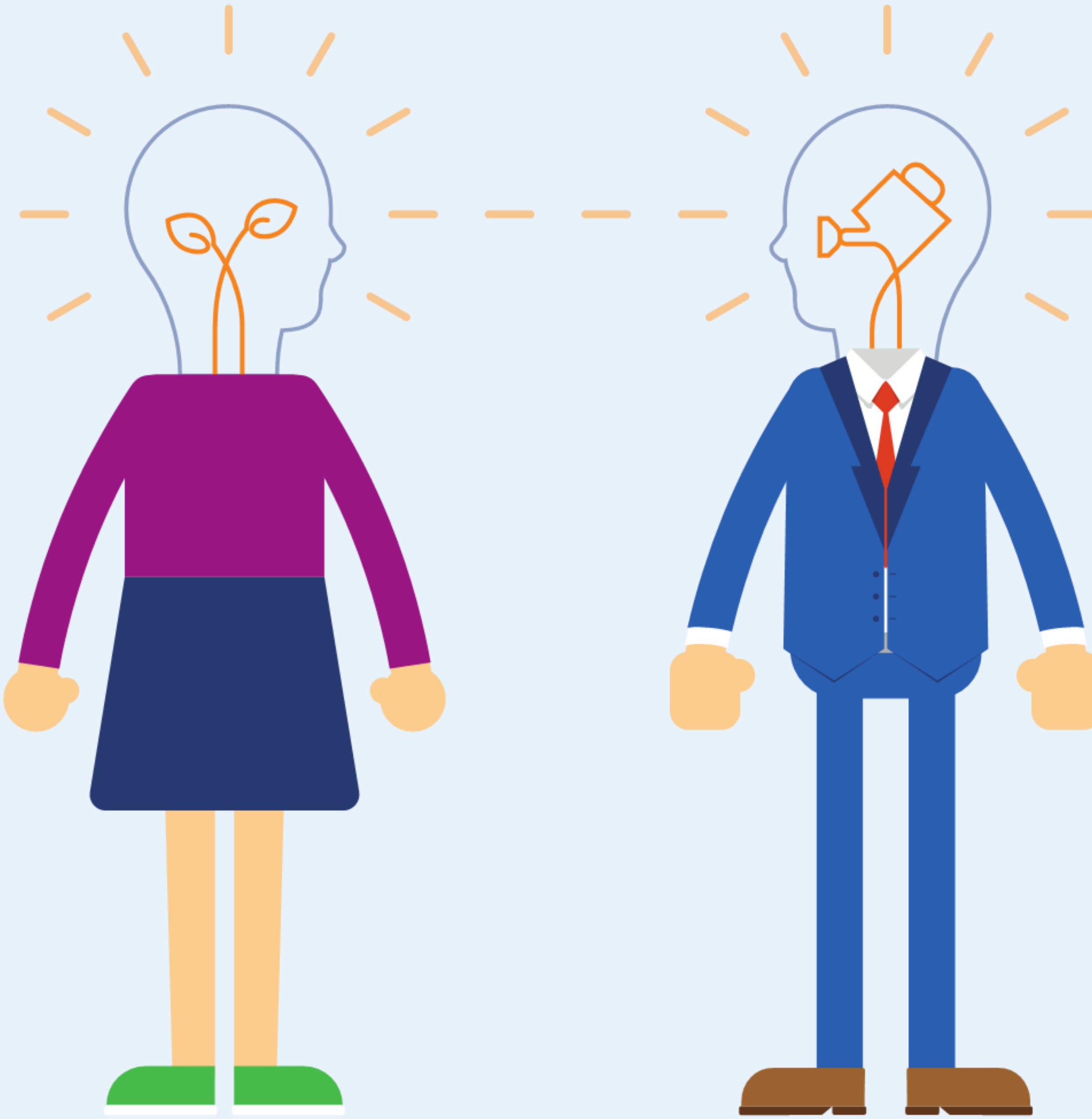
THIRD QUARTER 2018



HAND IN HAND WITH THE INCREDIBLE

SpareBank 1 SR-BANK

Interim Financial Statements Q3 2018

Key figures SpareBank 1 SR-Bank Group (MNOK)

MAIN FIGURES	01.01 - 30.09 2018	2017	Q2 2018	Q2 2017	2017
Net interest income	2.513	2.343	871	820	3.162
Net commission and other income	1.087	1.157	349	386	1.524
Net income on financial investments	501	430	175	198	634
Total income	**4.101**	**3.930**	**1.395**	**1.404**	**5.320**
Total operating costs	**1.653**	**1.597**	**542**	**530**	**2.167**
Operating profit before impairment losses	**2.448**	**2.333**	**853**	**874**	**3.153**
Impairment losses on loans and guarantees	232	423	59	124	543
Pre-tax profit	**2.216**	**1.910**	**794**	**750**	**2.610**
Tax expense	447	383	160	140	524
Profit after tax	**1.769**	**1.527**	**634**	**610**	**2.086**
BALANCE SHEET					
Gross loans to customers	183.014	167.105			172.554
Gross loans to customers including SB1 BK and SB1 NK [5]	196.445	185.150			187.137
Deposits from customers	100.320	98.602			95.384
Total assets	226.023	215.309			216.618
Average total assets	221.168	204.481			207.562
Selected key figures (for further key figures see page 35 of the interim report)					
Return on equity [1]	11,7 %	10,9 %	12,6 %	12,9 %	11,0 %
Cost ratio [2]	40,3 %	40,6 %	38,9 %	37,7 %	40,7 %
Combined weighted total average spread for lending and deposits [3]	1,52 %	1,5 %	1,53 %	1,5 %	1,52 %
Balance growth					
Growth in loans	9,5 %	6,2 %			9,5 %
Growth in loans incl SB1 BK and SB1 NK [5]	6,1 %	1,2 %			2,6 %
Growth in deposits	1,7 %	13,0 %			11,0 %
Solidity					
Common equity Tier 1 capital ratio	14,7 %	14,8 %			15,1 %
Tier 1 capital ratio	16,0 %	15,8 %			16,0 %
Capital ratio	17,8 %	17,7 %			17,9 %
Tier 1 capital	20.613	19.214			19.278
Risk weighted balance	129.216	121.818			120.160
Leverage ratio	7,7 %	7,2 %			7,4 %
Liquidity					
Liquidity Coverage Ratio (LCR) [6]	151 %	212 %			168 %
Deposit-to-loan ratio	54,8 %	59,0 %			55,3 %
Deposit-to-loan ratio, incl loans SB1 BK and NK [5]	51,1 %	53,3 %			51,0 %
Impairment losses and loans in Stage 3 [4]					
Impairment losses ratio	0,17 %	0,35 %			0,33 %
Impairment losses ratio, including loans SB1 BK and SB1 NK [5]	0,16 %	0,31 %			0,29 %
Loans in Stage 3, percentage of gross loans [4), 7)]	1,40 %	1,30 %			1,23 %
Loans in Stage 3, percentage of gross loans, incl. loans SB1 BK and NK [4), 5), 7)]	1,30 %	1,18 %			1,13 %

SpareBank 1 SR-Bank share	**30.09.18**	**31.12.17**	**31.12.16**	**31.12.15**	**31.12.14**
Market price	99,00	87,00	60,75	39,30	52,50
Market capitalisation (MNOK)	25.319	22.250	15.537	10.051	13.427
Book equity per share(including dividends) (group)	80,02	77,24	71,54	66,14	60,28
Earnings per share, NOK	6,92	8,16	6,87	6,83	8,20
Dividends per share	n.a.	4,25	2,25	1,50	2,00
Price / Earnings per share	10,73	10,66	8,84	5,75	6,40
Price / Book equity	1,24	1,13	0,85	0,59	0,87
Effective return [8]	18,7 %	46,9 %	58,4 %	-21,3 %	-10,2 %

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

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

3) Net interest income as a percentage of average total assets

4) Loans in Stage 3 are loans 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.

5) SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are abbreviated to SB1 BK and SB1 NK

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

7) Loans in Stage 3 in % of net loans. Figures before 1 January 2018 is total non-performing and impaired loans according to IAS 39, in % of net loans

8) Percentage change in the market price in the last period, including paid share dividend

A strong result marked by good operations, increased activity and lower losses

Q3 2018

- Pre-tax profit: NOK 794 million (NOK 750 million)
- Net profit for the quarter: NOK 634 million (NOK 610 million)
- Return on equity after tax: 12.6% (12.9%)
- Earnings per share: NOK 2.48 (NOK 2.39)
- Net interest income: NOK 871 million (NOK 820 million)
- Net commissions and other operating income: NOK 349 million (NOK 386 million)
- Net income from financial investments: NOK 175 million (NOK 198 million)
- Operating costs: NOK 542 million (NOK 530 million)
- Impairment losses on loans: NOK 59 million (NOK 124 million)

  (Q3 2017 in brackets)

As at 30 September 2018

- Pre-tax profit: NOK 2,216 million (NOK 1,910 million)
- Net profit for the quarter: NOK 1,769 million (NOK 1,527 million)
- Return on equity after tax: 11.7% (10.9%)
- Earnings per share: NOK 6.92 (NOK 5.98)
- Net interest income: NOK 2,513 million (NOK 2,343 million)
- Net commissions and other operating income: NOK 1,087 million (NOK 1,157 million)
- Net income from financial investments: NOK 501 million (NOK 430 million)
- Operating costs: NOK 1,653 million (NOK 1,597 million)
- Impairment losses on loans: NOK 232 million (NOK 423 million)
- Total lending growth over last 12 months: 6.1% (1.2%)
- Growth in deposits over last 12 months: 1.7% (13.0%)
- Common equity tier 1 capital ratio: 14.7% (14.8%)
- Tier 1 capital ratio: 16.0% (15.8%)

  (As at 30 September 2017 in brackets)

Financial performance – Q3 2018

The group's pre-tax profit was NOK 794 million (NOK 750 million), an improvement of NOK 40 million on the second quarter of 2018. The return on equity after tax for the quarter was 12.6% (12.9%) compared with 12.3% for the second quarter of 2018. The quarter's good result was characterised by a further increase in net interest income, a continued high level of income from financial investments, reduced costs and lower impairment losses on loans and guarantees.

Net interest income rose by NOK 29 million to NOK 871 million (NOK 820 million) in the third quarter of 2018. The increase was primarily attributable to a higher lending volume in the last 12 months. The average interest margin (net interest income as a percentage of average total assets) was 1.53% (1.54%) compared with 1.52% in the second quarter of 2018.

Net commissions and other operating income was NOK 349 million in the third quarter of 2018 (NOK 386 million), a reduction of NOK 21 million compared with the second quarter of 2018. Due to natural seasonal variations, the income from both estate agency and accounting services was lower than in the previous quarter. Income from EiendomsMegler 1 SR-Eiendom AS amounted to NOK 94 million (NOK 90 million), NOK 15 million lower than in the second quarter of 2018, while income from SpareBank 1 Regnskapshuset SR

AS was NOK 8 million lower than in the second quarter of 2018. Commissions from SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS amounted to NOK 19 million (NOK 39 million), NOK 4 million lower than in the second quarter of 2018. Income from guarantee commissions and money transfer services rose by a total of NOK 22 million compared with the previous quarter, while income from facilitation decreased by NOK 15 million.

Net income from financial investments was NOK 175 million (NOK 198 million) in the third quarter of 2018, down NOK 38 million compared with the previous quarter. The reduction was mainly due to the fact that the figure for the second quarter of 2018 included NOK 72 million from the effects of the forthcoming merger between Vipps AS, BankAxept AS and BankID Norge AS. The merger is expected to take place in the fourth quarter of 2018. If this item is excluded, income from financial investments rose by a net NOK 34 million, largely due to capital gains on securities.

Operating costs were reduced by NOK 30 million from the previous quarter to NOK 542 million in the third quarter of 2018 (NOK 530 million). Personnel costs were reduced by NOK 4 million compared with the quarter before. Other operating costs were reduced by NOK 26 million compared with the second quarter of 2018.

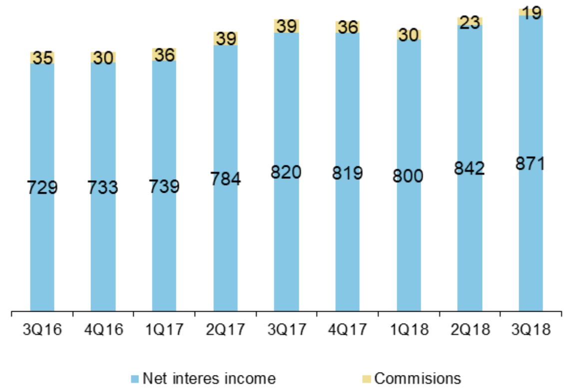
Impairment losses on loans were NOK 59 million (NOK 124 million) compared with NOK 99 million in the second quarter of 2018. Impairment losses on loans were low in the quarter and this reflects the optimism in the group's market area due to higher oil prices and the ripple effects this has for the rest of the business sector.

Financial performance as at 30 September 2018

Net interest income

The group's net interest income totalled NOK 2,513 million as at 30 September 2018 (NOK 2,343 million). 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 72 million as at 30 September 2018 (NOK 114 million). The combined total of net interest income and commissions increased by a total of NOK 128 million compared with the same period last year. The increase was mainly due to a higher lending volume.

Fig. 1 Interest income



The average interest margin was 1.52% as at 30 September 2018, compared with 1.53% as at 30 September 2017.

Net commissions and other operating income

As at 30 September 2018, net commissions and other operating income totalled NOK 1,087 million (NOK 1,157 million). The NOK 70 million year-on-year reduction was primarily attributable to the fact that commissions from SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS were down NOK 42 million to NOK 72 million as at 30 September 2018 (NOK 114 million). The reduction in commissions from the mortgage companies was due in part to the group having bought back NOK 4.6 billion in loans from SpareBank 1 Boligkreditt AS in the last 12 months. Income from insurance decreased by NOK 13 million to NOK 143 million due, among other things, to lower profit commissions after a harsh winter with many claims, while income from real estate decreased by NOK 11 million to NOK 284 million as at 30 September 2018 (NOK 295 million) due to a weaker overall market compared with the same period in 2017.

Table 1, Commission and other income

	30.09.18	30.09.17
Payment facilities	194	197
Savings/placements	149	151
Insurance products	143	156
Commission income real estate broking	284	295
Guarantee commission	83	80
Arrangement- and customer fees	77	65
Accounting services SpareBank 1 Regnskapshuset SR	75	73
Commission income SB1 Boligkreditt and SB1 Næringskreditt	72	114
Other	10	26
Total commission and other income	1.087	1.157

The reduction in income from insurance, estate agency services and the mortgage companies was partially counteracted by arrangement fees, which increased by NOK 12 million from 30 September 2017 (NOK 65 million) to NOK 77 million as at 30 September 2018, due in part to good activity, especially in the corporate market division.

Net income from financial investments

As at 30 September 2018, net income from financial investments was NOK 501 million (NOK 430 million).

Table 2, Income on investment securities

	30.09.18	30.09.17
Dividends	12	11
Investment income, associates	253	271
Income from financial instruments	236	148
- Capital gains/losses on securities	*116*	*103*
- Captail gains/losses interest/currency	*120*	*45*
Total income on investment securities	501	430

Dividends increased by NOK 1 million from 30 September 2017 to NOK 12 million as at 30 September 2018 (NOK 11 million), while income from ownership interests decreased by NOK 18 million to NOK 253 million as at 30 September 2018 (NOK 271 million).

Table 3, Income from ownership interests

The share of net profit after tax	30.09.18	30.09.17
SpareBank 1 Gruppen AS	189	215
SpareBank 1 Boligkreditt AS	1	-19
SpareBank 1 Næringskreditt AS	6	11
BN Bank ASA	50	50
SpareBank 1 Kredittkort AS	17	11
SpareBank 1 Betaling AS	-14	-14
Other	4	17
Total income from ownership interests	253	271

The share of the net profit from SpareBank 1 Gruppen AS decreased by NOK 26 million compared with the same period last year. The reduction in profit was mainly due to lower financial income and a weaker insurance result in the P&C insurance company due to a harsh winter with many claims. The life insurance company's result was slightly lower than last year due to lower financial income.

The share of the net profit from SpareBank 1 Boligkreditt AS increased by NOK 20 million compared with 30 September 2017. The improvement in the result was primarily due to the negative effects of basis swaps[1] in 2017. From 1 January 2018, the company has changed its accounting policies for the recognition of the effects of basis swaps due to the implementation of IFRS 9. The effects of basis swaps are now recognised through other comprehensive income in SpareBank 1 Boligkreditt AS and thereby do not affect the company's profit or the group's share of the profit. The group's stake in SpareBank 1 Boligkreditt AS decreased from 13.9% as at 30 September 2017 to 8.0 % as at 30 September 2018, due to the group having bought back NOK 4.6 billion in loans from SpareBank 1 Boligkreditt AS in the last 12 months.

The negative share of the result from SpareBank 1 Betaling AS of NOK 14 million is the group's share of the costs associated with Vipps AS, NOK 6 million of which came from correcting the company's result for 2017.

As at 30 September 2018, net income from financial instruments amounted to NOK 236 million (NOK 148 million). Capital gains on securities amounted to NOK 116 million (NOK 103 million), while capital gains from interest and currency trading amounted to NOK 120 million (NOK 45 million).

The capital gains on securities amounting to NOK 116 million (NOK 103 million) were due to a combination of capital losses of NOK 192 million (capital losses of NOK 82 million) in the interest portfolio, which were counteracted by positive effects totalling NOK 156 million (NOK 93 million) from hedging instruments, as well as capital gains of NOK 152 million (NOK 92 million) from the portfolio of shares and equity certificates, of which NOK 72 million was due to the effect of the impending merger of Vipps AS, BankAxept AS and BankID Norge AS. As far as the remainder of the capital gains from shares and equity certificates is concerned, NOK 45 million came from capital gains on securities in FinStart Nordic AS and NOK 13 million from growth in the value of the investment in Visa Norge AS, while the value of Sandnes Sparebank had risen by NOK 18 million as at 30 September 2018.

Capital gains from interest and currency trading amounted to NOK 120 million (NOK 45 million), of which capital gains from customer and own account trading accounted for NOK 111 million (NOK 69 million). The negative effects of basis swaps amounted to NOK -5 million (NOK 27 million in negative effects), while the sum of hedging recognition and other positive IFRS effects was NOK 14 million as at 30 September 2018 (NOK 3 million). On 1 January 2018, the group changed its accounting policies for

[1] Basis swaps are derivatives contracts that are entered into in connection with long-term funding in international capital markets where the currency is converted to Norwegian kroner. These are hedging instruments and seen over the instruments' term of maturity the changes in market value are zero. The accounting effects will therefore be reversed over time, unless the instrument is redeemed.

recognising the effects of basis swaps due to the implementation of IFRS 9. The effects of basis swaps related to contracts signed after 1 January 2018 will be recognised through other comprehensive income.

Operating costs

The group's operating costs amounted to NOK 1,653 million as at 30 September 2018 (NOK 1,597 million), a year-on-year increase of NOK 56 million (3.5%).

Table 4, Operating expenses

	30.09.18	30.09.17
Personnel expenses	967	930
IT expenses	246	235
Marketing	62	53
Other administrative expenses	73	62
Depreciation	62	57
Operating expenses from real estate	25	26
Other operating expenses	218	234
Total operating expenses	1.653	1.597

Personnel costs rose by NOK 37 million (4.0%) from 30 September 2017 to NOK 967 million as at 30 September 2018. NOK 10 million of the increase was due to increased bonus provisions and NOK 7 million increased pension costs, while ordinary personnel costs increased by NOK 24 million, NOK 12 million of which was due to ordinary pay growth for full-time employees. The number full-time equivalents rose by 28 FTEs from 30 September 2017. Subsidiaries were responsible for 25 of these, including due to the focus on SpareBank 1 Regnskapshuset SR AS and FinStart Nordic AS. The number of FTEs in the parent bank rose by three people.

Other operating costs increased by NOK 19 million (2.8%) to NOK 686 million as at 30 September 2018.

The group's cost/income ratio, costs measured as a percentage of income, remained low and was 40.3% (40.6%) as at 30 September 2018.

Impairment losses on loans and loans in Stage 3

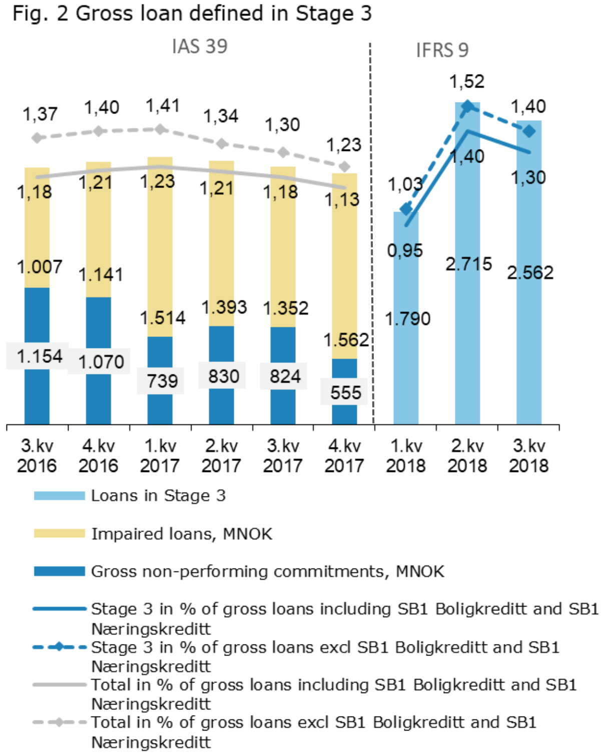
The group's net impairment losses on loans were reduced by NOK 191 million from 30 September 2017 to NOK 232 million as at 30 September 2018. The reduction reflects the optimism in the group's market area due to higher oil prices and the ripple effects this has for the rest of the business sector. The group's net impairment losses on loans amounted to 0.17% of gross loans as at 30 September 2018 (0.35%). Inclusive of loans sold to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, the write-down as a percentage of gross loans corresponded to 0.16% (0.31%).

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.

IFRS 9 “Financial Instruments” replaced IAS 39 from 1 January 2018. Based on IFRS 9, the loans are grouped into three stages; Stage 1, Stage 2 and Stage 3. Loans in Stage 3 are loans 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 loans the loss provision must cover expected losses over the lifetime. For further information about the IFRS 9 regulations and the effects of its implementation, please refer to notes 1, 3 and 7 of this interim report, as well as note 42 in the annual report for 2017.

Gross loans defined as Stage 3 came to NOK 2,562 million at the end of the third quarter of 2018. This corresponded to 1.40% of gross loans, and 1.30% of gross loans inclusive of loans SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS. The increase in loans in Stage 3 in the second quarter of 2018 was primarily attributable to one major commitment in the offshore/oil and gas sector whose status was moved to Stage 3.

Fig. 2 Gross loan defined in Stage 3



Loans to and deposits from customers

Gross loans at the end of the third quarter of 2018 amounted to NOK 183.0 billion (NOK 167.1 billion). Inclusive of loans totalling NOK 13.4 billion (NOK 18.0 billion) sold to SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS, gross loans amounted to NOK 196.4 billion at the end of the quarter (NOK 185.2 billion). Gross lending growth, inclusive of the mortgage companies, was 6.1% in the last 12 months (1.2%). The effect of exchange rate fluctuations accounted for NOK 0.2 billion (0.1%) of the NOK 11.4 billion growth in gross loans over the last 12 months.

Fig. 3 12 month lending growth (percentage)

* Following the merger with the parent bank on 1 January 2017, the volume from SR-Finans is included in the figures. The historical figures have been changed to provide comparable figures.

Loans to the retail market accounted for 61.5% of total loans (inclusive of loans sold to SpareBank 1 Boligkreditt AS) at the end of the third quarter of 2018 (63.2%).

The group's total loan exposure of NOK 196.4 billion (NOK 185.2 billion) included a majority of commitments with a probability of default of less than 0.5%. These commitments accounted for 61.0% (61.2%) of the portfolio. The total lending portfolio primarily consisted of commitments of less than NOK 10 million. These accounted for 67.4% (69.3%) of loan exposure and 98.4% (98.5%) of customers. 19.2% (17.6%) of the total loan exposure was to customers with loans in excess of NOK 100 million.

Over the last 12 months, deposits from customers rose by 1.7% (13.0%) to NOK 100.3 billion (NOK 98.6 billion). At the end of the third quarter of 2018, deposits from the corporate market and public sector accounted for 53.9% (54.9%) of the group's customer deposits. At end of the third quarter of 2018, the deposit coverage ratio, measured as deposits as a percentage of gross loans, was 54.8% (59.0%).

In addition to ordinary customer deposits, the group also has capital under management in alternative investment products. These increased to NOK 22.2 billion at the end of the third quarter of 2018 (NOK 20.1 billion). This management is primarily performed by SR-Forvaltning AS and ODIN Forvaltning AS.

Business areas

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

On 1 January 2018, the units that work with customer services and market communications were moved out of the business areas and established as a single separate area. The business areas' historical figures have been changed to provide comparable figures. The same has also been done in the segment note (note 11).

Retail market division[2]

The retail market division's contribution before impairment losses on loans amounted to NOK 1,260 million as at 30 September 2018 (NOK 1,239 million). The result was NOK 21 million better than in the same period last year due, among other things, to higher interest margins and good cost control.

Table 5, Retail market

	30.09.18	30.09.17
Interest income	1.186	1.132
Commission and other income	452	493
Income on investment securities	5	5
Total income	1.643	1.630
Total operating expenses	383	391
Operating profit before losses	1.260	1.239
Impairment losses on loans	8	28
Pre-tax profit	1.252	1.211

The number of products sold increased by 10% compared with the year before. The greatest sales

[2] The interest on intercompany receivables for the retail market division and the corporate market division is determined on the basis of expected observable market interest rates (NIBOR) plus expected additional costs in connection with the group's long-term funding (credit premium). Differences between the group's actual funding costs and the applied interest on intercompany receivables are eliminated at the group level.

growth was seen in digital surfaces and towards the end of the third quarter of 2018 more than 70% of all the mortgages granted were started digitally. Sales growth and the increased value of assets under management contributed to increased commissions linked to savings products, while a higher claims ratio and the elimination of unemployment insurance contributed to lower commissions in insurance area.
Lending growth in the last 12 months, measured at the end of the third quarter of 2018, was 3.3%, while deposit growth in the last 12 months was 3.7%. The weak housing market in the Stavanger region in particular has had an impact in the last few years. However, the third quarter of 2018 has seen an upwards trend in mortgages and greater market activity has been noted in the group's core area.

The quality of the retail market portfolio is considered to be very good with a low risk of losses. The proportion of loan exposure (including the portfolios in SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS) within a loan-to-value ratio of 85% amounted to 89.8% at the end of the third quarter of 2018 (89.7%). The IRB risk weighting[3] for residential mortgages was 21.5% at the end of the quarter (21.3%) and reflected a solid, stable portfolio.

The proportion of non-performing commitments over 30 days was 0.35% of total loans at end of the third quarter of 2018 (0.37%). Impairment losses on loans amounted to NOK 23 million as at 30 September 2018 (NOK 30 million).

Corporate market division [4]

The corporate market division's contribution before impairment losses on loans was NOK 1,271 million as at 30 September 2018 (NOK 1,182 million); NOK 89 million higher than in the same period last year. The higher result is primarily due to increased interest income and other operating income.

Table 6, Corporate market

	30.09.18	30.09.17
Interest income	1.176	1.099
Commission and other income	249	231
Income on investment securities	16	20
Total income	1.441	1.350
Total operating expenses	170	168
Operating profit before losses	1.271	1.182
Impairment losses on loans	224	395
Pre-tax profit	1.047	787

The division's lending growth in the last 12 months was 12.5% and a large proportion of the growth occurred outside Rogaland. The division's deposits increased by 3.0% in the last 12 months.

The quality of the corporate market portfolio is considered to be good. The proportion of commitments with a probability of default of less than 2.5% through a full loss cycle was 74.9% of the portfolio at the end of the third quarter of 2018 (75.6%). The property sector portfolio represents the group's largest concentration in a single sector and accounted for 15.6% (15.2%) of total loan exposure, inclusive of retail customers. A large portion of this portfolio consisted of financing commercial properties for leasing. The portfolio is characterised by long-term leases and financially solid tenants.

Net individual impairment losses of NOK 228 million were recognised as at 30 September 2018, compared with NOK 393 million in individual impairment losses as at 30 September 2017. The division's pre-tax profit was NOK 1,047 million, NOK 260 million higher than in the corresponding quarter last year.

The division prioritises closely monitoring risk in the portfolio. At the same time, it is important to ensure good, relevant customer services in relevant channels in order to maintain good customer relationships and customer growth. New digital purchasing solutions are being developed, which will ensure efficiency for both customers and the group.

The build-up of the Oslo branch is proceeding according to plan. Presence in this market is important both to be near our customers, and to create a basis for growth and increased income. This will, together with, correct risk pricing for loans, and cost control, ensure the group is competitive going forward.

Capital market division [4]

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.

SR-Bank Markets' pre-tax profit was NOK 121 million as at 30 September 2018, NOK 19 million better than in the corresponding period last year. The income generated is recognised as income in the business areas to which the customers are assigned, primarily

[3] The IRB rules define residential mortgage loans as commitments secured by collateral in residential/real property where the collateral in the real property amounts to at least 30%. The figures include portfolios in mortgage companies (SpareBank 1 Boligkreditt AS and SR-Boligkreditt AS).

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

the corporate market division. As at 30 September 2018, NOK 44 million had been recognised as income in the business areas, an increase of NOK 1 million compared with the same period in 2017.

Table 7, Capital market

	30.09.18	30.09.17
Interest income	26	28
Commission and other income	50	62
Income on investment securities	91	69
Total income	167	159
- allocated to Corporate market	44	43
Total income after allocation	123	116
Total operating expenses	46	57
Operating profit before losses	77	59

Prior to the allocation of customer income to other business areas, SR-Bank Markets had achieved operating income of NOK 167 million as at 30 September 2018. This was an increase of NOK 8 million from the same period in 2017 and was primarily due to more activity within currency and interest trading. Income from sales of equities and bonds ceased in the fourth quarter of 2017 due to the equities desk being sold to SpareBank 1 Markets. Corporate Finance had completed a number of projects as at 30 September 2018, but posted a weaker result than for the same period in 2017.

Subsidiaries

EiendomsMegler 1 SR-Eiendom AS

As at 30 September 2018, the company had achieved a pre-tax profit of NOK 6.7 million (NOK 23.2 million). The reduction in the result was mainly due to somewhat weaker sales than anticipated, as well as the write-down of a terminated agreement for the delivery of a new core system for estate agency services.

1,610 properties were brokered in the third quarter of 2018 (1,555 contracts). In the year-to-date, 4,898 (5,074) properties have been sold with a total value of around NOK 15.1 billion (NOK 15.5 billion). The supply of new assignments was good and growing, and higher than in the corresponding period last year.

There have been and still are, differences in the regional markets, both with respect to price and turnover times. The housing market in Bergen remains good, with a high turnover rate and positive price growth this year. The number of sales was marginally higher than last year. The market in the Agder counties remains stable with respect to both turnover times and volumes. The trend in prices is weak but positive. The number of sales in the Stavanger region rose by 7.5% compared with the corresponding period last year. Turnover times remain high at just above 60 days on average. Prices have moved little and are 0.3% higher than they were 12 months ago.

The supply of new homes remains high, but sales are still low in relation to the supply. Compared with the same period last year, the number of planned properties sold was significantly lower. The market for planned properties is expected to remain challenging for some time.

There was a good supply of commercial property for both lease and sale. The vacancy rate for office premises in the Stavanger region has stabilised. The level of activity in the lease market especially is good 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 maintained its position as a leading player in commercial estate agency in the Bergen region.

SpareBank 1 Regnskapshuset SR AS

SpareBank 1 Regnskapshuset SR AS posted a pre-tax profit of NOK 3.1 million as at 30 September 2018 (NOK 4.5 million). The result includes depreciation of intangible assets amounting to NOK 1.5 million (NOK 1.4 million).

The company was established in 2015 and has since its start-up grown from NOK 0 to almost NOK 100 million in annual turnover. At the end of the third quarter of 2018, the company has seven offices, four in Rogaland and three in Bergen, and more than 1,800 customers.

Since its start-up, Regnskapshuset has gained a solid market position in Rogaland and Hordaland and is experiencing a good influx of new customers who want modern, efficient accounting services. New business areas within advice and payroll/HR are being built up as the company is experiencing good demand for these types of services. At the same time, the company is expending a lot of resources on the robotisation of work processes and will, besides using its own resources, capitalise on the expertise SpareBank 1 SR-Bank ASA has in this area.

SR-Forvaltning AS

As at 30 September 2018, pre-tax profit amounted to NOK 25.4 million (NOK 25.0 million). The company experienced good customer growth in the quarter, evenly distributed between securities funds and discretionary mandates. The assets under management at the end of the third quarter of 2018 amounted to NOK 11.4 billion (NOK 10.8 billion).

SR-Forvaltning AS is licensed to provide active management and securities management services. The management company has three securities funds: SR-Bank Utbytte, SR-Bank 50 and SR-Bank Kreditt. As at 30 September 2018, the bond fund SR-Bank Kreditt produced a return of 3.75% (benchmark 0.14%), the equity fund SR-Bank Utbytte a return of 2.88% (benchmark 10.1%) and the combination fund SR-Bank 50 a return of 2.73% (benchmark 5.08%).

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

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

SR-Boligkreditt AS

As at 30 September 2018, the company's pre-tax profit was NOK 283.5 million (NOK 168.1 million). The improved result was due to both net interest income, which increased by NOK 79.1 million compared with the same period last year, and NOK 62.9 million in lower negative effects from basis swaps. Net interest income primarily increased due to the increase in mortgages bought from SpareBank 1 SR-Bank ASA and the increase must therefore be viewed in the context of the development of net interest income in the retail market division in the parent bank. Net income from financial investments increased by NOK 44.6 million from the same period last year, NOK 62.9 million of which was due to the negative effects of basis swaps, which amounted to NOK -22.7 million as at 30 September 2018 compared with NOK -85.6 million as at 30 September 2017.

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

At the end of the third quarter of 2018, the company had issued covered bonds with a nominal value of NOK 46.2 billion and bought loans worth NOK 51.5 billion from SpareBank 1 SR-Bank ASA.

FinStart Nordic AS

As at 30 September 2018, the company's pre-tax profit was NOK 38.8 million (NOK 9.8 million). The improvement in the result was due to the positive increase in value of the securities in the portfolio.

The company changed its name from SR-Investering AS to FinStart Nordic AS in September 2017 as part of the company's changed strategy. The company commenced operations in January 2018. The company is the group's innovative unit and has been established as an external arena for innovation and development. The company wants to invest in and/or establish companies that will engage in development and innovation work. This will help to the bank to grow in a market where the bank’s activities are increasingly subject to competition from new actors, including as a result of changes to the framework conditions.

Associated companies

SpareBank 1 Alliance

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

SpareBank 1 Gruppen AS

SpareBank 1 Gruppen AS owns 100% of the shares in SpareBank 1 Forsikring AS, SpareBank 1 Skadeforsikring AS, ODIN Forvaltning AS, LO Favør AS, SpareBank 1 Factoring AS, Conecto AS, SpareBank 1 Portefølje AS and SpareBank 1 Spleis AS. SpareBank 1 SR-Bank ASA owned a 19.5% stake in SpareBank 1 Gruppen AS at the end of the third quarter of 2018.

SpareBank 1 Gruppen AS posted a pre-tax profit of NOK 1,245 million as at 30 September 2018 (NOK 1,437 million). The reduction in profit was mainly due to lower financial income and a weaker insurance result in the P&C insurance company due to a harsh winter with many claims. The life insurance company's result was slightly lower than last year due to lower financial income.

On 24 September, SpareBank 1 Gruppen AS and DNB ASA concluded an agreement to merge their insurance companies and will with this create one of the largest insurance companies in the country. The merger will be implemented by DNB Forsikring AS merging with SpareBank 1 Skadeforsikring AS. The merged company will offer an almost complete product portfolio within risk insurance to the retail and SME markets.

The merger agreement assumes a conversion ratio of around 80% for SpareBank 1 Gruppen AS and 20% for DNB ASA. This conversion ratio is based on the negotiated market value of the two P&C insurance companies, inclusive of the value of the transferred personal risk products. SpareBank 1 Gruppen AS will own 65% and DNB ASA will own 35% of the new company. DNB ASA has also secured an option to purchase up to a 40% stake. The company will remain a subsidiary of SpareBank 1 Gruppen AS.

The transaction values the new P&C insurance company at NOK 19.75 billion, inclusive of the value of personal risk products that will be transferred from the respective life insurance companies to the new company. The same value will be used when DNB ASA increases its stake from 20% to 35%. The purchase sum for this 15% of the shares will therefore be NOK 2.96 billion.

Based on the figures as at 31 December 2017 and the pro forma consolidated financial statements, the merger and abovementioned transactions will in total result in increased equity for SpareBank 1 Gruppen AS as a group of about NOK 6.9 billion. The majority interest's (the SpareBank 1 banks and the Norwegian Federation of Trade Unions) share of this increase will be NOK 4.3 billion. SpareBank 1 SR-Bank's share of this increase (19.5%) will amount to around NOK 831 million and will be recognised in the income statement or directly against equity in the consolidated financial statements in the first quarter of 2019. However, this will result in an almost unchanged common equity tier 1 capital ratio in the group. This is due to the fact that the higher book value of the stake in SpareBank 1 Gruppen AS will increase the deduction in common equity tier 1 capital and increase the risk-weighted basis for calculation. Overall, this will almost neutralise the effect of the higher book value.

SpareBank 1 Gruppen AS (the parent company) will also gain a tax free gain of around NOK 2.6 billion due to the selldown to DNB ASA. SpareBank 1 Gruppen AS's basis for dividends will increase proportionately with this gain. SpareBank 1 SR-Bank's share of any dividend on NOK 2.6 million (19.5%) amounts to NOK 517 million. The dividend will reduce the book value of the group's investment in SpareBank 1 Gruppen AS and thereby also reduce the deduction in common equity tier 1 capital in the capital adequacy calculation (as described in the previous paragraph). The group's capital adequacy will thus increase. Based on the group's accounting figures as at 30 June 2018, this will increase the common equity tier 1 capital ratio by an estimated 0.4 percentage points. Any dividend from SpareBank 1 Gruppen AS's will be contingent on the capital situation and decisions in the company's governing bodies and cannot be implemented before the second quarter of 2019 at the earliest.

SpareBank 1 Gruppen AS and DNB ASA published a letter of intent concerning the merger on 20 June 2018 and the merger agreement was concluded on 24 September 2018. At the time of the merger, the new company will be the third largest insurance company in the country and the largest that distributes its products via banks. The company will continue SpareBank 1's agreement to deliver products to the Norwegian Federation of Trade Unions' 930,000 members via the LOfavør brand. The SpareBank 1 banks will also distribute insurance products under the SpareBank 1 brand, while DNB ASA will distribute insurance products under the DNB ASA brand. Both DNB ASA and SpareBank 1 will aim to strengthen the distribution of insurance via the banks. The new company will be better able to develop innovative, customer-friendly solutions and launch new products for customers onto the market even faster.

The merger is scheduled for implementation on 1 January 2019, assuming its receives the approval of the authorities.

SpareBank 1 Banksamarbeidet DA

SpareBank 1 Banksamarbeidet DA is responsible for the SpareBank 1 Alliance's collaboration processes and delivery of services. The company develops and delivers, among other things, common IT/mobile solutions, brands and marketing concepts, business concepts, products and services, expertise, analyses, processes, best practice solutions and purchases. SpareBank 1 SR-Bank ASA owned a 18.0% stake in SpareBank 1 Banksamarbeidet DA at the end of the third quarter of 2018.

SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS

SpareBank 1 Boligkreditt AS and SpareBank 1 Næringskreditt AS are mortgage companies operating under licences issued by the Financial Supervisory Authority of Norway and issue covered bonds (with preemptive rights) on the bank's residential mortgage and commercial properties portfolios respectively that are bought from the owner banks. The companies are owned by the savings banks that make up the SpareBank 1 Alliance and help ensure the owner banks have access to stable, long-term funding at competitive rates.

SpareBank 1 Boligkreditt AS posted a pre-tax profit of NOK 52 million as at 30 September 2018 (NOK -184 million). The improvement in the result was primarily due to the negative effects of basis swaps as at 30 September 2017 amounting to NOK -326 million. On 1 January 2018, the company changed its accounting policies for recognising the effects of basis swaps due to the implementation of IFRS 9. The effects of basis swaps are now recognised through other comprehensive income in SpareBank 1 Boligkreditt AS and thereby do not affect the company's profit or the group's share of the profit. At the end of the third quarter of 2018, the company's total lending volume amounted to NOK 183.8 billion (NOK 176.1 billion), NOK 13.0 billion (NOK 17.5 billion) of which were residential mortgages bought from SpareBank 1 SR-Bank ASA. The bank owned 8.0% of the company at the end of the third quarter of 2018. This stake is normally adjusted annually based on its share of the sold volume at the end of each year.

SpareBank 1 Næringskreditt AS posted a pre-tax profit of NOK 47 million as at 30 September 2018 (NOK 67 million). At the end of the third quarter of 2018, the company's total lending volume amounted to NOK 10.1 billion (NOK 9.9 billion), NOK 0.4 billion (NOK 0.5 billion) of which were loans bought from SpareBank 1 SR-Bank ASA. The bank owned 19.2% of the company at the end of the third quarter of 2018.

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 ASA owns a 23.5% stake. As at 30 September 2018, BN Bank ASA's pre-tax profit was NOK 298 million (NOK 282 million). The improved result was primarily due to an increase in net interest income compared with the same period last year.

SpareBank 1 Kredittkort AS

SpareBank 1 Kredittkort AS is owned by the SpareBank 1 banks. SpareBank 1 SR-Bank ASA owns a stake of 17.9%. The company provides credit card solutions for the SpareBank 1 banks and posted a pre-tax profit of NOK 128 million as at 30 September 2018 (NOK 78 million). The higher profit was primarily attributable to higher interest income compared with 30 September 2017, although net transaction income has also risen well so far in 2018.

SpareBank 1 Betaling AS/Vipps AS

The SpareBank 1 banks jointly own SpareBank 1 Betaling AS. SpareBank 1 SR-Bank ASA's stake is 19.7%. In the autumn of 2017, the company became the second largest owner of Vipps AS with a stake of 25%. In autumn 2018, Vipps AS will be merged with BankID Norge AS and BankAxept AS.

SpareBank 1 Betaling AS posted pre-tax result of NOK -39 million as at 30 September 2018 (NOK -34 million). The negative profit share was due to its share of the operating loss in Vipps AS.

Funding and liquidity

SpareBank 1 SR-Bank had very good liquidity at the end of the third quarter of 2018 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[5] was NOK 31.1 billion at the end of the third quarter of 2018 and would cover normal operations for 23 months in the event of closed markets. NOK 9.9 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 12.7 billion in residential mortgages ready for covered bond funding.

The group has continued to enjoy a high proportion of long-term funding in the last 12 months. The group's net stable funding ratio[6] (NSFR) was 120% at the end of the third quarter of 2018 (128%) and this confirms the group's good funding situation.

[5] 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.

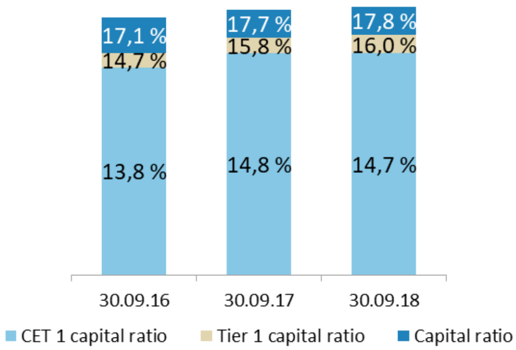
[6] NSFR is calculated in accordance with guidelines from the Financial Supervisory Authority of Norway and is calculated as available stable funding relative to necessary stable funding.

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

Capital adequacy

At the end of the third quarter of 2018, the common equity tier 1 capital ratio was 14.7% (14.8%).

Fig. 4 Capital adequacy



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

A countercyclical capital buffer requirement applies in Norway in the range of 0-2.5 percentage points in the form of common equity tier 1 capital. The purpose of the countercyclical capital buffer is to make the banks more solid and robust in relation to lending losses. The capital buffer requirement amounted to 2.0 percentage points at the end of the third quarter of 2018.

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 percentage points.

The total common equity tier 1 capital ratio requirement for SpareBank 1 SR-Bank ASA at the end of the third quarter of 2018 was 14.0%, inclusive of the countercyclical buffer and Pillar 2 premium. This requirement is met by a good margin. Banks classified as systemically important financial institutions are also subject to a special capital buffer requirement. SpareBank 1 SR-Bank ASA has as of 30 September 2018 not been identified as a systemically important financial institution.

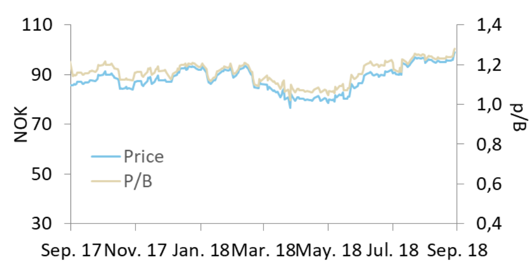
SpareBank 1 SR-Bank ASA's long-term goal is to achieve a common equity tier 1 capital ratio of 15.0%, which includes a management buffer of 1 percentage point. The target will be maintained through good profitability, balanced growth and competitive dividends.

The tier 1 capital ratio was 16.0% (15.8%), while the total capital ratio was 17.8% (17.7%) at the end of the third quarter of 2018. This is higher than the required capital adequacy of 17.5%.

The bank's share

The bank's share price (SRBANK) was NOK 99.00 at the end of the third quarter of 2018. This represents an increase of 14.6% since the end of the second quarter of 2018. The main Oslo Stock Exchange index rose by 6.7% in the same period. 6.1% (4.2%) of outstanding SRBANK shares were traded in the third quarter of 2018.

Fig 5, Development in Price/Book



There were 10,879 (10,979) shareholders of SRBANK at the end of the third quarter of 2018. The proportion owned by foreign companies and individuals was 25.3% (22.0%), while 43.3% (45.7%) were resident in Rogaland, the Agder counties and Hordaland. The 20 largest shareholders owned a total of 57.9% (55.4%) of the shares. The bank held 85,206 treasury shares, while group employees owned 1.5% (1.6%).

The table below shows the 20 largest shareholders as at 30 September 2018:

Table 8, 20 largest shareholders	Number of shares (1,000)	%
Sparebankstiftelsen SR-Bank	72.419	28,3 %
Folketrygdfondet	18.931	7,4 %
State Street Bank and Trust Co, U.S.A.	10.479	4,1 %
SpareBank 1-stiftinga Kvinnherad	6.227	2,4 %
Vpf Nordea Norge Verdi	5.547	2,2 %
Danske Invest Norske Instit. II	3.776	1,5 %
State Street Bank and Trust Co, U.S.A.	3.425	1,3 %
Odin Norge	3.406	1,3 %
Verdipapirfondet DNB Norge (IV)	2.811	1,1 %
JPMorgan Chase Bank N.A., U.S.A.	2.601	1,0 %
Clipper AS	2.565	1,0 %
Pareto Aksje Norge	2.466	1,0 %
Danske Invest Norske Aksjer Inst.	1.946	0,8 %
KAS Bank NV, Nederland	1.838	0,7 %
Westco AS	1.698	0,7 %
KLP Aksjenorge Indeks	1.686	0,7 %
Pareto AS	1.641	0,6 %
Vpf Nordea Norge Avkastning	1.609	0,6 %
Forsvarets Personellservice	1.514	0,6 %
Vpf Nordea Norge Kapital	1.497	0,6 %
Total 20 largest	148.083	57,9 %

Accounting policies

Please refer to Note 1 for a description of the accounting policies applied in the parent company's and consolidated financial statements. The group applies the same accounting policies in interim financial statements that it uses in annual financial statements, but has from 1 January 2018 replaced IAS 39 with IFRS 9 Financial Instruments. For more information see Note 1.

Events after the balance sheet date

No material events have been registered after 30 September 2018 that affect the interim financial statements as prepared.

Outlook

Moderate 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. The Norwegian Petroleum Directorate is expecting a weak increase in oil investments of around 1.5% in 2018 and a further increase of 10% in 2019.

The total level of activity in Rogaland has been rising weakly in the year-to-date 2018 and is expected to increase in coming years. Both oil companies and the supply industry are now reporting better prospects with higher sales, new investments and more hirings. Export-oriented industries are experiencing growth due to a weak Norwegian kroner and greater competitiveness. The building and construction industry has been boosted by major infrastructure projects and an improving local housing market. 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 2.3% in September 2018. In Rogaland, unemployment fell from 3.4% a year ago to 2.6% in September 2018. Unemployment also fell in Hordaland and Agder.

The rise in house prices in Norway has been moderate in the last year and the 12-month figure for house price rises was 2.7% as per September 2018. Increases in both the number of homes put up for sale and sales have been registered in the year-to-date 2018. The average turnover time has been higher throughout the whole of 2018 than in previous years. The housing market in the group’s market area remains good in Hordaland, stable in Agder and weakly positive in Rogaland, with a higher number of sales. In the Stavanger region, house prices rose by 0.3% in the last 12 months. Kristiansand saw a 2.1% rise in prices, while in Bergen prices rose by 1.1%. Lower unemployment in the group's market area means the group expects a moderate 4-6% increase in lending volumes in 2018.

In the third quarter of 2018, the group announced rate rises for mortgages and deposits of up to 0.25 percentage points. The interest rate changes will take effect on 7 November 2018.

The group's long-term return on equity target is a minimum of 12%. The group also has a common equity tier 1 capital ratio target of 15%. SpareBank 1 SR-Bank ASA 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 Financial Supervisory Authority of Norway has proposed to the Ministry of Finance the inclusion of a new criterion for identifying systematically important banks, which would entail institutions that at the end of the previous year had a lending proportion in the corporate market of at least 10% in one or more regions also being designated systemically important.

The proposed regulatory amendment was submitted to the Ministry of Finance of 19 October 2018. If the proposal is followed up and implemented, it may result in several regional banks, including SpareBank 1 SR-Bank, being covered by the Regulation's criteria and being considered systemically important and thereby subject to an extra requirement for common equity tier 1 capital ratio of 2 percentage points and an additional requirement for the leverage ratio of 1 percentage point. It is expected that the CRD IV directive will be transposed into Norwegian law just before or at the same time as any new SIFI Regulation is introduced. The total effect of the proposed SIFI Regulation and the introduction of CRD IV is expected to be neutral on capital for SpareBank 1 SR-Bank.

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 has 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 300-400 million. The board would like to stress that a certain level of uncertainty is associated with all assessments of future conditions.

The group changed its organisation in the second quarter of 2018 and established, among other things, a separate business area for strategy, innovation and development. This will boost the work on innovation and development in the group going forward and make sure more attention is paid to it. It will also help the group become one of the best in developing new products and services. Customers will notice this in the form of an even better customer experience, better accessibility and improved service, including through the further development of our own chatbot. As part of the development of new technology, the group has established FinStart Nordic AS, a wholly owned subsidiary. FinStart Nordic AS will invest in companies that carry out development and innovation work and help to give the bank a competitive advantage. The group wants to strengthen its focus on customers in the central Eastern Norway region and at the end of the first quarter of 2018 it established its own branch in Oslo. Presence in this market is important both to be near our customers, and to create a basis for growth and increased income. This will, together with, correct risk pricing for loans, and cost control, ensure the group is competitive going forward.

Stavanger, 24 October 2018
The Board of Directors of SpareBank 1 SR-Bank ASA

Income Statement

Parent bank						Note	Group				
2017	Q3 2017	Q3 2018	01.01.17 - 30.09.17	01.01.18 - 30.09.18	**Income statement (MNOK)**		01.01.18 - 30.09.18	01.01.17 - 30.09.17	Q3 2018	Q3 2017	2017
		810		2.280	Interest income amortised cost		4.109		1.430		
		482		1.497	Interest income other		475		156		
4.863	1.226		3.651		Interest income			4.284		1.455	5.747
		538		1.596	Interest expenses amortised cost		1.884		653		
		4		13	Interest expenses other		187		62		
2.095	516		1.578		Interest expenses			1.941		635	2.585
2.768	710	**750**	2.073	**2.168**	**Net interest income**		**2.513**	2.343	**871**	820	3.162
1.069	284	249	801	766	Commission income		1.149	1.213	370	407	1.597
76	22	21	58	65	Commission expenses		67	60	22	22	79
8	2	1	5	6	Other operating income		5	4	1	1	6
1.001	264	**229**	748	**707**	**Net commission and other income**		**1.087**	1.157	**349**	386	1.524
9	0	0	9	11	Dividend income		12	11	0	2	11
500	15	10	481	619	Income from investment in associates		253	271	94	127	425
238	65	75	198	180	Net gains/losses on financial instruments	12	236	148	81	69	198
747	80	**85**	688	**810**	**Net income on financial investments**		**501**	430	**175**	198	634
4.516	1.054	**1.064**	3.509	**3.685**	**Total income**		**4.101**	3.930	**1.395**	1.404	5.320
952	235	238	699	725	Personnel expenses	13	967	930	322	312	1.263
428	97	115	311	343	Administrative expenses		381	350	126	111	478
296	76	67	211	209	Other operating costs		305	317	94	107	426
1.676	408	**420**	1.221	**1.277**	**Total operating costs**		**1.653**	1.597	**542**	530	2.167
2.840	646	**644**	2.288	**2.408**	**Operating profit before impairment losses**		**2.448**	2.333	**853**	874	3.153
542	125	62	422	231	Impairment losses on loans and guarantees	2 and 3	232	423	59	124	543
2.298	521	**582**	1.866	**2.177**	**Pre-tax profit**	11	**2.216**	1.910	**794**	750	2.610
439	113	134	328	370	Tax expense		447	383	160	140	524
1.859	408	**448**	1.538	**1.807**	**Profit after tax**		**1.769**	1.527	**634**	610	2.086
1.857	408	446	1.538	1.803	Shareholders' share of the profit		1.765	1.527	632	610	2.084
2		2		4	Hybrid capital owners' share of the profit		4		2		2
1.859	408	**448**	1.538	**1.807**	**Profit after tax**		**1.769**	1.527	**634**	610	2.086
					Other comprehensive income						
-12	4	67	-40	135	Unrecognised actuarial gains and losses		135	-40	67	4	-12
3	-1	-17	10	-34	Deferred tax concerning changed estimates/pension plan changes		-34	10	-17	-1	3
		0		-1	Change in value of ECL[1]) 12 months		0		0		
		0		0	Deferred tax concerning change in value of ECL 12 months		0		0		
		0		0	Basisswap spread		-10		-1		
-9	3	**50**	-30	**100**	**Total items not reclassified through profit or loss**		**91**	-30	**49**	3	-9
9	0	0	0	0	Change in value of financial assets available for sale		0	0	0	0	9
0	0	0	0	0	Share of profit associated companies and joint ventures		0	0	1	-2	8
9	0	**0**	0	**0**	**Total items reclassified through profit or loss**		**0**	0	**1**	-2	17
0	3	**50**	-30	**100**	**Other comprehensive income**		**91**	-30	**50**	1	8
1.859	411	**498**	1.508	**1.907**	**Total comprehensive income**		**1.860**	1.497	**684**	611	2.094
					Earnings per share (group)		**6,92**	5,98	**2,48**	2,39	8,16

[1] ECL - Expected credit loss

Balance sheet

Parent bank				Note	Group		
31.12.17	**30.09.17**	**30.09.18**	**Balance sheet (MNOK)**		**30.09.18**	**30.09.17**	**31.12.17**
207	271	213	Cash and balances with central banks		213	271	207
1.607	8.463	5.399	Balances with credit institutions		3.600	4.135	1.608
130.579	125.117	130.427	Loans to customers	3, 7	181.676	165.787	171.237
32.203	29.956	29.651	Certificates, bonds and other fixed-income securities		29.423	29.579	31.909
6.033	4.771	4.563	Financial derivatives	9	3.746	3.960	5.541
507	359	543	Shares, ownership stakes and other securities	16	851	562	717
0	0	0	Business available for sale		0	0	0
2.363	2.964	2.497	Investment in associates		4.002	4.450	3.953
4.853	3.898	5.111	Investment in subsidiaries		0	0	0
724	1.216	1.436	Other assets	4	2.512	6.565	1.446
179.076	177.015	**179.840**	**Total assets**	11	**226.023**	215.309	216.618
4.538	1.952	3.630	Balances with credit institutions		2.853	2.172	2.335
95.635	98.807	100.733	Deposits from customers	6	100.320	98.602	95.384
51.307	49.480	47.787	Listed debt securities	10	93.584	86.341	90.497
5.013	2.506	3.150	Financial derivatives	9	2.732	2.113	3.787
1.770	3.410	1.981	Other liabilities	5	2.187	3.586	1.962
2.764	3.161	3.339	Subordinated loan capital	10	3.339	3.161	2.764
161.027	159.316	**160.620**	**Total liabilities**		**205.015**	195.975	196.729
6.394	6.394	6.394	Share capital		6.394	6.394	6.394
1.587	1.587	1.587	Premium reserve		1.587	1.587	1.587
1.087	0	0	Proposed dividend		0	0	1.087
43	52	43	Fund for unrealised gains		43	52	43
150	150	550	Hybrid capital		550	150	150
8.788	7.978	8.839	Other equity		10.665	9.624	10.628
0	1.538	1.807	Profit/loss at period end		1.769	1.527	0
18.049	17.699	**19.220**	**Total equity**		**21.008**	19.334	19.889
179.076	177.015	**179.840**	**Total liabilities and equity**	11	**226.023**	215.309	216.618

Statement of changes in equity

SpareBank 1 SR-Bank Group (Amounts in NOK million)	Share-capital	Premium reserve	Hybrid-capital	Other equity	Reserve for unrealised gains	Total equity
Equity as of 31.12.2016	6.394	1.587		10.255	52	18.288
Profit after tax				2.095	-9	2.086
Unrecognised actuarial gains and losses after tax				-9		-9
Change in value of financial assets available for sale				9		9
Share of profit associated companies and joint ventures				8		8
Total items not reclassified through profit or loss				2.103	-9	2.094
Hybridcapital			150			150
Interest on hybridcapital				-3		-3
Deferred tax concerning interest on hybridcapital				1		1
Adjusted equity accosiates				-58		-58
Dividend 2016, resolved in 2017				-575		-575
Purchase/sale of own shares				-8		-8
Items reclassified through profit or loss				-583		-583
Equity as of 31.12.2017	**6.394**	**1.587**	**150**	**11.715**	**43**	**19.889**
Changes in equity due to IFRS 9, 1.1.2018				-69		-69
Profit after tax				1.769		1.769
Unrecognised actuarial gains and losses after tax				101		101
Change in value of ECL[1)] 12 months				0		0
Change in value of financial assets available for sale				0		0
Basisswap spread				-10		-10
Share of profit associated companies and joint ventures				0		0
Total items not reclassified through profit or loss				1.860		1.860
Hybridcapital			400			400
Interest on hybridcapital				-5		-5
Deferred tax concerning interest on hybridcapital				1		1
Adjusted equity accosiates				9		9
Dividend 2017, resolved in 2018				-1.087		-1.087
Purchase/sale of own shares				10		10
Items reclassified through profit or loss				-1.077		-1.077
Equity as of 30.09.2018	**6.394**	**1.587**	**550**	**12.434**	**43**	**21.008**

[1)] ECL - Expected credit loss

Cash flow statement

Parent bank				Group		
2017	01.01.17 - 30.09.17	01.01.18 - 30.09.18	**Cash flow statement**	01.01.18 - 30.09.18	01.01.17 - 30.09.17	2017
-10.609	-5.195	139	Change in gross lending to customers	-10.511	-9.467	-14.916
4.313	3.243	3.332	Interest receipts from lending to customers	4.136	3.880	5.199
9.451	12.623	5.098	Change in deposits from customers	4.936	12.688	9.470
-829	-246	-340	Interest payments on deposits from customers	-344	-248	-823
9.279	-226	-4.489	Change in receivables and deby from credit institutions	-2.913	-2.055	738
-593	-441	-187	Interest on receivables and debt to financial institutions	-408	-586	-776
-10.196	-7.914	2.552	Change in certificates and bonds	2.486	-8.536	-10.901
445	312	350	Interest receipts from commercial paper and bonds	321	311	446
1.016	676	548	Commission receipts	928	1.085	1.540
-25	-35	6	Capital gains from sale of trading	19	-45	-43
-1.550	-1.155	-1.204	Payments for operations	-1.570	-1.526	-2.039
-621	-621	-393	Taxes paid	-487	-685	-683
3.911	2.195	-2.960	Other accruals	-1.306	-3.668	3.697
3.992	3.216	**2.452**	**A Net change in liquidity from operations**	**-4.713**	-8.852	-9.091
-50	-44	-54	Investments in tangible fixed assets	-193	-148	-156
8	0	3	Receipts from sale of tangible fixed assets	3	0	8
-2.145	-1.145	-340	Change in long-term investments in equities	-117	-115	-158
919	331	0	Receipts from sales of long-term investments in equities	3	152	756
509	490	630	Dividends from long-term investments in equities	358	368	387
-759	-368	**239**	**B Net cash flow, investments**	**54**	257	837
5.382	4.393	5.333	Debt raised by issuance of securities	17.000	15.178	16.303
-10.256	-9.455	-7.166	Repayments - issued securities	-11.163	-8.611	-9.471
-519	-428	-482	Interest payments on securities issued	-804	-615	-737
930	935	700	Additional subordinated loan capital issued	700	935	930
-825	-464	-142	Repayments - additional capital instruments	-142	-464	-825
-103	-25	-26	Interest payments on subordinated loans	-26	-25	-102
150	150	400	Increase in debt established by issuing hybrid capital	400	150	150
-3	0	-4	Interest payments on debt established by issuing hybrid capital	-4	0	-3
-511	-512	-1.087	Dividend to share holders	-1.087	-512	-511
-5.755	-5.406	**-2.474**	**C Net cash flow, financing**	**4.874**	6.036	5.734
-2.522	-2.558	**217**	**A+B+C Net cash flow during the period**	**215**	-2.559	-2.520
3.393	3.393	871	Cash and cash equivalents as at 1 January	873	3.393	3.393
871	834	1.088	Cash and cash equivalents as at 31 March	1.088	834	873
			Cash and cash equivalents specified			
207	271	213	Cash and balances with central banks	213	271	207
664	563	875	Balances with credit institutions	875	563	666
871	834	**1.088**	**Cash and cash equivalents**	**1.088**	834	873

The cash and cash equivalents includes cash and claims on central banks, plus the share of the total of claims on credit institutions that pertains to placement solely in credit institutions. The cash flow statement shows cash provided and used by the parent bank and the group.

Note 1 Accounting policies

1.1 Basis of preparation

These interim financial statements for SpareBank 1 SR-Bank ASA cover the period 1 January - 30 September 2018. The interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements are unaudited. These interim financial statements were prepared in accordance with the applicable IFRS standards and IFRIC interpretations.

The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for 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. Among those the group has chosen not to apply early are the most important standards, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases. The group has analyzed the effects of IFRS 15 Revenue from Contracts and IFRS 16 Leases, and do not expect these to have any material effect.

There are no other standards or interpretations that have not been adopted yet, that are expected to have any material effects on the Groups financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments have replaced IAS 39, with effect from 1 January 2018. SpareBank 1 SR-Bank has, in cooperation with other SpareBank 1 banks, been working on models, as well as clarifications concerning valuation, classification, etc., for the last couple of years. The group has calculated impairment losses based on IFRS 9 regulations as of 1 January 2018.

For further information, see note 42 on IFRS 9 Financial Instruments in the annual financial statements for 2017, and note 3 in the third quarter 2018 interim report.

1.2 Critical accounting estimates and judgements

The preparation of the consolidated financial statements entails the group executive management making estimates, judgements and assumptions that affect the effect of the application of the accounting policies and thus the amounts recognised for assets, liabilities, income and costs. Note 3 of the annual financial statements for 2017 explains in more detail the use of critical estimates and judgements when applying the accounting policies.

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

Parent bank				Group		
01.01.17 - 31.12.17	**01.01.17 - 30.09.17**	**01.01.18 - 30.09.18**		**01.01.18 - 30.09.18**	**01.01.17 - 30.09.17**	**01.01.17 - 31.12.17**
56	139	73	Change in individual impairment losses provisions for the period	73	93	56
0	0		Change in collective impairment loss provisions for the period		0	1
			Impairments on groups of loans			
		-21	-Impairments on loans at amortised cost	-19		
		1	-Impairments on loans at FVOCI[1]	0		
8	6	6	Amortised cost	6	6	8
262	162	160	Actual loan losses on commitments for which provisions have been made	160	162	262
231	123	30	Actual loan losses on commitments for which no provision has been made	30	123	231
1	1	1	Change in assets taken over for the period	1	48	1
-16	-9	-19	Recoveries on commitments previously written-off	-19	-9	-16
542	422	**231**	**The period's net losses / (reversals) on loans and advances**	**232**	423	543

[1] FVOCI - Fair value other comprehensive income

Note 3 Impairment losses on loans and guarantees recognised in the balance sheet, IFRS 9

Parent Bank - Impairment losses on loans and guarantees	IFRS 9 01.01.18 - 30.09.18				
	01.01.2018	Changes in impairment losses on loans and guarantees	Changes in individual impairment losses	Currencies and other movements	Total 30.09.2018
Impairment losses after amortised cost, corporate market	1.236	-4	38	40	1.310
Impairment losses after amortised cost, retail market	96	1	12	-17	92
Mortgages at FVOCI [1)]	82	-18	0	0	64
Total impairment losses on loans and guarantees	1.414	-21	50	23	**1.466**
Presented as					
Impairment losses on loans	1.287	-19	50	19	1.337
Other debt - impairment losses, guarantees, unused credits, approved loan commitments	127	-2	0	4	129
Total impairment losses on loans and guarantees	1.414	-21	50	23	**1.466**

Group - Impairment losses on loans and guarantees	01.01.2018	Changes in impairment losses on loans and guarantees	Changes in individual impairment losses	Currencies and other movements	Total 30.09.2018
Impairment losses after amortised cost, corporate market	1.236	-4	28	40	1.300
Impairment losses after amortised cost, retail market	187	-15	12	-17	167
Mortgages at FVOCI [1)]	0	0	0	0	0
Total impairment losses on loans and guarantees	1.423	-19	40	23	**1.467**
Presented as					
Impairment losses on loans	1.296	-17	40	19	1.338
Other debt - impairment losses, guarantees, unused credits, approved loan commitments	127	-2	0	4	129
Total impairment losses on loans and guarantees	1.423	-19	40	23	**1.467**

1) FVOCI - Fair value other comprehensive income

Note 3 Impairment losses on loans and guarantees recognised in the balance sheet, IFRS 9 (continued)

Parent Bank - Total impairment losses recognised on loans and guarantees	Stage 1	2018 Stage 2	Stage 3	Total
Balance 01.01.2018	230	467	717	1.414
Changes 01.01 - 30.09.2018				
Transfer to stage 1	-146	141	5	0
Transfer to stage 2	12	-20	8	0
Transfer to stage 3	0	5	-5	0
Net new measurement of impairment losses	129	-59	-24	46
New issued or purchased loan	81	40	2	123
Loans that have been derecognised	-49	-122	-19	-190
Changes due to modifications that have not resulted in derecognition	0	0	0	0
Actual loan losses on commitments	0	0	210	210
Actual loan losses on commitments for which provisions have been	0	0	-160	-160
Changes to models/risk parameters	0	0	0	0
Other movements	0	0	23	23
Balance 30.09.2018	257	452	757	**1.466**
Of which loans at fair value through comprehensive income	11	0	0	11
Of which provisions for guarantees	32	78	19	129

Group - Total impairment losses recognised on loans and guarantees	Stage 1	2018 Stage 2	Stage 3	Total
Balance 01.01.2018	234	472	717	1.423
Changes 01.01 - 30.09.2018				
Transfer to stage 1	-148	143	5	0
Transfer to stage 2	12	-20	8	0
Transfer to stage 3	0	5	-5	0
Net new measurement of impairment losses	130	-60	-24	46
New issued or purchased loan	83	41	2	126
Loans that have been derecognised	-50	-123	-18	-191
Changes due to modifications that have not resulted in derecognition	0	0	0	0
Actual loan losses on commitments	0	0	200	200
Actual loan losses on commitments for which provisions have been	0	0	-160	-160
Changes to models/risk parameters	0	0	0	0
Other movements	0	0	23	23
Balance 30.09.2018	261	458	748	**1.467**
Of which provisions for guarantees	32	78	19	129

Note 4 Other assets

Parent bank				Group		
31.12.17	**30.09.17**	**30.09.18**		**30.09.18**	**30.09.17**	**31.12.17**
0	0	0	Intangible assets	95	95	96
329	347	289	Tangible fixed assets	703	586	572
11	13	6	Income earned but not received from SpareBank 1 Bolig- and Næringskreditt	6	13	11
14	99	193	Prepaid expences	195	101	18
1	0	1	Over funding of pension liabilities	1	0	1
200	200	200	Capital contribution SR-Pensjonskasse	200	200	200
0	497	632	Unsettled trades	872	5.138	0
169	60	115	Other assets	440	432	548
724	1.216	**1.436**	**Total other assets**	**2.512**	6.565	1.446

Note 5 Other debt, guarantees and other liabilities

Parent bank				Group		
31.12.17	30.09.17	30.09.18		30.09.18	30.09.17	31.12.17
260	219	225	Accrued expenses and prepaid revenue	304	297	337
417	365	449	Deferred tax	431	350	393
383	410	257	Pension liabilities	276	427	402
13	47	129	Other specified provisions	129	47	13
393	328	349	Taxes payable	425	380	487
0	1.759	283	Unsettled trades	283	1.759	0
304	282	289	Other liabilities	339	326	330
1.770	3.410	**1.981**	**Total other liabilities**	**2.187**	3.586	1.962
			Guarantees issued (amounts guaranteed)			
9.043	8.645	9.889	Guarantees customers	9.951	8.749	9.120
588	589	589	Guarantees other	589	589	588
9.631	9.234	**10.478**	**Total guarantees**	**10.540**	9.338	9.708
			Other liabilities			
5.000	624	3.090	Unused credit lines for financial institutions	0	0	0
18.978	18.274	18.588	Unused credit lines for customers	18.466	18.172	22.712
4.824	5.347	7.102	Approved loan commitments	7.102	5.197	4.749
45	59	33	Letters of credit	33	59	45
28.847	24.304	**28.813**	**Total other liabilities**	**25.601**	23.428	27.506

Note 6 Customer deposits by sector and industry

Parent bank				Group		
31.12.17	30.09.17	30.09.18		30.09.18	30.09.17	31.12.17
1.200	1.262	1.234	Agriculture/forestry	1.234	1.262	1.200
464	450	372	Fishing/Fish farming	372	450	464
1.310	1.244	1.118	Mining/extraction	1.118	1.244	1.310
1.144	1.144	1.189	Industry	1.189	1.144	1.144
2.183	1.712	1.728	Power and water supply/building and construction	1.728	1.712	2.183
2.262	6.664	2.157	Retail trade, hotels and restaurants	2.157	6.664	2.262
1.989	2.166	1.997	Foreign trade shipping, pipeline transport and other transport activities	1.997	2.166	1.989
6.249	1.966	7.608	Real estate	7.608	1.966	6.249
9.005	9.147	9.357	Service industry	8.944	8.948	8.755
25.969	28.880	28.316	Public sector and financial services	28.316	28.880	25.969
51.775	54.635	**55.076**	**Total corporate sector**	**54.663**	54.436	51.525
44.246	44.291	**46.269**	**Retail customers**	**46.269**	44.291	44.246
12	381		Accrued interests corporate sector and retail customers		375	12
-399	-500	-612	Net cooperate accounts currency	-612	-500	-399
95.635	98.807	**100.733**	**Deposits from customers**	**100.320**	98.602	95.384

Note 7 Loans to customers

Parent bank				Group		
31.12.17	**30.09.17**	**30.09.18**		**30.09.18**	**30.09.17**	**31.12.17**
4.711	4.602	4.887	Agriculture/forestry	5.042	4.715	4.833
860	796	1.088	Fishing/Fish farming	1.090	796	860
4.874	4.624	3.887	Mining/extraction	3.889	4.626	4.876
3.617	3.467	3.454	Industry	3.465	3.477	3.632
3.560	3.407	4.010	Power and water supply/building and construction	4.121	3.509	3.666
2.895	2.896	2.900	Retail trade, hotels and restaurants	2.977	2.988	2.984
9.941	9.278	11.747	Foreign trade shipping, pipeline transport and other transport activities	11.830	9.354	10.015
27.034	27.722	30.282	Real estate	30.293	27.730	27.042
8.418	7.204	10.773	Service industry	10.814	7.255	8.428
1.869	2.881	1.939	Public sector and financial services	1.939	2.881	1.869
67.779	66.877	**74.967**	**Total corporate sector**	**75.460**	67.333	68.204
64.099	59.671	**57.398**	**Retail customers**	**108.166**	99.808	104.299
116	144		Unallocated (excess value fixed interest loans and amort. lending fees) [1]		144	116
297	286		Accrued interests corporate sector and retail customers [1]		320	334
-399	-500	-612	Net cooperate accounts currency	-612	-500	-399
131.892	126.478	**131.753**	**Gross loans**	**183.014**	167.105	172.554
-639	-688	-708	- Individual impairment losses provisions	-699	-641	-639
-674	-673		- Collective impairment losses provisions		-677	-678
		-565	- Impairment losses after amortised cost	-639		
		-53	- Mortgages at FVOCI [2]	0		
130.579	125.117	**130.427**	**Loans to customers**	**181.676**	165.787	171.237

[1] In 2017 interests were divided on separate lines. In 2018 interest are divided by sector

[2] FVOCI - Fair value other comprehensive income

Parent Bank - Gross loans	**Stage 1**	**2018** **Stage 2**	**Stage 3**	**Total**
Balance 01.01.18	119.848	10.503	1.541	131.892
Transfer to stage 1	-4.543	4.513	30	0
Transfer to stage 2	3.194	-3.234	40	0
Transfer to stage 3	12	74	-86	0
Net increase/(decrease) balance existing loans	2.944	205	0	3.149
Originated or purchased during the period	31.511	1.130	16	32.657
Loans that have been derecognised	-36.806	-145	1.006	-35.945
Balance 30.09.2018	116.160	13.046	2.547	**131.753**

Group - Gross loans	**Stage 1**	**2018** **Stage 2**	**Stage 3**	**Total**
Balance 01.01.18	159.105	12.020	1.545	172.670
Transfer to stage 1	-5.046	5.016	30	0
Transfer to stage 2	3.764	-3.807	43	0
Transfer to stage 3	12	74	-86	0
Net increase/(decrease) balance existing loans	3.158	202	-2	3.358
Originated or purchased during the period	51.405	1.806	21	53.232
Loans that have been derecognised	-46.900	-357	1.011	-46.246
Balance 30.09.18	165.498	14.954	2.562	**183.014**

Note 8 Capital adequacy

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

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

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

The total minimum common equity tier 1 capital ratio requirement for SpareBank 1 SR-Bank, inclusive of the countercyclical buffer and Pillar 2 premium, as at 30 September 2018 was 14.0% . The requirement consists of a 4.5% minimum requirement plus other buffer requirements, which consist of a capital conservation buffer of 2.5% , a systemic risk buffer of 3.0% and a countercyclical buffer of 2.0% . The Financial Supervisory Authority of Norway has also set an individual Pillar 2 requirement of 2.0% .

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

Parent bank				Group		
31.12.17	**30.09.17**	**30.09.18**		**30.09.18**	**30.09.17**	**31.12.17**
6.394	6.394	6.394	Share capital	6.394	6.394	6.394
1.587	1.587	1.587	Premium reserve	1.587	1.587	1.587
1.087	0	0	Allocated to dividend	0	0	1.087
43	52	43	Reserve for unrealised gains	43	52	43
150	150	550	Hybrid capital	550	150	150
8.788	7.978	8.839	Other equity	10.665	9.624	10.628
	1.538	1.807	Profit for the period	1.769	1.527	
18.049	17.699	**19.220**	**Total book equity**	**21.008**	19.334	19.889
			Tier 1 capital			
0	0	0	Deferred taxes, goodwill and other intangible assets	-111	-117	-116
-1.087	0	0	Deduction for allocated dividends	0	0	-1.087
-277	-218	-186	Deduction for expected losses on IRB, net of write-downs	-261	-283	-337
-150	-150	-550	Hybrid capital that cannot be included in common equity tier 1 capital	-550	-150	-150
0	-769	-904	Profit for the period that cannot be included in total Tier 1 capital	-885	-763	0
0	0	0	institutions	0	0	-72
		-147	institutions	-129		
-42	-42	-37	Value adjustment due to requirements concerning proper valuation	-44	-45	-38
16.493	16.520	**17.396**	**Total Common equity Tier 1 capital**	**19.028**	17.976	18.089
150	150	550	Hybrid capital	787	353	392
797	797	798	Tier 1 capital instruments	798	885	797
17.440	17.467	**18.744**	**Total Tier 1 capital**	**20.613**	19.214	19.278
			Tier 2 capital			
1.897	1.894	2.097	Term subordinated loan capital	2.455	2.343	2.254
-43	-42	-42	Deduction for essential investments in financial institutions	-42	-42	-43
1.854	1.852	**2.055**	**Total Tier 2 capital**	**2.413**	2.301	2.211
19.294	19.319	**20.799**	**Net primary capital**	**23.026**	21.515	21.489

Note 8 Capital adequacy (continued)

Parent bank				Group		
31.12.17	**30.09.17**	**30.09.18**	**Credit risk Basel II**	**30.09.18**	**30.09.17**	**31.12.17**
19.218	18.403	22.644	SME	22.649	18.407	19.220
20.724	19.549	23.675	Specialised enterprises	25.109	20.719	21.916
6.735	7.012	6.668	Other corporations	6.736	7.136	6.868
1.115	1.063	1.106	Mass market SME	1.322	1.282	1.303
16.019	14.743	14.385	Mass market - mortgage on real estate	27.713	26.658	27.026
1.905	2.006	2.152	Other mass market	2.206	2.052	1.942
9.387	10.392	10.375	Equity positions	0	0	0
75.103	73.168	**81.005**	**Total credit and counterparty risk IRB**	**85.735**	76.254	78.275
51	48	47	States and central banks	57	48	51
118	169	16	Local and regional authorities, state-owned enterprises	102	217	140
1.803	2.573	2.168	Institutions	1.858	1.922	1.864
8.903	8.316	8.342	Enterprises	8.952	8.964	9.474
1.838	1.856	2.581	Mass market	3.327	2.963	2.531
0	0	0	Mass market - mortgage on real estate	1.266	1.405	1.353
2.330	2.053	2.092	Covered bonds	2.370	2.572	2.686
4.029	3.054	4.029	Equity positions	4.968	4.852	5.036
916	878	844	Other assets	1.731	1.720	1.678
19.988	18.947	**20.119**	**Total credit and counterparty risk standard method**	**24.631**	24.663	24.813
562	467	404	Credit value adjustment risk (CVA)	676	992	933
5.591	5.591	5.968	Operational risk	7.937	7.480	7.430
0	0	0	Transitional scheme	10.237	12.429	8.709
101.244	98.173	**107.496**	**Risk weighted balance**	**129.216**	121.818	120.160
4.556	4.418	4.837	Minimum requirement for common equtiy Tier 1 capital ratio 4,5 %	5.815	5.482	5.407
			Buffer requirement			
2.531	2.454	2.687	Capital conservation buffer 2,5 %	3.230	3.045	3.004
3.037	2.945	3.225	Systemic risk buffer 3 %	3.876	3.655	3.605
2.025	1.473	2.150	Countercyclical capital buffer 2,0 %	2.584	1.827	2.403
7.593	6.872	8.062	Total buffer requirement to common equity Tier 1 capital ratio	9.691	8.527	9.012
4.344	5.230	4.496	Available common equity Tier 1 capital ratio after buffer requirement	3.522	3.967	3.670
19,06 %	19,68 %	19,35 %	Capital ratio	17,82 %	17,66 %	17,88 %
17,23 %	17,79 %	17,44 %	Tier 1 capital ratio	15,95 %	15,77 %	16,04 %
1,83 %	1,89 %	1,91 %	Tier 2 capital ratio	1,87 %	1,89 %	1,84 %
16,29 %	16,83 %	16,18 %	Common equity Tier 1 capital ratio	14,73 %	14,76 %	15,05 %
19,06 %	19,68 %	19,35 %	Capital ratio, IRB	19,35 %	19,67 %	19,28 %
17,23 %	17,79 %	17,44 %	Tier 1 capital ratio, IRB	17,32 %	17,56 %	17,30 %
16,29 %	16,83 %	16,18 %	Common equity Tier 1 capital ratio, IRB	15,99 %	16,43 %	16,23 %
9,13 %	9,32 %	9,79 %	Leverage Ratio	7,67 %	7,24 %	7,37 %

Note 9 Financial derivatives

Group

At fair value through profit and loss	Contract amount 30.09.18	Fair value at 30.09.18 Assets	Liabilities
Currency instruments			
Currency forward contracts	4.017	50	50
Currency swaps	57.247	280	705
Currency options	47	2	0
Total currency instruments	**61.311**	**332**	**755**
Interest rate instruments			
Interest rate swaps	49.034	642	890
Other interest rate contracts	75	1	1
Total interest rate instruments	**49.109**	**643**	**891**
Hedging / Interest rate instruments			
Interest rate swaps (including cross currency)	73.473	1.465	433
Total hedging / Interest rate instruments	**73.473**	**1.465**	**433**
Security			
Security		1.306	653
Totalt security		**1.306**	**653**
Total currency and interest rate instruments			
Total currency instruments	61.311	332	755
Total interest rate instruments	122.582	2.108	1.324
		1.306	653
Total financial derivatives	**183.893**	**3.746**	**2.732**

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

Note 10 Issuance of unsecured debt and additional capital instruments

Group

Change in debt raised through issuance of securities	Balance as at 30.09.18	Issued/ sale own 2018	Past due/ redeemed 2018	FX rate- and other changes 2018	31.12.17
	2.289			-47	2.336
Bonds and certificates, nominal val	90.588	17.000	-11.163	-2.118	86.869
Adjustments	707			-585	1.292
Total debt raised through issuance of securities	**93.584**	17.000	-11.163	-2.750	90.497

Change in additional Tier 1 and Tier 2 capital instruments	Balance as at 30.09.18	Issued/ sale own 2018	Past due/ redeemed 2018	FX rate- and other changes 2018	31.12.17
Term subordinated loan capital, nominal amount	2.465	700	-142	-14	1.921
Perpetual subordinated loan capital, nominal amount	0				0
Tier 1 capital instruments, nominal amount	850			49	801
Adjustments	24			-18	42
Total additional Tier 1 and Tier 2 capital instruments	**3.339**	700	-142	17	2.764

The nominal value of the net outstanding covered bonds in SR-Boligkreditt is NOK 45.8 billion as of 30 September 2018.

Note 11 Segment reporting

The executive management team has assessed which segments are reportable based on the form of distribution, products and customers. The primary reporting format is based on the risk and returnprofile of the assets, and it is divided between the retail market (including self-employed people), the corporate market, the capital market and subsidiaries of significant importance. Staff/support covers all staff departments and treasury functions in the bank. The activities in SR-Boligkreditt AS are divided between the retail market and own account trading/staff/support in the parent bank segments. Commision income from SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt are reported under 'Net commissions and other income'. On 1 January 2018, the units that work with customer services and market communications were moved out of the business areas and established as a single separate area. The business areas' historical figures have been changed to provide comparable figures.

	SpareBank 1 SR-Bank Group 01.01.18 - 31.09.18							
Income statement (MNOK)	**Retail Market**	**Corporate Market**	**Capital Market**	**Staff/ Support**	**Eiendoms-Megler 1**	**Other activities**	**Elimi-nations**	**Total**
Interest income	1.529	1.602	85	1.399	2	1	-34	4.584
Interest expense	343	426	59	1.270	0	4	-31	2.071
Net interest income [1)]	1.186	1.176	26	129	2	-3	-3	**2.513**
Commission income [1)]	487	266	9	2	284	153	-52	1.149
Commission expenses	35	17	3	34	0	28	-50	67
Other operating income	0	0	0	6	0	0	-1	5
Net commission and other income	452	249	6	-26	284	125	-3	**1.087**
Dividend income	0	0	0	11	0	0	1	12
Income from investment in associates	0	25	0	594	0	0	-365	254
Net gains/losses on financial instruments	5	-9	91	57	0	41	51	236
Net income on investment securities	5	16	91	661	0	41	-313	**501**
Personnel expenses	259	133	35	299	169	75	-3	967
Administrative expenses	53	12	9	269	30	8	0	301
Other operating expenses	71	25	2	114	80	31	-18	305
Total operating expenses	383	170	46	682	279	114	-21	**1.653**
Operating profit before losses	1.260	1.271	77	82	7	49	-298	**2.448**
Change in individual write-downs in the period	23	228	0	0	0	0	0	251
Change in group write-downs in the period	-15	-4	0	0	0	0	0	-19
Pre-tax profit	**1.252**	**1.047**	**77**	**82**	**7**	**49**	**-298**	**2.216**
Net interest income [1)]								
External net interest income	1.186	1.176	26	129	2	2	-8	2.513
Internal net interest income	0	0	0	0	0	5	-5	0
Net interest income	1.186	1.176	26	129	2	7	-13	2.513
				0				
Balance sheet (MNOK)				0				
Loans to customers	112.527	67.967	181	2.582	0	0	-243	183.014
Individual loss provisions	-88	-621	0	0	0	0	10	-699
Group loss provisions	-78	-561	0	0	0	0	0	-639
Certificates/bonds/financial derivatives	0	0	2.450	32.332	0	11	-1.624	33.169
Other assets	-1.396	2.731	-90	15.000	176	1.387	-6.630	11.178
Total assets	**110.965**	**69.516**	**2.541**	**49.914**	**176**	**1.398**	**-8.487**	**226.023**
				0				
Deposits from customers	51.531	49.308	12	-119	0	0	413	100.320
Other debt and equity [1)]	59.433	20.208	2.529	50.034	176	1.398	-8.900	125.703
Total debt and equity	**110.964**	**69.516**	**2.541**	**49.915**	**176**	**1.398**	**-8.487**	**226.023**
Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	**12.989**	**442**						**13.431**

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

Note 11 Segment reporting (continued)

	SpareBank 1 SR-Bank Group 01.01.17 - 31.09.17							
Income statement (MNOK)	**Retail Market**	**Corporate Market**	**Capital Market**	**Staff/ Support**	**Eiendoms-Megler 1**	**Other activities**	**Elimi-nations**	**Total**
Interest income	1.467	1.430	102	1.303	2	4	-24	4.284
Interest expense	335	331	74	1.219	0	3	-21	1.941
Net interest income 1)	1.132	1.099	28	84	2	1	-3	**2.343**
Commission income	526	249	23	2	295	161	-44	1.213
Commission expenses	34	18	4	21	0	26	-43	60
Other operating income	0	0	0	5	0	0	-1	4
Net commission and other income	493	231	19	-14	295	135	-2	**1.157**
Dividend income	2	0	0	7	0	2	0	11
Income from investment in associates	0	10	0	471	0	0	-210	271
Net gains/losses on financial instruments	3	10	69	35	0	8	23	148
Net income on investment securities	5	20	69	513	0	10	-187	**430**
Personnel expenses	263	133	40	264	166	67	-3	930
Administrative expenses	55	11	12	234	29	9	1	350
Other operating expenses	73	24	5	108	79	54	-27	317
Total operating expenses	391	168	57	606	274	130	-29	**1.597**
Operating profit before losses	1.239	1.182	59	-23	23	16	-163	**2.333**
Change in individual write-downs in the period	30	393	0	0	0	0	0	423
Change in group write-downs in the period	-2	2	0	0	0	0	0	0
Pre-tax profit	**1.211**	**787**	**59**	**-23**	**23**	**16**	**-163**	**1.910**
Net interest income 1)								
External net interest income	1.132	1.099	28	84	0	4	-4	2.343
Internal net interest income	0	0	0	0	2	-3	1	0
Net interest income	1.132	1.099	28	84	2	1	-3	2.343
Balance sheet (MNOK)								
Loans to customers	104.059	60.261	283	2.637	0	0	-135	167.105
Individual loss provisions	-69	-619	0	0	0	0	47	-641
Group loss provisions	-62	-615	0	0	0	0	0	-677
Certificates/bonds/financial derivatives	0	0	1.796	33.315	0	9	-1.581	33.539
Other assets	-235	1.159	160	21.650	174	942	-7.867	15.983
Total assets	**103.693**	**60.186**	**2.239**	**57.602**	**174**	**951**	**-9.536**	**215.309**
Deposits from customers	49.703	47.878	15	1.212	0	0	-206	98.602
Other debt and equity 1)	53.990	12.307	2.224	56.391	174	951	-9.330	116.707
Total debt and equity	**103.693**	**60.185**	**2.239**	**57.603**	**174**	**951**	**-9.536**	**215.309**
Loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt	**17.536**	**509**						**18.045**

Note 12 Net income/losses from financial instruments

Parent bank				Group		
2017	01.01.17 - 30.09.17	01.01.18 - 30.09.18		01.01.18 - 30.09.18	01.01.17 - 30.09.17	2017
92	62	-4	Net gains/losses on equity instruments	80	92	136
-140	-75	-184	Net gains/lossses for bonds and certificates	-192	-82	-152
143	93	156	Net derivatives bonds and certificates	156	93	143
0	0	74	Net derivatives equity instruments	72	0	0
2	2	1	Net counterparty risk, inclusive of CVA	1	2	2
-2	1	7	Net derivatives other assets	7	1	-2
-28	-18	14	Net derivatives liabilities	6	0	-1
67	59	4	Net derivatives basis swap spread	-5	-27	-32
104	74	112	Net gain currency	111	69	104
238	198	**180**	**Net income/losses from financial instruments**	**236**	148	198

Note 13 Pensions

The SpareBank 1 SR-Bank group has two types of pension scheme: defined benefit-based and contribution benefit-based pension schemes. For more information about the accounting treatment of the schemes see note 1 above and note 24 to the annual financial statements for 2017.

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

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

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

Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Parent bank and group
2,40 %	2,40 %	2,60 %	2,50 %	2,70 %	Discount rate
2,40 %	2,40 %	2,60 %	2,50 %	2,70 %	Expected return on assets
2,50 %	2,50 %	2,50 %	2,50 %	2,50 %	Forecast salary increase
2,25 %	2,25 %	2,25 %	2,25 %	2,25 %	National Insurance scheme's basic amount
2,00 %	2,00 %	2,00 %	2,00 %	2,00 %	Pension adjustment
1,60 %	1,60 %	1,60 %	1,60 %	1,60 %	Paid-up policy adjustment

Change in pension obligations (NOK million):

Parent bank						Group				
2017	Q3 2017	Q3 2018	01.01.17 - 30.09.17	01.01.18 - 30.09.18		01.01.18 - 30.09.18	01.01.17 - 30.09.17	Q3 2018	Q3 2017	2017
351	411	321	351	383	Net obligations opening balance	402	378	340	428	378
10	0	0	10	0	Merger SR-Finans	0	0	0	0	0
12	-4	-67	40	-135	Actuarial liabilities and losses recognised in comprehensive income	-135	40	-67	-4	12
17	4	4	12	13	Net pension cost	13	13	4	5	18
-1	0	0	0	0	Company contributions	0	0	0	0	-1
-6	-1	-1	-3	-4	Payments from operations	-4	-4	-1	-2	-5
383	410	**257**	410	**257**	**Net pension obligations closing balance**	**276**	427	**276**	427	402

Note 14 Sale of loans

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

SpareBank 1 SR-Bank has concluded agreements concerning the sale of loans with good security and collateral in real estate to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. For more information about the accounting treatment of the agreements see note 2 and note 9 in the 2017 annual financial statements.

SpareBank 1 SR-Bank has also concluded an agreement concerning the sale of loans with good security and collateral in real estate to its subsidiary sheet, but are recognised in the consolidated financial statements, see note 2 in the annual financial statements for 2017.

Note 15 Liquidity risk

Liquidity risk is the risk that the group is not able to refinance its debt or is not able to finance an increase in assets. The bank's framework for managing liquidity risk shall reflect the bank's conservative risk profile. The board has adopted internal limits such that the bank has as balanced a maturity structure for its borrowing as possible. Stress testing is conducted for the various terms of maturity for bank-specific crises, system crises and combinations of these. A contingency plan has also been put in place to manage liquidity crises. The average remaining term to maturity in the portfolio of senior bond funding and covered bonds was 3.7 years at the end of the third quarter of 2018. The total LCR was 151% at the end of the third quarter, and the average total LCR was 167% in the quarter. The LCR in NOK and EUR at the end of the quarter was 79% and 741%, respectively.

Note 16 Information about fair value

Group

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

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

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

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

Fair value 30.09.2018	Level 1	Level 2	Level 3	**Total**
Assets				
Net lending to customers [1]			7.736	**7.736**
Commercial paper and bonds at fair value	16.523	7.729		**24.252**
Financial derivatives		3.746		**3.746**
Equities, units and other equity interests	447	25	379	**851**
Operations that will be sold				**0**
Liabilities				
Financial derivatives		2.732		**2.732**

No transfers between levels 1 and 2

[1] Net lending to customers in parent bank, level 3 55.118

Note 16 Information about fair value (continued)

Fair value 30.09.2017	Level 1	Level 2	Level 3	**Total**
Assets				
Net lending to customers			7.944	**7.944**
Commercial paper and bonds at fair value	19.133	7.879		**27.012**
Financial derivatives		3.960		**3.960**
Equities, units and other equity interests	321	3	238	**562**
Operations that will be sold				**0**
Liabilities				
Financial derivatives		2.113		**2.113**

No transfers between levels 1 and 2

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

Group	**Loans to customers**	**Shares, ownership stakes and other securities**	**Business available for sale**
Balance 01.01	7.610	271	0
Additions	2.078	57	
Disposals	-1.848	-3	
Transferred from or to measurement according to prices in an active market or observable market data			
Change in value [1)]	-104	54	
Balance 30.09.2018	**7.736**	**379**	**0**
Nominal value/cost price	7.663	285	0
Fair value adjustment	73	94	0
Balance 30.09.2018	**7.736**	**379**	**0**

[1)] Value changes are recognised in net income from financial instruments

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

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

Note 16 Information about fair value (continued)

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

Fixed-rate loans are measured on the basis of the interest rate agreed with the customer. Loans are discounted using the applicable interest curve, having taken into account a market premium, which is adjusted for the profit margin. The conducted sensitivity analyses indicate an increase in the discount rate of 10 basis points would have a negative effect on the result amounting to NOK 23 million.

Fair value of financial instruments at amortised cost

	Balance	**Fair value**
Group	**30.09.2018**	**30.09.2018**
Assets		
Cash and balances with central banks	213	213
Balances with credit institutions	3.600	3.600
Loans to customers [1)]	173.940	173.940
Certificates and bond held to maturity	5.171	5.195
Total assets at amortised cost	**182.924**	**182.948**
Liabilities		
Balances with credit institutions	2.853	2.853
Deposits from customers [1)]	100.320	100.320
Listed debt securities	93.584	93.989
Subordinated loan capital	3.339	3.406
Total liabilities at amortised cost	**200.096**	**200.568**

[1)] Loans to customers and deposits at amortised cost, amount to book value best estimate at fair value.

Note 17 Events after the balance sheet date

No material events that have influence on the prepared interim financial statements have been registered after 30 September 2018.

Quarterly income statement

SpareBank 1 SR-Bank Group, MNOK	**Q3 2018**	**Q2 2018**	**Q1 2018**	**Q4 2017**	**Q3 2017**	**Q2 2017**	**Q1 2017**	**Q4 2016**	**Q3 2016**
Interest income	1.586	1.544	1.454	1.463	1.455	1.437	1.392	1.400	1.384
Interest expense	715	702	654	644	635	653	653	667	655
Net interest income	**871**	**842**	**800**	**819**	**820**	**784**	**739**	**733**	**729**
Commission income	370	390	389	384	407	417	389	372	365
Commission expenses	22	24	21	19	22	19	19	18	18
Other operating income	1	4	0	2	1	2	1	1	0
Net commission and other income	**349**	**370**	**368**	**367**	**386**	**400**	**371**	**355**	**347**
Dividend income	0	1	11	0	2	4	5	5	0
Income from investment in associates	94	102	57	154	127	81	63	78	90
Net gains/losses on financial instrument	81	110	45	50	69	58	21	56	141
Net income on financial investments	**175**	**213**	**113**	**204**	**198**	**143**	**89**	**139**	**231**
Total income	**1.395**	**1.425**	**1.281**	**1.390**	**1.404**	**1.327**	**1.199**	**1.227**	**1.307**
Personnel expenses	322	326	319	333	312	312	306	293	282
Administrative expenses	126	132	123	128	111	127	112	133	115
Other operating costs	94	114	97	109	107	109	101	114	89
Total operating cost	**542**	**572**	**539**	**570**	**530**	**548**	**519**	**540**	**486**
Operating profit before impairment losses	**853**	**853**	**742**	**820**	**874**	**779**	**680**	**687**	**821**
Impairment losses on loans and guarantees	59	99	74	120	124	131	168	162	161
Pre-tax profit	**794**	**754**	**668**	**700**	**750**	**648**	**512**	**525**	**660**
Tax expense	160	137	150	141	140	134	109	96	126
Profit after tax	**634**	**617**	**518**	**559**	**610**	**514**	**403**	**429**	**534**
Profitability									
Return on equity per quarter [1]	12,6 %	12,3 %	10,3 %	11,4 %	12,9 %	11,0 %	8,7 %	9,5 %	12,2 %
Cost percentage [2]	38,9 %	40,1 %	42,1 %	41,0 %	37,7 %	41,3 %	43,3 %	44,0 %	37,2 %
Combined weighted total average spread for lending and deposits [3]	1,53 %	1,52 %	1,50 %	1,50 %	1,54 %	1,52 %	1,53 %	1,50 %	1,48 %
Balance sheet figures from quarterly accounts									
Gross loans to customers	183.014	178.927	174.292	172.554	167.105	164.958	159.843	157.638	157.352
Gross loans to customers including SB1 Bolig- and Næringskreditt	196.445	193.474	188.924	187.137	185.150	184.317	183.182	182.332	183.042
Growth in loans over last 12 months	9,5 %	8,5 %	9,0 %	9,5 %	6,2 %	5,2 %	3,0 %	1,6 %	3,6 %
Growth in loans incl SB1 Bolig- and Næringskreditt	6,1 %	5,0 %	3,1 %	2,6 %	1,2 %	0,5 %	-0,4 %	-0,9 %	0,1 %
Deposits from customers	100.320	105.824	99.626	95.384	98.602	99.758	93.125	85.914	87.240
Growth in deposits over last 12 months	1,7 %	6,1 %	7,0 %	11,0 %	13,0 %	11,3 %	7,0 %	-3,9 %	-2,0 %
Total assets	226.023	223.954	217.370	216.618	215.309	212.879	200.182	193.408	193.219
Average total assets	225.472	221.838	215.940	217.202	211.111	207.389	195.967	194.963	195.489
Impairment losses and loans in Stage 3 [4]									
Impairment losses ratio, annualized [5]	0,13 %	0,22 %	0,17 %	0,28 %	0,30 %	0,32 %	0,42 %	0,41 %	0,41 %
Impairment losses ratio, including loans SB1 Bolig- and Næringskreditt [5]	0,12 %	0,21 %	0,16 %	0,26 %	0,27 %	0,29 %	0,37 %	0,35 %	0,35 %
Loans in Stage 3 in % of net loans [4), 6)]	1,40 %	1,52 %	1,03 %						
Loans in Stage 3 in % of net loans, including loans SB1 Bolig- and Næringskreditt [4), 6)]	1,30 %	1,40 %	0,95 %						

See next page for definition of key figures

Quarterly income statement (continued)

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Impairment losses and loans in Stage 3 [4] (continued)									
Non-performing commitments as a percentage of total loans [6]				0,32 %	0,49 %	0,50 %	0,46 %	0,68 %	0,73 %
Non-performing commitments as a percentage of total loans, including loans SB1 Bolig- and Næringskreditt [6]				0,30 %	0,45 %	0,45 %	0,40 %	0,59 %	0,63 %
Other doubtful commitments as a percentage of total loans [6]				0,91 %	0,81 %	0,84 %	0,95 %	0,72 %	0,64 %
Other doubtful commitments as a percentage of total loans, including loans Bolig- and Næringskreditt [6]				0,83 %	0,73 %	0,76 %	0,83 %	0,62 %	0,55 %
Solidity									
Common equity Tier 1 capital ratio	14,7 %	14,8 %	15,0 %	15,1 %	14,8 %	14,7 %	14,7 %	14,7 %	13,8 %
Tier 1 capital ratio	16,0 %	15,7 %	16,0 %	16,0 %	15,8 %	15,7 %	15,6 %	15,6 %	14,7 %
Capital ratio	17,8 %	17,8 %	18,1 %	17,9 %	17,7 %	17,9 %	17,5 %	17,5 %	17,1 %
Tier 1 capital	20.613	19.959	19.645	19.278	19.214	18.938	18.482	18.227	17.552
Net primary capital	23.026	22.571	22.257	21.489	21.515	21.623	20.744	20.443	20.386
Risk weighted balance	129.216	126.826	122.786	120.160	121.818	120.683	118.410	116.651	119.118
Leverage ratio	7,7 %	7,5 %	7,4 %	7,4 %	7,2 %	7,2 %	7,1 %	7,3 %	6,7 %
Liquidity									
Liquidity Coverage Ratio (LCR) [7]	151 %	157 %	177 %	168 %	212 %	212 %	200 %	174 %	123 %
Deposit-to-loan ratio	54,8 %	59,1 %	57,2 %	55,3 %	59,0 %	60,5 %	58,3 %	54,5 %	55,4 %
Deposit-to-loan ratio, incl loans SB1 BK and NK	51,1 %	54,7 %	52,7 %	51,0 %	53,3 %	54,1 %	50,8 %	47,1 %	47,7 %
Branches and staff									
Number of branches	36	36	36	36	36	36	36	36	47
Number of man-years	1.176	1.153	1.156	1.142	1.148	1.120	1.141	1.127	1.154
Number of man-years including temps	1.266	1.230	1.200	1.218	1.225	1.181	1.187	1.172	1.207
SpareBank 1 SR-Bank share									
Market price at end of quarter	99,00	86,40	86,20	87,00	85,75	71,50	64,25	60,75	45,60
Market capitalisation	25.319	22.097	22.046	22.250	21.931	18.286	16.432	15.537	11.662
Number of shares issued, millions	255,75	255,75	255,75	255,75	255,75	255,75	255,75	255,75	255,75
Book equity per share(including dividends)	80,02	77,28	79,24	77,24	75,07	72,72	72,91	71,54	69,36
Earnings per share, NOK (annualised)	2,48	2,41	2,03	2,18	2,39	2,01	1,58	1,68	2,09
Price/earnings per share	9,98	8,96	10,62	9,98	8,97	8,89	10,17	9,04	5,45
Price / Book equity (group)	1,24	1,12	1,09	1,13	1,14	0,98	0,88	0,85	0,66
Annualised turnover rate in quarter [8]	6,1 %	6,1 %	5,3 %	4,7 %	4,2 %	8,6 %	15,1 %	12,9 %	3,1 %
Effective return [9]	14,6 %	5,2 %	-0,9 %	1,5 %	19,9 %	14,8 %	5,8 %	33,2 %	10,7 %

Key figure definitions

[1] Ordinary result available to shareholders for the period as a percentage of average equity, exclusive of other core equity

[2] Total operating costs as a percentage of total operating income

[3] Net interest income as a percentage of average total assets

[4] Loans in Stage 3 are loans 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

[5] Impairment losses on loans as a percentage of average gross loans, annualised

[6] After IFRS 9 has replaced IAS 39 from 1 January 2018, total non-performing and impaired loans has been replaced by loans in Stage 3

[7] High quality liquid assets divided by total net cash outflows in a 30-day, serious stress scenario

[8] Annualised turnover of the share during the period, measured as a percentage of the number of outstanding shares

[9] Percentage change in the market price in the last period, including paid share dividend

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2018 -2019 Financial Calendar

Q3 2018	Thursday 25 October
Preliminary annual results for 2018	Friday 8 February
Annual General Meeting	Wednesday 24 April
Q1 2019	Thursday 9 May
Q2 2019	Thursday 8 August
Q3 2019	Thursday 31 October