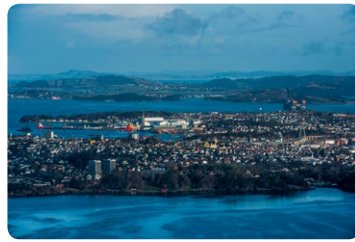


# Together we achieve the impossible



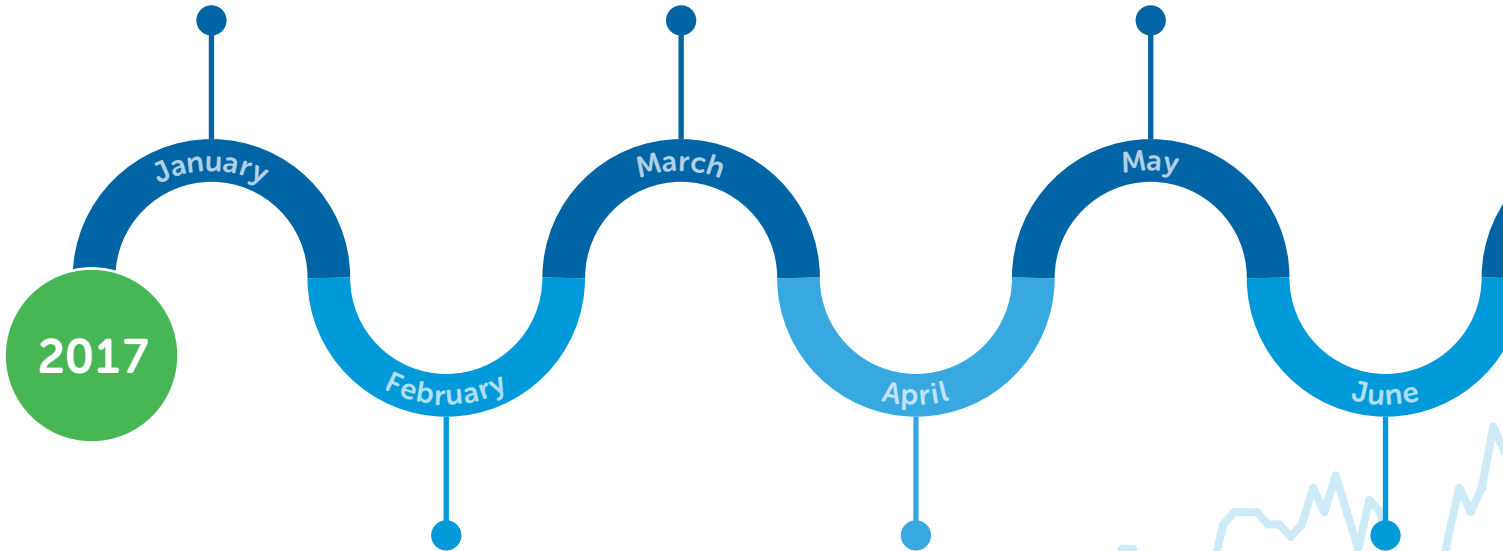
SpareBank 1 SR-Bank becomes the country's first bank to introduce **ROBOT TECHNOLOGY** as part of the customer-service interface. The **CHATBOT BANKI**, answers customers' questions on sr-bank.no.



SpareBank 1 SR-Bank expands its focus on entrepreneurs and decides to establish **TWO NEW GRÜNDERHUBS IN BERGEN AND KRISTIANSAND**. The first was established in Stavanger in 2015.



SpareBank 1 SR-Bank, Lyse and Smedvig join forces to try and establish a **NATIONAL SEED CORN FUND IN THE STAVANGER REGION**. The idea is to strengthen the focus on entrepreneurship and innovation in Southern and Western Norway, as well as the rest of the country.



The government decides to base the renewable energy investment fund, **FORNYBAR AS**, in Stavanger. NOK 20 billion will be managed in the Stavanger region. SpareBank 1 SR-Bank contributed with resources to the work on bringing the fund to the region.



mCASH merges with Vipps. It is announced that more than 100 banks will come together to build **A SINGLE NORWEGIAN PLAYER IN MOBILE PHONE PAYMENTS** via an even stronger Vipps. The SpareBank 1 Alliance will become the second largest owner of the new company.

SpareBank 1 SR-Bank acquires a stake in the fintech company **MONNER**. Monner will be Norway's first digital platform for loan-based crowdfunding between individuals and small and medium-sized companies.

SpareBank 1 SR-Bank establishes a **COLLABORATION WITH NTNU IN TRONDHEIM**. A customised study programme for bank staff is developed to boost technology skills in the group. The first employees start their IT course in the autumn.



**THE SR-BANK SHARE**  
Start of year,  
2 January 2017  
**NOK 61.25**

## Contents

|                            |    |                            |    |                             |     |
|----------------------------|----|----------------------------|----|-----------------------------|-----|
| Highlights and key figures | 4  | The SR-Bank share          | 16 | Report of the Board         |     |
| The CEO's article          | 6  | Sustainability             | 19 | of Directors                | 34  |
| SpareBank 1 SR-Bank ASA    | 8  | Group executive management | 24 | Annual financial            |     |
| Employees                  | 12 | The board of directors     | 26 | statements                  | 47  |
| Business areas             | 14 | Corporate governance       | 28 | Key figures last five years | 127 |

During the summer, **FIVE AMBITIOUS TECHNOLOGY STUDENTS** complete summer internships in the Business Support and Development Department. The students carry out a Lean Startup-project in which they design a prototype for a new business concept within the everyday economy.



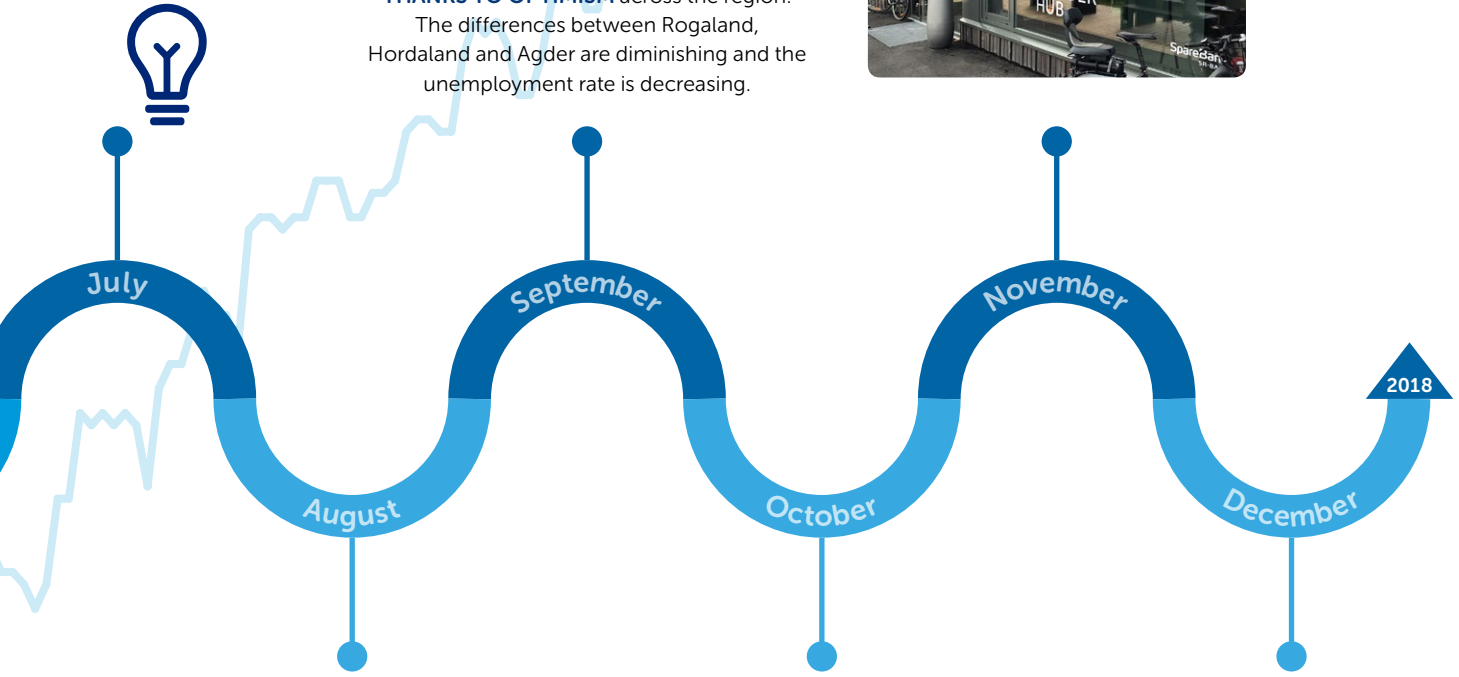
Prime Minister Erna Solberg and the national press are present when SpareBank 1 SR-Bank presents its Business Survey for September.

**THE ARROWS ARE NOW POINTING UPWARDS THANKS TO OPTIMISM** across the region. The differences between Rogaland, Hordaland and Agder are diminishing and the unemployment rate is decreasing.

It is announced that Sparebankstiftelsen SR-Bank **WILL CONTRIBUTE WITH NOK 700 000** in prize money yearly to Gründerhub participants from 2018.



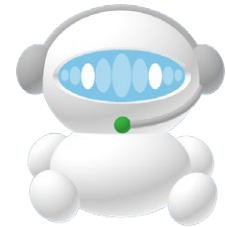
**THE SR-BANK SHARE**  
End of year, 29 December 2017:  
**NOK 87.00**



SpareBank 1 SR-Bank decides to **STRENGTHEN ITS POSITION IN THE OSLO MARKET** and a new office will be operational from spring 2018. The purpose is to move closer to many of its larger existing corporate customers in and around the capital and to acquire new corporate and retail customers.

The start-up factory **FINSTART NORDIC** is established as a wholly owned subsidiary of SpareBank 1 SR-Bank. The company will invest in the development of new ideas and new fintech companies.

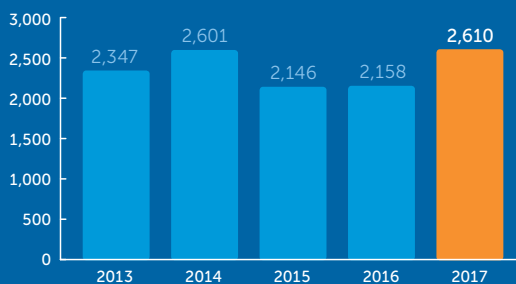
CEO Arne Austreid and EVP Glenn Sæther **LAY THE CORNERSTONE OF "FINANSPARKEN I BJERGSTED"**. Finansparken will be the new headquarters of SpareBank 1 SR-Bank in Stavanger. Moving in is planned for November 2019.



SpareBank 1 SR-Bank's **CHATBOT BANKI**, which answers customer service questions on sr-bank.no, can now also help customers check their balances, summarise transactions and cancel cards.

SpareBank 1 SR-Bank achieved a pre-tax profit of **NOK 2,610 million for 2017**, compared with NOK 2,158 million for 2016.

Operating profit (NOK millions)



## Highlights

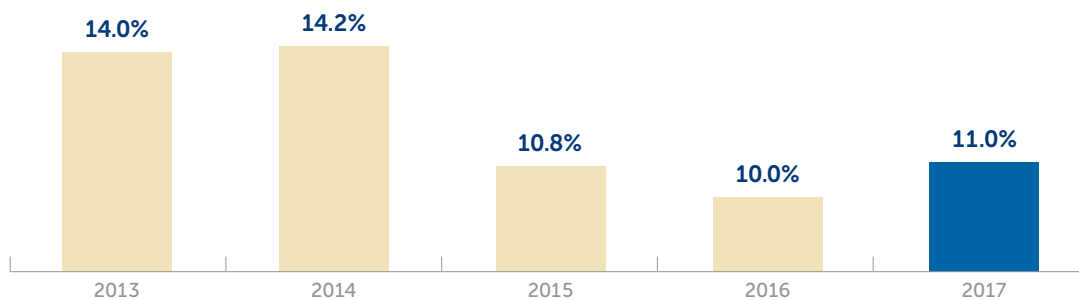
| (Figures in NOK millions)                               | 2017         | 2016         |
|---|--------------|--------------|
| Net interest income                                     | 3,162        | 2,871        |
| Net commissions and other operating income              | 1,524        | 1,443        |
| Net income from financial investments                   | 634          | 654          |
| Total operating costs before impairment losses on loans | 2,167        | 2,032        |
| Operating profit before impairment losses on loans      | 3,153        | 2,936        |
| Impairment losses on loans and guarantees               | 543          | 778          |
| <b>Pre-tax profit</b>                                   | <b>2,610</b> | <b>2,158</b> |

## Key figures

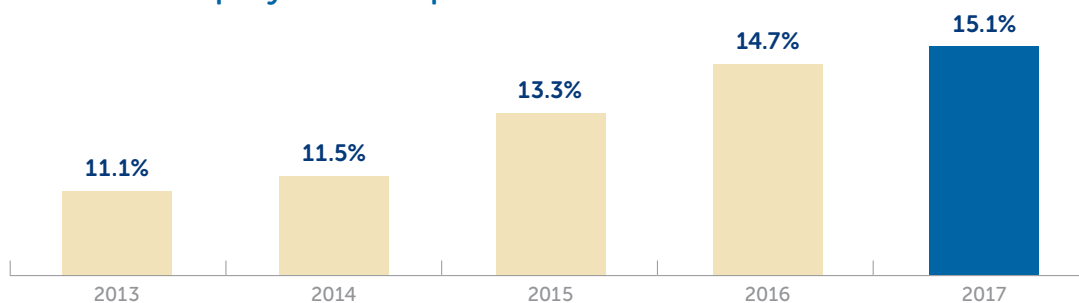
|   | 2017    | 2016    |
|---|---------|---------|
| <b>Profitability</b>  |         |         |
| Return on equity %  | 11.0    | 10.0    |
| Cost/income ratio   | 40.7    | 40.9    |
| Average interest margin %   | 1.52    | 1.48    |
| <b>Balance Sheet figures</b>  |         |         |
| Gross loans to customers  | 172,554 | 157,638 |
| Gross loans to customers, incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt | 187,137 | 182,332 |
| Deposits from customers   | 95,384  | 85,913  |
| Lending growth, incl. SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt           | 2.6%    | -0.9%   |
| Deposit growth  | 11.0%   | -3.9%   |
| Total assets 31.12.   | 216,618 | 193,408 |
| <b>Financial strength</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    |
| Leverage ratio %  | 7.4     | 7.3     |
| Tier 1 capital  | 19,278  | 18,227  |
| <b>Liquidity</b>  |         |         |
| Liquidity coverage ratio (LCR) %  | 168     | 174     |
| <b>Branches and staffing</b>  |         |         |
| No. of full-time equivalents, incl. temps   | 1,218   | 1,172   |
| No. of branches   | 36      | 36      |
| <b>SpareBank 1 SR-Bank share</b>  |         |         |
| Market price at year end  | 87.00   | 60.75   |
| Earnings per share  | 8.16    | 6.87    |
| Dividend per share  | 4.25    | 2.25    |
| Effective yield on share %  | 46.9    | 58.4    |

Please also refer to the complete overview of key figures and definitions on pages 18 and 127.

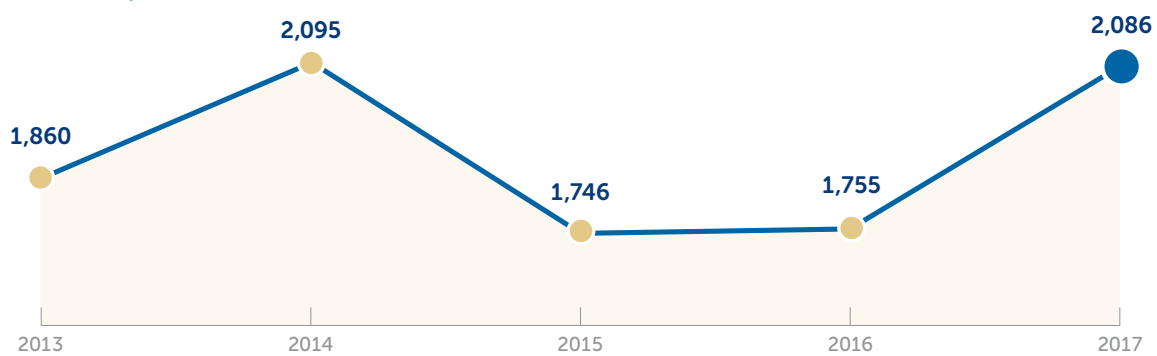
## Return on equity



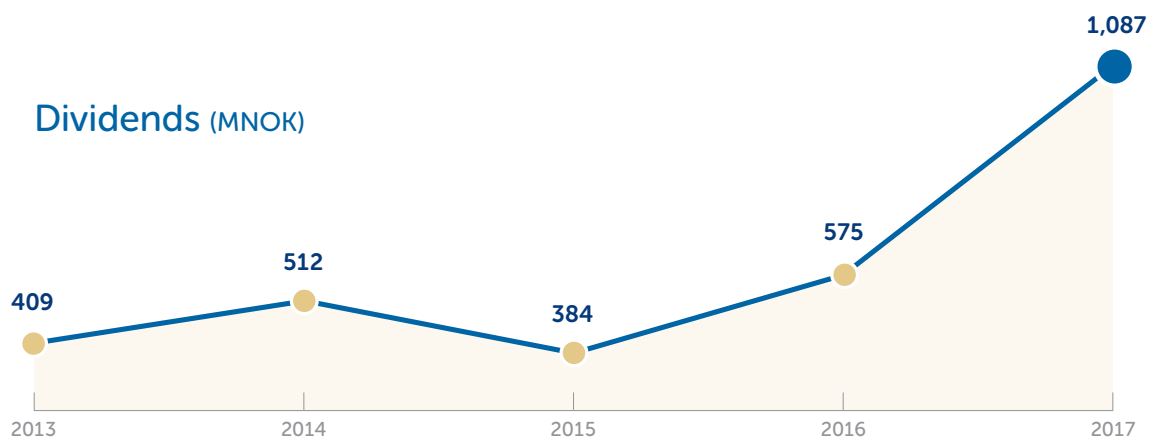
## Common equity tier 1 capital ratio



## Group income after tax (MNOK)



## Dividends (MNOK)





# Necessary measures have provided results

2017 has now been put behind us. It was a turning point for the region and the group, in several ways. First and foremost, pessimism turned to optimism and we have experienced that restructuring has led to better profitability. More businesses have achieved increased efficiency by adopting new technology.

At the same time, commitment to new business areas has contributed to increased earnings for many companies. This has also happened in the case of SpareBank 1 SR-Bank. There is an impressive willingness to change and improvement, in both our own business, and in many of the region's businesses. The region now has many more strings to its bow.

## Macro image

Increased growth in Norway and the world, together with a weak Krone exchange rate, have provided excellent market opportunities for many companies. At the same time, the cost level in the companies, with revenues from oil and gas, have adapted to lower oil prices. At the beginning of 2017, 56 percent of the companies expected an improvement in profitability, which from my standpoint heralded better times. When we now summarize the year and see the solution, we can read from our business trends survey from December 2017, that the 59 percent of enterprises experienced 2017 as a good and profitable year.

## A good result

The SpareBank 1 SR-Bank group achieved a pre-tax profit of MNOK 2,610 for 2017 compared with MNOK 2,086 for 2013. Thus a milestone has been reached in that the group for the first time exceeds NOK 2 billion in profit after tax. The result is characterized by a good increase in ordinary operating revenues, moderate increases in the group's operating costs and significantly lower write-downs on loans compared to 2016.

I am very pleased that all the business areas of the group have contributed to the return on equity for the year totalling 11 percent, despite the fact that total write-downs for 2017 are still above what we consider to be a normalised level.

## Increased efficiency

Cost control is good. The costs measured against the revenues are at 40.7 percent and place the group among the foremost financial groups in respect of efficiency. Over the last few years we have made considerable investments in new technology. We were the first finance company to start using robots. These have both improved our customer services and taken over several repetitive manual processes.

## Capital raised and dividends

Following the issue in 2012, requirements to capitalisation have increased considerably. We have been clear that the new regulatory capital requirements were to be achieved without asking our owners for further new capital. This has been achieved through increased profitability, decreased growth rate and moderate dividend levels. Targets have been achieved and we are therefore pleased that the board has proposed a dividend of 4.25 per share. Common equity tier 1 capital ratio is 15.1 percent after dividends. The future target is to maintain a corresponding level. With the group's robust business model, both ability to growth and dividend capacity for the future are considered to be good.

## Future prospects

If 2018 proves to be in accordance with how 600 companies have responded to our survey of business expectations, more people will once again return to work. At the same time, even more businesses are expecting better profitability. Employment will increase. This will give an anticipated increase of 10, 000 new jobs in our primary market area during 2018. The increase will be greatest in Rogaland.

Due to a better macroeconomic situation, a depreciation need for 2018 is anticipated to be in the range of MNOK 400-500, a decrease compared with 2017.



The group is investing in new technology and employee skills to provide even better customer experiences, improve efficiency and increase sales. An important contribution to the group in this context is the establishment of the start-up factory FinStart Nordic. The company will invest in ideas and small businesses engaged in development and innovation work. This should give the group a competitive advantage going forward.

SpareBank 1 SR-Bank will expand its market area going forward to create a better basis for profitable growth, coupled with a broader diversification of total lending. A focus on customers in the central east area in and around Oslo will be an important step in this direction. As early as of March 2018 we will be established with our own office in Oslo that will serve private customers and larger companies.

Arne Austreid  
Chief Executive Officer



# SpareBank 1 SR-Bank ASA

## – Strategic and financial goals

SpareBank 1 SR-Bank aims to be an aggressive financial group capable of defending and increasing its market shares in Rogaland, Hordaland, and Agder, in both the retail and corporate markets.

### The group

SpareBank 1 SR-Bank is the leading financial group in Southern and Western Norway. Our market area is Rogaland, Hordaland and the Agder counties. The group wants to strengthen its focus on customers in the central Eastern Norway region and will at the beginning of 2018 establish its own branch in Oslo that will serve major corporate and retail customers. SpareBank 1 SR-Bank is a fully-fledged financial services group offering traditional banking services such as loans, insurance and savings products, as well as securities trading, accounting services and estate agency services for both retail and corporate customers.

As at 31 December 2017, SpareBank 1 SR-Bank had more than 300,000 customers and gross loans of more than NOK 187 billion. Mobile bank customers visit it on average five times a week and no less than 80% of individual sales of funds are made via digital channels. The group has 36 branches in its market area. The self-service channels and the fact that customers can meet us in person at branches or contact us on the phone, via chat and on Facebook mean that the group is always available to the customer. Customer relationships are built up through both digital and physical meetings that become full conversations across the channels.

SpareBank 1 SR-Bank's competitive advantage is that while we are a big commercial bank, we also have historic roots in many local savings banks in the region. In 1976, Sparebanken Rogaland (SR-Bank) was established as an amalgamation of 22 local savings banks. The combination of knowledge and understanding the staff possess of the market area and the opportunity SpareBank 1 SR-Bank has as a limited liability savings bank to bring capital to the region is unique. Because

Financial goals for 2018:

Return on equity:

**11 %**

Common equity tier 1 capital ratio:

**15 %**

we are a regional savings bank, the group has short decision-making chains and knows our market area better than most. SpareBank 1 SR-Bank is therefore closer to the people and businesses in our region than other banks.

As one of the SpareBank 1 banks, a banking and product alliance between independent, locally based Norwegian banks, the group also benefits from economies of scale within, for example, IT development.

SpareBank 1 SR-Bank's largest owner is Sparebankstiftelsen SR-Bank. The group was converted from an equity certificate bank to a public limited company (limited liability savings bank) with effect from 1 January 2012.

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

### Capital

SpareBank 1 SR-Bank's goal is to produce financial results that provide a good, stable return on equity and a competitive





return in the form of dividends and a higher SRBANK share price for owners. The return on equity and cost/income ratio must be in the upper half of a Nordic benchmark.

The current requirements indicate that the group must have common equity tier 1 capital of 15% from the end of 2017, included a 1 percentage-point management buffer.

#### **Profitable customer growth**

The group aims to stimulate growth and development in the region. The group is entering a new era and can now contribute even greater financial power than was possible when we were building up our common equity tier 1 capital.

SpareBank 1 SR-Bank will focus on customer growth in 2018, but that growth will not be achieved at the expense of profitability.

Clear requirements are set for lending in the corporate market. The companies that receive financing must have a long-term perspective and the group must know the owners and

management of the company well. Financing linked to shipping and offshore is managed by a central specialist environment. SpareBank 1 SR-Bank's creates value by assuming recognised and acceptable risk. The group therefore invests substantial resources in developing risk management systems, processes and skills in line with leading international practices.

#### **Customers**

SpareBank 1 SR-Bank's vision is to be the customers' first choice. The group needs to build stronger customer relationships and offer comprehensive customer services to achieve this. The group must use customer data in a way that makes it easy to be a customer and take relevant initiatives in relation to customers. This involves both simplifying the customer's everyday life and streamlining the bank's processes – in both cases with digitalisation as a clear driving force. Building stronger customer relationships involves combining the best from two worlds: artificial intelligence, through smart technology and robotisation, and emotional intelligence, through personal contact with professional staff.

**Culture and expertise**

SpareBank 1 SR-Bank is continuously changing in order to rationalise, cut costs and adapt our organisational structure to the customers' behaviour. This will have an impact on employees' duties and the skills we will recruit in the future. In the next five years the group will recruit more mathematicians, engineers and technologists than economists.

Changes and new duties will require SpareBank 1 SR-Bank's employees to be very adaptable. Each employee will have to be energetic and committed in order to understand the customers' needs and their new preferences. The foundation is intended to provide guidelines for everything the employees do in SpareBank 1 SR-Bank.

**External factors that affect the business**

- Digitalisation and personalised offer for each customer
- Customers expect seamless services
- Untraditional business models and the sharing economy
- Actors in other industries setting the standards and expectations for user experiences online
- Open mobile phone payment services
- Niche actors in the traditional banking market
- Development of oil prices and region's business and industry
- PSD2 – the EU's revised payments directive
- Capital requirements and regulations from the Financial Supervisory Authority of Norway



**SpareBank 1 SR-Bank's vision is to be the customer's first choice.**

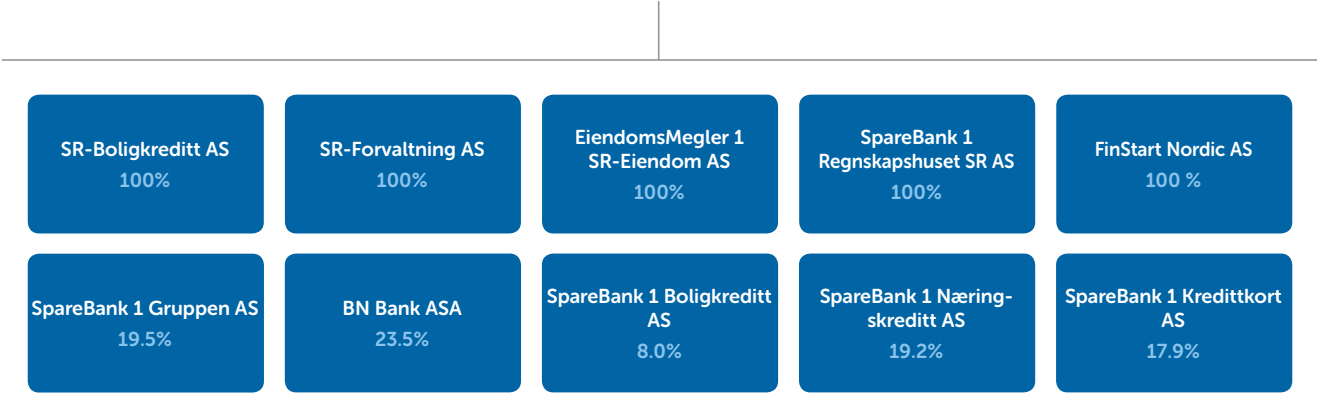
**THE FOUNDATION**



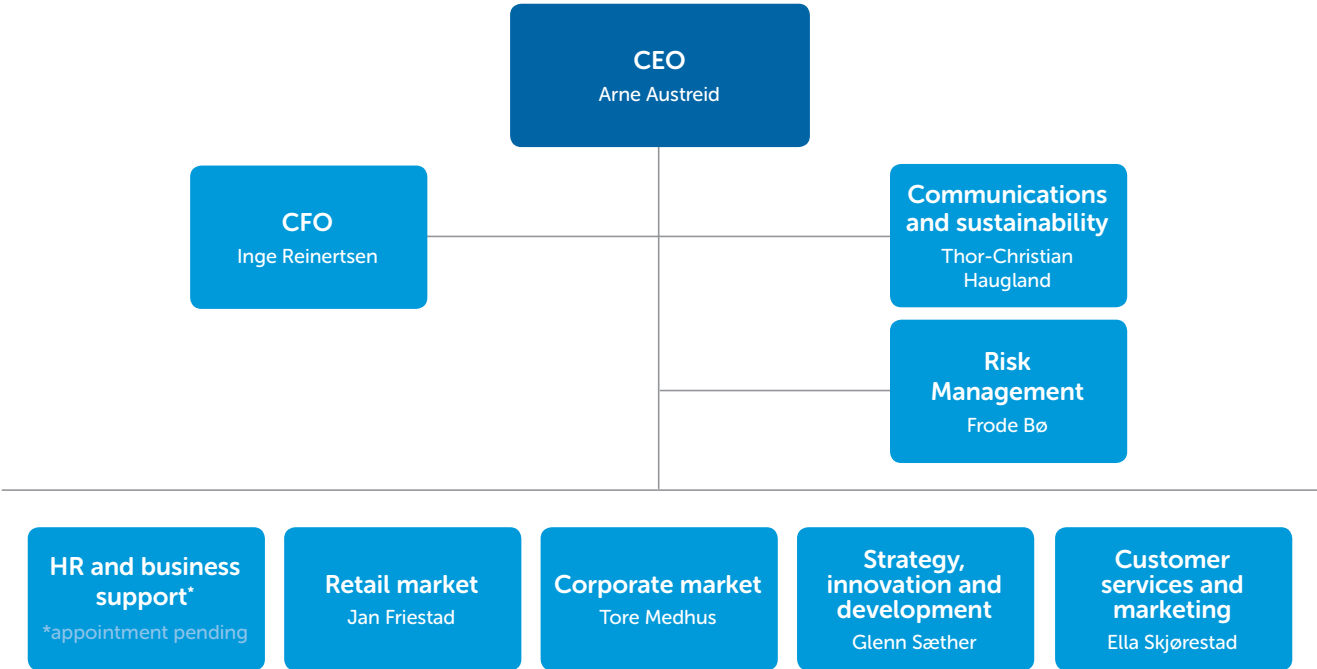
# SpareBank 1 SR-Bank Financial Group



SpareBank 1 SR-Bank ASA



## Organisation





# Our employees

– Our most important capital in the fight for customers



No. of full-time equivalents

1,142

Healthy rate

96.4%



Employees and managers have to be performing at their best in order to create added value for customers, directly, and owners, indirectly. The ever faster pace of technological development and changes in customer behaviour constantly require new skills and mean existing employees have to develop in order to achieve the group's goals.

Compared with other financial actors, SpareBank 1 SR-Bank's position is "nearer to people and companies". This means our employees have to be able to see things from the customer's perspective. It means that employees have to be genuinely interested in the customer, the competition situation in the market, and which consumer trends are influencing the customer's relationship with the group. In the last year, the group executive management team has made a number of changes in concert with the employees in order to adapt our business operations to current and future customer behaviour.

## Skills recruitment

At year end 2017, the group had 1,218 full-time equivalents, of which 1,142 were full-time employees. The number of full-time equivalents increased by 46 in 2017.

The number of full-time equivalents increased by 24 in the parent bank, while the number in subsidiaries increased by 22 in the same period.

## Change and skills

Employees have to be cultivated and developed if they are to perform at their best. Good nourishment is required in the

form of training and skills enhancement organised by the group. At the same time, the group's employees must also be committed and take responsibility for their own skills in order to keep up-to-date with developments. Annual employee performance reviews set out clear expectations vis-à-vis delivery and results.

The group offers good career development opportunities along customer, discipline and management paths. On average, each employee in the group spends half a business day a week improving their skills.

The rapid development and change in customer behaviour requires an organisation that is both willing and able to change. SpareBank 1 SR-Bank is such an organisation. We systemically work to enhance our skills, including through various certification processes.

## Working environment

The average score in the group's organisational survey is high. It is also worth noting that the response rate was good at 80%. The survey shows a rise in parameters such as motivation, learning and development, as well as a high score when it comes to trust in the group executive management team. More than 90% of the employees respond that they have a high degree of job satisfaction and commitment. The survey was reviewed in all departments with the goal of reinforcing the positive development of the working environment.

## HSE

The group systematically works on health, safety and the environment, primarily through a HSE committee, which focuses on operations. The group is an IW company (Including Worklife). In 2016, the IW committee played a major role in developing preventive measures as a means of increasing



wellness in the group. It is also encouraging partial sick leave and focusing on degree of remaining capacity for work during periods of ill health. The healthy rate is stable and high at 96.4%. Where people are on long-term sick leave, we actively work on follow-up and facilitation.

The groups life-phase document enables employees to deliver as desired and planned in various phases of life. It also encourages the groups seniors who want to follow the groups development to stay longer in work.

### Gender equality

SpareBank 1 SR-Bank aims to provide employees with equal opportunities for personal development, pay and other career related issues. In 2017, women accounted for 54% of the full-time equivalents in the group and men 46%. There was a small change in the gender ratio from 2016. The average age was 44.8 years old and the average length of service 14.3 years. 37% of the group's managers were women in 2017. Also see the special report on equality under social reporting on page 19.

### Cooperation with employee organisations and the safety service

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

### Employee compensation

Our strategy is to practise a competitive compensation model that allows us to attract the skills of the future and retain our capable employees. The group's compensation model consists of three elements: fixed salary, variable pay and other employee benefits. Our variable compensation scheme is intended to encourage extraordinary performance and results and has been designed in line with the group's strategies, business goals and values. Variable pay is awarded based on an assessment of both financial and non-financial targets and compliance with applicable laws and regulations. Any variable compensation scheme may, based on a discretionary assessment, be curtailed or eliminated entirely if the group's financial situation or other factors indicate that it would not be responsible to pay variable compensation.



# Business areas

## Retail market

SpareBank 1 SR-Bank is the leader in the retail market in Southern and Western Norway with 318,000 retail customers older than 13.

This represented a market share of around 20% in our market area at year end 2017. In addition to retail customers, the division also serves 5,900 small business and agricultural customers. A complete range of good digital services, a modern customer service centre, and a well-developed network of branches provide our customers with fast, easy access to financial services and expertise via all channels.

## Corporate market

The corporate market division has 15,000 corporate customers in five regional business units and two specialist units: one for the energy and maritime sector and one for the public sector.

SpareBank 1 SR-Bank is a total provider of financial products and services for corporate customers, and a focus area that complements this is a special unit within International Cash Management (ICM). Continuous work is going on to put in place more digital sales and self service solutions to corporate customers.

## Capital market

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

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

## Strategy, Innovation and Development

The group's strategy, project and IT development-work is gathered in the business area Strategy, Innovation and Development. This is to strengthen and give increased attention to the all development work ahead in the group.

This business area also has profit responsibility for SpareBank 1 SR-Bank's new innovation initiative FinStart Nordic, which has been established as a wholly owned subsidiary, and will be run as a combination of venture and start-up companies.

## Customer Services and Marketing

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

## SUBSIDIARIES

### EiendomsMegler 1 SR-Eiendom AS

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

### SR-Forvaltning AS

SR-Forvaltning AS is licensed to provide active management and securities management services. The management company has three securities funds: SR-Utbytte, SR-Kombinasjon and SR-Rente, which were all established around three years ago. The company also manages discretionary portfolios for SpareBank 1 SR-Bank's pension fund, as well as for external customers on the basis of discretionary mandates. The external customer base comprises pension funds, public and private enterprises, and affluent individuals.

### SpareBank 1 Regnskapshuset SR AS

The company was established in the first quarter of 2015 and has since its start-up grown from NOK 0 to NOK 100 million in revenue. At the start of 2018, the company has 7 offices, 4 in Rogaland and 3 in Bergen, which in total serve more than 1,600 customers. Since its start-up, the company has gained a solid market position in Rogaland and Hordaland and is experiencing a good influx of new customers who need modern, efficient accounting services.

### SR-Boligkreditt AS

SR-Boligkreditt AS is a wholly owned subsidiary and was established in the second quarter of 2015. The purpose of the company is to purchase home mortgages from SpareBank 1 SR-Bank and 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.

### FinStart Nordic AS

The company will be a start-up factory for new ideas starting 1 January 2018. The company will contribute to develop an even better customer-services offer through the development of financial services, combined with a financial upside.

## PART-OWNED COMPANIES

### SpareBank 1 Gruppen AS

SpareBank 1 Gruppen AS is owned by:

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

SpareBank 1 Gruppen AS owns 100% of the shares in:

- SpareBank 1 Forsikring AS
- SpareBank 1 Skadeforsikring AS
- ODIN Forvaltning AS
- Conecto AS
- SpareBank 1 Factoring AS
- SpareBank 1 Portefølje AS
- SpareBank 1 Spleis AS
- 51% of the shares in SpareBank 1 Medlemskort.

### SpareBank 1 Banksamarbeidet DA

SpareBank 1 Banksamarbeidet DA is responsible for alliance processes and the delivery of services to the SpareBank 1 Alliance. It also develops and delivers things such as common IT/mobile phone solutions, branding and marketing concepts, business concepts, products and services, expertise, analyses, processes, best practice solutions

and purchasing. SpareBank 1 SR-Bank owned a 18.0% stake in SpareBank 1 Banksamarbeidet at year end 2017.

The companies in SpareBank 1 Gruppen AS and SpareBank 1 Banksamarbeidet DA together constitute what is called the alliance.

The SpareBank 1 Alliance's banks and LO also own direct stakes in the following companies:

- BN Bank ASA
- SpareBank 1 Boligkreditt AS
- SpareBank 1 Kredittkort AS
- SpareBank 1 Næringskreditt AS
- SpareBank 1 Markets AS
- SpareBank 1 Betaling AS

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

SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS are licensed mortgage companies and issue covered bonds in the bank's home mortgage and commercial property portfolios, respectively, that have been bought from the owner banks. The companies are owned by the savings banks in the SpareBank 1 Alliance and help ensure that they have access to stable, long-term funding at competitive rates.

At year end 2017, SpareBank 1 Boligkreditt AS's total lending volume amounted to NOK 177.7 billion, NOK 14.1 billion of which was from home mortgages bought from SpareBank 1 SR-Bank. The bank currently owns an 8.0% stake in the company. This is updated at the end of each year in line with the volume sold.

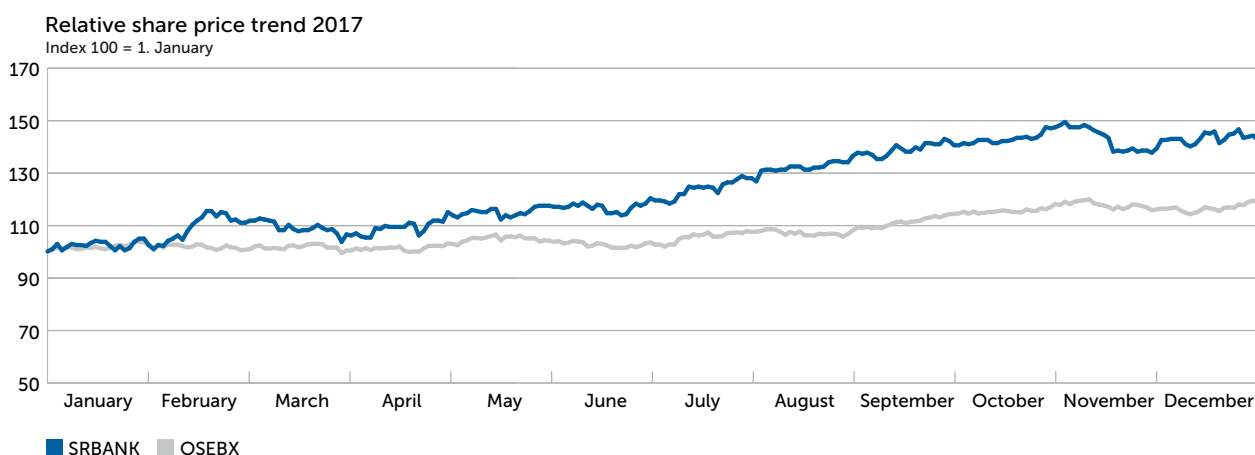
At year end 2017, SpareBank 1 Næringskreditt AS's total lending volume amounted to NOK 9.9 billion, NOK 0.5 billion of which was from loans bought from SpareBank 1 SR-Bank. At the end of 2017, the bank owned 19.2% of the company.

### BN Bank ASA

SpareBank 1 SR-Bank and the other savings banks in the SpareBank 1 Alliance acquired Glitnir Bank ASA in the fourth quarter of 2008. It has since been renamed BN Bank ASA. SpareBank 1 SR-Bank ASA owns 23.5% of the shares.



# The SR-Bank share



## Facts about our share

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

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

The ticker code on the Oslo Stock Exchange is "SRBANK". "SRBANK" is included in the Oslo Stock Exchange's main OSEBX, OSEAX All-share index and OSE40 Financials/OSE4010 Banks sector index.

The liquidity segment is Match.

## Facts ABOUT Sparebankstiftelsen SR-Bank

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

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

As at 31 December 2017, the foundation owned 72,419,305 shares, equivalent to 28.3% of shares issued.

Market value:

**NOK 22.3 billion**

Largest owner:

**Sparebankstiftelsen SR-Bank**

Effective yield on share:

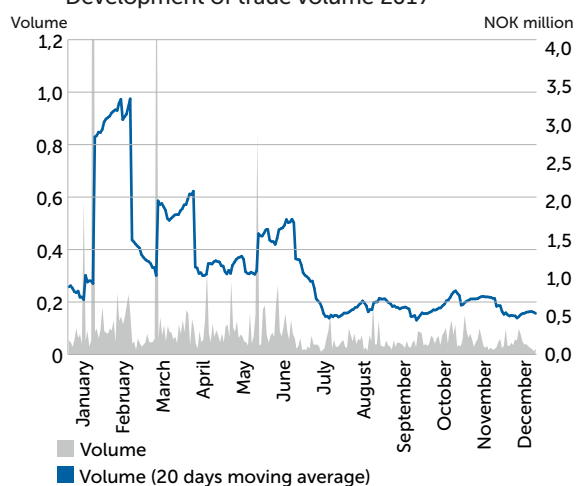
**46,9%**

Dividend 2017:

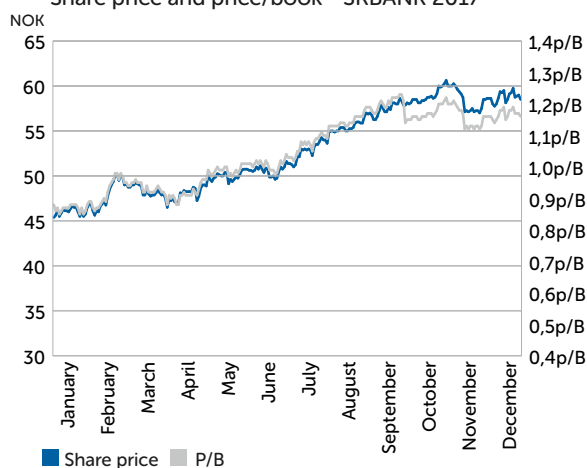
**NOK 4.25 per share**



Development of trade volume 2017



Share price and price/book - SRBANK 2017



## Dividend policy

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

Consideration must be given to financial needs, including capital adequacy requirements and the group's targets and strategic plans, when determining the annual dividend. Unless capital requirements dictate otherwise, the goal of the board is to distribute approximately half of the annual net profit for the period as dividends.

The parent company's distributable profit in 2017 was NOK 1,859 million, equivalent to NOK 7.27 per share. In line with SpareBank 1 SR-Bank's dividend policy, various factors have been taken into consideration in determining the dividend, including, in particular, financial strength and the tier 1 capital ratio. The current requirements indicate that the group must have common equity tier 1 capital of 15%, including a 1 percentage-point management buffer.

The board proposes a dividend of NOK 4.25 per share for 2017. This corresponds to a dividend rate of around 52.1% of consolidated earnings per share.

## Investor policy

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

It is in SpareBank 1 SR-Bank's own interests to publish current financial analyses of the highest possible quality. All analysts are treated equally at all times regardless of their recommendations and views on the bank's share. At the end of 2017, 12 brokerage houses officially covered SRBANK. Updated contact information for these is available at all times on: [www.sr-bank.no/ir](http://www.sr-bank.no/ir).

## Information addresses

SpareBank 1 SR-Bank publishes information for the market online at: [www.sr-bank.no](http://www.sr-bank.no).

Other links to financial information: [www.ose.no](http://www.ose.no) (Oslo Stock Exchange)

## 2018 financial calendar

|                         |                 |
|-------------------------|-----------------|
| Annual general meeting: | 19 April 2018   |
| Ex dividend date:       | 20 April 2018   |
| First quarter:          | 26 April 2018   |
| Second quarter:         | 8 August 2018   |
| Third quarter:          | 25 October 2018 |

Preliminary accounting figures for 2018 will be published in February 2019.

## Ownership

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

The share price rose from NOK 60.75 to NOK 87.00 in 2017. Taking into account the paid dividend of NOK 2.25, this represents an effective return of 46.9%. The Oslo Stock Exchange Benchmark Index rose by 19.1% in the same period.

There were 10,834 (10,428) owners of SRBANK at year end 2017. The percentage owned by companies and individuals based abroad was 23.5%, and the percentage owned by companies and individuals resident in Rogaland, the Agder counties and Hordaland was 44.7%. The 20 largest shareholders owned a total of 56.6% of the shares. The bank owned 206,757 treasury shares. Group employees owned a total of 1.6% of the shares at the end of the year.

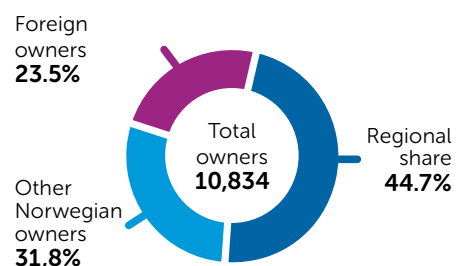
## Credit rating

Moody's Investor Services confirmed its A1 with a negative outlook credit rating of SpareBank 1 SR-Bank on 11 December 2017. The short-term funding rating remained unchanged throughout 2017 at Prime 1.

On 29 December 2017, Fitch Ratings confirmed its A- (long-term) and F2 (short-term) with stable outlook credit ratings of SpareBank 1 SR-Bank.

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

| 20 largest owners as at 31 December 2017 |   |              |       |
|--|---|--------------|-------|
|  | No. of shares                             | Stake %      |       |
| 1  | Sparebankstiftelsen SR-Bank               | 72,419,305   | 28.3% |
| 2  | National Insurance Scheme Fund            | 16,987,715   | 6.6%  |
| 3  | State Street Bank and Trust Co, USA       | 8,913,352    | 3.5%  |
| 4  | SpareBank 1-stiftinga Kvinnherad          | 6,226,583    | 2.4%  |
| 5  | Vpf Nordea Norge Verdi                    | 5,957,547    | 2.3%  |
| 6  | Danske Invest Norske Instit. II           | 3,574,538    | 1.4%  |
| 7  | Verdipapirfondet DNB Norge (IV)           | 3,539,205    | 1.4%  |
| 8  | Odin Norge                                | 3,506,393    | 1.4%  |
| 9  | State Street Bank and Trust Co, USA       | 3,024,820    | 1.2%  |
| 10                                       | Clipper AS                                | 2,565,000    | 1.0%  |
| 11                                       | Pareto Aksje Norge                        | 2,223,764    | 0.9%  |
| 12                                       | KAS Bank NV, The Netherlands              | 1,935,270    | 0.8%  |
| 13                                       | Danske Invest Norske Aksjer Inst.         | 1,902,194    | 0.7%  |
| 14                                       | Morgan Stanley and Co Intl plc, UK        | 1,885,627    | 0.7%  |
| 15                                       | J.P. Morgan Chase Bank N.A., USA          | 1,880,641    | 0.7%  |
| 16                                       | KLP Aksjenorge Index                      | 1,810,920    | 0.7%  |
| 17                                       | Westco AS                                 | 1,662,987    | 0.7%  |
| 18                                       | Pareto AS                                 | 1,640,867    | 0.6%  |
| 19                                       | Vpf Nordea Norge Avkastning               | 1,639,620    | 0.6%  |
| 20                                       | Norwegian Armed Forces' Personnel Service | 1,513,556    | 0.6%  |
| <b>Total 20 largest</b>                  | <b>144,809,904</b>                        | <b>56.6%</b> |       |



| Key figures*                             | 2017        | 2016        | 2015        | 2014        | 2013        |
|--|-------------|-------------|-------------|-------------|-------------|
| Market price 31.12, NOK                  | 87.00       | 60.75       | 39.30       | 52.50       | 60.25       |
| Dividend per share, NOK                  | 4.25        | 2.25        | 1.50        | 2.00        | 1.60        |
| Direct return <sup>1)</sup>              | 4.9%        | 3.7%        | 3.8%        | 3.8%        | 2.7%        |
| Effective return <sup>2)</sup>           | 46.9%       | 58.4%       | -21.3%      | -10.2%      | 66.0%       |
| Book equity per share, NOK <sup>3)</sup> | 77.24       | 71.54       | 66.14       | 60.28       | 55.00       |
| Earnings per share, NOK <sup>4)</sup>    | 8.16        | 6.87        | 6.83        | 8.20        | 7.28        |
| Payout ratio, net <sup>4)</sup>          | 52%         | 33%         | 22%         | 24%         | 22%         |
| No. of shares issued 31.12               | 255,751,082 | 255,751,082 | 255,751,082 | 255,751,082 | 255,751,082 |
| Treasury shares 31.12                    | 206,757     | 108,983     | 25,398      | 231,043     | 207,645     |
| No. of outstanding shares 31.12          | 255,544,325 | 255,642,099 | 255,725,684 | 255,520,039 | 255,543,437 |

<sup>1)</sup> Dividend as a percentage of market price at year end.

<sup>2)</sup> Appreciation during the year plus dividend paid as a percentage of market price at the beginning of the year.

<sup>3)</sup> Equity divided by number of shares issued.

<sup>4)</sup> Dividend as a percentage of the group's net profit for the period



# Sustainability

## SpareBank 1 SR-Bank is a responsible social actor

Social responsibility is not something we are given, it is something we take. Through our daily operations and in relation to our stakeholders, SpareBank 1 SR-Bank takes into account our social and environmental responsibilities. We have done so as part of our day-to-day operations ever since the establishment of Egersund Sparebank in 1839. This has formed part of our basic philosophy ever since. With good local knowledge and proximity to customers, the group contributes to a positive community development through value creation, which is about empowering growth and development, while still following decent practices in our own business. Even though we, as the region's largest and leading financial group, primarily focus on our immediate surroundings, we are just as interested in ensuring that everything we do is sustainable in a global perspective. The group supports the UN Global Compact's 10 principles of sustainability. All operations in SpareBank 1 SR-Bank are carried out at all times within the framework of the applicable laws and regulations in Norway.



## Status and measures carried out in 2017

### Employees and the organisation

SpareBank 1 SR-Bank aims to be an attractive and inclusive workplace for employees in all age groups and at all phases of their life. The SpareBank 1 SR-Bank Group endeavours to ensure that all employees have a positive experience of the balance between work, home and leisure time. At the same time, a number of different measures have been implemented to motivate employees to stay healthy, both by developing a good working environment and by encouraging them to exercise. We believe that employees whose needs are catered for will perform better, which benefits both them and the group. In 2017, the group again refunded a significant amount to cover part of employees' regular exercise expenses in order to promote better health, greater motivation and satisfaction.

The group has established a thoroughly-prepared framework for managing organisational matters, including: a staff manual, HSE manual, inclusive workplace agreement, and several internal committees regulated by agreements. The executive management team and the group's two unions work well together in these areas.

SpareBank 1 SR-Bank mainly focuses on development and competence among its employees. In 2017, the SR-Bank has established a partnership with NTNU in Trondheim to provide employees with a programme of study specially adapted for bank employees in order to develop technological competence within the Group.

### Gender equality

The SpareBank 1 SR-Bank Group has a good distribution between women and men. At the leadership levels in the corporate management, the group has in general a good gender distribution. However, in the group management and in some areas of the group, there is still a way to go in order to achieve a greater proportion of women in management. There have been an organizational change which means that the group management will be expanded with two persons this year. One position is now occupied by a woman. In relation to pay equity, the group's management has had a focus on this for several years in cooperation with the trades unions. Although targets have not yet been achieved, the figures indicate that there has been a positive development. One of the measures that has been taken is that all employees who go on maternity leave are entitled to salary evaluation in advance of, or during leave. The table on page 20 shows that sickness absence among women is considerably higher than among men. Listings from NAV show that sickness absence among women versus men varies considerably between industries and throughout the country. The difference in SpareBank 1 SR-Bank is slightly less than what statistics show both compared to its own industry and in total listings.

In 2017, a gender equality committee was established to ensure focus on the work on equality within the group. The Gender Equality Committee reports to the Coordination Committee in the group, which consists of representatives from corporate management as well as the trades unions.

## Equal Opportunities report 2017

| Equality and diversity                                 | 2016        |         | 2017        |         |
|--|-------------|---------|-------------|---------|
|  | Parent bank | Group   | Parent bank | Group   |
| Number of full-time equivalents in total               | 861         | 1,172   | 914         | 1,218   |
| Percentage of women                                    | 56%         | 55%     | 55%         | 54%     |
| Percentage of men                                      | 44%         | 45%     | 45%         | 46%     |
| Women employed part-time                               | 5.5%        | 5.9%    | 5.8%        | 6.2%    |
| Men employed part-time                                 | 0.6%        | 0.5%    | 0.4%        | 0.3%    |
| <b>Proportion of women by position level</b>           |             |         |             |         |
| Management level 1                                     | 0%          | 0%      | 0%          | 0%      |
| Management levels 2 and 3                              | 29%         | 30%     | 26%         | 26%     |
| Management level 4                                     | 47%         | 43%     | 43%         | 41%     |
| Percentage of women on the board of directors          | 50%         | 50%     | 50%         | 50%     |
| <b>Average Salary</b>                                  |             |         |             |         |
| Women  | 549,960     | 533,887 | 577,494     | 556,590 |
| Men  | 732,069     | 696,211 | 756,225     | 713,317 |
| <b>Women's wages relative to men by position level</b> |             |         |             |         |
| Management level 1                                     | -           | -       | -           | -       |
| Management levels 2 and 3                              | 77%         | 79%     | 75%         | 77%     |
| Management level 4                                     | 88%         | 86%     | 92%         | 90%     |
| <b>Parental leave taken, average number of weeks</b>   |             |         |             |         |
| Women  | 37.5        | 37.4    | 39.6        | 39.8    |
| Men  | 7.6         | 7.5     | 10.3        | 9.0     |
| <b>Work absence</b>                                    |             |         |             |         |
| Total  | 3.59%       | 3.60%   | 3.80%       | 3.56%   |
| Women  | 4.24%       | 4.84%   | 5.24%       | 5.01%   |
| Men  | 2.99%       | 2.47%   | 2.29%       | 2.02%   |
| <b>Work absence due to child illness (day's work)</b>  |             |         |             |         |
| Women  | 331.0       | 364.9   | 329.4       | 370.4   |
| Men  | 148.6       | 187.6   | 157.2       | 177.8   |

### Social development through wealth creation

SpareBank 1 SR-Bank's commitment to entrepreneurs was extended in 2017 expanded and two new entrepreneurial hubs were established in Bergen and Kristiansand. In 2017 the Sparebankstiftelsen SR-Bank foundation established an annual prize for entrepreneurs with the first award to take place in 2018. The main prize is NOK 250,000. In total, NOK 700,000 will be awarded annually in prizes to entrepreneurs in order to encourage entrepreneurship in the region.



To help create further growth and competence-based jobs, SpareBank 1 SR-Bank, along with partners, has put in place more than 250 million kroner in private capital for a potential future national seed fund. Work has been carried out systematically in respect of the Ministry of Trade, Industry & Fisheries in order to obtain a similar amount in government funding. The work is still ongoing. The purpose of such a seed fund is to create a broader diversity of businesses and jobs within more industries, both nationally and regionally.

### Environment and climate

As a responsible financial group, we have an active relationship to the climate challenges. In 2017, organizational changes to the group were carried out. This led to the group for the first time earmarking a function related to the field of sustainability in order to further increase our efforts in the fields of environment and climate, as well as other tasks that belong under the concept of sustainability.

Ongoing efforts are being made to become a resource-saving and environmentally-efficient organisation through setting requirements to the group, suppliers and partners. SpareBank 1 SR-Bank's new headquarters, Finansparken, will be one of the largest commercial timber buildings in Europe. Finansparken is certified according to BREEAM NOR and aims to achieve classification as Excellent. The certification is based on documented environmental performance in nine categories—management, health and indoor environment, energy, transport, water, materials, waste, land use and ecology as well as pollution. The building will be ready for occupation in the autumn of 2019.

The group regularly introduces measures that are intended to help reduce the consumption of electricity, paper and other resources, as well as to ensure that resource-demanding travel is limited. During 2017, 10 additional Skype/video meeting rooms have been established. This helps to limit travel activity.

A great deal of attention has also been paid to managing technological waste and purchasing environmentally-friendly solutions. Environmental and energy requirements are specific assessment criteria for procurement, and all technological equipment is handled as special waste.

Over time, the group has had a focus on digitization, thereby reducing its environmental impact. There has been a decrease in paper usage of 15.9% from 2016 to 2017. In terms of power consumption, there has been a reduction of 14.5% from 2016 to 2017.

In order to chart the carbon footprint of the group, a climate accounting tool has been introduced. All vehicles that are part of the group's company car system are included. The group's climate accounts show that total CO2 emissions in 2017 were 507.5 tonnes. The calculated emissions include a total of 2,787,873 kilometres travelled by air and a total 319,886 kilometres travelled using the group's vehicles. The decrease in number of driven kilometers is a result of reduced number of vehicles in 2017. Total emissions in 2017 represent an increase compared with 2016.

### Ethics and anti-corruption

In 2017, four meetings were conducted in the Group's Ethics Council, with the aim of evaluating and improving the group's code of ethics. The code of ethics is signed each year by each employee. An annual update on ethics is also carried out through the authorization scheme for financial advisers and the approval scheme for salespersons and advisers in non-life insurance.

### Money laundering and financing of terrorism

Economic crime, including the laundering of proceeds of crime, undermines the legal economy of any society. SpareBank 1 SR-Bank supports measures aimed at combating economic crime and financing of terrorism. SpareBank 1 SR-Bank adheres to legislative requirements and has adopted measures aimed at combating economic crime and financing of terrorism.

### Ethical management

SpareBank 1 SR-Bank's investment activities, both on its own account and on behalf of customers, adheres to rules that are intended to ensure that the group avoids participating in violations of human- and labour rights, corruption, serious environmental harm or other actions that in general could be considered unethical. SpareBank 1 SR-Bank does not invest in companies which, themselves or through units they control, produce tobacco or pornography. The same applies for companies involved in anti-personnel mines and cluster munitions or in companies that develop and manufacture core components of weapons of mass destruction.

**Funding**

The group's credit strategy also makes it clear that our corporate customers must have a long-term perspective and that their companies must be run in line with applicable laws and regulations that include considerations to the environment and human rights. The group does not have credit exposure to either coal mining or coal-fire power plants.

**Support for non-profit purposes**

As part of our business, we support initiatives that support good living conditions. In the course of 2017, the group has contributed more than NOK 20 million in the form of grants and sponsorship agreements to various organizations, associations and teams.

SpareBank 1 SR-Bank's largest shareholder is Sparebankstiftelsen SR-Bank (SR-Bank Foundation) with a stake of 28.3 per cent. The tradition of the savings bank is continued through the SR-Bank Foundation. The Foundation may allocate profits, in the form of dividends from SpareBank 1 SR-Bank, for the distribution of gifts for generally beneficial purposes. This is to be done in line with the foundation's vision of "Creating Values Together" as well as the foundation's values of "Together we are to create, enrich and develop healthy communities." This enhances SpareBank 1 SR-Bank's local presence and local involvement. In 2017, NOK 57 million was distributed among 402 beneficiaries in Rogaland, Hordaland and Agder.

**Future actions**

SpareBank 1 SR-Bank will also have a sharp focus on corporate social responsibility and the environment in the future. The group's goal is to be an organization that actively takes corporate social responsibility and responsibility for the environmental challenges society is facing.

**For 2018, the following actions are planned:**

- Continue to reduce overall paper usage, total energy consumption, reduce the number of flights and increase the use of video conferencing.
- Include nature and the environment in the ethical guidelines of the group.
- Conduct materiality analysis and assess compliance with relevant national and international standards in sustainability and reporting.
- Start the development of sustainable products and services.
- Further improve the group's websites regarding reporting and highlighting the actions and activities undertaken related to sustainability.
- Analyse differences between women and men in the group, so as to introduce measures to ensure a working environment and culture where equality in career paths for both sexes is actively stimulated throughout the group.

## Socio-economic impact analysis 2017

|   | 2016      | 2017      |
|---|-----------|-----------|
| <b>Strategic</b>  |           |           |
| Group strategy  | Updated   | Updated   |
| CSR strategy  | Updated   | Updated   |
| <b>Value creation</b>   |           |           |
| Taxes and fees (NOK million) <sup>1)</sup>                      | 832       | 1,007     |
| Net salary/pensions and other benefits (NOK million)            | 1,166     | 1,263     |
| Cash dividend shareholders (MNOK)                               | 575       | 1,087     |
| Growth capital, retained earnings (NOK millions)                | 1,457     | 781       |
| Purchased goods and services (NOK millions)                     | 866       | 904       |
| <b>Social factors</b>   |           |           |
| No. of working full time equivalents, incl. temps               | 1,172     | 1,218     |
| Healthy rate  | 96.37     | 96.40 %   |
| Average age   | 44.7      | 44.8      |
| Satisfaction in the organization <sup>2)</sup>                  | 900       | 79        |
| Inclusive workplace agreement                                   | Continued | Continued |
| Life phase strategy   | Continued | Continued |
| Management development programme                                | Continued | Continued |
| No. of meetings of ethics committee                             | 3         | 4         |
| Grants/Sponsorship from SpareBank 1 SR-Bank (NOK million)       | 20        | 20        |
| Number of grants provided by the Sparebank Foundation           | 358       | 402       |
| Total grants provided by the Sparebank Foundation (NOK million) | 29.1      | 57        |
| <b>Environment</b>  |           |           |
| Technological waste (tons)                                      | 2.2       | 3.2       |
| Reduction in paper consumption (tons)                           | 17.7 %    | 14.5 %    |
| Energy consumption (kWh)  | 5,646,327 | 4,826,198 |
| Air travel  | 4,537     | 5,738     |
| Number of kilometres travelled in connection w/ flights         | 2,116,747 | 2,787,873 |
| Emissions KgCO <sub>2</sub> e in connection w/ flights          | 341,356   | 453,249   |
| No. of vehicle kilometres                                       | 617,291   | 319,886   |
| KgCO <sub>2</sub> total vehicle fleet emissions                 | 89,842    | 54,245    |
| No. of electric vehicles in fleet                               | 2         | 5         |
| No. of videoconferencing rooms                                  | 25        | 35        |

<sup>1)</sup> Including company tax, tax paid by employees as well as employer's fee

<sup>2)</sup> New measurement method was introduced in 2017 - very good results

# Group executive management



## Arne Austreid

CHIEF EXECUTIVE OFFICER

Austreid (1956) has been the chief executive of SpareBank 1 SR-Bank since January 2011. He is a trained petroleum engineer and holds an MBA (Master of Business Administration) from the University of Aberdeen, UK. He has previously worked for Transocean ASA and Prosafe SE: offshore, onshore and abroad, where his final position was President and CEO of Prosafe SE. He is board member in SpareBank 1 Gruppen AS and SpareBank 1 Banksamarbeidet DA.

**No. of shares in SpareBank 1 SR-Bank ASA\*: 94,156**



## Inge Reinertsen

CHIEF FINANCIAL OFFICER

Reinertsen (1971) became CFO in February 2010. Reinertsen has a degree in Business Administration from the Norwegian School of Economics in Bergen. He has experience from various management positions in the SpareBank 1 SR-Bank Group and has worked for the group since 2001. Reinertsen chairs the boards of SR-Boligkreditt AS, SR-Forvaltning AS and FinStart Nordic AS. He is the deputy chair of SpareBank 1 Boligkreditt AS and board member in SpareBank 1 SR-Banks Pensjonskasse, Monner AS and SpareBank 1 Markets AS.

**No. of shares in SpareBank 1 SR-Bank ASA\*: 80,433**



## Ella Skjørestad

EXECUTIVE VICE PRESIDENT, CUSTOMER SERVICES AND MARKETING

Skjørestad (1980) took up her post as Executive VP Customer Services and Marketing in February 2018. She holds a master's degree in Comparative Politics from the University of Bergen (1999-2005). She has previously worked for Storebrand within P&C insurance and as head of digital sales at Storebrand Direkte. She joined SpareBank 1 SR Bank in June 2010 as head of marketing in the retail banking market. Since then she has held positions such as marketing director and director of customer services PM. Skjørestad is board member in BN Bank ASA.

**No. of shares in SpareBank 1 SR-Bank ASA\*: 3,659**



## Frode Bø

EXECUTIVE VICE PRESIDENT, RISK MANAGEMENT

Bø (1968) became Executive VP Risk Management in January 2006. He holds a Bachelor of Management and has also completed a master's degree programme in operational auditing and risk management at BI Norwegian Business School. Until 2016 he was also a lecturer in the Department of Industrial Economics, Risk Management and Planning at the University of Stavanger. He has worked for SpareBank 1 SR-Bank since 2001.

**No. of shares in SpareBank 1 SR-Bank ASA\*: 17,242**





## Glenn Sæther

**EXECUTIVE VICE PRESIDENT, STRATEGY, INNOVATION AND DEVELOPMENT**

Sæther became Executive VP Strategy, Innovation and Development in January 2018. He was former Executive VP Business Support & Development. He was educated in economics and business administration at BI Norwegian Business School. He has worked for SpareBank 1 SR-Bank since 2005. He is the chair of the board of Finansparken Bjergsted AS and board member in SpareBank 1 Skadeforsikring AS, SMB Lab AS, FinStart Nordic AS and SpareBank 1 Regnskapshuset SR AS.

**No. of shares in SpareBank 1 SR-Bank ASA\*: 20,213**



## Jan Friestad

**EXECUTIVE VICE PRESIDENT, RETAIL MARKET**

Friestad (1966) became Executive VP Retail Market in August 2011. He holds a degree in economics and business administration from Stavanger University College and has also taken various Master of Management courses within marketing strategy and management at BI Norwegian Business School. He has worked for SpareBank 1 SR-Bank since 1988. He is the chair of the board of EiendomsMegler 1 SR-Eiendom AS and board member in SpareBank 1 Betaling AS, SpareBank 1 Kredittkort and FinStart Nordic AS.

**No. of shares in SpareBank 1 SR-Bank ASA\*: 37,768**



## Tore Medhus

**EXECUTIVE VICE PRESIDENT, CORPORATE MARKET**

Medhus (1965) became Executive VP Corporate Market in September 2000. He holds a Master of Business and Marketing (Handelsøkonom) from Oslo Business School/BI. He has previous experience from Elcon Finans, Forende Credit Finans and Telenor. Medhus has worked for SpareBank 1 SR-Bank since 1994. He is the chair of the board of SpareBank 1 Regnskapshuset SR AS, deputy chair of BN Bank ASA and board member in Conecto AS, SpareBank 1 Factoring and FinStart Nordic AS.

**No. of shares in SpareBank 1 SR-Bank ASA\*: 46,051**



## Thor-Christian Haugland

**EXECUTIVE VICE PRESIDENT, COMMUNICATIONS AND SUSTAINABILITY**

Haugland (1963) became the Executive VP Communications in 2005. He was educated at Stavanger University College, the University of Salford and BI Norwegian Business School in economics, communications and management. He has previously worked as the sales and marketing manager for Radisson SAS in Stavanger and general manager in Brødrene Pedersen AS. He has more than twenty years' experience from various positions in SpareBank 1 SR-Bank. Haugland is board member in Odin Forvaltning AS, Monner AS and Nordic Edge AS.

**No. of shares in SpareBank 1 SR-Bank ASA\*: 18,450**

\*No. of shares in SpareBank 1 SR-Bank as at 31 December 2017: The figures also include shares belonging to immediate family members and companies in which the person has a determining influence. More detailed CVs are available for all board members on: [www.sr-bank.no/jr](http://www.sr-bank.no/jr).

# The board of directors



## Dag Mejdell

CHAIR OF THE BOARD

Dag Mejdell (1957) has extensive experience from various management positions in business, most recently as the CEO of Posten Norge AS from 2006 to 2016. He was earlier the CEO of Dyno Nobel ASA and Dyno ASA. Mejdell holds a degree in Economics and Business Administration from the Norwegian School of Economics in Bergen. Chair of the boards of Norsk Hydro ASA, NSB AS, International Post Corporation CV, Telecomputing Finco AS, and deputy chair of the board of SAS AB. Chair of the board of SpareBank 1 SR-Bank ASA since June 2016.

**No. of board meetings in 2017: 20 out of 20**

**No. of shares in SpareBank 1 SR-Bank ASA\*: 25,000**



## Birthe Cecilie Lepsø

BOARD MEMBER

Birthe Cecilie Lepsø (1971) is a partner in Vest Corporate Advisors. She was previously the finance manager in Grieg Shipping Group, Bergen, and also has many years of experience from DnB's shipping division. She graduated in business economics (Siviløkonom) from BI Norwegian Business School. She is board member in Smedvig Eiendom AS, Smedvig Capital AS, Smedvig AS and Inventura Group AS. Member of the board of SpareBank 1 SR-Bank ASA since June 2008.

**No. of board meetings in 2017: 19 out of 20**

**No. of shares in SpareBank 1 SR-Bank ASA\*: 0**



## Kate Henriksen

BOARD MEMBER

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

**No. of board meetings in 2017: 20 out of 20**

**No. of shares in SpareBank 1 SR-Bank ASA\*: 0**



## Tor Dahle

BOARD MEMBER

Tor Dahle, (1952) is the general manager in Sparebankstiftelsen SR-Bank. His has previous experience from various management positions in SpareBank 1 SR-Bank ASA, including as CFO and latest as managing director in SR-Investering AS. Dahle holds a master's degree in economics from the Norwegian School of Economics (NHH). Chairman of the board of EM Software Partners AS and board member in the Norwegian Savings Banks Association. He has been a board member of SpareBank 1 SR-Bank ASA since June 2013.

**No. of board meetings in 2017: 18 out of 20**

**No. of shares in SpareBank 1 SR-Bank ASA\*: 72,456,358**



## Therese Log Bergjord

BOARD MEMBER

Therese Log Bergjord (1965) is CEO of Skretting Group. Former Nordic managing director of the Compass Group, managing director of ESS Support Services AS, Norwegian and global sales director at Skretting, and CFO and commercial director at Pan Fish ASA. She is a graduate of the University of Stavanger – finance/economics, marketing and entrepreneurship. Member of the board of SpareBank 1 SR-Bank ASA since April 2017.

**No. of board meetings in 2017: 15 out of 20**  
**No. of shares in SpareBank 1 SR-Bank ASA\*: 0**



## Jan Skogseth

BOARD MEMBER

Jan Skogseth (1955) was CEO of Aibel AS until 2016. He has 35 years of experience from the oil, gas and renewables industries, in oil companies and on the supply side, nationally and internationally. Graduated from South Dakota School of Mines & Technology. He is board member in Scatec Solar ASA and PSW Technology AS. Member of the board of SpareBank 1 SR-Bank ASA since April 2017.

**No. of board meetings in 2017: 19 out of 20**  
**No. of shares in SpareBank 1 SR-Bank ASA\*: 3,600**



## Kristian Kristensen

EMPLOYEE REPRESENTATIVE BOARD MEMBER

Kristian Kristensen (1982) is the deputy of the Finance Sector Union of Norway SpareBank 1 SR-Bank. He holds a Bachelor in Market Communication from BI Norwegian Business School. He is board member in the Finance Sector Union of Norway, Rogaland division. He has been a board member of SpareBank 1 SR-Bank ASA since June 2016.

**No. of board meetings in 2017: 20 out of 20**  
**No. of shares in SpareBank 1 SR-Bank ASA\*: 3,020**



## Sally Lund-Andersen

EMPLOYEE REPRESENTATIVE BOARD MEMBER

Sally Lund-Andersen (1961) is the head group employee representative at SpareBank 1 SR-Bank ASA. Chair of the Finance Sector Union of Norway, Rogaland division. Member of the board of SpareBank 1 SR-Bank ASA since January 2012.

**No. of board meetings in 2017: 20 out of 20**  
**No. of shares in SpareBank 1 SR-Bank ASA\*: 941**



# Corporate governance

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

## 1. Implementation and reporting on corporate governance

There are no significant deviations between the Code of Practice and SpareBank 1 SR-Bank's compliance with it. One deviation is described below under section 14.

SpareBank 1 SR-Bank's objectives are to stimulate growth and development for customers, community and owners. It is the very foundation of the company's business model. Allocating capital, for both business development and house building, is the most important social task the company performs. SpareBank 1 SR-Bank's vision is: **"The customer's first choice"**. The values that will support our vision are: **"Prudence and respect. Committed and efficient."** The vision and values provide the basis for the group's code of conduct and corporate responsibility. SpareBank 1 SR-Bank ASA shall be characterised by high ethical standards and good corporate governance. The code of conduct states that employees of the group shall show respect and consideration, and that all communication shall be open, honest and plain. The group's code of conduct is available from the bank's website.

SpareBank 1 SR-Bank wants to make use of the group's collective knowledge and resources to ensure it takes into account social and environmental considerations in the group's day-to-day operations. SpareBank 1 SR-Bank complies with the UN Global Compact's 10 principles, which cover human rights, labour rights, the environment and combating corruption. The actions we take every day must help to secure capital for business development and housebuilding. The group's collective resources must also contribute expertise and actively participate in creating a good environment for children that will ensure sustainable growth based on a regional, national and global perspective. Active social involvement creates value directly by reducing risk, opening

up new business opportunities, producing motivated staff and, not least, helping to maintain a good reputation. The guidelines for corporate social responsibility and sustainability are available on the company's website.

*Deviations from the Code of Practice: None*

## 2. Business

SpareBank 1 SR-Bank's business is explained in the company's articles of association. SpareBank 1 SR-Bank's purpose is to manage the funds controlled by the group in a prudent manner and in accordance with the applicable legislation at any given time. SpareBank 1 SR-Bank can perform all normal banking transactions and banking services in accordance with applicable laws and regulations. SpareBank 1 SR-Bank can also provide investment services within the framework of the licences it holds at any given time. The full text of the articles of association is available on the company's website. The group's goals and main strategies are described in the annual report.

*Deviations from the Code of Practice: None*

## 3. Equity and dividends

The board of directors assesses the capital situation on an ongoing basis in light of the company's objectives, strategies and desired risk profile. As at 31 December 2017, the SpareBank 1 SR-Bank Group had equity of NOK 19.9 billion (incl. allocated dividend). According to the applicable calculation rules for financial institutions' capital ratio, the group had a common equity tier 1 capital ratio of 15.1% as at 31 December 2017. The board considers the capital adequacy ratio satisfactory.

**Dividend**

Financial needs, including capital adequacy requirements and the group's targets and strategic plans, must be taken into account when determining the annual dividend. Unless capital requirements dictate otherwise, the goal of the board is to distribute approximately half of the annual net profit for the period as dividends.

**Share buy back**

At its meeting on 20 April 2017, the general meeting authorised the board to acquire and register liens on the bank's own shares for up to 10% of the bank's share capital. The shares must be acquired in the securities market via the Oslo Stock Exchange. Each share can be purchased at a price of between NOK 1 and NOK 150. The authorisation is valid for 12 months from the date it is adopted by the general meeting.

**Capital increases**

The board is not currently authorised to increase capital in SpareBank 1 SR-Bank.

**4. Equal treatment of shareholders and transactions with close associates**

SpareBank 1 SR-Bank has one class of share. All shares have equal voting rights. In the event of an increase in share capital, existing shareholders have pre-emptive rights, unless special circumstances dictate that these rights can be waived. The background for such a waiver would then have to be explained. In cases where the board asks the general meeting to authorise a share buy back, any buy back must be carried out in the market at market prices.

**Largest shareholder**

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

**Transactions with close associates**

The instructions issued to the board stipulate that the board shall ensure that the company complies with sections 3-8 and 3-9 of the Public Limited Liability Companies Act in agreements between the company and the parties listed therein. The board shall obtain the opinion of an independent third party when entering into agreements between the company and shareholders, board members or members

of the group executive management team, or any close associates of these. All board members and members of the group executive management team must immediately inform the board if they have a direct or indirect interest in a transaction or agreement that the company has entered into or is considering entering into. This applies even if the board member is deemed to be disqualified from considering the matter.

*Deviations from the Code of Practice: None*

**5. Freely negotiable shares**

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

*Deviations from the Code of Practice: None*

**6. General meetings****Annual general meeting:**

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

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

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

*Deviations from the Code of Practice: None*

## 7. Nomination committee

The nomination committee comprises up to five members that are elected by the general meeting for a period of two years. Sparebankstiftelsen SR-Bank must also be represented on the nomination committee. The nomination committee provides detailed recommendations to the general meeting concerning the election of the chair and members of the board and the chair and members of the nomination committee. The recommendation should provide pertinent information about the candidates' background and independence. The nomination committee also proposes the remuneration for members of the bodies mentioned above. The general meeting determines the nomination committees' remuneration. Information about the nomination committee and how to submit contributions to the nomination committee can be found on the company's website.

*Deviations from the Code of Practice: None*

## 8. Board of directors, composition and independence

### Board of directors

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

As at 31 December 2017, the board had eight members, including two employee representatives. Three of the board's shareholder-elected members were women, as was one employee representative. All board members are independent of the bank's executive management team and important business connections. The individual board members' backgrounds and participation in board meetings in 2017 are described in the presentation of the board in a separate chapter of the annual report and on the company's website. The board held 20 board meetings in 2017.

*Deviations from the Code of Practice: None*

## 9. The work of the board of directors

### The board's duties

The board's duties are set out in the board's instructions, which govern the board's duties and responsibilities, the board's procedures, the matters that must be considered by the board, and the rules for convening meetings and considering matters in meetings. The board has also issued instructions to the chief executive. The minutes are available on the company's website.

The board adopts a meeting and work schedule every year that encompasses strategy work, financial reports, prognoses for the group and control work. Matters for the board are prepared by the chief executive in cooperation with the chair of the board. The board annually conducts an evaluation of its activities and competence and discusses improvements to the organisation and execution of the board's work. The self-assessment report is available to the nomination committee.

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

### Audit committee

The audit committee consists of three members who normally meet six times a year. The composition of the committee satisfies the Code of Practice's independence and competence requirements. The audit committee must ensure that the group has an independent and effective external auditor and satisfactory financial reporting in accordance with the law and regulations.

### Risk committee

The risk committee consists of three members and an observer who normally meet six times a year. The committee is tasked with ensuring that the group's risk and capital management underpins the group's strategic development and goal attainment, while ensuring financial stability and prudent asset management.

### Remuneration committee

The remuneration committee consists of three members who normally meet five times a year. The committee is tasked with doing the preparatory work for the annual review of the group's remuneration packages and the chief executive's contract and terms by the whole board.

*Deviations from the Code of Practice: None*

## 10. Risk management and internal control

The board of SpareBank 1 SR-Bank focuses on risk management, which is an integral part of its work.

The company's overall risk exposure and risk trends are monitored via periodic risk reports for the company's executive management team and board. General risk monitoring and reporting is performed by the risk management department, which is independent of the business units.

The bank's economics and finance department prepares financial reports for SpareBank 1 SR-Bank and ensures that the reporting complies with applicable laws, accounting standards, set accounting policies and the board's guidelines. Processes and controls have been established to ensure the quality assurance of financial reporting.

The core purpose of the banking industry is to create value by assuming deliberate and acceptable risk. The group therefore invests significant resources in the further development of risk management systems and processes in line with leading international practice.

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

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

The framework is described in more detail in note 3 to the financial statements, as well as in the Pillar III document for SpareBank 1 SR-Bank, which is available on the bank's website. SpareBank 1 SR-Bank focuses is organized in a way that make management and control independent, and this responsibility is divided between the different roles in the organisation. The board sets the group's risk profile, the overall limits, authorities and guidelines for risk management, and ensures that the group has a satisfactory capital base based on the risk borne by the group and regulatory requirements. The board

has adopted a code of conduct that contributes to raising awareness and compliance with the ethical standards.

### **First line of defence (day-to-day risk management)**

The chief executive is responsible for ensuring the group's risk management is monitored within the framework adopted by the board. Business units are responsible for overall risk management within their business area.

### **Second line of defence (general risk reporting and follow-up)**

The risk management department is organised independently of the business units and reports directly to the chief executive. The department is responsible for the ongoing development of the risk management framework, including risk models and risk management systems. The department is also responsible for independently monitoring and reporting risk exposure and for ensuring the group complies with current laws and regulations.

### **Third line of defence (independent confirmation)**

The internal audit monitors that the risk management processes are targeted, effective and function as intended. The group's internal audit function has been outsourced, and this ensures that the function has the required independence, competence and capacity. The internal audit function reports to the board. The internal audit function's reports and recommendations for risk management improvements are reviewed and implemented on an ongoing basis in the group. SpareBank 1 SR-Bank is also cognisant of the need to have good processes to ensure compliance with legislation and regulations. Focus areas are continuous monitoring of compliance with the current regulations and ensuring that the group has adapted to future regulatory changes as best as it can.

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

The internal control and systems also cover the company's core values, code of conduct and corporate responsibility.

*Deviations from the Code of Practice: None.*

### 11. Remuneration of the board of directors

The remuneration of the board's members and subcommittees is fixed by the general meeting based on the recommendations of the nomination committee. Board members' remuneration is not linked to financial performance or similar factors. None of the directors, other than the employee representatives, has responsibilities to the company beyond their board duties. Information about all remuneration paid to the individual board members is presented in note 22 to the annual financial statements.

*Deviations from the Code of Practice: None*

### 12. Remuneration of executive personnel

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

The group's remuneration scheme shall be consistent with the group's overall objectives, risk tolerance and long-term interests and shall help to promote and provide incentives for good management and control of the group's risk, discourage excessive or unwanted risk taking, and help to avoid conflicts of interest, and shall comply with the Financial Undertakings Regulation of 9 December 2016. The total remuneration shall be competitive, but the group shall not be a wage leader. It shall ensure that the group attracts, develops and retains competent employees over time. The scheme will ensure a reward model that is perceived to be fair, predictable and future-oriented and motivating. Fixed salaries shall make up the main element of the total remuneration, which shall also consist of variable pay, pensions and benefits in kind.

The board's guidelines for the remuneration of executive personnel are disclosed in note 22.

*Deviations from the Code of Practice: None*

### 13. Information and communications

SpareBank 1 SR-Bank has dedicated pages on the company's web pages for investor information. The bank makes every effort to ensure that correct, relevant and timely information about the group's performance and results inspires investor market confidence. All price sensitive information is published in both Norwegian and English. Stock exchange notices, annual and interim reports, presentation materials and web-casts are available on the company's website.

Information for the market is distributed via quarterly investor presentations. Regular presentations are made to international

partners, lenders and investors. All reporting is based on openness and the equal treatment of market players in the securities market. The group's financial calendar is published on the company's website.

*Deviations from the Code of Practice: None*

### 14. Take-overs

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

*Deviations from the Code of Practice:*

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

### 15. Auditor

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

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

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

*Deviations from the Code of Practice: None*



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

### The report complies with the requirements of the act.

1. SpareBank 1 SR-Bank ASA complies with the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NCGB).
2. The Code of Practice is available on [www.nues.no](http://www.nues.no)
3. Any deviations from the Code of Practice are commented on in the board's report on corporate governance.
4. Point 10 of the report provides a description of the main elements of the internal control and risk management systems associated with financial reporting processes.
5. SpareBank 1 SR-Bank has no articles of association that deviate from chapter 5 of the Public Limited Liability Companies Act that deals with general meetings.
6. An account is provided of the composition of the board and its working committees, and a description is provided of the main elements of the guidelines and mandates for these bodies in points 8 and 9 of the report.
7. An account of the provisions of the articles of association that regulate the appointment and replacement of board members is provided in point 8 of the report.
8. An account of the provisions of the articles of association and authorisations that empower the board to decide that the enterprise will buy back or issue its own shares is provided in point 3 of the report.



# Board of Directors' report

The SpareBank 1 SR-Bank Group achieved a pre-tax profit of NOK 2,610 million in 2017. The net profit for the year was NOK 2,086 million, an increase of NOK 331 million from NOK 1,755 million for 2016. The return on equity after tax was 11.0%, compared with 10.0% in 2016. The board of directors is very satisfied with the result for 2017.

Solid efforts by employees, good credit work and good relationships with customers were important drivers behind a good result. Our market position as Southern and Western Norway's leading financial group was further strengthened by a net increase of 6,000 retail customers aged 13 and older and more than 450 new corporate customers.

Lending, including loans sold to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, rose by 2.6% in 2017. Deposits from customers grew by 11.0% in 2017. The deposit coverage ratio, measured as deposits as a percentage of total loans, was 55.3% at year end 2017, compared with 54.5% in 2016.

Net interest income rose to NOK 3,162 million in 2017, compared with NOK 2,871 million in 2016. Net interest income as a percentage of average total assets increased to 1.52% in 2017, from 1.48% in 2016. The increase was due to lower funding costs and interest rate rises in parts of the home mortgage portfolio with effect from January 2017.

Net commissions and other operating income totalled NOK 1,524 million in 2017, up from NOK 1,443 million in 2016. The increase was mainly due to higher income from estate agency due to better activity in the housing market in the Stavanger region. The net return on financial investments amounted to NOK 634 million in 2017, compared with NOK 654 million in 2016. This includes the profit shares from SpareBank 1 Gruppen AS and other associated companies. The profit from the sale of the shares in Visa Europe Ltd to Visa Inc. amounted to NOK 94 million in 2016.

The group's operating costs for the year amounted to NOK 2,167 million in 2017, compared with NOK 2,032 million in 2016, an increase of NOK 135 million (6.6%) since 2016. Personnel costs rose by NOK 97 million (8.3%) to NOK 1,263 million. NOK 34 million of the increase was due to more activity in EiendomsMegler 1 SR-Eiendom AS and SpareBank 1 Regnskapshuset SR AS. 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 introduced on 1 January 2017.

Other operating costs rose by NOK 38 million (4.4%) to NOK 904 million. The cost/income ratio, measured as operating costs as a percentage of operating income, was reduced from 40.9% in 2016 to 40.7% in 2017.

Impairment losses on loans totalled NOK 543 million, compared with NOK 778 million in 2016. The impairment losses on loans in 2017 largely involved write-downs linked to 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.

The allocation of the year's profit is based on the parent bank's distributable profit of NOK 1,868 million for 2017. The board proposes that NOK 1,087 million be paid out as dividends, corresponding to NOK 4.25 per share, while NOK 781 million be allocated to other equity and enhancing the group's financial strength.

The common equity tier 1 capital ratio increased from 14.7% at the start of the year to 15.1% at year end 2017. The tier 1 capital ratio (including hybrid tier 1 capital) increased in the same period to 16.0% from 15.6% in 2016. At year end 2017, SpareBank 1 SR-Bank is in a sound financial position and the group has a good starting point for further developing its leading position in Southern and Western Norway. The board has now set a long-term target for the common equity tier 1 capital ratio of 15.0%. This includes a 1-percentage point management buffer.

## Nature of the business

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

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

SpareBank 1 SR-Bank's head office is in Stavanger and it has 36 branches in the counties of Rogaland, Hordaland, Vest-Agder and Aust-Agder. The group's primary activities

are selling and procuring a wide range of financial products and services, investments services, leasing, estate agency and accounting services. The group wants to strengthen its focus on customers in the central Eastern Norway region and will at the beginning of 2018 establish its own branch in Oslo that will serve major corporate and retail customers.

### Group's performance

SpareBank 1 SR-Bank recorded good progress in all of the group's business areas in 2017. The bank's position as the market leader in Rogaland was strengthened in both the retail market and the corporate market, and at the same time the group strengthened its positions in Hordaland and the Agder counties. The capital market division has established itself as the region's leading expert environment in its field and strengthened its presence by opening an office in Bergen. The group's position in the estate agency market has helped EiendomsMegler 1 become the largest chain of estate agents in Norway. EiendomsMegler 1 SR-Eiendom AS is the market leader in Rogaland and Vest Agder, and further strengthened its position in Hordaland and Aust Agder in 2017.

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

The competition for customers in the banking market remained strong in 2017. The moderate lending growth was due to a combination of the focus on building up capital and profitable growth, as well as moderate to flat price rises for homes in our main market Rogaland. The group saw a rise in demand for loans from retail and corporate customers during the course of 2017. The margins for loans to retail and corporate customers expanded in 2017 due to lower funding costs and the reprising of parts of the home mortgage portfolio in January 2017. Deposit margins were reduced during the year in both the retail market and the corporate market due to falling market interest rates. Deposits grew by 11.0% in 2017 due to a strong focus on higher deposits in the organisation and more new public sector customers. Overall, earnings from net interest income were better in 2017 than the year before.

Net commissions and other operating income increased from 2016 to 2017. The NOK 81 million increase is largely attributable to the NOK 41 million rise in income from estate agency. Income from SpareBank 1 Regnskapshuset SR rose by NOK 15 million in the same period. Other commissions increased by 2.9% from 2016, with money-transfer services, insurance, savings and investments making positive contributions due to increased income.

The equity markets were positive throughout 2017 with rising prices and an all-time high on the Oslo Stock Exchange, while the

credit interest rate market in Norway was more volatile. Capital gains from securities totalled NOK 127 million for the full year. This was due to a combination of capital losses of NOK 152 million in the interest portfolio, which were counteracted by positive effects totalling NOK 143 million from hedging instruments, as well as capital gains of NOK 136 million from the portfolio of shares and equity certificates.

Impairment losses on loans totalled NOK 543 million in 2017, compared with NOK 778 million in 2016. This resulted in impairments as a percentage of gross loans, including loans sold to the mortgage companies, amounting to 0.29%. The impairment losses on loans in 2017 largely involved individual commitments within oil-related activities. The board regards the quality of the loan portfolio and risk management as good.

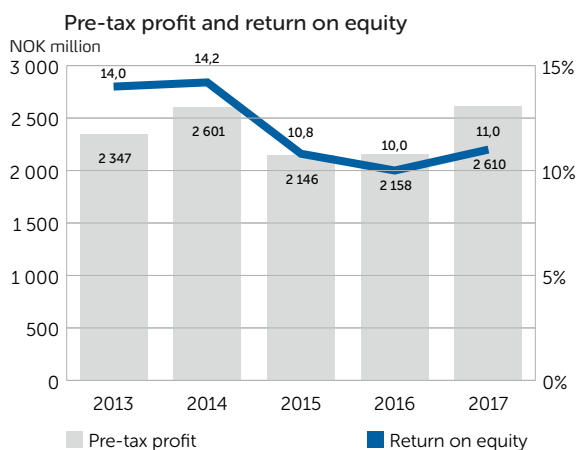
### Developments in the group's market areas

Households' optimism about the development of the Norwegian economy improved in 2017. Mainland Norway's gross domestic product (GDP) is expected to grow by around 2.1% in 2018, an increase from 2.0% in 2017. Higher oil prices and the slowing fall in oil investments in 2017 have resulted in rising optimism and expectations of greater activity in the Norwegian oil industry going forward.

Demographic development trends are very important for the group's framework conditions. For a long time now, the group's primary area has seen high migration and population growth. The percentage of people with a disability is also significantly lower than the national average. The population is relatively young in and around the regional centres, and along the coast of Southern and Western Norway. The population growth trend has changed in recent years and Rogaland and Hordaland have in particular been lower than the national average, while growth in the Agder counties has been increased in line with the national average. Statistics Norway's population growth forecasts reinforce expectations that growth in Rogaland and Hordaland especially will remain above the national average in the long run. On the other hand, the drop in oil investments in the last few years has made the aforementioned forecast more uncertain.

According to the Norwegian Labour and Welfare Administration (NAV) the unemployment rate in Norway was 2.4% at the end of December 2017. In Rogaland the unemployment rate was 3.2%, in Hordaland it was 2.7%, and in Vest- Agder and Aust-Agder it was 2.7% and 3.0% respectively.

In the last few years, the Stavanger region has seen weaker growth in house prices than the rest of the country, but this turned around in 2017. The Stavanger region saw a 0.0% change in prices in 2017, compared with the national average of a 2.1% fall in prices.



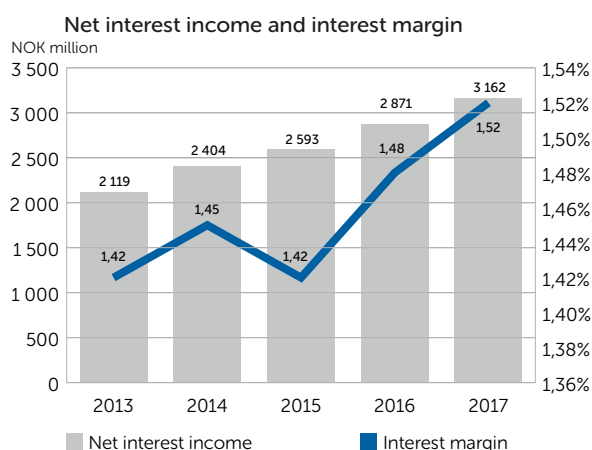
## FINANCIAL PERFORMANCE

### Net interest income

The group's net interest income increased by NOK 291 million from NOK 2,871 million to NOK 3,162 million in 2017.

Net interest income amounted to 1.52% of average total assets, an increase from 1.48% in 2016.

Net interest income must be seen in the context of the commissions from SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. Commissions from these companies amounted to NOK 149 million in 2017, compared with NOK 149 million in 2016. Net interest income and commissions increased by a total of 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.



(Figures in brackets are linked to figures from the annual financial statements for 2016)

### Other operating income

Net commissions and other operating income totalled NOK 1,524 million in 2017, compared with NOK 1,443 million in 2016. 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.

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 AS with effect from 1 January 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 dropped to NOK 634 million from NOK 654 million in 2016. Dividends amounted to NOK 11 million (NOK 110 million). In 2016, dividends included NOK 94 million in a received cash payment in connection with the sale of Visa Europe Ltd to Visa Inc. Capital gains on securities amounted to NOK 127 million (NOK 53 million) and capital gains on interest rate and currency trading amounted to NOK 71 million (NOK 107 million). Furthermore, income from ownership interests totalled NOK 425 million (NOK 384 million).

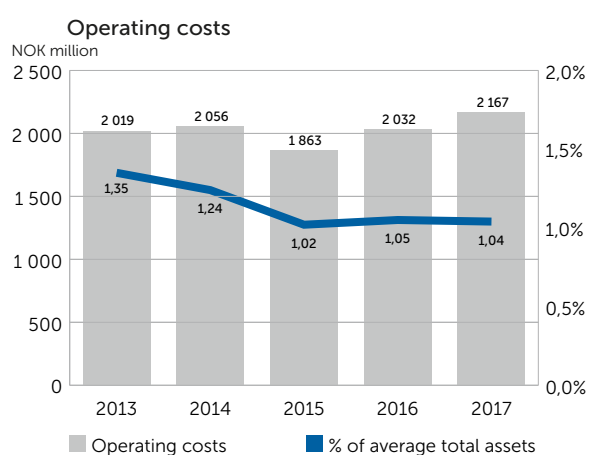
The capital gains on securities amounting to NOK 127 million (NOK 53 million) in 2017 were due to a combination of capital losses of NOK 152 million (capital losses of NOK 156 million) in the interest portfolio, which were counteracted by positive effects totalling NOK 143 million (NOK 158 million) from hedging instruments, as well as capital gains of NOK 136 million (NOK 51 million) from the portfolio of shares and equity certificates.

Income from ownership interests in 2017 amounted to NOK 425 million (NOK 384 million). The share of the net profit for the year from SpareBank 1 Gruppen AS amounted to NOK 349 million (NOK 318 million), from SpareBank 1 Boligkreditt AS it amounted to NOK -25 million (NOK -14 million), and from SpareBank 1 Næringskreditt AS it amounted to NOK 13 million (NOK 22 million). The share of the profit from BN Bank AS was NOK 70 million (NOK 61 million).

## Operating costs

The group's operating costs totalled NOK 2,167 million in 2017. This represents an increase of NOK 135 million (6.6%) compared with 2016. NOK 34 million of the increase was due to more 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 introduced on 1 January 2017. Other operating costs rose by NOK 38 million (4.4%) to NOK 904 million.

The group's cost/income ratio, costs measured as a percentage of income, was reduced to 40.7% in 2017 (40.9%).



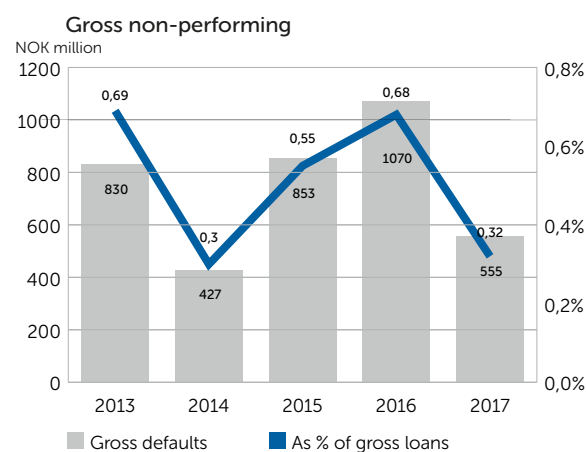
At year end 2017, the group had 1,218 full-time equivalents, of which 1,142 were full-time employees. The number of full-time equivalents rose by 46 in 2017. There were 24 more in the parent bank and 22 more in subsidiaries. The increase of 24 man-years in the group is largely due to temporary employments related to the implementation of new products and solutions to customers.

## Impairment losses on loans and non-performance

In 2017, the group recognised net impairment losses on loans totalling NOK 543 million (NOK 778 million). This corresponds to impairments as a percentage of gross loans, including loans to mortgage companies, of 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 in 2017 (NOK 1,070 million). This represented

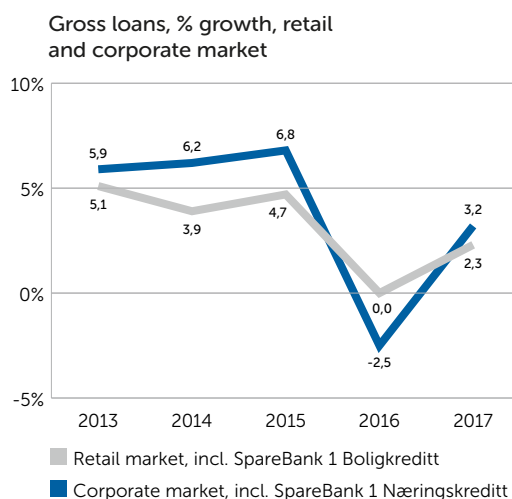
0.30% (0.59%) of gross loans, inclusive of loans sold to the mortgage companies. The portfolio of impaired (not non-performing) loans totalled NOK 1,562 million (NOK 1,141 million). This represented 0.83% (0.62%) of gross loans, inclusive of loans sold to the mortgage companies. Total non-performing and impaired loans in 2017 came to NOK 2,117 million (NOK 2,211 million). In terms of gross loans, including loans sold to the mortgage companies, this represents a reduction from 1.21% to 1.13% in 2017. The loan loss provisions ratio, measured as individual impairments as a percentage of non-performing and impaired loans, was 24% (26%) and 33% (28%), respectively, at year end 2017.



## Balance sheet

The group's total assets recognised on the balance sheet increased from NOK 193.4 billion to NOK 216.6 billion in 2017. The increase was due to the buy back of loan portfolios from SpareBank 1 Boligkreditt AS, lending growth and increased investments in certificates and bonds. At year end 2017, SpareBank 1 SR-Bank had sold loans worth NOK 14.6 billion to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, compared with NOK 24.7 billion at year end 2016. If the loan portfolios of these part-owned mortgage companies are taken into account, lending growth amounted to 2.6% and total loans NOK 187.1 billion at year end 2017 (NOK 182.3 billion). Retail market lending rose by 3.1% and lending to the corporate market and public sector increased by 2.0%. The distribution between loans to the retail market (including SpareBank 1 Boligkreditt AS) and the corporate market/public sector (including SpareBank 1 Næringskreditt AS) was 63.1% to 36.9%, respectively, at year end 2017, compared with 63.0% to 37.0% in 2016.

On 1 January 2017, SpareBank 1 SR-Finans was merged into the parent bank and its lending volume has, for 2016 and the years before, been allocated based on estimates of 38% for the retail market and 62% for the corporate market in order to produce comparable figures. The historical record has thus changed compared with previous annual reports.

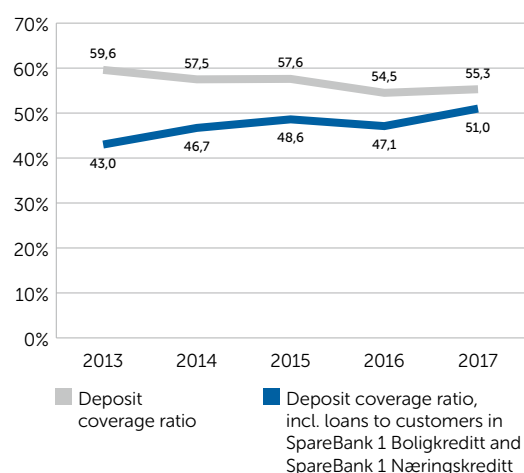


Deposits from customers increased by 11.0% in 2017 (-3.9%) to NOK 95.4 billion (NOK 85.9 billion). Deposits primarily increased due to larger deposits from public sector customers. Deposits from the corporate market and public sector accounted for 53.6% (50.1%) of the group's customer deposits at year end 2017.

At year end 2017, the deposit coverage ratio, measured as deposits as a percentage of gross loans, was 55.3% (54.5%). In a highly competitive market, the group has maintained both

a good deposit coverage ratio and strengthened its long-term funding. The liquidity coverage ratio (LCR), which measures the group's liquidity coverage in a serious, 30-day stress scenario, was 168% at year end 2017 (174%). In addition to ordinary customer deposits, the group had NOK 21.3 billion (NOK 17.4 billion) under management, primarily through SR-Forvaltning AS and ODIN Forvaltning AS.

**Deposit coverage ratio**



## Business areas

SR-Finans AS 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. Segment reporting (note 4) has been modified and contains comparable figures in which the results and balances from SR-Finans AS are included in the divisions' results and balances from 1 January 2016.

## Retail market division

The retail market division's profit contribution before impairment losses on loans was NOK 1,598 million at year end 2017. 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. In 2017, the division grew lending by 3.1% and deposits by 3.1%. Greater optimism in the business sector has generally not yet resulted in greater demand for mortgages.

Digital channels continued to grow in 2017. The number of digital sales increased by 40% in 2017 and most sales of savings accounts, funds and savings agreements now take place in digital channels. The launch of new web pages, improved chat solutions, online meetings, biometric ID, and more products in digital channels will continue to grow digital traffic going forward.

The division gained 6,000 new customers aged 13 and older in 2017. The systematic development of existing customer portfolios, targeted growth and the launch of new payment products contributed to this growth.

Net impairment losses on loans remained low and the percentage of non-performing loans over 30 days was 0.39% of total loans at year end 2017.

### Corporate market division

The corporate market division's profit contribution before impairment losses on loans was NOK 1,529 million in 2017. This is 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 higher number of employees and increased operating costs due to the merger with SR-Finans and the 5% financial activity tax.

In the last 12 months, the division increased its lending by 2.0% and deposits increased by 23.2%. It is actively working on across-the-board sales of the group's products, and product coverage is increasing. Commissions and other operating income were up compared with 2016.

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.

Balanced, profitable volume growth, good customer relations, and a well-developed range of products are priority areas for the division, as is closely monitoring the development of risk in the portfolio.

### Capital market division

The division's areas of expertise complement traditional banking operations and the group's resources within securities activities and management. 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.

In 2017, SR-Bank Markets saw operating income before the allocation of customer income to other business areas of NOK 201 million (NOK 175 million). The increase in the value of the bank's bond portfolio in 2017 made a positive contribution compared with the same period last year. The bulk of our income still comes from customer trading in interest rate and currency instruments. Revenue 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.

### Subsidiaries

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

**EiendomsMegler 1 SR-Eiendom AS** is well represented throughout the group's entire market area and has 40 branches from Grimstad in the south to Bergen in the north. It is the leading estate agent in Rogaland and Vest-Agder, and is also increasing its market share in both Hordaland and Aust-Agder. The company achieved a pre-tax profit of NOK 26.7 million (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.

6,565 properties were sold in 2017 compared with 6,042 the year before. Overall the company sold properties worth almost NOK 20,6 billion compared with NOK 19.0 billion the year before. The supply of new assignments is good and was 13% higher than in 2016. The company still enjoys a strong market position in Rogaland with a market share of more than 40%, as well as good market positions in the Agder counties and Hordaland. 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.

**SR-Forvaltning AS** is an investment firm licensed to provide active management and fund management services. 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).

**SpareBank 1 Regnskapshuset SR AS** was established in the first quarter of 2015 and has since its start-up grown from NOK 0 to NOK 100 million in revenue. At year end 2017, the company had seven offices, four in Rogaland and three in Bergen, and more than 1 600 customers. Regnskapshuset's acquisitions have provided it with a solid foothold in Southern and Western Norway, and it has built up a good foundation for

further growth in the bank's market area.

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

**SR-Boligkreditt AS** is a wholly owned subsidiary and was established in the second quarter of 2015. The purpose of the company is to purchase home mortgages from SpareBank 1 SR-Bank and it funds this by issuing covered bonds. SR-Boligkreditt AS enables SpareBank 1 SR-Bank to diversify and optimise its funding. Moody's has given SR-Boligkreditt AS its best rating, Aaa. The company achieved a pre-tax profit of NOK 272.8 million in 2017 (NOK 113.1 million). 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 (NOK 29.4 billion).

## Associated companies

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

SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS are licensed mortgage companies and issue covered bonds in the bank's home mortgage and commercial property portfolios, respectively, that have been bought from the owner banks. The companies are owned by the savings banks in the SpareBank 1 Alliance and help ensure that they have access to stable, long-term funding at competitive rates.

At year end 2017, SpareBank 1 Boligkreditt AS's total lending volume amounted to NOK 177.7 billion, NOK 14.1 billion of which was from home mortgages bought from SpareBank 1 SR-Bank. The bank currently owns an 8.0% stake in the company. This is updated at the end of each year in line with the volume sold.

At year end 2017, SpareBank 1 Næringskreditt AS's total lending volume amounted to NOK 9.9 billion, NOK 0.5 billion of which was from loans bought from SpareBank 1 SR-Bank. At the end of 2017, the bank owned 19.2% of the company.

### SpareBank 1 Alliance

The SpareBank 1 Alliance's purpose is to acquire and provide competitive financial services and products and to exploit economies of scale in the form of lower costs and/or higher quality. The alliance helps secure the participating banks' value creation for the benefit of their own region and the banks' owners.

The SpareBank 1 banks run the alliance through their ownership and participation in SpareBank 1 Banksamarbeidet DA,

while the development and operation of product companies is organised through the banks' ownership of the holding company SpareBank 1 Gruppen AS.

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

SpareBank 1 Gruppen AS owns 100% of the shares in SpareBank 1 Forsikring AS, SpareBank 1 Skadeforsikring AS, ODIN Forvaltning AS, Conecto AS, and SpareBank 1 Gruppen Finans AS, as well as 51% of the shares in SpareBank 1 Medlemskort.

SpareBank 1 Gruppen AS delivered 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 SR-Bank's share of the profit in 2017 was NOK 349 million, compared with NOK 318 million in 2016.

### SpareBank 1 Banksamarbeidet DA

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

### 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.

## Events after the balance sheet date

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



## Accounting policies

SpareBank 1 SR-Bank prepares its parent bank and consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The description of the accounting policies applied by the group, in note 2 to the accounts, sets out a more detailed account of important factors relating to treatment for accounting purposes in accordance with IFRS.

## Corporate governance

Corporate governance in SpareBank 1 SR-Bank comprises the objectives and overriding principles according to which the group is governed and controlled, to secure the interests of shareholders, customers and other stakeholders. Governance of the group's activities shall ensure prudent asset management and greater assurance that publicly declared goals and strategies are reached and realised.

The corporate governance principles are based on three main pillars: openness, predictability and transparency. The group has defined the following main corporate governance principles:

- Value creation for shareholders and other interest groups
- A structure that ensures goal-oriented and independent management and control
- Systems that ensure good measurability and accountability
- Effective risk management
- Well set-out, easily understood and timely information
- Equal treatment of shareholders and a balanced relationship with other interest groups
- Compliance with legislation, regulations and ethical standards

SpareBank 1 SR-Bank has no provisions in its articles of association that restrict the right to sell the company's shares.

The board is not aware of any agreements between shareholders that limit opportunities to sell shares or to exercise voting rights for shares. According to the terms of the licence, the Sparebankstiftelsen SR-Bank foundation must own at least 25% of outstanding shares. The board approves the guidelines for the remuneration of executive personnel each year.

The guiding policies for the coming financial year are presented to the general meeting for an advisory vote, while the binding guidelines for the allocation of shares, etc. as part of the group's remuneration scheme for the coming financial year are presented to the general meeting for approval.

The group's corporate governance policy is based on the Norwegian Code of Practice for Corporate Governance. Further information on corporate governance, pursuant to section 3-3b of the Accounting Act, is provided in a separate section of the annual report. There is also a special section on

corporate social responsibility. The information has also been published on: [www.sr-bank.no/ir](http://www.sr-bank.no/ir).

## Risk management

SpareBank 1 SR-Bank's core activity is to create value by assuming recognised and acceptable risks. The group, therefore, invests significant resources in maintaining and developing risk management systems and processes that are in line with leading international practice. The board of SpareBank 1 SR-Bank has established its own risk committee.

The risk and capital management should underpin the group's strategic development and goal attainment, while ensuring financial stability and prudent asset management. This shall be achieved through:

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

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

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

## Credit risk

Credit risk is managed via the framework procedures for granting credit, monitoring commitments and portfolio management. The general credit strategy stipulates that the group shall have a moderate risk profile. Non-performance has decreased and loan losses are lower in 2017. A good and sustained focus on risk management has helped maintain the good credit quality of the portfolio.

The quality of the corporate market portfolio is considered good and stable. The quality of the retail market portfolio is very good and its development in 2017 was characterised by unchanged loan-to-collateral value ratios and a low risk profile

in the portfolio. Most of the portfolio is secured by mortgages on real estate, and the LTV is, for the most part, moderate. This implies that potential losses are limited as long as the values are not significantly impaired.

### Market risk

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

Part of the group's market risk is linked to investments in bonds and certificates. At the end of 2017, the group's holdings of liquid assets in the form of bonds and certificates totalled NOK 31.9 billion. When quantifying risks linked to impairment in the value of the liquidity portfolio, SpareBank 1 SR-Bank distinguishes between systematic risk (market risk) and unsystematic risk (default risk). Default risk connected with the above-mentioned portfolio is quantified as credit risk.

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

The group's market risk exposure is deemed moderate.

### Liquidity risk

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

SpareBank 1 SR-Bank 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>1</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.

The group's liquidity situation is very good and in the last year the group has continued to enjoy a high proportion of long-term funding. The group's net stable funding ratio (NSFR<sup>2</sup>) at year end 2017 was 119% (118%).

### Operational risk

The processes for managing operational risk shall ensure, as far as possible, that no single incident caused by operational risk is able to seriously harm the group's financial position. The risk management is based on insight into and an understanding of what creates and drives operational risk in the group, and must, as far as possible, reconcile effective processes with the desired level of exposure.

The group uses a systematic process to identify and quantify operational risks that the group is exposed to at any time, and it has established its own systems for reporting adverse events and following up improvement measures. This helps SpareBank 1 SR-Bank remain a robust and profitable organisation over time through proper prioritisation and continuous improvement.

### Ownership risk

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

SpareBank 1 Gruppen AS (19.5%);  
SpareBank 1 Boligkreditt AS (8.0%);  
SpareBank 1 Næringskreditt AS (19.2%);  
BN Bank ASA (23.5%);  
SpareBank 1 Kredittkort AS (17,9%);  
SMB Lab (20%) and  
SpareBank 1 Betaling AS (19,7%).

### Compliance

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

<sup>1</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.

<sup>2</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 EU's work on harmonising regulations within the EU/EEA results in new regulations to which the group must adapt. The group continuously assesses the best way of adapting to new regulations and rules to ensure compliance and effectiveness of the organisation. New regulations and rules that affect the group's operations must be included in routines and guidelines on an ongoing basis.

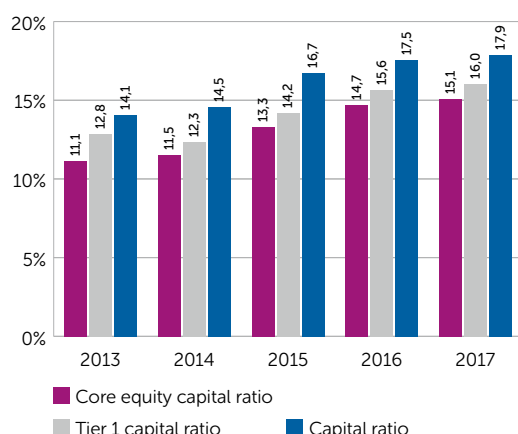
SpareBank 1 SR-Bank's compliance function is the responsibility of the risk management and compliance department and is organised independently of the business units. The department bears overall responsibility for the framework, monitoring and reporting within the area.

### Capital management

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

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

Core equity tier 1 capital, tier 1 capital and capital ratio



A capital plan is drawn up every year to ensure long-term, effective capital management. These projections take into account both expected developments in the coming years and a situation involving a serious economic recession over several years. Various stress tests are carried out of both individual factors and scenario analyses where the group is exposed to a range of negative macroeconomic events over several years.

In addition, SpareBank 1 SR-Bank has prepared contingency plans for dealing with such crises as effectively as possible should they nevertheless arise. SpareBank 1 SR-Bank is in a solid financial position. At year end 2017, the common equity tier 1 capital ratio was 15.1% (14.7%) while the tier 1 capital ratio was 16.0% (15.6%) and the capital ratio was 17.9% (17.5%). Because of the transitional rules, the minimum requirement for capital adequacy cannot amount to less than 80% of the corresponding amount calculated according to the Basel I rules.

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% and the capital ratio requirement was 17.5% in addition to a 1,5 percentage-point management buffer. The requirements are 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.

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 buffer capital requirement increased from 1 percentage point to 2.0 percentage points on 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%.

### External audit

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

### Internal audit

Internal audits are carried out by Ernst & Young AS (EY). Internal audits report directly to the board.

### Employees and working environment

SpareBank 1 SR-Bank's employees are its most important resources for creating value for the benefit of its customers, the region and the bank. At year end 2017, the group had 1,218 full-time equivalents, of which 1,142 were full-time employees. The number of full-time equivalents increased by 46 in 2017. The number of full-time equivalents increased by 24 in the parent bank, while the number in subsidiaries

increased by 22 in the same period. The increase is largely due to temporary employments related to the implementation of new products and solutions to customers. The group is an important knowledge-based workplace in the region and is perceived as an attractive employer providing good development opportunities.

The group's organisational and working environment surveys for 2017 show that employees are satisfied and have a good relationship with the group as an employer. The surveys are reviewed and followed up in all units in order to ensure a positive development and strengthen a healthy working environment characterised by a long-term approach, openness, honesty and security in line with the group's basic values.

### Skills development

The group has for many years systematically focused on skills development to meet the increasing demands of both customers and the authorities, and to ensure that customers experience that it offers better advice and services than the competition. On average, between 5% and 10% of working hours are spent on updating and developing skills, and more than NOK 10,000 (NOK 8,000) per employee was invested in skills development in 2017.

### Health, safety and the environment

Health, safety and environment (HSE) work is a high priority in the group. A good working structure has been established and we deem the cooperation with employees' representatives to be very good. Compulsory HSE training has been introduced for all managers and safety representatives and the group constantly strives to improve safety routines through various training measures.

The group strives to ensure sustainable environmental management and seeks to contribute both through its own operations and by influencing customers and suppliers to make environmental and climate-friendly choices. The group's direct environmental impact is primarily related to greenhouse gas emissions and waste production through office operations, while its indirect impact is through the purchase of goods and services, as well as demands made of customers and suppliers.

### Sick leave and the inclusive workplace scheme

The group has a set a long-time target for the healthy rate of 97%. At the year end 2017, the healthy rate was 96.4% (96.4%). Over time, the group has worked comprehensively and systemically to promote and improve the employees' health, maintain this over time and help those who become sick to return to work. The group constantly strives to lower sick leave

through participation in the Inclusive Workplace scheme (IW) and good follow-up by managers.

SpareBank 1 SR-Bank has prepared a life-phase document in order to offer employees a range of measures tailored to the individual's life-phase that will generally improve the employee's everyday life and contribute to a rise in the retirement age. The target retirement age is 64.5 and the average retirement age in 2017 was 63.0, a decrease of 0.9 years from 2016.

### Gender equality

SpareBank 1 SR-Bank aims to provide employees with equal opportunities for personal development, pay and other career related issues. The ratio between men and women in 2017 was 46% men and 54% women. There was no significant change in the gender ratio from 2016. The average age was 44.8 years old and the average length of service 14.3 years. In 2017, 37.0% of the group's managers were women.

### The bank's share

The share price for the bank's share (SRBANK) was NOK 87.00 at year end 2017. This represents an increase of 46.9% since year end 2016, taking into account the dividend of NOK 2.25. The main Oslo Stock Exchange index rose by 19.1% in the same period. Trading in the SRBANK share increased throughout 2017.

There were 10,834 (10,428) shareholders of SRBANK at year end 2017. The proportion owned by foreign companies and individuals was 23.5%, whilst 47.7% were owned by residents of Rogaland, the Agder counties and Hordaland. The 20 largest shareholders owned a total of 56.6% of the shares. The bank holds 206,757 treasury shares, while group employees owned 1.6%.

### Going concern

Financial strength improved in 2017 and the market outlook appears to be good. Together with implemented and planned measures, this contributes to a good prospect of further progress for the group in 2017. The annual financial statements have been prepared on the assumption that the group is a going concern.

### Allocation of profit for the year/dividend

SpareBank 1 SR-Bank's financial goal for its activities is to achieve results that provide a good, stable return on the bank's equity, thus creating value for the owners in the form of competitive dividends and a higher share price. Consideration is given to financial needs, including capital adequacy requirements and the group's targets and strategic plans, when determining the annual dividend. Unless capital

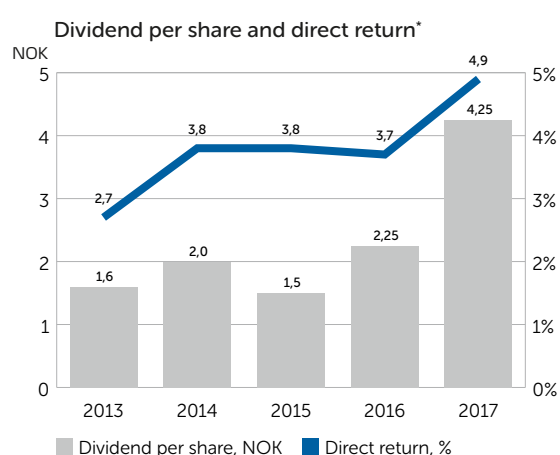
requirements dictate otherwise, the goal of the board is to distribute approximately half of the annual net profit for the period as dividends.

The dividend distributed is based on the parent bank's profit. The parent company's profit for 2017 was NOK 1,859 million or NOK 7.27 per share. In line with the dividend policy, various factors are taken into consideration when proposing dividends, with particular weight being attached to capital requirements and the tier 1 capital ratio. The board is, therefore, proposing a dividend of NOK 4.25 per share for 2017, which corresponds to around 52.1% of the group earnings per share.

The board proposes the following allocations for the 2017 financial year:

|   | NOK million  |
|---|--------------|
| Parent company net profit for the year              | 1,859        |
| Transferred from the fund for valuation differences | 9            |
| Distributable                                       | 1,868        |
| Dividend (NOK 4.25 per share)                       | 1,087        |
| Retained earnings                                   | 781          |
| <b>Total</b>  | <b>1,868</b> |

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



\*Dividend divided by share price at year end.

## Outlook for 2018

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 expecting a weak increase in oil investments of around 1.5% in 2018 and a further marked increase of 13% 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 2.4% at year end 2017. In Rogaland, unemployment has fallen from 4.5% a year ago to 3.2% at year end 2017. 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. Some uncertainty is expected concerning the development of transaction volumes and house prices in the total market 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

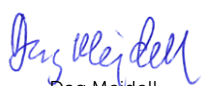
customers have now switched from pessimism to optimism. Given this, the need for impairments in 2018 is expected to amount to around NOK 400-500 million. The board would like to stress that a certain level of uncertainty is associated with all assessments of future conditions.

The group is investing in new technology and employee skills to provide even better customer experiences, improve efficiency and increase sales. The results of this investment include the provision of new payment services via the merger of Vipps, BankAxept and Bank ID. At the same time, customers will experience better availability and service levels thanks to the development of our own chat robot and the fact that we are the first bank in Norway with a digital solution for consent-based loan applications. As part of its development of new technology, the group has also established FinStart Nordic, a wholly owned subsidiary that will invest in companies involved in development and innovation work

that may 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.

A good mutual relationship between the region's inhabitants, the business sector and the bank is important for growth in the group's market area. The board would like to thank the group's customers, owners and other partners for their loyal support of SpareBank 1 SR-Bank in 2017 and assure them that it will make every effort to ensure that this teamwork continues. The board would also like to thank the group's employees and elected officers for their good contributions and good teamwork in 2017.

Stavanger, 8 March 2018



Dag Mejdell  
Chair of the board



Kate Henriksen



Tor Dahle



Birthe Cecilie Lepsøe



Therese Log Bergjord



Jan Skogseth



Sally Lund-Andersen  
Employee representative



Kristian Kristensen  
Employee representative



Arne Austrid  
Chief Executive Officer

# Annual financial statements

|                         |   |     |
|-------------------------|---|-----|
|                         | Income statement  | 48  |
|                         | Balance sheet   | 49  |
|                         | Statement of Changes in Equity  | 50  |
|                         | Statement of Cash Flow  | 51  |
| <a href="#">Note 1</a>  | General Information   | 52  |
| <a href="#">Note 2</a>  | Accounting Policies   | 52  |
| <a href="#">Note 3</a>  | Critical Estimates and Judgements Concerning<br>use of the Accounting Policies                              | 59  |
| <a href="#">Note 4</a>  | Segment Reporting   | 60  |
| <a href="#">Note 5</a>  | Capital Adequacy  | 62  |
| <a href="#">Note 6</a>  | Financial Risk Management   | 64  |
|                         | <b>Credit Risk Management</b>   |     |
| <a href="#">Note 7</a>  | Financial Institutions - Receivables and Liabilities  | 67  |
| <a href="#">Note 8</a>  | Loans to Customers  | 68  |
| <a href="#">Note 9</a>  | Loans Sold to SpareBank 1 BoligKreditt<br>and SpareBank 1 NæringsKreditt                                    | 70  |
| <a href="#">Note 10</a> | Age Distribution of due but not written down loans  | 71  |
| <a href="#">Note 11</a> | Impairment Losses on loans and guarantees   | 72  |
| <a href="#">Note 12</a> | Credit Risk Exposure for each internal risk class   | 74  |
| <a href="#">Note 13</a> | Maximum Credit Risk Exposure  | 75  |
| <a href="#">Note 14</a> | Credit Quality per class of Financial Asset   | 76  |
|                         | <b>Market Risk</b>  |     |
| <a href="#">Note 15</a> | Market Risk related to Interest Rate Risk   | 78  |
| <a href="#">Note 16</a> | Market Risk related to Currency Risk  | 78  |
|                         | <b>Liquidity Risk</b>   |     |
| <a href="#">Note 17</a> | Liquidity Risk  | 79  |
| <a href="#">Note 18</a> | Maturity Analysis of assets and debt/liabilities  | 80  |
|                         | <b>Income Statement</b>   |     |
| <a href="#">Note 19</a> | Net Interest Income   | 82  |
| <a href="#">Note 20</a> | Net Commissions and other operating income  | 82  |
| <a href="#">Note 21</a> | Net Income/Losses from financial instruments  | 83  |
| <a href="#">Note 22</a> | Remuneration Statement, personnel costs and benefits<br>for executive personnel and elected representatives | 83  |
| <a href="#">Note 23</a> | Other Operating Costs   | 88  |
| <a href="#">Note 24</a> | Pensions  | 89  |
| <a href="#">Note 25</a> | Tax   | 93  |
|                         | <b>Balance Sheet</b>  |     |
| <a href="#">Note 26</a> | Classification of Financial Instruments   | 94  |
| <a href="#">Note 27</a> | Certificates and Bonds  | 97  |
| <a href="#">Note 28</a> | Financial Derivatives   | 98  |
| <a href="#">Note 29</a> | Equities, units and other equity interests  | 99  |
| <a href="#">Note 30</a> | Intangible Assets   | 101 |
| <a href="#">Note 31</a> | Tangible Fixed Assets   | 102 |
| <a href="#">Note 32</a> | Other Assets  | 103 |
| <a href="#">Note 33</a> | Deposits from Customers   | 103 |
| <a href="#">Note 34</a> | Securities Issued   | 104 |
| <a href="#">Note 35</a> | Other Liabilities   | 105 |
| <a href="#">Note 36</a> | Restricted Funds  | 105 |
| <a href="#">Note 37</a> | Subordinated Loan Capital   | 106 |
| <a href="#">Note 38</a> | Investments in Ownership Interests  | 107 |
|                         | <b>Other Information</b>  |     |
| <a href="#">Note 39</a> | Material Transactions with close associates   | 110 |
| <a href="#">Note 40</a> | Share Capital and Ownership Structure   | 111 |
| <a href="#">Note 41</a> | Activities that will be sold  | 113 |
| <a href="#">Note 42</a> | IFRS 9 Financial Instruments  | 113 |
| <a href="#">Note 43</a> | Events after the balance sheet date   | 119 |
|                         | Auditor's Report  | 120 |
|                         | Statement by the Board of Directors   | 126 |

## INCOME STATEMENT

| Parent bank                              |              | (Figures in NOK millions)  | Note | Group        |       |
|--|--------------|--|------|--------------|-------|
| 2016                                     | 2017         |  |      | 2017         | 2016  |
| 4,868                                    | <b>4,863</b> | Interest income  | 19   | <b>5,747</b> | 5,563 |
| 2,407                                    | <b>2,095</b> | Interest costs   | 19   | <b>2,585</b> | 2,692 |
| 2,461                                    | <b>2,768</b> | <b>Net interest income</b>   |      | <b>3,162</b> | 2,871 |
| 1,054                                    | <b>1,069</b> | Commissions  | 20   | <b>1 597</b> | 1,511 |
| 68                                       | <b>76</b>    | Commission costs   | 20   | <b>79</b>    | 72    |
| 5  | <b>8</b>     | Other operating income   | 20   | <b>6</b>     | 4     |
| 991                                      | <b>1,001</b> | <b>Net commissions and other operating income</b>                        |      | <b>1,524</b> | 1,443 |
| 109                                      | <b>9</b>     | Dividends  |      | <b>11</b>    | 110   |
| 776                                      | <b>500</b>   | Income from ownership interests  | 38   | <b>425</b>   | 384   |
| 145                                      | <b>238</b>   | Net income/loss from financial investments                               | 21   | <b>198</b>   | 160   |
| 1,030                                    | <b>747</b>   | <b>Net income from financial investments</b>                             |      | <b>634</b>   | 654   |
| 4,482                                    | <b>4,516</b> | <b>Total net income</b>  |      | <b>5,320</b> | 4,968 |
| 854                                      | <b>952</b>   | Personnel costs  | 22   | <b>1,263</b> | 1,166 |
| 680                                      | <b>724</b>   | Other operating costs  | 23   | <b>904</b>   | 866   |
| 1,534                                    | <b>1 676</b> | <b>Total operating costs before impairment losses on loans</b>           |      | <b>2,167</b> | 2,032 |
| 2,948                                    | <b>2,840</b> | <b>Operating profit before impairment losses on loans</b>                |      | <b>3,153</b> | 2,936 |
| 684                                      | <b>542</b>   | Impairment losses on loans and guarantees                                | 11   | <b>543</b>   | 778   |
| 2,264                                    | <b>2,298</b> | <b>Pre-tax profit</b>  |      | <b>2,610</b> | 2,158 |
| 343                                      | <b>439</b>   | Taxes  | 25   | <b>524</b>   | 403   |
| 1,921                                    | <b>1,859</b> | <b>Net profit for the year</b>   |      | <b>2,086</b> | 1,755 |
| 1,921                                    | <b>1,857</b> | <b>Shareholders' share of the earnings</b>                               |      | <b>2,084</b> | 1,755 |
| -  | <b>2</b>     | <b>Hybrid capital owners' share of the earnings</b>                      |      | <b>2</b>     | -     |
| 1,921                                    | <b>1,859</b> | <b>Net profit for the year</b>   |      | <b>2,086</b> | 1,755 |
| <b>Statement of Comprehensive Income</b> |              |  |      |              |       |
| -62                                      | <b>-12</b>   | Actuarial gains/losses on pensions                                       |      | <b>-12</b>   | -62   |
| 15                                       | <b>3</b>     | Tax effect of actuarial gains/losses on pensions                         |      | <b>3</b>     | 15    |
| -47                                      | <b>-9</b>    | <b>Total items not reclassified through profit or loss</b>               |      | <b>-9</b>    | -47   |
| -62                                      | <b>9</b>     | Change in value of financial assets available for sale                   |      | <b>9</b>     | -62   |
| -  | <b>-</b>     | Share of comprehensive income in associated companies and joint ventures |      | <b>8</b>     | -7    |
| -62                                      | <b>9</b>     | <b>Total items that can be reclassified through profit or loss</b>       |      | <b>17</b>    | -69   |
| -109                                     | <b>-</b>     | <b>Year's comprehensive income</b>                                       |      | <b>8</b>     | -116  |
| 1,812                                    | <b>1,859</b> | <b>Total comprehensive income</b>  |      | <b>2,094</b> | 1,639 |
| <b>Earnings per share</b>                |              |  |      |              |       |
| 7.51                                     | <b>7.27</b>  | Earnings per share   | 40   | <b>8.16</b>  | 6.87  |
| 7.51                                     | <b>7.27</b>  | Diluted earnings per share   | 40   | <b>8.16</b>  | 6.86  |
| 1.09                                     | <b>1.07</b>  | Net profit as a % of average total assets                                |      | <b>1.01</b>  | 0.90  |



## BALANCE SHEET

| Parent bank        |                | (Figures in NOK millions)                            | Note       | Group          |         |
|--------------------|----------------|--|------------|----------------|---------|
| 2016               | 2017           |  |            | 2017           | 2016    |
| <b>Assets</b>      |                |  |            |                |         |
| 1,079              | <b>207</b>     | Cash and receivables from the central bank           | 36         | <b>207</b>     | 1,079   |
| 10,138             | <b>1,607</b>   | Loans to and receivables from financial institutions | 7          | <b>1,608</b>   | 4,334   |
| 120,252            | <b>130,579</b> | Loans to customers                                   | 8,10,12,14 | <b>171,237</b> | 156,372 |
| 22,042             | <b>32,203</b>  | Certificates and bonds                               | 14, 27     | <b>31,909</b>  | 21,024  |
| 5,057              | <b>6,033</b>   | Financial derivatives                                | 28         | <b>5,541</b>   | 4,315   |
| 433                | <b>507</b>     | Equities, units and other equity interests           | 29         | <b>717</b>     | 596     |
| 22                 | -              | Operations that will be sold                         | 41         | -              | 22      |
| 2,884              | <b>2,363</b>   | Investments in ownership interests                   | 38         | <b>3,953</b>   | 4,460   |
| 3,713              | <b>4,853</b>   | Investments in group companies                       | 38         | -              | -       |
| -                  | -              | Intangible assets                                    | 30         | <b>96</b>      | 89      |
| 354                | <b>329</b>     | Tangible fixed assets                                | 31         | <b>572</b>     | 495     |
| 344                | <b>395</b>     | Other assets   | 32         | <b>778</b>     | 622     |
| <b>166,318</b>     | <b>179,076</b> | <b>Total assets</b>                                  |            | <b>216,618</b> | 193,408 |
| <b>Liabilities</b> |                |  |            |                |         |
| 2,140              | <b>4,538</b>   | Debt to financial institutions                       | 7          | <b>2,335</b>   | 1,583   |
| 86,183             | <b>95,635</b>  | Deposits from customers                              | 33         | <b>95,384</b>  | 85,913  |
| 54,079             | <b>51,307</b>  | Securities issued                                    | 34         | <b>90,497</b>  | 80,275  |
| 2,711              | <b>5,013</b>   | Financial derivatives                                | 28         | <b>3,787</b>   | 2,515   |
| 621                | <b>393</b>     | Payable tax  | 25         | <b>487</b>     | 681     |
| 315                | <b>417</b>     | Deferred tax liabilities                             | 25         | <b>393</b>     | 360     |
| 1,063              | <b>960</b>     | Other liabilities                                    | 35, 24     | <b>1,082</b>   | 1,147   |
| 2,646              | <b>2,764</b>   | Subordinated loan capital                            | 37         | <b>2,764</b>   | 2,646   |
| <b>149,758</b>     | <b>161,027</b> | <b>Total liabilities</b>                             |            | <b>196,729</b> | 175,120 |
| <b>Equity</b>      |                |  |            |                |         |
| 6,394              | <b>6,394</b>   | Share capital  | 40         | <b>6,394</b>   | 6,394   |
| 1,587              | <b>1,587</b>   | Share premium reserve                                |            | <b>1,587</b>   | 1,587   |
| 575                | <b>1,087</b>   | Allocated dividend                                   |            | <b>1,087</b>   | 575     |
| 52                 | <b>43</b>      | Fund for unrealised gains                            |            | <b>43</b>      | 52      |
| -                  | <b>150</b>     | Hybrid capital                                       | 40         | <b>150</b>     | -       |
| 7,952              | <b>8,788</b>   | Other equity   |            | <b>10,628</b>  | 9,680   |
| <b>16,560</b>      | <b>18,049</b>  | <b>Total equity</b>                                  |            | <b>19,889</b>  | 18,288  |
| <b>166,318</b>     | <b>179,076</b> | <b>Total liabilities and equity</b>                  |            | <b>216,618</b> | 193,408 |

Stavanger, 8 March 2018


Dag Mejdell  
Chair of the board


Kate Henriksen



Tor Dahle



Birthe Cecilie Lepsøe



Therese Log Bergjord



Jan Skogseth


Sally Lund-Andersen  
Employee representative

Kristian Kristensen  
Employee representative

Arne Austreid  
Chief Executive Officer

## STATEMENT OF CHANGES IN EQUITY

(Figures in NOK millions)

| Parent bank   | Share capital | Share premium reserve | Hybrid capital | Other equity  | Fund for unrealised gains | Total equity  |
|---|---------------|-----------------------|----------------|---------------|---------------------------|---------------|
| Equity as at 31 Dec 2015                                | 6,394         | 1,587                 |                | 6,990         | 163                       | 15,134        |
| Net profit for the year                                 |               |                       |                | 2,032         | -111                      | 1,921         |
| Actuarial gains/losses after tax on pension schemes     |               |                       |                | -47           |                           | -47           |
| Change in value of financial assets available for sale  |               |                       |                | -62           |                           | -62           |
| Year's comprehensive income                             |               |                       |                | 1,923         | -111                      | 1,812         |
| Dividends in 2015, final determination in 2016          |               |                       |                | -384          |                           | -384          |
| Trade in treasury shares                                |               |                       |                | -2            |                           | -2            |
| Transactions with shareholders                          |               |                       |                | -386          |                           | -386          |
| Equity as at 31 Dec 2016                                | 6,394         | 1,587                 |                | 8,527         | 52                        | 16,560        |
| Net profit for the year                                 |               |                       |                | 1,868         | -9                        | 1,859         |
| Actuarial gains/losses after tax on pension schemes     |               |                       |                | -9            |                           | -9            |
| Change in value of financial assets available for sale  |               |                       |                | 9             |                           | 9             |
| Year's comprehensive income                             |               |                       |                | 1,868         | -9                        | 1,859         |
| Hybrid capital  |               |                       | 150            |               |                           | 150           |
| Interest hybrid capital                                 |               |                       |                | -3            |                           | -3            |
| Tax effect interest hybrid capital                      |               |                       |                | 1             |                           | 1             |
| Merger SR-Finans  |               |                       |                | 65            |                           | 65            |
| Dividends in 2016, final determination in 2017          |               |                       |                | -575          |                           | -575          |
| Trade in treasury shares                                |               |                       |                | -8            |                           | -8            |
| Transactions with shareholders                          |               |                       |                | -583          |                           | -583          |
| <b>Equity as at 31 Dec 2017</b>                         | <b>6,394</b>  | <b>1,587</b>          | <b>150</b>     | <b>9,875</b>  | <b>43</b>                 | <b>18,049</b> |
| <b>Group</b>  |               |                       |                |               |                           |               |
| Equity as at 31 Dec 2015                                | 6,394         | 1,587                 |                | 8,770         | 163                       | 16,914        |
| Net profit for the year                                 |               |                       |                | 1,866         | -111                      | 1,755         |
| Actuarial gains/losses after tax on pension schemes     |               |                       |                | -47           |                           | -47           |
| Change in value of financial assets available for sale  |               |                       |                | -62           |                           | -62           |
| Share of comprehensive income from associated companies |               |                       |                | -7            |                           | -7            |
| Year's comprehensive income                             |               |                       |                | 1,750         | -111                      | 1,639         |
| Corrected equity in associated companies                |               |                       |                | 121           |                           | 121           |
| Dividends in 2015, final determination in 2016          |               |                       |                | -384          |                           | -384          |
| Trade in treasury shares                                |               |                       |                | -2            |                           | -2            |
| Transactions with shareholders                          |               |                       |                | -386          |                           | -386          |
| Equity as at 31 Dec 2016                                | 6,394         | 1,587                 |                | 10,255        | 52                        | 18,288        |
| Net profit for the year                                 |               |                       |                | 2,095         | -9                        | 2,086         |
| Actuarial gains/losses after tax on pension schemes     |               |                       |                | -9            |                           | -9            |
| Change in value of financial assets available for sale  |               |                       |                | 9             |                           | 9             |
| Share of comprehensive income from associated companies |               |                       |                | 8             |                           | 8             |
| Year's comprehensive income                             |               |                       |                | 2,103         | -9                        | 2,094         |
| Hybrid capital  |               |                       | 150            |               |                           | 150           |
| Interest hybrid capital                                 |               |                       |                | -3            |                           | -3            |
| Tax effect interest hybrid capital                      |               |                       |                | 1             |                           | 1             |
| Corrected equity in associated companies                |               |                       |                | -58           |                           | -58           |
| Dividends in 2016, final determination in 2017          |               |                       |                | -575          |                           | -575          |
| Trade in treasury shares                                |               |                       |                | -8            |                           | -8            |
| Transactions with shareholders                          |               |                       |                | -583          |                           | -583          |
| <b>Equity as at 31 Dec 2017</b>                         | <b>6,394</b>  | <b>1,587</b>          | <b>150</b>     | <b>11,715</b> | <b>43</b>                 | <b>19,889</b> |

## STATEMENT OF CASH FLOW

(Figures in NOK millions)

| Parent bank |         |  |      | Group         |               |
|-------------|---------|--|------|---------------|---------------|
| 2016        | 2017    |  | Note | 2017          | 2016          |
| 16,959      | -10,609 | Change in loans to customers                                     | 8    | -14,916       | -2,448        |
| 4,256       | 4,313   | Interest receipts from loans to customers                        |      | 5,199         | 5,095         |
| -3,448      | 9,451   | Change in deposits from customers                                | 33   | 9,470         | -3,530        |
| -839        | -829    | Interest payments on deposits from customers                     |      | -823          | -835          |
| -1,963      | 9,279   | Change in receivables and deposits with financial institutions   | 7    | 738           | -1,837        |
| -491        | -593    | Interest on receivables and debt to financial institutions       |      | -776          | -629          |
| -1,728      | -10,196 | Change in certificates and bonds                                 | 27   | -10,901       | -1,510        |
| 443         | 445     | Interest receipts from certificates 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    | Paid tax   | 25   | -683          | -637          |
| -481        | 3,911   | Other accruals   |      | 3,697         | 369           |
| 11,720      | 3,992   | <b>A Net change in liquidity from operations</b>                 |      | <b>-9,091</b> | <b>-6,026</b> |
| -85         | -50     | Investments in tangible fixed assets                             | 31   | -156          | -167          |
| -           | 8       | Receipts from sale of tangible fixed assets                      | 31   | 8             | -             |
| -1,090      | -2,145  | 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 change in liquidity from investments</b>                |      | <b>837</b>    | <b>722</b>    |
| 8,395       | 5,382   | Increase in securities issued                                    | 34   | 16,303        | 29,255        |
| -15,813     | -10,256 | Repayment – securities issued                                    |      | -9,471        | -19,332       |
| -835        | -519    | Interest payments on securities issued                           |      | -737          | -1,075        |
| -           | 930     | Borrowing and sale of own subordinated loans                     | 37   | 930           | -             |
| -746        | -825    | Repayments - subordinated loans                                  | 37   | -825          | -746          |
| -132        | -103    | Interest payments on subordinated loans                          |      | -102          | -132          |
| -           | 150     | Increase in debt established by issuing hybrid capital           |      | 150           | -             |
| -           | -3      | Interest payments on debt run up by issuance of hybrid capital   |      | -3            | -             |
| -384        | -511    | Dividend to shareholders   |      | -511          | -384          |
| -9,515      | -5,755  | <b>C Net change in liquidity from financing</b>                  |      | <b>5,734</b>  | <b>7,586</b>  |
| 2,284       | -2,522  | <b>A+B+C Net change in cash and cash equivalents in the year</b> |      | <b>-2,520</b> | <b>2,282</b>  |
| 1,109       | 3,393   | Cash and cash equivalents 1 Jan                                  |      | 3,393         | 1,111         |
| 3,393       | 871     | <b>Cash and cash equivalents 31 Dec</b>                          |      | <b>873</b>    | <b>3,393</b>  |
|             |         | <b>Specification of cash and cash equivalents</b>                |      |               |               |
| 1,079       | 207     | Cash and receivables from the central bank                       |      | 207           | 1,079         |
| 2,314       | 664     | Receivables from financial institutions at call                  |      | 666           | 2,314         |
| 3,393       | 871     | <b>Cash and cash equivalents 31 Dec</b>                          |      | <b>873</b>    | <b>3,393</b>  |

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

In total, the group's liquidity portfolio was reduced by NOK 2,520 million in 2017.

## NOTE 1 GENERAL INFORMATION

SpareBank 1 SR-Bank group consists of the parent bank SpareBank 1 SR-Bank ASA ("The Bank") with subsidiaries.

### Subsidiaries - Ownership 100%

|   |
|---|
| SR-Boligkreditt AS                                      |
| EiendomsMegler 1 SR-Eiendom AS                          |
| Finstart Nordic AS                                      |
| SpareBank 1 Regnskapshuset SR AS                        |
| SR-Forvaltning AS                                       |
| Finansparken Bjergsted AS                               |
| Rygir Industrier AS with subsidiaries (acquired assets) |

### Investments in associated companies Ownership interest in %

|                               |      |
|-------------------------------|------|
| SpareBank 1 Boligkreditt AS   | 8.0  |
| SpareBank 1 Næringskreditt AS | 19.2 |
| BN Bank ASA                   | 23.5 |
| SpareBank 1 Kredittkort AS    | 17.9 |
| SMB Lab AS                    | 20.0 |
| SpareBank 1 Betaling AS       | 19.7 |

### Investments in joint controlled operations Ownership interest in %

|                                |      |
|--------------------------------|------|
| SpareBank 1 Gruppen AS         | 19.5 |
| SpareBank 1 Banksamarbeidet DA | 18.0 |

### Distribution of ownership interests in companies where the management structure is regulated in agreement between the owners (percentage of ownership)

|   | SpareBank 1 Gruppen AS | BN Bank ASA |
|---|------------------------|-------------|
| SpareBank 1 SR-Bank                       | 19.5                   | 23.5        |
| SpareBank 1 SMN                           | 19.5                   | 33.0        |
| SpareBank 1 Nord-Norge                    | 19.5                   | 23.5        |
| Samarbeidende Sparebanker AS              | 19.5                   | 20.0        |
| SpareBank 1 Østlandet                     | 12.4                   |             |
| Norwegian Federation of Trade Unions (LO) | 9.6                    |             |

The bank's head office is in Stavanger and it has 36 branches in Rogaland, Vest-Agder, Aust-Agder and Hordaland. Some of the branches share premises with EiendomsMegler 1 SR-Eiendom AS. All of the subsidiaries have their head offices in Stavanger.

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

The group's financial statements were approved by the Board of Directors on 8/3/2018. The annual general meeting is the bank's supreme authority.

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

The parent bank and group accounts for SpareBank 1 SR-Bank ("The Group") 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. This also includes interpretations of the IFRS Interpretation Committee and its predecessor, the Regular Interpretation Committee (SIC).

The annual accounts for SpareBank 1 SR-Bank for 2017 have been prepared in accordance with the IFRS rules for the parent bank and the group.

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

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

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

The annual accounts have been prepared in accordance with IFRS standards and interpretations mandatory for annual accounts as of 31/12/2017. The annual financial statements have been prepared on the assumption that the group is a going concern.

New and revised standards are taken into use in 2017:

No new standards, amendments to the standards or interpretations that materially affected the accounts of the group or the parent company were adopted from 1 January 2017.

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. The most important of these, which the group has chosen not to apply early, are described below:

IFRS 9 replaces the classification and measurement models in IAS 39. Financial instruments: Recognition and measurement with one simple model, which basically only has two categories: amortised cost and fair value. The classification of loans depends on the unit's business model for managing its financial assets and the attributes of the cash flows of the financial assets.

Note 42 provides a more exhaustive account of the assessments regarding IFRS 9.

(Note 2 cont.)

IFRS 15 Revenue from Contracts with Customers deals with recognising revenue. This will replace IAS 18 which applies to contracts for goods and services and IAS 11 which applies to construction contracts. The new standard is based on the principle of revenue recognition when control of a product or service is transferred to a customer. The principle of control replaces the existing principle of risk and return on investment.

The group's assessment is that the accounts will, to a limited extent, be affected by the implementation of IFRS 15 as of 1/1/2018.

IFRS 16 Leases will primarily affect the lessee's accounting and will result in almost all leases being capitalised. The standard eliminates the current distinction between operational and financial leases and requires recognition of a right of use asset (the right to use this leased asset) and a financial liability to pay the lease for almost all leases. Exemptions exist for short-term leases and low value leases.

The income statement will also be affected because the total cost is usually higher in the first few years of a lease and lower in later years. Operating costs will also be replaced with interest and depreciation, so important ratios will change.

Cash flows from operations will increase because payment of the principal of the lease liability will be classified as a financing activity. Only the part of the payments that are interest can be presented as cash flow from operations.

The lessor's accounting will not be materially changed. Some differences may arise as a consequence of new guidelines on the definition of a lease. Under IFRS 16, a contract is a lease, or contains a contract, if the lease transfers the right to control the use of an identified asset for a period in exchange for remuneration. The group is currently assessing the effects of IFRS 16.

There are no other standards or interpretations that have not entered into force which are expected to have a material impact on the group's financial statements.

### Presentation currency

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

### Subsidiaries

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

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

recognized as income in the payment year in accordance with the change in IAS 27.

### Consolidation

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

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

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

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

Conditional consideration is measured at fair value on the acquisition date. The treatment of subsequent changes in the fair value of conditional consideration depends on whether the conditional consideration is classified as an asset, liability or equity. Assets and liabilities that are not financial assets or liabilities (i.e. outside the scope of IAS 39) are measured at fair value with value changes presented through profit or loss. Financial assets or liabilities are measured at fair value and changes in value must, in accordance with IAS 39, be recognised or presented in other comprehensive income. No new measurement is made of conditional consideration that is classified as equity and subsequent settlements are recognised against equity.

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

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

### Change in ownership interests in subsidiaries without loss of control

Transactions with minority interests (non-controlling owners) in subsidiaries that do not result in loss of control are treated as equity

(Note 2 cont.)

transactions. In the event of further acquisitions, the difference between the remuneration and the shares' proportional share of the carrying amount for net assets in the subsidiary is recognised against the equity of the parent company's owners. Gains or losses from sales to minority interests are similarly recognised against equity.

### Disposal of subsidiaries

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

### Associated companies

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

New investments are recorded at acquisition cost in consolidated financial statements. Investments in associated companies include goodwill/badwill identified at the time of the acquisition, reduced by any possible later write-downs.

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

### Joint arrangements

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

When the equity method is used joint ventures are recognised at their original acquisition cost. The carrying amount is thereafter adjusted to recognise the share of the results after the acquisition and the share of comprehensive income. When the group's share of a loss in a joint venture exceeds the capitalized amount (including

other long-term investments that are in reality part of the group's net investment in the venture), no further loss is recognized unless liabilities have been assumed or payments have been made on behalf of the joint venture.

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

### Lending and impairment losses on loans

Loans with variable rates are measured at amortised cost in accordance with IAS 39. The amortised cost is the acquisition cost minus repayments on the principal, taking into account transaction costs, plus or minus cumulative amortisation using the effective interest method, and less any amount for impairment in value or exposure to loss. The effective interest rate is the interest that exactly discounts estimated future cash receipts and payments over the expected life of the financial instrument.

Fixed-rate loans to customers are earmarked upon initial recognition at fair value, with value changes through profit or loss, in accordance with IAS 39.9. Gains and losses resulting from changes in fair value are recorded through profit or loss as a change in value. Accrued interest and premiums/discounts are recorded as interest. The bank uses the fair value option for measuring fixed-rate loans, as this largely eliminates inconsistencies in measuring other comparable instruments in the balance sheet.

### Sales of loans

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

The bank has concluded an agreement concerning the sale of loans with good security and collateral in real estate to SR-Boligkreditt AS. In line with the administration contract between the bank and mortgage companies, the bank administers the loans and maintains the contact with customers. The bank receives a fee in the form of commissions for the duties involved in administering the loans.

### Assessment of impairment of financial assets

On each balance sheet date, the group assesses whether there is any objective evidence that the cash flow expected when the item was initially recorded will not be realised and that the value of the financial asset or group of financial assets has been reduced. An impairment in value of a financial asset assessed at amortised cost

(Note 2 cont.)

or group of financial assets assessed at amortised cost has been incurred if, and only if, there is objective evidence of impairment that could result in a reduction in future cash flows to service the commitment. The impairment must be the result of one or more events that have occurred after the initial recognition (a loss event) and it must be possible to measure the result of the loss event (or events) in a reliable manner. Objective evidence that the value of a financial asset or group of financial assets is reduced includes observable data that is known to the group as the following loss events:

- The issuer or borrower is experiencing significant financial difficulties
- Breach of contract, such as a default or delinquency in payment of instalments and interest
- The bank granting the borrower special terms for financial or legal reasons relating to borrower's financial situation
- Likelihood of the debtor entering into debt negotiations or other financial reorganisation
- Disappearance of an active market for the financial asset because of financial difficulties
- Observable data indicating that there is a measurable decline in future cash flows from a group of financial assets since the initial recognition of those assets, even though the decline cannot yet be fully identified with the individual financial assets in the group including:
  - adverse changes in the payment status of the borrowers in the group
  - national or local economic conditions that correlate with defaults of the assets in the group

The group first considers whether there is individual objective evidence of impairment of financial assets that are significant individually. For financial assets that are not individually significant, the objective evidence of impairment is considered individually or collectively. If the group decides that there is no objective evidence of impairment of an individually assessed financial asset, significant or not, the asset is included in a portfolio of financial assets with the same credit risk characteristics. The group is tested for any impairment on a portfolio basis. Assets that are assessed individually with respect to impairment, and where an impairment is identified or continues to be identified, are not included in a general assessment of impairment. See note 3.

If there is objective evidence that impairment has occurred, the amount of the loss is calculated as the difference between the asset's book (carrying) value and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's latest effective interest rate. The book value of the asset is reduced using an allowance account and the loss is recorded in the income statement.

Future cash flows from a group of financial assets that are tested for impairment on a portfolio basis are estimated on the basis of the contractual cash flows for the group and historical losses on assets with a similar credit risk. Historical losses are adjusted for existing observable data in order to take into account the effects of existing

circumstances that were not present at the time of the historical losses and to adjust for the effect of earlier circumstances that do not exist today.

### Non-performing and loss exposed commitments

The total commitment to a customer is considered to be in default (non-performing) and included in the group's summaries of defaulted loans when an instalment or interest is not paid 90 days after due date, a line of credit is overdrawn for 90 days or more, or the customer is bankrupt. Loans and other commitments that are not in default, but where the customer's financial situation makes it likely that the group will incur a loss, are classified as loss exposed commitments.

### Realised losses

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

### Repossessed assets

As part of the handling of non-performing loans and guarantees, the group acquires, in some cases, assets that have been lodged as security for such commitments. At the time of takeover, the assets are valued at their assumed realisation value and the value of the loan commitment is adjusted accordingly. Repossessed assets to be realized are classified as operations that will be sold and holdings or fixed assets held for sale are accounted for in accordance with relevant IFRS standards (usually IAS 16, IAS 38, IAS 39 or IFRS 5).

### Leases

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

The group has no contracts of the type «sale and lease back» covering property, plant and equipment.

### Securities

Securities comprise equities and units, certificates and bonds. Equities and units are recognised either as held for sale or at fair value with change in value through profit or loss. Certificates and bonds are classified either as held for sale, at fair value with value change through profit or loss, as held to maturity or as a receivable. The group uses the price on the trade date upon initial recognition of securities.

All financial instruments that are classified as held for sale or at fair value with value change through profit or loss, are measured at fair value, and changes in the value from the opening balance are recorded as income from financial investments. The group is of the opinion that financial instruments classified at fair value with value change through profit or loss provide more relevant information

(Note 2 cont.)

about the values of these items in the balance sheet than if they were assessed at amortised cost. The financial instruments included in this category are regularly reported and managed based on fair value. Certificates and bonds that are classified as held to maturity or as receivable are measured at amortized cost using an effective interest rate method. See description of this method in the section on lending.

### Derivatives and hedging

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

The group uses derivatives for operational and accounting (funding) hedging purposes to minimise the interest rate risk in fixed-rate instruments (fixed-rate funding and fixed-rate loans), bonds (assets and liabilities), and certificates (assets and liabilities). The efficiency of the hedging is assessed and documented both when the initial classification is made and on an ongoing basis. When fair value hedging is used the hedging instrument is recognised at fair value, but as far as the hedged item is concerned changes in fair value linked to the hedged risk are recognised through profit and loss and against the hedged item. See note 28 for further information.

### Goodwill/badwill

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

### Tangible fixed assets

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

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

### Operations/assets that will be sold

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

### Funding

Funding is initially recorded at the cost at which it is raised, which is fair value of the proceeds received after deducting transaction costs. Loans raised with variable rates are thereafter measured at amortised cost, and any discount/premium is accrued over the term of the loan. Funding with fixed interest is valued at fair value with discounting according to the current interest rate curve, but not taking into account changes in own credit spread and transaction costs as the group uses fair value hedging for such funding. Deposits from customers and financial institutions are assessed at amortised cost.

### Pensions

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

The covered define benefit pension scheme was closed to new members from and including 1 April 2011. A decision was also taken at the board meeting in June 2015 that employees who are still members of the defined benefit pension scheme must transfer to a defined contribution pension scheme from 1 January 2016.

#### Defined benefit scheme

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

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

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

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



(Note 2 cont.)

### Defined contribution scheme

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

### Contingent liabilities

The group issues financial guarantees as part of its ordinary business. Gross latent liabilities are specified in note 35. Impairment assessments are made as part of assessing impairment losses on loans and in accordance with the same policies, and are reported with these, ref. note 11. Provisions are made for other uncertain liabilities if it is more probable than not that the liability will materialise and the financial consequences can be reliably calculated. Information is disclosed about contingent liabilities that do not satisfy the criteria for balance sheet recording if they are significant.

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

### Subordinated loans and issued bonds

Subordinated loans are classified as subordinated loan capital in the balance sheet and are measured at amortized cost such as other long-term loans. The bank uses fair value hedging for measuring fixed-rate loans. The group has fund bonds that can be classified as debt or equity based on various valuation alternatives. Fund bonds, which are a nominal interest rate bond, where the group is not obliged to pay interest for a period when no dividend is paid, and where the investor also has no future claims on interest not paid, is classified as subordinated loan capital in the balance sheet. Such bonds are measured at amortized cost as other long-term loans and interest rates are not accumulated. Fund bonds which are perpetual, and where the group has a unilateral right not to pay interest to investors under certain conditions, do not satisfy the definition of financial obligations under IAS 32. Such bonds are classified as equity in the balance sheet (hybrid capital) and the interest rate is presented as a reduction in other equity.

### Dividends

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

### Interest income and interest costs

Interest income and interest costs related to assets and liabilities that are measured at amortised cost are recorded continuously in the income statement in accordance with the effective interest rate method. The effective interest rate is the interest rate that results in the present value of the expected cash flow over the expected life of a financial asset or liability being equal to the book value (carrying value) of the respective financial asset or liability.

In calculating the effective interest rate, the cash flow effect stated in the agreement is estimated, but without taking into account future credit losses. The calculation thus takes into account fees, transaction costs, premiums and discounts.

If a financial asset is written down due to impairment, a new effective interest rate is calculated based on adjusted estimated cash flows.

Interest income and expenses on financial instruments measured at fair value are classified as interest income and interest expenses, respectively. Other changes in value are classified as income from financial instruments.

### Commissions and commission costs

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

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

### Transactions and balance sheet items in foreign currency

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

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

### Taxes

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

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

Deferred taxes are accounted for using the liability method in accordance with IAS 12. Deferred tax assets or liabilities are calculated based on all the temporary differences, which are the differences between the book values of assets and liabilities for accounting purposes and for taxation purposes. However, no tax deferred liability or benefit is calculated on goodwill that does not

(Note 2 cont.)

provide a tax deduction, nor on initially recognised items that neither affect accounting or taxable profit.

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

### Cash flow statement

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

### Segment reporting

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

decision-making authority. The figures in the segment reporting are based on internal reporting to group executive management team.

### Events after the balance sheet date

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

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

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

The board's proposed dividend is specified in the board of directors' report and note 43. The proposed dividend is classified as equity until it has finally been approved.

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

### Impairment losses on loans and guarantees

The group assesses its entire corporate market portfolio annually. Large commitments, non-performing loans and high-risk exposures are subject to quarterly assessments. Loans to retail customers are subject to evaluation when they are in default for more than 60 days. Large non-performing loans are evaluated on a quarterly basis.

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

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

Individual write-downs are calculated as the difference between the loan's book (carrying) value and the present value of future cash flows based on the effective interest rate at the time of the calculation of the initial individual write-down. Subsequent changes in interest rates are taken into account for loan agreements with variable rates if these changes affect the expected cash flow.

Collective write-downs are calculated on groups of loans where there is objective evidence indicating that a loss event has occurred

after the initial recording of the loans. Objective evidence includes observable data that results in a measurable reduction in estimated future cash flows from the group of loans, including negative changes in the payment status of debtors in the groups of loans, or national or local economic conditions that correlate with default in the group of loans. If objective evidence of a fall in value exists, loan losses shall be calculated as the difference between the carrying amount (book value) and the present value of the estimated future cash flows, discounted at the effective interest rate.

### Fair value of equity interests

Financial assets assessed at fair value through profit or loss will normally be traded in active markets and the fair value can thus be determined with reasonable certainty. Market values for assets and liabilities that are recognised at amortised cost and appear in notes may be estimates based on discounted expected future cash flows, multiplier analyses or other calculation methods. Such methods can be subject to significant uncertainty. With the exception of a few equities, liquidity in the Norwegian stock market is poor. Share prices will under most circumstances be the last known traded price.

### Fair value of derivatives

The fair value of derivatives is usually determined by using valuation methods where the price of the underlying object, for example, interest and currency rates, is obtained from the market. In the case of options, volatility will be either observed implicit volatility or calculated volatility based on historical price movements for the underlying object.



(continuation of note 4)

| 2016   | Retail market | Corporate market | Capital market | Own account trading/ staff/ support | Eiendoms- Megler 1 | Other business | Eliminations   | SR-Bank Group  |
|--|---------------|------------------|----------------|-------------------------------------|--------------------|----------------|----------------|----------------|
| Interest income  | 1,781         | 1,983            | 30             | 1,941                               | 2                  | 3              | -177           | 5,563          |
| Interest costs   | 507           | 526              | 16             | 1,848                               | -                  | -              | -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>   |
| Commissions  | 668           | 331              | 48             | 10                                  | 348                | 167            | -61            | 1,511          |
| Commission costs   | 44            | 35               | 4              | 17                                  | -                  | 30             | -58            | 72             |
| Other operating income   | -             | -                | -              | 5                                   | -                  | -              | -1             | 4              |
| <b>Net commissions and other operating 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>   |
| Dividends  | 5             | -                | 2              | 103                                 | -                  | -              | -1             | 110            |
| Income from ownership interests  | -             | 18               | -              | 758                                 | -                  | -              | -392           | 384            |
| Net income/loss from financial investments   | 7             | 11               | 37             | 61                                  | -                  | -1             | 45             | 160            |
| <b>Net income from financial investments</b>                                       | <b>12</b>     | <b>29</b>        | <b>39</b>      | <b>922</b>                          | <b>-</b>           | <b>-1</b>      | <b>-348</b>    | <b>654</b>     |
| Personnel costs  | 400           | 196              | 54             | 237                                 | 205                | 79             | -4             | 1,166          |
| Administration costs   | 89            | 31               | 16             | 283                                 | 35                 | 11             | -1             | 464            |
| Other operating costs  | 103           | 41               | 11             | 134                                 | 94                 | 22             | -3             | 402            |
| <b>Total operating costs before impairment losses on loans</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 impairment losses on loans</b>                          | <b>1,318</b>  | <b>1,514</b>     | <b>48</b>      | <b>359</b>                          | <b>16</b>          | <b>27</b>      | <b>-346</b>    | <b>2,936</b>   |
| Change in individual impairment losses on loans and guarantees                     | 39            | 581              | -              | -                                   | -                  | -              | -              | 620            |
| Change in group write-downs on loans and guarantees                                | 6             | 152              | -              | -                                   | -                  | -              | -              | 158            |
| <b>Pre-tax profit</b>  | <b>1,273</b>  | <b>781</b>       | <b>48</b>      | <b>359</b>                          | <b>16</b>          | <b>27</b>      | <b>-346</b>    | <b>2,158</b>   |
| <b>Net interest income</b>   |               |                  |                |                                     |                    |                |                |                |
| Net external interest income   | 1,319         | 1,531            | 46             | -26                                 | -                  | 3              | -2             | 2,871          |
| Net internal interest income   | -45           | -74              | -              | 119                                 | 2                  | -              | -1             | -              |
| Net interest income  | 1,274         | 1,457            | 46             | 93                                  | 2                  | 3              | -3             | 2,871          |
| <b>Balance sheet</b>   |               |                  |                |                                     |                    |                |                |                |
| Gross loans to customers   | 95,820        | 59,264           | 379            | 2,183                               | -                  | -              | -8             | 157,638        |
| Individual impairments   | -65           | -442             | -              | -                                   | -                  | -              | -83            | -590           |
| Impairments on groups of loans   | -64           | -612             | -              | -                                   | -                  | -              | -              | -676           |
| Certificates/bonds/financial derivatives   | -             | -                | 2,222          | 25,098                              | -                  | 9              | -1,990         | 25,339         |
| Other assets   | 15            | 960              | 71             | 18,490                              | 148                | 789            | -8,777         | 11,696         |
| <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                               | -                  | -              | -272           | 85,913         |
| Other liabilities and equity <sup>1)</sup>   | 47,952        | 21,815           | 2,668          | 44,699                              | 148                | 798            | -10,586        | 107,494        |
| <b>Total liabilities 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>Total loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt</b> | <b>24,177</b> | <b>517</b>       |                |                                     |                    |                |                | <b>24,694</b>  |

<sup>1)</sup> Net interest income and other liabilities contain allocated arrangements between the segments. The interest on intercompany receivables for the retail market division and the corporate market division is 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 in the parent bank.

(continuation of note 4)

The group primarily operates in a geographical area bounded by Grimstad in the south east and Bergen in the north west. Important asset classes (loans and deposits) are also segmented geographically in separate notes under loans and deposits.

| Geographic distribution   | Rogaland       |                | Agder         |               | Hordaland     |               | SR-Bank Group  |                |
|---|----------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|
|   | 2017           | 2016           | 2017          | 2016          | 2017          | 2016          | 2017           | 2016           |
| Net interest income   | 2,627          | 2,386          | 251           | 228           | 283           | 257           | 3,162          | 2,871          |
| Net commissions and other operating income  | 1,229          | 1,164          | 133           | 126           | 162           | 153           | 1,524          | 1,443          |
| Net income from financial investments   | 631            | 651            | 1             | 1             | 2             | 2             | 634            | 654            |
| Operating costs   | 1,868          | 1,752          | 135           | 127           | 163           | 153           | 2,167          | 2,032          |
| <b>Operating profit before impairment losses on loans</b>                           | <b>2,619</b>   | <b>2,449</b>   | <b>250</b>    | <b>228</b>    | <b>284</b>    | <b>259</b>    | <b>3,153</b>   | <b>2,936</b>   |
| Impairment losses on loans and guarantees   | 516            | 771            | 6             | 1             | 21            | 6             | 543            | 778            |
| <b>Pre-tax profit</b>   | <b>2,103</b>   | <b>1,678</b>   | <b>244</b>    | <b>227</b>    | <b>263</b>    | <b>253</b>    | <b>2,610</b>   | <b>2,158</b>   |
| Gross loans to customers  | 139,256        | 127,218        | 16,463        | 15,040        | 16,835        | 15,380        | 172,554        | 157,638        |
| Individual impairments  | -546           | -492           | -40           | -56           | -53           | -42           | -639           | -590           |
| Impairments on groups of loans  | -509           | -655           | -53           | -8            | -116          | -13           | -678           | -676           |
| Certificates/bonds/financial derivatives  | 37,450         | 25,339         | -             | -             | -             | -             | 37,450         | 25,339         |
| Other assets  | 7,928          | 11,692         | 1             | 2             | 2             | 3             | 7,931          | 11,696         |
| <b>Total assets</b>   | <b>183,579</b> | <b>163,102</b> | <b>16,371</b> | <b>14,978</b> | <b>16,668</b> | <b>15,328</b> | <b>216,618</b> | <b>193,408</b> |
| Deposits from customers   | 85,418         | 76,937         | 5,058         | 4,555         | 4,908         | 4,421         | 95,384         | 85,913         |
| Other liabilities and equity  | 98,161         | 86,165         | 11,313        | 10,423        | 11,760        | 10,907        | 121,234        | 107,494        |
| <b>Total liabilities and equity</b>   | <b>183,579</b> | <b>163,102</b> | <b>16,371</b> | <b>14,978</b> | <b>16,668</b> | <b>15,328</b> | <b>216,618</b> | <b>193,408</b> |
| <b>Total loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt.</b> | <b>12,027</b>  | <b>21,735</b>  | <b>1,780</b>  | <b>1,929</b>  | <b>776</b>    | <b>1,030</b>  | <b>14,583</b>  | <b>24,694</b>  |

## NOTE 5 CAPITAL ADEQUACY

(Figures in NOK millions)

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

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

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.

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 of 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 og SpareBank 1 Kredittkort. A proportionate consolidation is carried out for the group's capital adequacy.

| Parent bank |        |                              | Group         |               |
|-------------|--------|------------------------------|---------------|---------------|
| 2016        | 2017   |                              | 2017          | 2016          |
| 6,394       | 6,394  | Share capital                | 6,394         | 6,394         |
| 1,587       | 1,587  | Share premium reserve        | 1,587         | 1,587         |
| 575         | 1,087  | Allocated dividend           | 1,087         | 575           |
| 52          | 43     | Fund for unrealised gains    | 43            | 52            |
| -           | 150    | Hybrid capital               | 150           | -             |
| 7,952       | 8,788  | Other equity                 | 10,628        | 9,680         |
| 16,560      | 18,049 | <b>Total recorded equity</b> | <b>19,889</b> | <b>18,288</b> |

Parent bank

Group

(continuation of note 5)

| 2016    | 2017    |  | 2017    | 2016    |
|---------|---------|--|---------|---------|
|         |         | <b>Tier 1 capital</b>  |         |         |
| -       | -       | Deferred tax, goodwill and other intangible assets   | -116    | -94     |
| -575    | -1,087  | Deduction for allocated dividend   | -1,087  | -575    |
| -210    | -277    | Deduction in expected losses IRB less loss provisions                                      | -337    | -263    |
| -       | -150    | Hybrid capital that cannot be included in common equity tier 1 capital                     | -150    | -       |
| -       | -       | Deduction common equity tier 1 capital for essential investments in 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>  | 18,089  | 17,143  |
| -       | 150     | Hybrid capital   | 392     | -       |
| 791     | 797     | Tier 1 capital instruments   | 797     | 1,084   |
| 16,530  | 17,440  | <b>Total tier 1 capital</b>  | 19,278  | 18,227  |
|         |         | <b>Tier 2 capital</b>  |         |         |
| 1,778   | 1,897   | Non-perpetual subordinated 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>  | 2,211   | 2,216   |
| 18,248  | 19,294  | <b>Net primary capital</b>   | 21,489  | 20,443  |
|         |         | <b>Credit risk Basel II</b>  |         |         |
| 17,228  | 19,218  | SME  | 19,220  | 17,231  |
| 18,176  | 20,724  | Specialised enterprises  | 21,916  | 19,471  |
| 6,435   | 6,735   | Other enterprises  | 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   | -       | -       |
| 70,866  | 75,103  | <b>Total credit and counterparty risk IRB</b>  | 78,275  | 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   |
| -       | -       | 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   |
| 12,769  | 19,988  | <b>Total credit and counterparty risk standard method</b>                                  | 24,813  | 23,073  |
| 415     | 562     | Risk of weaker creditworthiness at counterparty (CVA)                                      | 933     | 701     |
| 5,458   | 5,591   | Operational risk   | 7,430   | 7,054   |
| -       | -       | Transitional scheme  | 8,709   | 13,216  |
| 89,508  | 101,244 | <b>Risk-weighted balance sheet</b>   | 120,160 | 116,651 |
| 4,028   | 4,556   | Minimum requirement common equity tier 1 capital 4.5%                                      | 5,407   | 5,249   |
|         |         | <b>Buffer requirement</b>  |         |         |
| 2,238   | 2,531   | Capital conservation buffer 2.5%   | 3,004   | 2,916   |
| 2,685   | 3,037   | System risk buffer 3%  | 3,605   | 3,500   |
| 1,343   | 2,025   | Countercyclical buffer 2.0%  | 2,403   | 1,750   |
| 6,266   | 7,593   | Total buffer requirement for common equity tier 1 capital                                  | 9,012   | 8,166   |
| 5,446   | 4,344   | <b>Available common equity tier 1 capital after buffer requirement</b>                     | 3,670   | 3,728   |
| 20.39 % | 19.06 % | Capital adequacy   | 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 6 FINANCIAL RISK MANAGEMENT

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

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

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

- The group's risk and capital management framework must be documented and based on the best international practices
- The group must have a management and control structure that promotes prudent, independent management and control
- The risk and capital management shall form an integral part of the management and decision process in the group
- Risk and capital management in the group shall support the group's strategic development and achievement of objectives while ensuring financial stability and sound management of assets
- The group must have a good risk culture characterised by a high awareness of risk and capital management
- The board must approve the group's desired risk profile on at least an annual basis
- SpareBank 1 SR-Bank shall have a willingness to assume risk that provides a sufficient buffer in relation to the group's risk capability, and that no single events can seriously damage the group's financial position
- The risk identification process must be implemented regularly, look forwards, and cover all significant areas of risk
- Quantification of risk must be based on recognised methods and be sufficiently conservative to properly take account of any weaknesses in the model
- Thorough analyses must be carried out of the identified risks in order to understand the risks' effects on income, costs and losses
- Based on the risk analysis, effective management and control measures shall be established for the individual risks based on the risk analysis. Measures that reduce probability shall take precedence over measures that reduce consequences
- The group must prepare a minimum 5-year financial prognosis at least once a year, and this must as a minimum cover expected financial developments, as well as a period involving a serious financial set back – the serious financial set back must be severe, but realistic
- Return on economic capital shall be one of the most important strategic result measurements for the internal control of SpareBank 1 SR-Bank. Risk-adjusted returns shall be the basis for determining the credit-based framework for EAD between BM and PM, respectively.

- The group must carry out comprehensive, periodic risk follow-up and reporting
- The group shall, insofar as it is possible, price activities and products in line with the underlying risk to ensure the right level of risk is assumed
- The group shall draw up robust contingency and recovery plans so it can manage critical situations in the best possible way should they arise
- The group must have clear, unambiguous definitions of the various types of risk

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

**Credit risk:** the risk of loss resulting from the inability or unwillingness of customers or counterparties to fulfil their obligations

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

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

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

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

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

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

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

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

**Concentration risk:** the risk of an accumulation of exposure to an individual customer, sector or geographical area arising. Sectoral concentration risk is exposure that can arise across different types of risk or business areas in the group, e.g. due to common underlying risk drivers such as the price of oil



## Risk exposure in SpareBank 1 SR-Bank

SpareBank 1 SR-Bank is exposed to various types of risk and the most important risk groups are described below:

**Credit risk** is managed via the framework procedures for granting credit, monitoring commitments and portfolio management. The group's credit strategy comprises overriding credit strategy limits to ensure a diversified portfolio and a satisfactory risk profile. The limits set requirements and limitations related to overall loss profile and portfolio quality respectively.

The group particularly focuses on the concentration risk associated with exposure to large individual customers and certain industries. In order to avoid undesirable concentration risk, the strategic credit limits also set restrictions in relation to exposure and risk profile at a portfolio level, and for different industries and individual customers. These restrictions are additional to the limits stipulated by the Regulation regarding Major Commitments. The group's credit policy guidelines stipulate minimum requirements that apply to all types of financing, except commitments granted as part of the exercise of special credit hedging authorities. In addition to the general credit policy guidelines, a set of more specific credit policy guidelines related to sectors or segments that can entail a special risk have been prepared. For example, in the case of financing property commitments, minimum requirements are imposed for equity, advance sales of housing projects and degree of financing in relation to rental income on rental property.

The board is responsible for the group's granting of loans and credit, but delegates the responsibility to the chief executive, within certain limits. The chief executive then delegates these within his own authority. The delegated credit authorities are linked to a commitment's probability of default and degree of loss. The authority is personal. The credit review routines regulate in detail all factors related to the granting of credit by the group and follow-up of commitments.

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

1. **Probability of default (PD):** Customers are classified into default classes based on the probability of them defaulting during a period of 12 months, based on a long-term outcome in a complete loss cycle. The probability of default is calculated on the basis of historical series of data for financial key figures related to earnings and deterioration, as well as the basis of non-financial criteria such as conduct and age. When funding commercial property for leasing, a special credit model must be used internally that calculates the probability of default based on the expected cash flow from the leasing activities combined with behavioural criteria. Nine default classes (A – I) are used to classify the customers according to the probability of default. The group has two additional default classes (J and K) for customers with defaulted and/or written-down commitments.

2. **Exposure at default (EAD):** This is an estimate of what the group's exposure will be were a customer to default. This exposure consists of lending volume, guarantees and approved, but not drawn limits respectively. Approved, but not drawn facilities of a retail market customer has a conversion factor equal to 1. This means that the limit is assumed 100 percent withdrawn given default. For the corporate market, approved but not drawn facilities are multiplied by a conversion factor that varies between 60-90%, depending on the customer's probability of default. For guarantees, the conversion factor is an authority-set parameter set to 1 for loan guarantees and 0.5 for other warranties.

3. **Loss given default (LGD):** This is an estimate of how much the group can potentially lose if the customer defaults on his obligations. The assessment takes into account, among other things, the value of underlying collateral, degree of recovery on unsecured part of the commitment, degree of recovery before realization and collection costs. The group determines the realization value of collateral based on statistical data over time, as well as expert assessments in cases where statistical data do not have sufficient statement power. Realization values are set so that they reflect an assumed realization value in a recession based on a conservative assessment. Seven different classes are used (1-7 – 7) for classifying commitments in relation to loss given default.

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

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

For further information please see notes 7-14.

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

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

For further information see notes 17 and 18.

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

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

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

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

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

For more information see notes 15, 16 and 28.

**Operational risk** is managed via a risk strategy that is set annually by the board and which defines the group's willingness to assume risk. According to the current strategy, this requires the group to strive for a good balance between trust and control that ensures efficiency is safeguarded, at the same time as ensuring it is not exposed to unnecessary risk. The strategy includes specific limits for the level of operational risk exposure that will be permitted.

In order to ensure that the management is performed on the basis of an up-to-date and relevant risk picture, the group takes a dynamic approach to managing operation risk in which new and changed risk estimates are updated on an ongoing basis and risk reducing measures are assessed. In addition to this, a total review is conducted each year for important business areas together with process and risk owners.

SpareBank 1 SR-Bank regards corporate culture as the most important single factor in operational risk management. Therefore, every employee in the organisation is regularly surveyed on operational risk culture.

**Ownership risk** is managed through active board participation in a number of the part-owned companies. SpareBank 1 SR-Bank is mainly exposed to ownership risk through its stakes in SpareBank 1 Gruppen AS (19.5%), BN Bank ASA (23.5%), SpareBank 1 Boligkreditt AS (8.0%), SpareBank 1 Næringskreditt AS (19.2%), Sparebank 1 Banksamarbeidet DA (18.0 prosent), SpareBank 1 Kredittkort AS (17.9 prosent), SpareBank 1 Betaling AS (19.7 prosent) og SMB Lab AS (20.0 prosent)

**Compliance risk** is governed by the compliance framework provided by the bank's compliance policy and will ensure that the group does not incur public sanctions/fines or financial losses due to non-implementation and compliance with laws and regulations. The group's compliance policy is adopted by the board and describes the main principles for responsibility and organisation.

SpareBank 1 SR-Bank is cognisant of the need to have good processes to ensure compliance with legislation and regulations. Focus areas are continuous monitoring of compliance with the current regulations and ensuring that the group has adapted to future regulatory changes as best as it can.

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

**NOTE 7 FINANCIAL INSTITUTIONS - RECEIVABLES AND LIABILITIES**

(Figures in NOK millions)

| Parent bank |       |  | Group        |       |
|-------------|-------|--|--------------|-------|
| 2016        | 2017  |  | 2017         | 2016  |
|             |       | <b>Loans to and receivables from financial institutions</b>    |              |       |
| 2,314       | 664   | At call  | 666          | 2,314 |
| 7,824       | 943   | With agreed maturities or notice                               | 942          | 2,020 |
| 10,138      | 1,607 | <b>Total</b>   | <b>1,608</b> | 4,334 |
| 7,550       | 943   | NOK  | 944          | 2,018 |
| 2,588       | 664   | Currency   | 664          | 2,316 |
| 10,138      | 1,607 | <b>Total</b>   | <b>1,608</b> | 4,334 |
|             |       | <b>Debt to financial institutions</b>                          |              |       |
| 1,813       | 4,537 | At call  | 2,334        | 1,258 |
| 327         | 1     | With agreed maturities or notice                               | 1            | 325   |
| 2,140       | 4,538 | <b>Total</b>   | <b>2,335</b> | 1,583 |
| 1,582       | 3,306 | NOK  | 1,103        | 1,028 |
| 558         | 1,232 | Currency   | 1,232        | 555   |
| 2,140       | 4,538 | <b>Total</b>   | <b>2,335</b> | 1,583 |
|             |       | <b>Received securities that can be sold or mortgaged</b>       |              |       |
|             |       | <b>Resale agreements</b>                                       |              |       |
| 1,005       | -     | Certificates and bonds   | -            | 1,005 |
| 1,005       | -     | <b>Total received securities</b>                               | -            | 1,005 |
|             |       | <b>Of which received securities that are sold or mortgaged</b> |              |       |
| -           | -     | <b>Certificates and bonds</b>                                  | -            | -     |

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

## NOTE 8 LOANS TO CUSTOMERS

(Figures in NOK millions)

| Parent bank |         |   | Group   |         |
|-------------|---------|---|---------|---------|
| 2016        | 2017    |   | 2017    | 2016    |
|             |         | <b>Distribution by type of receivable</b>   |         |         |
| -           | 5,093   | Financial leasing   | 5,093   | 5,129   |
| 19,148      | 17,628  | Overdraft facilities and operating credits  | 29,573  | 26,635  |
| 3,216       | 2,556   | Building loans  | 2,556   | 3,215   |
| 99,256      | 106,601 | Instalment loans  | 135,281 | 122,981 |
| 132         | 116     | Excess value of fixed-rate lending/amortisation of front-end fees                                   | 116     | 118     |
| 272         | 297     | Accrued interest  | 334     | 301     |
| -741        | -399    | Net cooperate accounts currency <sup>1)</sup>   | -399    | -741    |
| 121,283     | 131,892 | <b>Gross loans</b>  | 172,554 | 157,638 |
| -434        | -639    | Individual impairments  | -639    | -590    |
| -597        | -674    | Impairments on groups of loans  | -678    | -676    |
| 120,252     | 130,579 | <b>Net loans</b>  | 171,237 | 156,372 |
|             |         | <b>Distribution by market</b>   |         |         |
| 60,523      | 64,099  | Retail market   | 104,299 | 91,171  |
| 60,954      | 67,458  | Corporate market  | 67,883  | 66,497  |
| 143         | 321     | Public sector   | 321     | 292     |
| 132         | 116     | Excess value of fixed-rate lending/amortisation of front-end fees                                   | 116     | 118     |
| 272         | 297     | Accrued interest  | 334     | 301     |
| -741        | -399    | Net cooperate accounts currency <sup>1)</sup>   | -399    | -741    |
| 121,283     | 131,892 | <b>Gross loans</b>  | 172,554 | 157,638 |
| -434        | -639    | Individual impairments  | -639    | -590    |
| -597        | -674    | Impairments on groups of loans  | -678    | -676    |
| 120,252     | 130,579 | <b>Net loans</b>  | 171,237 | 156,372 |
|             |         | <b>Of which subordinated loan capital</b>   |         |         |
| 45          | 45      | Primary capital   | 45      | 45      |
| 45          | 45      | <b>Subordinated loan capital recording as lending</b>   | 45      | 45      |
| 1,945       | 1,947   | Loans to employees  | 2,462   | 2,500   |
| 617         | 428     | Of which loans in SpareBank 1 Boligkreditt  | 536     | 815     |
| 304         | 227     | Of which loans in SR Boligkreditt   | 289     | 418     |
|             |         | The terms are one percentage point lower than the standardised rate set by the Ministry of Finance. |         |         |
| 29,333      | 40,790  | Loans sold to SR-Boligkreditt   | -       | -       |
| 15          | 26      | Received commissions from SR-Boligkreditt   | -       | -       |
| 24,177      | 14,114  | Loans sold to SpareBank 1 Boligkreditt  | 14,114  | 24,177  |
| 145         | 146     | Received commissions from SpareBank 1 Boligkreditt  | 146     | 145     |
| 517         | 469     | Loans sold to SpareBank 1 Næringskreditt  | 469     | 517     |
| 4           | 3       | Received commissions from SpareBank 1 Næringskreditt  | 3       | 4       |
|             |         | <b>Total commitment by probability of default (PD)<sup>2) 3) 4)</sup></b>                           |         |         |
| 77,337      | 77,861  | 0.00 - 0.50%  | 115,458 | 104,240 |
| 50,721      | 56,331  | 0.50 - 2.50 %   | 62,479  | 59,296  |
| 13,007      | 15,077  | 2.50 - 5.00 %   | 15,415  | 14,244  |
| 7,098       | 8,540   | 5.00 - 99.9 %   | 8,930   | 8,574   |
| 2,034       | 2,104   | Commitments in default  | 2,104   | 2,155   |
| 150,196     | 159,913 | <b>Total commitments</b>  | 204,386 | 188,510 |
| -19,154     | -18,978 | Unused credit lines for customers   | -22,712 | -21,037 |
| -9,759      | -9,043  | Guarantees  | -9,120  | -9,835  |
| 121,283     | 131,892 | <b>Gross loans</b>  | 172,554 | 157,638 |
|             |         | <b>Gross loans by probability of default (PD)<sup>2) 3) 4)</sup></b>                                |         |         |
| 62,623      | 65,049  | 0.00 - 0.50%  | 98,735  | 87,347  |
| 41,071      | 46,790  | 0.50 - 2.50 %   | 52,970  | 49,687  |
| 10,532      | 11,216  | 2.50 - 5.00 %   | 11,573  | 11,936  |
| 5,748       | 6,900   | 5.00 - 99.9 %   | 7,300   | 7,185   |
| 1,647       | 1,923   | Commitments in default  | 1,925   | 1,806   |
| 404         | 413     | Accrued interest and excess value of fixed-rate lending/amortisation of front-end fees              | 450     | 419     |
| -741        | -399    | Net cooperate accounts currency <sup>1)</sup>   | -399    | -741    |
| 121,283     | 131,892 | <b>Gross loans</b>  | 172,554 | 157,638 |

(continuation of note 8)

| Parent bank |                |  | Group          |         |
|-------------|----------------|--|----------------|---------|
| 2016        | 2017           |  | 2017           | 2016    |
|             |                | <b>Individual impairments by risk class<sup>4)</sup></b>                                 |                |         |
| 434         | <b>639</b>     | Commitments in default   | <b>639</b>     | 590     |
| 434         | <b>639</b>     | <b>Total</b>   | <b>639</b>     | 590     |
|             |                | <b>Expected annual average net loss by probability of default PD)<sup>2) 3) 4)</sup></b> |                |         |
| 9           | <b>10</b>      | 0.00 - 0.50%   | <b>11</b>      | 9       |
| 73          | <b>76</b>      | 0.50 - 2.50 %  | <b>77</b>      | 78      |
| 56          | <b>85</b>      | 2.50 - 5.00 %  | <b>86</b>      | 60      |
| 90          | <b>137</b>     | 5.00 - 99.9 %  | <b>138</b>     | 104     |
| 6           | <b>28</b>      | Commitments in default   | <b>28</b>      | 7       |
| 234         | <b>336</b>     | <b>Total</b>   | <b>339</b>     | 258     |
|             |                | <b>Total commitments by sector and industry</b>  |                |         |
| 6,746       | <b>7,372</b>   | Agriculture/forestry   | <b>7,493</b>   | 7,094   |
| 650         | <b>1,433</b>   | Fisheries/fish farming   | <b>1,434</b>   | 900     |
| 4,866       | <b>9,825</b>   | Mining operations/extraction   | <b>9,827</b>   | 5,109   |
| 3,941       | <b>3,785</b>   | Industry   | <b>3,800</b>   | 4,534   |
| 4,602       | <b>6,479</b>   | Power and water supply/building and construction   | <b>6,585</b>   | 5,327   |
| 4,070       | <b>4,327</b>   | Wholesale and retail trade, hotels and restaurants                                       | <b>4,416</b>   | 4,596   |
| 9,469       | <b>12,123</b>  | Overseas shipping, pipeline transport and other transport                                | <b>12,196</b>  | 10,042  |
| 33,217      | <b>27,379</b>  | Property management  | <b>27,387</b>  | 33,354  |
| 8,509       | <b>10,451</b>  | Service sector   | <b>10,492</b>  | 10,633  |
| 3,825       | <b>3,423</b>   | Public sector and financial services   | <b>3,423</b>   | 3,837   |
| 79,895      | <b>86,597</b>  | <b>Total industry</b>  | <b>87,052</b>  | 85,426  |
| 70,301      | <b>73,316</b>  | Retail market  | <b>117,334</b> | 103,084 |
| 150,196     | <b>159,913</b> | <b>Total</b>   | <b>204,386</b> | 188,510 |
|             |                | <b>Gross lending by sector and industry</b>  |                |         |
| 4,199       | <b>4,711</b>   | Agriculture/forestry   | <b>4,833</b>   | 4,549   |
| 506         | <b>860</b>     | Fisheries/fish farming   | <b>860</b>     | 755     |
| 4,535       | <b>4,874</b>   | Mining operations/extraction   | <b>4,876</b>   | 4,780   |
| 2,320       | <b>3,617</b>   | Industry   | <b>3,632</b>   | 2,914   |
| 2,808       | <b>3,560</b>   | Power and water supply/building and construction   | <b>3,666</b>   | 3,533   |
| 2,358       | <b>2,895</b>   | Wholesale and retail trade, hotels and restaurants                                       | <b>2,984</b>   | 2,885   |
| 9,189       | <b>9,941</b>   | Overseas shipping, pipeline transport and other transport                                | <b>10,015</b>  | 9,766   |
| 27,115      | <b>27,034</b>  | Property management  | <b>27,042</b>  | 27,269  |
| 6,317       | <b>8,418</b>   | Service sector   | <b>8,428</b>   | 8,441   |
| 1,749       | <b>1,869</b>   | Public sector and financial services   | <b>1,869</b>   | 1,898   |
| 61,097      | <b>67,779</b>  | <b>Total industry</b>  | <b>68,204</b>  | 66,789  |
| 60,523      | <b>64,099</b>  | Retail market  | <b>104,299</b> | 91,171  |
| 404         | <b>413</b>     | Accrued interest and excess value of fixed-rate lending/amortisation of front-end fees   | <b>450</b>     | 419     |
| -741        | <b>-399</b>    | Net cooperate accounts currency <sup>1)</sup>  | <b>-399</b>    | -741    |
| 121,283     | <b>131,892</b> | <b>Gross loans</b>   | <b>172,554</b> | 157,638 |
|             |                | <b>Individual write-downs by sector and industry</b>                                     |                |         |
| 7           | <b>4</b>       | Agriculture/forestry   | <b>4</b>       | 8       |
| -           | -              | Fisheries/fish farming   | -              | -       |
| -           | -              | Mining operations/extraction   | -              | -       |
| 9           | <b>28</b>      | Industry   | <b>28</b>      | 15      |
| 13          | <b>7</b>       | Power and water supply/building and construction   | <b>7</b>       | 26      |
| 25          | <b>29</b>      | Wholesale and retail trade, hotels and restaurants                                       | <b>29</b>      | 25      |
| 212         | <b>308</b>     | Overseas shipping, pipeline transport and other transport                                | <b>308</b>     | 212     |
| 93          | <b>89</b>      | Property management  | <b>89</b>      | 92      |
| 27          | <b>87</b>      | Service sector   | <b>87</b>      | 150     |
| -           | -              | Public sector and financial services   | -              | -       |
| 384         | <b>552</b>     | <b>Total industry</b>  | <b>552</b>     | 528     |
| 50          | <b>87</b>      | Retail market  | <b>87</b>      | 62      |
| 434         | <b>639</b>     | <b>Total</b>   | <b>639</b>     | 590     |

(continuation of note 8)

| Parent bank  |         |   | Group   |         |
|--|---------|---|---------|---------|
| 2016   | 2017    |   | 2017    | 2016    |
| <b>Expected annual average net loss by sector and industry<sup>2) 3)</sup></b> |         |   |         |         |
| 2  | 6       | Agriculture/forestry                                      | 6       | 4       |
| 1  | 2       | Fisheries/fish farming                                    | 2       | 1       |
| 18   | 38      | Mining operations/extraction                              | 38      | 20      |
| 14   | 30      | Industry  | 30      | 18      |
| 37   | 40      | Power and water supply/building and construction          | 40      | 38      |
| 18   | 24      | Wholesale and retail trade, hotels and restaurants        | 24      | 21      |
| 31   | 36      | Overseas shipping, pipeline transport and other transport | 36      | 33      |
| 73   | 86      | Property management                                       | 86      | 72      |
| 22   | 47      | Service sector  | 47      | 28      |
| 4  | 6       | Public sector and financial services                      | 6       | 5       |
| 220  | 315     | <b>Total industry</b>                                     | 315     | 240     |
| 14   | 21      | Retail market   | 24      | 18      |
| 234  | 336     | <b>Total</b>  | 339     | 258     |
| <b>Gross loans by geographic area</b>  |         |   |         |         |
| 82,287   | 86,335  | Rogaland  | 117,332 | 109,307 |
| 10,532   | 11,997  | Agder counties  | 15,848  | 13,985  |
| 19,753   | 22,126  | Hordaland   | 26 651  | 24,118  |
| 2,490  | 2,565   | International   | 2,619   | 2,502   |
| 6,221  | 8,869   | Other   | 10,104  | 7,726   |
| 121,283  | 131,892 | <b>Gross loans</b>  | 172,554 | 157,638 |
| <b>Loans and receivables related to financial leasing</b>                      |         |   |         |         |
| <b>Gross investments related to financial leasing</b>                          |         |   |         |         |
|  | 1,570   | Up to 1 year  | 1,570   | 1,724   |
|  | 2,134   | Between 1 to 5 years                                      | 2,134   | 3,090   |
|  | 1 611   | Later than 5 years  | 1 611   | 504     |
|  | 5,315   | <b>Total</b>  | 5,315   | 5,318   |
| <b>Net investments related to financial leasing</b>                            |         |   |         |         |
|  | 1,432   | Up to 1 year  | 1,432   | 1,579   |
|  | 1,976   | Between 1 to 5 years                                      | 1,976   | 2,863   |
|  | 1,540   | Later than 5 years  | 1,540   | 489     |
|  | 4,948   | <b>Total</b>  | 4,948   | 4,931   |

<sup>1)</sup> Loans to customers with a positive balance on group accounts

<sup>2)</sup> PD = Probability of Default

<sup>3)</sup> The expected average annual net loss is the amount that the parent bank and the group statistically expect to lose on the lending portfolio over a 12-month period. The calculations are based on a long-term average over an economic cycle.

<sup>4)</sup> In the event of a write-down, all the loan capital is moved to the default class irrespective of earlier classification.

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

### Loans sold to SpareBank 1 Boligkreditt AS

SpareBank 1 Boligkreditt AS is owned by the savings banks that make up the SpareBank 1 Alliance and shares premises with SpareBank 1 Næringskreditt AS in Stavanger. The bank owned a 8.0% stake as at 31 December 2017 (13.9% as at 31 December 2016). The purpose of the mortgage company is to ensure the alliance banks access to stable, long-term funding for home mortgages at competitive prices. Covered bonds issued by

SpareBank 1 Boligkreditt AS have an Aaa and AAA rating from Moody's and Fitch, respectively. SpareBank 1 Boligkreditt AS also issues bonds with a lower rating that are not covered bonds. SpareBank 1 Boligkreditt AS acquires loans with collateral in housing and issues covered bonds in accordance with the regulations established for this in 2007. As part of the SpareBank 1 Alliance, the bank can offer SpareBank 1 Boligkreditt AS the opportunity to buy loans and the bank sells loans to SpareBank 1 Boligkreditt AS as part of its funding strategy. Loans sold to SpareBank 1 Boligkreditt AS are secured by collateral in housing up to a ceiling of 75% of their

(continuation of note 9)

valuation. The sold loans are legally owned by SpareBank 1 Boligkreditt AS and the bank has, apart from the right to administer them and receive commissions, as well as the right to take over fully or partially written down loans, no right to use the loans. At the end of December 2017, the value of transferred loans amounted to NOK 14.1 billion (NOK 24.2 billion). The Bank administers the sold loans and receives commissions based on the net return on the loans the Bank has sold less the company's costs.

#### Loans sold to SpareBank 1 Næringskreditt AS

SpareBank 1 Næringskreditt AS was established in 2009 and has a licence from the Financial Supervisory Authority of Norway to operate as a mortgage company that issues covered bonds (OMF). OMF issued by SpareBank 1 Næringskreditt AS has an Aaa rating from Moody's. The company is owned by savings banks that are part of the SpareBank 1 alliance and shares premises with SpareBank 1 Boligkreditt AS in Stavanger. The bank owned a 19.2% stake as at 31 December 2017 (21.9% as of 31 December 2016). The purpose of the mortgage company is to ensure the banks in the alliance have access to stable, long-term funding for commercial property at competitive prices. SpareBank 1 Næringskreditt AS acquires loans with collateral in commercial property and issues covered bonds in accordance with the regulations established for

this in 2007. As part of the SpareBank 1 Alliance, the bank can offer the company the opportunity to buy loans and the bank sells loans as part of its funding strategy. Loans sold to SpareBank 1 Næringskreditt AS are secured by collateral in commercial properties up to a ceiling of 60% of their valuation. The sold loans are legally owned by SpareBank 1 Næringskreditt AS and the bank has, apart from the right to administer them and receive commissions for this and the right to take over fully or partially written down loans, no right to use the loans. At the end of December 2017, the value of sold loans amounted to NOK 0.47 billion (NOK 0.52 billion). The Bank administers the sold loans and receives commissions based on the net return on the loans the Bank has sold less the company's costs.

The loans sold to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS are very well collateralised and are very unlikely to result in losses.

The agreements between the bank and SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS mean that the bank has transferred practically all risks and benefits of ownership related to the sold loans. The sale is therefore treated as a pure sale and the loans are thus fully eliminated from the bank's balance sheet.

## NOTE 10 AGE DISTRIBUTION OF DUE BUT NOT WRITTEN DOWN LOANS

(Figures in NOK millions)

The table below shows amounts due on loans, overdrafts/deposits and by number of days after their due date that are not due to delays in money-transfer services.

#### Parent bank

| 2017                      | Less than 30 days | 31 - 60 days | 61 - 90 days | More than 91 days | Total        |
|---------------------------|-------------------|--------------|--------------|-------------------|--------------|
| <b>Loans to customers</b> |                   |              |              |                   |              |
| - Retail market           | 950               | 104          | 33           | 125               | 1 212        |
| - Corporate market        | 1,381             | 180          | 3            | 68                | 1,632        |
| <b>Total</b>              | <b>2,331</b>      | <b>284</b>   | <b>36</b>    | <b>193</b>        | <b>2,844</b> |

2016

|                           |              |           |          |            |              |
|---------------------------|--------------|-----------|----------|------------|--------------|
| <b>Loans to customers</b> |              |           |          |            |              |
| - Retail market           | 1,190        | 49        | 4        | 74         | 1,317        |
| - Corporate market        | 356          | 26        | -        | 253        | 635          |
| <b>Total</b>              | <b>1,546</b> | <b>75</b> | <b>4</b> | <b>327</b> | <b>1,952</b> |

#### Group

| 2017                      | Less than 30 days | 31 - 60 days | 61 - 90 days | More than 91 days | Total        |
|---------------------------|-------------------|--------------|--------------|-------------------|--------------|
| <b>Loans to customers</b> |                   |              |              |                   |              |
| - Retail market           | 1,079             | 120          | 33           | 125               | 1 357        |
| - Corporate market        | 1,381             | 180          | 3            | 68                | 1,632        |
| <b>Total</b>              | <b>2,460</b>      | <b>300</b>   | <b>36</b>    | <b>193</b>        | <b>2,989</b> |

2016

|                           |              |           |          |            |              |
|---------------------------|--------------|-----------|----------|------------|--------------|
| <b>Loans to customers</b> |              |           |          |            |              |
| - Retail market           | 1,347        | 61        | 6        | 89         | 1,503        |
| - Corporate market        | 395          | 31        | 3        | 261        | 690          |
| <b>Total</b>              | <b>1,742</b> | <b>92</b> | <b>9</b> | <b>350</b> | <b>2,193</b> |

**NOTE 11 IMPAIRMENT LOSSES ON LOANS AND GUARANTEES**

(Figures in NOK millions)

**Parent bank**

|  | 2017          |                  |            | 2016          |                  |            |
|--|---------------|------------------|------------|---------------|------------------|------------|
|  | Retail market | Corporate market | Total      | Retail market | Corporate market | Total      |
| <b>Impairment losses on loans and guarantees</b>   |               |                  |            |               |                  |            |
| Change in individual impairments in the period   | 28            | 28               | 56         | -2            | 236              | 234        |
| Change in collective impairments in the period   | 1             | -1               | -          | 3             | 144              | 147        |
| Realised losses on commitments previously written down                                     | 14            | 248              | 262        | 31            | 95               | 126        |
| Realised losses on commitments not previously written down                                 | 18            | 213              | 231        | 5             | 173              | 178        |
| Change in impairments in repossessed assets in the period                                  | 1             | -                | 1          | -             | -                | -          |
| Amortised loans  | -1            | 9                | 8          | -1            | 7                | 6          |
| Recoveries on loans and guarantees previously written down                                 | -7            | -9               | 16         | -3            | -4               | -7         |
| <b>Total impairment losses on loans and guarantees</b>                                     | <b>54</b>     | <b>488</b>       | <b>542</b> | <b>33</b>     | <b>651</b>       | <b>684</b> |
| <b>Individual impairments</b>  |               |                  |            |               |                  |            |
| Individual impairments to cover losses on loans and guarantees as at 1 Jan                 | 61            | 461              | 522        | 63            | 225              | 288        |
| Individual impairments to cover losses on loans and guarantees as at 1 Jan SR-Finans       | 4             | 70               | 74         |               |                  |            |
| Realised losses in the period on loans and guarantees previously written down individually | -14           | -248             | -262       | -31           | -95              | -126       |
| Reversal of impairments in previous years  | -8            | -15              | -23        | -6            | -40              | -46        |
| Increase in impairments in commitments previously written down individually                | 3             | 160              | 163        | 11            | 22               | 33         |
| Amortised cost   | 2             | 1                | 3          | 1             | -8               | -7         |
| Impairments in commitments not previously written down individually                        | 45            | 130              | 175        | 23            | 357              | 380        |
| <b>Individual impairments to cover losses on loans and guarantees as at 31 Dec</b>         | <b>93</b>     | <b>559</b>       | <b>652</b> | <b>61</b>     | <b>461</b>       | <b>522</b> |
| <b>Impairments on groups of loans</b>  |               |                  |            |               |                  |            |
| Impairments to cover losses on loans and guarantees as at 1 Jan                            | 48            | 550              | 598        | 45            | 406              | 451        |
| Impairments to cover losses on loans and guarantees as of 1 Jan SR-Finans                  | 14            | 62               | 76         |               |                  |            |
| Impairments to cover losses on loans and guarantees in the period                          | 1             | -1               | -          | 3             | 144              | 147        |
| <b>Collective impairments to cover losses on loans and guarantees as at 31 Dec</b>         | <b>63</b>     | <b>611</b>       | <b>674</b> | <b>48</b>     | <b>550</b>       | <b>598</b> |
| <b>Impairments by sector and industry</b>  |               |                  |            |               |                  |            |
| Agriculture/forestry   |               | 1 %              | 4          |               | 0 %              | 3          |
| Fisheries/fish farming   |               | 0 %              | -          |               | 0 %              | -          |
| Mining operations/extraction   |               | 0 %              | -          |               | 0 %              | -          |
| Industry   |               | 0 %              | 1          |               | 1 %              | 4          |
| Power and water supply/building and construction   |               | 1 %              | -3         |               | 1 %              | 8          |
| Wholesale and retail trade, hotels and restaurants   |               | 3 %              | 15         |               | 1 %              | 5          |
| Overseas shipping, pipeline transport and other transport                                  |               | 35 %             | 188        |               | 28 %             | 194        |
| Property management  |               | 6 %              | 33         |               | 4 %              | 30         |
| Service sector   |               | 46 %             | 250        |               | 40 %             | 271        |
| Transferred from impairments in groups of loans  |               | 0 %              | -          |               | 21 %             | 147        |
| Retail market  |               | 10 %             | 54         |               | 3 %              | 22         |
| <b>Impairment losses on loans and guarantees</b>   |               | <b>100 %</b>     | <b>542</b> |               | <b>100 %</b>     | <b>684</b> |
| <b>Non-performing and impaired commitments</b>   |               | <b>2017</b>      | 2016       | 2015          | 2014             | 2013       |
| Non-performing commitments   |               | 555              | 917        | 829           | 395              | 804        |
| Other impaired commitments   |               | 1,562            | 1,069      | 493           | 481              | 378        |
| <b>Total impaired loans</b>  |               | <b>2,117</b>     | 1,986      | 1,322         | 876              | 1,182      |
| Individual impairment losses on loans and guarantees                                       |               | -652             | -522       | -288          | -302             | -405       |
| <b>Net impaired commitments</b>  |               | <b>1,465</b>     | 1,464      | 1,034         | 574              | 777        |



(continuation of note 11)

| Group  | 2017          |                  |            | 2016          |                  |            |
|--|---------------|------------------|------------|---------------|------------------|------------|
|  | Retail market | Corporate market | Total      | Retail market | Corporate market | Total      |
| <b>Impairment losses on loans and guarantees</b>   |               |                  |            |               |                  |            |
| Change in individual impairments in the period   | 28            | 28               | 56         | 2             | 275              | 277        |
| Change in collective impairments in the period   | 4             | -2               | 2          | 6             | 152              | 158        |
| Realised losses on commitments previously written down                                     | 14            | 248              | 262        | 31            | 111              | 142        |
| Realised losses on commitments not previously written down                                 | 18            | 213              | 231        | 18            | 190              | 208        |
| Change in impairments in repossessed assets in the period                                  | 1             | -                | 1          | -             | -                | -          |
| Amortised loans  | -1            | 8                | 7          | -1            | 7                | 6          |
| Recoveries on loans and guarantees previously written down                                 | -7            | -9               | 16         | -8            | -5               | -13        |
| <b>Total impairment losses on loans and guarantees</b>                                     | <b>57</b>     | <b>486</b>       | <b>543</b> | <b>48</b>     | <b>730</b>       | <b>778</b> |
| <b>Individual impairments</b>  |               |                  |            |               |                  |            |
| Individual impairments to cover losses on loans and guarantees as at 1 Jan                 | 65            | 530              | 595        | 63            | 255              | 318        |
| Realised losses in the period on loans and guarantees previously written down individually | -14           | -248             | -262       | -31           | -110             | -141       |
| Reversal of impairments in previous years  | -8            | -15              | -23        | -6            | -45              | -51        |
| Increase in impairments in commitments previously written down individually                | 3             | 160              | 163        | 11            | 22               | 33         |
| Amortised cost   | 2             | 2                | 4          | 1             | -8               | -7         |
| Impairments in commitments not previously written down individually                        | 45            | 130              | 175        | 27            | 416              | 443        |
| <b>Individual impairments to cover losses on loans and guarantees as at 31 Dec</b>         | <b>93</b>     | <b>559</b>       | <b>652</b> | <b>65</b>     | <b>530</b>       | <b>595</b> |
| <b>Impairments on groups of loans</b>  |               |                  |            |               |                  |            |
| Impairments to cover losses on loans and guarantees as at 1 Jan                            | 64            | 612              | 676        | 58            | 460              | 518        |
| Impairments to cover losses on loans and guarantees in the period                          | 4             | -2               | 2          | 6             | 152              | 158        |
| <b>Collective impairments to cover losses on loans and guarantees as at 31 Dec</b>         | <b>68</b>     | <b>610</b>       | <b>678</b> | <b>64</b>     | <b>612</b>       | <b>676</b> |
| <b>Impairments by sector and industry</b>  |               |                  |            |               |                  |            |
| Agriculture/forestry   |               | 1 %              | 4          |               | 1 %              | 4          |
| Fisheries/fish farming   |               | 0 %              | -          |               | 0 %              | -          |
| Mining operations/extraction   |               | 0 %              | -          |               | 0 %              | -          |
| Industry   |               | 0 %              | 1          |               | 1 %              | 10         |
| Power and water supply/building and construction   |               | 1 %              | -3         |               | 3 %              | 21         |
| Wholesale and retail trade, hotels and restaurants   |               | 3 %              | 15         |               | 1 %              | 5          |
| Overseas shipping, pipeline transport and other transport                                  |               | 35 %             | 188        |               | 25 %             | 195        |
| Property management  |               | 6 %              | 33         |               | 4 %              | 29         |
| Service sector   |               | 46 %             | 250        |               | 41 %             | 322        |
| Transferred from impairments in groups of loans  |               | 0 %              | -          |               | 20 %             | 158        |
| Retail market  |               | 10 %             | 55         |               | 4 %              | 34         |
| <b>Impairment losses on loans and guarantees</b>   |               | <b>100 %</b>     | <b>543</b> |               | <b>100 %</b>     | <b>778</b> |
| <b>Non-performing and impaired commitments</b>   |               | <b>2017</b>      | 2016       | 2015          | 2014             | 2013       |
| Non-performing commitments   |               | 555              | 1,070      | 853           | 427              | 830        |
| Other impaired commitments   |               | 1,562            | 1,141      | 548           | 513              | 439        |
| <b>Total impaired loans</b>  |               | <b>2,117</b>     | 2,211      | 1,401         | 940              | 1,269      |
| Individual impairment losses on loans and guarantees                                       |               | -652             | -595       | -318          | -322             | -446       |
| <b>Net impaired commitments</b>  |               | <b>1,465</b>     | 1,616      | 1,083         | 618              | 823        |

The interest on commitments in 2017 with an impairment as of 31 December 2017 amounts to NOK 72 million in the parent bank and NOK 72 million in the group. The fair value of the collateral related to loans and receivables that are the object of individual write-downs is equal to the book value plus the impairment. The collateral is in the form of cash, securities, guarantees and properties.

**NOTE 12 CREDIT RISK EXPOSURE FOR EACH INTERNAL RISK CLASS**

(Figures in NOK millions)

|   | Average<br>unsecured<br>exposure | Total<br>commitments | Average<br>unsecured<br>exposure | Total<br>commitments |
|---|----------------------------------|----------------------|----------------------------------|----------------------|
|   | 2017                             |                      | 2016                             |                      |
| <b>Parent bank</b>                        |                                  |                      |                                  |                      |
| Probability of default (PD) <sup>1)</sup> |                                  |                      |                                  |                      |
| 0.00 - 0.50%                              | 23.6 %                           | 77,861               | 27.5 %                           | 77,337               |
| 0.50 - 2.50 %                             | 28.6 %                           | 56,331               | 30.0 %                           | 50,721               |
| 2.50 - 5.00 %                             | 37.9 %                           | 15,077               | 33.6 %                           | 13,007               |
| 5.00 - 99.9 %                             | 37.7 %                           | 8,540                | 33.1 %                           | 7,098                |
| Non-performing and written down           | 53.9 %                           | 2,104                | 42.6 %                           | 2,034                |
| <b>Total</b>                              | <b>27.9 %</b>                    | <b>159,913</b>       | <b>29.3 %</b>                    | <b>150,196</b>       |
| <b>Group</b>                              |                                  |                      |                                  |                      |
| Probability of default (PD) <sup>1)</sup> |                                  |                      |                                  |                      |
| 0.00 - 0.50%                              | 18.2 %                           | 115,458              | 22.4 %                           | 104,240              |
| 0.50 - 2.50 %                             | 26.9 %                           | 62,479               | 28.1 %                           | 59,296               |
| 2.50 - 5.00 %                             | 36.9 %                           | 15,415               | 33.3 %                           | 14,244               |
| 5.00 - 99.9 %                             | 36.9 %                           | 8,930                | 32.9 %                           | 8,574                |
| Non-performing and written down           | 54.2 %                           | 2,104                | 42.7 %                           | 2,155                |
| <b>Total</b>                              | <b>23.4 %</b>                    | <b>204,386</b>       | <b>25.8 %</b>                    | <b>188,510</b>       |

<sup>1)</sup> PD = probability of default

**NOTE 13 MAXIMUM CREDIT RISK EXPOSURE**

(Figures in NOK millions)

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

| Parent bank |         |  | Group          |         |
|-------------|---------|--|----------------|---------|
| 2016        | 2017    |  | 2017           | 2016    |
|             |         | <b>Assets</b>  |                |         |
| 889         | 13      | Receivables from the central bank                      | 13             | 889     |
| 10,138      | 1,607   | Loans to and receivables from financial institutions   | 1,608          | 4,334   |
| 120,252     | 130,579 | Loans to and receivables from customers                | 171,237        | 156,372 |
| 22,042      | 32,203  | Certificates and bonds                                 | 31,909         | 21,024  |
| 5,057       | 6,033   | Derivatives  | 5,541          | 4,315   |
| 158,378     | 170,435 | <b>Total credit risk exposure balance sheet items</b>  | <b>210,308</b> | 186,934 |
|             |         | <b>Financial guarantees and loan commitments</b>       |                |         |
| 9,759       | 9,043   | Guarantees customers                                   | 9,120          | 9,835   |
| 588         | 588     | Guarantees others                                      | 588            | 588     |
| 5,371       | 5,000   | Unused credit lines for financial institutions         | -              | -       |
| 19,154      | 18,978  | Unused credit lines for customers                      | 22,712         | 21,037  |
| 1,558       | 4,824   | Loan commitments                                       | 4,749          | 1,650   |
| 36,430      | 38,433  | <b>Total financial guarantees and loan commitments</b> | <b>37,169</b>  | 33,110  |
| 194,808     | 208,868 | <b>Total credit risk exposure</b>                      | <b>247,477</b> | 220,044 |

**Credit risk exposure related to financial assets by geographic area**

| Parent bank |         |                                 | Group          |         |
|-------------|---------|---------------------------------|----------------|---------|
| 2016        | 2017    | Banking operations              | 2017           | 2016    |
| 115,882     | 113,587 | Rogaland                        | 142,404        | 133,119 |
| 13,099      | 14,882  | Agder counties                  | 19,096         | 16,850  |
| 24,492      | 27,303  | Hordaland                       | 32,256         | 28,992  |
| 3,115       | 3,156   | International                   | 3,216          | 3,034   |
| 11,121      | 11,704  | Other                           | 13,055         | 12,710  |
| 167,709     | 170,632 | <b>Total banking operations</b> | <b>210,027</b> | 194,705 |
|             |         | <b>Market activities</b>        |                |         |
| 10,880      | 15,447  | Norway                          | 15,153         | 10,091  |
| 10,886      | 16,179  | Europe/Asia                     | 16,179         | 10,657  |
| 276         | 577     | North America/Oceania           | 577            | 276     |
| 22,042      | 32,203  | <b>Total market activities</b>  | <b>31,909</b>  | 21,024  |
| 5,057       | 6,033   | Derivatives                     | 5,541          | 4,315   |
| 194,808     | 208,868 | <b>Total by geographic area</b> | <b>247,477</b> | 220,044 |

**NOTE 14 CREDIT QUALITY PER CLASS OF FINANCIAL ASSET**

(Figures in NOK millions)

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

| <b>Parent bank</b>  |                     |                      |                      |                       |                               |                    |                |
|---|---------------------|----------------------|----------------------|-----------------------|-------------------------------|--------------------|----------------|
| <b>2017</b>   | <b>0.00 - 0.50%</b> | <b>0.50 - 2.50 %</b> | <b>2.50 - 5.00 %</b> | <b>5.00 - 99.99 %</b> | <b>Commitments in default</b> | <b>Write-downs</b> | <b>Total</b>   |
| <b>Net loans</b>  |                     |                      |                      |                       |                               |                    |                |
| Loans to and receivables from financial institutions                                      | 1,607               | -                    | -                    | -                     | -                             | -                  | 1,607          |
| Loans to and receivables from customers   |                     |                      |                      |                       |                               |                    |                |
| - Retail market   | 48,342              | 13,173               | 843                  | 1,345                 | 396                           | -156               | 63,943         |
| - Corporate market  | 16,614              | 33,404               | 10,321               | 5,523                 | 1,518                         | -1,157             | 66,223         |
| - Accrued interest, excess value of fixed-rate lending and amortisation of front-end fees | -                   | -                    | -                    | -                     | -                             | -                  | 413            |
| <b>Total net loans</b>  | <b>66,563</b>       | <b>46,577</b>        | <b>11,164</b>        | <b>6,868</b>          | <b>1,914</b>                  | <b>-1,313</b>      | <b>132,186</b> |
| <b>Financial investments</b>  |                     |                      |                      |                       |                               |                    |                |
| Norwegian government bonds  | -                   | -                    | -                    | -                     | -                             | -                  | -              |
| Listed certificates and bonds   | 31,302              | 154                  | 1                    | 92                    | 2                             | -                  | 31,551         |
| Unlisted certificates and bonds   | 500                 | -                    | -                    | -                     | -                             | -                  | 500            |
| Accrued interest  | 148                 | 2                    | -                    | 2                     | -                             | -                  | 152            |
| <b>Total financial investments</b>  | <b>31,950</b>       | <b>156</b>           | <b>1</b>             | <b>94</b>             | <b>2</b>                      | <b>-</b>           | <b>32,203</b>  |
| <b>Total loan-related assets</b>  | <b>98,513</b>       | <b>46,733</b>        | <b>11,165</b>        | <b>6,962</b>          | <b>1,916</b>                  | <b>-1,313</b>      | <b>164,389</b> |
| <b>Parent bank</b>  |                     |                      |                      |                       |                               |                    |                |
| <b>2016</b>   |                     |                      |                      |                       |                               |                    |                |
| <b>Net loans</b>  |                     |                      |                      |                       |                               |                    |                |
| Loans to and receivables from financial institutions                                      | 10,138              | -                    | -                    | -                     | -                             | -                  | 10,138         |
| Loans to and receivables from customers   |                     |                      |                      |                       |                               |                    |                |
| - Retail market   | 46,676              | 11,569               | 778                  | 1,310                 | 190                           | -108               | 60,415         |
| - Corporate market  | 16,172              | 29,749               | 8,172                | 5,536                 | 727                           | -923               | 59,433         |
| - Accrued interest, excess value of fixed-rate lending and amortisation of front-end fees | -                   | -                    | -                    | -                     | -                             | -                  | 404            |
| <b>Total net loans</b>  | <b>72,986</b>       | <b>41,318</b>        | <b>8,950</b>         | <b>6,846</b>          | <b>917</b>                    | <b>-1,031</b>      | <b>130,390</b> |
| <b>Financial investments</b>  |                     |                      |                      |                       |                               |                    |                |
| Norwegian government bonds  | -                   | -                    | -                    | -                     | -                             | -                  | -              |
| Listed certificates and bonds   | 20,364              | 143                  | 6                    | 88                    | 4                             | -                  | 20,605         |
| Unlisted certificates and bonds   | 1,303               | -                    | -                    | 3                     | -                             | -                  | 1,306          |
| Accrued interest  | 129                 | 1                    | -                    | 1                     | -                             | -                  | 131            |
| <b>Total financial investments</b>  | <b>21,796</b>       | <b>144</b>           | <b>6</b>             | <b>92</b>             | <b>4</b>                      | <b>-</b>           | <b>22,042</b>  |
| <b>Total loan-related assets</b>  | <b>94,782</b>       | <b>41,462</b>        | <b>8,956</b>         | <b>6,938</b>          | <b>921</b>                    | <b>-1,031</b>      | <b>152,432</b> |

(continuation of note 14)

| Group   |                |               |               |                |                        |               |                |  |
|---|----------------|---------------|---------------|----------------|------------------------|---------------|----------------|--|
| 2017  | 0.00 - 0.50%   | 0.50 - 2.50 % | 2.50 - 5.00 % | 5.00 - 99.99 % | Commitments in default | Write-downs   | Total          |  |
| <b>Net loans</b>  |                |               |               |                |                        |               |                |  |
| Loans to and receivables from financial institutions                                      | 1,608          | -             | -             | -              | -                      | -             | 1,608          |  |
| Loans to and receivables from customers   |                |               |               |                |                        |               |                |  |
| - Retail market   | 81,670         | 19,279        | 1,215         | 1,733          | 402                    | -160          | 104,139        |  |
| - Corporate market  | 16,867         | 33,546        | 10,327        | 5,547          | 1,518                  | -1,157        | 66,648         |  |
| - Accrued interest, excess value of fixed-rate lending and amortisation of front-end fees | -              | -             | -             | -              | -                      | -             | 450            |  |
| <b>Total net loans</b>  | <b>100,145</b> | <b>52,825</b> | <b>11,542</b> | <b>7,280</b>   | <b>1,920</b>           | <b>-1,317</b> | <b>172,845</b> |  |
| <b>Financial investments</b>  |                |               |               |                |                        |               |                |  |
| Norwegian government bonds  | -              | -             | -             | -              | -                      | -             | -              |  |
| Listed certificates and bonds   | 31,003         | 154           | 1             | 92             | 2                      | -             | 31,252         |  |
| Unlisted certificates and bonds   | 500            | 10            | -             | -              | -                      | -             | 510            |  |
| Accrued interest  | 143            | 2             | -             | 2              | -                      | -             | 147            |  |
| <b>Total financial investments</b>  | <b>31,646</b>  | <b>166</b>    | <b>1</b>      | <b>94</b>      | <b>2</b>               | <b>-</b>      | <b>31,909</b>  |  |
| <b>Total loan-related assets</b>  | <b>131,791</b> | <b>52,991</b> | <b>11,543</b> | <b>7,374</b>   | <b>1,922</b>           | <b>-1,317</b> | <b>204,754</b> |  |

**Group**

2016

| Group   |                |               |               |              |              |               |                |  |
|---|----------------|---------------|---------------|--------------|--------------|---------------|----------------|--|
| 2016  |                |               |               |              |              |               |                |  |
| <b>Net loans</b>  |                |               |               |              |              |               |                |  |
| Loans to and receivables from financial institutions                                      | 4,305          | -             | -             | -            | -            | -             | 4,305          |  |
| Loans to and receivables from customers   |                |               |               |              |              |               |                |  |
| - Retail market   | 70,606         | 17,536        | 1,075         | 1,741        | 213          | -129          | 91,042         |  |
| - Corporate market  | 16,770         | 32,813        | 9,083         | 6,524        | 857          | -1,137        | 64,911         |  |
| - Accrued interest, excess value of fixed-rate lending and amortisation of front-end fees | -              | -             | -             | -            | -            | -             | 419            |  |
| <b>Total net loans</b>  | <b>91,681</b>  | <b>50,349</b> | <b>10,158</b> | <b>8,265</b> | <b>1,070</b> | <b>-1,266</b> | <b>160,677</b> |  |
| <b>Financial investments</b>  |                |               |               |              |              |               |                |  |
| Norwegian government bonds  | -              | -             | -             | -            | -            | -             | -              |  |
| Listed certificates and bonds   | 19,340         | 143           | 6             | 88           | 4            | -             | 19,581         |  |
| Unlisted certificates and bonds   | 1,303          | 8             | -             | 3            | -            | -             | 1,314          |  |
| Accrued interest  | 127            | 1             | -             | 1            | -            | -             | 129            |  |
| <b>Total financial investments</b>  | <b>20,770</b>  | <b>152</b>    | <b>6</b>      | <b>92</b>    | <b>4</b>     | <b>-</b>      | <b>21,024</b>  |  |
| <b>Total loan-related assets</b>  | <b>112,451</b> | <b>50,501</b> | <b>10,164</b> | <b>8,357</b> | <b>1,074</b> | <b>-1,266</b> | <b>181,701</b> |  |

**Classification of financial investments:**

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

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

**NOTE 15 MARKET RISK RELATED TO INTEREST RATE RISK**

(Figures in NOK millions)

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

| Parent bank |            |                               | Group      |      |
|-------------|------------|-------------------------------|------------|------|
| 2016        | 2017       |                               | 2017       | 2016 |
| -28         | <b>-45</b> | Certificates and bonds        | <b>-45</b> | -28  |
| -21         | <b>16</b>  | Fixed-rate loans to customers | <b>16</b>  | -21  |
| -58         | <b>-39</b> | Other loans and deposits      | <b>-83</b> | -86  |
| 87          | <b>67</b>  | Securities issued             | <b>121</b> | 127  |
| -3          | <b>1</b>   | Other                         | <b>1</b>   | -3   |
| -23         | <b>-32</b> | Total interest rate risk      | <b>-22</b> | -11  |
|             |            | Maturity bands                |            |      |
| -18         | <b>-21</b> | 0 - 3 months                  | <b>-11</b> | -6   |
| -4          | -          | 3 - 6 months                  | -          | -4   |
| 13          | <b>-3</b>  | 6 - 9 months                  | <b>-3</b>  | 13   |
| 5           | <b>2</b>   | 9 - 12 months                 | <b>2</b>   | 5    |
| -6          | <b>-1</b>  | 12 - 18 months                | <b>-1</b>  | -6   |
| -           | <b>-2</b>  | 18 - 24 months                | <b>-2</b>  | -    |
| -13         | <b>-7</b>  | 2 - 10 years                  | <b>-7</b>  | -13  |
| -           | -          | 10 years +                    | -          | -    |
| -23         | <b>-32</b> | Total interest rate risk      | <b>-22</b> | -11  |
|             |            | Currency                      |            |      |
| 5           | <b>7</b>   | NOK                           | <b>17</b>  | -2   |
| -23         | <b>-27</b> | EUR                           | <b>-27</b> | -4   |
| -6          | <b>-11</b> | USD                           | <b>-11</b> | -6   |
| 3           | <b>-1</b>  | CHF                           | <b>-1</b>  | 3    |
| -2          | -          | Other                         | -          | -2   |
| -23         | <b>-32</b> | Total interest rate risk      | <b>-22</b> | -11  |

Interest rate risk arises because the Group's assets and liabilities may be subject to different fixed-rate periods. Interest rate instrument trading must at all times comply with the adopted limits and authorities. The group's limits define quantitative targets for maximum potential loss by a parallel shift in the yield curve of one percentage point.

The limit is NOK 85 million divided between NOK 50 million and NOK 35 million on the total balance of Treasury and SR-Bank Markets, respectively. The commercial risk is quantified and monitored continuously.

**NOTE 16 MARKET RISK RELATED TO CURRENCY RISK**

(Figures in NOK millions)

The table shows net foreign currency exposure including financial derivatives as at 31 December, calculated in accordance with section 38-3 of the Capital Requirements Regulations.

| Parent bank |             |  | Group       |      |
|-------------|-------------|--|-------------|------|
| 2016        | 2017        |  | 2017        | 2016 |
|             |             | <b>Currency</b>                          |             |      |
| -75         | <b>-31</b>  | EUR                                      | <b>-31</b>  | -75  |
| -           | <b>1</b>    | USD                                      | <b>1</b>    | -    |
| -13         | -           | CHF                                      | -           | -13  |
| -1          | -           | GBP                                      | -           | -1   |
| -1          | <b>3</b>    | SEK                                      | <b>3</b>    | -1   |
| -           | <b>-38</b>  | DKK                                      | <b>-38</b>  | -    |
| 1           | <b>2</b>    | Other                                    | <b>2</b>    | 1    |
| -89         | <b>-63</b>  | <b>Total</b>                             | <b>-63</b>  | -89  |
| 2.7         | <b>-1.9</b> | Effect on result of 3% change before tax | <b>-1.9</b> | 2.7  |

Currency risk arises when differences exist between the group's assets and liabilities in the individual currency. Currency trading must at all times comply with the adopted limits and authorities. The group's limits define quantitative targets for the maximum net exposure in currency, measured in NOK. The commercial risk is quantified and monitored continuously.

The Group has defined limits for the net exposure in each currency, as well as limits for aggregated net currency exposure (expressed as the highest of the sum of long and short positions). The overnight price risk for spot trading in currencies must not exceed NOK 100 million per individual currency, and NOK 175 million in aggregate.

**NOTE 17 LIQUIDITY RISK**

(Figures in NOK millions)

The table shows cash flows including contractual interest maturity.

**Parent bank <sup>1)</sup>**

| <b>2017</b>                    | <b>Upon request</b> | <b>Less than 3 months</b> | <b>3 - 12 months</b> | <b>1 - 5 years</b> | <b>More than 5 years</b> | <b>Total</b>   |
|--------------------------------|---------------------|---------------------------|----------------------|--------------------|--------------------------|----------------|
| Debt to financial institutions | 3,422               | 1,116                     | -                    | -                  | -                        | 4,538          |
| Deposits from customers        | 95,635              | -                         | -                    | -                  | -                        | 95,635         |
| Securities issued              | -                   | 999                       | 10,618               | 33,598             | 9,604                    | 54,819         |
| Subordinated loan capital      | -                   | 10                        | 102                  | 491                | 2 875                    | 3,478          |
| <b>Total liabilities</b>       | <b>99,057</b>       | <b>2,125</b>              | <b>10,720</b>        | <b>34,089</b>      | <b>12,479</b>            | <b>158,470</b> |
| Derivatives                    |                     |                           |                      |                    |                          |                |
| Contractual cash flows out     | -                   | -41,109                   | -19,686              | -30,862            | -14,823                  | -106,480       |
| Contractual cash flows in      | -                   | 42,138                    | 20,230               | 31,923             | 14,311                   | 108,602        |
| 2016                           |                     |                           |                      |                    |                          |                |
| Debt to financial institutions | 1,831               | 318                       | -                    | -                  | -                        | 2,149          |
| Deposits from customers        | 86,183              | -                         | -                    | -                  | -                        | 86,183         |
| Securities issued              | -                   | 6,968                     | 1,501                | 36,254             | 10,921                   | 55,644         |
| Subordinated loan capital      | -                   | 13                        | 123                  | 546                | 3,139                    | 3,821          |
| <b>Total liabilities</b>       | <b>88,014</b>       | <b>7,299</b>              | <b>1,624</b>         | <b>36,800</b>      | <b>14,060</b>            | <b>147,797</b> |
| Derivatives                    |                     |                           |                      |                    |                          |                |
| Contractual cash flows out     | -                   | -31,703                   | -13,906              | -36,021            | -10,781                  | -92,411        |
| Contractual cash flows in      | -                   | 32,046                    | 14,223               | 38,668             | 11,530                   | 96,467         |

**Group <sup>1)</sup>**

| <b>2017</b>                    |               |              |               |               |               |                |
|--------------------------------|---------------|--------------|---------------|---------------|---------------|----------------|
| Debt to financial institutions | 1,219         | 1,116        | -             | -             | -             | 2,335          |
| Deposits from customers        | 95,384        | -            | -             | -             | -             | 95,384         |
| Securities issued              | -             | 1,073        | 10,899        | 61,465        | 22,078        | 95,515         |
| Subordinated loan capital      | -             | 10           | 102           | 491           | 2 875         | 3,478          |
| <b>Total liabilities</b>       | <b>96,603</b> | <b>2,199</b> | <b>11,001</b> | <b>61,956</b> | <b>24,953</b> | <b>196,712</b> |
| Derivatives                    |               |              |               |               |               |                |
| Contractual cash flows out     | -             | -40,975      | -19,287       | -12,226       | -3,886        | -76,374        |
| Contractual cash flows in      | -             | 42,063       | 19,944        | 13,347        | 2,820         | 78,174         |
| 2016                           |               |              |               |               |               |                |
| Debt to financial institutions | 1,274         | 318          | -             | -             | -             | 1,592          |
| Deposits from customers        | 85,913        | -            | -             | -             | -             | 85,913         |
| Securities issued              | -             | 7,039        | 1,728         | 57,337        | 16,617        | 82,721         |
| Subordinated loan capital      | -             | 13           | 123           | 546           | 3,139         | 3,821          |
| <b>Total liabilities</b>       | <b>87,187</b> | <b>7,370</b> | <b>1,851</b>  | <b>57,883</b> | <b>19,756</b> | <b>174,047</b> |
| Derivatives                    |               |              |               |               |               |                |
| Contractual cash flows out     | -             | -31,702      | -13,852       | -24,361       | -5,898        | -75,813        |
| Contractual cash flows in      | -             | 31,991       | 13,972        | 25,768        | 6,301         | 78,032         |

<sup>1)</sup> Also see note 6 financial risk management.

**NOTE 18 MATURITY ANALYSIS OF ASSETS AND DEBT/LIABILITIES**

(Figures in NOK millions)

**Parent bank**

| <b>31/12/2017</b>                                    | <b>On request<sup>1)</sup></b> | <b>Less than 3 months</b> | <b>3 - 12 months</b> | <b>1 - 5 years</b> | <b>More than 5 years</b> | <b>Total</b>   |
|--|--------------------------------|---------------------------|----------------------|--------------------|--------------------------|----------------|
| <b>Assets</b>  |                                |                           |                      |                    |                          |                |
| Cash and receivables from the central bank           | 194                            | 13                        | -                    | -                  | -                        | 207            |
| Loans to and receivables from financial institutions | -                              | 729                       | -                    | 860                | 18                       | 1,607          |
| Gross loans to customers                             | 19,722                         | 1,895                     | 7,284                | 32,849             | 70,142                   | 131,892        |
| - Individual impairments                             | -639                           | -                         | -                    | -                  | -                        | -639           |
| - Impairments on groups of loans                     | -674                           | -                         | -                    | -                  | -                        | -674           |
| <b>Loans to customers</b>                            | <b>-18,409</b>                 | <b>1,895</b>              | <b>7,284</b>         | <b>32,849</b>      | <b>70,142</b>            | <b>130,579</b> |
| Certificates and bonds                               | 152                            | 2,780                     | 8,723                | 19,800             | 748                      | 32,203         |
| Financial derivatives                                | 1,767                          | 1,111                     | 508                  | 1,535              | 1,112                    | 6,033          |
| Equities, units and other equity interests           | 507                            | -                         | -                    | -                  | -                        | 507            |
| Operations that will be sold                         | -                              | -                         | -                    | -                  | -                        | -              |
| Investments in ownership interests                   | 2,363                          | -                         | -                    | -                  | -                        | 2,363          |
| Investments in group companies                       | 4,853                          | -                         | -                    | -                  | -                        | 4,853          |
| Tangible fixed assets and intangible assets          | 329                            | -                         | -                    | -                  | -                        | 329            |
| Other assets   | 395                            | -                         | -                    | -                  | -                        | 395            |
| <b>Total assets</b>                                  | <b>28,969</b>                  | <b>6,528</b>              | <b>16,515</b>        | <b>55,044</b>      | <b>72,020</b>            | <b>179,076</b> |
| <b>Liabilities</b>                                   |                                |                           |                      |                    |                          |                |
| Debt to financial institutions                       | 3,422                          | 1 116                     | -                    | -                  | -                        | 4,538          |
| Deposits from customers                              | 95,635                         | -                         | -                    | -                  | -                        | 95,635         |
| Securities issued                                    | 560                            | 635                       | 10,124               | 35,048             | 4,940                    | 51,307         |
| Financial derivatives                                | 2,505                          | 57                        | 139                  | 1,311              | 1,001                    | 5,013          |
| Payable tax  | 393                            | -                         | -                    | -                  | -                        | 393            |
| Deferred tax liabilities                             | 417                            | -                         | -                    | -                  | -                        | 417            |
| Other liabilities                                    | 960                            | -                         | -                    | -                  | -                        | 960            |
| Subordinated loan capital                            | -                              | -                         | -                    | -                  | 2,764                    | 2,764          |
| <b>Total liabilities</b>                             | <b>103,892</b>                 | <b>1,808</b>              | <b>10,263</b>        | <b>36,359</b>      | <b>8,705</b>             | <b>161,027</b> |



(continuation of note 18)

**Group**

| <b>31/12/2017</b>                                    | <b>Upon request<sup>1)</sup></b> | <b>Less than 3 months</b> | <b>3 - 12 months</b> | <b>1 - 5 years</b> | <b>More than 5 years</b> | <b>Total</b>   |
|--|----------------------------------|---------------------------|----------------------|--------------------|--------------------------|----------------|
| <b>Assets</b>  |                                  |                           |                      |                    |                          |                |
| Cash and receivables from the central bank           | 194                              | 13                        | -                    | -                  | -                        | 207            |
| Loans to and receivables from financial institutions | -                                | 730                       | -                    | 860                | 18                       | 1,608          |
| Gross loans to customers                             | 19,763                           | 2,117                     | 7,960                | 36,608             | 106,106                  | 172,554        |
| - Individual impairments                             | -639                             | -                         | -                    | -                  | -                        | -639           |
| - Impairments on groups of loans                     | -678                             | -                         | -                    | -                  | -                        | -678           |
| <b>Loans to customers</b>                            | <b>18,446</b>                    | <b>2,117</b>              | <b>7,960</b>         | <b>36,608</b>      | <b>106,106</b>           | <b>171,237</b> |
| Certificates and bonds at fair value                 | 147                              | 2,780                     | 8,723                | 19,636             | 623                      | 31,909         |
| Financial derivatives                                | 1,807                            | 1,110                     | 508                  | 1,129              | 987                      | 5,541          |
| Equities, units and other equity interests           | 717                              | -                         | -                    | -                  | -                        | 717            |
| Operations that will be sold                         | -                                | -                         | -                    | -                  | -                        | -              |
| Investments in ownership interests                   | 3,953                            | -                         | -                    | -                  | -                        | 3,953          |
| Investments in group companies                       | -                                | -                         | -                    | -                  | -                        | -              |
| Tangible fixed assets and intangible assets          | 668                              | -                         | -                    | -                  | -                        | 668            |
| Other assets   | 778                              | -                         | -                    | -                  | -                        | 778            |
| <b>Total assets</b>                                  | <b>26,710</b>                    | <b>6 750</b>              | <b>17,191</b>        | <b>58,233</b>      | <b>107,734</b>           | <b>216,618</b> |
| <b>Liabilities</b>                                   |                                  |                           |                      |                    |                          |                |
| Debt to financial institutions                       | 1,219                            | 1,116                     | -                    | -                  | -                        | 2,335          |
| Deposits from customers                              | 95,384                           | -                         | -                    | -                  | -                        | 95,384         |
| Securities issued                                    | 721                              | 635                       | 10,124               | 61,958             | 17,059                   | 90,497         |
| Financial derivatives                                | 2,432                            | 57                        | 139                  | 729                | 430                      | 3,787          |
| Payable tax  | 487                              | -                         | -                    | -                  | -                        | 487            |
| Deferred tax liabilities                             | 393                              | -                         | -                    | -                  | -                        | 393            |
| Other liabilities                                    | 1,082                            | -                         | -                    | -                  | -                        | 1,082          |
| Subordinated loan capital                            | -                                | -                         | -                    | -                  | 2,764                    | 2,764          |
| <b>Total liabilities</b>                             | <b>101,718</b>                   | <b>1,808</b>              | <b>10,263</b>        | <b>62,687</b>      | <b>20,253</b>            | <b>196,729</b> |

<sup>1)</sup> Overdraft facilities and operating credits (including flexi loans) and accrued interest are included in the 'upon request' interval.

Non-financial assets and liabilities have for presentation purposes been added to the 'upon request' column.

Deposits, with the exception of fixed-rate deposits, have been added to the 'upon request' column but there is no expectation that all deposits would have to be settled within a short space of time.

**NOTE 19 NET INTEREST INCOME**

(Figures in NOK millions)

| Parent bank            |                            |       |                        |                            |       | Group   |                            |                        |            |                            |                        |      |
|------------------------|----------------------------|-------|------------------------|----------------------------|-------|---|----------------------------|------------------------|------------|----------------------------|------------------------|------|
| 2016                   |                            |       | 2017                   |                            |       | 2017  |                            |                        | 2016       |                            |                        |      |
| Assessed at fair value | Assessed at amortised cost | Total | Assessed at fair value | Assessed at amortised cost | Total | Total   | Assessed at amortised cost | Assessed at fair value | Total      | Assessed at amortised cost | Assessed at fair value |      |
| <b>Interest income</b> |                            |       |                        |                            |       |   |                            |                        |            |                            |                        |      |
| -                      | 178                        | 178   | -                      | 57                         | 57    | Interest on receivables from financial institutions | 51                         | 51                     | -          | 38                         | 38                     | -    |
| 371                    | 3,813                      | 4,184 | 286                    | 3,980                      | 4,266 | Interest on lending to customers                    | 5,160                      | 4,874                  | 286        | 5,035                      | 4,664                  | 371  |
| 418                    | 28                         | 446   | 433                    | 35                         | 468   | Interest on certificates and bonds                  | 464                        | 35                     | 429        | 425                        | 28                     | 397  |
| -                      | 60                         | 60    | -                      | 72                         | 72    | Interest on written down loans                      | 72                         | 72                     | -          | 65                         | 65                     | -    |
| 789                    | 4,079                      | 4,868 | 719                    | 4,144                      | 4,863 | <b>Total interest income</b>                        | <b>5,747</b>               | <b>5,032</b>           | <b>715</b> | 5,563                      | 4,795                  | 768  |
| <b>Interest costs</b>  |                            |       |                        |                            |       |   |                            |                        |            |                            |                        |      |
| 640                    | 40                         | 680   | 610                    | 41                         | 651   | Interest on debt to financial institutions          | 826                        | 35                     | 791        | 678                        | 38                     | 640  |
| -                      | 843                        | 843   | -                      | 835                        | 835   | Interest on deposits from customers                 | 830                        | 830                    | -          | 839                        | 839                    | -    |
| -551                   | 1,229                      | 678   | -608                   | 1,049                      | 441   | Interest on securities issued                       | 761                        | 1,370                  | -609       | 969                        | 1,561                  | -592 |
| -34                    | 163                        | 129   | -36                    | 139                        | 103   | Interest on subordinated loan capital               | 103                        | 139                    | -36        | 129                        | 163                    | -34  |
| -                      | 77                         | 77    | -                      | 65                         | 65    | Fee to the Norwegian Banks Guarantee Fund           | 65                         | 65                     | -          | 77                         | 77                     | -    |
| 55                     | 2,352                      | 2,407 | -34                    | 2,129                      | 2,095 | <b>Total interest costs</b>                         | <b>2,585</b>               | <b>2,439</b>           | <b>146</b> | 2,692                      | 2,678                  | 14   |
| 734                    | 1,727                      | 2,461 | 753                    | 2,015                      | 2,768 | <b>Net interest income</b>                          | <b>3,162</b>               | <b>2,593</b>           | <b>569</b> | 2,871                      | 2,117                  | 754  |

**NOTE 20 NET COMMISSIONS AND OTHER OPERATING INCOME**

(Figures in NOK millions)

| Parent bank |       |   | Group        |       |
|-------------|-------|---|--------------|-------|
| 2016        | 2017  |   | 2017         | 2016  |
| 118         | 107   | Guarantee commissions                             | 107          | 114   |
| 8           | 6     | Interbank commissions                             | 6            | 8     |
| 17          | 15    | Securities trading                                | 15           | 17    |
| -           | -     | Management  | 98           | 85    |
| 126         | 121   | Brokerage commissions                             | 89           | 86    |
| 164         | 175   | Commissions from mortgage companies               | 149          | 149   |
| 309         | 318   | Money-transfer services                           | 318          | 308   |
| 194         | 208   | Insurance services                                | 208          | 198   |
| -           | -     | Fee accounting                                    | 96           | 81    |
| 118         | 119   | Other commissions                                 | 122          | 117   |
| -           | -     | Property sales                                    | 389          | 348   |
| 1,054       | 1,069 | <b>Total commissions</b>                          | <b>1,597</b> | 1,511 |
| 4           | 4     | Interbank commissions                             | 4            | 4     |
| 61          | 62    | Money-transfer services                           | 62           | 61    |
| 3           | 10    | Other commission costs                            | 13           | 7     |
| 68          | 76    | <b>Total commission costs</b>                     | <b>79</b>    | 72    |
| 5           | 6     | Operating income from investment properties       | 4            | 4     |
| -           | 2     | Other operating income                            | 2            | -     |
| 5           | 8     | <b>Total other operating income</b>               | <b>6</b>     | 4     |
| 991         | 1,001 | <b>Net commissions and other operating income</b> | <b>1,524</b> | 1,443 |

## NOTE 21 NET INCOME/LOSSES FROM FINANCIAL INSTRUMENTS

(Figures in NOK millions)

| Parent bank |      |   | Group      |      |
|-------------|------|---|------------|------|
| 2016        | 2017 |   | 2017       | 2016 |
| 8           | 92   | Net gain/loss on equity instruments               | 136        | 51   |
| -146        | -140 | Net gain/loss on 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, fixed-rate                       | -2         | -24  |
| 12          | -28  | Net derivatives, debt                             | -1         | 7    |
| 12          | 67   | Net derivatives, basis swap spread                | -32        | -15  |
| 124         | 104  | Net gain currency                                 | 104        | 137  |
| 145         | 238  | <b>Net income/loss from financial investments</b> | <b>198</b> | 160  |

## NOTE 22 REMUNERATION AND BENEFITS FOR EXECUTIVE PERSONNEL AND ELECTED REPRESENTATIVES

### Information about the remuneration scheme

The Financial Business Act and the Financial Business Regulations regulate remuneration schemes for financial companies.

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

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

### SpareBank 1 SR-Bank's remuneration policy

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

The group's remuneration scheme shall:

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

The total remuneration shall be competitive, but the group shall not be a wage leader. It shall ensure that the group attracts, develops and retains competent employees over time. The arrangements will

ensure a reward model that is perceived to be fair, predictable and future-oriented and motivating.

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

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

### Decision process

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

The Remuneration Committee prepares matters for the Board and is mainly responsible for:

- annually reviewing and proposing the total salary and remuneration for the CEO
- annually considering proposals for corporate scorecard (CEO's scorecard)
- annually considering the group's remuneration scheme, including the guiding principles for variable remuneration
- advising the CEO on matters relating to salary and other remuneration and other personnel-related issues for the group's executive personnel
- ensuring that the practice of the group's remuneration arrangements are reviewed annually by an independent control function
- preparing a statement on the fixing of salaries and other remuneration to executive personnel (ref. section 6-16a of the Public Limited Liability Companies Act)
- considering other conditions as determined by the board and/or remuneration committee
- evaluating remuneration schemes in relation to reputation risk

(continuation of note 22)

## Guidelines for the coming financial year

### Performance bonus

The group has a bonus scheme which includes all employees. Performance bonuses are set at an equal percentage of salary, and can, as a maximum, amount to 6.0 month's salary. The performance bonus is set by the board based on the financial targets achieved. The performance bonus is paid entirely in cash.

### CEO's remuneration

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

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

Variable remuneration for 2018 will be set based on the achievement of objectives related to the following main criteria: long-term financial targets, financial and non-financial targets related to the fiscal year and a discretionary bonus element after review by the board.

The CEO can receive performance bonuses on a par with other employees. Any variable remuneration, including performance bonuses, may amount to up to 35% of fixed salary including holiday pay. No performance-based benefits are paid over and above the said schemes. Variable remuneration is not included in pensionable salary. Variable remuneration cannot be awarded to the CEO if no performance bonus is paid.

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

A lifelong pension agreement has been concluded with the CEO in which the retirement age is at the end of the year in which the CEO turns 64. The annual service pension up until when the chief executive turns 67 amounts to 67% of pensionable pay. From the age of 67, the chief executive will receive a supplementary retirement pension which, together with other pension rights, will constitute 67% of pensionable pay, assuming full earning period.

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

### Remuneration to other members of the group's executive management team

The CEO determines **the fixed remuneration** of the group's executive management team based on the limits discussed by the remuneration committee and guidelines adopted by the board. The remuneration is determined based on an assessment of

performance and conditions in the market for the various areas and should promote good performance and ensure that the group achieves strategic goals. The remuneration arrived at must not damage the group's reputation nor shall the group be a market leader.

The **variable** part of the remuneration to the group's executive management team follows the same measurement as the CEO. The executive vice president, risk management and the executive vice president organisation and HR receive no variable remuneration beyond group bonuses.

**Benefits in kind** can be offered to the group's executive management team members to the extent that benefits are linked to each function in the group and are in line with market practice in general.

**The pension scheme** should be seen in the context of other remuneration and should provide competitive terms. As of 2011, new members of the group executive management team will be included in the defined-contribution pension scheme with a retirement age 70 and pension fund limited to 12G. The deposit rates are 7 percent of the pension base up to 7.1G, and 22 per cent of the pension basis between 7.1G and 12G. There is a member of the group executive management team who currently has this pension scheme. The two newly appointed members of the group executive management team that start in 2018 will have the same arrangement. Members of the group executive management team who have a retirement age of 62 years, and are between the ages of 62 and 67, are entitled to a pension equivalent to 70% of pensionable income in the form of service pension. From the age of 67, they will receive a supplementary retirement pension which, together with the SpareBank 1 SR-Bank's pension fund, pension from the National Insurance Scheme and statutory early retirement pension (AFP), will constitute 70% of pensionable pay, assuming full earning period.

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

### Goal structure 2018

The board shall annually discuss and adopt the group's remuneration scheme including a strategy and guiding principles for variable remuneration. For the financial year 2018, the board has resolved that the following criteria shall be decisive for the group's executive management team including the CEO: 3-year measurement related to returns on equity after tax against targets and returns measured against comparable financial institutions. 1-year measurement related to selected goals related to financial and non-financial key strategic goals at group and/or division level. In addition to this, an assessment will also be made relating to the individual's performance of his/her own role. For the CEO, the board in this assessment will emphasize the ability to change management in accordance with strategy and value base. In order for a bonus to be achieved, selected thresholds related to liquidity, solvency and return must be achieved in the last 2 years.

(continuation of note 22)

Changes have been made in the measurement of variable remuneration from 2017 to 2018. The main changes are that the long-term parameters should be measured over 3 years against the previous 2 years, and that the group's executive management team should be measured on fewer short-term parameters. Maximum bonus achievement has increased from 25.0 percent to 35.0 percent of fixed salary. There has also been a change in the dividend principle for bonus shares as of the 2018 bonus year for the group's executive management team and other employees covered by the separate rules of the Financial Business Regulations. Earned shares, taking into account tax deductions, will be distributed in full the year after the year of employment with a one-year binding period for a third, two years for a third and three years for a third.

**Separate rules for the remuneration for executive personnel, employees with important tasks for the company's risk exposure, employees with control tasks and elected representatives**

SpareBank 1 SR-Bank has adopted its own guidelines for executive personnel, employees with important tasks for the company's risk exposure, employees with control tasks and employee representatives.

As set out in the Financial Business Act and the Financial Business Regulations, the group has defined who is covered by the separate rules based on the defined criteria.

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

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

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

Half of variable remuneration, with the exception of the performance bonus, is paid in the form of shares in Sparebank1 SR-Bank. The shares are distributed in full year after the bonus year, but with a binding period of 1/3 of the shares each year over three years. That part of the variable remuneration that is paid in shares can be reduced if subsequent performance and developments indicate it was based on incorrect assumptions.

**Binding guidelines for shares, subscription rights, options, etc. for the coming financial year**

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

Of the variable remuneration of the CEO, executive personnel and risk takers, a proportion equal to 50 percent of earned variable remuneration will be given in the form of shares, taking into account tax deductions, in SpareBank 1 SR-Bank with a one-year binding period for a third, two years for a third and three years for a third.

**Report on executive pay policy in the preceding financial year**

The board confirms that the guidelines provided in last year's statement on executive personnel pay for 2017 have been followed.

(continuation of note 22)

**Personnel costs**

(Figures in NOK millions)

| Parent bank |                |  | Group          |         |
|-------------|----------------|--|----------------|---------|
| 2016        | 2017           |  | 2017           | 2016    |
| 634         | <b>686</b>     | Salaries   | <b>930</b>     | 874     |
| 85          | <b>89</b>      | Pension costs (note 24)                                | <b>106</b>     | 104     |
| 93          | <b>127</b>     | Social security costs                                  | <b>166</b>     | 132     |
| 42          | <b>50</b>      | Other personnel costs                                  | <b>61</b>      | 56      |
| 854         | <b>952</b>     | <b>Total personnel costs</b>                           | <b>1,263</b>   | 1,166   |
| 912         | <b>917</b>     | Average no. of employees                               | <b>1,243</b>   | 1,258   |
| 820         | <b>842</b>     | No. of full-time equivalents as at 31 Dec              | <b>1,142</b>   | 1,127   |
| 894         | <b>911</b>     | No. of employees as at 31 Dec                          | <b>1,238</b>   | 1,234   |
| 126,328     | <b>155,223</b> | Outstanding no. of shares from bonus share programme   | <b>155,633</b> | 132,150 |
| -           | -              | Outstanding hybrid tier 1 capital from bonus programme | <b>492</b>     | 250     |

**Remuneration to group executive management team**

(Amounts in NOK 1000)

| 2017   |   | Salary <sup>1)</sup> | Other remuneration <sup>1)</sup> | Accrued bonus current year <sup>1)</sup> | Total benefits | Accrued pension rights | Pension costs | Loans | Number of shares <sup>2)</sup> | Outstanding number of shares from bonus share programme |
|--|---|----------------------|----------------------------------|--|----------------|------------------------|---------------|-------|--------------------------------|---|
|  |   |                      |                                  |  |                |                        |               |       |                                |   |
| Inge Reinertsen  | Chief Financial Officer                       | 2,096                | 270                              | 420                                      | 2,786          | 12,678                 | 755           | 9,100 | 80,433                         | 5,555   |
| Tore Medhus  | Executive Vice President, Corporate Market    | 2,096                | 195                              | 420                                      | 2,711          | 17,848                 | 734           | 4,949 | 46,051                         | 5,555   |
| Jan Friestad   | Executive Vice President, Retail Market       | 2,069                | 248                              | 413                                      | 2,730          | 4,146                  | 153           | 7,834 | 37,768                         | 5,466   |
| Glenn Sæther   | Executive Vice President, Business Support    | 1,793                | 266                              | 359                                      | 2,418          | 8,729                  | 974           | 7,341 | 20,213                         | 4,751   |
| Thor-Christian Haugland                                | Executive Vice President, Communications      | 1,557                | 242                              | 333                                      | 2,132          | 11,003                 | 582           | 6,128 | 18,450                         | 4,049   |
| Frode Bø <sup>4)</sup>                                 | Executive Vice President, Risk Management     | 1,840                | 333                              | 43                                       | 2,216          | 13,461                 | 784           | 693   | 17,242                         | -   |
| Inglen Haugland <sup>4)</sup> (until 31 November 2017) | Executive Vice President, Organisation and HR | 1,472                | 176                              | 37                                       | 1,685          |                        |               |       |                                |   |
| 2016   |   |                      |                                  |  |                |                        |               |       |                                |   |
| Arne Austreid  | Chief Executive Officer                       | 3,489                | 136                              | 466                                      | 4,091          | 11,495                 | 1,924         | 846   | 88,378                         | 12,450  |
| Inge Reinertsen  | Chief Financial Officer                       | 2,084                | 273                              | 283                                      | 2,640          | 11,136                 | 750           | 7,820 | 77,093                         | 6,565   |
| Tore Medhus  | Executive Vice President, Corporate Market    | 2,085                | 201                              | 283                                      | 2,569          | 16,089                 | 728           | 2,653 | 42,705                         | 6,570   |
| Jan Friestad   | Executive Vice President, Retail Market       | 2,051                | 257                              | 278                                      | 2,586          | 3,869                  | 146           | 8,433 | 34,512                         | 6,432   |
| Glenn Sæther   | Executive Vice President, Business Support    | 1,783                | 192                              | 242                                      | 2,217          | 7,394                  | 977           | 4,403 | 17,024                         | 5,590   |
| Thor-Christian Haugland                                | Executive Vice President, Communications      | 1,519                | 182                              | 207                                      | 1,908          | 9,513                  | 559           | 3,089 | 16,019                         | 4,782   |
| Frode Bø <sup>4)</sup>                                 | Executive Vice President, Risk Management     | 1,828                | 303                              | 5  | 2,136          | 11,902                 | 781           | 40    | 17,242                         | -   |
| Inglen Haugland <sup>4)</sup>                          | Executive Vice President, Organisation and HR | 1,580                | 406                              | 5  | 1,992          | 5,119                  | 146           | 3,017 | 25,301                         | -   |

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

<sup>1)</sup> Benefits are recognised as costs in the current year.

<sup>2)</sup> Number of shares the person owns in SpareBank 1 SR-Bank as at 31 December. The figures also include shares belonging to immediate family members and known companies in which the person has a controlling influence, ref. section 1-2 of the Limited Liability Companies Act.

<sup>3)</sup> In a review in 2017, it was discovered that Austreid's pension obligation was based on incorrect assumptions and underestimated by approximately NOK 12 million. This was corrected via equity in the fourth quarter of 2017.

<sup>4)</sup> Employees with control functions do not receive variable remuneration beyond group bonuses.

(continuation of note 22)

**Remuneration of the board and control committee**

(Amounts in NOK 1000)

|   |  | Fees | Other remuneration | Loans | Number of shares <sup>5)</sup> |
|---|--|------|--------------------|-------|--------------------------------|
| <b>2017</b>                               |  |      |                    |       |                                |
| Dag Mejdell                               | Chair of the board                     | 497  | 66                 | -     | 25,000                         |
| Kate Henriksen                            | Board member                           | 229  | 91                 | -     | -                              |
| Jorunn Johanne Sæthre (until 20 April 17) | Board member                           | 62   | 10                 | -     | -                              |
| Birthe Cecilie Lepsøe                     | Board member                           | 229  | 88                 | -     | -                              |
| Odd Torland (until 20 April 2017)         | Board member                           | 62   | 10                 | -     | -                              |
| Tor Dahle <sup>6)</sup>                   | Board member                           | 229  | 1,175              | 3,345 | 72,456,358                     |
| Sally Lund-Andersen                       | Board member (employee representative) | 229  | 761                | 3,041 | 941                            |
| Kristian Kristensen                       | Board member (employee representative) | 229  | 612                | 3,010 | 3,020                          |
| Therese Log Bergjord (from 20 April 2017) | Board member                           | 166  | 27                 | -     | -                              |
| Jan Skogseth (from 20 April 2017)         | Board member                           | 166  | 29                 | 2,054 | 3,600                          |
| <b>2016</b>                               |  |      |                    |       |                                |
| Dag Mejdell (from 9 Jun 2016)             | Chair of the board                     | 213  | 28                 | -     | 14,899                         |
| Ingvald Løyning (until 9 Jun 2016)        | Chair of the board                     | 213  | -                  | -     | -                              |
| Kate Henriksen                            | Board member                           | 225  | 41                 | -     | -                              |
| Jorunn Johanne Sæthre (from 9 Jun 2016)   | Board member                           | 113  | 18                 | -     | -                              |
| Birthe Cecilie Lepsøe                     | Board member                           | 225  | 85                 | -     | -                              |
| Erling Øverland (until 9 June 2016)       | Board member                           | 113  | 35                 | -     | -                              |
| Odd Torland                               | Board member                           | 225  | 39                 | -     | -                              |
| Siv Juvik Tveitnes (until 9 Jun 2016)     | Board member                           | 113  | 17                 | -     | -                              |
| Tor Dahle <sup>6)</sup>                   | Board member                           | 225  | 1,181              | 4,135 | 72,456 358                     |
| Sally Lund-Andersen                       | Board member (employee representative) | 225  | 839                | 3,157 | 941                            |
| Oddvar Rettedal (until 9 Jun 2016)        | Board member (employee representative) | 113  | 944                | -     | -                              |
| Kristian Kristensen (from 9 Jun 2016)     | Board member (employee representative) | 125  | 650                | 3,114 | 3,020                          |

<sup>5)</sup> Number of shares the person owns in SpareBank 1 SR-Bank as at 31 December. The figures also include shares belonging to immediate family members and known companies in which the person has a controlling influence, ref. section 1-2 of the Limited Liability Companies Act. In addition to this, the shares of the institution the individual representative was elected on behalf of are included.

<sup>6)</sup> Tor Dahle is the general manager in Sparebankstiftelsen SR-Bank.

**NOTE 23 OTHER OPERATING COSTS**

(Figures in NOK millions)

| Parent bank |            |  | Group      |      |
|-------------|------------|--|------------|------|
| 2016        | 2017       |  | 2017       | 2016 |
| 300         | <b>300</b> | IT costs                                   | <b>317</b> | 321  |
| 57          | <b>57</b>  | Marketing                                  | <b>73</b>  | 74   |
| 54          | <b>71</b>  | Other administrative costs                 | <b>88</b>  | 69   |
| 70          | <b>68</b>  | Depreciation (notes 30 and <sup>31</sup> ) | <b>74</b>  | 75   |
| 5           | -          | Impairments (notes 30 and 31)              | -          | 5    |
| 32          | <b>31</b>  | Operating costs real estate                | <b>34</b>  | 35   |
| 68          | <b>71</b>  | Rent premises                              | <b>92</b>  | 89   |
| 51          | <b>78</b>  | External fees                              | <b>87</b>  | 75   |
| -           | -          | Assignment costs real estate               | <b>54</b>  | 49   |
| 43          | <b>48</b>  | Other operating costs                      | <b>85</b>  | 74   |
| 680         | <b>724</b> | <b>Total other operating costs</b>         | <b>904</b> | 866  |

**Fees for external auditor - specification of audit fees**

(Figures in NOK thousands)

|       |              |  |              |       |
|-------|--------------|--|--------------|-------|
| 2,478 | <b>2,943</b> | Statutory audit  | <b>4,079</b> | 4,755 |
| 414   | <b>88</b>    | Tax advice <sup>1)</sup>   | <b>162</b>   | 682   |
| 412   | <b>249</b>   | Other certification services   | <b>656</b>   | 1,003 |
| 195   | <b>396</b>   | Other non-auditing services <sup>1)</sup>  | <b>792</b>   | 387   |
| 3,499 | <b>3,676</b> | <b>Total</b>   | <b>5,689</b> | 6,827 |
| 385   | <b>13</b>    | <sup>1)</sup> Fees for Advokatfirmaet PricewaterhouseCoopers that are included in tax advice and other non-auditing services | <b>307</b>   | 469   |

All figures are inclusive of VAT



## NOTE 24 PENSIONS

SpareBank 1 SR-Bank Group has, as at 31 December 2017, defined benefit based and defined contribution based pension schemes for its employees. The company's and Group's pension schemes comply with the requirements of the Mandatory Occupational Pension Act.

The defined benefit pension schemes of SpareBank 1 SR-Bank ASA and SR-Forvaltning AS were, until 31 December 2015, covered by the group's pension fund.

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. The change reduced pension liabilities. The effects that was recognised in the financial statements in the third and fourth quarters of 2015 were:

| <b>Parent bank</b>  | <b>2015</b> | Q4 2015 | Q3 2015 |
|---|-------------|---------|---------|
| Curtailments and settlements included in the income statement | <b>-213</b> | -153    | -60     |
| <b>Group</b>  | <b>2015</b> | Q4 2015 | Q3 2015 |
| Curtailments and settlements included in the income statement | <b>-226</b> | -163    | -63     |

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

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

The AFP scheme, which applies with effect from 1 January 2011, should be regarded as a defined benefit multi-company scheme, but will be recognised as a defined contribution scheme until adequate reliable information is available to allow the bank and the group to recognise their proportional shares of the pension costs, the pension liabilities and the pension funds in the scheme. Thus, the bank's and the group's liabilities are not recognised in the balance sheet as liabilities as at 31 December 2017.

(continuation of note 24)

**The following economic assumptions are made when calculating pension liabilities:**

|  | 2017           | 2016    |
|--|----------------|---------|
| Discount rate  | 2.40 %         | 2.60 %  |
| Expected return on assets  | 2.40 %         | 2.60 %  |
| Future salary growth rate  | 2.50 %         | 2.50 %  |
| Adjustment of NI basic amount (G)  | 2.25 %         | 2.25 %  |
| Pension adjustment   | 2.00 %         | 2.00 %  |
| Adjustment of paid-up policies   | 1.60 %         | 1.60 %  |
| Employer's NI contribution/financial tax   | 19.10 %        | 19.10 % |
| Voluntary retirement before 45 – unfunded scheme   | 5.00 %         | 5.00 %  |
| Voluntary retirement after 45 – unfunded scheme  | 2.00 %         | 2.00 %  |
| <br>   |                |         |
| The remaining average accrual time (in number of years) for members of the unfunded defined benefit plans has been calculated as approx. | <b>8.13</b>    | 8.73    |
| <br>   |                |         |
| The average life expectancy (no. of years) for a person who turns 65 on the balance sheet date is as follows:                            |                |         |
| Man  | <b>21.40</b>   | 21.30   |
| Woman  | <b>24.60</b>   | 24.50   |
| <br>   |                |         |
| The average life expectancy (no. of years) for a person who 20 years after the balance sheet date turns 65 is as follows:                |                |         |
| Man  | <b>23.20</b>   | 23.10   |
| Woman  | <b>26.50</b>   | 26.40   |
| <br>   |                |         |
| The mortality table that has been adjusted for opening mortality and the decline in the mortality rate.                                  | <b>K2013BE</b> | K2013BE |
| Disability   | <b>IR73</b>    | IR73    |

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

(continuation of note 24)

| Parent bank |       |   | Group |       |
|-------------|-------|---|-------|-------|
| 2016        | 2017  |   | 2017  | 2016  |
|             |       | <b>Book value of liabilities</b>  |       |       |
| 193         | 197   | Pension benefits – funded scheme  | 207   | 211   |
| 158         | 186   | Pension benefits – unfunded scheme  | 195   | 167   |
| 351         | 383   | <b>Total book value of liabilities</b>                                      | 402   | 378   |
|             |       | <b>Costs charged to income statement</b>                                    |       |       |
| 10          | 6     | Pension benefits – funded scheme  | 6     | 11    |
| 12          | 11    | Pension benefits – unfunded scheme  | 12    | 12    |
| 22          | 17    | <b>Total costs charged to income statement</b>                              | 18    | 23    |
|             |       | <b>Pension liabilities related to defined benefit pensions</b>              |       |       |
| 1,439       | 1,440 | Present value pension liabilities 1 Jan                                     | 1,521 | 1,520 |
| -           | 38    | Present value pension liabilities merger SR-Finans                          | -     | -     |
| 6           | 6     | Pension benefits accrued in the period                                      | 7     | 7     |
| 35          | 37    | Interest costs on pension liabilities                                       | 38    | 37    |
|             |       | Effect of recalculation:  |       |       |
| 32          | 57    | - Change in financial assumptions   | 59    | 34    |
| -27         | 11    | - Experience gains and losses   | 11    | 29    |
| -45         | -41   | Payments/redemption from fund   | -42   | -48   |
| 1,440       | 1,548 | <b>Present value pension liabilities 31 Dec</b>                             | 1,594 | 1,521 |
| 1,308       | 1,392 | of which fund-based   | 1,430 | 1,381 |
| 132         | 156   | of which not fund based   | 164   | 140   |
|             |       | <b>Pension assets</b>   |       |       |
| 1,230       | 1,146 | Pension assets 1 Jan  | 1,204 | 1,290 |
| -           | 30    | Present value pension liabilities merger SR-Finans                          | -     | -     |
| 27          | 29    | Interest income   | 30    | 28    |
| -37         | 58    | Actual return on assets in relation to booked interest income               | 59    | -36   |
| 6           | 5     | Employer's NI contributions   | 5     | 6     |
| -45         | -41   | Payments/redemption from fund   | -42   | -47   |
| -36         | -     | Transfer from premium fund to contribution fund                             | -     | -37   |
| 1,145       | 1,227 | <b>Pension assets 31 Dec</b>  | 1,256 | 1,204 |
|             |       | <b>Net pension liabilities in the balance sheet</b>                         |       |       |
| 1,440       | 1,548 | Present value pension liabilities 31 Dec                                    | 1,594 | 1,521 |
| 1,145       | 1,227 | Pension assets 31 Dec   | 1,256 | 1,204 |
| 295         | 321   | Net pension liabilities 31 Dec  | 338   | 317   |
| 56          | 62    | Employer's NI contributions   | 64    | 61    |
| 351         | 383   | <b>Net pension liabilities in the balance sheet</b>                         | 402   | 378   |
|             |       | <b>Pension costs for the period</b>   |       |       |
| 6           | 6     | Accrued defined benefit-based pensions                                      | 7     | 7     |
| 35          | 37    | Interest costs on pension liabilities                                       | 38    | 37    |
| -27         | 29    | Interest income   | -30   | -28   |
| -           | -     | Curtailments and settlements  | -     | -     |
| 14          | 14    | Net defined benefit-based pension costs without employer's NI contributions | 15    | 16    |
| 8           | 3     | Accrued employer's NI contributions   | 3     | 7     |
| 22          | 17    | Net defined benefit-based pension costs recognised through profit or loss   | 18    | 23    |
| 63          | 72    | Contribution based pension costs and joint AFP scheme                       | 88    | 81    |
| 85          | 89    | <b>Pension costs in the period recognised in the income statement</b>       | 106   | 104   |

(continuation of note 24)

| <b>Composition of the group's pension assets</b> | <b>2017</b>  | 2016  |
|--|--------------|-------|
| Real estate                                      | 6            | 6     |
| - of which used by the bank                      | -            | -     |
| of shares  | 316          | 309   |
| Other assets                                     | 934          | 889   |
| <b>Total pension assets</b>                      | <b>1,256</b> | 1,204 |

| <b>Development during the last five years for the group's defined benefit pension plan</b> | <b>2017</b> | 2016  | 2015  | 2014  | 2013  |
|--|-------------|-------|-------|-------|-------|
| Present value pension liabilities 31 Dec   | 1,594       | 1,521 | 1,520 | 1,838 | 1,360 |
| Pension assets 31 Dec  | 1,256       | 1,204 | 1,290 | 1,247 | 1,148 |
| <b>Net pension liabilities</b>   | <b>338</b>  | 317   | 230   | 591   | 212   |

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

|                    | Change in assumption | Effect on pension liabilities |                       |
|--------------------|----------------------|-------------------------------|-----------------------|
|                    |                      | Change in liabilities         | Change in liabilities |
| Discount rate      | +/- 0.50%            | -8.7 %                        | 10.0%                 |
| Wage growth        | +/- 0.50%            | 0.4%                          | -0.4 %                |
| Pension adjustment | +/- 0.25%            | 4.7 %                         | -4.4 %                |
| Expected lifetime  | 1 year               | 4.2 %                         | -4.2 %                |

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

## NOTE 25 TAX (figures in NOK millions)

| Parent bank  |              |  | Group        |              |
|--------------|--------------|--|--------------|--------------|
| 2016         | 2017         |  | 2017         | 2016         |
| 2,264        | <b>2,298</b> | Pre-tax profit   | <b>2,610</b> | 2,116        |
| -865         | <b>-551</b>  | Permanent differences <sup>1)</sup>  | <b>-534</b>  | -472         |
| -9           | <b>-25</b>   | Group contribution   | -            | -            |
| 941          | <b>-139</b>  | Change in temporary differences  | <b>-116</b>  | 935          |
| 145          | <b>-12</b>   | - of which recorded directly against equity                                      | <b>-12</b>   | 145          |
| <b>2,476</b> | <b>1,571</b> | <b>Tax base/taxable income for the year</b>                                      | <b>1,948</b> | <b>2,724</b> |
| 619          | <b>393</b>   | Of which payable tax 25%   | <b>487</b>   | 681          |
| 2            | <b>6</b>     | Tax effect of group contribution   | -            | -            |
| -279         | <b>38</b>    | Change in deferred tax   | <b>36</b>    | -279         |
| -            | <b>1</b>     | Tax payable on hybrid capital booked against equity                              | <b>1</b>     | -            |
| 1            | <b>1</b>     | Excess/insufficient payable tax allocation in previous years                     | -            | 1            |
| <b>343</b>   | <b>439</b>   | <b>Total tax cost</b>  | <b>524</b>   | <b>403</b>   |
|              |              | <b>Explanation of why the tax cost for the year is not 25% of pre-tax profit</b> |              |              |
| 566          | <b>574</b>   | 25% tax on pre-tax profit  | <b>653</b>   | 529          |
| -216         | <b>-138</b>  | 25% tax on permanent differences <sup>1)</sup>                                   | <b>-131</b>  | -118         |
| 2            | <b>1</b>     | Change in deferred tax from previous years                                       | <b>1</b>     | 1            |
| -            | <b>1</b>     | Tax payable on hybrid capital booked against equity                              | <b>1</b>     | -            |
| -10          | -            | Change in deferred tax upon withdrawals from pension fund                        | -            | -10          |
| 1            | <b>1</b>     | Excess/insufficient tax allocation in previous years                             | -            | 1            |
| <b>343</b>   | <b>439</b>   | <b>Calculated tax cost</b>   | <b>524</b>   | <b>403</b>   |
| -146         | <b>-156</b>  | Deferred tax asset   | <b>179</b>   | 169          |
| -2           | -            | - deferred tax asset that reverses in more than 12 months                        | <b>-7</b>    | -3           |
| <b>-147</b>  | <b>-156</b>  | <b>Total deferred tax asset</b>  | <b>-186</b>  | <b>-172</b>  |
| 462          | <b>567</b>   | Deferred tax   | <b>579</b>   | 532          |
| 2            | <b>6</b>     | - deferred tax that reverses in more than 12 months                              | -            | -            |
| <b>465</b>   | <b>573</b>   | <b>Total deferred tax</b>  | <b>579</b>   | <b>532</b>   |
| <b>317</b>   | <b>417</b>   | <b>Net deferred tax/deferred tax asset</b>                                       | <b>393</b>   | <b>360</b>   |
|              |              | <b>Change in deferred tax</b>  |              |              |
| -326         | <b>99</b>    | Year's change in deferred tax on the balance sheet                               | <b>33</b>    | -294         |
| -            | <b>-60</b>   | Change deferred tax merger SR-Finans   | -            | -            |
| 32           | <b>-4</b>    | Change in deferred tax for group contributions on the balance sheet              | -            | -            |
| 15           | <b>3</b>     | - of which change not recorded in income statement                               | <b>3</b>     | 15           |
| <b>-279</b>  | <b>38</b>    | <b>- of which change recorded in income statement</b>                            | <b>36</b>    | <b>-279</b>  |
|              |              | <b>Specification of temporary differences</b>                                    |              |              |
| 12           | <b>-10</b>   | Gains and loss account   | <b>-28</b>   | -11          |
| 1,649        | <b>1,751</b> | Differences related to financial items   | <b>1,693</b> | 1,589        |
| -            | -            | Loans  | <b>-1</b>    | -1           |
| -351         | <b>-383</b>  | Pension liabilities  | <b>-401</b>  | -377         |
| -6           | <b>11</b>    | Accounting provisions  | <b>42</b>    | 29           |
| -            | <b>313</b>   | Leasing operating equipment  | <b>313</b>   | 251          |
| -44          | <b>-41</b>   | Tangible fixed assets  | <b>-33</b>   | -40          |
| 9            | <b>25</b>    | Group contribution paid  | -            | -            |
| -            | -            | Losses carried forward   | <b>-12</b>   | -            |
| <b>1,269</b> | <b>1,666</b> | <b>Total temporary differences</b>   | <b>1,573</b> | <b>1,440</b> |
| 25 %         | <b>25 %</b>  | Tax rate applied   | <b>25 %</b>  | 25 %         |

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

## NOTE 26 CLASSIFICATION OF FINANCIAL INSTRUMENTS

(Figures in NOK millions)

| Group  | Financial instruments at fair value through profit or loss |                          |  | Financial assets and liabilities assessed at amortised cost and accrued interest | Financial assets available for sale | Financial assets held to maturity | Total          |
|--|--|--------------------------|--|--|-------------------------------------|-----------------------------------|----------------|
|  | Held for sale  | Recognised at fair value | Financial derivatives as hedging instruments |  |                                     |                                   |                |
| <b>2017</b>  |  |                          |  |  |                                     |                                   |                |
| <b>Assets</b>  |  |                          |  |  |                                     |                                   |                |
| Cash and receivables from the central bank           |  |                          |  | 207  |                                     |                                   | 207            |
| Loans to and receivables from financial institutions |  |                          |  | 1,608  |                                     |                                   | 1,608          |
| Loans to customers                                   |  | 7,610                    |  | 163,627  |                                     |                                   | 171,237        |
| Certificates and bonds at fair value                 | 28,703   |                          |  |  |                                     | 3,206                             | 31,909         |
| Financial derivatives                                |  | 4,211                    | 1 330  |  |                                     |                                   | 5 541          |
| Equities, units and other equity interests           | 655  |                          |  |  | 62                                  |                                   | 717            |
| Operations that will be sold                         |  |                          |  |  |                                     |                                   | -              |
| Other assets   |  |                          |  | 778  |                                     |                                   | 778            |
| <b>Total assets</b>                                  | <b>29,358</b>  | <b>11,821</b>            | <b>1,330</b>                                 | <b>166,220</b>   | <b>62</b>                           | <b>3,206</b>                      | <b>211,997</b> |
| <b>Liabilities</b>                                   |  |                          |  |  |                                     |                                   |                |
| Debt to financial institutions                       |  |                          |  | 2,335  |                                     |                                   | 2,335          |
| Deposits from customers                              |  |                          |  | 95,384   |                                     |                                   | 95,384         |
| Securities issued <sup>1)</sup>                      |  |                          |  | 90,497   |                                     |                                   | 90,497         |
| Financial derivatives                                |  | 3,537                    | 250  |  |                                     |                                   | 3,787          |
| Other liabilities                                    |  |                          |  |  |                                     |                                   | -              |
| Subordinated loan capital <sup>1)</sup>              |  |                          |  | 2,764  |                                     |                                   | 2,764          |
| <b>Total liabilities</b>                             |  | <b>3,537</b>             | <b>250</b>                                   | <b>190,980</b>   |                                     |                                   | <b>194,767</b> |
| <b>2016</b>  |  |                          |  |  |                                     |                                   |                |
| <b>Assets</b>  |  |                          |  |  |                                     |                                   |                |
| Cash and receivables from the central bank           |  |                          |  | 1,079  |                                     |                                   | 1,079          |
| Loans to and receivables from financial institutions |  |                          |  | 4,334  |                                     |                                   | 4,334          |
| Loans to customers                                   |  | 9,336                    |  | 147,036  |                                     |                                   | 156,372        |
| Certificates and bonds at fair value                 | 18,833   |                          |  |  |                                     | 2,191                             | 21,024         |
| Financial derivatives                                |  | 1,472                    | 2,843  |  |                                     |                                   | 4,315          |
| Equities, units and other equity interests           | 560  |                          |  |  | 36                                  |                                   | 596            |
| Operations that will be sold                         |  | 22                       |  |  |                                     |                                   | 22             |
| Other assets   |  |                          |  | 622  |                                     |                                   | 622            |
| <b>Total assets</b>                                  | <b>19,393</b>  | <b>10,830</b>            | <b>2,843</b>                                 | <b>153,071</b>   | <b>36</b>                           | <b>2,191</b>                      | <b>188,364</b> |
| <b>Liabilities</b>                                   |  |                          |  |  |                                     |                                   |                |
| Debt to financial institutions                       |  |                          |  | 1,583  |                                     |                                   | 1,583          |
| Deposits from customers                              |  |                          |  | 85,913   |                                     |                                   | 85,913         |
| Securities issued <sup>1)</sup>                      |  |                          |  | 80,275   |                                     |                                   | 80,275         |
| Financial derivatives                                |  | 1,969                    | 546  |  |                                     |                                   | 2,515          |
| Other liabilities                                    |  |                          |  | 1,147  |                                     |                                   | 1,147          |
| Subordinated loan capital <sup>1)</sup>              |  |                          |  | 2,646  |                                     |                                   | 2,646          |
| <b>Total liabilities</b>                             |  | <b>1,969</b>             | <b>546</b>                                   | <b>171,564</b>   |                                     |                                   | <b>174,079</b> |

<sup>1)</sup> Securities issued and subordinated loan capital contain secured debt.

(continuation of note 26)

**Information about fair value****Group**

The table below shows financial instruments at fair value according to their valuation method. The different levels are defined as follows:  
Listed price in an active market for an identical asset or liability (level 1). Valuation based on observable factors other than listed price (used in level 1) either direct (price) or indirect (deduced from prices) for the asset or liability (level 2).  
Valuation based on factors not obtained from observable markets (non-observable assumptions) (level 3).

| 2017                                       | Valuation according to prices in an active market | Valuation according to observable market data | Valuation according to factors other than observable market data | Total         |
|--|---|---|--|---------------|
| <b>Assets</b>                              |   |   |  |               |
| Loans to customers                         |   |   | 7,610  | <b>7,610</b>  |
| Certificates 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>Liabilities</b>                         |   |   |  |               |
| Financial derivatives                      |   | 3,787   |  | <b>3,787</b>  |
| <b>2016</b>                                |   |   |  |               |
| <b>Assets</b>                              |   |   |  |               |
| Loans to customers                         |   |   | 9,336  | 9,336         |
| Certificates 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<br>2017 | Equities, units and other equity interests<br>2017 | Operations that will be sold<br>2017 |
|--|----------------------------|--|--------------------------------------|
| Balance 1 Jan  | 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>2)</sup>  | -35                        | 47   | -                                    |
| <b>Balance 31 Dec</b>  | <b>7,610</b>               | <b>271</b>   | <b>-</b>                             |
| Nominal value/cost price   | 7,433                      | 231  | -                                    |
| Fair value adjustment  | 177                        | 40   | -                                    |
| <b>Balance 31 Dec</b>  | <b>7,610</b>               | <b>271</b>   | <b>-</b>                             |
| Group  | 2016                       | 2016   | 2016                                 |
| Balance 1 Jan  | 10,565                     | 236  | 168                                  |
| Additions  | 476                        | 30   | -                                    |
| Disposals  | -1,498                     | -8   | -146                                 |
| Transferred from or to measurement according to prices in an active market or observable market data | -                          | -  | -                                    |
| Change in value <sup>2)</sup>  | -207                       | -61  | -                                    |
| <b>Balance 31 Dec</b>  | <b>9,336</b>               | <b>197</b>   | <b>22</b>                            |
| Nominal value/cost price   | 9,123                      | 204  | 29                                   |
| Fair value adjustment  | 213                        | -7   | -7                                   |
| <b>Balance 31 Dec</b>  | <b>9,336</b>               | <b>197</b>   | <b>22</b>                            |

(continuation of note 26)

Sparebanken Hedmark acquired Bank 1 Oslo Akershus in the second quarter of 2016. For SpareBank 1 SR-Bank, 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 up to and including the first quarter of 2017. 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 and SpareBank 1 SR-Bank sold its shares in the bank.

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 will significantly increase 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 payment 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 in the main posted through comprehensive income and after the switch to IFRS 9 in 2018 will have no effect on the result upon realisation.

The transaction where SpareBank 1 Alliance's mCASH payment solution was merged with Vipps was completed in the third quarter of 2017. Following the transaction, SpareBank 1 SR-Bank owns 19.7 % of SpareBank 1 Betaling, which in turn owns 25% of Vipps. The value of the stake provided the basis for the transaction with Vipps 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 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 is included in the group as an associated company.

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.

<sup>2)</sup> Value changes are recognised in net income from financial instruments.

| Group  | Carrying amount | Fair value     | Carrying amount | Fair value     |
|--|-----------------|----------------|-----------------|----------------|
| Fair value of financial instruments at amortised cost<br>(Figures in NOK millions) | 2017            | 2017           | 2016            | 2016           |
| <b>Assets</b>  |                 |                |                 |                |
| Cash and receivables from the central bank   | 207             | 207            | 1,079           | 1,079          |
| Loans to and receivables from financial institutions                               | 1,608           | 1,608          | 4,334           | 4,334          |
| Loans to customers <sup>1)</sup>   | 163,627         | 163,627        | 147,036         | 147,036        |
| Certificates and bonds held to maturity  | 3,206           | 3,229          | 2,191           | 2,204          |
| <b>Total assets at amortised cost</b>  | <b>168,648</b>  | <b>168,671</b> | <b>154,640</b>  | <b>154,653</b> |
| <b>Liabilities</b>   |                 |                |                 |                |
| Debt to financial institutions   | 2,335           | 2,335          | 1,583           | 1,583          |
| Deposits from customers <sup>1)</sup>  | 95,384          | 95,384         | 85,913          | 85,913         |
| Securities issued  | 90,497          | 91,279         | 80,275          | 80,790         |
| Subordinated loan capital  | 2,764           | 2,652          | 2,646           | 2,668          |
| <b>Total liabilities at amortised cost</b>   | <b>190,980</b>  | <b>191,650</b> | <b>170,417</b>  | <b>170,954</b> |

<sup>1)</sup> Customer loans and deposits at amortised cost amount to book value best estimate at fair value.



**NOTE 27 CERTIFICATES AND BONDS**

(Figures in NOK millions)

| Parent bank   |               | Certificates and bonds                               | Group         |               |
|---------------|---------------|--|---------------|---------------|
| 2016          | 2017          |  | 2017          | 2016          |
| 19,726        | <b>28,850</b> | Certificates and bonds at fair value                 | <b>28,561</b> | 18,710        |
| 2,187         | <b>3,201</b>  | Certificates and bonds held to maturity              | <b>3,201</b>  | 2,187         |
| 129           | <b>152</b>    | Accrued interest                                     | <b>147</b>    | 127           |
| <b>22,042</b> | <b>32,203</b> | <b>Total certificates and bonds</b>                  | <b>31,909</b> | <b>21,024</b> |
|               |               | <b>Government</b>                                    |               |               |
| 1,149         | <b>547</b>    | Nominal value  | <b>547</b>    | 1,149         |
| 1,183         | <b>564</b>    | Fair value   | <b>564</b>    | 1,183         |
|               |               | <b>Other public issuers</b>                          |               |               |
| 2,754         | <b>2,673</b>  | Nominal value  | <b>2,673</b>  | 2,754         |
| 2,754         | <b>2,708</b>  | Fair value   | <b>2,708</b>  | 2,754         |
|               |               | <b>Covered bonds</b>                                 |               |               |
| 13,892        | <b>23,120</b> | Nominal value  | <b>22,720</b> | 12,817        |
| 13,934        | <b>23,269</b> | Fair value   | <b>22,869</b> | 12,859        |
|               |               | <b>Other financial enterprises</b>                   |               |               |
| 3,706         | <b>5,079</b>  | Nominal value  | <b>5,179</b>  | 3,756         |
| 3,785         | <b>5,231</b>  | Fair value   | <b>5,331</b>  | 3,835         |
|               |               | <b>Non-financial enterprises</b>                     |               |               |
| 323           | <b>315</b>    | Nominal value  | <b>331</b>    | 336           |
| 257           | <b>279</b>    | Fair value   | <b>290</b>    | 266           |
| 129           | <b>152</b>    | Accrued interest                                     | <b>147</b>    | 127           |
| <b>21,824</b> | <b>31,734</b> | <b>Total certificates and bonds at nominal value</b> | <b>31,450</b> | <b>20,812</b> |
| <b>22,042</b> | <b>32,203</b> | <b>Total certificates and bonds</b>                  | <b>31,909</b> | <b>21,024</b> |

## NOTE 28 FINANCIAL DERIVATIVES

**General description:**

The fair value of financial derivatives is determined using valuation methods where the price of the underlying object, for example interest and currency rates, are obtained from the market. If the group's risk position is relatively neutral, normal rates will be used in pricing. A neutral risk position means, for example, that the interest rate risk within a re-pricing interval is approximately zero. Otherwise, the relevant purchase or sales price is used to assess the net position. CVA (Credit Valuation Adjustment) for derivative transactions is assessed on the basis of the net positive market values per counterparty. The CVA risk for counterparties that regularly exchange collateral and Norwegian municipalities is considered marginal. For other counterparties, the CVA calculation is based on the probability of default compared with the remaining term to maturity of the derivative positions and loss given default.

The group hedges fixed-rate loans. Each hedge is documented with a reference to the group's risk management strategy, a clear identification of the item being hedged, the hedging instrument used, a description of the hedged risk, a description of why hedging is regarded as highly probable and a description of how and when the group shall determine the efficiency of the hedge during the accounting period and that it is expected to be very effective during the next accounting period. The group has defined the hedged risk as value changes linked to the NIBOR component of the hedged fixed interest rates in NOK and value changes linked to the LIBOR components of the hedged fixed interest rates in foreign currencies.

As at 31 December 2017, the net fair value of the hedging instruments was NOK 1,080 million (NOK 1,330 million in assets and NOK 250 million in liabilities). The corresponding figures for 2016 were NOK 1,696 million (NOK 1,880 million in assets and NOK 184 million in liabilities). There was no ineffective result for hedging instruments in 2017.

ISDA agreements with CSA supplements regulate the counterparty risk through payments of margins in relation to exposure limits.

Such agreements constitute a contract amount of NOK 166.5 billion and an effect of offsetting on reinvestment costs of NOK 3.0 billion as at 31 December 2017. The group has no financial instruments that are booked net.

**Group**

(Figures in NOK millions)

| At fair value through profit or loss                | 2017<br>Fair value |              |              | 2016<br>Fair value |              |              |
|---|--------------------|--------------|--------------|--------------------|--------------|--------------|
|   | Contract amount    | Assets       | Liabilities  | Contract amount    | Assets       | Liabilities  |
| <b>Currency instruments</b>                         |                    |              |              |                    |              |              |
| Currency futures (forwards)                         | 3,839              | 76           | 31           | 3,518              | 92           | 26           |
| Currency swaps                                      | 53,373             | 1,441        | 99           | 47,585             | 254          | 710          |
| Currency options                                    | 49                 | -            | -            | 51                 | 1            | 1            |
| <b>Total currency instruments</b>                   | <b>57,261</b>      | <b>1,517</b> | <b>130</b>   | <b>51,154</b>      | <b>347</b>   | <b>737</b>   |
| <b>Interest rate instruments</b>                    |                    |              |              |                    |              |              |
| Interest rate swaps, incl. cross-currency swaps     | 52,929             | 902          | 974          | 53,801             | 1,124        | 1,231        |
| Other interest rate contracts                       | 96                 | 1            | 1            | 160                | 1            | 1            |
| <b>Total interest rate instruments</b>              | <b>53,025</b>      | <b>903</b>   | <b>975</b>   | <b>53,961</b>      | <b>1,125</b> | <b>1,232</b> |
| <b>Interest rate instruments, hedging</b>           |                    |              |              |                    |              |              |
| Interest rate swaps, incl. cross-currency swaps     | 76,316             | 1,330        | 250          | 65,503             | 1,880        | 184          |
| <b>Total interest rate instruments, hedging</b>     | <b>76,316</b>      | <b>1,330</b> | <b>250</b>   | <b>65,503</b>      | <b>1,880</b> | <b>184</b>   |
| <b>Collateral</b>                                   |                    |              |              |                    |              |              |
| Collateral  | -                  | 1,140        | 2,245        | -                  | 321          | 140          |
| <b>Total collateral</b>                             | <b>-</b>           | <b>1,140</b> | <b>2,245</b> | <b>-</b>           | <b>321</b>   | <b>140</b>   |
| <b>Accrued interest</b>                             |                    |              |              |                    |              |              |
| Accrued interest                                    | -                  | 651          | 187          | -                  | 642          | 222          |
| <b>Total accrued interest</b>                       | <b>-</b>           | <b>651</b>   | <b>187</b>   | <b>-</b>           | <b>642</b>   | <b>222</b>   |
| <b>Total currency and interest rate instruments</b> | <b>186,602</b>     | <b>5,541</b> | <b>3,787</b> | <b>170,618</b>     | <b>4,315</b> | <b>2,515</b> |

**NOTE 29 EQUITIES, UNITS AND OTHER EQUITY INTERESTS**

(Figures in NOK millions)

| Parent bank |      |   | Group      |      |
|-------------|------|---|------------|------|
| 2016        | 2017 |   | 2017       | 2016 |
|             |      | At fair value through profit or loss                    |            |      |
| 140         | 191  | - Listed  | 191        | 140  |
| 126         | 139  | - Securities funds                                      | 139        | 126  |
| -           | 90   | - Hybrid capital  | 90         | -    |
| 133         | 26   | - Unlisted  | 235        | 294  |
| 399         | 446  | <b>Total at fair value through profit or loss</b>       | <b>655</b> | 560  |
|             |      | Available for sale                                      |            |      |
| 34          | 61   | - Unlisted  | 62         | 36   |
| 34          | 61   | <b>Total available for sale</b>                         | <b>62</b>  | 36   |
|             |      | <b>Total equities, units and other equity interests</b> | <b>717</b> | 596  |
| 433         | 507  |   |            |      |

Equities, units and other equity interests are classified within the categories fair value and available for sale. Securities that can be measured reliably and are reported internally at fair value are classified as fair value through profit or loss. Other equities are classified as available for sale.

**Investments in equities, units and other equity interests**

| Parent bank<br>(Amounts in NOK 1000)   | Company's<br>share capital | Stake in % | No. of equities/<br>units | Acquisition<br>cost | Book value/<br>market value |
|--|----------------------------|------------|---------------------------|---------------------|-----------------------------|
| <b>At fair value through profit or loss</b>  |                            |            |                           |                     |                             |
| Sandnes Sparebank  | 230,149                    | 15.1%      | 3,485,009                 | 149,476             | 190,804                     |
| <b>Listed companies</b>  |                            |            |                           | <b>149,476</b>      | <b>190,804</b>              |
| SR-Kombinasjon A   |                            |            | 30,000                    | 30,000              | 44,332                      |
| SR-Rente   |                            |            | 56,389                    | 56,218              | 56,312                      |
| SR-Utbytte A   |                            |            | 20,000                    | 20,000              | 37,948                      |
| <b>Securities funds</b>  |                            |            |                           | <b>106,218</b>      | <b>138,592</b>              |
| <b>Hybrid capital</b>  |                            |            |                           | <b>88,481</b>       | <b>89,935</b>               |
| SpareBank 1 Markets  | 529,221                    | 5.6 %      | 176,341                   | 37,102              | 20,000                      |
| Other unlisted companies   |                            |            |                           | 9,302               | 6 173                       |
| <b>Total unlisted companies</b>  |                            |            |                           | <b>46,404</b>       | <b>26,173</b>               |
| <b>Total at fair value through profit or loss equities, units and other equity interests</b> |                            |            |                           | <b>390,579</b>      | <b>445,504</b>              |
| <b>Available for sale</b>  |                            |            |                           |                     |                             |
| Visa Norge IFS   |                            |            |                           |                     | 60,303                      |
| Unlisted companies   |                            |            |                           |                     | 948                         |
| <b>Total available for sale</b>  |                            |            |                           |                     | <b>61,251</b>               |
| <b>Total equities, units and other equity interests parent bank</b>                          |                            |            |                           |                     | <b>506,755</b>              |

(continuation of note 29)

**Investments in equities, units and other equity interests**

| <b>Group</b><br>(Amounts in NOK 1000)  | <b>Company's<br/>share capital</b> | <b>Stake in %</b> | <b>No. of equities/<br/>units</b> | <b>Acquisition<br/>cost</b> | <b>Book value/<br/>market value</b> |
|--|------------------------------------|-------------------|-----------------------------------|-----------------------------|-------------------------------------|
| <b>At fair value through profit or loss</b>  |                                    |                   |                                   |                             |                                     |
| <b>Total listed companies parent bank</b>  |                                    |                   |                                   | <b>149,476</b>              | <b>190,804</b>                      |
| <b>Total combination funds parent bank</b>   |                                    |                   |                                   | <b>106,218</b>              | <b>138,592</b>                      |
| <b>Hybrid capital parent bank</b>  |                                    |                   |                                   | <b>88,481</b>               | <b>89,935</b>                       |
| <b>Total unlisted companies - parent bank</b>  |                                    |                   |                                   | <b>46,404</b>               | <b>26,173</b>                       |
| HitecVision Asset Solutions, LP  |                                    | 1.19              |                                   | 22,955                      | 36,768                              |
| SR PE-Feeder III KS  |                                    | 40.50             |                                   | 25,336                      | 23,968                              |
| Optimarin AS   |                                    | 14.75             |                                   | 23,588                      | 23,622                              |
| Monner AS  |                                    | 34.00             |                                   | 23,000                      | 23,000                              |
| HitecVision Private Equity IV LP   |                                    | 2.00              |                                   | 22,412                      | 14,834                              |
| Offshore Merchant Partners Asset Yield Fund, LP  |                                    | 1.31              |                                   | 14,817                      | 14,419                              |
| SR PE-Feeder IV AS   |                                    | 25.21             |                                   | 13 507                      | 13,357                              |
| Energy Ventures IV LP  |                                    | 0.70              |                                   | 14,037                      | 11,530                              |
| Other unlisted companies in subsidiaries   |                                    |                   |                                   | 67,089                      | 47,660                              |
| <b>Total unlisted in subsidiaries</b>  |                                    |                   |                                   | <b>226,741</b>              | <b>209,158</b>                      |
| <b>Total unlisted in group</b>   |                                    |                   |                                   | <b>273,145</b>              | <b>235,331</b>                      |
| <b>Total at fair value through profit or loss equities, units and other equity interests</b> |                                    |                   |                                   | <b>617,320</b>              | <b>654,662</b>                      |
| <b>Available for sale</b>  |                                    |                   |                                   |                             |                                     |
| Unlisted companies parent bank   |                                    |                   |                                   |                             | 61,251                              |
| Unlisted companies in subsidiaries   |                                    |                   |                                   |                             | 1,195                               |
| <b>Total equities, units and other equity interests - group</b>                              |                                    |                   |                                   |                             | <b>717,108</b>                      |

## NOTE 30 INTANGIBLE ASSETS

(Figures in NOK millions)

| Parent bank        |          |       | Group   |           |          |                    |  |
|--------------------|----------|-------|---|-----------|----------|--------------------|--|
| Customer contracts | Goodwill | Total | 2017  | Total     | Goodwill | Customer contracts |  |
| 3                  | -        | 3     | Acquisition cost 1 Jan 2017   | 95        | 81       | 14                 |  |
| -                  | -        | -     | Additions   | 9         | 7        | 2                  |  |
| -                  | -        | -     | Disposals   | -         | -        | -                  |  |
| 3                  | -        | 3     | Acquisition cost 31 Dec 2017  | 104       | 88       | 16                 |  |
| 3                  | -        | 3     | Accumulated depreciation and impairments 1 Jan 2017   | 6         | -        | 6                  |  |
| -                  | -        | -     | Year's disposals  | -         | -        | -                  |  |
| -                  | -        | -     | Year's depreciation and impairments   | 2         | -        | 2                  |  |
| 3                  | -        | 3     | Accumulated depreciation and impairments 31 Dec 2017  | 8         | -        | 8                  |  |
| -                  | -        | -     | <b>Carrying amount 31 Dec 2017</b>  | <b>96</b> | 88       | 8                  |  |
|                    |          |       | <b>Distribution of carrying amount</b>  |           |          |                    |  |
| -                  | -        | -     | SR-Forvaltning – acquisition of 33.3% of the shares in May 2009   | 20        | 20       | -                  |  |
| -                  | -        | -     | SpareBank 1 Regnskapshuset SR - acquisition of SpareBank 1 Regnskapshuset Østland's Rogaland branches in 2015 | 26        | 24       | 2                  |  |
| -                  | -        | -     | SpareBank 1 Regnskapshuset SR - acquisition of 100% of the shares in ODB-Regnskap AS in 2015                  | 11        | 9        | 2                  |  |
| -                  | -        | -     | SpareBank 1 Regnskapshuset SR - acquisition of 100% of the shares in Advis AS in 2016                         | 30        | 28       | 2                  |  |
| -                  | -        | -     | SpareBank 1 Regnskapshuset SR - acquisition of 100% of the shares in Regnskaps Partner AS in 2017             | 8         | 6        | 2                  |  |
| -                  | -        | -     | SpareBank 1 Regnskapshuset SR - acquisition of 100% of the shares in Reto Regnskap AS in 2017                 | 1         | 1        | -                  |  |
| -                  | -        | -     | <b>Carrying amount 31 Dec 2017</b>  | <b>96</b> | 88       | 8                  |  |
|                    |          |       | 2016  |           |          |                    |  |
| 3                  | -        | 3     | Acquisition cost 1 Jan 2016   | 63        | 53       | 10                 |  |
| -                  | -        | -     | Additions   | 32        | 28       | 4                  |  |
| -                  | -        | -     | Disposals   | -         | -        | -                  |  |
| 3                  | -        | 3     | Acquisition cost 31 Dec 2016  | 95        | 81       | 14                 |  |
| 1                  | -        | 1     | Accumulated depreciation and impairments 1 Jan 2016   | 2         | -        | 2                  |  |
| -                  | -        | -     | Year's disposals  | -         | -        | -                  |  |
| 2                  | -        | 2     | Year's depreciation and impairments   | 4         | -        | 4                  |  |
| 3                  | -        | 3     | Accumulated depreciation and impairments 31 Dec 2016  | 6         | -        | 6                  |  |
| -                  | -        | -     | <b>Carrying amount 31 Dec 2016</b>  | <b>89</b> | 81       | 8                  |  |
|                    |          |       | <b>Distribution of carrying amount</b>  |           |          |                    |  |
| -                  | -        | -     | SR-Forvaltning – acquisition of 33.3% of the shares in May 2009   | 20        | 20       | -                  |  |
| -                  | -        | -     | SpareBank 1 SR-Bank - purchase of customer contracts from Swedbank in 2015                                    | -         | -        | -                  |  |
| -                  | -        | -     | SpareBank 1 Regnskapshuset SR - acquisition of SpareBank 1 Regnskapshuset Østland's Rogaland branches in 2015 | 27        | 24       | 3                  |  |
| -                  | -        | -     | SpareBank 1 Regnskapshuset SR - acquisition of 100% of the shares in ODB-Regnskap AS in 2015                  | 12        | 9        | 3                  |  |
| -                  | -        | -     | SpareBank 1 Regnskapshuset SR - acquisition of 100% of the shares in Advis AS in 2016                         | 30        | 28       | 2                  |  |
| -                  | -        | -     | <b>Carrying amount 31 Dec 2016</b>  | <b>89</b> | 81       | 8                  |  |

The amounts are the differences between identifiable assets inclusive of excess values and the cost price of the identifiable assets. The elements in the goodwill item relate to future earnings in the company supported by the calculations of the present value of expected future earnings, which document a future economic benefit from acquiring the company. The goodwill item's elements are valued annually and written down if a there is a basis for this following a concrete assessment.

**NOTE 31 TANGIBLE FIXED ASSETS**

(Figures in NOK millions)

| Parent bank               |                                   |            | Group  |            |                                   |                           |
|---------------------------|-----------------------------------|------------|--|------------|-----------------------------------|---------------------------|
| Buildings and real estate | Machinery, fixtures, and vehicles | Total      |  | Total      | Machinery, fixtures, and vehicles | Buildings and real estate |
| 251                       | 834                               | 1,085      | Acquisition cost 1 Jan 2017                          | 1,301      | 921                               | 381                       |
| 5                         | 45                                | 50         | Additions  | 156        | 52                                | 104                       |
| 10                        | 233                               | 243        | Disposals <sup>1)</sup>                              | 243        | 233                               | 10                        |
| 246                       | 646                               | 892        | Acquisition cost 31 Dec 2017                         | 1,214      | 740                               | 475                       |
| 120                       | 612                               | 732        | Accumulated depreciation and impairments 1 Jan 2017  | 807        | 685                               | 122                       |
| 4                         | 64                                | 68         | Year's depreciation                                  | 72         | 68                                | 4                         |
| -                         | -                                 | -          | Year's impairments                                   | -          | -                                 | -                         |
| 4                         | 233                               | 237        | Year's disposals <sup>1)</sup>                       | 237        | 233                               | 4                         |
| 120                       | 443                               | 563        | Accumulated depreciation and impairments 31 Dec 2017 | 642        | 520                               | 122                       |
| <b>126</b>                | <b>203</b>                        | <b>329</b> | <b>Carrying amount 31 Dec 2017</b>                   | <b>572</b> | <b>219</b>                        | <b>353</b>                |
| <b>399</b>                |                                   |            | <b>Fair value</b>                                    |            |                                   | <b>399</b>                |
| 261                       | 753                               | 1,014      | Acquisition cost 1 Jan 2016                          | 1,149      | 836                               | 313                       |
| -10                       | 95                                | 85         | Additions  | 167        | 99                                | 68                        |
| -                         | 14                                | 14         | Disposals  | 14         | 14                                | -                         |
| 251                       | 834                               | 1,085      | Acquisition cost 31 Dec 2016                         | 1,301      | 921                               | 381                       |
| 116                       | 557                               | 673        | Accumulated depreciation and impairments 1 Jan 2016  | 745        | 627                               | 118                       |
| 4                         | 66                                | 70         | Year's depreciation                                  | 73         | 69                                | 4                         |
| -                         | 3                                 | 3          | Year's impairments                                   | 3          | 3                                 | -                         |
| -                         | 14                                | 14         | Year's disposals                                     | 14         | 14                                | -                         |
| 120                       | 612                               | 732        | Accumulated depreciation and impairments 31 Dec 2016 | 807        | 685                               | 122                       |
| 127                       | 203                               | 330        | Carrying amount 31 Dec 2016                          | 573        | 220                               | 353                       |
| 391                       |                                   |            | Fair value   |            |                                   | 391                       |

<sup>1)</sup> Included in the year's disposal is NOK 233 million related to decommissioned operating assets.

**Collateral**

The group has not mortgaged/pledged or accepted any other disposal restrictions on its tangible fixed assets.

**Revaluation/ depreciation**

The group does not make regular revaluations of tangible fixed assets. In connection with the initial implementation of IFRS, buildings were valued at cost less accumulated depreciation in accordance with current Norwegian legislation. Percentage rate of depreciation is 10% to 33% for machinery, equipment and vehicles, and 2% for bank buildings, investment property and other real estate.

**Buildings and real estate**

Of the total book value of buildings and real estate NOK 114 million is for use in the banking business. The fair value of buildings is determined by appraisal.

**Operational leases**

The group has no significant operational leases.

**NOTE 32 OTHER ASSETS**

(Figures in NOK millions)

| Parent bank |      |   | Group |      |
|-------------|------|---|-------|------|
| 2016        | 2017 |   | 2017  | 2016 |
| 10          | 11   | Income earned but not received from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt | 11    | 10   |
| 30          | 14   | Prepaid costs   | 18    | 32   |
| 9           | 1    | Over funding of pension liabilities   | 1     | 9    |
| 200         | 200  | Paid in capital SR-Bank Pension Fund  | 200   | 200  |
| 46          | -    | Unsettled trades  | -     | 46   |
| 49          | 169  | Other assets  | 548   | 325  |
| 344         | 395  | <b>Total other assets</b>   | 778   | 622  |

**NOTE 33 DEPOSITS FROM CUSTOMERS**

(Figures in NOK millions)

| Parent bank |        |   | Group  |        |
|-------------|--------|---|--------|--------|
| 2016        | 2017   |   | 2017   | 2016   |
| 75,076      | 79,553 | Deposits from and liabilities to customers, at call             | 79,317 | 74,821 |
| 11,102      | 16,070 | Deposits from and liabilities to customers with agreed maturity | 16,054 | 11,087 |
| 5           | 12     | Accrued interest  | 12     | 5      |
| 86,183      | 95,635 | <b>Total deposits from customer</b>                             | 95,384 | 85,913 |
|             |        | <b>Deposits by sector and industry</b>                          |        |        |
| 1,166       | 1,200  | Agriculture/forestry  | 1,200  | 1,166  |
| 460         | 464    | Fisheries/fish farming  | 464    | 460    |
| 1,226       | 1,310  | Mining operations/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  | Wholesale and retail trade, hotels and restaurants              | 2,262  | 2,529  |
| 2,084       | 1,989  | Overseas shipping, pipeline transport and other transport       | 1,989  | 2,084  |
| 5,640       | 6,249  | Property management   | 6,249  | 5,640  |
| 9,710       | 9,005  | Service sector  | 8,754  | 9,440  |
| 17,923      | 25,969 | Public sector and financial services                            | 25,969 | 17,923 |
| 44,011      | 51,775 | <b>Total industry</b>   | 51,525 | 43,741 |
| 42,908      | 44,246 | Retail market   | 44,246 | 42,908 |
| 5           | 12     | Accrued interest  | 12     | 5      |
| -741        | -399   | Net cooperate accounts currency <sup>1)</sup>                   | -399   | -741   |
| 86,183      | 95,635 | <b>Total deposits by sector and industry</b>                    | 95,384 | 85,913 |
|             |        | <b>Deposits by geographic area</b>                              |        |        |
| 63,349      | 69,951 | Rogaland  | 69,700 | 63,079 |
| 6,784       | 8,532  | Agder counties  | 8,532  | 6,784  |
| 8,617       | 9,660  | Hordaland   | 9,660  | 8,617  |
| 1,023       | 2,072  | International   | 2,072  | 1,023  |
| 6,410       | 5,420  | Other   | 5,420  | 6,410  |
| 86,183      | 95,635 | <b>Total deposits by geographic area</b>                        | 95,384 | 85,913 |

<sup>1)</sup> Loans to customers with a positive balance on group accounts

**NOTE 34 SECURITIES ISSUED**

(Figures in NOK millions)

| Parent bank   |               |               |                                | Group         |               |               |
|---------------|---------------|---------------|--------------------------------|---------------|---------------|---------------|
| NOK           | Currency      | Total         |                                | Total         | Currency      | NOK           |
| -             | 2,336         | <b>2,336</b>  | Other long-term borrowing      | <b>2,336</b>  | 2,336         | -             |
| 11,952        | 35,188        | <b>47,140</b> | Bond debt <sup>1)</sup>        | <b>86,148</b> | 63,180        | 22,968        |
| 219           | 1,052         | <b>1,271</b>  | Value adjustments              | <b>1,292</b>  | 1,103         | 189           |
| 115           | 445           | <b>560</b>    | Accrued interest               | <b>721</b>    | 586           | 135           |
| <b>12,286</b> | <b>39,021</b> | <b>51,307</b> | <b>Total securities issued</b> | <b>90,497</b> | <b>67,205</b> | <b>23,292</b> |

| Maturity date of debt established by issuance of securities |               |               |                                |               |               |               |
|---|---------------|---------------|--------------------------------|---------------|---------------|---------------|
| Currency  | NOK           | Total         | Maturity                       | Total         | Currency      | NOK           |
| <b>2,733</b>  | <b>8,127</b>  | <b>10,860</b> | 2018                           | <b>10,860</b> | <b>8,127</b>  | <b>2,733</b>  |
| <b>1,119</b>  | <b>5,341</b>  | <b>6,460</b>  | 2019                           | <b>11,464</b> | <b>5,341</b>  | <b>6,123</b>  |
| <b>1,703</b>  | <b>6,503</b>  | <b>8,206</b>  | 2020                           | <b>18,120</b> | <b>11,423</b> | <b>6,697</b>  |
| <b>1,169</b>  | <b>7,764</b>  | <b>8,933</b>  | 2021                           | <b>16,281</b> | <b>15,112</b> | <b>1,169</b>  |
| <b>4,025</b>  | <b>4,927</b>  | <b>8,952</b>  | 2022                           | <b>13,703</b> | <b>9,678</b>  | <b>4,025</b>  |
| <b>1 537</b>  | <b>1 357</b>  | <b>2,894</b>  | 2023                           | <b>8,762</b>  | <b>7,226</b>  | <b>1,536</b>  |
| -   | <b>5,002</b>  | <b>5,002</b>  | 2024 and maturity after        | <b>11,307</b> | <b>10,298</b> | <b>1,009</b>  |
| <b>12,286</b>   | <b>39,021</b> | <b>51,307</b> | <b>Total securities issued</b> | <b>90,497</b> | <b>67,205</b> | <b>23,292</b> |

<sup>1)</sup> Own certificates and bonds have been deducted.

| Group                              | Balance 31<br>Dec 2017 | Issued 2017   | Matured/rede-<br>emed 2017 | Exchange rate<br>and other<br>changes 2017 | Balance 31<br>Dec 2016 |
|------------------------------------|------------------------|---------------|----------------------------|--|------------------------|
| <b>Change in securities issued</b> |                        |               |                            |  |                        |
| Other long-term borrowing          | <b>2,336</b>           | 1,125         |                            | 121  | 1,090                  |
| Bonds, nominal value               | <b>86,148</b>          | 15,178        | -9,471                     | 3,905                                      | 76,536                 |
| Value adjustments                  | <b>1,292</b>           |               |                            | -658                                       | 1,950                  |
| Accrued interest                   | <b>721</b>             |               |                            | 22   | 699                    |
| <b>Total securities issued</b>     | <b>90,497</b>          | <b>16,303</b> | <b>-9,471</b>              | <b>3,390</b>                               | <b>80,275</b>          |



**NOTE 35 OTHER DEBT AND OTHER LIABILITIES**

(Figures in NOK millions)

| Parent bank                                   |               |  | Group         |        |
|---|---------------|--|---------------|--------|
| 2016  | 2017          | Other liabilities                              | 2017          | 2016   |
| 351   | <b>383</b>    | Pension liabilities (note <sup>24</sup> )      | <b>402</b>    | 378    |
| 88  | <b>13</b>     | Specified loss provisions guarantees           | <b>13</b>     | 5      |
| 30  | <b>115</b>    | Accounts payable                               | <b>142</b>    | 58     |
| 39  | <b>40</b>     | Tax deducted                                   | <b>55</b>     | 55     |
| 146   | -             | Unsettled trades                               | -             | 146    |
| 207   | <b>149</b>    | Other liabilities                              | <b>133</b>    | 222    |
| 65  | <b>66</b>     | Accrued holiday pay                            | <b>92</b>     | 92     |
| 137   | <b>194</b>    | Other accrued costs                            | <b>245</b>    | 191    |
| 1,063   | <b>960</b>    | <b>Total other liabilities</b>                 | <b>1,082</b>  | 1,147  |
| <b>Guarantees issued (amounts guaranteed)</b> |               |  |               |        |
| 910   | <b>882</b>    | Payment guarantees                             | <b>882</b>    | 910    |
| 2,554   | <b>2,421</b>  | Performance bonds                              | <b>2,421</b>  | 2,554  |
| 2,405   | <b>2,052</b>  | Loan guarantees                                | <b>2,052</b>  | 2,405  |
| 130   | <b>156</b>    | Guarantees for tax                             | <b>156</b>    | 130    |
| 3,760   | <b>3,532</b>  | Other guarantee liabilities                    | <b>3,609</b>  | 3,836  |
| 9,759   | <b>9,043</b>  | <b>Total guarantees customers</b>              | <b>9,120</b>  | 9,835  |
| 588   | <b>588</b>    | Other guarantees                               | <b>588</b>    | 588    |
| 10,347  | <b>9,631</b>  | <b>Total guarantees issued</b>                 | <b>9,708</b>  | 10,423 |
| <b>Other liabilities</b>                      |               |  |               |        |
| 5,371   | <b>5,000</b>  | Unused credit lines for financial institutions | -             | -      |
| 19,154  | <b>18,978</b> | Unused credit lines for customers              | <b>22,712</b> | 21,037 |
| 1,558   | <b>4,824</b>  | Approved loan commitments                      | <b>4,749</b>  | 1,650  |
| 23  | <b>45</b>     | Letters of credit                              | <b>45</b>     | 23     |
| 26,106  | <b>28,847</b> | <b>Total other liabilities</b>                 | <b>27,506</b> | 22,710 |
| <b>Security pledged</b>                       |               |  |               |        |
| 17,096  | <b>19,920</b> | Securities pledged as security                 | <b>19,920</b> | 17,096 |

**Ongoing legal disputes**

The group is a party in a number of court cases with a total financial scope that is not considered to be significant, inasmuch as the group has made provisions for losses in those cases where it is assumed more likely than not that the group will incur a loss as a result of the cases.

**Operational lease payments**

The group's operational leases have terms of 3-5 years. The annual cost is approximately NOK 3 million.

**NOTE 36 RESTRICTED FUNDS**

(Figures in NOK millions)

| Parent bank |           |                               | Group     |      |
|-------------|-----------|-------------------------------|-----------|------|
| 2016        | 2017      |                               | 2017      | 2016 |
| 39          | <b>40</b> | Tax deducted                  | <b>55</b> | 55   |
| 39          | <b>40</b> | <b>Total restricted funds</b> | <b>55</b> | 55   |

**NOTE 37 SUBORDINATED LOAN CAPITAL**

(Figures in NOK millions)

| Parent bank                       |              |           |       | Group  |                |      |              |       |
|-----------------------------------|--------------|-----------|-------|--|----------------|------|--------------|-------|
| 2016                              | 2017         | Principal | Terms | Maturity   | First due date | 2017 | 2016         |       |
| <b>Non-perpetual</b>              |              |           |       |  |                |      |              |       |
| -                                 | <b>300</b>   | 300       | NOK   | 3-month NIBOR + 1.45% p.a.   | 2029           | 2024 | <b>300</b>   | -     |
| -                                 | <b>625</b>   | 625       | NOK   | 3-month NIBOR + 1.52% p.a.   | 2028           | -    | <b>625</b>   | -     |
| 499                               | <b>499</b>   | 500       | NOK   | 3-month NIBOR + 1.80% p.a.   | 2023           | 2018 | <b>499</b>   | 499   |
| 465                               | <b>492</b>   | 50        | EUR   | 6 month Euribor + 1.725% p.a.  | 2030           | 2030 | <b>492</b>   | 465   |
| 825                               | -            | 825       | NOK   | 3-month NIBOR + 2.75% p.a.   | 2022           | 2017 | -            | 825   |
| 1,789                             | <b>1,916</b> |           |       | <b>Total non-perpetual</b>   |                |      | <b>1,916</b> | 1,789 |
| <b>Tier 1 capital instruments</b> |              |           |       |  |                |      |              |       |
| 732                               | <b>723</b>   | 684       | NOK   | 9.35% per annum until 9 Dec 2019, thereafter 3-month NIBOR + 5.75% per annum         |                | 2019 | <b>723</b>   | 732   |
| 116                               | <b>116</b>   | 116       | NOK   | 3-month NIBOR + 4.75% per annum until 9 Dec 2019, thereafter NIBOR + 5.75% per annum |                | 2019 | <b>116</b>   | 116   |
| 848                               | <b>839</b>   |           |       | <b>Total tier 1 capital instruments</b>  |                |      | <b>839</b>   | 848   |
| 9                                 | <b>9</b>     |           |       | Accrued interest   |                |      | <b>9</b>     | 9     |
| 2,646                             | <b>2,764</b> |           |       | <b>Total subordinated loan capital</b>   |                |      | <b>2,764</b> | 2,646 |

Subordinated loan capital and tier 1 capital instruments in foreign currencies are included in the group's total currency position so that there is no currency risk associated with the loans. Of a total of NOK 2,764 million in subordinated loan capital, NOK 797 million counts as tier 1 capital and NOK 1,897 million as term subordinated loan capital. Capitalised costs associated with borrowing are reflected in the calculation of amortised cost.

| Group   | 2017         | 2016  |
|---|--------------|-------|
| <b>Subordinated loan capital and hybrid tier 1 capital loans<sup>1)</sup></b> |              |       |
| Ordinary subordinated loan capital, nominal value                             | <b>1,916</b> | 1,778 |
| Hybrid tier 1 capital loans, nominal value                                    | <b>797</b>   | 791   |
| Value adjustments   | <b>42</b>    | 68    |
| Accrued interest  | <b>9</b>     | 9     |
| <b>Total subordinated loan capital and hybrid tier 1 capital loans</b>        | <b>2,764</b> | 2,646 |

|   | Balance 31 Dec 2017 | Issued/sale own 2017 | Matured/redeemed 2017 | Exchange rate and other changes 2017 | Balance 31 Dec 2016 |
|---|---------------------|----------------------|-----------------------|--------------------------------------|---------------------|
| <b>Change in debt raised by issuing of subordinated loans/tier 1 capital instrument loans</b> |                     |                      |                       |                                      |                     |
| Dated subordinated loan capital, nominal value  | <b>1,916</b>        | 925                  | -825                  | 38                                   | 1,778               |
| Hybrid tier 1 capital loans, nominal value  | <b>797</b>          | 5                    | -                     | 1                                    | 791                 |
| Value adjustments   | <b>42</b>           | -                    | -                     | -26                                  | 68                  |
| Accrued interest  | <b>9</b>            | -                    | -                     | -                                    | 9                   |
| <b>Total subordinated loan capital and hybrid tier 1 capital loans</b>                        | <b>2,764</b>        | 930                  | -825                  | 13                                   | 2,646               |

<sup>1)</sup> This note is identical for the parent bank.

## NOTE 38 INVESTMENTS IN OWNERSHIP INTERESTS

## Subsidiaries, associated companies and joint ventures

| Company                                    | Date of acquisition | Business office | Ownership interest in % <sup>1)</sup> |
|--|---------------------|-----------------|---------------------------------------|
| <b>Investments in subsidiaries</b>         |                     |                 |                                       |
| <b>Shares held by the parent bank</b>      |                     |                 |                                       |
| EiendomsMegler 1 SR-Eiendom                | 1990                | Stavanger       | 100.00                                |
| SR-Forvaltning                             | 2001                | Stavanger       | 100.00                                |
| FinStart Nordic                            | 2005                | Stavanger       | 100.00                                |
| SpareBank 1 Regnskapshuset SR              | 2015                | Stavanger       | 100.00                                |
| Finansparken Bjergsted                     | 2014                | Stavanger       | 100.00                                |
| Rygir Industrier Group                     | 2012                | Stavanger       | 100.00                                |
| SR-Boligkreditt                            | 2015                | Stavanger       | 100.00                                |
| <b>Shares owned by subsidiaries</b>        |                     |                 |                                       |
| Jærmegleren                                | 2007                | Stavanger       | 100.00                                |
| <b>Investments in associated companies</b> |                     |                 |                                       |
| SpareBank 1 Boligkreditt                   | 2005                | Stavanger       | 7.96                                  |
| SpareBank 1 Næringskreditt                 | 2009                | Stavanger       | 19.24                                 |
| BN Bank                                    | 2008                | Trondheim       | 23.50                                 |
| SpareBank 1 Kredittkort                    | 2012                | Trondheim       | 17.85                                 |
| Samarbeidende Sparebanker Bankinvest       | 2010                | Oslo            | 3.27                                  |
| SpareBank 1 Betaling                       | 2015                | Oslo            | 19.70                                 |
| SMB Lab                                    | 2017                | Trondheim       | 20.00                                 |
| <b>Investments in joint ventures</b>       |                     |                 |                                       |
| SpareBank 1 Gruppen                        | 1996                | Oslo            | 19.50                                 |
| SpareBank 1 Banksamarbeidet                | 2004                | Oslo            | 18.00                                 |

<sup>1)</sup> Voting rights and ownership share are equal in all companies

(continuation of note 38)

**Subsidiaries****Shares in subsidiaries parent bank**

Investments are recognised at the parent bank's acquisition cost. These items are fully consolidated in the consolidated financial statements.

(Amounts in NOK 1000)

| <b>2017</b>  | <b>Company's<br/>share capital</b> | <b>Ownership<br/>interest in %</b> | <b>No. of<br/>shares</b> | <b>Nominal<br/>value</b> | <b>Assets</b>     | <b>Liabilities</b> | <b>Total<br/>income</b> | <b>Total<br/>costs</b> | <b>Company's<br/>profit for<br/>the year</b> | <b>Book<br/>value</b> |
|--|------------------------------------|------------------------------------|--------------------------|--------------------------|-------------------|--------------------|-------------------------|------------------------|--|-----------------------|
| SR-Boligkreditt                                      | 4,000,000                          | 100.00                             | 4,000,000                | 4,000,000                | 44,248,427        | 40,042,135         | 276,490                 | 1,960                  | 204,580                                      | 4,000,150             |
| <b>Total investments in credit institutions</b>      |                                    |                                    |                          | <b>4,000,000</b>         | <b>44,248,427</b> | <b>40,042,135</b>  | <b>276,490</b>          | <b>1,960</b>           | <b>204,580</b>                               | <b>4,000,150</b>      |
| EiendomsMegler 1 SR-Eiendom                          | 1,500                              | 100.00                             | 150                      | 1,500                    | 172,994           | 95,878             | 391,670                 | 365,014                | 19,784                                       | 97,205                |
| FinStart Nordic                                      | 47,000                             | 100.00                             | 4,700                    | 47,000                   | 229,982           | 779                | 7,065                   | 579                    | 4,640  | 224,225               |
| SR-Forvaltning                                       | 6,000                              | 100.00                             | 6,000                    | 6,000                    | 74,456            | 31,214             | 63,747                  | 30,268                 | 25,097                                       | 29,018                |
| SpareBank 1 Regnskapshuset SR                        | 900                                | 100.00                             | 9,000                    | 900                      | 112,738           | 27,276             | 98,283                  | 94,762                 | 2,401  | 80,125                |
| Rygir Industrier Group                               | 14,400                             | 100.00                             | 90,000                   | 14,400                   | 305,347           | 121,626            | 9,330                   | 28,287                 | -18,012                                      | 164,382               |
| Finansparken Bjergsted                               | 48,000                             | 100.00                             | 8,000                    | 48,000                   | 308,975           | 49,995             | 475                     | 184                    | 219  | 258,016               |
| <b>Total other investments</b>                       |                                    |                                    |                          | <b>117,800</b>           | <b>1,204,492</b>  | <b>326,768</b>     | <b>570,570</b>          | <b>519,094</b>         | <b>34,129</b>                                | <b>852,971</b>        |
| <b>Total investments in subsidiaries parent bank</b> |                                    |                                    |                          | <b>4,117,800</b>         | <b>45,452,919</b> | <b>40,368,903</b>  | <b>847,060</b>          | <b>521,054</b>         | <b>238,709</b>                               | <b>4,853,121</b>      |
| <b>2016</b>  |                                    |                                    |                          |                          |                   |                    |                         |                        |  |                       |
| SpareBank 1 SR-Finans                                | 167,000                            | 100.00                             | 334,000                  | 167,000                  | 6,856,713         | 5,908,519          | 231,318                 | 55,150                 | 63,044                                       | 883,228               |
| SR-Boligkreditt                                      | 2,025,000                          | 100.00                             | 2,025,000                | 2,025,000                | 30,144,313        | 28,033,602         | 120,958                 | 5,543                  | 84,851                                       | 2,025,150             |
| <b>Total investments in credit institutions</b>      |                                    |                                    |                          | <b>2,192,000</b>         | <b>37,001,026</b> | <b>33,942,121</b>  | <b>352,276</b>          | <b>60,693</b>          | <b>147,895</b>                               | <b>2,908,378</b>      |
| EiendomsMegler 1 SR-Eiendom                          | 1,500                              | 100.00                             | 150                      | 1,500                    | 148,051           | 80,899             | 349,878                 | 333,723                | 11,698                                       | 97,205                |
| SR-Investering                                       | 35,000                             | 100.00                             | 3,500                    | 35,000                   | 170,757           | 6,193              | -153                    | 617                    | 639  | 164,225               |
| SR-Forvaltning                                       | 6,000                              | 100.00                             | 6,000                    | 6,000                    | 65,337            | 26,802             | 55,710                  | 27,579                 | 21,097                                       | 29,018                |
| SpareBank 1 Regnskapshuset SR                        | 800                                | 100.00                             | 8,000                    | 800                      | 92,693            | 19,632             | 81,742                  | 80,140                 | 1,026  | 70,125                |
| Rygir Industrier Group                               | 14,400                             | 100.00                             | 90,000                   | 14,400                   | 197,045           | 4,905              | 13                      | 2,237                  | -1,555                                       | 186,246               |
| Etis Eiendom   |                                    |                                    |                          |                          |                   |                    | 62                      | 79                     | -6   | -                     |
| Finansparken Bjergsted                               | 48,000                             | 100.00                             | 8,000                    | 48,000                   | 272,610           | 13,849             | 1,289                   | 328                    | 742  | 258,016               |
| <b>Total other investments</b>                       |                                    |                                    |                          | <b>105,700</b>           | <b>946,493</b>    | <b>152,280</b>     | <b>488,541</b>          | <b>444,703</b>         | <b>33,641</b>                                | <b>804,835</b>        |
| <b>Total investments in subsidiaries parent bank</b> |                                    |                                    |                          | <b>2,297,700</b>         | <b>37,947,519</b> | <b>34,094,401</b>  | <b>840,817</b>          | <b>505,396</b>         | <b>181,536</b>                               | <b>3,713,213</b>      |

(continuation of note 38)

**Investments in associated companies and joint ventures**

(Figures in NOK millions)

| Parent bank |       |   | Group        |              |
|-------------|-------|---|--------------|--------------|
| 2016        | 2017  |   | 2017         | 2016         |
| 3,172       | 2,884 | Carrying amount 1 Jan                                     | 4,460        | 4,792        |
| -288        | -521  | Additions/disposals                                       | -507         | -259         |
| -           | -     | Change in equity  | -49          | 114          |
| -           | -     | Share of profit/loss                                      | 413          | 384          |
| -           | -     | Dividend paid   | -364         | -571         |
| 2,884       | 2,363 | <b>Carrying amount 31 Dec</b>                             | <b>3,953</b> | <b>4,460</b> |
| -           | -     | Share of profit from SpareBank 1 Gruppen                  | 349          | 317          |
| -           | -     | Share of profit from SpareBank 1 Boligkreditt             | -25          | -14          |
| -           | -     | Share of profit from SpareBank 1 Næringskreditt           | 13           | 22           |
| -           | -     | Share of profit from BN Bank                              | 70           | 61           |
| -           | -     | Share of profit from SpareBank 1 Banksamarbeidet          | 3            | 2            |
| -           | -     | Share of profit from Samarbeidende Sparebanker Bankinvest | 2            | 2            |
| -           | -     | Share of profit from SpareBank 1 Kredittkort              | 15           | 23           |
| -           | -     | Share of profit from Admisenteret                         | -            | -            |
| -           | -     | Share of profit from SpareBank 1 Betaling                 | -14          | 29           |
| 486         | 228   | Dividend from SpareBank 1 Gruppen                         | -            | -            |
| 21          | 19    | Dividend from SpareBank 1 Boligkreditt                    | -            | -            |
| 22          | 19    | Dividend from SpareBank 1 Næringskreditt                  | -            | -            |
| 40          | 94    | Dividend from BN Bank                                     | -            | -            |
| 2           | 4     | Dividend from Samspar Bankinvest                          | -            | -            |
| -           | 12    | Dividend from Admisenteret                                | 12           | -            |
| 571         | 376   | <b>Total income</b>                                       | <b>425</b>   | <b>384</b>   |

Investments in all the companies are assessed using the cost method in the parent bank and the equity method in the group.

Investments in joint ventures in the group as at 31 December 2017 includes goodwill amounting to NOK 23 million (NOK 23 million).

**The group's ownership interests in associated companies and joint ventures**

(Figures in NOK millions)

| 2017                                |           | Assets        | Liabilities   | Income       | Costs        | Profit or loss | Book value 31 Dec | Stake in % | No. of shares |
|-------------------------------------|-----------|---------------|---------------|--------------|--------------|----------------|-------------------|------------|---------------|
| SpareBank 1 Gruppen                 | Oslo      | 13,777        | 12,165        | 3,493        | 3,062        | 349            | 1,634             | 19.50      | 381,498       |
| SpareBank 1 Banksamarbeidet         | Oslo      | 200           | 171           | 199          | 196          | 3              | 29                | 18.00      |               |
| SpareBank 1 Boligkreditt            | Stavanger | 20,871        | 19,974        | -28          | -5           | -25            | 793               | 7.96       | 5,228,563     |
| BN Bank                             | Trondheim | 6,150         | 5,237         | 151          | 58           | 70             | 819               | 23.50      | 3,317,338     |
| SpareBank 1 Næringskreditt          | Stavanger | 2,400         | 2,006         | 20           | 3            | 13             | 363               | 19.24      | 2,808,999     |
| Samarbeidene Sparebanker Bankinvest | Oslo      | 25            | 3             | 2            | -            | 2              | 20                | 3.27       | 354           |
| SpareBank 1 Kredittkort             | Trondheim | 1,066         | 858           | 90           | 20           | 15             | 208               | 17.85      | 515,604       |
| SpareBank 1 Betaling                | Oslo      | 58            | -             | -2           | -            | -14            | 63                | 19.70      | 1,635         |
| SMB Lab                             | Trondheim | 20            | 1             | -            | -            | -              | 19                | 20.00      | 20,000        |
| Other investments                   |           |               |               |              |              |                | 5                 |            |               |
| <b>Total</b>                        |           | <b>30,790</b> | <b>28,250</b> | <b>432</b>   | <b>272</b>   | <b>413</b>     | <b>3,953</b>      |            |               |
| 2016                                |           |               |               |              |              |                |                   |            |               |
| SpareBank 1 Gruppen                 | Oslo      | 12,302        | 10,783        | 2,745        | 2,351        | 317            | 1,542             | 19.50      | 381,498       |
| SpareBank 1 Banksamarbeidet         | Oslo      | 175           | 150           | 185          | 183          | 2              | 25                | 17.74      |               |
| SpareBank 1 Boligkreditt            | Stavanger | 34,987        | 33,604        | -15          | 5            | -14            | 1,390             | 13.87      | 8,778,079     |
| Admisenteret                        | Jørpeland |               |               |              |              | -              | 4                 | 50.00      | 80            |
| BN Bank                             | Trondheim | 6,531         | 5,686         | 139          | 52           | 61             | 845               | 23.50      | 3,317,338     |
| SpareBank 1 Næringskreditt          | Stavanger | 2,990         | 2,572         | 27           | 2            | 22             | 422               | 21.92      | 3,200,978     |
| Samarbeidene Sparebanker Bankinvest | Oslo      | 23            | 3             | 2            | -            | 2              | 20                | 3.27       | 354           |
| SpareBank 1 Kredittkort             | Trondheim | 965           | 772           | 92           | 42           | 23             | 193               | 17.87      | 515,910       |
| SpareBank 1 Mobilbetaling           | Oslo      |               |               |              |              | 29             | 18                | 19.70      | 1,635         |
| Other investments                   |           |               |               |              |              |                | 1                 |            |               |
| <b>Total</b>                        |           | <b>57,973</b> | <b>53,570</b> | <b>3,175</b> | <b>2,635</b> | <b>384</b>     | <b>4,460</b>      |            |               |

**NOTE 39 MATERIAL TRANSACTIONS WITH CLOSE ASSOCIATES**

(Figures in NOK millions)

Close associates means associated companies, joint ventures and subsidiaries and people close to executive personnel and members of the board. The bank's outstanding balances with executive personnel and members of the board are shown in note 22.

| <b>Subsidiaries</b>       |                     |                        |                        |                       |                             |                               |                        |  |
|---------------------------|---------------------|------------------------|------------------------|-----------------------|-----------------------------|-------------------------------|------------------------|--|
| <b>2017</b>               | <b>Loans 31 Dec</b> | <b>Deposits 31 Dec</b> | <b>Interest income</b> | <b>Interest costs</b> | <b>Commissions earnings</b> | <b>Other operating income</b> | <b>Operating costs</b> |  |
| EiendomsMegler 1          | -                   | 45                     | 2                      | 2                     | -                           | 1                             | -                      |  |
| SR-Forvaltning            | -                   | 64                     | -                      | -                     | 32                          | 1                             | -                      |  |
| FinStart Nordic           | -                   | 10                     | 1                      | -                     | -                           | -                             | 2                      |  |
| Regnskapshuset SR         | -                   | 18                     | -                      | -                     | -                           | -                             | -                      |  |
| SR-Boligkreditt           | -                   | 2,203                  | 11                     | 9                     | 26                          | -                             | -                      |  |
| Rygir Industrier Group    | 91                  | 37                     | 3                      | 1                     | -                           | -                             | -                      |  |
| Finansparken Bjergsted    | 75                  | 77                     | -                      | 1                     | -                           | -                             | -                      |  |
| <b>Total subsidiaries</b> | <b>166</b>          | <b>2,454</b>           | <b>17</b>              | <b>13</b>             | <b>58</b>                   | <b>2</b>                      | <b>2</b>               |  |

| <b>2016</b>               |              |            |            |          |           |          |          |  |
|---------------------------|--------------|------------|------------|----------|-----------|----------|----------|--|
| SR-Finans                 | 5,675        | 1          | 120        | -        | 18        | -        | -        |  |
| EiendomsMegler 1          | -            | 39         | 3          | -        | -         | 1        | -        |  |
| SR-Forvaltning            | -            | 57         | -          | 1        | 28        | -        | -        |  |
| SR-Investering            | 6            | -          | -          | -        | -         | -        | -        |  |
| Regnskapshuset SR         | -            | 10         | -          | -        | -         | -        | 1        |  |
| SR-Boligkreditt           | -            | 553        | 44         | 6        | 15        | -        | -        |  |
| Rygir Industrier Group    | -            | 26         | -          | -        | -         | -        | -        |  |
| Etis Eiendom              | -            | -          | -          | -        | -         | -        | -        |  |
| Finansparken Bjergsted    | -            | 140        | -          | 1        | -         | -        | -        |  |
| <b>Total subsidiaries</b> | <b>5,681</b> | <b>826</b> | <b>167</b> | <b>8</b> | <b>61</b> | <b>1</b> | <b>1</b> |  |

**Associated companies and joint ventures**

| <b>2017</b>  | <b>Loans 31 Dec</b> | <b>Deposits 31 Dec</b> | <b>Interest income</b> | <b>Interest costs</b> | <b>Commissions earnings</b> | <b>Other operating income</b> | <b>Operating costs</b> |  |
|--|---------------------|------------------------|------------------------|-----------------------|-----------------------------|-------------------------------|------------------------|--|
| SpareBank 1 Gruppen                                  | 1,942               | -                      | 41                     | -                     | 294                         | -                             | -                      |  |
| SpareBank 1 Banksamarbeidet                          | -                   | -                      | -                      | -                     | -                           | -                             | 171                    |  |
| SpareBank 1 Boligkreditt                             | -                   | 678                    | -                      | 2                     | 146                         | -                             | -                      |  |
| SpareBank 1 Næringskreditt                           | -                   | 255                    | -                      | 2                     | 3                           | -                             | -                      |  |
| Samarbeidende Sparebanker Bankinvest                 | 3                   | -                      | -                      | -                     | -                           | -                             | -                      |  |
| SpareBank 1 Kredittkort                              | 878                 | -                      | 23                     | -                     | 56                          | -                             | -                      |  |
| <b>Total associated companies and joint ventures</b> | <b>2,823</b>        | <b>933</b>             | <b>64</b>              | <b>4</b>              | <b>499</b>                  | <b>-</b>                      | <b>171</b>             |  |

| <b>2016</b>  |              |            |           |          |            |          |            |  |
|--|--------------|------------|-----------|----------|------------|----------|------------|--|
| SpareBank 1 Gruppen                                  | 1,692        | -          | 25        | -        | 280        | -        | -          |  |
| SpareBank 1 Banksamarbeidet                          | -            | -          | -         | -        | -          | -        | 169        |  |
| SpareBank 1 Boligkreditt                             | 5            | 425        | -         | 4        | 145        | -        | -          |  |
| Admisenteret   | 12           | 2          | 1         | -        | -          | -        | -          |  |
| SpareBank 1 Næringskreditt                           | -            | 406        | -         | 5        | 4          | -        | -          |  |
| Samarbeidende Sparebanker Bankinvest                 | 3            | -          | -         | -        | -          | -        | -          |  |
| SpareBank 1 Kredittkort                              | 770          | -          | 22        | -        | 61         | -        | -          |  |
| <b>Total associated companies and joint ventures</b> | <b>2,482</b> | <b>833</b> | <b>48</b> | <b>9</b> | <b>490</b> | <b>-</b> | <b>169</b> |  |

(continuation of note 39)

#### Transactions with close associates of the group executive management team<sup>1)</sup>

There were no transactions with close associates of the group executive management team.

#### Transactions with close associates of the board<sup>1)</sup>

| 2017<br>(Figures in NOK thousands) | Loans 31<br>Dec <sup>2)</sup> | Interest<br>income | Other opera-<br>ting income |
|------------------------------------|-------------------------------|--------------------|-----------------------------|
| Birthe Cecilie Lepsøe              | 582,392                       | 4,293              | -                           |

<sup>1)</sup> Including transactions with close associates and companies in which close associated are key personnel.

<sup>2)</sup> Inclusive of loan limits, derivatives and guarantees.

## NOTE 40 SHARE CAPITAL AND OWNERSHIP STRUCTURE

### Share capital

SpareBank 1 SR-Bank's share capital amounts to NOK 6,393,777,050 divided into 255,751,082 shares, each with a nominal value of NOK 25. The share capital (formerly equity share capital) was raised in the following manner and on the following dates:

| Year |                                   | Change in<br>share capital | Total share capital | No. of shares |
|------|-----------------------------------|----------------------------|---------------------|---------------|
| 1994 | Public issue                      | 744.0                      | 744.0               | 7,440,000     |
| 2000 | Private placement with employees  | 5.0                        | 749.0               | 7,489,686     |
| 2001 | Private placement with employees  | 4.8                        | 753.8               | 7,538,194     |
| 2004 | Bonus issue                       | 150.8                      | 904.6               | 9,045,834     |
| 2005 | Bonus issue/split                 | 226.1                      | 1,130.7             | 22,614,585    |
| 2007 | Private placement                 | 200.0                      | 1,330.7             | 26,613,716    |
| 2007 | Bonus issue/split                 | 443.5                      | 1,774.2             | 70,969,909    |
| 2008 | Dividend issue                    | 91.7                       | 1,866.0             | 74,638,507    |
| 2008 | Private placement with employees  | 6.6                        | 1,872.6             | 74,903,345    |
| 2009 | Bonus issue/split                 | 374.5                      | 2,247.1             | 89,884,014    |
| 2009 | Private placement                 | 776.2                      | 3,023.3             | 120,933,730   |
| 2010 | Private placement with employees  | 7.8                        | 3,031.1             | 121,243,427   |
| 2010 | Private placement with Kvinnherad | 151.7                      | 3,182.8             | 127,313,361   |
| 2012 | Conversion limited savings bank   | 1,804.4                    | 4,987.2             | 199,489,669   |
| 2012 | Private placement                 | 1,406.5                    | 6,393.8             | 255,751,082   |

Besides the share capital, the equity consists of the share premium reserve, fund for unrealised gains and other equity.

### Dividend policy

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

Consideration must be given to financial needs, including capital adequacy requirements and the group's targets and strategic plans, when determining the annual dividend. Unless capital requirements dictate otherwise, the goal of the board is to distribute approximately half of the annual net profit for the period as dividends.

### Trading in own shares in 2017

| (Figures in NOK thousands)       | No. of shares  | Nominal<br>value |
|----------------------------------|----------------|------------------|
| Holding as at 31 Dec 2016        | 108,983        | 2,725            |
| Traded in 2017                   | 97,774         | 2,444            |
| <b>Holding as at 31 Dec 2017</b> | <b>206,757</b> | <b>5,169</b>     |

(continuation of note 40)

**20 largest shareholders as at 31 December 2017**

| <b>Holder</b>                             | <b>of shares</b>   | <b>Share in %</b> |
|---|--------------------|-------------------|
| Sparebankstiftelsen SR-Bank               | 72,419,305         | 28.3%             |
| National Insurance Scheme Fund            | 16,987,715         | 6.6%              |
| State Street Bank and Trust Co, USA       | 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, USA       | 3,024,820          | 1.2%              |
| Clipper AS                                | 2,565,000          | 1.0%              |
| Pareto Aksje Norge                        | 2,223,764          | 0.9%              |
| KAS Bank NV, The Netherlands              | 1,935,270          | 0.8%              |
| Danske Invest Norske Aksjer Inst.         | 1,902,194          | 0.7%              |
| Morgan Stanley and Co Intl plc, UK        | 1,885,627          | 0.7%              |
| J.P. Morgan Chase Bank N.A., USA          | 1,880,641          | 0.7%              |
| KLP Aksjenorge Index                      | 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%              |
| Norwegian Armed Forces' Personnel Service | 1,513,556          | 0.6%              |
| <b>Total 20 largest</b>                   | <b>144,809,904</b> | <b>56.6%</b>      |
| <b>Other holders</b>                      | <b>110,941,178</b> | <b>43.4%</b>      |
| <b>Shares issued</b>                      | <b>255,751,082</b> | <b>100.0 %</b>    |

The total number of shareholders as at 31 December 2017 was 10,834. This is 406 more than at year-end 2016. The proportion of shares held by shareholders residing in Rogaland, Hordaland and the Agder counties was 44.7%, and the proportion held by foreign shareholders was 23.5%. Please also see the overview of shareholders on the Board and Supervisory Board. For more information about SpareBank 1 SR-Bank's share please refer to the special section in the annual report.

**20 largest shareholders as at 31 December 2016**

| <b>Holder</b>                       | <b>of shares</b>   | <b>Share in %</b> |
|-------------------------------------|--------------------|-------------------|
| Sparebankstiftelsen SR-Bank         | 72,419,305         | 28.3%             |
| Gjensidige Forsikring ASA           | 12,308,416         | 4.8%              |
| State Street Bank and Trust Co, USA | 7,561,759          | 3.0%              |
| Vpf Nordea Norge Verdi              | 7,454,497          | 2.9%              |
| SpareBank 1-stiftinga Kvinnherad    | 6 226 583          | 2.4%              |
| Wimoh Invest AS                     | 5,761,169          | 2.3%              |
| Odin Norge                          | 4,384,644          | 1.7%              |
| Danske Invest Norske Instit. II     | 3,646,410          | 1.4%              |
| Pareto Aksje Norge                  | 3,065,035          | 1.2%              |
| Verdipapirfondet DNB Norge (IV)     | 2,963,871          | 1.2%              |
| State Street Bank and Trust Co, USA | 2,851,948          | 1.1%              |
| Clipper AS                          | 2,565,000          | 1.0%              |
| State Street Bank and Trust Co, USA | 2,247,876          | 0.9%              |
| Verdipapirfondet Alfred Berg Gambak | 1,833,914          | 0.7%              |
| KAS Bank NV, The Netherlands        | 1,804,586          | 0.7%              |
| Danske Invest Norske Aksjer Inst.   | 1,770,594          | 0.7%              |
| National Insurance Scheme Fund      | 1,688,000          | 0.7%              |
| J.P. Morgan Chase Bank, USA         | 1,671,233          | 0.7%              |
| Vpf Nordea Avkastning               | 1,664,410          | 0.7%              |
| Westco                              | 1,658,537          | 0.6%              |
| <b>Total 20 largest</b>             | <b>145,547,787</b> | <b>56.9%</b>      |
| <b>Other holders</b>                | <b>110,203,295</b> | <b>43.1%</b>      |
| <b>Shares issued</b>                | <b>255,751,082</b> | <b>100.0 %</b>    |

The total number of shareholders as at 31 December 2016 was 10,428. This is 275 more than at year-end 2015. The proportion of shares held by shareholders residing in Rogaland, Hordaland and the Agder counties was 49.9%, and the proportion held by foreign shareholders was 19.1%. Please also see the overview of shareholders on the Board and Supervisory Board. For more information about SpareBank 1 SR-Bank's share, please refer to the special section in the annual report.



**Hybrid capital**

(Figures in NOK millions)

**Group<sup>1)</sup>**

| 2017                            | Principal                  |                    | Terms                         | Maturity                                    | First maturity date        | 2017 | 2016 |
|---------------------------------|----------------------------|--------------------|-------------------------------|---|----------------------------|------|------|
| Hybrid capital                  | 150                        | NOK                | 3-month NIBOR + 3.20%         |   | 2022                       | 150  | -    |
| <b>Change of hybrid capital</b> | <b>Balance 31 Dec 2017</b> | <b>Issued 2017</b> | <b>Matured/ redeemed 2017</b> | <b>Exchange rate and other changes 2017</b> | <b>Balance 31 Dec 2016</b> |      |      |
| Hybrid capital                  | 150                        | 150                | -                             | -   | -                          |      |      |
| <b>Total hybrid capital</b>     | <b>150</b>                 | <b>150</b>         | <b>-</b>                      | <b>-</b>                                    | <b>-</b>                   |      |      |

<sup>1)</sup> This note is identical for the parent bank**NOTE 41 ACTIVITIES THAT WILL BE SOLD**

(Figures in NOK millions)

The item includes assets that SpareBank 1 SR-Bank owns as part of its ordinary operations and which it has decided to sell. SpareBank 1 SR-Bank establishes, as part of its business activities, investment projects for sale to its customers. SpareBank 1 SR-Bank must also, as part of its business activities, take over assets, for one reason or another, from its customers. Such assets can also be measured as an activity that will be sold.

| Group <sup>1)</sup>                          | Owned since | Ownership | 2017 Book value | 2016 Book value |
|--|-------------|-----------|-----------------|-----------------|
| Energiveien Eiendom Holding AS <sup>2)</sup> | 2008        | 0 %       | -               | 22              |
| <b>Book value 31 Dec</b>                     |             |           | <b>-</b>        | <b>22</b>       |

The item is measured at fair value in the financial statements and as operations that will be sold.

<sup>1)</sup> This note is identical for the parent bank

<sup>2)</sup> SpareBank 1 SR-Bank's ownership interest as at 31 December 2016 was 16.80% and was not considered as an investment in affiliated operations as there was no basis for exercising control. The investment was therefore not recognized using the equity method. The stock item was sold in 2017.

**NOTE 42 IFRS 9 FINANCIAL INSTRUMENTS**

IFRS 9 Financial Instruments will replace the current IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 deals with the recognition, classification, measurement, impairment and derecognition of financial assets and obligations, as well as hedge accounting. IFRS 9 will apply from 1 January 2018 and has been approved by the EU. The standard may be applied early. SpareBank 1 SR-Bank will not avail itself of this option.

In 2015, the SpareBank 1 Alliance put together a multidisciplinary implementation team with participants from all of the banks that use IFRS, which has prepared for the implementation of IFRS 9 ("the Project"). The Project is a steering group with the following sub-groups:

## 1. Models and methodology

Development of calculation solution and models to establish anticipated forward-looking estimates of expected losses

## 2. Strategy, organization and processes

Defining how the organisation of the ongoing work of accounting in accordance with IFRS 9 will be organised between the cooperating banks

## 3. Accounting and reporting

Concretising the actual accounting and notes, including policy notes and note templates

## 4. Classification and measurement

Analysing the group's financial instruments and classifying instruments in various categories

At the same time, SpareBank 1 SR-Bank has established a local project for resolving the technical adaptations of new regulations, as well as discussing and deciding on adaptations and the effects of new regulations.

A description of the new requirements in IFRS 9 and changes from the earlier standard is provided below. Following is a description of the choices SpareBank 1 SR-Bank has made and the status of the implementation project.

(continuation of note 42)

### Transition rules

IFRS 9 shall be applied retrospectively, except for hedge accounting. Retrospective application means that SpareBank 1 SR-Bank will create the opening balance as at 1 January 2018 as if they have always applied the new principles. This does not mean that the comparative figures for 2017 need to be reworked according to the new principles. The standard states that it is also not allowed to revise comparisons unless this can be done without the need for hindsight. SpareBank 1 SR-Bank will not show comparable figures for earlier periods upon implementation of the standard on 1 January 2018. The effects of new principles in the opening balance for 2018 are recognized against equity.

SpareBank 1 SR-Bank has chosen to introduce hedge accounting under IFRS 9. This implies that hedge accounting is to be conducted in accordance with the principles of IFRS 9 prospectively from date of transition to IFRS 9.

### Classification and measurement

#### Financial assets

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

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

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

Mortgages that qualify for sale to mortgage credit companies are held both to receive contractual cash flows and for sale in the parent bank. These are therefore measured at fair value over the OCI, with interest income and any write-downs presented in the ordinary result. However, the business model at the consolidated level is consistent with such mortgage loans being held to receive cash flows and thus measurement at amortized cost.

Other financial assets must be measured at fair value with value changes through profit or loss. This includes derivatives equity

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

#### Financial liabilities

The rules on financial liabilities are generally the same as those in today's IAS 39. As a general rule, financial liabilities should still be measured at amortised cost with the exception of financial derivatives measured at fair value, financial instruments included in a trading portfolio, and financial liabilities it has been decided to recognise at fair value with value changes through profit or loss.

#### Hedge accounting

IFRS 9 simplifies the requirement for hedge accounting in that the hedging effect is tied more closely to the management's risk management and provides greater room for judgement. The requirement for hedge effectiveness of 80-125% has been eliminated and replaced with a more qualitative requirement, including the fact that there should be a financial connection between the hedging instrument and hedged item, and that the credit risk should not dominate the value changes of the hedging instrument. According to IFRS 9, a prospective (forward-looking) effectiveness test is sufficient, while hedge effectiveness pursuant to IAS 39 must be assessed both prospectively and retrospectively (backwards-looking). Hedging documentation is still required. SpareBank 1 SR-Bank has the option to continue the hedge accounting to the same extent as previous years.

#### Impairment losses on loans

According to the 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, impairment losses must be recognised based on expected credit losses (ECL). The general model for impairment of financial assets in IFRS 9 will apply to financial assets measured at amortized cost or at fair value with changes in value over the OCI and which did not have any losses on initial recognition. In addition, there are also loan commitments, financial guarantee contracts that are not measured at fair value through profit or loss and lease agreements are included.

The measurement of the provisions for expected losses in the general model depends on whether or not the credit risk has increased significantly since initial capitalisation. Upon initial capitalisation and when the credit risk has not increased significantly after initial capitalisation, provisions must be made for 12 months' expected losses. 12-month expected loss is the loss that is expected to occur over the life of the instrument, but which can be linked to events occurring in the first 12 months. If the credit risk has increased substantially after initial recognition, provisions must be made for expected losses over the entire lifetime. Expected credit losses are calculated based on the present

(continuation of note 42)

value of all cash flows over the remaining life expectancy, i.e. the difference between the contractual cash flows under the contract and the cash flow that the bank expects to receive, discounted at the effective interest rate on the instrument.

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

The method in the IFRS 9 standard entails somewhat greater volatility in impairments and it is expected that impairments will be made earlier than is the case with the current practice. This will be especially noticeable at the start of an economic downturn.

#### **More detailed description of the bank's future impairment model**

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

##### **Stage 1:**

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

##### **Stage 2:**

In stage 2 the loss model is assets that have seen a significant rise in credit risk since initial recognition, but that do not have objective evidence of a loss event. For these assets the loss provision must cover expected losses over the lifetime. This group contains accounts with a significant degree of credit deterioration, but which on the balance sheet data belong to customers that are classified as healthy. As far as the demarcation with stage 1 is concerned, the bank bases its definition of a significant degree of credit deterioration on the extent to which the commitment's calculated probability of default (PD) has increased significantly.

##### **Stage 3:**

In stage 3 the loss model is assets that have seen a significant rise in credit risk since being granted and where there is objective evidence of a loss event on the balance sheet date. For these assets the loss provision must cover expected losses over the lifetime.

These are assets that are defined under the current regulations as non-performing and impaired.

#### **Recognition and derecognition of financial assets and liabilities**

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

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

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

#### **Modified assets and liabilities**

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

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

#### **Effect on financial reporting**

Any implementation effects will be recognised against equity upon the switch to IFRS 9 on 1 January 2018. The provisional review of the future disclosure requirements indicates there will be some changes in disclosure requirements relating to impairment losses, but little effect in relation to notes for financial instruments.

#### **The introduction of IFRS 9 has resulted in the following principles and effects**

A description of the various financial instruments and how they are classified in accordance with IAS 39 and IFRS 9 are described below, with a description of the ratings that have been taken into account in the classification.

Detailed description of the loss model according to IFRS 9 follows in the tables below.

(continuation of note 42)

**Implementation IFRS 9**

(Figures in NOK millions)

| Parent bank   | Classification according to IAS 39 | Classification according to IFRS 9 | Capitalized amount according to IAS 39, 31 December 2017 | Change due to reclassification | Change due to new measurement | Capitalized amount according to IFRS 9, January 1, 2018 |
|---|------------------------------------|------------------------------------|--|--------------------------------|-------------------------------|---|
| <b>Assets</b>   |                                    |                                    |  |                                |                               |   |
| <b>Amortised cost</b>   |                                    |                                    |  |                                |                               |   |
| Cash and receivables from the central bank                        | Amortised cost                     | Amortised cost                     | 207  | -                              | -                             | 207   |
| Loans to and receivables from financial institutions              | Amortised cost                     | Amortised cost                     | 1 607  | -                              | -                             | 1 607   |
| Loans to customers  | Amortised cost                     | Amortised cost                     | 122,969  | -54,606                        | 55                            | 68,418  |
| Certificates and bonds  | Amortised cost                     | Amortised cost                     | 3,201  | -                              | -                             | 3,201   |
| Investments in ownership interests                                | Amortised cost                     | Amortised cost                     | 2,363  | -                              | -                             | 2,363   |
| Investments in group companies                                    | Amortised cost                     | Amortised cost                     | 4,853  | -                              | -                             | 4,853   |
| Other financial assets  | Amortised cost                     | Amortised cost                     | 724  | -                              | -                             | 724   |
| <b>Total effect amortized cost</b>                                |                                    |                                    | <b>135,924</b>   | <b>-54,606</b>                 | <b>55</b>                     | <b>81,373</b>   |
| <b>Fair value through profit or loss</b>                          |                                    |                                    |  |                                |                               |   |
| Loans to customers  | Fair value                         | Fair value                         | 7,610  | -                              | -                             | 7,610   |
| Certificates and bonds  | Fair value                         | Fair value                         | 29,002   | -                              | -                             | 29,002  |
| Financial derivatives   | Fair value                         | Fair value                         | 6,033  | -                              | -                             | 6,033   |
| Equities, units and other equity interests                        | Fair value                         | Fair value                         | 446  | 61                             | -                             | 507   |
| <b>Total fair value through profit or loss</b>                    |                                    |                                    | <b>43,091</b>  | <b>61</b>                      | <b>-</b>                      | <b>43,152</b>   |
| <b>Fair value over OCI with recycling</b>                         |                                    |                                    |  |                                |                               |   |
| Loans to customers  | Amortised cost                     | Fair value                         | -  | 54,606                         | -8                            | 54,598  |
| <b>Total effect fair value over OCI with recycling</b>            |                                    |                                    | <b>-</b>   | <b>54,606</b>                  | <b>-8</b>                     | <b>54,598</b>   |
| <b>Fair value over OCI without recycling (equity instruments)</b> |                                    |                                    |  |                                |                               |   |
| Equities, units and other equity interests                        | Available for sale                 | Fair value                         | 61   | -61                            | -                             | -   |
| <b>Total effect fair value over OCI without recycling</b>         |                                    |                                    | <b>61</b>  | <b>-61</b>                     | <b>-</b>                      | <b>-</b>  |
| <b>Total assets</b>   |                                    |                                    | <b>179,076</b>   | <b>-</b>                       | <b>47</b>                     | <b>179,123</b>  |
| <b>Liabilities</b>  |                                    |                                    |  |                                |                               |   |
| <b>Amortised cost</b>   |                                    |                                    |  |                                |                               |   |
| Debt to financial institutions                                    | Amortised cost                     | Amortised cost                     | 4,538  | -                              | -                             | 4,538   |
| Deposits from customers   | Amortised cost                     | Amortised cost                     | 95,635   | -                              | -                             | 95,635  |
| Securities issued   | Amortised cost                     | Amortised cost                     | 51,307   | -                              | -                             | 51,307  |
| Subordinated loan capital   | Amortised cost                     | Amortised cost                     | 2,764  | -                              | -                             | 2,764   |
| Payable tax   | Amortised cost                     | Amortised cost                     | 393  | -                              | 16                            | 377   |
| Deferred tax liabilities  | Amortised cost                     | Amortised cost                     | 417  | -                              | -                             | 417   |
| Other financial obligations                                       | Amortised cost                     | Amortised cost                     | 960  | -                              | 113                           | 1,073   |
| <b>Total effect amortized cost</b>                                |                                    |                                    | <b>156,014</b>   | <b>-</b>                       | <b>97</b>                     | <b>156,111</b>  |
| <b>Fair value through profit or loss</b>                          |                                    |                                    |  |                                |                               |   |
| Financial derivatives   | Fair value                         | Fair value                         | 5,013  | -                              | -                             | 5,013   |
| <b>Total fair value through profit or loss</b>                    |                                    |                                    | <b>5,013</b>   | <b>-</b>                       | <b>-</b>                      | <b>5,013</b>  |
| <b>Total liabilities</b>  |                                    |                                    | <b>161,027</b>   | <b>-</b>                       | <b>97</b>                     | <b>161,124</b>  |
| Share capital   |                                    |                                    | 6,394  | -                              | -                             | 6,394   |
| Share premium reserve   |                                    |                                    | 1,587  | -                              | -                             | 1,587   |
| Allocated dividend  |                                    |                                    | 1,087  | -                              | -                             | 1,087   |
| Fund for unrealised gains   |                                    |                                    | 43   | -                              | -                             | 43  |
| Hybrid capital  |                                    |                                    | 150  | -                              | -                             | 150   |
| Other equity  |                                    |                                    | 8,788  | -                              | -50                           | 8,738   |
| <b>Total equity</b>   |                                    |                                    | <b>18,049</b>  | <b>-</b>                       | <b>-50</b>                    | <b>17,999</b>   |
| <b>Total liabilities and equity</b>                               |                                    |                                    | <b>179,076</b>   | <b>-</b>                       | <b>47</b>                     | <b>179,123</b>  |

(continuation of note 42)

(Figures in NOK millions)

| Group   | Classification according to IAS 39 | Classification according to IFRS 9 | Capitalized amount according to IAS 39, 31 December 2017 | Change due to reclassification | Change due to new measurement | Capitalized amount according to IFRS 9, January 1, 2018 |
|---|------------------------------------|------------------------------------|--|--------------------------------|-------------------------------|---|
| <b>Assets</b>   |                                    |                                    |  |                                |                               |   |
| <b>Amortised cost</b>   |                                    |                                    |  |                                |                               |   |
| Cash and receivables from the central bank                        | Amortised cost                     | Amortised cost                     | 207  | -                              | -                             | 207   |
| Loans to and receivables from financial institutions              | Amortised cost                     | Amortised cost                     | 1,608  | -                              | -                             | 1,608   |
| Loans to customers  | Amortised cost                     | Amortised cost                     | 163,627  | -                              | 16                            | 163,643   |
| Certificates and bonds  | Amortised cost                     | Amortised cost                     | 3,201  | -                              | -                             | 3,201   |
| Investments in ownership interests                                | Amortised cost                     | Amortised cost                     | 3,953  | -                              | -                             | 3,953   |
| Investments in group companies                                    | Amortised cost                     | Amortised cost                     | -  | -                              | -                             | -   |
| Other financial assets  | Amortised cost                     | Amortised cost                     | 1,446  | -                              | -                             | 1,446   |
| <b>Total effect amortized cost</b>                                |                                    |                                    | <b>174,042</b>   | <b>-</b>                       | <b>16</b>                     | <b>174,058</b>  |
| <b>Fair value through profit or loss</b>                          |                                    |                                    |  |                                |                               |   |
| Loans to customers  | Fair value                         | Fair value                         | 7,610  | -                              | -                             | 7,610   |
| Certificates and bonds  | Fair value                         | Fair value                         | 28,708   | -                              | -                             | 28,708  |
| Financial derivatives   | Fair value                         | Fair value                         | 5,541  | -                              | -                             | 5,541   |
| Equities, units and other equity interests                        | Fair value                         | Fair value                         | 656  | 61                             | -                             | 717   |
| <b>Total fair value through profit or loss</b>                    |                                    |                                    | <b>42,515</b>  | <b>61</b>                      | <b>-</b>                      | <b>42,576</b>   |
| <b>Fair value over OCI with recycling</b>                         |                                    |                                    |  |                                |                               |   |
| Loans to customers  | Amortised cost                     | Fair value                         | -  | -                              | -                             | -   |
| <b>Total effect fair value over OCI with recycling</b>            |                                    |                                    | <b>-</b>   | <b>-</b>                       | <b>-</b>                      | <b>-</b>  |
| <b>Fair value over OCI without recycling (equity instruments)</b> |                                    |                                    |  |                                |                               |   |
| Equities, units and other equity interests                        | Available for sale                 | Fair value                         | 61   | -61                            | -                             | -   |
| <b>Total effect fair value over OCI without recycling</b>         |                                    |                                    | <b>61</b>  | <b>-61</b>                     | <b>-</b>                      | <b>-</b>  |
| <b>Total assets</b>   |                                    |                                    | <b>216,618</b>   | <b>-</b>                       | <b>16</b>                     | <b>216,634</b>  |
| <b>Liabilities</b>  |                                    |                                    |  |                                |                               |   |
| <b>Amortised cost</b>   |                                    |                                    |  |                                |                               |   |
| Debt to financial institutions                                    | Amortised cost                     | Amortised cost                     | 2,335  | -                              | -                             | 2,335   |
| Deposits from customers   | Amortised cost                     | Amortised cost                     | 95,384   | -                              | -                             | 95,384  |
| Securities issued   | Amortised cost                     | Amortised cost                     | 90,497   | -                              | -                             | 90,497  |
| Subordinated loan capital   | Amortised cost                     | Amortised cost                     | 2,764  | -                              | -                             | 2,764   |
| Payable tax   | Amortised cost                     | Amortised cost                     | 487  | -                              | -24                           | 463   |
| Deferred tax liabilities  | Amortised cost                     | Amortised cost                     | 393  | -                              | -                             | 393   |
| Other financial obligations                                       | Amortised cost                     | Amortised cost                     | 1,082  | -                              | 114                           | 1,196   |
| <b>Total effect amortized cost</b>                                |                                    |                                    | <b>192,942</b>   | <b>-</b>                       | <b>90</b>                     | <b>193,032</b>  |
| <b>Fair value through profit or loss</b>                          |                                    |                                    |  |                                |                               |   |
| Financial derivatives   | Fair value                         | Fair value                         | 3,787  | -                              | -                             | 3,787   |
| <b>Total fair value through profit or loss</b>                    |                                    |                                    | <b>3,787</b>   | <b>-</b>                       | <b>-</b>                      | <b>3,787</b>  |
| <b>Total liabilities</b>  |                                    |                                    | <b>196,729</b>   | <b>-</b>                       | <b>90</b>                     | <b>196,819</b>  |
| Share capital   |                                    |                                    | 6,394  | -                              | -                             | 6,394   |
| Share premium reserve   |                                    |                                    | 1,587  | -                              | -                             | 1,587   |
| Allocated dividend  |                                    |                                    | 1,087  | -                              | -                             | 1,087   |
| Fund for unrealised gains   |                                    |                                    | 43   | -                              | -                             | 43  |
| Hybrid capital  |                                    |                                    | 150  | -                              | -                             | 150   |
| Other equity  |                                    |                                    | 10,628   | -                              | -74                           | 10,554  |
| <b>Total equity</b>   |                                    |                                    | <b>19,889</b>  | <b>-</b>                       | <b>-74</b>                    | <b>19,815</b>   |
| <b>Total liabilities and equity</b>                               |                                    |                                    | <b>216,618</b>   | <b>-</b>                       | <b>16</b>                     | <b>216,634</b>  |

(continuation of note 42)

## Transitional note loss provisions from IAS 39 to IFRS 9

| Parent bank   | 01/01/2018 |  |   |  |              | 31/12/2017 |            |              |
|---|------------|--|---|--|--------------|------------|------------|--------------|
|   | 12 mnd ECL | Lifetime ECL - no objective evidence of loss | Lifetime ECL - objective evidence of loss | Purchased or issued loans with objective proof of loss | Total        | Individual | Group      | Total        |
| <b>Total capitalized impairment losses</b>                    |            |  |   |  |              |            |            |              |
| Impairment for groups of loans (note 8 )                      |            |  |   |  |              |            | 674        | 674          |
| Individual impairment loans (note <sup>8)</sup> )             |            |  |   |  |              | 639        | -          | 639          |
| Individual impairment guarantees (note <sup>35)</sup> )       |            |  |   |  |              | 13         | -          | 13           |
| <b>Total write-down 31 Dec 2017</b>                           |            |  |   |  |              | <b>652</b> | <b>674</b> | <b>1,326</b> |
| Impairment of loans   | 174        | 391  | 701                                       | -  | 1,266        |            |            |              |
| Impairment guarantees, loan commitments and unutilized credit | 41         | 70   | 15  | -  | 126          |            |            |              |
| <b>Total write-down 1 Jan 2018</b>                            | <b>215</b> | <b>461</b>                                   | <b>716</b>                                | <b>-</b>   | <b>1,392</b> | <b>-</b>   | <b>-</b>   | <b>-</b>     |

| Group   | 01/01/2018 |  |   |  |              | 31/12/2017 |            |              |
|---|------------|--|---|--|--------------|------------|------------|--------------|
|   | 12 mnd ECL | Lifetime ECL - no objective evidence of loss | Lifetime ECL - objective evidence of loss | Purchased or issued loans with objective proof of loss | Total        | Individual | Group      | Total        |
| <b>Total capitalized impairment losses</b>                    |            |  |   |  |              |            |            |              |
| Impairment for groups of loans (note 8 )                      |            |  |   |  |              |            | 678        | 678          |
| Individual impairment loans (note <sup>8)</sup> )             |            |  |   |  |              | 639        | -          | 639          |
| Individual impairment guarantees (note <sup>35)</sup> )       |            |  |   |  |              | 13         | -          | 13           |
| <b>Total write-down 31 Dec 2017</b>                           |            |  |   |  |              | <b>652</b> | <b>678</b> | <b>1,330</b> |
| Impairment of loans   | 194        | 406  | 701                                       | -  | 1,301        |            |            |              |
| Impairment guarantees, loan commitments and unutilized credit | 42         | 70   | 15  | -  | 127          |            |            |              |
| <b>Total write-down 1 Jan 2018</b>                            | <b>236</b> | <b>476</b>                                   | <b>716</b>                                | <b>-</b>   | <b>1,428</b> | <b>-</b>   | <b>-</b>   | <b>-</b>     |

## Statement of Changes in Equity

| Parent bank  | Share capital                   | Share premium reserve | Hybrid capital | Other equity | Fund for unrealised gains | Total equity  |
|--|---------------------------------|-----------------------|----------------|--------------|---------------------------|---------------|
|  | <b>Equity as at 31 Dec 2017</b> | <b>6,394</b>          | <b>1,587</b>   | <b>150</b>   | <b>9,875</b>              | <b>43</b>     |
| Total loss provisions according to IAS 39          |                                 |                       |                | 1,326        |                           | 1,326         |
| Total provisions for loans under IFRS 9            |                                 |                       |                | -1,392       |                           | -1,392        |
| Net change provision loss                          |                                 |                       |                | -66          |                           | -66           |
| Change in tax payable as a result of change IFRS 9 |                                 |                       |                | 16           |                           | 16            |
| Total change in equity                             |                                 |                       |                | -50          |                           | -50           |
| <b>Equity as at 1 Jan 2018</b>                     | <b>6,394</b>                    | <b>1,587</b>          | <b>150</b>     | <b>9,825</b> | <b>43</b>                 | <b>17,999</b> |
| <b>Group</b>                                       |                                 |                       |                |              |                           |               |
| <b>Equity as at 31 Dec 2017</b>                    | <b>6,394</b>                    | <b>1,587</b>          | <b>150</b>     | <b>9,875</b> | <b>43</b>                 | <b>18,049</b> |
| Total loss provisions according to IAS 39          |                                 |                       |                | 1,330        |                           | 1,330         |
| Total provisions for loans under IFRS 9            |                                 |                       |                | -1,428       |                           | -1,428        |
| Net change provision loss                          |                                 |                       |                | -98          |                           | -98           |
| Change in tax payable as a result of change IFRS 9 |                                 |                       |                | 24           |                           | 24            |
| Total change in equity                             |                                 |                       |                | -74          |                           | -74           |
| <b>Equity as at 1 Jan 2018</b>                     | <b>6,394</b>                    | <b>1,587</b>          | <b>150</b>     | <b>9,801</b> | <b>43</b>                 | <b>17,975</b> |

(continuation of note 42)

**Change in loss provision**

|  | Loss provision according to IAS 39, 31 December 2017 | Change due to reclassification | Change due to new measurement | Loss provision according to IFRS 9, 1 January 2018 |
|--|--|--------------------------------|-------------------------------|--|
| <b>Parent bank</b>   |  |                                |                               |  |
| Loans and receivables and instruments held to maturity under IAS 39, which are to be measured at amortized cost under IFRS 9 | 1,326  | -46                            | -55                           | 1,225  |
| Debt instruments classified as available for sale under IAS 39, which are to be measured at amortized cost under IFRS 9      | -  | -                              | 113                           | 113  |
| <b>Total instruments measured at amortized cost under IFRS 9</b>   | <b>1,326</b>   | <b>-46</b>                     | <b>58</b>                     | <b>1,338</b>                                       |
| Loans and receivables and instruments held to maturity under IAS 39 to be measured at fair value over OCI under IFRS 9       | -  | 46                             | 8                             | 54   |
| Debt instruments classified as available for sale under IAS 39 to be measured at fair value over OCI under IFRS 9            | -  | -                              | -                             | -  |
| <b>Total instruments measured at fair value over OCI under IFRS 9</b>  | <b>-</b>   | <b>46</b>                      | <b>8</b>                      | <b>54</b>  |
| <b>Total changes in relation to classification rules</b>   | <b>1,326</b>   | <b>-</b>                       | <b>66</b>                     | <b>1,392</b>                                       |
| Financial guarantee contracts  | -  | -                              | 55                            | 55   |
| Unutilised credit  | -  | -                              | 50                            | 50   |
| Loan commitments   | -  | -                              | 8                             | 8  |
| <b>Total financial guarantees, unutilised credit and loan commitments</b>  | <b>-</b>   | <b>-</b>                       | <b>113</b>                    | <b>113</b>   |
| <b>Group</b>   |  |                                |                               |  |
| Loans and receivables and instruments held to maturity under IAS 39, which are to be measured at amortized cost under IFRS 9 | 1 330  | -                              | 16                            | 1,314  |
| Debt instruments classified as available for sale under IAS 39, which are to be measured at amortized cost under IFRS 9      | -  | -                              | 114                           | 114  |
| <b>Total instruments measured at amortized cost under IFRS 9</b>   | <b>1 330</b>   | <b>-</b>                       | <b>98</b>                     | <b>1,428</b>                                       |
| Loans and receivables and instruments held to maturity under IAS 39 to be measured at fair value over OCI under IFRS 9       | -  | -                              | -                             | -  |
| Debt instruments classified as available for sale under IAS 39 to be measured at fair value over OCI under IFRS 9            | -  | -                              | -                             | -  |
| <b>Total instruments measured at fair value over OCI under IFRS 9</b>  | <b>-</b>   | <b>-</b>                       | <b>-</b>                      | <b>-</b>   |
| <b>Total changes in relation to classification rules</b>   | <b>1 330</b>   | <b>-</b>                       | <b>98</b>                     | <b>1,428</b>                                       |
| Financial guarantee contracts  | -  | -                              | 55                            | 55   |
| Unutilised credit  | -  | -                              | 50                            | 50   |
| Loan commitments   | -  | -                              | 9                             | 9  |
| <b>Total financial guarantees, unutilised credit and loan commitments</b>  | <b>-</b>   | <b>-</b>                       | <b>114</b>                    | <b>114</b>   |

**NOTE 43 EVENTS AFTER THE BALANCE SHEET DATE**

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

The proposed dividend is NOK 4.25 per share and will total NOK 1,087 million.



To the General Meeting of Sparebank 1 SR-Bank ASA

## *Independent Auditor's Report*

### *Report on the Audit of the Financial Statements*

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#### *Opinion*

We have audited the financial statements of Sparebank 1 SR-Bank ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

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#### *Basis for Opinion*

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

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#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the



context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter  | How our audit addressed the Key Audit Matter   |
|---|--|
| <p data-bbox="277 577 657 638"><i>Impairment losses of loans and guarantees</i></p> <p data-bbox="277 663 778 842">We focused on the valuation of loans to customers because management exercise significant judgement in the impairment process. In addition, loans and guarantees constitute a considerable amount of the assets on the balance sheet.</p> <p data-bbox="277 869 788 1196">The bank's procedures and control systems related to credit rating and their monitoring process are central to the valuation of loans. These procedures and control systems include managements' judgement regarding assumptions used in calculating the impairment amount. The use of judgement could affect the financial result, and affect the bank's capital adequacy requirements due to the credit rate classification of loans.</p> <p data-bbox="277 1223 791 1496">According to accounting standards, the bank shall assess, at the end of each reporting period, whether there is objective evidence that impairment exists for the loans. If there are, the losses should be calculated as the residual of the book value less the present value of future cash flows. Both assessments involve significant judgements.</p> <p data-bbox="277 1523 767 1550">In our audit, we gave special attention to:</p> <ul data-bbox="328 1576 778 1930" style="list-style-type: none"><li data-bbox="328 1576 778 1666">• Managements' process to identify loans with objective evidence that impairment exists.</li><li data-bbox="328 1693 778 1814">• Managements' process to monitor engagements that are particularly exposed due to the decline in the petroleum related industry.</li><li data-bbox="328 1841 778 1930">• Management's assumptions used in calculating the impairment amount for loans where</li></ul> | <p data-bbox="823 663 1513 842">We addressed and tested the key controls related to the impairment process. The objective of these controls are to identify whether loans have objective evidence of impairment, and how the impairment losses should be calculated when objective evidence exists. We concluded that we could rely on these controls in our audit.</p> <p data-bbox="823 869 1509 1379">Throughout 2017, we held meetings with the credit and legal department in the bank. The financial statement show that total non-performing and impaired loans are at a somewhat lower level compared to last year. In these meetings, we challenged the bank's assessments, including possible impairment indicators on loans where there is not yet objective evidence that impairment exists. This included loans that were assessed by the bank and loans selected based on industry, size, risk and haphazardly. We assured that the bank had particular attention on loans in the petroleum related industry. For loans where objective evidence exists, we challenged the bank and examined the relevance and the reasonableness of the assumptions and the method used in the calculation of realisable value. Our procedures indicate that the bank's assumptions and methods were reasonable.</p> <p data-bbox="823 1406 1513 1765">We performed credit assessments for a sample of loans, where we evaluated whether objective evidence for impairment losses exist. We also assessed the realisable value the bank had calculated. These values are calculated by using internal and external appraisals. The financial statement show that the loan loss provision ratios is somewhat increased this year. The loan-loss provision ratio is defined as individual write-downs in percent of non-performing and impaired loans. The results of our testing of individual impairment losses show that management had used reasonable assumptions in the calculation of the impairment amounts.</p> <p data-bbox="823 1792 1493 1966">For loans considered on a collective basis, the credit risk manager, based on a framework model, performs the calculation of impairment. We tested the model and considered the relevance and the reasonableness of important assumptions used in the calculation. The financial statement show that the loan-loss provision</p> |

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impairment exists.

- Those processes and calculations management have been working on to prepare the IFRS 9 implementation.

Refer to note 6, 8, 10, 11, 12, 13 and 14 in the annual report for the group's credit risk and impairment of loans to customers. See note 42 for a description of the expected implementation effects of IFRS 9.

ratio, measured as collective impairment losses in percent of gross loans, is stable compared to last year. The level of collective losses were among others compared to other comparable banks and analysed towards the bank's other loan portfolio. We concluded that the assumptions used in the calculation of the impairment amounts were reasonable.

We satisfied ourselves that disclosures regarding valuation of loans and guarantees, appropriately describes risks in the portfolio.

The bank has in 2017 worked to develop a framework model to adapt to the new regulations of IFRS 9. The development, which is expected to finish in 2018, has so far lead to a conclusion of no significant effects from the transition to IFRS 9. The preliminary conclusions from management seems reasonable.

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#### *IT systems supporting processes over financial reporting*

We have addressed this area because it is important for the bank's financial reporting systems, and their business model is dependent on complex IT systems. Weaknesses in automated processes and controls can potentially lead to a significant risk in the daily operations and risk of misstatements.

The bank uses external service providers to operate some of the important IT systems. The auditor at the relevant service organisation evaluates the design and efficiency of the established control systems, and tests the controls designed to ensure the integrity of the IT system and cash handling that are relevant to financial reporting.

We satisfied ourselves regarding the auditor's objectivity and competence and examined the reports, and evaluated possible misstatement and improvements. Furthermore, our own IT specialists have tested access controls to the IT systems and the segregation of duties where necessary for our audit.

Our work gave us sufficient evidence to enable us to rely on the operation of the Group's IT systems relevant for our audit.

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#### *Completeness and valuation of derivatives*

Derivatives consist mainly of interest- and currency instruments. The bank uses derivatives to reduce interest and exchange risk related to fixed-rate funding and loans to customers, bonds (assets and liabilities) and certificates (assets and liabilities). The bank has also a significant trade of derivatives on behalf of customers. There is a risk of errors in the financial statements if derivatives are not accurately registered in

The bank has established processes and controls to ensure accurate registration and measurement of derivative contracts.

We tested the bank's control over the entering into and closing of derivative contracts, including the registration in the banks systems. Our audit also includes tests to ensure that the bank reconciles transactions with counterparties on a daily basis. Furthermore, we have tested the banks methodology and controls regarding pricing models. We concluded that we could rely on these



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the banks systems.

Derivatives are measured at fair value, and the valuation techniques depends partly on management judgement as described in note 28. The use of assumptions (interest rates and credit spread) can therefore potentially affect the income statement.

Refer to notes 2, 3, 6, 15, 16, 21 and 26 for a more complete description of the Groups risk governance and use of derivatives.

controls in our audit.

Interest and exchange curves were on a daily basis fed into the bank's portfolio system as basis for pricing of derivatives. We tested the pricing by recalculating the pricing of different derivatives by using the same interest and exchange curves as the bank. We compared these prices to external sources. The result of our testing show that management used reasonable assumptions when calculating the fair value of the derivatives.

We satisfied ourselves that disclosures regarding derivatives were appropriate.

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### *Other information*

Management is responsible for the other information. The other information comprises the Board of Directors' report, the statements on Corporate Governance and Corporate Social Responsibility, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report



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

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

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

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

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



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

## *Report on Other Legal and Regulatory Requirements*

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### *Opinion on the Board of Directors' report*

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

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### *Opinion on Registration and Documentation*

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

Stavanger, 8 March 2018  
**PricewaterhouseCoopers AS**

Torbjørn Larsen  
State Authorised Public Accountant

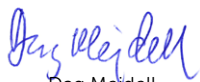
Note: This translation from Norwegian has been prepared for information purposes only.

## Statement by the Board of Directors and Chief Executive Officer

We hereby confirm that the financial statements for the period 1 January to 31 December 2017 have, to the best of our knowledge, been prepared pursuant to applicable accounting standards, and that the information provided presents a true and fair picture of the company's and the group's assets, liabilities, financial positions and profit as a whole.

We also confirm that the Board of Directors' report provides a true and fair presentation of the performance, result and position of the company and Group, together with a description of the most important risk and uncertainty factors that the company and the Group face.

Stavanger, 8 March 2018



Dag Mejdell  
Styreleder



Kate Henriksen



Tor Dahle



Birthe Cecilie Lepsøe



Jorunn Johanne Sætre



Odd Torland



Sally Lund-Andersen  
Ansattes representant



Kristian Kristensen  
Ansattes representant



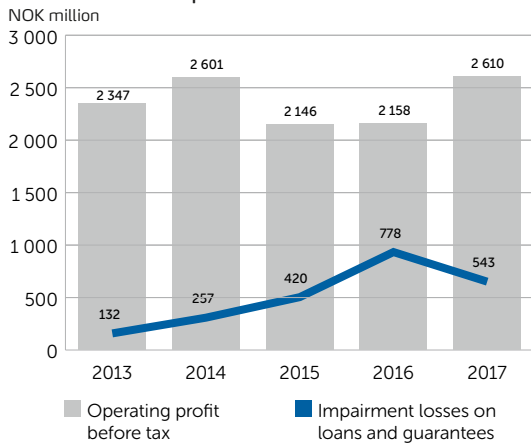
Arne Austreid  
Administrerende direktør

## KEY FIGURES LAST 5 YEARS

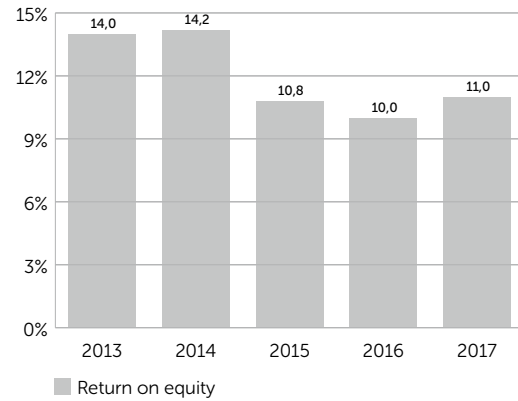
(Figures in NOK millions)

| SpareBank 1 SR-Bank Group                                      | 2017          | 2016          | 2015          | 2014          | 2013          |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>Summary of results</b>                                      |               |               |               |               |               |
| Net interest income  | 3,162         | 2,871         | 2,593         | 2,404         | 2,119         |
| Net commissions and other operating income                     | 1,524         | 1,443         | 1,532         | 1,732         | 1,824         |
| Net income from financial investments                          | 634           | 654           | 304           | 778           | 555           |
| <b>Total net income</b>  | <b>5,320</b>  | <b>4,968</b>  | <b>4,429</b>  | <b>4,914</b>  | <b>4,498</b>  |
| <b>Total operating costs</b>                                   | <b>2,167</b>  | <b>2,032</b>  | <b>1,863</b>  | <b>2,056</b>  | <b>2,019</b>  |
| Operating profit before impairment losses on loans             | 3,153         | 2,936         | 2,566         | 2,858         | 2,479         |
| Impairment losses on loans and guarantees                      | 543           | 778           | 420           | 257           | 132           |
| Pre-tax profit   | 2,610         | 2,158         | 2,146         | 2,601         | 2,347         |
| Taxes  | 524           | 403           | 400           | 506           | 487           |
| <b>Net profit for the year</b>                                 | <b>2,086</b>  | <b>1,755</b>  | <b>1,746</b>  | <b>2,095</b>  | <b>1,860</b>  |
| <b>Return (% of average total assets)</b>                      |               |               |               |               |               |
| Net interest income  | 1.52 %        | 1.48 %        | 1.42 %        | 1.45 %        | 1.42 %        |
| Net commissions and other operating income                     | 0.73 %        | 0.74 %        | 0.84 %        | 1.04 %        | 1.22 %        |
| Net income from financial investments                          | 0.31 %        | 0.34 %        | 0.17 %        | 0.47 %        | 0.37 %        |
| <b>Total net income</b>  | <b>2.56 %</b> | <b>2.56 %</b> | <b>2.42 %</b> | <b>2.96 %</b> | <b>3.01 %</b> |
| <b>Total operating costs</b>                                   | <b>1.04 %</b> | <b>1.05 %</b> | <b>1.02 %</b> | <b>1.24 %</b> | <b>1.35 %</b> |
| Operating profit before impairment losses on loans             | 1.52 %        | 1.51 %        | 1.40 %        | 1.72 %        | 1.66 %        |
| Impairment losses on loans and guarantees                      | 0.26 %        | 0.40 %        | 0.23 %        | 0.15 %        | 0.09 %        |
| Pre-tax profit   | 1.26 %        | 1.11 %        | 1.17 %        | 1.57 %        | 1.57 %        |
| Taxes  | 0.25 %        | 0.21 %        | 0.22 %        | 0.30 %        | 0.33 %        |
| <b>Net profit for the year</b>                                 | <b>1.01 %</b> | <b>0.90 %</b> | <b>0.96 %</b> | <b>1.26 %</b> | <b>1.24 %</b> |
| <b>Balance Sheet figures</b>                                   |               |               |               |               |               |
| Lending to retail market                                       | 104,299       | 91,171        | 87,229        | 77,651        | 59,848        |
| Lending to retail market, incl. SB1 Boligkreditt               | 118,413       | 115,348       | 115,397       | 109,939       | 105,595       |
| Lending to corporate market                                    | 67,883        | 66,497        | 66,705        | 62,880        | 59,128        |
| Lending to corporate market, incl. SB1 Næringskreditt          | 68,352        | 67,014        | 67,243        | 63,464        | 59,770        |
| Retail market deposits   | 44,246        | 42,908        | 42,101        | 39,545        | 36,190        |
| Corporate market deposits                                      | 51,525        | 43,741        | 47,341        | 41,942        | 35,474        |
| Lending growth in retail market, excl. SB1 Boligkreditt %      | 14.4          | 4.5           | 12.3          | 29.7          | 13.8          |
| Lending growth in corporate market, excl. SB1 Næringskreditt % | 2.1           | -0.3          | 6.1           | 6.3           | 6.1           |
| Percentage growth in retail market deposits                    | 3.1           | 1.9           | 6.5           | 9.3           | 5.5           |
| Percentage growth in corporate market deposits                 | 17.8          | -7.6          | 12.9          | 18.2          | 6.7           |
| Total assets   | 216,618       | 193,408       | 192,049       | 174,926       | 156,985       |
| Average total assets   | 207,562       | 194,264       | 182,768       | 166,017       | 149,554       |
| <b>Impairment losses on loans and non-performance</b>          |               |               |               |               |               |
| Impairment as % of lending                                     | 0.33          | 0.50          | 0.28          | 0.20          | 0.12          |
| incl. loans SB1 Boligkreditt and SB1 Næringskreditt            | 0.29          | 0.42          | 0.23          | 0.15          | 0.08          |
| Non-performing commitments as % of gross loans                 | 0.32          | 0.68          | 0.55          | 0.30          | 0.69          |
| incl. loans SB1 Boligkreditt and SB1 Næringskreditt            | 0.30          | 0.59          | 0.46          | 0.24          | 0.50          |
| Other impaired commitments as % of gross loans                 | 0.91          | 0.72          | 0.35          | 0.36          | 0.37          |
| incl. loans SB1 Boligkreditt and SB1 Næringskreditt            | 0.83          | 0.62          | 0.30          | 0.29          | 0.26          |
| <b>Equity</b>  |               |               |               |               |               |
| Share capital  | 6,394         | 6,394         | 6,394         | 6,394         | 6,394         |
| Share premium reserve  | 1,587         | 1,587         | 1,587         | 1,587         | 1,587         |
| Other equity   | 11,758        | 10,307        | 8,933         | 7,422         | 6,075         |
| Hybrid capital   | 150           |               |               |               |               |
| <b>Total equity</b>  | <b>19,889</b> | <b>18,288</b> | <b>16,914</b> | <b>15,403</b> | <b>14,056</b> |
| <b>Profitability, financial strength and staffing</b>          |               |               |               |               |               |
| Return on equity %   | 11.0          | 10.0          | 10.8          | 14.2          | 14.0          |
| Cost/income ratio  | 40.7          | 40.9          | 42.1          | 41.8          | 44.9          |
| Common equity tier 1 capital ratio %                           | 15.05         | 14.70         | 13.26         | 11.50         | 11.11         |
| Tier 1 capital ratio %   | 16.04         | 15.63         | 14.17         | 12.34         | 12.83         |
| Capital ratio %  | 17.88         | 17.52         | 16.73         | 14.53         | 14.07         |
| No. of full-time equivalents                                   | 1,142         | 1,127         | 1,161         | 1,106         | 1,165         |

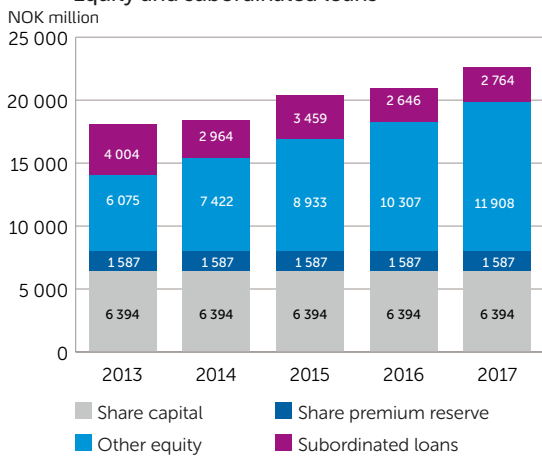
Profit and impairment losses



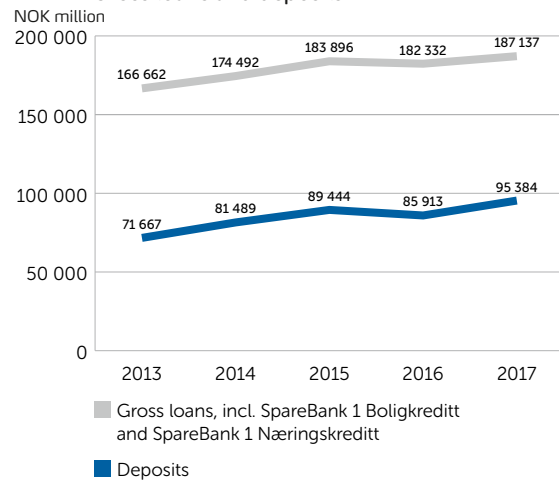
Return on equity



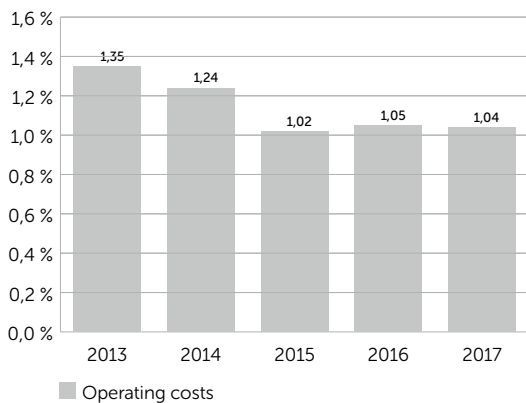
Equity and subordinated loans



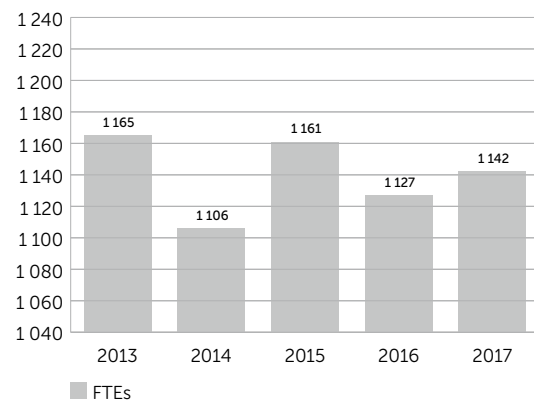
Gross loans and deposits



Operating costs as % of average total assets



FTEs, Group







# Our aim is to stimulate growth and development



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**SpareBank**   
SR-BANK