

QUARTER 3
2017



SPAREBANKEN SØR

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Income statement (NOK million)	Q3 2017	Q3 2016	30.09.2017	30.09.2016	31.12.2016
Net interest income	422	398	1 240	1 157	1 565
Net commission income	80	78	234	223	293
Net income from financial instruments	21	93	30	157	224
Other operating income	2	4	9	20	28
Total net income	525	573	1 513	1 557	2 110
Total expenses	194	184	601	593	787
Profit before losses on loans	331	389	912	964	1 323
Losses on loans and guarantees	4	13	32	35	50
Profit before taxes	327	376	880	929	1 273
Tax expenses	80	85	208	211	284
Profit for the period	247	291	672	718	989
Income statement as percentage of average assets					
Net interest income	1,51 %	1,50 %	1,53 %	1,47 %	1,49 %
Net commission income	0,29 %	0,29 %	0,29 %	0,28 %	0,28 %
Net income from financial instruments	0,07 %	0,35 %	0,04 %	0,20 %	0,21 %
Other operating income	0,01 %	0,02 %	0,01 %	0,03 %	0,03 %
Total net income	1,87 %	2,15 %	1,87 %	1,98 %	2,01 %
Total expenses	0,69 %	0,69 %	0,74 %	0,76 %	0,75 %
Profit before losses on loans	1,18 %	1,46 %	1,12 %	1,23 %	1,26 %
Losses on loans and guarantees	0,01 %	0,05 %	0,04 %	0,04 %	0,05 %
Profit before taxes	1,17 %	1,41 %	1,09 %	1,18 %	1,21 %
Tax expenses	0,29 %	0,32 %	0,26 %	0,27 %	0,27 %
Profit for the period	0,88 %	1,09 %	0,83 %	0,92 %	0,94 %
Average total assets	111 100	105 900	108 400	104 800	104 950
Balance sheet					
Total assets			111 315	105 248	105 455
Net loans to customers			96 003	90 086	90 928
Growth in loans as %, last 12 mths.			6,6 %	5,5 %	2,9 %
Customers deposits			54 605	51 207	51 562
Growth in deposits as %, last 12 mths.			6,6 %	4,7 %	6,6 %
Deposits as % of net loans			56,9 %	56,8 %	56,7 %
Equity (Incl. hybrid capital)			10 831	9 800	10 051
Losses on loans as % of net loans, annualised			0,04 %	0,05 %	0,05 %
Gross defaulted loans over 90 days as % of gross loans			0,27 %	0,45 %	0,30 %
Other key figures					
Cost as % of income	37,0 %	32,1 %	39,7 %	38,1 %	37,3 %
Cost as % of income, ex net income from financial instruments	38,5 %	38,3 %	40,5 %	42,4 %	41,7 %
Return on equity after tax (Adjusted for hybrid capital)	9,8 %	12,7 %	9,0 %	11,1 %	11,3 %
Liquidity reserve (LCR) (Group)			144 %	117 %	128 %
Common equity tier 1 capital ratio (added share of profit)			14,7 %	14,5 %	14,7 %
Tier 1 capital ratio			16,3 %	14,9 %	16,0 %
Total capital ratio			18,1 %	16,9 %	17,9 %
Common equity tier 1 capital			9 625	8 250	9 114
Tier 1 capital			10 700	9 075	9 939
Net total primary capital			11 881	10 256	11 121
Leverage ratio			9,1 %	7,7 %	8,6 %
Number of branches			34	36	34
Number of man-years in banking activity			431	435	439
Key figures, Equity certificates					
Equity certificate ratio, weighted average over the period	18,7 %	19,8 %	18,7 %	16,7 %	17,5 %
Number of equity certificates issued			15 663 944	15 663 944	15 663 944
Profit/diluted earnings per equity certificate (Parent bank)	2,1	2,9	6,2	6,0	8,5
Profit/diluted earnings per equity certificate (Group)	2,8	3,5	7,6	7,4	10,7
Dividend last year per equity certificate					6,0
Book equity per equity certificate			116,8	113,4	115,2
Price-to-book per equity certificate			0,9	0,7	0,8
Listed price on Oslo Stock Exchange at end of period *)			103	81,75	91,3

General

Sparebanken Sør is an independent financial institution that engages in banking, securities and real estate brokerage activities in the counties of Aust-Agder, Vest-Agder, Telemark and Rogaland.

Estate agency brokerage is carried out through the subsidiary Sørmeqleren. General insurance and life insurance products are supplied via Frende, an insurance company of which the bank is a joint owner. The Bank is also a joint owner of Norne, a security trading company, and Brage, a leasing product supplier and car financing company.

Key features in Q3 2017

- Good results from ordinary operations
- Positive development in net interest income
- Increased commission income from the Group's real estate agency, Sørmeqleren
- Efficient operations and low costs
- Low loan losses
- Few defaults
- Return on equity after tax of 9.8 percent
- Common equity tier 1 capital ratio of 14.7 percent and leverage ratio of 9.1 percent

Key features after 9 months

- Good results from ordinary operations
- Positive development in net interest income
- Increased commission income from the Group's real estate agency, Sørmeqleren
- Efficient operations and low costs
- Low loan losses
- Loan growth of 6.6 percent during the last 12 months
- Deposit growth of 6.6 percent during the last 12 months
- Return on equity after tax of 9.0 percent
- Successful opening of a new branch in Rogaland

Financial framework conditions

Norges Bank has held the key interest rate at 0.50 percent through 2017, with no adjustments at the last meeting in September.

An extra financial tax of 5 percent on wages was adopted in the National Budget for 2017. In addition, the income tax of 25 percent for the financial sector remains unchanged in 2017.

The Government has established a new mortgage regulation regarding the customers' debt ratio and equity requirements, as well as a requirement for installments for loans exceeding 60 percent of the collateral. Banks have the opportunity to exempt up to 10 percent of the banks loan balance from these requirements. In the county of Oslo regulations are even stricter, which imply that banks can exempt up to 8 percent of the loan balance.

The Ministry of Finance has decided to increase the requirement for a countercyclical capital buffer from 1.5 percent to 2.0 percent with effect from 31.12.2017. The purpose is to make banks more robust. The increase is in line with the recommendation given by Norges Bank.

Both domestic and foreign capital markets have been well-functioning in 2017. In addition, credit spreads have remained stable in Q3. This has given the Group easy access to funding through covered bonds and senior debt.

The Annual growth in the general public's gross domestic debt (C2) was 5.6 percent at the end of August. Credit growth for households and industry amounted to 6.6 percent and 3.7 percent respectively.

Income statement

Profit before tax was NOK 327 million in Q3 2017, compared with NOK 376 million in the same period in 2016. The Group has a solid profit before tax, a positive development in net interest income, low costs and low losses.

The decrease in profit from the same period in 2016 is primarily caused by a lower income from financial instruments.

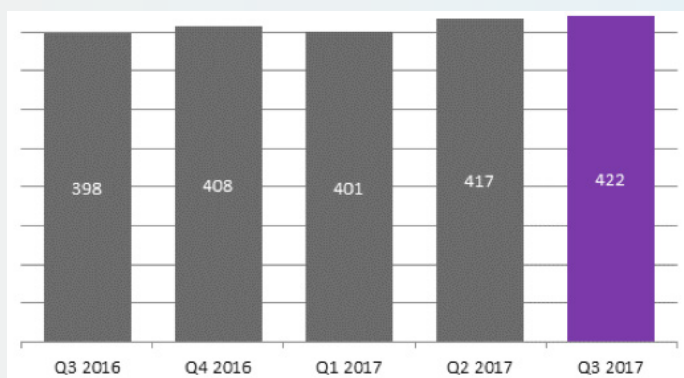
The return on equity after tax was 9.8 percent in Q3 2017, compared with 12.7 percent in Q3 2016.

Profit from ordinary operations (*) shows an increase of NOK 23 million in Q3 2017, when compared with Q3 2016.

Profit before tax for the first 9 months of 2017 amounted to NOK 880 million, compared with NOK 929 million in the same period in 2016. Return on equity after tax amounted to 9.0 percent after Q3 2017, compared with 11.1 percent for the same period last year. Profit from ordinary operations (*) at the end of Q3 2017 shows an increase of NOK 53 million, when compared with the same period in 2016.

Net interest income

Quarterly net interest in NOK million



Net interest income amounted to NOK 422 million in Q3 2017, compared with NOK 398 million in Q3 2016.

The bank changed its accounting principles from annual to periodic contributions to the Norwegian Banks' Guarantee Fund in Q1 2017. The cost amounted to NOK 10.7 million in Q3 2017, while NOK 37 million was posted in Q1 2016 for the whole of 2016. Consequently, no cost was posted in Q3 2016.

Hybrid capital has been reclassified as equity, and related interest has therefore been classified as surplus disposal. This amounted to NOK 9.6 million in Q3 2017 and NOK 10.2 million in Q3 2016.

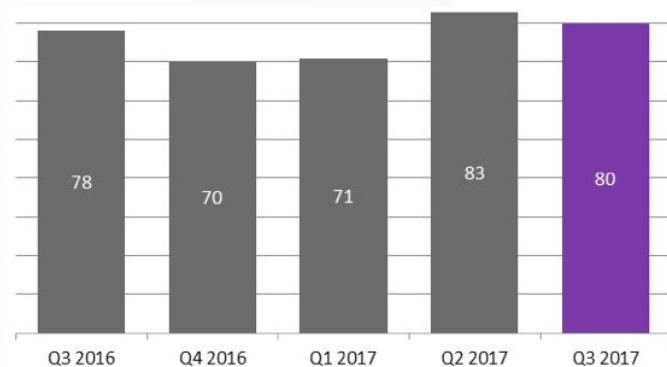
Adjusted for these two factors, net interest shows an increase of NOK 33 million in Q3 2017, when compared with Q3 2016. One important reason for the positive development is an increase in deposit margins.

Net interest income amounted to NOK 1 240 million after the first 9 months of 2017, compared with NOK 1 157 million in the same period last year. The bank has paid a total of NOK 35.1 million in interest on hybrid capital so far in 2017, compared with NOK 22.4 million in 2016. In addition, the fee to the Norwegian Banks' Guarantee Fund was posted as a whole in Q1 2016. Adjusted for the above commented changes in accounting principles, net interest income was NOK 61 million higher in 2017.

*) Net interest income adjusted for accounting changes, commission income, other income and costs adjusted for the conversion of the pension scheme. See appendix for calculations.

Commission income

Quarterly net commission income in NOK million



Net commission income amounted to NOK 80 million in Q3 2017, compared with NOK 78 million in Q3 2016.

Commission income amounted to NOK 98 million in Q3 2017, compared with NOK 94 million in Q3 2016.

Commission income after Q3 2017 amounted to NOK 277 million, compared with NOK 263 million in the same period in 2016. The increase is mainly due to increased commissions earned by Sørmeqleren.

NOK Million	Q3 2017	Q3 2016	Change	Q1-Q3 2017	Q1-Q3 2016	Change
Payment services	47	46	1	126	125	1
Real estate brokerage	28	27	1	84	75	9
Others	23	21	2	67	63	4
Total	98	94	4	277	263	14

Financial instruments

Net income from financial instruments amounted to NOK 21 million in Q3 2017, compared with NOK 93 million in the same period last year.

The positive net income is related to gains in the bond portfolio of NOK 3 million, gains and dividend on shares of NOK 7 million, gains on fixed rate loans of NOK 10 million in Q3 2017 and gains on interest rate and currency derivatives of NOK 5 million in Q3 2017. This also includes negative income effects of NOK 4 million related to the basis-swaps.

After the first 9 months of 2017, net income from financial instruments amounted to NOK 30 million, compared with NOK 157 million in the same period in 2016.

Basis swaps are used to hedge fixed rate debt issued in Euro. The value of basis swaps fluctuates due to market changes, and the fluctuations are recognized in the income statement. These are hedging instruments, and assuming the underlying bonds are held to maturity, the change in market value over the instruments duration shall equal zero.

The Bank has made no adjustments related to the value of its ownership interests in Frende, Brage or Norne in 2017, but has accounted for NOK 12 million in dividend from Frende in Q2 2017.

Operating expenses

Quarterly operating expenses in NOK million



Total operating expenses amounted to NOK 194 million in Q3 2017, compared with NOK 184 million in the same period last year. The increase is caused by, among others, increased costs related to the banks opening of a new branch in Rogaland and Sørmeqleren's establishment in Telemark. In addition, a new financial tax has increased costs by NOK 3.8 million in Q3 2017.

The operating expenses in Q4 2016 were extraordinarily low as a consequence of the recognition of the conversion of the banks collective defined benefit scheme (NOK 28 million).

Total operating expenses as a percentage of average assets amounted to 0.69 percent (0.69 percent) in Q3 2017. The cost-income ratio was 37.0 (32.1 percent) in the Group. The cost-income ratio, excluding financial instruments, was 38.5 percent (38.3 percent).

Operating expenses amounted to NOK 601 million after the first 9 months of 2017, compared with NOK 593 million in the same period in 2016. The cost-income ratio was 39.7 percent (38.1 percent). Excluding the financial instruments gives a cost-income ratio of 40.5 percent (42.4 percent).

Losses and defaulted loans

Net losses on loans amount to NOK 4 million in Q3 2017, equivalent to 0.02 percent of net loans. The corresponding figures in 2016 were NOK 13 million and 0.06 percent of net loans.

The Group's individual write-downs as at 30 September 2017 amounted to NOK 389 million, equivalent to 0.40 percent of gross loans. The Group's collective write-downs as at 30 September 2017 amounted to NOK 210 million, equivalent to 0.22 percent of gross loans.

Gross non-performing loans amounted to NOK 256 million, which amounts to 0.27 percent of gross loans. Gross non-performing loans are significantly lower than for the corresponding figures for the same period in 2016, when gross non-performing loans amounted to NOK 407 million, or 0.45 percent of gross loans.

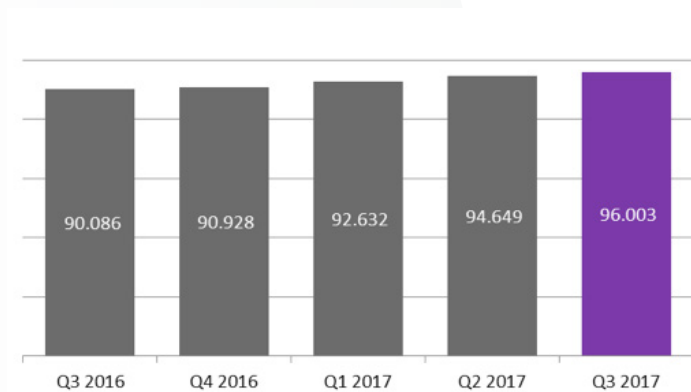
Other doubtful loans amounted to NOK 647 million. The corresponding figure in 2016 was NOK 615 million.

Net losses on loans amounted to NOK 32 million in the first 9 months of 2017, amounting to 0.04 percent of net loans. The corresponding numbers in 2016 were NOK 35 million and 0.05 percent of net loans.

IFRS 9 – Financial instruments will replace IAS 39 – Financial instruments, recognition and measurement from 2018. There are significant changes in the impairment regulations in the new standard. Today's IAS 39 is based on an incurred loss model, while the upcoming IFRS 9 is based on an expected loss model. The bank has developed models through 2016 and 2017 to meet the new requirements. So far the banks calculations suggest marginal changes in loss provisions under IFRS 9.

Loans

Loans in NOK million



During the past 12 months, net loans have increased by NOK 5.9 billion to a total of NOK 96.0 billion, a growth of 6.6 percent.

Loan growth was 5.1 million in the first three quarters of 2017, corresponding to an annual growth of 7.4 percent. The loan growth is in line with the banks expectation of a growth which is above the general markets in which the bank is represented.

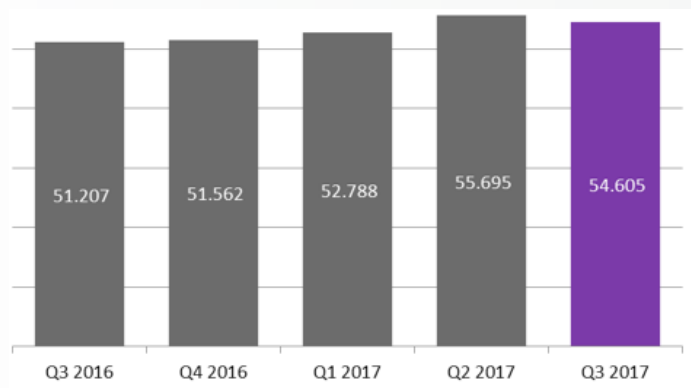
Gross loans to retail customers have increased by NOK 3.6 billion to NOK 63.1 billion the last 12 months, a growth of 6.0 percent. Growth in the first three quarters of 2017 was NOK 3.2 billion, corresponding to an annual growth of 7.1 percent.

Gross loan to corporate customers has increased by NOK 2.3 billion over the last 12 months to NOK 33.4 billion, a growth of 7.6 percent. Growth in the first three quarters of 2017 amounted to NOK 1.9 billion, corresponding to an annual growth of 7.9 percent.

Loans to retail customers amounted to 65 percent (66 percent) of total loans at the end of the first 9 months of 2017.

Deposits

Deposits in NOK million



During the past 12 months, customer deposits have increased by NOK 3.4 billion to NOK 54.6 billion, a growth of 6.6 percent.

Deposits from retail customers have increased by NOK 0.7 billion to NOK 25.9 billion, a growth of 2.6 percent.

Deposits from corporate customers have increased by NOK 2.8 billion to NOK 28.4 billion, a growth of 10.8 percent. The growth is mainly from the public sector, which is a focus area for the Group.

Sparebanken Sør’s deposit balance as a percentage of net loans was 56.9 percent as at 30 September 2017, up from 56.8 percent at the same time last year.

Financing and securities

The bank's liquidity situation is satisfactory. The liquidity buffers are adequate and the maturity structure for the funding is well-adjusted to the bank's operations. New long-term funding is established through the issuance of covered bonds and senior debt. The Group has also arranged for long term financing from the international market through established EMTN programs.

Wholesale funding amounted to NOK 42.6 million at the end of Q3 2017, of which 61 percent was through covered bonds. Long-term financing amounted to 90 percent at the end of Q3 2017.

As at 30 September 2017, the portfolio of interest-bearing securities in the Group totalled NOK 12.7 billion, and the liquidity indicator for long-term financing was 108 percent.

The Group's ratio for liquidity reserves (LCR) was 144 percent as at 30 September 2017 (138 percent in the parent bank).

Rating

On 10 July 2017, Moody's changed the bank's rating from A1 with "stable outlook" to A1 with "negative outlook". The latest adjustment in rating outlook from "stable" to "negative" is a reaction to the introduction of the EU Bank Recovery and Resolution Directive (BRRD) for Norwegian banks, and has been applied to five regional banks.

All covered bonds issued by Sparebanken Sør Boligkreditt AS are rated by Moody's, with Aaa rating.

Primary capital and capital adequacy

Net primary capital amounted to NOK 11.9 billion. Hybrid capital amounted to NOK 1.1 billion and subordinated loans to NOK 1.2 billion. At the end of Q3 2017, the common equity tier 1 (CET1) capital ratio was 14.7 percent (including 80 percent of accrued profit). The tier 1 capital ratio was 16.3 percent and the (total) capital ratio 18.1 percent, based on the Basel II regulations. Hence the Group has fulfilled the new capital requirements for financial institutions with effect from 30 June 2016 on 11.5 percent for common equity tier 1 capital, 13 percent for tier 1 capital and 15 percent for (total) capital.

As of Q1 2017 the Group has consolidated a proportion of its cooperative companies when calculating the capital ratio. For Sparebanken Sør, this applies to Brage Finans, in which the bank has an ownership interest of more than 10 percent. The common equity tier 1 capital ratio, when including the Group's cooperative companies, amounts to 14.5 percent. The tier 1 capital ratio amounts to 16.2 percent and the (total) capital ratio amounts to 18.0 percent.

For the Parent Bank, the respective figures at the end of Q3 2017 was a CET1 capital ratio of 15.0 percent, a tier 1 capital ratio of 16.9 percent and a (total) capital ratio of 19.0 percent.

The Group's leverage ratio was 9.1 percent at the end of Q3 2017, compared with 7.7 percent at the end of Q3 2016. The bank's capital situation is considered to be very satisfactory.

An important part of the bank's ambition is to achieve a CET1 capital ratio at least at level with comparable banks. Of the largest regional banks, Sparebanken Sør is the only bank using the standard method in the capital adequacy calculations. If the bank had made its calculations based on the IRB-method this would have given a significantly higher CET1 capital ratio.

The Ministry of Finance decided in December 2016 to increase the countercyclical capital buffer from 1.5 to 2.0 percent with effect from 31.12.2017. This implies that the requirement for common equity tier 1 capital, including the pillar 2 requirement of 2.1 percent, increases to 14.1 percent. Further adaptation of the buffer beyond this level will depend on market expectations and the Financial Supervisory Authority's response to the bank's Internal Capital Adequacy Assessment Process (ICAAP).

The bank's equity certificates

As at 30 September 2017, 15 663 944 equity certificates have been issued. The profit (Group) per equity certificate amounted to NOK 2.8 for Q3 2017 and NOK 7.6 for the first 9 months of 2017. The ownership ratio in Q3 2017 was 18.7 percent. Hybrid capital classified as equity has been excluded when calculating the ownership ratio.

Report from the Board of Directors

Dividend

Sparebanken Sør will through sound, stable and profitable operations ensure that its equity certificate owners achieve a competitive return in terms of dividend and return on their equity certificates.

The surplus will be distributed between the equity certificate capital (equity certificate owners) and the primary capital in accordance with their share of the equity.

When determining the annual dividend, Sparebanken Sør's need for capital, including regulatory requirements, expectations from investors and the bank's strategic targets will be considered.

An ambition is that approximately half of the equity certificate capital share of annual profits after tax should be awarded as dividend.

Datterselskaper og samarbeidende selskaper

Sparebanken Sør Boligkreditt AS is the bank's wholly owned subsidiary, and is licensed to issue covered bonds. The company is used as an instrument in the bank's long-term funding strategy. As at 30 September 2017, the bank had transferred NOK 29.4 billion to Sparebanken Sør Boligkreditt AS, equivalent to 46.2 percent of all loans to the retail market.

Sørmegleren is the bank's own real estate agency and the leading estate agency business in the Agder counties. The company has a positive profit trend and has also strengthened its position through the establishment of new offices in Skien and Porsgrunn in 2017.

Frende Holding (10% ownership interest) is the parent company of Frende Skadeforsikring AS and Frende Livsforsikring AS, which provides general insurance and life insurance to retail and corporate customers. The company has had strong growth its customer base and premiums within both general and life insurance, and the profit trend is positive.

Brage Finans (15% ownership interest) is a financing company which offers leasing and loans secured by the purchased objects to the corporate and retail markets. The company has continued its trend to develop and deliver profitable growth.

Norne Securities (17.6% ownership interest) is an investment firm that provides online trading, traditional brokerage and corporate finance services. The company has had a positive development in profit.

Balder Betaling (22.4% ownership interest) is a newly established company and is owned by Sparebanken Sør together with the 14 other banks in the Frende collaboration. The company has a 12 percent ownership interest in Vipps AS, and the company's task is to further develop Vipps (Norwegian mobile wallet) together with the other stakeholders.

Outlook

The Board of Directors is satisfied with the financial performance after Q3 2017. The bank has had a good development in profit from ordinary operations through increased net interest income, increased commission income, good cost control and low losses.

After a weak growth in GDP over recent years, growth in the Norwegian economy has picked up. The weak NOK exchange rate, low interest rates and an expansionary fiscal policy seems to have generated positive growth impulses and contributed to a higher export growth, a lower unemployment rate and increased private consumption. In addition, a more stable oil price seems to have contributed to a reduced fall in oil investments. Hence, the conditions for further development in the Norwegian economy is considered to be good.

House prices in the bank's main market experienced moderate growth over several years. Statistics for 2017 show flattening growth in the housing prices and also negative development in some regions. The Groups mortgage portfolio has a high collateralization level and the Group is well positioned to meet any further fall in house prices. This is also supported by stress tests that have been carried out.

Norges Bank kept its key interest rate unchanged at the last interest rate meeting and their analysis implies a key interest rate that will remain close to current levels over the coming year, rising gradually thereafter.

The Group has a requirement for a common equity tier 1 capital, including a pillar 2 requirement of 2.1 percent, which amounts to 13.6 per cent. The Financial Supervisory expects the Group to have a total common equity tier 1 capital ratio of 14.5 percent. The Ministry of Finance decided in December 2016 to increase the requirement for countercyclical capital buffers from 1.5 percent to 2.0 percent with effect from 31 December 2017. The Group aims for a common equity tier 1 capital ratio of 14.5 percent and adjustments of the buffer beyond this level will depend on market expectations and the Financial Supervisory Authorities' response to the banks ICAAP.

The Group expects a growth higher than the credit growth in 2017. The Group has a goal of a return on equity of 9 percent.

Based on the bank's loan portfolio composition, economic trends, historical figures and local market conditions, the net losses in 2017 is expected to be low.

In February 2017, the Group collaborated with more than 100 other savings banks and DNB to establish a common mobile wallet under the brand Vipps. We believe this collaboration will provide the best and easiest payment solutions for our customers, and it strengthens the bank's competitiveness on mobile solutions in the future. Recent developments have shown that also foreign banks view Vipps as the best solution for their customers in Norway.

The Bank shall in accordance with its strategy focus on cost and long-term value creation. The Bank's investments in technology will continue, which will contribute to cost efficient operations and enable streamlining of the office structure. This, together with high quality in customer credit assessments, will contribute to a continued profitable growth and development for Sparebanken Sør.

Events since the end of the quarter

There have been no recorded incidents since 30 September 2017 that affect the quarterly accounts.

Arendal, 25 October 2017

Stein A. Hannevik
Chairman

Torstein Moland
Deputy chairman

Inger Johansen

Erling Holm

Marit Kittilsen

Tone Thorvaldsen Vareberg

Jan Erling Tobiassen
Employee representative

Gunnhild T. Golid
Employee representative

Geir Bergskaug
CEO

Income statement

PARENT BANK					NOK million		GROUP				
31.12.	30.09.	30.09.	Q3	Q3		Q3	Q3	30.09.	30.09.	31.12.	
2016	2016	2017	2016	2017	Notes	2017	2016	2017	2016	2016	
2 194	1 641	1 652	542	548	Interest income	741	729	2 213	2 195	2 928	
963	742	666	229	220	Interest expenses	319	331	973	1 038	1 363	
1 231	899	986	313	328	Net interest income	422	398	1 240	1 157	1 565	
309	232	238	82	86	Commission income	98	94	277	263	345	
52	40	43	16	19	Commission expenses	18	16	43	40	52	
257	192	195	66	67	Net commission income	80	78	234	223	293	
22	22	23	1		Dividend		1	15	10	10	
228	176	63	102	27	Net income from other financial instruments	21	92	15	147	214	
250	198	86	103	27	Net income from financial instruments	21	93	30	157	224	
29	20	9	4	2	Other operating income	2	4	9	20	28	
1 767	1 309	1 276	486	424	Total net income	525	573	1 513	1 557	2 110	
359	275	271	89	92	Wages and other personal expenses	109	104	330	326	425	
34	22	21	8	7	Depreciation and write-down of fixed assets and intangible assets	7	9	21	23	36	
310	230	234	68	73	Other operating expenses	78	71	250	244	326	
703	527	526	165	172	Total operating expenses	194	184	601	593	787	
1 064	782	750	321	252	Profit before losses on loans	331	389	912	964	1 323	
50	35	32	13	4	Losses on loans and guarantees	2	4	32	35	50	
1 014	747	718	308	248	Profit before taxes	7	327	880	929	1 273	
216	162	165	67	59	Tax expenses	12	80	208	211	284	
798	585	553	241	189	Profit for the period	247	291	672	718	989	
					Minority interests		1		1	1	
798	585	553	241	189	Majority interests	247	290	672	717	988	
8,5	6,0	6,2	2,9	2,1	Profit/diluted earnings per equity certificate	2,8	3,5	7,6	7,4	10,7	
					Other comprehensive income						
798	585	553	241	189	Profit for the period	247	291	672	718	989	
					Items that will not be reclassified to profit and loss account						
15					Recognised estimate deviation, pensions					15	
-3					Tax effect of recognised estimate deviation, pensions					-3	
810	585	553	241	189	Sum totalresultat for perioden	247	291	672	718	1 001	

PARENT BANK			NOK million	GROUP			
31.12.	30.09.	30.09.			30.09.	30.09.	31.12.
2016	2016	2017	ASSETS	Notes	2017	2016	2016
797	538	752	Cash and receivables from central banks		752	538	797
2 211	1 740	2 001	Loans to credit institutions		168	242	156
62 869	61 953	66 705	Net loans to customers	2,3,5,7,8	96 003	90 086	90 928
10 957	12 185	11 890	Bonds and certificates	8	12 700	12 488	11 815
542	482	560	Shares	8	560	482	542
453	629	366	Financial derivatives	8,9	477	808	604
1 259	1 259	1 258	Shareholdings in group companies				
9	13	35	Shareholdings in associated companies		35	13	9
18	21	24	Intangible assets		27	24	21
417	446	419	Fixed assets		451	473	472
58	32	61	Other assets		142	94	111
79 590	79 298	84 071	TOTAL ASSETS	7,8	111 315	105 248	105 455
LIABILITIES AND EQUITY CAPITAL							
232	634	976	Debts to credit institutions		905	574	178
51 577	51 235	54 619	Deposits from customers	4,7,8	54 605	51 207	51 562
16 584	16 351	16 627	Debt incurred due to issue of securities	8,10	42 648	41 175	41 217
366	350	290	Financial derivatives	8,9	456	576	616
195	193	207	Payable taxes		244	246	269
222	279	267	Other liabilities		320	330	258
77	110	72	Provisions for commitments		72	110	77
36	38	49	Deferred tax		31	27	24
1 203	1 203	1 203	Subordinated loan capital	8,10	1 203	1 203	1 203
70 492	70 393	74 310	Total liabilities		100 484	95 448	95 404
1 531	1 489	1 531	Equity certificate capital	11	1 531	1 489	1 531
825	825	1 075	Hybrid capital		1 075	825	825
6 742	6 591	7 155	Other equity		8 225	7 486	7 695
9 098	8 905	9 761	Total equity capital	6	10 831	9 800	10 051
79 590	79 298	84 071	TOTAL LIABILITIES AND EQUITY CAPITAL	7,8	111 315	105 248	105 455

Cash flow statement

PARENT BANK			NOK million	GROUP		
31.12. 2016	30.09. 2016	30.09. 2017		30.09. 2017	30.09. 2016	31.12. 2016
2 249	1 742	1 708	Interest payment received	2 277	2 299	2 972
-1 005	-870	-759	Interest payment made	-1 074	-1 160	-1 417
330	289	227	Other payments received	234	307	371
-719	-556	-506	Operating payments	-580	-637	-800
14	3	6	Established on confirmed losses	6	3	14
-138	-80	-139	Period tax paid	-225	-175	-237
-33	-16	-17	Gifts paid	-17	-16	-33
3 201	2 858	3 042	Change in customers deposits	3 043	2 858	3 214
-304	700	-3 896	Change in loans to customers	-5 134	-1 790	-2 719
3 595	4 070	-334	Net cash flow from operational activities	-1 470	1 689	1 365
10 155	6 546	6 858	Payments received regarding securities	6 957	6 796	10 519
-10 567	-8 171	-7 753	Payments made regarding securities	-7 804	-8 623	-11 688
13	5	16	Payments received regarding sale of fixed assets	38	19	27
-30	-21	-22	Payments made regarding purchase of fixed assets	-22	-21	-59
337	53	43	Change in other assets	55	6	337
-92	-1 588	-858	Net income from investing activities	-776	-1 823	-864
-194	277	210	Change in loans to credit institutions	-12	-85	1
-393	8	744	Change in deposits from credit institutions	727	-2	-397
300		2 150	Payments received, bond debt	8 410	4 760	9 560
-3 311	-3 311	-2 005	Payments made, bond debt	-6 900	-5 117	-9 774
-76	-65	-129	Payments made, dividend and interest hybrid capital	-129	-65	-76
314	314	450	Issuance of hybrid capital	450	314	314
		-200	Buy back of hybrid capital	-200		
582	582		Issuance of ECs		582	582
-260	-81	-73	Change in other liabilities	-145	-47	-246
-3 038	-2 276	1 147	Net cash flow from financing activities	2 201	340	-36
465	206	-45	Net change in liquid assets	-45	206	465
332	332	797	Cash and cash equivalents as at 01.01	797	332	332
797	538	752	Cash and cash equivalents at end of period	752	538	797

GROUP NOK million	Dividend								TOTAL
	Equity certificates	Premium fund	equalization- fund	Hybrid capital	Primary capital	Gift fund	Other equity	Minority interests	
Balance 31 Dec. 2015	474	175	256	510	6 002	41	803	2	8 263
Dividend distributed for 2015							-43		-43
Capital reduction	-239	239							0
Issuance of ECs	545	37							582
Sale of own ECs	3		-1		-1				1
Issuance of hybrid capital				315	-1				314
Interest on hybrid capital				-22					-22
Profit per 30 September 2016				22			695	1	718
Allocated gift fund						-13			-13
Balance 30 Sept. 2016	783	451	255	825	6 000	28	1 455	3	9 800
Interest on hybrid capital				-11					-11
Profit 1 Oct. -31 Dec. 2016			40	11	596	35	-411		271
Recognised estimate deviations, pension			3		12				15
Tax effect estimate deviations, pension			-1		-2				-3
Allocated gift fund						-21			-21
Balance 31 Dec. 2016	783	451	297	825	6 606	42	1 044	3	10 051
Dividend distributed for 2016							-94	-2	-96
Issuance of ECs				450	-1				449
Buyback of hybrid capital				-200					-200
Interest on hybrid capital				-35					-35
Profit per 30 September 2017				35			637		672
Allocated gift fund						-10			-10
Balance 30 Sept. 2017	783	451	297	1 075	6 605	32	1 587	1	10 831
PARENT BANK									
Balance 31 Dec. 2015	474	175	256	510	6 002	41	43		7 501
Dividend distributed for 2015							-43		-43
Capital reduction	-239	239							0
Issuance of ECs	545	37							582
Sale of own ECs	3		-1		-1				1
Issuance of hybrid capital				315	-1				314
Interest on hybrid capital				-22					-22
Profit per 30 Sept. 2016				22			563		585
Allocated gift fund						-13			-13
Balance 30 Sept. 2016	783	451	255	825	6 000	28	563	0	8 905
Interest on hybrid capital				-11					-11
Profit 1 Oct. -31 Dec. 2016			40	11	596	35	-469		213
Recognised estimate deviations, pension			3		12				15
Tax effect estimate deviations, pension			-1		-2				-3
Allocated gift fund						-21			-21
Balance 31 Dec. 2016	783	451	297	825	6 606	42	94	0	9 098
Dividend distributed for 2016							-94		-94
Issuance of ECs				450	-1				449
Buyback of hybrid capital				-200					-200
Interest on hybrid capital				-35					-35
Profit per 30 Sept. 2017				35			518		553
Allocated gift fund						-10			-10
Balance 30 Sept. 2017	783	451	297	1 075	6 605	32	518	0	9 761

1. ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the International Standards for Financial Reporting (IFRS), including IAS 34. The applied accounting principles are the same as used in the 2016 annual financial statements.

The bank has changed its accounting principle regarding the fee to the Banks' Guarantee Fund in 2017. In accordance with the Guarantee Funds own regulations, the fee is determined based on an average of risk weighted assets for previous quarters. The new accounting principle has been adopted as a result of the new regulation for withdrawals from the Banks' Guarantee Fund. The regulatory amendment gives the right to a proportionate deduction in the fee on exit. As a consequence of the new regulation, and according to IFRIC 21, banks have to accrue the fee to the Norwegian Banks' Guarantee Fund. Comparative figures have not been restated, and the tax was expensed as a whole by NOK 37 million in Q1 2016.

There are no new standards applicable for 2017 that have significant effects on the financial statements.

2. LOSSES ON LOANS AND GUARANTEES

PARENT BANK			NOK million	GROUP		
31.12.16	30.09.16	30.09.17	Individual write-downs	30.09.17	30.09.16	31.12.16
517	517	385	Individual write-downs at start of period	385	517	517
159	137	28	- Period's confirmed loss where individual write-down has been performed previously	28	137	159
74	64	15	+ Increased individual write-downs during the period	15	64	74
85	55	34	+ New individual write-downs during the period	34	55	85
132	109	17	- Reversal of individual write-downs during the period	17	109	132
385	390	389	= Individual write-downs at end of period	389	390	385

PARENT BANK				GROUP		
31.12.16	30.09.16	30.09.17	Collective write-downs on loans	30.09.17	30.09.16	31.12.16
200	200	204	Collective write-downs of loans at start of period	210	206	206
4	4	0	+ Change in collective write-downs during the period	0	4	4
204	204	204	= Collective write-downs of loans at end of period	210	210	210

PARENT BANK				GROUP		
31.12.16	30.09.16	30.09.17	Loss expense on loans during the period	30.09.17	30.09.16	31.12.16
-132	-127	4	Change in individual write downs during the period	4	-127	-132
4	4	0	+ Change in collective write-downs during the period	0	4	4
159	137	28	+ Period's confirmed loss where individual write-downs has been performed previously	28	137	159
43	20	3	+ Period's confirmed loss where no individual write-downs has been performed previously	3	20	43
-11	4	4	+ Recognised as interest income	4	4	-11
14	3	6	- Period's recoveries relating to previous losses	6	3	14
1	0	-1	+Change in write downs on guaranties	-1	0	1
50	35	32	= Loss expenses during the period	32	35	50

3. DEFAULTED AND DOUBTFUL LOANS

PARENT BANK			NOK million	GROUP		
31.12.16	30.09.16	30.09.17		30.09.17	30.09.16	31.12.16
275	406	256	Gross non-performing loans	256	407	276
89	142	72	Individual write-downs	72	142	89
186	265	185	Net non-performing loans	185	265	187
0,43 %	0,65 %	0,38 %	Gross non-performing loans in % of gross loans	0,27 %	0,45 %	0,30 %
634	615	647	Other doubtful loans	647	615	634
296	248	317	Individual loss-provisions	317	248	296
338	367	329	Net doubtful loans	329	368	338

A non-performing loan is the sum of a customer's total loan amount if part of the loan has been overdrawn or has arrears exceeding NOK 1,000 for more than 90 days.

4. CUSTOMERS DEPOSITS BROKEN DOWN PER SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.16	30.09.16	30.09.17		30.09.17	30.09.16	31.12.16
24 984	25 229	25 894	Retail customers	25 895	25 229	24 983
7 597	7 278	8 891	Public administration	8 891	7 278	7 597
495	377	471	Primary industry	471	377	495
1 523	1 531	1 385	Manufacturing industry	1 385	1 531	1 523
462	501	419	Real estate development	404	472	462
1 043	832	907	Building and construction industry	907	832	1 043
2 394	2 460	2 614	Property management	2 614	2 460	2 394
875	795	623	Transport	623	795	875
953	899	903	Retail trade	903	899	940
161	180	156	Hotel and restaurant	156	180	161
260	268	276	Housing cooperatives	276	268	260
5 346	5 221	5 196	Financial/commercial services	5 196	5 221	5 346
5 477	5 327	6 581	Social services	6 581	5 327	5 477
7	337	302	Accrued interests	302	338	7
51 577	51 235	54 619	Total deposits from customers	54 605	51 207	51 562

The distribution is based on official industry codes, and corresponds with what the Group reports internally.

5. LOANS TO CUSTOMERS BROKEN DOWN PER SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.16	30.09.16	30.09.17		30.09.17	30.09.16	31.12.16
31 789	31 526	33 731	Retail customers	63 059	59 505	59 861
334	267	392	Public administration	392	267	334
798	738	833	Primary industry	833	751	801
899	1 010	871	Manufacturing industry	871	1 014	899
3 399	3 215	3 550	Real estate development	3 502	3 171	3 396
1 421	1 329	1 438	Building and construction industry	1 438	1 373	1 427
15 645	15 954	16 590	Property management	16 588	15 962	15 629
565	532	647	Transport	647	541	570
1 023	984	1 007	Retail trade	1 007	996	985
371	374	335	Hotel and restaurant	335	376	372
898	889	1 092	Housing cooperatives	1 092	889	897
2 217	1 740	2 228	Financial/commercial services	2 228	1 787	2 221
3 970	3 863	4 442	Social services	4 442	3 903	3 977
129	125	141	Accrued interests	169	150	155
63 458	62 546	67 297	Total gross loans	96 602	90 685	91 523
589	594	593	Write-downs on lending	599	600	595
62 869	61 953	66 705	Total net loans	96 003	90 086	90 928

The distribution is based on official industry codes, and corresponds with what the Group reports internally.

6. PRIMARY CAPITAL AND CAPITAL ADEQUACY

PARENT BANK			NOK million	GROUP		
31.12.16	30.09.16	30.09.17		30.09.17	30.09.16	31.12.16
783	783	783	Equity certificates	783	783	783
451	451	451	Premium fund	451	451	451
297	255	297	Dividend equalization fund	297	255	297
6 606	6 000	6 605	Primary capital	6 605	6 000	6 606
42	28	32	Gift fund	32	28	42
94			Other equity	950	753	1 047
		718	Half-year profit before tax	880		
-94		-300	- Deduction of dividends uncluded under other equity	-347		-94
-18	-21	-24	- Deduction for intangible assets and deferred tax assets	-24	-21	-18
8 160	7 497	8 562	Total common equity tier 1 capital	9 627	8 250	9 114
825	825	1 075	Hybrid capital	1 075	825	825
0	0	0	- Deduction for intangible assets and deferred tax assets			
8 985	8 322	9 637	Total tier 1 capital	10 702	9 075	9 939
			Additional capital over tier 1 capital:			
1 204	1 203	1 203	Subordinated loan capital	1 203	1 203	1 204
1 204	1 203	1 203	Total additional tier 1 capital	1 203	1 203	1 204
-22	-22	-22	- Deduction from tier 1 and additional capital	-22	-22	-22
10 167	9 503	10 818	Net primary capital	11 883	10 256	11 121
			Minimum requirement for subordinated capital Basel II calculated according to the standard method:			
7	7	3	Engagements with local and regional authorities	3	7	7
59	54	35	Engagements with institutions	11	41	36
197	169	215	Engagements with enterprises	217	170	198
455	422	494	Engagement with mass market	494	421	473
2 881	2 828	3 043	Engagement secured in property	3 964	3 690	3 728
50	60	52	Engagement which have fallen due	52	61	50
0	0	0	Engagement which are high risk	0	0	0
260	276	276	Engagement in covered bonds	73	77	67
144	139	147	Engagement in collective investment funds	47	39	44
48	48	47	Engagement, other	48	49	48
4 101	4 003	4 312	Capital requirements for credit- and counterparty risk	4 909	4 555	4 651
5	4	6	Capital requirements for position-, currency- and product risk	7	4	5
198	197	219	Capital requirements for operational risk	280	259	259
26	27	23	CVA addition	51	49	45
0	0	0	Deduction from the capital requirement	0	0	0
4 330	4 231	4 560	Total minimum requirement for primary capital	5 247	4 867	4 960
54 125	52 893	57 001	Risk-weighted balance (calculation basis)	65 582	60 841	62 000
15,1 %	14,2 %	15,0 %	Common equity tier 1 capital ratio, %	14,7 %	13,6 %	14,7 %
16,6 %	15,7 %	16,9 %	Tier 1 capital ratio, %	16,3 %	14,9 %	16,0 %
18,8 %	18,0 %	19,0 %	Total capital ratio, %	18,1 %	16,9 %	17,9 %
8,0 %	7,3 %	8,4 %	Leverage ratio	9,1 %	7,7 %	8,6 %

7. SEGMENT REPORTING

Report per segment	Group 30.09.2017				Group 30.09.2016			
	RM	CM	Undistrib. and elimin.	Total	RM	CM	Undistrib. and elimin.	Total
Income statement (NOK million)								
Net interest and commission income	756	487	-3	1 240	715	457	-16	1 157
Net other operating income	135	50	88	273	135	47	218	400
Operating expenses	271	68	262	601	275	66	251	593
Profit before losses per segment	621	468	-177	912	575	438	-49	964
Losses on loans and guarantees	2	30	0	32	4	27	4	35
Profit before tax per segment	619	438	-177	880	571	411	-53	929
Net loans to customers	63 603	32 448	-48	96 003	59 683	30 349	54	90 086
Other assets			15 312	15 312			15 162	15 162
Total assets per segment	63 603	32 448	15 264	111 315	59 683	30 349	15 216	105 248
Deposits from customers	27 756	21 738	5 111	54 605	26 929	20 224	4 053	51 207
Other liabilities	35 847	10 710	-677	45 879	32 754	10 125	1 363	44 241
Total liabilities per segment	63 603	32 448	4 433	100 484	59 683	30 349	5 416	95 448
Equity			10 831	10 831			9 800	9 800
Total liabilities and equity per segment	63 603	32 448	15 264	111 315	59 683	30 349	15 216	105 248

8. FAIR VALUES OF FINANCIAL INSTRUMENTS

Classification of financial instruments

Financial instruments are classified at different levels.

Level 1:

Includes financial assets and liabilities valued using unadjusted observable market values. This includes listed shares, derivatives traded via active marketplaces and other securities with listed market values.

Level 2:

Instruments where the value is based on valuation techniques in which all assumptions (all input) are based on directly or indirectly observable market data. Values in this regard may be obtained from external market players or reconciled against external market players offering these types of services.

Level 3:

Instruments where the value are based on valuation techniques in which at least one essential requirement cannot be supported based on observable market values. Evaluation of equity and debt, estimated cash flows and other valuation methods are used when significant variables are based on unobservable input.

This category includes investments in unlisted companies and fixed rate loans where no necessary market information is available.

For a more detailed description, see Note 21 Fair value of financial instruments in the 2016 annual financial statements.

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			30.09.2017	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortised cost								
752		752		Cash and receivables from central banks	752		752	
2 001		2 001		Loans to credit institutions	168		168	
60 012			60 012	Net loans to customers (floating interest rate)	89 310			89 310
Assets recognized at fair value								
6 693			6 693	Net loans to customers (fixed interest rate)	6 693			6 693
11 890		11 890		Bonds and certificates	12 700		12 700	
560	41		519	Shares	560	37		519
366		366		Financial derivatives	477		477	
82 274	41	15 009	67 224	Total financial assets	110 660	37	14 097	96 522
Liabilities recognized at amortised cost								
976		976		Debt to credit institutions	905		905	
54 619			54 619	Deposit from customers	54 605			54 605
16 627		16 745		Debt incurred due to issue of securities	42 648		42 956	
1 203		1 216		Subordinated loan capital	1 203		1 216	
Liabilities recognized at fair value								
290		290		Financial derivatives	456		456	
73 715	0	19 227	54 619	Total financial liabilities	99 817	0	45 533	54 605

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			31.12.2016	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortized cost								
797		797		Cash and receivables from central banks	797		797	
2 211		2 211		Loans to credit institutions	156		156	
55 355			55 355	Net loans to customers (floating interest rate)	83 414			83 414
Assets recognized at fair value								
7 514			7 514	Net loans to customers (fixed interest rate)	7 514			7 514
10 957		10 957		Bonds and certificates	11 815		11 815	
542	33		509	Shares	542	33		509
453		453		Financial derivatives	604		604	
77 829	33	14 418	63 378	Total financial assets	104 842	33	13 372	91 437
Liabilities recognized at amortised cost								
232		232		Debt to credit institutions	178		178	
51 577			51 577	Deposit from customers	51 562			51 562
16 584		16 616		Debt incurred due to issue of securities	41 217		41 362	
1 203		1 195		Subordinated loan capital	1 203		1 195	
Liabilities recognized at fair value								
366		366		Financial derivatives	616		616	
69 962	0	18 409	51 577	Total financial liabilities	94 776	0	43 351	51 562

PARENT BANK				NOK million	GROUP			
Recognized value	Fair value			30.09.2016	Recognized value	Fair value		
	Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Assets recognized at amortized cost								
538		538		Cash and receivables from central banks	538		538	
1 740		1 740		Loans to credit institutions	242		242	
54 219			54 219	Net loans to customers (floating interest rate)	82 352			82 352
Assets recognized at fair value								
7 734			7 734	Net loans to customers (fixed interest rate)	7 734			7 734
12 185		12 185		Bonds and certificates	12 488		12 488	
482	27		455	Shares	482	27		455
629		629		Financial derivatives	808		808	
77 527	27	15 092	62 408	Total financial assets	104 644	27	14 076	90 541
Liabilities recognized at amortised cost								
634		634		Debt to credit institutions	574		574	
51 235			51 235	Deposit from customers	51 207			51 207
16 351		16 387		Debt incurred due to issue of securities	41 175		41 264	
1 203		1 187		Subordinated loan capital	1 203		1 187	
Liabilities recognized at fair value								
350		350		Financial derivatives	576		576	
69 773	0	18 558	51 235	Total financial liabilities	94 735	0	43 601	51 207

Movement level 3

GROUP / PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares	Of which credit risk
Recognized value as at 1 Jan. 2016	8 290	-62	464	0
Acquisitions Q1-Q3 2016	402		8	
Of which, transferred from level 1 or 2	0			
Change in value recognized during the period	2	5	43	0
Disposals Q1-Q3 2016	-960		-60	
Recognized value as at 30 Sept. 2016	7 734	-57	455	0
Acquisitions Q4 2016	242		8	
Of which, transferred from level 1 or 2	0			
Change in value recognized during the period	-124	43	12	0
Disposals Q4 2016	-338		33	
Recognized value as at 31 Dec. 2016	7 514	-14	509	0
Acquisitions Q1-Q3 2017	216		22	
Of which, transferred from level 1 or 2	0			
Change in value recognized during the period	-35	8	3	0
Disposals Q1-Q3 2017	-1 002		-15	
Recognized value as at 30 Sept. 2017	6 693	-6	519	0

Sensitivity analysis

Changes in value as a result of the change in credit spread of 10 basis points.

GROUP / PARENT BANK

NOK million	30.09.2017	30.09.2016	31.12.2016
Loan o customers	17	22	22
- of which, loans to corporate market (CM)	5	7	6
- of which, loans to retail market (RM)	12	16	16

9. OFFSETTING

GROUP

NOK million	30.09.2017	30.09.2017 (1) Net presented	30.09.2016	30.09.2016 (1) Net presented	31.12.2016	31.12.2016 (1) Net presented
Assets						
Financial derivatives	477	224	808	671	604	297
Liabilities						
Financial derivatives	456	203	576	440	616	309

PARENT BANK

NOK million	30.09.2017	30.09.2017 (1) Net presented	30.09.2016	30.09.2016 (1) Net presented	31.12.2016	31.12.2016 (1) Net presented
Liabilities						
Financial derivatives	366	163	629	510	453	159
Liabilities						
Financial derivatives	290	87	350	231	366	73

(1) Financial derivatives indicate assets and liabilities in cases where the bank and the Group have recognized their financial derivatives net in relation to each individual counterparties.

The bank and the Group's counter-claim rights adhere to common Norwegian law. The Bank and Sparebanken Sør Boligkreditt AS has the right to offset other outstanding accounts through ISDA agreements and a master agreement in cases where certain events occur. The amounts have not been offset in the balance sheet because the transactions are generally not settled on a net basis.

10. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

Debt securities – Parent bank

NOK million	30.09.2017	30.09.2016	31.12.2016
Bonds, nominal value	16 349	15 904	16 204
Value adjustments	141	291	188
Accrued interest	137	156	192
Debt incurred due to issue of securities	16 627	16 351	16 584

Change in debt securities – Parent bank

NOK million	31.12.2016	Issued	Matured/ Redeemed	Other changes during the period	30.09.2017
Bonds, nominal value	16 204	2 150	-2 005		16 349
Value adjustments	188			-47	141
Accrued interest	192			-55	137
Debt incurred due to issue of securities	16 584	2 150	-2 005	-102	16 627

Debt securities - Group

NOK million	30.09.2017	30.09.2016	31.12.2016
Bonds, nominal value	42 282	40 779	40 922
Value adjustments	182	197	42
Accrued interest	184	199	253
Debt incurred due to issue of securities	42 648	41 175	41 217

Change in debt securities - Group

NOK million	31.12.2016	Issued	Matured/ Redeemed	Other changes during the period	30.09.2017
Bonds, nominal value	40 922	8 410	-6 900	-150	42 282
Value adjustments	42			140	182
Accrued interest	253			-69	184
Debt incurred due to issue of securities	41 217	8 410	-6 900	-79	42 648

Change in subordinated loan capital and hybrid capital – Parent bank and Group

NOK million	31.12.2016	Issued	Matured/ Redeemed	Other changes during the period	30.09.2017
Subordinated loans	1 200				1 200
Accrued interest	3				3
Total subordinated loan capital	1 203	0	0	0	1 203

11. EQUITY CERTIFICATE OWNERS

The twenty largest equity certificate owners as at 30 September 2017.

NAME	NUMBER OF EC	SHARE OF EC-CAP. %	NAME	NUMBER OF EC	SHARE OF EC-CAP. %
1. Sparebankstiftelsen Sparebanken Sør	7 988 679	51,00	11. Gumpen Bileiendom AS	154 209	0,98
2. Bergen Kom. Pensjonskasse	451 990	2,89	12. Allumgården AS	151 092	0,96
3. Arendal Kom. pensjonskasse	450 000	2,87	13. Landkreditt Utbytte	135 000	0,86
4. Holta Invest AS	444 410	2,84	14. Ottersland AS	100 000	0,64
5. Pareto AS	417 309	2,66	15. Wenaas Kapital AS	100 000	0,64
6. Glstad Invest AS	387 467	2,47	16. MP Pensjon PK	85 523	0,55
7. EIKA utbytte VPF c/o Eika kapitalforv.	349 144	2,23	17. Artel AS	82 131	0,52
8. Merrill Lynch	329 080	2,10	18. Profond AS	77 115	0,49
9. Wenaasgruppen AS	186 000	1,19	19. Apriori Holding AS	72 575	0,46
10. Otterlei Group AS	157 000	1,00	20. Varodd AS	70 520	0,45
Total - 10 largest owners	11 161 079	71,25	Total - 20 largest owners	12 189 244	77,80

The weighted average ownership ratio as at 1 January 2017 was 18.7 percent. Hybrid capital classified as equity has been excluded when calculating the ownership ratio.

Sparebanken Sør owns 5 168 of its own equity certificates as at 30 September 2017. The equity certificate capital was NOK 783 197 200 NOK distributed over 15 663 944 equity certificates with a nominal value of NOK 50.

12. TAX EXPENSES

The ordinary tax rate of 25 % is used for calculation of payable tax.

Risk and Capital management

Risk management ensures that the Group's risk exposure is known at any time and is instrumental in helping the Group to achieve its strategic objectives, and also compliance with legal and regulatory requirements. Governing targets have been established for the Group's overall risk level, while specific governing targets have been established for each risk area. Systems have been established to calculate, manage and control risk. The aim of capital management is to ensure that the Group has an acceptable tier 1 capital ratio, is financially stable and achieves a satisfactory return in relation to its risk profile. The Group's total capital ratio and risk exposure are monitored through periodic reports.

Credit risk

Credit risk is defined as the risk of loss due to customers or counterparties failing to meet their obligations. One of the key risk factors linked to Sparebanken Sør's operations is credit risk. Future developments in the bank's losses will also be influenced by general economic trends and one of the most important areas for the bank's risk management is therefore linked to the granting of credit and associated processes.

Credit risk is managed through the Group's strategy and policy documents, credit routines, credit processes, scoring models and award authorities.

Market risk

Market risk generally arises from the Group's unsecured transactions in the interest rate, currency and equity markets. It can be divided into interest rate risk, currency risk, share risk and spread risk. The risk is linked to variations in results caused by changes in the interest rate, market prices and/or exchange rates. Guidelines and limits have been established by the Board of Directors for managing market risk.

Liquidity risk

Liquidity risk is risk linked to Sparebanken Sør's ability to finance its lending growth and fulfil its loan obligations subject to market conditions. Liquidity risk also includes the risk of the financial markets that the Group wishes to use, ceasing to function. Guidelines and limits for the management of liquidity risk have been established by the Board of Directors.

Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failing internal processes, procedures or systems, human error or malpractice, or external events. Examples of operational risks include undesirable actions and events, including the failure of IT systems, money laundering, corruption, embezzlement, insider dealing, fraud, robbery, threats against employees, breaches of authority and breaches of established routines, etc.

Business risk

Business risk is defined as the risk of unexpected revenue fluctuations based on factors other than credit risk, liquidity risk, market risk and operational risk. This risk could for example arise as a result of the authorities introducing amendments to regulations or the implementation of financial or monetary policy measures, including changes in tax, duty and currency legislation, which could have a negative impact on the business.

It is a precondition for Sparebanken Sør that risk must be subject to active and satisfactory management, based on objectives and limits established by the Board of Directors for risk exposure and risk tolerance.

NOK million	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net interest income	422	417	401	408	398
Net commission income	80	83	71	70	78
Net income from financial instruments	21	-5	14	67	93
Other operating income	2	3	4	8	4
Total net income	525	498	490	553	573
Total operating expenses	194	208	199	194	184
Profit before losses	331	290	291	359	389
Losses on loans and guarantees	4	13	15	15	13
Profit before taxes	327	277	276	344	376
Tax expenses	80	62	66	73	85
Profit for the period	247	215	210	271	291

% of average assets

Net interest income	1,51	1,54	1,54	1,54	1,50
Net commission income	0,29	0,31	0,27	0,26	0,29
Net income from financial instruments	0,07	-0,02	0,05	0,25	0,35
Other operating income	0,01	0,01	0,02	0,03	0,02
Total net income	1,87	1,84	1,88	2,08	2,15
Total operating expenses	0,69	0,77	0,76	0,73	0,69
Profit before losses	1,18	1,07	1,12	1,35	1,46
Losses on loans and guarantees	0,01	0,05	0,06	0,06	0,05
Profit before taxes	1,17	1,02	1,06	1,29	1,41
Tax expenses	0,29	0,23	0,25	0,27	0,32
Profit for the period	0,88	0,80	0,81	1,02	1,09
Average total assets	111 100	108 400	105 680	105 400	105 900

Balance sheet

Total assets	111 315	110 907	105 895	105 455	105 248
Net loans to customers	96 003	94 649	92 632	90 928	90 086
Growth in loans as %, last 12 mths.	6,6 %	4,9 %	3,8 %	2,9 %	5,5 %
Customers deposits	54 605	55 695	52 788	51 562	51 207
Growth in deposits as %, last 12 mths.	6,6 %	8,7 %	8,4 %	6,6 %	4,7 %
Deposits as % of net loans	56,9 %	58,8 %	57,0 %	56,7 %	56,8 %
Equity	10 831	10 391	9 947	10 051	9 800
Losses on loans as % of net loans, annualised	0,02 %	0,06 %	0,06 %	0,05 %	0,06 %
Gross defaulted loans over 90 days as % of gross loans	0,27 %	0,29 %	0,26 %	0,30 %	0,45 %

Other key figures

(As of Q2 2017 profit will be included in the capital ratio)

Cost as % of income	37,0 %	41,8 %	40,6 %	35,1 %	32,1 %
Cost as % of income, ex net income from financial instruments	38,5 %	41,4 %	41,8 %	39,9 %	38,3 %
Return on equity after tax	9,8 %	8,5 %	8,7 %	11,4 %	12,7 %
Liquidity reserve (LCR) (Group)	144 %	158 %	114 %	128 %	117 %
Common equity tier 1 capital ratio (added share of profit)	14,7 %	14,6 %	14,6 %	14,7 %	14,5 %
Tier 1 capital ratio	16,3 %	16,0 %	15,3 %	16,0 %	14,9 %
Total capital ratio	18,1 %	17,8 %	17,2 %	17,9 %	16,9 %
Common equity tier 1 capital	9 625	9 434	9 101	9 114	8 250
Tier 1 capital	10 700	10 309	9 726	9 939	9 075
Net total primary capital	11 881	11 490	10 904	11 121	10 256
Leverage ratio	9,1 %	9,0 %	8,8 %	8,6 %	7,7 %

Number of branches	34	34	33	34	36
Number of man-years in banking activity	431	430	431	439	435

Key figures, Equity certificates

Equity certificate ratio	18,7 %	18,7 %	18,7 %	19,8 %	19,8 %
Number of equity certificates issued	15 663 944	15 663 944	15 663 944	15 663 944	15 663 944
Profit/diluted earnings per equity certificate (Parent bank)	2,1	2,1	1,9	2,6	2,9
Profit/diluted earnings per equity certificate (Group)	2,8	2,4	2,4	3,3	3,6
Dividend last year per equity certificate	6,0	6,0	6,0	6,0	9,0
Book equity per equity certificate	116,8	113,9	111,6	115,2	113,4
Price/Book value per equity certificate	0,9	0,9	0,9	0,8	0,7
Listed price on Oslo Stock Exchange at end of period	103	100,00	96,50	91,25	81,75

Key figures Group 2013-2016

	31.12.2016	31.12.2015	31.12.2014*	31.12.2013*
Income statement (NOK million)				Proforma
Net interest income	1 565	1 521	1 511	1 443
Net commission income	293	300	284	252
Net income from financial instruments	224	-66	184	201
Other operating income	28	14	23	22
Total net income	2 110	1 769	2 002	1 918
Total expenses	787	817	834	800
Profit before losses on loans	1 323	952	1 168	1 118
Losses on loans and guarantees	50	97	268	126
Profit before taxes	1 273	855	900	992
Tax expenses	284	231	215	219
Profit for the period	989	624	685	773
Income statement as percentage of average assets				
Net interest income	1,49 %	1,55 %	1,60 %	1,60 %
Net commission income	0,28 %	0,31 %	0,30 %	0,28 %
Net income from financial instruments	0,21 %	-0,07 %	0,20 %	0,22 %
Other operating income	0,03 %	0,01 %	0,02 %	0,03 %
Total net income	2,01 %	1,81 %	2,12 %	2,13 %
Total expenses	0,75 %	0,83 %	0,88 %	0,89 %
Profit before losses on loans	1,26 %	0,97 %	1,24 %	1,24 %
Losses on loans and guarantees	0,05 %	0,10 %	0,28 %	0,14 %
Profit before taxes	1,21 %	0,87 %	0,96 %	1,10 %
Tax expenses	0,27 %	0,24 %	0,23 %	0,24 %
Profit for the period	0,94 %	0,64 %	0,73 %	0,86 %
Average total assets	104 950	98 000	94 300	90 200
Balance				
Total assets	105 455	101 334	94 062	93 758
Net loans to customers	90 928	88 387	80 913	77 450
Grows in loans as %, last 12 mths.	2,9 %	9,2 %	4,5 %	6,8 %
Customers deposits	51 562	48 349	48 250	43 740
Growth in deposits as %, last 12 mths.	6,6 %	0,2 %	10,3 %	8,3 %
Deposits as % of net loans	56,7 %	54,7 %	59,6 %	56,5 %
Equity	10 051	7 753	7 157	6 658
Losses on loans as % of net loans, annualised	0,05 %	0,11 %	0,33 %	0,16 %
Gross defaulted loans over 90 days as % of gross loans	0,30 %	0,47 %	0,71 %	0,60 %
Other key figures				
Cost as % of income	37,3 %	46,2 %	41,7 %	41,7 %
Cost as % of income, ex net income from financial instruments	41,7 %	44,5 %	45,9 %	46,6 %
Return on equity after tax	11,6 %	8,4 %	10,1 %	12,3 %
Liquidity reserve (LCR) (Group)	128 %	108,0 %		
Common equity tier 1 capital ratio (added share of profit)	14,7 %	12,7 %	13,1 %	12,8 %
Tier 1 capital ratio	16,0 %	13,5 %	14,4 %	14,2 %
Total capital ratio	17,9 %	15,5 %	15,1 %	15,1 %
Common equity tier 1 capital	9 114	7 700	7 092	6 376
Tier 1 capital	9 939	8 210	7 792	7 076
Net total primary capital	11 121	9 388	8 170	7 522
Leverage ratio	8,6 %	7,0 %	7,0 %	
Number of branches	34	40	40	44
Number of man-years in banking activity	439	449	454	489
Key figures, Equity certificates				
Equity certificate ratio before profit distribution	19,8 %	13,5 %	14,1 %	7,1 %
Number of equity certificates issued	15 663 944	4 768 674	4 768 674	1 250 000
Profit per equity certificate (Parent bank)	8,5	10,8	12,2	10,3
Profit per equity certificate (Group)	10,7	17,6	20,3	18,1
Dividend last year per equity certificate (Parent bank - proposed dividend 2014)	6,0	9,0	10,0	10,0
Book equity per equity certificate	116,6	219	212	187
Price/Book value per equity certificate	0,8	0,6	0,9	0,8
Listed price on Oslo Stock Exchange at end of period	91,25	139	196	150

* Excluding negative goodwill.

Unaudited

	Q3	Q2	Q1	Q4	Q3	30.09.	30.09.	31.12.
NOK million	2017	2017	2017	2016	2016	2017	2016	2016
Return on equity adjusted for hybrid capital								
Profit after tax	247	215	210	271	291	672	718	989
Interest on hybrid capital	-10	-15	-10	-10	-10	-35	-22	-33
Profit after tax, incl. interest on hybrid capital	237	200	200	261	281	637	696	956
IB Equity	10 391	9 947	10 051	9 800	9 521	10 051	8 263	8 263
IB Hybrid capital	-875	-625	-825	-825	-825	-825	-510	-510
IB Equity excl. hybrid capital	9 516	9 322	9 226	8 975	8 696	9 226	7 753	7 753
UB Equity	10 831	10 391	9 947	10 051	9 800	10 831	9 800	10 051
UB Hybrid capital	-1 075	-875	-625	-825	-825	-1 075	-825	-825
UB Equity excl. hybrid capital	9 756	9 516	9 322	9 226	8 975	9 756	8 975	9 226
Average equity	10 611	10 169	9 999	9 926	9 661	10 441	9 032	9 157
Average equity excl. hybrid capital	9 636	9 419	9 274	9 101	8 836	9 491	8 364	8 490
Return on equity	9,2 %	8,5 %	8,5 %	10,9 %	12,0 %	8,6 %	10,6 %	10,8 %
Return on equity excl. hybrid capital	9,8 %	8,5 %	8,7 %	11,4 %	12,7 %	9,0 %	11,1 %	11,3 %
Net interest income, adjusted for accounting changes								
Net interest income	422	417	401	408	398	1 240	1 157	1 565
Fee to the Norwegian Banks` Guarantee Fund				-9	-9		9	
Interest on hybrid capital	-10	-15	-10	-10	-10	-35	-22	-33
Net interest income, adjusted for accounting changes	412	402	391	389	379	1 205	1 144	1 532
Average total assets	111 100	108 400	105 680	105 400	105 900	108 400	104 800	104 950
As a percentage of total assets	1,47 %	1,49 %	1,50 %	1,47 %	1,42 %	1,49 %	1,46 %	1,46 %
Operating costs, adjusted for conversion of the pension scheme								
Operating costs	194	208	199	194	184	601	593	787
Conversion of pension scheme				28				28
Operating costs, adjusted for conversion of the pension scheme	194	208	199	222	184	601	593	815
Profit from ordinary operations								
Net interest income, adjusted for accounting changes	412	402	391	389	379	1 205	1 144	1 532
Nett commission income	80	83	71	70	78	234	223	293
Other operational income	2	3	4	8	4	9	20	28
Operating income, adjusted for conversion of pension scheme	194	208	199	222	184	601	593	815
Profit from ordinary operations, before tax	300	279	267	245	277	847	794	1 038
Profit excl. finance and adjusted for accounting changes								
Net interest income, adjusted for accounting changes	412	402	391	389	379	1 205	1 144	1 532
Net commission income	80	83	71	70	78	234	223	293
Other operational income	2	3	4	8	4	9	20	28
Operating income, adjusted for conversion of pension scheme	194	208	199	222	184	601	593	815
Losses on loans and guarantees	4	13	15	15	13	32	35	50
Profit excl. finance and adjusted for accounting changes	296	266	252	230	264	815	759	988
Tax (25 %)	74	67	63	58	66	204	190	247
Ordinary operations / adjusted profit after losses and tax	222	200	189	173	198	611	569	741
Average equity, excl. Hybrid capital	9 636	9 419	9 274	9 101	8 836	9 491	8 364	8 490
Return on equity, profit excl. Finance and adjusted for accounting events	9,1 %	8,5 %	8,3 %	7,5 %	8,9 %	8,6 %	9,1 %	8,7 %

Calculations

	Q3	Q2	Q1	Q4	Q3	30.09.	30.09.	31.12.
Ordinary operations / adjusted profit after losses and tax								
Average interest / interest margins								
Average lending rate RM (Return)	2,75 %	2,77 %	2,83 %	2,78 %	2,82 %			2,86 %
Average lending rate CM (Return)	3,25 %	3,35 %	3,44 %	3,53 %	3,49 %			3,55 %
Average deposit rate RM	0,82 %	0,82 %	0,82 %	0,87 %	0,92 %			0,93 %
Average deposit rate CM	1,04 %	1,06 %	1,10 %	1,16 %	1,22 %			1,19 %
Average 3 month NIBOR	0,81 %	0,92 %	1,02 %	1,13 %	1,07 %			1,07 %
Lending margin RM (lending rate - 3 month NIBOR)	1,94 %	1,85 %	1,81 %	1,65 %	1,75 %			1,79 %
Lending margin CM (lending rate - 3 month NIBOR)	2,44 %	2,43 %	2,42 %	2,40 %	2,42 %			2,48 %
Deposit margin RM (3 month NIBOR - deposit rate)	-0,01 %	0,10 %	0,20 %	0,26 %	0,15 %			0,14 %
Deposit margin CM (3 month NIBOR - deposit rate)	-0,23 %	-0,14 %	-0,08 %	-0,03 %	-0,15 %			-0,12 %
Net interest income, adjusted for the fee to the Norwegian Banks' Guarantee fund								
Net interest income	422	417	401	408	398	1 240	1 157	1 565
Fee to the Guarantee fund	-	-	-	-9	-9	-	9	-
Net interest income, adjusted	422	417	401	399	389	1 240	1 166	1 565
Gjennomsnittlig forv.kap	111 100	108 400	105 680	105 400	105 900	107 040	104 250	104 950
1 % av gjennomsnittlig forv.kapital	1,51 %	1,54 %	1,54 %	1,51 %	1,46 %	1,55 %	1,49 %	1,49 %

The report and accounting presentation from the Board of directors refer to certain adjusted numbers which are not defined by IFRS (Alternative Performance Measures (APM)). This is done to give a better picture of the banks underlying operations, and is not meant to replace the ordinary financial report. The table above explains the relation between the adjusted and the unadjusted numbers.

SPAREBANKEN SØR

