Sandnes Sparebank

Quarterly report

3 Quarter 2018

(Urevidert)

THIRD QUARTER 2018

Continued growth for the Bank

Sandnes Sparebank Group

The Sandnes Sparebank Group is a regional business with South Rogaland as its primary market area.

The Group consists of the Parent Bank and the SSB Boligkreditt AS subsidiary. In addition, the Group owns 60% of Aktiv Eiendomsmegling Jæren AS. The accounts of the abovementioned companies are fully consolidated in the Group financial statements of Sandnes Sparebank.

Both the Group financial statements and the Parent Bank financial statements are being reported pursuant to IFRS, and the quarterly financial statements have been prepared in compliance with IAS 34 regarding interim reporting.

The following comments and figures refer to the Group unless explicitly stated otherwise. Figures in parentheses apply to the corresponding period last year.

Main points 3rd quarter

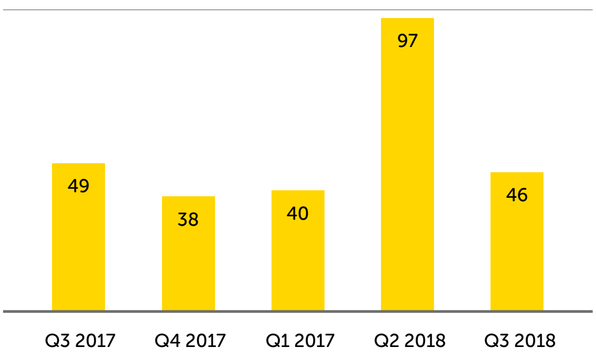
- Profits after taxes: NOK 45.6 (49.2) million.
- Interest margin: 1.68% (1.84%)
- Net interest income: NOK 113.6 (120.6) million.
- Other operating income: NOK 17.8 (23.2) million.
- Operating cost: NOK 64.5 (65.3) million. The cost to asset ratio was 49.1% (45.4%).
- Writedowns and losses on loans and losses on loans and guarantees: NOK 6.8 (13.4) million.
- Return on equity after taxes last quarter: 6.5% (7.3%).
- Gross lending growth last 3 months: 0.5% (-1.2%)
- Income growth last 3 months: -2.4% (-2.6%)

Main points January – September

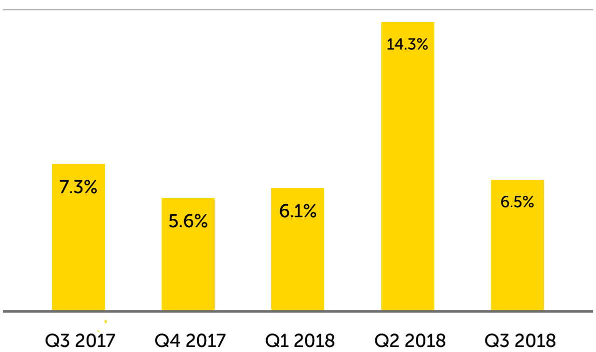
- Profits after taxes: NOK 182.9 (159.2) million.
- Interest margin: 1.75% (1.80%)
- Net interest income: NOK 346.8 (353.2) million.
- Other operating income: NOK 104.5 (104.4) million.
- Operating cost: NOK 191.9 (200.7) million. The cost to asset ratio was 42.5% (43.8%).
- Writedowns and losses on loans and losses on loans and guarantees: NOK 29.6 (52.4) million
- Return on equity after taxes year to date: 8.9% (8.0%).
- Gross lending growth last 12 months: 4.1% (-4.2%)
- Deposit growth last 12 months: 4.9% (0.4%)
- The Core Tier-1 capital ratio was 16.2% (16.2%)
- If all profits for the first three quarters of the year had been included in the calculation, the Group Core Tier-1 capital ratio would have been 17.4%.

Quarterly earnings performance after taxes and rate of return on equity

Profits after taxes, last 5 quarters



Return on equity after taxes, last 5 quarters



Earnings performance

Accumulated figures as of 9/30, unless otherwise explicitly stated.

Pre-tax profits for the first three quarters of 2018 were NOK 229.9 million. This is an increase of NOK 25.3 million compared to the first three quarters of 2017. The increase may be explained mainly with lower operating cost and lower writedowns and losses on loans, in part offset by lower net interest income.

Profits after taxes were NOK 182.9 million, compared to NOK 159.2 million during the first three quarters of 2017. Total profits were NOK 197.4 million, versus NOK 157.8 million during the first three quarters of 2017.

Return on equity after taxes was 8.9%, compared to 8.0% for the first three quarters of 2017.

Net interest income

The Group's net interest income was NOK 346.8 (353.2) million for the three first quarters of 2018.

The interest margin was 1.75% for the first three quarters of 2018, compared to 1.80% for the corresponding period of 2017

During the past year, the Bank has reduced the credit risk of its liquidity portfolio in order to avoid significant negative performance by the portfolio in case of unrest on the fixed income market. In combination with lower credit margins in general, this has resulted in 5 million less in current interest income as of the 3rd quarter 2018, compared to the first three quarters of 2017. In addition, NIBOR has been higher in 2018 than in 2017, which has resulted in higher funding cost.

The increased lending volume reduces the impact of a higher NIBOR. The Bank increased its interest rates after the Central Bank's rate increase in September. The rate increase will have a positive impact on the Bank from the middle of November.

Other operating income

Total other operating income for the first three quarters of 2018 was NOK 104.5 million. This is an increase of NOK 0.1 million compared to the corresponding period in 2017.

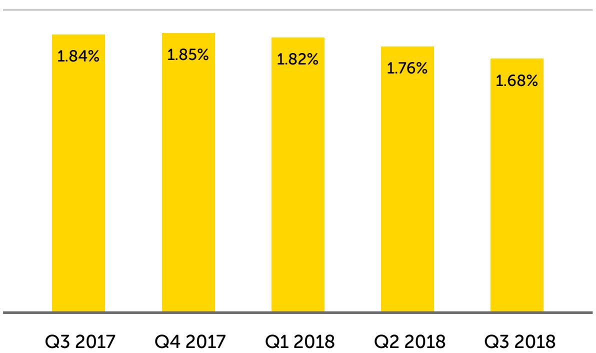
Net commission income amounted to NOK 36.9 million, which is NOK 3.9 million less compared to the three first quarters of 2017. The decline may be primarily explained by a general pressure on fee income, including lower fees on payment services and guarantee commissions. The Bank has adjusted its fee structure in order to become more competitive. The decline in net commission income is partially offset by higher commission income on the sale of insurance services and portfolio commission.

For the first three quarters of 2018, dividends amounted to NOK 30.3 million, compared to NOK 27.0 million during the corresponding period of 2017. The main reason for the uptick is increased dividends from Eika Gruppen AS, which amounted to NOK 29.1 million, compared to NOK 24.2 million during the three first quarters of 2017.

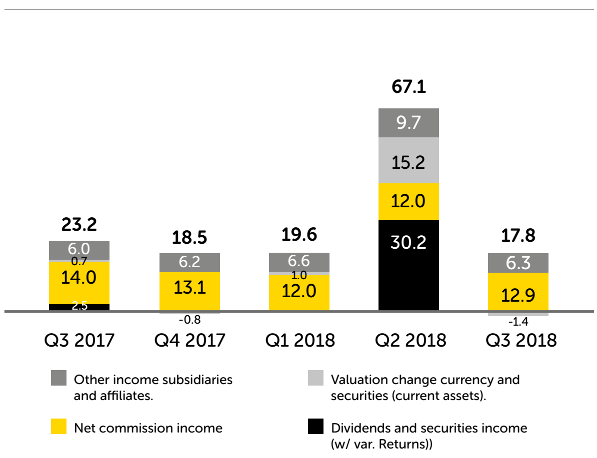
The net return on financial investments was NOK 14.7 million during the first three quarters of 2018. During the same period of 2017, the return was NOK 15.7 million.

During the 3rd quarter of 2018, the Bank repurchased and redeemed existing bond debt in connection with a major refinancing and extension of the maturity profile of the Bank's bond debt. Seen in isolation, this results in repurchase/redemption effects of NOK 5 million in the 3rd quarter of 2018.

Net interest margin, last 5 quarters



Other income, last 5 quarters



Director's report

The Bank exploited a good fixed income market during the quarter to reduce refinancing risk going forward, and to ensure favorable interest cost for 2019. In addition, the negative performance by the Bank's liquidity portfolio due to widening spreads in the 3rd quarter 2018, had a negative impact.

The positive returns during the three first quarters of 2018 were primarily caused by increased returns on the Bank's stock portfolio, including a recognized but unrealized capital gain of NOK 11.3 million as a result of the merger between BankID Norge AS, BankAxept AS and Vipps AS in the 2nd quarter of 2018.

Other operating income was NOK 1.7 million higher compared to the three first quarters of 2017. The improvement was due to positive development of the real estate market in the region, which has resulted in higher income from real estate brokerage services for the Aktiv Eiendomsmegling Jæren AS subsidiary.

Operating cost

The Group's operating costs for the first three quarters of 2018 was NOK 191.9 million. This is a decline of NOK 8.8 million compared to the same period in 2017.

Payroll costs were NOK 0.5 million higher during the three first quarters of 2018 compared to the same period in 2017. The average number of employees has been more or less unchanged during the past 12 months.

Compared to the same period in 2017, other operating cost was NOK 4.4 million lower in the three first quarters of 2018. The Bank's cost level has been declining for several years due to cost efficiency improvements.

Depreciation/writedowns were NOK 4.9 million lower compared to the first three quarters of of 2017, which is due to the closing out of IT systems.

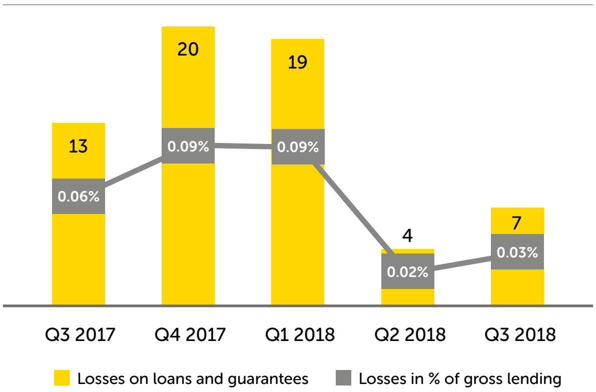
The Group cost to income ratio was 42.5% at the end of the 3rd quarter of 2018. This is a decline from 43.8% for the corresponding period of 2017.

Losses and non-performing loans

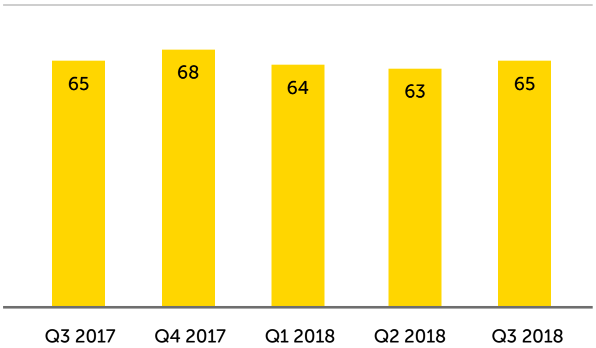
A new loss model in accordance with IFRS 9 was implemented as of January 1, 2018, replacing the previous loss model according to IAS 39. One result of the implementation is that historical figures will not be directly comparable. Please refer to Note 46 of the Annual Report for 2017 for a more detailed description of the new loss model.

Losses and writedowns of loans and guarantees of NOK 29.6 (52.4) million were recognized during the three first quarters of 2018. The reason for the decline is mainly due to general improvement of the market conditions and the restructuring of some of the Bank's individual loans.

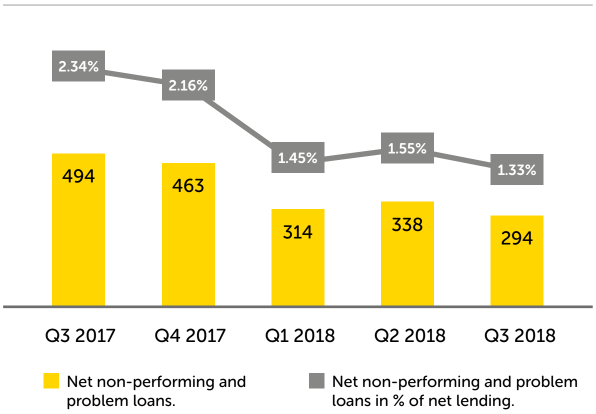
Losses on loans and guaranties, last 5 quarters



Other operating cost, last 5 quarters



Net non-performing and problem loans, last 5 quarters



Significant efforts has been made during the past year to reduce the scope of problem loans and the loss exposure of the loan portfolio.

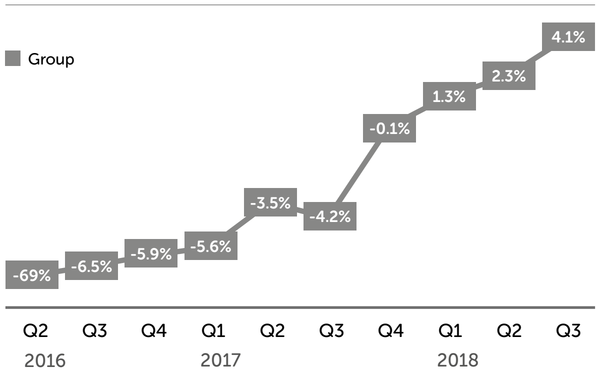
As of the end of the third quarter of 2018, total expected losses (provisions for losses on loans and guarantees) were NOK 251.2 (371.9) million, of which NOK 45.8 (68.8) were related to the Retail Market and NOK 205.4 (303.1) million related to the Corporate Market.

Step 3 writedowns (individual writedowns) of loans and guarantees were at NOK 162.3 million at the end of the third quarter 2018, which is a decline of NOK 100.6 million during the past 12 months. Step 1 and 2 writedowns (group write-downs) amounted to NOK 88.9 million at the end of the third quarter 2018, representing a decline of NOK 20.1 million during the past 12 months.

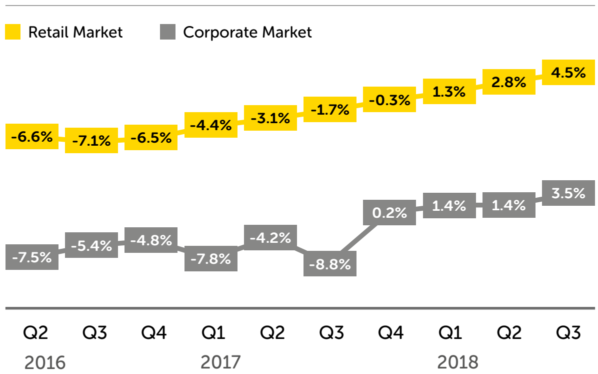
As of 9/30/2018, net non-performing and problem loans subject to individual writedowns were NOK 293.6 (493.6) million. This is 1.33% (2.34%) of the Group's net lending volume. Of the net non-performing and problem loans, NOK 84.1 (138.5) million are related to the Retail Market and NOK 209.5 (355.1) million are related to the Corporate Market.

As of 9/30/2018, non-performing loans over 90 days amounted to NOK 156.8 million, compared to NOK 209.2 million as of 9/30/2017 and NOK 184.8 million as of 12/31/2017.

Gross Group lending growth (12 mo)



Gross lending growth by division (12 mo)



Balance sheet developments

Group total assets were NOK 27.0 (26.0) billion at the end of the third quarter of 2018. This represents an increase of 4.1% compared to the end of third quarter of 2017, and may be primarily explained by lending growth and the optimization of the Bank's management of its liquid assets.

At the end of the third quarter of 2018, gross lending to customers amounted to NOK 22.3 (21.4) billion. During the past 12 months, gross Group lending has grown by 4.1%. Retail Market lending grew by 4.5% and loans to the Corporate Market grew by 3.5%. The lending growth is due to a more sales oriented internal organization and improvement of local macro conditions.

Net lending growth year-to-date is 2.8% (-2.0%). By sector, the lending growth was 3.3% (-1.6%) for the Retail Market and 1.9% (-2.7%) for the Corporate Market.

At the end of the third quarter 2018, the Retail Market share of total lending was 67% (67%).

At the end of the third quarter of 2018, deposits amounted to NOK 11.2 (10.7) billion. During the past 12 months, deposits from customers have increased by 4.9%. Retail Market deposits declined by -1.8% and Corporate Market deposit increased by 9.1%. At the end of the third quarter 2018, the Group deposit to loan ratio was 50.7% (50.6%).

Solvency

At the end of the quarter, the Group capital ratios were above the regulatory capital requirements and the internal objective for Core Tier-1 capital.

As of 9/30/2018, the Group had a Core Tier-1 ratio of 16.2%, compared to 16.2% as of 9/30/2017 and 16.6% as of 12/31/2017. The reduction of the Tier-1 capital ratio year to date, may be primarily explained by lending growth to date, the purchase of equity capital certificates in Jæren Sparebank and the appreciation of Vipps AS in the 2nd quarter 2018. If all profits for the first three quarters of 2018, had been included in the calculation, the Group Core Tier-1 capital ratio would have been 17.4%

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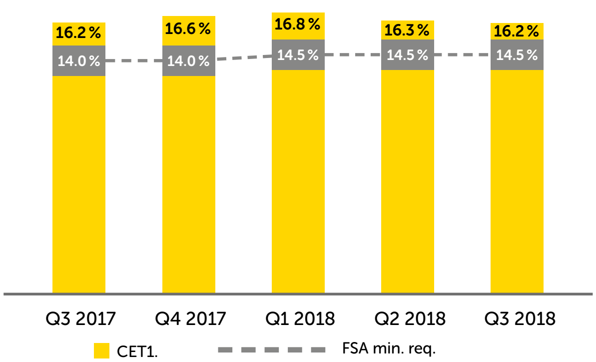
As of 9/30/2018, the unweighted equity ratio of the Group was 9.7%, compared to 9.8% as of 9/30/2017 and 10.0% as of 12/31/2017.

In the 3rd quarter 2018, the Group issued a new investment grade bond with a nominal value of NOK 100 million. For accounting purposes, the investment grade bond is recognized as hybrid capital and is part of the Group's equity capital as of 9/30/2018. The hybrid capital is not included in the Bank's profitability calculations, including the return on equity and price/book ratios. Neither is the hybrid capital included in Core Tier-1 capital, but is treated as an ordinary investment grade bond with respect to the capital ratio calculation.

Core Tier-1 capital ratio (CET1), last 5 quarters

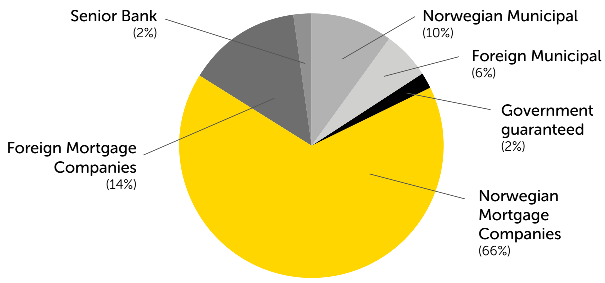


Liquidity and funding

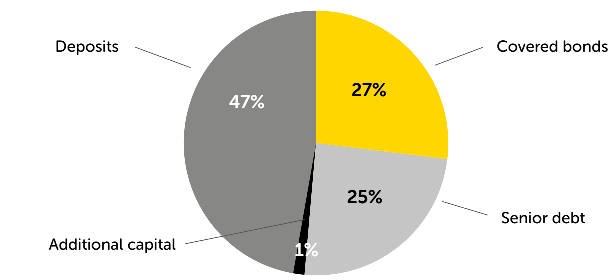
The Bank's liquidity situation at the end of the quarter is deemed to be satisfactory. At the end of the quarter, the Bank had a liquidity portfolio (excluding cash) of NOK 3.3 (3.5) billion. One of the Bank's objectives is to keep liquidity risk at a low level.

Net lending by SSB Boligkreditt constitutes a volume of NOK 7.1 billion, which is an increase of NOK 0.4 billion during the past 12 months. As of 9/30/2018, SSB Boligkreditt AS had covered bonds in issue worth NOK 6.5 billion, net. The Bank is deemed to be well diversified with respect to both funding sources and maturities.

Liquidity portfolio breakdown



Funding sources



Subsidiaries

For the three first quarters of 2018, the total profits of the Bank's three subsidiaries – prior to intergroup offsets – were NOK 30.0 (37.8) after taxes.

SSB Boligkreditt AS was established as a part of the Group's long-term funding strategy and the main objective of this mortgage company is to issue covered bonds in the market. For the three first quarters of 2018, company profits after taxes were NOK 28.6 (36.6) million.

Aktiv Eiendomsmegling Jæren AS offer real estate brokerage services to both retail and corporate customers. For the three first quarters of 2018, company profits after taxes were NOK 1.4 (1.2) million.

SSB Private Equity II AS was wound up during the fourth quarter of 2017. The Company received no profit contributions during the first three quarters of 2017.

The Bank's equity capital certificate (SADG)

As of 9/30/2018, the SADG price was NOK 60.00, compared to NOK 53.00 as of 9/30/2017.

At the end of the third quarter 2018, the registry showed 2,326 owners of the Bank's equity certificates. At this point in time, the 20 biggest owners controlled 56.08% of the equity certificate capital.

	20 biggest holders of equity capital certificates as of 9/30/2018	**Number**	**% of total**
1.	Sparebank 1 SR-Bank C/O SR-Investering	3 485 009	15.14
2.	Merrill Lynch	2 270 083	9.86
3.	AS Clipper	1 088 738	4.73
4.	VPF EIKA Egenkapital C/O Eika Kapitalforvaltning	950 422	4.13
5.	Espedal & Co AS	886 861	3.85
6.	Wenaasgruppen AS	650 000	2.82
7.	Holmen Spesialfond	500 000	2.17
8.	Salt Value AS	475 000	2.06
9.	Skagenkaien Investering AS	350 000	1.52
10.	Nordhaug Invest AS	309 957	1.35
11.	Meteva AS	261 881	1.14
12.	Kristian Falnes AS	260 000	1.13
13.	Grunnfjellet AS	217 000	0.94
14.	Velde Holding AS	204 353	0.89
15.	MP Pensjon PK	196 726	0.85
16.	Innovemus AS V/Oskar Bakkevig	185 000	0.80
17.	Barque AS	159 651	0.69
18.	Tirna Holding AS	156 255	0.68
19.	Parra Eiendom AS	150 000	0.65
20.	VPF Nordea avkastning C/O JP Morgan Europe	150 000	0.65
=	**20 biggest owners**	**12 906 936**	**56.08**
+	**Other owners**	**10 107 966**	**43.92**
=	**Total equity capital certificates**	**23 014 902**	**100.00**

As of 9/30/2018, the total number of equity certificates of 23,014,902, includes holdings of 30,940 treasury equity certificates.

The Board of Directors wants to contribute to improved liquidity for the equity capital certificate. Thus, the Bank has a liquidity guarantee agreement with an external party.

Accounting principles

Sandnes Sparebank prepares its group and Parent Bank financial statements in compliance with the International Financial Reporting Standards (IFRS), as approved by the EU. A further description of the accounting principles applied can be found in the notes to the annual financial statements 2017, as well as in note 1 to the quarterly financial statements for the third quarter of 2018.

Market conditions

Local conditions – Rogaland

Most local economic indicators in Rogaland are in a positive trend. During 2016 and 2017, the region experienced stable and positive development, and this trend has continued so far in 2018.

In September, Norges Bank, the Norwegian central bank, reported that the results of its regional network survey showed that companies in the region continued to grow with respect to production, investments and employment. The same companies reported continued positive prospects for the rest of the year. For the nation as a whole, there is also small growth in production and investments, the most of which is taking place in the petroleum sector, confirming the basis for the local optimism in a region dependent on oil related businesses.

NAV is reporting a continued decline in unemployment in the region. The registered unemployment in Rogaland has declined steadily to 2.6% in September, down from 3.4% last year. The Rogaland unemployment rate is still a little higher than the 2.3% national average, but the unemployment rate in the region is falling faster than in the rest of the country.

The performance of home prices in the region has been positive thus far in 2018, but seen in isolation, 3rd quarter prices remained more or less unchanged. During the past 2 months, prices have been flat.

experienced a price decline from the middle of 2014, whereas other key Norwegian cities experienced strong price growth. Thus, the housing price level in the region is at a lower level, and may therefore be assumed to be stronger going forward compared to other cities. The time required to effect the sale of a home has receded back to normal levels after a tough market from 2014 to 2016, inclusive.

The region experienced a net depopulation in connection with the oil downturn in 2014. This trend turned around in 2017, and there is yet again a net influx to the region. Job growth gives reason to believe that net influx will increase also going forward. Increased population influx is assumed to have a positive impact on the housing market both with respect to the number of unsold homes, the time to effect a sale and price developments.

The positive trend is also having a positive impact on commercial real estate. The most recently updated reports from the spring of 2018 showed total vacancy rates in the region of around 12%. There are great differences within the commercial real estate sector, both with respect to geographic location, but also function. To a great extent, it's the office market at Forus that contributes to the relatively high vacancy rate. When looking at Forus in isolation, the vacancy rate is around 20% for office buildings, and there are a few large empty individual buildings that contribute significantly to the statistics. Other building, such as combined premises and commercial building have a normal, low vacancy rate, also at Forus. Although the macro prospects are better, it will take time before the market for leased office premises at Forus will normalize. For city center areas of Stavanger and Sandnes, and in the business cluster around Jåttåvågen, there is little vacancy and the rents have normalized.

Outlook

Sandnes Sparebank has set tall objectives for customer satisfaction and positive customer experiences. The Bank's objective is to be the leader with respect to service and advice for people in general and local businesses. The Bank's vision is "best in class with respect to good and personal customer experiences". The strategic objectives of the Bank towards 2020 provides direction with respect to ensuring:

- Very satisfied customers and a splendid reputation
- Competent, committed and performance oriented employees
- Profitable growth
- Return on equity exceeding the peer average.

Regional macro conditions are showing signs of somewhat higher economic activity going forward. The Bank is well positioned, with available resources both with respect to capital requirements and the competencies needed to take part in increased growth going forward. There are still individual companies and industries that are struggling to adapt to a new activity and price level, but this applies to fewer and fewer entities. There is still some spare capacity within commercial real estate in the region. Despite the improvement, the over-capacity is expected to continue going forward.

The Board of Directors of Sandnes Sparebank
Sandnes, October 25, 2018

Harald Espedal
Chairman of the Board

Frode Svaboe
Deputy Chairman

Heidi Nag Flikka
Director

Marion Svihus
Director

Arne Lee Norheim
Director

Birte Norheim
Director

Solveig Vatne
Employee representative

Jan Inge Aarreberg
Employee representative

Trine Karin Stangeland
Managing Director

Key financial figures per 30.09.2018

Group | Parent bank

3 quarter 2018	3 quarter 2017	Jan-Sept 2018	Jan-Sept 2017	The year 2017	**Profit summary** (NOK '000)	3 quarter 2018	3 quarter 2017	Jan-Sept 2018	Jan-Sept 2017	The year 2017
113 567	120 628	346 798	353 190	474 236	Net interest income	95 121	99 662	289 381	294 942	394 980
17 817	23 219	104 516	104 399	122 857	Other operating income	23 329	21 149	103 021	93 847	161 851
64 527	65 297	191 857	200 653	268 638	Other operating cost	57 967	58 558	170 044	179 466	240 013
6 770	13 359	29 565	52 388	72 499	Net loss/writedowns	6 826	13 171	29 488	54 905	76 710
60 087	**65 190**	**229 891**	**204 548**	**255 954**	**Operating profit before taxes**	**53 657**	**49 082**	**192 869**	**154 418**	**240 108**
14 446	15 952	47 039	45 309	58 604	Tax cost	12 538	11 925	37 418	32 947	42 518
45 641	**49 238**	**182 852**	**159 240**	**197 351**	**Operating profit after taxes**	**41 119**	**37 156**	**155 451**	**121 471**	**197 590**
0	-2 481	14 535	-1 421	-24 781	Other income and cost (after taxes)	29	-2 481	14 796	-1 421	-24 781
45 641	**46 756**	**197 387**	**157 818**	**172 569**	**Total profits**	**41 148**	**34 675**	**170 247**	**120 050**	**172 809**
45 649	46 811	196 836	157 063	172 026	Majority share of profits					
-8	-55	551	755	543	Minority share of profits					

3 quarter 2018	3 quarter 2017	30.09.18	30.09.17	31.12.17	**Balance sheet excerpts** (NOK '000)	3 quarter 2018	3 quarter 2017	30.09.18	30.09.17	31.12.17
		27 021	25 954	26 100	Total assets			20 475	19 887	19 911
26 869	26 079	26 560	26 187	26 260	Average total assets	20 353	20 029	20 193	20 139	20 151
		22 073	21 060	21 473	Loans to customers			14 960	14 369	14 816
		11 184	10 660	10 857	Deposits from customers			11 182	10 662	10 859
		3 321	3 478	3 333	Notes and bonds			3 028	3 235	3 090
		126	154	155	Financial derivatives			83	104	106
		2 907	2 709	2 709	Equity capital			2 722	2 511	2 549

3 quarter 2018	3 quarter 2017	30.09.18	30.09.17	The year 2017	**Key figures**	3 quarter 2018	3 quarter 2017	30.09.18	30.09.17	The year 2017
					Performance during quarter/ last 12 months					
1.1%	-1.0%	4.1%	-2.4%	-1.2%	- Asset management	1.2%	-1.4%	3.0%	-3.3%	-2.4%
0.5%	-1.2%	4.1%	-4.2%	-0.1%	- Lending	1.1%	-1.2%	3.2%	-5.0%	-0.1%
-2.4%	-2.6%	4.9%	0.4%	-0.4%	- Deposits	-2.4%	-2.6%	4.9%	0.3%	-0.5%
		50.7%	50.6%	50.6%	Deposit to loan ratio			74.7%	74.2%	73.3%
		236.0%	274.0%	238.0%	Liquidity indicator (LCR)			242.0%	256.0%	222.0%
					Profitability					
1.68%	1.84%	1.75%	1.80%	1.81%	Net interest income in % of avg. total assets	1.85%	1.97%	1.92%	1.96%	1.96%
49.1%	45.4%	42.5%	43.8%	45.0%	Cost to income ratio	48.9%	48.5%	43.3%	46.2%	43.1%
1.0%	1.0%	1.0%	1.0%	1.0%	Total cost in % of avg. total assets	1.1%	1.2%	1.1%	1.2%	1.2%
8.6%	9.6%	11.1%	10.3%	9.7%	Return on equity before taxes	8.2%	7.8%	10.0%	8.4%	9.7%
6.5%	7.3%	8.9%	8.0%	7.5%	Return on equity after taxes	6.3%	5.9%	8.0%	6.6%	8.0%
					Solvency					
		18.3%	19.6%	20.0%	Capital ratio			20.3%	21.8%	22.3%
		17.7%	17.7%	18.1%	Tier-1 capital ratio			19.6%	19.5%	20.0%
		16.2%	16.2%	16.6%	Core Tier-1 capital ratio			17.8%	17.8%	18.3%
		15 630	15 182	15 440	Risk-weighted capital			13 285	12 897	13 180
					Human Resources					
		135	135	135	Number of full-time equivalents as of date of balance sheet			113	113	113
					Equity capital certificates					
		60.0	53.0	54.5	Quoted price			60.0	53.0	54.5
		65.3%	65.0%	65.1%	Equity capital certificate return			65.3%	65.0%	65.1%
1.3	1.4	5.2	4.5	5.6	Earnings per equity capital certificate	1.2	1.0	4.4	3.4	5.6
1.3	1.4	5.2	4.5	5.6	Diluted earnings per equity capital certificate	1.2	1.0	4.4	3.4	5.6
		79.7	76.5	76.6	Book equity per equity capital certificate			74.4	70.9	72.1
		0.75	0.69	0.71	Price/book equity (P/B)			0.81	0.75	0.76

Profit and loss statement

Group

NOK '000	Note	3 quarter 2018	3 quarter 2017	Jan-Sept 2018	Jan-Sept 2017	The year 2017
Interest income from assets valued at amortized cost		180 100	180 195	541 219	545 049	725 088
Interest income from assets valued at fair value		18 268	19 852	52 293	62 157	80 681
Interest cost		84 801	79 420	246 714	254 016	331 534
Net interest income		**113 567**	**120 628**	**346 798**	**353 190**	**474 236**
Commission income		14 862	17 031	42 853	49 923	66 022
Commission cost		-1 941	-2 990	-5 906	-9 051	-12 096
Dividends		18	2 461	30 294	26 973	26 989
Net change in valuation of financial instruments at fair value	6	-1 405	728	14 745	15 685	14 868
Other operating income		6 283	5 990	22 529	20 869	27 074
Total other operating income		**17 817**	**23 219**	**104 516**	**104 399**	**122 857**
Personnel cost		33 811	31 788	98 767	98 247	129 890
Other operating cost		27 745	28 915	83 327	87 720	120 251
Depreciation/writedowns		2 971	4 594	9 762	14 685	18 498
Total operating cost		**64 527**	**65 297**	**191 857**	**200 653**	**268 638**
Operating profit before writedowns taxes		**66 857**	**78 549**	**259 456**	**256 937**	**328 454**
Writedowns and losses on loans and guarantees	4	6 770	13 359	29 565	52 388	72 499
Operating profit before taxes		**60 087**	**65 190**	**229 891**	**204 548**	**255 954**
Tax cost		14 446	15 952	47 039	45 309	58 604
Operating profit after taxes		**45 641**	**49 238**	**182 852**	**159 240**	**197 351**
Statement of other income and cost						
Items that will not be reclassified to the income statement						
Valuation adjustment of shares recognized at fair value through comprehensive income				14 535		
Actuarial gains and losses, defined benefit pension						-758
Taxes						-190
Total				14 535		-569
Items that later will be reclassified to the income statement						
Financial instruments available for sale			-2 481		-1 421	-24 213
Valuation adjustment of loans recognized at fair value through comprehensive income						
Total			-2 481		-1 421	-24 213
Other income and cost (after taxes)			-2 481	14 535	-1 421	-24 781
Total profits		**45 641**	**46 756**	**197 387**	**157 818**	**172 569**
Majority share of profits		45 649	46 811	196 836	157 063	172 026
Minority share of profits		-8	-55	551	755	543
Earnings per equity capital certificate		1.3	1.4	5.2	4.5	5.6
Diluted earnings per equity capital certificate		1.3	1.4	5.2	4.5	5.6

Profit and loss statement

Parent bank

NOK '000	Note	3 quarter 2018	3 quarter 2017	Jan-Sept 2018	Jan-Sept 2017	The year 2017
Interest income from assets valued at amortized cost		139 079	139 562	419 104	423 773	563 485
Interest income from assets valued at fair value		17 106	18 939	49 114	59 294	76 939
Interest cost		61 063	58 840	178 837	188 125	245 444
Net interest income		**95 121**	**99 662**	**289 381**	**294 942**	**394 980**
Commission income		19 076	20 827	55 392	61 592	81 502
Commission cost		-1 941	-2 990	-5 906	-9 051	-12 096
Dividends		1 218	2 461	31 899	26 946	76 962
Net change in valuation of financial instruments at fair value	6	4 825	852	20 918	14 350	15 473
Other operating income		152		718	10	10
Total other operating income		**23 329**	**21 149**	**103 021**	**93 847**	**161 851**
Personnel cost		29 552	27 467	84 715	84 811	111 687
Other operating cost		25 460	26 548	75 621	80 122	110 021
Depreciation/writedowns		2 955	4 542	9 709	14 532	18 306
Total operating cost		**57 967**	**58 558**	**170 044**	**179 466**	**240 013**
Operating profit before writedowns taxes		**60 483**	**62 253**	**222 357**	**209 323**	**316 818**
Writedowns and losses on loans and guarantees	4	6 826	13 171	29 488	54 905	76 710
Operating profit before taxes		**53 657**	**49 082**	**192 869**	**154 418**	**240 108**
Tax cost		12 538	11 925	37 418	32 947	42 518
Operating profit after taxes		**41 119**	**37 156**	**155 451**	**121 471**	**197 590**
Statement of other income and cost						
Items that will not be reclassified to the income statement						
Valuation adjustment of shares recognized at fair value through comprehensive income				14 535		
Actuarial gains and losses, defined benefit pension						-758
Taxes						-190
Total				14 535		-569
Items that later will be reclassified to the income statement						
Financial instruments available for sale			-2 481		-1 421	-24 213
Valuation adjustment of loans recognized at fair value through comprehensive income		29		261		
Total		29	-2 481	261	-1 421	-24 213
Other income and cost (after taxes)		29	-2 481	14 796	-1 421	-24 781
Total profits		**41 148**	**34 675**	**170 247**	**120 050**	**172 809**
Earnings per equity capital certificate		1.2	1.0	4.4	3.4	5.6
Diluted earnings per equity capital certificate		1.2	1.0	4.4	3.4	5.6

Balance sheet

Group					Parent bank		
30.09.2018	**30.09.2017**	**31.12.2017**	NOK '000	**Note**	**30.09.2018**	**30.09.2017**	**31.12.2017**
580 917	477 452	472 646	Cash and deposits with central banks	7,8	580 917	477 452	472 646
382 474	184 816	172 782	Loans to and claims on credit institutions	4,7,8	282 301	83 496	71 787
21 362 071	20 298 535	20 746 928	Loans to customers at amortized cost	4,7,8	13 572 991	13 607 374	14 090 076
710 588	761 461	725 972	Loans to customers at fair value	4,7,8	1 386 758	761 461	725 972
3 321 141	3 477 707	3 333 184	Notes and bonds	7,8	3 027 834	3 234 809	3 090 432
187 664	178 311	126 491	Equities	7,8	187 664	177 589	126 491
126 078	154 244	154 560	Financial derivatives	7,8	82 690	103 863	106 487
			Ownership interests in group companies		354 345	356 385	354 315
33 282	43 568	40 740	Intangible assets		28 729	39 015	36 187
6 410	27 879	5 919	Deferred tax benefit		5 041	27 314	4 801
6 366	7 976	7 518	Tangible fixed assets		6 303	7 821	7 400
38 244	16 045	12 356	Other assets		694 561	687 778	529 623
10 232	50 510	48 190	Prepaid cost and accrued income	7,8	8 982	47 325	42 203
255 414	275 235	252 443	Financial instruments with valuation changes through comprehensive income	7,8	255 414	275 235	252 443
27 020 882	**25 953 738**	**26 099 729**	**Total assets**		**20 474 528**	**19 886 915**	**19 910 866**
56 290	65 499	36 740	Payable to credit institutions	7,8	205 464	130 834	55 123
11 184 362	10 660 409	10 857 443	Deposits from customers	7,8	11 182 377	10 661 673	10 859 382
12 346 903	11 696 338	11 702 343	Debt established through the issue of securities	7,8,9	5 897 106	5 780 383	5 683 365
106 637	77 948	102 085	Financial derivatives	7,8	73 248	74 877	99 356
50 343	41 310	37 270	Other liabilities	7	51 026	38 377	34 627
78 059	37 223	36 461	Taxes payable	7	55 208	33 061	19 781
892	1 679	1 217	Deferred taxes	7			
43 191	132 091	84 779	Accrued expenses and received, not accrued income	7,8	40 962	124 918	77 469
12 542	6 996	7 736	Provisions	4,7,8	12 417	6 996	7 736
234 448	524 884	524 907	Subordinated loan capital	7,8,10	234 448	524 884	524 907
24 113 666	**23 244 375**	**23 390 979**	**Total liabilities**		**17 752 256**	**17 376 002**	**17 361 744**
230 149	230 149	230 149	Equity capital certificate capital		230 149	230 149	230 149
-309	-58	-358	Own equity capital certificates		-309	-58	-358
987 313	987 313	987 313	Share premium		987 313	987 313	987 313
372 735	308 075	372 735	Equalization reserves		372 735	308 075	372 735
811 510	777 269	811 510	The Savings Bank's Fund		811 510	777 269	811 510
32 389	43 313	64 592	Gift Fund/customer dividend		32 389	43 313	64 592
25 171	44 454	21 214	Net unrealized gains reserve		25 171	44 454	21 214
100 000			Hybrid capital		100 000		
344 461	313 509	217 278	Retained earnings		163 314	120 400	61 967
3 798	5 339	4 317	Non-controlling ownership interests				
2 907 216	**2 709 362**	**2 708 750**	**Total equity**		**2 722 271**	**2 510 914**	**2 549 121**
27 020 882	**25 953 738**	**26 099 729**	**Total liabilities and shareholders' equity**		**20 474 528**	**19 886 915**	**19 910 866**

Cash flow statement

Group				Parent bank		
Jan-Sept 2018	**Jan-Sept 2017**	**The year 2017**	**Cash flow statement**	**Jan-Sept 2018**	**Jan-Sept 2017**	**The year 2017**
			Cash flow from operations			
587 518	628 944	800 585	Payment of interest, commissions and fees from customers	468 244	492 262	657 253
-17 766	-19 546	-107 942	Payment of interest to customers	-17 766	-19 546	-107 942
-14 513	41 454	89 594	Net payment in/out in connection with trading of financial assets	-14 513	41 454	89 594
30 294	26 946	26 962	Receipt of dividends	31 899	26 946	76 962
34 339	44 776	61 204	Interest payments received on securities	30 906	42 452	54 438
-134 388	-198 099	-234 534	Operational payables	-130 079	-185 769	-230 699
-3 977	-15 232	-7 511	Taxes	-2 230	158	-181
-32 203	-4 104	-16 953	Gifts and customer dividends paid from profits	-32 203	-4 104	-16 953
449 305	**505 139**	**611 405**	**Net cash flow from operations**	**334 260**	**393 853**	**522 472**
			Cash flow from investment activities			
-1 153	-1 501	-2 028	Purchase/sale of fixed assets	-1 153	-1 501	-2 028
-26 997	-2 897	-826	Purchase of long-term investments in equities and other assets	-27 027	-2 897	-826
-7 472	-503 687	-342 689	Net payment in/out in connection with trading of interest-bearing securities	43 908	-477 447	-313 802
-35 622	**-508 086**	**-345 544**	**Net cash flow from investment activities**	**15 728**	**-481 846**	**-316 657**
			Cash flow from financing activities			
-628 697	344 891	-25 647	Net payments in/out on installment loans, lines of credit	-307 970	381 836	69 639
261 709	-246 860	-49 151	Net payments received from deposits	261 709	-246 960	-49 251
19 550	46 515	-31 136	Net deposits/loans from credit institutions	150 341	44 203	-31 508
3 900 000	1 970 000	2 170 000	Placement of note and bond debt	2 300 000	1 170 000	1 170 000
-3 244 883	-2 270 859	-2 456 775	Repayment of notes and bond debt	-2 104 356	-1 485 610	-1 575 793
200 000			Placement of subordinated loan capital and investment grade bonds	200 000		
-393 034	-124 503	-124 503	Repayment of subordinated loan capital and investment grade bonds	-393 034	-124 503	-124 503
-64 342	-28 761	-28 761	Distribution of dividends	-64 342	-28 761	-28 761
-146 024	-173 786	-223 037	Net interest payments made on funding activities	-73 551	-107 794	-137 735
-95 721	**-483 362**	**-769 009**	**Net cash flow from funding activities**	**-31 203**	**-397 588**	**-707 911**
317 962	-486 309	-503 148	Net cash flow for the period	318 785	-485 581	-502 096
645 429	1 148 577	1 148 577	Cash and cash equivalents at the beginning of the period	544 433	1 046 528	1 046 528
963 391	662 267	645 429	Cash and cash equivalents at the end of the period	863 218	560 947	544 433

Statement of equity

Group

	Equity certificate capital	Treasury of own equity capital certificates	Share premium	Equali-zation reserve	The Savings Bank's Fund	Gift Fund/ customer dividends	Net unrealized gains reserve	Hybrid capital	Retained earnings	Total	Non-controlling ownership interests	Total equity capital
Equity capital as of 1/1/2017	**230 149**	**-624**	**987 313**	**308 075**	**777 269**	**47 417**	**45 876**	**0**	**182 143**	**2 577 618**	**5 622**	**2 583 239**
Dividends paid									-28 761	-28 761	-1 037	-29 799
Gifts paid						-16 953				-16 953		-16 953
Actuarial gains and losses, defined benefit pensions (after taxes)				-370	-199					-569		-569
Net unrealized gains reserve							-450			-450		-450
Financial instruments available for sale							-24 213			-24 213		-24 213
Change, own equity capital certificates		266							240	506		506
Disposals, non-controlling ownership interests											-810	-810
Annual profits allocated to equity capital reserves				65 030	34 440					99 470		99 470
Annual profits allocated/ used for dividends									64 442	64 442		64 442
Annual profits allocated/ used for gift fund/customer dividends						34 128				34 128		34 128
Annual profit rest of group									-783	-783	543	-239
Equity capital as of 12/31/2017	**230 149**	**-358**	**987 313**	**372 735**	**811 510**	**64 592**	**21 214**	**0**	**217 278**	**2 704 435**	**4 317**	**2 708 750**
Equity capital as of 1/1/2018	**230 149**	**-358**	**987 313**	**372 735**	**811 510**	**64 592**	**21 214**	**0**	**217 278**	**2 704 435**	**4 317**	**2 708 750**
Reclassification of financial instruments from available for sale to fair value through profit and loss in connection with the transition to IFRS 9							-10 579		10 579			
Change in writedowns for losses in connection with the transition to IFRS 9									-1 473	-1 473		-1 473
Equity capital as of 1/1/2018 (revised)	**230 149**	**-358**	**987 313**	**372 735**	**811 510**	**64 592**	**10 636**		**226 384**	**2 702 962**	**4 317**	**2 707 277**
Dividends paid									-64 342	-64 342	-1 070	-65 412
Gifts and customer dividends paid						-32 202				-32 202		-32 202
Valuation adjustment of shares recognized at fair value through comprehensive income							14 535			14 535		14 535
Change, own equity capital certificates		49							119	168		168
Issue of new hybrid capital								100 000		100 000		100 000
Annual profit rest of group									182 301	182 301	551	182 852
Equity capital as of 9/30/2018	**230 149**	**-309**	**987 313**	**372 735**	**811 510**	**32 389**	**25 171**	**100 000**	**344 461**	**2 903 420**	**3 798**	**2 907 216**

Statement of equity

Parent bank

	Equity certificate capital	Treasury of own equity capital certificates	Share premium	Equali-zation reserve	The Savings Bank's Fund	Gift Fund/ customer dividends	Net unrealized gains reserve	Hybrid capital	Retained earnings	Total equity
Equity capital as of 1/1/2017	**230 149**	**-624**	**987 313**	**308 075**	**777 269**	**47 417**	**45 876**	**-**	**26 046**	**2 421 522**
Dividends paid									-28 761	-28 761
Gifts paid						-16 953				-16 953
Actuarial gains and losses, defined benefit pensions (after taxes)				-370	-199					-569
Net unrealized gains reserve							-450			-450
Financial instruments available for sale							-24 213			-24 213
Change, own equity capital certificates		266							240	506
Annual profits allocated to equity capital reserves				65 030	34 440					99 470
Annual profits allocated/ used for dividends									64 442	64 442
Annual profits allocated/used for gift fund/customer dividends						34 128				34 128
Equity capital as of 12/31/2017	**230 149**	**-358**	**987 313**	**372 735**	**811 510**	**64 592**	**21 214**	**0**	**61 967**	**2 549 121**
Equity capital as of 1/1/2018	**230 149**	**-358**	**987 313**	**372 735**	**811 510**	**64 592**	**21 214**		**61 967**	**2 549 121**
Reclassification of financial instruments from available for sale to fair value through profit and loss in connection with the transition to IFRS 9							-10 579		10 579	
Change in writedowns for losses in connection with the transition to IFRS 9									-719	-719
Equity capital as of 1/1/2018 (revised)	**230 149**	**-358**	**987 313**	**372 735**	**811 510**	**64 592**	**10 636**		**71 827**	**2 548 402**
Dividends paid									-64 342	-64 342
Gifts and customer dividends paid						-32 202				-32 202
Valuation adjustment of loans recognized at fair value through comprehensive income									261	261
Valuation adjustment of shares recognized at fair value through comprehensive income							14 535			14 535
Change, own equity capital certificates		49							119	168
Issue of new hybrid capital								100 000		100 000
Profit or loss									155 451	155 451
Equity capital as of 9/30/2018	**230 149**	**-309**	**987 313**	**372 735**	**811 510**	**32 389**	**25 171**	**100 000**	**163 314**	**2 722 271**

On March 21, 2018, The Board of Trustees authorized the Board of Directors of Sandnes Sparebank to purchase its own equity capital certificates for the treasury, of up to NOK 23.015 million, equivalent to 10% of the equity certificate capital. Each equity capital certificate may be purchased at prices between NOK 1 and 150. The authorization is valid up to and including the ordinary general meeting of the Trustees in 2019, but no longer than 18 months from the date of the authorization. As of 9/30/2018, Sandnes Sparebank is holding 30,940 equity capital certificates in its treasury, which have been purchased in connection with the incentive program for bank employees.

1 ACCOUNTING PRINCIPLES

General

The financial statements for the third quarter of 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU, including IAS 34 – Interim reporting. A description of the accounting principles on which the accounts are based is provided in the 2017 annual financial statements.

New or amended accounting standards effective as of the 1st quarter 2018:
IFRS 9 Financial instruments
IFRS 9, which is replacing IAS 39, was implemented for the Group with effect from 1/1/2018.
For a detailed description, and the Bank's approach to the accounting standard, please refer to note 46 of the Annual Report for 2017, which also includes a description of changes in the accounting principles, a new model for classification and recognition of financial assets and a new model for writing down financial assets.

IFRS 15 Income from customer contracts
IFRS 15 was implemented for the Group with effect from 1/1/2018, replacing the current income recognition rules pursuant to IFRS, except contracts with customers, which are recognized according to the provisions of IFRS 9.

The implementation of the standard has not had any material significance for the Group's financial position or earnings.

Application of estimates

The preparation of the Group financial statements requires the management to rely on estimates and discretionary assessments that has an impact on the application of accounting principles, and consequently recognized amounts for assets, liabilities, income and cost. The estimates and discretionary assessments are based on historical experience and assumptions that Management consider reasonable and prudent. Actual results may deviate from the estimates and the assumptions.

In the preparation of the financial statements for the third quarter of 2018, with the exception of IFRS 9, which became effective on 1/1/2018, the same estimation techniques and assumptions were used as those described in the annual financial statements for 2017.

The new model for writing down financial assets due to implementation of IFRS 9, is described in Note 46 to the annual financial statements for 2017.

2 CHANGE OF GROUP STRUCTURE

There are none material changes to the Group structure as of September 30, 2018.

3 SEGMENT REPORTING

The Group has three segments; Retail Market (RM), Corporate Market (CM) and Real Estate Agency. All income is earned in Norway. RM and CM are the banking businesses related to the two main customer groups. They also include general investment advice to the Bank's customers. The Estate Agency segment is real estate brokerage business. This segment consists of the Aktiv Eiendomsmegling Jæren AS subsidiary.

The accounting principles applied in the preparation the segment information are the same as those applied to the rest of the group financial statements. The Group does not distribute tax or non-recurring gains or losses on the segments. The Group recognizes inter-company transactions according to the arm's length principle. Funding cost is allocated according to capital requirements of RM and CM, respectively. Net commission income is distributed according to sales volume, and common costs according to a cost distribution formula. The Group operates only in Norway.

Group	RM 3 quarter		CM 3 quarter		Estate agency 3 quarter		Unallocated 3 quarter		Total 3 quarter	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net external interest income	59 403	65 521	54 151	55 080					113 554	120 601
Net internal interest income							13	27	13	27
Net interest income	59 403	65 521	54 151	55 080			13	27	113 567	120 628
Net commission income	7 022	6 932	6 590	6 471			-690	638	12 921	14 041
Income from securities	-6 073	-124					4 685	3 312	-1 387	3 188
Other operating income					6 131	5 990	152		6 283	5 990
Total other income	949	6 808	6 590	6 471	6 131	5 990	4 147	3 951	17 817	23 219
Personnel cost	17 008	15 327	9 899	8 828	4 259	4 321	2 646	3 312	33 811	31 788
Other operating cost	17 952	17 952	7 292	8 344	1 896	1 826	604	792	27 745	28 915
Depreciation/writedowns	2 104	3 218	849	1 325	15	52	2		2 971	4 594
Profit before provisions	23 288	35 832	42 701	43 053	-40	-209	908	-126	66 857	78 549
Losses on loans	-5 000	4 522	11 770	8 837					6 770	13 359
Profit before taxes	**28 288**	**31 310**	**30 931**	**34 216**	**-40**	**-209**	**908**	**-126**	**60 087**	**65 190**

Group	RM Year to date		CM Year to date		Estate agency Year to date		Unallocated Year to date		Total Year to date	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Net external interest income	179 594	187 809	167 164	165 300					346 758	353 109
Net internal interest income							40	82	40	82
Net interest income	179 594	187 809	167 164	165 300			40	82	346 798	353 190
Net commission income	19 671	19 240	18 688	18 532			(1 411)	3 100	36 947	40 872
Income from securities	(5 731)	614		168			50 770	41 877	45 039	42 659
Other operating income					21 811	20 859	718	10	22 529	20 869
Total other income	13 940	19 853	18 688	18 700	21 811	20 859	50 076	44 987	104 516	104 399
Personnel cost	48 292	45 422	28 585	27 186	14 013	13 399	7 878	12 241	98 767	98 247
Other operating cost	53 806	52 211	21 871	27 513	5 997	5 771	1 654	2 226	83 327	87 720
Depreciation/writedowns	6 925	10 236	2 783	4 302	54	154	1	-6	9 762	14 685
Profit before provisions	84 511	99 794	132 613	125 000	1 748	1 536	40 584	30 607	259 456	256 937
Losses on loans	(8 655)	9 186	38 220	43 203					29 565	52 388
Profit before taxes	**93 166**	**90 608**	**94 394**	**81 797**	**1 748**	**1 536**	**40 584**	**30 607**	**229 891**	**204 548**
Loans to customers	14 805 274	14 148 399	7 267 385	6 911 597					22 072 660	21 059 996
Other assets					17 571	18 866	4 930 652	4 874 877	4 948 223	4 893 742
Total assets	**14 805 274**	**14 148 399**	**7 267 385**	**6 911 597**	**17 571**	**18 866**	**4 930 652**	**4 874 877**	**27 020 882**	**25 953 738**
Deposits from customers	5 946 938	6 053 127	4 766 691	4 367 294			470 733	239 987	11 184 362	10 660 409
Other liabilities					5 639	5 106	12 923 665	12 578 861	12 929 304	12 583 967
Total liabilities	**5 946 938**	**6 053 127**	**4 766 691**	**4 367 294**	**5 639**	**5 106**	**13 394 398**	**12 818 848**	**24 113 666**	**23 244 375**

4 LOSSES ON LOANS AND GUARANTEES*

Group: 3 quarter 2018	Group: 3 quarter 2017	Group: Jan-Sept 2018	Group: Jan-Sept 2017	Group: The year 2017	Losses on loans and guarantees	Parent bank: 3 quarter 2018	Parent bank: 3 quarter 2017	Parent bank: Jan-Sept 2018	Parent bank: Jan-Sept 2017	Parent bank: The year 2017
	2 540		-37 338	-16 792	Change in individual writedowns during the period (IAS 39)		2 540		-37 338	-16 792
	-5 835		-943	-2 518	Change in group writedowns (IAS 39)		-6 023		1 573	1 693
-4 028		-3 954			Changes in provisions for losses during the period – step 1	-4 128		-4 345		
-4 387		-16 620			Changes in provisions for losses during the period – step 2	-4 230		-16 305		
-94 841		-121 751			Changes in provisions for losses during the period – step 3	-94 841		-121 751		
111 114	16 058	171 294	86 412	86 968	Confirmations of previous writedowns	111 114	16 058	171 294	86 412	86 968
-288	975	2 695	5 377	5 956	Confirmations without previous writedowns	-288	975	2 695	5 377	5 956
-801	-379	-2 098	-1 119	-1 115	Recovery of realized losses in previous periods	-801	-379	-2 098	-1 119	-1 115
6 770	**13 359**	**29 565**	**52 388**	**72 499**	**Losses on loans and guarantees**	**6 826**	**13 171**	**29 488**	**54 905**	**76 710**

* As of 1/1/2018, the group writedowns in step 1 and 2 (IFRS 9) will in the main replace previous group writedowns (IAS 39). Group writedowns in step 3 (IFRS 9) will in the main replace previous individual writedowns (IAS 39).

Changes in provisions for losses, Group:	Step 1 12-month loss	Step 2 Lifetime loss	Step 3 Lifetime loss	Totale writedowns
Provisions for losses as of 12/31/2017 according to IAS 39				**391 522**
Impact of changes in provisions in connection with the transition to IFRS 9				1 964
Provisions for losses as of 1/1/2018 (reworked)	**31 202**	**78 199**	**284 085**	**393 486**
Transfers/movements:				
Transfers from Step 1 to Step 2	-2 094	15 655		13 562
Transfers from Step 1 to Step 3				
Transfers from Step 2 to Step 1	2 102	-18 500		-16 398
Transfers from Step 2 to Step 3		-3 396	21 500	18 104
Transfers from Step 3 to Step 2				
Transfers from Step 3 to Step 1				
New loans and guarantees added during the period	9 215	5 298		14 513
Disposals of loans and guarantees during the period	-4 714	-12 686		-17 399
Changed provisions for losses during the period for loans and guarantees not migrated	-8 463	-2 993	32 201	20 745
Declared losses			-171 294	-171 294
Reversal of previous writedowns			-4 159	-4 159
Provisions for losses as of 9/30/2018	**27 249**	**61 579**	**162 334**	**251 161**

Recognized as a reduction of loans to / claims on credit institutions	295
Recognized as a reduction of loans to customers	246 059
Recognized as provisions for debit items (guarantees and unused lines of credit)	4 807
Provisions for losses as of 9/30/2018	**251 161**

Gross loans and guarantees with writedowns for expected loss recognized in Group balance sheet:

	Step 1	Step 2	Step 3	Total loans
Gross loans and guarantees recognized in the balance sheet as of 1/1/2018	**17 941 043**	**3 993 322**	**544 325**	**22 478 690**
Transfers:				
Transfers from Step 1 to Step 2	-1 079 728	1 058 320		-21 408
Transfers from Step 1 to Step 3				
Transfers from Step 2 to Step 1	1 163 649	-1 204 690		-41 041
Transfers from Step 2 to Step 3		-137 221	139 544	2 323
Transfers from Step 3 to Step 2				
Transfers from Step 3 to Step 1				
New loans and guarantees added during the period	4 070 247	330 361		4 400 608
Disposals of loans and guarantees during the period	-2 456 983	-599 681		-3 056 664
Changes during the period for loans and guarantees not migrated	-193 124	-35 880	-308 872	-537 876
Gross loans and guarantees recognized in the balance sheet as of 9/30/2018*	**19 445 105**	**3 404 531**	**374 996**	**23 224 631**

* The above table is based on gross loans at the time of reporting, including loans to customers, and claims on credit institutions and the central bank. The table does not include value adjustments of fixed rate loans valued at fair value, interest accrued on loans or guarantees/unused lines of credit.

Non-performing and problem loans

The total loans non-performing over 90 days and other performing loans with individual writedowns for losses

Group	9/30/2018			9/30/2018			12/31/2017		
	RM	**CM**	**Total**	**RM**	**CM**	**Total**	**RM**	**CM**	**Total**
Problem loans before individual writedowns for losses (gross):									
Engagement non-performing over 90 days	68 437	88 406	156 843	144 300	64 905	209 205	120 091	64 752	184 843
Performing problem loans	23 205	275 905	299 110	18 484	528 857	547 341	30 394	532 210	562 605
Total loans before individual writedowns for losses (gross)	**91 641**	**364 311**	**455 952**	**162 784**	**593 762**	**756 546**	**150 485**	**596 963**	**747 448**
Individual writedowns of losses on:									
Engagement non-performing over 90 days	1 252	10 628	11 880	19 000	2 600	21 600	20 153	2 300	22 453
Performing problem loans	6 229	144 225	150 454	5 263	236 067	241 330	6 457	255 175	261 632
Total individual writedowns for losses (step 3)	**7 481**	**154 853**	**162 334**	**24 264**	**238 667**	**262 931**	**26 610**	**257 475**	**284 085**
Problem loans after individual writedowns for losses (net):									
Engagement non-performing over 90 days	67 185	77 778	144 963	125 300	62 305	187 605	99 938	62 452	162 390
Performing problem loans	16 976	131 680	148 656	13 220	292 790	306 010	23 938	277 035	300 973
Total loans after individual writedowns for losses (net)	**84 161**	**209 458**	**293 619**	**138 520**	**355 095**	**493 615**	**123 875**	**339 488**	**463 363**
Percentage provision for loans non-performing over 90 days	2%	12%	8%	13%	4%	10%	17%	4%	12%
Percentage provision for performing problem loans	27%	52%	50%	28%	45%	44%	21%	48%	47%

5 COMPUTATION OF CAPITAL ADEQUACY

Group 30.09.2018	Group 30.09.2017	Group 31.12.2017	Subordinated capital	Parent bank 30.09.2018	Parent bank 30.09.2017	Parent bank 31.12.2017
230 149	230 149	230 149	Equity capital certificate capital	230 149	230 149	230 149
-309	-58	-358	Treasury holding of equity capital certificates	-309	-58	-358
811 510	777 269	811 510	The Savings Bank's Fund	811 510	777 269	811 510
1 583 014	1 542 762	1 578 879	Other equity	1 425 471	1 382 083	1 419 251
182 852	159 240		Profits to date	155 451	121 471	
		64 442	Allocated dividend			64 442
		24 128	Provisions for customer dividends			24 128
2 807 216	2 709 362	2 708 750	Equity capital (excluding hybrid capital)	2 622 271	2 510 914	2 549 121
-48 759	-26 416		Deduction for ownership of insignificant assets in the financial sector	-63 877	-41 884	-4 084
	5 283		Transition rule for ownership of insignificant assets in the financial sector		8 377	817
-4 290		-4 308	Deduction prudent valuation	-4 672		-4 065
		-64 442	Deduction for amount allocated to dividends			-64 442
		-24 128	Deduction for provisions for customer dividends			-24 128
-182 852	-159 240		Deduction for earnings to date	-155 451	-121 471	
-39 692	-71 447	-46 659	Deduction for goodwill and other intangible assets	-33 770	-66 329	-40 989
2 531 623	2 457 542	2 569 213	Total core Tier-1 capital	2 364 501	2 289 607	2 412 231
232 900	225 400	225 400	Investment grade bond and hybrid capital	232 900	225 400	225 400
	-2 642		Transition rule for ownership of insignificant assets in the financial sector		-4 188	-408
2 764 523	2 680 301	2 794 613	Total Tier-1 capital	2 597 401	2 510 819	2 637 223
100 000	299 484	299 507	Subordinated loan capital (ex. accrued interest)	100 000	299 484	299 507
-264	-151		Deduction for ownership of insignificant assets in the financial sector	-346	-239	-27
	-2 642		Transition rule for ownership of insignificant assets in the financial sector		-4 188	-408
2 864 260	2 976 992	3 094 120	Subordinated capital	2 697 055	2 805 875	2 936 294
			Risk-weighted capital			
			Market risk – standard method			
14 474 208	13 963 525	14 263 913	Credit risk – standard method	12 243 089	11 835 354	12 126 276
1 055 304	1 088 164	1 055 304	Operational risk	982 775	970 545	982 775
100 339	130 279	121 223	CVA surcharge	58 934	90 722	71 408
15 629 851	15 181 968	15 440 440	Calculation base	13 284 798	12 896 621	13 180 460
18.3	**19.6**	**20.0**	**Capital ratio**	**20.3**	**21.8**	**22.3**
17.7	**17.7**	**18.1**	**Tier-1 capital ratio**	**19.6**	**19.5**	**20.0**
16.2	**16.2**	**16.6**	**Core Tier-1 capital ratio**	**17.8**	**17.8**	**18.3**

Group				Parent bank		
30.09.2018	**30.09.2017**	**31.12.2017**	**Specification of calculation base**	**30.09.2018**	**30.09.2017**	**31.12.2017**
			Standard method			
			Market risk			
46 231	34 003	79 047	Local and regional authorities	46 231	34 003	79 047
166 973	232 787	228 185	Institutions	265 775	330 702	291 766
2 521 667	2 512 642	2 445 560	Companies	2 534 445	2 512 641	2 445 557
363 625	660 053	171 616	Mass market	294 691	645 692	150 612
10 085 410	9 385 036	9 438 883	Loans secured by real estate	7 449 171	6 858 892	6 924 192
390 327	452 032	536 799	Overdue loans	390 327	452 032	536 799
301 657	279 151	265 938	Covered bonds	273 094	258 997	245 785
36 243	85 024	35 474	Fund units	36 243	85 024	35 474
259 483	280 835	278 010	Equity positions	596 652	615 409	624 030
302 591	41 962	784 402	Others	356 458	41 962	793 014
14 474 208	13 963 525	14 263 913	Credit risk	12 243 089	11 835 354	12 126 276
1 055 304	1 088 164	1 055 304	Operational risk	982 775	970 545	982 775
100 339	130 279	121 223	CVA surcharge	58 934	90 722	71 408
15 629 851	**15 181 968**	**15 440 440**	**Total calculation base**	**13 284 798**	**12 896 621**	**13 180 460**

If all profits for the first quarter of the year had been included in the calculation, the Group core Tier-1 capital ratio would have been 17.4%.

Reporting of capital for owner company in cooperating group as of 9/30/2018:

Companies that take part in a cooperating group, shall carry out proportionate consolidation of ownership shares in financial enterprises that is conducting the business comprised by the cooperation, cf. §17-13 (2) of the Financial Institutions Act and supplementary provisions in §16 (3) and §32 (4) of the CRR/CRD regulation. For ownership shares under 10 percent, this obligation is effective from January 01, 2018.

Sandnes Sparebank takes part in a cooperating group with the EIKA Gruppen AS, of which the Bank owns 8.1% of the shares as of 9/30/2018. Consequently, the share of the EIKA Group is consolidated in capital ratio, ref. the below calculation.

Cooperating group with Vipps AS. Previously, the Bank was a shareholder in BankID Norge AS and BankAxept AS, which have now been merged with Vipps AS, and the bank will therefore receive compensatory shares in Vipps AS. The Ministry of Finance has granted dispensation from the requirement of pro rata consolidation for participants in the cooperating group with ownership interests of less than 10 percent. However, the dispensation is granted on the condition that the financial companies deduct the whole book value of the investment in Vipps AS from the core Tier-1 capital. The Bank owns less than 10 percent of Vipps AS, and its book value has been deducted from the core Tier-1 capital, meaning that the Bank does not effect a pro rata consolidation of its ownership share in this financial company.

The impact of the consolidated share on the Group capital ratio as of 9/30/2018, is as follows:

	Core Tier-1 capital ratio	**Tier-1 capital**	**Subordinated capital**
Capital, Group	**2 531 623**	**2 764 523**	**2 864 260**
Proportionate share of capital from Eika Gruppen	80 182	88 292	98 430
Reversal of deduction	48 759	48 759	49 022
Internal eliminations (-)	-76 880	-76 880	-76 880
Deduction for non-transferrable capital (-)			
Group capital after consolidation of share of Eika Gruppen	**2 583 685**	**2 824 695**	**2 934 833**

Calculation base, Group	**15 629 851**		
Proportionate share of net calculation base in Eika Group	431 582		
Elimination of internal claims and capital (-)	-206 655		
Net calculation base after consolidation of share of Eika Gruppen	**15 854 777**		

	Core Tier-1 capital ratio	**Tier-1 capital**	**Subordinated capital**
Capital, Group after consolidation of share in Eika Gruppen	16.3%	17.8%	18.5%

6 NET CHANGE IN VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE

Group | Parent bank

Group: 3 quarter 2018	Group: 3 quarter 2017	Group: Jan-Sept 2018	Group: Jan-Sept 2017	Group: The year 2017	Net change in valuation of financial instruments at fair value	Parent bank: 3 quarter 2018	Parent bank: 3 quarter 2017	Parent bank: Jan-Sept 2018	Parent bank: Jan-Sept 2017	Parent bank: The year 2017
6 340	4 001	15 397	9 894	11 679	Net change in valuation of currency and financial derivatives	6 340	4 001	15 397	9 894	11 679
-4 528	235	-7 779	-2 303	-3 637	Net change in valuation of loans at fair value	-4 528	235	-7 779	-2 303	-3 637
-9 627	-3 164	-10 100	6 272	3 959	Net change in valuation of notes and bonds	-3 397	-3 040	-3 926	5 658	6 139
5 237	56	16 684	2 955	3 678	Net change in valuation of equities	5 237	56	16 684	2 233	2 104
1 173	-401	542	-1 133	-812	Net change in valuation of financial liabilities	1 173	-401	542	-1 133	-812
-7 745	-3 274	-652	5 791	3 189	Net change in valuation of financial instruments, determined recognized at fair value	-1 515	-3 149	5 521	4 455	3 794
-32 917	-2 758	-119 363	6 531	-4 782	Net change in valuation of financial derivatives, hedging	-21 025	-610	-67 989	11 308	1 962
32 917	2 758	119 363	-6 531	4 782	Net change in valuation of hedged financial liabilities	21 025	610	67 989	-11 308	-1 962
					Net change in valuation of hedged items					
-1 405	**728**	**14 745**	**15 686**	**14 868**	**Net change in valuation of financial instruments at fair value**	**4 825**	**852**	**20 918**	**14 350**	**15 473**

7 CLASSIFICATION OF FINANCIAL INSTRUMENTS

In connection with the transition to IFRS9, new principles for the classification and measurement of financial assets have been adopted. The IAS 39 measurement categories for financial assets (fair value through the income statement, available for sale, hold until maturity and loans and receivables at amortized cost) have been replaced by the following three measurement categories pursuant to IFRS 9:
- Amortized cost
- Fair value with valuation changes through comprehensive income (FVOCI)
- Fair value with valuation changes through profit or loss (FVTPL)

The rules for financial liabilities are essentially the same as in the current IAS 39.

For further description of the classification of financial instruments, please refer to Note 46 of the annual financial statements for 2017.

Group 30.09.2018

Assets	Financial assets and liabilities valued at amortized cost	Financial instruments at fair value with valuation changes through profit or loss (FVTPL)	Financial derivatives as hedging instruments	Financial instruments at fair value through comprehensive income (FVOCI)	Non-financial assets and liabilities	Total
Cash and deposits with central banks	580 917					580 917
Loans to and claims on credit institutions	382 474					382 474
Loans to customers*	21 362 071	710 588				22 072 660
Notes and bonds		3 321 141				3 321 141
Equities		187 664				187 664
Financial derivatives		29 460	96 618			126 078
Accrued income					10 232	10 232
Financial instruments with valuation changes through comprehensive income				255 414		255 414
Other assets					84 302	84 302
Total assets	**22 325 463**	**4 248 853**	**96 618**	**255 414**	**94 534**	**27 020 882**
Liabilities						
Payable to credit institutions	56 290					56 290
Deposits from customers	10 582 955	601 406				11 184 362
Debt established through the issue of securities	12 346 903					12 346 903
Financial derivatives		40 765	65 872			106 637
Accrued cost					43 191	43 191
Subordinated loan capital	234 448					234 448
Other liabilities					129 293	129 293
Provisions	4 807				7 736	12 542
Total liabilities	**23 225 403**	**642 171**	**65 872**		**180 220**	**24 113 666**

* For the Parent Bank, loans that the Parent Bank may transfer to SSB Boligkreditt AS, are classified at fair valuation changes through comprehensive income (FVOCI), as the business model indicates that the Parent Bank has the intention of collect contractual cash flows, but may also sell/transfer the loans to SSB Boligkreditt AS. As of 9/30/2018, the size of this portfolio is approximately NOK 0.7 billion. In the Group financial statements, the loans are recognized at amortized cost, as the Group does not intend to sell the loans.

Konsern 30.09.2017

Assets	Financial assets and liabilities valued at amortized cost	Financial instruments at fair value through the income statement: Trading portfolio	Financial instruments at fair value through the income statement: Decided recognized at fair value	Financial derivatives as hedging instruments	Financial assets held for sale	Non-financial assets and liabilities	Total
Cash and deposits with central banks	477 452						477 452
Loans to and claims on credit institutions	184 816						184 816
Loans to customers	20 298 535		761 461				21 059 996
Notes and bonds			3 477 707				3 477 707
Equities		178 311					178 311
Financial derivatives		26 526		127 718			154 244
Accrued income	31 077						31 077
Financial instruments for sale					275 235		275 235
Other assets						114 901	114 901
Total assets	**20 991 879**	**204 837**	**4 239 168**	**127 718**	**275 235**	**114 901**	**25 953 738**
Liabilities							
Payable to credit institutions	65 499						65 499
Deposits from customers	10 032 035		628 374				10 660 409
Debt established through the issue of securities	11 696 338						11 696 338
Financial derivatives		63 481		14 467			77 948
Accrued cost	132 091						132 091
Subordinated loan capital	524 884						524 884
Other liabilities	80 211						80 211
Provisions						6 996	6 996
Total liabilities	**22 531 057**	**63 481**	**628 374**	**14 467**		**6 996**	**23 244 375**

Group 31.12.2017

Assets	Financial assets and liabilities valued at amortized cost	Financial instruments at fair value through the income statement: Trading portfolio	Financial instruments at fair value through the income statement: Decided recognized at fair value	Financial derivatives as hedging instruments	Financial assets held for sale	Non-financial assets and liabilities	Total
Cash and deposits with central banks	472 646						472 646
Loans to and claims on credit institutions	172 782						172 782
Loans to customers	20 746 928		725 972				21 472 900
Notes and bonds			3 333 184				3 333 184
Equities		126 491					126 491
Financial derivatives		36 284		118 276			154 560
Accrued income	33 247						33 247
Financial instruments for sale					252 443		252 443
Other assets						81 476	81 476
Total assets	**21 425 603**	**162 776**	**4 059 156**	**118 276**	**252 443**	**81 476**	**26 099 729**
Liabilities							
Payable to credit institutions	36 740						36 740
Deposits from customers	10 305 762		551 681				10 857 443
Debt established through the issue of securities	11 702 343						11 702 343
Financial derivatives		85 746		16 338			102 085
Accrued cost	84 779						84 779
Subordinated loan capital	524 907						524 907
Other liabilities	74 947						74 947
Provisions						7 736	7 736
Total liabilities	**22 729 478**	**85 746**	**551 681**	**16 338**		**7 736**	**23 390 979**

8 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments valued at amortized cost

Group

Assets	30.09.2018 Book value	30.09.2018 Fair value	30.09.2017 Book value	30.09.2017 Fair value	31.12.2017 Book value	31.12.2017 Fair value
Cash and deposits with central banks	580 917	580 917	477 452	477 452	472 646	472 646
Loans to and claims on credit institutions	382 474	382 474	184 816	184 816	172 782	172 782
Loans to customers	21 362 071	21 362 071	21 059 996	21 059 996	20 746 928	20 746 928
Accrued income			31 077	31 077	33 247	33 247
Total assets	**22 325 463**	**22 325 463**	**21 753 340**	**21 753 340**	**21 425 603**	**21 425 603**
Liabilities						
Payable to credit institutions	56 290	56 290	65 499	65 499	36 740	36 740
Deposits from and payable to customers	10 582 955	10 582 955	10 660 409	10 660 409	10 857 443	10 857 443
Debt established through the issue of securities	12 346 903	12 381 804	11 696 338	11 789 693	11 702 343	11 798 124
Accrued cost			132 091	132 091	84 779	84 779
Subordinated loan capital	234 448	233 106	524 884	527 652	524 907	527 457
Provisions	4 807	4 807				
Total liabilities	**23 225 403**	**23 258 962**	**23 079 221**	**23 175 344**	**23 206 212**	**23 304 543**

Financial instruments valued at amortized cost are at level 2 of the valuation hierarchy.

Financial instruments valued at fair value

Determination of fair value at the end of the period pursuant to the valuation hierarchy

Group	Level 1	Level 2	Level 3	Total as of 30.09.2018
Financial instruments at fair value through the income statement				
Loans to customers			710 588	710 588
Notes and bonds		3 321 141		3 321 141
Equities	46 247	125 691	15 726	187 664
Financial derivatives		29 460		29 460
Financial derivatives, hedging instrument		96 618		96 618
Financial instruments at fair value through comprehensive income				
Equities			255 414	255 414
Total assets	**46 247**	**3 572 910**	**981 728**	**4 600 885**
Financial instruments at fair value through the income statement				
Deposits from customers		601 406		601 406
Financial derivatives		40 765		40 765
Financial derivatives, hedging instrument		65 872		65 872
Total liabilities		**708 043**		**708 043**

Determination of fair value at the end of the period pursuant to the valuation hierarchy

Group	Level 1	Level 2	Level 3	Total as of 30.09.2017
Financial instruments at fair value through the income statement				
Loans to customers			761 461	761 461
Notes and bonds		3 477 707		3 477 707
Equities	14 774	163 537		178 311
Financial derivatives		26 526		26 526
Financial derivatives, hedging instrument		127 718		127 718
Financial instruments available for sale				
Equities			275 235	275 235
Total	**14 774**	**3 795 488**	**1 036 696**	**4 846 958**
Financial instruments at fair value through the income statement				
Deposits from customers		628 374		628 374
Financial derivatives		63 481		63 481
Financial derivatives, hedging instrument		14 467		14 467
Total		**706 322**		**706 322**

Determination of fair value at the end of the period pursuant to the valuation hierarchy

Group	Level 1	Level 2	Level 3	Total as of 31.12.2017
Financial instruments at fair value through the income statement				
Loans to customers			725 972	725 972
Notes and bonds		3 333 184		3 333 184
Equities	13 474	113 017		126 491
Financial derivatives		36 284		36 284
Financial derivatives, hedging instrument		118 276		118 276
Financial instruments available for sale				
Equities			252 443	252 443
Total assets	**13 474**	**3 600 761**	**978 415**	**4 592 651**
Financial instruments at fair value through the income statement				
Deposits from customers		551 681		551 681
Financial derivatives		85 746		85 746
Financial derivatives, hedging instrument		16 338		16 338
Total liabilities		**653 766**		**653 766**

Reconciliation of movements from Level 3 from 12/31/2017 to 9/30/2018

Group	Loans	Shares at fair value through compre-hensive income (FVOCI)*	Shares at fair value through profit and loss (FVTPL)	Total
Balance as of 12/31/2017	725 973	252 443		978 416
Reclassification of financial instruments with transition to IFRS 9		-15 038	15 038	
Recognized profit/loss in the current income statement	-7 779		1 444	-6 336
Recognized gains/losses in other income / OCI		14 535		14 535
Purchase	218 577	3 474		222 051
Settlement	-226 182		-756	-226 938
Balance as of 9/30/2018	**710 588**	**255 414**	**15 726**	**981 728**

* The Available for sale category does not exist in IFRS 9. As of 1/1/2018, shares and units are valued at fair value with changes in value over profit and loss (FVTPL), except the Bank's investment in EIKA Gruppen AS, which is classified as financial instruments with valuation changes through comprehensive income (FVOCI) as this investment is considered strategic for the Bank.

9 SECURITIES DEBT D

Group			Parent bank	
30.09.18	**31.12.17**	**Debt securities in issue**	**30.09.18**	**31.12.17**
15 374 903	14 247 343	Bond loan, adjusted for interest and premium/discount	8 925 106	7 628 365
-3 028 000	-2 545 000	Bond issues, own holdings	-3 028 000	-1 945 000
12 346 903	**11 702 343**	**Total debt securities in issue**	**5 897 106**	**5 683 365**

Change in securities debt Group	**Balance as of 31.12.2017**	**Issued**	**Matured/ redeemed**	**Other changes**	**Balance as of 30.09.2018**
Bond debt, nominal value	11 620 000	3 900 000	3 225 000		12 295 000
Interest / value adjustments	82 343			-30 440	51 903
Total debt securities in issue	**11 702 343**				**12 346 903**

Endring i verdipapirgjeld Mor	**Balance as of 31.12.2017**	**Issued**	**Matured/ redeemed**	**Other changes**	**Balance as of 30.09.2018**
Bond debt, nominal value	5 625 000	2 300 000	2 083 000		5 842 000
Interest / value adjustments	58 365			-3 259	55 106
Total debt securities in issue	**5 683 365**				**5 897 106**

Bonds	**Face value**	**Final due date**
Issued by Parent Bank		
NO0010649940	400 000	20.06.2022
NO0010814171	800 000	16.01.2023
NO0010692924	1 000 000	06.11.2018
NO0010714041	700 000	27.06.2019
NO0010724495	700 000	02.06.2020
NO0010729296	700 000	14.01.2020
NO0010730450	400 000	10.02.2021
NO0010745011	700 000	11.12.2020
NO0010746324	700 000	29.09.2022
NO0010756687	600 000	28.01.2019
NO0010812779	1 000 000	21.12.2023
NO0010778822	570 000	18.11.2021
NO0010831712	200 000	11.03.2024
NO0010823891	300 000	04.06.2021
NO0010831944	100 000	19.06.2024
Total nominal value of bonds issued by the Parent Bank	**8 870 000**	
NO0010697691	85 000	04.12.2019
NO0010731938	2 000 000	15.06.2022
NO0010718331	2 000 000	03.09.2020
NO0010753320	425 000	18.03.2026
NO0010704232	343 000	25.02.2021
NO0010822398	600 000	08.05.2024
NO0010833254	1 000 000	27.09.2024
Total nominal value of bonds issued by the mortgage company	**6 453 000**	
Total nominal value of bonds in aggregate	**15 323 000**	

The bond issues are recognized at amortized cost. Hedge accounting is used for the Bank's fixed rate bonds.

10 SUBORDINATED LOAN CAPITAL

	Group/Parent bank	
	30.09.2018	**31.12.2017**
Subordinated loan capital, nominal value	100 000	300 000
Hybrid capital bonds, nominal value	132 900	225 400
Interest / value adjustments	1 548	-493
Total subordinated loan capital	**234 448**	**524 907**

Change in subordinated loan capital, Group

	Balance as of 31.12.2017	Borrowing	Matured/ redeemed	Other changes	Balance as of 30.09.2018
Subordinated loan capital	300 000	100 000	300 000		100 000
Hybrid capital bond loan	225 400		92 500		132 900
Interest / value adjustments	-493			2 041	1 548
Total subordinated loan capital	**524 907**				**234 448**

Year of issue	Terms and Conditions	Maturity	Call date	Nominal value
Subordinated loan, time-limited				
2018	3 mnd NIBOR + 1.55%	16.02.2028	16.02.2023	100 000
Total nominal value of subordinated loans				100 000
Hybrid capital bond, perpetual				
2014	3 mnd NIBOR + 3.75%	IA	22.01.2019	132 900
Total nominal value of perpetual hybrid capital bonds				132 900

Also in the 3rd quarter 2018, the Group issued a new investment grade bond with a nominal value of NOK 100 million (ISIN NO0010832553). For accounting purposes, this is recognized as hybrid capital and is part of the Group's equity capital.

Alternative performance measurements

The alternative performance measurements (APM) of Sandnes Sparebank are key ratios intended to provide useful additional information to the financial statements. These key ratios are either adjusted key ratios or key ratios not defined in IFRS or other legislation, and are not necessarily directly comparable with the corresponding key ratios of other companies. The APM metrics are not substitutes for accounting data prepared according to IFRS, and should not be given any more emphasis than the accounting data. They are, however, included in the financial reporting of the Bank in order to provide a fuller description of the Bank's performance. The Bank is exclusively using key ratios that are in demand by investors and analysts.

The APM metrics of Sandnes Sparebank are used in the summary of main numbers, in the Report of the Board of Directors, in the presentation of the financial statements and in prospectuses. All APM metrics are shown with corresponding numbers for previous periods for comparison.

Definitions of APMs;

Deposit to loan ratio
CB deposits from customers / CB net lending to customers.

Liquidity indicator (LCR)
Liquid assets / Net liquidity disposals within 30 days in a stress scenario.

Net Stable Funding Ratio (NSFR)
Available stable funding / necessary stable funding.

Interest margin / Net interest income
((Net interest income / days in period) x days in year) / average total assets.

Interest margin / net interest income incl. Guarantee Fund fee
((Net interest income incl. normal share of guarantee fund fee / days in period) x days in year) / average total assets.

Cost to income ratio
Total operating cost / (net interest income + total other operating income).

Total cost in % of avg. total assets
((Total operating cost) x days in period) x days in year) / average total assets.

Return on equity before taxes
(Profits before taxes / days in period x days in year) / ((total equity CB + total equity OB) / 2, ex. hybrid capital.

Return on equity after taxes
(Profits after taxes / days in period x days in year) / ((total equity CB + total equity OB) / 2, ex. hybrid capital.

Equity capital certificate ratio
(Equity certificate capital + treasury equity capital certificates + premium + equalization reserves) / (equity certificate capital + treasury equity capital certificates + premium + equalization reserves + Savings Bank's Fund + Gift Fund).

Earnings per equity capital certificate
(Profits after taxes x equity capital certificate ratio) / number of equity capital certificates.

Book equity per equity capital certificate
(CB total equity - hybrid capital) x equity capital certificate ratio / number of equity capital certificates.

Price/book equity (P/B)
Quoted price / book equity per equity capital certificate.

Operating earnings before losses and taxes
Profits after taxes + tax cost + writedowns and losses on loans and guarantees.