

# Investor Relations

Supplementary information  
Fourth Quarter 2017





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**Information on the Internet**

SpareBank 1 SMN's home page     [www.smn.no](http://www.smn.no)

ECC information in general     [www.egenkapitalbevis.no](http://www.egenkapitalbevis.no)

**Financial Calendar 2018**

1st quarter 2018 04 May 2018  
2nd quarter 2018 07 August 2018  
3rd quarter 2018 26 October 2018

# Table of Contents

1. SpareBank 1 SMN.....	3
1.1. Financial highlights.....	3
1.2. Business description .....	4
1.3. Credit ratings.....	7
1.4. Equity capital certificate (MING).....	8
2. Financial results .....	12
2.1. Main figures.....	12
2.2. Net interest income .....	13
2.3. Commission income .....	16
2.4. Operating expenses .....	19
3. Loans to customers.....	21
3.1. Distribution of loans by industry .....	21
3.2. Risk profile and write-downs.....	22
3.3. Capital adequacy.....	26
4. Funding .....	31
5. Financial results .....	33
6. Segment Information.....	36
6.1. Extract from income statement .....	36
6.2. Retail Market .....	39
6.3. Corporate .....	41
6.4. Subsidiaries.....	43
7. Development last ten years .....	48

# 1. SpareBank 1 SMN

## 1.1. Financial highlights

### January- December 2017

(Consolidated figures. Figures in parentheses refer to the same period of 2016 unless otherwise stated).

- Profit before tax and inv. held for sale: NOK 2,279 million (NOK 2,029 million)
- Net profit: NOK 1,828 million (NOK 1,681 million)
- Return on equity: 11.5 per cent (11.3 per cent)
- 12-month growth in lending (incl. SB1 Boligkreditt and SB1 Næringskreditt): 8.2 per cent (8.0 per cent)
- 12-month growth in deposits: 13.9 per cent (4.8 per cent)
- Loan losses: NOK 341 million (NOK 516 million)
- Common equity tier 1 ratio: 14.9 per cent (14.9 per cent)
- Earnings per EC: NOK 8.71 (7.93)

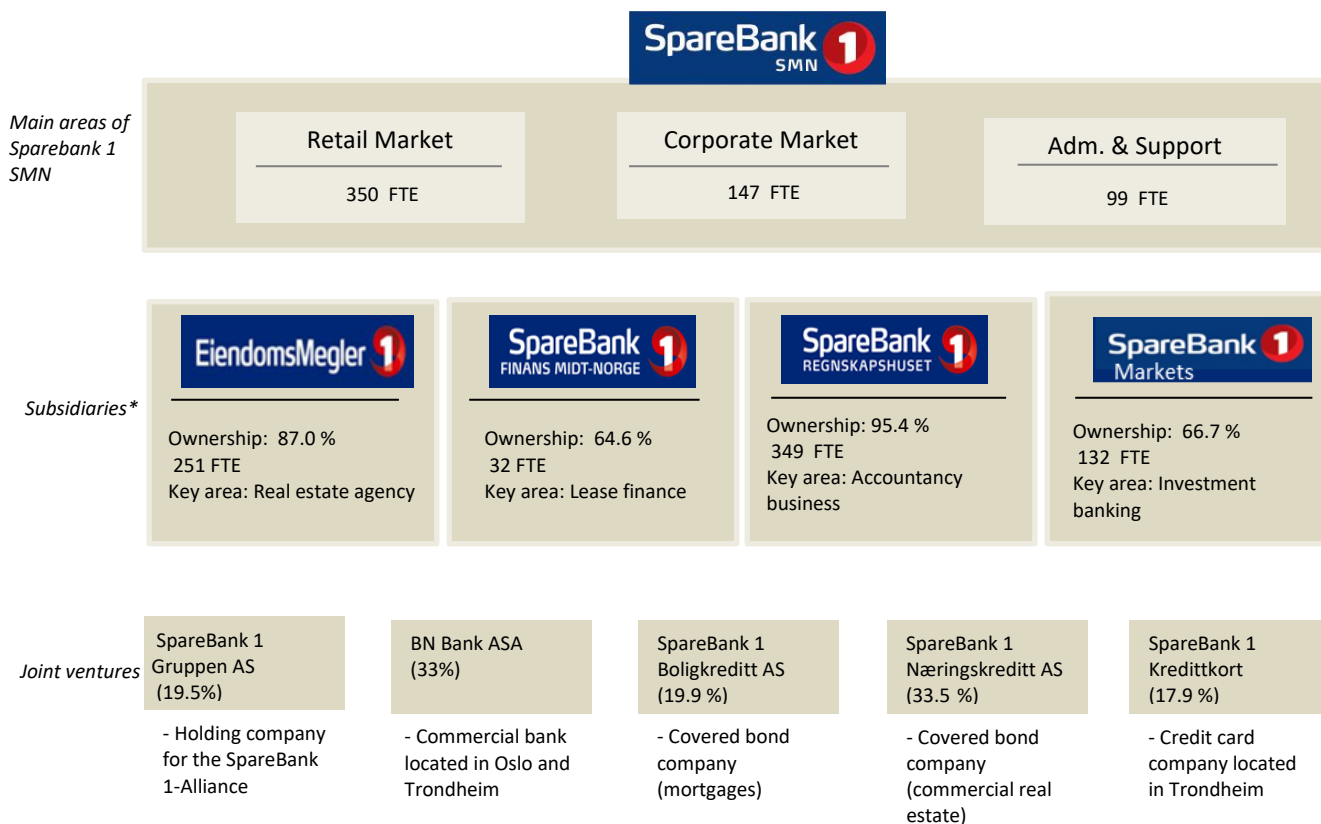
### Fourth quarter 2017

- Profit before tax and inv. held for sale: NOK 678 million (NOK 565 million)
- Net profit: NOK 553 million (NOK 470 million)
- Return on equity: 13.4 per cent (12.2 per cent)
- Loan losses: NOK 78 million (NOK 99 million), including individual write downs of NOK 77 million (NOK 152 million), and collective write downs of NOK 1 million (NOK -53 million)
- Earnings per EC: NOK 2.63 (NOK 2.21)

## 1.2. Business description

SpareBank 1 SMN is Mid-Norway's largest bank with assets totalling NOK 153 billion at the end of September 2017. Head office is in Trondheim. SpareBank 1 SMN employs 1,403 FTEs (full time equivalents), including subsidiaries, and provides a full range of products and services within financing, investments, money transfers, pensions as well as life and non-life insurance.

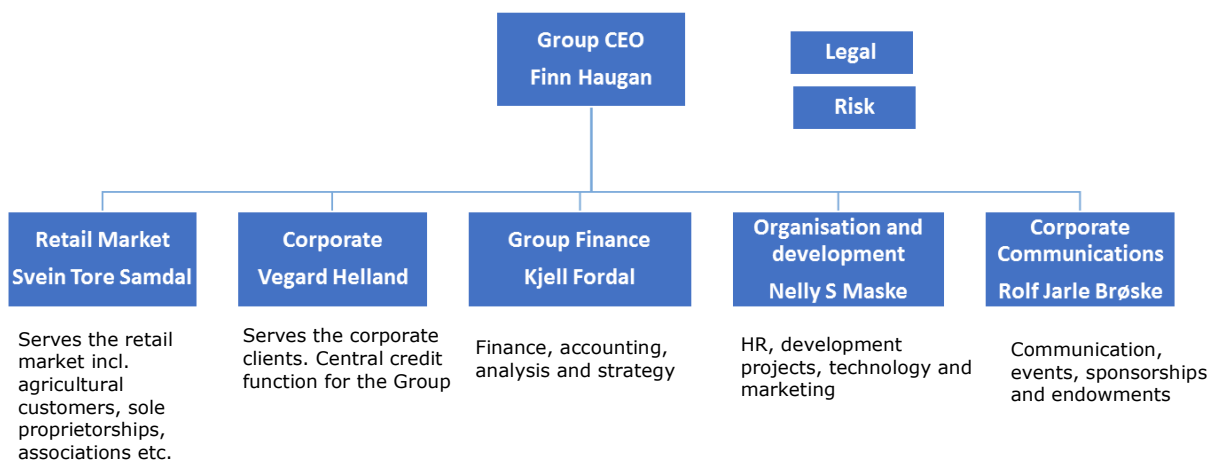
### SpareBank 1 SMN's activities



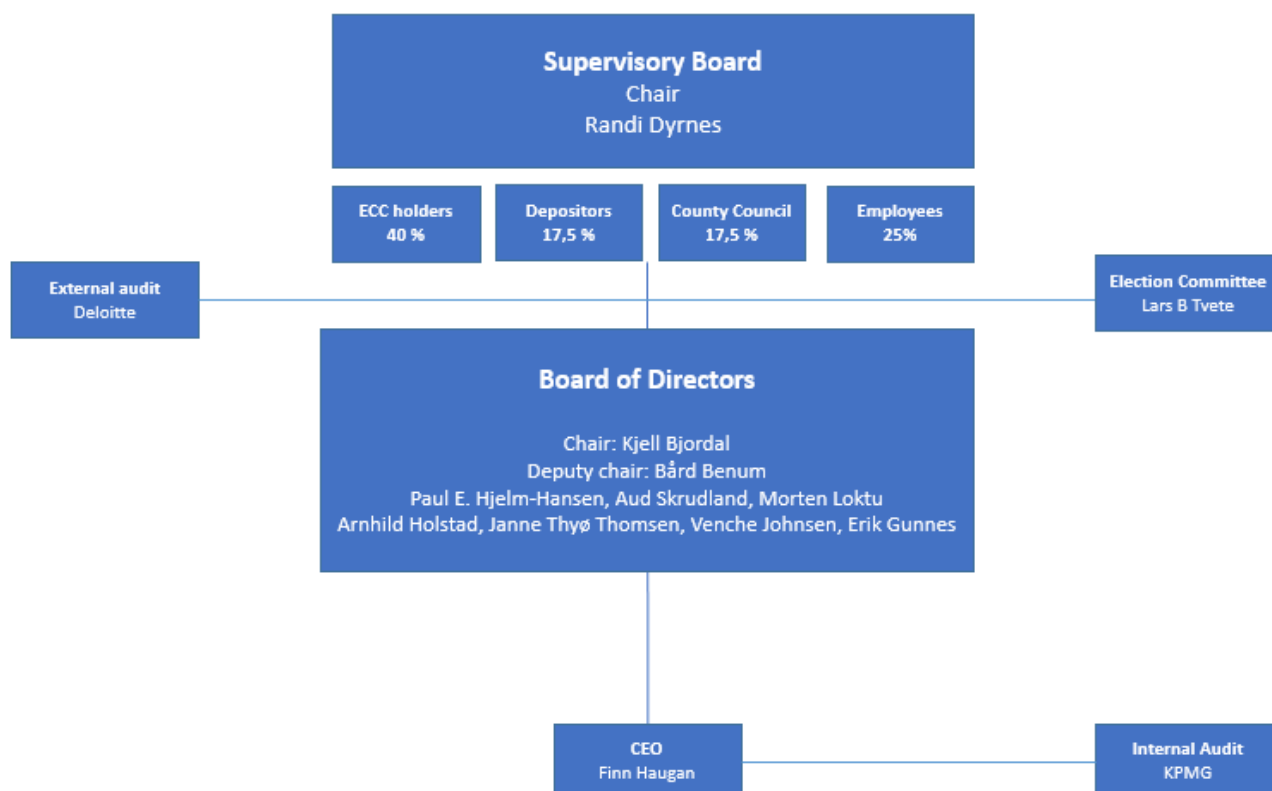
\*In addition SpareBank 1 SMN has subsidiaries with activities covering asset management, investments in regional seed corn, venture and private equity funds, property companies and car fleet management. These subsidiaries account for 43 FTEs

## Organisation of SpareBank 1 SMN

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

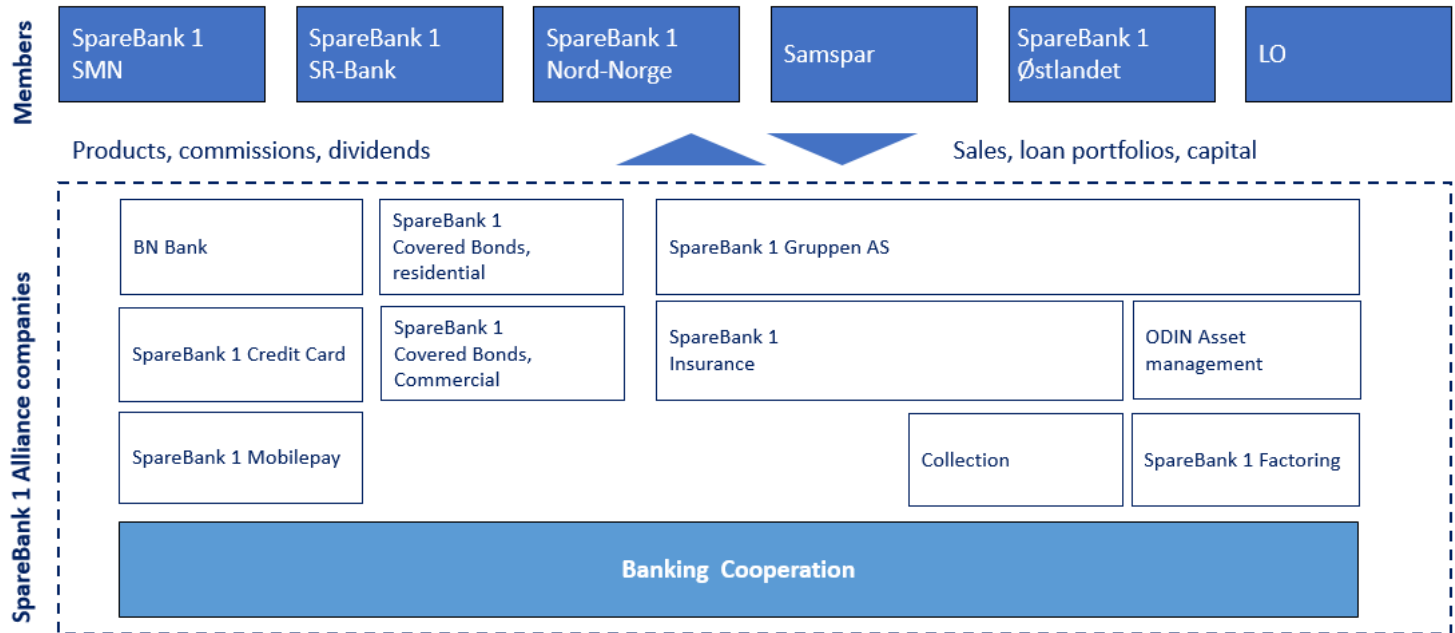


## Overview of governing and control bodies

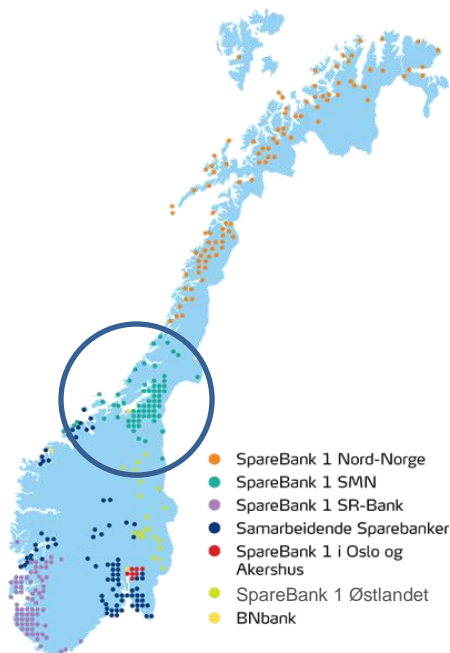


## SpareBank 1 Alliance

SpareBank 1 SMN was one of the founding partners of the SpareBank 1 Alliance ("the Alliance") in 1996. The Alliance consists of closely cooperating savings banks, all of them being independent and locally anchored banks. The purpose of the SpareBank 1 Alliance is for members to develop, procure and supply competitive financial services and products and to exploit economies of scale. The Alliance canalize a lot of its mutual interests through SpareBank 1 Gruppen AS, a holding company of life and non-life insurance, mutual funds, a broker-dealer and other companies. The Alliance is the 2<sup>nd</sup> largest Norwegian financial group with a wide distribution all over Norway.



\*) LO: The Norwegian Confederation of Trade Unions



### 1.3. Credit ratings

<i>Moody's</i>	<b>Current rating</b>	<b>2015</b>	<b>2014</b>	<b>Year end</b>		<b>2011</b>	<b>2010</b>
				<b>2013</b>	<b>2012</b>		
					Rating(s) under		
Outlook	Negative	Stable	Negative	Stable	review	Stable	Stable
Issuer Rating	A1	A1	A2	A2	A2	A1	A1
Bank Deposits	A1/P-1	A1/P-1	A2/P-1	A2/P-1	A2/P-1	A1/P-1	A1/P-1
Senior Unsecured	A1	A1	A2	A2	A2	A1	A1
Subordinate	Baa2	Baa2	Baa2	Baa3	Baa3	A2	A2

<i>Fitch</i>	<b>Current rating</b>	<b>2015</b>	<b>2014</b>	<b>Year end</b>		<b>2011</b>	<b>2010</b>
				<b>2013</b>	<b>2012</b>		
Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Negative
Long-term IDR	A-	A-	A-	A-	A-	A-	A
Short-term IDR	F2	F2	F2	F2	F2	F2	F1
Support rating	5	3	3	3	3	3	3



## 1.4. Equity capital certificate (MING)

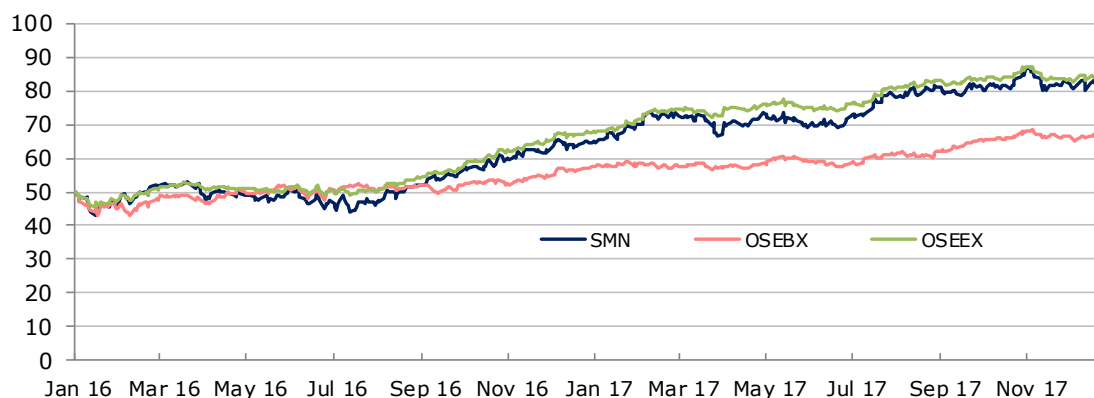
The key figures are corrected for issues.

31 December 2017 the price of the Bank's ECC was NOK 82.25 (NOK 64.75). Earnings per ECC were NOK 8.71 (NOK 7.93). Book value per ECC was NOK 78.81 (NOK 73.35) as of 31 December 2017.

### Key figures

	4Q	3Q	2Q	1Q	4Q	31 Dec.			
(in NOK million)	2017	2017	2017	2017	2016	2017	2016	2016	2015
ECC price	82.25	81.25	71.75	66.50	64.75	82.25	64.75	64.75	50.50
Number of certificates issued, millions	129.38	129.40	129.54	129.48	129.64	129.38	129.64	129.64	129.43
Booked equity capital per ECC (incl. dividend)	78.81	79.18	75.40	72.31	73.35	78.81	73.35	73.35	67.39
Adjusted profit per ECC	2.63	2.42	1.92	1.74	2.21	8.71	7.93	7.93	6.96
P/E per ECC (annualised)	7.81	8.40	9.32	9.58	7.32	9.44	8.17	8.17	7.26
P/B equity capital	1.04	1.03	0.95	0.92	0.88	1.04	0.88	0.88	0.75

Stock price compared with OSEBX<sup>1)</sup> and OSEEX<sup>2)</sup>  
1 Jan 2016 to 31 Dec 2017

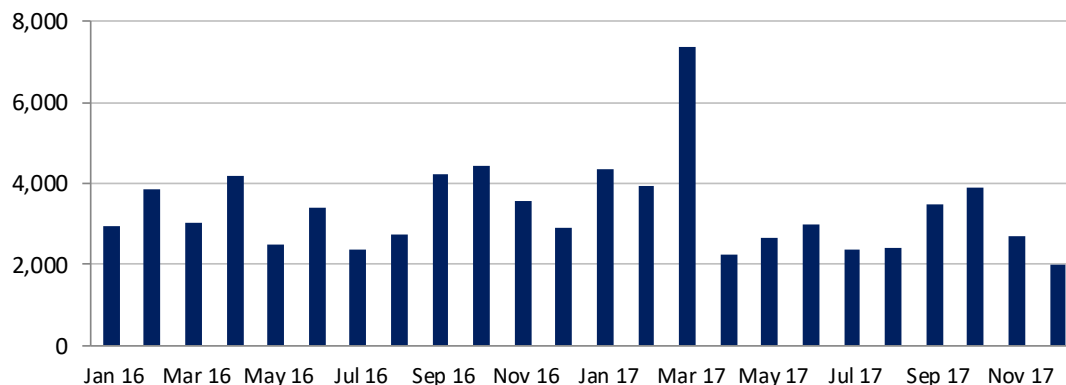


1) OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

2) OSEEX = Oslo Stock Exchange ECC Index (rebased)

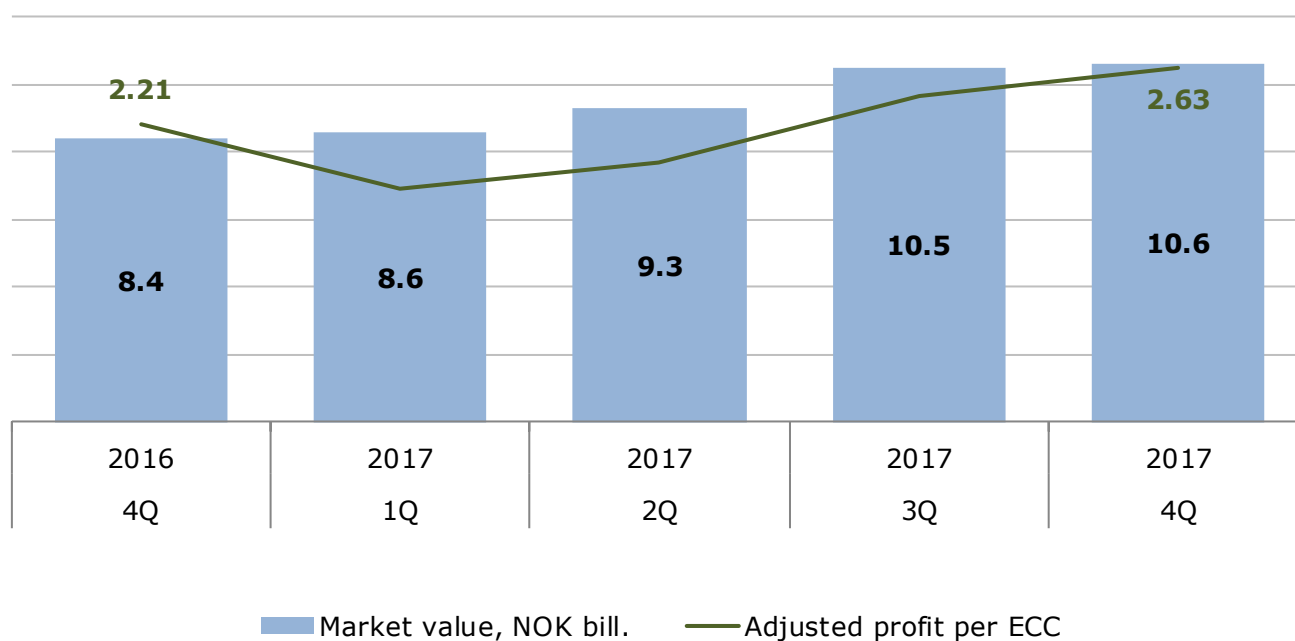
Trading statistics<sup>1)</sup>

1 Jan 2016 to 31 Dec 2017



1) Total number of ECs traded (1,000)

## Market value and profit per ECC



## Equity certificates ratio (parent bank)

(in NOK million)	31 Dec. 2017	30 Sept. 2017	30 Jun. 2017	31 Mar. 2017	31 Dec. 2016	31 Dec. 2015
ECC capital	2,597	2,597	2,597	2,597	2,597	2,597
Dividend equalisation reserve	5,079	4,487	4,487	4,487	4,487	3,790
Premium reserve	895	895	895	895	895	895
Unrealised gains reserve	81	81	81	81	81	142
Other equity	-	4	6	-	-	3
<b>A. The equity certificate owner's capital</b>	<b>8,652</b>	<b>8,064</b>	<b>8,066</b>	<b>8,060</b>	<b>8,060</b>	<b>7,428</b>
Saving bank reserve	4,831	4,498	4,498	4,498	4,499	4,105
Unrealised gains reserve	45	45	45	45	45	79
Other equity	-	2	3	-	-	2
<b>B. Ownerless capital</b>	<b>4,877</b>	<b>4,545</b>	<b>4,546</b>	<b>4,543</b>	<b>4,545</b>	<b>4,186</b>
Provision for gifts	322	-	-	-	220	-
Recommended dividends	571	-	-	-	389	-
<b>Equity ex. hybrid capital</b>	<b>14,422</b>	<b>12,609</b>	<b>12,612</b>	<b>12,603</b>	<b>13,214</b>	<b>11,614</b>
Equity certificates ratio A/(A+B)	63.95 %	63.95 %	63.95 %	63.95 %	63.95 %	63.96 %

## 20 largest ECC holders

Owner	Number	Ownership in %
VPF Nordea Norge Verdi	6,572,299	5.06 %
State Street Bank and Trust CO (nominee)	4,013,854	3.09 %
Sparebankstiftelsen SMN	3,965,391	3.05 %
VPF Odin Norge	3,726,686	2.87 %
VPF Danske Invest Norske Aksjer Inst. II	3,334,265	2.57 %
Verdipapirfondet DNB Norge (IV)	2,961,197	2.28 %
JP Morgan Chase Bank (nominee)	2,669,005	2.06 %
VPF Pareto Aksje Norge	2,356,459	1.81 %
State Street Bank and Trust CO (nominee)	2,203,038	1.70 %
Morgan Stanley And Co Intl plc	2,098,751	1.62 %
VPF Alfred Berg Gambak	1,924,604	1.48 %
Pareto AS	1,821,202	1.40 %
VPF Danske Invest Norske Aksjer Inst. I	1,772,092	1.36 %
Forsvarets Personellservice	1,717,046	1.32 %
JP Morgan Chase Bank (nominee)	1,714,638	1.32 %
MP Pensjon PK	1,568,771	1.21 %
VPF Nordea Kapital	1,423,991	1.10 %
VPF Nordea Avkastning	1,289,111	0.99 %
VPF Storebrand Norge I	1,208,665	0.93 %
JP Morgan Chase Bank (nominee)	1,163,440	0.90 %
<b>Total 20 largest shareholders</b>	<b>49,504,505</b>	<b>38.13 %</b>
Others	80,331,938	61.87 %
<b>Total</b>	<b>129,836,443</b>	<b>100.00 %</b>

## *ECC capital history*

<b>Year</b>	<b>Change</b>	<b>Change in ECC capital</b>	<b>Total ECC capital</b>	<b>No. of ECC's</b>
1991	Placing	525	525	5,250,000
1992	Placing	75	600	6,000,000
2000	Employee placing	5	605	6,053,099
2001	Employee placing	5	610	6,099,432
2002	Employee placing	5	614	6,148,060
2004	Bonus Issue	154	768	7,685,075
2005	Placing	217	986	9,859,317
2005	Employee placing	24	1,009	10,097,817
2005	Split	-	1,009	40,391,268
2005	Bonus Issue	253	1,262	50,489,085
2007	Dividend Issue	82	1,344	53,752,203
2007	Employee placing	5	1,349	53,976,003
2008	Dividend Issue	91	1,440	57,603,748
2008	Employee placing	6	1,447	57,861,806
2009	Bonus Issue	289	1,736	69,434,167
2010	Placing	624	2,360	94,397,474
2010	Employee placing	13	2,373	94,905,286
2011	Issue	1	2,373	94,930,286
2012	Placing	95	2,468	123,407,456
2012	Employee placing	16	2,484	124,218,466
2012	Private placement	112	2,597	129,836,443

## 2. Financial results

### 2.1. Main figures

(in NOK million)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016	2015
Net interest	589	570	532	533	504	2,225	1,929	1,929	1,920
Commission income and other income	529	482	538	455	414	2,005	1,674	1,674	1,545
Net return on financial investments	256	235	131	138	228	760	944	944	459
<b>Total income</b>	<b>1,374</b>	<b>1,287</b>	<b>1,202</b>	<b>1,126</b>	<b>1,146</b>	<b>4,989</b>	<b>4,547</b>	<b>4,547</b>	<b>3,924</b>
<b>Total operating expenses</b>	<b>618</b>	<b>582</b>	<b>598</b>	<b>571</b>	<b>482</b>	<b>2,369</b>	<b>2,003</b>	<b>2,003</b>	<b>1,931</b>
<b>Result before losses</b>	<b>756</b>	<b>705</b>	<b>604</b>	<b>555</b>	<b>664</b>	<b>2,621</b>	<b>2,544</b>	<b>2,544</b>	<b>1,993</b>
Loss on loans, guarantees etc.	78	88	86	89	99	341	516	516	169
<b>Result before tax</b>	<b>678</b>	<b>617</b>	<b>518</b>	<b>466</b>	<b>565</b>	<b>2,279</b>	<b>2,029</b>	<b>2,029</b>	<b>1,824</b>
Tax charge	122	118	111	99	102	450	352	352	383
Results investments held for sale, after tax	-4	0	3	0	7	-1	4	4	-1
<b>Net profit</b>	<b>553</b>	<b>500</b>	<b>409</b>	<b>367</b>	<b>470</b>	<b>1,828</b>	<b>1,681</b>	<b>1,681</b>	<b>1,441</b>

### Balance sheet - condensed

Balance (in NOK million)	31 Dec. 2017	30 Sept. 2017	30 Jun. 2017	31 Mar. 2017	31 Dec. 2016	31 Dec. 2015
Total assets	153,254	146,913	149,449	142,042	138,080	141,145
Average total assets (quarterly)	150,083	148,181	145,746	140,061	138,948	137,745
Gross loans to customers *	148,784	147,146	143,800	140,038	137,535	132,583
Deposits from customers	76,476	73,086	75,559	70,176	67,168	67,031
Total equity capital	17,510	17,208	16,733	16,269	16,253	14,857

\* Loans to customers includes SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

### Key figures

	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016	2015
Return on equity	13.4 %	12.5 %	10.5 %	9.4 %	12.2 %	11.5 %	11.3 %	11.3 %	10.7 %
Common Equity Tier 1 ratio	14.9 %	14.7 %	15.0 %	14.8 %	14.9 %	14.9 %	14.9 %	14.9 %	13.6 %
Cost/income ratio group	45 %	46 %	50 %	51 %	43 %	47 %	44 %	44 %	50 %
Growth in loans incl Boligkreditt and Næringskreditt last 12 months	8.2 %	9.4 %	8.5 %	8.1 %	8.0 %	8.2 %	8.0 %	8.0 %	5.8 %
Growth in deposits last 12 months	13.9 %	10.3 %	12.7 %	9.9 %	4.8 %	13.9 %	4.8 %	4.8 %	5.6 %
Deposits-to-loan ratio incl Boligkreditt and Næringskreditt last 12 months	51 %	50 %	53 %	50 %	49 %	51 %	49 %	49 %	50 %
Impairment losses ratio	0.22 %	0.24 %	0.24 %	0.26 %	0.29 %	0.23 %	0.39 %	0.39 %	0.14 %
Non-performing commitm. as % of gross loans	0.19 %	0.18 %	0.18 %	0.15 %	0.16 %	0.19 %	0.16 %	0.16 %	0.16 %
ECC price	82.25	81.25	71.75	66.50	64.75	82.25	64.75	64.75	50.50
Booked equity capital per ECC (incl. dividend)	78.81	76.21	73.85	72.03	73.26	78.81	73.35	73.26	67.65
Adjusted profit per ECC	2.63	2.41	1.92	1.73	2.21	8.71	7.93	7.91	7.02



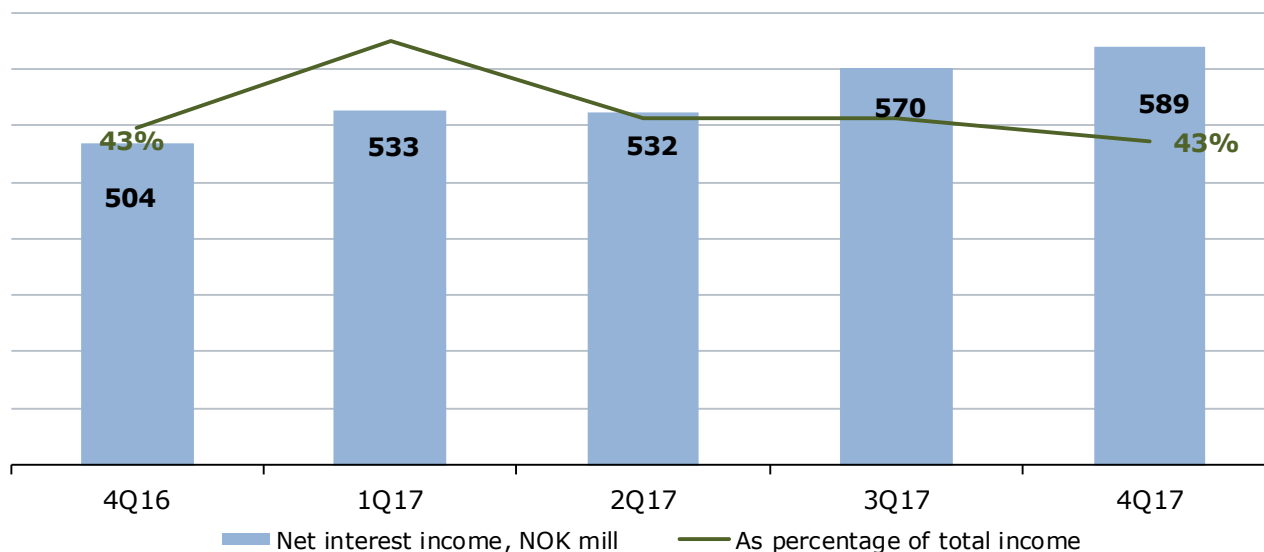
## 2.2. Net interest income

### Net interest income

(in NOK million)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016	2015
Interest income	989	959	945	931	917	3,825	3,597	3,597	4,031
Interest expenses	400	389	413	398	413	1,600	1,668	1,668	2,111
<b>Net interest income</b>	<b>589</b>	<b>570</b>	<b>532</b>	<b>533</b>	<b>504</b>	<b>2,225</b>	<b>1,929</b>	<b>1,929</b>	<b>1,920</b>
<b>As percentage of total income</b>	<b>43 %</b>	<b>44 %</b>	<b>44 %</b>	<b>47 %</b>	<b>43 %</b>	<b>45 %</b>	<b>42 %</b>	<b>42 %</b>	<b>49 %</b>

Margins on loans sold to Sparebank 1 Boligkreditt and Sparebank 1 Næringskreditt are recorded as commission income. See part 2.3. Commission Income

### Development in net interest income



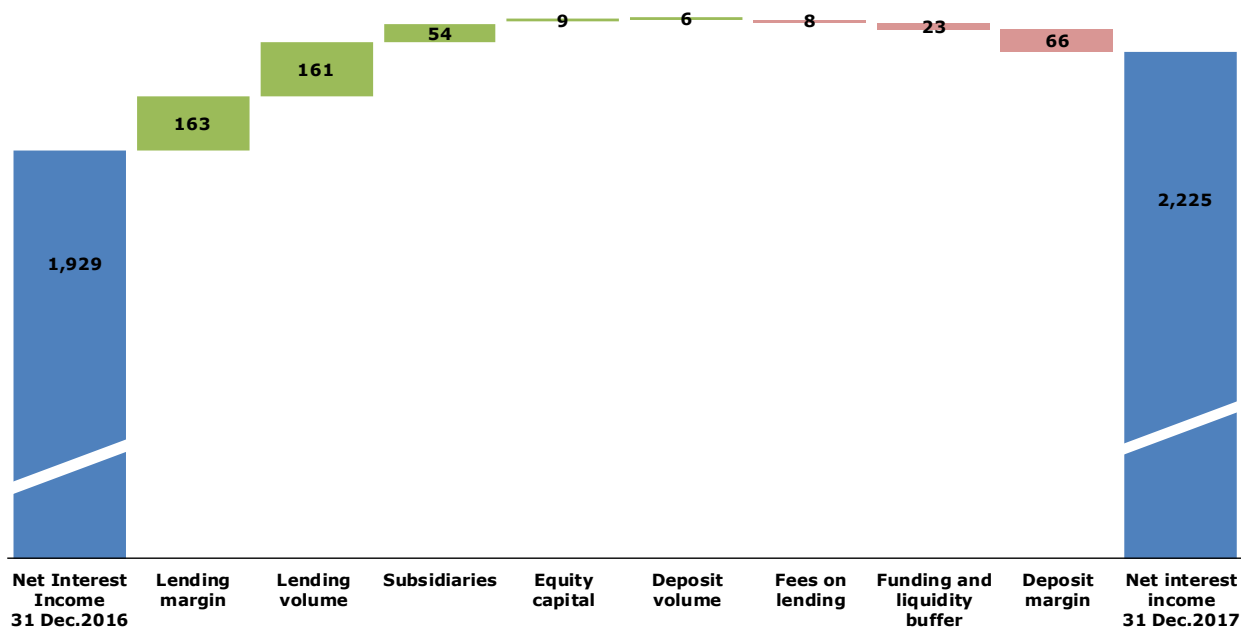
### Changes in interest income from lending and deposits, last 12 months

(in NOK million)	Volume	Margin	Total
Lending	161	163	324
Deposits	6	-66	-60
<b>Total</b>	<b>167</b>	<b>97</b>	<b>264</b>

## Changes in net interest income

(in NOK million)

	2017	31 Dec. Change	2016
<b>Net interest income</b>	<b>2,225</b>	<b>296</b>	<b>1,929</b>
Equity capital		9	
Lending volume		161	
Fees on lending		-8	
Deposit margin		-66	
Subsidiaries		54	
Deposit volume		6	
Lending margin		163	
Funding and liquidity buffer		-23	
<b>Change</b>		<b>296</b>	



## Margin development

Definition margin: Average customer interest minus 3 months nibor

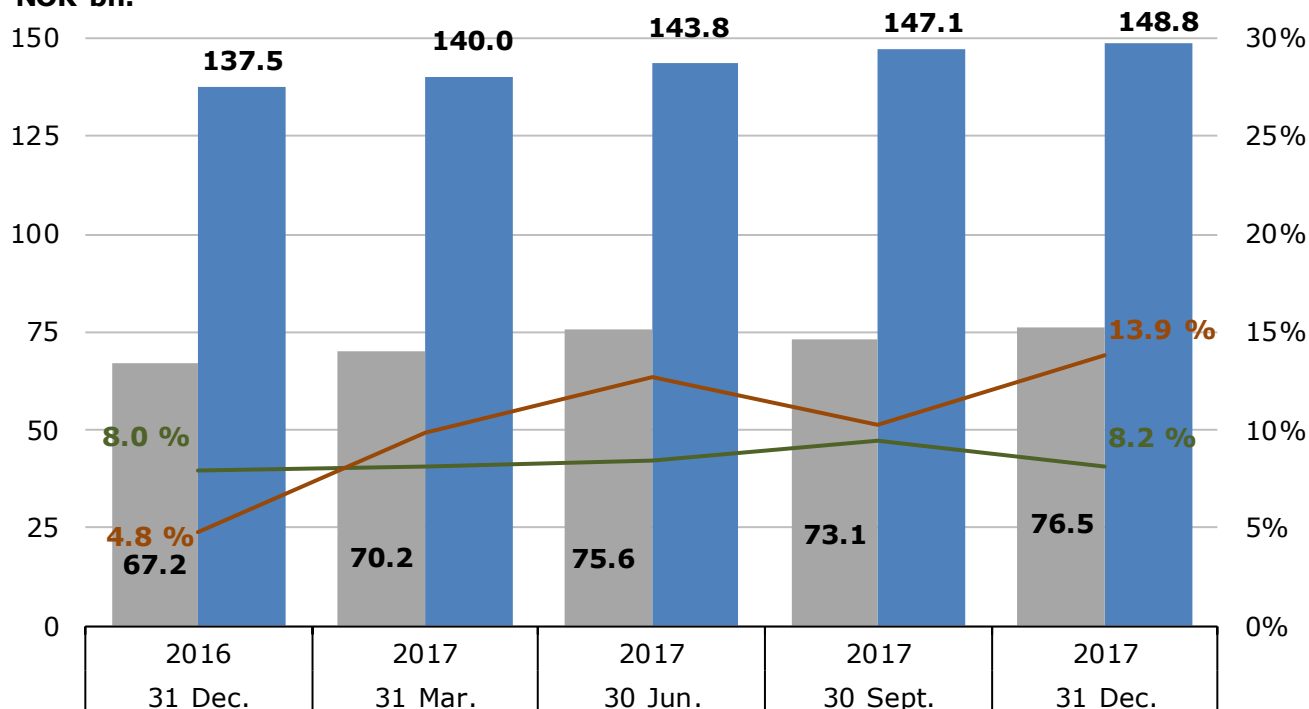


2016 31 Dec.	2017 31 Mar.	2017 30 Jun.	2017 30 Sept.	2017 31 Dec.
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— Lending margin — Deposits margin

## Volume development

NOK bn.



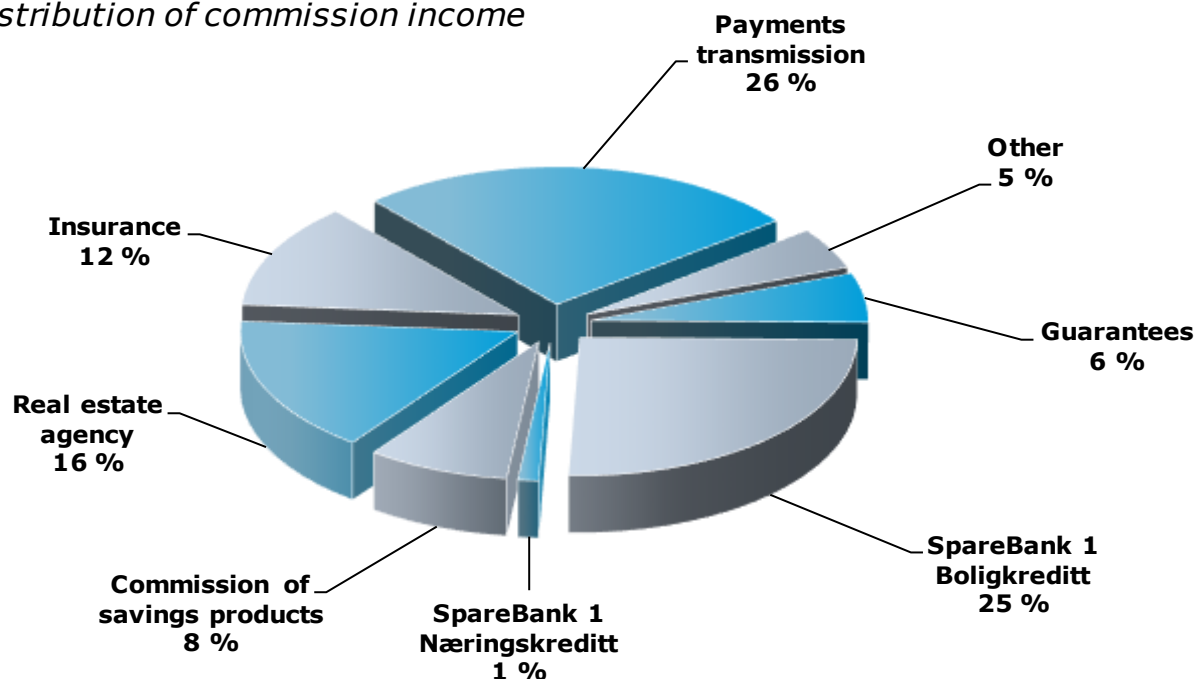
■ Lending volume ■ Deposits volume  
— Growth in loans last 12 months — Growth in deposits last 12 months

## 2.3. Commission income

### Total commission and other income

(in NOK million)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017	2016	2016	2015
Guarantees	19	25	17	19	15	80	76	76	80
SpareBank 1 Boligkreditt	100	95	86	72	60	353	271	271	326
SpareBank 1 Næringskreditt	4	4	4	4	4	17	12	12	8
Commission of savings products	48	23	23	20	19	115	74	74	68
Real estate agency	46	54	68	55	55	223	247	247	212
Insurance	44	44	43	41	40	172	159	159	156
Payments transmission	95	96	89	82	92	362	355	355	344
Other	16	18	19	14	15	67	57	57	50
<b>Total commissions income</b>	<b>372</b>	<b>360</b>	<b>349</b>	<b>308</b>	<b>300</b>	<b>1,390</b>	<b>1,251</b>	<b>1,251</b>	<b>1,245</b>
Operating- and sales income real estate	23	29	35	31	22	118	121	121	108
Accounting services	83	69	97	93	45	342	202	202	182
Other operating income	99	70	95	58	81	323	234	234	145
<b>Total other operating income</b>	<b>206</b>	<b>168</b>	<b>227</b>	<b>182</b>	<b>149</b>	<b>783</b>	<b>556</b>	<b>556</b>	<b>435</b>
Commission expenses	49	46	38	35	35	168	133	133	135
<b>Total commissions and other income</b>	<b>529</b>	<b>482</b>	<b>538</b>	<b>455</b>	<b>414</b>	<b>2,005</b>	<b>1,674</b>	<b>1,674</b>	<b>1,545</b>
<b>As percentage of total income</b>	<b>39 %</b>	<b>38 %</b>	<b>45 %</b>	<b>41 %</b>	<b>37 %</b>	<b>40 %</b>	<b>37 %</b>	<b>37 %</b>	<b>40 %</b>

### Distribution of commission income



### Change in commission and other income

(in NOK million)	2017	31 Dec. Change	2016
<b>Total</b>	<b>2,005</b>	<b>330</b>	<b>1,674</b>
Real estate agency		-24	
Other operating income		90	
Operating- and sales income real estate		-3	
Accounting services		140	
Insurance		13	
Commission of savings products		41	
Commission expenses		-35	
Other		10	
Payments transmission		7	
Guarantees		5	
SpareBank 1 Boligkreditt		83	
SpareBank 1 Næringskreditt		5	



## Net return on financial investments

incl investments held for sale

(in NOK million)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016
<b>Dividends</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>6</b>	<b>88</b>	<b>88</b>
SpareBank 1 Gruppen	134	80	68	66	97	349	317	317
SpareBank 1 Boligkreditt	-15	11	-13	-24	-26	-41	-17	-17
SpareBank 1 Næringskreditt	1	5	5	8	8	19	29	29
BN Bank	28	21	20	29	7	98	86	86
SpareBank 1 Kredittkort	5	3	5	2	3	15	24	24
SpareBank 1 Mobilbetaling	0	0	-1	-13	-8	-14	-27	-27
Other companies	-9	5	12	3	0	10	15	15
<b>Income from investment in associates and joint ventures</b>	<b>143</b>	<b>126</b>	<b>96</b>	<b>71</b>	<b>82</b>	<b>436</b>	<b>427</b>	<b>427</b>
Capital gains shares						62	76	
Gain on derivatives						148	280	
Gain on other financial instruments at fair value (FVO)						7	26	
Foreign exchange gain						45	51	
Gain on certificates and bonds						58	-2	
Gain on shares and derivatives in SB1 Markets						43	25	
Gain on financial instruments related to hedging						-46	-21	
<b>Net return on financial investments*</b>	<b>108</b>	<b>108</b>	<b>35</b>	<b>66</b>	<b>153</b>	<b>317</b>	<b>434</b>	<b>434</b>
<b>Total net return on financial investments</b>	<b>252</b>	<b>235</b>	<b>134</b>	<b>138</b>	<b>235</b>	<b>758</b>	<b>949</b>	<b>949</b>

\*New specification of net return on financial investments as of June 2017, historical figures have not been prepared

## Change in net return on financial investments

(in NOK million)	2017	31 Dec. Change	2016
<b>Total</b>	<b>758</b>	<b>-190</b>	<b>949</b>
Dividends		-82	
Income from investment in related companies, incl. inv. held for sale		9	
Capital gains shares		-14	
Gain on derivatives		-131	
Gain on other financial instruments at fair value (FVO)		-19	
Foreign exchange gain		-6	
Gain on certificates and bonds		60	
Gain on shares and derivatives in SB1 Markets		19	
Gain on financial instruments related to hedging		-25	

## 2.4. Operating expenses

### Operating expenses

(in NOK million)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016	2015
Salary	293	274	286	253	275	1107	991	991	833
Pension costs (defined benefit plan)	6	28	23	28	-77	85	-20	-20	71
Employer's insurance contributions	4	2	3	3	2	12	13	13	14
Other personnel expenses	60	53	50	60	50	223	175	175	176
<b>Total personnel expenses</b>	<b>362</b>	<b>357</b>	<b>362</b>	<b>345</b>	<b>251</b>	<b>1426</b>	<b>1159</b>	<b>1159</b>	<b>1093</b>
EDP and telecommunication expenses	61	67	69	69	57	266	252	252	240
Postage and transportation services	5	5	6	6	6	22	22	22	22
Marketing	31	26	23	24	30	104	98	98	96
Operating exp. on properties and premises	28	25	23	26	31	102	98	109	100
Other external services	35	29	28	27	33	118	109	108	105
Other operating expenses	37	32	40	30	49	139	108	156	171
Depr./write-downs of fixed & intangible assets	60	41	47	44	25	192	156	98	104
<b>Other expenses</b>	<b>255</b>	<b>225</b>	<b>236</b>	<b>227</b>	<b>231</b>	<b>943</b>	<b>844</b>	<b>844</b>	<b>838</b>
<b>Total operating expenses</b>	<b>618</b>	<b>582</b>	<b>598</b>	<b>571</b>	<b>482</b>	<b>2,369</b>	<b>2,003</b>	<b>2,003</b>	<b>1,931</b>

Cost/income ratio	45 %	45 %	50 %	51 %	42 %	47 %	44 %	44 %	50 %
Cost/income ratio ex financial inv.	55 %	56 %	56 %	58 %	53 %	56 %	56 %	56 %	57 %
12-month cost growth*	28.1 %	15.4 %	13.3 %	16.8 %	-6.4 %	18.3 %	0.8 %	3.7 %	8.1 %

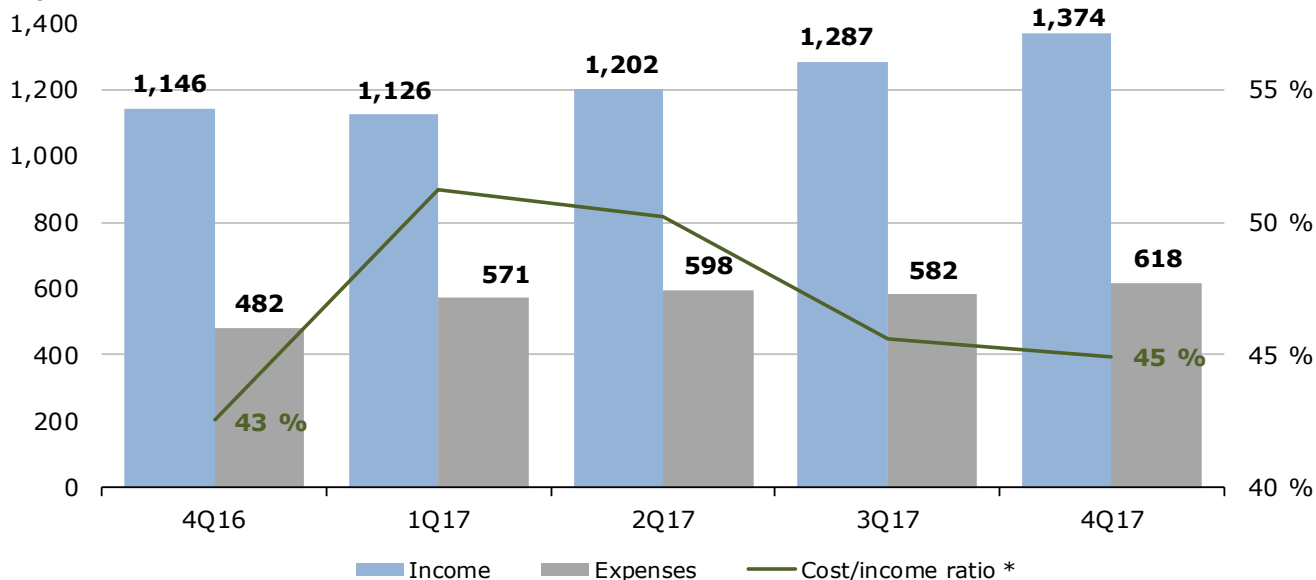
\* SpareBank 1 Regnskapshuset SMN's acquisition of a large accounting firm 1 January 2017 affects the 12 month cost growth in 2017. The 12 month cost growth in 2016 is affected by the consolidation of SpareBank 1 Markets as a subsidiary

### Change in operating expenses

(in NOK million)	2017	31 Dec. Change	2016
<b>Total</b>	<b>2,369</b>	<b>366</b>	<b>2,003</b>
Total personnel expenses		267	
Depr./write-downs of fixed & intangible assets		36	
EDP and telecommunication expenses		14	
Other operating expenses		31	
Operating exp. on properties and premises		4	
Other external services		9	
Marketing		6	
Postage and transportation services		-0	

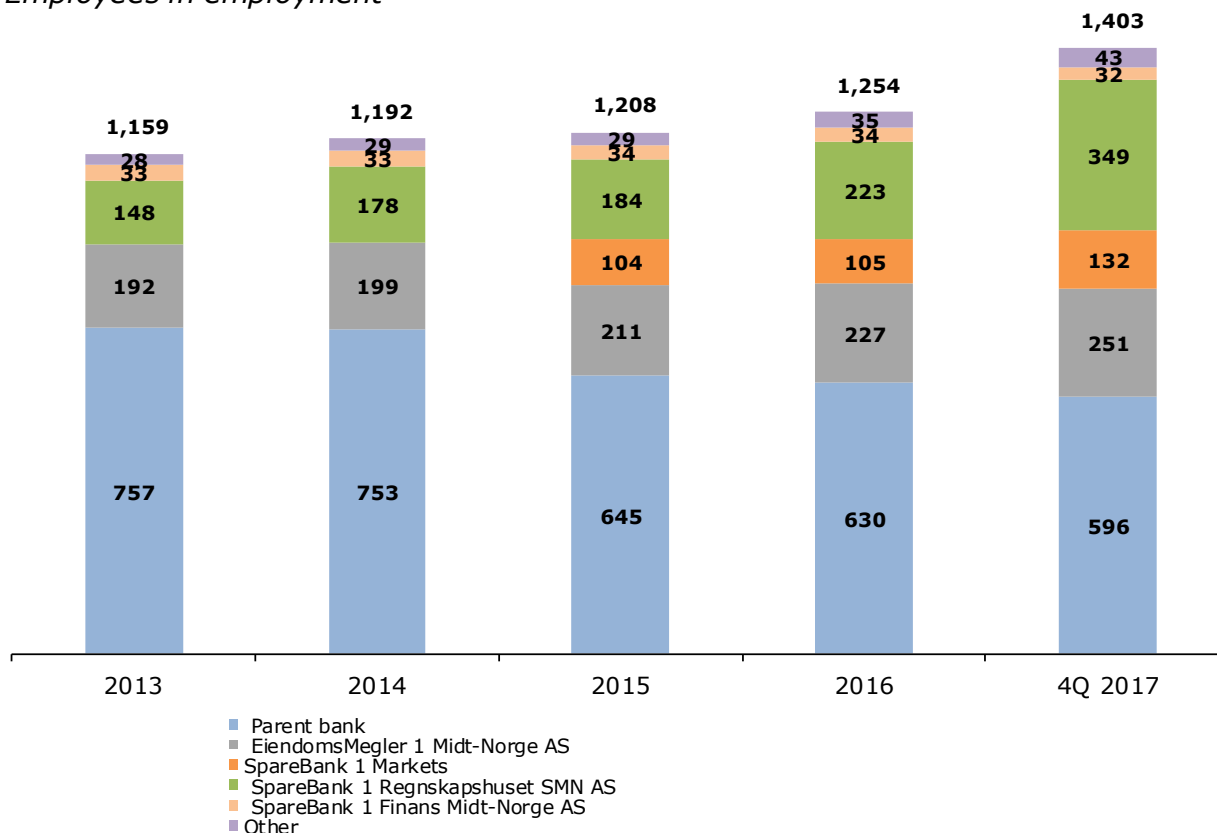
## Cost/income ratio

NOK mill.



\* Total operating expenses as a percentage of total operating income

## Employees in employment



SpareBank 1 Markets has been a subsidiary of SpareBank 1 SMN since 1 April 2015. SpareBank 1 SMN's capital market activities, including 32 FTEs, were transferred to SpareBank 1 Markets as part of the transaction.

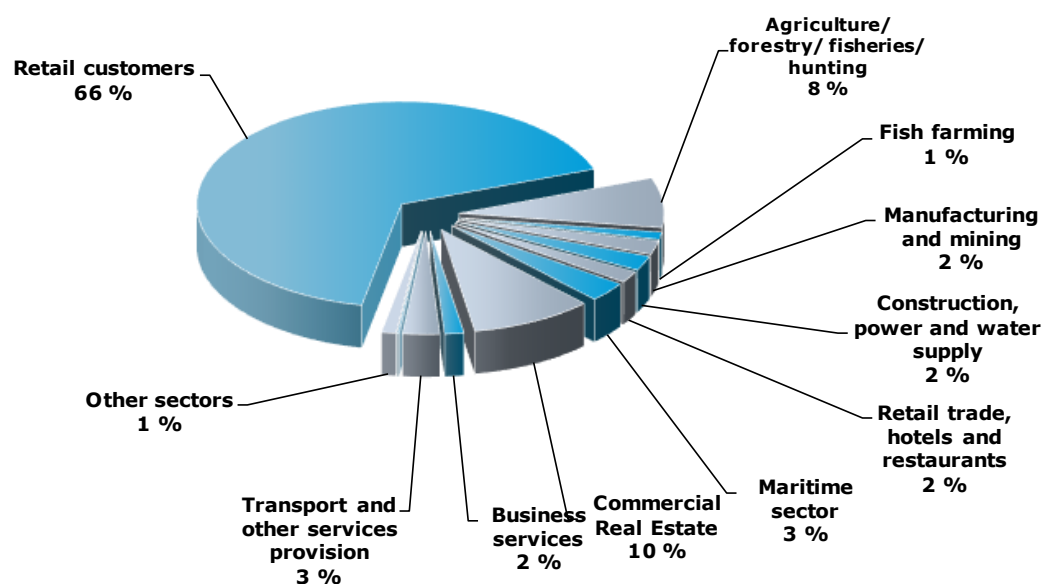
### 3. Loans to customers

#### 3.1. Distribution of loans by industry

##### *Distribution of loans by industry*

(in NOK million)	31 Dec. 2017	30 Sept. 2017	30 Jun. 2017	31 Mar. 2017	31 Dec. 2016	31 Dec. 2015
Agriculture/ forestry/ fisheries/ hunting	11,606	11,486	11,213	10,679	10,499	9,357
Fish farming	1,697	1,745	1,708	1,700	1,985	2,044
Manufacturing and mining	3,157	3,560	3,415	3,113	2,985	2,823
Construction, power and water supply	3,419	3,341	4,018	3,335	3,532	3,432
Retail trade, hotels and restaurants	2,700	2,546	1,589	2,735	2,510	2,591
Maritime sector	4,639	4,678	4,532	4,863	4,983	5,407
Commercial Real Estate	14,348	14,867	14,749	14,115	13,744	14,110
Business services	2,260	2,216	2,230	2,100	2,072	2,119
Transport and other services provision	4,322	4,332	4,142	3,840	3,836	3,829
Public administration	240	226	282	291	288	186
Other sectors	1,699	1,796	1,819	1,924	1,700	1,512
<b>Gross loans in corporate market</b>	<b>50,087</b>	<b>50,794</b>	<b>49,698</b>	<b>48,696</b>	<b>48,133</b>	<b>47,411</b>
<b>Retail customers</b>	<b>98,697</b>	<b>96,352</b>	<b>94,101</b>	<b>91,343</b>	<b>89,402</b>	<b>85,171</b>
<b>Gross loans incl. Boligkr. and Næringskr.</b>	<b>148,784</b>	<b>147,146</b>	<b>143,800</b>	<b>140,038</b>	<b>137,535</b>	<b>132,583</b>
- Adv. of this Boligkreditt	34,885	34,196	34,181	33,757	33,142	32,952
- Adv. of this Næringskreditt	1,828	2,255	2,261	2,164	2,069	1,841
<b>Gross loans in balance sheet</b>	<b>112,071</b>	<b>110,695</b>	<b>107,358</b>	<b>104,117</b>	<b>102,325</b>	<b>97,790</b>
<b>Share of loans, corporate market</b>	<b>34 %</b>	<b>35 %</b>	<b>35 %</b>	<b>35 %</b>	<b>35 %</b>	<b>36 %</b>
<b>Share of loans, retail market</b>	<b>66 %</b>	<b>65 %</b>	<b>65 %</b>	<b>65 %</b>	<b>65 %</b>	<b>64 %</b>

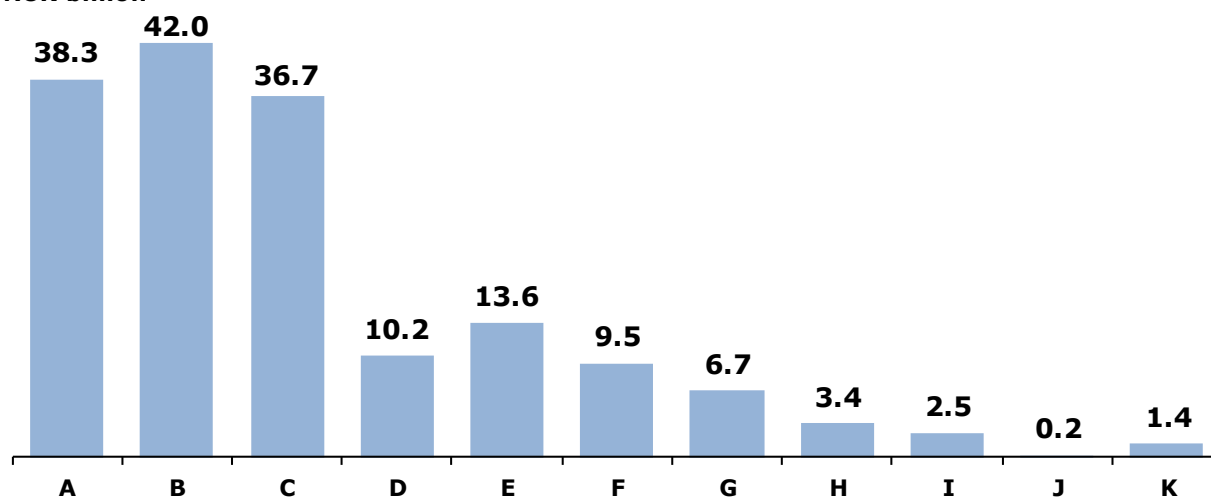
##### *Distribution of loans by industry*



### 3.2. Risk profile and write-downs

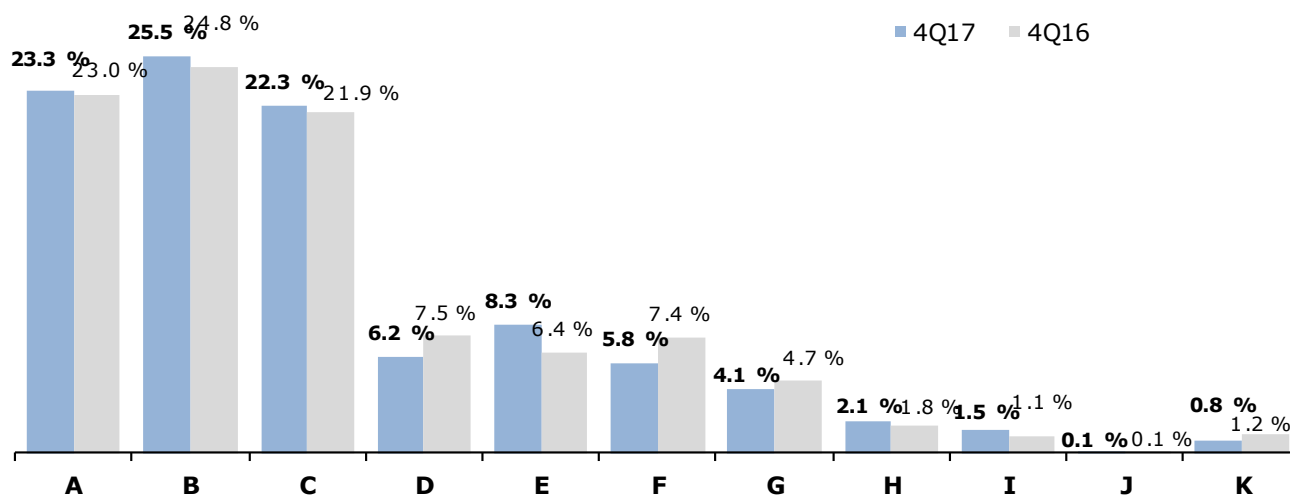
#### *Actual risk profile, Exposure At Default*

NOK billion



#### *Actual risk profile, Exposure At Default*

Per cent





## Risk classification in SpareBank 1 SMN

Risk class	PD* in percent		Corresponding ratingclass at Moody's
	Low	High	
A	0.01	0.10	AAA - A3
B	0.10	0.25	Baa1 - Baa2
C	0.25	0.50	Baa3
D	0.50	0.75	Ba1
E	0.75	1.25	Ba2
F	1.25	2.50	
G	2.50	5.00	Ba2 - B1
H	5.00	10.00	B1 - B2
I	10.00	99.99	B3 - caa3
J	Default		
K	Written down		

Risk class A represents the lowest risk and class K the highest risk.

\* Probability of default

## Write-downs on loans and guarantees

(in NOK million)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec.		2016	2015
						2017	2016		
Increase in and new individual write-downs	63	82	55	-73	77	127	454	454	11
Reassessments and recoveries	14	11	29	152	74	206	99	99	76
Total individual write-downs	77	92	84	79	152	332	554	554	87
Change in group write-downs on loans	1	-5	2	11	-53	9	-38	-38	82
<b>Write-downs on loans and guarantees</b>	<b>78</b>	<b>88</b>	<b>86</b>	<b>89</b>	<b>99</b>	<b>341</b>	<b>516</b>	<b>516</b>	<b>169</b>
<b>As % of gross loans incl. Boligkreditt</b>	0.22 %	0.24 %	0.24 %	0.26 %	0.29 %	0.23 %	0.39 %	0.39 %	0.14 %

## Loss on loans by segment

(in NOK million)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec.		2016	2015
						2017	2016		
Retail	2	2	1	0	3	5	13	13	11
Corporate *	70	88	80	76	146	313	530	530	71
SMN Finans and other	5	3	4	2	2	14	11	11	6
Collective write downs *	1	-5	2	11	-53	9	-38	-38	82
<b>Total loss on loans</b>	<b>78</b>	<b>89</b>	<b>89</b>	<b>89</b>	<b>99</b>	<b>341</b>	<b>516</b>	<b>516</b>	<b>169</b>

\* The change in collective write downs is mainly related to the Corporate portfolio and includes reversal NOK -55m in 4Q 2016, NOK -25m in 3Q 2016 (in connection with higher individual write-downs in 4q16 and 3q16)

## Individual and collective write-downs

(in NOK million)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016	2015
Individual write-downs to cover loss on loans, guarantees at start of period	707	625	570	638	562	638	184	184	173
Write downs of loans previously subject to individual write down	53	35	23	79	1	191	8	8	22
Reversal of previous years' write downs	-1	-2	-2	-8	-14	-14	-39	-39	-46
Increase in write downs of commitments not previously subject to individual write down	17	30	56	8	118	111	528	528	102
Confirmed losses in the period on loans, guarantees etc., prev. subject to ind. write down	-6	20	-23	-148	-29	-157	-44	-44	-67
Individual write downs to cover loss	769	707	625	570	638	769	638	638	184
Collective write downs to cover loss on loans, guarantees at start of period	346	351	349	339	391	339	376	376	295
Period's collective write down to cover loss on loans, guarantees etc.	1	-5	2	11	-53	9	-38	-38	82
Collective write downs to cover loss on loans, guarantees	347	346	351	349	339	347	339	339	376

## Loans and guarantees by industry

	Total	Very low risk	Low risk	Medium risk	High risk	Very high risk	Default and written down
Wage earners	99,369	84,828	9,335	3,319	812	857	217
Public administration	1,063	1,063	-	-	-	-	-
Agriculture and forestry	12,355	7,550	2,912	1,509	207	152	26
Sea farming industries	2,263	1,837	125	294	-	6	-
Manufacturing	4,256	529	1,248	956	961	546	15
Construction, power and water supply	4,444	1,162	1,060	1,654	419	88	62
Retail trade, hotels and restaurants	3,505	564	1,235	1,446	124	101	36
Maritime sector	563	236	-	327	0	-	-
Property management	15,322	8,746	2,330	3,341	628	237	41
Business services	4,075	932	912	1,925	213	33	60
Transport and other services provision	9,643	2,850	3,786	1,398	31	461	1,118
Finance	-	-	-	-	-	-	-
Other sectors	7,652	6,664	899	89	-	-	-
<b>4Q17</b>	164,510	116,961	23,842	16,258	3,394	2,480	1,575
<b>2016</b>	155,065	108,123	21,643	18,875	2,766	1,702	1,956
<b>2015</b>	148,680	97,588	25,632	19,231	3,838	1,746	645

## Write-down ratio

(in NOK million)	31 Dec. 2017	30 Sept. 2017	30 Jun. 2017	31 Mar. 2017	31 Dec. 2016	31 Dec. 2015
Non-performing commitments (gross)	284	263	258	211	214	205
Impaired commitments (gross)	1,184	1,215	1,151	1,078	1,474	399
Gross non-performing and impaired commitments	1,468	1,478	1,409	1,289	1,688	604
Individual write-downs	769	707	625	570	638	184
Collective write-downs	347	346	351	349	339	376
Write-down ratio (%)	76.1 %	71.2 %	69.3 %	71.3 %	57.9 %	92.5 %

## Default in excess of 90 days

NOK million



2016	2017	2017	2017	2017
4Q	1Q	2Q	3Q	4Q

— Retail > 90 d

## Default in excess of 90 days

NOK million



2016	2017	2017	2017	2017
4Q	1Q	2Q	3Q	4Q

— Corporates\* > 90 d

### 3.3. Capital adequacy

SpareBank 1 SMN utilises the Internal Rating Based Approach (IRB) for credit risk. Use of IRB imposes wide-ranging requirements on the bank's organisational set-up, competence, risk models and risk management systems. As from 31 March 2015 the bank has received permission to apply the Advanced IRB Approach to those corporate portfolios that were previously reported under the Basic Indicator Approach.

As of 31 December 2017 the capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement is 3.0 per cent and the Norwegian countercyclical buffer is 2.0 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital, so that the overall minimum requirement on CET1 capital is 12.0 per cent. In addition the financial supervisory authority has set a Pillar 2 requirement of 2.1 per cent for SpareBank 1 SMN, effective as from the fourth quarter of 2016. The total minimum requirement on CET1 capital is accordingly 14.1 per cent.

The countercyclical buffer increased from 1.5 per cent to 2.0 per cent with effect from 31 December 2017.

SpareBank 1 SMN has in fourth quarter 2017 reclassified two additional Tier 1 capital bonds from liabilities to equity, and the comparable figures has been restated. For further details, see note 1.

As from the fourth quarter of 2016 differentiated rates came into force for the countercyclical buffer. For exposures in other countries the countercyclical buffer rate set by the authorities in the country concerned is applied. If that country has not set a rate, the same rate as for exposures in Norway is applied unless the Ministry of Finance sets another rate. For the fourth quarter of 2017 the parent bank is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures. For groups, the risk-weighted countercyclical capital buffer is 2.0 per cent.

Parts of the group's hybrid capital and subordinated debt were issued under earlier rules. This will be subject to a write-down of 40 per cent in 2016 and 50 per cent in 2017. The write-down will increase by another 10 per cent per year thereafter. As at 31 Desember 2017 the bank held hybrid capital worth NOK 450 million subject to write-down. For subordinated debt the figure NOK 659 million.

SpareBank 1 SMN's methods for calculating the minimum regulatory capital requirements are summarized below:

#### Methods for calculating minimum requirements

Type of risk	Portfolio	Regulatory method
Credit risk	States - parent bank	Standardized approach
	Institutions - parent bank	Standardized approach
	Housing cooperatives, clubs and associations - parent bank	Standardized approach
	Enterprises - parent bank	Advanced IRB approach
	Mass market - parent bank	IRB - mass market (advanced)
	SpareBank 1 Finans Midt-Norge AS	Standardized approach
	SpareBank 1 SMN Invest	Standardized approach
	SpareBank 1 Allegro Kapitalforvaltning AS	Standardized approach
	Mass market - SpareBank 1 Boligkreditt AS	IRB- mass market (advanced)
	Enterprises - SpareBank 1 Næringskreditt AS	Standardized approach
	Enterprises - BN Bank AS	Advanced IRB approach
	Mass market - BN Bank AS	IRB - mass market (advanced)
Market risk	Equity risk - parent bank	Standardized approach
	Debt risk - parent bank	Standardized approach
	Currency risk - parent bank	Standardized approach
	Subsidiaries and part-owned companies	Standardized approach
Operational risk	SpareBank 1 SMN (parent bank)	Standardized approach
	Subsidiaries and part-owned companies	Basic Indicator Approach

## Capital Adequacy

(in NOK million)

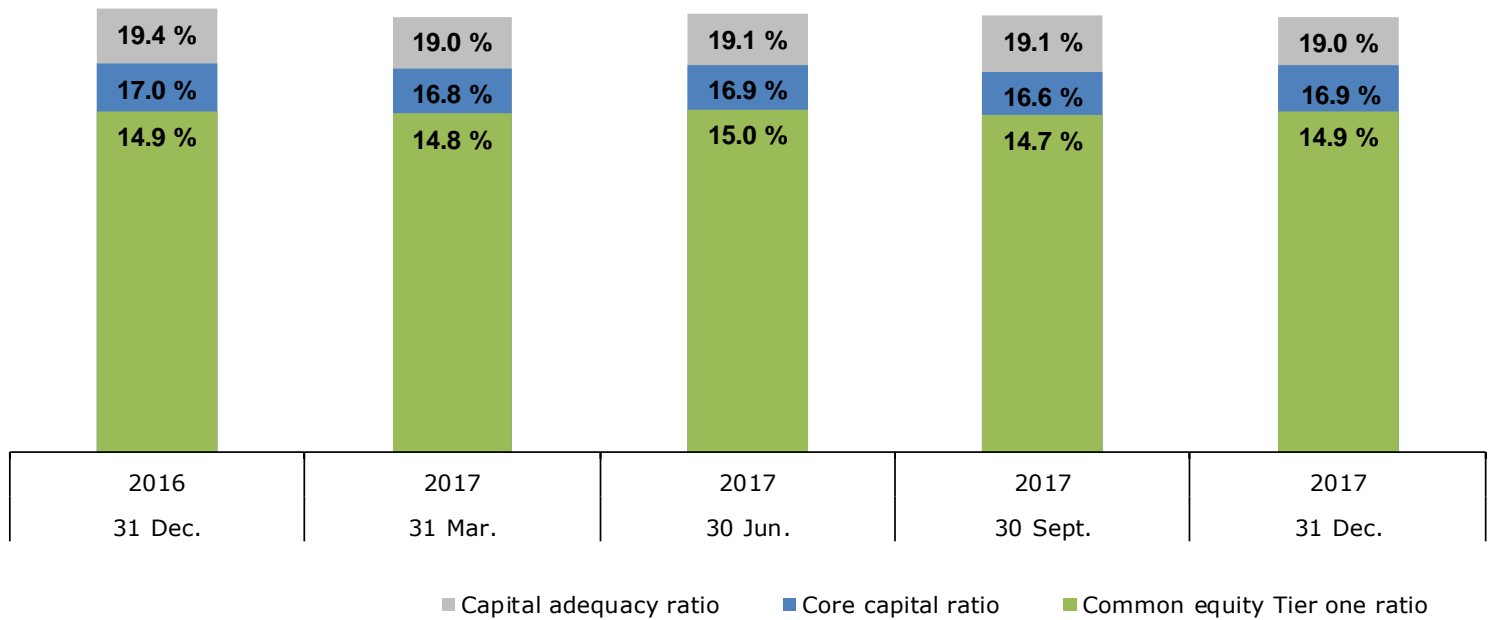
	31 Dec. 2017	30 Sept. 2017	30 Jun. 2017	31 Mar. 2017	31 Dec. 2016	31 Dec. 2015
<b>Total book equity</b>	<b>17,510</b>	<b>17,208</b>	<b>16,733</b>	<b>16,269</b>	<b>16,253</b>	<b>14,857</b>
Hybrid capital included in total equity	-993	-1,216	-1,218	-1,221	-950	-950
Deferred taxes, goodwill and other intangible assets	-984	-888	-872	-853	-741	-662
Part of reserve for unrealised gains, associated companies	117	117	117	117	117	264
Deduction for allocated dividends and gifts	-893	0	0	0	-609	-332
Non-controlling interests recognised in other equity capital	-565	-516	-514	-443	-425	-318
Non-controlling interests eligible for inclusion in CET1 capital	324	303	241	223	220	132
Surplus financing of pension obligations	0	0	0	0	0	-43
Net profit	0	-1,250	-759	-358	0	0
Year-to-date profit included in core capital (50 per cent pre tax of group profit in 2017)	0	625	380	179	0	0
Value adjustments due to requirements for prudent valuation	-41	-46	-50	-48	-48	-55
Positive value of adjusted expected loss under IRB Approach	-333	-264	-257	-247	-248	-239
Adjustments for unrealised losses (gains) arising from the institution's own credit risk related to derivative liabilities (DVA)	7	8	7	8		
Direct, indirect and synthetic investments in financial sector companies	-212	-92	-3	-188	-337	-458
<b>Total common equity Tier one</b>	<b>13,938</b>	<b>13,990</b>	<b>13,806</b>	<b>13,437</b>	<b>13,233</b>	<b>12,196</b>
Hybrid capital, core capital	1,427	1,358	1,358	1,358	1,358	1,301
Hybrid capital covered by transitional provisions	459	459	459	459	483	495
<b>Total core capital</b>	<b>15,824</b>	<b>15,807</b>	<b>15,622</b>	<b>15,254</b>	<b>15,073</b>	<b>13,992</b>
<b>Supplementary capital in excess of core capital</b>						
Subordinated capital	1,615	1,979	1,710	1,710	1,698	1,647
Subordinated capital covered by transitional provisions	561	561	561	561	673	786
Deduction for significant investments in financial institutions	-254	-254	-245	-237	-256	-43
<b>Total supplementary capital</b>	<b>1,922</b>	<b>2,286</b>	<b>2,026</b>	<b>2,034</b>	<b>2,116</b>	<b>2,390</b>
<b>Net subordinated capital</b>	<b>17,746</b>	<b>18,093</b>	<b>17,649</b>	<b>17,288</b>	<b>17,189</b>	<b>16,381</b>



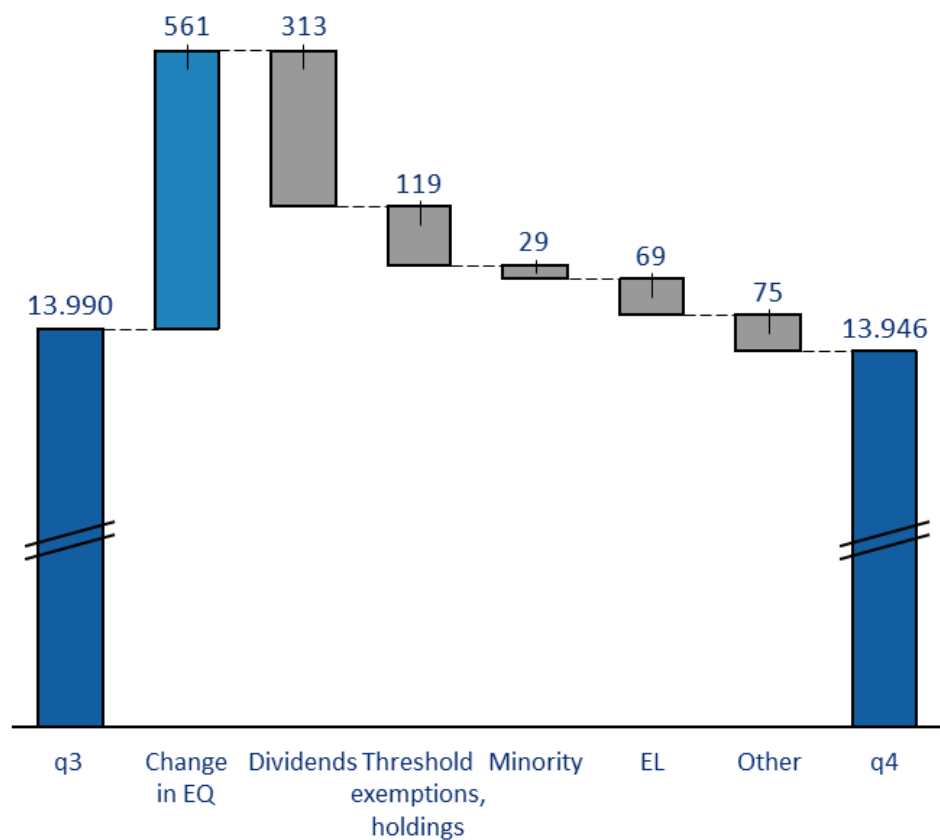
## Minimum requirements subordinated capital

(in NOK million)	31 Dec. 2017	30 Sept. 2017	30 Jun. 2017	31 Mar. 2017	31 Dec. 2016	31 Dec. 2015
Specialised enterprises	1,107	1,177	1,232	1,186	1,206	1,213
Corporate	1,113	1,054	1,045	1,126	1,102	1,105
Mass market exposure, property	1,892	1,763	1,759	1,769	1,753	1,709
Other mass market	91	89	94	91	88	55
Equity investments, IRB	1	1	1	1	3	0
<b>Total credit risk IRB</b>	<b>4,205</b>	<b>4,084</b>	<b>4,131</b>	<b>4,173</b>	<b>4,153</b>	<b>4,082</b>
Central government	3	4	5	5	5	5
Covered bonds	146	136	131	134	130	62
Institutions	331	377	425	375	340	480
Local and regional authorities, state-owned enterprises	4	11	9	10	7	13
Corporate	245	254	161	149	253	262
Mass market	388	376	401	380	179	136
Exposures secured on real property	193	198	306	328	342	416
Equity positions	344	342	339	348	338	322
Other assets	166	172	164	163	178	108
<b>Total credit risk standardised approach</b>	<b>1,820</b>	<b>1,870</b>	<b>1,942</b>	<b>1,891</b>	<b>1,772</b>	<b>1,805</b>
Debt risk	18	24	29	35	36	64
Equity risk	22	18	6	15	5	10
Currency risk	1	0	1	1	1	0
Operational risk	510	510	510	510	479	457
Credit value adjustment risk (CVA)	117	134	123	119	84	106
Transitional arrangements	784	956	634	523	574	634
<b>Minimum requirements subordinated capital</b>	<b>7,478</b>	<b>7,595</b>	<b>7,376</b>	<b>7,268</b>	<b>7,103</b>	<b>7,157</b>
<b>Risk Weighted Assets (RWA)</b>	<b>93,474</b>	<b>94,938</b>	<b>92,202</b>	<b>90,845</b>	<b>88,786</b>	<b>89,465</b>
Minimum requirement on CET1 capital, 4.5 per cent	4,206	4,272	4,149	4,088	3,995	4,026
Capital conservation buffer, 2.5 per cent	2,337	2,373	2,305	2,271	2,220	2,237
Systemic risk buffer, 3.0 per cent	2,804	2,848	2,766	2,725	2,664	2,684
Countercyclical buffer, 2.0 per cent (1.5 per cent)	1,869	1,424	1,383	1,363	1,332	895
<b>Available CET1 capital after buffer requirements</b>	<b>2,721</b>	<b>3,072</b>	<b>3,203</b>	<b>2,990</b>	<b>3,022</b>	<b>2,355</b>
Common equity Tier one ratio	14.9 %	14.7 %	15.0 %	14.8 %	14.9 %	13.6 %
Core capital ratio	16.9 %	16.6 %	16.9 %	16.8 %	17.0 %	15.6 %
Capital adequacy ratio	19.0 %	19.1 %	19.1 %	19.0 %	19.4 %	18.3 %
<b>Leverage ratio</b>						
Balance sheet items	210,764	203,155	207,760	199,551	194,324	198,616
Off-balance sheet items	9,295	9,506	9,400	9,292	10,068	12,017
Regulatory adjustments	-1,580	-1,301	-1,190	-1,346	-1,388	-1,487
Calculation basis for leverage ratio	218,479	211,361	215,969	207,497	203,005	209,145
Core capital	15,824	15,807	15,622	15,254	15,073	13,992
Leverage Ratio	7.2 %	7.5 %	7.2 %	7.4 %	7.4 %	6.7 %

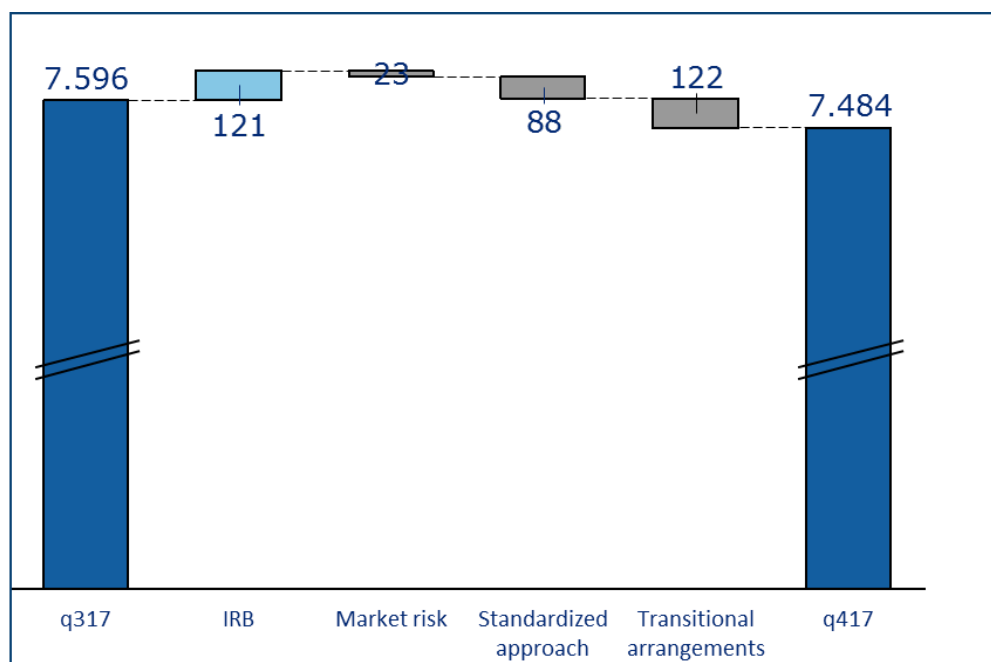
# Capital Adequacy



## Quarterly change in Common equity Tier 1



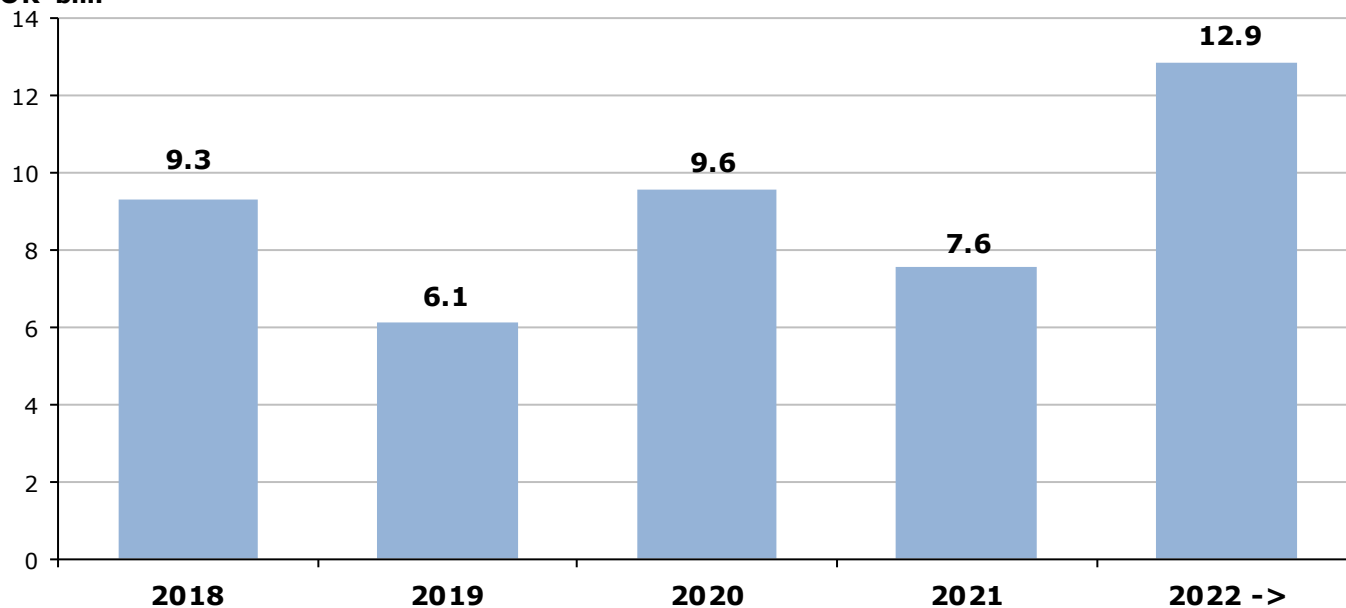
## Quarterly change in Minimum requirements subordinated capital



## 4. Funding

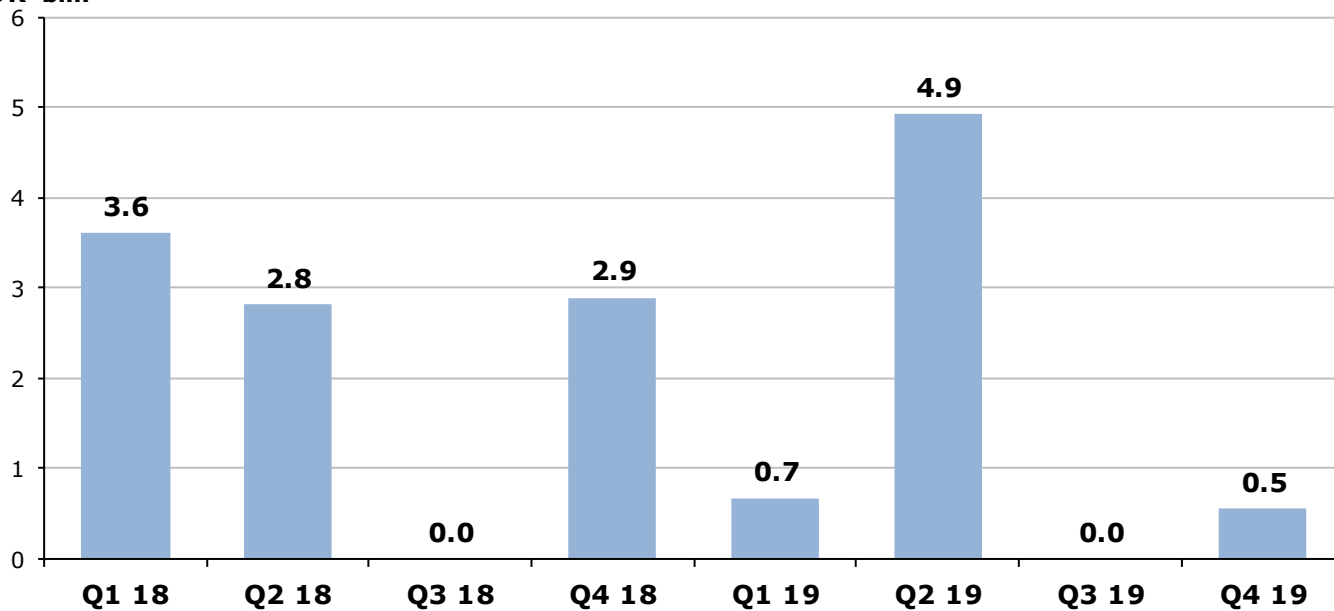
### *Funding maturity dates*

NOK bill.



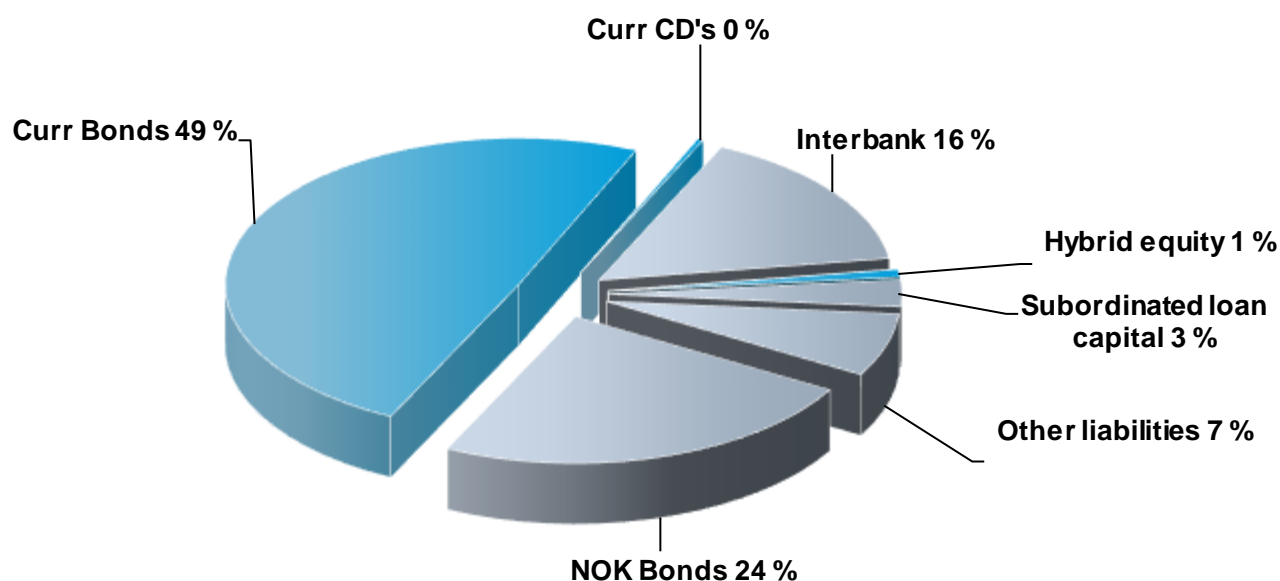
### *Funding maturity dates over the next eight quarters*

NOK bill.



## Capital markets funding

(in NOK million)	31 Dec. 2017	30 Sept. 2017	30 Jun. 2017	31 Mar. 2017	31 Dec. 2016	31 Dec. 2015
NOK Bonds	13,683	13,178	13,601	13,753	14,237	14,645
Curr Bonds	28,334	24,793	26,011	26,037	21,908	23,429
NOK CD's	-	-	-	-	-	-
Curr CD's	177	120	62	111	172	62
Interbank	9,046	8,663	9,261	6,598	10,299	10,212
Perp. Sub. Loan capital	-	-	-	-	-	300
Hybrid equity	475	1,428	1,429	1,431	1,433	1,443
Subordinated loan capital	1,684	2,033	1,712	1,729	1,707	1,793
Other liabilities	3,997	5,478	4,410	5,193	4,487	6,556
<b>Total</b>	<b>57,396</b>	<b>55,692</b>	<b>56,487</b>	<b>54,852</b>	<b>54,242</b>	<b>58,441</b>



## 5. Financial results

### Financial results

	4Q	3Q	2Q	1Q	4Q	31 Dec.			
(in NOK million)	2017	2017	2017	2017	2016	2017	2016	2016	2015
Interest income	989	959	945	931	917	3,825	3,597	3,597	4,031
Interest expenses	400	389	413	398	413	1,600	1,668	1,668	2,111
<b>Net interest</b>	<b>589</b>	<b>570</b>	<b>532</b>	<b>533</b>	<b>504</b>	<b>2,225</b>	<b>1,929</b>	<b>1,929</b>	<b>1,920</b>
Commission income	372	360	349	308	300	1,390	1,251	1,251	1,245
Commission expenses	49	46	38	35	35	168	133	133	135
Other operating income	206	168	227	182	149	783	556	556	435
<b>Commission income and other income</b>	<b>529</b>	<b>482</b>	<b>538</b>	<b>455</b>	<b>414</b>	<b>2,005</b>	<b>1,674</b>	<b>1,674</b>	<b>1,545</b>
Dividends	0	1	3	1	1	6	88	88	25
Income from investment in related companies	147	126	94	71	74	437	423	423	448
Net return on financial investments	108	108	35	66	153	317	434	434	-14
<b>Net return on financial investments</b>	<b>256</b>	<b>235</b>	<b>131</b>	<b>138</b>	<b>228</b>	<b>760</b>	<b>944</b>	<b>944</b>	<b>459</b>
<b>Total income</b>	<b>1,374</b>	<b>1,287</b>	<b>1,202</b>	<b>1,126</b>	<b>1,146</b>	<b>4,989</b>	<b>4,547</b>	<b>4,547</b>	<b>3,924</b>
Staff costs	362	357	362	345	251	1,426	1,159	1,159	1,093
Other operating expenses	255	225	236	227	231	943	844	844	838
<b>Total operating expenses</b>	<b>618</b>	<b>582</b>	<b>598</b>	<b>571</b>	<b>482</b>	<b>2,369</b>	<b>2,003</b>	<b>2,003</b>	<b>1,931</b>
<b>Result before losses</b>	<b>756</b>	<b>705</b>	<b>604</b>	<b>555</b>	<b>664</b>	<b>2,621</b>	<b>2,544</b>	<b>2,544</b>	<b>1,993</b>
Loss on loans, guarantees etc.	78	88	86	89	99	341	516	516	169
<b>Result before tax</b>	<b>678</b>	<b>617</b>	<b>518</b>	<b>466</b>	<b>565</b>	<b>2,279</b>	<b>2,029</b>	<b>2,029</b>	<b>1,824</b>
Tax charge	122	118	111	99	102	450	352	352	383
Results investments held for sale, after tax	-4	0	3	0	7	-1	4	4	-1
<b>Net profit</b>	<b>553</b>	<b>500</b>	<b>409</b>	<b>367</b>	<b>470</b>	<b>1,828</b>	<b>1,681</b>	<b>1,681</b>	<b>1,441</b>
Majority share	533	490	390	352	448	1,763	1,606	1,606	1,410
Minority interest	12	2	11	6	14	32	41	41	-4

## Balance sheet

(in NOK million)	31 Dec. 2017	30 Sept. 2017	30 Jun. 2017	31 Mar. 2017	31 Dec. 2016	31 Dec. 2015
Cash and receivables from central banks	3,313	1,351	2,448	1,171	315	3,270
Deposits with and loans to credit institutions	4,214	2,310	4,997	3,008	3,892	2,407
Net loans to and receivables from customers	110,959	109,649	106,388	103,204	101,354	93,415
Fixed-income CDs and bonds at fair value	19,736	17,908	20,312	18,704	17,557	15,752
Derivatives	4,351	4,262	4,673	4,701	4,752	7,524
Shares, units and other equity interests	1,825	1,607	1,475	1,676	1,542	1,485
Investment in related companies	5,760	5,820	5,633	5,974	5,638	5,522
Investments held for sale	649	30	32	15	15	16
Intangible assets	793	720	709	686	639	562
Other assets	1,654	3,256	2,780	2,903	2,376	1,962
<b>Assets</b>	<b>153,254</b>	<b>146,913</b>	<b>149,449</b>	<b>142,042</b>	<b>138,080</b>	<b>131,914</b>
Deposits from credit institutions	9,607	9,484	9,521	6,959	10,509	8,155
Deposits from and debt to customers	76,476	73,086	75,559	70,176	67,168	64,090
Debt created by issue of securities	42,194	38,091	39,674	39,901	36,317	35,154
Derivatives	3,343	3,679	3,761	3,509	4,074	5,414
Other liabilities	1,923	2,816	1,970	2,979	1,531	1,734
Investments held for sale	1	0	0	0	0	0
Subordinated loan capital	2,201	2,549	2,231	2,249	2,228	2,509
<b>Total liabilities</b>	<b>135,744</b>	<b>129,705</b>	<b>132,716</b>	<b>125,773</b>	<b>121,827</b>	<b>117,056</b>
Equity capital certificate	2,597	2,597	2,597	2,597	2,597	2,597
Own holding of ECCs	-8	-8	-6	-7	-4	-21
Premium fund	895	895	895	895	895	895
Dividend equalisation fund	5,072	4,477	4,482	4,470	4,487	3,790
Recommended dividends	571	0	0	0	389	292
Provision for gifts	322	0	0	0	220	40
Ownerless capital	4,831	4,498	4,498	4,498	4,499	4,106
Unrealised gains reserve	126	139	139	139	139	292
Other equity capital	1,547	1,895	1,906	1,925	1,656	1,597
Hybrid capital	993	925	933	941	950	950
Result of the period	0	1,275	776	367	0	0
Minority interests	565	516	514	443	425	318
<b>Total equity capital</b>	<b>17,510</b>	<b>17,208</b>	<b>16,733</b>	<b>16,269</b>	<b>16,253</b>	<b>14,857</b>
<b>Total liabilities and equity</b>	<b>153,254</b>	<b>146,913</b>	<b>149,449</b>	<b>142,042</b>	<b>138,080</b>	<b>131,914</b>

## Key figures

	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016	2015
Return on equity	13.4 %	12.5 %	10.5 %	9.4 %	12.2 %	11.5 %	11.3 %	11.3 %	10.7 %
Cost/income ratio group	45 %	45 %	50 %	51 %	42 %	47 %	44 %	44 %	50 %
Cost/income ratio group, ex. financial inv.	55 %	56 %	56 %	58 %	53 %	56 %	56 %	56 %	57 %
12-month cost growth	28.1 %	20.7 %	18.6 %	16.8 %	-1.4 %	18.3 %	0.8 %	3.7 %	7.9 %
Gross loans to customers*	148,784	147,146	143,800	140,038	137,535	148,784	137,535	137,535	127,378
Growth in loans last 12 months*	8.2 %	9.4 %	8.5 %	8.1 %	8.0 %	8.2 %	8.0 %	8.0 %	5.8 %
Growth in loans this period*	1.1 %	2.3 %	2.7 %	1.8 %	2.3 %	8.2 %	8.0 %	8.0 %	5.8 %
Deposits from customers	76,476	73,086	75,559	70,176	67,168	76,476	67,168	67,168	64,090
Growth in deposits last 12 months	13.9 %	10.3 %	12.7 %	9.9 %	4.8 %	13.9 %	4.8 %	4.8 %	5.6 %
Growth in deposits this period	4.6 %	-3.3 %	7.7 %	4.5 %	1.3 %	13.9 %	4.8 %	4.8 %	5.6 %
Deposit-to-loan ratio*	51 %	50 %	53 %	50 %	49 %	51 %	49 %	49 %	50 %
Total assets	153,254	146,913	149,449	142,042	138,080	153,254	138,080	138,080	131,914
Average total assets (quarterly)	150,083	148,181	145,746	140,061	138,948	145,948	137,060	137,060	128,355
Employees in employment group	1,403	1,415	1,408	1,362	1,254	1,403	1,254	1,254	1,208
Employees in employment parent bank	596	617	609	624	630	596	630	630	645
Employees in employment subsidiaries	807	798	799	737	624	807	624	624	563
Number of branches	48	48	48	48	49	48	49	49	49
Lending margin	2.14	2.18	2.10	1.97	1.91	2.13	1.97	1.99	2.26
Deposit margin	-0.05	-0.05	0.05	0.16	0.14	0.00	0.09	0.07	-0.21
Net other operating income of total income	39 %	38 %	45 %	41 %	37 %	40 %	37 %	37 %	40 %
Common Equity Tier 1 ratio	14.9 %	14.7 %	15.0 %	14.8 %	14.9 %	14.9 %	14.9 %	14.9 %	13.6 %
Core capital ratio	16.9 %	16.6 %	16.9 %	16.8 %	17.0 %	16.9 %	17.0 %	17.0 %	15.6 %
Capital adequacy ratio	19.0 %	19.1 %	19.1 %	19.0 %	19.4 %	19.0 %	19.4 %	19.4 %	18.3 %
Total core capital	15,824	15,807	15,622	15,254	15,073	15,824	15,073	15,073	13,988
Net subordinated capital	17,746	18,093	17,649	17,288	17,189	17,746	17,189	17,189	16,378
Liquidity Coverage Ratio (LCR) (%)	164 %	124 %	160 %	136 %	129 %	164 %	129 %	129 %	118 %
Leverage ratio	7.2 %	7.5 %	7.2 %	7.4 %	7.4 %	7.2 %	7.4 %	7.4 %	6.7 %
Impairment losses ratio	0.22 %	0.24 %	0.24 %	0.26 %	0.28 %	0.23 %	0.39 %	0.39 %	0.14 %
Non-performing commitm. as % of gross loans	0.19 %	0.18 %	0.18 %	0.15 %	0.16 %	0.19 %	0.16 %	0.16 %	0.16 %
Other doubtful commitm. as % of gross loans	0.80 %	0.83 %	0.80 %	0.77 %	1.07 %	0.80 %	1.07 %	1.07 %	0.31 %
ECC price	82.25	81.25	71.75	66.50	64.75	82.25	64.75	64.75	50.50
Number of certificates issued, millions	129.38	129.40	129.54	129.48	129.64	129.38	129.64	129.64	129.43
Booked equity capital per ECC (incl. dividend)	78.81	79.18	75.40	72.31	73.35	78.81	73.35	73.35	67.39
Adjusted profit per ECC	2.63	2.42	1.92	1.74	2.21	8.71	7.93	7.93	6.96
P/E per ECC	7.81	8.40	9.32	9.58	7.32	9.44	8.17	8.17	7.26
P/B equity capital	1.04	1.03	0.95	0.92	0.88	1.04	0.88	0.88	0.75



## 6. Segment Information

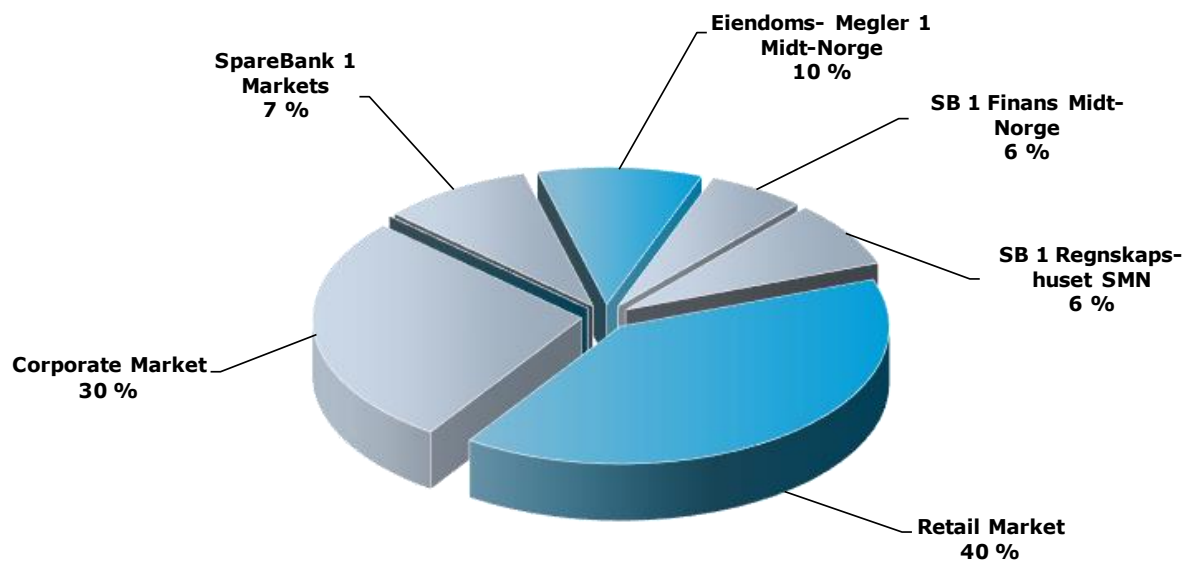
For the subsidiaries the figures refer to the respective company accounts, while for joint ventures incorporated by the equity method the Group's profit share is stated, after tax, as well as book value of the investment at group level.

### 6.1. Extract from income statement

Group (in NOK million) 31 Dec.2017	Retail Market	Corporate Market	SB 1 Markets	Eiendoms-Megler 1 Midt-Norge	SB 1 Finans Midt-Norge	SB 1 Regnskaps- huset SMN	SB 1 Gruppen	BN Bank	Un-collated	Total
Net interest	993	977	-15	3	228	-1	0	0	38	2,225
Allocated	144	131	0	0	0	0	0	0	-274	0
<b>Total interest income</b>	<b>1,137</b>	<b>1,108</b>	<b>-15</b>	<b>3</b>	<b>228</b>	<b>-1</b>	<b>0</b>	<b>0</b>	<b>-236</b>	<b>2,225</b>
Commission income and other income	789	199	369	473	55	377	0	0	-257	2,005
Net profit on financial investments	0	9	82	0	0	0	349	94	224	758
<b>Total income</b>	<b>1,926</b>	<b>1,315</b>	<b>437</b>	<b>477</b>	<b>283</b>	<b>376</b>	<b>349</b>	<b>94</b>	<b>-269</b>	<b>4,988</b>
<b>Total operating expenses</b>	<b>794</b>	<b>365</b>	<b>435</b>	<b>474</b>	<b>137</b>	<b>315</b>			<b>-152</b>	<b>2,369</b>
<b>Ordinary operating profit</b>	<b>1,132</b>	<b>950</b>	<b>2</b>	<b>3</b>	<b>146</b>	<b>61</b>	<b>349</b>	<b>94</b>	<b>-117</b>	<b>2,619</b>
Loss on loans, guarantees etc.	5	318	0	0	18	0	0	0	0	341
<b>Result before tax incl investments held for sale</b>	<b>1,127</b>	<b>632</b>	<b>2</b>	<b>3</b>	<b>128</b>	<b>61</b>	<b>349</b>	<b>94</b>	<b>-117</b>	<b>2,278</b>
<b>Post-tax return on equity*</b>	<b>16.6 %</b>	<b>10.5 %</b>								<b>11.5 %</b>
<b>Balance sheet</b>										
Loans and advances to customers	103,131	39,482	-	-	6,740	-	-	-	-569	148,784
adv. of this to Boligkreditt and Næringskreditt	-35,047	-1,666	-	-	-	-	-	-	0	-36,713
Individual allowance for impairment on loan	-22	-729	-	-	-12	-	-	-	-2	-765
Group allowance for impairment on loan	-90	-218	-	-	-24	-	-	-	-15	-347
Other assets	168	4,141	2,242	612	20	323	1,569	1,149	32,070	42,295
<b>Total assets</b>	<b>68,141</b>	<b>41,010</b>	<b>2,242</b>	<b>612</b>	<b>6,724</b>	<b>323</b>	<b>1,569</b>	<b>1,149</b>	<b>31,483</b>	<b>153,254</b>
Deposits to customers	37,182	38,719	-	-	-	-	-	-	574	76,476
Other liabilities and equity	30,959	2,290	2,242	612	6,724	323	1,569	1,149	30,909	76,778
<b>Total liabilities</b>	<b>68,141</b>	<b>41,010</b>	<b>2,242</b>	<b>612</b>	<b>6,724</b>	<b>323</b>	<b>1,569</b>	<b>1,149</b>	<b>31,483</b>	<b>153,254</b>

\*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 15.0 (14.5) percent to be in line with the capital plan.

*Income specified by segment, excluding financial investments*



### Interest income, Retail Market and Corporate Market

	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016	2015
(in NOK million)									
Retail	266	258	242	228	227	993	906	906	907
Corporate	247	242	242	246	257	977	960	960	922
<b>Net interest income</b>	<b>512</b>	<b>501</b>	<b>483</b>	<b>474</b>	<b>484</b>	<b>1,971</b>	<b>1,866</b>	<b>1,866</b>	<b>1,829</b>

### Developement in margin, Retail Market and Corporate Market

	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016	2015
<b>Lending</b> (in percentage)									
Retail	1.96	1.99	1.91	1.81	1.59	1.93	1.75	1.72	2.07
Corporate	2.75	2.80	2.81	2.71	2.70	2.77	2.62	2.66	2.68
<b>Total</b>	<b>2.14</b>	<b>2.18</b>	<b>2.12</b>	<b>2.07</b>	<b>1.87</b>	<b>2.13</b>	<b>1.97</b>	<b>1.99</b>	<b>2.26</b>
<b>Deposits</b> (in percentage)									
Retail	0.03	0.03	0.13	0.24	0.37	0.11	0.25	0.27	-0.14
Corporate	-0.13	-0.14	-0.11	-0.06	-0.03	-0.11	-0.08	-0.14	-0.29
<b>Total</b>	<b>-0.05</b>	<b>-0.05</b>	<b>0.01</b>	<b>0.09</b>	<b>0.18</b>	<b>0.00</b>	<b>0.09</b>	<b>0.07</b>	<b>-0.21</b>

\*Definition margin: Average customer interest minus 3 months average nitor

### Development in volume, Retail Market and Corporate Market

	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016	2015
<b>Lending*</b> (in NOK million)									
Retail	103,131	100,745	98,262	95,482	93,757	103,131	93,757	93,757	84,981
Corporate	39,482	40,419	39,895	39,421	38,938	39,482	38,938	38,938	37,226
<b>Total</b>	<b>142,613</b>	<b>141,164</b>	<b>138,157</b>	<b>134,903</b>	<b>132,695</b>	<b>142,613</b>	<b>132,695</b>	<b>132,695</b>	<b>122,206</b>

\* Gross loans to customers includes SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016	2015
<b>Deposits</b> (in NOK million)									
Retail	37,182	36,974	37,437	34,943	34,856	37,182	34,856	34,856	33,534
Corporate	38,719	36,275	37,669	35,778	32,401	38,719	32,401	32,401	30,367
<b>Total</b>	<b>75,902</b>	<b>73,249</b>	<b>75,106</b>	<b>70,721</b>	<b>67,257</b>	<b>75,902</b>	<b>67,257</b>	<b>67,257</b>	<b>63,902</b>

### Developement in commision income, Retail Market and Corporate Market

	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016	2015
(in NOK million)									
Retail	213	212	192	173	166	789	680	680	715
Corporate	47	59	51	50	47	207	205	205	193
<b>Total</b>	<b>260</b>	<b>271</b>	<b>243</b>	<b>223</b>	<b>213</b>	<b>997</b>	<b>885</b>	<b>885</b>	<b>908</b>

## 6.2. Retail Market

### Business description

<i>Facts about the business area</i>	<b>31 Dec. 2017</b>
Lending volume	103,131
Deposits volume	37,182
No. of active customers	217,720
FTEs	350

### Financial performance

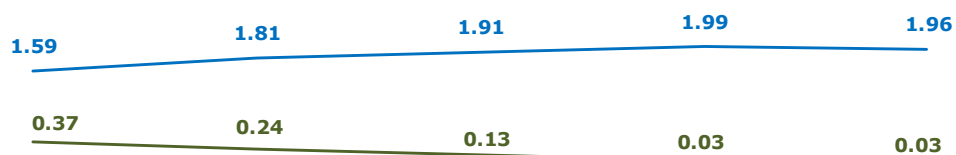
(in NOK million)	<b>4Q 2017</b>	<b>3Q 2017</b>	<b>2Q 2017</b>	<b>1Q 2017</b>	<b>4Q 2016</b>	<b>31 Dec. 2017 2016</b>		<b>2016</b>	<b>2015</b>
Net interest income lending	164	155	136	117	95	572	457	457	621
Net interest income deposits	96	100	104	111	122	411	438	438	286
Net interest income allocated capital	58	36	30	31	24	154	57	57	41
<b>Total interest income</b>	<b>318</b>	<b>290</b>	<b>270</b>	<b>259</b>	<b>240</b>	<b>1,137</b>	<b>953</b>	<b>953</b>	<b>948</b>
Net guarantee commission, incl. BK, NK	109	106	96	82	69	392	306	306	360
Net commission of savings products	21	19	17	14	18	70	63	63	55
Net commission insurance services	39	39	37	36	36	151	139	139	135
Net commission payment trans. services	44	48	42	41	43	175	171	171	165
Other commission income	1	-0	0	0	0	1	1	1	0
<b>Net fee and commission income</b>	<b>214</b>	<b>211</b>	<b>192</b>	<b>173</b>	<b>166</b>	<b>789</b>	<b>679</b>	<b>679</b>	<b>715</b>
Net profit on financial investments	0	0	0	0	0	0	-1	-1	1
<b>Total income</b>	<b>531</b>	<b>502</b>	<b>462</b>	<b>432</b>	<b>406</b>	<b>1,926</b>	<b>1,631</b>	<b>1,631</b>	<b>1,663</b>
<b>Total operating expenses*</b>	<b>197</b>	<b>207</b>	<b>190</b>	<b>201</b>	<b>168</b>	<b>794</b>	<b>770</b>	<b>770</b>	<b>779</b>
<b>Results</b>	<b>335</b>	<b>295</b>	<b>272</b>	<b>230</b>	<b>238</b>	<b>1,132</b>	<b>861</b>	<b>861</b>	<b>884</b>
Loss on loans, guarantees etc.	2	2	1	0	3	5	13	13	11
<b>Results before tax</b>	<b>332</b>	<b>293</b>	<b>271</b>	<b>230</b>	<b>235</b>	<b>1,127</b>	<b>849</b>	<b>849</b>	<b>873</b>
<b>Post-tax return on equity (annualized)**</b>						<b>16.6 %</b>	<b>13.8 %</b>	<b>13.8 %</b>	<b>15.8 %</b>

\*) Includes both direct and distributed expenses

\*\*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 15.0 (14.5) percent to be in line with the capital plan.

## Development in margin

Definition margin: Average customer interest minus 3 months nibor

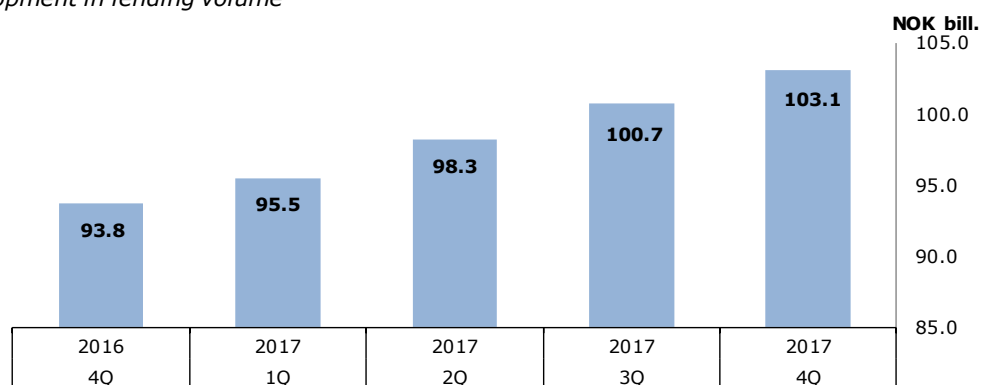


2016 4Q	2017 1Q	2017 2Q	2017 3Q	2017 4Q
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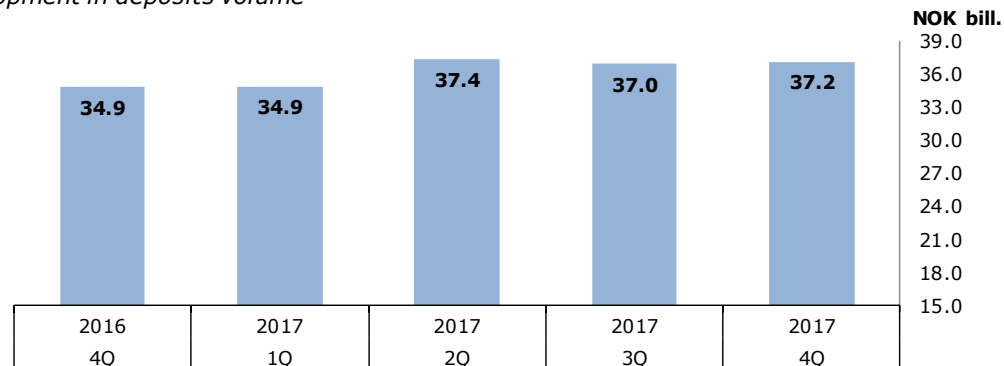
— Lending margin Retail

— Deposits margin Retail

## Development in lending volume



## Development in deposits volume



## 6.3. Corporate

### Business description

	31 Dec. 2017
<i>Facts about the business area</i>	
Lending volume	39,482
Deposits volume	38,719
No. of active customers	14,516
FTEs	147

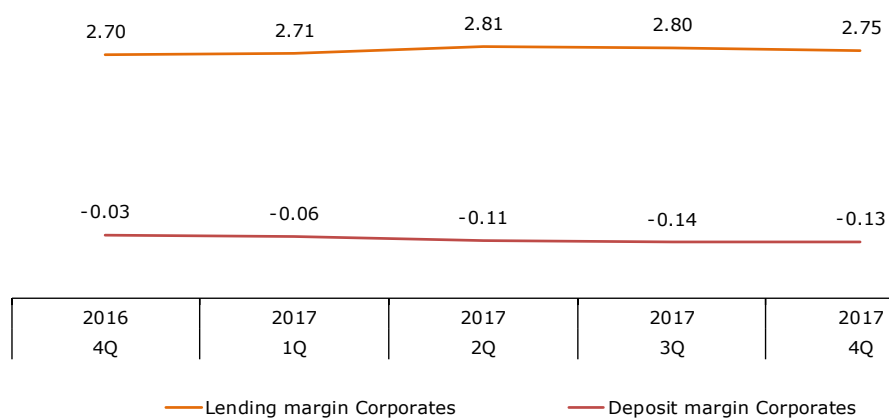
<i>Financial performance</i>	4Q	3Q	2Q	1Q	4Q	31 Dec.			
(in NOK million)	2017	2017	2017	2017	2016	2017	2016	2016	2015
Net interest income lending	172	168	167	171	140	677	649	649	704
Net interest income deposits	68	69	71	67	79	274	272	272	218
Net interest income allocated capital	54	34	31	38	51	157	78	78	48
<b>Total interest income</b>	<b>294</b>	<b>270</b>	<b>268</b>	<b>276</b>	<b>269</b>	<b>1,108</b>	<b>1,000</b>	<b>1,000</b>	<b>971</b>
Net guarantee commission, incl. BK, NK	20	28	19	20	21	86	89	89	79
Net commission of savings products	1	1	0	0	0	2	2	2	5
Net commission insurance services	5	5	5	5	5	21	20	20	20
Net commission payment trans. services	21	20	24	21	21	86	84	84	75
Other commission income	1	2	0	0	0	3	2	2	1
<b>Net fee and commission income</b>	<b>48</b>	<b>55</b>	<b>49</b>	<b>47</b>	<b>48</b>	<b>199</b>	<b>196</b>	<b>196</b>	<b>180</b>
Net profit on financial investments	-1	5	3	2	0	9	9	9	13
<b>Total income</b>	<b>341</b>	<b>329</b>	<b>320</b>	<b>325</b>	<b>316</b>	<b>1,315</b>	<b>1,205</b>	<b>1,205</b>	<b>1,164</b>
<b>Total operating expenses*</b>	<b>89</b>	<b>82</b>	<b>105</b>	<b>89</b>	<b>68</b>	<b>365</b>	<b>332</b>	<b>332</b>	<b>353</b>
<b>Results</b>	<b>252</b>	<b>247</b>	<b>215</b>	<b>237</b>	<b>248</b>	<b>950</b>	<b>873</b>	<b>873</b>	<b>810</b>
Loss on loans, guarantees etc.	70	83	79	87	91	318	490	490	151
<b>Results before tax</b>	<b>182</b>	<b>164</b>	<b>135</b>	<b>150</b>	<b>157</b>	<b>632</b>	<b>384</b>	<b>384</b>	<b>659</b>
<b>Post-tax return on equity (annualized)**</b>						<b>10.5 %</b>	<b>6.9 %</b>	<b>6.9 %</b>	<b>12.4 %</b>

\*) Includes both direct and distributed expenses

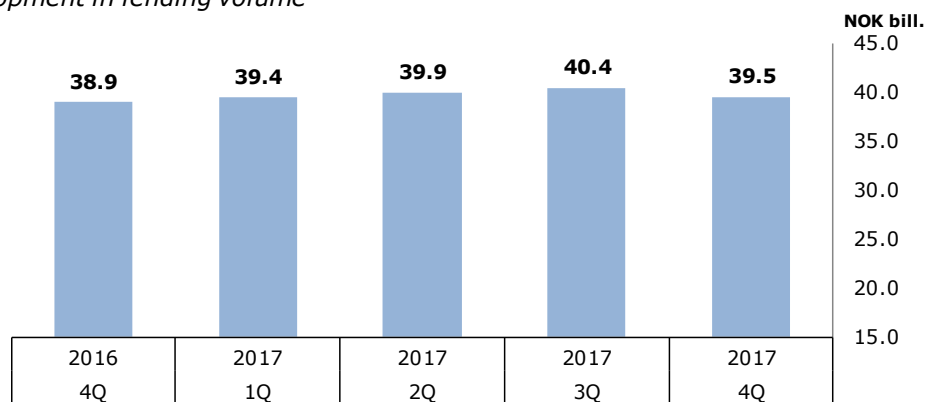
\*\*) Calculation of capital employed in Retail Banking and Corporate Banking is based on regulatory capital. This capital is grossed up to 15.0 (14.5) percent to be in line with the capital plan.

## Development in margin

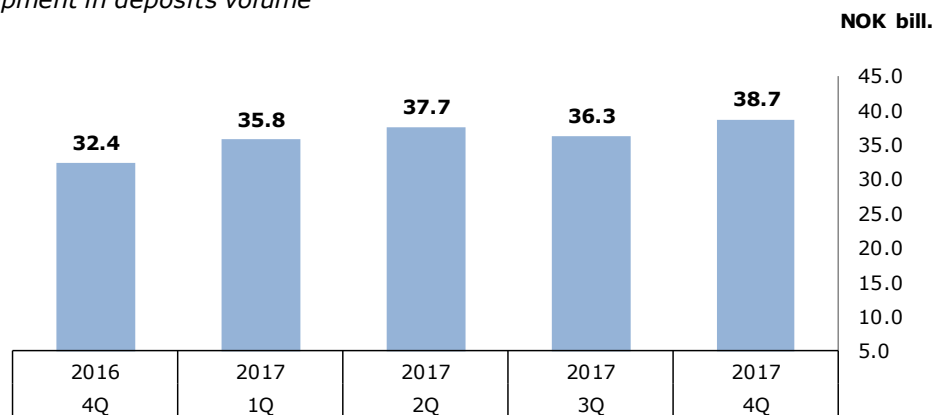
Definition margin: Average customer interest minus 3 months nibor.



## Development in lending volume



## Development in deposits volume



## 6.4. Subsidiaries

### *EiendomsMegler 1 Midt-Norge AS*

EiendomsMegler 1 Midt-Norge is a real estate agency, and has a solid market-leader position in the region. The company has specialized operations, which include separate units for project and commercial real estate broking. In addition, the company, in cooperation with BN Bank, has established BN Bolig in which EiendomsMegler 1 Midt-Norge and BN Bank each hold a 50 per cent stake. As of 1Q 2017 EiendomsMegler 1 Midt-Norge fully consolidates BN Bolig's results as a subsidiary.

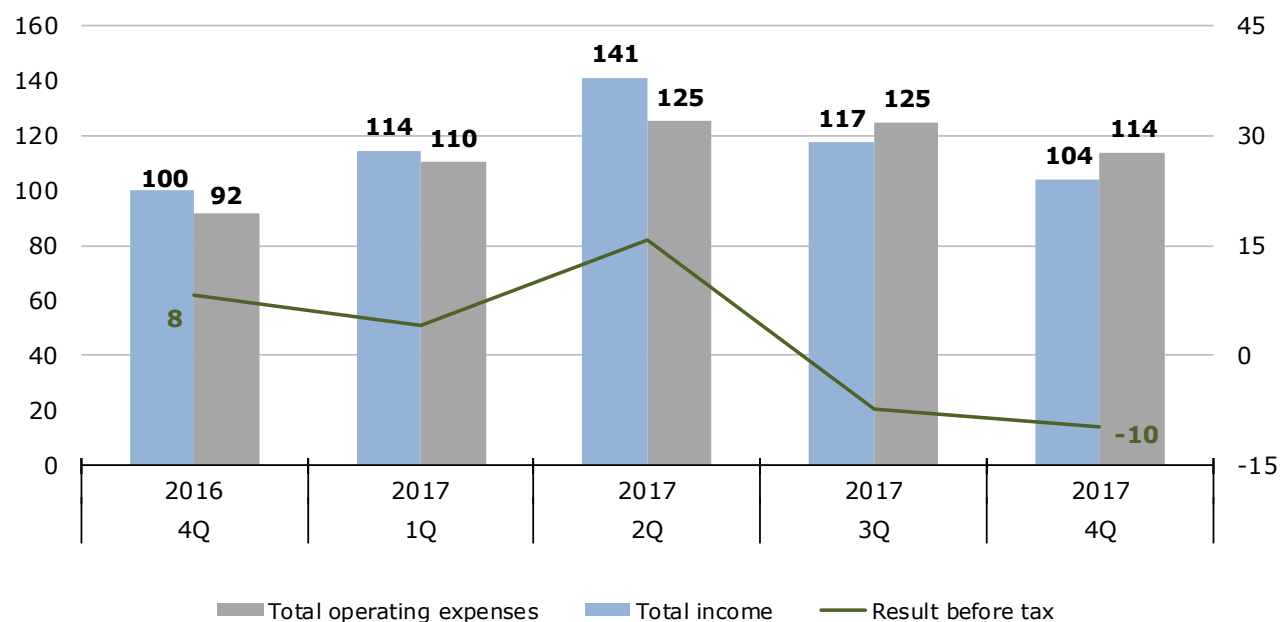
The company is owned by SpareBank 1 SMN (87 per cent), SpareBank 1 Nordvest (7.6 per cent) and SpareBank 1 Søre Sunnmøre (5.4 per cent).

### *Financial performance*

(in NOK million)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016	2015
Net interest	2	0	0	1	2	3	4	4	4
Commission income and other income	102	117	141	113	99	473	426	426	360
<b>Total income</b>	<b>104</b>	<b>117</b>	<b>141</b>	<b>114</b>	<b>100</b>	<b>477</b>	<b>430</b>	<b>430</b>	<b>364</b>
<b>Total operating expenses</b>	<b>114</b>	<b>125</b>	<b>125</b>	<b>110</b>	<b>92</b>	<b>474</b>	<b>363</b>	<b>363</b>	<b>317</b>
<b>Result before tax</b>	<b>-10</b>	<b>-7</b>	<b>16</b>	<b>4</b>	<b>8</b>	<b>3</b>	<b>68</b>	<b>68</b>	<b>47</b>

Cost and income  
(NOK mill.)

Result before tax  
(NOK mill.)





## SpareBank 1 Finans Midt-Norge AS

SpareBank 1 Finans Midt- Norge offers car loans and leasing to corporates and private individuals. The company services the market through its own sales operation and through the Bank's offices and other partners.

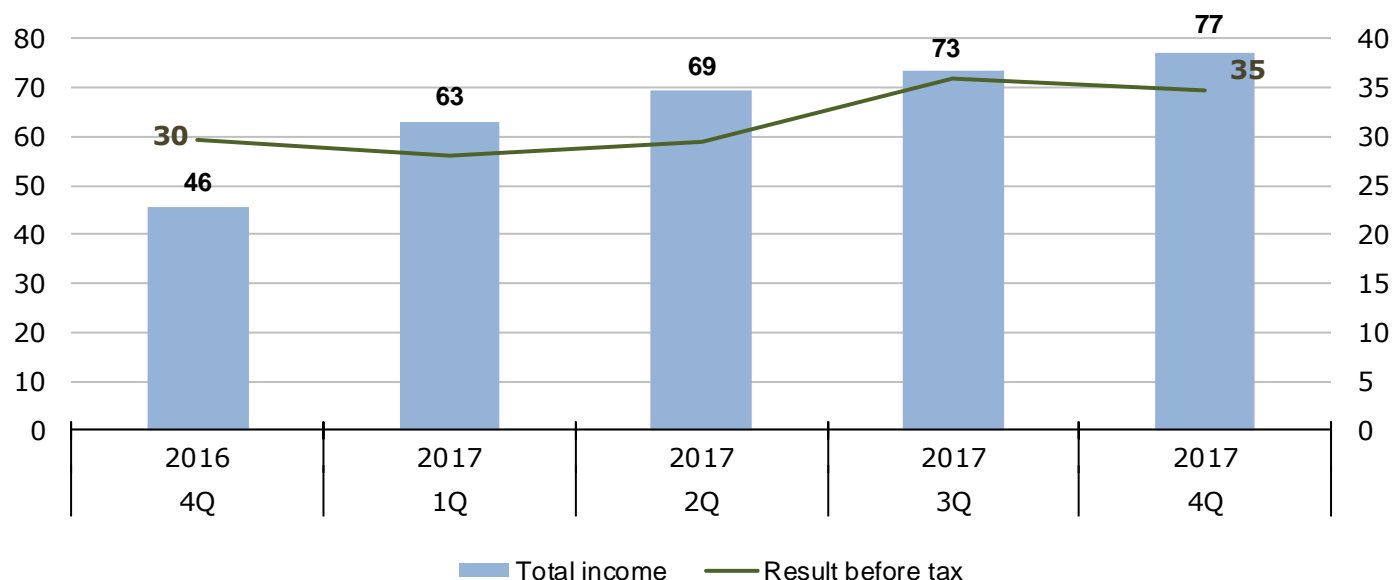
The company is owned by SpareBank 1 SMN (64.6 per cent), Samarbeidende Sparebanker (27.9 per cent) and SpareBanken Sogn og Fjordane (7.5 per cent). With Samarbeidende Sparebanker as a co-owner, the company has a presence in ten different counties dispersed across Mid- and South Norway.

## Financial performance

(in NOK million)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016	2015
<b>Total interest income</b>	<b>63</b>	<b>59</b>	<b>55</b>	<b>51</b>	<b>48</b>	<b>228</b>	<b>183</b>	<b>183</b>	<b>154</b>
Commission income and other income	14	14	14	12	-3	55	-11	-11	33
<b>Total income</b>	<b>77</b>	<b>73</b>	<b>69</b>	<b>63</b>	<b>46</b>	<b>283</b>	<b>172</b>	<b>172</b>	<b>187</b>
<b>Total operating expenses</b>	<b>36</b>	<b>34</b>	<b>34</b>	<b>33</b>	<b>12</b>	<b>137</b>	<b>55</b>	<b>55</b>	<b>97</b>
<b>Ordinary operating profit</b>	<b>41</b>	<b>39</b>	<b>36</b>	<b>30</b>	<b>34</b>	<b>146</b>	<b>117</b>	<b>117</b>	<b>91</b>
Loss on loans, guarantees etc.	6	3	6	2	4	18	13	13	8
<b>Result before tax</b>	<b>35</b>	<b>36</b>	<b>30</b>	<b>28</b>	<b>30</b>	<b>128</b>	<b>104</b>	<b>104</b>	<b>83</b>

## Cost and income (NOK mill.)

## Result before tax (NOK mill.)



## SpareBank 1 Regnskapshuset SMN AS

SpareBank 1 Regnskapshuset SMN is an accountancy business within the SMB segment. SpareBank 1 Regnskapshuset intends to be one of Norway's leading actors in the accounting industry by building up a national accounting enterprise based on regional ownership, strong links to the owner banks and closeness to the market.

The strategy of growth through acquisitions represents a consolidation of a fragmented accounting industry. SpareBank 1 Regnskapshuset SMN acquired all shares of one large accounting firm with effect from 1 January 2017, leading to a substantial increase in both income and costs. In 2016 three accounting firms and one IT company was acquired.

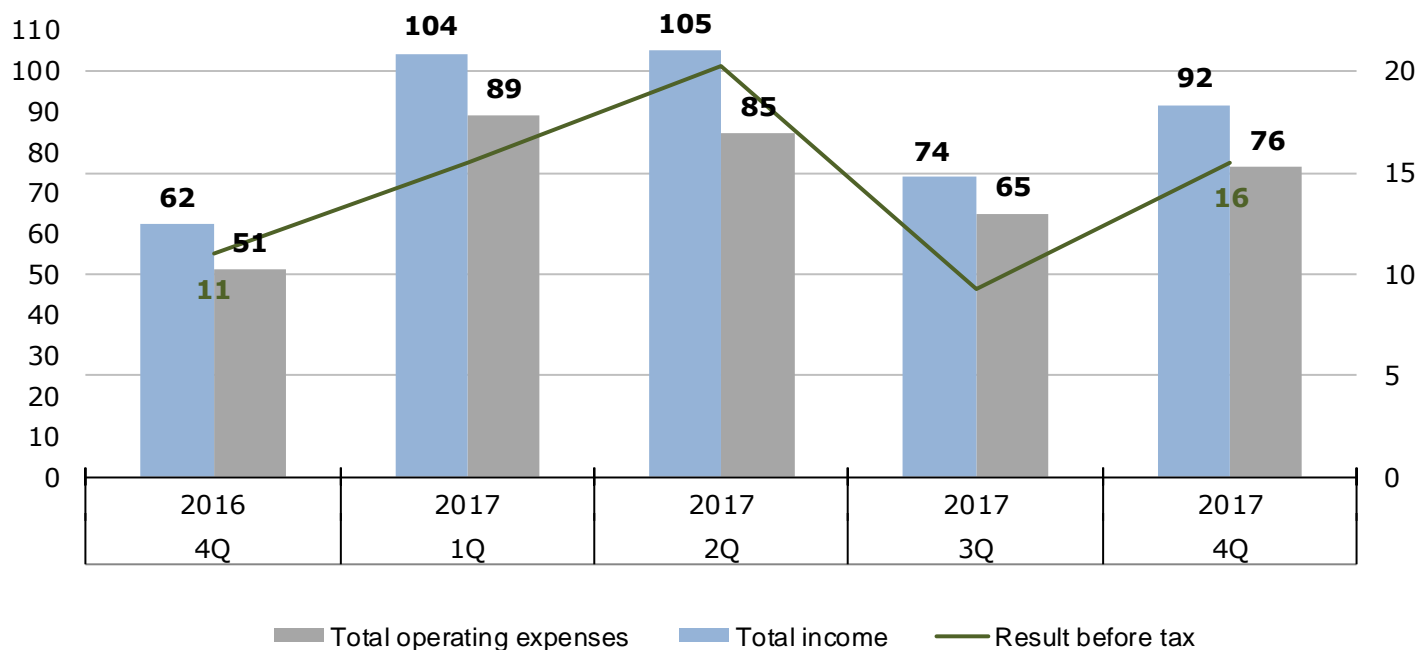
The company is owned by SpareBank 1 SMN (95.4 per cent) and SpareBank 1 Søre Sunnmøre (4.6 per cent).

## Financial performance

(in NOK million)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016	2015
Total interest income	0	-0	-0	-1	0	-1	0	0	-0
Commission income and other income	91	75	105	105	62	377	234	234	197
<b>Total income</b>	<b>92</b>	<b>74</b>	<b>105</b>	<b>104</b>	<b>62</b>	<b>376</b>	<b>235</b>	<b>235</b>	<b>197</b>
<b>Total operating expenses</b>	<b>76</b>	<b>65</b>	<b>85</b>	<b>89</b>	<b>51</b>	<b>315</b>	<b>191</b>	<b>191</b>	<b>162</b>
<b>Result before tax</b>	<b>16</b>	<b>9</b>	<b>20</b>	<b>15</b>	<b>11</b>	<b>61</b>	<b>44</b>	<b>44</b>	<b>35</b>

Cost and income  
(NOK mill.)

Result before tax  
(NOK mill.)



## SpareBank 1 Markets

SpareBank 1 Markets AS is a Norwegian investment bank within the SpareBank 1 Alliance. The company provides research, financial advice, capital raising and stockbroking services, debt and fixed income products. Through the collaboration with the SpareBank 1 Alliance, SpareBank 1 Markets can offer a complete national capital structure service, and cover all customer segments, from retail clients and small and medium-sized businesses to large listed companies and institutional investors. The company is headquartered in Oslo and has offices in Trondheim and Ålesund.

SpareBank 1 Markets acquired Allegro Kapitalforvaltning in Trondheim and SpareBank 1 Nord-Norge Forvaltning in Tromsø from SpareBank 1 SMN and SpareBank 1 Nord-Norge respectively in 2<sup>nd</sup> quarter 2017. The acquired companies are merged and will spearhead SpareBank 1 Markets' asset management business. The new business unit has combined AUM of 10 NOK billion.

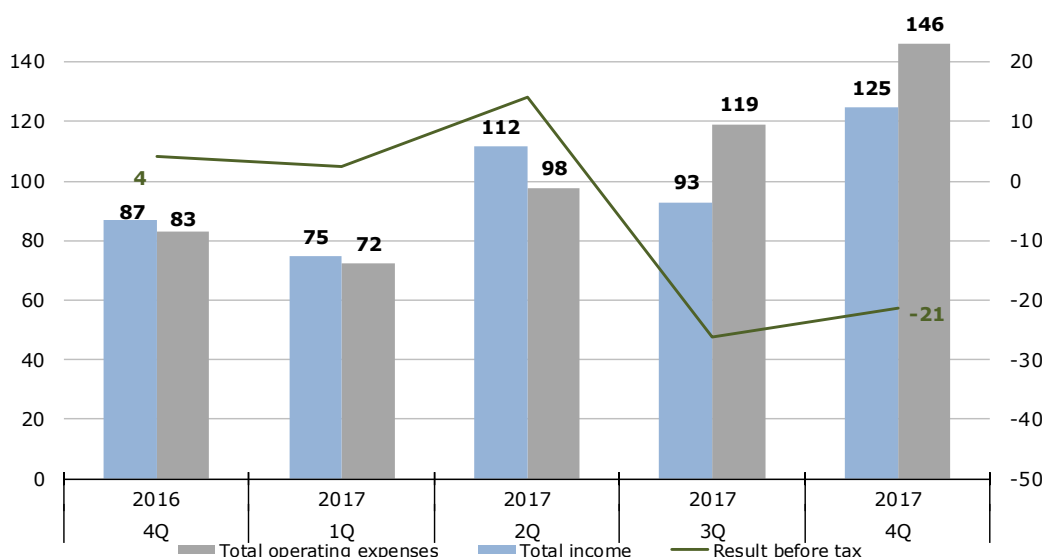
In the fourth quarter the company acquired the trading desk at SpareBank 1 SR-Bank Markets. SpareBank 1 SR-Bank became co-owner of the company as a result of the transaction.

SpareBank 1 Markets is owned by SpareBank 1 SMN (66.7 per cent), SpareBank 1 Nord-Norge (12.2 per cent), SamSpar (9.4 percent), SpareBank 1 Østlandet (5.8 percent), SpareBank 1 SR-Bank (5.6 percent) and others (0.3 percent).

<i>Financial performance</i> (in NOK million)	4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016	31 Dec. 2017 2016		2016	2015
Net interest	-4	-6	-2	-2	-2	-15	-8	-8	-3
Equities / High Yield	47	30	47	28	22	152	97	97	69
Fixed Income	6	9	11	15	10	41	20	20	-25
Corporate	41	26	34	12	25	112	87	87	35
Foreign exchange/ interest rate deriv	32	16	17	18	29	82	88	88	50
Asset Management	-	18	3			20			
Other commission income	3	2	2	4	2	11	8	8	6
<b>Total income</b>	<b>125</b>	<b>93</b>	<b>112</b>	<b>75</b>	<b>87</b>	<b>437</b>	<b>292</b>	<b>292</b>	<b>132</b>
<b>Total operating expenses</b>	<b>146</b>	<b>119</b>	<b>98</b>	<b>72</b>	<b>83</b>	<b>435</b>	<b>282</b>	<b>282</b>	<b>235</b>
<b>Result</b>	<b>-21</b>	<b>-26</b>	<b>14</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>10</b>	<b>10</b>	<b>-103</b>
Loss on loans, guarantees etc.	-	-	-	-	-	-	-	-	0
<b>Result before tax</b>	<b>-21</b>	<b>-26</b>	<b>14</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>10</b>	<b>10</b>	<b>-103</b>

Cost and income  
(NOK mill.)

Result before tax  
(NOK mill.)



### *Other subsidiaries*

**SpareBank 1 Bilplan:** The company delivers car fleet management solutions to the public and private sectors nationwide. The company services the market through its own sales operation and through cooperation with SpareBank 1 Finans Midt-Norge, SpareBank 1 SR-Finans, SpareBank 1 Finans Nord-Norge and through the Bank's office network.

**SpareBank 1 Invest:** The company's strategy is to carry out investments in regional start-ups, venture and private equity funds and to invest directly in growth companies with national/ international market potential in the same market area.

**Property companies:** Their mission is to own, operate and develop property. Property companies: SpareBank 1 SMN Kvartalet, SpareBank 1 Bygget Steinkjer, St Olavs Plass 1 SMN, Jernbanegata 19 SMN, SpareBank 1 Bygget Trondheim, Bjerkeløkkja.

## 7. Development last ten years

### Financial results

(in NOK million)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net interest	1,139	1,350	1,325	1,317	1,392	1,477	1,616	1,790	1,872	1,883
Commission income and other income	671	610	756	855	919	1,139	1,463	1,512	1,545	1,674
Net return on financial investments	332	207	596	410	434	451	502	720	459	944
<b>Total income</b>	<b>2,142</b>	<b>2,167</b>	<b>2,677</b>	<b>2,582</b>	<b>2,746</b>	<b>3,067</b>	<b>3,580</b>	<b>4,021</b>	<b>3,876</b>	<b>4,502</b>
Staff costs	583	623	725	583	810	942	923	1,002	1,093	1,159
Other operating expenses	519	571	528	557	672	712	799	787	838	844
<b>Total operating expenses</b>	<b>1,102</b>	<b>1,194</b>	<b>1,253</b>	<b>1,140</b>	<b>1,482</b>	<b>1,654</b>	<b>1,722</b>	<b>1,789</b>	<b>1,931</b>	<b>2,003</b>
<b>Result before losses</b>	<b>1,039</b>	<b>975</b>	<b>1,424</b>	<b>1,441</b>	<b>1,264</b>	<b>1,414</b>	<b>1,859</b>	<b>2,232</b>	<b>1,945</b>	<b>2,499</b>
Loss on loans, guarantees etc.	-6	202	277	132	27	58	101	89	169	516
<b>Result before tax</b>	<b>1,045</b>	<b>773</b>	<b>1,147</b>	<b>1,309</b>	<b>1,236</b>	<b>1,355</b>	<b>1,758</b>	<b>2,143</b>	<b>1,776</b>	<b>1,983</b>
Tax charge	200	156	210	260	255	295	388	362	370	341
Results investments held for sale, after tax				-27	43	16	30	0	(1)	4
<b>Net profit</b>	<b>846</b>	<b>617</b>	<b>937</b>	<b>1,022</b>	<b>1,024</b>	<b>1,077</b>	<b>1,400</b>	<b>1,782</b>	<b>1,406</b>	<b>1,647</b>

### Balance sheet

(in NOK million)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cash and loans to and claims on credit institutions	3,878	4,548	1,260	2,532	4,075	4,091	5,984	5,965	5,677	4,207
CDs, bonds and other interest-bearing securities	7,246	12,036	19,302	22,948	21,485	25,614	26,358	27,891	30,282	29,489
Gross loans to customers before write-downs	59,178	64,016	61,782	69,847	73,105	74,943	80,548	90,578	93,974	102,325
- Specified write-downs	-116	-215	-219	-222	-172	-144	-173	-172	-183	-632
- Write-downs by loan category	-185	-245	-289	-290	-290	-295	-295	-295	-376	-339
Other assets	1,502	4,540	2,704	3,182	3,252	3,766	2,938	2,080	2,540	3,030
<b>Assets</b>	<b>71,503</b>	<b>84,679</b>	<b>84,541</b>	<b>97,997</b>	<b>101,455</b>	<b>107,975</b>	<b>115,360</b>	<b>126,047</b>	<b>131,914</b>	<b>138,080</b>
Deposits from credit institutions	5,346	9,000	11,310	13,062	9,118	7,410	6,581	9,123	8,155	10,509
Deposits from and debt to customers	32,434	35,280	37,227	42,786	47,871	52,252	55,927	60,680	64,090	67,168
Debt created by issue of securities	23,950	29,680	24,070	29,625	31,306	33,121	36,806	39,254	40,569	40,390
Other liabilities	2,265	2,045	1,876	1,922	2,122	2,070	1,485	1,095	1,734	1,532
Subordinated loan capital	2,648	3,156	3,875	2,758	2,690	3,040	3,319	3,371	3,463	3,182
Total equity capital	4,860	5,518	6,183	7,846	8,348	10,082	11,242	12,524	13,904	15,299
<b>Total liabilities and equity</b>	<b>71,503</b>	<b>84,679</b>	<b>84,541</b>	<b>97,997</b>	<b>101,455</b>	<b>107,975</b>	<b>115,360</b>	<b>126,047</b>	<b>131,914</b>	<b>138,080</b>

Historical numbers are not adjusted for the reclassification of hybrid capital

## Key figures

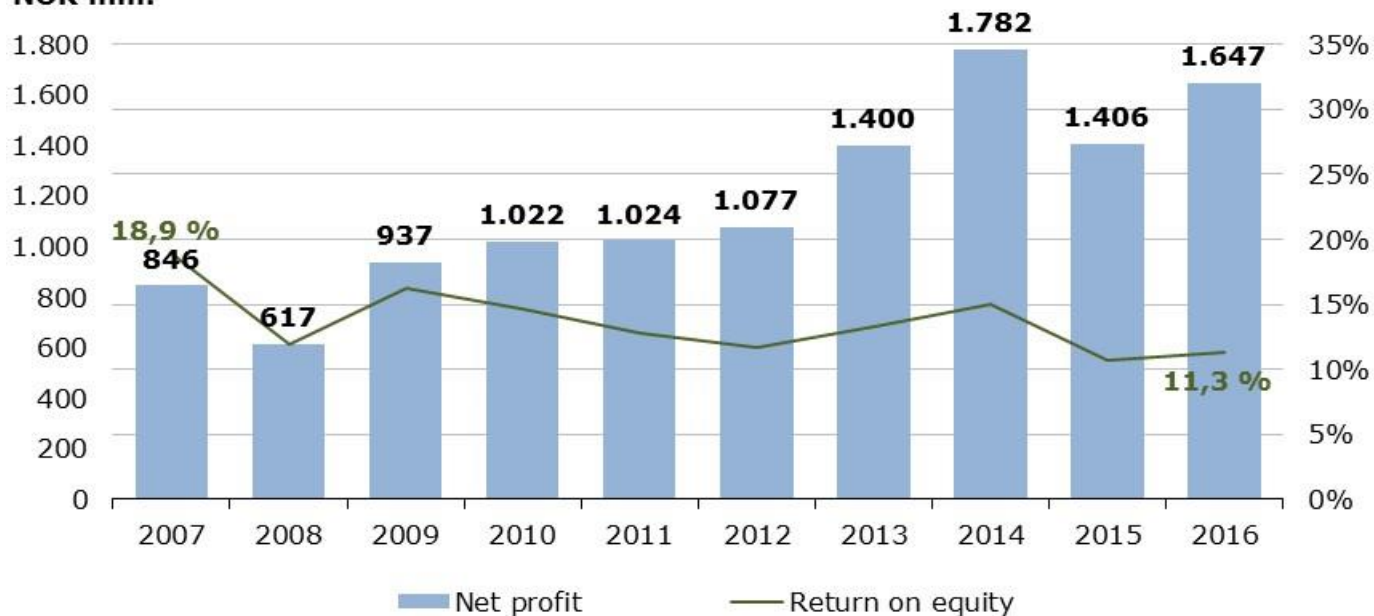
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Return on equity	18.9 %	11.9 %	16.2 %	14.6 %	12.8 %	11.7 %	13.3 %	15.1 %	10.7 %	11.3 %
Cost/income ratio group	51.7 %	55.0 %	46.8 %	44.2 %	54.0 %	53.9 %	48.1 %	44.5 %	49.8 %	44.5 %
Cost/income ratio group, ex. financial inv.	60.8 %	60.2 %	52.5 %	52.5 %	64.1 %	63.2 %	55.9 %	54.2 %	56.5 %	56.3 %
Cost/income ratio parent bank	52.4 %	55.3 %	47.2 %	40.2 %	50.5 %	47.5 %	40.2 %	40.5 %	38.0 %	31.9 %
12-month cost growth	11.8 %	7.9 %	4.9 %	-9.0 %	30.0 %	11.6 %	4.1 %	3.9 %	7.9 %	3.7 %
Gross loans to customers*	61,910	71,317	77,429	87,665	95,232	104,925	112,283	120,435	127,378	137,535
Gross loans in retail market	38,872	42,679	45,157	49,619	55,034	62,587	68,591	74,087	80,725	89,402
Gross loans in corporate market	23,038	28,638	32,272	38,046	40,198	42,322	43,692	46,348	46,653	48,133
Growth in loans last 12 months*	17.2 %	15.2 %	8.6 %	13.2 %	8.6 %	10.2 %	6.8 %	7.3 %	5.8 %	8.0 %
Deposits from customers	32,434	35,280	37,227	42,786	47,871	52,252	55,927	60,680	64,090	67,168
Deposits from retail market	16,070	17,566	17,898	19,052	20,860	22,279	23,891	26,496	28,336	29,769
Deposits from corporate market	16,363	17,715	19,330	23,734	27,011	29,973	32,036	34,184	35,754	37,398
Growth in deposits last 12 months	7.6 %	8.8 %	5.5 %	14.9 %	11.9 %	9.2 %	7.3 %	8.5 %	5.6 %	4.8 %
Deposit-to-loan ratio*	52.4 %	49.5 %	48.1 %	48.8 %	50.3 %	49.8 %	49.8 %	50.4 %	50.3 %	48.8 %
Total assets	71,503	84,679	84,541	97,997	102,479	107,975	115,360	126,047	131,914	138,080
Average total assets	67,202	75,820	86,679	91,317	98,465	105,372	111,843	117,794	128,355	137,060
Employees in employment group	931	982	1,016	1,035	1,098	1,135	1,159	1,192	1,208	1,254
Employees in employment parent bank	723	750	767	764	786	793	757	753	645	630
Employees in employment subsidiaries	208	232	250	271	312	342	402	439	563	624
Net other operating income of total income	31.3 %	28.2 %	28.2 %	33.1 %	33.5 %	37.1 %	40.8 %	38.0 %	40 %	37 %
Common Equity Tier 1 ratio	7.4 %	7.1 %	7.7 %	9.3 %	8.9 %	10.0 %	11.1 %	11.2 %	13.6 %	14.9 %
Capital adequacy ratio	12.1 %	11.9 %	13.6 %	13.0 %	12.0 %	13.3 %	14.7 %	15.7 %	18.3 %	19.4 %
Core capital ratio	8.4 %	8.1 %	10.4 %	10.9 %	10.4 %	11.3 %	13.0 %	13.0 %	15.6 %	17.0 %
Total core capital	4,019	4,967	6,730	7,283	7,856	9,357	10,989	12,382	13,988	15,069
Net subordinated capital	5,762	7,312	8,730	8,646	9,055	10,943	12,417	14,937	16,378	17,185
Impairment losses ratio	-0.01 %	0.21 %	0.31 %	0.16 %	0.03 %	0.06 %	0.09 %	0.08 %	0.14 %	0.39 %
Non-perf. commitm. as % of gross loans	0.39 %	0.46 %	0.49 %	0.57 %	0.36 %	0.36 %	0.34 %	0.22 %	0.16 %	0.16 %
Other doubtful commitm. as % of gross loans	0.37 %	1.33 %	0.57 %	0.24 %	0.21 %	0.14 %	0.14 %	0.18 %	0.31 %	1.07 %

\* Gross loans to customers includes SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt

Historical numbers are not adjusted for the reclassification of hybrid capital

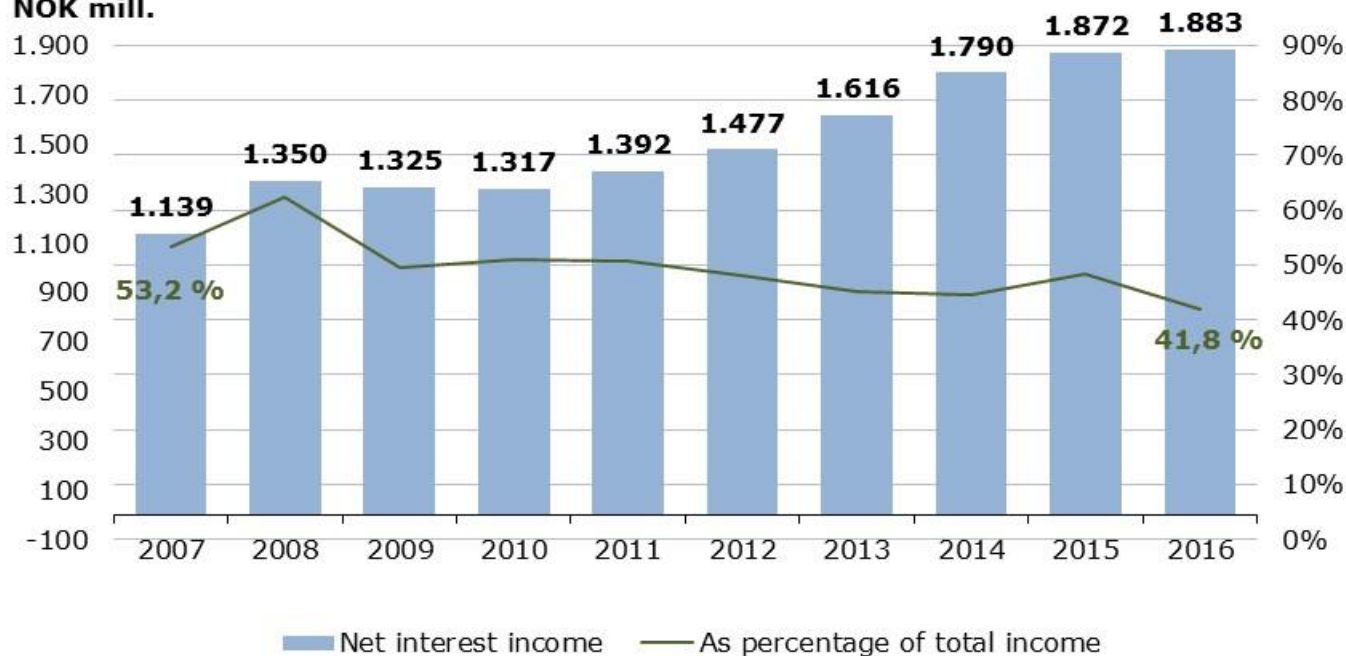
## Net profit and return on equity

NOK mill.



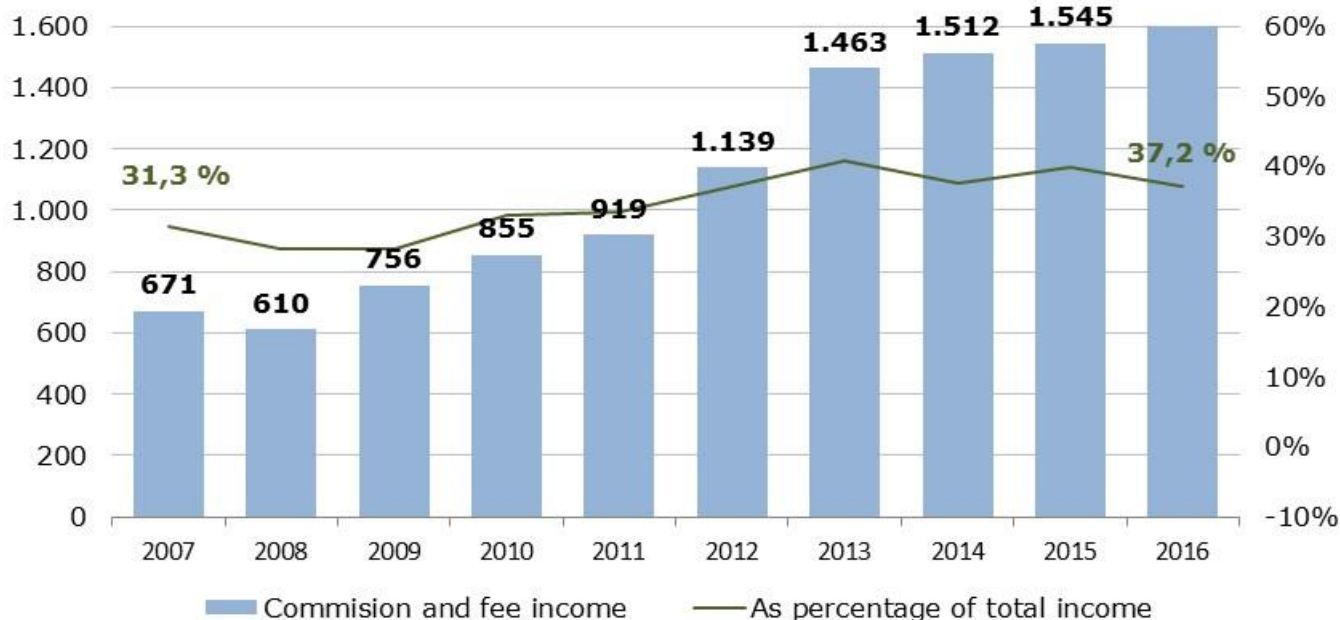
## Development in net interest income

NOK mill.

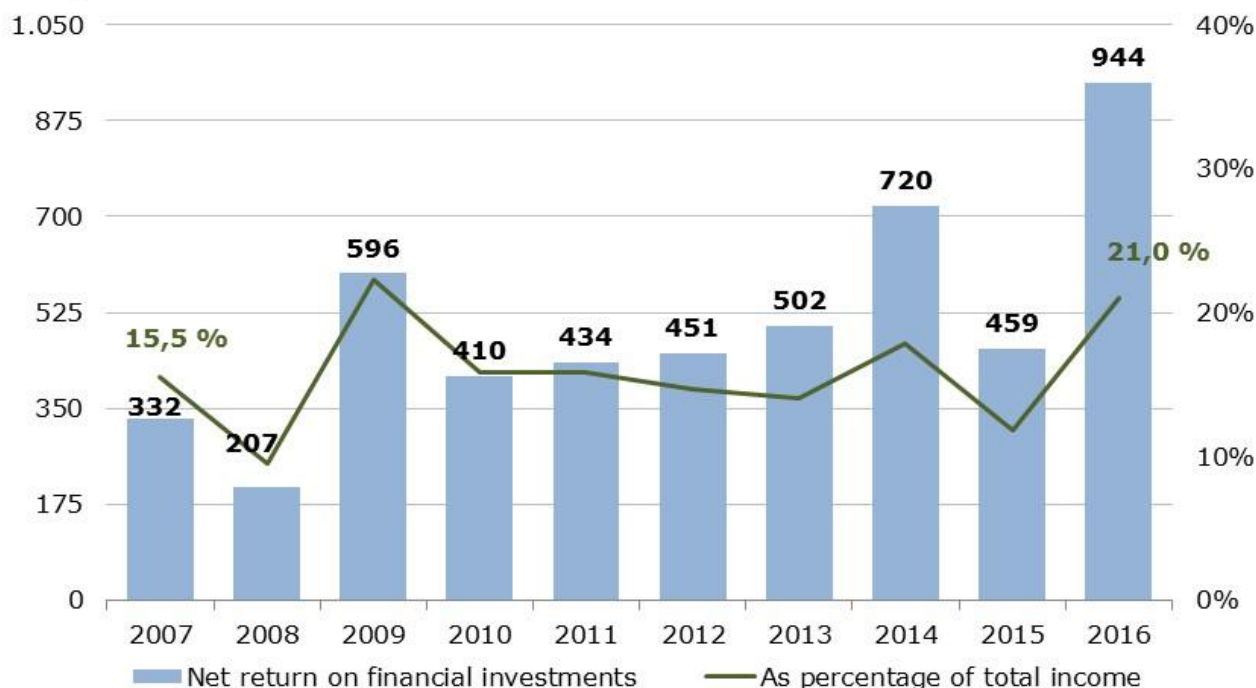


Historical numbers are not adjusted for the reclassification of hybrid capital

### Development in commission income and other income



### Development in net return on financial investments

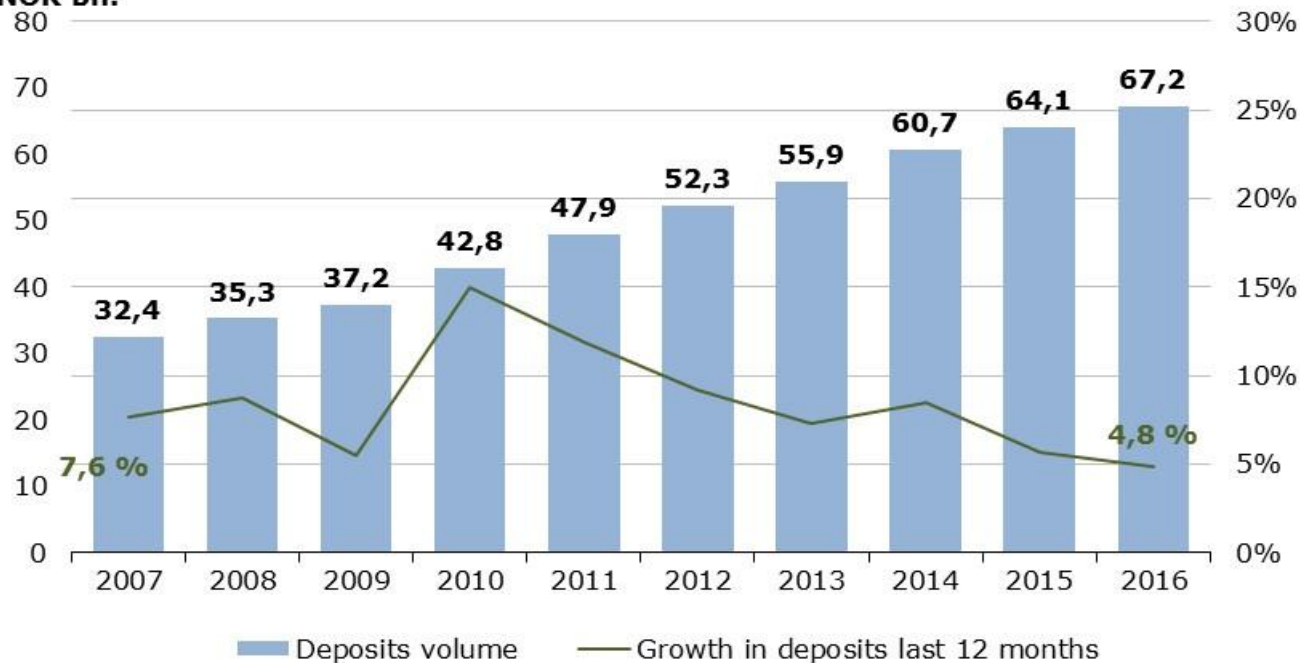


Historical numbers are not adjusted for the reclassification of hybrid capital



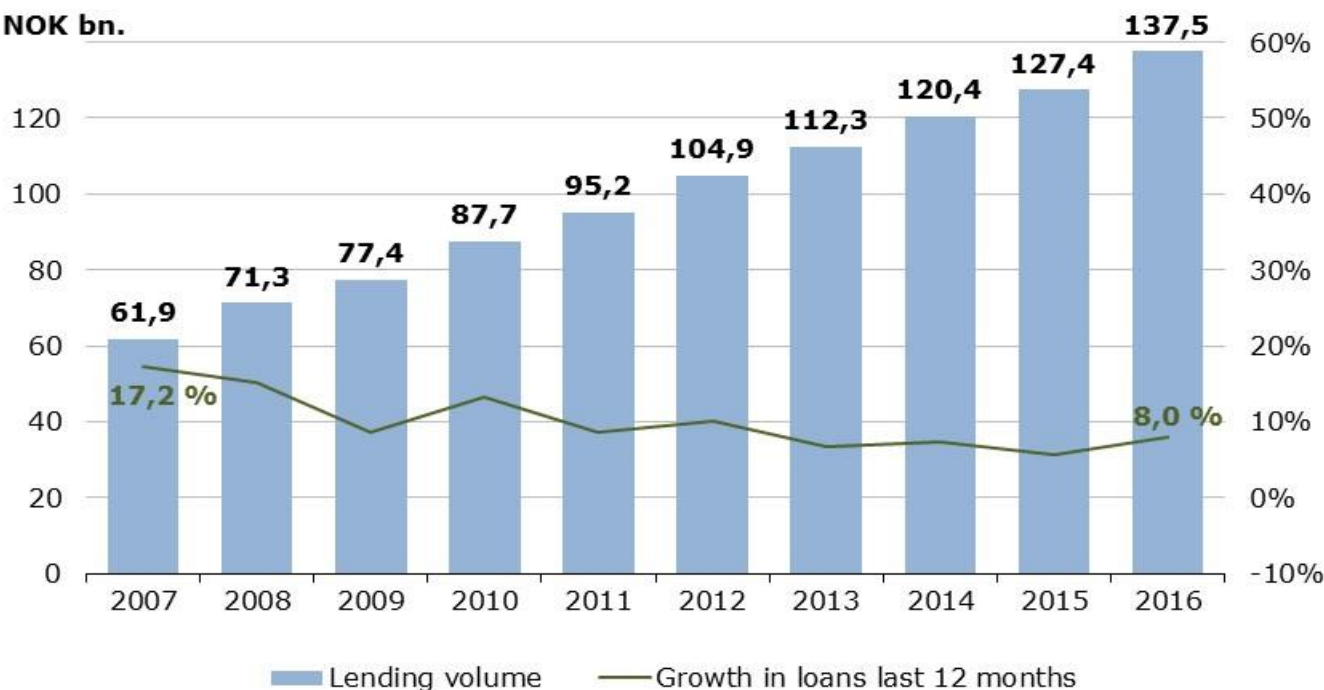
## Volume development, Deposits

NOK bn.



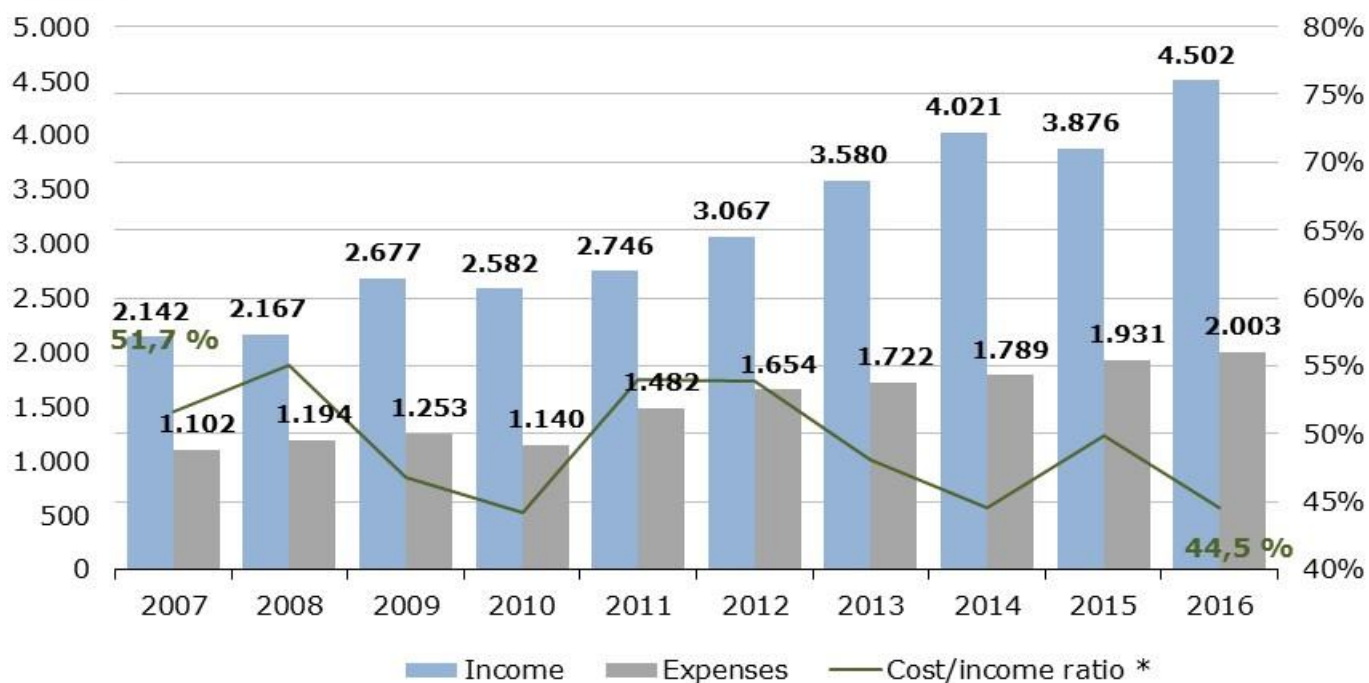
## Volume development, Lending

NOK bn.



## Cost/income ratio

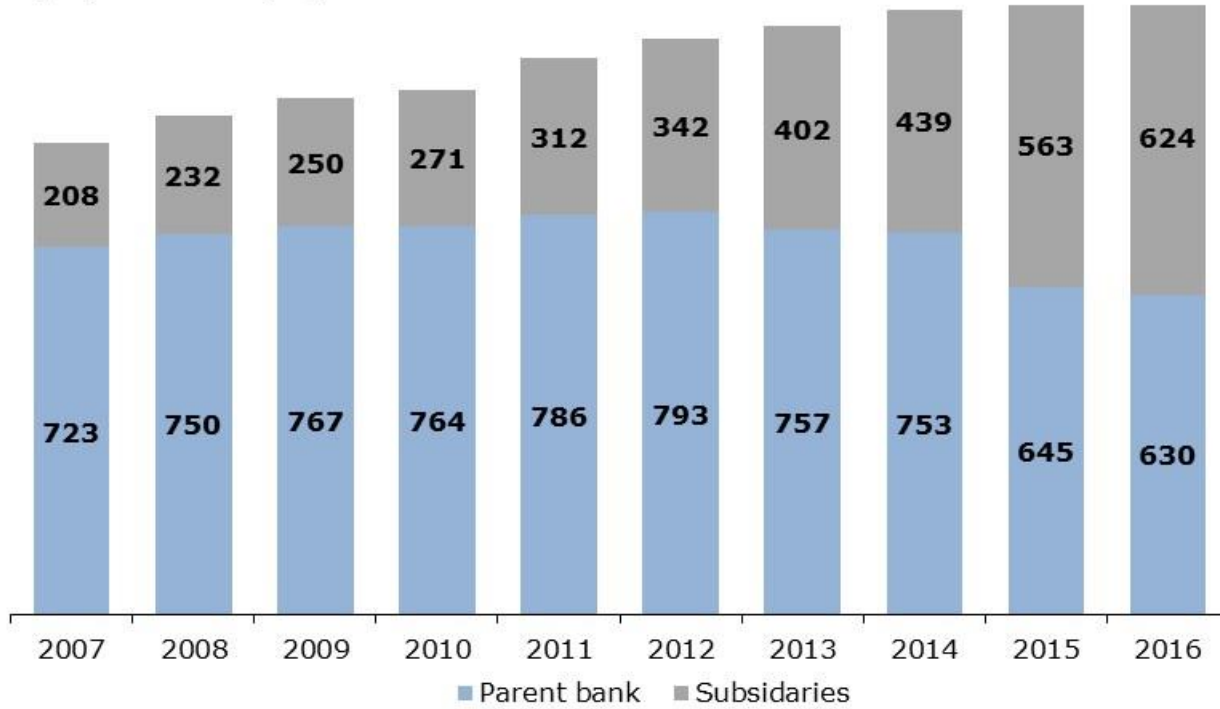
NOK mill.



\* Total operating expenses as a percentage of total operating income

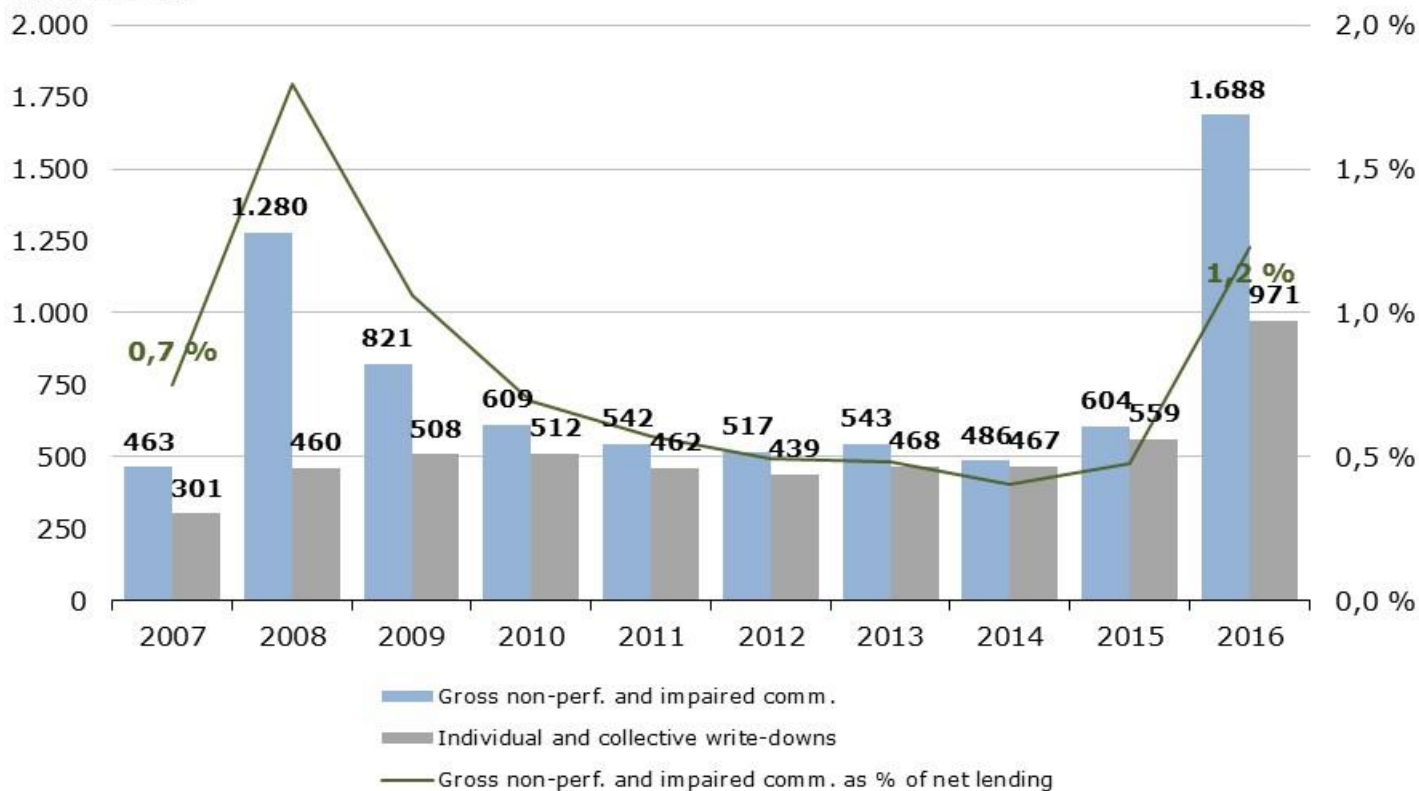
Historical numbers are not adjusted for the reclassification of hybrid capital

*Employees in employment*



# Net non-performing and impaired commitments

NOK million



# Capital Adequacy

