Q2 2018

SPAREBANKEN SØR

Contents

Key figures Group

Income statement (NOK million)	Q2 2018	Q2 2017	30.06.2018	30.06.2017	31.12.2017
Net interest income	433	417	858	818	1 679
Net commission income	84	83	158	154	312
Net income from financial instruments	28	-5	54	9	88
Other operating income	21	3	23	7	18
Total net income	**566**	**498**	**1 093**	**988**	**2 097**
Total operating expenses	218	208	430	407	811
Profit before losses on loans	**348**	**290**	**663**	**581**	**1 286**
Losses on loans and guarantees	5	13	5	28	20
Profit before taxes	**343**	**277**	**658**	**553**	**1 266**
Tax expenses	65	62	142	128	282
Profit for the period	**278**	**215**	**516**	**425**	**984**
Income statement as percentage of average assets					
Net interest income	1,48 %	1,54 %	1,49 %	1,54 %	1,53 %
Net commission income	0,29 %	0,31 %	0,27 %	0,29 %	0,28 %
Net income from financial instruments	0,10 %	-0,02 %	0,09 %	0,02 %	0,08 %
Other operating income	0,07 %	0,01 %	0,04 %	0,01 %	0,02 %
Total net income	**1,93 %**	**1,84 %**	**1,89 %**	**1,86 %**	**1,92 %**
Total operating expenses	0,74 %	0,77 %	0,74 %	0,77 %	0,74 %
Profit before losses on loans	**1,19 %**	**1,07 %**	**1,15 %**	**1,09 %**	**1,17 %**
Losses on loans and guarantees	0,02 %	0,05 %	0,01 %	0,05 %	0,02 %
Profit before taxes	**1,17 %**	**1,02 %**	**1,14 %**	**1,04 %**	**1,16 %**
Tax expenses	0,22 %	0,23 %	0,25 %	0,24 %	0,26 %
Profit for the period	**0,95 %**	**0,80 %**	**0,89 %**	**0,80 %**	**0,90 %**
Key figures, Income statement					
Return on equity after tax	10,1 %	8,5 %	9,6 %	8,6 %	9,7 %
Cost as % of income	38,5 %	41,8 %	39,3 %	41,2 %	38,7 %
Cost as % of income, ex net income from financial instruments	40,5 %	41,4 %	41,4 %	41,6 %	40,4 %
Balance sheet					
Total assets			118 479	110 907	114 310
Average total assets	117 400	108 400	116 400	107 040	109 500
Net loans to customers			100 529	94 649	97 518
Growth in loans as %, last 12 mths.			6,2 %	4,9 %	7,2 %
Customers deposits			57 264	55 695	55 580
Growth in deposits as %, last 12 mths.			2,8 %	8,7 %	7,8 %
Deposits as % of net loans			57,0 %	58,8 %	57,0 %
Equity			11 478	10 391	11 108
Losses on loans as % of net loans, annualised			0,01 %	0,06 %	0,02 %
Gross defaulted loans over 90 days as % of gross loans			0,27 %	0,29 %	0,28 %
Other key figures					
Liquidity reserve (LCR) (Group)			167 %	158 %	139 %
Common equity tier 1 capital ratio			15,3 %	14,6 %	15,1 %
Common equity tier 1 capital ratio, when including share of partially owned companies			15,0 %	14,5 %	14,9 %
Tier 1 capital ratio			16,9 %	16,0 %	16,7 %
Total capital ratio			19,1 %	17,8 %	18,9 %
Common equity tier 1 capital			10 236	9 434	9 890
Tier 1 capital			11 310	10 309	10 965
Net total primary capital			12 812	11 490	12 347
Leverage ratio			9,1 %	9,0 %	9,2 %
Number of branches			34	34	34
Number of man-years in banking activity			419	430	432
Key figures, Equity certificates					
Equity certificate ratio, weighted average over the period	17,9 %	18,7 %	17,9 %	18,7 %	18,7 %
Number of equity certificates issued			15 663 944	15 663 944	15 663 944
Profit/diluted earnings per equity certificate (Parent bank)	2,5	2,1	4,5	4,0	8,9
Profit/diluted earnings per equity certificate (Group)	2,9	2,4	5,5	4,8	11,2
Dividend last year per equity certificate			6,0		6,0
Book equity per equity certificate			118,9	113,9	120,0
Price/Book value per equity certificate			0,8	0,9	0,9
Listed price on Oslo Stock Exchange at end of period *)			97,20	100,00	104,00

Board of Directors report

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.

Real estate agency brokerage is carried out through the subsidiary Sørmegleren, while general insurance and life insurance products are supplied through Frende, an insurance company jointly owned by the bank. The bank is also a joint owner of Norne, a security trading company, in addition to Brage, a supplier of leasing products and consumer credit.

Highlights in Q2 2018
- Good results from ordinary operations
- Positive development in net interest income
- Positive net income from financial instruments
- Efficient operations and low costs
- Very low level of losses on loans
- Loans to customers eceeded NOK 100 billion
- Year-on-year loan growth of 6.2 percent
- Year-on-year deposit growth of 2.8 percent
- Return on equity after tax of 10.1 percent
- Common equity tier 1 capital ratio of 15.0 percent
- Leverage ratio of 9.1 percent

Highlights in 1st half of 2018
- Good results from ordinary operations
- Positive development in net interest income
- Positive net income from financial instruments
- Efficient operations and low costs
- New model implemented for calculating loss allowances on loans
- Very low level of losses on loans
- Return on equity after tax of 9.6 percent

Financial framework conditions
The key interest rate remained at 0.50 percent during the first half of 2018 and Norges Bank decided to keep the key interest rate unchanged at it's most recent monetary policy meeting in June. Norges Bank has signalled that an upward adjustment of the key interest rate is likely during the autumn of 2018.

In the reporting period, both domestic and foreign capital market have functioned efficiently, with a stable development in credit spreads, providing the Group easy access to funding through covered bonds and senior debt during the first half of 2018.

At the end of June the annual growth in the general publics gross domestic debt (C2) was 5,8 percent, while debt. growth for households and industry amounted to 5,8 and 6,0 percent respectively.

Income statement

The bank posted a profit before tax of NOK 343 million in Q2 2018, compared with NOK 277 million in the same period in 2017.

The Group also returned a solid profit before tax thanks to an increase in net interest income, low costs, low losses on loans and positive income from financial instruments. Profits from ordinary operations(*) are stable.

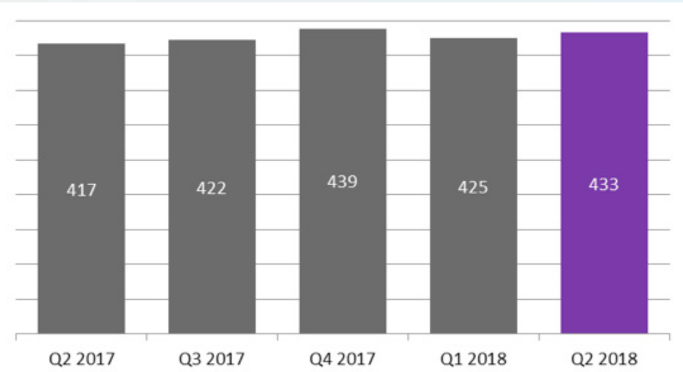
Due to the merger between Vipps AS, BankAxept AS and BankID Norge, a valuation of the companies has been carried out. The valuation has led to an upward adjustment in the value of the Group's ownership interests in the respective companies of NOK 59 million in Q2 2018.

The return on equity after tax was 10.1 percent in Q2 2018, compared with 8.5 percent in Q2 2017. The Group is well-capitalized with a common equity tier 1 capital ratio of 15.0 percent and a leverage ratio of 9.1, when including 80 percent of accrued profit.

Profit before tax the first half of 2018 amounted to NOK 658 million, compared with 553 million in the same period in 2017. The return on equity after tax was 9.6 percent in the first half of 2018, compared with 8.6 percent in the same period last year. Profit from ordinary operations (*) for the first half of 2018 show an increase of NOK 8 million on the comparable prior-half year.

Net interest income

Quarterly net interest (NOK million)



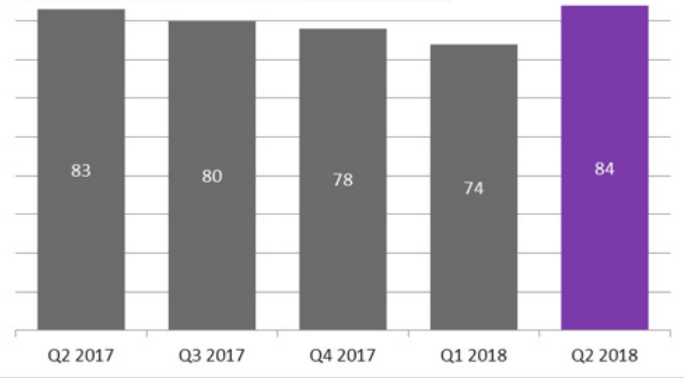
At NOK 433 million, net interest income in Q2 2018 was up NOK 16 million (4 percent) on the Q2 2017 figure of NOK 417 million. The increase in net interest income is mainly attributable to the loan growth in the period.

Net interest income as a percentage of average total assets in the Q2 2018 was 1.48 percent, a decrease from 1.54 percent in the same period in 2017. Even though the market interest rates have decreased somewhat in Q2 2018, there has been an overall increase during the first half of 2018. Particularly in the retail marked, this has led to lower margins on loans to cumstomers. Margins in the corporate market, where 80 percent of the loan portfolio is linked to NIBOR, has been less affected. Higher market interest rates has also had a positive effect on deposit margins.

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

Commission income

Quarterly net commission income (NOK million)



Net commission income amounted to NOK 84 million in Q2 2018, compared with NOK 83 million in Q2 2017, while gross commission income closed on NOK 98 million, compared with NOK 95 million in Q2 2017.

Gross commission income in the first half of 2018 amounted to NOK 185 million compared with NOK 179 million in the first half of 2017. The increase is mainly attributable to income from payment services and a non-recurring transfer of NOK 5 million linked to commissions from sale of life insurance in Q1 2018.

NOK million	Q2 2018	Q2 2017	Change	First half 2018	First half 2017	Change
Payment services	42	41	1	83	79	4
Real estate brokerage	33	32	1	53	57	-4
Others	23	22	1	49	43	6
Total	**98**	**95**	**3**	**185**	**179**	**6**

Financial instruments

Net income from financial instruments in Q2 2018 totalled NOK 28 million, compared with NOK -5 million in the corresponding prior- year period.

Net income from financial instruments	Q2 2018	Q2 2017	Change	First half 2018	First half 2017	Change
Bonds and certificates	-7	6	-13	-3	27	-30
Shares incl. Dividends	50	16	34	49	20	29
Fixed rate loans	4	-1	4	19	-9	28
Securities issued - hedge accounting	-13	-13	-0	-10	-22	12
Repurchase of issued bonds	-7	-21	13	-10	-22	12
Other financial instruments	2	7	-5	9	14	-5
Sum	**28**	**-5**	**34**	**54**	**9**	**46**

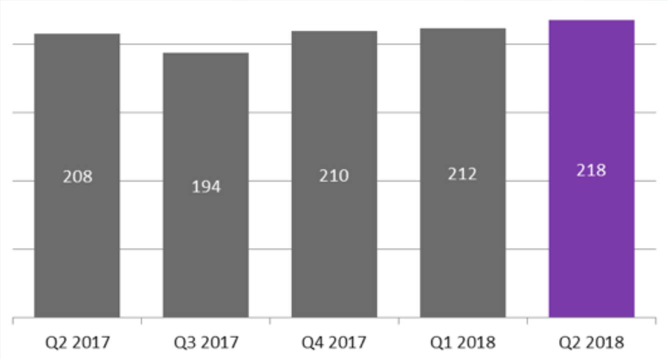
Due to the merger of Vipps AS, BankAxept AS and BankID Norge AS, a valuation of the companies has been carried out. This has resulted in an upward adjustment of the value in the respective ownership interests, which had a positive accounting effect of NOK 59 million in Q2 2018. A positive accounting effect of NOK 22 million has been recognized from the banks ownership interest in Balder Betaling AS, where the bank owns 22.4 percent of the shares. The value adjustment of the shares in BankAxept AS and BankID Norge AS amounted to NOK 37 million.

The negative accounting effects linked to hedge accounting are mainly caused by changes in the value of basis swaps. 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 equals zero. Accounting effects will therefore be reversed over time.

The Bank has made no value adjustments related to its ownership interests in Frende, Brage or Norne in first half of 2018, but has accounted for NOK 6.5 million in dividend from Frende.

Operating expenses

Quarterly operating expenses (NOK million)



Operating expenses closed on NOK 218 million in Q2 2018, compared with NOK 208 million in the same period in 2017. The increase is mainly attributable to the bank`s strategic focus on digital solutions, the establishment of a new office in Bryne, as well as Sørmeglerens' establishment of new offices in Telemark. In addition, there has been an increase in pension costs in the first half of 2018, when comparing with the same period in 2017. Pension costs in 2017 was extraordinarily low due to the conversion of the bank`s collective defined-benefit scheme.

Total operating expenses as a percentage of average assets amounted to 0.74 percent (0.77 percent) in Q2 2018. The cost-income ratio is 38.5 percent (41.8 percent). The cost-income ratio, excl. financial instruments, closed on 40.5 percent (41.4 percent).

Total operating expenses amounted to NOK 430 million in the first half of 2018, compared with NOK 407 million in the same period in 2017. The increase is mainly attributable to an increase in pension costs, which was NOK 15 million higher in the first half of 2018, compared with the first half of 2017. The cost-income ratio was 39.3 percent (41.2 percent), while the cost-income ratio excl. financial instruments closed on 41.4 percent (41.6 percent).

Losses and defaulted loans

Net losses on loans amounted to NOK 5 million in Q2 2018, which is equivalent to 0.02 percent of net loans. The corresponding figures in 2017 were NOK 13 million and 0.06 percent respectively.

Net losses on loans amounted to NOK 5 million in the first half of 2018, which is equivalent to 0.01 percent of net loans. The corresponding figures in 2017 were NOK 28 million and 0.05 percent respectively.

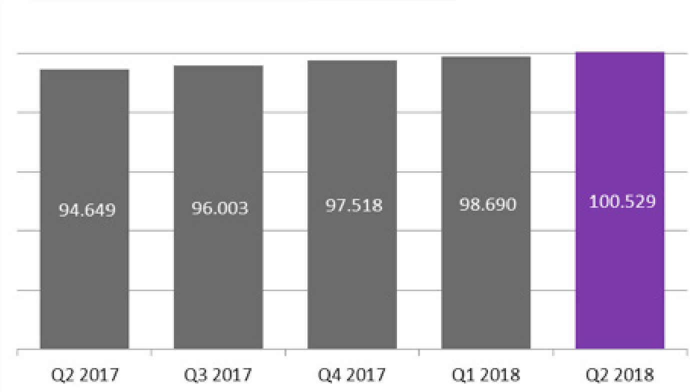
Effective 1 January 2018, IFRS 9 – Financial Instruments replaced IAS 39 – Financial Instruments; Recognition and Measurement. Under the new standard, the Group applies an expected loss model to calculate losses on loans. Please refer to Note 38 of the 2017 annual financial statements for further details on the effects of the transition. The Group's impairment losses at Q2 2018 are based on the new model, and there were no material accounting effects in the period. At the end of Q2 2018, the Group's expected losses were calculated at NOK 559 million, which is equivalent to 0.56 percent of gross loans.

Gross non-performing loans totalled NOK 270 million, which equates to 0.27 percent of gross loans. The corresponding figures for Q2 2017 were NOK 281 million and 0.29 percent respectively.

Board of Directors report

Loans

Loans (NOK million)



During the past 12 months, net loans increased by NOK 5.9 billion to a total of NOK 100.5 billion, a growth of 6.2 percent.

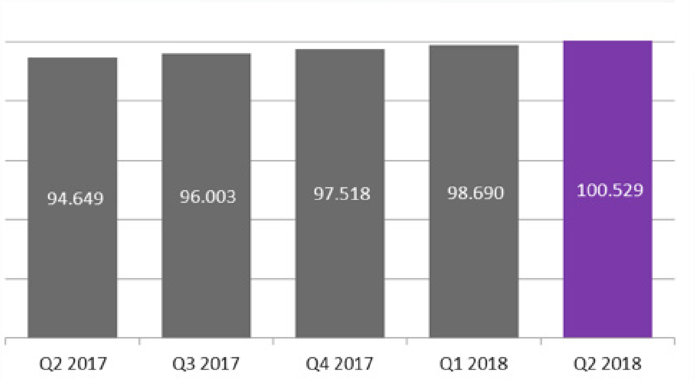
Loan growth in the reporting period was 1.8 billion, which is equivalent to an annualized growth of 7.5 percent. This has strengthened the bank's market share in the markets where we operate, and is a reinforcement of our market share from the bank's point of view. This is also in line with the bank's ambitions.

Gross loans to retail customers rose by NOK 3.8 billion (6.2 percent) to NOK 65.7 billion the last 12 months, while in the same period, gross loan to corporate customers increased by NOK 2.0 billion (5.9 percent) to NOK 35.2 billion.

Loans to retail customers accounted for 65 percent of total loans at the end of Q2 2018.

Deposits

Deposits (NOK million)



During the past 12 months, customer deposits has increased by NOK 1.6 billion (2.8 percent) to NOK 57.3 billion.

During the same period, deposits from retail customers increased by NOK 1.5 billion (5.8 percent) to NOK 27.4 billion, and deposits from corporate customers rose by NOK 0.2 billion (0.5 percent) to NOK 29.8 billion.

At the reporting date, Sparebanken Sør's deposits equated to 57.0 percent of net loans, down from 58.8 percent at the end of Q2 2017.

Wholesale funding and liquidity portfolio

The Group's liquidity situation is satisfactory. The liquidity buffers are adequate and the maturity structure for the funding is well-adjusted to the needs of the business. 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 an established EMTN program. This was utilized in Q2 when the Group issued senior bonds of Euro 300 million in April 2018.

At the end of Q2 2018, wholesale funding amounted to NOK 57.3 million, of which 62 percent was sourced through covered bonds and 90 percent through long-term financing.

At the reporting date, the Group's portfolio of interest-bearing securities in totalled NOK 13.8 billion, while the liquidity indicator for long-term financing closed on 108 percent.

At the same date, the Group's liquidity reserves (LCR) were 167 percent (parent bank: 165 percent).

Rating

Sparebanken Sør has an A1 rating with "negative outlook". The rating outlook was adjusted from "stable" to "negative" in July 2017 as following 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 to Aaa by Moody's.

Subordinated capital and capital adequacy

At the end of Q2 2018, net subordinated capital amounted to NOK 12.8 billion, while hybrid capital closed on NOK 1.1 billion and subordinated loans totalled NOK 1.5 billion. The Group has consolidated a proportion of its cooperative companies when calculating the capital ratio at the end of Q2 2018. The common equity tier 1 capital ratio, when including Brage Finans, amounts to 15.0 percent. The tier 1 capital ratio amounts to 16.6 percent and the (total) capital ratio amounts to 18.9 percent. 80 percent of profit after tax from the first half of 2018 has been included in common equity tier 1 capital.

For the Parent Bank, the respective figures at the end of Q2 2018 were a CET1 capital ratio of 15.5 percent, a tier 1 capital ratio of 17.3 percent and a (total) capital ratio of 19.9 percent.

In July, the Bank received the Financial Supervisory Authority's assessment and decision regarding the Pilar 2 requirement. The assessment was based on the supervisory review and evaluation process (SREP) for 2018, and the Pilar 2 requirement for Sparebanken Sør was set to 2.0 percent of risk weighted assets. This requirement is related to an assessment of risk factors not covered by the Pilar 1 requirements, and also includes a new method for calculating capital requirements associated with partially owned insurance companies. The capital requirement regarding the shareholding in Frende Holding AS stands alone for 0.3 percentage points. The new Pilar 2 requirement is a significant downward adjustment from today's requirement of 2.1 percent.

This means that the Group satisfies the new capital requirements for financial institutions effective from 31 December 2017 of 12.0 percent for common equity tier 1 capital, 13.5 percent for tier 1 capital and 15.5 percent for (total) capital. Including the new pilar 2 – addition of 2.0 percent, the capital requirements are 14.0 percent for common equity tier 1 capital, 15.5 percent for tier 1 capital and 17.5 percent for total capital. Further adaptation of the buffer beyond this level will depend on market expectations and the Financial Supervisory Authority's (Finanstilsynet's) response to the banks Internal Capital Adequacy Assessment Process (ICAAP).

One of the bank's key goals is to achieve a CET1 capital ratio at least equal to comparable banks. Sparebanken Sør is the only of the major regional banks to apply the standard method to calculate the capital adequacy. In November 2017, Sparebanken Sør decided in to initiate a process to request approval from Finanstilsynet to apply the internal ratings-based approach (IRB). The bank aims to submit the application by the end of 2019.

At the end of Q2 2018, the Group's leverage ratio was 9.1 percent, compared with 9.0 percent at the same time last year. The bank's capital is deemed to be highly satisfactory.

The bank's equity certificates

As of 30 June 2018, 15 663 944 equity certificates have been issued. The profit (Group) per equity certificate was NOK 2.9 for Q2 2018, and NOK 5.5 for the first half of 2018. The ownership ratio for Q2 2018 was 17.9 percent. Hybrid capital classified as equity has been excluded when calculating the ownership ratio.

Dividend

Sparebanken Sør aims to ensure that its equity certificate owners achieve a competitive return in terms of dividends and returns on their equity certificates as a result of sound, stable and profitable operations.

Surpluses are distributed between the equity certificate capital (equity certificate owners) and the subordinated capital in accordance with the owner's share of equity.

In determining the annual dividend, Sparebanken Sør takes account for the bank's capital requirements, including regulatory requirements, investors' expectations and the bank's strategic targets.

The bank aims to distribute approximately half of the equity certificate capital after tax as dividend.

Subsidiary and partner businesses

Sparebanken Sør Boligkreditt AS, the Bank's wholly owned subsidiary, is licensed to issue covered bonds which are used as an instrument in the bank's long-term funding strategy. As of 30 June 2018, the bank had transferred NOK 34 billion to Sparebanken Sør Boligkreditt AS, equivalent to 51 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 southern Norway. Toghether with Porsgrunn Bamble Borgestad Boligbyggelag, the agency has established new offices in Skien and Porsgrunn in 2017. Sørmegleren delivered positive results in the first half of 2018, but the results are somewhat weaker than in the corresponding period in 2017.

Frende Holding (10% sharholding) 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 is producing strong growth in its customer base and premiums within both general and life insurance. The company has returned high profits over several years, even though the first half of 2018 was weaker. This is mainly a consequence of the high replacement volum caused by the extraordinarily cold and demanding winter season.

Brage Finans (15% shareholding) is a financing company that offers leasing and loans secured against by the purchased objects to the corporate and retail markets. The company is continuing to generate 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 a positive development in profit.

Balder Betaling (22.4% shareholding) is owned by Sparebanken Sør together with the 14 other banks in the Frende collaboration. The company has a 12 percent shareholding in Vipps AS, and is responsible for further development of the mobile payment application Vipps, together with the other stakeholders.

Outlook

The Board of Directors is satisfied with the financial performance after Q2 2018. The bank has a good development in profit from ordinary operations through customised growth, stable commission income, good cost control and low losses on loans.

After a weak growth in GDP in recent years, growth in the Norwegian economy has picked up. A weak NOK exchange rate, low interest rates and an expansionary fiscal policy have generated positive growth impulses and contributed to higher export growth, a lower unemployment rate and increased private consumption. Going forward, the financial framwork for the Norwegian economy therefore seem good.

House prices in the bank's main market have returned a slightly positive growth over several years. Statistics for the first half of 2018 show slightly inceasing house prices in the bank's main market area. The Group's mortgage portfolio has a satisfactory LTV, and the bank is well positioned to absorb any further fall in house prices. This view is also supported by the stress tests that have been carried out.

Norges Bank has kept its key interest rate unchanged since March 2016, and made no further adjustments at its most recent meeting on 21 June 2018. Norges Bank has signalled that an upward adjustment of the key interest rate is likely during autumn 2018.

The Group has a requirement for a common equity tier 1 capital, including the new pillar 2 add-on of 2.0 percent, which amounts to 14.0 percent. Adjusments of the buffer beyond this level is dependent on market expectations and the Norwegian Supervisory Authoritys' response to the bank's ICAAP in 2018. The Group aims for a common equity tier 1 capital ratio of 14.8 percent, with an operational interval between 14.5 and 15.0 percent. At the end of Q2 2018, common equity tier 1 capital ratio closed on 15.0 percent, wich is 1 percentage point above the regulatory requirement, and 0.9 percentage point above the current regulatory requirement.

The Group expects loan growth to outstrip overall credit growth in 2018, and has set a target return on equity of 9 percent.

Effective 1 January 2018, the Group has applied the new IFRS 9 standard, which will impact the calculation of the Group's impairment losses on loans. In the future, the Group will calculate its impairment losses based on expected loan losses. This approach is expected to result in greater fluctuations in loan lose moving forward. Based on the composition of the bank's loan portfolio, economic trends, historical figures and local market conditions, net losses are expected to remain low also in 2018.

In accordance with its strategic focus on cost and long-term value creation, the bank shall continue to invest in technology in order to contribute to cost-efficient operations and 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 after the reporting period

There have been no recorded events since 30 June 2018 that affect the quarterly financial statements.

Arendal, 10 August 2018

Stein A. Hannevik Chairman	Inger Johansen Deputy chairman	Tom Erik Jebsen	Erling Holm
Marit Kittilsen	Mette Ramfjord Harv	Jan Erling Tobiassen Employee representative	Gunnhild Tveiten Golid Employee representative
			Geir Bergskaug CEO

Income statement

PARENT BANK					Mill. kroner		GROUP				
31.12. 2017	**30.06 2017**	**30.06 2018**	**Q2 2017**	**Q2 2018**		**Notes**	**Q2 2018**	**Q2 2017**	**30.06 2018**	**30.06 2017**	**31.12. 2017**
2 205	1 104	1 119	555	576	Interest Income	3	790	742	1 533	1 472	2 953
884	446	452	224	235	Interest expenses	3	357	325	675	654	1 274
1 321	**658**	**667**	**331**	**341**	**Net interest income**	**3**	**433**	**417**	**858**	**818**	**1 679**
321	152	166	78	82	Commission income		98	95	185	179	370
58	24	27	12	14	Commission expenses		14	12	27	25	58
263	**128**	**139**	**66**	**68**	**Net commission income**		**84**	**83**	**158**	**154**	**312**
23	23	16	22	16	Dividend		7	14	7	15	15
121	36	67	14	40	Net income from other financial instruments		21	-19	47	-6	73
144	**59**	**83**	**36**	**56**	**Net income from financial instruments**		**28**	**-5**	**54**	**9**	**88**
		18		18	Income from partner businesses		18		18		
16	7	5	3	3	Other operating income		3	3	5	7	18
16	**7**	**23**	**3**	**21**	**Total other operating income**		**21**	**3**	**23**	**7**	**18**
1 744	**852**	**912**	**436**	**486**	**Total net income**		**566**	**498**	**1 093**	**988**	**2 097**
374	179	196	94	99	Wages and other personal expenses		123	116	240	221	453
29	14	14	7	7	Depreciation and write-down of fixed assests and intangible assests		7	7	14	14	30
309	161	165	79	82	Other operating income		88	85	176	172	328
712	**354**	**375**	**180**	**188**	**Total operating expenses**		**218**	**208**	**430**	**407**	**811**
1 032	**498**	**537**	**256**	**298**	**Profit before losses on loans**		**348**	**290**	**663**	**581**	**1 286**
20	28	6	13	7	Loses on loans and guarantees	4	5	13	5	28	20
1 012	**470**	**531**	**243**	**291**	**Profit before taxes**	**2**	**343**	**277**	**658**	**553**	**1 266**
217	106	108	52	49	Tax expenses		65	62	142	128	282
795	**364**	**423**	**191**	**242**	**Profit for the period**		**278**	**215**	**516**	**425**	**984**
					Minority interest		0		0	0	1
795	**364**	**423**	**191**	**242**	**Majority interest**		**278**	**215**	**516**	**425**	**983**
8,9	4,0	4,5	2,1	2,5	Profit/diluted earnings per equity certificate (in whole kroner)		2,9	2,4	5,5	4,8	11,2
					Other comprehensive income						
					Items that will not be reclassified to profit and loss account						
-13					Recognised estimate deviation and pensions						-13
3					Tax effect						3
					Items that will not be reclassified to profit and loss account						
		0		0	change in value basisswaps		-7		-12		
					Change in value loan to cutomers with securities in residentials		0		-		
		0		0	Tax effect		2		3		
-10	**0**	**0**	**0**	**0**	**Other comprehensive income**		**-5**	**-**	**-9**	**0**	**-10**
785	**364**	**423**	**191**	**242**	**Comprehensive income for the period**		**273**	**215**	**507**	**425**	**974**
					Minority interest		0	0	0	0	1
					Majority interest		**273**	**215**	**507**	**425**	**973**
8,8	4,0	4,5	2,1	2,5	Total Profit/diluted earnings per equity certificate (In whole NOK)		2,9	2,4	5,4	4,8	11,1

Unaudited

PARENT BANK			NOK million		GROUP		
31.12. 2017	**30.06. 2017**	**30.06. 2018**	**ASSETS**	**Notes**	**30.06. 2018**	**30.06. 2017**	**31.12. 2017**
1 143	1 011	803	Cash and receivables from central banks		803	1 011	1 143
3 516	2 170	4 036	Loans to credit institutions		162	164	236
66 595	64 988	66 562	Net loans to customers	4,5,6,8,10	100 529	94 649	97 518
12 660	12 480	13 758	Bonds and certificates	10	15 375	13 290	13 468
572	554	648	Shares	10	648	554	572
385	368	135	Financial derivatives	10,11	236	549	754
1 256	1 258	1 856	Shareholdings in Group companies				
39	11	62	Shareholdings in associated companies		62	11	39
15	21	23	Intangible assets		23	24	15
387	420	399	Fixed assets		421	466	416
81	98	124	Other assets		220	189	149
86 649	**83 379**	**88 406**	**TOTAL ASSETS**	**2,10**	**118 479**	**110 907**	**114 310**
			LIABILITIES AND EQUITY CAPITAL				
974	231	1 010	Debts to credit institutions		898	145	902
55 593	55 697	57 270	Deposits from customers	2,7,10	57 264	55 695	55 580
17 848	16 018	17 645	Debt incurred due to issue of securities	10,12	46 389	42 519	44 343
283	305	147	Financial derivatives	10,11	314	350	306
228	151	167	Payable taxes		205	166	299
219	274	288	Other liabilities		339	334	256
87	74	59	Provisions for commitments		59	74	87
43	47	36	Deferred tax		9	30	25
1 404	1 203	1 524	Subordinated loan capital	10,12	1 524	1 203	1 404
76 679	**74 000**	**78 146**	**Total liabilities**		**107 001**	**100 516**	**103 202**
1 575	1 531	1 576	Equity certificate capital	13	1 576	1 531	1 575
1 075	875	1 075	Hybrid capital		1 075	875	1 075
7 320	6 973	7 609	Other equity		8 827	7 985	8 458
9 970	**9 379**	**10 260**	**Total equity capital**	**9**	**11 478**	**10 391**	**11 108**
86 649	**83 379**	**88 406**	**TOTAL LIABILITIES AND EQUITY CAPITAL**	**2,10**	**118 479**	**110 907**	**114 310**

Cash flow statement

PARENT BANK			NOK million	GROUP		
31.12. 2017	30.06. 2017	30.06. 2018		30.06. 2018	30.06. 2017	31.12. 2017
2 212	1 210	1 256	Interest received	1 707	1 600	2 951
-922	-578	-602	Interest paid	-861	-810	-1 317
312	156	175	Other payments received	176	153	337
-677	-352	-392	Operating payments	-448	-403	-794
11	4	5	Loan recoveries	5	4	11
-185	-139	-178	Period tax paid	-249	-225	-259
-21	-14	-16	Gifts paid	-16	-14	-21
4 006	4 120	1 677	Change in customers deposits	1 684	4 133	4 008
-3 790	-2 185	-6	Change in loans to customers	-3 054	-3 788	-6 650
946	**2 222**	**1 919**	**Net cash flow from operational activities**	**-1 056**	**650**	**-1 734**
8 179	4 572	9 028	Payments received regarding securities	10 084	4 671	8 278
-9 826	-6 070	-10 135	Payments made regarding securities	-12 001	-6 120	-9 874
30	14		Payments received regarding sale of fixed assets	8	23	66
-24	-19	-20	Payments made regarding purchase of fixed assets	-21	-19	-28
		-605	Investment in subsidiary	-5		
62	-1	119	Change in other assets	293	-81	-178
-1 579	**-1 504**	**-1 613**	**Net cash flow from investing activites**	**-1 642**	**-1 526**	**-1 736**
-1 305	41	-520	Change in loans to credit institutions	74	-8	-80
742	-1	36	Change in deposits from credit institutions	-4	-33	724
4 550	1 550	2 913	Payments received, bond debt	7 768	7 728	10 810
-3 174	-2 005	-2 902	Payments made, bond debt	-5 070	-6 603	-8 069
-141	-119	-126	Payments made, dividend and interest hybrid capital	-127	-119	-141
450	250		Issuance of hybrid capital		250	450
-200	-200		Paid hybrid capital		-200	-200
200		250	Issuance of subordinated loan capital	250		200
		-130	Paid subordinated loan capital	-130		
-143	-20	-167	Change in other liabilities	-403	75	122
979	**-504**	**-646**	**Net cash flow from financing activities**	**2 358**	**1 090**	**3 816**
346	**214**	**-340**	**Net change in liqiud assets**	**-340**	**214**	**346**
797	797	1 143	Cash and cash equivalents as at 01.01	1 143	797	797
1 143	**1 011**	**803**	**Cash and cash equivalents at end of period**	**803**	**1 011**	**1 143**

Equity statement

GROUP NOK million	Equity certificates	Premium fund	Dividend equaliza-tionfund	Hybrid capital	Primary capital	Gift fund	Other equity	Minority interests	TOTAL
Balance 31 Dec. 2016	**783**	**451**	**297**	**825**	**6 606**	**42**	**1 044**	**3**	**10 051**
Dividend distributed for 2016							-94	-2	-96
Profit first half 2017				25			400		425
Buy back of hybrid capital				-25					-25
Interest on hybrid capital				-200					-200
Essuance of hybird capital				250	-1				249
Allocated gift fund						-13			-13
Balance 30.06.2017	**783**	**451**	**297**	**875**	**6 605**	**29**	**1 350**	**1**	**10 391**
Profit 1.7-31.12.2017			46	22	568	40	-118	1	559
Buy back of hybrid capital				-22					-22
Issuance of hybrid capital				200					200
Other comprehensive income			-2		-8				-10
Allocated gift fund						-8			-8
Other changes							-2		-2
Balance 31 Dec. 2017	**783**	**451**	**341**	**1 075**	**7 165**	**61**	**1 230**	**2**	**11 108**
Dividend distributed for 2017							-94	-1	-95
Accounting effects on transition to IFRS 9			1		4		-3		2
Profit first half 2018				32			484		516
Interest on hybrid capital				-32					-32
Other comprehensive income							-9		-9
Allocated gift fund						-12			-12
Balanse 30.06.2018	**783**	**451**	**342**	**1 075**	**7 169**	**49**	**1 608**	**1**	**11 478**

PARENT BANK	Equity certificates	Premium fund	Dividend equaliza-tionfund	Hybrid capital	Primary capital	Gift fund	Other equity	Minority interests	TOTAL
Balanse 31.12.2016	**783**	**451**	**297**	**825**	**6 606**	**42**	**94**		**9 098**
Dividend distributed for 2016							-94		-94
Profit first half 2017				25			339		364
Buy back of hybrid capital				-25					-25
Interest on hybrid capital				-200					-200
Essuance of hybird capital				250	-1				249
Allocated gift fund						-13			-13
Balanse 30.06.2017	**783**	**451**	**297**	**875**	**6 605**	**29**	**339**	**0**	**9 379**
Profit 1.7-31.12.2017			46	22	568	40	-245		431
Buy back of hybrid capital				-22					-22
Issuance of hybrid capital				200					200
Other comprehensive income			-2		-8				-10
Allocated gift fund						-8			-8
Balanse 31.12.2017	**783**	**451**	**341**	**1 075**	**7 165**	**61**	**94**	**0**	**9 970**
Dividend distributed for 2017							-94		-94
Accounting effects on transition to IFRS 9			1		4				5
Profit first half 2018				32			391		423
Interest on hybrid capital				-32					-32
Other comprehensive income									0
Allocated gift fund						-12			-12
Balanse 30.06.2018	**783**	**451**	**342**	**1 075**	**7 169**	**49**	**391**	**0**	**10 260**

Notes

1. ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with International Standards for Financial Reporting (IFRS), including IAS 34. The applied accounting policies are the same as those applied in the 2017 annual financial statements.

Effective 1 January 2018, the Group changed its accounting principles for the recognition, de-recognition, classification and measurement of financial assets and liabilities, as well as hedge accounting, from the previously applied IAS 39 to IFRS 9. Please refer to Note 38 of the 2017 annual financial statements for further details on the accounting effects of the transition, new accounting policies and descriptions of the bank's applied impairment model.

There are no other new standards applicable for 2018 that have a material impact on the financial statements.

The ordinary tax rate of 25 percent has been used to calculate tax payable.

2. SEGMENT REPORTING

	30.06.2018				30.06.2017			
Report per segment			**Undistrib. and**				**Undistrib. and**	
Income statement (NOK million)	**RM**	**CM**	**elimin.**	**Total**	**RM**	**CM**	**elimin.**	**Total**
Net interest and commision income	494	343	22	858	492	325	0	818
Net other operating income	94	35	106	235	85	33	52	170
Operating expenses	186	49	195	430	183	44	180	407
Profit before losses per segment	**402**	**328**	**-67**	**663**	**395**	**314**	**-128**	**581**
Losses on loans and guarantees	4	1	0	5	1	27	0	28
Profit before tax per segment	**398**	**327**	**-67**	**658**	**393**	**287**	**-128**	**553**
Net loans to customers	66 562	33 881	85	100 529	62 410	32 306	-67	94 649
Other assets			17 950	17 950			16 258	16 258
Total assets per segment	**66 562**	**33 881**	**18 035**	**118 479**	**62 410**	**32 306**	**16 191**	**110 907**
Deposits from customers	29 444	22 057	5 763	57 264	27 746	22 396	5 553	55 695
Other liabilities	37 118	11 824	794	49 737	34 665	9 909	247	44 821
Total liabilities per segment	**66 562**	**33 881**	**6 557**	**107 001**	**62 410**	**32 306**	**5 800**	**100 516**
Equity			11 478	11 478			10 391	10 391
Total liabilities and equity per segment	**66 562**	**33 881**	**18 035**	**118 479**	**62 410**	**32 306**	**16 191**	**110 907**

3. INTEREST INCOME AND INTEREST EXPENSES

PARENT BANK			Interest income	Group		
31.12.17	**30.06.17**	**30.06.18**	**NOK million**	**30.06.18**	**30.06.17**	**31.12.17**
			Interest income from financial instruments at amortised cost:			
42	20	35	Interest on loans given to credit institutions	5	4	9
1836	914	684	Interest on loans given to customers	1 355	1 292	2 605
1878	**934**	**719**	**Interests from financial instruments at amortised cost**	**1 359**	**1 296**	**2 614**
			Interest income from financial instruments at fair value:			
172	91	72	Interest on loans given to customers (fixed rate loans)	72	91	172
156	79	90	Interest on cerificates and bonds	101	86	168
327	**171**	**162**	**Interest income from financial instruments at fair value**	**174**	**177**	**340**
			Interest income from financial instruments at fair value over OCI			
		238	Interest on loans given to cutomers (mortgage)			
		238	Interest income from financial instruments at fair value over OCI			
2 205	**1105**	**1119**	**Total interest income**	**1 533**	**1 473**	**2 953**

PARENT BANK			Interest expences	Group		
31.12.17	**30.06.17**	**30.06.18**	**NOK million**	**30.06.18**	**30.06.17**	**31.12.17**
			Interest expenses from financial instruments at amortised cost:			
6	1	7	Interest on debt given to credit institutions	6	0	5
521	263	264	Interest on debt to customers	264	263	517
281	144	142	Interest on issued securities	365	352	675
32	16	19	Interest on subordinated loans	19	16	32
45	22	20	Fee to The Norwegian Banks`Guarantee Fund	20	22	45
884	446	452	Interest expenses from financial instruments at amortised cost	675	654	1 274
884	**446**	**452**	**Total interest expenses**	**675**	**654**	**1 274**

4. LOSSES ON LOANS, GUARANTEES AND UNUSED CREDITS

Allowances on loan losses and the loss and guarantee cost for the period, have been calculated in accordance with the new accounting principles in IFRS 9. Losses on loans, guarantees and unused credits are based on expected credit loss (ECL), applying the 3 stage method described in Note 38 to the 2017 annual financial statements.

Figures for Q2 2017 and as of 31 December 2017 have been recognized under the subsequent loss model in IAS 39. Consequently, the figures for the current period are not directly comparable to previous periods.

PARENT BANK			NOK million	GROUP		
31.12.17	**30.06.17**	**30.06.18**	**Loss expense on loans during the period**	**30.06.18**	**30.06.17**	**31.12.17**
		-1	Period's change inn write-downs stage 1	-1		
		0	+Period's change inn write-downs stage 2	0		
		-12	+Period's change inn write-downs stage 3	-14		
		26	+ Period's confirmed loss	26		
3	15		Change in individual write downs during the period		15	3
-30	0		+ Change in collective write-downs during the period		0	-30
50	14		+ Period's confirmed loss where individual write-downs has been performed previously		14	50
8	2		+ Period's confirmed loss where no individual write-downs has been performed previously		2	8
4	2	-2	+ Recognised as interest income	3	2	4
11	4	5	- Period's recoveries relating to previous losses	5	4	11
-4	-1	0	+ Change in write downs on guaranties	-4	-1	-4
20	**28**	**6**	**Loss expenses during the period**	**5**	**28**	**20**

GROUP

NOK million	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Total
Allowenses on loan losses 01.01.2018	51	99	416	566
Transfers				
Transfered to stage 1	**22**	**-21**	**-1**	**0**
Transfered to stage 2	-3	4	-1	0
Transfered to stage 3	**0**	**-1**	**1**	**0**
Losses on new loans	9	6	25	40
Losses on deducted loans *	**-4**	**-7**	**-44**	**-55**
Confirmed losses	0	0	0	0
Entered into previous confirmed losses	**0**	**0**	**0**	**0**
Losses on older loans and other changes	-27	21	14	8
Allowenses on loan losses 30.06.2018	**48**	**101**	**410**	**559**

* Losses on deducted loans consist of loss on loans redeemed in the period, or loan transferred between the parent bank and Sparebanken Sør Boligkreditt AS.

The table also includes impairment losses on non-balance items (unused credits and guarantees). These are presented as other liabilities in the balance sheet.

PARENT BANK

NOK million	Stage 1 Expected losses in the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Lifetime expected credit losses	Totalt
Allowenses on loan losses 01.01.2018	49	91	415	555
Transfers				
Transfered to stage 1	**18**	**-17**	**-1**	**0**
Transfered to stage 2	-2	4	-1	0
Transfered to stage 3	**0**	**-1**	**1**	**0**
Losses on new loans	8	6	25	39
Losses on deducted loans *	**-4**	**-6**	**-44**	**-54**
Confirmed losses				
Entered into previous confirmed losses	**0**	**0**	**0**	**0**
Losses on older loans and other changes	-20	20	9	9
Allowenses on loan losses 30.06.2018	**48**	**96**	**405**	**549**

* Losses on deducted loans consist of loss on loans redeemed in the period, or loan transferred between the parent bank and Sparebanken Sør Boligkreditt AS.

The table also includes impairment losses on non-balance items (unused credits and guarantees). These are presented as other liabilities in the balance sheet.

For changes in balance sheet items from 31 December 2017 to 1 January 2018 due to the transition to new accounting standards, please refer to Note 38 of the 2017 annual financial statements. The following table shows reported figures for the comparable prior-year period and as of 31 December 2017 in accordance with IAS 39.

PARENT BANK		NOK million	Group	
31.12.17	**30.06.17**	**Individual write-downs**	**30.06.17**	**31.12.17**
385	385	Individual write-downs at start of period	385	385
50	14	- Period`s confirmed loss where individual write-down has been performed previously	14	50
27	15	+ Increased individual write-downs during hte period	15	27
50	24	+ New individual write-downs during the period	24	50
24	10	- Reversal of individual write-downs during the period	10	24
388	**400**	**= Individual write-downs at the end of period**	**400**	**388**

PARENT BANK			Group	
31.12.17	**30.06.17**	**Collective writedowns on loans**	**30.06.17**	**31.12.17**
204	204	Collective writedowns on loans at start of period	210	210
-30	0	+ Change in collective write-downs during the period	0	-30
174	**204**	**+ Collective write-downs of loans at the end of period**	**210**	**180**

5. DEFAULTED LOANS

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

Please refer to note 38 in the 2017 annual financial statements for a detailed explanation of loans recognised in stage 3 when calculating expected losses.

MORBANK			Mill. kroner	KONSERN		
31.12.17	**30.06.17**	**30.06.18**		**30.06.18**	**30.06.17**	**30.06.17**
273	281	270	Gross non-performing loans	270	281	281
60	78		Individual write-downs		78	78
		58	Stage 3 write-downs	58		
213	**203**	**212**	**Net non-performing loans**	**212**	**203**	**203**
0,41 %	**0,43 %**	**0,40 %**	**Gross non-performing loans as % of gross loans**	**0,27 %**	**0,29 %**	**0,29 %**

6. WRITE-DOWNS BROKEN DOWN PER SECTOR, INDUSTRY AND STAGE

PARENT BANK				NOK million	GROUP			
Stage 1	**Stage 2**	**Stage 3**	**Write-down on loans, garantees and unused credits as of 30.06.18**		**Write-down on loans, garantees and unused credits as of 30.06.18**	**Stage 3**	**Stage 2**	**Stage 1**
3	15	34	52	Retail customers	63	35	23	4
0	0	0	0	Public administration	0	0	0	0
0	3	0	3	Primary industry	3	0	3	0
2	1	51	54	Manufacturing industry	55	52	1	2
9	12	68	89	Real estate development	89	69	12	9
3	3	75	81	Building and construction industry	82	76	3	3
23	53	137	213	Property management	211	138	51	22
1	1	1	3	Transport	3	1	1	1
1	3	24	28	Retail trade	28	25	2	1
0	0	0	1	Hotel and restaurant	1	0	0	0
1	0	0	1	Housing cooperatives	1	0	0	1
1	2	12	16	Financial/commercial services	16	13	2	1
4	2	2	8	Social services	8	2	2	4
48	**96**	**405**	**549**	**Total write-down on loans, garantees and unused credits**	**559**	**410**	**101**	**48**

The distribution is based on official industry codes, and corresponds with the Group's internal reporting.

Calculated losses as of 30.06.2018 based on the different steps in the model

NOK million

Group	**Stage**	**Commitment**	**As %**	**Calculated loss**	**As %**
Corporate customers	1	33 391	30,1 %	43	7,7 %
	2	5 529	5,0 %	78	14,0 %
	3	860	0,8 %	375	67,1 %
Corporate customers total		**39 780**	**35,9 %**	**497**	**88,7 %**
Retail customers	1	63 957	57,7 %	5	0,9 %
	2	6 877	6,2 %	23	4,1 %
	3	264	0,2 %	35	6,3 %
Retail customers total		**71 098**	**64,1 %**	**63**	**11,3 %**
Total		**110 878**	**100,0 %**	**559**	**100,0 %**

NOK million

Parent bank	**Stage**	**Commitment**	**As %**	**Calculated loss**	**As %**
Corporate customers	1	33 388	45,6 %	45	8,3 %
	2	5 527	7,6 %	81	14,8 %
	3	860	1,2 %	371	67,5 %
Corporate customers total		**39 775**	**54,3 %**	**497**	**90,5 %**
Retail customers	1	29 592	40,4 %	3	0,5 %
	2	3 579	4,9 %	15	2,8 %
	3	238	0,3 %	34	6,1 %
Retail customers total		**33 409**	**45,7 %**	**52**	**9,5 %**
Total		**73 184**	**100,0 %**	**549**	**100,0 %**

7. CUSTOMERS DEPOSITS BROKEN DOWN PER SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.17	**30.06.17**	**30.06.18**		**30.06.18**	**30.06.17**	**31.12.17**
25 945	25 912	27 415	Retail customers	27 416	25 913	25 946
9 332	9 283	10 608	Public administration	10 609	9 283	9 332
485	871	462	Primary industry	462	871	485
2 257	1 336	1 770	Manufacturing industry	1 770	1 336	2 257
797	435	569	Real estate development	560	430	782
1 002	897	926	Building and construction industry	926	897	1 002
2 778	2 513	2 877	Property management	2 877	2 514	2 778
552	720	467	Transport	467	720	552
1 016	840	963	Retail trade	963	840	1 016
172	128	141	Hotel and restaurant	141	128	172
215	268	203	Housing cooperatives	203	268	215
5 265	5 321	4 310	Financial/commercial services	4 311	5 321	5 265
5 761	6 968	6 445	Social services	6 445	6 969	5 761
17	204	115	Accrued interests	115	204	17
55 593	**55 697**	**57 270**	**Total deposits from customers**	**57 264**	**55 695**	**55 580**

The distribution is based on official industry codes, and corresponds with the Group's internal reporting.

8. LOANS TO CUSTOMERS BROKEN DOWN PER SECTOR AND INDUSTRY

PARENT BANK			NOK million	GROUP		
31.12.17	**30.06.17**	**30.06.18**		**30.06.18**	**30.06.17**	**31.12.17**
32 896	32 204	31 750	Retail customers	65 729	61 910	63 844
413	388	418	Public administration	418	388	413
858	833	879	Primary industry	879	833	858
1 136	839	1 157	Manufacturing industry	1 157	839	1 136
4 162	3 538	4 426	Real estate development	4 379	3 477	4 113
1 516	1 393	1 653	Building and construction industry	1 654	1 393	1 516
16 282	16 747	17 429	Property management	17 435	16 744	16 280
667	613	675	Transport	675	612	667
1 148	1 009	1 129	Retail trade	1 130	1 009	1 148
611	336	306	Hotel and restaurant	306	336	611
1 439	1 062	1 284	Housing cooperatives	1 285	1 061	1 438
1 072	2 283	1 059	Financial/commercial services	1 060	2 282	1 072
4 814	4 223	4 778	Social services	4 779	4 222	4 814
144	125	146	Accrued interests	180	151	175
67 158	**65 592**	**67 088**	**Total gross loans**	**101 066**	**95 258**	**98 086**
562	604	526	Write-downs on lending	537	610	568
66 595	**64 988**	**66 562**	**Total net loans**	**100 529**	**94 649**	**97 518**

The distribution is based on official industry codes, and corresponds with the Group's internal reporting.

9. SUBORDINATED CAPITAL AND CAPITAL ADEQUACY

PARENT BANK			NOK million	GROUP		
31.12.17	**30.06.17**	**30.06.18**		**30.06.18**	**30.06.17**	**31.12.17**
9 970	**9 379**	**10 260**	**Total equity**	**11 478**	**10 391**	**11 108**
			Tier 1 capital			
-1 074	-875	-1 075	Equity not eligible as common equity tier 1 capital	-1 075	-875	-1 088
-94	-61	-68	Share of profit not eligible as common equity tier 1 capital	-68	-61	-94
-15	-21	-23	- Deduction for intangible assets and deferred tax assets	-23	-21	-15
-20		-20	- Deduction for aditional value adjustments (AVA)	-22		-21
		-54	Other withdrawl	-54		
8 767	**8 422**	**9 020**	**Total common equity tier 1 capital**	**10 236**	**9 434**	**9 890**
			Other tier 1 capital			
1 075	875	1 075	Hybrid capital	1 075	875	1 075
0	0	0	Deduction in other tier 1 capital	0	0	0
9 842	**9 297**	**10 095**	**Total tier 1 capital**	**11 310**	**10 309**	**10 965**
			Additional capital over tier 1 capital			
1 404	1 203	1 524	Subordinated loan capital	1 524	1 203	1 404
-22	-22	-22	Deduction in additional capital	-22	-22	-22
1 382	**1 181**	**1 502**	**Total additional capital**	**1 502**	**1 181**	**1 382**
11 224	**10 478**	**11 597**	**Net primary capital**	**12 812**	**11 490**	**12 347**
			Minimum requirement for subordinated capital Basel II calculated according to the standard method:			
3	5	3	Engagements with local and regional authorities	3	5	3
59	40	67	Engagements with institutions	12	19	17
168	162	165	Engagements with enterprises	167	164	170
475	475	459	Engagements with mass market	475	475	498
3 048	2 993	3 113	Engagements secured in property	4 168	3 946	3 991
47	51	42	Engagements which have fallen due	42	51	47
0	0	0	Engagements which are high risk	0	0	0
284	282	312	Engagements in covered bonds	92	76	79
143	144	204	Engagements in collective investment funds	53	45	43
43	48	50	Engagements, other	51	48	44
4 270	**4 200**	**4 415**	**Capital requirements for credit- and counterparty risk**	**5 063**	**4 829**	**4 892**
1	**6**	**1**	**Capital requirements for position-, currency- and product risk**	**1**	**6**	**1**
219	**219**	**240**	**Capital requirements for operational risk**	**298**	**280**	**280**
23	**22**	**3**	**CVA addition**	**3**	**55**	**65**
0	**0**	**0**	**Deduction from the capital requirement**	**0**	**0**	**0**
4 513	**4 447**	**4 659**	**Total minimum requirement for primary capital**	**5 365**	**5 170**	**5 238**
56 401	55 588	58 236	Risk-weighted balance (calculation basis)	67 069	64 625	65 475
15,5 %	15,2 %	15,5 %	Common equity tier 1 capital ratio, %	15,3 %	14,6 %	15,1 %
17,5 %	16,7 %	17,3 %	Tier 1 capital ratio, %	16,9 %	16,0 %	16,7 %
19,9 %	18,8 %	19,9 %	Total capital ratio, %	19,1 %	17,8 %	18,9 %
8,4 %	8,2 %	8,4 %	Leverage ratio	9,2 %	9,0 %	9,2 %

NOK million	30.06.2018	30.06.2017	31.12.2017
	Cooperative Group's		
Proportion of common equity tier 1 capital	149	104	111
Proportion of tier 1 capital	164	104	126
Proportion of net primary capital	190	118	140
Deductions from internal eliminations	-158	-124	-124
Common equity tier 1 capital after proportionate consolidation	**10 227**	**9 414**	**9 877**
Tier 1 capital after proportionate consolidation	**11 317**	**10 289**	**10 967**
Subordinated capital after proportionate consolidation	**12 844**	**11 470**	**12 363**
Porportion of risk weighted balance	1 103	721	793
Deductions from internal eliminations	-181	-204	-147
Risk weighted balance after proportonate consolidation	**67 991**	**65 142**	**66 121**
Common equity tier 1 capital after proportionate consolidaton, %	15,0 %	14,5 %	14,9 %
Tier 1 capital after proportionate consolidation, %	16,6 %	15,8 %	16,6 %
(Total) capital after proportionate consolidation, %	18,9 %	17,6 %	18,7 %
Leverage ratio after proportionate consolidation, %	9,1 %	8,9 %	9,2 %

10. 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 whose value is based on valuation techniques in which all assumptions (all input) are based on directly or indirectly observable market data. Such values may be obtained from external market players or reconciled against external market players offering these types of services.

Level 3:
Instruments whose value is based on valuation techniques in which at least one essential requirement cannot be supported based on observable market values. This category includes investments in unlisted companies and fixed-rate loans where none of the required market information is available.

For a more detailed description, see Note 21 Fair value of financial instruments in the 2017 annual financial statements.

PARENT BANK				NOK million	GROUP			
Recognized	Fair value			30.06.2018	Recognized	Fair value		
value	Level 1	Level 2	Level 3		value	Level 1	Level 2	Level 3
				Assets recognized at amortised cost				
803		803		Cash and receivables from central banks	803		803	
4 036		4 036		Loans to credit institutions	162		162	
38 189			38 189	Net loans to customers (floating interest rate)	94 843			94 843
				Assets recognized at fair value				
5 686			5 686	Net loans to customers (fixed interest rate)	5 686			5 686
22 687			22 687	Net loans to customers (mortgage)				
13 758		13 758		Bonds and certificates	15 375		15 375	
648	4		644	Shares	648	4		644
135		135		Financial derivatives	236		236	
85 942	**4**	**18 732**	**67 206**	**Total financial assets**	**117 753**	**4**	**16 576**	**101 173**
				Liabilities recognized at amortised cost				
1 010		1 010		Debt to credit institutions	898		898	
57 270			57 270	Deposit from customers	57 264			57 264
17 645		17 762		Debt incurred due to issue of securities	46 389		46 685	
1 524		1 535		Subordinated loan capital	1 524		1 535	
				Liabilities recognized at fair value				
147		147		Financial derivatives	314		314	
77 596	**0**	**20 454**	**57 270**	**Total financial liabilities**	**106 389**	**0**	**49 432**	**57 264**

PARENT BANK				NOK million	GROUP			
Recognized	Fair value			31.12.2017	Recognized	Fair value		
value	Level 1	Level 2	Level 3		value	Level 1	Level 2	Level 3
				Assets recognized at amortized cost				
1 143		1 143		Cash and receivables from central banks	1 143		1 143	
3 516		3 516		Loans to credit institutions	236		236	
60 279			60 279	Net loans to customers (floating interest rate)	91 202			91 202
				Assets recognized at fair value				
6 316			6 316	Net loans to customers (fixed interest rate)	6 316			6 316
12 660		12 660		Bonds and certificates	13 468		13 468	
572	5		567	Shares	572	5		567
385		385		Financial derivatives	754		754	
84 871	**5**	**17 704**	**67 162**	**Total financial assets**	**113 691**	**5**	**15 601**	**98 085**
				Liabilities recognized at amortised cost				
974		974		Debt to credit institutions	902		902	
55 593			55 593	Deposit from customers	55 580			55 580
17 848		17 944		Debt incurred due to issue of securities	44 343		44 648	
1 404		1 415		Subordinated loan capital	1 404		1 415	
				Liabilities recognized at fair value				
283		283		Financial derivatives	306		306	
76 102	**0**	**20 616**	**55 593**	**Total financial liabilities**	**102 535**	**0**	**47 271**	**55 580**

PARENT BANK				NOK million	GROUP			
Recognized	Fair value			30.06.2017	Recognized	Fair value		
value	Level 1	Level 2	Level 3		value	Level 1	Level 2	Level 3
				Assets recognized at amortized cost				
1 011		1 011		Cash and receivables from central banks	1 011		1 011	
2 170		2 170		Loans to credit institutions	164		164	
57 943			57 943	Net loans to customers (floating interest rate)	87 604			87 604
				Assets recognized at fair value				
7 045			7 045	Net loans to customers (fixed interest rate)	7 045			7 045
12 480		12 480		Bonds and certificates	13 290		13 290	
554	37		517	Shares	554	37		517
368		368		Financial derivatives	549		549	
81 571	**37**	**16 029**	**65 505**	**Total financial assets**	**110 217**	**37**	**15 014**	**95 166**
				Liabilities recognized at amortised cost				
231		231		Debt to credit institutions	145		145	
54 697			54 697	Deposit from customers	55 695			55 695
16 018		16 130		Debt incurred due to issue of securities	42 519		42 802	
1 203		1 214		Subordinated loan capital	1 203		1 214	
				Liabilities recognized at fair value				
305		305		Financial derivatives	350		350	
72 454	**0**	**17 880**	**54 697**	**Total financial liabilities**	**99 912**	**0**	**44 511**	**55 695**

Movement level 3

GROUP / PARENT BANK

NOK million	Net loans to customers	Of which credit risk	Shares
Recognized value as at 01.01.2017	**7 514**	**-14**	**509**
Acquisitions 1 halår 2017	176		22
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	-9	-6	1
Disposals 1 halvår 2017	-636		-15
Recognized value as at 30.06.2017	**7 045**	**-20**	**517**
Acquisitions 2 halvår 2017	59		0
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	-39	18	57
Disposals 2 halvår 2017	-749		-7
Recognized value as at 31.12. 2017	**6 316**	**-2**	**567**
Acquisitions first half of 2018	647		36
Of which, transferred from level 1 or 2	0		
Change in value recognized during the period	18	12	41
Disposals first half of 2018	-1 295		-1
Recognized value as at 30.06.2018	**5 686**	**10**	**643**

Sensitivity analysis

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

GROUP / PARENT BANK

NOK million	30.06.2018	30.06.2017	31.12.2017
Loan o customers	17	19	16
- of which, loans to corporate market (CM)	4	5	5
- of which, loans to retail market (RM)	13	14	11

11. OFFSETTING

GROUP

NOK million	30.06.2018	30.06.2018 (1) Net presented	30.06.2017	30.06.2017 (1) Net presented
Assets				
Financial derivaties	236	100	549	282
Liabilities				
Financial derivaties	314	177	350	83

PARENT BANK

NOK million	30.06.2018	30.06.2018 (1) Net presented	30.06.2017	30.06.2017 (1) Net presented
Assets				
Financial derivaties	135	94	368	165
Liabilities				
Financial derivaties	147	106	305	102

(1) Includes assets and liabilities where the bank and the Group have recognized their financial derivatives net for each individual counterparty.

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

Unaudited

12. DEBT SECURITIES AND SUBORDINATED LOAN CAPITAL

Debt securities - Parent bank

NOK million	30.06.2018	30.06.2017	31.12.2017
Bonds, nominal value	46 119	42 179	43 990
Value adjustments	128	201	125
Accrued interest	142	139	228
Debt incurred due to issue of securities	**46 389**	**42 519**	**44 343**

Change in debt securities - Parent bank

NOK million	31.12.2017	Issued	Matured/ Redeemed	Other changes during the period	30.06.2018
Bonds, nominal value	43 990	7 755	-5 070	556	46 119
Value adjustments	125	13		3	128
Accrued interest	228			-86	142
Debt incurred due to issue of securities	**44 343**	**7 768**	**-5 070**	**473**	**46 389**

Debt securities - Group

NOK million	30.06.2018	30.06.2017	31.12.2017
Bonds, nominal value	17 519	15 749	17 580
Value adjustments	24	165	99
Accrued interest	102	104	169
Debt incurred due to issue of securities	**17 645**	**16 018**	**17 848**

Change in debt securities - Group

NOK million	31.12.2017	Issued	Matured/ Redeemed	Other changes during the period	30.06.2018
Bonds, nominal value	17 580	2 900	-2 902	59	17 519
Value adjustments	99	13		-75	24
Accrued interest	169			-67	102
Debt incurred due to issue of securities	**17 848**	**2 913**	**-2 902**	**-83**	**17 645**

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

NOK million	31.12.2017	Issued	Matured/ Redeemed	Other changes during the period	30.06.2018
Subordinated loans	1 400	250	-130		1 520
Accrued interest	4				4
Total subordinated loan capital	**1 404**	**250**	**-130**	**0**	**1 524**

13. EQUITY CERTIFICATE OWNERS

The twenty largest equity certificate owners as at 30 June 2018.

	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.	Allumgården AS	174 209	1,11
2.	Bergen Kom. Pensjonskasse	450 000	2,87	12.	Otterlei Group AS	151 092	0,96
3.	Arendal Kom. pensjonskasse	423 351	2,70	13.	MP Pensjon PK	140 000	0,89
4.	Holta Invest AS	417 309	2,66	14.	Ottersland AS	100 000	0,64
5.	Pareto AS	393 765	2,51	15.	Profond AS	94 585	0,60
6.	Glastad Invest AS	387 467	2,47	16.	Wenaas Kapital AS	85 523	0,55
7.	Merrill Lynch	376 231	2,40	17.	Artel Holding A/S	82 131	0,52
8.	EIKA utbytte VPF c/o Eika kapitalforv.	228 735	1,46	18.	Apriori Holding AS	77 115	0,49
9.	Wenaasgruppen AS	199 261	1,27	19.	Varodd AS	72 575	0,46
10.	Gumpen Bileiendom AS	186 000	1,19	20.	Birkenes Sparebank	70 520	0,45
Total - 10 largest owners		**11 050 798**	**70,53**	**Total - 20 largest owners**		**12 098 548**	**77,20**

The ownership ratio as at 1 January 2018 was 17.9 percent. Hybrid capital classified as equity has been excluded when calculating the ownership ratio.

At the reporting date, Sparebanken Sør owned 5 168 of its own equity certificates. The equity certificate capital amounted to NOK 783 197 200 distributed over 15 663 944 equity certificates each with a nominal value of NOK 50.

The Group's risk management procedures ensure that the Group's risk exposure is known at all times and are instrumental in helping the Group to achieve its strategic objectives and comply with legal and regulatory requirements. Governing targets are established for the Group's overall risk level and each spesific risk area, and systems are in place 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 commensurate with 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 relating to Sparebanken Sør's operations is credit risk. Future changes in the bank's losses will also be impacted by general economic trends. This makes the granting of credit and associated processes one of the most important areas for the bank's risk management.

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

Market risk

Market risk generally arises from the Group's unhedged transactions in the interest rate, currency and equity markets. Such risk can be divided into interest rate risk, currency risk, share risk and spread risk, and relates to changes in results caused by fluctuations in interest rates, market prices and/or exchange rates. The Board of Directors establishes guidelines and limits for managing market risk.

Liquidity risk

Liquidity risk relates to Sparebanken Sør's ability to finance its lending growth and fulfil its loan obligations subject to market conditions. Liquidity risk also includes risk of the financial markets that the Group wishes to use ceasing to function. The Board of Directors established guidelines and limits for the management of liquidity risk.

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 fluctuations in revenue based on factors other than credit risk, liquidity risk, market risk and operational risk. This risk could, for example, derive from regulatory amendments or financial or monetary policy measures, including changes in fiscal and currency legislation, which could have a negative impact on the business.

All risk at Sparebanken Sør must be subject to active and satisfactory management, based on objectives and limits for risk exposure and risk tolerance established by the Board of Directors.

Quarterly profit trend

Group NOK million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net interest income	433	425	439	422	417
Net commission income	84	74	78	80	83
Net income from financial instruments	28	26	58	21	-5
Other operating income	21	2	9	2	3
Total net income	**566**	**527**	**584**	**525**	**498**
Total operating expenses	218	212	210	194	208
Profit before losses	**348**	**315**	**374**	**331**	**290**
Losses on loans and guarantees	5	0	-12	4	13
Profit before taxes	**343**	**315**	**386**	**327**	**277**
Tax expenses	65	77	74	80	62
Profit for the period	**278**	**238**	**312**	**247**	**215**

% of average assets					
Net interest income	1,48 %	1,49 %	1,54 %	1,51 %	1,54 %
Net commission income	0,29 %	0,26 %	0,27 %	0,29 %	0,31 %
Net income from financial instruments	0,10 %	0,09 %	0,20 %	0,07 %	-0,02 %
Other operating income	0,07 %	0,01 %	0,03 %	0,01 %	0,01 %
Total net income	**1,93 %**	**1,85 %**	**2,05 %**	**1,87 %**	**1,84 %**
Total operating expenses	0,74 %	0,75 %	0,74 %	0,69 %	0,77 %
Profit before losses	**1,19 %**	**1,11 %**	**1,32 %**	**1,18 %**	**1,07 %**
Losses on loans and guarantees	0,02 %	0,00 %	-0,04 %	0,01 %	0,05 %
Profit before taxes	**1,17 %**	**1,11 %**	**1,36 %**	**1,17 %**	**1,02 %**
Tax expenses	0,22 %	0,27 %	0,26 %	0,29 %	0,23 %
Profit for the period	**0,95 %**	**0,84 %**	**1,10 %**	**0,88 %**	**0,80 %**
Key figures, income statment					
Return on equity after tax	10,1 %	9,1 %	12,0 %	9,8 %	8,5 %
Cost as % of income	38,5 %	40,2 %	36,0 %	37,0 %	41,8 %
Cost as % of income, ex net income from financial instruments	40,5 %	42,3 %	39,9 %	38,5 %	41,4 %
Balance sheet					
Total assets	118 479	116 319	114 310	111 315	110 907
Average total assets	117 400	115 300	112 800	111 100	108 400
Net loans to customers	100 529	98 690	97 518	96 003	94 649
Growth in loans as %, last 12 mths.	6,2 %	6,5 %	7,2 %	6,6 %	4,9 %
Customers deposits	57 264	54 899	55 580	54 605	55 695
Growth in deposits as %, last 12 mths.	2,8 %	4,0 %	7,8 %	6,6 %	8,7 %
Deposits as % of net loans	57,0 %	55,6 %	57,0 %	56,9 %	58,8 %
Equity	11 478,0	11 233	11 108	10 831	10 391
Losses on loans as % of net loans, annualised	0,02 %	0,00 %	-0,05 %	0,02 %	0,06 %
Gross defaulted loans over 90 days as % of gross loans	0,26 %	0,32 %	0,28 %	0,27 %	0,29 %
Other key figures					
Liquidity reserve (LCR) (Group)	167 %	165 %	139 %	144 %	158 %
Common equity tier 1 capital ratio (added share of profit)	15,3 %	15,2 %	15,1 %	14,7 %	14,6 %
Common equity tier 1 capital ratio (incl. partly owned companies)	15,0 %	15,0 %	14,9 %	14,5 %	14,4 %
Tier 1 capital ratio	16,9 %	16,8 %	16,7 %	16,3 %	16,0 %
Total capital ratio	19,1 %	18,9 %	18,9 %	18,1 %	17,8 %
Common equity tier 1 capital	10 236	10 079	9 890	9 625	9 434
Tier 1 capital	11 310	11 153	10 965	10 700	10 309
Net total primary capital	12 812	12 535	12 347	11 881	11 490
Leverage ratio	9,1 %	9,1 %	9,2 %	9,1 %	9,0 %
Number of branches	34	34	34	34	34
Number of man-years in banking activity	419	427	432	431	430
Key figures, Equity certificates					
Equity certificate ratio	17,90 %	17,90 %	18,70 %	18,7 %	18,7 %
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)	2,5	1,9	2,8	2,1	2,1
Profit/diluted earnings per equity certificate (Group)	2,9	2,6	3,6	2,8	2,4
Dividend last year per equity certificate	6,0	6,0	6,0	6,0	6,0
Book equity per equity certificate	118,9	116,1	120	116,6	113,9
Price/Book value per equity certificate	0,8	0,8	0,9	0,9	0,9
Listed price on Oslo Stock Exchange at end of period	97,2	98,6	104	103	100,00

Key figures Group 2013-2017

	31.12.2017	31.12.2016	31.12.2015	31.12.2014*	31.12.2013*
Income statement (NOK million)					**Proforma**
Net interest income	1 679	1 565	1 544	1 511	1 443
Net commission income	312	293	300	284	252
Net income from financial instruments	88	224	-66	184	201
Other operating income	18	28	14	23	22
Total net income	**2 097**	**2 110**	**1 792**	**2 002**	**1 918**
Total expenses	811	787	817	834	800
Profit before losses on loans	**1 286**	**1 323**	**975**	**1 168**	**1 118**
Losses on loans and guarantees	20	50	97	268	126
Profit before taxes	**1 266**	**1 273**	**878**	**900**	**992**
Tax expenses	282	284	231	215	219
Profit for the period	**984**	**989**	**647**	**685**	**773**
Income statement as percentage of average assets					
Net interest income	1,53 %	1,49 %	1,58 %	1,60 %	1,60 %
Net commission income	0,28 %	0,28 %	0,31 %	0,30 %	0,28 %
Net income from financial instruments	0,08 %	0,21 %	-0,07 %	0,20 %	0,22 %
Other operating income	0,02 %	0,03 %	0,01 %	0,02 %	0,03 %
Total net income	**1,92 %**	**2,01 %**	**1,83 %**	**2,12 %**	**2,13 %**
Total expenses	0,74 %	0,75 %	0,83 %	0,88 %	0,89 %
Profit before losses on loans	**1,17 %**	**1,26 %**	**0,99 %**	**1,24 %**	**1,24 %**
Losses on loans and guarantees	0,02 %	0,05 %	0,10 %	0,28 %	0,14 %
Profit before taxes	**1,16 %**	**1,21 %**	**0,90 %**	**0,96 %**	**1,10 %**
Tax expenses	0,26 %	0,27 %	0,24 %	0,23 %	0,24 %
Profit for the period	**0,90 %**	**0,94 %**	**0,66 %**	**0,73 %**	**0,86 %**
Key figures, income statement					
Return on equity after tax	9,7 %	11,3 %	8,4 %	10,1 %	12,3 %
Cost as % of income	38,7 %	37,3 %	45,6 %	41,7 %	41,7 %
Cost as % of income, ex net income from financial instruments	40,4 %	41,7 %	44,0 %	45,9 %	46,6 %
Total assets					
Total assets	114 310	105 455	101 334	94 062	93 758
Average total assets	109 500	104 950	98 000	94 300	90 200
Net loans to customers	97 518	90 928	88 387	80 913	77 450
Grows in loans as %, last 12 mths.	7,2 %	7,1 %	9,2 %	4,5 %	6,8 %
Customers deposits	55 580	51 562	48 349	48 250	43 740
Growth in deposits as %, last 12 mths.	7,8 %	6,6 %	0,2 %	10,3 %	8,3 %
Deposits as % of net loans	57,0 %	56,7 %	49,3 %	51,2 %	56,5 %
Equity	11 108	10 051	7 753	7 157	6 658
Losses on loans as % of net loans, annualised	0,02 %	0,05 %	0,11 %	0,33 %	0,16 %
Gross defaulted loans over 90 days as % of gross loans	0,28 %	0,30 %	0,47 %	0,71 %	0,60 %
Other key figures					
Liquidity reserves (LCR)	139,0 %	128,0 %	108,0 %		
Common equity tier 1 capital ratio (added share of profit)	15,1 %	14,7 %	12,7 %	13,1 %	12,8 %
Common equity tier 1 capital ratio (incl. partly owned companies)	14,9 %	14,7 %	12,7 %	13,1 %	12,8 %
Tier 1 capital ratio	16,7 %	16,0 %	13,5 %	14,4 %	14,2 %
Total capital ratio	18,9 %	17,9 %	15,5 %	15,1 %	15,1 %
Common equity tier 1 capital	9 890	9 114	7 700	7 092	6 376
Tier 1 capital	10 965	9 939	8 210	7 792	7 076
Net total primary capital	12 347	11 121	9 388	8 170	7 522
Leverage ratio	9,2 %	8,6 %	7,0 %	7,0 %	
Number of branches	34	34	40	40	44
Number of man-years in banking activity	432	439	449	454	489
Key figures, Equity certificates					
Equity certificate ratio before profit distribution	18,7 %	19,8 %	13,5 %	14,1 %	7,1 %
Number of equity certificates issued	15 663 944	15 663 944	4 768 674	4 768 674	1 250 000
Profit per equity certificate (Parent bank)	8,9	8,5	10,6	12,2	10,3
Profit per equity certificate (Group)	11,2	10,7	17,6	20,3	18,1
Dividend last year per equity certificate (Parent bank - proposed dividend 2014)	6,0	6,0	9,0	10,0	10,0
Book equity per equity certificate	120,0	115,2	219,0	212,0	187,0
Price/Book value per equity certificate	0,9	0,8	0,6	0,9	0,8
Listed price on Oslo Stock Exchange at end of period	104,0	91,3	139,0	196,0	150,0

Calculations

NOK million	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	31.12. 2017
Return on equity adjusted for hybrid capital							
Profit after tax	278	238	312	247	215	516	984
Interest on hybrid capital	-20	-12	-12	-10	-15	-32	-47
Profit after tax, incl. interest on hybrid capital	**258**	**226**	**300**	**237**	**200**	**484**	**937**
IB Equity	11 233	11 108	10 831	10 391	9 947	11 108	10 051
IB Hybrid capital	-1 075	-1 075	-1 075	-875	-625	-1 075	-825
IB Equity excl. hybrid capital	**10 158**	**10 033**	**9 756**	**9 516**	**9 322**	**10 033**	**9 226**
UB Equity	11 478	11 233	11 108	10 831	10 391	11 478	11 108
UB Hybrid capital	-1 075	-1 075	-1 075	-1 075	-875	-1 075	-1 075
UB Equity excl. hybrid capital	**10 403**	**10 158**	**10 033**	**9 756**	**9 516**	**10 403**	**10 033**
Average equity	11 356	11 171	10 970	10 611	10 169	11 293	10 580
Average equity excl. hybrid capital	**10 281**	**10 096**	**9 895**	**9 636**	**9 419**	**10 218**	**9 630**
Return on equity	9,8 %	8,6 %	11,3 %	9,2 %	8,5 %	9,2 %	9,3 %
Return on equity excl. hybrid capital	**10,1 %**	**9,1 %**	**12,0 %**	**9,8 %**	**8,5 %**	**9,6 %**	**9,7 %**
Net interest income, adjusted for accoutning changes							
Net interest income	433	425	439	422	417	858	1 679
Interest on hybrid capital	-20	-12	-12	-10	-15	-32	-47
Net interst income, adjusted for accounting changes	**413**	**413**	**427**	**412**	**402**	826	1 632
Average total assets	117 400	115 300	112 800	111 100	108 400	116 400	109 500
As a percentage of total assets	**1,41 %**	**1,45 %**	**1,50 %**	**1,47 %**	**1,49 %**	1,43 %	1,49 %
Operating costs, adjusted for conversion of the pension scheme							
Operating costs	218	212	210	194	208	430	811
Conversion of pension scheme			8				8
Operating costs, adjusted for conversion of the pension scheme	**218**	**212**	**218**	**194**	**208**	430	819
Profit from ordinary operations							
Net interest income, adjusted for accounting changes	413	413	427	412	402	826	1 632
Nett commission income	84	74	78	80	83	158	312
Share of profit from coopertative companies (excl. Valueadjustment Balder betaling/Vipps)	-4					-4	
Other operational income	3	2	9	2	3	5	18
Operating income, adjusted for conversion of pension scheme	218	212	218	194	208	430	819
Profit from ordinary operatins, before tax	**278**	**277**	**296**	**300**	**279**	**555**	**1 143**
Profit excl. finance and adjusted for accounting changes							
Net interest income, adjusted for accounting changes	413	413	427	412	402	826	1 632
Net commission income	84	74	78	80	83	158	312
Share of profit from coopertative companies (excl. Valueadjustment Balder betaling/Vipps)	-4						
Other operational income	3	2	9	2	3	5	18
Losses on loans and guarantees	5	-	-12	4	13	5	20
Operating income, adjusted for conversion of pension scheme	218	212	218	194	208	430	819
Profit excl. finance and adjusted for accounting changes	**273**	**277**	**308**	**296**	**266**	**554**	**1 123**
Tax (25 %)	68	69	77	74	67	139	281
Ordinary operations / adjusted profit after losses and tax	**205**	**208**	**231**	**222**	**200**	**416**	**842**
Average equity, excl. Hybrid capital	10 281	10 096	9 895	9 636	9 419	10 218	9 630
Return on equity, profit excl. Finance and adjusted for accounting events	**8,0 %**	**8,3 %**	**9,3 %**	**9,1 %**	**8,5 %**	**8,2 %**	**8,7 %**
Average interst / interest margins							
Average lending rate RM (Return)	2,65 %	2,69 %	2,72 %	2,75 %	2,77 %		2,78 %
Average lending rate CM (Return)	3,42 %	3,26 %	3,20 %	3,25 %	3,35 %		3,32 %
Average deposit rate RM	0,81 %	0,82 %	0,81 %	0,82 %	0,82 %		0,82 %
Average deposit rate CM	1,00 %	0,97 %	0,92 %	1,04 %	1,06 %		1,03 %
Average 3 month NIBOR	1,07 %	0,95 %	0,81 %	0,81 %	0,92 %		0,89 %
Lending margin RM (lending rate - 3 month NIBOR)	1,58 %	1,74 %	1,91 %	1,94 %	1,85 %		1,89 %
Lending margin CM (lending rate - 3 month NIBOR)	2,35 %	2,31 %	2,39 %	2,44 %	2,43 %		2,43 %
Deposit margin RM (3 month NIBOR - deposit rate)	0,26 %	0,13 %	0,00 %	-0,01 %	0,10 %		0,07 %
Deposit margin CM (3 month NIBOR - deposit rate)	0,07 %	-0,02 %	-0,11 %	-0,23 %	-0,14 %		-0,14 %

Board of Directors report and accounting presentation 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 reconciles the adjusted and the unadjusted figures.

For more information and how to achieve the individual performance measures see further descriptions on our website.
https://www.sor.no/felles/om-sparebanken-sor/investor/finansiell-rapportering/

Declaration in Accordance with Section 5-6 of the Norwegian Securities Trading Act

The Board of Directors and CEO of Sparebaken Sør hereby confirm that the bank and the Group's half-yearly financial statements for 2018 have been prepared in accordance with applicable accounting standards, and that the information provided in the financial statements provides a true and fair view of the company's assets, liabilities, financial position and overall result.

In addition, we confirm that the half-year report provides a true and fair view of the company's development, result and position, together with a description of the most significant risk and uncertainty factors facing the company.

Arendal, 10 August 2018

Stein A. Hannevik Chairman	Inger Johansen Deputy chairman	Tom Erik Jebsen	Erling Holm
Marit Kittilsen	Mette Ramfjord Harv	Jan Erling Tobiassen Employee representative	Gunnhild Tveiten Golid Employee representative
			Geir Bergskaug CEO

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