificates		-2	
Currency/interest gains/losses		20	
- of which currency customer- and own-account trading		-4	
- of which value change basis swap spread		11	
- of which counterparty risk derivatives including CVA		-1	
- of which other IFRS-effects		14	
Net return on investment securities		65	

2.3 Operating expenses

	Q4	Q3	Q2	Q1	Q4	31.12	31.12
MNOK	2017	2017	2017	2017	2016	2017	2016
Wages	253	227	226	223	221	929	874
Of which financial activity tax*	9	9	10	11	5	39	5
Pension expenses	25	28	27	26	21	106	104
Other personnel expenses	55	57	59	57	51	228	188
Total personnel expenses	333	312	312	306	293	1.263	1.166
IT expenses	82	74	86	75	87	317	321
Marketing expenses	20	16	21	16	23	73	74
Other administrative expenses	26	21	20	21	23	88	69
Write-down	17	21	18	18	24	74	81
Expenses real property	7	7	9	10	9	33	35
Other operating expenses	85	79	82	73	81	319	286
Other expenses	237	218	236	213	247	904	866
Total operating expenses	570	530	548	519	540	2.167	2.032

*In 2016, the financial activity tax was linked to provisions



Change in operating expenses

MNOK	Q4 2017	Change	Q4 2016
Total	570	30	540
Personnel expenses*		40	
IT expenses		-5	
Marketing expenses		-3	
Other administrative expenses		3	
Write-down		-7	
Expenses real property		-2	
Other operating expenses		4	

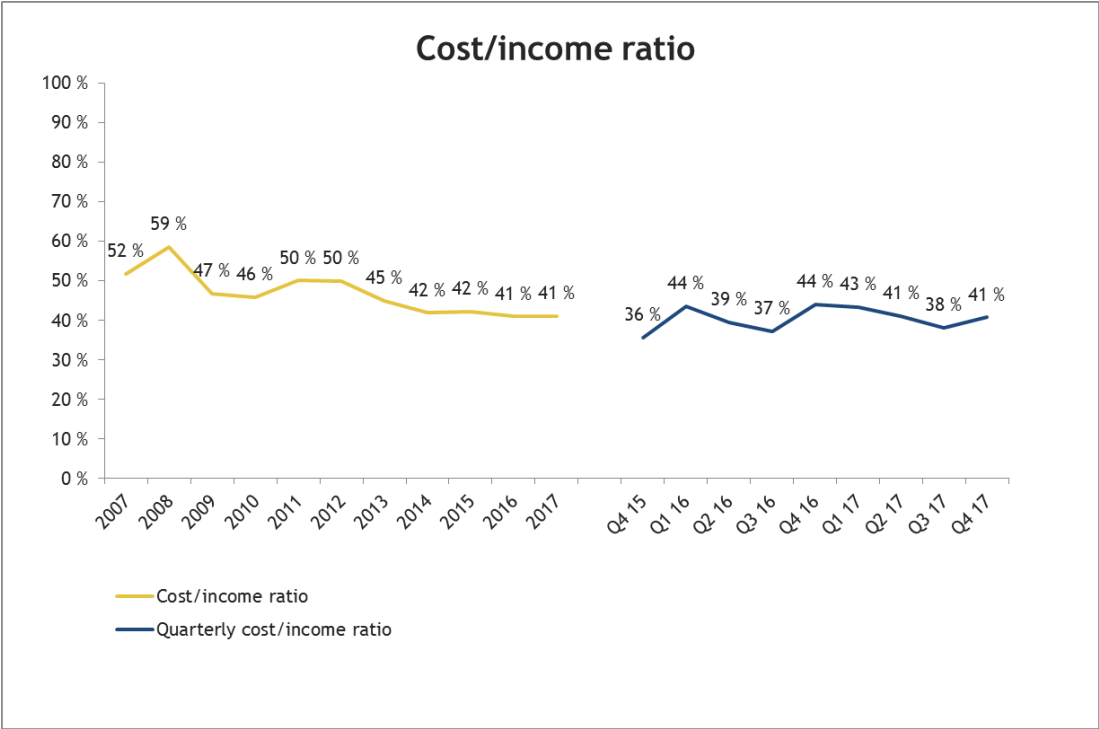
*Increase in personnel expenses are due to financial activity tax that was introduced on 1 January 2017.

Cost/income ratio

MNOK	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	31.12 2017	31.12 2016
Operating expenses	570	530	548	519	540	2.167	2.032
Cost/income ratio	41,0 %	37,7 %	41,3 %	43,3 %	44,0 %	40,7 %	40,9 %
Growth in expenses last 12 months*	5,6 %	9,1 %	6,6 %	5,5 %	46,7 %	6,6 %	9,1 %

*Growth of cost in Q4 2016 is affected by a one-time cost savings of NOK 226 million due to changed pension scheme for employees in 2015.

Development in cost/income ratio

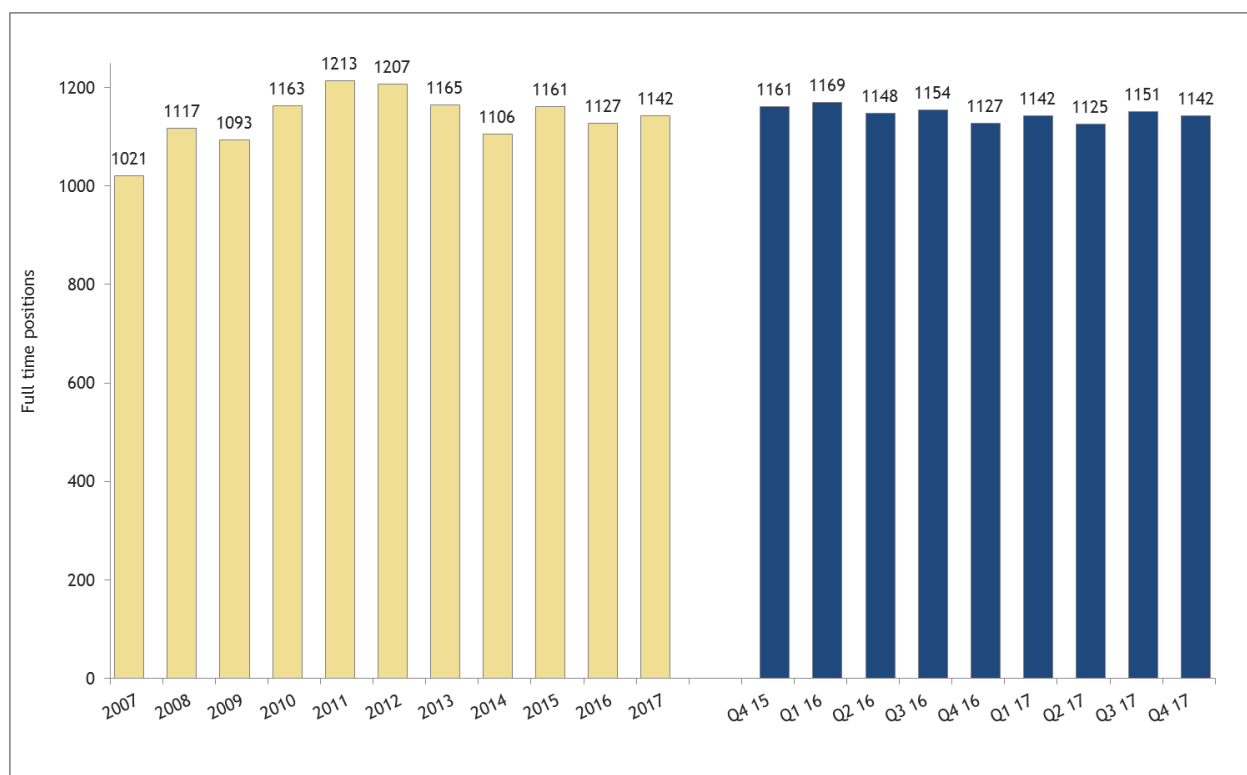


Number of full time positions (permanent employees, contracted staff not included)

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
<i>Full time positions</i>					
SpareBank 1 SR-Bank	839	848	830	850	813
EiendomsMegler 1 SR-Eiendom AS	199	205	195	194	192
SR-Forvaltning AS	11	11	11	11	12
SR-Finans AS*					31
SpareBank 1 Regnskapshuset SR AS	93	87	89	87	79
Total	1.142	1.151	1.125	1.142	1.127

*SpareBank 1 SR-Finans AS has been merged into SpareBank 1 SR-Bank from 1 January 2017

Full time positions 2007 – 2017 (permanent employees, contracted staff not included)



2.4 Losses on loans and loss provisions

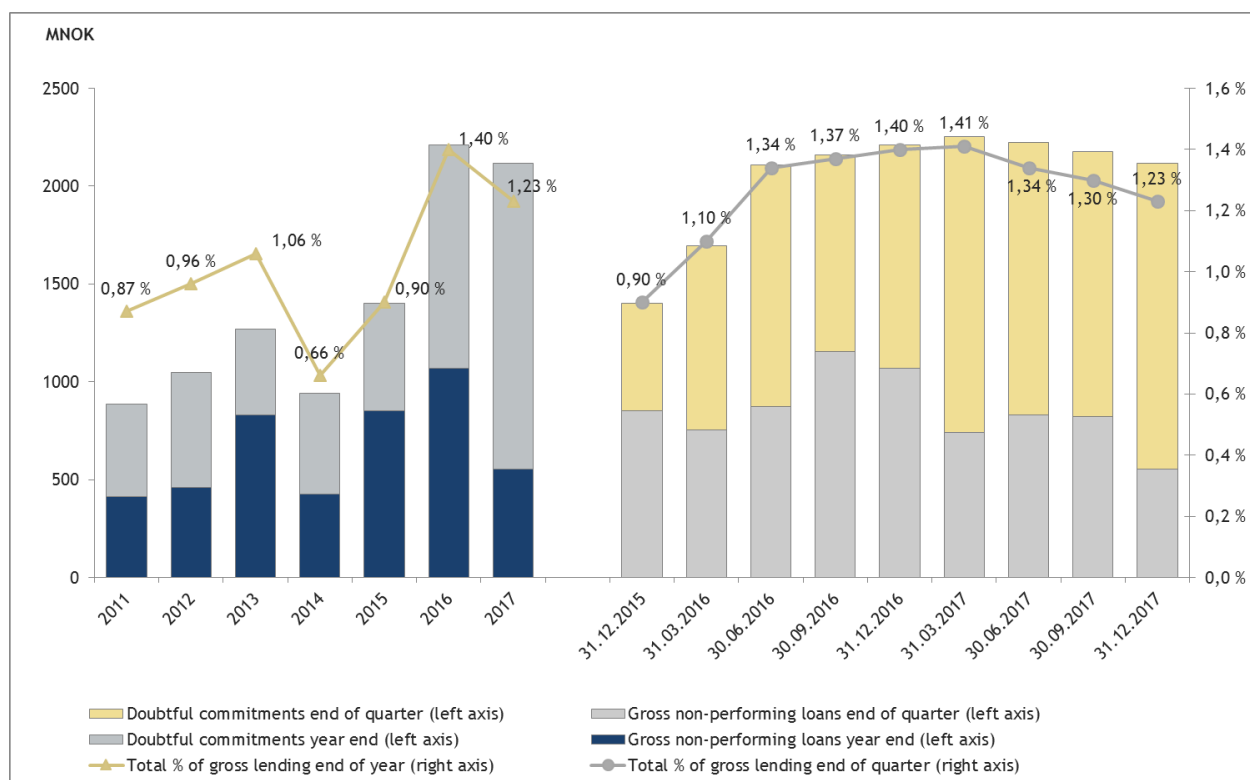
Losses on loans and guarantees

MNOK	31 Dec. 2017	30 Sept. 2017	30 June 2017	31 March 2017	31 Dec. 2016
Change in individual individual impairment losses provisions for the period	56	93	28	-54	277
Change in collective impairment loss provisions for the period	1	0	2	1	158
Amortised cost	8	6	4	0	6
Actual loan losses on commitments for which provisions have been made	262	162	156	132	142
Actual loan losses on commitments for which no provision has been	231	123	67	45	208
Change in assets take-over for the period	1	48	48	47	0
Recoveries on commitments previously written-off	-16	-9	-6	-3	-13
The period's net losses/(reversals) on loans and advances	543	423	299	168	778

Provisions for impairment losses on loans and guarantees

MNOK	31 Dec. 2017	30 Sept. 2017	30 June 2017	31 March 2017	31 Dec. 2016
Provisions for individual impairment losses at start of period	595	521	521	521	318
Provisions for Individual impairment losses at start of period SR-	0	74	74	74	0
Increases in previous provisions for individual impairment losses	163	160	75	70	33
Reversal of provisions from previous periods	-23	-74	-77	-77	-51
New provisions for individual impairment losses	175	171	189	84	443
Amortised cost	4	-2	-2	1	-7
Actual loan losses during the period for which provisions for individual impairment losses have been made previously	-262	-162	-156	-132	-141
Provisions for individual impairment losses at the end of period	652	688	624	541	595
Net losses	493	285	223	177	350

Non-performing loans and doubtful commitments

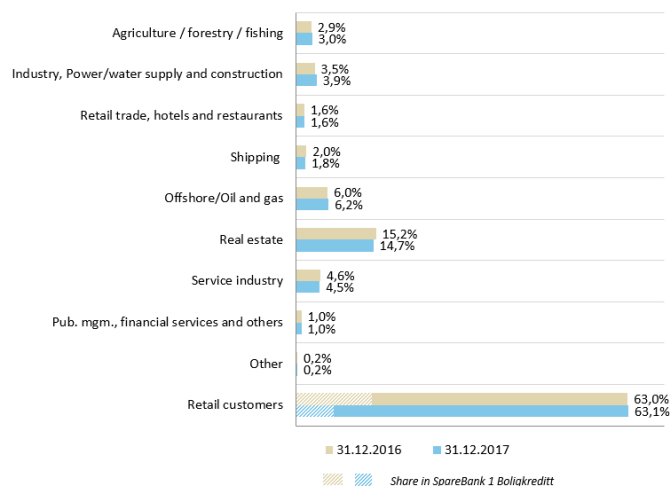


2.5 Loans

MNOK	31 Dec. 2017	30 Sept. 2017	30 June 2017	31 March 2017	31 Dec. 2016
Agriculture/forestry	4.833	4.715	4.617	4.543	4.549
Fishing/Fish farming	860	796	698	748	755
Mining/extraction	4.876	4.626	4.942	5.159	4.780
Industry	3.632	3.477	3.369	3.003	2.914
Power and water supply/building and construction	3.666	3.509	3.417	3.385	3.533
Retail trade, hotel and restaurant business	2.984	2.988	2.990	2.870	2.885
Foreign trade shipping, pipeline transport and other transport activities	10.015	9.354	10.006	9.769	9.766
Real estate business	27.042	27.730	27.624	27.630	27.269
Service industry	8.428	7.255	7.531	7.960	8.441
Public sector and financial services	1.869	2.881	1.973	2.127	1.898
Retail customers	104.299	99.808	97.853	92.893	91.171
Unallocated (excess value fixed interest loans and amort. lending fees)	116	144	114	117	118
Accrued interests corporate sector and retail customers	334	320	278	292	301
Net cooperate accounts currency	-399	-500	-454	-655	-741
Gross loans	172.554	167.105	164.958	159.843	157.638
SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	14.583	18.045	19.359	23.339	24.694
Gross loans incl SpareBank 1 Boligkreditt and Næringskreditt	187.137	185.150	184.317	183.182	182.332

Loan portfolio as at 31.12.2017

- Gross loans (incl. covered bond companies) as at 31 December 2017 amount to NOK 187.1 billion compared with NOK 182.3 billion at the same time the year before.
- 12-month growth in loans of 2.6%.
- Loans to retail customers (incl. covered bond company) account for 63.1% of total loans, of which 7.5%-points is in SpareBank 1 Boligkreditt.

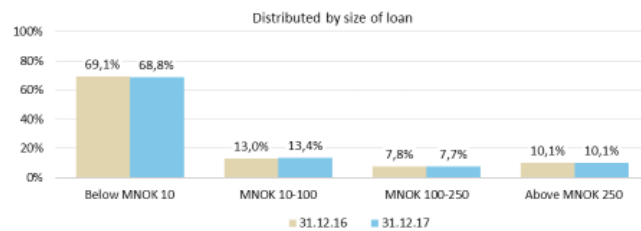
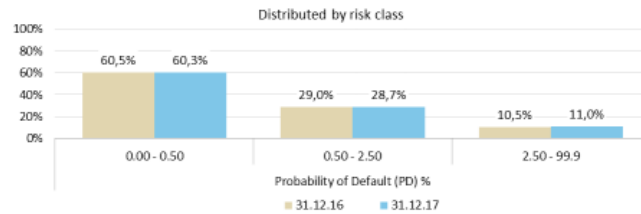


Loans before individual write-downs, nominal amounts.
Sector allocation in accordance with the standard categories from Statistics Norway.

2.6 Risk profile

Risk profile of the loan portfolio

- SpareBank 1 SR-Bank has a solid loan portfolio.
- 60.3% of the bank's loan exposure has a PD* below 0.5%.
- Single loan exposures less than NOK 10 million aggregates 68.8% of total loan portfolio.
- Single loan exposures above NOK 250 million is 10.1% of total loan portfolio.

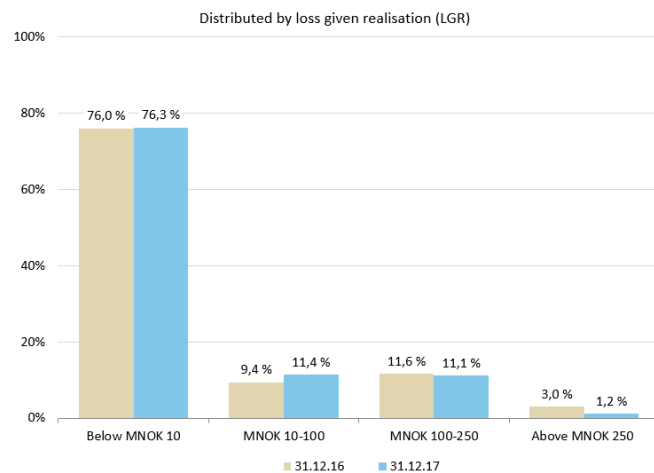


*Probability of default (PD) through a full cycle of loss.
The figures include the loan portfolio in the covered bond companies (SpareBank 1 Næringskreditt AS, SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).
SpareBank 1 SR-Finans was merged into SpareBank 1 SR-Bank from 1 January 2017 and the SR-Finans portfolio is included in the figures from January 2017.



Low concentration of individual LGRs in the lending portfolio

- There is a clearly defined strategy behind this portfolio composition. The growth and risk profile are managed, for example, through special credit strategy limits for concentration risk.
- The proportion of loans with loss potential below NOK 10 million is now at 76.3% of the loan portfolio.



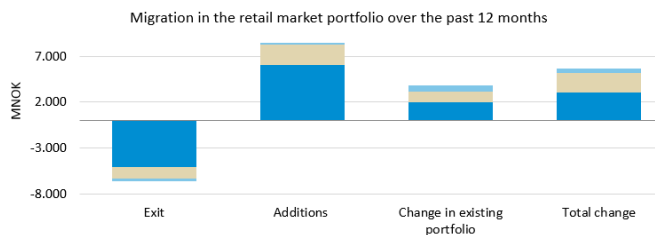
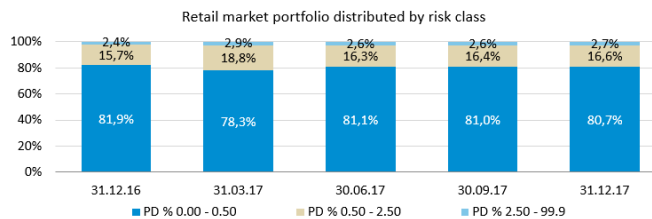
LGR (Loss Given Realisation). Estimated loss on realising a single loan. Corresponds to LGD without statistical correction for certain non-performing loans being reclassified as recoverable prior to collection. The calculation is based on the realisation value of assets pledged as security in an economic downturn.

The figure includes the loan portfolio in the covered bond companies (SpareBank 1 Næringskreditt AS, SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS). SpareBank 1 SR-Finans was merged into SpareBank 1 SR-Bank from 1 January 2017 and the SR-Finans portfolio is included in the figures from 1 January 2017.



Risk profile – Lending to the retail market

- The quality of the retail market portfolio is considered to be good and has low potential losses.
- The proportion of loans with a PD* below 0.5 % is 80.7 % of the total retail portfolio.
- The low risk profile is achieved through prudent customer selection and requirements for moderate LTV. Most of the portfolio is secured against a mortgage on real estate, and lending is overall moderate compared to asset value.
- Merged portfolio from SpareBank 1 SR-Finans consists of object and consumer finance, which has a higher risk than the bank's portfolio of lending secured by real estate.

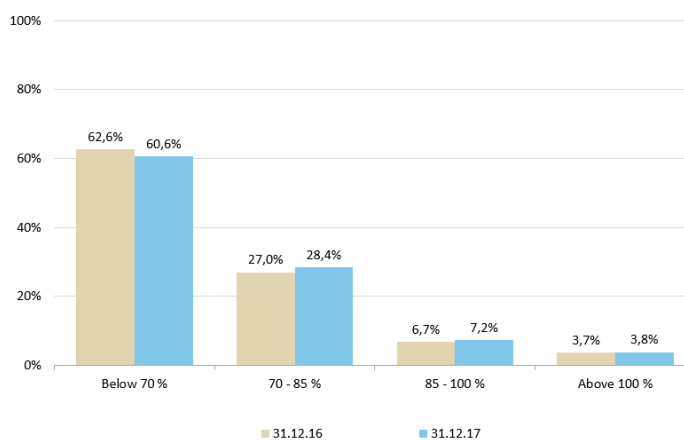


*Probability of default (PD) through a full cycle of loss.
The figures include the loan portfolio in the covered bond companies (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).
SpareBank 1 SR-Finans was merged into SpareBank 1 SR-Bank from 1 January 2017 and SR-Finans is included in the figures from first quarter of 2017.



Loan to value ratio on home mortgage loans

- The proportion of loans with a loan-to-value ratio of less than 85% is high.
 - 89.0% of the exposure is within 85% of the assessed value of collateral.

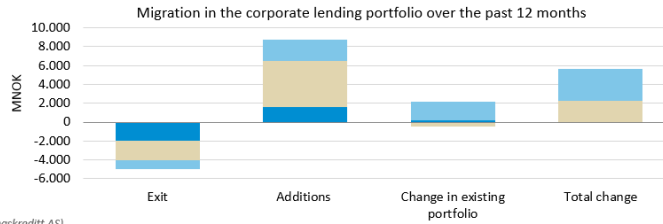
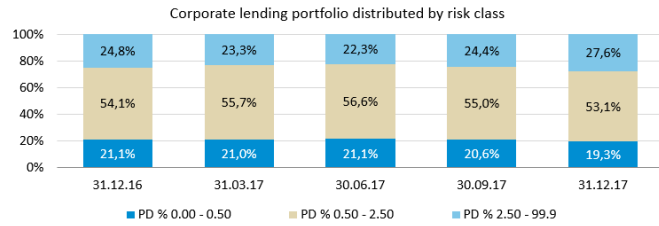


In a total-distributed loan to value ratio, the entire loan is allocated to one and the same interval.
The figures include the loan portfolio in the covered bond companies (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).



Lending to the corporate market – risk profile

- The quality of the corporate market portfolio is good. There is a clearly defined framework that sets limit on what is funded and conditions for particular funding purposes. This ensures a robust portfolio.
- Merged corporate lending portfolio from SpareBank 1 SR-Finans from 1 January 2017 primarily consists of leasing, and has approximately the same risk profile as the bank's portfolio.
- The share of costumers with PD* below 0.5 % is at 19.3 %.



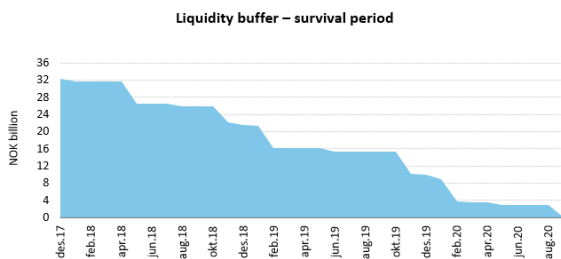
*Probability of default (PD) through a full cycle of loss.
 The figures include the loan portfolio in the covered bond companies (SpareBank 1 Næringskreditt AS).
 SpareBank 1 SR-Finans was merged into SpareBank 1 SR-Bank from 1 January 2017 and SR-Finans is included in the figures from first quarter of 2017.



Further information regarding risk capital management can be found in Pilar III reports, see www.sr-bank.no under "Investor Relations".

2.7 Risk profile in bond and equity portfolios

Liquidity portfolio



• Liquidity buffer at the end of the quarter: NOK 32.3 billion

• Other liquid assets:

• Home mortgages prepared for covered bond funding: NOK 19.7 billion

• Commercial paper and bonds in the trading portfolio: NOK 0.3 billion

Liquidity portfolio

Category	NOK million	Share %	Of which, securities classified to amortised cost, MNOK
Norwegian government/municipal	500	2 %	0
SSA/Foreign guaranteed	8.205	26 %	494
Covered bonds (Norwegian/foreign)	22.939	72 %	2.713
Norwegian bank/finance	18	0 %	0
Foreign bank/finance	0	0 %	0
Industry/Other	0	0 %	0
Total liquidity portfolio	31.663	100 %	2.567

Liquidity buffer: cash, highly liquid bonds.

Providing deposits and lending remain unchanged, with no new borrowing during the period.



Investments in bonds and certificates

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA and AA-	31.644	98,9 %
Low risk	A+, A and A-	0	0,0 %
Moderate risk	Not rated	77	0,2 %
High risk	Not rated	187	0,6 %
Very high risk	Not rated	96	0,3 %
Total portfolio		32.005	100,0 %

Of which liquidity purposes:

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA and AA-	31.644	99,9 %
Low risk	A+, A and A-	0	0,0 %
Moderate risk	Not rated	18	0,1 %
High risk	Not rated	0	0,0 %
Very high risk	Not rated	0	0,0 %
Total liquidity purposes		31.663	100,0 %

Of which SR-Bank Markets:

Risk category	Rating	NOK Million	Share
Very low risk	AAA, AA+, AA and AA-	0	0,0 %
Low risk	A+, A and A-	0	0,0 %
Moderate risk	Not rated	54	15,7 %
High risk	Not rated	192	56,1 %
Very high risk	Not rated	96	28,1 %
Total SR-Bank Markets portfolio*		343	100,0 %

* Including hybrid capital classified as equity in the balance sheet

All amounts in MNOK.



2.8 Funding

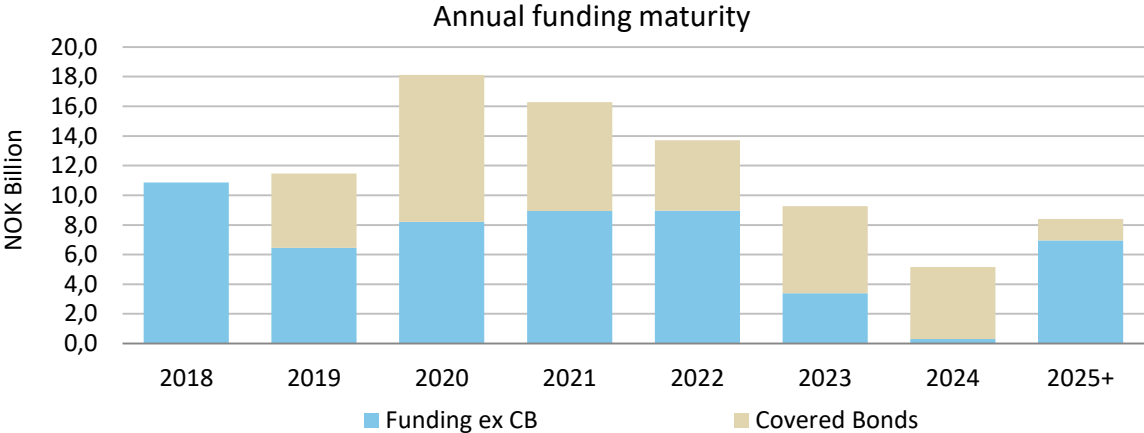


Figure 2.8.1: *Funding - annual*

2.9 Capital adequacy

Basel II was introduced in Norway from 1 January 2007. Figure 2.9 shows the methods currently used by SpareBank 1 SR-Bank for calculating capital requirements for different types of risks. Using Internal Rating Based (IRB) methods for calculating capital requirements requires a formal approval from the FSAN (Finanstilsynet) on standards regarding organisation, competence, risk-modelling and risk-management systems.

In the autumn of 2009, the authorities resolved to postpone the final transition to the IRB rules from 1 January 2010 to 1 January 2012. It has later been decided to continue the transitional rule stating that the capital requirement using IRB cannot be less than 80% of the capital requirement under Basel I ("Basel I floor") until year-end 2017.

Type of risk	Portfolio	Regulatory method
Credit risk	States – parent bank	Standard method
	Institutions – parent bank	Standard method
	Housing cooperatives, clubs and associations – parent bank	Standard method
	Enterprises – parent bank	Advanced IRB Approach
	Mass market – parent bank	IRB – mass market (advanced)
	SpareBank 1 SR-Finans AS – subsidiary	Standard method
	SpareBank 1 SR-Investering AS – subsidiary	Standard method
	SpareBank 1 SR-Forvaltning AS – subsidiary	Standard method
	Mass market – SpareBank 1 Boligkreditt AS	IRB – mass market (advanced)
	Enterprises – SpareBank 1 Næringskreditt AS	Standard method
	Enterprises – BN Bank AS	Advanced IRB Approach
	Mass market – BN Bank AS	Standard method
	Market risk	Equity risk – parent bank
Debt risk – parent bank		Standard method
Currency risk – parent bank		Standard method
Subsidiaries and part-owned companies		Standard method
Operational risk		SpareBank 1 SR-Bank including subsidiaries
	Other part-owned companies	Standard method

Figure 2.9.1: SpareBank 1 SR-Bank's methods for calculating the minimum regulatory capital requirements

SpareBank 1 SR-Bank has in 2015 received from the FSAN approval to use IRB Advanced method also for its exposures to the corporate market ("Enterprise").

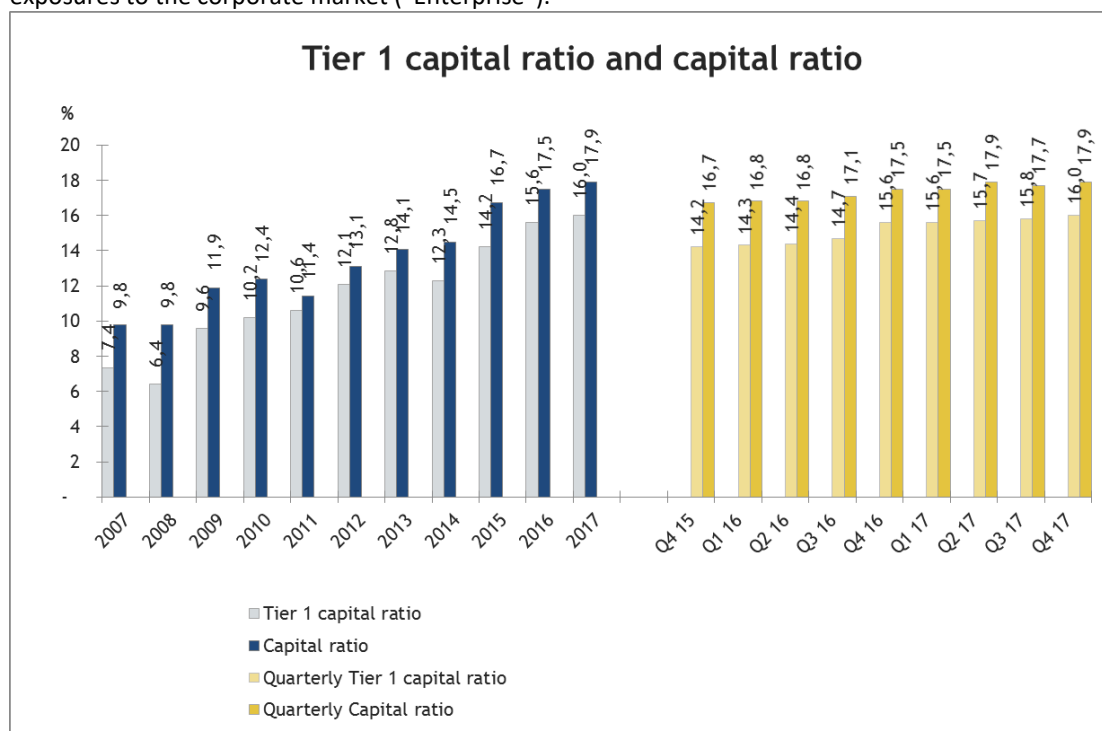


Figure 2.9.2: Development in capital ratios

Up until 30 June 2014, SpareBank 1 SR-Bank followed the Basel II regulations for capital adequacy calculations. On 22 August 2014, the Norwegian Ministry of Finance approved changes in a number of capital adequacy regulations. Parallel to this, FSAN changed the Consolidation Regulations to adapt to the EU's new capital adequacy regulations for banks and investment firms (CRD IV/CRR). As of 30 September 2014, capital adequacy is reported in accordance with the new reporting requirements. Valuation rules used in the statutory accounts form the basis for the consolidation, which is subject to special consolidation rules governed by the Consolidation Regulations.

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%. 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.

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 was 2.0 percentage points as at 31 December 2017. The total minimum requirement for common equity tier 1 capital was 14.0% at year-end 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%.

Capital Adequacy					
	31 Dec.	30 Sep.	30 Jun.	31 Mar.	31 Dec.
<i>MNOK</i>	2017	2017	2017	2017	2016
Share capital	6.394	6.394	6.394	6.394	6.394
Premium reserve	1.587	1.587	1.587	1.587	1.587
Allocated to dividend	1.087	0	0	575	575
Reserve for unrealised gains	43	52	52	52	52
Hybrid capital	150	150	150	0	0
Other equity	10.628	9.624	9.634	9.621	9.680
Profit for the year		1.527	917	403	
Total book equity	19.889	19.334	18.734	18.632	18.288
<i>Tier 1 capital</i>					
Deferred taxes, goodwill and other intangible assets	-116	-117	-120	-122	-94
Deduction for allocated dividends	-1.087	0	0	-575	-575
Deduction for expected losses on IRB, net of write-downs	-337	-283	-255	-289	-263
Hybrid capital	-150	-150	-150	0	0
Year-to-date profit not included in common equity Tier 1 capital		-763	-458	-202	
Deduction for common equity Tier 1 capital in significant investments in financial institutions	-72	0	0	0	-163
The institution's own credit risk related to derivative liabilities	-38	-45	-50	-49	-50
Hybrid capital	392	353	150		
Tier 1 capital instruments	797	885	1.087	1.087	1.084
Total Tier 1 capital	19.278	19.214	18.938	18.482	18.227
<i>Tier 2 capital</i>					
Term subordinated loan capital	2.254	2.343	2.728	2.305	2.276
Deduction for significant investments in financial institutions	-43	-42	-43	-43	-60
Total Tier 2 capital	2.211	2.301	2.685	2.262	2.216
Net primary capital	21.489	21.515	21.623	20.744	20.443

Table 2.9.1: *Specification of consolidated primary capital*

Due to transitional rules, the minimum capital adequacy requirements cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.

Credit risk Basel II

MNOK	31 Dec.	30 Sep.	30 Jun.	31 Mar.	31 Dec.
	2017	2017	2017	2017	2016
SME	19.220	18.407	18.847	18.780	17.231
Specialised lending	21.916	20.719	20.082	21.027	19.471
Other corporations	6.868	7.136	7.068	8.343	6.785
SME retail	1.303	1.282	1.311	1.266	1.194
Retail mortgage (properties)	27.026	26.658	26.785	26.410	25.899
Other retail	1.942	2.052	2.060	2.059	2.027
Equity investments	0	0	0	0	0
Total credit and counterparty risk IRB	78.275	76.254	76.153	77.885	72.607
States and central banks	51	48	48	47	68
Local and regional authorities, state-owned enterprises	140	217	172	114	333
Institutions	1.864	1.922	3.272	3.212	2.169
Enterprises	9.474	8.964	9.124	8.057	7.446
Mass market	2.531	2.963	2.868	2.886	2.058
Mass market - mortgage on real estate	1.353	1.405	1.401	2.399	2.506
Covered bonds	2.686	2.572	2.484	1.904	1.817
Equity positions	5.036	4.852	4.458	4.907	4.950
Other assets	1.678	1.720	1.758	1.597	1.726
Total credit and counterparty risk standard method	24.813	24.663	25.585	25.123	23.073
Credit value adjustment risk (CVA)	933	992	821	968	701
Operational risk	7.430	7.480	7.480	7.473	7.054
Transitional scheme	8.709	12.429	10.644	6.961	13.216
Risk weighted balance	120.160	121.818	120.683	118.410	116.651
Minimum requirement for common equity Tier 1 capital ratio 4,5 %	5.407	5.482	5.431	5.328	5.249
Buffer requirement					
Capital conservation buffer 2,5 %	3.004	3.045	3.017	2.960	2.916
Systemic risk buffer 3 %	3.605	3.655	3.620	3.552	3.500
Countercyclical capital buffer 1 %	2.403	1.827	1.810	1.776	1.750
Total buffer requirement to common equity Tier 1 capital ratio	9.012	8.527	8.448	8.289	8.166
Available common equity Tier 1 capital ratio after buffer requirement	3.670	3.967	3.822	3.778	3.728
Common Equity Tier 1 capital ratio ¹⁾	15,05 %	14,76 %	14,67 %	14,69 %	14,70 %
Tier 1 capital ratio	16,04 %	15,77 %	15,69 %	15,61 %	15,63 %
Tier 2 capital ratio	17,88 %	17,66 %	17,92 %	17,52 %	17,52 %
Common Equity Tier 1 capital ratio, IRB	16,23 %	16,43 %	16,09 %	15,61 %	16,57 %
Tier 1 capital ratio, IRB	17,29 %	17,56 %	17,21 %	16,59 %	17,62 %
Tier 2 capital ratio, IRB	19,28 %	19,67 %	19,65 %	18,61 %	19,76 %

¹⁾ Due to transitional rules, the minimum capital adequacy requirements cannot be reduced below 80 per cent of the corresponding figure calculated according to the Basel I regulations.

Table 2.9.2: Specification of minimum capital requirement

3. Business areas

3.1 Business segments - Financial performance

MNOK	SpareBank 1 SR-Bank Group											
	Retail Market		Corporate Market		Capital Market		Eiendoms-Megler 1		Other*		Total	
	Q4 17	Q4 16	Q4 17	Q4 16	Q4 17	Q4 16	Q4 17	Q4 16	Q4 17	Q4 16	Q4 17	Q4 16
Net interest income	412	326	376	379	10	10	0	0	21	18	819	733
Net commission and other income	162	147	85	83	1	11	94	85	25	29	367	355
Net return on investment securities	3	4	-14	10	11	19	0	0	204	106	204	139
Operating expenses	177	181	79	81	18	21	90	86	206	171	570	540
Operating profit before losses	400	296	368	391	4	19	4	-1	44	-18	820	687
Change in individual write-downs in the period	29	10	89	132	0	0	0	0	0	0	118	142
Change in group write-downs in the period	6	2	-4	18	0	0	0	0	0	0	2	20
Operating profit before tax	365	284	283	241	4	19	4	-1	44	-18	700	525
Gross loans to customers excl. covered bond companies	108.700	95.820	61.060	59.264	293	379	0	0	2.501	2.175	172.554	157.638
Deposits from customers	49.239	47.754	46.009	37.355	9	4	0	0	127	800	95.384	85.913

MNOK	SpareBank 1 SR-Bank Group pr 31.12											
	Retail Market		Corporate Market		Capital Market		Eiendoms-Megler 1		Other*		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net interest income	1.544	1.274	1.475	1.457	38	46	2	2	103	92	3.162	2.871
Net commission and other income	654	624	316	296	20	44	389	348	145	131	1.524	1.443
Net return on investment securities	8	12	6	29	80	39	0	0	540	574	634	654
Operating expenses	608	592	268	268	75	81	364	334	852	757	2.167	2.032
Operating profit before losses	1.598	1.318	1.529	1.514	63	48	27	16	-64	40	3.153	2.936
Change in individual write-downs in the period	59	39	482	581	0	0	0	0	0	0	541	620
Change in group write-downs in the period	4	6	-2	152	0	0	0	0	0	0	2	158
Operating profit before tax	1.535	1.273	1.049	781	63	48	27	16	-64	40	2.610	2.158
Gross loans to customers excl. covered bond companies	108.700	95.820	61.060	59.264	293	379	0	0	2.501	2.175	172.554	157.638
Deposits from customers	49.239	47.754	46.009	37.355	9	4	0	0	127	800	95.384	85.913

* Includes SR-Forvaltning, FinStart Nordic AS and SpareBank 1 Regnskapshuset SR

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.

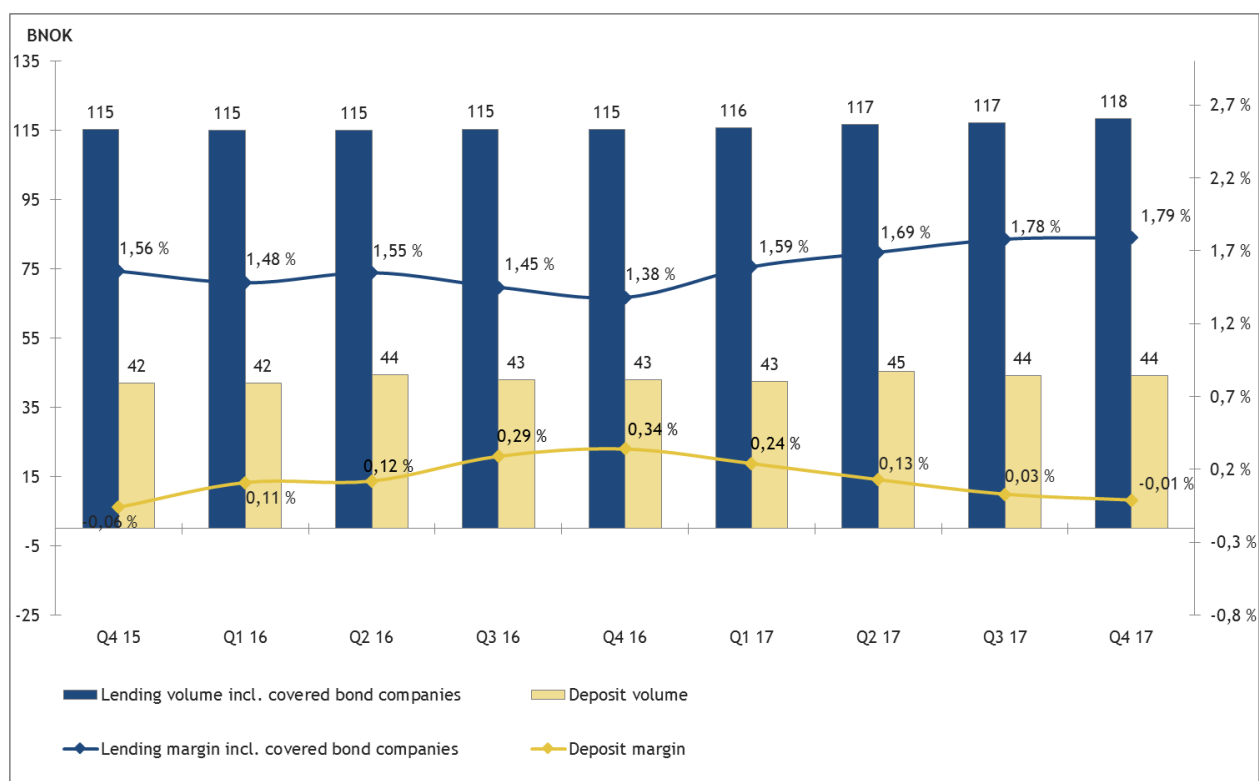
3.2 Retail Market²

Financial performance in the retail market segment

MNOK	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	31.12 2017	31.12 2016
Net interest income	412	405	376	351	326	1.544	1.274
Net other income	165	174	165	158	151	662	636
Total income	577	579	541	509	477	2.206	1.910
Total operating expenses	177	153	124	154	181	608	592
Operating profit before losses	400	426	417	355	296	1.598	1.318
Change in individual write-downs in the period	29	10	15	5	10	59	39
Change in group write-downs in the period	6	-2	0	0	2	4	6
Operating profit before tax	365	418	402	350	284	1.535	1.273

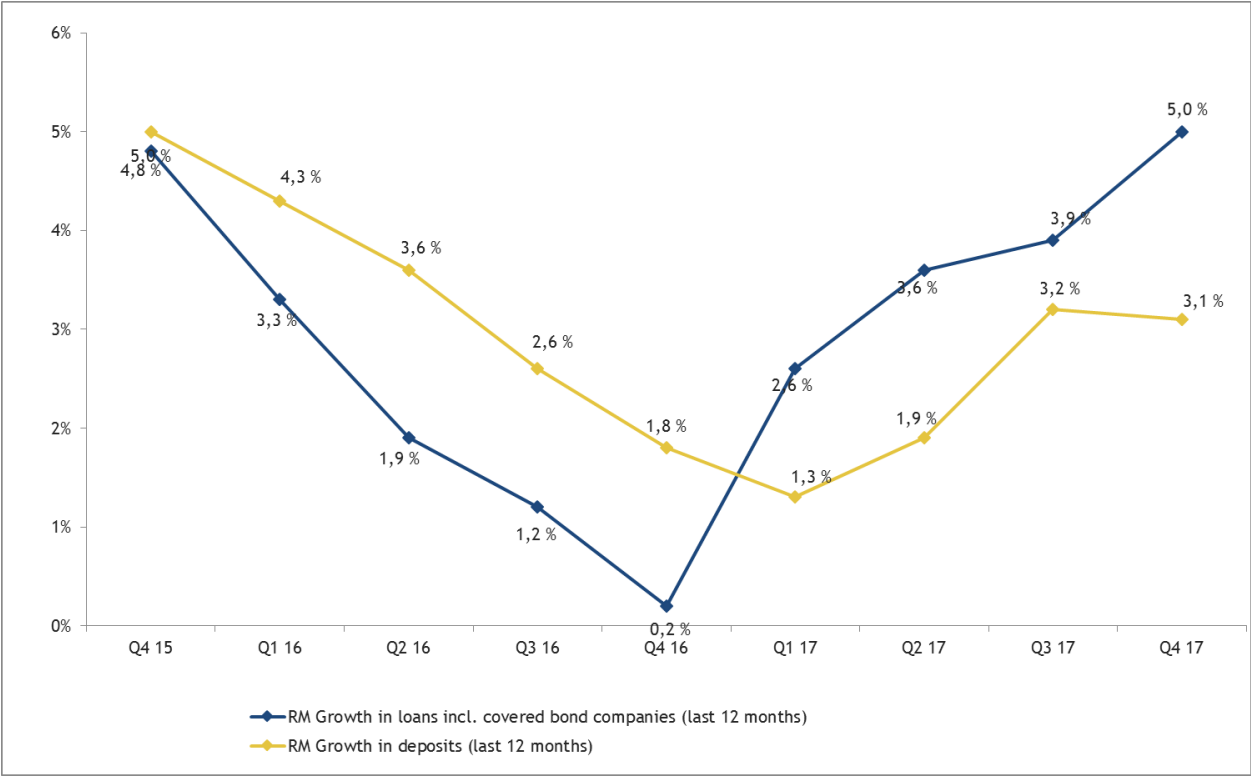
SpareBank 1 SR-Finans AS was merged into SpareBank 1 SR-Bank from 1 January 2017. This results in break in the historic figures and the figures are therefore not entirely comparable.

Development in average volume and interest margin



² 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). Differences between the group's actual funding costs and the interest applied on intercompany receivables are eliminated at the group level.

Growth in loans and deposits



SpareBank 1 SR-Finans was merged into SpareBank 1 SR-Bank from 1 January 2017 and the lending volume from SR-Finans is included in the figures from first quarter 2017. This results in break in the historic figures. 12 month lending growth was, for the fourth quarter of 2017, 3.1% for retail market excluding the effect of the merger.

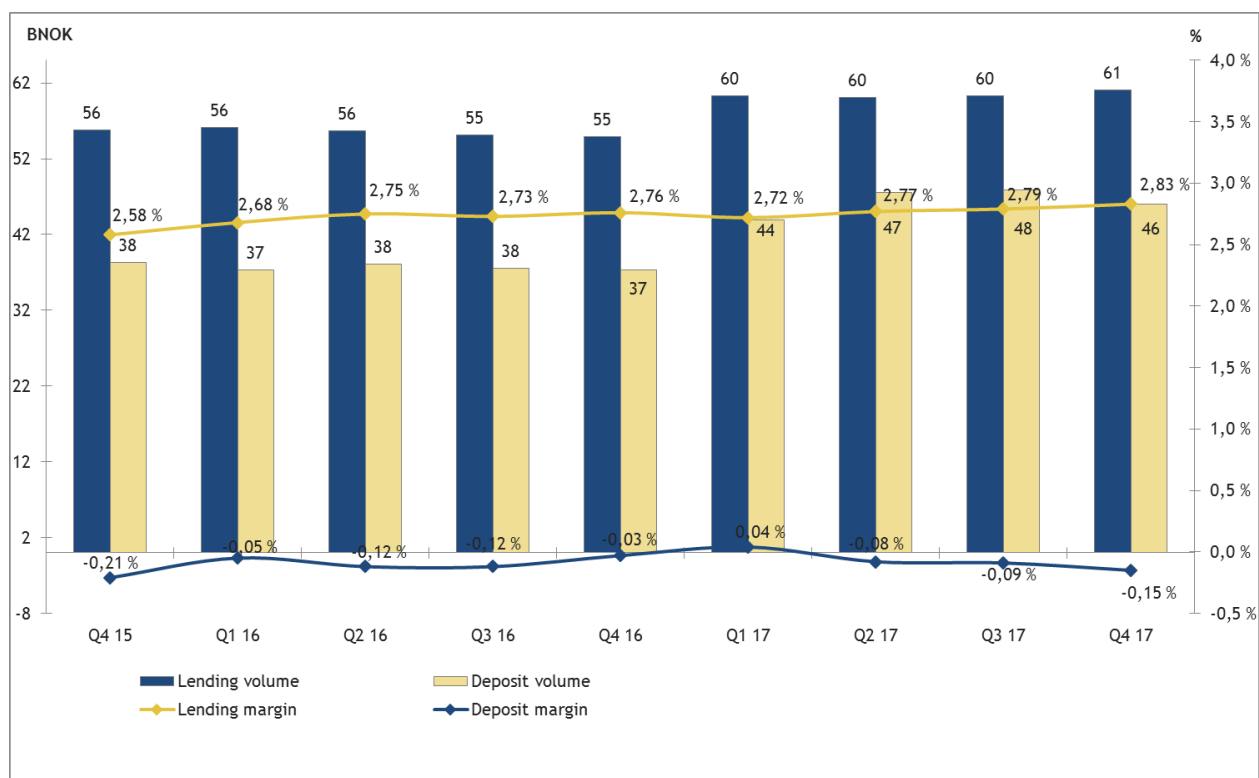
3.3 Corporate Market

Financial performance in the corporate market segment

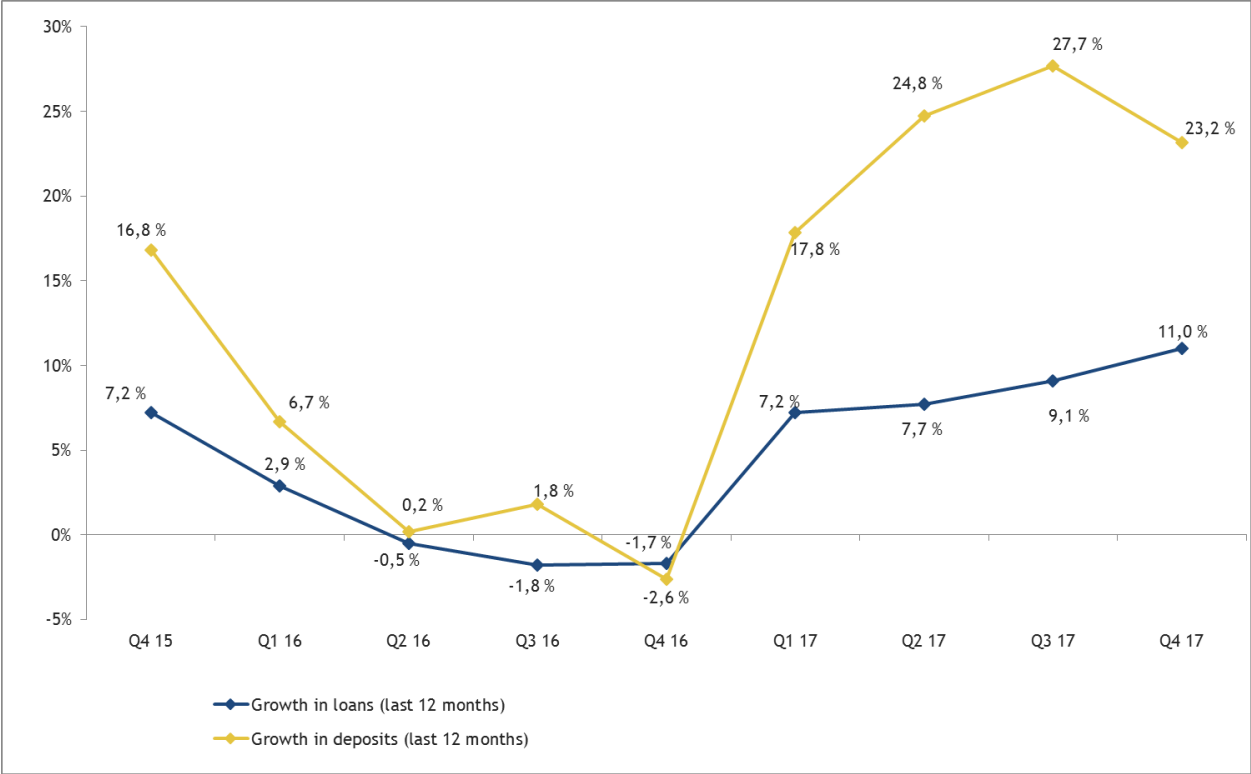
MNOK	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	31.12 2017	31.12 2016
Net interest income	376	374	371	354	379	1.475	1.457
Net other income	71	89	89	73	93	322	325
Total income	447	463	460	427	472	1.797	1.782
Total operating expenses	79	67	51	71	81	268	268
Operating profit before losses	368	396	409	356	391	1.529	1.514
Change in individual write-downs in the period	89	116	115	162	132	482	581
Change in group write-downs in the period	-4	0	1	1	18	-2	152
Operating profit before tax	283	280	293	193	241	1.049	781

SpareBank 1 SR-Finans AS was merged into SpareBank 1 SR-Bank from 1 January 2017. This results in break in the historic figures and the figures are therefore not entirely comparable.

Development in average volume and interest margin



Growth in loans and deposits



SpareBank 1 SR-Finans was merged into SpareBank 1 SR-Bank from 1 January 2017 and the lending volume from SR-Finans is included in the figures from first quarter 2017. This results in break in the historic figures. 12 month lending growth was, for the fourth quarter of 2017, 2,0% for corporate market excluding the effect of the merger.

Increased deposit growth in the corporate market in 2017 is due to larger deposits from public sector.

3.4 Capital Market

The securities activities are organised under the SR-Markets brand and include own account and customer trading in interest rate instruments, foreign exchange and equities, and corporate finance services, as well as settlement and administrative securities services. Management is organised in a separate subsidiary, SR-Forvaltning AS.

The equities desk was sold to SpareBank 1 Markets with effect from 15 October 2017. SpareBank 1 SR-Bank receives a stake in SpareBank 1 Markets and a cooperation agreement has been entered into covering a number of areas.

Financial performance in the capital market segment

	Q4	Q3	Q2	Q1	Q4	31.12	31.12
<i>MNOK</i>	2017	2017	2017	2017	2016	2017	2016
Net interest income	10	9	10	9	10	38	46
Net other operating income	12	26	16	46	30	100	83
Total income	22	35	26	55	40	138	129
Total operating expenses	18	20	17	20	21	75	81
Operating profit before losses	4	15	9	35	19	63	48
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	4	15	9	35	19	63	48

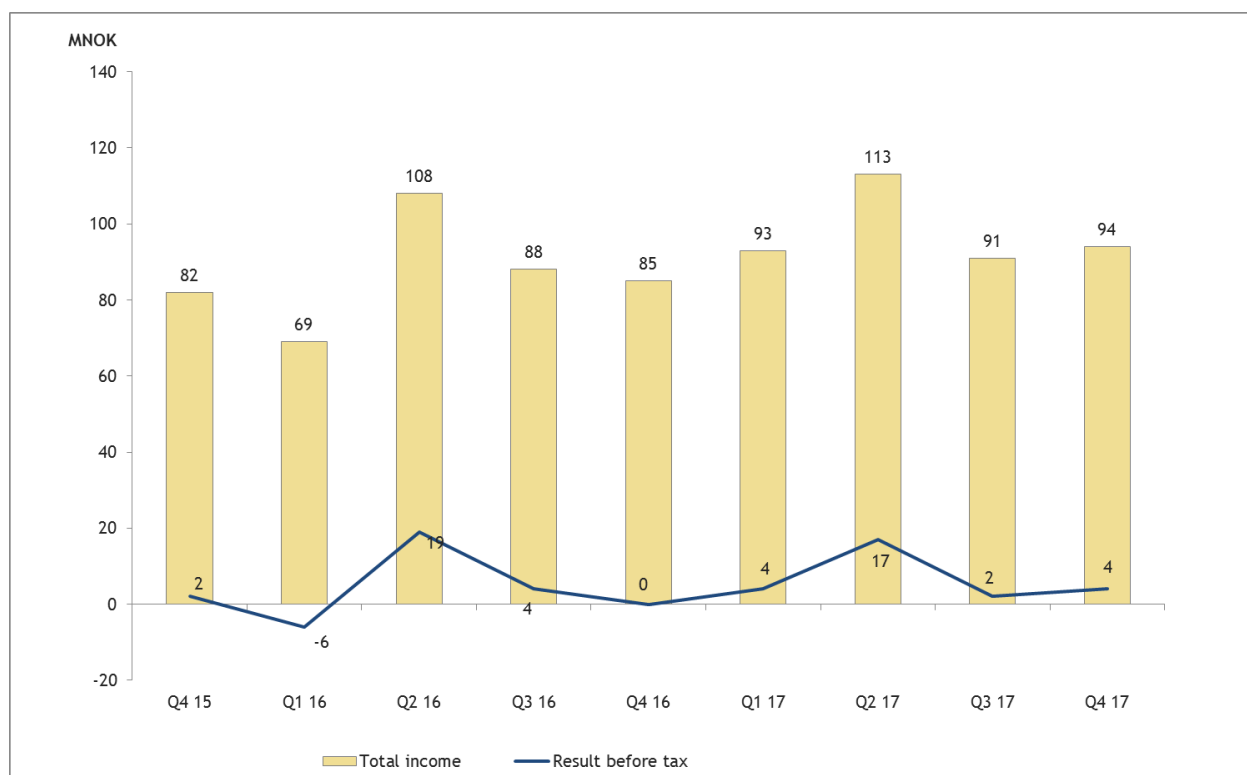
3.5 Subsidiaries

EiendomsMegler 1 SR-Eiendom AS

EiendomsMegler 1 SR-Eiendom AS, which is fully owned by SpareBank 1 SR-Bank, is our region's market leader and the largest company in the nationwide EiendomsMegler 1 chain. This chain is the largest chain of real estate agents in Norway. As at 31 December 2017, the company sold 6565 properties from its 30 real estate offices in Rogaland, Agder and Hordaland. The activities cover commercial real estate, holiday homes, housing rental and new-builds and used homes.

Financial performance

MNOK	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	31.12 2017	31.12 2016
Interest income	0	1	1	0	0	2	2
Other income	94	90	112	93	85	389	348
Total income	94	91	113	93	85	391	350
Total operating expenses	90	89	96	89	85	364	334
Operating profit before losses	4	2	17	4	0	27	16
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	4	2	17	4	0	27	16

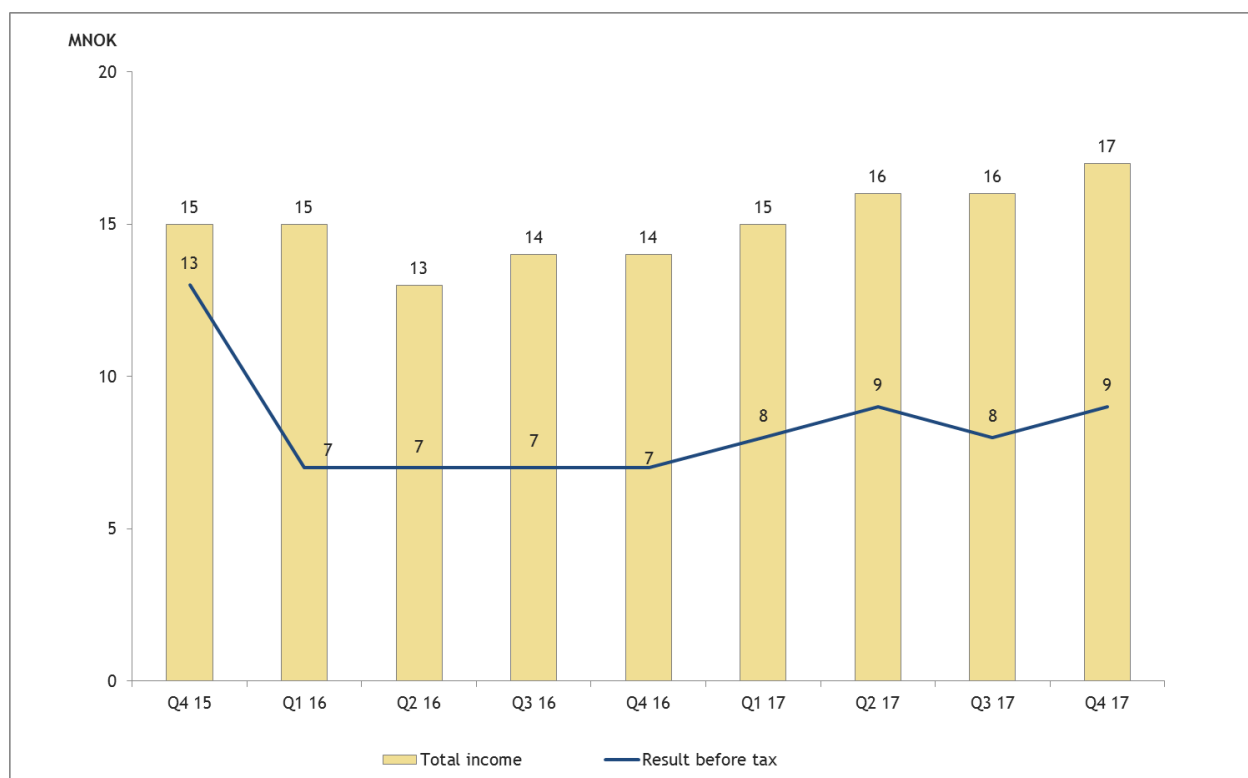


SR-Forvaltning AS

SR-Forvaltning AS is a securities firm with a licence to provide asset management services. The company's objective is to be a local alternative with a high level of expertise in financial management. The company manages portfolios for SpareBank 1 SR-Bank and SpareBank 1 SR-Bank's pension fund, in addition to portfolios for about 2,500 external customers. The external customer base is made up of pension funds, public and private enterprises and affluent private individuals. Total assets amount to approximately NOK 11 billion as at 31 December 2017. The company is fully owned by SpareBank 1 SR-Bank.

Financial performance

MNOK	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	31.12 2017	31.12 2016
Interest income	1	0	0	0	1	1	1
Other income	16	16	16	15	13	63	55
Total income	17	16	16	15	14	64	56
Total operating expenses	8	8	7	7	7	30	28
Operating profit before losses	9	8	9	8	7	34	28
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	9	8	9	8	7	43	28

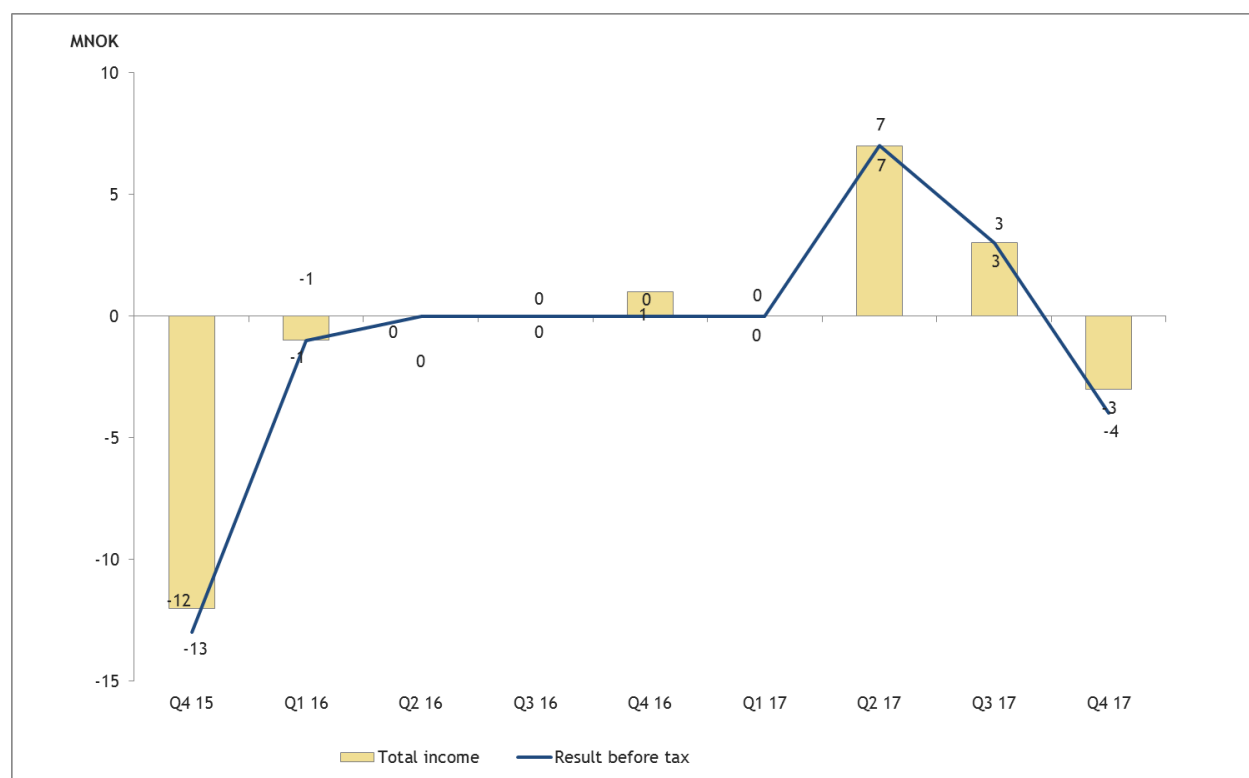


FinStart Nordic AS

In September 2017, SR-Investering AS changed its name to FinStart Nordic AS. Start up on 1 January 2018. The company will be a start-up factory for new ideas and the venture will challenge the bank's own business models. The company is fully owned by SpareBank 1 SR-Bank.

Financial performance

MNOK	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	31.12 2017	31.12 2016
Interest income	0	0	0	0	0	0	1
Other income	-3	3	7	0	1	7	-1
Total income	-3	3	7	0	1	7	0
Total operating expenses	1	0	0	0	1	1	1
Operating profit before losses	-4	3	7	0	0	6	-1
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	-4	3	7	0	0	6	-1



SpareBank 1 Regnskapshuset SR AS

The company was established in the first quarter of 2015 and has through the acquisitions that have been made gained a solid foothold in Southern and Western Norway with branches in Bergen, Åsane, Straume, Haugesund, Stavanger, Sandnes and Ålgård. The accounting firm venture will enable the group to satisfy customers' total needs better by being able to offer customers in the region accounting services and advice.

Financial performance

<i>MNOK</i>	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	30.12 2017	30.12 2016
Interest income	0	0	0	0	0	0	0
Other income	24	19	27	28	19	98	82
Total income	24	19	27	28	19	98	82
Personal expenses	19	15	18	20	15	72	58
Other expenses	6	5	6	6	6	23	22
Total operating expenses	25	20	24	26	21	95	80
Operating profit before losses	-1	-1	3	2	-2	3	2
Change in individual write-downs in the period	0	0	0	0	0	0	0
Change in group write-downs in the period	0	0	0	0	0	0	0
Operating profit before tax	-1	-1	3	2	-2	3	2